Appendix 1: Revenue Budget Monitoring Report

Financial Year 2023/24 Period 2

Executive 26th July 2023

Revenue Finance Executive Summary

- The Council is forecasting to overspend against its Revenue Budget for 2023/24 by £8.732m, mainly pertaining to a £5.2m overspend in Adult Social Care due to an overspend in long-term care, and a £2.7m overspend in Children's Services due to increases in External Residential costs, with other variances totalling £0.8m.
- Planned total Directorate savings in 2023/24 total £25.2m. Of these £8.3m (33%) are high risk, £1.8m (7%) are medium risk and £15.1m (60%) are low risk in that they are on track to be achieved or mitigated. Work is ongoing to find alternative savings where original plans may not be achieved.

Summary P2	Original Budget	Revised Budget	Projected Outturn	Variance from Budget
	£000	£000	£000	£000
Total Corporate Resources Available	**(745,218)**	**(747,832)**	**(747,832)**	**0**
Total Corporate Costs	**123,025**	**125,435**	**125,435**	**0**
Children's Services	138,234	137,662	140,402	2,740
Adult Social Care	211,947	211,234	216,479	5,245
Public Health	41,955	43,409	43,139	(270)
Neighbourhoods	104,103	105,979	106,647	668
Homelessness	31,191	31,322	31,322	0
Growth and Development	(9,733)	(9,558)	(9,709)	(151)
Corporate Core	104,496	102,349	102,849	500
Total Directorate Budgets	**622,193**	**622,397**	**631,129**	**8,732**
Total Use of Resources	**745,218**	**747,832**	**756,564**	**8,732**
Total forecast over / (under) spend	**0**	**0**	**8,732**	**8,732**

Corporate Resources and Costs

- At this early stage in the year corporate resources and costs are forecast at budget. The main risks are pay and price inflation.
- Inflation levels remain high at 8.7% in June, the same as May 2023. £8.9m is available for price and utility increases, which is considered manageable at this stage.
- The 2023/24 budget allows £15.6m for an assumed 2023/24 pay award averaging 6%. This is in line with the current employer's offer. Should any pay award above this level be agreed, this will exceed the current provision in the budget. A 1% increase in pay award would costs c£2.6m.

Children's Services

- As at Period 2 there is a projected year end overspend of £2.740m, this is after taking account of £5.069m mitigations against key pressures.
- The underlying cost drivers relate to higher placement costs for Looked After Children (LAC) and Care Leavers Supported Accommodation, small increases in External Residential and Care Leaver placements numbers, Remand activity, and Home to School Transport pressures. The biggest pressure relates to lack of availability of external residential placements and needs of current cohort, leading to a 44% increase in the unit cost and 6 placements over what was planned for.
- To manage the position this year the Directorate has put in place a plan to mitigate down the financial impact of the pressures.

- The Directorate anticipated the external residential pressures at budget setting and invested in developing provision for those children with the highest level of need. This investment has experienced delays which are attributable to external forces, this impacts on current projections and full impact is expected to be during 2024/25. Hence the need to focus on driving mitigations for current year pressures.

Dedicated Schools Grant (DSG)

- As at Period 2 - DSG overall position is projecting an in-year balanced budget position. The budget was set with an expected surplus to cover previous years deficits, but with the significant pressures of £5.690m in four key areas, education health care plans, education independent sector placements, inter authority placements and post 16. At period 2 it is unlikely the recovery plan agreed by the service will be met in full, due to length of time taken to drive through efficiencies. At this stage this means the deficit is still forecast to remain at the end of 2023/24 at £1.417m. The recovery plan is now estimated to cover £3.990m of the in-year 2023/24 pressures, this is c.50% of the initial recovery plan estimated at £8.382m.

Adult Social Care

- The forecast outturn based on information to the end of May is indicating an overspend of £5.245m. This reflects the national challenges facing health and social care and based on information currently available, it is not prudent to build in expectations on the delivery of the additional demand management savings (£5.5m) from client social care packages.
- A response plan is in development through MLCO Finance Performance Steering Group. There is a significant full year effect of the 14% growth in homecare commissioned hours in 2022/23 not currently within budget assumptions and which is currently being evaluated.
- Activity in key areas is also above 2023/24 budget assumptions, notably older people residential and nursing and homecare and LD supported accommodation. There is potential significant cost of transitions packages to be confirmed. £6.675m of the £14.694m funding envelope for care uplifts has been allocated to date. All demographic funding has been fully deployed. Whilst strong progress on 'prevent, reduce and delay' is being made through BOBL, there will be significant challenges on the budget in 2023/24.

Public Health

- Public Health have a £270k forecast underspend at year end. This coming year will present a number of challenges and opportunities for Public Health as the service look to develop and embed the Making Manchester Fairer (MMF) programme and exit the intensity of the Covid-19 pressure. The MMF programme has a budget of £2.989m and commitments of £2.1m already in progress. A review of all Public Health budgets has been undertaken as they move away from the heavy burden of Covid-19 work and move back into the preventative health arena. Savings of £0.730m are expected to be achieved in full.

Neighbourhoods

- As at Period 2 Neighbourhood Services are forecasting a £0.668m overspend, this is mainly due to ongoing pressures in markets due to the reduced income from Christmas markets, as well as overspend in Parks, Leisure and Youth, this is due to a combination of lost income during the refurbishment of both the Aquatic Centre, and the Abraham Moss Centre increased costs due to costs of taking on management arrangements at both Broadway Leisure Centre and the Wythenshawe active lifestyle centre.
- The pressures above are partially mitigated by underspends in staffing in Compliance and in Libraries. In addition to the forecast staffing underspends there is higher than forecast income in advertising due to the application of the annual contracted inflationary uplift, and in bereavements based on current trends.

Homelessness

- The forecast outturn is a breakeven position. Although there are potential pressures in Homelessness the number of families in B&B accommodation has reduced significantly, this is because of the considerable amount of work which has been undertaken to move on those in B&B and to increase prevention. This reduction contrasts with other LA's where Temporary Accommodation numbers are increasing to levels not seen previously. The decrease in numbers is attributable to the intensive assertive individualised approach, a new off-the-street accommodation offer and increased partnership working to address systematic barriers and gaps between services as people require additional mental health and drug and alcohol support to sustain accommodation.

- The work with Strategic Housing in ensuring the social allocations policy was changed has been fundamental in changing our conversations with people at the front door. The close one-team approach with Housing Services in managing the Manchester Move process and the move on work with Registered Providers has made a significant impact.

Housing Revenue Account (HRA)

- The approved 2023/24 HRA budget is a gross c.£117m and this includes forecast capital investment of c£59.5m, The HRA is forecasting an overall overspend of £8.975m, and this is made up of a combination of higher than forecast costs for both repairs and maintenance and management costs, increased PFI costs due to higher than forecast inflation and increased capital funding in respect of the agreed additional capital investment. The overspends are offset by c£0.546m underspends in respect of higher interest receipts due to higher than forecast interest rates.
- The HRA is a ringfenced account and based on the current forecast P2 position the reserves are forecast to be exhausted by 2032/33, this is based on a number of assumptions and any changes to the assumptions can have a significant impact on the overall business plan over the 30 year period. There are emerging priority areas that are needing to be addressed and the impact on the HRA business plan must be considered in order to ensure it is sustainable going forward.

Growth and Development

- As at Period 2 the Directorate is forecasting a net £151k underspend, this is made up of £207k underspend due to staff savings from only part year appointment to posts in the infrastructure delivery team, offset by £56k pressures from lower than forecast income at Space Studios. Whilst there is a small positive variance there are other areas across the Directorate whereby there are currently no forecast variances but as we progress through the year, any variances will become apparent, this includes the Investment Estate where there are a number of known pressures currently, including Arndale centre rentals, former Computer Centre at Wythenshawe it is expected that these will be mitigated in year through other increased rental income arising from in year rent reviews.

Corporate Core

- As at Period 2 the Corporate Core is forecasting an overspend of £0.5m, this is made up of Chief Executives overspend of £0.8m, partially offset by Corporate Services underspend of £300k.
- Chief Executives main areas of overspending are Elections £0.6m increased costs due to costs of introducing and managing the new voter id requirements, and £250k lower than forecast income in Legal services. A grant claim is being prepared in respect of the additional election costs, but the success or otherwise of the claim is unlikely to be known until later in the financial year.
- The £300k underspend in Corporate Services is due to staffing underspends in both financial management, procurement, and commercial governance £175k and £125k in internal audit.

Appendix 2: Detailed Financial information

Corporate Resources - Breakeven

Corporate Resources	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
Retained Business Rates	(297,929)	(297,929)	0
Business Rates Grants	(87,597)	(87,597)	0
Council Tax	(217,968)	(217,968)	0
Other Specific Grants	(126,577)	(126,577)	0
Use of Reserves	(17,761)	(17,761)	0
Total Corporate Resources	**(747,832)**	**(747,832)**	**0**

Corporate Resources - Financial Headlines

- Business Rates Collection as at the end of May is 24.6% (excluding account credits) compared to 24.9% in 2022/23, 13.3% in 2021/22 and 13.7% in 2020/21.
- Council Tax Collection at end of May is 17.0% which compares to 17.3% in 2022/23, 17.9% in 2021/22, and 16.6% in 2020/21.
- Invoices paid within 30 days is 90.82%, against the target of 95%.
- £4.945m (14%) of £35.026m of pursuable debt is over a year old and still to be recovered by the Council.

Corporate Costs - Breakeven

Corporate Costs	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
Other Corporate Items	51,845	51,845	0
Contingency	600	600	0
Inflationary Budgets and Budgets to be Allocated	24,476	24,476	0
Apprentice Levy	1,060	1,060	0
Levies	39,407	39,407	0
Historic Pension Costs	8,047	8,047	0
Transfer to Budget Smoothing Reserve	0	0	0
Total Corporate Costs	**125,435**	**125,435**	**0**

Corporate Costs - Financial Headlines

- Budgets are on track at this early stage in the financial year. The Consumer Prices Index (CPI) is 8.7% in the 12 months to June 2023, the same as May 2023. At this stage, it is expected price inflation can be contained within the inflation budgets available. Allowance has been made for the 2023/24 pay award in line with the current employer's offer. Should this be settled at a higher level there will be a budget pressure.
- Historic pension payments are increased annually from April by the CPI % rate in September of the previous year. Usually, these costs reduce as the number of recipients fall throughout the year, however, any reductions in volume are likely to be offset by the high increases in pension payments due to September 2022 CPI being 10.1%. This will be closely monitored throughout the year.

Children's Services - £2.740m overspend

Children's Services	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
LAC Placements	47,272	49,791	2,519
LAC Placement Services	8,154	8,284	130
Permanence & Leaving Care	16,415	15,811	(603)

Safeguarding Service Areas	38,012	38,133	122
Children's Safeguarding	**109,853**	**112,019**	**2,166**
Education Services	7,273	7,215	(58)
Home to School Transport	13,676	14,325	649
Targeted Youth Support Service	811	811	0
Education	**21,760**	**22,351**	**591**
Strategic Mgmt. & Business Support	6,049	6,032	(18)
Total Children's & Education Services	**137,662**	**140,402**	**2,740**

Children's and Education Services - Financial Headlines

The Children and Education Services Directorate is responsible for delivering the Council's statutory duties and responsibilities in respect of children in need of help, support and protection. Whilst at the same time ensuring they have access to a high-quality education and learning experience. The overall gross budget totals £234.226m with a net budget totalling £137.662m, on top of this the Directorate is responsible for £364.871m Dedicated Schools Grant (DSG).

£110m of the net Children's Services budget is focused on supporting 5,329 Children in Need and Looked After Children (including Unaccompanied Asylum-Seeking Children) with the balance of the budget focused on Local Authority Education duties and management.

The underlying position is mostly due to higher placement costs for Looked After Children (LAC) and Supported Accommodation for Care Leavers rather than an increase in number of LAC and Care Leavers. The increase in Remand activity, and Home to School Transport price and volume pressures is also contributing the deficit. Of note is that in the last 13 months there has been a 71 drop in LAC with corresponding drop of 23 fostering placements and 39 placed with parents' placements.

As at Period 2 there is a projected year end overspend of £2.740m, this is after taking account of £5.069m mitigations against key pressures. Variances and action to mitigate is provided below:

- **£2.519m LAC placement overspend** due to spend in External Residential costs. Overall LAC placement numbers are 40 below budget however, due to external market forces and the needs of Our Children has led to an increase in prices for external residential placements.
- The external residential placement budget is forecast to overspend if no mitigations take place by £9.677m. £2.979m of this pressure is due to there being 91 placements, 6 placements higher than budgeted for (3 external residential and 3 unregistered), £5.698m of the overspend is due to the average external residential weekly cost being 44% higher than what was budgeted for. The lack of availability of external residential placements and needs of current cohort has led to this significant increase. This price increase has impacted on the achievement of the £3m Managing Demand saving. There has been a significant increase in external residential unit cost since budget setting last year.
- Fostering and Internal Residential budget underspends amount to £3.601m and off-set part of the external residential pressures outlined above. This off-set is available due to the overall stability in Look After Children placement numbers and placement types previously the 2023/24 budget was based on 3% growth compared to last year's placement numbers by type
- The Directorate is undertaking mitigating actions to manage down this pressure amounting to £2.557m in this area. Namely: step downs and transitions plans have been established with the high-cost placements which should lead to a reduction in costs (£1.917m). Delayed opening of Take Breath models (£0.640m).

- **£130k LAC placement services** overspend on non-staffing budgets in the Leaving Care Service (i.e. travel and premises) and Fostering Service vacancies being filled by agency which is required to support a growing workforce cohort to ensure Fostering Caseworker caseloads remain at a safe and manageable level.
- **£0.603m Permanence and Leaving Care placement** underspends, overall placements numbers are 960, 63 below budget and are helping to off-set LAC pressures outlined above. In addition to the permanence and

leaving care placements there are currently 434 UASC and Care Leaver placements compared to a budget of 430. There are also 131 young people receiving support but are in their own accommodation compared to a budget of 127.

- The current projection is after mitigation of £283k on supported accommodation placements following review of Care Leavers over 18 years old and high cost placements.
- Nationally there has been a rise in children presenting as seeking asylum particularly in the Northwest which has seen an acute rise, the number of UASC placements in Manchester is likely to rise further. Due to increased demand and need for Supported Accommodation and Leaving Care placements the service is having to commission placements out of city at an additional cost of £400 per week, total impact of £1.3m. The Directorate will receive support to mitigate this additional cost from £1m Resettlement Funding.

- **£122k Safeguarding Service overspend.** It has been assumed that a £0.850m remand pressure will be off-set by additional grant funding expected on Remand from Ministry of Justice due to potential change in funding mechanism. Greater Manchester is exploring the participation in a two-Year pilot, Manchester is likely to lead on this so a further resource may be required.
- **£58k Education Services underspend.** Attendance service pressures have been off-set by underspends elsewhere in the service.
- **£0.649m Home to Schools Transport pressure** have increased due to a combination of fuel prices, increased eligible children and a shortage in provision in the market pushing prices up. The service has been reviewed and is reshaping the service delivery. It is expected that the recommendations will enable the service to manage down the pressures. The forecast would have been £2.149m overspent had it not been for mitigation of £500k from grant income and £1m (one-off) additional budget that was agreed at budget setting.
- **£18k Strategic Management and Business Support** staffing underspend.

The lack of availability of external residential placements and needs of current cohort has led to a 44% increase in the unit cost of placements and 6 placements over what was planned for. To manage the position this year the Directorate has put in place a plan to mitigate down the financial impact of the pressures. In addition to this all reserves and grants will be reviewed next month to assess whether further one-off mitigation is available.

The Directorate budget approach is cost avoidance, care planning, commissioning and efficiency, which remains relevant, and the evidence indicates this is the right one to manage avoiding children unnecessarily becoming LAC and excessive high-cost placements. The investment programme has experienced delay which is attributable to external forces this will potentially limit the anticipated impact of current projections whilst expected to have full impact in 2024/25. Hence the need to focus on driving mitigations for current year pressures.

The rising costs of special educational needs transport and increase in demand for Home to School Transport are significant. The service expects that the improvement plan will help to reduce current pressures on an on-going basis. The service is working through whether current and planned measures will bring the position back into balance.

Children's Services Dedicated Schools Grant - £1.417m cumulative overspend

Dedicated Schools Grant (DSG)*	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
Schools Block	202,026	202,026	0
Central Services Block	3,824	3,824	0
High Needs Block	117,527	117,527	0
Early Years Block	41,494	41,494	0
Total in-year	**364,871**	**364,871**	**0**
Deficit b/fwd	**0**	**0**	**1,417**
Overall DSG position	**364,871**	**364,871**	**1,417**

*The DSG Budget is a ringfenced account and is not part of MCC's General Fund Budgets.

Dedicated School Grant (DSG) - Financial Headlines

Dedicated Schools Grant (DSG) in 2023/24 totals £674m, of which £309m is top sliced by the Department for Education (DfE) to pay for academy budgets leaving a £364.871m budget that is directly managed by the Council and its maintained schools. This includes additional grant funding provided for the high needs block (HNB) of £5m allocated by the DfE in recognition for schools cost pressures.

The high needs block before mitigating actions have been taken has £3.990m of pressures in four key areas: education health care plans (EHCP), education independent sector placements, inter authority placements and post 16. As at the end of May 2023it is unlikely the high needs block recovery plan agreed by the service will be met in full, due to length of time taken to drive through efficiencies, in an area where demographic pressures continue to drive demand. The recovery plan is now estimated to cover £3.990m of the in-year 2023/24 pressures, this is c.50% of the initial recovery plan estimated at £8.382m. Therefore, the deficit brought forward from last financial year of £1.417m is still forecast to remain at the end of 2023/24.

At this stage in the year there are no indications that there will be variances in the other DSG blocks.

Adult Social Care / Manchester Local Care Organisation - £5.245m overspend

Adult Social Care	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
Long Term Care:			
Older People/Physical Disability	47,837	52,162	4,324
Learning Disability	58,845	61,876	3,031
Mental Health	24,434	26,542	2,108
Disability Supported Accommodation Service	16,702	17,456	754
Investment funding	10,715	10,714	(1)
Sub Total	**158,533**	**168,750**	**10,217**
Short Term Care:			
Reablement/Short Term Intervention Team	8,400	8,250	(150)
Short Breaks/Respite/Day Centres/Neighbourhood Apartments	5,334	5,531	197
Equipment & Adaptations	4,954	4,654	(300)
Carers/Voluntary Sector	3,326	3,320	(6)
Sub Total	**22,014**	**21,755**	**(259)**
Infrastructure and Back Office:			
Social Work teams	17,456	16,693	(763)
Safeguarding/Emergency Duty	3,582	3,700	118
Brokerage teams	1,420	1,422	2
Management and support	8,229	4,159	(4,070)
Sub Total	**30,687**	**25,974**	**(4,713)**
Total Adult Social Care	**211,234**	**216,479**	**5,245**

Adult Social Care - Financial Headlines

The forecast outturn based on information to the end of May is indicating an overspend of £5.245m. This reflects the national challenges facing health and social care and based on information currently available, it is not prudent to build in expectations on the delivery of the additional demand management savings from client social care packages. The Better Outcomes Better Lives (BOBL) Board is overseeing all programmes of work aimed at prevent, reduce and delay care costs. The BOBL programme remains the primary source of reducing spend whilst also helping citizens to achieve independence and better life outcomes, by preventing, reducing and delaying demand into adult social care. These achievements have been supported by operating a strengths-based approach and implementing an improved short-term care offer and improved commissioning practices. Throughout 2022/23 the number of clients in >65 residential and nursing placements reduced from 839 at the start of the year to 698 at outturn. As at period 2, there are 717, with a high proportion requiring additional 1-2-1 support. This is higher than modelled and places a pressure on the budget. In addition to the increase in >65s, there is an additional 7 clients into external learning disability supported accommodation placements since outturn. Here, numbers have increased from 313 at period 9, 316 at outturn, to 323 at period 2. Some of these clients have transitioned from Children's Services on high-cost packages.

Key considerations include:

- The full year effect of the 14% increase in homecare through 2022/23 is substantial and currently being evaluated against the Period 2 position (£1.3m overspend);
- Full delivery of the £4.142m savings target through increasing the vacancy factor on all staffing budgets, releasing £2.275m from the ASC reserve to smooth savings in year, a review of transport usage and re-financing of assessment posts to the DFG;
- £14.694m of funding is fully deployed to support the care market with a notable increase in fees, which also start to move towards a 'fair cost of care';
- £2m of reserves agreed for support to the care market together with all remaining funding (£1.508m) not yet deployed is utilised to offset activity pressures and the demand management savings;
- The investment programme (£3.118m) agreed in the 2023/24 budget will be substantially delivered, this will be further assessed at Period 4.

The key financial risks are:

- 2023/24 is the final year of the three-year BOBL savings programme with an agreed saving target of £8.977m to be delivered in 2023/24. £3.477m is achieved through prevent, reduce and delay approaches. The balance of £5.500m is to be delivered through specific additional demand management interventions. Key components notably mental health £1.5m and Learning Disability £2m are considered to be very high risk. The complex review team is currently being established. The current increase in client numbers on older people residential and nursing (+19) similarly signals an increase in risk on this aspect £1.5m (target is reduction of -42) and similarly homecare hours have increased (483 hrs pw) against a target reduction of 590 hrs pw, impacting on the delivery of £0.5m saving;
- Work with Children's Services is suggesting an increase in transitions packages during this year with potential for significant cost transfer (all confirmed package costs have been included in the forecast);
- The financial position on Disability Services Accommodation Service DSAS (£0.7m overspend) detailed below, may be further impacted by the uplift in agency costs from 2022/23 which is currently being evaluated; and
- There is significant work underway to fully programme manage the delivery of the proposed saving programme ahead of 2024/25.

Long Term Care

- The forecast position at P2 is an overspend of £10.217m on long term care.
- The £10.217m pressure is broken down as £3.031m on learning disabilities, (increased placements in supported accommodation), £2.860m on >65s residential and nursing provision, (increased placement numbers), £2.108m on Mental Health services, £1.484m on >65s homecare provision and £0.754m on the in-house supported accommodation provision.
- The investment funding is available to support the payment to providers of the real living wage (RLW). This includes the requirement through the market sustainability plan to 'move towards' a fair cost of care.

Infrastructure and Back Office

- The forecast outturn position at P2 is an underspend of £4.713m.
- The underspend on social work teams is (£0.763m) comprising £345k on the hospital teams, £85k on INT teams and £333k on specialist learning disability teams. The underspend confirms the challenges in recruiting and retaining qualified social workers, however, we are now seeing positive improvements with 57% of recently advertised roles currently going through pre-employment checks.
- Management and support have a forecast underspend of £4.070m. This includes £3m of staffing investment fund which will be allocated into services following recruitment, a £2m care support reserve and a £1.5m contingency to mitigate the demand management saving.
- As at Period 2 the following assumptions are incorporated into the forecast:

- £2m from reserves to support the care market, £1.5m of funding held as a contingency to mitigate the demand management savings.
- Staffing underspends of £0.570m across the Control Room, Admin and Support Services

Public Health - £270k underspend

Public Health	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
Public Health Core Staffing	3,489	2,894	(595)
Public Health - Children's Services	4,375	4,375	0
Early years - Health Visitors	11,164	11,164	0
Drugs and Alcohol	9,314	9,404	90
Sexual Health	9,021	9,021	0
Wellbeing	5,847	6,083	236
Other	200	198	2
Contribution to Reserves	0	0	0
Total Public Health	**43,409**	**43,139**	**(270)**

Public Health - Financial Headlines

- Public Health have a £270k forecast underspend at year end. This coming year will present a number of challenges and opportunities for Public Health as the service look to develop and embed the Making Manchester Fairer programme and exit the intensity of the Covid-19 pressure. The MMF programme (included in the Wellbeing section above) has a budget of £2.989m for 2023/24 (non-recurrent) and commitments of £2.1m already in progress. At this stage in the year, the service will be looking to maximise the full £2.989m and further updates on this will be provided to the MMF Board throughout the year.
- A review of all Public Health budgets has been undertaken as they move away from the heavy burden of Covid-19 work and move back into the preventative health arena. More detail will be provided in future reports to support this work, as will confirmation of the Agenda for Change funding referred to below. Savings of £0.730m are expected to be achieved in full.
- There are underspends across the staffing budgets of £0.595m due to vacant posts and the maximisation of external funding, and underspends on other indirect staffing costs. The specialist nature of roles results in an extended timeline for any recruitment. The forecast allows for posts to be filled from September. The forecast reflects the move of the EDI Team into Public Health.
- Negotiations with Health partners regarding 'Agenda for Change' health staff pay uplifts is continuing. The wider national negotiations confirm central government funding into ICBs to cover Agenda for Change increases. The forecast position assumes all increases will be funded in full.
- Sexual health contracts are assumed balanced until the first quarter activity information is received. Nationally and locally demand for these services is increasing and this will be closely monitored in the coming months.
- The Wellbeing contracts have a £200k pressure on the MCR Active programme. This is covered by the staffing underspend at this stage in the year. £0.869m of the Wellbeing service budget will now be delivered through Neighbourhoods directorate and the budget transferred.

Neighbourhoods - £0.668m forecast overspend

Neighbourhoods	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
Compliance and Community Safety	11,452	10,952	(500)
Libraries, Galleries and Culture	9,955	9,642	(313)
Neighbourhood Area Teams	5,823	5,823	0
Neighbourhood Management & Support	1,285	1,304	19

Operations and Commissioning	47,540	48,204	664
Other Neighbourhood Services	146	146	0
Parks, Leisure, Events and Youth	9,197	9,995	798
Subtotal	**85,398**	**86,066**	**668**
Highways	20,581	20,581	0
Operational Property	0	0	0
Total Neighbourhoods	**105,979**	**106,647**	**668**

Neighbourhoods - Financial Headlines

Neighbourhood Services – are currently forecasting a £0.668m overspend, this is mainly due to ongoing pressures in markets due to the reduced income from Christmas markets, increased costs in Parks, Leisure and Youth due to loss of income whilst refurbishment is undertaken and increased costs because of step in arrangements at two centres. The pressures are partially offset by staffing underspends in Libraries, compliance and community safety and higher than forecast income in advertising and bereavements. Further details are set out below for each service area.

- **Compliance and Community Safety** - £0.5m underspend is mainly due to net forecasted staffing underspends. The service has recently completed a service redesign, all vacant posts have either been recruited to or are in the process of being recruited to. There are currently 15 vacant posts but due to time taken to obtain necessary police vetting requirements it is assumed that these will only be filled part year. **Libraries, Galleries and Culture** – £313k underspend to vacant posts, the service has 17 vacant posts at the end of May, the service are proactively recruiting on an ongoing basis but the current underspend reflects the turnover in posts, and the time taken to recruit, appoint and get people into posts.
- **Operations and Commissioning** - £0.664m overspend – largely due to income shortfalls for Markets, partly offset by underspends on Advertising and Other Business Units.
    - £1m shortfall in Christmas Markets due to the ongoing unavailability of Albert Square. The losses due to closure are time limited and it is anticipated that Albert Square may be available for Christmas 2024 markets, there will be opportunities for increased income generation once the enlarged space at Albert Square is reopened.
    - Advertising over achievement of income of £287k, due to an annual inflationary uplift that was higher than what was reflected in the budget and higher than forecast profit share income, this is based on the annual performance of each site. Other Business Units £168k underspend linked to higher than forecast income in bereavement Services.
    - Wholesale, Retail & City Centre Markets, £103k underachievement of income, the main pressures are, markets not achieving the forecast income because of ongoing lower footfalls post Covid, exacerbated by the ongoing cost of living crisis and economic uncertainty, Sunday Market Car Boot (£75k) and Church Street (£28k), at Church Street 4 of the 11 units are vacant.
    - Off St Parking – Whilst the service is forecasting a breakeven position, there are several inflationary pressures, these include £273k increased enforcement costs following the recent procurement exercise and £265k in relation to Piccadilly Gardens rents, waste collection charges and costs of business Rates. A submission has been made against the corporate inflation budget. The income for the first two months of the year is below the profiled budget, however, it is too early to assess if this will continue ongoing particularly in the early months of year so we are assuming breakeven on income and will retain this under review.
    - **Parks, Leisure, Events and Youth** - £0.798m overspend due to £0.540m Leisure overspend from income losses at the Manchester Aquatic Centre (MAC) car park and Abraham Moss (both currently closed and undergoing major refurbishment), along with the additional costs of financial support to the operators of Broadway Leisure Centre. The loss of income at both the MAC and Abraham Moss it is expected to be time limited due to the closure of facilities whilst undergoing refurbishment and is forecast to recover once the facilities reopen in July 2023. Once reopened further work is required to understand the full effect of the pandemic and ongoing cost of living crisis on the usage of both centres to see if income is lower than forecast.

- Events £50k overspend due to costs of ensuring fan safety along the route of the MCFC parade that took place in June 2023. There is a £100k risk around commercial income and sponsorship for events against a budget of £0.5m, but this will continue to be monitored on an ongoing basis and work will continue to identify additional commercial opportunities to offset any shortfall in income.
- Youth Services is forecasted to overspend by £208k due to additional costs of support for Wythenshawe Active Lifestyle Centre where MCC have stepped in to provide additional support to maintain provision at the site.

- **Highways** Breakeven, whilst the service is recording a £0.845m underspend on staffing costs, this is being offset through the use of consultants.
- **Operational Housing** – although this is a net nil to Neighbourhoods mainstream budgets there is a pressure on the repairs and maintenance contract which is covered in the HRA report below.

Homelessness - forecast Breakeven

Homelessness	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
Asylum	60	51	(9)
B&B's (Room only)	4,007	3,052	(955)
Dispersed & Leasing Accommodation	12,772	12,772	0
Externally Commissioned Services	8,071	8,071	0
Homelessness Prevention Staffing & Move On	3,654	4,161	507
In House Accommodation	2,758	3,215	457
Total	**31,322**	**31,322**	**0**

Homelessness - Financial Headlines

The forecast outturn is a breakeven position. Although there are potential pressures in Homelessness the number of families in B&B accommodation has reduced significantly, the reduction is a result of considerable work which has been undertaken to find alternative settled accommodation for those in B&B and to increase prevention, so that new presentations to the Council do not require Temporary Accommodation. This reduction contrasts with other LA's where Temporary Accommodation numbers are increasing to levels not seen previously. The decrease in numbers is attributable to the intensive assertive individualised approach, a new off-the-street accommodation offer and increased partnership working to address systematic barriers and gaps between services as people require additional mental health and drug and alcohol support to sustain accommodation.

Overview of main cost drivers in Homelessness:

<u>B&B Room Only</u>. An underspend of £0.955m is forecast. At the end of May 2023, the numbers supported in B&B were 44 families and 237 singles. It is anticipated that the reduction in families supported will continue on the current trajectory and that by the end of June 2023 the routine use of B&B's for families in Manchester will have ended which would be an amazing achievement for the City. If B&B numbers for families were to reduce to 10 per night on a permanent basis, then the budget would be sufficient to support 228 singles in future years.

<u>Dispersed Accommodation and Leasing.</u> Balanced budget. A key component of the reduction in B&B and Nightly Paid is the development of Leasing schemes over the next 5 years, funding secured from DLUHC and GMCA as detailed in the Budget Report. The Leasing schemes are an agreement between the Council and Private Providers to provide private rented properties as temporary accommodation for a period of 5 years, meaning the Council can offer a level of stability until they are rehoused permanently.

<u>Homelessness Prevention Staffing and Move On</u>, £0.507m overspend, a key focus of the service is to increase the prevention of homelessness. Managers in Housing Solutions are working through an intensive four-week case review

period with Housing Solutions Officers to review all open homeless cases. The case reviews are an opportunity to maximise prevention opportunities by reviewing the current situation and put in place innovative and creative solutions. Officers are supported with good practice and direction on cases which can be closed through effective interventions. Case reviews to date have led to a reduction of open cases from 1,721 at the start of April to 1,377 at the end of May. Case review activity will continue at the end of the intensive four-week period with a shift towards new cases. The impact of the case reviews will be the ongoing reduction in referrals to temporary accommodation because of the early identification of opportunities to prevent homelessness. As the expenditure in B&B's reduces Homelessness would seek approval to vire budgets from B&B to Prevention to mainstream this approach into the service. The change to the allocations policy enabling people to retain their Band 2 status on Manchester Move if they accept a PRS offer or if they are homeless at home. There has been a change in approach by the Private Rented Sector team to move people on quickly to the right accommodation direct from their presenting accommodation or a B&B setting, thereby avoiding the need to use temporary accommodation. There has also been a focus placed on prevention which has resulted in less people needing emergency accommodation.

<u>In House Accommodation</u>, a forecast overspend of £457k due to the proposed continuation of Etrop Grange in 2023/24. Etrop Grange was opened at the beginning of October 2022, initially to increase the availability of accommodation during the winter period. It provides 64 single unit rooms to people who are sleeping rough on the streets. Referrals are made via outreach services for people who are confirmed and verified as sleeping on the streets. Since opening Etrop Grange has taken 418 bookings. To date, 184 people have had positive move-ons into supported accommodation, longer term settled accommodation or reconnected with friends and family. Due to the success of Etrop, officers are looking to continue the accommodation until March 2024, providing an off the street offer over the winter period. Both DLUHC and GMCA are supportive of the off the street offer at Etrop and are working with MCC to identify a longer-term offer, DLUHC have funded £337k in year on the basis that this offer will continue. This provision is a key driver in the reduction in rough sleeper numbers in the City, while Manchester's number of rough sleepers are decreasing many other areas are facing an increase.

<u>Resettlement Funding</u>. Currently, there are 3 main cohorts who are being provided with support in the city. These are, the Afghanistan Resettlement Service, provided by the Council on behalf of the Home Office. The Ukraine Support Service, provided by the Council on behalf of the Department for Levelling Up, Homes and Communities (DLUHC). The Asylum Service, consisting of both contingency hotel and dispersed property accommodation, provided by Serco on behalf of the Home Office. Work is ongoing with the Home Office and DLUHC to understand the impact of recent government announcements to end the use of Bridging Hotels in cities such as Manchester and to move both Afghan and Ukrainian families into longer term accommodation with support. Funding available will be driven by the numbers who remain in Manchester, work is ongoing with families to assess what is affordable to them both in the short and long term.

Homelessness Additional Grant Funding

In March 2023, it was announced that the Local Authority Housing Fund would be expanded by £250 million for a second round of funding (LAHF R2), with the majority of the additional funding used to house those on Afghan resettlement schemes (ARAP/ACRS) currently in bridging accommodation and the rest used to ease wider homelessness pressures. Indicative funding of £1.120m has been allocated to Manchester as part of the Local Authority Housing Fund (Round 2) to purchase an additional 10 properties, this would require capital match funding of £1.380m.

In June 2023 an allocation of the £150 million funding for 2023/24 to support Ukrainians into sustainable accommodation was announced, Manchester's allocation of this funding is £0.969m. This is classed as Homelessness Prevention Grant top up grant. As a top-up to the existing Homelessness Prevention Grant, this grant is ringfenced for homelessness to target those most in need and to ensure local authorities are resourced to take action to prevent homelessness and continue to implement the Homelessness Reduction Act 2017. The purpose of this specific top up is for you to maximise supporting the Ukrainian cohort into sustainable accommodation, for example through access to the private rental sector, employment support, facilitating ongoing sponsorship into guests' second year and other upstream support, in line with the flexibility that the HPG conditions afford.

Housing delivery and Housing Revenue Account (HRA)

Housing Revenue Account (HRA)	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
Housing Rents	(67,556)	(67,556)	0
Heating Income	(1,736)	(1,736)	0
PFI (Private Finance Initiative) Credit	(23,374)	(23,374)	0
Other Income	(1,974)	(2,520)	(546)
Funding from General/MRR Reserves	(22,808)	(22,808)	0
Total Income	**(117,448)**	**(117,994)**	**(546)**
Operational Housing R&M & Management Costs	31,620	35,517	3,897
PFI Contractor Payments	34,212	34,434	222
Communal Heating	2,889	2,889	0
Supervision and Management	8,866	8,866	0
Contribution to Bad Debts	679	679	0
Depreciation /RCCO - to fund capital expenditure	35,500	41,002	5,502
Other Expenditure	980	980	0
Interest Payable and similar charges	2,702	2,702	0
Total Expenditure	**117,448**	**126,969**	**9,521**
Total HRA	**0**	**8,975**	**8,975**

Housing Revenue Account (HRA)	Opening Balance	Budgeted Adjustment	Forecast Closing Balance	Additional Adjustment	Revised Forecast Closing Balance
	67,927	**(22,808)**	**45,119**	**(8,975)**	**36,144**

Housing Revenue Account - Financial Headlines

The approved 2023/24 HRA budget is a gross c.£117m and this includes forecast capital investment of c£59.5m, The HRA is forecasting an overall overspend of £8.975m, and this is made up of increased a combination of higher than forecast costs for both repairs and maintenance and management costs, increased PFI costs due to higher than forecast inflation and increased capital funding in respect of the agreed additional capital investment. The overspends are offset by c£0.546m underspends in respect of higher interest receipts due to increased interest rates. A summary of the key variances is set out below: -

The overall overspend of £8.975m is made up of:

Overspends of £9.521m:

- The management and maintenance costs have an overspend of £3.897m. This is due to c£2.179m repairs and maintenance costs, including projected overspends on the day-to-day repairs of c£1.663m this is partly because of surplus carry costs and discussions are underway around resolving this issue in order to reduce costs going forward, and additional works and contract inflation being higher than budget. There are other overspends on non-day to day repairs costs currently forecast to be around £0.516m above budget. There is also a c£1.382m overspend in management costs and £336k relating to Intensive Housing Charges which is an addition to the HRA budget.
- Increased PFI contractor payments £222k – This predominately relates to the budget indexation in the HRA business plan being lower than the actual inflationary indexation applied to the PFI contracts because of ongoing higher inflation.
- Capital investment plans for 2023/24 are currently c£59, this is an increase of c£10m from the original approved budget, and this is largely due to combination of additional capital investment particularly around additional carbon works, and slippage of schemes from 2022/23. Whilst there has been additional grant funding there has also been a call on HRA resources as part of financing the additional investment and the increased resource is £5.502m.

Partly offset by Underspends of £0.546m:

- Other Income is anticipated to be £0.546m higher than budget because of the interest received on balances, due to the increase in the interest rates which is projected to continue for the year.

Growth and Development – £151k Forecast Underspend

Growth & Development	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
Investment Estate	(13,801)	(13,801)	0
MCDA (Manchester Creative Digital Assets)	0	56	56
Growth & Development	160	160	0
City Centre Regeneration	1,454	1,247	(207)
Housing & Major Regeneration	1,329	1,329	0
Planning, Building Control & Licensing	(632)	(632)	0
Work & Skills	1,932	1,932	0
Manchester Adult Education Service (MAES)	0	0	0
Our Town Hall Project	0	0	0
Total Growth & Development	**(9,558)**	**(9,709)**	**(151)**

Growth and Development – Financial Headlines

Growth and Development – Underspend of £151k

- **Investment Estate – Balanced budget –** Whilst the investment estate is currently forecasting a balanced budget, there are several pressures across the estate, they include Arndale Centre (£382k) due to reduced income because of business rates liability on vacant units, former Barclays Computer centre in Wythenshawe (£153k) due to vacant units. In addition to the reduced income, there are also additional costs of £263k in respect of valuation works required to support the annual accounts asset valuations. These are offset by higher than forecast income on several other sites, including Roundthorn and Sharston industrial estates (£310k), general let land (£318k) and other smaller variations (£170k) across the estate. Work is ongoing to review all assets to ensure that rent reviews are reflected as part of the future budget projections.
- **MCDA (Manchester Creative Digital Assets) – £56k overspend –** Work is ongoing to evaluate options around disposing of Space studios and it is likely that the disposal will take place later this year. The overall forecast for MCDA is £56k overspend, and this is mainly due to lower than forecast income at Arbeta due to vacant space, agents have been engaged to market this space to increase the overall income.
- **City Centre Regeneration - £207k underspend** - As part of the 2023/24 budget process, growth of £300k was approved to support establishing the new infrastructure delivery team, the recruitment to the team has been delayed and the £207k relates to savings against this specific budget because of only part year appointments.

Corporate Core - £0.5m forecast overspend

Chief Executives	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
Coroners and Registrars	2,352	2,252	(100)
Elections	1,272	1,872	600
Legal Services	10,259	10,509	250
Communications	3,407	3,407	0
Executive	951	951	0
Sub Total	**18,241**	**18,991**	**750**
City Policy, Performance and Reform & Innovation	15,095	15,145	50
Corporate Items	1,215	1,215	0
Chief Executives Total	**34,551**	**35,3515**	**800**

Corporate Services	Annual Budget	Projected Outturn	Variance from Budget
Finance, Procurement, Commercial Gov.	8,104	7,979	(125)
Customer Services and Transactions	15,103	15,103	0
ICT (Information & Communication Technology)	16,125	16,125	0
Human Resources & OD (Organisational Development)	4,751	4,751	0
Audit, Risk and Resilience	1,698	1,523	(175)

Capital Progs, Operational Property, Facilities Management	22,017	22,017	0
Corporate Services Total	**67,798**	**67,498**	**(300)**
Total Corporate Core	**102,349**	**102,849**	**500**

Corporate Core - Financial Headlines

Corporate Core is projected to be £0.5m overspent and the key variances relate to: -

- Coroners and Registrars £100k underspend due to the projected overachievement of income of £247k, mainly in relation to increased numbers of weddings and citizenship ceremonies, reduced by £147k staffing pressures within Coroners.
- Elections £0.6m overspend due to additional costs to meet the requirements of the 2022 Election Act in relation to voter ID and accessibility
- Legal Services £250k overspend, mainly due to reduced external income due to a reduced level of service provision to Salford Council and externalising Children's services legal work which is partly reduced by £0.5m underspend on employee budgets as the service has faced challenges recruiting to vacancies. It also includes £1m overspend in relation to children's services legal costs which has been funded by a transfer from reserves in 2023/24 as approved by Executive on the 22 July 2022. The service has commenced its plan around a recruitment drive to reduce external costs and fill vacancies to mitigate this going forward.
- City Policy, Performance and Reform & Innovation £50k overspend - there is reduced income on project activity £116k as there has been a loss of European funding and access to other funding does not cover staffing costs at 100% and an overspend on running costs of £88k mainly due to licenses. This is offset by employee underspends of £154k due to vacancies.
- Finance, Procurement and Commercial Governance £125k underspend due to underspend on employee budgets.
- Audit, Risk and Resilience £175k underspend due to £50k underspend on employee budgets and £125k on the workplace adjustment hub. The plan for the workplace adjustment hub has been approved and recruitment has commenced, the underspend is a result of the timing of the recruitment
- Capital Programmes, Operational Property and Facilities Management is breakeven. There is £234k underspend on employee budgets offset by pressures on Lloyd Street toilets in Facilities Management.

Directorate Savings Achievement - £25.2m

The savings target is made up of:

- Savings agreed for 2023/24 as part of prior year's budget setting £9.781m
- Savings agreed for 2023/24 as part of the 2023/24 Budget setting process total £15.396m

	Agreed in Prior years	2023/24 Budget Setting	Total 2023/24 Savings	Green - (Achieved & Mitigated)	Amber	Red
	£000	£000	£000	£000	£000	£000
Adult Social Care	8,977	4,142	**13,119**	7,469	150	5,500
Children's Services	100	4,411	**4,511**	1,464	287	2,760
Corporate Core	304	3,365	**3,669**	3,669	0	0
Growth and Development	300	959	**1,259**	1,259	0	0
Homelessness	0	1,244	**1,244**	0	1,244	0
Public Health	0	730	**730**	730	0	0
Neighbourhoods	100	545	**645**	558	87	0
Total Budget Savings	**9,781**	**15,396**	**25,177**	**15,149**	**1,768**	**8,260**

Savings – Financial Headlines (£25.177m)

- £8.260m of this is considered high risk on non-achievement. This relates to:
    - Children's £2.760m from reducing demand in Looked After Children services. There is considerable pressure on External Placement costs as set out earlier in this report.
    - Adults - 2023/24 is the final year of the three-year BOBL savings programme with an agreed saving target of £8.977m to be delivered in 2023/24. £3.477m is achieved through prevent, reduce and delay approaches. The balance of

£5.500m is to be delivered through specific additional demand management interventions which are currently assessed as high risk

- £1.768m are considered Medium Risk of non-achievement as follows:
    - Children's Mockingbird and partial Managing Demand £287k - The Mockingbird programme is an innovative method of delivering foster care using an extended family model which provides sleepovers, peer support, regular joint planning and training, and social activities. The Directorate is implementing the new model and it is expected the new approach will provide saving mid-year. Through placement stability and step-down planning part of the Managing Demand saving has been achieved.
    - Adults and Social Care £150k - a review of how clients who attend day services travel to the centres is underway, with alternatives being modelled. The review will not conclude until later in the year. There will be consideration of the eligibility criteria, charges and travel training opportunities
    - Neighbourhoods - £87k due to delays in implementation of changes to parking charges at Heaton Park, the changes require a Traffic Regulation order and therefore approved savings are likely to be part year only in 2023/24, These will be mitigated across Neighbourhoods.
    - Homelessness - £1.244m, the savings target for Homelessness was set when the service faced an underlying overspend of c£10m at year end 2022/23. Whilst all endeavours will be made to deliver a balanced budget there are significant risks around the Homelessness budgets with the Cost-of-Living Crisis and the pressures faced in the Housing Market in Manchester. There is also considerable uncertainty around the Resettlement funding schemes and conversations are ongoing with the Home Office and DLUHC to understand the financial position in Manchester relating to these three schemes, Afghan Resettlement, Homes for Ukraine and Asylum Dispersal.