

**Manchester City Council
Report for Resolution**

Report to: Executive – 13 September 2023

Subject: Revenue Monitoring to the end of July 2023

Report of: Deputy Chief Executive and City Treasurer

Purpose of the Report

The report outlines the projected outturn position for 2023/24, based on expenditure and income activity as at the end of July 2023 and future projections.

Recommendations

The Executive is requested to:

- (1) Note the global revenue monitoring report and forecast outturn position which is showing a £9.6m overspend.
 - (2) Approve budget virements to be reflected in the budget (para. 2.9).
 - (3) Approve the use of additional revenue grant funding (para. 2.10).
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Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
The budget reflects the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.

Our Manchester Strategy Outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities.	The effective use of resources underpins the Council's activities in support of its strategic priorities.
A highly skilled city: world class and home grown talent sustaining the city's economic success.	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities.	

A liveable and low carbon city: a destination of choice to live, visit and work.	
A connected city: world class infrastructure and connectivity to drive growth.	

Implications for:

Equal Opportunities Policy – there are no specific Equal Opportunities implications contained within this report.

Risk Management – as detailed in the report.

Legal Considerations – there are no specific legal considerations contained within the report.

Financial Consequences – Revenue

The report identifies a forecast overspend of £9.6m for 2023/24, based on activity to date and projected trends in income and expenditure, government funding confirmed to date and other changes.

This report focuses on 2023/24, however with the scale of funding pressures and future resource constraints, it is important that the Council holds a robust position on reserves and maintains the ability to deal with issues that arise during the financial year.

Financial Consequences – Capital

There are no capital consequences arising specifically from this report

Contact Officers:

Name: Carol Culley
Position: Deputy Chief Executive and City Treasurer
Tel: 0161 234 3406
E-mail: carol.culley@manchester.gov.uk

Name: Tom Wilkinson
Position: Deputy City Treasurer
Tel: 0161 234 1017
E-mail: tom.wilkinson@manchester.gov.uk

Name: Samantha McArdle
Position: Head of Corporate Finance
Telephone: 0161 234 3472
E-mail: samantha.mcardle@manchester.gov.uk

Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- Revenue Budget Report – Executive Meeting February 2023
- Revenue monitoring at the end of May 2023 (P2) – Executive meeting 26 July 2023

1.0 Introduction

1.1 This report provides an overview of the Council's revenue budget position for 2023/24 which is forecast at an overspend of £9.6m.

2.0 Financial position 2023/24

2.1 The current budget monitoring forecast is an overspend of £9.6m. There are considerable risks to the position relating to the impact of rising demand and increasing costs. The main pressures are being felt in the social care budgets reflecting the national pressures in the health and social care sector and trends being experienced across most Social Care providing local authorities.

2.2 There is a £3.7m forecast overspend in Adult Social care which is largely in the provision of long term care arrangements. Demand is above the 2023/24 budget assumptions, notably for residential and nursing care for older people, homecare and on supported accommodation for people with learning disabilities and physical disabilities. Whilst strong progress on the approach to reduce demand through 'prevent, reduce and delay' is being made through the Better Outcomes Better Lives (BOBL) initiative, it is unlikely that the additional demand management savings (£5.5m) envisaged from client social care packages will be delivered. The overspend is in part offset by employee underspends across the Directorate due to difficulties in recruitment.

2.3 In July 2023 the Department of Health announced a supplement to the 2023/24 Market Sustainability and Improvement Fund Grant allocation to Manchester of £4.055m. This is now included in the position covering £0.864m specific financial support for the care home market to guarantee nursing beds, £0.5m for social work capacity for winter 2023, £2m for anticipated winter care requirements and the balance reflecting the current pressures in long term care including additional one to one and assessed need top up costs within residential and nursing care.

2.4 A response plan is in development through Manchester Local Care Organisation (MLCO) Finance Performance Steering Group, the outcomes of this to date are as follows:

- A full assessment of the state of the care market has been completed and options to support the care market are being developed;
- New business rules have been developed to provide a framework for use of one to one support in care homes; and
- Funding for a single cover pilot in homecare agreed and the pilot is being progressed at pace.

2.5 The forecast £4.9m overspend in Children's Services is after taking account of £3.9m of 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 external residential placements and increased complexity of need of the current cohort. Placement costs have

increased by 44% in the current financial year. Investment in provision for those children with higher levels of needs is underway as set out in the Children's Services Budget Report. Once this work is complete this should reduce some of the pressures on the external residential care budgets.

- 2.6 The main variations in the other service departments total £0.9m and are made up of overspends of £1.4m in Neighbourhood Services, due to an underachievement of income in Off Street Parking and markets and overspends in Parks, Leisure and Youth, and of £0.4m in the Corporate Core, mainly due to the additional costs of running the May 2023 Elections with the introduction of voter identification requirements. These are offset by underspends of £0.2m in Public Health, arising from vacant posts and maximising external funding; and £0.7m in Growth and Development due to increased rental income in the investment estate and planning fee income.
- 2.7 £25.2m of savings were agreed as part of the budget process. Of these £15.1m (60%) are on track for delivery, £1.5m (7%) are risk rated medium, and £8.5m (33%) rated high risk in terms of the likelihood of delivery. Officers are working to identify alternative savings where original plans may not be achieved or delayed. The red rated savings are in social care.
- 2.8 Full details about the key budget forecasts and variances by Directorate are provided at Appendix 1. The forecast position includes the recommended budget increases for additional funding and the allocation of inflation funding set out below for the consideration and approval of Executive.

Virements

- 2.9 The following budget virements are presented for approval
- The transfer of part year funding for Graduate Management trainees from HROD to directorates totalling £293k, service budgets have contributed as follows:
 - Adult Social Care- £55k
 - Children's- £55k
 - Corporate Core - £55k
 - Growth & Development - £55k
 - Neighbourhoods- £37k
 - Homelessness - £18k
 - Public Health - £18k

Additional Revenue Grants

- 2.10 Since the 2023/24 budget was approved there have been additional grant notifications which are now reflected in the revised budget as follows:
- Adults - Market Sustainability and improvement fund £4.055m– The Government is providing ringfenced funding from 2023-25 to improve and increase adult social care provision, with a particular focus on workforce pay, supporting workforce and capacity in the adult social care sector. This will help to ensure that appropriate short term and intermediate care is available

to reduce avoidable admissions and support discharge of patients from hospital when they are medically fit to leave.

- Corporate Core - Household Support Budget £12.906m. This is a fourth tranche of funding covering the financial year 2023/2024 to support households in the most need and who may not be eligible for any other current government support. HSF should be used to support households who need it most to receive vital support to meet essential household costs; in particular with food, clothing, energy and water bills.
- Libraries - Build a business in GM libraries - £0.601m. The funding is directed at improving support for start-up and newly formed businesses across Greater Manchester. Manchester is the lead authority. Being based in libraries enables engagement with a wide audience who may currently not seek business support from more formal methods.
- City Policy - Innovate UK Net Zero Pathfinder GM £86k 2023/24, £0.516m 24/25, £301k 25/26. The project will deliver additional capacity and expertise across multiple Council services, to further our work on delivery of the MCC Climate Change Action Plan (CCAP) and the Manchester Climate Change Framework.
- Corporate Core - Transparency Code New Burdens £13k. The income will be used to bring in third-party support on the development of new systems, tools and processes, adding capacity to out business-as-usual processes to move this on whilst keeping business-as-usual running.
- Housing - Tenant Satisfaction New Burdens £63k. This help meet our legal obligation in carrying out Tenant Satisfaction Measures and collating data to submit to the Regulator on an annual basis.

Budgets to be allocated - Inflationary funding

- 2.11 When the budget was set in February 2023 a total of £14.3m was identified for price and electricity inflation. £2.2m was allocated to Children's for internal placements, £0.5m to Education Home to School Transport and £2.7m to Adults as a contribution to market sustainability. At period 2 requests from Childrens services totalling £2.4m were agreed, mostly relating to fostering and residential placements.
- 2.12 This leaves £6.4m in the corporate price and utilities inflation budget for inflation pressures. This is held corporately and allocated in year once the costs are known and the business cases made. Additional inflation requests are currently being considered and will be brought back to a future Executive meeting for approval. At this stage it is envisioned the known increased costs can be contained within the available inflationary budgets made available for 2023/24 however this remains a risk.
- 2.13 Allowance for a 6% pay increase was allowed for in the budget costing an estimated £15.6m. In February the National Employers offered a £1,925 pay increase from 1 April 2023 and 3.88% for those above the top of the pay spine. The estimated budget requirement to fund this offer for MCC staff is £15.5m for 2023/24, and therefore within the available budget. 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.

3.0 Conclusion

- 3.1 The current forecast is an overspend of £9.6m which reflects significant pressures in Long Term Adult Social Care and increased external residential costs for Looked After Children. It is very early in the financial year and vigilance is needed given there are significant uncertainties and risks to the position as cost of living and inflationary pressures could increase.
- 3.2 Any overspend this year will be a direct call on the General Fund reserve which would need to be reimbursed in future years. In addition any ongoing impact of the pressures faced this year will need to be addressed in the 2024/25 budget. It is therefore important mitigations are identified to bring forecast spend back in line with the available budget.