

**Manchester City Council  
Report for Resolution**

**Report to:** Audit Committee - 11 June 2019  
Executive – 26 June 2019

**Subject:** Revenue Outturn Report 2018/19

**Report of:** Deputy Chief Executive and City Treasurer

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**Summary**

The report outlines the final outturn position for 2018/19

**Recommendations**

The Executive is recommended to:

- 1 Note the outturn position for 2018/19 as set out in the report and summarised in the table at paragraph 4.
  - 2 Note the Housing Revenue Account position for 2018/19 as outlined in paragraphs 48 to 51.
  - 3 Note the overall General Fund position for 2018/19 as outlined in paragraph 52.
  - 4 Approve the use of budgets to be allocated as outlined in paragraph 53.
  - 5 Approve the use of reserves as outlined in paragraph 55.
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**Wards Affected:** None directly

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, work	
A connected city: world class infrastructure and connectivity to drive growth	

**Full details are in the body of the report, along with any implications for**

- Equal Opportunities Policy
  - Risk Management
  - Legal Considerations
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#### **Financial Consequences – Revenue**

There is a small underspend at the end of the financial year which will be met from the General Fund reserve. Where required, provision has been made for known liabilities. Reserves are considered to be at a reasonable level to underwrite potential future costs and risks. If all recommendations are approved the Deputy Chief Executive and City Treasurer is of the opinion that the Council remains in a robust financial position.

#### **Financial Consequences – Capital**

There are no consequences for the capital budget.

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#### **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.

The Revenue Budget 2018/19 as approved by Executive 7 February 2018

## Introduction

1. This report provides a summary of the revenue outturn position for 2018/19.
2. Appendix 1 sets out the performance against the Prudential indicators in support of the council's borrowing requirement.

## Outturn Position 2018/19

3. For 2018/19 the outturn variance to budget is an overspend of £293k. This is a reduction of £0.767m from the overspend position of £1.060m reported to the Executive in February.

## Summary Budget Information

4. The following table summarises the spend for 2018/19 by service. The paragraphs that follow outline the main reason for the variation to budget and the changes from the previous forecast reported to Executive in February 2019 which was based on the position as at end December 2018.

## Overview of Outturn Position 2018/19

	Revised Budget	Outturn	Variance	Variance last reported to Executive	Movement since last report to Executive
	£000	£000	£000	£000	£000
<b>Total Available Resources</b>	<b>(578,828)</b>	<b>(580,628)</b>	<b>(1,800)</b>	<b>(1,943)</b>	<b>143</b>
<b>Total Corporate Budgets</b>	<b>122,578</b>	<b>119,972</b>	<b>(2,606)</b>	<b>(1,813)</b>	<b>(793)</b>
Children's Services	112,855	119,877	7,022	6,999	23
Adult Social Care	182,901	186,126	3,225	3,200	25
Homelessness	9,643	10,711	1,068	799	269
Corporate Core	70,650	67,187	(3,463)	(3,461)	(2)
Neighbourhoods and Highways	72,909	72,273	(636)	(688)	52
Strategic Development	7,293	4,776	(2,517)	(2,033)	(484)
<b>Total Directorate Budgets</b>	<b>456,250</b>	<b>460,949</b>	<b>4,699</b>	<b>4,816</b>	<b>(117)</b>
<b>Total Use of Resources</b>	<b>578,828</b>	<b>580,921</b>	<b>2,093</b>	<b>3,003</b>	<b>(910)</b>
<b>Total forecast over / (under) spend</b>	<b>0</b>	<b>293</b>	<b>293</b>	<b>1,060</b>	<b>(767)</b>

### **Resources to support the Revenue Budget (£1.8m underspend)**

5. The Council is responsible for the collection of local taxes (Council Tax and Business Rates). At the end of March 2019, 93.00% of Council Tax had been collected. This is 0.01% behind the position at the end of 2017/18. Council Tax relating to 2018/19 will continue to be collected and the ultimate collection rate will be higher.
6. Business Rates collection for 2018/19 at 31 March 2019 is 97.4%, 1.1% above the same point in 2017/18. Whilst the collection rate has increased, the continued volatility in the position for appeals and new buildings coming onto the list means that it is very difficult to predict future collection rates.
7. However, it should be noted that the income to be included in 2018/19 for these areas is fixed. Any variances will not impact until future years.
8. The available resources to fund the revenue budget are £1.8m higher than budgeted, this is a reduction in the underspend of £143k since that reported in February. The underspend is mainly due to:
  - Dividend income of £1.27m, made up of £0.815m from the National Car Parking joint venture and £455k from Piccadilly Triangle rental dividend which was not budgeted for, over and above the £400k budgeted.
  - Additional income of £0.516m relates to £235k release of a pay provision no longer required, £125k following an independent review of invoicing, 1£84k from a reduction in the required bad debt provision and an additional £72k from Manchester Central Convention Centre events income.

### **Corporate Budgets (£2.606m underspend)**

9. Spend against Corporate budgets is £2.606m less than budget, an increase in the underspend of £0.793m since it was last reported in February, predominantly due to the release of unused contingency and the lower carbon reduction levy.
10. The reasons for the underspend are:
  - £340k centrally held contingency was not required in 2018/19, this is in addition to the £1.58m which was held in relation to the Waste Levy and reported in February.
  - The carbon reduction levy is £246k lower than budgeted, due to emissions across the estate being lower than estimated and a previous year usage adjustment.
  - Levies are £27k lower than the budget set due to lower than anticipated recharges for legacy GM probation and magistrates costs.
  - There is a central budget for historic pension costs. Additional allowances are £71k below budget and teacher's historical pension costs are underspent by £342k as the number of people in the scheme continues to reduce.

### **Children's Services (£7.022m overspend)**

11. The 2018-20 budget delivery plan projected that the level of need for children and young people would cost an additional £19.6m over the period 2018-20. This was based on an estimate of placement need and further developments as a continuation of the existing strategy, whereby numbers in external residential and foster care provision were expected to reduce during 2018/19 and 2019/20.
12. The £7.022m overspend for Children's Services is an increase of £23k on that reported to Executive in February 2019. Whilst significant progress has been made in the delivery of the strategy the planned reductions in the numbers of external residential and external foster care placements has not been fully achieved. The position reflects additional funding to reduce the forecast overspend as set out below:
  - Allocation of corporate inflation contingency to meet increased unit cost of placements and other inflationary pressures of £2.9m.
  - Draw down of £1.5m of non-recurrent funding set aside as part of the 2018-20 budget to mitigate the risk of external residential placements numbers not reducing during the remainder of 2018/19.
13. The position is in line with that forecast in February 2019, with only a small increase in the overspend of £23k. The estimated impact for 2019/20 has been reviewed as part of the budget setting process. The 2019/20 budget includes additional funding to reflect the higher levels of residential and fostering care required and ongoing investment into early help in localities that is intended to deliver better outcomes and improved financial sustainability.
14. The main variances on the Children's Services budget are summarised in the following paragraphs.
15. Residential Placements - The budget for residential placements overspent by £3.094m, a decrease of £329k from that reported in February 2019. This reflects the inclusion of confirmed partner contributions as part of the multi-agency agreements to jointly review, support and fund complex placements.
16. External and Internal Fostering and Special Guardianship Orders (SGOs) - The budget overspent by £3.072m which is unchanged from the position reported in February. However there has been a reduction in the use of Independent Fostering Agencies with a corresponding increase in foster carers employed by the Council. There has also been an increase in the number of Special Guardianship Orders which is in line with the objective of promoting permanency for children and young people within families. These changes are in line with the strategy to increase family based permanent arrangements for children to improve outcomes as well as a more cost effective way of meeting demand.

17. Youth Offending Service - The budget overspent by £159k reflecting the overall increased number of remand placements and other forms of support. This is a highly volatile area overseen by partners on the Youth Justice board who are working with the judiciary in order to minimise the remand period. The overspend has reduced by £90k in the last quarter with some reductions in both the numbers and duration of remand placements.
18. Other Children's Services budget overspends are as follows:
- Fostering, Adoption and Leaving Care Services - The £217k overspend is largely due to the higher than budgeted management fee for the Regional Adoption Agency (RAA) hosted by Stockport Council. Identifying prospective adopters is a challenge nationally and to increase the number of adoption opportunities for Manchester children it was considered beneficial to invest in a RAA as the model for Manchester. Additional investment of £200k has been provided in the 2019/20 budget.
  - Legal Fees - The £0.587m overspend on legal advice and court proceedings reflects the charges associated with providing information required by the courts in accordance with the Family Procedure Rules. Further funding of £400k has been provided for in 2019/20 based on the anticipated activity.
  - Leaving Care accommodation - the overspend of £341k is as a result of the increased numbers of care leavers requiring support. The service was retendered during 2018/19 securing an improvement in the support offered and reduction in costs of 30% which has partly offset the impact of an increase of 14 placements since December.
  - Child and Adolescent Mental Health Services (CAMHS) - it has been agreed to pay £480k to the Manchester Foundation Trust for the support required where the local authority is the corporate parent. This is based on an interim specification and the arrangement will be reviewed in 2019/20. Additional investment of £500k has been provided in the 2019/20 budget.
  - Other overspends of £220k, mainly relating to support for families to safeguard and promote the welfare of children in need (Section 17 of the Children's Act 1989).
19. The overspend is offset by the following underspends:
- £108k for the Complex Safeguarding Hub and Multi Agency Safeguarding Hub due to the phasing of costs for this new service against the full year allocated budget.
  - £0.683m for Directorate Core and Back Office costs, in part reflecting the review of discretionary spend undertaken as part of the Recovery Plan.
20. The main variations in the budgets for Education Services are summarised below:
- Early Years - An overspend of £225k largely relating to increased spend for building maintenance costs and less rental income being generated from Children's Centre sites being used by Early Years providers.
  - Strategic Leads and Quality Assurance – An underspend of £0.583m reflecting use of available grant income and vacancies within the service.

21. The centrally retained Dedicated Schools Grant (DSG) has overspent by £1.711m, largely due to expenditure within the high needs block which supports the education of children with Special Educational Needs and Disabilities (SEND). The overspend has increased by £1.1m since that reported in February due to additional post-16 special education needs and disability pressures. This is due to post-16 Education, Health and Care Plans (EHCP) for the colleges being £0.8m higher than previously notified and additional EHCPs allocated for the spring term of £150k. In particular in-year adjustments to SEND funding to primary, secondary and colleges was £1.1m higher than what was expected in December 2018. This reflects the national position where demand for high needs services are outstripping the level of grant funding available. This has been recognised nationally by the Department for Education (DfE) and Manchester City Council and other local authorities have been lobbying for the funding to be increased.
22. During the autumn the Council consulted schools and the Schools Forum on a transfer of funding from the schools block to the high needs block of 0.5% per pupil (£2m) in 2019/20. This was to fund the increased numbers of children and young people with Education, Health and Care Plans. However, in December 2018 the DfE announced additional funding nationally, of which £1.281m for 2018/19 and 2019/20 has been allocated to Manchester City Council. As a result it was agreed not to progress the funding transfer.
23. A detailed report on SEND and a review of the High Needs Block was provided to Schools Forum on 13th May 2019. This estimated that the overspend on the DSG due to High Needs is expected to increase to around £2.7m in 2019/20. The report identified recovery proposals including the need to consult with schools again on a transfer grant from the Schools Block to the High Needs Block in 2020/21.

#### **Adult Services (£3.225m overspend)**

24. The final outturn position is an overspend of £3.225m an increase of £25k on that reported in February 2019. £3.351m relates to the areas of social care included in the Manchester Health and Care Commissioning (MHCC) Pooled Budget, offset by a £126k underspend for Adult Social Care services outside the pool. In 2018/19 the MHCC Pooled Budget for both health and social care totalled £1.1 billion. The CCG (health) element of the pooled budget was balanced for 2018/19.
25. As reported during the year the overspend on the Pooled Budget predominantly related to the time required to implement the new care models being longer than originally planned which affected the timing of the associated savings. The delivery timescales and phasing of the delivery of savings has been reset as part of the 2019/20 budget process with collaborative work across a number of organisations in place to secure their delivery. Where the new care models have been implemented evaluation is being carried out to see if they are delivering the expected changes.

26. Funding for demographic growth of £7.416m was approved as part of the Council's contribution to the MHCC Pooled Budget. This funding has been utilised to meet the increase in numbers requiring care and support as previously reported, £2.5m of this was used to reduce the overspend as part of the Recovery Plan, with a further £0.4m subsequently applied by year end as the demand reduction from reablement was not achieved as planned.
27. As part of the 2018 Autumn budget and December 2018 Finance Settlement the government announced £240m of additional funding for 2018/19 and 2019/20 for councils to spend on adult social care to help councils alleviate winter pressures on the NHS, getting patients home quicker and freeing up hospital beds across England. The use of the 2018/19 allocation of £2.67m was agreed between partners and at the Council's Executive in December 2018. The proposals were part of a wider funding strategy that smoothed resources over two to three years to enable permanent rather than agency or temporary appointments for social work posts supporting the delivery of the social care improvement plan, transition to the new home care contracts and to support the health and social care system to manage winter pressures. This includes a carry forward of £0.560m into 2019/20. This is in line with that planned as part of the December Executive report which set out the use for this grant.
28. £1.797m of resource has been transferred to the Adult Social Care Reserve. This relates to underspends on plans for 2018/19 that are largely due to difficulties in recruitment of the staff required. It is anticipated that the move to permanent rather than temporary recruitments will enable this to progress in 2019/20. The funding will be used to meet the ongoing costs of care following hospital discharges that have been met from demography funding in 2018/19 and as part of the longer term funding strategy referred to above. The planned use of the improvement and resilience funding for 2019/20 will be reported to the Executive and Health and Wellbeing Board early in 2019/20.
29. The Adult Social Care grant underspend of £1.889m will also be carried forward as this was to fund the additional costs for the expanded reablement service and other costs associated with the delivery of the new care models which have been rephased. The use of the grant will reflect the revised delivery timescales. Again this is in line with the 2019/20 Budget and Business Plan.
30. A summary of the reasons for the £3.225m overspend is set out below:
  - Residential and Nursing budget overspend of £0.737m. Numbers of residential and nursing care placements are 40 lower than 12 months ago, reflecting the strategy to place people closer to home where possible and the increase in extra care schemes. However the revised timescales for the delivery of all the planned extra care schemes means that the associated savings have not been achieved in full.
  - £2.7m of demography funding has been allocated to the budget. This has met the cost of increased demand and in part mitigated the delay in achieving savings in residential placements and care packages expected from the Prevention, High Impact Primary Care and Reablement care

models.

- The position also reflects the use of demographic funding to meet the costs of reducing the number of people with a delayed discharge from hospital who have gone into residential care.
- The Homecare budget overspent by £1.461m due to delays in implementing the new care models, particularly for the use of assistive technology. Since December the homecare hours commissioned have risen by 849 or 3%, which would have resulted in a £3.448m overspend before the application of £2m demographic funding.
- Budgets to support people with a learning disability have overspent by £54k due to a small shortfall against planned savings from the implementation of 'strengths based' support planning. The savings from the reviews of high cost placements have been delivered in full. The position includes the allocation of £1.6m of demography funding to meet the increase in demand for these services.
- The budgets for Mental Health services broke even. This includes the non achievement of the £0.6m savings against the 'strengths based' support planning saving, allocation of £0.8m demography funding to meet new demand and £427k of funding for the national living wage to meet the increase in placement costs and the higher than budgeted number of placements.
- Adult Social Care budgets for care delivered through the Manchester Local Care Organisation have overspent by £1.552m. This largely relates to the cost of agency staff required for in-house care services to ensure the appropriate staffing ratios are met. Whilst recruitment to vacancies across the service is underway this has had limited impact on the level of agency cover required. Further work has commenced to look at future staffing levels as the service develops new provision will result in the need for less agency capacity in the future.
- Reablement underspend of £0.5m relating to delay in expansion of the new care model during 2018/19 has led to an increase in the underspend on the Adult Social Care grant. The grant carry forward is reflected in the £1.889m referenced above.
- Commissioning budgets have overspent by £463k due to the non delivery of planned savings. Potential areas for savings have been identified for 2019/20 as part of the wider re-commissioning work.
- Public Health staffing budgets have underspent by £297k due to delays in recruiting to specialist positions.
- Other budgets within the pool have combined net underspend of £119k and areas outside of the pool an underspend of £126k due to delays in recruitment.

### **Homelessness / Welfare reforms (£1.068m overspend)**

31. The budget for Homelessness Service is £5.7m net of grants. The service also receives external funding including:
- The Flexible Housing Support Grant (FHSG) of £1.3m. This fixed sum grant replaced the demand led Temporary Accommodation Management Fee with effect from 1st April 2018.

- New burdens funding for the Homelessness Reduction Act of £0.509m over two years which has been allocated by the Ministry of Housing, Communities and Local Government.
  - Greater Manchester Combined Authority (GMCA) has received funding of £1.8m over two years to support three hubs across Greater Manchester. Manchester's allocation is £0.745m over the two years.
  - Rough Sleeper Initiative Grant of £418k for 2018/19 and recently announced additional funding of £0.5m from 2018/19 on condition that the service successfully meets criteria.
32. There has been a significant increase in the numbers of households who are homeless in Manchester including families, single people, young people and people who are rough sleeping. This trend is also reflected nationally. Dispersed temporary accommodation placements have increased from 153 in April 2014 to 1,243 in April 2018 and 1,491 in March 2019.
33. The final outturn position is an overspend of £1.068m which is an increase of £269k since that reported in February 2019. The overspend consists of £0.919m in bed and breakfast accommodation and £149k for Homelessness Prevention.
34. Between the last report, based on activity to December 2018, and year end the number of single people supported in bed and breakfast accommodation increased from 89 to 138, with families supported remaining relatively stable (42 at the end of December to 37 by the end of March 2019). This has resulted in an increased overspend of £120k from that reported in February.
35. There has been increased expenditure on prevention payments of £149k to enable families to remain in settled accommodation and prevent people from becoming Homeless. This reduces the reliance on temporary accommodation.
36. Provision to support 'A Bed Every Night' cost £0.569m from November to March, this was funded from GMCA £398k, with the remaining balance funded from MHCLG Cold Weather Payments of £85k and Rough Sleeper Initiative funding of £86k. The impact of the scheme in Manchester is being reviewed and plans for 2019/20 provision are in development.

**Corporate Core (£3.463m underspend)**

37. The £3.463m underspend is made up of £3.309m Corporate Services and £154k Chief Executives.
38. The outturn shows a small improvement of £2k since that reported in February 2019 which is the net result of a number of changes across the Core.
39. The Chief Executives underspend of £154k includes a £337k underspend due to staffing vacancies, the release of a £168k provision held for a potential repayment of grant monies and £244k higher savings through the purchase of annual leave.

40. This is offset by additional running costs of £104k and £491k overspend in the Coroners Service due to a combination of both increased case numbers and more complex cases.
41. The Corporate Services underspend of £3.309m includes employee savings and running costs with £2.102m due to vacant posts in a number of service areas including Commissioning, Procurement, Revenue and Benefits, Customer Services, Financial Management, Audit and Commercial Governance; a £1.2m reduction in the bad debt provision required for Revenues and Benefits; and £168k additional income in Capital Programmes relating to minor works on Platt Hall, Manchester Velodrome, National Football Museum, Withington Library and City Road East. These are offset by a £161k historic pension liability.
42. A transfer to reserve of £440k Revenue and Benefits Discretionary Housing Payment and Welfare Grant underspend has been made for use against future pressures in this area.

#### **Neighbourhoods Directorate (£0.636m underspend)**

43. The £0.636m underspend is made up of a Neighbourhood Services underspend of £0.656m offset by a small £20k overspend in Highways. The underspend has reduced by £52k compared with the February report to the Executive. Further detail on the main variances is set out below:
  - Community Safety and Compliance underspend of £0.928m, largely due to employee cost savings because of the delay filling some vacant positions as a result of the police vetting requirements and savings on running costs.
  - Libraries, Galleries and Culture underspend of £149k due to a combination of staff savings through vacancies and reduced expenditure on running costs.
  - Parks, Leisure and Events, Bereavement Services and Pest Control have overachieved against their income targets by £168k. This is offset by a shortfall in the 'The Christmas Offer' income of £63k leaving a net position of £105k.
  - The above is partly offset by overspends in Manchester Markets of £259k due to vacant units at New Smithfield Market and reduced rental income across the markets estate because of the reduced number of tenants.
  - Other overspends of £168k include a Waste and Street Cleaning overspend due to increased pay costs and £123k increased costs of Canal Safety Barriers for the City Centre.
44. It is requested that the £36k that was freed up following the use of the High Street Cleaning Grant in 2018/19 is transferred to reserves for use against future pressures.

45. The position for the Highways Service is a £20k overspend. In December, when last reported, there was an underspend of £488k due to increased income from permit fees, Highways Capital Programmes and reduced plant and machinery costs in Manchester Contracts. This has reduced by £0.508m due to an increased revenue contribution towards the capital costs of both the Asset Surveys and Gully cleansing programmes.

### **Strategic Development (£2.517m underspend)**

46. The £2.517m underspend has increased by £484k from that reported to Executive in February, largely due to the receipt of income at Heron House, Arndale Centre and the Town Hall Extension, offset by expenditure relating to the Civic Quarter Heat Network, demolition costs and sports development costs as below. The underspend is made up as follows:
- Operational Property – additional income including rent for the Town Hall Extension totalling £284k.
  - Licensing underspend of £219k mainly arising from income relating to the licensing of premises.
  - Investment Estate underspend of £1.759m due to increased rental income for land used for car parking and business rate refunds for Heron House and the Arndale, offset by reduced income from rents and advertising.
  - Housing and Residential Growth underspend of £177k due to staff savings from vacant posts and increased contributions from the HRA.
  - Planning Building Control and Licensing underspend of £0.683m which includes underspends in both staffing costs and additional income.
  - Work and skills underspend of £123k underspend largely due to staff savings from vacant posts.
  - Facilities Management overspend of £155k - an underspend of £226k due mainly to staff savings, offset by increased costs of utilities and security.
  - Civic Quarter Heat Network - £216k initial advisor costs to assist in developing the capital scheme.
  - Strategic Development Directorate - expenditure of £218k in relation to unforeseen demolition costs (Hall and Rogers building and Ashton New Road) and funding of sports developments in Eastlands.
  - City Centre Regeneration - £139k overspend due to additional project staff costs.
47. It is requested that £0.524m relating to the unexpected rental income from the Arndale Centre is credited to the Investment Estate smoothing reserve for use against future pressures.

### **Housing Revenue Account**

48. The Housing Revenue Account (HRA) outturn position is a £11.064m favourable variance. This allows for funding set aside to improve fire safety measures through the installation of sprinkler systems within council owned tower blocks which will take place in 2019/20, and £1.128m lower PFI

payments due to delays in delivering the capital works on the Brunswick PFI scheme.

49. The other material variances are £0.660m reduced bad debt provision due to the slower than planned roll out of Universal Credit and proactive work to support residents; and increased income of £369k. This was in the main due to £120k additional rental income because of reduced voids, £124k increased investment income, £45k VAT shelter credits and £55k Feed In Tariff income.
50. The balance of £0.863m underspends is the net impact of a number of smaller variances across budgets, the main changes being £323k relating to backdated Council Tax refunds and £178k release of amounts held on the balance sheet, with the remainder as a result of lower than anticipated legal and professional fees, depreciation charges, bank charges and energy costs.
51. The HRA is a ring-fenced account and any surplus/deficit in year has to be transferred to/taken from the HRA reserve. For 2018/19 £4.295m has been transferred to the HRA general reserve (as opposed to budgeted transfer from reserves of £6.769m). This leaves a balance of £68.863m in the HRA General Reserve. The 30 year business plan currently forecasts that reserves will be exhausted by 2039/40 and work is ongoing to identify efficiencies that ensure that the reserves are kept at a sufficient level to underwrite risk and to fund future investment needs as required.

### **General Fund Reserve position**

52. The General Fund reserve position at 1 April 2018 was £22.307m. The 2018/19 budget assumed there was a transfer to the General Fund reserve of £31k leaving a balance of £22.338m. This excluded the impact of any variance at the end of the 2018/19 financial year. As the actual outturn position is an overspend of £293k the balance on the General Fund Reserve at 31 March 2019 is £22.045m. This is deemed to be a reasonable amount for the risk the City Council is facing and is in line with that planned when the budget was set.

### **Budgets to be Allocated**

53. In line with the 2018/19 budget report to Executive in February 2018 the inflationary pressures and budgets are allocated on the assessment of individual business cases approved by the Executive Member for Finance and Human Resources and the Deputy Chief Executive and City Treasurer. Since last reported to the Executive the following allocations are recommended for approval:
  - Allocation of £1.4m contribution to Manchester Health Care and Commissioning which will be returned in 2019/20.
  - £418k allocation to Homelessness to replace the Rough Sleepers grant allocation, so the grant which can be applied to future pressures.
  - Apply £0.663m to the Cross Cutting Saving target to avoid further saving requirements.

- Waste and Street Cleaning Contract inflation request for £188k. The contract with commenced on 4 July 2015, for the provision of domestic waste collections and street cleansing services. The agreed value of the contract is subject to inflation and any agreed variations. The methodology and formulae for calculating the annual inflation are prescribed within the contract documentation and work has been undertaken to validate this inflationary request.

54. The remaining £340k is to be released to support the revenue budget.

### **Transfer to Reserves**

55. Requests to transfer to reserves totalling £1m, are recommended for consideration by Executive, these are:

- High Street Cleaning - £36k. On 26 March the Ministry of Housing, Communities and Local Government allocated Manchester £95k High Street Cleaning grant. The grant came with strict conditions and needed to be fully allocated by 31 March 2019. Manchester was able to satisfy these conditions and fully allocated the grant. This enabled £36k of planned street cleaning expenditure to be offset alongside £59k new spend. The transfer to reserves of £36k will allow the service to perform future street cleaning and waste activities in 2019/20.
- Discretionary Housing Payments and Welfare Grant - £440k. The 2018/19 Government grant allocation to Manchester was £2.43m, combined with a further £1.4m contribution from the Council, giving a total budget of £3.83m. The majority of this allocation was committed by 31 March 2019 leaving £440k unallocated. The transfer of the unallocated amount to reserves will provide increased capacity for welfare and housing support to Manchester residents in 2019/20, accompanying the further roll out of Universal Credit.
- Arndale rental income - £0.524m. The Council received late notification of rental income from the Arndale in March 2019. The transfer of £0.524m of this income to the Investment Estate Smoothing reserve will be used to protect against future estate pressures.

### **Prudential Indicators**

56. Prudential Indicators were introduced as part of the prudential borrowing regime which replaced the former controls on borrowing through credit approvals. Each year the Council sets various indicators as part of the budget process and then monitors throughout the year that these indicators are not breached. The table at Appendix 1 indicates the final performance against the indicators.

### **Conclusion**

57. Overall the variance of spend to budget for 2018/19 is an overspend of £293k.

58. This is an improved position of £0.767m from that previously reported, to the Executive of £1.060m. In the main the improvement is due to additional fortuitous income and the release of contingencies that were not required.
59. A number of pressures have been addressed through the 2019/20 budget setting process and key risks will continue to be monitored and mitigations sought as required throughout 2019/20. As set out in this report, there are continued pressures on the budgets for Children's Services and Adult Social Care and robust action will be required in 2019/20 if a balanced budget is to be achieved. The achievement of the approved savings targets is also integral to this process and will continue to be closely monitored and reported.

## Prudential Indicators APPENDIX 1

No	Prudential Indicator		Target		Actual as at end of March 2018	Target Breached Y/N
	Ratio of Financing Costs to Net Revenue Stream	Non – HRA	7.74		7.61	N
		HRA	3.82		3.79	N
2	Capital Expenditure		<b>£m</b>		<b>£m</b>	
		Non – HRA	568.0		437.5	N
		HRA	27.5		15.3	N
		<b>Total</b>	<b>595.5</b>		<b>452.8</b>	<b>N</b>
3	Capital Financing Requirements *		<b>£m</b>		<b>£m</b>	
		Non – HRA	1,409.6		1,247.0	N
		HRA	281.7		281.7	N
		<b>Total</b>	<b>1691.3</b>		<b>1528.7</b>	<b>N</b>
4	Authorised Limits for External Debt		<b>£m</b>		<b>£m</b>	
		Borrowing	1,454.8		726.1	N
		Other Long Term Liabilities	216.0		155.9	N
		<b>Total</b>	<b>1670.8</b>		<b>882.0</b>	<b>N</b>
5	Operational Boundaries for External Debt		<b>£m</b>		<b>£m</b>	
		Borrowing	1,146.7		726.1	N
		Other Long Term Liabilities	216.0		155.9	N
		<b>Total</b>	<b>1362.7</b>		<b>882.0</b>	<b>N</b>
6	Upper Limits for Fixed Interest Rate Exposures	Net Borrowing at Fixed Rates as a percentage of Total Net Borrowing	100%		63.5%	N
7	Upper Limits for Variable Interest Rate Exposures	Net Borrowing at Variable Rates as a percentage of Total Net Borrowing	85%		36.5%	N
			<i>Lower Limit</i>	<i>Upper Limit</i>		
8	Maturity Structure of Borrowing	under 12 months	0%	70%	0%	N
		12 months and within 24 months	0%	100%	19.5%	N
		24 months and within 5 years	0%	80%	25.2%	N
		5 years and within 10 years	0%	70%	0%	N

No	Prudential Indicator	Target		Actual as at end of March 2018	Target Breached Y/N	
		10 years and above	20%	80%	55.3%	N
9	Upper Limits for Principle Sums Invested for over 364 days			£0	£0	N

**\*Please note that Capital Financing Requirement's Prudential Indicators are draft until confirmed**