

## **Manchester City Council Report for Resolution**

**Report to:** Executive – 19 December 2019

**Subject:** Global Revenue Budget Monitoring Report to the end of October 2019

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

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### **Summary**

The report outlines the projected outturn position for 2019/20, based on spend as at the end of October 2019 and future projections.

### **Recommendations**

The Executive is recommended to:

1. Note the Global Revenue Budget Monitoring Report.
  2. Approve the use of budgets to be allocated in paragraph 79
  3. Approve the use of reserves in paragraph 80
  4. Approve the proposed virements in paragraphs 81 and 82
  5. Approve the use of grants in addition to that already planned, as detailed in paragraph 83.
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**Wards Affected:** None directly

<b>Manchester Strategy outcomes</b>	<b>Summary of the contribution to the strategy</b>
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**

The report identifies a projected net revenue overspend of £4.169m for 2019/20, based on income and expenditure up to the end of October 2019. All Strategic Directors continue to work to address the position by identifying greater efficiencies and accelerating savings where possible in order to support the overall financial position of the City Council.

With the likely scale of funding pressures and future resource reductions, 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. Requests to allocate funding to or from reserves in year are included within the report.

### **Financial Consequences – Capital**

The revenue budget includes funding to meet the capital financing costs of the Council. Changes in the capital programme can affect the budget to meet such costs.

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### **Contact Officers:**

Name: Carol Culley  
Position: Deputy Chief Executive and City Treasurer  
Telephone: 0161 234 3406  
E-mail: [c.culley@manchester.gov.uk](mailto:c.culley@manchester.gov.uk)

### **Background documents (available for public inspection):**

The following document discloses 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 2019/20 as approved by the Executive on 13 February 2019.

## Introduction

1. This report provides a summary of the projected revenue outturn position for 2019/20 and requests approvals to the application of budgets, and use of virements and reserves.
2. As at the end of October 2019 the forecast position is an overspend of £4.169m. The following table summarises the spend for 2019/20:

	Original approved budget	Revised Budget	Forecast Outturn	Variance	Movement since last reported to Executive
	£000	£000	£000	£000	£000
<b>Total Available Resources</b>	<b>(610,835)</b>	<b>(609,502)</b>	<b>(610,018)</b>	<b>(516)</b>	<b>(158)</b>
<b>Total Corporate Budgets</b>	<b>113,629</b>	<b>104,189</b>	<b>103,415</b>	<b>(774)</b>	<b>(308)</b>
Children's Services	120,434	119,832	122,392	2,560	490
Adult Social Care	198,263	197,908	204,699	6,791	(62)
Homelessness	13,375	13,938	13,938	0	0
Corporate Core	67,838	69,399	67,093	(2,306)	(1,271)
Neighbourhoods and Highways	91,781	98,377	96,791	(1,586)	(600)
Growth and Development	5,515	5,859	5,859	0	51
<b>Total Directorate Budgets</b>	<b>497,206</b>	<b>505,313</b>	<b>510,772</b>	<b>5,459</b>	<b>(1,392)</b>
<b>Total Use of Resources</b>	<b>610,835</b>	<b>609,502</b>	<b>614,187</b>	<b>4,685</b>	<b>(1,700)</b>
<b>Total forecast over / (under) spend</b>	<b>0</b>	<b>0</b>	<b>4,169</b>	<b>4,169</b>	<b>(1,858)</b>

3. The main changes between the 2019/20 original approved budget and the revised budget are:
  - £5.084m for the annual pay inflation award, included in the original Corporate Budgets, has now been allocated across Directorates following approval;
  - £334k from corporately held budgets to Children's Services for development of the foster care service;
  - £400k from corporately held budgets to Children's Services for Home to School Transport to support cumulative increases in inflation requirements to reduce vehicle emissions and changes in the national minimum wage;
  - £254k from corporately held budgets to Children's Services to cover the increase in the average weekly cost of foster care placements by 7%;
  - £2.7m budget transfer from Children's Services to Neighbourhoods and Highways for the movement of Youth Services between Directorates;

- £0.983m Decriminalised Parking Enforcement and Bus Lane income budget moved from Neighbourhoods and Highways to Corporate Services following a transfer of the service;
  - £355k allocated from corporate budgets to Neighbourhoods for Waste Management inflation pressures;
  - £279k Winter Pressures grant transferred from Adults Social Care to Homelessness - originally all the grant was held against Adult Social Care prior to allocations being finalised; and
  - £102k Domestic Violence budget transfer from Adult Social Care to Neighbourhoods.
4. All variances detailed within the report are measured against the revised budget.
  5. The paragraphs that follow outline the main reasons for the projected variation to budget.

## **Corporate Costs and Resources**

### **Corporate Budgets and Available Resources (£1.290m underspend)**

6. The net spend associated with corporate costs is £1.290m less than budget. This is mainly due to a reduction in the number of people in receipt of historic pensions resulting in an underspend of £0.65m, fortuitous income of £0.524m of which £496k is due to additional rental income from car parking and £28k due to additional events income from Manchester Central relating to 2018/19, and £116k underspend due to a lower than expected Carbon Reduction Charge in 2018/19.

### **Business Rates and Council Tax**

7. The Council is responsible for the collection of local taxes (Council Tax and Business Rates). At the end of October 2019, 56.95% of Council Tax had been collected. This is 0.18% behind the position at the end of October 2018. However, it is too early to predict what the final Council Tax collection rate will be for 2019/20.
8. Business Rates collection is 62.7% at the end of October 2019, in line with the position last year. However, the continued volatility in the position for appeals and buildings moving on or off the rating list means that it remains very difficult to predict an accurate final position.
9. It should be noted that the budgeted income to be included in 2019/20 for these areas is fixed through the Collection Fund. Any variances will therefore not impact until future years.

### **Children's Services and Education (£2.560m overspend)**

10. The forecast outturn to the end of October is an overspend of £2.560m (2.1%) against a net budget of £119.832m. The overspend has increased by £490k

since the last report to the Executive. The Children's Services and Education position reflects that, in total, there are net savings of £2.654m of which £2.216m (84%) is projected to be achieved and £0.438m (16%) is at significant risk and reported as an overspend.

11. Overall Children's Services are achieving the strategy to reduce demand for high cost external placements, but the overall overspend is predominantly driven by an increase in the complexity of need. The Strategic Director of Children's Services and Education continues to chair a multi-agency review panel of all external residential placements. Work is ongoing to develop the commissioning strategy and shape the market to meet the need in the most cost effective way, this includes:
  - Understanding of residential cohort used to drive commissioning decisions;
  - Building relationships with existing and new providers, sharing insights as to the type of support Manchester is looking for; and
  - Integrated commissioning arrangements with Manchester Health and Care Commissioning (MHCC) and Education partners.
12. The major variances and movements since last reported to the Executive are as follows:
13. Residential placements are projected to overspend by £1.382m due to external residential placements being 11 (12.5%) above the number originally budgeted. This position has improved by £110k since August. As previously reported the position includes £3.4m of funding from MHCC towards the costs of the residential placements.
14. Foster care has a projected underspend of £0.987m, this underspend has reduced by £190k since August. At the end of October 2019 external fostering placement numbers were 422, which is 10 placements lower than budget. Internal Foster Care and Temporary Approved Connected placements are 466 at end of October 2019 compared to budgeted placements of 465.
15. The service has performed well in the discharge from care or avoidance of children coming into care through increasing the use of permanent Special Guardianship Orders, Child Arrangement Orders and Adoption Allowances where deemed appropriate, with numbers increasing by 16 to 597 since August 2019. This is leading to spend which is £367k higher than budgeted for. A reduction of £45k since August.
16. The recharge for Children's Legal Services has a projected overspend of £0.9m which is an increase of £294k since August. Children's Services and the Corporate Legal Service are working to address this position. The overspend is due to:
  - Increased use of external legal services due to staff turnover driven by Manchester pay for solicitors not currently being competitive
  - Children's Services demand volume for legal services
  - Greater complexity of cases leading to more use of external legal advocates/barristers and subject 'experts'

- In part the court culture and inexperience in social work teams.
17. The Leaving Care service has a projected overspend is £0.678m which has increased by £143k since August, it relates to:
- Supported accommodation placements overspend of £205k. Despite placements being more cost effective and better quality provision, the number of placements has continued to increase. Work continues with Strategic Housing to increase the range and choice of provision for care leavers that is both suitable and achieves value for money; whilst enabling young people to successfully live independently.
  - Staying Put and Supported Lodgings overspend of £131k due to an increased number of placements.
  - Leaving Care allowances overspend of £342k, this area has increased by 35% following the extension of support up to the age of 25 for all care leavers through the Children and Social Work Act last year.
18. Home to School Transport and Travel is projected to overspend by £208k relating to the cost of transport for children with Special Education Needs and Disabilities (SEND), £74k higher than August, due to an increase in the number of routes. This reflects that savings of £0.577m have been delivered against a target of £0.733m to reduce the budget pressure from 2018/19.
19. Other budgets which include support to families for accommodation, essential living, assessments, translations and birth certificates are projected to be £269k overspent, there has been a £124k adverse movement since August. The Regional Adoption Agency management fee is projected to be overspent by £95k as a result of increased activity. No Recourse to Public Funds (NRPF) is underspent by £475k based on current levels of activity. The position with this budget is affected by the number of families presenting with NRPF and the time it takes for the Home Office to resolve their immigration status.
20. Unaccompanied Asylum Seeking Children (UASC) is overspent by £303k. At the end of October there were:
- 169 UASC and UASC Care Leaver placements (111 under aged 18 and 58 aged 18 and over)
  - 37 UASC care leavers receiving maintenance payments and, or educational support. Home Office grant is claimed for UASC, however it does not fully meet the costs of support. Nationally there has been a rise in asylum claims, particularly in the North West which has seen an acute rise.
21. Education Services including Short Breaks and Education Psychology £52k overspend and relates to:
- Education Psychology overspend is projected at £249k, this overspend has reduced by £100k since August. Education Health and Care Plans (EHCPs) for children and young people aged up to 25 years were introduced on 1 September 2014 as part of the Special Educational

Needs and Disability (SEND) provisions in the Children and Families Act 2014. In Manchester schools there are a total of 2,895 EHCPs which is a 23% increase over the last three years. The Council is receiving more requests for EHCPs for young people aged 20 to 25 years. Education Psychology assessments inform the EHCP plans and as a result of the additional EHCP demand and the statutory requirement to complete the EHCP process in six weeks, the current commission for Education Psychologists has had to increase.

- Short Breaks is overspent by £132k, this relates to a 15% increase on specialist short breaks (day care, overnight stays or longer stays) being made to carers and young people. Local authorities are required, as part of the range of services they provide to families, to provide carers with breaks from caring for disabled children. The service is currently undertaking a service review and looking at ways it can absorb the increase.
- Strategy Leads, Senior Leadership Team and Quality Assurance is underspent by £329k mainly due to vacancies and the utilisation of De-delegated Education Services Grant (Dedicated Schools Grant) and School Improvement Grant.

22. Children's social care workforce budgets are projected to underspend by £231k, this underspend has reduced by £202k since August. The major variances are:

- Localities, Permanence and Emergency Duty Service underspend of £429k due to existing vacancies;
- Fostering Service is underspent by £70k due to vacancies.
- Families First service and Supervised Contact overspend of £307k, arising from the use of agency staff to meet out of hours service requirements, which is currently under review; and

23. Dedicated Schools Grant (DSG) in 2019/20 totals £530m, of which £212.5m is top sliced by the Department for Education to pay for academy school budgets. At this stage it is expected that the DSG will overspend by £3.455m due to costs charged to the high needs block. This part of the grant supports children with special education needs and special school places. The overspend has increased by £1.219m since August due to the increased number of out of city placements.

24. There are also DSG pressures in educational, health and care plans (EHCPs) and post 16 years old Education. The recent Spending Round announced £0.7bn additional funding for high needs nationally. The Council's provisional school funding settlement for 2020/21 indicates that an additional £11.31m will be available in the part of the grant which supports children and young people with high level of need. Based on the expected growth in demand for special school places and education, health and care plans it is expected that the current years overspend can be set against next year's grant.

## **Adult Services (£6.791m overspend)**

25. The Adult Social Care (ASC) and Population Health (PH) budget for 2019/20 is £197.908m of which £193.4m is part of the £1.186bn Manchester Health and Care Commissioning (MHCC) Pooled Budget. The full year effect of the position to the end of October, based on revised assumptions on the delivery of savings, is an overspend of £6.791m (3.5%) which is a decrease of £62k on the position last reported to Executive. The position is broken down as:
- £6.849m overspend relating to spend against the Manchester Health and Care Commissioning (MHCC) Pooled Budget for Adult Social Care (ASC); and
  - £58k underspend for other ASC areas out of scope for the MHCC Pooled budget.
26. The overspend on the MHCC Pooled Budget relates to the following areas (further detail provided in later in the report):
- In-house Learning Disability Supported Accommodation overspend of £3.4m from ongoing and rising needs for care and support;
  - Savings at risk of non-delivery of £4.1m against target of £7.9m Whilst progress has been made over the last few months with the implementation of new care models, there remains risk with the delivery of full savings in 2019/20 due to demand pressures across the health and care system;
  - Other budget variations totalling a net underspend of £0.7m.
27. The 2019/20 ASC budget included demographic funding for in-year demand growth of £2.404m. The position reported to end of October reflects application of £1.761m of demography funding leaving a balance of £0.643m for further growth between November 2019 and March 2020. The majority of the increase in need relates to Learning Disability and Mental Health services.
28. The 2019/20 budget included £4.258m to reflect the cost of the national living wage in the annual fee increase to care providers which was applied earlier in the financial year and a further £2.536m for other inflationary pressures. There remains £1.096m as at the end of October which will be applied over the next few weeks to further support the sustainability and stability of the Manchester care market.
29. Manchester's Adult Social Care Improvement Programme is driving significant change and longer term sustainability through investment in workforce, a shift of focus to 'our people in place' via the mobilisation of Integrated Neighbourhood Teams (INTs) and transformation to new ways of working underpinned by 'our culture' and the Our Manchester strategy. Significant investment has been made within the programme to deliver safe, effective and sustainable services that take a 'strengths based' approach to assessment and care and support planning. Mobilised INTs are beginning to realise tangible outcomes relating to joint visits with improved communication between health and social care (i.e. district nurses, social workers, GPs, care

navigators, community mental health teams), streamlined referral processes and multi-agency meetings.

30. The programme will also transform how services are delivered at our 'Front Door' by supporting integrated responses, access to a wider range of system informatics and linking our people to innovation in care and support through a mainstreamed Technology Enabled Care offer. Our Homecare market has been re-procured and is being mobilised to integrate at place level with INTs and to better collaborate in care and support to enable better outcomes. Investment has been made in new and existing care models for example, the expansion of the Reablement Service to reach more people and to better support timely hospital discharge pressures alongside the development of a new Complex Reablement Service to support people who require a specialised, longer term approach to enablement. Plans around housing support options continue to mature with new capacity of Extra Care accommodation planned from 2020/21. These housing options create longer term sustainable responses to care and support, reduce pressures and cost in the system and improve personal choice and independence.
31. The position reflects full spend by 31 March 2020 of the ASC Winter Pressures grant of £2.667m and part year funding for the ASC Improvement Plan of £0.797m. The recent Spending Round confirmed additional grant funding in 2019/20 for Better Care Fund to support adult social care, expected to be £0.896m which will be paid to Manchester Clinical Commissioning Group (CCG). Of this £483k has been committed as Manchester City Council's contribution (33%) towards the cost of additional capacity to alleviate current system pressures, principally, at Manchester Royal Infirmary. The remaining £413k has been applied to support the demand on the Homecare budget.
32. Through the partnership arrangements with MHCC for the health and care pooled budget, measures to manage spending pressures will be considered including taking into account funding available to support system resilience.
33. The major variances are as follows:
34. In-house Learning Disability Supported Accommodation (LDSA). The most significant pressure for ASC services, which are part of Manchester Local Care Organisation (MLCO), is on the in-house LDSA budget in relation to workforce spend. The projected overspend for the service as at October is £3.441m. Individual support plans have changed due to ongoing and rising need and demand for care and support. The service has taken action to put in place a dedicated team of social workers to assess needs and develop improved rota management practice. MHCC has committed to assess the impact of people meeting the continuing health care eligibility. For 2019/20 the forecast does not reflect any additional CHC income until the assessments have taken place.
35. It is estimated that there will be transitional costs of moving supported accommodation residents to the new build accommodation between October 2019 and July 2020, which is currently estimated at £300k. This will be funded

from the Adult Social Care reserve with any ongoing additional costs to be met from within the service budget.

36. In addition to the above there are further overspends for services within the MLCO as follows:

- Community alarm overspend of £156k due to a decrease in the number of people able to contribute towards the monitoring and response service.
- Shared lives budget overspend of £352k due to an increase in the number of carers and therefore people being able to have their care needs met through a shared lives offer. This service delivers better outcomes and is more cost effective than external placements. The expansion of the service will deliver savings to the wider learning disability budget and is a model being replicated across Greater Manchester.
- Short Breaks overspend of £0.536m due to increase in demand.

37. The underspends in the MLCO services are as follows:

- Reablement £394k underspend. The vacancy assumption in the reported position is for a phased scaling up of resources in line with delivery of new care models;
- Cash personal budgets underspend of £339k due to lower than predicted demand and a dedicated piece of work to recover unspent monies.
- Day Centres of £258k are largely due to delays in recruitment; and
- Staffing budgets for social workers of £286k due it taking longer than anticipated to fill the posts.

38. Residential and nursing has a projected overspend of £283k, a small decrease of £13k since the last report. The budget includes savings of £1.084m, which equates to a reduction of 49 placements across the year, resulting from the impact of new care models. Residential and nursing placements show a net decrease of 21 compared to March 2019.

39. Homecare budget overspend of £1.706m which is a decrease in the overspend of £54k since August. Progress has been made over the last few months with the new Homecare contracts, expansion of Reablement, roll-out of training for Strengths Based Support planning and introduction of Technology Enabled Care. There has been a reduction in the growth of Homecare hours from on average c10% per annum over the period 2015-2018 to growth of 3% over the first nine months of 2019. It is anticipated that the new schemes which are now mobilised will have a positive impact on reducing demand for Homecare. However, the new models of care are still being embedded into the MLCO Integrated Neighbourhood Teams (INTs) care pathways and with the current pressure in the system, in particular in the hospitals, it is concluded that it would be high risk to project substantial savings in Homecare costs over the remaining months of the year which include the winter period.

40. A review of the deliverability of target savings of £4.7m from Homecare has taken place. The expected delivery of savings in 2019/20 is projected to be £1.996m which is an increase in savings delivery of £59k since the last report. There is £2.704m no longer forecast for delivery this year. Due to the recruitment delays in Reablement, £1m of investment funding agreed as part of the 2019/20 budget has been applied to mitigate the homecare pressure in 2019/20 which is reflected in the forecast. Funding of £413k from the CCG from its increased Better Care Fund allocation for adult social care has been applied to mitigate the demand on the Homecare budget.
41. Commissioned services for people with a Learning Disability has a projected overspend of £0.504m which is small decrease of £15k since the last report. There has been a net increase of 41 clients since the start of the year with a cost of £1.416m. The reported position reflects a request to draw down demography funding. Savings of £0.650m were agreed as part of the budget process. To date £461k of savings have been achieved against high cost placements. Whilst the Shared Lives expansion has been mobilised this is mitigating growth in demand rather than delivering spending reductions.
42. Services for people with Mental Health needs has a projected overspend of £420k, which is an increase of £207k from the last report. Since March 2019 Mental Health placement numbers have reduced by nine for those over 65 years old and increased by six for those under 65. Review of the mental health packages will continue with a view to stepping down care where it is appropriate and where there is an available suitable provision.
43. Other variations include pressures on externally commissioned supported accommodation placements of £464k due to increasing demand.
44. Commissioning and corporate budgets has a projected overspend of £0.524m. This is largely as a result of a delay in identification of contract savings of £0.5m.
45. Carers budgets have a projected underspend of £259k based on levels of spend to date and when compared to spending patterns from 2018/19.

#### **Homelessness / Welfare reforms (breakeven)**

46. The position reported is a projected break-even against a net budget of £13.938m. Whilst the position is projected to break-even there are risks from continuing rising demand, new initiatives and service developments funded from non-recurrent resources. The breakeven position is being managed through ensuring that the Housing Benefit income that the Council can claim is maximised, and the use of non-recurrent external funding and additional Council budget for 2019/20. Presentations for Quarter 2 of 2019/20 were 2,525, the highest recorded in any quarter and 27% higher than at this stage in 2018/19.
47. A new team has been implemented at the front door for Section 21 presentations (ie no fault evictions order). The team provides support to delay

the use of temporary accommodation and move people in a managed way. They have worked with 751 cases since mid January 2019, preventing 459 cases, 393 of which had an invalid Section 21 notice and a further 66 were prevented following contact with the landlord. This delay allows more time to work with the family or individual to avoid eviction. Where there is a need for temporary accommodation the aim is to move people directly from their current property into dispersed accommodation, avoiding the use of Bed and Breakfast.

48. The 2019/20 budget included £0.5m of investment into the Inspections Team for Dispersed Accommodation and Floating Support Welfare Contact Officers. This will ensure there is sufficient capacity to make certain that properties are up to standard, with 734 properties inspected between July and October. The Welfare Contact Officers will ensure oversight and service safeguarding is maintained for all households, whilst unallocated, to a specific Support Worker. In addition to this, the role will oversee escalation of property issues, chasing progress on repairs and supporting residents with move on.
49. The 2019/20 budget also included £0.8m of funding for a new homelessness prevention service which will support those households identified early on as being at risk of homelessness. The intention is to pilot this in two areas of the city, linking in with Early Help, education, health, and other locality based services, and providing a multi-agency/multi-modal prevention response to those households identified as being at risk of homelessness before they hit crisis point.
50. Adult Social Care Winter pressures grant of £279k was allocated and approved as part of the 2019/20 budget setting process to support Homelessness. This is funding eight posts on a permanent basis and includes linking a Homelessness Support Worker to each of the three hospitals as well as Mental Health provision. In addition the funding has provided additional Private Rented Sector staffing to ensure that people are discharged from hospital with a permanent accommodation offer.
51. Funding of £1.438m from Greater Manchester Combined Authority (GMCA) for the 'A Bed Every Night' commitment for 2019/20 has been confirmed which will provide the equivalent of 42,732 bed nights from October 2019.
52. The significant budget variations and risks are shown in the following paragraphs.
53. Temporary Dispersed Accommodation overspend of £226k. Temporary Dispersed Accommodation is where the Council sources temporary accommodation for families who are homeless through the private rented sector. Following a significant increase since 2014, the number of families in temporary accommodation has continued to rise this year from 1,433 in December 2018 to 1,597 in October 2019.
54. The forecast full year gross spend on current dispersed temporary accommodation for 2019/20 is £14.373m, of which it is estimated £9.860m

can be claimed through Housing Benefit. The Council incurs a shortfall of c£88 per week for each unit of temporary accommodation because Local Authorities are not able to access funding from the Department of Work and Pensions for the full cost of accommodation and are limited to the housing benefit rates as at 2011. As the Council is unable to claim the full housing benefit to cover the cost of temporary accommodation this will result in an estimated net cost to the Council of £4.513m. This cost will be met from additional Council budget in 2019/20 of £2.186m and Flexible Housing Support Grant of £2.101m leading to a balance remaining which is the reported overspend of £226k.

55. There is a risk that despite significant additional investment in prevention the number of presentations in Manchester will continue to rise. If numbers continue to rise based on recent trends then the gross cost would increase by £250k in 2019/20, which would be met from further housing benefit subsidy. Work is ongoing with Registered Providers to pilot an approach to maximise eligible housing benefit which should reduce the subsidy loss for the Council. This is not expected to be in place until 2020/21.
56. Unsupported temporary accommodation (known as Bed and Breakfast) is expected to overspend by £117k based on current numbers continuing for the remainder of the financial year. The use of Bed and Breakfast (B&B) accommodation during October averaged 161 single people and 81 families per night.
57. Homelessness workforce budgets have an underspend of £343k due to vacancies. The service are working on establishing a permanent structure to considerably reduce the number of temporary posts which will then assist with recruitment and retention.
58. The financial position reflects the following non-recurrent funding allocations:
  - Prevention and Flexible Homeless Support Grant of £1.005m, (allocated from The Ministry of Housing, Communities and Local Government (MHCLG)) is to be utilised to prioritise prevention activity, carry out homelessness activities in line with the principles of the Homelessness Reduction Act and reduce or eliminate the use of emergency Bed and Breakfast accommodation, particularly for periods over 6 weeks.
  - Rough Sleeper Initiative (RSI) funding of £0.5m for a number of different initiatives and services that work together as an RSI Partnership, with the objective of preventing people from rough sleeping and finding accommodation for people already rough sleeping;
  - MHCLG funding for Rapid Rehousing Pathway programme of £215k. Additional staff attached to the Council's Outreach Team will develop relationships and help people who sleep rough to access appropriate local services, get off the streets and into settled accommodation;
  - Private Rented Sector (PRS) Access Bid of £401k to increase the existing PRS offer to landlords including assistance for deposit and bonds; and

- New burdens funding of £390k is being utilised to provide capacity to reduce demand resulting from the Homelessness Reduction Act.
59. The Council is reviewing all short term funding streams and the longer term position as part of the 2020/21 budget process.

**Corporate Core (£2.306m underspend)**

60. The £2.306m net underspend is made up of £2.631m underspend in Corporate Services offset by £325k overspend in Chief Executives.
61. Chief Executives are projecting an overspend of £325k, which has reduced by £385k since the last report to the Executive.
62. The overspend of £325k is made up of £490k increased Coroners costs due to the increased number and complexity of cases; a £250k overspend in elections due to the higher than forecast cost of running three elections this year; £30k underspend on Registrars due to overachievement of income; £250k underspend due to vacant posts in Legal Services and £135k over achievement of income from the purchase of annual leave.
63. Corporate Services has a projected underspend of £2.631m, this is an increase of £0.670m since the last report and this is largely due to further staff savings across the service.
64. Work is currently ongoing on the Our Transformation programme which includes how functions work better across the Core. This has enabled teams to identify a number of vacancies that can be deleted from structures and contribute to the savings target. Budgets are generally set at the top of grade and, therefore, there are also savings that have been identified through staff not being at the top of the grade. This is in addition to the savings achieved through natural turnover.
65. The £2.631m underspend is made up primarily of staff savings of £2.116m, this is due to a combination of £1.5m savings because of vacant posts and £0.6m due to posts not being at the top of the grade. A detailed piece of work has now been undertaken to review all staffing budgets in advance of the 2020/21 budgets and proposals will be made to adjust the basis of future budgets and realign these in order to meet ongoing pressures.
66. There is also £420k underspend in ICT due to a lower forecast spend against resources allocated to fund projects; £100k additional income in Capital Programmes; a £30k underspend on Corporate items due to a reduced audit fee and a £35k overspend in the Shared Service Centre due to reduced income and on overspend on running costs.
67. At the last report to Executive there was a £216k overspend due to the part year implementation of some of the cross cutting savings, these have now been achieved, or mitigated, from within the Corporate Core.

### **Neighbourhoods and Highways Directorate (£1.586m underspend)**

68. Neighbourhoods and Highways are forecasting an underspend of £1.586m, this is £0.6m higher than the previous report to Executive. The forecast £1.586m underspend is made up of underspends in Neighbourhood Services of £329k and Highways Services of £1.257m.
69. Neighbourhoods Services has a projected underspend of £0.988m on Community Safety and Compliance, City Centre Management, Licensing and the Out of Hours Team mainly due to employee underspends resulting from pay budgets are set at the top of payscale levels which are above the current actual salary costs (as people move through the grade range), turnover, and vacancies arising from new roles being created. Recruitment to these posts is ongoing and up to 34 posts are scheduled to be filled this financial year.
70. This is partly offset by £0.659m lower than forecast income in Manchester Markets primarily due to the decline in tenants at New Smithfield Market, the Sunday Market Car Boot Sale and Wythenshawe Market.
71. The Highways Service has a projected underspend of £1.257m this is due to higher than forecast income, and is made up of increased commercial income for works on minor schemes £0.736m, additional fee income from the capital programme £306k and increased pay and display car parking fees £215k.

### **Growth and Development (breakeven)**

72. The Directorate is forecasting to breakeven as at the end of October, this is a small adverse movement of £51k since the last report to Executive. The movement is mainly due to higher than forecast costs of utilities and repairs and maintenance on the operational property.
73. The Directorate is forecasting overspends in Operational Property (£276k) due to a combination of increased utility and repairs and maintenance costs and reduced rental income from the operational estate, and City Centre Regeneration (£94k) due to reduced project income.
74. These are offset by underspends on the investment estate due to £132k higher than forecast airport income, staffing savings of £82k on Housing and Residential, £99k on Planning and Building control, £50k on Facilities Management and £7k on Work and Skills, mainly due to staff vacancies.
75. Although the investment estate is currently forecasting an underspend, the rental income forecast is based on a number of assumptions. Officers are continuing to work with third parties in order to obtain the necessary information and firm up the current assumptions.

### **Housing Revenue Account (£7.477m underspend)**

76. The Housing Revenue Account (HRA) is forecasting a £7.477m favourable variance, which is favourable movement of £4.39m since last reported to the

Executive. The main reason for the increased variance is due to a reduced call on resources to fund the current year capital spend. This is because large parts of the improvement works within the capital programme relate to sprinkler installations and have been put on hold whilst fire risk assessments have been completed. Any resulting works will be undertaken as priority works.

77. The total underspend is made up of a reduced revenue contribution to capital projects totalling £6.159m and a £1.575m underspend on Private Finance Initiative (PFI) costs as a result of rescheduling the planned capital investment, with works slipping into 2020/21. These are offset by a number of small overspends totalling £257k.
78. The HRA is a ringfenced account and any in year surplus/deficit has to be transferred to or from the HRA reserve. The approved 2019/20 HRA budget included a £7.435m draw down from the HRA reserves, but due to the slippage in both the PFI expenditure and planned capital expenditure it is now forecast that £42k will be transferred to reserves. This would leave a balance of £68.905m in the HRA General Reserve at year end.

### **Budgets to be Allocated and Contingency**

79. In line with the 2019/20 budget report to Executive in February 2019 the budgets for inflationary pressures, contingency and specific items set aside 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. The following allocations are recommended for approval:
  - Price increase for Pathology Testing (post mortem examination fees) of £71k in 2019/20 and £150k from 2020/21. Postmortem fees were set at £96.80 for a number of years and the Manchester City Pathologist fees have now increased to £200.00 per examination.
  - £0.5m from corporate budgets (waste contingency) to be allocated to Neighbourhoods Directorate to reflect an adjustment to the waste income target, following a decrease in the amount of Trade Waste being disposed of by Biffa.
  - £250k from corporate budgets (waste contingency) to be allocated to Neighbourhoods Directorate to reflect savings made on the waste levy following an initiative to increase recycling rates from the Apartments.
  - £368k from Budgets to be Allocated, initially earmarked for increases to the Climate Change Levy rate. The additional levy costs have been absorbed within electricity budgets therefore this budget is no longer required and is being redirected to the cross cutting commissioning savings target. Work will continue to identify commissioning savings which will fall directly to the respective Service areas.
  - £183k from Contingency to fund dilapidation works for Early Years centres. This will allow the Council to undertake a 'condition survey' of all Manchester owned day-care buildings.

- The costs of provisions for school meals has been subject to a higher than inflationary increase of c4%. A budget increase of £100k has been allocated from the inflation provision to cover this cost and help ensure any increase in school meal prices are minimised.

### **Transfer from Reserves**

80. A drawdown requests for the following reserves have been submitted:

- Highway line marking - £100k in 2019/20 and £100k in 2020/21 from the on-street parking reserve to refresh approximately 6.5km of line markings on key routes across the city to reduce the risk of road traffic accidents.

### **Virements**

81. The following virements are proposed for a revised 2019/20 budget and require Executive and Council approval:

82. The Highways Service has undertaken a comprehensive restructure that will ensure that the Council can best meet the needs of residents and businesses. As such two virements are requested:

- £343k from non pay to pay within the Highways Service to maintain Highway structures to allow patching and drainage work to be more programmed than reactive and to improve overall co-ordination, planning and resourcing; and
- £303k from non pay to pay within the Highways Service to help manage and co-ordinate an increasing number of highways schemes, development works and utility work. This will be utilised by the service to recruit a small number of additional Network Co-ordination Officers.

### **Grants allocated to Manchester City Council in year**

83. Notifications have now been received in relation to specific external grants. These allocations were not confirmed at the time of the 2019/20 budget setting process and therefore have now been considered through the in-year Revenue Gateway process. These include:

- £325k from NHS England. NHS England recognise the importance that social care plays in the discharge of residents from hospitals into community settings. NHS Digital have made £4.8m available to Local Authorities to develop social care systems to support in this regard. The Manchester consortium has been awarded £325k to develop Adult Social Care systems to receive notifications from hospitals, which will support the discharge of patients and overcome some of the challenges associated with delayed transfer of care.

### **Savings 2019/20**

84. The 2019/20 budget process identified £14.799m of savings and budget reductions to be delivered in 2019/20.
85. The report sets out the assessment of risk against approved saving for 2019/20. The key areas of concern are those savings targets that have been rated as high risk or 'red'. All red rated savings are reflected as overspends in the Directorate's forecast position. These are shown in the table below.

	Green	Amber	Red	Total	Non recurrent / Investment	Net Total as per MTFP
	£000	£000	£000	£000	£000	£000
Children's Services	876	1,340	438	<b>2,654</b>	392	3,046
Adults and Social Care	1,016	2,788	4,104	<b>7,908</b>	(5,915)	1,993
Homelessness	0	323	117	<b>440</b>	0	440
Corporate Core	3,349	0	0	<b>3,349</b>	0	3,349
Neighbourhoods	4,951	0	0	<b>4,951</b>	0	4,951
Growth and Development	1,020	0	0	<b>1,020</b>	0	1,020
<b>Total Budget Savings</b>	<b>11,212</b>	<b>4,451</b>	<b>4,659</b>	<b>20,322</b>	<b>(5,523)</b>	<b>14,799</b>

86. Delivery of amber and red savings will continue to be tracked and reported, and mitigations identified, where possible, to address the 2019/20 financial pressures. The red rated savings are detailed below.

### Children's Services

- Leaving Care £205k (66%) due to placements being higher than budgeted. If placements remain at current levels the saving will be achieved in full next year.
- Adoption Allowances £77k (53%), placements are in line with budget but actual unit costs are 10% higher than budgeted. The service is reviewing all allowances in line with policy.
- Home to School Travel £156k (21%) due to activity levels continuing to run higher than last year.

### Adult Social Care

- Reablement savings risk of £1.693m (53%) as a result of delays in mobilising the expanded service due to recruitment timescales.
- Assistive Technology £0.578m (50%) due to the delay in mobilisation of the service due to lead time for procurement.
- High Impact Primary Care £153k (100%) from Residential, Homecare and Social Work. Whilst the service is delivering improved outcomes it is not yet achieving a net reduction in demand.
- Learning and Disability High Cost Placements and Shared Lives savings of £189k (29%) which is dependent on the outcome of ongoing assessments.

- Strength based support planning in Mental Health services £420k (54%) which is dependent on the outcome of ongoing reviews.
- Strengths based support planning for other Adult Social Care £198k (40%) rated as high risk. The changes to practice and training are now being rolled out but there is likely delay in full implementation.
- Homecare £373k (50%) rated high risk due to the revised timescales to implement the move to the new homecare contract.
- Contract review £0.5m (100%). Further work is being undertaken to link into other service savings to assist with delivery.

### **Homelessness**

- Bed and Breakfast £117k (27%) rated as high risk based on current numbers which have reached 242 cases (161 single people and 81 families) in October 2019.

### **Investment Priorities 2019/20**

87. In 2019/20 the Council committed to £31.863m of investment priorities. An update on these investments to the end of October is shown in Appendix 1.

### **Conclusion**

88. Overall the projected variance of spend to budget for 2019/20 is an overspend of £4.169m.
89. As set out in this report, the position reflects the latest saving achievements and progress made to mitigating pressures across service areas. However, pressures on the budgets for Children's Services and Adult Social Care will continue to be monitored and mitigations sought throughout 2019/20.
90. This report references some additional resources that can be deployed to support the position. The Council is keeping this under review through discussions with the Executive Member for Finance and Human Resources and portfolio holders to review actions taken to mitigate pressures.

### **Recommendations**

91. The recommendations appear at the front of this report.