

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

**Report to:** Executive – 3 June 2020

**Subject:** Revenue Outturn Report 2019/20

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

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### **Summary**

The report sets out the final outturn position for the Council's revenue budget in 2019/20. It also highlights the movements from the previous forecast for the year which was reported to the Executive in February 2020, and which was based on the position as at the end of December 2019.

### **Recommendations**

The Executive is recommended to:

1. Note the outturn position for 2019/20 as set out in the report and summarised in the table at paragraph 6.
  2. Note the Housing Revenue Account position for 2019/20 as outlined in paragraphs 63 to 66.
  3. Note the overall General Fund position for 2019/20 as outlined in paragraphs 67 to 68.
  4. Approve the use of budgets to be allocated as outlined in paragraph 69 to 70.
  5. Approve the use of and transfer to reserves as outlined in paragraph 71 to 72.
  6. Approve the use of grants in addition to that already planned, as detailed in paragraph 73.
  7. Note the allocation of COVID-19 funding received by the Council as outlined in paragraph 74.
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**Wards Affected:** None directly

<b>Environmental Impact Assessment</b> - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
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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.
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<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

### **Financial Consequences – Revenue**

There is a small overspend 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 was in a robust financial position at the end of March 2020.

### **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 2019/20 as approved by Executive 12th February 2019

## **Introduction**

1. This report provides a summary of the revenue outturn position for 2019/20 which includes the in-year costs of COVID-19 until end March 2020.
2. The report also includes a brief update on the next budget review and future reporting of the impact of COVID-19, including the emergency grant funding which is to be brought into the budget for 2020/21.

## **Outturn Position 2019/20**

3. For 2019/20 the outturn variance to budget is an overspend of £0.527m. This is a reduction of £2.263m from the overspend position of £2.790m at the end of December 2019 which was reported to the Executive in February.
4. On 19 March the Government announced £1.6bn of new funding for local government to help them respond to COVID-19 pressures across all the services they deliver. Manchester's allocation was £18.589m. £389k COVID-19 related expenditure was incurred in 2019/20 and this has been funded by this allocation leaving a balance of £18.2m. The costs incurred relate to :
  - £322k in ICT to enable staff to work from home;
  - £54k Facilities Management for additional cleaning equipment and materials; and
  - £13k Adults Social Care for personal protective equipment.
5. On 18 April the Government announced a second allocation of £1.6bn to support local authorities. The allocation for Manchester was £15.167m, providing overall grant funding of £33.756m to support the Council's response to COVID-19.

## **Summary Outturn Information**

6. The following table summarises the outturn for 2019/20 by service. The paragraphs that follow outline the main reason for the variation to budget and detail the changes from the previous forecast reported to the Executive in February 2020, which was based on the position to the end of December 2019.

## Overview of Outturn Position 2019/20

	Original Approved Budget £000	Revised Budget £000	Outturn £000	Variance £000	Variance last reported to Executive £000	Movement since last report to Executive £000
Total Available Resources	(610,835)	(628,091)	(630,030)	(1,939)	(1,779)	(163)
Total Corporate Budgets	113,629	119,852	119,085	(767)	(801)	34
Children's Services	120,434	120,869	122,491	1,622	3,241	(1,619)
Adult Social Care	198,263	198,324	205,222	6,898	6,953	(55)
Homelessness	13,375	14,111	14,235	124	0	124
Corporate Core	67,838	69,679	66,814	(2,865)	(2,851)	(14)
Neighbourhoods	91,781	99,321	97,256	(2,065)	(1,498)	(567)
Growth and Development	5,515	5,935	5,454	(481)	(475)	(6)
Total Directorate Budgets	497,206	508,239	511,472	3,233	5,370	(2,137)
Total Use of Resources	610,835	628,091	630,557	2,466	4,569	(2,103)
Total forecast over / (under) spend	0	0	527	527	2,790	(2,263)

### Resources to support the Revenue Budget (£1.939m underspend)

7. The Council is responsible for the collection of local taxes (Council Tax and Business Rates). At the end of March 2020, 92.73% of Council Tax had been collected. This is 0.27% behind the position reported at the end of 2018/19. Council Tax relating to 2019/20 will continue to be collected and the ultimate collection rate will be higher.
8. Business Rates collection for 2019/20 at 31 March 2020 is 97.58%, 0.67% above the same point in 2018/19. Again Business Rates will continue to be collected and the ultimate collection rate will be higher.
9. However, it should be noted that local taxation income included in 2019/20 for these areas is fixed. Variances will not impact until future years.
10. The available resources to fund the revenue budget are £1.939m higher than budgeted, this is an increase in resources of £163k since the end of

December (reported in the February global monitoring). The underspend is mainly due to:

Fortuitous income of £2.005m, made up of:

- £496k additional income for car parking;
- £424k additional income from Manchester Central, (this reflects a £176k reduction on forecast as a result of event cancellations from mid-March due to COVID-19);
- £195k Photovoltaic income from solar panel feed in;
- £0.6m Investment Estate income from the Arndale centre;
- £249k income from EE due to the re-negotiation of the contract;
- £41k due to Manchester Central rental 2018/19 being higher than estimate and a review of bad debt provisions.

11. There is £75k less income from dividends than expected in 2019/20 and other minor favourable net underspends totalling £9k.

### **Corporate Budgets (£0.767m underspend)**

12. Spend against Corporate budgets is £0.767m less than budget, a decrease in the underspend of £34k since the end of December (reported in the February Global Monitoring).
13. The reasons for the underspend are:
- £0.678m underspend due to a reduction in the number of people in receipt of historic specific education related pensions;
  - £116k underspend on Carbon Reduction Commitment (CRC) charge. The CRC Energy Efficiency Scheme was a government scheme designed to improve energy efficiency and cut carbon dioxide emissions generated by organisations. The CRC leveraged a 'carbon tax' for each tonne of carbon dioxide emitted each year. In 2019/20 the Council expected CRC charges relating to 2018/19 to be paid, however, because consumption across the estate was reduced the CRC charge was £116k lower than the estimate included in the 2018/19 position. Government closed the CRC scheme on 31 March 2019, after consulting on reforms to the way they tax and regulate business energy efficiency;
  - £14k underspend on small levies; and
  - £41k overspend on the 2019/20 Apprenticeship Levy. The Apprenticeship Levy was introduced by the Government in April 2017 as a commitment to new apprenticeships. The levy is applied to employers with an annual paybill of £3m or more and is charged at 0.5% of the employer's paybill. The Payroll Service calculates this based on the Council's paybill each month. The Levy is paid into an online Apprenticeship Service account and can be used to pay for apprenticeship related costs. Unused funds expire after 24 months. In 2019/20 an overspend of £41k was as a result of an increased payroll bill and this will accrue to Manchester's Apprenticeship Service account and be available to fund future apprenticeship costs for 24 months.

### **Children's Services (£1.622m overspend)**

14. The 2019/20 budget delivery plan projected 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.
15. The £1.622m overspend for Children's Services is 1.34% of the £120.869m budget. The overspend has decreased by £1.619m since the position as at December 2019 which was reported to the Executive in February 2020. Key movements relate to additional Corporate Contingency allocation, reduced placement and looked after children associated costs and additional income, further detail is provided below. 93% of the £2.653m savings target have been achieved.
16. The main variances on the Children's Services budget are summarised in the following paragraphs.
17. Residential Placements - The budget for residential placements overspent by £1.387m, a decrease of **£165k** since the last report. There are regular resource tracking and monitoring multi-agency panels to ensure the level of accommodation and cost continues to be appropriate for the young person's needs. As previously reported the position also reflects the progress that has been made through joint commissioning of specialist provision for children; this has resulted in a contribution of £3.7m from Manchester Health and Care Commissioning (MHCC) towards the cost of these placements.
18. Fostering - The budget underspend has increased by **£0.998m** from the last report and is £1.378m. This movement is made up of an allocation of corporate inflation contingency of £0.586m which met the increased unit cost of external fostering placements and reduction in the use of Independent Fostering Agencies of £412k.
19. The service has performed well in the discharge from care and avoidance of children coming into care through increasing the use of permanent Special Guardianship Orders with numbers increasing by 7 to 583 since the last report. Adoption Allowances and Child Arrangement Orders have recently been reviewed and as a result have reduced by 30 to 148. Special Guardianship, Adoptions Allowances and Child Arrangement Orders spending is £0.653m higher than the budget of £6.042m, which is a **£19k** reduction since the position as at December 2019.
20. The recharge for Children's Legal Services has a projected overspend of £1.267m which is an increase of **£288k** since the last report. The movement is due to higher than expected use of external legal services. The overspend relates to:
  - an increase in the use of external legal services due to internal staff turnover;

- the increased volume for demand in legal services;
  - greater complexity of cases leading to more use of external legal advocates/barristers and subject experts; and
  - the level of support required for the social work teams.
21. Children's and Corporate Legal Services are working to address this position by ensuring that pre proceeding work is carried out, carrying out any earlier assessments and working with the family which may either delay or incur additional costs once the care proceedings begin.
22. The Leaving Care service and placements has a projected overspend of £0.586m which has decreased by **£264k** since the last report, it relates mainly to:
- Supported accommodation placements overspend of £109k, the reduced overspend is due to a reduction of 10 supported accommodation placements. The service has undertaken to improve the cost effectiveness of placements. Part of this work is ongoing with Strategic Housing and Registered Providers 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 £176k due to number of placements being 15 higher than planned;
  - Leaving Care allowances overspend of £313k, spend in 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 2018; and
  - Leaving Care Service is underspent by £12k based on vacancies and income from the Department for Education.
23. Special Education Needs Transport which provides home to school and home to further education settings for children and young people in education with Education Health and Care Plans (EHCPs) is overspent by £78k relating to the cost of transport for children with Special Education Needs and Disabilities (SEND). The pressures have been mainly due to an increase in service demand, in particular there has been a marked increase in the number of young people eligible for transport in the post 16 and post 19 phases. Partly as a result of better route planning and other mitigations the overspend is **£116k** lower since the position as at the last report which reflects the achievement of £0.655m savings delivered against a target of £0.733m.
24. Other budgets which include support to families for accommodation, essential living, assessments, translations and birth certificates are £318k overspent; there has been a £1k adverse movement since the last report. The Regional Adoption Agency management fee overspend has reduced by £205k and is now £78k underspent as a result of a lower recharge than previously expected. The budget for No Recourse to Public Funds (NRPF) is underspent by £0.841m, this underspend has increased by £219k since the position as at the last report due to a reduction in the number of families presenting and a quicker turnaround in completing immigration claims through the Home Office.

25. Unaccompanied Asylum Seeking Children (UASC) is overspent by £23k, this has moved by **£268k** favourably since the position in the last report due to higher than expected Home Office grant income. The Home Office has agreed to fund claims in advance of confirmation of immigration status due to COVID-19. There is a future risk that some of the additional income may be subject to clawback at a later date if claims are confirmed as invalid.
26. Education Services, including Short Breaks and Education Psychology, has an overspend of £435k, this has increased by **£344k** since the last report due to increase in Quality Assurance and Admission staffing costs and recharges. The pressure relates to:
- Education Commissions and Services which includes Education Psychology overspent by £339k. This pressure mainly relates to an increased number of Education Psychology assessments due additional demand as a result of the additional requests and the statutory requirement to complete the EHCP process in six weeks.
  - School Organisation overspend of £96k following additional provision of additional support from the Contact Service.
27. Children's social care workforce, Commissioning and Strategic Leads budgets are underspent by £0.685m, this underspend has reduced by **£123k** since the last report. The major variances are:
- Localities, Permanence and Emergency Duty Service underspend of £0.523m due to ongoing challenges in respect of recruitment and retention of social work staff;
  - Fostering Service is underspent by £90k due to staff vacancies;
  - Families' First service and Supervised Contact overspend of £216k; arising from the use of agency staff to meet out of hours service requirements. This service is currently under review which is expected to achieve a greater level of efficiency and service improvement; and
  - Child Adolescent Mental Health Services commission underspend of £288k.
28. The Early Years **£143k** underspend is a result of the delay in the completion of work to determine the condition of the buildings and inform changes to the tendering of daycare sites to ensure that going forward buildings are maintained to a high standard whilst at the same time sustaining the quality of settings and sufficient early years provision across the City, of which 97% are currently judged by Ofsted to be 'good or better'.
29. Dedicated Schools Grant (DSG) in 2019/20 totalled £530m, of which £217m was top sliced by the Department for Education for academy school budgets. DSG has overspent by £4.282m due to the increased costs charged to the high needs block. This part of the grant supports children with SEND and special school places. The DSG overspend has increased by £286k since the position in the last report due to the increased number of Post 16 placements in colleges.

30. In the Council's school funding settlement for 2020/21 there is an additional £11.994m in the high needs block of the DSG to support children and young people with high levels of need. Based on the expected growth in demand for special school places and education, health, and care plans it is expected that a third of the current years overspend can be set against next year's grant and the rest of the deficit will be recovered across 2021-23.
31. A key priority for the Council is to increase the effectiveness of services to improve outcomes for children and young people. This is delivered through effective leadership and management at a locality level and programmes of activity with key partners, adopting a targeted and systematic approach to improved standards of practice; early help and prevention, effective commissioning and market management and maximising efficiencies where appropriate in service delivery.

### **Adult Services (£6.898m overspend)**

32. The final outturn position is an overspend of £6.898m, a decrease of £55k on that as at the end of December (which was reported in the February Global Monitoring). The breakdown of the overspend is a £7.116m overspend on the areas of social care included in the Manchester Health and Care Commissioning (MHCC) Pooled Budget, offset by a £218k underspend for Adult Social Care services outside the pool. The overspend is 3.48% of the £198.324m budget. The MHCC Pooled Budget for both health and social care totalled £1.196bn. The CCG (health) element of the pooled budget was balanced for 2019/20.
33. The £7.116m overspend on the MHCC Pooled budget relates in the main to the following areas:
  - In-house Learning Disability Supported Accommodation overspend of £3.887m from ongoing and rising needs for care and support;
  - Savings not delivered of £4.0m, against an original target of £7.9m;
  - Other budget variations totalling a net underspend of £0.771m.
34. Funding for demographic growth of £2.404m was approved as part of the Council's contribution to the MHCC Pooled Budget. This funding has been utilised to meet the increased client numbers and acuity of needs in Learning Disability and Mental Health services.
35. The 2019/20 budget included £4.258m to reflect the cost of the national living wage in the annual fee increase to care providers. This has been applied in full. In addition a further interim inflationary uplift was awarded to support the residential care sector across Manchester. The aim of which was to support the sustainability and stability of this sector. The financial pressures on this element of the care sector has become more apparent with the recent arrival of the COVID-19 pandemic.
36. Manchester's Adult Social Care Improvement Programme remains the driver for significant change and longer term sustainability, primarily via the Integrated Neighbourhood Teams (INTs). Mobilised INTs with their closer

worker relationships and improved communication across social workers, district nurses, GPs and community mental health teams have been critical in the last few weeks as the city has responded to COVID-19. New assessment and support planning procedures have been developed in line with central government guidelines to ensure the safe discharge of patients from hospital into care settings appropriate for their needs. When it is safe to do so, full Care Act assessments will resume and will continue to build on the 'strengths based' approach previously mobilised.

37. Due to the COVID-19 pandemic, further roll out of the new homecare contract to the remaining parts of the city has been paused. 10 of the 12 localities across the city are either fully operational or part operational with the new providers. Commissioners are working closely with providers at this time to ensure continuity of services for all clients.
38. The last report to the Executive referenced an additional allocation of £0.896m of Better Care funding to support Adult Social Care. As proposed at that time £413k was applied to support demand in the homecare budget and £483k was deployed to support pressures across the system but primarily at Manchester Royal Infirmary, where additional social worker capacity assisted with timely discharges of patients.
39. The final year end position also reflects spend of £0.702m of the ASC Improvement Plan funding of £0.797m and £1.948m of the £2.667m winter pressures grant spent. The underspends on these two funding allocations are due to delays in recruiting to posts and full development of a career pathway scheme. The underspends have been placed in the Adult Social Care reserve to be reviewed in 2020/21 in light of updated plans and the recent COVID-19 pandemic and the expected budgetary pressures that will result.
40. The major variances for ASC are explained in the following paragraphs:
  - The most significant overspend was on the In-house Learning Disability Supported Accommodation budget (LDSA), which overspent by £3.887m, an increase of £300k from the last report. The overspend is due to additional workforce spend to support the rising needs of residents within the service. A programme of carer assessments for all residents is ongoing. MHCC agreed as part of the 2020/21 budget process to assess the impact of people meeting the continuing health care (CHC) eligibility. Both the review of residents needs and their assessment against the CHC eligibility criteria will support a reconfiguration of budgets for 2020/21.
  - Included within the above are the transitional costs of moving residents to newly built accommodation. The actual costs totalled £331k against the estimate in the last report of £300k. These costs have been funded from the Adult Social Care reserve in this financial year, with the ongoing additional costs expected to be met from the service budget. At the end of March, 8 people had moved into the new 20 bed property in the north of the city, 11 had moved into a 20 bed property in central and 7 to a 20 bed property in the south of the city.

- The Residential and Nursing budget overspent by £0.523m which is an increase of £80k since the last report. Numbers of residential and nursing care placements are 20 lower than 12 months ago but short of the estimated reduction to deliver a balanced budget. The budget included savings of £1.084m, which equated to a reduction of 49 placements across the year, from the introduction of new care models. Further savings from the residential and nursing budgets are expected as new Extra Care schemes become operational in 2020/21, the cost of which was reflected in the 2020/21 budget process. The position reported above does not include any costs for clients discharged from hospital due to COVID-19, as they will be 100% funded by central government in 2019/20. The longer term implications of COVID-19 on Adult Social Care will be a significant financial pressure in 2020/21.
- The Homecare budget overspent by £1.381m which is a reduction of £435k since the last report. The reduction in the overspend is largely due to the allocation of additional funding from council contingencies. As stated above, progress has now been paused on the further roll-out of the new homecare contracts. The number of hours commissioned in March was an average of 29,577 hours per week which is considerably higher than the 27,000 average from earlier in the year. The expansion of the Reablement service and caseload level, that was expected to deliver savings, has not yet reached the target and the introduction of Technology Enabled Care (TEC) has also been slower than expected. Currently, Reablement staff are supporting other pressures across the wider system, in particular the pressures on care homes. As previously reported, the homecare budget had a savings target of £4.7m for 2019/20 and £2.4m remained unachieved at year end. In order to offset the overspend from the non-achievement of the savings, £1m originally earmarked for Reablement expansion and £413k from the CCG from the increased Better Care Fund allocation has been allocated to the homecare budget. There has been a reset of the savings proposals for 2020/21 as part of the budget process in recognition of the delays in fully mobilising new care models and the new homecare contract.
- Learning Disability externally commissioned services overspent by £0.8m which is an increase of £162k since the last report. There has been a net increase of 57 clients since the start of the year with a cost of £1.936m. The reported position includes the allocation of £1.007m of demography funding to meet the increase in demand for these services. Savings of £0.650m were agreed as part of the budget process with £0.744m being achieved against high cost placements.
- The budget for Mental Health services overspent by £0.562m which is an increase of £130k since the last report. Since March 2019, there has been considerable fluctuation in the numbers of clients supported with those aged 65+ in residential care reducing by 21 and those aged less than 65 increasing by 17. However, the main driver for the pressure on the budget is an increase of 43 in supported accommodation placements. The cost of

backpay for a number of these clients is also included and is the result of a data cleansing exercise following the transition to the new social care system.

- In addition to the above, there were further pressures on the care budgets due to the additional delivery of short breaks, resulting in an overspend of £0.501m, £215k on shared lives and £156k on community alarms due to reduced levels of income.
- Reablement underspent by £0.504m due to the delay in the scaling up of the new care models during 2019/20.
- Cash personal budgets underspend of £186k was due to lower than predicted demand and a focus on ensuring allocated funding was spent appropriately.
- Day centres underspend due to delays in recruitment and a repurposing of staff to support the COVID-19 response in late March of £254k.
- Staffing budgets underspend of £433k on social workers due to delays in the ability to recruit.
- Other outturn variations include pressures on externally commissioned supported accommodation placements of £300k, an increase of £26k from the last report, which is due to increased demand. The commissioning and corporate budget had an overspend of £0.579m largely due to the delay in identifying contract savings of £0.5m. Carers had an underspend of £158k at year end which was a reduction from the reported overspend from the last report, due to an upturn in activity in the last two months of the year.
- Public Health staffing budgets underspent by £288k due to the delays in recruiting to specialist positions.
- Other budgets within the pool have combined net overspend of £35k and areas outside of the pool an underspend of £218k due to delays in recruitment to specialist roles.

#### **Homelessness / Welfare reforms (£124k overspend)**

41. The position reported is an overspend of £124k against a net budget of £14.111m.
42. The increase of £124k since the balanced position from the end of December (which was reported in the February Global Monitoring) is due to an ongoing increase in the number of households supported in Dispersed Accommodation. The overspend consists of £350k Dispersed Accommodation, £151k Bed and Breakfast (B&B) Accommodation which is partly offset by an underspend on staffing of £377k.

43. Presentations at the front door in 2019/20 were 9,840, a 21% increase from 2018/19 with a record number of presentations in the last 3 months of 2019/20 of 2,534.
44. Temporary Dispersed Accommodation overspend of £350k, where the Council sources temporary accommodation for families who are homeless from the private rented sector. Following a significant increase since 2014, the number of families has continued to rise from 153 in April 2014 to 1,478 in April 2019 and 1,663 in March 2020. An increase in the year of 185, an average of 15 per month.
45. The Council incurs a shortfall of c£88 per week for each unit of temporary accommodation because Local Authorities are unable to access funding from the Department of Work and Pensions for the full cost of accommodation and are limited to the housing benefit rate as at 2011. As the Council is unable to claim the full housing benefit to cover the cost of temporary accommodation the flexible housing support grant of £2.1m is being fully applied to meet the cost in addition to the £3.4m budget.
46. Unsupported temporary accommodation, or B&B, is overspent by £151k based on the updated numbers and after utilising £424k from reserves. Between the last report, and year end the number of single people supported in B&B accommodation decreased from 105 to 101, with families supported remaining relatively stable (167 at the end of December to 179 by the end of March 2020).
47. A new process has been implemented at the front door for Section 21 presentations (tenant evictions), the service is still treating people as being effectively homeless from the date they present with a valid Section 21, this is to delay the use of temporary accommodation and move people in a managed way. The team has been operational from mid-January 2019 and in that time have worked with 1,059 cases with 644 cases prevented, 563 of which had an invalid Section 21 and a further 81 were prevented following contact with the landlord. This delay allows more time for the Private Rented Sector (PRS) team to work with the family or single person, and also means that they can move directly from the old property into dispersed accommodation, avoiding the use of B&Bs.
48. The Homelessness position is partially mitigated with an underspend of £377k on staffing, a number of temporary roles have been filled with internal candidates which has had an impact on the mainstream funded posts.
49. The budget for Homelessness Service is £14.111m net of grants. The service also receives external funding including:
  - The Flexible Housing Support Grant (FHSG) of £2.1m. This fixed sum grant replaced the demand led Temporary Accommodation Management Fee with effect from 1 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 (MHCLG);
  - 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 £0.5m for 2019/20. £108k carry forward of 2019/20 Rough Sleeper Initiative and Rapid Rehousing Funding, the bid submitted for 2020/21 funding which combines these funding streams was predicated on the Council carrying forward any underspend in 2019/20 to be used to fund part of the bid for 2020/21;
  - Rapid Rehousing Funding of £214k for 2019/20;
  - Private Rented Sector Funding of £401k, £340k of funding was not utilised in 2019-20 and has been carried forward to 2020-21, this was due to the late allocation of funding from MHCLG; and
  - A Bed Every Night Funding £1.363m which supported the provision of 39,687 bed nights.
50. The 2019/20 budget included funding of £0.5m investment into the Inspections Team for Dispersed Accommodation and Floating Support Welfare Contact Officers has resulted in 1,382 properties being inspected between July and March. With the Contact Officers ensuring oversight and service safeguarding has been maintained of all households whilst unallocated to a specific Support Worker, in addition to this the role has also overseen the escalation of property issues, chasing progress on repairs and supporting residents with move on.
51. £0.8m investment into Prevention funding for a new homelessness prevention service which will support those households identified early on as being at risk of homelessness. This is being piloted 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 a crisis point.
52. Adult Social Care Winter pressures grant of £279k was allocated and approved as part of the 2019/20 budget setting process to support Homelessness on a permanent basis. This is funding eight posts and links 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.

### **Corporate Core (£2.865m underspend)**

53. The £2.865m underspend is made up of £2.643m in Corporate Services and £222k in Chief Executives.
54. The outturn shows a small improvement of £14k since the end of December (which was reported in February Global Monitoring report) which is the net result of a number of changes across the Corporate Core service.

55. The Chief Executives underspend of £222k is made up of a £362k underspend due to staffing vacancies in Legal Services and Communications; £390k additional income in Legal Services from external commercial work; £168k additional income due to higher than forecast sales of certificates in Registrars and £147k reduced salary costs due to a higher than forecast number of employees purchasing additional annual leave through the annual leave purchase scheme.
56. This is reduced by £0.845m overspends, which includes the following areas Coroners Service (£0.591m) due to a combination of both increased case numbers and more complex cases and Elections (£254k) made up of additional costs of Local Elections £54k and £200k on the European Parliamentary Election.
57. The Corporate Services underspend of £2.643m is made up as follows:
- The following services have reported staffing underspends due to savings on employee budgets due to vacant positions, some of which were being held for 2020/2021 savings, and the timing of recruitment: People Reform and Innovation £6k, Performance Research and Intelligence £0.551m, Procurement and Commissioning £169k, Financial Management £446k, Human Resources £182k, Audit £54k, Customer Services £397k and Commercial Governance £56k. Due to budgeting for posts at the top of grade, reviewing levels of turnover and the timing of recruitment the vacancy factor has been increased in the 2020/21 budget on a number of the above services including Revenue and Benefits and the Shared Service Centre.
  - Policy and Partnerships net £10k underspend due to £299k staffing saving due to vacant positions and the timing of recruitment, offset by a reduction in project income of £289k due to lower volume of project activity.
  - Revenue and Benefits £256k underspend due to £0.711m savings on employee budgets due to vacancies and the timing of recruitment, this included a number of banked posts that have contributed £400k towards the 2020/21 approved savings. The £0.711m is offset by £180k additional one off costs for Academy licences, £80k reduction in fees due to a lower number of council tax enforcement notices being issued and £195k lower than forecast subsidy and increased bad debt provision.
  - The ICT underspend of £399k is made up of 0.501m savings on employee budgets due to the number of vacant positions and £465k underspend to fund projects. This is reduced by a shortfall in the staff capital charge to projects of £292k, dual running costs in relation to the move to the new data centre £260k and £15k on other running costs.

- Shared Service Centre £24k overspend due to £291k savings on employee budgets on a number of vacant posts, offset by £232k reduced income from schools due to reduced income from providing recruitment support, reduced purchase card rebate £26k and an overspend on running costs of £57k.
- Capital Programmes £156k underspend due to additional fee income for work undertaken on both minor schemes and commercial work for other Local Authorities.
- Corporate items overspend of £15k on internal recharges.

58. The total in year spend on Discretionary Housing payments was £3.520m, this was funded through a combination of government grant and additional mainstream resources. It was envisaged that there may be pressures in this area therefore additional resources were allocated for 2019/20. However whilst payments were slightly higher than 2018/19 there were £0.672m of resources remaining at year end and these have been transferred to reserve for use against future pressures in this area.

#### **Neighbourhoods Directorate (£2.065m underspend)**

59. The overall £2.065m underspend is made up of a Neighbourhood Services underspend of £1.054m and £1.011m Highways. The underspend has increased by £0.567m compared to the position as at the end of December (reported in the February Global Monitoring) and further detail on the main variances is set out below:

- Community Safety and Compliance is underspent by £1.472m, largely due to employee cost savings in Compliance Services of £1.276m throughout the year due to a combination of staff not being at top of grade accounting for £170k, a higher than forecast levels of staff turnover and the timing of recruiting to some posts resulting in £1.306m, offset by other areas totalling a £200k overspend. At year end there were 28 mainstream vacancies for which recruitment is ongoing subject to COVID-19 restrictions. In addition to this there were also savings of £187k in respect of GMCA recharges for landfill costs and other savings of £9k;
- Libraries, Galleries and Culture underspend of £105k due to staff savings because of vacant posts and the use of apprentices within Library Services;
- Bereavement Services and Pest Control have overachieved against their income targets by a total £217k;
- The Christmas Offer underachieved against its income target by £273k. This was due to a combination of the partial closure of Albert Square, increased security and cleaning costs and higher than forecast costs of construction design management (CDM) due to the new configuration of stalls across the city.
- There were underachievements of income in Manchester Markets of £417k due to vacant units at New Smithfield Market and a decline in the numbers of regular stall holders at the Sunday Market Car Boot; and

- Other overspends of £50k include an Events overspend of £46k due to additional safety costs as a result of an increased number of protests and mass gatherings.
60. Highways Service overall position is a £1.011m underspend which is an increase of £102k since the end of December (which was reported in the February Global Monitoring). Their overall position is made up of £247k higher than forecast fee income in Highways Capital Programme, increased commercial income of £0.803m in Highways Maintenance on external works such as drop crossings and school crossing points and £96k additional pay and display car park income. The areas of underspend are offset by £41k for additional costs for HS2, £49k to replace CCTV cameras and £45k repairs for public realm.

### **Growth and Development (£481k underspend)**

61. The outturn position of £481k underspend has shown a small increase of £6k from that reported at the end of December (which was reported in the February Global Monitoring).
62. The overall underspend of £481k is made up of underspends in the following areas:
- Investment Estate underspend of £476k due to increased net rental income from the Estate, notably Heron House and Manchester Airport, and reduced costs associated with staffing, offset by increased costs, mainly on bad debt provision;
  - Housing and Residential Growth underspend of £273k due to staff savings from vacant posts and lower than anticipated capital cost on the spend to save recharges for Ben Street;
  - Staffing underspends in Building Control £87k and work and skills £30k due to a number of vacant posts; and
  - Licensing underspend of £120k mainly arising from income relating to an increased number of premises licences.
- 62a. The above underspends are offset by the following;
- Increased utility costs of £85k in Operational Property;
  - Facilities Management overspend of £335k due to increased costs for security, repairs and maintenance, planned property maintenance, and refuse removal, offset by staffing savings and additional income for building cleaning;
  - City Centre Regeneration £32k overspend due to higher than forecast staffing costs;
  - Other miscellaneous overspends £53k.

### **Housing Revenue Account**

63. The Housing Revenue Account (HRA) outturn position is a £14.586m favourable variance. The two main variances are £13.161m due to reduced revenue contribution towards capital expenditure because of delays in the

commencement of several capital schemes and £1.518m lower than forecast PFI payments due largely to slippage in the planned installation of sprinklers at both Miles Platting and Brunswick.

64. As part of the year end closedown the calculation of depreciation charge was £0.828m higher than initially forecast and there was a £438k reduced bad debt provision required due to the continued delay in the roll out of Universal Credit and proactive work to support residents, and a £300k reduced insurance contribution.
65. The balance of £3k overspend is the net impact of a number of other minor variances across budgets.
66. The HRA is a ring-fenced account and any surplus/deficit in year has to be transferred to/taken from the HRA and Major Repairs reserves. For 2019/20, £4.238m has been transferred to the HRA reserve (opposed to budgeted transfer from reserves of £10.348m). This leaves a balance of £76.015m in the HRA General and Major Repairs reserves. The 30 year business plan currently forecasts that reserves will be exhausted by 2045/46, and this is before the cost of achieving zero carbon is taken into account. 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**

67. The General Fund reserve position at 1 April 2019 was £22.045m. The 2019/20 budget assumed there was a transfer from the General Fund reserve of £0.165m leaving a balance of £21.880m. This excluded the impact of any variance at the end of the 2019/20 financial year. As the actual outturn position is an overspend of £0.527m the balance on the General Fund Reserve at 31 March 2020 is £21.353m.
68. There is a request to carry forward resources for £143k. If the carry forward request is approved this will be a first call on the General Fund reserve reducing it to £21.210m. The carry forward request is:
  - £143k for Early Years Centres building condition surveys, which were only partially completed in 2019/20 and delayed due to COVID-19 outbreak. Specific funding was set aside for contingency to fund this urgent work in 2019/20;

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

69. In line with the 2019/20 budget report to Executive in February 2019 the inflationary pressures and budgets and contingency 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:

- £0.586m from Contingency to offset the price increases on placements from the Northwest External Foster Care framework;
- £476k from budgets to be allocated and £81k allocated from contingency to Homecare to support packages and reduce the demand for hospital beds; and
- £91k allocated from contingency for inflationary increases on the Street Lighting PFI.

70. This fully allocates the budget in 2019/20 to support the revenue position.

#### **Transfer from Reserves**

71. A drawdown request for the following reserve has been submitted:

- £16k in 2019/20 and £86k in 2020/21 from the Transformational Challenge award reserve to support the Adult Social Care's strength based development programme. This programme involves working alongside residents to identify the support and resources available from relatives, carers and from within the local community.

#### **Transfer to Reserves**

72. Requests to transfer to reserves are recommended for consideration by Executive, these are:

- Homelessness Grants - £340k unspent Private Rented Sector Access Fund, which is an incentive to Landlords in the private rented sector in the form of rent deposits and rent in advance which helps tenants secure and maintain tenancies in the private rented sector, reducing the burden on temporary accommodation. £108k carry forward of 2019/20 Rough Sleeper Initiative and Rapid Rehousing Funding, the bid submitted for 2020/21 funding which combines these funding streams was predicated on the Council carrying forward any underspend in 2019/20 to be used to fund part of the bid for 2020/21.
- Discretionary Housing payments totalled £3.520m in 2019/20, this was funded through a combination of government grant and additional mainstream resources. There were £0.672m of resources remaining at year end and these have been transferred to a reserve for use against future pressures in this area.
- Due to delays in recruiting to posts and full development of a career pathway scheme, £0.815m winter pressures grant was transferred to the Adults Social Care reserve. This will be reviewed in 2020/21 in light of updated plans and the recent COVID-19 pandemic and the expected budgetary pressures that will result.
- In addition to the winter pressures grant above £1.003m of ASC grant remained unutilised due to delays in the full development of new care models and staff recruitment.

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

73. Notifications have now been received in relation to specific external grants. These allocations were not confirmed at the time of the 2019/20 and 2020/21 budget setting process and therefore have now been considered through the in year Revenue Gateway process. These include:

- Engaging libraries Phase 2 - £10k in 2019/20 and £15k in 2020/21. The project is to employ a project manager for 15 months and to programme a series of workshops and events. These will help Multilingual Manchester with research into language diversity in the city;
- Unlocking clean energy in Greater Manchester - £164k in 2020/21, £104k in 2021/22, and £106k in 2022/23. The overall objective of the project is focussed on increasing small scale renewable energy generation in Greater Manchester and promoting wider investment in small scale renewables;
- European Regional Development Fund (ERDF) - Research and Intelligence Biohealth Accelerator - £101k in 2020/21, £71k in 2021/22 and £72k in 2022/23. The Council will provide advice and guidance on ERDF technical requirements as well as assist in the processing of grant claims. For this the Council will receive full cost recovery of salaries;
- Get Greater Manchester digital - £50k in 2020/21. The grant will fund a digital Inclusion officer role for two year to review and support digital inclusion within the city.

### **COVID-19 - Emergency Grant Funding**

74. On 19 March the Council received £18.589m from the government to help respond to COVID-19 pressures. £389k of COVID-19 related expenditure was incurred in 2019/20 and this has been funded from the grant allocation. The balance of £18.2m will be carried forward for use in 2020/21. The inclusion of COVID-19 related funding for 2020/21 is considered as part of a separate report elsewhere on this agenda.

### **Savings**

75. The 2019/20 budget process identified £14.798m of savings and budget reductions to be delivered in 2019/20.

76. Each saving has been monitored and reported throughout the year. The table below shows where savings have, or have not, been achieved in 2019/20 across each of the Directorates. The position on the deliverability of the savings moving forward was taken in account as part of the 2020/21 budget setting process.

Directorate	Savings Target 2019/20				
	Achieved £000	Not achieved £000	Total £000	Non recurrent / Investment £000	Net Total as per MTFP £000
Children's Services	2,466	187	<b>2,653</b>	392	3,045
Adults Social Care	3,908	4,000	<b>7,908</b>	(5,915)	1,993
Homelessness	0	440	<b>440</b>	0	440
Corporate Core	3,349	0	<b>3,349</b>	0	3,349
Neighbourhoods	4,951	0	<b>4,951</b>	0	4,951
Growth and Development	1,020	0	<b>1,020</b>	0	1,020
<b>Total Budget Savings</b>	<b>15,694</b>	<b>4,627</b>	<b>20,321</b>	<b>(5,523)</b>	<b>14,798</b>

77. The unachieved savings are detailed below.

Children's Services:

78. Unachieved savings totalling £187k:

- Leaving Care £109k (35%) due to placements being higher than budgeted following extension of support up to the age of 25 years in line with the Children and Social Care Act 2018; and
- Home to School Travel £78k (11%) due to activity levels and demand running higher than last year in line with increase in Education, Health and Care Plans and special school places.

Adults Social Care

79. Unachieved savings totalling £4.000m

- Reablement £1.136m (35%) as roll out delayed due to other service priorities such as homecare contract mobilisation and support for residential care.;
- Assistive Technology £0.688m (59%) 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 delivered improved outcomes it did not achieve a net reduction in demand;
- Strength based support planning in Mental Health services £0.5m (65%) which is dependent on the outcome reviews;
- Strengths based support planning for other Adult Social Care £198k (40%). The changes to practice and training were rolled out but full implementation was delayed;

- Homecare £0.750m (100%) due to the revised timescales to implement the new homecare contract across all localities;
- Contract review £0.5m (100%). Pressure due to delay in safely transferring packages to new providers across all localities; and COVID-19
- Shared lives savings of £75k (50%) which was due to a delay in recruitment

#### Homelessness

80. Unachieved savings totalling £440k
- Historically numbers in Bed and Breakfast (B&B) have fallen each year in December, however this year no reduction was seen and despite increased focus on prevention, presentations totalled 9,840 this year, an increase of over 20% from 2018/19. A drawdown of £424k from the reserve for homelessness mitigates the majority of this pressure in 2019/20, with £16k unachieved saving contributing to the overall overspend position. This has been considered as part of the 2020/21 budget setting process.

#### Conclusion

81. Overall the variance of spend to budget for 2019/20 is an overspend of £0.527m.
82. This is an improved position of £2.137m from the end of December, which was reported in the February Global Monitoring, of £2.790m. In the main this is due to an improvement in the Children's Services position which is detailed in the report.
83. A carry forward request of £143k for Early Years children's centres' site surveys has been made, and, if approved, this will be the first call on reserves in 2020/21.
84. A number of pressures have been addressed through the 2020/21 budget setting process and key risks will continue to be monitored and mitigations sought as required throughout 2020/21, whilst recognising the unprecedented impact of COVID-19 on the Council's financial position. An update on the budget for 2020/21 will be reported to the Executive in July.

#### Recommendations

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