

**Manchester City Council
Report for Resolution**

Report to: Executive – 29 July 2015
Subject: Global Revenue Budget Monitoring Report to end of May 2015
Report of: City Treasurer

Summary

This report contains a summary of the Council's revenue budget position based on an assessment of expenditure to the end of May 2015.

Recommendations

The Executive is requested to:

- (i) Note the contents of the report
- (ii) Approve the proposed use of grants as set out in paragraph 6
- (iii) To approve the use of reserves as at paragraph 12
- (iv) Approve the revised Prudential Indicator for Capital Financing Requirements (CFR) as set out in paragraph 13

Wards Affected: All

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	This report looks at the overall projected out-turn position against the budgets which underpin all of the council's activities
Reaching full potential in education and employment	
Individual and collective self esteem – mutual respect	
Neighbourhoods of Choice	

Implications for:

- Equal Opportunities Policy – there are no specific Equal Opportunities implications contained within this report
- Risk Management – an assessment of the major budget risks faced by the Council has been carried out and is monitored monthly by the Strategic Management Team. The risk to the achievement of individual savings proposals is also monitored monthly

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

Financial Consequences – Revenue

The report sets out the projected net under or overspend on the revenue budget for 2015/16, based on expenditure up to the end of May 2015.

With the likely scale of funding pressures and future resource reductions, it is important that the Council maintains a robust position on reserves and maintains the ability to deal with issues that arise during the financial year.

Financial Consequences – Capital

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

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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 approved revenue budget for 2015/16

1 Introduction

- 1.1 The purpose of this report is to provide the Executive with a summary of the revenue budget position of the Council for 2015/16 based on an assessment of expenditure to the end of May 2015.

2 Background

- 2.1 Reporting budget monitoring information is part of robust management arrangements across the Council and is part of a programme of continuous improvement. Its purpose is to raise issues which need to be controlled through further management action and does not necessarily reflect the expected final position at the year end. It should be noted that the position may change as work is done throughout the year by Strategic Directors to bring spend back in line with budgets.
- 2.2 Budgets are being monitored on a monthly basis by senior management and monthly reports are also made to individual Executive Members through Strategic Directors.

3 Summary Budget Position

- 3.1 The table below summarises the current projected cash limit budget position for 2015/16 as at the end of May. An overspend of £790k is projected made up of a directorate overspend of £1.2m partly offset by a £397k underspend on resources and corporate budgets.

	Original Budget	Revised Budget	Forecast Spend	Projected Over/(under) spend
	£,000	£,000	£,000	£,000
Total Available Resources	(539,589)	(541,378)	(541,600)	(222)
<u>Planned Use of Resources</u>				
Total Corporate Budgets	115,963	112,129	111,954	(175)
Directorate Budgets				
Children and Families	272,932	274,930	277,476	2,546
C&F uncommitted investment			(1,000)	(1,000)
Corporate Core	48,638	49,898	49,314	(584)
Growth and Neighbourhood	102,056	104,421	104,646	225
Total Directorate Budgets	423,626	429,249	430,436	1,187
Total Use of Resources	539,589	541,378	542,390	1,012
Total forecast over / (under) spend	0	0	790	790

Resources Available

4. Total Available Resources overall position

- 4.1 The overall forecast against resources is an overachievement of £222k, this relates to higher than forecasted Education Services Grant.

5. Business Rates and Council Tax

- 5.1 Period two is very early in the year to identify any issues, however both Business Rates and Council Tax collection rates are closely in line with this time last year with Council Tax collection at 17.9% and Business Rates at 20.9%.
- 5.2 Key to the Business Rates position will be the volume and outcome of appeals activity. Any variance on performance against that budgeted will not impact on the 2015/16 position as it will form part of the Collection Fund surplus or deficit to be built into the 2016/17 budget.

6. Grants

- 6.1 Notification has been received for a number of specific external grants, the use of which was not confirmed as part of the 2015/16 Budget setting process.
- 6.2 Business Rates Grants of £747k are anticipated. It is proposed these are credited to the business rates reserve and used towards offsetting the business rates deficit in 2016/17.
- 6.3 Detailed proposals on the use of the following grants will be scrutinised by Revenue Gateway and reported back to Executive:
- Deprivation of Liberty funding of £284k
 - Transformation Challenge Award of £12.4m has been awarded to Greater Manchester following a successful bid. £4m of this relates to locality exemplars of reform which will be transferred directly to localities. For Manchester this is £758k
 - An Independent Living Fund allocation of £1.725m has been confirmed. This relates to the transfer of the function and covers the nine months from July 2015.

Planned Use of Resources

7. Corporate and Cross Cutting Budgets

- 7.1 An underspend of £175k is forecast mainly relating to the allocation of the pay award. This assumes that all of the contingencies and budgets to be allocated are used.
- 7.2 The capital financing budget is projecting to break even.

- 7.3 The contingency includes £582k for the Waste Levy, £200k to Support Enhanced access to ICT and £600k for unforeseen events. At this stage in the year it is assumed they are fully committed.
- 7.4 Budgets to be allocated includes £4.9m for inflation, £660k carbon reduction tax and £500k for property pressures. There are potential calls against inflation for the pressures on the home care budget. Again at this stage of the year it is assumed these budgets are fully committed.

Directorate Requirements

8 Children and Families

- 8.1 Children and Families are projecting an overspend of £2.5m after the delivery of planned savings and other actions put in place to manage the budget.
- 8.2 The reported position for **Children's Safeguarding** is breakeven. There are significant pressures and mitigations in this area as summarised below:
- The full year variance of Looked After Children (LAC) placements is £646k. This takes into account the planned number of external foster care placements and increases in numbers of internal foster carers.
 - Permanence and Leaving Care budgets are projected to overspend by £894k. £606k of this relates to those with No Recourse to Public Funds which was funded through the Welfare Reform Grant.
 - There are also pressures on the budgets for Children's Locality Delivery and Supervised Contact which are projecting to overspend by £176k.

It is expected that the budget will breakeven after:

- The planned investment from reserves agreed as part of the Budget process will reduce these pressures by £1.7m.
 - The review of high cost placements is expected to lead to a reduction in external placement costs of up to £0.5m
- 8.3 **Adult Care Services** has a projected overspend of £1.8m after taking into account the delivering of planned savings and other actions to manage the budget. The main issues are as follows:
- Residential and Nursing Care budgets have a projected overspend of £658k. The risk reserve in the Better Care Fund will meet these costs so a break even position is being reported.
 - The Learning Disability service is projected to overspend by £549k after mitigating actions. Mitigation includes recovery of income from health, review of top 40 high cases, review of emergency beds and ongoing scrutiny across the budget.
 - The full year effect of the £490k pressure from 2014/15 in the Mental Health Services is leading to a projected overspend of £599k. The pressure relates to older people in residential care with mental health needs. From April 2014 to April 2015 the numbers have increased from 109 to 142.
 - There is an anticipated overspend in Business Units of £610k in 2015/16 due to slippage in the achievement of savings and an

overspend on agency costs - a detailed analysis of the staffing structure is being carried out to ensure the service runs as efficiently as possible.

- A small overspend of £73k on Homelessness is anticipated, assuming that the savings are fully achieved.
- A breakeven budget in Adults Safeguarding is forecast assuming all new pressures for new burdens from Deprivation of Liberties will be covered by grant funding.

8.4 **Public Health** are forecasting a balanced budget on the basis all providers accept revised contracts in line with agreed savings, there is a particular risk with sexual health contracts.

8.5 There is an overspend of £724k on **Core and Back Office** of which £557k is due to historic budget pressures across the directorate and £284k is due to a savings slippage in Business Support due to the timing of the restructure implementation. These are partly offset by small underspends elsewhere.

8.6 **Education and Skills** are overspent by £23k. However this assumes that the actions to reduce Home to School Transport costs are successfully implemented.

8.7 The ring fenced **Dedicated School Grant** is projected to balance after the use of the 2.8m underspend from 2014/15. The areas of risk are the budgets which support children with special education needs and special school places. These will be carefully monitored.

8.8 **£1m Uncommitted investment and Care Act** - As part of the approved budget £3.5m was built into Children and Families budget for additional investments. Circa £600k of this is uncommitted for 2015/16. In addition £400k of the funding set aside for the care Act is unlikely to be required in 215/16.

9 Corporate Core

9.1 The Corporate Core is forecasting an underspend of £584m. This is made up of an underspend in Corporate Services of £1.327m partly offset by an overspend on Chief Executives of £0.743m.

9.2 **Corporate Services** underspend of £1.327m is made up of the following significant variances:

- Business Units is forecasting an underspend of £602k due to increased income from school meals, contracts and bereavements.
- Revenue and Benefits are forecasting a £345k underspend due to increased benefit subsidy income.
- Shared Service Centre – A £250k underspend is projected due to a number of vacancies being held in advance of future savings.
- The remaining services are underspending by £130k due to the impact of ongoing vacancies. The projection takes into account planned recruitment.

9.3 **Chief Executive's** is projecting an overspend of £743k. ICT is overspent by £823 due to agreed increased staff costs following a senior management

restructure and costs of external support for ICT development. This is partly offset by small underspends due to staff savings in Customer Services and increased income in HROD and Democracy and Statutory.

10 Growth and Neighbourhoods

10.1 The overall budget for Growth and Neighbourhoods is forecast to be overspent by £225k . The major variances are:

- **Strategic Development** is forecasting a £650k overspend as Facilities Management savings of £500k may not be achieved in year and pressures on the repairs and maintenance budgets.
- **Community and Cultural Services** have a £125k projected overspend mainly because the events income target is unlikely to be fully achieved.
- **Neighbourhood Delivery** is projecting a £250k underspend due to a workforce underspend of £350k within Neighbourhood delivery that is partially offset by pressures from the waste levy of £100k as there is a trend towards increasing residual waste.
- **Planning** has a forecast underspend of £300k due to additional Income of £200k and a underspends on staffing budgets of £100k.

11 Housing Revenue Account

11.1 The HRA is currently forecasting an underspend of £222k which is mainly due to reductions in the forecast spend on the Private Finance Initiative's of £120k. In addition the inflationary increase applied to the Miles Platting and Grove contracts are less than provided for.

12 Reserves

12.1 There have been some requests for utilisation of reserves since the budget was set for consideration as follows:

- £280k for the installation of a solar PV arrays on Parrs Wood High school to be funded from the Climate Innovation Fund
- Outstanding maintenance work to the waste vehicles is required prior to transfer to Biffa under the new contract, cost is estimated at £70k and is proposed to be funded from the Fleet Maintenance reserve.

13 Prudential Borrowing Indicators

13.1 As part of the Prudential Borrowing regime, the Council sets a range of indicators designed to ensure that the borrowing it enters into is sustainable. These indicators are monitored regularly to ensure that they are not breached. Some of the Prudential Indicators are reported through the Capital Monitoring Process but those indicators that affect the Revenue budget are reported in **Appendix 1**.

13.2 The Capital Financing requirement for the HRA did not include the costs of Brunswick Private Finance Initiative (PFI) which is required to be included in this calculation. Assets relating to PFI's and Finance Leases are shown on the Council's balance sheet which results in an increase in the CFR. The indicator will show as being breached until the adjustment is made. It is recommended the HRA CFR target is increased from £220m to £225m.

14 Conclusion

14.1 This is the first Global Revenue Budget Monitoring report for the year 2015/16 and presents information based on projections as at the end of May 2015.

14.2 An overspend of £790k is forecast. All directorates will continue to work towards greater efficiencies, and accelerating savings where possible in order to support the overall position of the City Council.

APPENDIX 1
PRUDENTIAL BORROWING INDICATORS AS AT END OF May 2015

No	Prudential Indicator	Target	Actual as at end of May 2015	Target Breached Y/N		
1	Financing Costs to Net Revenue Stream	Non – HRA	10%	9.61%	N	
		HRA	4%	3.96%	N	
2	Capital Financing Requirements (as at 31 March)	Non – HRA	870,000,000	839,607,000	N	
		HRA	<u>220,000,000</u>	<u>221,440,000</u>	Y	
		Total	1,090,000,000	1,061,047,000		
3	Authorised Limits for External Debt	Borrowing	1,045,800,000	519,963,401	N	
		Other Long Term Liabilities	<u>216,000,000</u>	<u>161,298,500</u>	N	
		Total	1,261,800,000	681,261,901		
4	Operational Boundaries for External Debt	Borrowing	819,700,000	519,963,401	N	
		Other Long Term Liabilities	<u>216,000,000</u>	<u>161,298,500</u>	N	
		Total	1,035,700,000	681,261,901		
5	Upper Limits on Fixed Interest Rate Exposures	Net Borrowing at Fixed Rates as a percentage of Total Net Borrowing	91%	88.4%	N	
6	Upper Limits on Variable Interest Rate Exposures	Net Borrowing at Variable Rates as a percentage of Total Net Borrowing	87%	11.6%	N	
			Lower Limit	Upper Limit		
7	Maturity Structure of Borrowing	under 12 months	0%	60%	0	N
		12 months and within 24 months	0%	100%	48.7%	N
		24 months and within 5 years	10%	70%	43.8%	N
		5 years and within 10 years	0%	60%	4.9%	N
		10 years and above	0%	60%	2.6%	N
8	Upper Limits for Principle Sums Invested for over 364 days		£0	£0	N	