

**Manchester City Council  
Report for Resolution**

**Report to:** Executive – 26 July 2017  
**Subject:** Global Revenue Budget Monitoring Report to end of May 2017  
**Report of:** City Treasurer

**Summary**

This report contains a summary of the Council's revenue budget and forecast outturn position for 2017/18, based on an assessment of income and expenditure to the end of May 2017 and financial profiling to 31 March 2018.

**Recommendations**

The Executive is requested to:

1. Note the contents of the report.
2. To note the provisional use of the £12.92m Adult Social Care Grant as set out in paragraph 6 which will be recommended to the Manchester Health and Care Commissioning Board as per the report to Executive on 28 June 2017.
3. Approve the proposed virements in paragraph 13.2.
4. Note the allocation of budget pressures as detailed in paragraph 14; in line with the process approved in the budget report to Executive on 8 February 2017.
5. Approve the use of reserves (excluding those established from the carry forward of grants across financial years) in addition to that already planned, of £1.5m which relates to the Town Hall project as set out in paragraph 15.

**Wards Affected:**

All

<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	

<b>Manchester Strategy outcomes</b>	<b>Summary of the contribution to the strategy</b>
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 £7.375m for 2017/18, based on income and expenditure up to the end of May 2017.

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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### **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.

- February 2017 Executive suite of Budget Reports

1. Introduction

- 1.1 The purpose of this report is to provide the Executive with a summary of the Council's revenue budget and forecast outturn position for 2017/18, based on an assessment of income and expenditure to the end of May 2017 and financial profiling to 31 March 2018.

2. Background

- 2.1 Budget monitoring information is integral to supporting 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, as such, the position may change as work is done 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 2017/18 as at the end of May. An overspend of £7.375m is projected.

	Revised Budget	Forecast Outturn	Forecast variance P2
	£,000	£,000	£,000
<b>Total Available Resources</b>	<b>(534,009)</b>	<b>(534,009)</b>	<b>0</b>
<b>Total Corporate Budgets</b>	<b>112,906</b>	<b>111,906</b>	<b>(1,000)</b>
<b>Directorate Budgets</b>			
Children's Services	100,373	103,941	3,568
Adults & Public Health	152,802	156,646	3,844
Corporate Core	73,414	73,185	(229)
Growth and Neighbourhood	89,119	90,065	946
Strategic Development	5,395	5,641	246
<b>Total Directorate Budgets</b>	<b>421,103</b>	<b>429,478</b>	<b>8,375</b>
<b>Total Use of Resources</b>	<b>534,009</b>	<b>541,384</b>	<b>7,375</b>
<b>Total forecast over / (under) spend</b>	<b>0</b>	<b>7,375</b>	<b>7,375</b>

**Corporate Costs and Resources**

4. Overall corporate costs and resources

- 4.1 A £1m underspend is reported relating to funds set aside for the delivery of the Information and ICT strategy, the work to deliver this part of the ICT strategy will be subject to procurement in 2017/18 and the funding will be required in full next year. Other corporate items are expected to be in line with budget at this early stage. It is assumed that all other contingencies and budgets held centrally will be required.

5. Business Rates and Council Tax

- 5.1 The council is responsible for the collection of local taxes (Council Tax and Business Rates). At the end of June, 25.48% had been collected. This is 0.35% higher than at the same point last year.
- 5.2 Business Rates collection is 28.63%, 0.3% behind last year. Whilst collection rates are broadly the same as last year the continued volatility in the position for appeals means that it is very difficult to predict what the position for the year will be.
- 5.3 Income to be included in 2017/18 for these areas is fixed. Any variances in collection will impact in 2018/19.

6. Adult Social Care Grant

- 6.1 The 2017 Spring Budget announced an additional £2bn for Adult Social Care. The City Council will receive additional funding of £12.92m in 2017/18, £7.64m in 2018/19 and £3.78m in 2019/20. This grant is to be spent on Adult Social Care for the purposes of meeting adult social care needs, reducing pressures on the NHS and stabilising the social care provider market. A quarterly return is to be made to the Department for Communities and Local Government outlining the use of the grant.
- 6.2 A report to Executive 28 June 2017 approved the addition of this grant to the Manchester Health and Care Commissioning (MHCC) partners and endorsed the principles which will guide decisions on the allocation of the grant, as part of the implementation of the Locality Plan previously approved by the Executive.
- 6.3 In line with these principles there is proposed deployment into 5 core areas which are set out below, the assumptions in this report are pending formal agreement by MHCC and Health and Wellbeing Board:
- Support to the Adult Social Care base budget, factored into the forecasts (£2.479m)
  - Potential support for Locality Plan/system resources (£2.338m)
  - Provision to mitigate against demographics above the provision
  - Support for improving the position on Delayed Transfers of Care (3.3% target)
  - Capacity requirements
  - Reform investments – these are designed to deliver new or alternative care models; the details for these are currently being finalised

**Directorate Requirements**

7. Children's Services

- 7.1 Children's Services are projecting an overspend of £3.568m.

- 7.2 The key challenge for the service at period 2 is the achievement of the planned placement reductions in External Residential and External Foster care. Numbers are continuing to reduce but not at the pace originally envisaged. Whilst there has been some success in converting external placements into Special Guardianship Orders (SGOs) the increase in Manchester foster careers has been lower than expected. As a result there remains a higher number of the more expensive external foster care placements than planned and the overall number of placements and the average cost is higher than budgeted for. Work is continuing between the service, finance and Performance, Research and Intelligence to ensure that the Looked After Children investment fund is predicated on a set of realistic assumptions and action is taken to identify how spend can be safely brought back to budgeted levels. The impact of this on the Safeguarding budget is as follows:
- An external residential placements overspend of £1.581m is due to planned budget reductions in 2017/18 being challenging to deliver, and the actual costs of placements being 12% higher than budgeted.
  - Fostering placements are projected to overspend by £1.468m due to current external placements being higher than those budgeted for. The current forecast is that there will be 51 external placements above the budgeted numbers by the end of the financial year. This is partially offset by internal foster care placements being lower than the budgeted numbers, in part as a result of conversions to Special Guardianship Orders.
  - Special Guardianship Orders (SGOs) is forecasting an overspend of £0.664m due to the number of children with SGOs being 421 compared to budget of 353 and an increase of 5% in the unit cost. The higher unit cost increase relates to the need to agree the SGO rate based on the existing payments the carer receives. It is, however, a significantly lower cost than either an internal or external foster care placement.
- 7.3 There is a shortfall in funding due to changes from the budgeted assumptions around the funding available to support the Investment Fund (£1.297m). This is largely offset by an underspend on the part of the fund for specific targeted interventions (£426k) and a £0.7m expected contribution from the corporate inflation budget, mainly relating to external foster care and Special Guardianship Orders.
- 7.4 There are also underspends on
- Adoption Allowances of £215k – Children placed at the end of May are at 202 compared to budgeted numbers of 271. The unit cost is 6% higher than budget.
  - Children's and Adolescent Mental Health Services (CAMHS) are predicting an underspend of £289k due to full year effect of current staff vacancies
  - Legal costs are forecast to be £200k underspent, mainly relating to court costs estimated in comparison to the 2016/17 position.
8. Adults Social Care and Public Health

- 8.1 The projected overspend in 2017/18 is £3.844m, of this there are £1.3m costs which stem from moving people with learning disabilities from long stay institutions back into community based placements (Winterbourne judgement). Discussions are concluding on the treatment of £1.3m of these costs which are currently shown as a pressure against the social care budget. The position includes a forecast overspend of £1.2m for homelessness which is currently outside the scope of the MHCC Partnership agreement. The main reasons for the overspend are as follows:
- 8.2 **Care** – £0.585m overspend forecast as follows:
- Homecare (£0.628m) – The budgets are continuing to see demand and cost pressures, client numbers have increased from 1,679 at 1 April 2017 to 1,732 at the end of May. Commissioned hours per week have increased from 22,939 to 23,331 over the same period. The budget also continues to be adversely affected by the need to commission homecare from outside the standard framework contract. New framework tendering and a review of the hourly rate are expected to help address this issue. With the commissioning of new models of care it is expected that the savings requirement of £0.467m will be met.
  - Residential and Nursing (no variance) – client numbers have reduced from 1,023 at end of 2016/17 to 1,019 at period 2 and the forecast assumes demand will continue to reduce to achieve the planned savings in this area.
  - There are other minor underspend variations of £0.043m.
  - The Locality Plan savings programme includes the implementation of new care models related to residential, nursing and homecare provision of £1.596m, the delivery of the savings is predicated on investment from the GM Transformation Fund and the sign off of the business cases in Manchester which has taken longer than initially envisioned. The risk will be offset by the use of the Adult Social Care grant to fund the shortfall/ accelerate the transformation.
- 8.3 **Learning Disability Service** – balanced forecast. This position assumes delivery of £1.2m of savings from updating the arrangements for support planning.
- 8.4 **Mental Health Services** has a £95k forecast overspend and is continuing to experience demand pressures. Client numbers at 31/3/17 reached 718 against a budget assumption of 657 and this has been partly addressed through an additional allocation of resources.
- 8.5 **Business Units** are forecasting an overspend of £0.574m. The overspend reflects the need to incur additional staff related costs to cover vacancies and ensure a safe service is delivered.
- 8.6 **Homelessness** is forecasting an overspend of £1.2m. The introduction of the flexible housing support grant replacing the temporary accommodation management fee from 1 April results in a pressure of c£1.2m, this arises from the baseline data point used by Government not reflecting the current position.

- 8.7 **Back Office** overspend of £90k relates to ICT support costs offset by projected workforce underspend.
- 8.8 **Health and Care System Related budgets** are forecast to be overspent by £1.3m. The Council's budget for 2017-20 does not include provision for the care costs of individuals transferring out of Calderstones as a result of the Winterbourne View judgement; it was assumed that these would be covered by associated dowry payments from the NHS. Manchester Clinical Commissioning Group (CCG) has undertaken a review of the individuals concerned and the cost base for Manchester has been updated to c£4.2m (from £3.5m initial estimate). The CCG has agreed to fund £2.9m of the cost on a recurrent basis. As at period 2 funding for the residual £1.3m is still subject to discussion and it is intended to bring the matter to a conclusion as soon as possible. Until concluded, this cost is shown as a potential financial risk on the adult social care budget.
9. Corporate Core
- 9.1 The Corporate Core is forecasting an underspend of £229k. This is made up of underspends in Corporate Services of £0.909m and Chief Executive's of £155k offset by an overspend on Highways of £835k.
- 9.2 The underspends are due to high levels of vacancies particularly in Revenues and Benefits, Shared Service Centre and Customer Services. The projection assumes these posts will be filled later in the financial year and action is being taken to address this.
- 9.3 **Highways** has forecast an overspend of £0.835m in the current financial year. Pressures remain in these budgets due to the need to address a backlog of maintenance from the previous financial year (£292k), Manchester Contracts predicted £671k overspend is due to a reduced income forecast.
- 9.4 On Street Advertising has a forecast overspend of £0.7m which relates to the delay in the achievement of savings from introducing new on street advertising screens. A procurement exercise is due to commence shortly and be concluded during Summer 2017. Once this is completed the actual level of income due this year will become clear and may reduce the current forecast. At present it is assumed that no income will be achieved in this financial year.
- 9.5 Further work is being carried out in all of these areas. The above is partly offset by some success in reducing accidents and trips (£190k), Public Realm underspend (£116k) and a continued high level of income from the bus lane reserve (£493k). Use of this reserve is subject to statutory requirements and formal approvals required by City Treasurer and Executive.
10. Growth and Neighbourhoods
- 10.1 The overall budget for Growth and Neighbourhoods is forecast to be overspent by £0.946m. The major variances are:

- 10.2 **Neighbourhoods Service** – the overspend of £0.934m is made up of the following variances:
- **Waste Collection, Disposal and Street Cleansing** - £0.56m pressure as a result of additional costs identified in 2016/17 from service changes, it is now clear that these are ongoing and a solution will be required on a permanent basis. Negotiations with the contractor are in process and the Council is seeking reductions in the contract for elements that have been removed or not delivered on. The pressures are partly offset by an underspend on the GMWDA levy and position on other non-levy waste disposal.
  - **Parks, Leisure and Events** - £100k overspend due to lower than forecast sponsorship income for events.
  - **Community Safety and Compliance** - £182k overspend due to running costs and landfill costs at Cringle Road and Barlow Hall.
  - **Business Units** - £190k overspend due to a pressure in Markets in the Arndale due to work required on the air handling system and there is a further pressure at Church Street for the replacement of electrics.
- 10.3 **Planning, Building Control, Licensing and Land Charges** – Overall there is a net balanced position. Over achievement of planning fee income is offset by risk of underachievement of Taxi licensing income which is currently being reviewed.
11. Strategic Development
- 11.1 At period 2, the Directorate is forecasting an overspend of £246k, largely due to unachievable savings within Facilities Management.
- 11.2 **Facilities Management:** £206k overspend  
The service has savings of £250k to make in 2017/18, which are unlikely to be fully achieved due to the delays in refurbishing Hulme Library and the timings of the planned procurement processes including G4S.
12. Housing Revenue Account (HRA)
- 12.1 The HRA is forecasting a £5.729m favourable variance as at period 2, which is largely due to forecast slippage in the capital programme, resulting in a reduced requirement for a revenue contribution (RCCO). The HRA is a ring-fenced account and any surplus/deficit in year has to be transferred to/from the HRA reserve. The significant variations are as follows:
- **RCCO** - £6.95m underspend – The forecast underspend is due to large amounts of slippage in the current year's capital programme where expenditure is now expected to occur in 2018/19. The main projects that have slipped are on the retained stock, mainly Collyhurst regeneration and Parkhill.
  - **PFI Contractor payments** - £353k overspend – The forecast overspend is due to inflation being higher than forecast at Grove and Miles Platting (£175k), change notices of £370k at Brunswick, offset by £190k of reduced unitary charge payments at Brunswick due to the dispute in 2016/17 between contractors.

- Depreciation - £786k overspend based on the actual for 2016/17.
- Housing Rents - £50k overspend – This is due to an increase in the number of right to buy properties to date.

### 13. Budget Virements

13.1 The following virement proposed for the revised budget 2017/18 which requires Executive approval:

- £176k transfer from pay to non-pay in Children’s Safeguarding. This is to pay for a long term contractual obligation for Advocacy services for Children in Care. This will be paid for by General Funds, in respect of funding from vacant posts from the former Children’ Rights Advisor Posts as the service has now been contracted out.

### 14. Budget Pressures and Growth

14.1 The approval process for the allocation of budget pressures and growth was set out in the budget report to Executive. The paragraphs below set out the latest position by the four categories identified in the budget report.

**14.2 In line with the process set out part of the budget setting £3.48m has been allocated.** This is included within the directorate budgets and forecasts as follows:

	Amount £,000
Pressures in Social Care Budgets	2,190
Loss of DSG Flexibility - Changes to the Early Years Block	500
Investment in Fly Tipping Teams	200
Business Rates Revaluation	190
Highways- Street lighting	400
<b>Total Pressures</b>	<b>3,480</b>

14.3 **Growth, £2.475m available, £165k has been requested to date.** The remainder largely relates to Highways Investment in infrastructure and bridge inspections. It will be allocated on the assessment of individual business cases approved by the relevant Executive Member, Executive Member for Finance and Human Resources and the City Treasurer. As part of the 2016/17 budget £220k of revenue growth to fund five additional FTEs was agreed for the HROD Service. This money was not drawn down, however, the 2017/18 - 2019/20 budget confirmed this funding. Given that recruitment to these posts will likely only be from July, only a proportion (£165k) of this funding will be required in 2017/18.

14.4 **Activity, £11.716m available, £700k has been allocated** to Children’s Services from the non pay inflation which relates to increased costs for foster care and Special Guardianship Orders. The remaining activity related pressures can be drawn down once there is evidence that the funding is required. The Revenue Gateway Board will provide scrutiny of the

arrangements and make recommendations to the City Treasurer and Executive Member for Finance and Human Resources with the relevant Executive Member also consulted for the drawdown of the funding. The amounts available are as follows:

	Amount £,000
Pressures on Social Care budgets - Additional Activity	3,995
Children's demographic pressures	415
Non Pay Inflation 1%	3,048
Contract Costs of Minimum Wage	4,258
Pressures on Social Care budgets - Additional Activity	3,995
<b>Total Pressures</b>	<b>11,716</b>

14.5 **Pay £3.696m available, the total amount has been allocated.** As follows:

- **Pay Inflation and Minimum Wage.** £2.796m is required for the implications of pay increases including the 1% pay award and the impact of Manchester Minimum Wage.
- **Apprenticeship Levy:** This is paid monthly at 0.5% of the council's pay bill and set against a Corporate cost centre. It is recommended that this budget, totalling £900k, is allocated to meet the liability.

## 15 Town Hall Reserve

15.1 An additional £1.5m drawdown is requested in addition to the £4.828m approved in the February 2017 Executive budget report.

15.2 Since the initial budget estimate for the decant costs associated with the refurbishment of the Town Hall was prepared in July 2016, a number of assumptions and provisional sums have been replaced with known decant solutions. The overall decant budget across the seven years of the programme has remained the same, however the spend profile has changed, with more funding now required in 2017/18 and less in later years. This is mainly due to up front, one off fit-out costs required to make decant spaces fit for purpose. These costs are offset by moving some teams out of rented accommodation sooner than originally planned (end of the financial year 2019/20) and into space in the operational estate.

## 16. Prudential Borrowing Indicators

16.1 As part of the Prudential Borrowing requirements, 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 and are reported in **Appendix 1**.

## 17. Conclusion

- 17.1 The Global Revenue Budget Monitoring position presents information based on projections as at the end of May 2017.
- 17.2 An overspend of £7.375m is forecast and within that position there are a number of high risk areas. There is a programme of work in place to address the overspend and action must be taken to ensure the delivery of the Medium Term Financial Plan is not undermined. All Directorates will continue to work towards greater efficiencies and accelerating savings where possible in order to support the overall financial position of the City Council.
18. Recommendations
- 18.1 The recommendations appear at the front of this report.

**APPENDIX 1**

**PRUDENTIAL BORROWING INDICATORS AS AT END OF MAY 2017**

No	Prudential Indicator	Target	Actual as at end of May 2017	Target Breached Y/N		
1	Ratio of Financing Costs to Net Revenue Stream	Non – HRA	9%	8.35%	N	
		HRA	4%	4%	N	
2	Capital Expenditure	Non – HRA	<b>£m</b> 451.0	<b>£m</b> 442.6	N	
		HRA	42.1	33.8	N	
		Total	493.1	476.4	N	
3	Capital Financing Requirements	Non – HRA	<b>£m</b> 1,267	<b>£m</b> 1,112	N	
		HRA	269	269	N	
		Total	1,536	1,381	N	
4	Authorised Limits for External Debt	Borrowing	<b>£m</b> 1,555.4	<b>£m</b> 634.5	N	
		Other Long Term Liabilities	216	141.7	N	
		Total	1,771.4	776.2	N	
5	Operational Boundaries for External Debt	Borrowing	<b>£m</b> 1,159.8	<b>£m</b> 634.5	N	
		Other Long Term Liabilities	216	141.7	N	
		Total	1,375.8	776.2	N	
6	Upper Limits for Fixed Interest Rate Exposures	Net Borrowing at Fixed Rates as a percentage of Total Net Borrowing	96%	61%	N	
7	Upper Limits for Variable Interest Rate Exposures	Net Borrowing at Variable Rates as a percentage of Total Net Borrowing	92%	39%	N	
			<i>Lower Limit</i>	<i>Upper Limit</i>		
8	Maturity Structure of Borrowing	under 12 months	0%	70%	0%	N
		12 months and within 24 months	0%	100%	49%	N
		24 months and within 5 years	0%	80%	48%	N
		5 years and within 10 years	0%	70%	1%	N
		10 years and above	0%	70%	2%	N
9	Upper Limits for Principle Sums Invested for over 364 days		£0	£0	N	