Manchester City Council
Report for Resolution and Information

Report To: Executive – 19th December 2012

Subject: Global Revenue Budget Monitoring Report to end of October 2012

Report of: City Treasurer

Summary

Summary of the Council's revenue budget position based on an assessment of expenditure to the end of October 2012.

Recommendations

The Executive is requested to:

(i) Note the contents of the report

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

Heads of Service in consultation with Strategic Directors are required to comply with and adhere to stringent cash limits. Failure to do so represents unauthorised expenditure which will have consequences for the City Council's level of balances and hence its ability to determine its own spending priorities. Services that report a potential over spend against the revenue budget are required to show how the over spend will be eliminated within their own resources. The report sets out the projected net under or overspend on the revenue budget for 2012/13, based on expenditure up to the end of October 2012.

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 2012/13

1 Introduction

The purpose of this report is to provide the Executive with a summary of the revenue budget position of the Council for 2012/13 based on an assessment of expenditure to the end of October 2012.

2 Background

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. The figures are based on the projected position as at the end of October 2012.

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

The table below summarises the current projected cash limit budget position for 2012/13 as at the end of October and the impact on the General Fund Reserve:

Business Plan Area	**Original Budget 2012/13 £'000**	**Revised Budget 2012/13 £'000**	**Projected Outturn 2012/13 £'000**	**Variance 2012/13 £'000**
Available Resources	**545,581**	**552,839**	**552,839**	**0**
Planned use of Resources				
Corporate Requirements:				
Contingency	1,331	1,331	1,331	0
Levies (excluding Waste Disposal)	36,608	36,608	36,608	0
Capital financing Costs	52,019	51,982	49,982	(2,000)
Total Corporate Requirements	**89,958**	**89,921**	**87,921**	**(2,000)**
Service Requirements:				
Business Plan requirements	457,577	467,494	468,888	1,394
Budgets not yet allocated	4,765	1,535	635	(900)
Less:				
Corporate Procurement Savings being held to fund inflationary pressures	(169)	361	361	0
Cross cutting savings	(6,550)	(5,352)	(2,925)	2,427
NET ESTIMATED REQUIREMENTS	**545,581**	**553,959**	**554,880**	**921**
NET CALL FROM /(TO) GENERAL RESERVES	**0**	**1,120**	**2,041**	**921**

4 Summary of Business Plan Cash Limit Variances

The table below sets out the projected outturn position across directorates:

Directorate	Budget £'000	Projected Outturn £'000	Variance £'000
Directorate for Adults	154,793	160,584	5,791
Children's Services	135,566	134,930	(636)
Corporate Core:			
CEX	*60,218*	*58,082*	*(2,136)*
Corporate Services	*15,828*	*13,165*	*(2,663)*
Total Corporate Core	76,046	71,247	(4,799)
Neighbourhood Services	94,323	98,944	4,621
Manchester Investment Fund (MIF)	6,766	3,183	(3,583)
Total Departmental Cash Limits	**467,494**	**468,888**	**1,394**

The monitoring figures for October are projecting an overall overspend against departmental budgets of £1,394m.

Below is a brief summary of the main issues.

4.1 Directorate for Adults

The projected financial position for the Adults, Health and Wellbeing Directorate by the financial year end is an overspend of £5.791m, after mitigating actions in the budget recovery plan are implemented. The Directorate is on track to achieve £13.9m of savings in 2012/13. Good progress has been made following the introduction of re-ablement, predominantly focused on older people, which has led to planned reductions in spend against homecare, residential and nursing budgets. In addition significant savings from the implementation of the revised social care offer are on track to be delivered. Some of the savings associated with mobile working for social workers and internal provider services, will now be fully delivered in 2013/14 resulting in a pressure of £2.2m. A recovery plan is in place which will offset these costs in 2012/13.

The pressures for the Directorate predominantly relate to increased demand for Learning Disability Services. 13.9% of Manchester's adult population have a disability and the estimated growth in clients is 5% per year. The directorate is experiencing a growth in the numbers of young people requiring support and generally people with Learning Disabilities have a longer life expectancy, requiring support into older age. Whilst allowance was made in the budget to meet these costs the increase in numbers is above the anticipated level.

The other area facing demand pressures contributing to the overspend is Mental Health services, this is an issue being faced nationally but is significantly worse in Manchester due to the higher then average percentage likely to have low mental wellbeing. The service predicted an increase of 15%

in the number of people expected to require mental health support, however the there has been a 35% increase in the number of clients over the past twelve months.

Significant action is taking place to reduce expenditure in this year and balance the position for next year, the position includes a forecast cost reduction of £600k to be delivered by reassessing clients against the revised care offer, the Directorate is continuing to deflect need via the redefined offer and defer need via reablement however the budget remains under significant pressure.

4.2 Children's Services

Children's Services is reporting an underspend of £636k on the cash limit budget this financial year, which is due to underspends in Specialist Services and Education Services partially offset by overspends in Children's Services Support and Services for Young People 10-19.

For the Dedicated Schools Grant (DSG) an overspend of £0.666m is forecast, this has arisen due to the need to increase primary provision through installing temporary classrooms and increased special educational needs demand. These increased costs are partly offset by savings in relation to Early Years, CHAD, YOS, LAC and Home to School Transport. The forecast assumes that the LAC DSG of £1.5m will not utilised however this area can be quite volatile and will be closely monitored.

4.3 Corporate Core

The Corporate Core is forecasting an underspend of £4.799m. Corporate Services underspend is £2.663m, mainly relating to a combination of employee underspends, reduced running costs and increased rental income, the latter achieved by Corporate Property. Chief Executives is projecting an underspend of £2.136m which relates predominantly to reduced staffing costs across most services and lower running costs, particularly in Regeneration and Communications.

4.4 Neighbourhood Services

The overall budget is currently forecast to be overspent by up to £4.6m primarily due to the recognition of unachievable savings targets in relation to Channel Shift, Locations and Business Units.

In addition there are difficulties in achieving income targets in Community and Cultural Services, Waste and Recycling remains a significant risk in terms of both the budget for the collection of waste and the disposal costs (waste levy) and Manchester Contracts remains an area of concern due to lower than forecast activity.

These overspends are partly mitigated by increased income from parking and bus lane enforcement activity.

The reported position does not take account of a notification of additional grant funding of £2,471,873 for Manchester announced on 22nd November to support weekly residual waste collections for terraced and high rise properties and changing co-mingled recycling collections from fortnightly to weekly. Until the details on this announcement are better understood any impact has not been built into the forecast outturn position.

4.5 Manchester Investment Fund

The 2012/13 available budget for the Manchester Investment Fund is £6.766m. This is made up of £3,623k received from the Troubled Families Unit, £250k anticipated from Job Centre Plus, £415k Community Safety Fund Grant and an approved drawdown of £3,085k from the MIF reserve which was established in 2011/12. £607k has been transferred to Directorate budgets to cover approved expenditure so far. Forecast spend is estimated at £3.2m, the draw down from reserves was planned before the TFU funding was confirmed, therefore it is now envisaged that there will be an underspend of c£3.6m in this financial year.

5 Capital Financing Requirement

There is a potential underspend of around £2m on capital financing costs due to changes in the timing of the estimated borrowing requirement.

6 Budgets not yet allocated

When the budget was set £4.765m was held centrally for known issues where the final cost to the council was not yet known. Of this there is forecast to be an underspend of c£900k, mainly due to the cost of the increased pension contribution rate being less then was set aside and a lower than budgeted amount being required to meet costs to the General Fund as a result of changes in recharges to the HRA.

A rebate on the Waste Levy is anticipated. This relates to the financial position of GMWDA including the build up of an historic surplus. It is not yet known how much this will be and in which financial year it will be paid. If the payment is in this financial year it will be built into the monitoring as Corporate income.

7 Corporate Savings (Procurement, Housekeeping and AGMA)

As in previous years procurement savings achieved have been deducted from directorate budgets to offset inflationary pressures. It is currently estimated that c£2m savings can be achieved and realised of which £1.2m will be reallocated to cover pressures, leaving an overachievement of c£800k, It is proposed that these are used to partly offset underachievement of Cross Cutting Contract savings (See below).

8 Cross Cutting Savings

The cross cutting savings target is £6.478m relating to Contract Management (£3.048m), Property Rationalisation (£2.705m) and Cross Cutting Admin (£725k). The current position is a forecast underachievement of £2.427m with an element of the property rationalisation savings slipping to 2013/14. Alternative savings are being sought in 2013/14 for those which are no longer achievable as originally planned.

9 Housing Revenue Account

The HRA is currently forecasting an in-year underspend of £5.406m due to a number of in year variations, the most significant of which include a £2.5m reduction in interest payable for borrowing and the £1.1m discounts relating to the debt settlement.

The reduced interest payable has arisen due to the use of reserves to internally fund part of the HRA debt, rather than undertaking market borrowing as was originally assumed within the Business Plan.

The £1.1m premium discount settlement is a one off payment related to the HRA debt settlement. It was originally assumed to have been settled in the last financial year as part of overall HRA debt settlement.

Other variances include increased rental income due to lower than forecast void levels, (currently 1.1% rather than the 2% forecast) and £500k savings in supervision and management costs.

There remains an ongoing risk in respect of how PFI credit arrangements will be treated going forward within the HRA capital financing requirements due to a lack of clarity from CLG. Guidance from CLG is awaited, but uncertainty continues to exist around whether the borrowing headroom will be retained.

11 Prudential Borrowing Indicators

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.**

12 Council Tax Collection

The collection target for the current year is £170m, this includes £49.3m in Council Tax Benefit which is received directly from central government. In addition there is a target for arrears and costs collection of £7m. Year to date collection has improved slightly from this time last year (66.4% to 66.6%) and the overall amount of cash collected is £1.8m higher due to the improved collection performance and increase in the tax base.

13 Conclusion

This is the third Global Revenue Budget Monitoring report for the year 2012/13 and presents information based on projections as at the end of October 2012.

This year is challenging due to the volume of risk around savings achievement (particularly in Adults and Neighbourhoods), alongside emerging budget pressures relating to a significant increase in demand, which is in line with national trends. All directorates are aware of the requirement to manage within the resources allocated, action is being taken to reduce costs and manage demand where possible and to identify and deliver alternative savings by analysing high spend areas. There is a commitment to bring the forecast spend back within budget across all directorates.

APPENDIX 1

PRUDENTIAL BORROWING INDICATORS AS AT END OF OCTOBER 2012

No.	Prudential Indicator		Target		Actual as at end of October 2011	Target Breached Y/N
1	Financing Costs to Net Revenue Stream	Non – HRA	10%		9%	N
		HRA	8%		4%	N
2	Capital Financing Requirements (as at 31 March)	Non – HRA	880,000,000		751,752,464	N
		HRA	270,000,000		124,187,393	N
		Total	1,150,000,000		875,939,857	
3	Authorised Limits for External Debt	Borrowing	823,000,000		483,373,219	N
		Other Long Term Liabilities	160,000,000		147,428,702	N
		Total	983,000,000		630,801,921	
4	Operational Boundaries for External Debt	Borrowing	745,000,000		483,373,219	N
		Other Long Term Liabilities	160,000,000		147,428,702	N
		Total	905,000,000		630,801,921	
5	Upper Limits on Fixed Interest Rate Exposures	Net Borrowing at Fixed Rates as a percentage of Total Net Borrowing	95%		69%	N
6	Upper Limits on Variable Interest Rate Exposures	Net Borrowing at Variable Rates as a percentage of Total Net Borrowing	53%		31%	N
			Lower Limit	Upper Limit		
7	Maturity Structure of Borrowing	under 12 months	0%	50%	0	N
		12 months and within 24 months	0%	80%	34%	N
		24 months and within 5 years	10%	70%	47%	N
		5 years and within 10 years	10%	60%	15%	N
		10 years and above	0%	60%	4%	N
8	Net debt as a proportion of gross debt	Maximum	100%		89%	N
		Minimum	53%			
9	Upper Limits for Principle Sums Invested for over 364 days		£0		£0	N