

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

**Report to:** Resources and Governance Scrutiny Committee - 20 July 2021  
Executive – 28 July 2021

**Subject:** Revenue Monitoring to the end of May 2021

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

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### **Summary**

The report outlines the projected outturn position for 2021/22, based on expenditure and income activity as at the end of May 2021 and future projections.

### **Recommendations**

Resources and Governance Scrutiny Committee are requested to note the report.

The Executive is requested to:

- (i) Note the global revenue monitoring report and forecast outturn position which is showing a £1.359m underspend.
  - (ii) Approve budget virements to be reflected in the budget (para. 2.7)
  - (iii) Approve additional COVID-19 grants to be reflected in the budget (para. 2.8 to 2.10).
  - (iv) Approve the use of unbudgeted external grant funding (non COVID-19) (para. 2.11).
  - (v) Approve the use of budgets to be allocated, (para. 2.12).
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### **Wards Affected: All**

<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>Our 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 and 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**

The report identifies a forecast underspend of £1.359m for 2021/22, based on activity to date and projected trends in income and expenditure, and includes the financial implications of COVID-19, government funding confirmed to date and other changes.

This report focuses on 2021/22, however it is anticipated the implications of COVID-19 will have a significant impact on the Council's finances for a number of years. 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.

### **Financial Consequences – Capital**

There are no capital consequences arising specifically from this report.

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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.

Revenue Budget Report – Executive Meeting February 2021

## **1. Introduction**

- 1.1. This report provides an overview of the Council's current financial position for 2021/22. The forecast overall position for 2020/21 is an underspend of £1.359m after taking account of confirmed government funding and mitigation through the Council's share of the sales, fees and charges emergency funding. It should be noted that the COVID-19 related forecasts included in this position are based on the round 14 return submitted to MHCLG on 25 June 2021. The returns continue to be submitted monthly and figures will continue to be refined throughout the year.
- 1.2. There remains a significant budget shortfall from 2022/23 and future years, a report will be brought back to the Executive to consider the longer-term position and proposed mitigations.

## **2. Financial position 2021/22**

- 2.1. The current budget monitoring forecast is estimating an underspend of £1.359m for the year. The impact of COVID-19 is still being felt and there are significant uncertainties and risks to the position as COVID-19 restrictions ease, with significant potential risks around services to Adults, Children's and Homelessness of increasing demand leading to additional costs.
- 2.2. In relation to the delivery of the £40.7m of savings identified as part of the budget process the majority are on track for delivery. However, £3.370m of these are risk rated red and a further £5.681m are amber-rated, in terms of the likelihood of delivery. Officers are working to address these to ensure all savings are achieved.
- 2.3. Full details about the key budget forecasts and variances by Directorate are provided at Appendix 1. The forecast position includes the recommended budget increases for additional funding and the allocation of inflation funding set out below for the consideration and approval of Executive.

### *COVID-19 related Virements*

- 2.4. The 2021/22 budget recognised that the financial implications of COVID-19 would continue into this year and beyond. Areas affected were mainly in relation to Social Services and Homelessness as well as income collection. The position around income collection has been volatile and uncertain when the budget was set and linked to the easing of restrictions and the economic impact on organisations and individuals.
- 2.5. In relation to COVID the budget included £26.5m of forecast departmental costs and £9.1m of forecast income losses. This was partly funded via the tranche 5 emergency funding of £22.2m and the Sales, Fees and Charges estimated support of £4.5m. The Council has also applied a significant level of its own resources (made available through reserves, savings and mitigations) to offset losses not covered by government support schemes. The most significant areas were related to the loss of the airport dividend and other income.

- 2.6. All COVID-19 related budgets and pressures have been reviewed and where costs are lower than anticipated or the income collection has been higher it is recommended that the additional support is removed from the budget. The budget released will be held in the budget smoothing reserve to support COVID-19 related losses next year and reduce the 2022/23 budget gap.
- 2.7. The recommended adjustments total £6.17m and are as follows:
- Adults Personal Protective Equipment £2.5m adjustment as it has been agreed the anticipated costs are being covered by the Clinical Commissioning Group.
  - G&D - investment estate losses have been revised down by £2.6m. This estimate is based on a combination of the 2020/21 outturn position and the performance so far this year.
  - G&D - the planning and licencing forecast income shortfall has been reduced by £450k from £0.750m to £300k, to reflect current income trends.
  - G&D – The budget assumed no dividend income would be receivable for 2021/22. It is now anticipated that £0.5m will be received this year, and £0.4m per annum thereafter. An income budget has been established for this.
  - Corporate Core – the £965k income pressure has reduced by £120k to £845k to reflect the current levels of income for legal services and registrars.

#### *COVID-19 related Grants*

- 2.8. The Council has received a range of grants from Central Government to support the response to the COVID-19 pandemic. These will be administered in line with the conditions set out by central government. In some cases the council is acting as an agent of the government, an intermediary between the government and recipient with no flexibility in determining the level of support. These payments will be netted off the grant received and will not be shown gross in the budget. Where the Council acts as principal and is able to use its own discretion when allocating the grants (within the grant conditions) the council's budget will be increased to reflect the funding.
- 2.9. The additional COVID-19 related grants received to date are listed in Appendix 2. Note only the tranche 5 emergency funding of £22.229m and £4.481m Sales Fees and Charges Support (both of which were known when the budget was set) are available to support the direct additional costs and income shortfalls faced by the council. The remaining grants are either directly passed on to businesses or residents, or earmarked for specific priorities such as for test and trace, and are subject to a grant certification and/or audit process.
- 2.10. The following COVID-19 grants have been notified since the budget was set.

#### *Grants where the Council is acting as principal and are added to Directorate Budgets*

- Adults - LA Practical Support Framework, £185k. To provide practical support for those self-Isolating

- Neighbourhoods - Contain Outbreak Management Fund, £5.737m. Additional allocation to support proactive containment and intervention measures.
- Neighbourhoods - Cultural Recovery, £303k. The funding will be used to cover income losses and making the Gallery and ongoing exhibitions programme COVID secure.
- Children's - COVID Local Support Grant, £3.037m. This will support food provision for children and young people who access benefit related free school meals over the summer school holiday period.
- Core - Welcome Back Fund, £489k. To support the safe return to the high street.
- New Burdens Business Support Grants, £415k. For administration of business support grants during the pandemic.

*Grants where the Council is acting as agent and the funding is not added to the budget but passported to recipients*

- Covid additional restriction grant, £4.311m. To support businesses severely impacted by covid restrictions.
- Restart Grant, £35.935m. This is treated as agency as the council is acting on behalf of government and has no discretion over the use of funds. It provides restart grants to businesses opening after the pandemic.

*Grants where the Council is principal for the discretionary element of the funding and as agent for the remainder*

- Adults - Infection Control Fund, £1.897m to support adult social care providers to reduce covid transmission through effective infection prevention and control and increased staff vaccination. £1.328m is treated as agency as the council is acting on behalf of government and has no discretion over the use of funds. The discretionary element of £0.569m is added to the directorate budget.
- Adults - Rapid Testing Fund, £1.343m to support additional rapid lateral flow testing of staff in care homes, and enable indoors, close contact visiting where possible. £0.902m is treated as agency as the council is acting on behalf of government and has no discretion over the use of funds. £441k is added to the directorate budget.

2.11. Since the 2021 budget was approved there have been additional non COVID-19 grant notifications which are now reflected in the revised budget as follows:

- Homelessness, £2.752m. Increased Rough Sleeper Initiative funding for 2021/22 including continuation of Protect Programme, Rams Lodge, incentives for move on to Private Rented Sector and an initial funding allocation for Cold Weather provision.
- Homelessness, £0.5m. Emergency accommodation funding from April to June 2021.
- Increase in Public Health Grant, £0.879m. This is to fund the PrEP sexual health programme and to strengthen the Population Health team

Infrastructure and support the development of a more efficient and effective workforce.

- Public Health England – Additional drug treatment, crime, and harm reduction funding, £0.747m. The grant aims to help local areas across England including Manchester to drive down the crime associated with the drug market, and the rise in drug related deaths.
- Adult Weight Management Services Grant, £493k. The grant aims to help local areas across England including Manchester to enable adults to achieve and maintain a healthy weight.
- Safer Streets funding, £432k. The funding will allow the Community Safety Partnership to undertake activity which will contribute towards meeting its strategic objectives, to reduce acquisitive crimes, burglary, robbery and vehicle crime and to reduce Anti-social behaviour.

2.12. The following requests for release of funds approved in budget but not yet allocated to departmental cash limit have been made. Both of these relate to Children's services where the fees are set by the North West Regional Procurement Framework which the City Council utilises.

- External Residential Placements - £200k. Inflationary uplifts have been agreed on a provider by provider basis for existing placements. Due to limited supply and high level of demand for residential places Manchester will need to pay the increases to maintain access to provision.
- The North West Framework for external fostering has been updated, with an average price increase of 1.5% for new placements from 1st April. The £50k of funding allocated is based on previous activity levels.

### **3. Conclusion**

3.1. Taking into account the forecast financial implications of COVID-19, confirmed and anticipated government funding and any other known budget changes the budget forecast is an underspend of £1.359m for 2021/22. It is very early in the financial year and vigilance is needed given there are significant uncertainties and risks to the position as COVID-19 restrictions ease.