

**Manchester City Council
Report for Resolution**

Report to: Executive – 15 September 2021

Subject: Revenue Monitoring to the end of July 2021

Report of: Deputy Chief Executive and City Treasurer

Summary

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

Recommendations

The Executive is requested to:

1. Note the global revenue monitoring report and forecast outturn position which is showing a £2.558m underspend.
 2. Approve budget virements to be reflected in the budget (para. 2.7)
 3. Approve additional COVID-19 grants to be reflected in the budget (para. 2.9 to 2.19).
 4. Approve the use of unbudgeted external grant funding (non COVID-19) (para. 2.12).
 5. Approve the use of budgets to be allocated, (para. 2.13)
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Wards Affected: All

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

Our Manchester Strategy Outcomes	Summary of the contribution to the strategy
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.	

Implications for:

Equal Opportunities Policy – there are no specific Equal Opportunities implications contained within this report.

Risk Management – as detailed in the report.

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

Financial Consequences – Revenue

The report identifies a forecast underspend of £2.558m 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 2021/22 is an underspend of £2.558m 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 15 return submitted to MHCLG on 30 July 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 to 2025/26 alongside uncertainty about the future funding settlement. A report will be brought back to the Executive to consider the longer-term position and proposed mitigations as part of the budget process.

2. Financial position 2021/22

- 2.1. The current budget monitoring forecast is estimating an underspend of £2.558m 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, £2.889m of these are risk rated red and a further £1.594m are amber-rated, in terms of the likelihood of delivery. Officers are working to address the risk to ensure all savings are achieved or mitigated.
- 2.3. Full details about the key budget forecasts and variances by Directorate are provided at Appendix 1. The forecast position includes the recommended virements, 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 was 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. When the budget was set, additional growth funding was made available to support further COVID-19 pressures, including expectations of growth in demand for services as an impact of the recovery from the pandemic. The budget included £26.5m of forecast additional 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 investment income.

- 2.6. A number of these risks still exist, however, demand is not being seen in the way initially expected. 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 has been agreed that the additional support is removed from the budget. An adjustment of £6.170m was approved by Executive at its July meeting. 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. Further virements of £0.602m are now proposed as follows:
- Forecast income has recovered faster than forecast in Capital Programmes (£185k) and registrars (£42k)
 - The Parklife event is now expected to go ahead in September (£375k)
- 2.8. This brings the smoothing reserve to £6.772m which has been reflected in the planning for 2022/23 budget. In order to manage the overall risk to the City Council it is proposed that, the COVID-19 growth budgets are reviewed in greater detail as part of the period 6 monitoring, with any resource that remains unused being returned to corporate contingencies to help support the 2022/23 budget process.

COVID-19 related Grants

- 2.9. 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.
- 2.10. 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 received 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. These and subject to a grant certification and/or audit process.
- 2.11. The following COVID-19 grants have been notified since the last Revenue Monitoring report:

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

- Adults - LA Practical Support Framework, £370k. To provide practical support for those self-isolating.

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

- Test and Trace Support Payments (May-July), which were set up for adults who are self isolating. £104k added to Directorate budgets, and £177k is treated as agency as the council is acting on behalf of government and has no discretion over the use of funds.

Other budget changes for approval

2.12. Since the Period 2 Revenue Monitoring report there have been additional non COVID-19 grant notifications which are now reflected in the revised budget as follows:

- E Cargo bikes and E car charging, £55k. To process legal orders and approve works to support the Transport for Greater Manchester E-Cargo Bikes scheme

2.13. The following requests for release of funds approved in budget but not yet allocated to departmental cash limit:

- Children's placements- £416k inflationary uplift. Children's Services has worked to deliver a more attractive offer for in house foster carers by developing skills within the in-house fostering service and converting external foster carers to internal. The service is seeking to uplift the in-house foster care offer by 2% in 2021/22 to support this approach. In addition, there is a continued focus on Special Guardianship Orders, to be achieved through increased confidence in the 'offer' and 'conversion' from long term fostering arrangements.

3. Conclusion

3.1. Considering 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 £2.558m for 2021/22. It is still early in the financial year and vigilance is needed given there are significant uncertainties and risks to the position as COVID-19 restrictions ease.