

## Manchester City Council Report for Resolution

**Report to:** Executive – 17 November 2021

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

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

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### Purpose of the Report

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

### Recommendations

The Executive is requested to:

- 1) Note the forecast outturn position which is showing a £1.161m underspend.
  - 2) Approve the proposed revenue budget virements (para. 2.4 to 2.12)
  - 3) Approve additional COVID 19 grants to be reflected in the budget (para. 2.13 to 2.15).
  - 4) Approve the use of other unbudgeted external grant funding (non COVID 19) (para. 2.16 to 2.17).
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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 £1.161m 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.

### **Contact Officers:**

Name: Carol Culley  
Position: Deputy Chief Executive and City Treasurer  
Tel: 0161 234 3406  
E-mail: carol.culley@manchester.gov.uk

Name: Tom Wilkinson  
Position: Deputy City Treasurer  
Tel: 0161 234 1017  
E-mail: tom.wilkinson@manchester.gov.uk

Name: Samantha McArdle  
Position: Corporate Finance Lead  
Telephone: 0161 234 3472  
E-mail: samantha.mcardle@manchester.gov.uk

**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 £1.161m 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 16 return submitted to the Department of Levelling Up, Housing and Communities (DLUHC) on 24 September 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 £1.161m 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 £40.717m of savings identified as part of the budget process the majority are on track for delivery. However, £1.841m (4.5%) of these are considered high risk and a further £4.365m (10.7%) are medium risk, 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 on 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, 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 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 claim of £3.7m. 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 and a further £0.602m at the September meeting. A further £4.916m is recommended for approval this month as follows:

- Children's Services £2.183m in 2021/22 and £1.2m recurrently due to the preventative actions and investments targeted on the front door, edge of care and approach to permanency having a positive impact in reducing demand.
- Adult Social Care £2m release on a recurrent basis, due to client numbers in residential and nursing provision being lower than pre-pandemic levels and on-going support by central government regarding CCG funded nursing care placements.
- Elections £113k and Communications £20k.

*Other virements affecting the budget smoothing reserve*

2.7. Approved budget carry forwards from 2020/21 totalling £0.650m are not required, made up of £350k HROD and Elections £300k.

2.8. There is a release of Public Health budget (£300k), waste contingency (£1.254m) and a reserve set up for Community support (£1.6m) as the costs have been directly related to managing the pandemic and are therefore eligible for funding through the Contain Outbreak Management Fund (COMF).

2.9. The Council's electricity provider contract ended in October 2021 and renewal prices have increased significantly at a national level. The secured contract price for the next 12 months has resulted in a part year pressure of £3.283m. This impacts the following services (Corporate Services £1.183m, Operations and Commissioning £0.675m, Homelessness £149k, G&D £77k, Highways, £59k and Adults Social Care £36k). It is proposed these pressures funded by virements from the budgets released, as set out above.

2.10. The above adjustments bring the 2021/22 transfer to smoothing reserve to £11.609m. This will be used to support COVID 19 related losses in the medium term and reduce the budget gap.

*Other virements between directorates*

2.11. Transfer of business support staffing budgets to realign service provision from Adult Social Care to Children's Services and Education and Skills at £0.763m

- 2.12. Realignment of Shared Service Centre budget of £0.902m, to Finance £1.109m and HROD (£207k).

*COVID 19 related Grants*

- 2.13. 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.
- 2.14. 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 the amount which is to be claimed for Sales Fees and Charges Support of £3.596m 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.
- 2.15. 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*

- Adult Social Care - LA Practical Support Framework (July to September), £0.672m. To provide practical support for those self-isolating.
- Local Authority Community Testing Plan April to August, £0.568k. To support testing of asymptomatic individuals in order to identify infectious individuals so they can isolate and reduce transmission of the virus

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

- Test and Trace Support Payments (August September), for adults who are self-isolating. £1.047m added to Directorate budgets, and £0.599m is treated as agency as the council is acting on behalf of government and has no discretion over the use of funds.
- Infection and Control Testing Fund of £2.111m which is to support the care sector to put in place crucial measures over the winter period. £0.615m added to Directorate budgets, and £1.496m is treated as agency as the council is acting on behalf of government and has no discretion over the use of funds.

*The following Grant has not been reflected in the revised budget:*

- Household Support Grant £6.453m - At least 50% of the total funding must be spent on families with children. In terms of type of support, the expectation is that the Household Support Fund should primarily be used to support households in the most need with food, energy and water bills. It can also be used to support households with essential costs related to those items and with wider essential costs
- Afghanistan Resettlement Education Grant - £420k allocation from the 'Operation Warm Welcome' fund of £12m nationally, to support child refugees' schooling. The Council has received the largest allocation of any authority outside of London.

*Other budget changes for approval*

2.16. Since the Period 4 there have been additional non COVID 19 grant notifications:

- Capability Funding - £325k. This will fund development of key overarching plans and strategies that will help Manchester increase levels of active travel and target areas in the North of the city where active travel levels are lowest.
- Operation Magpie - £72k. This funding will enable Trading Standards to dedicate specific resource to the counterfeiting problems. As well as pursuing prosecutions the work will also involve obtaining closure orders for problem premises and carrying out enforcement at self-store premises suspected of storing counterfeit goods.

2.17. The following bid has been made for the use of reserves, above that budgeted

- Civil enforcement of moving traffic offenses - £100k. The spend will prepare for the transfer of powers in enforcing Moving Traffic Offences currently held by Greater Manchester Police to Manchester City Council. This will allow the Council to tackle its priorities in preventing offences which affect the efficiency of traffic flows and journey times as well as reducing the potential for road collisions.

### **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 £1.161m for 2021/22. There remain significant uncertainties and risks to the position as COVID 19 restrictions ease, these are being monitored closely.