

## Manchester City Council Report for Resolution

**Report to:** Executive – 1 June 2022

**Subject:** Revenue Outturn Report 2021/22

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

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### Summary

The report sets out the final outturn position for the Council's revenue budget in 2021/22. It also highlights the movements from the previous forecast for the year, which was reported to the Executive in February 2022, based on the position as at the end of December 2021.

### Recommendations

The Executive is requested to:

1. Note the outturn position of £1.161m underspend.
  2. Approve the proposed revenue budget virements (para. 2.7)
  3. Approve the release of funds approved in budget but not yet allocated to departmental cash limit (para. 2.10).
  4. Approve additional COVID 19 grants to be reflected in the budget (para 2.11 to 2.15)
  5. Approve the carry forward request totalling £400k detailed (para 2.16).
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### Wards Affected - All

<b>Environmental Impact Assessment</b> - the impact of the decisions proposed 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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Our Manchester Strategy outcomes	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, 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**

There is an underspend at the end of the financial year which will increase General Fund reserve. Where required, provision has been made for known liabilities. Reserves are considered to be at a reasonable level to underwrite potential future costs and risks.

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.

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

### **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](#)

## **1.0 Introduction**

- 1.1 For 2021/22 the Council out turned within budget and reports an underspend of £1.2m for the year against a net budget of £674.9m. Overall, this is a minimal change since the last revenue monitoring report to Executive in February 2022 (as at period 9). There are however changes across budget lines which are detailed in Appendix 1.
- 1.2 A balanced budget for 2022/23 was agreed by Council 4 March 2022 and the forecast position as at the end of May will be reported to the July Executive meeting.
- 1.3 There remains a significant budget shortfall over the medium term from 2023/24 alongside uncertainty about the future funding settlement, and emerging global events that are affecting prices and supply chains. The scale of the gap and proposed approach to closing it was set out in the Medium Term Financial Strategy report to Executive February 2022. The council has followed a prudent budget strategy of utilising any unused resources to smooth the impact on future years and reduce the level of cuts required.
- 1.4 This report includes the following appendixes

Appendix 1 Revenue Outturn report

Appendix 2 Central Government COVID-19 Funding Announcements

## **2.0 Overview of Outturn position 2021/22 and approval requests**

- 2.1 The final outturn position is an underspend of £1.2m for the year. The impact of COVID 19 is still being felt, although the financial impact has not materialised at the level initially forecast when the budget was set.
- 2.2 Approved savings in 2021/22 totalled £41.717m. Of these £39.702m (95.2%) have been delivered with £2.015m (4.8%) not being achieved in year as planned. The impact of this has been mitigated during the year and alternative savings were identified where original plans had not been achieved recurrently.
- 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.

### *Virements to the Budget Smoothing reserve*

- 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 shortfalls. 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.
- 2.6 A number of these risks continue to exist; however, demand growth has not been seen in the way initially expected. COVID 19 related budgets and pressures have been reviewed throughout the year. 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. There has also been the ability to release funds held in specific reserves for COVID related costs and the spend has been eligible for funding through the governments Contain Outbreak Management Fund (COMF) grant.
- 2.7 Adjustments totalling £11.590m were approved by Executive up to period 9 and built into the revised budget. The approved budget claw backs totalled £14.873m of which £3.283m was allocated to fund in year electricity price rises, with the balance of £11.590m credited to the budget smoothing reserve. Since then, further adjustments have been proposed and are subject to approval as follows:
- £1.315m which had been earmarked for markets and leisure electricity increases is not required as the majority of increases have been picked up by external partners.
  - £600k can be released from the welfare reform budget as this requirement has been funded through maximising alternative grant income.
  - £215k relating to the waste levy COVID adjustment being lower than forecast.
  - £2.259m saving on the employer's pension contribution which was paid upfront for three years from 2019/20, benefiting the Council by a 1% reduction in the level of contribution. The saving was higher than expected due to higher than expected staff vacancies.
  - £2.3m additional transfer to reflect the improved position since period 9, particularly in relation to the Adults Services position.
- 2.8 These adjustments bring the 2021/22 transfer to smoothing reserve to £18.3m, this is an additional £6.7m available to smooth budget pressures over and above that estimated when the 2022/23 budget was set. The budget proposals elsewhere on the agenda propose this is used to support COVID 19 related income losses in the medium term and to help reduce the budget gap in 2023/24, if required.

- 2.9 A full review of reserves and commitments is underway, as part of this, consideration will be given to any further possible release of reserves to support the budget and help smooth the level of savings required over the next two years. The outcome will be reported back to Executive in the form of an updated Medium Term Financial Plan.

*Other budget changes for approval*

- 2.10 The pay award for 2021/22 was agreed in March 2022. This has resulted in budget virements from Corporate inflationary budgets to directorate budgets of £4.225m. The original 2021/22 budget included an assumed pay award of 1% with some allowance for higher increases at lower grades. The actual award was 1.75% across most grades. The additional budget requirement was funded from within general inflationary and contingency budgets.

*COVID 19 related Grants*

- 2.11 The Council has received over 30 grants in 2021/22 from Central Government to support the response to the COVID 19 pandemic, these are listed in Appendix 2. They have been 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 and expenditure have been netted off the grant received and are not 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 has been increased to reflect the additional funding.
- 2.12 Note only the tranche 5 emergency funding of £22.229m and the amount 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.
- 2.13 The following paragraphs set out the COVID 19 grants which have been notified since the last Revenue Monitoring report.
- 2.14 Grants where the Council is acting as principal and are added to Directorate Budgets:
- Adults - Workforce Recruitment and Retention Fund Round 2 - £3.333m. This grant urgently supported local authorities to address workforce capacity pressures in their geographical area through recruitment and retention activity.
  - Adults - LA Community Testing Plan September to December - £103k. This grant supported testing of asymptomatic individuals in order to identify infectious individuals so they can isolate and reduce transmission of the virus.

- Core - New Burdens 5 Post Payment Assurance Reconciliation and Debt Recovery - £55k. This is to help meet the costs of administering the Post Payment Assurance Reconciliation and Debt Recovery processes required for all business grant schemes from August to March
- Core - New Burdens 6 Omicron Hospitality and Leisure Grant and ARG - £83k. To help meet the costs of delivering the Omicron Hospitality and Leisure Grant Scheme and ARG 3rd Top Up from January to March

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

- Core - Test and Trace Support Payments - Surplus Costs (will be funded by Government). Total of £672k of which £317k added to Directorate budgets, and £355k is treated as agency as the council is acting on behalf of government and has no discretion over the use of funds.

#### *Carry forward requests*

2.16 A request has been made for £400k to be carried forward to support the elections in 2022/23

- £200K to cover the costs of delivering the local elections in 2022.
- £200K to cover service planning and implementation costs related to the Elections Bill.

#### *General Fund Reserve*

2.17 The position on the General Fund reserve is as follows:

- The opening 2021/22 General Fund reserve position was £26.803m. The 2021/22 budget assumed a transfer from the reserve of £1.470m to fund carry forwards approved in 2020/21 and a transfer to the reserve of the underspend forecast at P9 which was £1.170m. This gave an expected closing balance of £26.503m.
- The actual balance on the General Fund Reserve at 31 March 2022 is £26.494m, £9k lower due to the minor net change since P9.
- There is a request to carry forward £400k for elections, detailed at paragraph 2.16. If this is approved this will be a first call on the General Fund reserve in 2022/23, reducing it to £26.103m.

### **3.0 Overview of Outturn position 2021/22 and approval requests**

3.1 Taking into account the ongoing financial implications of COVID-19, the directorate work on identifying additional savings and any other known budget changes and confirmed government funding the budget is balanced for 2021/22, with a contribution to General Fund reserve.

- 3.2 Whilst the position for 2022/23 looks manageable the financial position from 2023/24 becomes much more challenging. An update on the revenue budget will be reported to Executive in Summer 2022.