

Manchester City Council Report for Resolution

Report to: Executive – 15 February 2022

Subject: Revenue Monitoring to the end of December 2022

Report of: Deputy Chief Executive and City Treasurer

Purpose of the Report

The report outlines the projected outturn position for 2022/23, based on the latest expenditure and income activity as at the and future projections.

Recommendations

The Executive is requested to:

- (i) Note the global revenue monitoring report and forecast outturn position which is showing a £3.5m overspend.
 - (ii) Approve the use of unbudgeted external grant funding (para 3.2).
 - (iii) Approve the release of reserve funding (para 3.3).
 - (iv) Approve the allocation of budgets to fund Utilities Inflation (para 3.4 and 3.5).
 - (v) Approve the request for contingency funding (para 3.6 and 3.7).
 - (vi) Approve the allocation of budgets to fund Price Inflation (para 3.8 and 3.9).
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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 overspend of £3.5m for 2022/23, based on activity to date and projected trends in income and expenditure. The position includes government funding confirmed to date, the impact of inflation and the agreed pay award.

This report focuses on 2022/23, however the record levels of inflation on the Council's cost base will have a significant impact on the Council's finances for a number of years. With the scale of funding pressures and future resource constraints, 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 2022](#)

[Medium Term Financial Strategy 2022/23 to 2024/25 -Executive Meeting February 2022](#)

[Period 7 Revenue Budget Monitoring Report - Executive December 2022](#)

1.0 Introduction

- 1.1 This report provides an overview of the Council's current financial position for 2022/23. The Council is forecasting to overspend against its budget for 2022/23 by c£3.5m. The main drivers of the overspend are the pay award and the reductions in car parking and Christmas markets income and Home to School Transport. Overall there is an improvement of £4.1m from Period 7, which was the last report to Executive.
- 1.2 The position reflects the release of contingencies £0.3m, reduced price inflation requirement of £1.7m and a £0.6m reduction in the budget required for electricity. These amount to a £2.6m reduction in the corporate overspends. There is also an increase of £1.5m in Corporate Resources due to the redistribution of the Business Rates levy surplus.

2.0 Financial position 2022/23

- 2.1 As stated above, the current forecast is a £3.5m overspend, an improvement of £4.1m since the last report to Executive in December. It is positive that the main demand led services within Adults, Children's and Homelessness are underspending or breakeven, which puts us in a better position than many other councils and reflects the investment in prevention strategies over the last few years.
- 2.2 The budget is prepared on the basis of the best information available at the time and a robust consideration of the risks which may emerge. Risks are managed by holding a corporate contingency budget and reserves for specific risks. The funds are made available when the budget requirements are clearer.
- 2.3 The 2022/23 budget recognised that inflation would be higher than previous years and therefore included £22.4m for pay, utilities and price. For context, in the years to 2019/20 the annual pay and prices inflation budgets averaged £8m per annum. The updated forecast requirements is £28.4m, against a budget of £22.4m, an overspend of £6m. This is partly offset by underspends in other corporate budgets totalling £0.9m including historic pensions and release of contingency giving a corporate budget overspend of £5.1m.
- 2.4 There was a redistribution of the surplus of the Business Rates Returned Levy held in the national levy account in 2022/23. The national amount has been estimated at £100m which equated to £1.499m for Manchester; paid in 2022/23.
- 2.5 The service directorates are forecasting an overall small underspend of £143k. Overspends in Neighbourhoods (£2.5m) and Children's (£0.6m) are partly offset by underspends in Adults (£1.8m), Core (£0.8m), and Growth and Development (£0.6m). The pressures include the ongoing income shortfalls mainly in Neighbourhood Services (off-street parking), as well as pressures on SEN transport.
- 2.6 The position around Adults social care remains volatile with increasing demand pressures expected as patients are discharged from hospital requiring social care. It is therefore proposed that any additional underspend in year around the

Adults position should be held in reserve to help mitigate further pressures in 2023/24.

- 2.7 The Directorate savings and cuts for 2022/23 total £7.8m. Of these £1.3m (17%) are medium risk and £6.5m (83%) are low risk and on track to be achieved.
- 2.8 Any remaining overspend which cannot be mitigated in year will be a call on the smoothing reserve or the general fund reserve. The smoothing reserve has been established to assist with timing differences between savings plans being developed and delivered. Any unplanned use in the current year would reduce capacity to support future years savings programme and reduce the Council's overall resilience.
- 2.9 Since the last report to Executive there have been a number of new grant announcements and inflation drawdowns that require Executive approval to add to the budget. These are detailed in Section three for consideration.
- 2.10 Full details about of the budget forecasts and variances by Directorate are provided at Appendix 1. The forecast position includes the additional grant funding, recommended budget increases and virements set out in section 3 for the consideration and approval of Executive.

3.0 Budget changes for consideration

- 3.1 Executive are asked to consider the following additional budget increases and adjustments.

New Grants announced in year

- 3.2 Since the 2022/23 budget was approved there have been additional grant notifications as follows:
 - Highways - Traffic Signal Optimisation - £0.5m – this grant has been awarded for upgrade and maintenance of traffic signals and associated equipment. TfGM are required to carry out the majority of the works with MCC recovering staff time and over costs.
 - Highways - Review of City Centre Controlled Parking Zone and on street tariffs (Parking Reserve) - £50k. This is an additional £50k for the feasibility study estimate of £100k brought to Exec in P2 to review the current city centre controlled parking zones and on-street tariffs to ensure that they are properly aligned with MCC transport strategies, and for consultation, advertising/signage and reconfiguration of equipment. Additional costs have been identified along with an extra 2 sites being added to the study.
 - Homelessness – Homelessness Prevention Grant Winter 2022/23 Top-Up. £0.530m. The Government announced an additional £50 million made available to local housing authorities in England in 2022/23 through a top-up to the Homelessness Prevention Grant. This additional funding is intended to prevent vulnerable households from becoming homeless and manage local homelessness pressures. £0.530m has been allocated to Manchester which will be utilised to support the Cost-of-Living Response.

- Corporate Core – Energy Bill Support Scheme: Alternative Funding Grant. £2.300m will be provided to the Council to facilitate the scheme on an agent basis, whereby the Council acts as an intermediary of Government to make grant payments. The scheme will provide support for households not automatically eligible for support via the Energy Bills Support Scheme which provides £400 direct discount to bills. The scheme will target households who are responsible for paying for energy used in their primary dwelling as part of a service charge, rent or other arrangement, including those on commercial meters and residents in care homes, temporary or supported accommodation, park homes or on authorised traveller sites.

Reserves

- 3.3 There is a request for use of reserves over and above that agreed as part of the approved 2022/23 budget. This relates to Manchester Aquatics Leisure Centre of £0.6m. The Manchester Aquatics Leisure Centre is partially closed and not due to re-open until early 2023/24. The draw down will mainly offset the income losses from the Leisure provider GLL for 2022/23. By offsetting the shortfall on income for the Aquatics Centre it will allow us to maintain a service for users in the training pool, which does not generate sufficient income to cover revenue costs. This fund will bridge the gap and deliver a much-needed service in the city.

Utilities Inflation

- 3.4 The budgets required to cover gas increases total £3.246m. The directorate gas requirements are as follows:
- Children’s Services - £258k
 - Adult Social Care - £76k
 - Neighbourhood Services - £0.683m
 - Homelessness - £132k
 - Growth and Development - £89k
 - Corporate Core - £2.008m
- 3.4 At the previous meeting approval was sought to allocate budgets for electricity increases totaling £9.129m. Further review indicates £600k of this is not required and has therefore been released improving the overall position.

Virements

- 3.5 As part of the ongoing support to residents facing the cost of living crisis the following initiatives are proposed:
- 3.5.1 Cost of living payments to internal Foster Carers of £300, expected to cost £150k in total.
 - 3.5.2 Payments to households who missed out on the Universal Credit cost Living autumn payments, estimated at £369k
- 3.6 The £519k required has been made available through:

- £300k which was identified to support people to remain in their accommodation and reduce homelessness. This is now covered through the increased Homelessness prevention grant referenced at paragraph 3.2
- £219k released through lower than anticipated applications for Discretionary Housing Payments

Request for release from contingency

- 3.7 There is £600k set aside in corporate contingency for unexpected costs which arise in year. Approval to release £307k relating to ICT system security was obtained at period 7. The remaining balance of £293k has now been released.
- 3.8 In addition, there was £460k contingency held for variations to the waste disposal costs. This is not needed in 2022/23 therefore has been released to support the increased costs of the waste collection contract.

Price Inflation requests

- 3.9 The 2022/23 budget allowed for inflationary budget increases of £4.5m. At period 7 approval to transfer budgets to directorates of £3.8m was obtained. This included £1.5m relating to care market uplifts, which was part of a total estimated requirement of £12.1m. Discussions are ongoing between commissioners and care providers to try and maximise take up however it seems unlikely the full amount will be required this year. The proposed 2023/24 budget elsewhere on the agenda has addressed the on-going impact into 2023/24.
- 3.10 Contract variations relating to the waste collection contract have now concluded. The required additional budget totals £1.895m to provide for inflationary pressures mainly relating to pay and utilities. It is proposed this is funded through waste contingency of £460k and inflation funding of £1.435m.

4.0 Conclusion

- 4.1 This report sets out the significant risks faced this year, which mainly relate to external factors around inflationary pressures and continued income shortfalls. Service departments are largely managing within approved budgets and savings delivery is on target. The pressures are resulting in a forecast net overspend of £3.5m this year.
- 4.2 The inflationary pressures outlined in this report are expected to continue into future years. This coupled with funding uncertainty increases the risks associated with setting a balanced and sustainable long-term financial plan and represent a deterioration of our financial position if no action is taken.
- 4.3 It is therefore vital that the Council continues with its programme of innovation and reform and develops its operating model to help tackle these challenges and keep the Council's finances stable and sustainable. In November 2022 scrutiny committees were presented with cuts and saving options totalling £42.3m over three years for consideration. The December 2022 finance settlement gave the opportunity to review the quantum and phasing of savings. It is now proposed that options of £36.2m are considered by scrutiny committees in February 2023.