

Manchester City Council Report for Resolution

Report to: Executive – 16 February 2022

Subject: Revenue Monitoring to the end of December 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 December 2021 and future projections.

Recommendations

The Executive is requested to:

1. Note the forecast outturn position which is showing a £1.170m underspend.
 2. Approve the proposed revenue budget virements (para. 2.4 to 2.8)
 3. Approve additional COVID 19 grants to be reflected in the budget (para. 2.9 to 2.14)
 4. Approve the use of other unbudgeted external grant funding (non COVID 19) (para. 2.15).
 5. Approve the allocation of budgets from corporate inflation (para. 2.16)
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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 £1.170m 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 £1.170m. Full details are provided in Appendix 1. The 2022/23 budget is expected to be balanced following mitigations as set out in the budget report elsewhere on this agenda.
- 1.2. There remains a significant budget shortfall from 2023/24 alongside uncertainty about the future funding settlement. The scale and proposed approach is set out in the Medium Term Financial Strategy report elsewhere on the agenda. The council continues to follow a prudent budget strategy of utilising any released resources to smooth the impact on future years and reduce the level of cuts required.

2. Financial position 2021/22

- 2.1. The current budget monitoring forecast is estimating an underspend of £1.170m 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. However, the financial impact has not materialised in 2021/22 to date at the level initially forecast when the budget was set.
- 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, £2.482m (6%) of these are considered high risk and are unlikely to be delivered in this financial year and a further £5.287m (13%) are medium risk, in terms of the likelihood of delivery. Officers are working 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 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 still exist; however, demand growth 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. 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 Contain Outbreak Management Fund (COMF).
- 2.7. Adjustments totalling £10.609m have been previously approved by Executive. Since then, a further £131k virement from Coroners is proposed, £200k from Homelessness and there is a need to reverse a £350k virement from HR/OD. These adjustments bring the 2021/22 transfer to smoothing reserve to £10.590m. The budget proposals elsewhere on the agenda propose this is used to support COVID 19 related losses in the medium term and reduce the budget gap in 2023/24.

Other virements between directorates

- 2.8. ICT budget centralisation £2.124m - This was undertaken to enable better analysis over the whole spend on IT Hardware, Phones and Printing. It is also linked to the End User Device project where the council has provided new laptops and will be replacing them in three years.

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 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.
- 2.11. The following COVID 19 grants have been notified since the last Revenue Monitoring report:
- 2.12. Grants where the Council is acting as principal and are added to Directorate Budgets:
- Workforce recruitment and retention fund, £1.805m. This grant will further help the care sector respond to the challenges posed by winter pressures

- COVID Adult Social Care Omicron Support Fund, £666k. This funding can be used to support the sector and protect people from COVID-19 infection. This includes investing in improved ventilation, increasing the use of direct payments or paying for COVID-19 sickness and self-isolation pay for staff.
- Community Vaccine champions programme, £185k. To encourage hard to reach people in areas with low vaccine uptake to come forward through volunteers in the community
- Protect and vaccinate, £0.729m. To increase vaccination amongst people sleeping rough and to provide emergency accommodation
- Homeless prevention grant top up, £0.689m. This grant will be utilised to maintain tenancies in future months where tenants have fallen into rental arrears as a result of covid
- Additional Restriction Grant Omicron (ARGO), £0.999m. In response to the increase in COVID Omicron cases Government announced a top up to the existing ARG grant of £0.999m, bringing the total of ARG received to £21.199m. This grant will be applied to businesses that have been impacted by the variant and are not eligible for other support. The Council is designing a scheme that will fully allocate this element of ARG and no further Government funding will be available.

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

- Test and Trace Support Payments (October - December), for adults who are self-isolating. £254k added to Directorate budgets, and £169k is treated as agency as the council is acting on behalf of government and has no discretion over the use of funds.
- New Burdens 4 restart and ARG grant schemes, £85k added to the directorate budgets and £97k is treated as agency. To help meet the costs of delivering the Restart Grant Scheme and the ARG Top Ups from 14 October 2020 to the end of March 22.

2.14. Grants where the council is an agent for the fund:

- Business Support – Omicron Hospitality and Leisure grant, £6.090m. In December, in response to the COVID Omicron variant, Government announced further business support grants would be applied for hospitality and leisure (including accommodation) businesses, with one off grants of up to £6,000 to be awarded to eligible businesses. The Council's allocation of £6.090m reflects 90% of Government's estimated grant requirement. If required, further funding will be provided to the Council, and any unapplied grant will be returned to Government.
- £23.993m COVID Additional Relief Fund (CARF) was announced by Government in December. This will provide rates relief to reduce chargeable amounts in 2021/22 for businesses in the city that have been adversely impacted by the pandemic. In March 2021 Government announced that businesses who had appealed their business rates charge under grounds of the 'Material Change in Circumstance' linked to the pandemic would be revoked and replaced by a new relief worth £1.5bn

nationally. The Council's share of this is £23.993m and a local relief policy is being designed for eligible businesses.

- Section 31 extended retail relief, £91.515m. This will provide rates relief to reduce chargeable amounts in 2021/22 for businesses in the city that have been adversely impacted by the pandemic.

2.15. Since the Period 6 Revenue Monitoring report there have been additional non COVID-19 grant notifications which are now reflected in the revised budget as follows:

- Afghanistan Resettlement Education Grant - £1.456m following release of further details by DfE / Government and as previously reported to the Executive. This allocation is from the 'Operation Warm Welcome' fund to support child refugees' schooling.
- Holiday activities and food programme 2022, £3.870m. This provides support to children in receipt of free school meals throughout the school holidays.
- Funding from GMCA of £200k has been allocated via the GM Violence Reduction Unit to deliver the Serious Violence Action Plan including Early Intervention and Prevention, Education and Inclusion using trauma informed approaches.

Allocations from Corporate budgets for approval

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

- Home to school transport, £120k. Increases in fuel costs are now starting to impact on the provision of the Home to School Transport service with operators seeking price increases on their tender prices and / or giving notice to hand routes back that they believe are no longer viable. Given the current volatility of the fuel price, the proposal is to pay a 3% premium for a fixed period of time as opposed to increasing the route price, which will allow a review at the start of the next financial year when prices may have stabilised / declined.
- Unitary Charge Inflation – Street Lighting, £59k. The forecast pressure is due to higher inflation (RPIX), lower interest earned on reserves and increased spend to save recharges than were assumed in the original model
- Biffa pay award, £556k. Budget increase to cover the estimated pay award, increase to the contract price and retention of HGV drivers.

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 £1.170m for 2021/22. There remain significant uncertainties and risks to the position as COVID 19 restrictions ease, these are being monitored closely.

- 3.2. Whilst the position for 2021/22 and 2022/23 looks manageable the financial position from 2023/24 becomes much more challenging. The Medium-Term Financial Strategy elsewhere on the agenda sets out the financial context for ensuring future financial sustainability.