

**Manchester City Council  
Report for Resolution and Information**

**Report To:** Executive – 16<sup>th</sup> December 2009  
Audit Committee – 14 January 2010 FOR INFORMATION

**Subject:** Global Budget Monitoring Report to end of October 2009

**Report of:** City Treasurer

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**Summary**

Summary of the Council's revenue budget position based on an assessment of expenditure to the end of October 2009.

**Recommendations**

The Executive is requested to:

1. Note the contents of the report
  2. To agree the use of £100k from contingency to fund feasibility costs associated with the move of the National Football Museum, and £10k for valuation work for the Royal Opera House project, to reimbursed from the Capital Fund at a later date
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**Wards Affected:** All

<b>Community Strategy Spine</b>	<b>Summary of the contribution to the strategy</b>
Performance of the economy of the region and sub region	This report looks at the overall projected out-turn position against the budgets which underpin all of the council's activities
Reaching full potential in education and employment	
Individual and collective self esteem – mutual respect	
Neighbourhoods of Choice	

### **Implications for:**

- Equal Opportunities Policy – there are no specific Equal Opportunities implications contained within this report
- Risk Management – Appendix 1 to this report contains a risk assessment of the major budget risks faced by the Council.
- Legal Considerations – there are no specific legal considerations contained within the report

### **Financial Consequences – Revenue**

Heads of Service in consultation with Strategic Directors are required to comply with and adhere to stringent cash limits. Failure to do so represents unauthorised expenditure which will have consequences for the City Council's level of balances and hence its ability to determine its own spending priorities. Services that report a potential over spend against the revenue budget are required to show how the over spend will be eliminated within their own resources. The report sets out the projected net under or overspend on the revenue budget for 2009/10, based on expenditure up to the end of October 2009.

### **Financial Consequences – Capital**

The revenue budget includes monies to meet the capital financing costs of the Council. Changes in the capital programme can affect the budget to meet these costs.

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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.

- The approved revenue budget for 2009/10
- Chief Officers' Monthly Revenue Budget and Trading Organisation Monitoring Briefing Notes in the present reporting cycle

## 1 INTRODUCTION

The purpose of this report is to provide the Executive with a summary of the revenue budget position of the Council for 2009/10 based on an assessment of expenditure to the end of October 2009.

## 2 BACKGROUND

Reporting budget monitoring information is part of robust management arrangements across the Council and is part of a programme of continuous improvement. Its purpose is to raise issues which need to be controlled through further management action and does not necessarily reflect the expected final position at the year end. The figures are based on the projected position as at the end of October 2009.

Budgets are being monitored on a monthly basis by senior management and monthly reports are also made to individual executive members through strategic directors.

## 3 SUMMARY BUDGET POSITION

The table below summarises the current projected cash limit budget position for 2009/10 as at the end of October and the impact on the General Fund Reserve:

<b>Business Plan Area</b>	<b>Original Budget 2009/10 £'000</b>	<b>Revised Budget 2009/10 £'000</b>	<b>Projected Outturn 2009/10 £'000</b>	<b>Variance 2009/10 £'000</b>
<b><u>Planned Resources Available</u></b>				
Settlement (RSG Revenue Support Grant/ NNDR National Non Domestic Rate)	336,051	336,051	336,051	0
Council Tax	138,875	138,875	138,875	0
Area Based Grant	58,704	58,697	58,697	0
Dividends & Contributions	5,370	5,370	5,370	0
Use of Parking Reserve	2,095	2,095	2,095	0
Use of (Contribution to) Pension Fund	450	(2,550)	(2,550)	0
<b>TOTAL AVAILABLE</b>	<b>541,545</b>	<b>538,538</b>	<b>538,538</b>	<b>0</b>
<b><u>Planned use of Resources</u></b>				0
<b>Corporate Requirements:</b>				0
Contingency	10,727	10,973	4,973	(6,000)
Levies	49,425	49,425	49,059	(366)
Capital financing Costs	42,667	42,706	39,121	(3,585)
<b>Corporate Requirements</b>	<b>102,819</b>	<b>103,104</b>	<b>93,153</b>	<b>(9,951)</b>
<b>Service Requirements:</b>				0
Business Plan requirements	410,445	409,421	412,638	3,217
Area Based Grant - Thematic Partnerships Expenditure	31,917	31,713	31,713	0
Agreed Corporate Growth	0	2,982	2,838	(144)
<b>TOTAL REQUIREMENTS</b>	<b>442,362</b>	<b>444,116</b>	<b>447,189</b>	<b>3,073</b>
<b>Less:</b>				0
Procurement and other savings still to be allocated to budgets	(2,902)	(2,388)	(2,388)	0
<b>TOTAL USE OF RESOURCES</b>	<b>542,279</b>	<b>544,832</b>	<b>537,954</b>	<b>(6,878)</b>
				0
<b>NET CALL FROM/ (CONTRIBUTION TO) RESERVES</b>	<b>734</b>	<b>6,294</b>	<b>(584)</b>	<b>(6,878)</b>

The above table shows an increase in the net call on reserves between the original and the revised estimate. This is due to the agreement to carry forward £5.562m of underspends from 2008/09 into 2009/10. These underspends were not budgeted for and increased the level of reserves in 2008/09. Therefore the reserve is no worse off than had been budgeted as a consequence of this.

#### 4 SUMMARY OF BUSINESS PLAN CASH LIMIT VARIANCES

As at the end of October, services covered by business plans were projecting to overspend by £3.217 m, down by £779,000 from the last report. The table below shows how this is split over the main business areas.

Description	Projected Outturn October £'000	Projected Outturn August £'000	Movement from previous report £'000
<b>Summary of Variances:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adult Services	1,126	418	708
Children's Services	259	467	(208)
Chief Executive's	498	589	(91)
Corporate Services	(830)	(465)	(365)
Neighbourhood Services	2,164	2,987	(823)
<b>Total Departmental Cash Limits</b>	<b>3,217</b>	<b>3,996</b>	<b>(779)</b>

**Appendix 1** gives a breakdown of this sum across the individual business planning areas. The current overspend projection against budgets will require continuing effort from all Heads of Service to bring spend back into line with budgets.

Below is a brief summary of the main issues in each service. The service briefing notes contain the full detail including actions to reduce the risks/pressures.

**Adult Services:** There is a potential pressure on budgets for community equipment stock which is being investigated, leading to an overspend in this area. Other issues within Adult Social Care include pressures on the mental health pooled budgets and performance against income targets after the implementation of the new charging scheme.

**Children's Services:** Placements for Looked After Children continue to be higher than anticipated and the main pressure on these budgets. Residential placements are 3 above the target for this stage in the year, and Foster Care placements to the end of October are 53 above target.

**Chief Executive's:** The overspend is similar to that previously reported. The main components of the overspend include: underachievement of Land charges income, a high level of spend on examination fees, post mortem expenses and mortuary fees within the Coroners Service, and an underachievement of Highways network income.

**Neighbourhood Services:** The anticipated rebate from the Waste PFI levy has been included in the monitoring along with some forecast underspends in Environmental Services budgets. Budget pressures remain with the maintenance of the depots, the non achievement of the profit share at Wythenshawe Forum and within Trading Services.

## 5 HOUSING REVENUE ACCOUNT

The approved budget for the HRA for the current year forecast a surplus of £429k. At period 7, it is forecast that the surplus will be £400k, an adverse variance of £29k. This is due to loss of net income due to the implementation of the rent reduction, a reduction in Contributions and Service Charges, and an overspending on Maintenance and Repairs on Supervision and Management. There is also a forecast reduction of £1,547m in Interest Payable consequent on the fall in interest rates generally.

The current projected position on reserves compared to budget is as follows:

	<b>2009/10 Revised Budget £'000</b>	<b>2009/10 Projected outturn as at October 2009 £'000</b>	<b>Variance £'000</b>
<b>Original budget balance of HRA on General Reserve</b>	<b>5,962</b>	<b>4,346</b>	<b>(1,616)</b>
Earmarked General Reserve	1,530	2,030	500
Residual Liabilities Fund	0	8,689	8689
Allocated to PFI Reserves	32,871	31,788	(1,083)
<b>Total of HRA Reserves</b>	<b>40,363</b>	<b>46,853</b>	<b>6,490</b>

The favourable variance on reserves is mainly due to VAT shelter credits of £5m in 2008/9 which were received after the 2009/10 HRA budget was set.

## 6 AREA BASED GRANT - THEMATIC PARTNERSHIPS

The table below summarises the currently projected position of Area Based Grant (Working Neighbourhoods Fund [which includes Deprived Areas Fund in 2009/10], Stronger Safer Communities, Teenage Pregnancy and Preventing Violent Extremism) for 2009/10 allocated through the Manchester Partnership.

	<b>ABG 2009/10 Allocation £</b>	<b>ABG Forecast Out-turn 2009/10 £</b>
Children & Young People	3,351,936	3,351,936
Crime & Disorder	6,701,326	6,701,326
Culture	1,666,843	1,666,843
Economic & Local Employment	5,681,525	5,681,525
Health	2,828,182	2,828,182
Sustainable Neighbourhoods	7,162,955	7,162,955
Transport	870,563	870,563
LSP Support & Delivery	1,807,101	1,807,101
Innovation Fund	1,642,621	1,642,621
<b>Total</b>	<b>31,713,052</b>	<b>31,713,052</b>

The annual 2009/10 budget of £31.713m has been distributed across the structures of the Manchester Partnership with the agreement of Members and the endorsement of the Public Services Board.

## 7 CONTINGENCY

The central contingency budget currently totals £10.973m. This includes £921k growth for budget pressures identified in Housing which was approved as part of the 9/10 budget. This is being held in contingency and will be allocated via the Revenue Gateway process.

Expenditure will need to be incurred on feasibility and design costs for the move of the National Football Museum. These will be carried out in advance of formal ERDF funding approval. It is estimated that the works will cost up to £100k. It is recommended that these are funded from contingency to be reimbursed from the Capital Fund at a later date. In addition there are additional valuation costs associated with the Royal Opera House project of £10k. Again it is recommended are funded from contingency and reimbursed from the capital fund.

Within the remaining contingency there are a number of provisional sums set aside to meet potential costs including costs arising from any major restructuring of services and any costs from pay protection arising from the implementation of job evaluation that cannot be contained within existing service budgets.

Whilst still not certain, the City Treasurer considers that up to £4m of the existing contingency provisions will be called on by the end of the year.

## 8 EFFICIENCY SAVINGS

£514,000 housekeeping savings and £1m inflation savings have now been allocated to departmental budgets. In addition, procurement savings of £519k have been identified and allocated to departmental budgets. A further £307 k of procurement savings have been identified and will be allocated. It is still considered that the balance of the procurement and other savings will be achieved.

## 9 CAPITAL FINANCING REQUIREMENTS

The Original Budget of £42.7m for capital charges is forecast to underspend by £3.5m, a reduction of £1.5m from the underspend reported in October.

The reduction to the projected underspend is due to the need to undertake long term borrowing. This is the first long term borrowing undertaken by the council for over two years, as there has been a policy to utilise cash reserves. This has served to minimise the net cost of borrowing by the council and minimise our investment exposure to what has been a volatile financial market. It is anticipated that more long term borrowing will be required before the end of the year and although this is factored into the outturn calculation, the timing of the borrowing, and movements in interest rates will impact on final borrowing costs.

## 10 PRUDENTIAL BORROWING INDICATORS

As part of the Prudential Borrowing regime, the Council sets a range of indicators designed to ensure that the borrowing it enters into is sustainable. These indicators are monitored regularly to ensure that they are not breached. Some of the Prudential Indicators are reported through the Capital Monitoring Process but those indicators that affect the Revenue budget are reported in Appendix 3.

## 11 COUNCIL TAX COLLECTION

The overall position of the Council in relation to the target for 2009/10 is summarised in the table below:

<b>Collection Fund 2009/10</b>	<b>Target 2009/10 £'000</b>	<b>Current projected over / (under) achievement of Target £'000</b>
Council Tax	164,000	0

The Council is currently on target to collect around £164m of the current year Council Tax net debit, of which £46.1m will be paid in to the collection fund via Council Tax Benefit. Of the £117.9m cash to collect, £111.9m is the target for collection from current year's tax together with £6m worth of arrears.

## 12 CONCLUSION

This is the third Global Revenue Budget Monitoring report for the year 2009/10 and presents information based on projections as at the end of October 2009. The departmental over spend position remains a worry, in particular any knock on impact that these overspends could have on the 2010/11 budget position if not addressed. Heads of Service must continue to take action where possible to bring projected spend in the year back into line with budgets.

**APPENDIX 1**

**Summary of Business Plan Projected Variances October 2009**

<b>Business Plan Area</b>	<b>Revised Budget</b>	<b>Projected Outturn as at end of October</b>	<b>Projected Year End Over/ (Under) Spend</b>
	<b>2009/10 £'000</b>	<b>2009/10 £'000</b>	<b>2009/10 £'000</b>
<b>Adult Services</b>	<b>133,527</b>	<b>134,653</b>	<b>1,126</b>
<b>Children's Services</b>			
Business Support & Commissioning	19,706	18,311	(1,395)
Education Services	23,365	23,897	532
Children & Young People	101,275	102,397	1,122
<b>Children's Services</b>	<b>144,346</b>	<b>144,605</b>	<b>259</b>
<b>Chief Executive's Dept</b>			
Legal Services	1,801	1,931	130
Statutory Services	3,374	3,474	100
Communications	2,998	2,998	0
Executive	4,042	4,042	0
Culture (inc Manchester City Galleries)	8,393	8,468	75
Manchester City Galleries (now in Culture)	0	0	0
Regeneration [excluding ABG P'ship]	3,929	3,929	0
Highway Services	15,296	15,519	223
Adult Education	397	397	0
Planning	2,272	2,272	0
Performance	5,851	5,851	0
Manchester Health Unit	9	9	0
Crime and Disorder	1,834	1,804	(30)
Transport Policy	158	158	0
MEDC	(148)	(148)	0
Corporate costs not included in business plans	3,139	3,139	0
<b>Chief Executive's Dept</b>	<b>53,345</b>	<b>53,843</b>	<b>498</b>
<b>Corporate Services</b>			
Financial Management	10,397	11,383	986
Corporate Procurement	927	207	(720)
Corporate Property	8,186	8,716	530
Capital Programme Team	795	795	0
Human Resources	3,753	4,127	374
Council Tax and Benefits	3,737	1,737	(2,000)
Corporate costs not included in business plans	(14,445)	(14,445)	0
<b>Corporate Services</b>	<b>13,350</b>	<b>12,520</b>	<b>(830)</b>
<b>Directorate of Transformation</b>			
Transformation Team	1,536	1,536	0
Corporate Technology Unit	(728)	(728)	0
<b>Directorate of Transformation</b>	<b>808</b>	<b>808</b>	<b>0</b>

<b>Business Plan Area</b>	<b>Revised Budget</b>	<b>Projected Outturn as at end of October</b>	<b>Projected Year End Over/ (Under) Spend</b>
	<b>2009/10 £'000</b>	<b>2009/10 £'000</b>	<b>2009/10 £'000</b>
<b>Neighbourhood Services:</b>			
Environmental Services (ES)	32,156	32,146	(10)
Private Sector Housing	415	1,391	976
Manchester Leisure	15,419	15,859	440
Libraries and Information Services (MLIS)	12,664	12,733	69
Library Theatre Company	1,085	1,085	0
<b>Trading Services:</b>	0	0	0
Non-Trading (Contracting)	(293)	(94)	199
Trading (Incl. City Works)	(557)	(306)	251
Manchester Markets	(1,371)	(1,285)	86
Town Hall Services	3,028	3,231	203
Catering	157	107	(50)
<b>Trading Services: sub total</b>	964	1,653	689
<b>Total Neighbourhood Services</b>	<b>62,703</b>	<b>64,867</b>	<b>2,164</b>
<b>Strategic Housing</b>	<b>1,342</b>	<b>1,342</b>	<b>0</b>
<b>Total Business Plan Requirement Cash Limits</b>	<b>409,421</b>	<b>412,638</b>	<b>3,217</b>



**APPENDIX 2**

**Corporate Financial Risk Monitoring Log: As at end October 2009**

<b>Risk</b>	<b>Consequence</b>	<b>Likelihood</b>	<b>Controls /Assessment</b>	<b>Actions /Updates</b>
<b>Corporate / Cross Cutting Risks</b>				
The required level of efficiency savings included in the budget are not achieved.	High – the level of efficiencies built into the budgets is high (£23.7m). At Setp 2009, the projected shortfall is c£5.7m	Medium – Many savings included in the budget are currently considered as at risk of not being achieved	Achievement of savings are being monitored and reported to SMT for remedial action.	SMT members are to working with Heads of Service to address the currently projected under achievement, as this is now putting the council in danger of not achieving its NI 179 forecast.
There may be an impact on council tax receipts of the current economic downturn. (This is not a potential problem for the current year as the full amount required to support the budget can be taken from the Collection Fund however any shortfall in collection will impact on future years)	Medium – a 1% fall off in the tax base or collection rate would cost approximately £1.35m.	Low – whilst the economic downturn will have a downward impact on council tax collection the council has seen population growth over the last few years and is working hard to keep this trend. (This has stabilised in the last twelve months). The council also continues to take action to increase its collection rate	The size of the CT base is monitored monthly, as is the rate of collection of money owed. Any identified fall off in these will provide an early indication of whether growth could move into negative territory.	Performance for current year collection has slipped slightly during the second quarter. A further round of Single Person discount cancellations arising from the review increased the debit by a further £500,000, depressing the collection rate. Arrears performance is still broadly on track and the amount of Council Tax Benefit received by the Council is still rising steadily.
Potential Grant Clawback in relation to ERDF	<b>Low /Medium</b> – the nature of the record keeping and audit requirements surrounding European funding means that there is always the potential for clawback.	<b>Low /Medium</b> – claw back can occur some years after delivery.	Audit have reviewed documentation to establish level of exposure to clawback.	We have recently had an Article 15 visit, and are currently awaiting a draft report.

Risk	Consequence	Likelihood	Controls /Assessment	Actions /Updates
Commercial Risks – dividends from linked companies	Low – the budget currently assumes use of Airport Dividends of just under £4m and £1.5m dividends from NCP joint venture company	Medium – the current economic downturn could impact on the car parks income but dividends over the last couple of years have been higher than that assumed in the budget. A reduction in the Airport dividend has been agreed.	The airport dividend is put into a reserve each year and only a portion utilised to support the budget in the following year.	NCP dividend of £800k has already been received and in addition, a dividend payment of £500k has been received from Manchester working that wasn't budgeted for.
Interest / Counter Party Risks (Treasury management).	Medium – the total budget for net interest payable by the Council is c£13.5m, however, only a small % of this is considered to be subject to risk.	Low – There seems little likelihood that interest rates will increase during the current financial year however the levels of interest earned on temporary investments has seen a significant drop in recent months. The financial markets remain volatile and there is still a need for caution when choosing counter parties with which to invest.	The City Treasurer is currently minimising long term borrowing and investment by utilising internal funds wherever possible to support spending. This minimises the risks associated with Treasury Management	The Council's borrowing and investment strategy has been agreed by Council and is monitored by the Treasurer on a daily basis. Current projections show that spend in 2009/10 will be below budget.
Major incident affecting the City e.g. flooding	Unknown – Whilst difficult to predict, there is the possibility that a major incident either man made (such as the bomb that hit in 1996) or a natural disaster such as severe flooding could happen and could cost a considerable amount to put right.	Low – incidents of this nature are not common although they cannot be ruled out entirely. The City does not have a history of major flooding etc.	In situations of terrorism it is reasonable to expect that central government would provide help and for natural disasters the Bellwin scheme would provide aid.	No specific actions required

Risk	Consequence	Likelihood	Controls /Assessment	Actions /Updates
Previously significant amounts of salary and other costs have been capitalised – this may no longer be possible putting additional pressure on revenue budgets.	High – Highways budgets assume significant proportion of staffing costs (£900k) and other costs (£500k) can be capitalised. There is also a high % of capitalised salaries in Housing /Public Sector Housing which is being reviewed.	Low – £700k costs were met from capital fund on a one off basis at the end of 2008/09.	Work being carried out to identify how costs can be met and they will be mitigated in 2009/10.	
<b>Adult Services Care</b>				
Issues associated with the implementation of MiCare and the new structure for the Department mean that there is not meaningful budget and management information to effectively monitor budgets.	<b>Medium</b> – still activity information and decision making panels to provide overall monitoring information.	<b>High</b> – there is unlikely to be full management information for homecare until 2010/11. Staffing budgets are not yet aligned with new structure.	Decision making panels continue to monitor the level of activity. Budgets contain contingency to offset risks of increased demand. Issues identified and actions are being taken but some systems issues will take several months to resolve. Monthly monitoring being produced using best information available.	Significant progress has been made. Monitoring of income information has been resolved for reporting in October 2009 and material issues within the activity information are expected to be resolved by November 2009. Additional resources have been secured from DoT to support the work required to set up the budgets based on the new structure with revised cost centres due to be in place for the end of November 2009.
Community equipment stock may be significantly overvalued.	<b>High</b> – this could result in a significant overspend in year if the value of the stock has to be reduced.	<b>High</b> – initial analysis indicates that the depreciation periods adopted may have been too optimistic.	Work has begun to establish a realistic stock value consistent with IFRS.	

Risk	Consequence	Likelihood	Controls /Assessment	Actions /Updates
<b>Children's Services</b>				
Pressures on looked after children budgets	<b>High</b> – there could be a significant budget overspend if numbers continue to rise.	<b>High</b> – numbers are currently above the target level and increasing.	Considerable amount of work is being carried out to more accurately understand the position and quantify the risk.	Additional resources have been diverted to more accurately understand the LAC position and quantify/manage the risk
<b>Chief Executives</b>				
Income from planning fees continues to reduce due to the impact of the economic downturn and the income target is not achieved.	Medium – the impact of reduced income may be mitigated in this financial year by use of planning delivery grant.	High – whilst the number of planning applications has remained fairly constant, the number of major applications which attract the high fees has reduced with a current estimated shortfall on income of £600k.	There is tight monitoring of income and activity. Use of planning delivery grant is being considered to mitigate the impact of the loss of income.	Use of PDG is currently being reviewed. There will be further grant for 2009/10 which will be confirmed in November.
The cost of spend to save tripping claims means that the invest to save target will not be achieved.	Low – costs per claim have increased resulting in but there is a contingency in place to cover these costs in 2009/10.	High	Regular monitoring is being undertaken and the service is looking at how the pressure can be offset.	Position continues to worsen and may have implications in to future years due to the time taken to settle claims. Future analysis work being undertaken to identify trends and understand legal position.
The economic downturn has had an impact on the network management income	Medium – estimated cost of around £0.2m	High	Regular monitoring is being undertaken and the service is looking at how the pressure can be offset.	
Further pressures on the reactive Highway repairs and maintenance budgets	High – whilst options to resource this in 2009/10 are being confirmed and	High	Regular monitoring is being undertaken and the service is looking at how the	A report is being compiled for the Chief Executive about the resourcing of

Risk	Consequence	Likelihood	Controls /Assessment	Actions /Updates
	it should not add to the revenue overspend in 2009/10, the future resource requirements of this service need to be confirmed.		pressure can be offset.	the network and setting out the proposed options to address the overspend.
There are pressures on the land charges budget resulting from the economic downturn which mean the income target may not be achieved.	Medium – could be a further budget shortfall – current estimate is £130 k	High – pressures on land charges income as a result of the economic downturn and impact of legislative changes to the charging regime – see below.	Work is currently being carried out to quantify the full effect. Also pressures on legal budgets from potential costs of implementing JE so limited capacity to absorb additional pressures.	
Recent guidance published by the Information Commissioner’s Office (ICO) states that property search information is environmental and as such should not be charged for.	Medium – could result in £517k budget funding pressure, i.e. current land charges income budget.  Following the outcome of the LGA consultation, further work may be required to identify the areas this will affect and assess the amounts involved.	High – pressures on land charges income as result of the economic downturn and impact of legislative changes to the charging regime.	The LGA is in the process of preparing instructions to Counsel to obtain and opinion on the legal issues concerning these regulations. This may result in changes to the legislation.	
Pressures on the Coroners budget mean that the budget may overspend.	Medium – demand led pressures could result in an overspend on the Coroners budget. Minimum £200k possibly increasing further with specific investigations & back rent review.	High – Increased costs for specific case, the unresolved back rent liability for the coroner’s court and diversion of staff to plan for potential flu pandemic are all putting pressure on the budget.	Full review of Coroners budget position is being carried out with support from Finance and Transformation team.	

Risk	Consequence	Likelihood	Controls /Assessment	Actions /Updates
<b>Neighbourhood Services</b>				
Waste Levy	Medium – The levy is affected by both the amount of Tonnes of waste delivered to the WDA for disposal and over the next few years, the implementation of the PFI. Maximum possible variation from estimate is assessed at 10% which would equate to c£2m. Contingency provision has been made.	Low – Tonnage levels have been supplied based on best current information and are considered achievable. Provision has been made for the impact of the PFI both in the levy budget and in contingency	Provision has been made within the levy budget for anticipated increases arising from the new PFI and the move to a charge based fully on the level of waste sent to be disposed. Assumptions in the levy budget include an assumed level of growth from current levels and that waste from Manchester will continue to fall.	Increased investment in recycling and waste reduction should ensure that the anticipated tonnage levels can be achieved. The amount of waste delivered for disposal is monitored monthly. Currently looking like there may be a surplus in this financial year.
Private Sector Housing cannot achieve efficiency savings	Medium – A lot of work has been required to sort out the budget and issues such as capitalisation of staffing costs. As a result additional pressures have been identified.	Medium /High – full risk will be known once the work has been complete.	Robust project management arrangements are in place and additional finance support has been provided.	Work is currently being undertaken to implement a new staffing structure. This should result in savings in staffing and accommodation costs, The level of savings will be confirmed shortly.
Structural Budget Issues in Neighbourhood Services will result in an overspend	Medium – there are a number of unfunded pressures in Neighbourhood Services but until the zero based budget work has been completed it is not known whether these can be absorbed.	Medium – full risk will be known once the work has been completed.	Work is being carried out to reallocate budgets and action is being taken to rationalise and reduce costs of operating the depots (which is one of the main areas of budget pressure).	Meetings have taken place with Heads of Service to reallocate budgets and identify actions to address the legacy budget issues.

Risk	Consequence	Likelihood	Controls /Assessment	Actions /Updates
<b>Strategic Housing</b>				
The planned HRA review could have budgetary impacts in future years – this risk will be scoped in more detail in the near future	Unknown at this stage as there is not enough detail in the consultation to fully model implications	Medium – HRA review depends on consultation results and may require primary legislation which will take time to come in to force.	MCC have responded to national consultation and await feedback from Government.	Await results of consultation
Review of options for the ALMO could have budgetary impacts in future years – this risk will be scoped in more detail in the near future	High – Possible impact on HRA and the future funding of the ALMO.	Medium/High	Will assess in line with possible option decisions working with Housing Directorate.	Await the outcome of the HRA review because this will influence the options available.
Review of housing structure and implications for the charge against the HRA may mean greater pressures on the General Fund	High – possible £1.4m which may not be charged to HRA in future	Medium/High	Need to review this along with restructure proposals regarding eligibility to HRA. This is closely linked with the HRA review and whether ring fencing of the HRA will continue and indeed be extended.	Review of structure ongoing with input from Head of Finance (Regeneration and Housing)
Potential Impact on HRA revenue/balance of PFI schemes	High	Uncertain – further work is being done in consultation with external consultants	Will update once work complete.	New October 2009

**Appendix 3**

**Prudential Borrowing Indicators as at End of October 2009**

No.	Prudential Indicator		Target		Actual as at end of October 2009	Target Breached Y/N
1	Financing Costs to Net Revenue Stream	Non – HRA	9%		8%	N
		HRA	21%		21%	N
2	Capital Financing Requirements (as at 31 March)	Non – HRA	£630,000,000		£600,000,000	N
		HRA	£420,000,000		£400,000,000	N
		Total	£1,050,000,000		£1,000,000,000	
3	Authorised Limits for External Debt	Borrowing	£1,167,000,000		£664,831,035	N
		Other Long Term Liabilities	£0		£650,000	
		Total	£1,167,000,000		£665,481,035	
4	Operational Boundaries for External Debt	Borrowing	£1,028,000,000		£664,831,035	N
		Other Long Term Liabilities	£0		£650,000	
		Total	£1,028,000,000		£665,481,035	
5	Upper Limits on Fixed Interest Rate Exposures	Net Borrowing at Fixed Rates as a percentage of Total Net Borrowing	73%		69%	N
6	Upper Limits on Variable Interest Rate Exposures	Net Borrowing at Variable Rates as a percentage of Total Net Borrowing	71%		31%	N
			Lower Limit	Upper Limit		
7	Maturity Structure of Borrowing	under 12 months	0%	50%	0%	N
		12 months & within 24 months	0%	60%	25%	N
		24 months and within 5 years	20%	70%	42%	N
		5 years and within 10 years	0%	60%	15%	N
		10 years and above	0%	60%	17%	N
8	Upper Limits for Principle Sums Invested for over 364 days		£0	£0	£0	N