

**Manchester City Council
Report for Resolution**

**Report To: Executive - 11 February 2009
Resources and Governance Overview and Scrutiny
Committee – 23 February 2009**

**Subject: Medium Term Financial Plan 2009/10 to 2011/12 and
Revenue Budget 2009/10, Three Year Capital Programme
2009/10 to 2011/12 (Including Capital Strategy and 2009/10
Capital Monitoring Update), and Treasury Management
Strategy Statement & Borrowing Limits and Annual
Investment Strategy 2009/10**

Report of: The City Treasurer and Chief Executive

Summary

The report presents for members approval:

- The Medium Term Financial Plan for the 3 years 2009/10 to 2011/12
- The Revenue budget for 2009/10
- The three year Capital Programme 2009/10 to 2011/12 (including the Capital Strategy and 2008/9 capital monitoring update)
- The Treasury Management Strategy Report.

Members are asked to note that as the above documents are all inter linked and based on the same underlying assumptions, any amendments to, or non acceptance of, key recommendations on one report may impact on the others.

Recommendations

To approve the following recommendations:

Annex 1 - Medium Term Financial Plan 2009/10 to 2011/12 and Revenue Budget 2009/10

1. Note the results of the final RSG settlement for Manchester for 2009/10, the likely settlement figure for 2010/11 and the current planning assumption for 2011/12.
2. Note the outcome of the budget consultation process (summary of responses shown in appendix 6 – a copy of the full responses will be available at the meeting).
3. Approve the three year Medium Term Financial Plan as described in the report and summarised in the table in paragraph 7.4 of the report, having regard to the Treasurer's view on the robustness of the estimates and the adequacy of reserves.

4. As part of the Medium Term Financial Plan approve the proposed budget for 2009/10 as final and the budgets for 2010/11 and 2011/12 as indicative subject to review on an annual basis as part of future business planning processes.
5. As part of the Medium Term Financial Plan, specifically approve the following:
 - a. the contingency sum of £9.914m in 2009/10, with indicative sums of £10.449m in 2010/11 and £11.338m in 2011/12 (para. 4.17)
 - b. Departmental Cash Limit Budgets totaling £443.377m for 2009/10 and indicative departmental budgets of £445.199m and £447.426m for 2010/11 and 2011/12 (including growth and efficiencies – appendix 1).
 - c. Corporate Budget requirements to cover the cost of levies and Capital Financing Costs of £92.214m for 2009/10 with indicative sums of £97.904m in 2010/11 and £106.056m for 2011/12 (as outlined in section 4 of this report subject to final notification of Levies from other bodies)
 - d. The utilisation of the Service Improvement Fund (SIF) in 2009/10 to fund part of the costs of the Manchester Improvement team (£2.416m), and the use of SIF resources over the next three years to fund the CRM development and rollout (£3.989m) and the Customer Strategy (£1.107m) and Information Strategy (£0.745m) as proposed in paragraph 10.9 to 10.10.
6. Approve the proposed utilisation in 2009/10 of £2.095m (as per paragraph 3.19) of the surplus from the on street parking reserve and Bus Lane enforcement reserve after determining that any surplus from these reserves is not required to provide additional off street parking in the authority.
7. Note the position on reserves as identified in the report and in Appendix 5 subject to the final call on reserves after any changes are required to account for final levies etc.
8. Approve delegated authority to the City Treasurer to amend departmental cash limit budgets to take account of savings arising from corporate procurement activity and housekeeping savings before 1 April 2009 and throughout 2009/10 and the allocation from contingency of reductions to pay and inflation assumptions.
9. Approve the list of growth proposals as detailed in section 6 of the report subject to corporate assessment of value for money and impact on corporate priorities through the Revenue Gateway Process.
10. Approve that delegated authority be given to the City Treasurer and Chief Executive, in consultation with the Executive Member for Finance and Human Resources and the Leader of the Council to draft the recommended budget resolution for budget setting council in accordance with the legal requirements outlined in the report from the City Solicitor elsewhere on the agenda and taking into account the decisions of Executive and any final changes to account for final announcements on levies and other small technical adjustments.

11. Approve the target trading surpluses and deficits for the trading services in 2009/10 as outlined in section 13 of the report
12. Approve the Prudential Indicators for 2009/10 to 2011/12 as presented in Appendix 4 subject to any final adjustments that may be made arising from recommendations above.
13. Approval of the Medium Term Financial Plan for the next three years as outlined in the report and the indicative budget figures included in the recommendations above is subject to the need to reassess budgets for 2010/11 and 2011/12 on an annual basis as part of a three year rolling budget programme to take account of potential changes to needs and / or resources.

Annex 2 - Three Year Capital Programme 2009/10 to 2011/12 (including Capital Strategy and 2008/9 capital monitoring update)

1. Note that the capital strategy has been updated and to agree the amended version as presented in Appendix D
2. Note that the latest estimate of capital outturn for 2008/09 is £327,621,000
3. Note the capital programme report as presented.
4. Agree that additional unsupported borrowing currently estimated to be £41,178,000 will be required to finance
 - the delivery of the current 3 programme,
 - the new proposals identified in this report where alternative funding sources have not been identified and
 - the reservation of resources to provide funding for further spending proposals that will be subject to the agreement of the Executive, and to request that the City Council delegate authority to the Executive to increase the capital budget accordingly.
5. Recommend to the City Council for approval the three year capital programme 2009/10 to 2011/12 as presented in Appendix C, agreeing that the housing programme is subject to confirmation as to its affordability and will be the subject of a further report to Executive
6. Delegate authority to;
 - (a) The Chief Executive in consultation with the Leader and Executive Member for Planning and Environment for the approval of the list of schemes to be undertaken under the Transport capital programme,

- (b) The Head of Engineering to implement these schemes after consultation with the Executive Member for Planning and Environment on the final details and estimated costs.
7. Delegate authority to the City Treasurer in consultation with the Executive Member for Finance and Human Resources to approve unsupported borrowing of up to £5,000,000 in 2009/10 and a further £5,000,000 in each of the two following years for spend to save proposals, where the cost of borrowing (interest and principal repayment in full) for each project can be financed from additional income and / or savings within existing revenue budget limits for the lifetime of the loan period.
 8. Delegate authority to the City Treasurer, in consultation with the Executive Member for Finance and Human Resources to accelerate schemes within the three year programme when necessary from 2010/11 and 2011/12 to 2009/10 and / or 2010/11 subject to resource availability.
 9. Delegate authority to the City Treasurer in consultation with Executive Member for Finance and Human Resources to agree and approve where appropriate the following:
 - (a) The programme of schemes for the delivery of the corporate asset management programme.
 - (b) Financial management decisions relating to temporary unsupported borrowing and the investment of surplus resources.
 10. That authority be delegated to the City Treasurer in consultation with the Executive Member for Finance and Human Resources to make alterations to the schedules for the 3 year capital programme 2009/10 to 2011/12 prior to their submission to Council for approval,
 11. Where there exists clearer information relating to the availability of external funding resource or
 12. Where expenditure profiles have altered, subject to no changes being made to the overall estimated total cost of each individual project

Annex 3 - Treasury Management Strategy Statement & Borrowing Limits and Annual Investment Strategy 2009-10

To note the proposed Treasury Management Strategy Statement and approve:-

1. The Prudential Indicators referred to in section 3 and listed in Appendix 4 to Annex 1 of this report.
2. The Borrowing Requirements listed in section 5.
3. The Borrowing Strategy outlined in section 8.
4. The MRP Strategy outlined in section 9.
5. The Annual Investment Strategy detailed in section 10.

Resolution covering both Revenue and Capital reports:

Both the Revenue and Capital budget reports include the use of Grant resources. At this stage an assumption has had to be made on the split of some of these resources between Revenue and Capital and members are asked to:

1. Approve that delegated authority be given to the City Treasurer in consultation with the Chief Executive and the Executive Member for Finance and Human Resources to amend this split in the light of changing requirements.

Wards Affected: The report affects all wards

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	The report presents for members the proposed revenue and capital budgets for the Council which contribute to all the strategy spines.
Reaching full potential in education and employment	
Individual and collective self esteem – mutual respect	
Neighbourhoods of Choice	

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue and Capital

This report seeks approval to a Medium Term Financial Plan for 2009/10 to 2011/12 and a draft revenue budget for the Council for 2009/10. It also seeks approval to a revised capital strategy, a three year capital programme for 2009/10 to 2011/12 and a Treasury Management Strategy. These reports together underpin the detailed financial spend of the Council for the coming year and provide a framework for Revenue and Capital planning for the following two years.

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Background documents (available for public inspection):

RSG Revenue Settlement Papers
Budget Consultation Document
Budget Consultation Responses

Covering Report

1. The Local Government Act 2003 introduced the Prudential Borrowing framework which for 2004/5 onwards replaced the previous controls on an authority's borrowing. The new system relies on establishing local values for a number of nationally prescribed indicators which can be used to identify whether an authority is acting "prudently" and that its capital spending proposals are affordable in the long term within the resources available to the authority. These indicators need to be approved by members as part of the budget setting process.
2. In support of the principal of prudent decision making, the Act also requires the Chief Financial Officer to report on his assessment of the "robustness" of the proposed estimates and the adequacy of the level of general reserves that will be held by the authority. To support this the act requires details of specific reserves held by the authority to be reported, including the size of the reserve, what the reserve is held for, who can authorise the use of the reserve and what plans there are for movements in to and out of these reserves.
3. The introduction of the prudential framework in 2004/5 means that the Revenue and Capital Budgets and the Council's Treasury Management Strategy are now more closely linked than previously through the prudential indicators and as such have to be considered together. In addition, in order to aid future forward planning and comply with best practice, it is necessary to agree a Medium Term Revenue Plan and a Capital Strategy which provide a framework for future planning. The Government have now introduced three year financial settlements for Councils (the current settlement is for the years 2009/10 and 2011/12). Although the new three years settlement has brought a degree of stability to the budget projections for future years the Executive are asked to approve the Medium Term Financial Plan on the basis that years 2 and 3 are indicative and subject to review through the annual budget process.
4. The Annexes and appendices to the report are presented in the following order:
 - **Annex 1** – Medium Term Financial Plan 2009/10 to 2011/12 and Revenue Budget 2009/10
Appendices to Annex 1:
 1. Proposed Business Plan Cash Limits
 2. List of Service Efficiency Savings
 3. List of Service Growth Bids
 4. List of Prudential Indicator's
 5. List of specific reserves
 6. Feedback from Budget Consultation exercise
 - **Annex 2** – Three Year Capital Programme 2009/10 to 2011/12 (including Capital Strategy and 2008/9 capital monitoring update)
 - Appendix A Housing Programme
 - Appendix A (i) Housing Capital Investment Table

- Appendix B Transport Programme
 - Appendix C Detailed Three Year Capital Programme
 - Appendix D Capital Strategy

 - **Annex 3 - Treasury Management Strategy Statement & Borrowing Limits and Annual Investment Strategy 2009-10**
 - Appendix A Interest Rate Forecasts
 - Appendix B Glossary of terms
5. Each annex contains a list of detailed recommendations which are listed at the front of this covering report however members need to bear in mind that any amendments to, or non acceptance of, key recommendations on one report may impact on the others.