

**Manchester City Council
Report for Resolution**

Report To: Executive – 21st October 2009
Audit Committee – 29 October 2009

Subject: Global Budget Monitoring Report to end of August 2009

Report of: City Treasurer

Summary

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

Recommendations

The Executive is requested to:

- (i) Note the contents of the report
- (ii) Note the carry forward of underspends in 2008/9 agreed by the City Treasurer and Executive Member for Finance and Human Resources – paragraph 3
- (iii) To agree the transfer of £3,000,000 from contingency into the pension reserve to mitigate future increases to the contribution rate and a sum of £25,000 to be met from contingency to fund costs associated with implementation of the Government’s Security Policy Framework (see section 8 of the report for further details)

Wards Affected: All

Community Strategy Spine	Summary of the contribution to the strategy
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 August 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.

Contact Officers:

Name: Richard Paver
Position: City Treasurer
Telephone: 0161 234 3564
E-mail: r.paver@manchester.gov.uk

Name: Carol Culley
Position: Head of Financial Mgt
Telephone: 0161 234 3406
E-mail: c.culley@manchester.gov.uk

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 August 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 August 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 August and the impact on the General Fund Reserve:

Business Plan Area	Original Budget 2009/10 £'000	Revised Budget 2009/10 £'000	Projected Outturn 2009/10 £'000	Variance 2009/10 £'000
<u>Planned Resources Available</u>				
Settlement (RSG / NNDR)	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 Pension Fund Contributions	450	450	0	(450)
TOTAL AVAILABLE	541,545	541,538	541,088	(450)
<u>Planned Use of Resources</u>				
Corporate Requirements:				
Contingency	10,727	15,074	8,522	(6,552)
Levies	49,425	49,425	49,425	0
Capital Financing Costs	42,667	42,706	37,706	(5,000)
Corporate Requirements	102,819	107,205	95,653	(11,552)
Service Requirements:				
Business Plan requirements	410,512	408,598	412,594	3,996
Area Based Grant - Thematic Partnerships Expenditure	31,917	31,713	31,713	0
Agreed Corporate Growth	0	2,982	2,982	0
TOTAL REQUIREMENTS	442,429	443,293	447,289	3,996
Less:				
Procurement and other savings still to be allocated to budgets	(2,902)	(2,388)	(2,388)	0
NET ESTIMATED REQUIREMENTS	542,346	548,110	540,554	(7,556)
Contribution to Pensions Reserve	0	0	3,000	3,000
Trading Accounts (Surplus)/Deficit	(67)	(276)	(129)	147
TOTAL USE OF RESOURCES	542,279	547,834	543,425	(4,409)
VAT Refund (see section 11)	0	0	(1,200)	(1,200)
NET CALL FROM / (CONTRIBUTION TO)RESERVES	734	6,296	1,137	(5,159)

The net call on reserves shows an increase in the table above between the original and the revised estimate. This is due to the agreement to carry forward certain underspends in 2008/9 (£5.562m – see below for further details) to support spend in the current year. In as much as these underspends were not budgeted for and fell into the reserve at the end of last year, the reserve is no worse off than had been budgeted as a consequence of this.

Approval of any requests to carry forward underspend from 2008/09 was delegated to the City Treasurer and Executive Member for Finance and Human

Resources. After scrutiny through the Revenue Gateway group they have now agreed that the following requests be approved:

Service	Initiative	£'000
Children's Services		
Children and Young People	Looked after children	2,210
Chief Executive		
Communications	Intranet	41
Head of Regeneration	Subvention costs	265
Communications	People & Communications Strategy	170
Adults		
Adult Social Care	MiCare Development	300
Neighbourhood Services		
Environment	Green Agenda/ Climate Change	1,000
	Waste & Recycling	937
	Cigarette Butt Bins	125
Libraries	VAT refund	70
	Libraries refurbishment	131
	Improvements to Library Service	300
	Library Theatre –overachievement of income, early retirement	13
Total underspend carry forwards		5,562

4 Summary Of Business Plan Cash Limit Variances

As at the end of August, services covered by business plans were expected to spend a total of £3.996m over budget. The table below shows how this is split over the main business areas. In the first monitoring report to Executive in July (monitoring to the end of May) all departments were reporting a balanced budget position.

Description	Revised Cash Limit Budget	Projected Outturn Period 5	Variance P5 Aug
	£'000	£'000	£'000
Summary of Variances:			
Adult Services	133,326	133,744	418
Children's Services	145,005	145,472	467
Chief Executive's	53,467	53,842	375
Corporate Services	8,839	8,374	(465)
Directorate of Transformation	808	808	0
Housing	4,611	6,070	1,459
Neighbourhood Services	62,542	64,284	1,742
Total Departmental Cash Limits	408,598	412,594	3,996

Appendix 1 gives a breakdown of this sum across the individual business planning areas. The figures reported to Executive in July (based on figures to the end of May) were, at that early stage of the year, reporting no variances

against budget. 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: Purchases on equipment and adaptations expect to be overspent and residential and nursing new placements are currently running higher than budgets. This is slightly offset by residential and nursing placements for existing clients being less than expected. Work continues to assess the position in Adult Services and there are a number of known risks that have not yet been fully assessed including pressures on the pooled budgets and performance against income targets.

Children's Services: Placements for looked after children continue to be higher than anticipated. Residential placements are 13 above the target for this stage in the year, and Foster Care placements to the end of August are 52 above target. Authorisation of a £2.2m carry forward has been confirmed and is reflected in the figures, offsetting some of the overspend.

Chief Executive's: Underachievement of Land charges and a high level of spend on examination fees, post mortem expenses and mortuary fees are the major components of the overspend.

Corporate Services: There is a significant change from the last report which is in the main due to increased DWP subsidy within Revenue and Benefits.

Housing: The major components of the overspend are unachievable efficiency savings, historical issues with the premises budget, council tax issues on empty properties, and reduced HMR capital budget.

Environmental Services: Higher than planned expenditure on buildings will not be recovered in the planned level of income. To address this the building portfolio is being reviewed to identify where efficiencies in the use of accommodation can be achieved and there is an ongoing review of the spend on maintenance in an attempt to reduce overall costs.

Leisure: There are a number of pressures currently being identified the most significant of which relate to issues over the profit share arrangements relating to both the Wythenshawe Forum and the Aquatics Centre Car Park. Work is continuing to assess the full likely impact of these and to address the other budget pressures currently identified.

Trading services: Most of the increased overspend is due to electricity budget being understated. Despite contracts from 1 October providing significant savings, an overspend is still likely to occur.

5 Housing Revenue Account

The approved budget for the HRA for the current year forecast a surplus of £429k. At period 5, it is forecast that the surplus will be £317k, an adverse variance of £112k. This is mainly due to an increase in the costs of maintenance and repairs in respect of time lags in the receipt of charges in respect of properties transferred to Eastland Homes at the end of March 2009 partially offset by savings in supervision and management.

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

	2009/10 Revised Budget	2009/10 Projected outturn as at August 2009	Variance
	£'000	£'000	£'000
Original budget balance of HRA on General Reserve	5,962	4,263	(1,699)
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)
Projected balance of HRA on General Reserve	40,363	46,770	6,407

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 Trading accounts

A number of services operate as trading accounts and are currently reported separately as they are set a target surplus to achieve. This surplus has increased since the budgets were set as a result of allocated savings including the 1% reduction to pay inflation. The position they are currently reporting is:

Trading Service	Revised Budget	Outturn	Variance £'000
MEDC	(148)	(148)	0
Contracting Services (Trading)	(441)	(417)	24
Contracting Services – City Works	0	228	228
Catering [Manchester Fayre]	313	208	(105)
Total Trading Services Variance	(276)	(129)	147

Contracting Services: The small variance is arising in the furniture store due to reduced income through falling work loads.

City Works: The reported overspend is predominantly due to some residual costs from City Works arising from 4 staff who remain to be redeployed that were not budgeted for and an increase to the asbestos provision

Catering: The loss is likely to be less than budgeted due to generated additional income from school meals

7 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.

	ABG 2009/10 Allocation £	ABG Forecast Out-turn 2009/10 £
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
Total	31,713,052	31,713,052

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.

8 Contingency

The central contingency budget currently totals £12.522m. This includes £921k growth for budget pressures identified in Housing which was approved as part of the 9/10 budget but which has not as yet been approved through gateway and so has been placed in contingency until such time as gateway approval to spend is obtained. Also within contingency is £1m set aside to fund costs arising from the Neighbourhood Strategy most of which has been approved for spend through gateway but as yet the money has not been transferred into the appropriate service budgets. The following recent approvals have been allocated from contingency:

Minutes of 24 June: Exe/09/76 decision 6 : Executive Arrangements Consultation

Costs within legal services in taking forward the review of the Council's Executive Arrangements (costs not exceeding £100,000)

Minutes of 22 July: Exe/09/91 decision 5: Community Hub

£211,000 required for funding of professional fees, detailed master planning and project management costs for completion of 1st phase of project -approved

Report to the Executive 10th September 2009 item 9: FIFA World Cup 2018
£150,000 required for preparation of application to England 2018 for Manchester to be a Candidate Host City for the FIFA World Cup 2018 (approved at meeting).

In addition, the following requests for contingency funding has been proposed:

Managers - Information Assurance & Data Handling

The Government's Security Policy Framework ("SPF") sets out 70 minimum mandatory security requirements for security policy Government Departments and Agencies are required to follow. This framework is being extended to Local Authorities and contractors, and in this context, the SOCITM and Local Government Association Data Handling Guidelines augment the SPF.

To ensure broad understanding of this policy framework externally provided half day training sessions were organised for key managers. This training will contribute to the review and implementation of the LGA Data Handling guidelines. The training has cost £25,000 to be delivered for which no budget was available. Members are requested to approve that the costs be met from contingency.

Transfer to Pension Reserve

Provision was made within contingency to meet the costs of a potential 1% increase in the employer's pension rate. This is not required in the current year however early indications are that the triennial actuarial review due to be carried out in March will show a continuing worsening of the position of the pension fund and the need to increase the rate in the coming years. The Treasurer is proposing that the money currently held in contingency be transferred into the pension reserve to help mitigate some of the future increase.

Costs are also being incurred to carry out the Community Governance Review for which there is no budget. These will be subject to a request for contingency funding once the costs incurred are finalised. It is not expected that these will be in excess of £60,000.

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 Treasure considers that up to £4m of the existing contingency provisions will not be called on by the end of the year.

9 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 but not yet allocated to departmental budgets. It is still considered that the balance of the procurement and other savings will be achieved.

10 Capital Financing Requirements

The Original Budget of £42.7m for capital charges is forecast to be underspent by around £5m by the end of the year mainly due to the impact of reducing interest rates on day to day borrowing and the continued policy to delay longer term borrowing by utilising internal resources.

11 VAT refund

Following work with PWC on the treatment of VAT overpayments in Leisure, and further work in the VAT team looking at VAT claims in relation to off-street car parking excess charges and library funds, MCC has received a net VAT rebate in the current year of around £1.2m dating back to 1973/74.

12 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.

13 Council Tax collection

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

Collection Fund 2009/10	Target 2009/10 £'000	Current projected over / (under) achievement of Target £'000
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 £46m will be paid in to the collection fund via Council Tax Benefit. Of the £118m cash to collect, £111m is the target for collection from current year's tax and £7m worth of arrears. This, however, is the peak time for updating the figures to account for student numbers which may have an impact on the achievement of the target. Once this work is completed a better forecast of the likely year end position will be possible.

14 Conclusion

This is the second Global Revenue Budget Monitoring report for the year 2009/10 and presents information based on projections as at the end of August, 2009. Whilst savings on Capital Financing Costs, Contingencies and the reduction to the pay inflation allowed of 2% down to the 1% agreed, currently mean that we are showing an overall underspend against budgets of some £5.159m (including the VAT refund) but this includes a projected overspend in

departmental budgets of almost £4m. 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 August 2009

Business Plan Area	Revised Budget	Projected Outturn as at end of August	Projected Year End Over/ (Under) Spend
	2009/10 £'000	2009/10 £'000	2009/10 £'000
Adult Services	133,326	133,744	418
Children's Services			
Business Support & Commissioning	24,063	24,498	435
Education Services	22,010	21,652	(358)
Children & Young People	98,932	99,322	390
Children's Services	145,005	145,472	467
Chief Executive's Dept			
Culture	4,685	4,685	0
Planning	2,272	2,272	0
Transport (Policy)	2,298	2,298	0
Communications	2,998	2,998	0
Executive Office	4,042	4,042	0
Performance	5,851	5,851	0
Legal Services	3,629	3,759	130
Statutory Services	1,961	2,161	200
Crime & Disorder	1,574	1,544	(30)
Manchester Health Unit	9	9	0
Engineering Services [Highways]	13,011	13,011	0
Galleries	3,797	3,872	75
Corporate Items	3,014	3,014	0
Regeneration	3,929	3,929	0
Manchester Adult Education Services (MAES)	397	397	0
Chief Executive's Dept	53,467	53,842	375
Corporate Services			
Corporate Procurement	927	207	(720)
Council Tax & Benefits	3,737	1,737	(2,000)
Financial Management	6,032	7,005	973
Capital Programmes	803	803	0
Human Resources	3,599	4,219	620
Corporate Property	7,853	8,515	662
Corporate Items	(14,112)	(14,112)	0
Corporate Services	8,839	8,374	(465)

Business Plan Area	Revised Budget	Projected Outturn as at end of August	Projected Year End Over/ (Under) Spend
	2009/10 £'000	2009/10 £'000	2009/10 £'000
Directorate of Transformation			
Transformation Team	1,536	1,536	0
Corporate Technology Unit	(728)	(728)	0
Directorate of Transformation	808	808	0
Neighbourhood Services:			
Environmental Services	31,629	32,429	800
Libraries & Information	12,769	12,831	62
Library Theatre	1,085	1,085	0
Sports & Leisure	15,529	16,039	510
Contracting Services (Non Trading)	(198)	(73)	125
Manchester Markets	(1,338)	(1,260)	78
Town Hall Services	3,066	3,233	167
Total Neighbourhood Services	62,542	64,284	1,742
Housing General Fund			
Housing General Fund	3,883	5,342	1,459
Supporting People	728	728	0
Housing General Fund	4,611	6,070	1,459
Total Business Plan Requirement Cash Limits	408,598	412,594	3,996

APPENDIX 2

Corporate Financial Risk Monitoring Log: As at end August 2009

Risk	Consequence	Likelihood	Controls /Assessment	Actions /Updates
Corporate / Cross Cutting Risks				
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 August 2009, the projected shortfall is c£8m	High – 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 work with Heads of Service to address the currently projected under achievement.
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.	The 1 st quarters outturn is positive with performance against targets for both current and arrears broadly on track. The debit was increased in the first quarter due to a city wide exercise to review single person discounts. This review resulted in an increase in the debit by £750,000. We have seen a marked increase in Council Tax Benefit, reducing the amount of cash to be collected.
Potential Grant Clawback in relation to ERDF	Low /Medium – the nature of the record keeping and audit requirements surrounding European funding means that there is always the potential for clawback.	Low /Medium – claw back can occur some years after delivery.	Audit have reviewed documentation to establish level of exposure to clawback.	The next Article 15 Audits are about to be carried out. Paper is currently being finalised looking at risks. May be some limited clawback in 2009/10.

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 counterparties 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 should be in line or 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
<p>Previously significant amounts of salary costs have been capitalised – this may no longer be possible putting additional pressure on revenue budgets.</p>	<p>High – Highways and Engineering budgets assume significant proportion of staffing costs (£900k) can be capitalised which may not be achievable. There is also a high % of capitalised salaries in Housing /Public Sector Housing which is being reviewed.</p>	<p>High – £700k costs were met from capital fund on a one off basis at the end of 2008/09.</p>	<p>Work being carried out to identify how costs can be met</p>	
Adult Social Care				
<p>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.</p>	<p>Medium – still activity information and decision making panels to provide overall monitoring information.</p>	<p>High – there is unlikely to be full management information for homecare until 2010/11. Staffing budgets are not yet aligned with new structure.</p>	<p>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.</p>	<p>Significant progress has been made in the identification and resolution of the problems of obtaining financial information to support the budget monitoring process. Monitoring of income information will be 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 Back Office project, the revised cost centre structure is expected to be completed and implemented by November 2009. Reconciliation of the new budget structure to the BVACOP has the potential to impact on statutory reporting</p>

Risk	Consequence	Likelihood	Controls /Assessment	Actions /Updates
				but progress is in line with the expected schedule and should therefore be complete before the end of the financial year.
Children's Services				
Pressures on looked after children budgets	High – there could be a significant budget overspend if numbers continue to rise.	High – 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
Chief Executives				
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 is likely to be confirmed in November.
The cost of spend to save tripping claims means that the <i>invest to save</i> target will not be achieved.	Medium – costs per claim have increased resulting in a possible budget shortfall of £250k.	High	Regular monitoring is being undertaken and the service is looking at how the pressure can be offset.	
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	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.	

Risk	Consequence	Likelihood	Controls /Assessment	Actions /Updates
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.	<p>Medium – could result in £500k budget funding pressure, i.e. current land charges income budget.</p> <p>Following the outcome of the LGA consultation, further work may be required to identify the areas this will affect and assess the amounts involved.</p>	<p>High – pressures on land charges income as result of the economic downturn and impact of legislative changes to the charging regime.</p>	<p>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.</p>	
Pressures on the Coroners budget mean that the budget may overspend.	<p>Medium – demand led pressures could result in an overspend on the Coroners budget. Minimum £200k possibly increasing further with specific investigations & back rent.</p>	<p>High – Increased costs for the PC Terry 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.</p>	<p>Full review of Coroners budget position is being carried out with support from Finance and Transformation team.</p>	
Neighbourhood Services				
Waste Levy	<p>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</p>	<p>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</p>	<p>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.</p>	<p>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.</p>

Risk	Consequence	Likelihood	Controls /Assessment	Actions /Updates
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, but is unlikely to be implemented until 2010-11. The level of savings should be known 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).	Prior to the review on 13 th October, all Heads of Service are meeting with David Lea and Finance. This will quantify the value of the budget risk.
Strategic Housing				
The planned HRA review and review of options for the ALMO could have budgetary impacts in future years – this risk will be scoped in more detail for the next report.				

**APPENDIX 3
PRUDENTIAL BORROWING INDICATORS AS AT END OF AUGUST 2009**

No.	Prudential Indicator		Target		Actual as at end of August 2009	Target Breached Y/N
1	Financing Costs to Net Revenue Stream	Non – HRA HRA	9% 21%		8% 21%	N N
2	Capital Financing Requirements (as at 31 March)	Non – HRA HRA Total	£630,000,000 <u>£420,000,000</u> £1,050,000,000		£560,000,000 <u>£390,000,000</u> £950,000,000	N N
3	Authorised Limits for External Debt	Borrowing Other Long Term Liabilities Total	£1,167,000,000 £0 £1,167,000,000		£603,609,189 £718,995 £604,328,184	N
4	Operational Boundaries for External Debt	Borrowing Other Long Term Liabilities Total	£1,028,000,000 £0 £1,028,000,000		£603,649,189 £718,995 £604,328,184	N
5	Upper Limits on Fixed Interest Rate Exposures	Net Borrowing at Fixed Rates as a percentage of Total Net Borrowing	73%		58%	N
6	Upper Limits on Variable Interest Rate Exposures	Net Borrowing at Variable Rates as a percentage of Total Net Borrowing	71%		42%	N
			Lower Limit	Upper Limit		
7	Maturity Structure of Borrowing	under 12 months 12 months & within 24 months 24 months and within 5 years 5 years and within 10 years 10 years and above	0% 0% 20% 0% 0%	50% 60% 70% 60% 60%	0% 32% 52% 12% 4%	N N N N N
8	Upper Limits for Principle Sums Invested for over 364 days		£0	£0	£0	N