

**Manchester City Council
Note for Information**

Note To: Resources and Governance Overview Scrutiny
Committee - 22 February 2010

Subject: Proposed Amendments to the Revenue and Capital
Budgets 2010/11

From: City Treasurer

Summary

Following the budget report to Executive Wednesday 10 February 2010 it has become apparent that amendments will be required. It is proposed that these amendments are included in the Global budget report to the City Council on Wednesday 3 March 2010.

Recommendations

The Committee is requested to note the contents of the report and that the appropriate recommendations will be made to Council on 3 March 2010.

Wards Affected:

Various

Financial Consequences for the Revenue and Capital Budgets

The various adjustments between the Revenue and Capital budgets can be achieved in a way which does not alter the longer term level or split of resources available to the Council.

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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.

Budget Report to Executive 10 February 2010

Background

The revenue and capital budgets were reported to Executive Wednesday 10 February 2010. Since then there has been clarification of the classification of certain items of spend that are of a technical nature and require additional recommendations for Council approval. It is proposed that these amendments are presented to Council for approval 3 March 2010.

Current position

There are three amendments required for the capital programme. Two of these amendments are where items that were originally expected to be procured by the use of capital funding are now expected to be delivered through the revenue budget. In the third case, works treated as 'rechargeable' are adding value to the Council's assets and therefore need to be capitalised.

1. There are highway works around Openshaw District Centre under construction in compliance with requirements under section 278. In order to comply with proper accounting practice these works should all be capitalised. The total cost of works is forecast to be £1,777,000 which will be recovered in full by a contribution from the developer. £944,000 is expected to be spent by 31 March 2010 and capital budget approval is requested for this and a future amount of £833,000 (£686,000 in 2010/11, £147,000 in 2011/12).

This will necessitate a request to the City Council to increase the capital budget by £686,000 in 2010/11 and £147,000 in 2011/12, funded 100% by external contributions.

The recommendation if approved would increase the capital budget but it would have no effect on the prudential borrowing requirements.

2. The Housing Capital Budget already contains approval for land assembly investment in support of the Miles Platting PFI project. There have been revisions to the PFI proposals relating to the plots of land to be released to the PFI developer and a report to the Executive 10 March will recommend two plots be retained by the City Council and in return the City Council will make a financial settlement from the revenue budget (PFI Reserve Fund) to the developer equivalent to the amount received in credit from the developer in the first instance.

The revenue budget increase is therefore fully funded with no impact on the net expenditure figures. There will be a corresponding reduction in the Miles Platting land assembly budget of the Housing Capital Budget.

It is proposed that the City Council will be requested to note this alteration and to agree the reduction in the Housing capital budget. Again, this proposal has no effect on prudential borrowing requirements.

Whilst the PFI is able to fund the financial settlement there is a need to repay the PFI Reserve Fund which should be achieved by a transfer of capital to revenue resources on the Brunswick PFI scheme

3. The budget report to Executive in February included recommendations to increase the annual ICT capital budget from £500,000 per year to £2,000,000 per year for each of the 3 years 2010/11 to 2012/13. These recommendations were based on assumptions that the most appropriate funding solutions for the required ICT investment would be capital.

A significant part of the investment is for the acquisition of new software licences over the next three years which would be financed from revenue on an annual basis. It might also be possible to enter into licence agreements slightly in excess of 3 years to provide an option for purchase by an immediate capital premium payment which may be preferable for the supplier and around which the City Council could negotiate a beneficial discount.

If all the expenditure remains capital by definition there is no need to alter the capital budget within the report to Council – the original budget report already contains delegated authority for the City Treasurer, in consultation with the Executive Member for Finance and Human Resources to accelerate budgets from later years into 2010/11 subject to affordability.

The option for a possible solution within the revenue budget still requires consideration and evaluation. It is therefore proposed that the City Council be asked to agree that the final decision on the final composition of the funding package of the £6m total ICT investment programme 2010/11 to 2012/13 be delegated to the City Treasurer in consultation with the Executive Member for Finance and Human Resources. This delegated authority to be on the understanding that there is no net increase to the overall total of the revenue or capital budgets.

If the expenditure is eventually met from the revenue budget, then equivalent revenue resources will be transferred which are currently earmarked to finance the capital programme.