

## **MANCHESTER CITY COUNCIL**

### **THE EXECUTIVE**

#### **REPORT FOR INFORMATION**

**DATE:** 25 JULY 2007

**SUBJECT:** GLOBAL REVENUE BUDGET MONITORING 2007/08

**REPORT OF:** CITY TREASURER

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#### **PURPOSE OF REPORT**

To provide Members with a summary of the position in relation to the Revenue Budget and Trading Organisations for 2007/08 to the end of May.

#### **RECOMMENDATIONS**

The Executive is requested:

- i. To note the contents of the report
- ii. To note that the City Treasurer will provide further progress reports to the Executive during the year
- iii. To delegate powers to the City Treasurer in consultation with the Executive Member for Finance and Human Resources to agree to transfer of funding from capital to revenue where expenditure that is included in the Capital Programme can no longer be charged to capital (see paragraph 10)
- iv. To agree that any shortfall of income arising in the current year from the Private Sector Licensing Unit (see paragraph 2.7) be treated as a contribution from balances to be reimbursed in future years once surpluses start to be achieved.
- v. To agree the transfer from contingency of £138,000 to improve the Research and Intelligence capacity of the Council through the creation of a new post of Head of Corporate Intelligence and the costs associated with the post of National Census Coordinator as approved by Personnel committee (see section 5 for further details)
- vi. To agree the transfer from contingency of the corporate health and safety provision of £68,000 to the cash limit of the City Treasurer.

#### **Financial Consequences for the Revenue Budget**

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 are

currently reporting a potential over spend against the revenue budget are required to show how the over spend will be eliminated within their own resources.

### **CONTACT OFFICERS**

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### **Background Documents**

The approved revenue budget for 2007/08

Chief Officers' Monthly Revenue Budget and Trading Organisation Monitoring Briefing Notes in the present reporting cycle

### **Implications for:**

| <b>Employment</b> | <b>Anti Poverty</b> | <b>Equal Opportunities</b> | <b>Environment</b> |
|-------------------|---------------------|----------------------------|--------------------|
| No.               | No.                 | No.                        | No.                |

## 1. **INTRODUCTION**

- 1.1 This is the first Global Monitoring Report for the financial year. At this stage the briefing notes that have been received show little variation from the budgeted position and in a few cases no variation from budget. 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. Due to the timing of preparing this report in order to meet council deadlines, the figures are based on the position as at the end of May.
- 1.2 Whilst current figures are projecting a small potential **overspend** against budgets of £465,000, it must be stressed that this is an early stage of monitoring based on just 2 months spend. Heads of Service and Strategic Directors are clear that corrective action must be taken to eliminate any overspends. Budgets will continue to be scrutinised monthly and reported through to the MIP Board which will ensure that actions to bring spend back into line with budgets is taken. A summary of currently projected variances from Business Plan cash limit budgets is attached as an Appendix to this report for information.
- 1.3 In carrying out monitoring, a number of key risks have been identified more details of which are identified below.

## 2. **DEPARTMENTAL POSITION**

### 2.1 **Children's services**

The non Education areas of Children's Services are currently predicting that out-turn will be in line with the budget approved.

Education budgets are currently projecting no overspends. Two key problem areas in 2006 were:-

(i) Home to School Transport - current projections are favourable and financial problems are not anticipated in 2007/8.

(ii) Out of City SEN Placements - this budget is DSG funded and remains a high risk area due to the high cost of an individual out of city residential placement. Expenditure is consequently regularly scrutinised by Chief Officers.

At present, the DSG outturn projections are favourable but close monitoring will continue throughout the year.

On DSG funded areas, it is anticipated that, as a result of agreement with the schools forum, a further contribution towards the repayment of the accumulated school's deficit of £2m will be paid in 2007/8. Achievement of this is based on a proportion of MIP savings being within the DSG areas of spend.

## **2.2 Adult's Services**

Whilst the Director of Adult Services is currently predicting a balanced budget for 2007/8, the service is facing considerable challenges to improve the service and achieve MIP target savings and other departmental savings assumed within the budget totaling £4.4m. The service is receiving close support from the MIP team to ensure that improvement projects are project managed and that efficiency targets are achieved. All budgets will continue to be monitored closely.

## **2.3 Chief Executive's**

Currently the Chief Executive's Department is projecting a potential budget overspend of £176,000 against its cash limit budget of £31.1m. This is due to an anticipated shortfall in land charge income and pressures in the Head of Transport's budget.

The Department is actively assessing options for dealing with the above issues and is confident that spend at the end of the year will be in line with budget.

## **2.4 Corporate Services**

The projected outturn position is for the service to break even.

## **2.5 Environmental Services**

The projected outturn position is for the service to break even.

## **2.6 H.A.T.S**

The projected outturn position is for the service to break even.

## **2.7 Housing**

The Director of Housing is currently projecting that spend will be in line with budget.

Although not as yet reflecting in the projected outturn figures, the Private Sector Licensing Unit moves into its second full year of operation, the Business Plan for the unit previously agreed by Executive projected a deficit in the first 2 years to be recovered in later years as fee income increased. The outturn report elsewhere on the agenda identifies an excess of expenditure over income of £303k from 2006/7 falling into balances to be met from future fee income. Members are asked to agree now that any shortfall of income arising in the current year be treated as a contribution from balances to be reimbursed in future years once surpluses start to be achieved.

## **2.8 Leisure**

The projected outturn position is for the service to break even. There are risks, however, associated with the rental income from the City of Manchester Stadium. The rental income received is subject to fluctuation depending on the level of ticket sales. Whilst it is currently hoped that receipts will be sufficient to meet budgeted spend, the situation will be closely monitored and if necessary the level of spend being met from the rental income will be reduced to match income levels.

## **2.9 Libraries & Theatres**

Current projections imply a potential over spend of £219,000. This relates to employees (due to continuing pay protection from an earlier departmental restructure of around £95,000 and the costs of £43,000 to fund 3 supernumerary staff) and a shortfall against income targets of £81,000. Options to eliminate the overspend, including generating additional income are being investigated.

Whilst other budgets are currently predicted to be in balance, there continues to be pressure on a number of budgets, most notably the costs of additional security at central library and branch libraries (estimated at £140k).

The Senior Management Team in Libraries is committed in its efforts to deliver a balanced budget. All areas of the budget are being scrutinised thoroughly for potential savings to mitigate any overspends.

## **2.10 Manchester City Galleries**

The projected outturn position implies a potential overspend of £70,000.

A review of insurance charges has been completed and significant reductions have been achieved compared to premiums in 2006/7. The final premium for 2007/8 recently negotiated is still above budget by £44,000. The department is considering how savings elsewhere can be made to meet this shortfall.

The Galleries management team are actively reviewing the position and implementing actions to eliminate any potential overspend.

### 3. TRADING ORGANISATIONS PERFORMANCE 2007/08

| Trading Organisation                           | Business Plan Target (Surplus) / Loss<br>£,000 | Projected (Surplus) / Loss<br>£,000 | Over / (under) achievement of target<br>£,000 |
|--|--|-------------------------------------|---|
| Chief Executive's - MEDC                       | (98)   | (98)                                | 0   |
| Environmental Services - City Works            | 780  | 780                                 | 0   |
| Environmental Services - Contracts             | (55)   | (55)                                | 0   |
| Environmental Services – Street scene services | 0  | 0                                   | 0   |
| Manchester Fayre                               | 469  | 469                                 | 0   |
| <b>Total Trading Organisation Surpluses</b>    | <b>1,096</b>                                   | <b>1,096</b>                        | <b>(0)</b>                                    |

- 3.1 At the time of reporting, no significant variances from targets outlined in business plans have been identified.

### 4. CORPORATE BUDGET RISKS IDENTIFIED

- 4.1 In addition to the departmental issues and risks identified above, a number of key corporate risks to the budget have been identified.
- (a) **Risk: MIP procurement efficiencies.**  
The MIP is delivering substantial savings across the Council. For example, it is currently estimated that there will be £12.1m of procurement savings in 2007/8. £4.5m+ of these will fall outside the General Fund. The remainder will contribute to the £15.4m overall MIP revenue savings target. Outturn projections are currently in line with this target but there are delay risks with financial benefits realisation on some key projects. Additional projects are being introduced to help mitigate this risk.
- (b) **Risk: Pay award for 07/08 may be higher than the 2¼% we have budgeted for.** The pay award for 2007/8 is still subject to negotiations.
- (c) **Risk: Claw back of grant funding, in particular ERDF/ESG – worst case scenario c£30m.** There has been no change to this risk.
- (d) **New Risk: Job Evaluation Costs.** The budget provides £2m for transitional costs but work is still on-going to better determine the likely costs of job evaluation in 2007/8.

**(e) New Risk: Cost of redeployments following MIP projects.**

Consideration is being given to the treatment of costs relating to staff needing to be redeployed as a result of MIP projects. This cost will net off savings in the short term and present a risk that year end savings targets are not met.

- 4.2 The above risks are being monitored through the Centre Management Group to ensure that action is taken to monitor and where possible mitigate the level of risk being faced.

**5. CENTRAL CONTINGENCY FUND**

- 5.1 The Central Contingency Fund currently shows a balance of £8.195m of which £1.325m is unallocated, the balance being earmarked for potential but as yet unquantified expenditure.
- 5.2 There is a small Health and Safety provision held in contingency of £68,000. This is used to meet small health and safety requirements and is administered by the personnel manager (health safety and welfare). It is proposed to transfer the budget permanently to the control of the City Treasurer.
- 5.3 Personnel Committee in June agreed to the creation of a post of Head of Corporate Research and Intelligence, reporting to the Assistant Chief Executive (Performance) and the transfer of the current Head of Audit and Risk Management to take up the role of national census coordinator in order to oversee the City Council's preparations for the 2011 National Census.
- 5.4 The estimated cost in 2007/8 is £73,000 to meet the costs of the Head of Corporate Research and Intelligence post (including on costs etc.) and a sum of £65,000 is required to meet the costs of the census coordinator post (including on costs etc.). Executive are asked to approve the transfer of these resources from contingency. It is expected that in the longer term these posts will generate either expenditure savings or increase the Council's income.

**6. HOUSING REVENUE ACCOUNT**

- 6.1 Whilst it is still early in the year to reliably predict the position at year end the current (latest) plans for divestment of stock - the main driver of the HRA - are still as included within the approved budget and no issues have arisen from the year end audit that would require amendment to the budget out-turn. Subject to decisions on the requested carry forwards contained in the HRA outturn report included elsewhere on the Executive agenda, therefore the Director of Housing is expecting to be in line with budgets at the end of the year.

**7. COUNCIL TAX COLLECTION**

- 7.1 The overall position of the Council in relation to the target for 2007/08 is summarised in the table below:

|                            |                            |   |
|----------------------------|----------------------------|---|
| Collection Fund<br>2006/07 | Target<br>2007/08<br>£000s | Current projected<br>over/(under) achievement<br>of Target<br>£000s |
| Council Tax                | 145,000                    | 0   |

## 8. PRUDENTIAL BORROWING INDICATORS

- 8.1 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 here:

| No. | Prudential Indicator                                       | Target   | Actual as at<br>end of May                     | Target<br>Breached<br>Y/N                      |                                |                       |
|-----|--|--|--|--|--------------------------------|-----------------------|
| 1   | Financing Costs to Net Revenue Stream                      | Non – HRA<br>HRA   | 11%<br>18%                                     | 11%<br>18%                                     | N<br>N                         |                       |
| 2   | Capital Financing Requirements (as at 31 March)            | Non – HRA<br>HRA<br>Total  | £580,000,000<br>£610,000,000<br>£1,190,000,000 | £580,000,000<br>£610,000,000<br>£1,190,000,000 | N<br>N<br>N                    |                       |
| 3   | Authorised Limits for External Debt                        | Borrowing<br>Other Long Term Liabilities<br>Total  | £1,223,000,000<br>£0<br>£1,223,000,000         | £938,000,000<br>£0<br>£938,000,000             | N<br>N<br>N                    |                       |
| 4   | Operational Boundaries for External Debt                   | Borrowing<br>Other Long Term Liabilities<br>Total  | £998,000,000<br>£0<br>£998,000,000             | £938,000,000<br>£0<br>£938,000,000             | N<br>N<br>N                    |                       |
| 5   | Upper Limits on Fixed Interest Rate Exposures              | Net Borrowing at Fixed Rates as a percentage of Total Net Borrowing  | 99%  | 91%  | N                              |                       |
| 6   | Upper Limits on Variable Interest Rate Exposures           | Net Borrowing at Variable Rates as a percentage of Total Net Borrowing   | 49%  | 9%   | N                              |                       |
|     |  |  | Lower Limit                                    | Upper Limit                                    |                                |                       |
| 7   | Maturity Structure of Borrowing                            | under 12 months<br>12 months and within 24 months<br>24 months and within 5 years<br>5 years and within 10 years<br>10 years and above | 0%<br>0%<br>10%<br>0%<br>10%                   | 50%<br>60%<br>60%<br>60%<br>70%                | 1%<br>25%<br>22%<br>20%<br>32% | N<br>N<br>N<br>N<br>N |
| 8   | Upper Limits for Principle Sums Invested for over 364 days |  | (£)0   | (£)0   | (£)0                           | N                     |

**9. DEBT MANAGEMENT AND INVESTMENT**

- 9.1 The budget for capital financing charges for 2007/8 is £48.025m. It is currently expected that spend will be in line with budget.

**10. TRANSFER OF RESOURCES FROM CAPITAL**

- 10.1 Elsewhere on the Executive Agenda the Capital Programme Monitoring 2007/8 report identifies (paragraph 5) a number of reductions to the Capital Programme including £280,000 relating to Capital Programme Management. This capital budget was intended to fund costs that cannot be charged to capital and hence will now fall onto revenue in accordance with Audit Commission rulings. A rebalancing between revenue and capital is possible within the overall Council resources through a transfer of capital fund resources into the revenue budget. The Executive is requested to delegate to the City Treasurer, in consultation with the Executive Member for Finance and Human Resources, the ability to make such adjustments where this is contained within the overall capital and revenue budgets approved by the Council.

**11. CONCLUSION**

- 11.1 This is the first Global Revenue Budget Monitoring report for the year 2007/08. The information provided by departments is based on the position at the end of May and as such it is a little too early in the year to draw reliable conclusions. Budgets will continue to be monitored on a monthly basis by officers and the position will be reported monthly to the MIP Board and to individual Executive Members. The City Treasurer, through the MIP board will continue to work with Heads of Services to ensure that their services maintain a balanced budget position by taking positive action to bring spend and income back into line with.

R. PAVER  
*CITY TREASURER*

## APPENDIX 1

### Summary of projected outturn position against budgets as at the end of May

(whilst these are the current projections to the year end based on spend to the end of May and management action is being taken to bring spend back in line with budgets)

| Business Plan   | Business Plan Cash Limit | Projected Year End Budget Outturn | Projected Year End Budget Variance | Comments   |
|---|--------------------------|-----------------------------------|------------------------------------|--|
| <i>Business Plan Area</i>                             | £000s                    | £000s                             | £000s                              |  |
| <b><u>Children's Services</u></b>                     |                          |                                   |                                    |  |
| Chief Education Officer                               | 29,140                   | 29,140                            | 0                                  |  |
| Chief Operating Officer (Children's Services)         | 12,413                   | 12,413                            | 0                                  |  |
| AD Children's Services - C&F                          | 73,445                   | 73,445                            | 0                                  |  |
| AD Children's Services - C&YP                         | 14,576                   | 14,576                            | 0                                  |  |
| <b>Total Children's Services</b>                      | <b>129,574</b>           | <b>129,574</b>                    | <b>0</b>                           |  |
| <b><u>Chief Executive's Dept</u></b>                  | (143)                    | (143)                             | 0                                  | Savings figure not yet allocated to Business Areas |
| Head of Legal Services                                | 2,403                    | 2,623                             | 220                                |  |
| Head of Statutory Services                            | 1,932                    | 1,932                             | 0                                  |  |
| Assistant Chief Executive (Culture)                   | 6,097                    | 6,097                             | 0                                  |  |
| Head of Regeneration                                  | 3,137                    | 3,137                             | 0                                  |  |
| Head of Adult Education                               | 297                      | 297                               | 0                                  |  |
| Head of Planning                                      | 1,557                    | 1,557                             | 0                                  |  |
| Assistant Chief Executive (Performance)               | 5,450                    | 5,350                             | (100)                              |  |
| New Deal for Communities Co-ordinator                 | 0                        | 0                                 | 0                                  |  |
| Director of Manchester Health Unit                    | (11)                     | (11)                              | 0                                  |  |
| Head of Crime and Disorder                            | 1,161                    | 1,161                             | 0                                  |  |
| Head of Executive Office                              | 2,253                    | 2,253                             | 0                                  |  |
| Head of Transport (inc. Head of Engineering Services) | 2,250                    | 2,306                             | 56                                 |  |
| Corporate costs not included in business plans        | 4,553                    | 4,553                             | 0                                  |  |
| <b>Total Chief Executive's</b>                        | <b>30,936</b>            | <b>31,112</b>                     | <b>176</b>                         |  |
| <b><u>Cultural Services:</u></b>                      |                          |                                   |                                    |  |
| Head of Sports and Leisure Services                   | 15,144                   | 15,144                            | 0                                  |  |
| Head of Libraries and Information Services            | 12,096                   | 12,315                            | 219                                |  |
| Director of Manchester City Galleries                 | 3,562                    | 3,632                             | 70                                 |  |
| <b>Total Cultural services</b>                        | <b>30,802</b>            | <b>31,091</b>                     | <b>289</b>                         |  |

|  |                |                |            |  |
|--|----------------|----------------|------------|--|
| <b>Corporate Services</b>                      | (340)          | (340)          | 0          | Savings figure not yet allocated to Business Areas |
| Head of Financial Management                   | 6,383          | 6,383          | 0          |  |
| Head of Valuation and Property                 | 6,340          | 6,340          | 0          |  |
| Capital Programme Director                     | 510            | 510            | 0          |  |
| Head of Strategic Information and Technology   | 7,923          | 7,923          | 0          |  |
| Head of Human Resources                        | 1,961          | 1,961          | 0          |  |
| Strategic Head of Council Tax and Benefits     | 972            | 972            | 0          |  |
| Corporate costs not included in business plans | (9,147)        | (9,147)        | 0          |  |
| <b>Total Corporate Services</b>                | <b>14,602</b>  | <b>14,602</b>  | <b>0</b>   |  |
| <b>Neighbourhood Services:</b>                 |                |                |            |  |
| <b>Director of Adult Services</b>              | <b>109,220</b> | <b>109,220</b> | <b>0</b>   |  |
| <b>Environment &amp; Operations</b>            | (50)           | (50)           | 0          |  |
| Head of Engineering Services                   | 12,062         | 12,062         | 0          |  |
| Head of Contracting Services                   | (70)           | (70)           | 0          |  |
| Head of Environmental Services                 | 20,998         | 20,998         | 0          |  |
| <b>Total Environment and Operations</b>        | <b>32,940</b>  | <b>32,940</b>  | <b>0</b>   |  |
| <b>HATS</b>                                    | (453)          | (453)          | 0          |  |
| Manchester Markets                             | (1,219)        | (1,219)        | 0          |  |
| Town Hall Services                             | 3,339          | 3,339          | 0          |  |
| <b>Total HAT's</b>                             | <b>1,667</b>   | <b>1,667</b>   | <b>0</b>   |  |
| <b>Director of Housing</b>                     | <b>3,123</b>   | <b>3,123</b>   | <b>0</b>   |  |
| <b>Total Neighbourhood Services</b>            | <b>146,950</b> | <b>146,950</b> | <b>0</b>   |  |
| <b>Total Cash Limits</b>                       | <b>352,864</b> | <b>353,329</b> | <b>465</b> |  |