

**Manchester City Council
Report for Resolution**

Report To: Executive – 24 June 2009
Subject: Revenue Outturn Report 2008/9
Report of: City Treasurer

Summary

The report outlines for Members the final outturn on the General Fund for 2008/9 and seeks approval to various proposed transfers to provisions and reserves to meet future potential costs. The report does not provide at this stage details of service budget variances or requests for any carry forward of underspends or overspends. These will be reported to Executive in July after further investigation and assessment by the Treasurer. Agreed transfers to provisions and reserves will be included in the draft Annual Accounts to be submitted for approval to the Audit Committee on 25 June 2009.

Recommendations

The Executive is recommended to:

1. Note the overall outturn position for 2008/09 as outlined in paragraphs 2.1 and 2.2 and the initial assessment of the departmental outturn position as shown in the table at paragraph 3.1
 2. Approve the proposed transfers to provisions and reserves as identified in paragraph 4.1
 3. Note that a further report looking in more detail at the departmental over and underspends will be presented to Executive in July
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Wards Affected: None directly

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	Not applicable
Reaching full potential in education and employment	Not applicable
Individual and collective self esteem – mutual respect	Not applicable
Neighbourhoods of Choice	Not applicable

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

- Equal Opportunities Policy
 - Risk Management
 - Legal Considerations
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Financial Consequences – Revenue

Overall underspends on departmental spend, corporate costs, debt charges and increased dividends have meant it is possible to make provision for known liabilities whilst maintaining reserves to meet significant future costs at a reasonable level. This has left the Council in a robust financial position moving forward.

Financial Consequences – Capital

There are no consequences for the capital budget.

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Background documents (available for public inspection):

Working Papers – 2008/09 Consolidation (Room 125)

1.0 Introduction

- 1.1 This report presents the General Fund outturn for the financial year 2008/09. The figures are still subject to potential change as the accounts are audited in due course, but it is not expected that any major amendments will emerge at that stage.
- 1.2 The report looks first at the global outturn position, followed by the outturn against Chief Officers' cash limited budgets. Comparisons are made between the actuals and the revised original estimates. These comprise original estimates approved in March 2008, amended by budget transfers between departments and approved allocations from the contingency fund prior to March 2009, and any approved carry forward of overspends and underspends from 2007/08. These variances are based on work to date and may need to be refined as further review takes place. A fuller report on service outturns included any detailed requests for carry forwards not included in this report will be made to Executive in July.
- 1.3 The draft accounts are to be reported for approval to the Audit Committee on 25 June.
- 1.4 Following the introduction of International Standard of Auditing (IAS) 260, any unadjusted non-trifling misstatements identified in the accounts during audit have to be reported back to the same Committee by the External Auditors before the opinion can be issued. This Committee will take place on 24 September.

2.0 General Fund outturn

- 2.1 The revised budget for 2008/9 contained an assumed contribution from the General Reserve of £8.2m. The actual outturn position is for a contribution from the General Reserve of £1.4m representing an under spend across all budgets of just over £6.8m.
- 2.2 The table below shows the components of the total underspend.

	£m
Under spend of Departmental cash limits	(1.4)
Additional transfers to provisions and reserves	9.3
Corporate growth priorities slipped to 2009/10	(3.2)
Other corporate budgets including Contingency	(3.5)
Reduced levies	(0.1)
Increased dividends	(0.6)
Debt charges	(6.0)
Rebate from WDA due to late start of PFI scheme	(1.3)
Total underspend against budget	(6.8)

- 2.3. The global revenue monitoring report that went to Executive in March (based on spend to the end of December) projected an underspend of £7.2m (before the trading account position is taken into account) which is broadly in line with the above.

3.0 Departmental Variances

- 3.1 Initial examination of those elements of overall departmental expenditure and income that comprise the Chief Officers' controllable expenditure has identified that departments have over/(under) spent by the amounts shown below. The Chief Officers' controllable expenditure excludes capital financing costs and the effects of central departmental recharges. Figures shown are after a number of transfers to reserves and provisions identified in section 4 of the report.

Department	Revised Budget 2008/9 £'000	Outturn 2008/9 £'000	Variation £'000
Chief Executive's	33,886	34,750	864
Manchester City Galleries	4,111	4,120	9
Corporate Services	5,641	3,672	(1,969)
Children's Services	145,927	145,717	(210)
Neighbourhood Services:			
Environmental Services	59,443	58,555	(888)
Adult Social Care	135,283	133,307	(1,976)
Housing (General Fund)	4,988	5,234	246
Hospitality & Trading Services	1,936	2,301	365
Cultural services:			
Manchester Leisure	16,410	18,012	1,602
Libraries & Theatres	13,068	12,741	(327)
MIP Team	1,432	1,438	6
Total	422,125	419,847	(2,278)

- 3.2 Further analysis and scrutiny of the final figures is being carried out as is further investigation into the reasons behind the variances to budget and a further report will be put to Executive in July that looks in detail at the reasons behind the departmental variances and makes recommendations on any carry forward of under or over spends.
- 3.3 Initial examination of those elements of overall departmental expenditure and income that comprise the Chief Officers' controllable expenditure has identified that departments have underspent overall by £2.278m. This compares to the £1.648m last reported to the Executive in March based on spend to the end of December. The Chief Officers' controllable expenditure excludes the costs of financing capital and central department recharges.

- 3.4 In addition to the General Fund Services identified above, there are a number of trading services that are set each year a target loss or profit to achieve. The initial outturn position of these services compared to their targets is shown in the table below:

Trading Service	Revised Target 2008/9 £'000	Outturn 2008/9 £'000	Variation £'000
MEDC	(118)	(196)	(78)
Manchester Contracts	305	1,002	697
Manchester Fayre	(271)	(368)	(97)
Total	(84)	438	522

- 3.5 Further details of the trading outcome for all the above will be provided in the July report.

4.0 Transfer to Reserves and Provisions

- 4.1 **General transfers to provisions and reserves:** The Global Revenue Budget Monitoring report to Executive in February as well as previous Monitoring reports have identified a number of areas where services had identified potential future budget pressures for which provision would need to be made. The City Treasurer has now discussed these further with the appropriate heads of Service and has agreed to recommend to Executive that the following sums be set aside to meet these potential costs:

Departmental reserves accounted for within table at 3.1

- A transfer of £1.425m into a Community Care Reserve in Adult Services
- £1,489,000 to be transferred into reserves to reflect potential increased calls from claims currently being considered
- £1.433m to be put into a reserve to meet one off costs re. Academies programme which may occur in 2009/10
- £1.171m of the underspend of Area Based Grant resources in Children's Services to create a reserve for known risks in Children's Services and Adult Social Care and to support the delivery of future savings around the preventative agenda
- £1m to be transferred into a reserve from the compensation received from the B of the Bang to be used to fund a replacement piece of public art
- £2.232m of Planning Delivery Grant from previous years has been moved into a reserve to support the delivery of the local delivery plan framework

Corporate transfers not included in table at 3.1

- £3.655m of unspent Working Neighbourhoods Fund to be transferred into a reserve to meet the costs of planned but unachieved spend in 2008/9 slipping into 2009/10
- £ 5.306 increase to various bad debt provisions across the Council including £2.385m to the Revenue and Benefits bad debt provision and £2.735m to the Corporate bad debt provision to take account for the potential impact of the economic downturn
- £391,000 to reflect potential increased calls from claims currently being considered
- The figures for debt charges incorporate the additional early repayment of premiums totaling £8.4m and a transfer of £6.5m to the Capital Fund

Members are asked to endorse these transfers.

- 4.2 **The Parking Reserve:** this reserve contained a balance as at 31 March 2008 of £2.634m. The budget for 2008/9 assumed that there would be a contribution to the parking reserve from the surplus from on-street parking of £1.869m and that £2.437m would be utilised from the reserve to fund the costs of operating Metroshuttle and contributions towards the cost of various environmental and highway improvements leaving an estimated balance on the fund at 31 March 2009 of £2.066m. The actual surplus from on street parking enforcement transferred into the fund was £1.572m, however, the amount utilised to fund costs was also below budget at £2.030m. The balance on the fund at 31 March 2009 therefore was £2.176m, slightly higher than budgeted.
- 4.3 **Bus Lane Enforcement Reserve:** Income received from enforcement of Bus Lanes has to be treated in a similar manner to on street parking enforcement income in that it has to be transferred into a reserve that can only be used for specific purposes. The balance on this reserve stood at £336,101 at 31 March 2008. Income transferred into the reserve in 2008/09 was £336,883 which leaves a balance on the reserve at 31 March 2009 of £722,984. There had been no planned use of this reserve in 2008/09 and no sums were utilised from the reserve.
- 4.4 **Service Improvement Fund:** The balance on the Service Improvement Fund at the 1 April 2008 was £11.974m. Further contributions were made within the year of £2.346m from Performance Reward Grant received. This means that total resources available within the SIF was £14.32m. Actual spend within the year was £5.859m which comprises £3.643m for individual approved projects across a range of service areas and £2.216m to support the MIP Service Review Programme. This leaves a balance on the fund at 31 March 2009 of £8.461m.
- 4.5 **LABGI Reserve :** In 2007/8 the Council agreed that some £5m of LABGI money received but not allocated would be put into a reserve to be utilised over a period of some 3 years to fund a range of projects in order to develop the capacity of the City Council. The balance on the reserve at the 31 March

2008 was £4.983m. A total of £1.538m has been spent out of the reserve against an expected spend of £1.609m due to some small delays in the start of some of the funded projects. Any monies not spent in 2008/09 due to these delays will roll forward to future years.

- 4.6 During 2008/9 a further £3.809m of LABGI money was received relating to the final settlement of outstanding LABGI grant and this has been transferred into the reserve. In May the Executive agreed that this should be utilised to meet the costs of the Soccerex European Forum.

5.0 Prudential Indicators

- 5.1 Prudential Indicators were introduced as part of the prudential borrowing regime which replaced the former controls on borrowing through credit approvals. Each year the Council sets various indicators as part of the budget process and then monitors throughout the year that these indicators are not breached. The table below indicates the final performance against the indicators relevant to the Revenue out-turn.

Prudential No.	Indicator		Target 2008/9	Actual 2008/9	Target Breached Y/N
1	Financing Costs to Net Revenue Stream	Non – HRA	10%	9%	N
		HRA	13%	18%	Y
2	Capital Financing Requirements (as at 31 March)	Non – HRA	£600m	£523m	N
		HRA	<u>£400m</u>	<u>£362m</u>	N
		Total	£1,000m	£885m	

- 5.2 Prudential Indicator No 1 Financing Costs to Net Revenue Stream HRA target of 13 % has been breached, with an actual as the end of March 2009 of 18 %. This was due to a significant increase in interest charges following the delay in the Loan Stock Voluntary Transfer (LSVT) programme and a revision of borrowing requirements. This will have no impact on the Council's overall budget position as the increased costs will be covered by subsidy.

6.0 CONCLUSION

- 6.1 Overall underspends on corporate costs, debt charges and increased dividends have meant it is possible to make provision for known liabilities whilst maintaining reserves to meet significant future costs at a reasonable level in line with the risk based assessment of reserves carried out as part of the budget setting process. This has leaves the Council in a robust financial position moving forward.