

**Manchester City Council
Report for Resolution**

Report To: Executive – 30 June 2010
Subject: Revenue Outturn Report 2009/10
Report of: City Treasurer

Summary

The report outlines for Members the final outturn on the General Fund for 2009/10 and seeks approval for various proposed transfers to reserves to meet future potential costs. The report does not provide at this stage details of service budget variances or requests for carry forward of under-spends or over-spends. These will be reported to Executive in July after further investigation and assessment by the City Treasurer.

The proposed transfers to reserves have been included in the draft Annual Accounts submitted for approval to the Audit Committee on 24 June 2010, subject to approval by the Executive.

Recommendations

The Executive is recommended to:

1. Note the overall outturn position for 2009/10 as outlined in paragraphs 2.1 and 2.2 and the initial assessment of the departmental outturn position against cash limit budgets as shown in the table at paragraph 3.1
2. Approve the proposed transfers to reserves as identified in paragraph 4.1
3. Note that a further report providing more detail on the departmental outturn positions against cash limit budgets will be prepared and submitted to the Executive in July along with any requests for carry forward of over and underspends

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

Provision has been made 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 going forward. The level of General Fund balances will, be affected by any decision to carry forward over or underspends made by Executive in July.

Financial Consequences – Capital

There are no consequences for the capital budget.

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 Management
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 the Head of Financial Management – details as above.

The Approved Revenue Budget 2009/10
Working Papers – 2009/10 Consolidation

1.0 Introduction

- 1.1 This report presents the General Fund outturn for the financial year 2009/10. Members should note that the figures may be subject to change until the audit of the accounts is completed in September, however, it is not expected that any major amendments will emerge.
- 1.2 The report looks first at the global outturn position, followed by the provisional outturn against Chief Officers' cash limited budgets. Comparisons are made between the actual and the revised original estimates. These comprise original estimates approved in March 2009, amended by budget transfers between departments and approved allocations from the contingency fund prior to March 2010, and any approved carry forward of overspends and underspends from 2008/09. These variances are based on work to date and may need to be refined as further review takes place. A more detailed report on service outturns including any requests for carry forwards will be made to Executive in July.
- 1.3 The draft accounts have been reported for approval to the Audit Committee on 24 June 2010.
- 1.4 In pursuance of International Standard of Auditing (IAS) 260, any unadjusted non-trifling mis-statements identified in the accounts during the 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 30 September.

2.0 General Fund Out-turn

- 2.1 The revised budget for 2009/10 contained an assumed contribution from the General Reserve of £5.934 m. The actual outturn position is for a contribution from the General Reserve of £3.237m representing an under spend across all budgets of £2.697m.
- 2.2 The table below shows the components of the total under spend.

	£m
Over-spend of Departmental cash limits	1.1
Procurement savings not deducted from budgets in 2009/10	1.0
Reduced call on reserves (Pension and Capital Fund)	0.7
Other corporate budgets including contingency	(3.2)
Increased dividends	(0.4)
Debt charges	(1.9)
Total under-spend against budget	(2.7)

- 2.3. The global revenue monitoring report that went to Executive in February 2010 (based on spend to the end of November 2009) projected a near balanced position against budgets. The final outturn position as can be seen above has improved slightly.

3.0 Departmental Variances

3.1 Examination of those elements of expenditure and income that comprise the Chief Officers' controllable expenditure has identified that Directorates have over spent by around £1m further details of how this is made up is shown below. This compares to the projected £2m overspend being reported the Executive in February based on expenditure to the end of November. Analysis of the final departmental outturn positions is still being completed and the figures reported above could be subject to change when the final position is reported to Executive in July.

The Directorates' controllable expenditure excludes capital financing costs and the effects of central departmental recharges. Figures shown are after a number of transfers to reserves identified in section 4 of the report.

Strategic Directorate	Revised Budget 2009/10	Outturn 2009/10	Over/ (under) spend Variation	Variation as reported to Exec in February
	£'000	£'000	£'000	£'000
Chief Executive's	65,804	65,729	(75)	685
Corporate Services	15,200	13,691	(1,509)	(1,373)
Children's Services	148,015	147,953	(62)	73
Directorate for Adults	139,313	139,572	259	705
Neighbourhood Services:	105,164	107,638	2,474	1,959
	473,496	474,583	1,087	2,049

Within Neighbourhood Services 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 2009/10	Outturn 2009/10	Variation
	£'000	£'000	£'000
MEDC	(375)	(281)	94
Manchester Markets	(1,373)	(1,099)	274
Manchester Fayre	(168)	(258)	(90)
Total	(1,916)	(1,638)	278

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

- 3.3 The Housing Revenue Account will report an overall surplus of £2.376m in 2009/10 against a budgeted surplus position of £0.429m, an increase of £1.947m. Of this figure £4.882m relates to additional VAT shelter income, offset by overspends of £1.142m on property maintenance and repairs (of which £0.855m was due to outstanding work on transferred properties), £0.541m contribution towards the balance required on the PFI smoothing reserve and £1.134m relating to supervision and management related costs which included £0.617m overspend on communal heating and £0.427m relating to additional insurance cover taken out to address potential environmental liabilities claims in relation to stock transfers.
- 3.4 The housing subsidy payment was below that anticipated at the start of the year due to the reduction in expected rental income as a result of acceptance of the Government's proposed rent increase reduction (from 6.2% to 3.1%) and a saving made on the expected interest payable on loans arising from the lower interest rates.
- 3.5 The overall position on reserves as at 31 March 2010 is as follows:

	£m
General and Residual Liabilities Fund Reserves	15.537
Ardwick PFI	14.525
Heating PFI	1.842
Miles Platting PFI	13.896
Brunswick PFI	1.540
Collyhurst PFI	1.649
PFI Reserves	33.452
TOTAL RESERVES	48.989

4.0 Transfers to and from Reserves

4.1 *General transfers to and from reserves:*

The following transfers to and from reserves have been actioned within the accounts and Executive are asked to approve these transfers in the accounts presented to the Audit Committee on 24 June.

Departmental reserves accounted for within table at 3.1 above:

Transfers to Reserves:

	£
Chief Executive's	
• Planning Delivery Grant Reserve	3,996,220
Trading Services	
• Investment Reserve from Surpluses	45,741

Transfers from Reserves:

Corporate Services	
• Town Hall Reserve (refurbishment project)	836,232
Children's Services	
• Area Based Grant Reserve	528,539
Adult Services	
• Community Care Reserve	1,150,000
Chief Executive's	
• B of the Bang Reserve	659,221
• Planning Delivery Grant Reserve	1,211,163
• Area Based Grant Reserve (WNF)	3,654,965

- 4.2 **The Parking Reserve:** The budget for 2009/10 assumed that there would be a contribution to the parking reserve from the surplus from on-street parking of £1.780m and that £2.095m would be utilised from the reserve to fund the costs of operating Metro-shuttle and contributions towards the cost of various environmental and highway improvements. The actual surplus from on street parking enforcement transferred into the fund was slightly above target at £1.794m, the amount utilised to fund costs was also above budget at £2.123m. This was due to increased contribution to the costs of Metro-shuttle. The balance on the fund at 31 March 2010 was £1.847m.
- 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 £0.723m at 31 March 2009. Income transferred into the reserve in 2009/10 was £0.126m which leaves a balance on the reserve at 31 March 2010 of £0.849m. There had been no planned use of this reserve in 2009/10 and no sums were utilised from the reserve.
- 4.4 **Service Improvement Fund:** The balance on the Service Improvement Fund at the 31 March 2009 was £8.461m with a further anticipated contribution from the final elements of Performance Reward Grant associated with the Local Area Performance Agreement 2 (LPSA2). Actual spend in 2009/10 was £3.341m, which comprises £0.5m of individual projects across a range of service areas and £2.8m to support DoT service review programme. This leaves a balance on the fund of £5.120m.
- 4.5 **LABGI Reserve :** In 2008/09 the Council agreed that £5.5m 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. Since then, additional LABGI monies received have also been added to the reserve and the Council has approved that the

costs of Soccerex be met from the reserve. The balance on the reserve at the 31 March 2009 was £7.255m. In 2009/10 a total of £2.127m has been spent out of the reserve. During 2009/10 a further £0.550m of LABGI money was received in line with budgeted expectations and this has been transferred into the reserve. The balance on the reserve at 31 March 2010 is £5.678m.

5.0 Prudential Indicators

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 2009/10	Actual 2009/10	Target Breached Y/N
1	Financing Costs to Net Revenue Stream			
	Non – HRA	9%	8.6%	N
	HRA	21%	14.8%	N
2	Capital Financing Requirements (as at 31 March)			
	Non – HRA	£715m	£671m	N
	HRA	£465m	£459m	N
	Total	£1,180m	£984m	

5.1 As a result of changes in accounting requirements for Private Finance Initiatives (PFIs) arising from the move of Local Government to International Financial Reporting Standards, assets relating to PFIs will now be shown on the balance sheet resulting in an increase in the Capital Financing Requirements. As a result the targets for Non HRA CFR and the HRA CFR were increased to £715m and £465m respectively following approval at the February 2010 meeting of the Executive. As can be seen from the above table none of the Prudential Indicators have been breached.

6.0 Conclusion

Overall the under-spend against the Council's budgets has meant that the actual call on the General Fund Reserve in 2009/10 is some £2.697m lower than had been budgeted resulting in a larger reserve at 31 March 2010 than had been anticipated. The final level of the reserve, however, will be affected by any decision made in July to allow the carry forward of any budget underspends or overspends. In compiling the July report and in particular when determining any carry forwards full consideration will need to be taken of the likely impact on the Council's budgets going forward of spending reductions being proposed by the current Government including any proposals contained in the budget announcement on the 22 June.