

**Manchester City Council  
Report for Information**

**Report to:** Executive – 18 June 2014  
Audit Committee – 17 July 2014

**Subject:** Revenue Outturn Report 2013/14

**Report of:** City Treasurer

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**Summary**

The report outlines for members the final outturn position for 2013/14. It includes details of service budget variances and requests for carry forward of under-spends. The report also seeks approval for transfers to provisions and reserves to meet future potential costs not previously approved by Executive.

Subject to the approval of Executive, the proposed transfers to provisions will be included in the draft Annual Accounts to be submitted for approval by the City Treasurer at the end of June and to be reported to the Audit Committee on 17 July 2014.

**Recommendations**

**The Executive is recommended to:**

1. Note the overall General Fund outturn position for 2013/14 as outlined in section 13 and the Directorate outturn positions against cash limit budgets as shown in the table at paragraph 2.1.
  2. Note the Housing Revenue Account position for 2013/14 as outlined in section 15.
  3. Approve the requests for carry forward of underspends as identified in Section 12.
  4. Approve the proposed transfers to provisions and reserves as identified in paragraph 5.
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**Wards Affected:**

None directly

<b>Community Strategy Spine</b>	<b>Summary of the contribution to the strategy</b>
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**

Provision has been made for known liabilities, whilst maintaining reserves to meet significant future costs at a reasonable level. The level of General Fund balances will be affected by any decision to carry forward underspends as identified in paragraph 12. If all recommendations are accepted the City Treasurer can confirm that this will still leave the Council in a robust financial position going forward.

### **Financial Consequences – Capital**

There are no consequences for the capital budget.

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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 the ACE (Finance and Performance) – details as above.

The Approved Revenue Budget 2013/14  
Working Papers – 2013/14 Consolidation

## 1 Introduction

- 1.1 This report presents the General Fund outturn for the financial year 2013/14. 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 having an impact on the councils overall revenue financial position for 2013/14 will emerge. There does remain a degree of uncertainty about the level of the claim against the Business Rates safety net. This could have a material impact on the Council's reserves position as the safety net funding received will be held in a reserve to offset the future shortfalls in the Collection Fund.

## 2 Summary Budget Information

- 2.1 This table shows the outturn position and highlights any under or overspends as at the end of March. The net underspend, after the request for carry forwards has been taken into account, is £3.54m compared to £2.6m reported to Executive in February.

	Original Budget	Revised Budget	Outturn	Variance to revised budget
	£,000	£,000	£,000	£,000
<b>Available Resources</b>	<b>570,924</b>	<b>571,771</b>	<b>576,030</b>	<b>4,259</b>
<b><u>Planned use of Resources</u></b>				
<b>Corporate and Cross Cutting Issues:</b>				
Corporate Items	100,201	107,628	100,182	(7,446)
In year contributions to provisions and Reserves	0	0	5,882	5,882
Property Rationalisation	(1,466)	(597)	0	597
<b>TOTAL CORPORATE AND CROSS CUTTING</b>	<b>98,735</b>	<b>107,031</b>	<b>106,064</b>	<b>(967)</b>
<b>Service Requirements:</b>				
Families, Health and Wellbeing	188,840	206,892	207,239	347
Children's and Commissioning Services	121,916	102,539	103,081	542
Corporate Core	62,362	57,515	54,428	(3,087)
Growth and Neighbourhood	99,071	97,794	99,256	1,462
Contribution to Troubled Families Reserve			1,500	1,500
<b>TOTAL SERVICE REQUIREMENTS</b>	<b>472,189</b>	<b>464,740</b>	<b>465,504</b>	<b>764</b>
<b>NET ESTIMATED REQUIREMENTS</b>	<b>570,924</b>	<b>571,771</b>	<b>571,568</b>	<b>(203)</b>

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Outturn</b>	<b>Variance to revised budget</b>
	£,000	£,000	£,000	£,000
<b>Net Call from/ (to) General Fund Reserve</b>	<b>0</b>	<b>0</b>	<b>(4,462)</b>	<b>(4,462)</b>
Cash Limit Carry Forward requests previously approved			350	350
Additional Cash Limit Carry Forward requests			572	572
<b>Net Call from/ (to) General Fund Reserve</b>	<b>0</b>	<b>0</b>	<b>(3,540)</b>	<b>(3,540)</b>

### Corporate Budgets

#### 3 Available Resources

- 3.1 Resources have increased by £1.2m since the February report to Executive. This relates to the receipt of the capitalisation top slice return for which notification was received on 24 March 2014. It is recommended that £224k of this is used to set up a reserve for the contribution to the Greater Manchester PSR Development Fund, in line with the decision by the AGMA Executive to establish the fund with a proportionate contribution from each District met from their capitalisation top slice. In total, resources are £4.3m higher than when the budget was set for 2013/14. The other main variances are Education Support Grant over the budgeted level (£1.9m) and overachievement of dividend income, mainly relating to Piccadilly Triangle (£1.3m).
- 3.2 For Business Rates and Council Tax any variance against budget will not impact on the 2013/14 position as it will form part of the Collection Fund surplus or deficit.
- 3.3 The position on Business Rates as at February was a projected year end deficit of £13.6m against the budgeted local business rate share. This entitled the council to an estimated Safety Net payment of £10.3m. In addition the council will be paid a grant to reimburse the costs of extending the small business rates relief from 50% to 100%, this was estimated at £2.3m leaving a net shortfall of £1m which has been built into the budget for 2014/15.
- 3.4 Since February further guidance has been received on the treatment of appeals, although clear national guidance on how this should be calculated is still not in place. This suggests that the provision should include 'unknown appeals', that is including appeals relating to financial years 2013/14 and earlier which are anticipated but have not yet been received against the 2010 list. As a result a considerable amount of additional work has been carried out looking at the total reduction in rateable value due to appeals on the 2005 list and the trends to date on the 2010 list. Based on this revised methodology the deficit for 2013/14 is £40.8m.

3.5 As a result of this deficit the Council is claiming a safety net payment of £37.7m, which is £27.4m higher than that estimated when the budget was set. Under the current accounting rules the safety net payment will be accounted for in 2013/14 but the related deficit will not be accounted for until 2014/15 and 2015/16. The safety net payment will be held in a reserve to be drawn down to offset the deficit in 2014/15 and 2015/16 which will result in a corresponding increase in the reserve from that forecast of £27.4m. It should be noted that these assumptions are subject to verification by the Council's external auditors, and with the lack of clear national guidance discussions are being held between external audit firms at a national level as to the approach they should adopt to the issue of unknown appeals.

3.6 As part of the budget setting process a Council Tax Surplus of £3.9m was forecast and built into the 2014/15 budget, mainly due to higher than forecast tax base and collection rates. It is likely the actual surplus will be slightly higher although the figures are still being finalised. Any variation from budget will impact on the 2015/16 position as the 2014/15 figure is now set.

#### 4 Corporate Items

4.1 The underspend on Corporate Items budgets has increased by £0.9m since the February report which largely relates to the and the release of unallocated contingency which is held until year end in case of any unforeseen pressures. The previously reported underspend relates to refunded contributions from the Waste Disposal Authority (£1.2m), release of the waste contingency (£700k), overachievement of procurement savings (£400k) and an underspend against budgets held to be allocated.

#### 5 Adjustments to Provisions and Reserves

5.1 The position in the table at section 2.2 includes accounting adjustments which net out to £5.9m, these have been identified after assessing all provisions and reserves at year end to ensure they are adequate. Adjustments made are:

- Increase to General Compensation Provision of £1.1m
- An increase to Cleopatra reserve of £4.2m
- An increase to Insurance Provision of £545k

#### 6 Property Rationalisation

6.1 The initial savings target was £2.705m. The element of the programme attributed to the corporate budget has delivered £2.108m of savings over the first three years of the programme. This gives a cumulative shortfall to date of £597k which will reduce to £199k after 2014/15.

#### 7 Troubled Families

7.1 The Manchester Troubled Families programme is supporting some of the most troubled and complex families in the city.

- 7.2 The programme has spent £6.9m this year which was funded from the Family Recovery Programme £3.4m, £1.5m from the directorate position, £1.7m from central government's Troubled Families Unit Grant for 2013/14 and partners £0.27m. This has enabled £1.5m of Troubled Families grant and reserve to be carried forward as part of the Manchester Investment Fund Reserve as reported in February.

## **8 Families, Health and Wellbeing**

- 8.1 The outturn position for Families, Health and Wellbeing is an overspend of £347,000 against the revised budget.
- 8.2 Within this there are significant overspends in budgets for care packages for people with learning disabilities, business units and staffing within the locality delivery teams. These relate to delays in the achievement of savings until 2015/16.
- 8.3 These are partially offset by underspends, particularly in the Home Care and Supporting People budgets.

## **9 Children's Services**

- 9.1 The variance to the revised cash limit budget is a £542,000 overspend.
- 9.2 The main overspend is on placements for looked after children. Whilst the strategy has been successful in shifting the proportion of demand that is now met through foster care placements, the overall number of placements has increased during 2013/14. In addition some of the savings relating to the decommissioning of Children's Homes will now not be fully achieved until 2014/15.
- 9.3 This is partially offset by an underspend in Education and skills which is mostly down the early achievement of savings in Early Years. There are also underspends in Family Placement, Legal and Integrated Commissioning.
- 9.4 The Dedicated Schools Grant has underspent by £5.4m. Key underspends relate to the 2 year old offer of £1.6m and free early years entitlement for 3 and 4 years old of £0.6m, fees for pupils with SEN at independent special schools £0.7m and in-year SEN statements £2.5m. This is partly offset by overspends on special school budgets £0.2m and post-16 high needs pupils £0.7m. The DSG balance will need to be carried forwards in the form of a ring-fenced reserve.

## **10. Corporate Core**

- 10.1 The Corporate Core are reporting an underspend of £3.087m against the revised budget.

	<b>Variance</b>
	<b>£000</b>
Corporate Services	(1,399)
Chief Executive	(1,688)
	<b>(3,087)</b>

### Corporate Services

- 10.2 The Corporate Services directorate underspent by £1.399m.
- 10.3 The main area of underspend is Revenue and Benefits which has a surplus, largely due to the Council Tax benefit subsidy surplus relating to residual council tax benefit received up until the end of March.
- 10.4 Financial Management and the Shared Service have also underspent which largely relates to the early achievement of savings planned for 2015/16.
- 10.5 Business Units have recorded overspent by £402k. This is due to the revision of fleet charges and overspends in Manchester Contracts and pressures in the Town Hall Complex. Offsetting this is the £481k overachievement in decriminalised parking income and bus lane income as previously reported. This income has been applied to relevant expenditure in the Growth and Neighbourhoods Directorate.

### Chief Executive's

- 10.6 An underspend of £1.688m is reported against Chief Executives
- 10.7 The areas with the largest underspends are Legal Services, Democratic and Statutory Services and HR/OD. Again these largely relate to the early achievement of 2015/16 savings. As previously reported part of the underspend has been used to fund the Working Well programme, feasibility work on City Centre district heating scheme and backdated copyright licensing costs.

## **11 Neighbourhood Services**

- 11.1 The reported outturn position is an overspend of £1.462m.
- 11.2 The main area of overspend is Neighbourhood Delivery. This incorporates pressures within the SRF teams which largely relate to staffing savings that will now be achieved in 2015/16 and unbudgeted costs around third party damage claims.
- 11.3 Community and Cultural Services are also overspent predominantly due to underachievement of planned savings and underachievement of expected income levels.

11.4 These overspends are offset by underspends in Regeneration, City Policy, and Planning and Building control to leave the net overspend of £1.462m.

## 12 Carry Forward Requests

12.1 The level of General Fund balances will be affected by any decision to carry forward underspends. A number of requests have been received for consideration by the Revenue Gateway Group. The group has examined these requests to ensure that there is valid justification. Attached below are details of the requests received which are recommend for consideration by Executive, these total £922k.

Budget	Amount £,000	Detail
<b>Children's and Commissioning Services:</b>		
Workforce and Commissioning Development	80	The Directorate are seeking to use the underspend on the 13/14 budget to meet the shortfall in salary costs associated with the frontline social work programme.
<b>Core Services:</b>		
Universal Access	169	The proposal is that the monies be used over the coming month to support the authority's requirement to update and improve ICT kit which will support a number of business initiatives.
HR/OD and Transformation	64	It is proposed the funding will support a placement for 12 months to provide leadership on work around behaviour change across the council.
Civic Quarter Heat Network – CEX	80	The Civic Quarter Heat Network is a low carbon and energy project and is a strategic development from which future growth is expected. Resources of £130k from the Corporate Core underspend were identified to fund this, up to 31 March 2014 spend of £50k has been incurred and it is requested the balance is carried forwards to complete this work in 2014/15
Cash Grants- Regeneration	90	Cash grants are allocated by ward which have annual allocations dependant on deprivation. A number of wards didn't spend in line with their allocations. This is due to the timing of approvals in relation to their specific projects/scheme and that relevant wards have held back their cash allocations to ensure that there is sufficient funding in 2014/15 to underwrite operational costs for swimming pools whilst new facilities are being built.



<b>Budget</b>	<b>Amount £,000</b>	<b>Detail</b>
<b>Growth and Neighbourhoods</b>		
Armstrong building on Wenlock Way	47	The request is to use this income to fund expected holding costs in 2014/15 such as site fencing and security
Central SRF projects carry forward request	22	Work on the Rusholme district centre was delayed and the transaction was unable to be completed before the end of March 2014. This has been delivered by the end of April. Delivery of this project contributes towards the objectives of the Rusholme district Centre Plan.
Delamere Road & Rusholme - Revenue Contribution to Capital.	20	This relates to two schemes funded from Revenue Contribution to Capital which were expected to complete in 2013/14 and have been slightly delayed.
<b>Corporate Items:</b>		
Advice	350	A total of £1m was set aside during the budget setting process in 2013/14 to support investment in advice services. This was funded £350k from Public Health, £350k from Budgets to be allocated £150k from Local Welfare Reform Grant and £150k from the MIF reserve. Plans are in place to fully spend these monies in 2014/15. This element relates to the cash limit budget held corporately in 'budgets to be allocated'.
<b>Total Cash Limit Carry forward requests</b>	<b>922</b>	

12.2 In addition there have been several requests to rephrase the use of reserves as follows:

- Within the Capital Fund reserve there is provision for an annual budget of £1.5m for the Economic Regeneration Fund. In 2013/14 £354k remains unspent, it is requested this is added to the 2014/15 budget to give a revised 14/15 budget of £1.854m.
- £650k was identified for investment in advice services from the following reserves Public Health (£350k), Local Welfare Reform Grant (£150k) and MIF reserve (£150k). This will now be drawn down in 2014/15.
- Troubled Families Unit grant funding carried forward /drawn down in later years £1.5m

### 13 General Fund Reserve position

13.1 When the budget was set in February there was an assumed contribution to

the General Fund Reserve of £2.6m with a forecast balance on the reserve as at 31 March 2014 of £24.079m.

- 13.2 The actual outturn position is for a contribution to the General Reserve of £4.5m. This would leave a balance on the General Fund Reserve at 31 March 2014 of £25.942m. If the carry forward requests are approved this would be a first call on the reserve reducing it by £922k to £25.020m.
- 13.3 In addition there is £15m held in General Fund reserve which relates to the transfer from the HRA which was carried out in 2012/13 under the power in Schedule 4, Part 3 (2) of the Local Government and Housing Act 1989. It is intended this will be used for Housing Regeneration priorities. CLG has asked for the Council's justification in making the transfer but to date nothing has been received on whether the Secretary of State is intending to make advice to reverse the transfer.

#### 14 Overall Reserve position

- 14.1 The table below summarises the forecast General reserves balances as at 31/03/2014 (as reported to Executive as part of the budget report) to the actual balances as at 31/03/2014. The table below assumes that the carry forward requests will be approved.

	Forecast balance as at 31/03/2014 per Feb Executive £,000	Actual Balance as at 31/03/2014 £,000	Budget to Actual Increase / (decrease) £,000
Capital	26,327	39,154	12,827
General Fund	24,079	25,020	941
Housing Regeneration Reserve	15,000	15,000	0
Risk	17,773	20,876	3,102
Other	64,760	64,566	(195)
DSG	1,400	5,412	4,012
New Grants	9,010	18,311	9,301
Revised Grant	2,695	3,148	454
Business Rates	12,627	39,874	27,247
<b>Total General Fund Reserves</b>	<b>173,671</b>	<b>231,361</b>	<b>57,689</b>

- 14.2 It can be seen the general Fund reserve balances are £57.7m higher than forecast when the budget for 2014/15 was set. It is worth noting that only £0.9m of this relates to the General Fund reserve with the remainder relating to earmarked reserves as follows:
- 14.3 The majority of the increase relates to earmarked reserves as follows:
- £27.2m of this relates to the increased safety net grant for Business Rates as set out in Paragraph 3 of this report. The remaining increase is largely due to:

- The £4m Dedicated Schools Grant carry forward as set out in paragraph 9.4 of this report
- £5.8m grants that will be used over more than one financial year
- £3.5m contribution from the CCGs to the Local Development Fund for integrated Health and Social Care
- An increase of £3.1m for reserves held against known risks. £2.2m of this relates to the Cleopatra reserve as current provisions only allow for claims expected in 2014/15 and indications are that there are likely to be continuing claims in related areas.
- £12.8m due to higher capital reserves than forecast. This is due to the rephrasing of some capital schemes as set out in the Capital Outturn report.

## 15 The Housing Revenue Account (HRA)

15.1 The final outturn position for the HRA is an overall surplus of £5.241m.

15.2 The key variations are shown below:-

Income/Spend Area	Outturn Over/ (Under) Spend £000
PFI costs	278
Increased Rental Income	(2,493)
Communal Heating	(668)
Provision for Bad Debts	(1,526)
Reduced Northwards Fee	(414)
Other	(418)
<b>TOTAL</b>	<b>(5,241)</b>

15.3 The underspend is due to a combination of factors including Increased Rental Income, due to a combination of an additional weeks rent being charged in year and lower than anticipated void numbers, an underspend against the provision for bad debt due to the delay in the implementation of welfare reform, along with proactive work to manage tenants in difficulty and Communal Heating costs reducing due to mild weather conditions.

15.4 2013/14 was the first year of the proposed welfare reform changes, and there was uncertainty around what the implications of the changes would be. The bad debts provision was increased from 1% to 4.5% to reflect risks arising from the welfare reform proposals. It was anticipated that the impact of welfare reform would worsen throughout the year and in particular over the winter and Christmas periods. However, as a result of the delay in universal credit, the use of discretionary payments, and proactive work in managing the position, the provision required was less than originally envisaged.

15.5 Reserves and Balances – the table below sets out the position on HRA reserves as at 31<sup>st</sup> March 2014.

	Budget Executive Feb 2014	Report to	Actual
	Closing Balance 2013/14 £000		Closing Balance 2013/14 £000
General Reserve	39,906		44,139
Residual Liabilities Fund	24,000		24,000
PFI Reserves	10,000		10,000
Insurance Reserves	0		373
<b>Total Reserves</b>	<b>73,906</b>		<b>78,512</b>

- 15.6 The Residual Liabilities Fund has now been frozen at £24m, this is based on the recommendations arising from a recent consultants report who assessed the likelihood of claims arising during the post transfer decent homes programmes.
- 15.7 £10m is currently held within the PFI Reserve Fund to smooth future payments on PFI contracts.
- 15.8 Insurance Reserve - A new reserve has been set up to hold balances to fund future insurance claims following the decision to self insure for claims relating to low rise stock.

## 16 Prudential Indicators

- 16.1 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 Indicator		Target 2013/14	Actual 2013/14	Target Breached Y/N
1	Financing Costs to Net Revenue Stream	Non – HRA	9%	9%	N
		HRA	5%	3.62%	N
2	Capital Financing Requirements (as at 31 March)	Non – HRA	£900m	£844m	N
		HRA	£250m	£220m	N
		Total	£1,150m	£1,064m	N

## 17 Conclusion

- 17.1 Overall the under-spend against the Council's budgets has meant that the contribution to the General Fund Reserve will be £3.5m after the requests for carry forwards totalling £922k are taken into account. If these are approved the General Fund reserve will be at £25.02m. The position varies from that reported to Executive in February by £1m. This is mainly due to the notification of the capitalisation top slice return.