

ABERDEEN CITY COUNCIL

COMMITTEE: **BUDGET MONITORING BOARD** DATE: **27 MARCH 2009**

CITY CHAMBERLAIN: **SUSAN COOPER**

TITLE OF REPORT: **REVENUE BUDGET 2008/09 MONITORING**

1. PURPOSE OF REPORT

The purpose of this report is to inform Members on the latest financial position and the improved projected outturn compared to the previous report in respect of the General Fund Budget for the current financial year, taking account of exceptional items.

2. RECOMMENDATION(S)

It is recommended that:

1. The Board consider and note this report and instruct that revisions to the Council's projected outturn continue to be incorporated into future reports and that the latest financial data is incorporated into the Council's financial planning arrangements for 2009/10 and beyond.
2. A further commitment from contingency is approved, to support the corporate recruitment of the Director of Social Care and Well-Being, which has been advertised in March.

3. FINANCIAL IMPLICATIONS

The implication of the revised projected outturn position is that the uncommitted General Fund working balances are projected to be c.£5.8 million, as at 31 March 2009 and this is detailed in Appendix 2. This position will be re-assessed as part of the accounts closure process particularly in reviewing the levels of provisions held for bad debt, for instance, in light of increased risk from the general economic position.

4. SERVICE & COMMUNITY IMPACT

As a recognised top priority the Council must take the necessary measures to balance its budget. Therefore, services are working within a financial constraint but every effort is being focused on delivering services more efficiently and effectively and not on only reducing services to individuals and communities.

The budget each year is produced in light of the Council priorities currently outlined in Vibrant, Dynamic and Forward Looking.

5. OTHER IMPLICATIONS

Every organisation has to manage the risks inherent in the projection of full year expenditure and income. These risks are minimised by the regular review of financial information by services and corporately by Members. This report is part of that framework and has been produced to provide an overview of the current operating position.

Where assumptions have been used and calculations made on future expenditure and income patterns these are checked and reviewed as part of each reporting period to ensure that they remain robust in light of increasing levels of data as the year progresses.

Further action may be necessary depending on the outcome of each projected outturn.

The Council is currently reducing the number of employees (non-teaching) through a voluntary severance / early retirement scheme and at this time the full cost of that process is still being fully quantified. The costs of this exercise, as previously agreed, will be funded from sums earmarked from the General Fund balance.

6. REPORT

The last report of this nature to the Budget Monitoring Board, in December 2008 presented a projected outturn position which forecast that the Council would require to support the budget to the value of £8.378 million from reserves. The projected outturn figures in this report have been re-evaluated during February and March and in light of the most up to date service data, spending patterns and outturn figures, this now shows a position with support now forecast to be £8.509 million.

There are two significant items that have been added to Net Expenditure projections in this report and each is worthy of explanation.

Firstly there has been the inclusion of redundancy and associated cost estimates in all Services, in order to reflect the costs that the Services will have to account for at the year end. This is despite the fact that this will be funded from monies set aside in the General Fund Reserve, and this is taken account of through the addition of a line "Use of Funds & Balances". As there was no original budget provision for these costs (the decision being taken during the year) they are presented in the summary at Appendix 1 as cost pressures and move the projected outturn adversely, before being compensated for through the Funding section of the summary.

This takes account of part of the costs associated with the reduction in the workforce which has been planned during the year. There will be other costs, the majority of which are enhanced pension related costs, based upon final salary information and invoiced at the end of the year, which will also be met from the monies set aside. Members will note from Appendix 2 that there is £7 million set aside in the current year to fund these exit costs.

The inclusion of these costs has a particular impact on Social Work (£0.610 million) and Learning, Culture & Sport (£1.252 million), where larger numbers of staff have left under voluntary severance / early retirement arrangements. The overall total value included in the estimates at present across all Services is £2.455 million.

Secondly the forecasts have incorporated an additional cost which had been reported to Members as a risk in previous reports and is in relation to monies owed to H.M. Revenues & Customs (HMRC). This has currently been assessed as amounting to £1.055 million and had previously been identified as a likely pressure on the reserves. This cost has been included in the latest forecast as an exceptional item however the Council has not accepted the assessment made by HMRC and is challenging the position and amount due to be paid over.

If settlement is not reached by the end of the financial year the accounts will be prepared on the basis of known information, and provision will be made to settle this at a future date, therefore the inclusion of the assessed sum in this projection is done on the basis of prudence.

Both of these items are reflected in the Net Expenditure projections for the Council, which have increased by £2.221 million in the current year to £428.573 million. This is then offset by the increased level of Funding which is available.

Details of the 2008/09 latest monitoring are set out at Appendix 1.

The other key issues are:

- There has been a positive movement of £0.924 million in the projected outturn for 2008/09, before taking account of the exceptional items described above.
- The forecast overspend in relation to repairs and maintenance have been removed and this is due to the control environment that is currently in operation.
- Savings across a wide range of staffing budgets are having a positive impact on the projected outturn and offsetting continuing cost pressures in other areas.

- Costs associated with accommodating children have edged up again and this is also reflected in the outturns for social work and learning, however this remains ahead of the position originally forecast for these budgets.
- Fee income from planning and building fees are projected to be significantly lower than budget which is creating pressure on the Strategic Leadership budget to the value of £496,000. This results from external factors such as the general economic climate and no, nationally set, fee increases having been applied during the year.

The forecast to date is made up of net expenditure of £428.573 million and can be compared to net budgeted expenditure of £417.240 million. Thereafter, having taken account of additional funding being distributed by the Scottish Government, collected through Council Tax, and the support provided by reserves the resultant budget deficit of £8.509 million will be covered by non-recurring funding drawn from the Capital Fund.

Main areas of improvement since the last report have been:

- The identification of reduced cost in staffing budgets;
- Reductions in the projections for building repairs and maintenance costs (£600,000);
- Reduced requisition to Grampian Police due to the transfer of ICT services to the Scottish Police Services Authority (£766,000) – however subject to a reduction in funding available from the Scottish Government;
- Reduction in the requisition to Grampian Regional Assessor due to refunds from 2007/08 (£117,000)
- Further reductions in the corporate training budget;
- Savings forecast in Housing resulting from the reconfiguration of care/support offered in sheltered housing;
- Increased income from Interest on Revenue Balances (£196,000);
- Reduced interest payments following review of the capital spend for the year, and borrowing requirements for 2008/09 as well as a favourable movement in interest rates.

Key areas of pressure that have been identified for the year include:

- The continuing demand on Social Work Services - balancing demand and affordability remains a significant challenge for the Council;
- Pressure on accommodating children in need and costs associated with supporting children with specialist needs or who have disabilities within City schools;
- Additional national pay award costs of 0.5%, with a value of £800,000;

- Within Learning, income recharges for external placements in Aberdeen City special schools are expected to be lower than budget and the full realisation of savings from early retirement and the review of NPAF projects will not be achieved;
- Exceptional costs associated with an assessment undertaken by HMRC on National Insurance contributions was previously identified as a risk and this has now been quantified (£1,055,000);
- Recognition of additional bad debt that may occur based initially on a review of historic requirements (£90,000).

Risks remain for the full year outturn and building on from the last point, above, there has to be cognisance taken of the current economic climate, as previously reported there have been reductions in the building and planning fees receivable forecast, but similarly there will be careful consideration of the recovery of Council Tax for the current year as part of the accounts closure.

There are a number of areas within the Council that could be affected by the current position, for instance sports centre income and small business loan repayments, and it will be important that this is not only suitably reflected in the accounts, but that this informs the financial planning of the Council as it assesses the forecasts for next and future years. At this time Cosla has been active in trying to identify the issues that are beginning to emerge for Councils in this particular area and more information will be provided as it becomes available.

At this point in the financial year the Council will focus on the year end processes and to produce the draft accounts prior to the end of June 2009. There are few additional actions that can be recommended to the Budget Monitoring Board to instruct in order to further reduce expenditure that is to be accounted for in 2008/09.

However it is important to recognise that the budgetary control issues must remain uppermost in the minds of managers as the new financial year begins.

In the current year the following actions have been undertaken to control expenditure, monitor performance and achieve agreed budget savings:

- Interim re-alignment of key services and lead roles
- Re-alignment of budgets to interim structures
- Re-alignment of accounting teams
- Better alignment of management and financial responsibility
- Reporting on an exception basis of budgets by Corporate Directors to the Chief Executive and Heads of Service to Corporate Directors
- Ongoing review of eligibility criteria and commissioning activity across the main care groups in Social Work to ensure services are delivered as planned;

These re-alignments and actions will now evolve to support the Council for the future and in doing so the rigour that is required of managers and services across the Council will be enhanced, control tightened and decision making will be reflective of the resources available.

Ahead of the full implementation of the revised management structure there is a requirement to recruit a Director of Social Care and Well-Being and as this is now to be advertised in March it is necessary to fund the national advertising campaign. It is therefore recommended that the Contingency Provision is used to support this cost, approximate value £25,000.

7. AUTHORISED SIGNATURE

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9. BACKGROUND PAPERS

Financial ledger data extracted for the period;
Redetermination letters received from the Scottish Government;
Previous reports to Budget Monitoring Board and Resources Management Committee on General Fund Financial Monitoring for 2008/09 and Financial Strategy for 2009/10.

Aberdeen City Council
Financial Monitoring
2008/09 - as at end of period 10 (January 2009)

| Service | Head of Service | Revised Budget 2008/0009 £'000 | Total Actual to End of Period 10 £'000 | Percentage Spend to End of Period 10 % | Estimated Outturn 2008/2009 £'000 | Variance Outturn to Budget £'000 | Variance Outturn to Budget % | Estimated Outturn in December Report £'000 | Movement from December Report £'000 | Notes |
|---|-----------------------------------|--------------------------------------|---|--|--|---|---------------------------------------|--|---|----------|
| | Operational Support Mngr Central | 973 | 2,275 | 234% | 1,264 | 291 | 130% | 1,261 | 3 | |
| Area Central Total | | 973 | 2,275 | 234% | 1,264 | 291 | 130% | 1,261 | 3 | |
| | Operational Support Mngr North | 1,195 | 1,138 | 95% | 1,124 | (71) | 94% | 1,138 | (14) | |
| Area North Total | | 1,195 | 1,138 | 95% | 1,124 | (71) | 94% | 1,138 | (14) | |
| | Operational Support Mngr South | 1,042 | 1,115 | 107% | 1,007 | (35) | 97% | 971 | 36 | |
| Area South Total | | 1,042 | 1,115 | 107% | 1,007 | (35) | 97% | 971 | 36 | |
| | Council Expenses | 2,434 | 1,076 | 44% | 2,374 | (60) | 98% | 2,259 | 115 | |
| Council Expenses Total | | 2,434 | 1,076 | 44% | 2,374 | (60) | 98% | 2,259 | 115 | |
| | Head Of Service Chief Executive | 445 | 341 | 77% | 445 | | 100% | 406 | 39 | |
| Office Of Chief Executive Total | | 445 | 341 | 77% | 445 | | 100% | 406 | 39 | |
| | Head Of Corp. Communications | 1,801 | 1,348 | 75% | 1,696 | (105) | 94% | 1,706 | (10) | |
| | Head Of Customer Relation Mgmt | 3,940 | 2,836 | 72% | 3,436 | (504) | 87% | 3,782 | (346) | |
| | Head Of Performance Mgmt & Q.A. | 767 | 513 | 67% | 636 | (131) | 83% | 638 | (2) | |
| | Head Service Design & Development | 9,617 | 5,611 | 58% | 9,292 | (325) | 97% | 9,575 | (283) | |
| | Operational Support Mngr C.I. | 749 | 510 | 68% | 681 | (68) | 91% | 736 | (55) | |
| Continuous Improvement Total | | 16,874 | 10,818 | 64% | 15,741 | (1,133) | 93% | 16,437 | (696) | 1 |
| | City Chamberlain | 1,991 | 1,876 | 94% | 1,981 | (9) | 100% | 1,998 | (17) | |
| | City Solicitor | 525 | 236 | 45% | 510 | (15) | 97% | 527 | (17) | |
| | Head Of Democratic Services | 1,565 | 1,342 | 86% | 1,637 | 72 | 105% | 1,565 | 72 | |
| | Head Of Human Resources | 4,693 | 2,951 | 63% | 4,381 | (312) | 93% | 4,191 | 190 | |
| | Head Of Procurement | 660 | 570 | 86% | 550 | (111) | 83% | 785 | (235) | |
| | Head Of Resources Dev & Del | (1,777) | (631) | 36% | (1,400) | 377 | 79% | (1,801) | 401 | |
| | Operational Support Mngr R.M. | 106 | 88 | 83% | 106 | | 100% | 106 | | |
| Resources Management Total | | 7,764 | 6,432 | 83% | 7,766 | 2 | 100% | 7,371 | 395 | 2 |
| | Head Of Commplan & Regeneration | 2,205 | 963 | 44% | 2,321 | 116 | 105% | 2,285 | 36 | |
| | Head Of Economic & Env Sustain | 2,484 | 1,610 | 65% | 2,494 | 10 | 100% | 2,492 | 2 | |
| | Head Of Planning & Infrastructure | 293 | 1,092 | 372% | 378 | 84 | 129% | (188) | 566 | |
| | Operational Support Mngr S.L. | 3,122 | 3,244 | 104% | 3,613 | 490 | 116% | 3,579 | 34 | |
| | Strategist-Emergency Planning | 81 | 157 | 193% | 81 | | 100% | 81 | | |
| Strategic Leadership Total | | 8,186 | 7,066 | 86% | 8,886 | 700 | 109% | 8,249 | 637 | 3 |
| | Shelter & Environment North | 34,755 | 13,153 | 38% | 34,454 | (301) | 99% | 34,212 | 242 | |
| | Shelter & Environment South | 19,407 | 10,313 | 53% | 19,436 | 29 | 100% | 19,336 | 100 | |
| Environment & Infrastructure Total | | 54,162 | 23,466 | 43% | 53,890 | (272) | 99% | 53,548 | 342 | |

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|---------|---|--------------------------------------|---|--|--|---|---------------------------------------|--|---|-------|
| | Area Housing Officer Central | 523 | | 0% | 546 | 23 | 104% | 421 | 125 | |
| | Area Housing Officer North | 404 | 39 | 10% | 544 | 140 | 135% | 432 | 112 | |
| | Housing Manager South | 188 | (13) | -7% | 195 | 7 | 104% | 146 | 49 | |
| | Asset Policy Manager (Housing) | (30) | (37) | 121% | (30) | | 100% | (30) | () | |
| | Area Property Manager Central | (54) | 469 | -865% | (142) | (88) | 262% | (129) | (13) | |
| | Area Property Manager North | (212) | 659 | -311% | (162) | 50 | 76% | (143) | (19) | |
| | Property Manager South | (157) | 465 | -296% | (165) | (8) | 105% | (145) | (20) | |
| | Head P&P For Services To Adults | 14,772 | 8,312 | 56% | 14,604 | (168) | 99% | 14,592 | 12 | |
| | Shelter Manager Central | 475 | 489 | 103% | 421 | (54) | 89% | 630 | (209) | |
| | Housing Total | 15,908 | 10,385 | 65% | 15,810 | (98) | 99% | 15,774 | 36 | |
| | Culture & Learning Central | 53,573 | 38,874 | 73% | 55,285 | 1,713 | 103% | 54,046 | 1,239 | |
| | Culture & Learning North | 50,411 | 39,858 | 79% | 51,607 | 1,197 | 102% | 51,476 | 131 | |
| | Culture & Learning South | 54,119 | 42,781 | 79% | 55,186 | 1,067 | 102% | 55,272 | (86) | |
| | Head P&P Children & Young People | 6,082 | 4,065 | 67% | 6,714 | 632 | 110% | 6,505 | 209 | |
| | Learning, Culture & Sport Total | 164,184 | 125,578 | 76% | 168,792 | 4,608 | 103% | 167,299 | 1,493 | 4 |
| | Miscellaneous Services - Other | 40,249 | 33,899 | 84% | 39,265 | (984) | 98% | 40,504 | (1,239) | |
| | Miscellaneous Services | 18,440 | 728 | 4% | 11,766 | (6,674) | 64% | 12,142 | (376) | |
| | Miscellaneous Services Total | 58,689 | 34,627 | 59% | 51,031 | (7,658) | 87% | 52,646 | (1,615) | 5 |
| | Chief Social Work Officer | 2,316 | 2,252 | 97% | 2,755 | 438 | 119% | 2,377 | 378 | |
| | Transformation Programme | (11,066) | | 0% | | 11,066 | 0% | (1,000) | 1,000 | |
| | Health & Care Central | 43,323 | 36,505 | 84% | 49,164 | 5,841 | 113% | 48,721 | 443 | |
| | Health & Care North | 30,113 | 23,345 | 78% | 28,954 | (1,159) | 96% | 29,103 | (149) | |
| | Health & Care South | 26,990 | 20,481 | 76% | 25,439 | (1,551) | 94% | 25,926 | (487) | |
| | Gfa Information Unit | 135 | 88 | 65% | 126 | (9) | 94% | 139 | (13) | |
| | Carefirst Team | 259 | 246 | 95% | 326 | 67 | 126% | 320 | 6 | |
| | Sw From Sh&Env | 508 | 929 | 183% | 258 | (250) | 51% | 252 | 6 | |
| | Social Work Total | 92,579 | 83,848 | 91% | 107,022 | 14,443 | 116% | 105,838 | 1,184 | 6 |
| | Total Service Expenditure | 424,433 | 308,163 | 73% | 435,150 | 10,718 | 103% | 433,197 | 1,953 | |
| | Trading Operations Surpluses | (7,193) | (7,373) | 103% | (7,632) | (439) | 106% | (7,445) | (187) | |
| | Exceptional Item | | | 0% | 1,055 | 1,055 | 0% | | 1,055 | 7 |
| | Repairs & Maintenance Fund | | | 0% | | | 0% | 600 | (600) | 8 |
| | Total Net Expenditure 2008/09 | 417,240 | 300,790 | 72% | 428,573 | 11,334 | 103% | 426,352 | 2,221 | |

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|--|--|--------------------------------------|---|--|--|---|---------------------------------------|--|---|-----------|
| Funded By: | | | | | | | | | | |
| | Revenue Support Grant | (232,603) | (141,984) | 61% | (232,613) | (10) | 100% | (232,978) | 365 | |
| | Non-Domestic Rates | (79,357) | (104,878) | 132% | (79,357) | | 100% | (79,357) | | |
| Central Government Funding Total | | (311,960) | (246,862) | 79% | (311,970) | (10) | 100% | (312,335) | 365 | |
| | Council Tax | (104,715) | (123,695) | 118% | (105,604) | (889) | 101% | (105,604) | | |
| | Council Tax & Community Charge Arrears | (565) | (21) | 4% | (35) | 530 | 6% | (35) | | |
| Local Tax Collection Total | | (105,280) | (123,716) | 118% | (105,639) | (359) | 100% | (105,639) | | |
| | Use of Funds & Balances | | | 0% | (2,455) | (2,455) | 0% | | (2,455) | |
| Use of Funds & Balances Total | | | | 0% | (2,455) | (2,455) | 0% | | (2,455) | 9 |
| Total Funding 2008/09 | | (417,240) | (370,578) | 89% | (420,064) | (2,824) | 101% | (417,974) | (2,090) | |
| Net Cost to be funded by Capital Fund | | | (69,788) | | 8,509 | 8,510 | | 8,378 | 131 | 10 |

Notes:

- 1 Continuous Improvement - this relates to revision of staffing forecasts based on staffing levels experienced by the various service areas.
- 2 Resources Management - the significant issue since the last report is the additional costs associated with the consultants fees in connection with the work that has had to be carried out for the refinancing of the 3R's project. It is hoped that some, if not all, of these costs will be recovered over a period of time as part of the long-term refinancing of the project.
- 3 Strategic Leadership - there has been a downturn in the level of anticipated planning and building fees for the year and this is now reflecting a significant adverse movement on the Service budget position.
- 4 Learning, Culture & Sport - additional costs associated with upward pressure on children accommodated outside the city, as well as the costs of supporting children with increased needs/disabilities in city schools. In addition exit costs associated with the voluntary severance/early retirement scheme.
- 5 Miscellaneous Services - main reduction is in respect of the requisition to Grampian Police resulting from a transfer of ICT services to a Scottish Police Services Authority, in addition to an underspend projected for the Contingency Fund. Furthermore increased interest on Revenue Balances is anticipated as are more favourable interest charges for borrowing to fund capital expenditure.
- 6 Social Work - additional costs associated with upward pressure on children accommodated outside the city, as well as costs associated with the voluntary severance / early retirement scheme. Additional costs of spot purchased care are offset in a number of areas by savings in staff costs.
- 7 Exceptional Item - unquantified in the last report to Committee, the assessment made by HMRC in relation to National Insurance has now been advised. Negotiations have been continuing as to the assessment and efforts have already proved successful in reducing the amount payable.
- 8 Repairs & Maintenance - due to significant control being exercised over the building repairs being carried out it is now estimated that the fund will not overspend the amount available within the fund.
- 9 Use of Funds and Balances - contribution from the General Fund balance to support the cost of voluntary severance / early retirement scheme is included within the summary in order to offset the redundancy costs now forecast across Council Services. There remains a commitment to fund the additional pension costs from the General Fund balance too, and this is reflected in the Statement of General Fund Balance (App. 2)
- 10 Net Cost to be funded by the Capital Fund - an adverse movement of £131,000 is shown however the comparable figure, following the removal of the

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|---------|-----------------|--------------------------------------|---|---|--|---|---------------------------------------|--|---|-------|
| | | | | | | | | | | |

exceptional item (see 7), is a favourable movement of £924,000.

GENERAL FUND WORKING BALANCES

| | £ million | 2008/09 £ million | <u>Comment</u> |
|--|---------------|----------------------|--|
| Uncommitted opening balance | | 5.589 | |
| Adjustments: | | | |
| 1 Audit of 2007/08 accounts | | | |
| NDRI | -4.381 | |) Post audit adjustments to be actioned in 2008/09 |
| Other | <u>-0.535</u> | -4.916 |) See Note 1 below |
| 2 Landfill tax penalties - provisions | | 0.845 | Review requirements for prior years |
| 3 Projected overspend | | -8.509 | Includes HMRC assessment |
| 4 Capital fund contribution | | 13.781 | £7.6m as reported to BMB 27/10 plus drawdown of additional capital receipts via HRA (CFCR) |
| 5 Borrow and fund costs | | -0.333 | Undertake borrowing for capital projects currently planned to be funded directly from the capital fund |
| Projected GF Balance at 31/3/09 (excluding consent to borrow) | | <u>6.457</u> | |
| 6 Borrowing for revenue as permitted by Scottish Government | | | |
| Gross | 6.757 | | £14.819 million total approval by Scottish Government over 2008/09, and 2009/10 - to deal with timing of equal pay payments/settlements (See Note 2 below) |
| Repayment | <u>-0.416</u> | 6.341 | |
| | | <u>12.798</u> | |
| 7 Earmarked sum for Redundancy etc | | -7.000 | Reflecting latest figures presented to the Council for its meeting on 12/02/09 |
| Potential Uncommitted GF Balance at 31/3/09 | | <u>5.798</u> | Risks Forecast out-turn including exceptional items Additional Exit Costs from additional people leaving the Council. |

Note 1 This relates to adjustments agreed with the auditor for implementation in 2008/9. They principally relate to an understatement of the income due to be returned to the NDRI pool.

Note 2 The Scottish Government has given its consent to borrow for redundancy and equal pay costs amounting to a total of £14.819 million over two years. The specific conditions of the consent mean, at present, it is estimated that borrowing in 2008/09 will amount to £6.757 million and in 2009/10 a further £5.331 million will be available. This amounts to a total of £12.088 million.

Abbreviations:

BMB = Budget Monitoring Board

HMRC = HM Revenue & Customs

NDRI = Non Domestic Rate Income