

ABERDEEN CITY COUNCIL

COMMITTEE: Finance and Resources

DATE: 2 December 2010

DIRECTOR: Stewart Carruth

TITLE OF REPORT: General Fund Revenue Budget 2010/11 - Monitoring

REPORT NUMBER: CG/10/200

1. PURPOSE OF REPORT

- 1.1. The purpose of this report is to inform Members on the projected outturn and current financial position for the Council for financial year 2010/11 and to advise on areas of risk and management action that have been highlighted by directors.

2. RECOMMENDATION(S)

It is recommended that the Committee notes the content of the report

3. FINANCIAL IMPLICATIONS

- 3.1 While it is felt that a balanced budget position can be achieved in the current financial year, it is worth noting that should the projected outturn be reflected by the accounts at the end of the year there will be a reduction in the General Fund balance of £0.2 million.
- 3.2 It is important to recognise that the budget has been set with the intention of increasing the General Fund balance by £3.6 million and therefore this would represent a movement against budget of £3.8 million.
- 3.3 Uncommitted General Fund balances at year end would be £10.75 million and therefore slightly below the recommended balance of £11.2 million that the Council has previously set, which is defined as between 2.5% and 3% of the net revenue budget.

4. SERVICE & COMMUNITY IMPACT

- 4.1. As a recognised top priority the Council must take the necessary measures to balance its budget. Therefore, Services are expected to work within a financial constraint as defined by their annual budgets.

- 4.2. Opportunities to balance the budget will be identified by each Director and reported as necessary through the relevant service committee.

5. OTHER IMPLICATIONS

- 5.1. Every organisation has to manage the risks inherent in the operation of large and complex budgets. 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.

6. REPORT

- 6.1. At its meeting of 28 September 2010 the Committee reviewed the financial performance of the Council in relation to its General Fund, Revenue Budget for financial year 2010.
- 6.2. During the intervening period the Corporate Management Team has received reports on the financial performance and is aware of the risks that exist.
- 6.3. This report builds upon the previous report and updates the Committee on matters that have arisen or are emerging in relation to the financial performance and operational environment as well as considering the revised projected outturn for the Council as a whole.
- 6.4. Service Committee reports on their financial position have been considered during the current cycle of meetings.
- 6.5. Information within this report provides a high level expenditure projection for the consideration of Members and presents actual financial figures to the end of September 2010 and the projections based thereon.
- 6.6. Appendix A includes a summary of the Council position.

Financial Position

- 6.5 In overall terms the statement at Appendix A shows the Council is managing risk of £3.8 million in relation to the outturn position varying from budget. This represents less than 1% variance from budget and the Corporate Management Team believes that a balanced budget position can be achieved for this financial year.

- 6.6 Within the Service budgets and projections it was assumed that there would be savings from 'a reduction in employment costs' of £4.5 million. At a Special Council meeting on 2 November 2010 a new proposal was discussed and the outcome was the approval to pay staff increments where applicable, with effect from 1 April 2010. Additional costs are therefore to be borne for this financial year.
- 6.7 This is to be funded from in-year staff savings with the balance coming from earmarked general fund reserves. This has the impact of committing resources that were originally earmarked for use elsewhere and therefore the scope to use these earmarked sums is now reduced. It shouldn't have any further impact in the current year, and as there is improvement in the overall position for the Council it may be possible to meet these costs from the current year's budget.
- 6.8 Also included in the projections are costs associated with the national pay award that affects the majority of non-teaching staff and amounts to 0.65% in the current year. The value of this has been estimated at £1 million across the Council. The payments were only made at the end of October so work is ongoing to capture the exact cost. Future reports will provide confirmation of the position.
- 6.9 The most significant risks and matters arising from the figures that are presented include the following:
- 6.10 Social Care and Wellbeing – An under spend of £2.3 million in relation to under commitment of demand led budgets – offset in part by reduced grant income. Staff costs also remain well within budget and are contributing substantially to the under spend. It is recognised that to the demand and needs led nature of this Service pose a risk for cost pressures to arise at any time. Continued scrutiny and control is essential to maintain this favourable forecast position.
- 6.11 Housing and Environment – An impact of dealing with homelessness was identified earlier in the year, in that there was a mismatch within the Corporate Governance budget in relation to the Housing Benefit being paid out and the subsidy being received. This mismatch is currently projected to amount to £1.5 million and in order to address it there has been a report to Housing and Environment Committee and there is a separate item on this agenda also. It has been agreed with the directors that the impact should be shown against Housing and Environment, however it remains high on the list of areas of risk that the Corporate Management Team are following carefully. The Corporate Governance and Housing and Environment staff have been working together to progress an urgent resolution.

- 6.12 In addition there is pressure on the generation of £0.7 million of income from the Repairs Fund and Housing Revenue Account, based on the experience of 2009/10, where there were reduced recoveries. This followed a review of the method of recharge and the new operational structures that are now in place.
- 6.13 Education, Culture and Sport – The deterioration in the forecast since the last report is principally due to there being a shortfall in the value of budget that is available to pay for the school catering service. At present there is forecast to be a £1.5 million cost, a cost that has arisen mainly in connection with the full implementation of equal pay and modernisation. A corporate approach to mitigate this position is being taken and again is high on the agenda for the Service directors.
- 6.14 The service is also experiencing cost pressures in relation to teachers' long-term absence and the costs arising from the out-of-authority placement of children.
- 6.15 Corporate Budgets – An estimate is included of an additional sum that may be required to cover further capital financing costs in the current year. The value has been reduced since the last report however there still remains the possibility that the capital expenditure profile and value will mean additional costs are incurred. This is based upon the fact that the funding available for capital expenditure is less than the full capital programme and there are continuing risks that the necessary slippage will not be achieved. The Capital Asset Group has instructed that no further legal commitments be entered into without prior approval of the group.
- 6.16 The figures outlined reflect progress on achieving approved budget savings of approx. £25 million which were incorporated into the budget and also assume a full commitment at this stage against the budgeted contingencies

Management Actions

- 6.14 Directors and Heads of Services are expected to work together and with Finance to find the means by which savings are identified, quantified and reported, working towards a balanced budget position for the year.

7. REPORT AUTHOR DETAILS

Jonathan Belford
Corporate Accounting Manager
jbelford@aberdeencity.gov.uk
01224 522573

8. BACKGROUND PAPERS

Financial ledger data extracted for the period, and service committee reports on financial monitoring;

APPENDIX A

ABERDEEN CITY COUNCIL 2010/11

FINANCIAL MONITORING

As at end of September 2010	Year to Date				Forecast to Year End		
Accounting Period 6	Full Year Revised Budget £'000	Revised Budget £'000	Actual Expenditure £'000	Variance Amount £'000	Forecast Outturn £'000	Variance Amount £'000	Variance Percent %
Services							
Office of Chief Executive	777	379	518	139	732	(45)	(5.8)%
Corporate Governance	26,052	12,893	12,508	(385)	25,246	(806)	(3.1)%
Enterprise Planning and Infrastructure	26,578	7,436	7,111	(325)	27,252	674	2.5%
Housing and Environment	42,842	21,222	22,974	1,752	45,310	2,468	5.8%
Education Culture and Sport	183,566	85,718	77,697	(8,021)	186,821	3,255	1.8%
Social Care and Wellbeing	123,836	60,839	56,785	(4,054)	120,497	(3,339)	(2.7)%
Total Service Budgets	403,651	188,487	177,593	(10,894)	405,858	2,207	0.5%
Total Corporate Budgets	42,055	15,479	14,606	(873)	43,341	1,286	1.0%
Total Net Expenditure	445,706	203,966	192,199	(11,767)	449,199	3,493	0.8%
Funding:							
<u>Government Support-</u>							
General Revenue Grant & Non-Domestic Rates	(343,070)	(122,393)	(122,393)	0	(343,070)	0	0.0%
<u>Local Taxation-</u>							
Council Tax & Community Charge Arrears	(106,207)	(53,104)	(54,568)	(1,465)	(105,952)	255	0.2%
Total Funding	(449,277)	(175,497)	(176,961)	(1,465)	(449,022)	255	0.1%
Net Impact on General Fund	(3,571)	28,470	15,238	(13,232)	177	3,748	