

## ABERDEEN CITY COUNCIL

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**COMMITTEE:** Finance and Resources

**DATE:** 1 February 2011

**DIRECTOR:** Stewart Carruth

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

**REPORT NUMBER:** CG/11/005

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### 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)

- 2.1 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 an increase in the General Fund balance of £0.2 million.
- 3.2 The Council agreed in February 2010 that any nationally agreed pay award for financial year 2010/11 would be met from the budgeted contribution to the General Fund balance. The agreement to a 0.65% pay increase required a budget adjustment of £0.9 million and therefore the budgeted contribution to the General Fund was reduced to £2.7 million.
- 3.3 As a result of this budget adjustment and the latest forecasts there is an overall adverse movement against budget of £2.5 million, although all forecast expenditure for the year is now at a level that can be contained within the forecast funding for 2010/11.
- 3.4 Uncommitted General Fund balances at year end would be £11.1 million and therefore a fraction 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. OTHER IMPLICATIONS**

- 4.1. 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.

#### **5. REPORT**

- 5.1. At its meeting of 2 December 2010 the Committee reviewed the financial performance of the Council in relation to its General Fund, Revenue Budget for financial year 2010/11.
- 5.2. During the intervening period the Corporate Management Team has received reports on the financial performance and is aware of the risks that exist.
- 5.3. 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.
- 5.4. Service Committee reports on their financial position have been considered during the current cycle of meetings.
- 5.5. Information within this report provides a high level expenditure projection for the consideration of Members and presents actual financial figures to the end of November 2010 and the projections based thereon.
- 5.6. Appendix A includes a summary of the Council position.

##### **Financial Position**

- 5.7. In overall terms the statement at Appendix A shows the Council is managing risk of £2.5 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.
- 5.8. The budget for 2010/11 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.

- 5.9. These costs have been incorporated in the projections for the year and after taking account of other one-off and in-year savings being achieved the Council is not expecting to make use of any reserves and balances to fund these costs. As reported to the last meeting, where the financial forecasts improve in the current year then these costs should where possible be met from within the revenue budget.
- 5.10. 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 has been fully incorporated into Service forecasts and resulted in a budget adjustment of £0.9 million, to account for funding for this coming from the budgeted 'contribution to General Fund balances'.
- 5.11. The most significant risks and matters arising from the figures that are presented include the following:
- 5.12. Social Care and Wellbeing – An under spend of £2.9 million in relation to under commitment of needs 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 due to the demand and needs led nature of this Service it poses a degree of risk for cost pressures to arise in the remainder of the financial year. Continued scrutiny and control is essential to maintain this favourable forecast position.
- 5.13. Housing and Environment – Additional costs attributable to providing accommodation for those who are homeless was identified earlier in the year and is still having an impact on the overall position of the Service. Actions have been taken with the aim of mitigating the cost pressures, and these include changes to charging arrangements as approved by the last meeting of Finance and Resources Committee. There remains a £1.3 million cost pressure in the forecasts but as changes are implemented it is anticipated this forecast can be revisited.
- 5.14. Enterprise, Planning and Infrastructure – An overspend is forecast of £3.1 million arising from three specific issues.
- (i) the additional cost (£1.5 million) of winter maintenance operations in the City during the latter part of November and into December. This includes estimated costs associated with carrying out essential road repairs in the last quarter of the year, but has not included any income that has recently been announced by the Scottish Government.

- (ii) a shift of budget responsibility for the costs of catering and the shortfall of £1.5 million that had been forecast in the last report, but shown under Education, Culture and Sport. This forecast shortfall is primarily the result of the implementation of the equal pay and modernisation (EP&M) salary grades and in recognition of this a corporate EP&M contingency (£0.7 million) is to be used to offset the cost. It is worthy of note that this budget shortfall has been revealed due to the removal of the 'trading account' that was in operation for catering up and until the end of last financial year. The catering function now being budgeted for and integrated into Enterprise, Planning and Infrastructure.
  - (iii) a reduction in work associated with architectural and design services, which mainly provides services to the housing and non-housing capital programmes, has meant that the projected income flowing from fees is substantially reduced when compared to budget. The shortfall in income is forecast to be £2 million, offset by £0.8 million of forecast expenditure savings. It is likely this value will move over the next few months and accordingly the Corporate Management Team will receive regular monthly updates.
- 5.15. Education, Culture and Sport – A favourable movement in the outturn projection resulting from the catering costs being shifted to Enterprise, Planning and Infrastructure mean that there is a small remaining overspend projection for the Service. This relates to the additional costs of placing children in residential education and care outside the city and for cover in relation to long-term teacher absence.
- 5.16. Corporate Budgets – A detailed review of capital financing costs has been carried out since the last report which revealed an opportunity to reduce the forecasts by £3.5 million to be incorporated into the overall position. This enables the Council to substantially fund, in the current year the staff increment costs, which had been approved in November 2010. Overall the corporate budgets are expected to be overspent by £1.1 million.
- 5.17. Being prudent and with the full year cost of winter and road maintenance still uncertain Council contingencies of £1.7 million still remain available and are forecast to be spent by the end of the year. This will provide opportunities to close the gap between the forecast and the budget, if they are not required at the year end.
- 5.18. The figures outlined reflect progress on achieving approved budget savings of approx. £25 million which were incorporated into the budget.

## **Management Actions**

- 5.19. Close control of staffing and vacancies should be maintained and purchasing decisions scrutinised prior to committing funds; and opportunities should be taken to secure early cost reductions, based upon the service options to address the 2011/12 funding shortfall as soon as decisions are taken by the Council.

## **6. IMPACT**

- 6.1. 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.
- 6.2. Opportunities to balance the budget will be identified by each Director and reported as necessary through the relevant service committee.

## **7. BACKGROUND PAPERS**

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

## **8. REPORT AUTHOR DETAILS**

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**ABERDEEN CITY COUNCIL**  
**2010/11**

**FINANCIAL MONITORING**

As at end of November 2010	Full Year Revised Budget £'000	Year to Date			Forecast to Year End		
Accounting Period 8		Revised Budget £'000	Actual Expenditure £'000	Variance Amount £'000	Forecast Outturn £'000	Variance Amount £'000	Variance Percent %
<b>Services</b>							
Office of Chief Executive	832	542	503	(39)	774	(58)	(7.0)%
Corporate Governance	27,760	18,949	17,622	(1,327)	26,852	(908)	(3.3)%
Enterprise Planning and Infrastructure	27,456	10,595	11,540	945	30,543	3,087	11.2%
Housing and Environment	43,122	26,506	27,637	1,131	44,581	1,459	3.4%
Education Culture and Sport	186,128	114,625	110,680	(3,945)	186,599	471	0.3%
Social Care and Wellbeing	125,448	82,295	76,977	(5,318)	122,553	(2,895)	(2.3)%
<b>Total Service Budgets</b>	<b>410,746</b>	<b>253,512</b>	<b>244,959</b>	<b>(8,553)</b>	<b>411,902</b>	<b>1,156</b>	<b>0.3%</b>
<b>Total Corporate Budgets</b>	<b>37,046</b>	<b>18,125</b>	<b>20,007</b>	<b>1,882</b>	<b>38,155</b>	<b>1,109</b>	<b>3.0%</b>
<b>Total Net Expenditure</b>	<b>447,792</b>	<b>271,637</b>	<b>264,966</b>	<b>(6,671)</b>	<b>450,057</b>	<b>2,265</b>	<b>0.5%</b>
<b>Funding:</b>							
<u>Government Support-</u>							
General Revenue Grant & Non-Domestic Rates	(344,042)	(228,713)	(223,895)	4,818	(344,042)	0	0.0%
<u>Local Taxation-</u>							
Council Tax & Community Charge Arrears	(106,467)	(70,978)	(98,723)	(27,745)	(106,207)	260	0.2%
<b>Total Funding</b>	<b>(450,509)</b>	<b>(299,691)</b>	<b>(322,618)</b>	<b>(22,927)</b>	<b>(450,249)</b>	<b>260</b>	<b>0.1%</b>
<b>Net Impact on General Fund</b>	<b>(2,717)</b>	<b>(28,054)</b>	<b>(57,652)</b>	<b>(29,598)</b>	<b>(192)</b>	<b>2,525</b>	