

ABERDEEN CITY COUNCIL

COMMITTEE: Finance and Resources

DATE: 16 June 2011

REPORT BY: Head of Finance

TITLE OF REPORT: Revenue Budget Financial Monitoring – Year End 2010/11

REPORT NUMBER: CG/11/069

1. PURPOSE OF REPORT

- 1.1 This report provides the first opportunity to consider the financial position for the Council in Revenue terms since the end of the financial year. The values reflect a 'Near Actual' position for the year and at the time of writing the final adjustments were being made to the Council Tax / General Fund position. Details of expenditure across the Council Services are contained in the report, and are not expected to move substantially from those shown.

2. RECOMMENDATION(S)

- 2.1 It is recommended that the Committee:
- a) note the positive year end Revenue Budget position for the financial year 2010/11;
 - b) note that the Draft Financial Statements for 2010/11 will be presented to Council on 29 June 2011;
 - c) note that the audited Financial Statements will be presented to the Audit and Risk Committee, along with the external auditor's report to members in the Autumn, and thereafter will be presented to Council; and
 - d) accept the recommendations, at paragraph 6.2.10, for earmarking of reserves and variation of 2011-12 budgets.

3. FINANCIAL IMPLICATIONS

- 3.1 The financial implications of the year end financial position are detailed throughout the body of the report. Particular attention should be drawn to the 2010/11 year end working balances that exist on the General Fund (excluding the Housing Revenue Account).

4. SERVICE & COMMUNITY IMPACT

- 4.1 It is the aim of the Council to retain working balances to a level that provides sufficient scope to deal with unexpected or unforeseen events in order that this does not have a detrimental and immediate impact on service delivery.
- 4.2 The budget each year is produced in light of the Council priorities currently outlined in Vibrant, Dynamic and Forward Looking.

5. OTHER IMPLICATIONS

- 5.1 Every organisation has to manage the risks inherent in the operation of its services. These risks are minimised by the regular review of financial information by Services and corporately by Members. This report forms part of the end of year reporting cycle and seeks to clarify the overall operating conditions and outcomes that have resulted in the past year.

6. REPORT

6.1 Background

- 6.1.1 During financial year 2010/11 the Committee has received reports on the financial performance of the General Fund – Revenue and Trading Services - ensuring that Members are fully aware of the financial circumstances of the Council.
- 6.1.2 This report brings together these reports to enable a review of the overall revenue year end position.
- 6.1.3 Members should note that it is a 'Near Actual' position that is being reported herein and are advised that there is a statutory requirement that an abstract of the accounts for each financial year be submitted to the Controller of Audit not later than 30 June in the next financial year.
- 6.1.4 This means that Financial Statements for 2010/11, which are prepared in accordance with Accounting Codes of Practice, require to be submitted by 30 June 2011 to Audit Scotland.
- 6.1.5 There is also a requirement that the draft accounts be presented to Elected Members and this will be addressed through the presentation of the Draft Financial Statements and a covering report to Council on 29 June 2011.

6.1.6 For ease of reference the report is broken down into the following sections:

- 6.2 General Fund (Revenue)
- 6.3 Trading Operations
- 6.4 Summary

6.2. General Fund (Revenue)

- 6.2.1 At its meeting of 21 April 2011 the Committee reviewed the financial performance of the Council in relation to its General Fund, Revenue Budget for financial year 2010/11, which was based on expenditure to the end of February 2011.
- 6.2.2 During the intervening period the Corporate Management Team has received reports on the financial performance and is aware of the year end position that is now being reported.
- 6.2.3 Service Committee reports on their financial position have been considered during the current cycle of meetings.
- 6.2.4 Information within this report provides a high level expenditure projection for the consideration of Members and presents actual financial figures to the end of March 2011, taking account of the various year end entries, accruals and transactions that are necessary.
- 6.2.5 Appendix A includes a summary of the 'Near Actual' Council position.
- 6.2.6 In overall terms the statement at Appendix A shows the Council is reporting a positive outturn position, being a favourable £5.5 million variance from budget. This represents approximately a 1.2% variance from budget.
- 6.2.7 The increase in uncommitted General Fund balances of £7.85 million should be earmarked to provide the opportunity for the Council to de-risk itself from potential liabilities and improve its resilience to any risks that may arise as part of the five year business plan in what is an uncertain economic climate.
- 6.2.8 The Corporate Budgets include the savings associated with the repayment and servicing of borrowing to pay for Capital projects. The savings provide positive in-year variances to offset cost pressures, such as Employment Savings that had been expected. An option to accelerate debt repayment has also been taken and this will have a positive impact on the budget for 2011/12.

- 6.2.9 Significant savings were achieved in Service budgets, primarily as a result of Social Care and Wellbeing reporting under spending in the order of £7.8 million against its budget of £125 million. Staff savings, reduced expenditure on the commissioning of care and growth having been included in the base budget have all contributed to this positive position.
- 6.2.10 It is recommended that £4 million is returned to Corporate Contingencies from the Social Care and Wellbeing budget for 2011/12, in recognition of the low cost base that is being carried forward from 2010/11 and that £1m is earmarked within Corporate Contingencies for the use of Social Care and Wellbeing if required.
- 6.2.11 As well as the significant saving shown in Social Care and Wellbeing improvement has been recorded in the outturns across all the Services since the last report to Committee, with a continued emphasis on retention of vacancies and the consequential saving in staff costs being achieved. In critical areas of service delivery these savings are offset through the managed use of agency staff.
- 6.2.12 The services delivered under the heading of Trading Operations have been reported throughout the year as making a contribution to the General Fund and the 'Near Actual' position reflects this. The value of the contribution is affected by rebates that have been returned to the individual Services (those that have initially paid for the service to be provided). The impact of the rebate is to reduce the contribution that the Corporate Budgets make, however, Service Budgets receive that benefit instead and as such are more positive than previously forecast. The main impact is reflected in Housing and Environment and Enterprise, Planning and Infrastructure.
- 6.2.13 The Council Tax collected by the Council has a healthy 'Near Actual' as it includes the additional sums received from people with 2nd homes. A reduction in the discount they receive on those homes is collected to support the development of affordable housing. Housing and Environment has included a cost to account for the additional sum collected.

6.3. Trading Operations

- 6.3.1 The Local Government in Scotland Act 2003 sets out a statutory duty for Councils to achieve Best Value. It also provides a strong link between the duty of Best Value, the delivery of services and the reporting of financial performance.
- 6.3.2 Councils are required, under paragraph 10 of the Act, to maintain statutory trading accounts for 'significant trading operations'.

- 6.3.3 During the year the services defined as significant trading operations were
- Building Maintenance
 - Environmental Services (inc. Street Cleansing & Refuse Collection)
 - Road Maintenance
 - Maintenance of Grounds
 - Letting of Industrial, Commercial & other Properties
 - Provision and Management of Car Parking Facilities
- 6.3.4 In addition to these Vehicle Maintenance also operates as a trading operation but due to its size does not constitute 'significant'.
- 6.3.5 In 2010/11 the total contribution made to the General Fund by the trading operations was £5.8 million, and of this there was a total of £5.2 million generated from the running of car parking and the letting of commercial property.
- 6.3.6 The remaining services are provided to support an internal need for work to be carried out and while there are some external customers, on the whole the Council will have initially paid for the service to be provided. Year on year when higher than expected contributions are being made to the General Fund it has been customary to return the additional sum in the form of a rebate.
- 6.3.7 The value of rebates returned to the General Fund in 2010/11 was £2.75 million (with £0.7 million also being returned to the Housing Revenue Account).

6.4. Summary

- 6.4.1 A positive year end position reflects a mixture of cost pressures and favourable circumstance generated by the various Services of the Council.
- 6.4.2 An increase in uncommitted General Fund balances has been achieved providing the opportunity for the Council to de-risk itself from the potential liabilities and improve its resilience in an uncertain funding environment, tight 2011/12 budget settlement and an economic climate that will challenge the Council into future years.

7. REPORT AUTHOR DETAILS

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8. BACKGROUND PAPERS

Financial Monitoring Reports for Financial Year 2010/11;
Financial ledger data extracted for the period;
Redetermination letters received from the Scottish Government;
Previous reports to Finance and Resources Committee on General Fund

APPENDIX A

ABERDEEN CITY COUNCIL
FINANCIAL YEAR 2010/11
OUTTURN PREPARED 26-Apr-11

UPDATED: 03-May-11

| AS AT 31 March 2011 | ANNUAL BUDGET | NEAR ACTUAL | VARIANCE FROM BUDGET | | PROJECTED VARIANCE AT P11 | VARIANCE FROM LAST MONTH | |
|---|------------------|------------------|-------------------------|---------------|---------------------------------|-----------------------------|-----------------|
| | £'000 | £'000 | £'000 | % | £'000 | £'000 | % |
| ACCOUNTING PERIOD 12 | | | | | | | |
| Services: | | | | | | | |
| Office of Chief Executive | 832 | 652 | (180) | (21.6)% | (127) | (53) | (41.7)% |
| Corporate Governance | 27,786 | 26,374 | (1,412) | (5.1)% | (1,144) | (268) | (23.4)% |
| Enterprise Planning and Infrastructure | 27,757 | 30,356 | 2,599 | 9.4% | 3,149 | (550) | (17.5)% |
| Housing and Environment | 43,316 | 42,689 | (627) | (1.4)% | 160 | (787) | (491.9)% |
| Education Culture and Sport | 185,516 | 187,306 | 1,790 | 1.0% | 1,852 | (62) | (3.3)% |
| Social Care and Wellbeing | 125,061 | 117,219 | (7,842) | (6.3)% | (6,496) | (1,346) | (20.7)% |
| Total Service Budgets | 410,268 | 404,596 | (5,672) | (1.4)% | (2,606) | (3,066) | (117.7)% |
| Total Corporate Budgets | 37,948 | 39,249 | 1,301 | 3.4% | (99) | 1,400 | 1414.1% |
| Total Net Expenditure | 448,216 | 443,845 | (4,371) | (1.0)% | (2,705) | (1,666) | (61.6)% |
| Funding: | | | | | | | |
| General Revenue Grant & NDRI | (344,102) | (344,168) | (66) | 0.0% | 0 | (66) | 100.0% |
| Council Tax and Community Charge | (106,467) | (107,527) | (1,060) | 1.0% | 260 | (1,320) | (507.7)% |
| Total Funding | (450,569) | (451,695) | (1,126) | 0.2% | 260 | (1,386) | (533.1)% |
| TOTAL BUDGET | (2,353) | (7,850) | (5,497) | 233.6% | (2,445) | (3,052) | (124.8)% |
| P11 Total Budget-Contribution to Reserves | (2,717) | | | | | | |
| Budgeted use of Reserves | | | | | | | |
| BID | 200 | | | | | | |
| South Regeneration | 18 | | | | | | |
| City Development Company | 146 | | | | | | |
| P12 Total Budget-Contribution to Reserves | (2,353) | | | | | | |