

## ABERDEEN CITY COUNCIL

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**COMMITTEE:** Finance and Resources  
**DATE:** 29 September 2011  
**DIRECTOR:** Stewart Carruth  
**TITLE OF REPORT:** Revenue Budget 2011/12 Monitoring  
**REPORT NUMBER:** CG/11/131

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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 2011/12 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:

1. notes the content of the report;
2. agree to the procurement of vehicles in the current financial year and that the Head of Finance establish the most cost effective means by which to fund the replacements and to advise the Committee as part of a future report; and
3. instruct Directors to continue to take cost reduction opportunities during the remainder of the year to achieve a balanced budget position.

### 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 in the accounts at the end of the year there will be a reduction in the General Fund uncommitted balance by £2 million.
- 3.2 It is important to recognise that the budget has been set on with the intention of using one-off funding sources. The use of this funding is either set aside from the uncommitted reserves and balances available in the General Fund or expected as a one-off receipt in 2011/12. Risk remains as to the generation of £4 million from asset utilisation and as such the monitoring position has been adjusted to reflect non-recovery.

- 3.3 Uncommitted General Fund balances at year end would be £8.3 million and therefore below the recommended balance of £11.3 million that the Council has previously set, which is defined as 2.5% 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. This is the first opportunity for the Council to consider the overall financial position, with specific reference to the General Fund, for this financial year (2011/12). During the earlier months of the year the Corporate Management Team has received reports on the financial performance and is aware of the risks that exist.
- 6.2. This report considers the projected outturn for the Council as a whole and this builds upon information and analysis provided to the individual Service Committee reports that have been considered during the current cycle of meetings.
- 6.3. Information within this report provides a high level expenditure projection for the consideration of Members and presents actual financial figures to the end of July 2011 and the projections based thereon.
- 6.4. Appendix A includes a summary of the overall Council projected position.

## **Financial Position**

- 6.5 In overall terms the statement at Appendix A shows the Council is managing risk of £2 million in relation to the outturn position varying from budget. This represents less than 0.5% variance from budget and the Corporate Management Team believes that a balanced budget position can be achieved for this financial year, despite the challenges that are presented by the tight financial settlement.
- 6.6 The savings that were approved at a corporate level have all been allocated to the service budgets ensuring that there is greater clarity in relation to the availability of financial resources in each service.
- 6.7 The most significant risks and matters arising from the figures that are presented include the following:
- 6.8 Social Care & Wellbeing reports that following the decision by the Finance and Resources Committee on 24 June 2011 to reduce the total budget by £4 million, a balanced budget position is achievable. Reduced expenditure on commissioned services, staff cost savings and other miscellaneous running expenses will all contribute to this outturn. Pressure is being experienced in the level of income that is anticipated to be collected however much of this is directly related to reduced expenditure on residential services. Within corporate contingencies £1 million is retained to assist the Service with in year pressures associated with service redesign.
- 6.9 Within the Education, Culture and Sport budget there are a number of areas of risk the Service is currently trying to manage. This includes grant funding that will no longer be received from the Scottish Government, out of authority placements, school transport and cleaning. Positive movement since the last management report has been influence by confirmed allocation of 'Determined to Succeed' funding coming from the Scottish Government and a reduction in the commitments to out of authority placements.
- 6.10 Enterprise, Planning and Infrastructure reversed the favourable variance projections shown in management reports for period 3, with additional cost pressures coming from the architecture design service (£1.9 million), challenged by the income projections that they face on the basis of a reduced capital programme. While in part this is offset by staff savings and a reduction in budget requirement for costs associated with the carbon reduction commitment scheme, these are insufficient to deliver a balanced budget as yet.

- 6.11 Housing and Environment forecast a slightly increased overspend at present. While savings are anticipated on waste disposal in the region of £1 million, cost pressures of £1.2 million are being experienced in relation to horticultural services (a review is being undertaken of this area at present) and cleansing services are also under pressure due to vehicle expenditure and skip hires.
- 6.12 Corporate Governance shows an increased cost forecast to that contained in the report to management last month. A projected underspend is still maintained, but reduced by £0.2 million. The main area of saving against budget is staff costs due to vacancies, with the variance since last month being accounted for by reduced income collection.
- 6.13 The Corporate budgets which are made up of funding to Joint Boards, Council Expenses and funding set aside for contingencies and to pay for service redesign / workforce reduction costs are generally forecast to be in line with budget.
- 6.14 The contingencies are in addition to the sums that are earmarked against the General Fund balance and provide a degree of protection against unexpected or unplanned expenditure being incurred.
- 6.15 The replacement of vehicles is a current matter that includes a degree of risk, but is one that the council needs to address. An aging fleet and increasing maintenance costs with vehicles off the road means that service delivery can be affected and unnecessary costs are being incurred. To address the situation making a substantial investment in vehicle replacement is important and the council is looking to procure £4 million of vehicles in the current year.
- 6.16 The funding for this must be carefully considered and in delivering the most cost effective and economical solution the council is looking at the various options that are available. It is recommended that once this has been evaluated that the Committee is provided with details of the funding mechanism in order to fund the replacement.
- 6.17 The figures outlined reflect progress on achieving approved budget savings of approx. £22 million which were incorporated into the budget and also assumes that a proportion of the contingencies will require to be used during the year.

### **Management Actions**

- 6.18 As the financial year progresses it is imperative that Services continue to deliver the Priority Based Budgeting options that are included within Service budgets. Early indications are that while there are a number of areas of risk Services are generally working towards full delivery of the options. This positive momentum also needs to be delivered within the context of the Council's 5 year business plan.
- 6.19 Services should be looking ahead with planning and implementation activity being in place to continue to provide robust financial forecasts and to improve the utilisation of the Collaborative Planning, the financial reporting system that is available to budget holders across the council.
- 6.20 At the time of writing the Council is in the process of moving into its new corporate headquarters. Within the budget it is assumed that St Nicholas House will be vacated by September 2011. Any delay in this will result in additional financial pressures for the running costs of the building for items such as Non Domestic Rates.
- 6.21 Further progress reports will be provided to the Committee throughout the year on both the financial position, the risks that exist for the council and the action being taken by management.

## **7. REPORT AUTHOR DETAILS**

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## **8. BACKGROUND PAPERS**

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

**ABERDEEN CITY COUNCIL  
2011/12**

**FINANCIAL MONITORING**

As at end of July 2011 Accounting Period 4	Full Year Revised Budget £'000	Year to Date			Forecast to Year End		
		Revised Budget £'000	Actual Expenditure £'000	Variance Amount £'000	Forecast Outturn £'000	Variance Amount £'000	Variance Percent %
<b>Services</b>							
Office of Chief Executive	771	251	257	6	812	41	5.32%
Corporate Governance	27,320	9,236	7,993	(1,243)	26,811	(509)	(1.88%)
Enterprise Planning and Infrastructure	31,479	7,696	7,465	(231)	33,369	1,890	5.94%
Housing and Environment	44,195	13,505	12,626	(879)	44,695	500	1.13%
Education Culture and Sport	180,551	59,700	57,082	(2,618)	181,200	649	0.36%
Social Care and Wellbeing	121,810	41,557	39,116	(2,441)	121,810	0	0.00%
<b>Total Service Budgets</b>	<b>406,126</b>	<b>131,945</b>	<b>124,539</b>	<b>(7,406)</b>	<b>408,697</b>	<b>2,571</b>	<b>0.63%</b>
<b>Total Corporate Budgets</b>	<b>37,708</b>	<b>9,686</b>	<b>11,735</b>	<b>2,049</b>	<b>37,153</b>	<b>(555)</b>	<b>(1.65%)</b>
<b>Total Net Expenditure</b>	<b>443,834</b>	<b>141,631</b>	<b>136,274</b>	<b>(5,357)</b>	<b>445,850</b>	<b>2,016</b>	<b>0.45%</b>
<b>Funding:</b>							
<u>Government Support-</u>							
General Revenue Grant & Non-Domestic Rates	(337,199)	(112,400)	(110,238)	2,162	(337,199)	0	0.00%
<u>Local Taxation-</u>							
Council Tax & Community Charge Arrears	(106,635)	(35,545)	(37,874)	(2,329)	(106,650)	(15)	0.01%
<b>Total Funding</b>	<b>(443,834)</b>	<b>(147,945)</b>	<b>(148,112)</b>	<b>(167)</b>	<b>(443,849)</b>	<b>(15)</b>	<b>0.00%</b>
<b>Net Impact on General Fund</b>	<b>0</b>	<b>(6,314)</b>	<b>(11,838)</b>	<b>(5,524)</b>	<b>2,001</b>	<b>2,001</b>	