

ABERDEEN CITY COUNCIL

COMMITTEE: Finance and Resources
DATE: 6 December 2011
DIRECTOR: Stewart Carruth
TITLE OF REPORT: Revenue Budget 2011/12 Monitoring
REPORT NUMBER: CG/11/156

1. PURPOSE OF REPORT

- 1.1. The purpose of this report is to inform Members on the forecast 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; and
2. 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 The Corporate Management Team (CMT) aim to achieve a balanced budget position in the current financial year.
- 3.2 The present forecast shows that should the outturn be reflected in the accounts at the end of the year there will be a reduction in the General Fund uncommitted balance of £1.1 million. This is an improvement of £0.9 million since the last report to Committee.
- 3.3 It is important to recognise that the budget has been set 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 forecast position has been adjusted to reflect non-recovery.

- 3.4 Uncommitted General Fund balances at year end would be £10.2 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. 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. BACKGROUND / MAIN ISSUES

- 5.1. The report enables the Committee to consider the overall financial position, with specific reference to the General Fund, for this financial year. Building on the previous report considered by the Committee, this report provides the opportunity to recognise the progress that has been made since then.
- 5.2. Since the last Committee the Corporate Management Team has received regular reports on the financial performance and is aware of the risks that exist.
- 5.3. This report considers the projected outturn for the Council as a whole and this builds upon information and analysis provided to the individual Service Committees, in reports that have been considered during the current cycle of meetings.
- 5.4. Information within this report provides a high level expenditure projection for the consideration of Members and presents actual financial figures to the end of September 2011 and the latest available projections for the full year.
- 5.5. Appendix A includes a summary of the overall Council projected position.

Financial Position

- 5.6. In overall terms the statement at Appendix A shows the Council is managing risk of £1.1 million in relation to the outturn position varying from budget. This represents less than 0.3% 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.

- 5.7. 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.
- 5.8. The most significant risks and matters arising from the figures that are presented include the following:
- 5.9. Social Care and Wellbeing reports that reduced expenditure on commissioned services, staff cost savings and other miscellaneous running expenses will all contribute to a forecast outturn that is below budget. Against these favourable costs is a shortfall in income which reduces that underspend forecast. This favourable position is in addition to the £4m budget reduction that was agreed by the Committee in June 2011. As part of that budget adjustment, and held within corporate contingencies, is £1 million retained to assist the Service with in year pressures associated with service redesign if required. At this time there has been no requirement to access this funding.
- 5.10. The Social Care and Wellbeing forecast against budget is an improvement of £0.7 million on the last report presented to the Committee and represents £0.7 million below budget at the year end.
- 5.11. 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 are no longer receivable from the Scottish Government, out of authority placements, school transport and cleaning. These are broadly similar issues that the service is managing to those reported in the last Committee. At this time the main risk area is in relation to the variable nature of placements for children outside the authority.
- 5.12. The Education, Culture and Sport forecast against budget has improved by £0.1 million since the last report and represents £0.6 million above budget at the year end.
- 5.13. Enterprise, Planning and Infrastructure continues to recognise the additional cost pressures coming from the architecture design service (£2 million), which is challenged by the income projections that they face on the basis of changes to the capital programmes. A further shortfall in income from building application fees adds to the pressure. This is substantially offset by staff savings and the management of vacancies. The main risk that has been identified is in relation to winter maintenance and the unknown costs that will have to be incurred in dealing with the winter ahead.
- 5.14. The Enterprise, Planning and Infrastructure forecast against budget has improved by £1.5 million since the last report and represents £0.4 million above budget at the year end.

- 5.15. Housing and Environment is forecasting savings are anticipated on waste disposal in the region of £1 million while housing costs for homelessness services are also under budget due to the level of recoveries being seen. 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. The main risk that has been identified is the ongoing work to finalise the expenditure commitments on supporting people services.
- 5.16. The Housing and Environment forecast against budget has improved by £0.7 million since the last report and represents £0.2 million below budget at the year end.
- 5.17. Corporate Governance is forecasting that staff savings and a further saving on insurance premiums against budget is having a beneficial impact on its ability to work within the budget. Cost pressures exist in relation to the closure of the Whitemyers purchasing centre and a shortfall in income.
- 5.18. The Corporate Governance forecast against budget has improved by £0.2 million since the last report and represents £0.7 million below budget.
- 5.19. The Corporate budgets which are made up of things such as 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, with two exceptions.
- 5.20. The first exception is in relation to a reduction in the overall surplus generated by the various trading accounts. This reflects funds being returned to individual services where any additional surplus has been accumulated by the trading activity, and this includes refunds being made to the Housing Revenue Account as well as the General Fund. The trading accounts are forecast to be generating surpluses in the region of £6.8 million and within this the main contributors are Property Letting and Car Parking.
- 5.21. It has been identified that the Car Parking income is expected to be lower than had been budgeted and this is having a direct impact on the overall surplus. Furthermore the Building Services function is forecasting that a surplus approximately half of that budgeted will be achieved. The overall forecast outturn for trading surpluses is a shortfall against budget of £1.6 million.

- 5.22. The other exception is the one-off funding stream that had been budgeted to be received from Asset Utilisation. It has been recognised that this will not be received and adds a cost pressure of £4 million to the corporate budgets. The offsetting factor to balance the position is the adjustment that was made to the Social Care and Wellbeing budget referred to at 5.9 above, with £3 million being held to address this income shortfall.
- 5.23. Within the overall General Fund Budget there are contingencies, that 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. At present the council retains £1.8 million in contingencies.
- 5.24. The figures outlined reflect progress on achieving approved budget savings of approx. £22 million which were incorporated into the budget.

Management Actions

- 5.25. 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.
- 5.26. 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.
- 5.27. Management continue to work on the complete closure of St Nicholas House, which was budgeted to be vacated by September 2011. While costs have been built into the forecasts to cover an extended period of opening there remains an urgent need to exit the building.
- 5.28. Finance in conjunction with all Services are progressing the implementation of the internal recharge work that was approved at the last meeting of the Committee and in a timescale that will ensure work is complete prior to the start of the new financial year. This will simplify and clarify operational budget arrangements for a number of the trading activities.
- 5.29. 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.

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
2011/12**

FINANCIAL MONITORING

As at end of September 2011	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	771	376	330	(46)	816	45	5.84%
Corporate Governance	27,309	13,743	11,919	(1,824)	26,571	(738)	(2.73%)
Enterprise Planning and Infrastructure	32,256	10,981	10,859	(122)	32,680	424	1.33%
Housing and Environment	44,195	20,422	19,437	(985)	44,030	(165)	(0.37%)
Education Culture and Sport	180,551	86,372	82,811	(3,561)	181,134	583	0.32%
Social Care and Wellbeing	121,799	60,274	58,242	(2,032)	121,094	(705)	(0.56%)
Total Service Budgets	406,881	192,168	183,598	(8,570)	406,325	(556)	(0.14%)
Total Corporate Budgets	36,953	15,254	16,441	1,187	38,666	1,713	5.09%
Total Net Expenditure	443,834	207,422	200,039	(7,383)	444,991	1,157	0.26%
Funding:							
<u>Government Support-</u>							
General Revenue Grant & Non-Domestic Rates	(337,199)	(168,599)	(168,599)	0	(337,199)	0	0.00%
<u>Local Taxation-</u>							
Council Tax & Community Charge Arrears	(106,635)	(53,317)	(57,478)	(4,161)	(106,650)	(15)	0.01%
Total Funding	(443,834)	(221,916)	(226,077)	(4,161)	(443,849)	(15)	0.00%
Net Impact on General Fund	0	(14,494)	(26,038)	(11,544)	1,142	1,142	