

ABERDEEN CITY COUNCIL

COMMITTEE: Finance and Resources

DATE: 21 June 2012

DIRECTOR: Stewart Carruth

TITLE OF REPORT: Revenue Budget Financial Monitoring – Year End
2011/12

REPORT NUMBER: CG/12/079

1. PURPOSE OF REPORT

- 1.1 This report provides an opportunity to consider the financial position for the Council in Revenue terms for the end of the financial year. The values reflect a 'Near Actual' position for the year, as reported to management and outlines the further adjustments that have been applied when preparing the Draft Statement of Accounts for 2011/12.

2. RECOMMENDATION(S)

- 2.1 It is recommended that the Committee:
- a) note the positive year end Revenue Budget position for the financial year 2011/12;
 - b) note that the Draft Statement of Accounts for 2011/12 will have been presented to Council at their meeting of 13 June 2012, prior to being sent, as required by statute, to Audit Scotland before 30 June.; and
 - c) note that the audited Statement of Accounts 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.

3. FINANCIAL IMPLICATIONS

- 3.1 The financial implications of the year end financial position are detailed throughout the body of the report. The 2011/12 year end working balances on the General Fund (excluding the Housing Revenue Account) amount to £11.3 million, in line with Council policy.

- 3.2 Having set aside a provision for the full value of the loans that are due to be repaid by AECC the means of addressing the debt burden that exists must be done with reference to the relationship that exists between AECC and the Council and to the tax and other implications that may arise. It is important that expertise is sought to ensure the most effective and tax efficient method of addressing the debt burden is identified. This will require revenue expenditure to be incurred during 2012/13 in obtaining that advice and this will be met from the Finance revenue budget.

4. OTHER IMPLICATIONS

- 4.1 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.

5. REPORT

5.1 Background

- 5.1.1 During financial year 2011/12 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.
- 5.1.2 This report brings together these reports to enable a review of the overall revenue year end position.
- 5.1.3 Members should note that it is a ‘Near Actual’ position, as reported to management however due to the timing of the report the Draft Statement of Accounts for the year has been prepared and therefore further comment is made on the year end transactions that have also had an impact on the Revenue position of the Council.
- 5.1.4 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.
- 5.1.5 This means that Draft Statement of Accounts for 2011/12, which is prepared in accordance with Accounting Codes of Practice, requires to be submitted by 30 June 2012 to Audit Scotland.

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

- 5.2 General Fund (Revenue)
- 5.3 Trading Operations
- 5.4 Summary

5.2 General Fund (Revenue)

- 5.2.1 At its meeting of 15 March 2012 the Committee reviewed the financial performance of the Council in relation to its General Fund, Revenue Budget for financial year 2011/12, which was based on expenditure to the end of January 2012.
- 5.2.2 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.
- 5.2.3 Service Committee reports on their financial position have been considered throughout the year too.
- 5.2.4 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 2012, taking account of the various year end entries, accruals and transactions that are necessary.
- 5.2.5 Appendix A includes a summary of the 'Near Actual' Council position.
- 5.2.6 In overall terms the statement at Appendix A shows the Council is reporting a positive outturn position, being a favourable £3.9 million variance from budget. This represents a surplus against the balanced revised budget for the year.
- 5.2.7 The Corporate Budgets include the savings associated with the repayment and servicing of borrowing to pay for Capital projects and also a reduction in the value of requisitions from the three Joint Boards. The savings provided positive in-year variances to enable a review of the need for the use of one-off funding streams. There was £14 million of one-off funding approved as part of the 2011/12 budget and early in the year it was agreed that the Asset Utilisation option would result in income generation of £nil rather than the £4 million budgeted.

- 5.2.8 Significant savings were achieved in Service budgets, with all Services delivering savings against budget. A proportion of this was identified as being from expenditure on projects that would not be completed during the year and therefore the value of underspend shown against the Services budgets was earmarked to be carried into financial year 2012/13. The earmarking of these sums (approximately £6.7 million) is shown in the table against Corporate Budgets.
- 5.2.9 Areas of Service expenditure that had significant variance from budget included savings from the 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 or relief staff and where income generation is linked to staffing resources there was a resultant reduction in the income received / generated by the Council
- 5.2.10 Enterprise Planning and Infrastructure and Housing and Environment were both affected by the lower level of capital works being undertaken and architectural design fees were below budget as a result.
- 5.2.11 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 receive. However, Service Budgets obtain that benefit instead. The main impact is reflected in Enterprise, Planning and Infrastructure.
- 5.2.12 Social Care and Wellbeing commissioned services costs were below budget with savings of particular note in adult and older people's services.
- 5.2.13 Housing and Environment benefited from lower waste disposal costs due to lower than budget rates and tonnages, although ground maintenance costs were in excess of budget, with action in this area having been taken into account when setting the 2012/13 budget.
- 5.2.14 Education Culture and Sport achieved significant savings across the schools and educational services portfolio and through the Devolved Education Management (DEM) arrangements a sum of £950,000 has been carried forward into 2012/13 in support of Schools and Community Education Centres.

5.2.15 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.

5.2.16 It is also worthy of note that during the year the collection of council tax for 2011/12 was at 93.7%, an improvement of 0.4% on 2010/11, and reflective of the very positive work that the collection teams have been doing.

5.2.17 The General Revenue Grants and Non-Domestic Rate distribution includes year end redeterminations as announced by the Scottish Government during the year and reflects additional income to the Council that has contributed towards Service expenditure.

5.3 Trading Operations

5.3.1 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.

5.3.2 Councils are required, under paragraph 10 of the Act, to maintain statutory trading accounts for 'significant trading operations'.

5.3.3 During the year the services defined as significant trading operations were changed to remove internal charging arrangements and streamline financial administration processes. This was done with full recognition of the requirements of the 2003 Act and in September 2011 this Committee approved the changes.

5.3.4 It resulted in a reduction in the number of trading accounts maintained, with the year end having trading arrangements in place for:

- Building Maintenance
- Road Maintenance
- Letting of Industrial, Commercial & other Properties
- Provision and Management of Car Parking Facilities

5.3.5 In 2012/13 a further reduction will be implemented, with the removal of the Roads Maintenance trading account.

5.3.6 In addition to those changes Vehicle Maintenance, which also operated as a trading operation but due to its size did not constitute 'significant', was removed as a trading operation.

5.3.7 In 2011/12 the total contribution made to the General Fund by the trading operations was £8.8 million.

5.3.8 While Car Parking and the Letting of Commercial properties have an external customer base, 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.

5.3.9 The value of rebates returned to the General Fund in 2011/12 was £0.3 million (with £1.8 million also being returned to the Housing Revenue Account).

5.4 Summary

5.4.1 A positive year end position reflects a mixture of cost pressures and favourable circumstances experienced by the various Services of the Council.

5.4.2 The outturn has provided 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.

5.4.3 As reported to the Council on 13 June 2012 in relation to the Draft Statement of Accounts, accounting for year end provisions has been reviewed and while Waste Disposal and Equal Pay provisions have reduced a new provision has been added that sets aside the full value of debt owed by AECC to the Council. This amounts to £26.2 million. Action is being taken during 2012/13 to address the underlying debt position, in conjunction with the previous agreement to transfer AECC assets to the Council.

5.4.4 The outturn has also enabled the Council to consider costs that it may incur that had not yet been built into the 2012/13 budget. Funding in support of the bid preparations for Aberdeen as City of Culture 2017 was recommended to Council on 13 June 2012 at a value of £557,000, which can be allocated from the budget surplus in the year.

5.4.5 The uncommitted General Fund balance has been maintained at £11.3 million and this remains in line with the Council policy on retention of working balances, where it has been approved that 2.5% of the net revenue budget should be available. In accordance with the regular review of council policies the appropriateness of the value of uncommitted balances will again be considered during 2012/13. In light of the current wider economic conditions, it is anticipated that in the coming years an increase in uncommitted balances will make sound financial sense with the Council moving to consider a range of values within which the balance should be maintained.

6. IMPACT

- 6.1 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.
- 6.2 The budget each year is produced in light of the Council priorities, through the priority based budgeting approach and the 5 year business plan.

7. REPORT AUTHOR DETAILS

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8. BACKGROUND PAPERS

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

APPENDIX A

ABERDEEN CITY COUNCIL FINANCIAL YEAR 2011/12						
UPDATED: 14-May-12						
As at 31 March 2012	Annual Budget 2011/12	Actual Operating Expenditure 2011/12	(Under) / Over Budget		Forecast Variance at P11	Variance from Last Month
	£'000	£'000	£'000	%	£'000	£'000 %
Services:						
Office of Chief Executive	821	815	(6)	(0.7)%	2	(8) (400.0)%
Corporate Governance	27,711	25,786	(1,925)	(6.9)%	(1,484)	(441) 29.7%
Enterprise Planning and Infrastructure	44,679	41,660	(3,019)	(6.8)%	(2,758)	(261) 9.5%
Housing and Environment	41,198	40,399	(799)	(1.9)%	(790)	(9) 1.1%
Education Culture and Sport	173,409	172,725	(684)	(0.4)%	(708)	24 (3.4)%
Social Care and Wellbeing	120,060	117,823	(2,237)	(1.9)%	(1,936)	(301) 15.5%
Total Service Budgets	407,878	399,208	(8,670)	(2.1)%	(7,674)	(996) 13.0%
Total Corporate Budgets	37,026	43,827	6,801	18.4%	3,729	3,072 82.4%
Total Net Expenditure	444,904	443,035	(1,869)	(0.4)%	(3,945)	2,076 (52.6)%
Funding:						
General Revenue Grant & NDRI	(338,269)	(339,001)	(732)	(0.2)%	0	(732) 0.0%
Council Tax and Community Charge Arrears	(106,635)	(107,943)	(1,308)	(1.2)%	(15)	(1,293) (8620.0)%
Total Funding	(444,904)	(446,944)	(2,040)	(0.5)%	(15)	(2,025) (13500.0)%
General Fund surplus for the year	0	(3,909)	(3,909)		(3,960)	51 (1.3)%