

ABERDEEN CITY COUNCIL

COMMITTEE:	Finance and Resources
DATE:	6 December 2012
DIRECTOR:	Stewart Carruth
TITLE OF REPORT:	Revenue Budget 2012/13 Monitoring
REPORT NUMBER:	CG/12/129

1. PURPOSE OF REPORT

- 1.1. The purpose of this report is to inform Members on the current financial position for the Council and the initial forecast outturn for financial year 2012/13 and to highlight areas of risk and management action that have been identified by directors.

2. RECOMMENDATION(S)

It is recommended that the Committee:

1. note the content of the report;
2. agree to allocate the current forecast surplus to an earmarked financial reserve, in line with the financial reserves strategy, approved at the last meeting of the Committee; and
3. instruct Directors to maintain the tight cost control arrangements, that are presently in place, to ensure the budget forecast is delivered.

3. FINANCIAL IMPLICATIONS

- 3.1 The indications are that with expenditure and income for the period to end of September being controlled and the delivery of savings options progressing positively the Council will achieve a balanced budget for the year and produce a surplus of £5 million. In line with the financial reserves strategy setting this sum aside for financial risks will protect the Council from future uncertainties.
- 3.2 Risks do exist, from the potential of non-delivery of savings options in a few areas of the budget to winter / road maintenance costs substantially exceeding budget because of harsh winter weather. Contingency funds remain uncommitted to the value of £2 million in the General Fund budget and this provides assurance that the forecast outturn can be achieved should a financial consequence arise.

- 3.3 Where expenditure can be maintained within budget during the remainder of the year and contingencies are not needed then the opportunity exists for the Council to deliver an increased contribution to the General Fund and this continues to be monitored on a monthly basis by the Corporate Management Team.
- 3.4 If the current forecast was achieved in the year then the Uncommitted General Fund balances at year end would be maintained at £11.3 million. This is in line with the minimum value that is recommended and previously set, which is defined as 2.5% of the net revenue budget. This is based on an evaluation of current economic climate and general financial environment in which the Council operates.

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 and scrutiny 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 This report builds on the last report to the Committee and enables Members to consider and scrutinise the Council's overall financial position, with specific reference to the General Fund, for this financial year (2012/13). During the year the Corporate Management Team has received reports on the financial performance and is aware of the current forecast and the risks that exist.
- 5.2 This report considers the forecast outturn for the Council as a whole and this builds upon information and analysis provided to the individual Service Committees that have been considered during the current cycle of meetings.
- 5.3 Information within this report provides a high level expenditure forecast for the consideration of Members and presents actual financial figures to the end of September 2012 and the forecasts based thereon.
- 5.4 Appendix A includes a summary of the overall Council projected position.

Financial Position

- 5.5 In overall terms the statement at Appendix A shows the Council is managing expenditure within the overall budget and the forecast shows that by the year end initial indications are that a surplus will be achieved, with this being used to benefit the Council in future years – through the creation of a financial risks reserves as part of the earmarked General

Fund. The value attached to this is £5 million. The under spending represents approximately 1.1% of budget.

- 5.6 The most significant risks and matters arising from the figures that are presented include the following:
- 5.7 Enterprise, Planning and Infrastructure (EP&I) present a favourable variance forecast arising from strong income generation from shared buildings and also improved building warrant application fees, offset by lower than budgeted income in relation to advertising income. Staff costs provide further savings through vacancy management arrangements, while operating costs for vehicle leases and energy budgets are adding to the positive performance. A saving of £1.1 million is forecast as possible.
- 5.8 The key risk for EP&I is in relation to winter maintenance, which is currently forecast to be overspent based on the cost of a mild winter, such as that experienced in 2011/12. Beyond this the service would require a contribution from the Council contingency.
- 5.9 Education, Culture and Sport (EC&S) is forecast to keep expenditure within its budget and is based on a range of small savings across the service portfolio, overall approximately £1 million. Specific savings such as probationer teachers savings and a saving due to the timing of the re-opening of the Tullos Swimming Pool offset costs associated with additional pupil support assistants and out of authority placements, the numbers of which remain volatile. Out of authority placements remain one of the key in-year risks for the EC&S service.
- 5.10 Corporate Governance (CG) also shows a forecast underspend of £1 million, this being generated in the main from workforce management, including close consideration of vacancy management, while additional savings are forecast based on supplies and services, property and courses expenditure that has been experienced to date. Income is forecast to be below budget, this arising from recharges for support and shared services.
- 5.11 Social Care & Wellbeing (SC&W) reports that a balanced budget position is achievable, although this is based on cost pressures in the staffing and commissioning of services. Income forecasts are strong particularly through grants and contributions that are now expected and telecare costs are lower than budget providing a positive impact on the overall forecast.
- 5.12 The key risks for SC&W are in relation to the purchasing of care, both the volatility of out of authority placements for children and the need for care of older people, whether delivered by internal or external services.

- 5.13 Housing and Environment (H&E) forecast that an underspend against budget of £2.6 million is achievable. While substantial savings are anticipated on waste disposal, due to the level of tonnages and costs being better than had been budgeted, this is offset by a shortfall in income in relation to the construction consultancy services, based on activity levels in the first third of the year. Other savings arise in the area of homelessness resulting from a range of cost reductions including lower use of bed and breakfast accommodation, improved rent collection for temporary homelessness flats and staff costs. Risks for the future include the cost of waste disposal and further consideration of this area of service delivery is being undertaken by the CMT.
- 5.14 The Corporate budgets which are made up of funding to Joint Boards, Council Expenses and funding set aside for contingencies show an overspending position of £0.8 million. This arises from savings associated with the corporate management and accounting of capital financing costs (£2 million), offset by a shortfall in the trading operations surpluses, primarily due to a prudent approach to the surpluses forecast in Building Services and Car Parking. Early calculations of potential changes to the bad debt and equal pay provisions have also been taken into account when forecasting these budget outturns.
- 5.15 Overall funding to the council is forecast to be in line with budgeted levels and while it should be noted that the Scottish Government introduced the Business Rates Incentivisation Scheme (BRIS) – which offers the opportunity to retain increased proportions of Non-Domestic Rates (NDR) – no additional sum has been included in the overall forecast. Clarification is being sought from the Scottish Government on some of the detailed aspects of the scheme and once received it is expected further consideration can be given to this. (The current forecast for NDR income is based on the Scottish Government guaranteed minimum amount)
- 5.16 The revenue budget 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.
- 5.17 The figures outlined reflect progress on achieving approved budget savings options of approx. £18.5 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

- 5.18 As the financial year progresses it is imperative that Services continue to deliver the Priority Based Budgeting saving options that are included within Service budgets. Indications are that while there are a number of areas of risk Services are 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.
- 5.19 Services should be looking ahead with planning and implementation activity being in place to continue to provide robust financial forecasts and to mitigate risks as far as possible.
- 5.20 The Council is to clarify the detail of the BRIS and to further determine the impact, if any, this will have on the Council's financial position.
- 5.21 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.

6. SERVICE & COMMUNITY IMPACT

- 6.1. As a recognised top priority the Council must balance its budget. Therefore, Services are expected to work within a financial constraint as defined by their annual budgets.

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;

APPENDIX A

ABERDEEN CITY COUNCIL 2012/13

FINANCIAL MONITORING

As at end of September 2012	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	1,167	637	726	89	1,154	(13)	(1.11%)
Corporate Governance	28,520	15,053	14,327	(726)	27,471	(1,049)	(3.68%)
Enterprise Planning and Infrastructure	51,935	20,917	19,636	(1,281)	50,784	(1,151)	(2.22%)
Housing and Environment	36,854	16,731	15,837	(894)	34,260	(2,594)	(7.04%)
Education Culture and Sport	173,380	83,106	76,508	(6,598)	172,353	(1,027)	(0.59%)
Social Care and Wellbeing	121,786	60,363	59,671	(692)	121,713	(73)	(0.06%)
Total Service Budgets	413,642	196,807	186,705	(10,102)	407,735	(5,907)	(1.43%)
Total Corporate Budgets	38,033	16,514	15,453	(1,061)	38,804	771	2.03%
Total Net Expenditure	451,675	213,321	202,158	(11,163)	446,539	(5,136)	(1.14%)
Funding:							
<u>Government Support:</u>							
General Revenue Grant & Non-Domestic Rates	(343,964)	(171,982)	(171,575)	407	(343,891)	73	0.02%
<u>Local Taxation:</u>							
Council Tax & Community Charge Arrears	(107,711)	(53,856)	(58,218)	(4,362)	(107,723)	(12)	(0.01%)
Total Funding	(451,675)	(225,838)	(229,793)	(3,955)	(451,614)	61	0.01%
Net Impact on General Fund (Surplus)/Deficit	0	(12,517)	(27,635)	(15,118)	(5,075)	(5,075)	
Transfer to / (from) Earmarked GF Reserve	0	0	0	0	5,000	5,000	
Transfer to / (from) Uncommitted GF Reserve	0	0	0	0	0	0	
Net Impact on Budget (Surplus)/Deficit	0	(12,517)	(27,635)	(15,118)	(75)	(75)	

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	Balance at 1/4/12	%age of Net Budget	Projected Movement in Year	Projected Balance at 31/3/13	%age of Net Budget
Earmarked General Fund Reserve	(20,083)		(5,000)	(25,083)	
Uncommitted General Fund Reserve	(11,290)	2.50%	0	(11,290)	2.50%
Budget (Surplus)/Deficit Unallocated	0		(75)	(75)	
Total General Fund	(31,373)		(5,075)	(36,448)	