

## ABERDEEN CITY COUNCIL

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**COMMITTEE:** Finance and Resources

**DATE:** 13 June 2013

**DIRECTOR:** Stewart Carruth

**TITLE OF REPORT:** Revenue Budget Financial Monitoring – Year End 2012/13

**REPORT NUMBER:** CG/13/072

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### 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 2012/13 financial year. The values reflect a 'Near Actual' position for the year, as reported to management, and the report outlines a number of further adjustments that have been applied when preparing the Draft Statement of Accounts for 2012/13.

### 2. RECOMMENDATION(S)

- 2.1 It is recommended that the Committee:
- a) note the positive year end Revenue Budget position for the financial year 2012/13;
  - b) note that the Draft Statement of Accounts for 2012/13 will be presented to Council at its meeting of 26 June 2013 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 Elected 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 2012/13 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 The Council has made use of earmarked revenue reserves to mitigate risks and to provide funding for specific projects in future years. This continues to be the case and the Council agreed in October 2012 to set up a Financial Risk Reserve in order to fund, if necessary, identified risks arising in the 2013/14 budget setting process, and to earmark an estimated sum of £5 million. The final calculation of the sum required amounts to £5.541 million and this has been set aside as a specific earmarked sum.
- 3.3 The balance of the surplus has been earmarked to support the de-risking of the balance sheet and provide cash backed reserves to cover guarantees given by the Council.

#### **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 Elected 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 the financial year 2012/13 the Committee has received regular reports on the financial performance of the General Fund – Revenue and Trading Services - ensuring that Elected Members are aware of the financial performance of the Council.
- 5.1.2 This report is a 'Near Actual' position, as reported to management, with the final position being completed for presenting as part of the annual Statement of Accounts.
- 5.1.3 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.
- 5.1.4 This means that the Draft Statement of Accounts for 2012/13, which is prepared in accordance with Accounting Codes of Practice, requires to be submitted by 30 June 2013 to Audit Scotland.
- 5.1.5 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 25 April 2013 the Committee reviewed the financial performance of the Council in relation to its General Fund Revenue Budget for financial year 2012/13, which was based on expenditure to the end of February 2013 (Period 11).
- 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 position for the consideration of Elected Members and presents actual financial figures to the end of March 2013 taking account of the various year end entries, accruals and other transactions that are necessary to ensure compliance with the Accounting Code of Practice.
- 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 £5.7 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, which has arisen from both the lower value of expenditure on capital projects and, through treasury management, the reduction in the loans pool interest rate that applies to the cost of borrowing.
- 5.2.8 There is also a reduction in the value of requisitions from the three Joint Boards. The savings from the Corporate Budgets provided positive in-year variances to enable a review of the overall financial standing of the Council and the commitments that it has in the short and medium term future. The amended funding agreement for the Western Peripheral Route is particularly relevant and where opportunities exist these are taken to support working towards a strategy of reducing overall General Fund debt levels.
- 5.2.9 Also included in the Corporate Budgets were in-year contingencies. It was identified in the last report that where these remained uncommitted then the risks of the unknown impact of Welfare Reform on the Council could be mitigated by setting this sum aside and a value of £2 million has been earmarked for this purpose.

- 5.2.10 During 2012/13 significant savings were achieved in Service budgets, with all Services delivering savings against budget. This has had the benefit of enabling the Council to support future capital investment and asset management planning, with fleet replacement and the waste disposal strategy being particularly prominent.
- 5.2.11 Overall £5.2 million of the Service budget savings have allowed contributions to be made to the Capital Fund to support the future capital investment programme.
- 5.2.12 Areas of Service expenditure that had significant variance from budget included savings from the continued emphasis on staff management, with the consequential saving in staff costs being achieved. In critical areas of service delivery these cost reductions are offset by 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
- 5.2.13 Enterprise, Planning and Infrastructure (EP&I) and Housing and Environment (H&E) were affected in different ways by the General Services and Housing capital works, with EP&I achieving increased, and therefore above budget, architectural design fee receipts while H&E experiencing design fees that were lower than budget. This has been as a result of the profile of capital works included in the two capital programmes during the year.
- 5.2.14 Social Care and Wellbeing was the only Service to experience higher than budget staff costs and resulted from redundancy costs borne by Learning Disability services and the need to cover care at home packages, rather than external agencies delivering them, as they were affected by the availability of staff. The costs of commissioned services particularly in Adult Services, exceeded budget due to the need for and costs associated with services. These were offset by the management of other budget areas such as supplies and services, transport and positive income generation from fees and charges.
- 5.2.15 Housing and Environment benefited from lower waste disposal costs due to lower than budget rates and tonnages. The homelessness and supporting people budgets have also been underspent although the Service has a shortfall in income levels and this reduces the value of the overall under spend.
- 5.2.16 Education Culture and Sport achieved savings across the portfolio of services and through the Devolved Education Management (DEM) arrangements a sum of £600,000 has been drawn down from the earmarked reserves into 2012/13 in support of schools. The schools committed expenditure to supplies and services and per-capita budgets to support their operational needs.

5.2.17 The services delivered under the heading of Trading Operations have been reported throughout the year as making a significant 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 surplus that the Corporate Budgets receive. The main impact was in Building Services where a rebate was paid back to the Housing Revenue Account.

5.2.18 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 funds 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 2011/12 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. For accounting purposes the Road Maintenance trading account was retained until 31 March 2012, which meant that a further change was incorporated into financial year 2012/13 in relation to trading operations.

5.3.4 The trading operations in place for 2012/13 were:

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

5.3.5 In 2012/13 the total contribution made to the General Fund by the trading operations was £11.4 million.

5.3.6 While Car Parking and the Letting of Commercial properties have an external customer base, Building Services is operated 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.

- 5.3.7 The value of rebates returned to the General Fund in 2012/13 was £nil (with £1.6 million being returned to the Housing Revenue Account).

## **5.4 Summary**

- 5.4.1 Demonstrating strong fiscal management by the Corporate Management Team throughout the year there is a positive year end financial position, which 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 The outturn has enabled the Council to consider costs that it may incur that had not yet been built into the 2013/14 budget. For example, at its meeting on 25 April 2013 the Committee were advised that by retaining the contingencies contained within the budget for 2012/13 there would be an opportunity to set aside funding to mitigate the risk of there being an impact on the Council from Welfare Reform and in presenting this 'Near Actual' position a sum of £2 million has been incorporated into the figures.
- 5.4.4 As a part of the year end procedures, provisions for bad debt, equal pay and waste disposal, amongst others, have been reviewed to ensure they are adequate and relevant adjustments have been incorporated into the reported position. Similarly a review of guarantees provided by the Council is undertaken and where appropriate backed by cash reserves to ensure the Council maintains a robust and sustainable financial position and strong balance sheet.
- 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 2013/14. In light of the funding changes to Police and Fire services in Scotland the net budget of the Council has reduced and therefore the retention of £11.3 million as uncommitted reserves represents 2.7% of the 2013/14 net revenue budget.

## **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 2012/13;  
Redetermination letters received from the Scottish Government;  
Previous reports to Finance and Resources Committee on General Fund

## APPENDIX A

### ABERDEEN CITY COUNCIL FINANCIAL YEAR 2012/13 - YEAR END STATEMENT

As at 31 March 2013	Annual Budget 2012/13	Near Actual 2012/13	Variance from Budget		Forecast Variance at P11	Variance from Last Month	
	£'000	£'000	£'000	%	£'000	£'000	%
<b>Services:</b>							
Office of Chief Executive	1,167	1,049	(118)	(10.1)%	(111)	(7)	6.3%
Corporate Governance	27,806	25,755	(2,051)	(7.4)%	(1,519)	(532)	35.0%
Enterprise Planning and Infrastructure	40,450	39,106	(1,344)	(3.3)%	(1,300)	(44)	3.4%
Housing and Environment	33,456	29,351	(4,105)	(12.3)%	(4,151)	46	(1.1)%
Education Culture and Sport	160,388	158,974	(1,414)	(0.9)%	(1,321)	(93)	7.0%
Social Care and Wellbeing	119,923	119,740	(183)	(0.2)%	(834)	651	(78.1)%
<b>Total Service Budgets</b>	<b>383,190</b>	<b>373,975</b>	<b>(9,215)</b>	<b>(2.4)%</b>	<b>(9,236)</b>	<b>21</b>	<b>(0.2)%</b>
<b>Total Corporate Budgets</b>	<b>68,485</b>	<b>72,419</b>	<b>3,934</b>	<b>5.7%</b>	<b>4,504</b>	<b>(570)</b>	<b>(12.7)%</b>
<b>Total Net Expenditure</b>	<b>451,675</b>	<b>446,394</b>	<b>(5,281)</b>	<b>(1.2)%</b>	<b>(4,732)</b>	<b>(549)</b>	<b>11.6%</b>
<b>Funding:</b>							
General Revenue Grant & NDRI	(343,964)	(344,369)	(405)	(0.1)%	(405)	0	0.0%
Council Tax and Community Charge Arrears	(107,711)	(107,720)	(9)	(0.0)%	(12)	3	25.0%
<b>Total Funding</b>	<b>(451,675)</b>	<b>(452,089)</b>	<b>(414)</b>	<b>(0.1)%</b>	<b>(417)</b>	<b>3</b>	<b>0.7%</b>
<b>General Fund surplus for the year</b>	<b>0</b>	<b>(5,695)</b>	<b>(5,695)</b>		<b>(5,149)</b>	<b>(546)</b>	<b>10.6%</b>