ABERDEEN CITY COUNCIL

COMMITTEE:	Finance, Policy and Resources
DATE:	26 September 2013
ACTING DIRECTOR:	Paul Fleming
TITLE OF REPORT:	Council Budget 2013/14 Monitoring
REPORT NUMBER:	CG/13/106

1. PURPOSE OF REPORT

1.1. The purpose of this report is to inform Elected Members on the current financial position for the Council and the initial forecast outturn for financial year 2013/14 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 and endorse the content of the report; and
2. agree to use any uncommitted revenue surplus to benefit the funding of the Council's capital investment requirements as set out in the 5 year capital programme.

3. FINANCIAL IMPLICATIONS

3.1 The early indications are that with expenditure and income for the period to end of July being controlled and the delivery of savings options progressing positively the Council will achieve a balanced budget for the year and generate an overall underspend of £4 million.

3.2 This sum is before £1 million has been earmarked for the Music Hall, as agreed by Council at its meeting of 26 June 2013.

3.3 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 £1.8 million in the General Fund budget and this provides assurance that the forecast outturn can be achieved should a financial consequence arise from the risks that exist.

3.4 An additional sum exists in the event that a national pay award is agreed, the value is the equivalent of a 1% pay award with effect from 1 April 2013.

3.5 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.

3.6 The recommended level of uncommitted General Fund Revenue reserves is £11.3 million, as approved by the Committee in October 2012. This will be maintained.

3.7 The projected funding for the General Fund Capital programme will come from a range of sources, and which can include Scottish Government capital grant, capital receipts, revenue contributions, capital usable reserves and borrowing.

3.8 The projected capital expenditure of £57.7 million and previous capital expenditure has an impact on the General Fund revenue budget, through the repayment over time of borrowing. As at the end of July 2013 the projection for the capital financing costs is in line with budget. This amounts to 7.3% of the overall 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 Elected 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 is the first opportunity for the Council to consider the overall financial position, with specific reference to the General Fund, for this financial year (2013/14). During the earlier months of 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 Elected Members and presents actual financial figures to the end of July 2013 and the full year forecasts based thereon.

5.4 Appendix A includes a summary of the overall Council projected position.

General Fund Revenue 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 contribution to usable General Fund reserves will be possible. The value attached to this at present is £4 million. The under spending represents approximately 0.9% 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 planning and building warrant application fees, offset by lower than budgeted income in relation to advertising income. Staff costs provide considerable savings through vacancy management arrangements, while operating costs for property repairs and school transport savings are also in evidence. A highlighted cost pressure is in relation to the achievement of savings in fleet management which has been caused due to the progress in reducing the age of the vehicle fleet.

5.8 The key risk for EP&I is in relation to the timing of forecasts and the fact that there remains a degree of uncertainty in relation to key areas such as income for the design team based on the capital programme, property repairs based on early billing information and school transport contracts that are regularly re-tendered, changing the contract price profiles. There is also always the uncertainty of the costs of winter maintenance, which are currently assumed to be containable within the roads maintenance budgets.

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 £0.5 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 teacher entitlement changes and out of authority placements, the numbers of which remain volatile. There remains a significant cost pressure in energy costs due to rising costs and is particularly significant in EC&S as its property asset estate is the largest of any Service.

5.10 In addition to the volatility of out of authority placements the key risks are in relation to the pupil rolls and associated teacher numbers, that they remain as predicted, and that schools overall underspend will be in excess of the 2.5% carry forward limit, as this is incorporated into the full year forecast.

5.11 Corporate Governance (CG) also shows a favourable full year forecast, and an overall underspend of £1 million, this being generated in the main from tight staff management, although additional savings are forecast based on administration and supplies and services costs, which have been experienced to date. Income is forecast to be below budget, this arising from recharges for support and shared services.

5.12 Housing and Environment (H&E) forecast that an underspend against budget of £1.5 million is achievable. While significant savings are estimated in the cost of homelessness, based on the volume of people presenting as homeless, there are also savings anticipated in waste disposal, due to the level of tonnages and costs being better than had been budgeted.

5.13 The main risk for H&E is in relation to welfare reform and the unknown impact on homelessness.

5.14 Social Care & Wellbeing (SC&W) reports that a balanced budget position is achievable, although this is based on cost pressures in the commissioning of services. Income forecasts are strong particularly through grants and contributions that are now expected and other areas of expenditure are being managed to ensure that the overall position is in line with budget.

5.15 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.

5.16 As Bon Accord Care and Bon Accord Support Services became operational from 1 August there will be a shift in the operation of SC&W budgets as additional expenditure is incurred in the purchasing of care with a corresponding reduction in the staffing and supplies of delivering care.

5.17 The Corporate budgets which are made up of funding to Capital Financing Costs, the Joint Grampian Valuation Board, Council Expenses, Trading Account surpluses and funding set aside for contingencies shows a slight overspend of £0.1 million. There are income pressures in the trading accounts of both Car Parking and Property Letting and this is having an adverse impact on the overall corporate position and this is offset by anticipating reduced use of corporate contingencies. The costs of borrowing (capital financing costs) are in line with budget at this time having taken account of the current capital expenditure profile for this year and the borrowing entered into for previous years.

5.18 There are £1.8 million of uncommitted contingencies, which 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.

5.19 The figures outlined reflect previously approved Priority Based Budget options which had previously been approved for the year and had been incorporated into the 5 year business plan in earlier financial years.

General Fund Capital Programme

5.20 The Committee will consider in more detail the various projects in the General Fund capital programme for 2013/14.

5.21 In relation to funding the programme a range of options are available to the Council and many of these are used on an annual basis to ensure that the most effective way of funding capital investment is found both in-year and in planning for the future.

5.22 The total anticipated expenditure as at the end of July 2013 is £57.7 million and this is broken down by Service in Appendix B, along with the anticipated funding arrangements.

5.23 The main reason for the significant variance from budget (which includes approved projects carried forward from 2012/13) is because several of the larger new build and refurbishment projects are going to be re-profiled for commencement / delivery in the next financial year.

5.24 In relation to funding this expenditure the Scottish Government capital grants of £16 million will be the first funding stream to be utilised.

5.25 In 2013/14 the other capital financing options that the Council will consider will be contributions from the revenue budget, use of capital receipts and use of the usable capital reserves that exist in the capital fund and capital grants unapplied account. Borrowing will also be considered and, as borrowing has a long term cost, it is the strategy of the Council to reduce the level of debt it carries to ensure a sustainable revenue position for the future.

Management Actions

5.26 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. Early indications are that there are two significant risk areas (namely Fleet Management and Social Care & Wellbeing) but that these are being managed overall through the careful management of other budget areas.

5.27 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.

5.28 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.

Reserves Position

5.29 The Council has a reserves strategy (approved by Finance and Resources Committee in October 2012) that means that £11.3 million of uncommitted reserves on the General Fund should be maintained., with the express intention of ensuring that the Council can deal with unexpected and unplanned expenditure should the need arise.

5.30 The impact on reserves of the current full year forecasts for expenditure and income is that additional resources can be secured to address the commitment to the Music Hall redevelopment (£1 million) and the balance should be used to contribute towards the funding of the capital investment requirements set out in the 5 year capital programme.

6. SERVICE & COMMUNITY 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 have been identified by each Director and reported as necessary through the relevant service committee.

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
2013/14

General Fund Revenue Position

As at 31 July 2013

As at end of July 2013		Year to Date			Forecast to Year End		
Accounting Period 4	**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	864	282	245	(37)	884	20	2.31%
Corporate Governance	27,776	9,538	9,403	(135)	26,822	(954)	(3.43%)
Enterprise Planning and Infrastructure	39,515	15,745	14,727	(1,018)	37,972	(1,543)	(3.90%)
Housing and Environment	36,413	12,138	13,260	1,122	34,943	(1,470)	(4.04%)
Education Culture and Sport	161,895	57,827	53,847	(3,980)	161,369	(526)	(0.32%)
Social Care and Wellbeing	121,461	40,670	40,557	(113)	121,458	(3)	(0.00%)
Total Service Budgets	**387,924**	**136,200**	**132,039**	**(4,161)**	**383,448**	**(4,476)**	**(1.15%)**
Total Corporate Budgets	**33,265**	**479**	**(1,564)**	**(2,043)**	**33,385**	**120**	**0.36%**
Total Net Expenditure	**421,189**	**136,679**	**130,475**	**(6,204)**	**416,833**	**(4,356)**	**(1.03%)**
Funding:							
Government Support-							
General Revenue Grant & Non-Domestic Rates	(321,396)	(107,132)	(110,706)	(3,574)	(321,321)	75	0.02%
Local Taxation-							
Council Tax & Community Charge Arrears	(99,793)	(33,264)	(39,972)	(6,708)	(99,805)	(12)	(0.01%)
Total Funding	**(421,189)**	**(140,396)**	**(150,678)**	**(10,282)**	**(421,126)**	**63**	**0.01%**
Net Impact on General Fund (Surplus)/Deficit	**0**	**(3,717)**	**(20,203)**	**(16,486)**	**(4,293)**	**(4,293)**	
Transfer to / (from) Earmarked GF Reserve	0	0	0	0	1,000	1,000	
Transfer to / (from) Uncommitted GF Reserve	0	0	0	0	0	0	
Net Impact on Budget (Surplus)/Deficit	**0**	**(3,717)**	**(20,203)**	**(16,486)**	**(3,293)**	**(3,293)**	

APPENDIX B

ABERDEEN CITY COUNCIL
2013/14

General Fund Capital Programme

As at 31 July 2013

As at end of July 2013					
Accounting Period 4	**Approved Budget £'000**	**Service Determined Minimum Required £'000**	**Actual Expenditure £'000**	**Variance Amount £'000**	**Percent Spend %**
Services					
Corporate Governance	3,278	2,627	22	(2,605)	0.8%
Education Culture and Sport	12,512	6,582	1,630	(4,952)	24.8%
Enterprise Planning and Infrastructure	37,682	33,509	3,880	(29,629)	11.6%
Housing and Environment	14,742	13,429	461	(12,968)	3.4%
Social Care and Wellbeing	6,446	1,569	172	(1,397)	10.9%
Total Service Budgets	**74,660**	**57,716**	**6,164**	**(51,552)**	**10.7%**
Funding:					
General Capital Grant	(15,807)	(15,807)	(5,269)	10,538	33.3%
Specific Capital Grant	(232)	(232)	0	232	0.0%
Other Capital Financing	(58,621)	(41,677)	(3,835)	27,842	9.2%
Total Funding	**(74,660)**	**(57,716)**	**(9,104)**	**48,612**	**15.8%**
Slippage Required/ (Underspend)	**0**	**0**	**(2,940)**	**(2,940)**	