

ABERDEEN CITY COUNCIL

COMMITTEE: FINANCE AND RESOURCES
DATE: 12 NOVEMBER 2009
REPORT BY: CITY CHAMBERLAIN
TITLE OF REPORT: REVENUE BUDGET 2009/10 MONITORING
REPORT NUMBER: CG/11/121

1. PURPOSE OF REPORT

- 1.1. The purpose of this report is to inform Members on the projected outturn and current financial position for the Council for financial year 2009/10 and to advise on areas of risk and management action that have been highlighted by corporate directors.

2. RECOMMENDATION(S)

It is recommended that the Committee:

1. consider the contents of this report and the implications of the projected figures on the general fund balance; and
2. note and instructs Directors to continue to take cost opportunity reductions during the remainder of the year in order to move the estimated position back in line with the approved budget and to continue to report progress thorough the service budget monitoring reports to Committee.

3. FINANCIAL IMPLICATIONS

- 3.1 As a result of the finalisation of the 2008/09 audit process there has been a positive adjustment to the uncommitted working balances of the Council as at 1 April 2009. These have increased by £1.530 million and now amount to £8.784 million. This represents c2% of the net revenue budget.
- 3.2 Based on the information outlined in this report taking into account exceptional items arising in 2009/10 the uncommitted working balances as a 1 April 2010 would, currently, be broadly in line the position at the start of the year ie £8.7 million.

4. SERVICE & COMMUNITY IMPACT

- 4.1. As a recognised top priority the Council must take the necessary measures to balance its budget. Therefore, Services work within a financial constraint and every effort is being focused on delivering services more efficiently and effectively.
- 4.2. Opportunities to balance the budget will be identified by each Director and reported as necessary to the relevant service committee.

5. OTHER IMPLICATIONS

- 5.1. 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.
- 5.2. The Council is currently reviewing the number of its employees through a voluntary severance / early retirement scheme and during the year the costs associated with this will be met from the earmarked sums committed against the General Fund balance.

6. REPORT

- 6.1. The Budget Monitoring Board has, during the year, received a number of reports on the financial position of the Council and the associated risks that exist for the delivery of a balanced budget from within each Service.
- 6.2. This report considers the projected outturn for the Council as a whole and this builds from the individual Service Committee reports that have been considered during the current cycle of meetings.
- 6.3. Information within this report provides a high level expenditure projection for the consideration of Members and presents actual financial figures to the end of August 2009 and the projections based thereon. Appendix A includes a summary of the overall Council projected position as well as supporting schedules in relation to the variances that are currently identifiable for each Service.

Financial Position

- 6.4. In overall terms the statement at Appendix A shows a net position c£300k after taking account of savings in corporate budgets and exceptional one-off items to a total value of c. £10 million that will mitigate operational budgets cost pressures projected to exceed budget by £10.227 million.

- 6.5 Pressure on the budgets is clearly visible from the figures specifically in cost of providing and commissioning social care, and in the reduction in the amount of income being received for planning and building application fees and reductions in income being received by the sport centres. The services forecast out-turns are reflecting these pressures in the current economic climate.
- 6.6 The figures outlined reflect progress on achieving approved budget savings of £27 million which were incorporated into the budget and also assume a full commitment at this stage against corporate budgeted contingencies.

One-off/ Exceptional items

- 6.7 In relation to the corporate budgets that the Council holds there are one-off opportunities to recover the position. These being in relation to
- a favourable impact on the financial position, Capital Financing Costs (see 6.8 below)
 - VAT.(see 6.9 below)
- 6.8 As a result of work undertaken by our Treasury Advisors, there was a window of opportunity linked to market conditions in which we have benefited from the rescheduling of a loan. That, linked with lower capital expenditure in 2008/09 than had been used to calculate the 2009/10 revenue budget means that there is an overall £6.3 million favourable variance against these budgets in 2009/10. This position is captured under Miscellaneous Services and is unsustainable beyond this year.
- 6.9 As a result of a review of past VAT claims, (mostly prior to Aberdeen City Council being formed) from recent case law the Council has benefited from a number of claims submitted to HMRC. These are in relation to a number of areas – most significantly in relation to sporting and cultural exemption. To date the Council has received £3.7 million.
- 6.10 While this provides a very positive impact on the net position it must be acknowledged that savings on one budget heading of this scale are infrequent and are one off savings. Therefore it remains important that the Council works continually to address the financial challenges that it faces in service provision and delivery.

Management Actions

- 6.11 The following actions are being undertaken across and within services to currently to address the unfavourable operational budget position:
- Vacancy Management - the filling of all vacant posts is being scrutinised and authorised by the Corporate Management Team
 - Reviewing and limiting payments for overtime and agency staff
 - Minimising and tightening spend on discretionary supplies and services

- The Director for Social Care and Wellbeing will authorise and agree with the Head of Service any admissions for older people, learning disability and children
- Undertaking a review of forward commitments on secure placements by Social Care and Wellbeing

6.12 It is recommended that the Committee consider the contents of this report and instruct Directors to ensure that cost reduction opportunities are taken during the remainder of the year in order to move the estimated position back in line with the approved budget

7. AUTHORISED SIGNATURE

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9. BACKGROUND PAPERS

Financial ledger data extracted for the period, and service committee reports on financial monitoring;

ABERDEEN CITY COUNCIL
REVENUE MONITORING 2009 / 2010

Figures in Brackets represent income or a favourable variance

DIRECTORATE : ALL

| AS AT | 31-Aug-09 | ANNUAL BUDGET | EXPENDITURE/INCOME TO DATE | | | PROJECTION TO YEAR END | | | Note |
|---|-----------|------------------|----------------------------|------------------|-----------------|------------------------|--------------------|----------------|------|
| | | | PLANNED | ACTUAL | VARIANCE | PROJECTED TOTALS | PROJECTED VARIANCE | | |
| ACCOUNTING PERIOD 5 | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | % | |
| Corporate Governance | | 23,015 | 11,619 | 11,024 | (595) | 22,701 | (314) | (1.4%) | 1 |
| Education Culture and Sport | | 174,217 | 67,264 | 60,312 | (6,952) | 175,548 | 1,331 | 0.8% | 2 |
| Enterprise, Planning & Infrastructure | | 48,027 | 20,010 | 6,037 | (13,973) | 49,536 | 1,509 | 3.1% | 3 |
| Housing and Environment | | 31,508 | 13,128 | 9,138 | (3,990) | 31,788 | 280 | 0.9% | 4 |
| Social Care and Wellbeing | | 111,509 | 46,254 | 49,055 | 2,801 | 118,999 | 7,490 | 6.7% | 5 |
| Office of the Chief Executive | | 945 | 393 | 380 | (13) | 876 | (69) | (7.3%) | 6 |
| TOTAL OPERATIONAL BUDGETS | | 389,221 | 158,668 | 135,946 | (22,722) | 399,448 | 10,227 | 2.6% | |
| Miscellaneous Services | | 9,662 | 613 | (3,453) | (4,066) | 3,254 | (6,408) | (66.3%) | 7 |
| Council Expenses | | 2,441 | 1,110 | 655 | (455) | 2,441 | 0 | 0.0% | |
| Revenue Contribution to Capital | | 1,571 | 0 | 0 | 0 | 1,571 | 0 | 0.0% | |
| Joint Boards | | 40,595 | 16,915 | 19,515 | 2,600 | 40,543 | (52) | (0.1%) | |
| Contingency Provision | | 3,187 | 0 | 0 | 0 | 3,187 | 0 | 0.0% | |
| Ward Budgets | | 43 | 18 | 7 | (11) | 43 | 0 | 0.0% | |
| Trading Operations | | (7,201) | (4,844) | 4,996 | 9,840 | (6,973) | 228 | (3.2%) | |
| TOTAL CORPORATE BUDGETS | | 50,298 | 13,812 | 21,720 | 7,908 | 44,066 | (6,232) | (12.4%) | |
| Exceptional item - VAT | | 0 | 0 | (3,700) | (3,700) | (3,700) | (3,700) | 0.0% | 8 |
| TOTAL NET BUDGET/EXPENDITURE | | 439,519 | 172,480 | 157,666 | (14,814) | 439,814 | 295 | 0.1% | |
| FUNDED BY : | | | | | | | | | |
| <u>GOVERNMENT SUPPORT</u> | | | | | | | | | |
| General Revenue Grant and Non-Domestic Rate Income | | (333,426) | (160,116) | (160,717) | (601) | (333,426) | 0 | 0.0% | |
| <u>LOCAL TAXATION</u> | | | | | | | | | |
| Council Tax & Community Charge/ Council Tax Arrears | | (105,960) | (48,158) | (47,894) | 264 | (105,960) | 0 | 0.0% | |
| <u>USE OF RESERVES & BALANCES</u> | | | | | | | | | |
| Use of Reserves & Balances | | (133) | (133) | (133) | 0 | (133) | 0 | 0.0% | |
| TOTAL FUNDING | | (439,519) | (208,407) | (208,744) | (337) | (439,519) | 0 | 0.0% | |
| OVERALL IMPACT ON GENERAL FUND | | 0 | (35,927) | (51,078) | (15,151) | 295 | 295 | | |

NOTES

- 1 Net position principally reflects significant vacancies in staffing which is offset by anticipated reduced income from conveyancing work in respect of property sales for the Housing and General Services capital programmes.
- 2 Principally reflects estimated commitments on out of city placements and expected reduced sports income probably reflecting the credit crunch.
- 3 Reflects the prevailing market conditions and the impact upon planning and building fee income.
- 4 There are a range of variances included in the net figure which includes the purchase of furniture in relation to homelessness strategy funding .
- 5 Principally reflects costs arising from commissioning of services for demand led community care and childrens' out of city placements. This is offset partially from budget savings in administration cost and transport costs.
- 6 Reflects vacant posts during the year.
- 7 Reflects exceptional item in relation to capital financing charges. Detailed in paragraph 6.8 of the main report
- 8 Exceptional item in relation to VAT. Detailed in paragraph 6.9 of the main report