

## ABERDEEN CITY COUNCIL

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**COMMITTEE:** Finance, Policy and Resources  
**DATE:** 5 December 2013  
**DIRECTOR:** Angela Scott  
**TITLE OF REPORT:** Council Budget 2013/14 Monitoring  
**REPORT NUMBER:** CG/13/131

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### 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.
- 1.2. The report also provides an update and recommendation on the value and use of funds returned by the Grampian Police and Grampian Fire and Rescue Joint Boards that were abolished at 31 March 2013.

### 2. RECOMMENDATION(S)

It is recommended that the Committee:

1. note and endorse the content of the report;
2. note the value and agree that the sums, returned at the end of financial year 2012/13 by Grampian Joint Police Board and Grampian Joint Fire and Rescue Board, are earmarked by the Council to contribute towards the funding of the overall capital investment strategy of the Council in future years; and
3. approve the re-profiling of the general fund capital plan to reflect the total gross cost and appropriate partner contributions towards the Hydrogen Bus Project in the 5 year capital plan, rather than the net cost to the Council.

### 3. FINANCIAL IMPLICATIONS

- 3.1 The early 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 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 relation to the anticipated national pay award agreement, the value is the equivalent of a 1% pay award with effect from 1 April 2013. This has now been agreed and costs will be reflected in the monitoring statements with effect from November 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 £64.1 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 September 2013 the projection for the capital financing costs, including repayment of debt is in line with budget. This amounts to 7.3% of the overall net revenue budget.
- 3.9 The Finance Policy and Resources Committee at its last meeting agreed that underspending, over and above the commitment to the Music Hall, would be set aside to aid the funding of the capital investment requirements that the Council has in the forthcoming years and includes the approval given to the Strategic Infrastructure Plan and the Western Peripheral Route.

- 3.10 Following the abolition of the Police and Fire & Rescue Joint Boards at 31 March 2013 the closure of their accounts presented surpluses which are made up of Committed and Uncommitted sums. The committed sums are to be transferred for the benefit of Police Scotland to meet those commitments that exist. The uncommitted sums have been redistributed to the constituent Local Authorities and Scottish Government in proportion to the funding arrangements that existed.
- 3.11 Following the audit of the 2012/13 accounts it has been confirmed that Aberdeen City Council will retain sums of £303K (from Grampian Police) and £411K (from Grampian Fire & Rescue). As the Council has an extensive capital investment programme already in place it is recommended that these sums are retained for use in the funding of the capital investment programme, which incorporates the Strategic Infrastructure Plan.

#### **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 second opportunity for the Council to consider the overall financial position, with specific reference to the General Fund, for this financial year (2013/14). Throughout 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 September 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 £0.4 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 variable. 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 £0.8 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 £1.6 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. The impact of welfare reform remains unclear too.
- 5.16 As Bon Accord Care and Bon Accord Support Services became operational from 1 August there has been 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. There is no specific change in the cost associated with these services in this financial year.
- 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 an overspend of £0.5 million.

- 5.18 There are income pressures in all the trading accounts, Building Services, 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, the borrowing entered into for previous years and the repayment of debt.
- 5.19 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 suitable degree of protection against unexpected or unplanned expenditure being incurred.
- 5.20 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**

- 5.21 The overall position of the General Fund capital programme for 2013/14 is reported at a high level to enable Elected Members to see the progress that is being made in the delivery of the programme.
- 5.22 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.
- 5.23 The total anticipated expenditure as at the end of September 2013 is £64.1 million and this is broken down by Service in Appendix B, along with the anticipated funding arrangements.
- 5.24 There has been an increase in the revised capital budget for 2013/14. This is due to the cost now reflecting the gross cost of the project and the income increasing too, to reflect secured partner contributions to the project. This leaves the overall net position the same but improves the clarity of the financial monitoring. It is recommended that this re-profiling is approved and incorporated into the 5 year capital programme.
- 5.25 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.
- 5.26 In relation to funding this expenditure the Scottish Government capital grants of £16 million will be the first funding stream to be utilised.

- 5.27 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**

- 5.28 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.
- 5.29 Services should be looking ahead with planning and implementation activity being in place to continue to provide robust financial forecasts, to progress operational changes and savings included in the 5 year business plan and to mitigate risks as far as possible.
- 5.30 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**

- 5.31 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.
- 5.32 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 is to be used to contribute towards the funding of the capital investment requirements of the Council, as incorporated in the 5 year business plan, Strategic Infrastructure Plan and Western Peripheral Route.
- 5.33 The Council at its meeting of 26 June 2013 agreed that officers report on the outcome of the external audit process for Grampian Joint Police Board and confirm how any retained sums are to be used. This follows the abolition of the Joint Board, with effect from 31 March 2013.

- 5.34 Following the external audit process it has been confirmed that Grampian Joint Police Board is able to redistribute funding to the constituent Local Authorities and Scottish Government in proportion to the funding it received. This means that £303K is to be returned to Aberdeen City Council.
- 5.35 A similar position exists in relation to the Grampian Joint Fire and Rescue Board and using a similar methodology the Council is in receipt of £411K as its share of the surplus as at 31 March 2013.
- 5.36 The commitment that the Council has to the capital investment programme, incorporating the Strategic Infrastructure Plan, is considerable over the next 5 years and as such it is important to secure the most effective and sustainable funding solution over that period. In line with the financial strategy of debt reduction it is recommended that the sums received from the Police and Fire & Rescue Joint Boards are retained for use by the Council to support the funding requirements to which it is already committed. In doing this it will ensure that the revenue implications of borrowing over the course of the investment programme are reduced.

## **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. Each Director reports on a regular basis to their service committee, providing the opportunity to consider the financial position and impact in more detail.

## **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 30 September 2013

As at end of September 2013	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 %
<b>Services</b>							
Office of Chief Executive	864	423	392	(31)	853	(11)	(1.27%)
Corporate Governance	27,791	14,322	13,777	(545)	27,020	(771)	(2.77%)
Enterprise Planning and Infrastructure	40,086	22,395	20,217	(2,178)	38,200	(1,886)	(4.70%)
Housing and Environment	36,399	18,200	17,203	(997)	34,844	(1,555)	(4.27%)
Education Culture and Sport	161,260	83,315	78,009	(5,306)	160,816	(444)	(0.28%)
Social Care and Wellbeing	121,071	60,771	60,611	(160)	121,053	(18)	(0.01%)
<b>Total Service Budgets</b>	<b>387,471</b>	<b>199,426</b>	<b>190,209</b>	<b>(9,217)</b>	<b>382,786</b>	<b>(4,685)</b>	<b>(1.21%)</b>
<b>Total Corporate Budgets</b>	<b>33,718</b>	<b>2,441</b>	<b>(1,339)</b>	<b>(3,780)</b>	<b>34,240</b>	<b>522</b>	<b>1.55%</b>
<b>Total Net Expenditure</b>	<b>421,189</b>	<b>201,867</b>	<b>188,870</b>	<b>(12,997)</b>	<b>417,026</b>	<b>(4,163)</b>	<b>(0.99%)</b>
<b>Funding:</b>							
<u>Government Support-</u>							
General Revenue Grant & Non-Domestic Rates	(321,396)	(160,698)	(159,908)	790	(321,396)	0	0.00%
<u>Local Taxation-</u>							
Council Tax & Community Charge Arrears	(99,793)	(49,896)	(58,327)	(8,431)	(99,805)	(12)	(0.01%)
<b>Total Funding</b>	<b>(421,189)</b>	<b>(210,594)</b>	<b>(218,235)</b>	<b>(7,641)</b>	<b>(421,201)</b>	<b>(12)</b>	<b>(0.00%)</b>
<b>Net Impact on General Fund (Surplus)/Deficit</b>	<b>0</b>	<b>(8,727)</b>	<b>(29,365)</b>	<b>(20,638)</b>	<b>(4,175)</b>	<b>(4,175)</b>	
Transfer to / (from) Earmarked GF Reserve	0	0	0	0	4,175	4,175	
Transfer to / (from) Uncommitted GF Reserve	0	0	0	0	0	0	
<b>Net Impact on Budget (Surplus)/Deficit</b>	<b>0</b>	<b>(8,727)</b>	<b>(29,365)</b>	<b>(20,638)</b>	<b>0</b>	<b>0</b>	

**ABERDEEN CITY COUNCIL  
2013/14**

**General Fund Capital Programme**

**As at 30 September 2013**

<b>As at end of September 2013</b>					
<b>Accounting Period 6</b>	<b>Approved Budget £'000</b>	<b>Service Determined Minimum Required £'000</b>	<b>Actual Expenditure £'000</b>	<b>Variance Amount £'000</b>	<b>Percent Spend %</b>
<b>Services</b>					
Corporate Governance	3,278	2,627	22	(2,605)	0.8%
Education Culture and Sport	12,512	6,875	3,434	(3,526)	49.3%
Enterprise Planning and Infrastructure	43,882	39,713	8,957	(30,756)	22.6%
Housing and Environment	14,742	13,180	595	(12,585)	4.5%
Social Care and Wellbeing	6,446	1,572	186	(1,386)	11.8%
<b>Total Service Budgets</b>	<b>80,860</b>	<b>64,052</b>	<b>13,195</b>	<b>(50,857)</b>	<b>20.6%</b>
<b>Funding:</b>					
General Capital Grant	(15,807)	(15,807)	(7,904)	7,904	50.0%
Specific Capital Grant	(232)	(232)	0	232	0.0%
Other Capital Financing	(64,821)	(48,013)	(5,895)	42,118	12.3%
<b>Total Funding</b>	<b>(80,860)</b>	<b>(64,052)</b>	<b>(13,798)</b>	<b>50,254</b>	<b>21.5%</b>
<b>Slippage Required/ (Underspend)</b>	<b>0</b>	<b>0</b>	<b>(604)</b>	<b>(604)</b>	