

ABERDEEN CITY COUNCIL

COMMITTEE: Finance, Policy and Resources
DATE: 20 February 2014
DIRECTOR: Angela Scott
TITLE OF REPORT: Council Budget 2013/14 Monitoring
REPORT NUMBER: CG/14/028

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 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 the actions being taken by directors to ensure Council is subject to robust financial management..

3. FINANCIAL IMPLICATIONS

- 3.1 The forecasts are that with expenditure and income for the period to end of December 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 £5 million (up from £4 million in the last report).
- 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 contingency 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. With the exception of teachers this has now been agreed and costs will be reflected in the monitoring statements in the latter part of the financial year.
- 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 comes from a range of sources, and will can include Scottish Government capital grant, capital receipts, revenue contributions, usable capital reserves and borrowing.
- 3.8 The projected capital expenditure of £47.6 million (down from £64.1 million in the last report) 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 December 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 October 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.

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 third 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 December 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 £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 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 £0.3 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 £2.9 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 favourable full year forecast budget position is achievable with a value of £0.5 million. 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 £1.9 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 additional repayment of debt. A review of the insurance fund will be required at the end of the year following a number of high value transactions being processed during 2013/14, the forecast anticipates an additional contribution to £2 million being required.
- 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 December 2013 is £47.6 million and this is broken down by Service in Appendix B, along with the anticipated funding arrangements.
- 5.24 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.
- 5.25 In relation to funding this expenditure the Scottish Government capital grants of £16 million will be the first funding stream to be utilised.
- 5.26 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

- 5.27 As the financial year begins to draw to a close it is imperative that Services continue to deliver the Priority Based Budgeting saving options that are included within Service budgets and maintain firm control of the income and expenditure.
- 5.28 The key year end dates in relation to ordering are widely known across the Council and these should be adhered to produce an effective and efficient closure of the accounts as at 31 March 2014.
- 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 on the financial position following the conclusion of the financial year.

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.

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

Jonathan Belford
Corporate Accounting Manager
jbelford@aberdeencity.gov.uk
01224 522573

8. BACKGROUND PAPERS

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

**ABERDEEN CITY COUNCIL
2013/14**

**General Fund Revenue Position
As at 31 December 2013**

As at end of December 2013	Year to Date			Forecast to Year End			
Accounting Period 9	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	634	564	(70)	823	(41)	(4.75%)
Corporate Governance	27,755	21,502	20,557	(945)	26,934	(821)	(2.96%)
Enterprise Planning and Infrastructure	40,125	31,424	29,699	(1,725)	37,939	(2,186)	(5.45%)
Housing and Environment	36,399	27,299	24,268	(3,031)	33,540	(2,859)	(7.85%)
Education Culture and Sport	161,294	122,350	116,760	(5,590)	160,978	(316)	(0.20%)
Social Care and Wellbeing	121,071	90,889	89,316	(1,573)	120,540	(531)	(0.44%)
Total Service Budgets	387,508	294,098	281,164	(12,934)	380,754	(6,754)	(1.74%)
Total Corporate Budgets	33,714	3,736	(857)	(4,593)	35,628	1,914	5.68%
Total Net Expenditure	421,222	297,834	280,307	(17,527)	416,382	(4,840)	(1.15%)
Funding:							
<u>Government Support-</u>							
General Revenue Grant & Non-Domestic Rates	(321,429)	(241,047)	(239,863)	1,184	(321,429)	0	0.00%
<u>Local Taxation-</u>							
Council Tax & Community Charge Arrears	(99,793)	(74,845)	(85,330)	(10,485)	(99,805)	(12)	(0.01%)
Total Funding	(421,222)	(315,892)	(325,193)	(9,301)	(421,234)	(12)	(0.00%)
Net Impact on General Fund (Surplus)/Deficit	0	(18,058)	(44,886)	(26,828)	(4,852)	(4,852)	
Transfer to / (from) Earmarked GF Reserve	0	0	0	0	4,852	4,852	
Transfer to / (from) Uncommitted GF Reserve	0	0	0	0	0	0	
Net Impact on Budget (Surplus)/Deficit	0	(18,058)	(44,886)	(26,828)	0	0	

Assumptions:

- Year to date**
- In the Service and Corporate Budgets accruals have been applied as at the end of December for material items and significant areas of service;
 - Council Tax income is generally collected over the first 10 months of the year therefore is shown to be ahead of budget as at the end of December;
 - The 1% pay award for non-teaching staff was paid at the end of November and is included in the year to date figures.

- Forecast Outturn**
- The 1% pay award forecast, due to timing, has been removed from services as there is a specific contingency held within the Corporate Budgets that has been forecast to cover this in full. This will be amended to ensure it is aligned to actual expenditure in the Services for future periods;
 - Known commitments and expenditure plans have been taken into account in relation to the forecasts;
 - Accounting staff have undertaken regular meetings with budget holder and have sought to confirm as far as possible the planned expenditure within Services, the outcome of these discussions are included in the forecast outturn;
 - It has been forecast that the use of contingencies may be required before the end of the financial year therefore expenditure has been estimated to cover such a need;

**ABERDEEN CITY COUNCIL
2013/14**

**General Fund Capital Programme
As at 31 December 2013**

As at end of December 2013					
Accounting Period 9	Approved Budget £'000	Service Determined Minimum Required £'000	Actual Expenditure £'000	Variance Amount £'000	Percent Spend %
Services					
Corporate Governance	3,278	596	62	(534)	10.3%
Education Culture and Sport	12,512	5,008	5,056	48	101.0%
Enterprise Planning and Infrastructure	43,882	36,333	13,745	(22,588)	37.8%
Housing and Environment	14,742	4,671	2,261	(2,410)	48.4%
Social Care and Wellbeing	6,446	972	191	(781)	19.6%
Total Service Budgets	80,860	47,580	21,314	(26,266)	44.8%
Funding:					
General Capital Grant	(15,807)	(15,807)	(11,914)	3,893	75.4%
Specific Capital Grant	(232)	(232)	0	232	0.0%
Other Capital Financing	(64,821)	(31,541)	(9,400)	22,141	29.8%
Total Funding	(80,860)	(47,580)	(21,314)	26,266	44.0%
Slippage Required/ (Underspend)	0	0	0	0	

Assumptions:

Actual Exp. - Expenditure has been shown on a cash basis, i.e. transactions completed prior to the end of December are reflected in the values shown;
- The total value of grant received has been recorded and this is balanced by other capital financing, which will be finalised at the year end.

Service Det. Min. - Known commitments and expenditure plans have been taken into account in relation to the Service Determined Minimum values;
- Accounting staff have undertaken regular meetings with budget holder and have sought to confirm as far as possible the planned expenditure within Services, the outcome of these discussions are included in the forecast outturn;
- The Corporate Asset Group reviews the values on a regular basis.