

ABERDEEN CITY COUNCIL

COMMITTEE	Finance, Policy & Resources
DATE	6 May 2014
DIRECTOR	Angela Scott
TITLE OF REPORT	Council General Fund Monitoring 2013/14
REPORT NUMBER:	CG/14/063
CHECKLIST RECEIVED	Yes

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)

- 2.1 It is recommended that the Committee note the report.

3. FINANCIAL IMPLICATIONS

- 3.1 In relation to revenue, the forecasts are that with expenditure and income for the period to end of February being controlled and the delivery of savings options having progressed positively the Council will generate an underspend against budget of £6 million (up from £5 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 and also before £0.4 million has been earmarked for Aberdeen's Greenspace Strategy and In Bloom agenda by Housing and Environment Committee at its meeting of 11 March 2014.
- 3.3 The Finance, Policy and Resources Committee at its October meeting agreed that any underspend that was uncommitted at the year-end 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.
- 3.4 Few risks now exist as the financial year has come to an end and the risks are related to something unexpected being identified as a part of

the full and proper closure of the accounts and the external audit process that will occur thereafter.

- 3.5 Contingency funds remain of £1.7 million that will protect the overall position against any year end risks and provide an opportunity for further contribution to fund the capital investment strategy should these not be required.
- 3.6 An additional contingency exists in relation to the anticipated national pay award agreement was built into the budget, the value is the equivalent of a 1% pay award with effect from 1 April 2013. All pay awards have now been agreed and the costs will be incorporated into the final financial position. The total cost of funding the pay award in 2013/14 will be less than budgeted due to the Council having vacancies throughout the year.
- 3.7 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 and the value of this reserve will be reviewed as part of the year end process.
- 3.8 In relation to capital, 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.
- 3.9 The projected capital expenditure of £46.0 million (down from £47.6 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. Capital repayments amount to 7.3% of the overall net revenue budget.
- 3.10 Due to the low level of capital expenditure against budget it is anticipated that a substantial number and value of capital projects will require to be carried forward and this will be reported on following the closure of the accounts and a review of capital profiles has been carried out.

4. OTHER IMPLICATIONS

- 4.1 Managing the Council's financial position in a stable and sustainable way means that its legal responsibilities can be met. It enables the Council to be confident in preparing for the future and planning ahead.

5. BACKGROUND/MAIN ISSUES

- 5.1 This is the fourth opportunity for the Committee 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 remain.

- 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 February 2014 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 £6 million. The under spending represents approximately 1.4% 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 (£2 million) 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.
 - 5.9 Education, Culture and Sport (EC&S) is forecast to keep expenditure within its budget and generate an overall saving of approximately £1 million. Specific savings such as probationer teachers and vacancy management savings along with centrally held education and exam fee budgets have been supplemented by a saving due to the timing of the re-opening of the Tullos Swimming Pool and pool hire costs. These have been offset by costs associated with teacher entitlement changes and out of authority placements, where the numbers have remained variable throughout the year. 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 The key risks for EC&S the overall outturn for each school as this impacts on the value of carry forward that is part of the Devolved Education Management (DEM) scheme.
- 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 Risks for CG relate to potential income shortfalls as year-end actual expenditure is used in a range of calculations that are estimated throughout the year.
- 5.13 Housing and Environment (H&E) forecast that an under spend against budget of £2.4 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. Trading standards and environmental health report savings in administration and travel costs, lower spend on contaminated land and increased mortuary income.
- 5.14 H&E has key risks in relation to final waste tonnage volumes and final work in progress figures that are calculated for Building Services.
- 5.15 Social Care & Wellbeing (SC&W) reports that a favourable full year forecast budget position is achievable with a value of £1.2 million. This is based on cost pressures in the commissioning of services, particularly in relation to children placed in residential schools outside the authority. 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.
- 5.16 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. Final calculations will take account of actual care delivered which may vary from that which has been commissioned, understandably these are complex calculations and assumptions are used throughout the year as part of the forecasting process.
- 5.17 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.

- 5.18 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 £2 million.
- 5.19 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 and the forecast anticipates an additional contribution to £2 million being required.
- 5.20 There are £1.7 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 expenditure being identified as part of the year end process.
- 5.21 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

- 5.22 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.
- 5.23 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.
- 5.24 The total anticipated expenditure as at the end of February 2014 is £46.0 million and this is broken down by Service in Appendix B, along with the anticipated funding arrangements.
- 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.
- 5.28 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

- 5.29 As the financial year has drawn to a close the processes and procedures now ensure that budget holders provide the necessary Service input while the accounting staff will complete the preparation of the formal Draft Statement of Accounts that will be presented for external audit prior to the end of June 2014.
- 5.30 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.

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 to the Aberdeen Greenspace Strategy and In Bloom agenda (£0.4 million) with 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. 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. MANAGEMENT OF RISK

- 7.1 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.

- 7.2 The risks that remain in relation to the year-end financial position and closure of the accounts arise due to the potential for unexpected matters to emerge through the process or where the external auditor identifies material issues during their work.

8. BACKGROUND PAPERS

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

9. REPORT AUTHOR DETAILS

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ABERDEEN CITY COUNCIL
2013/14

General Fund Revenue Position
As at 28 February 2014

As at end of February 2014	Full Year Revised Budget £'000	Year to Date			Forecast to Year End		
		Revised Budget £'000	Actual Expenditure £'000	Variance Amount £'000	Forecast Outturn £'000	Variance Amount £'000	Variance Percent %
Accounting Period 11							
Services							
Office of Chief Executive	871	782	664	(118)	742	(129)	(14.81%)
Corporate Governance	28,061	26,540	24,647	(1,893)	27,051	(1,010)	(3.60%)
Enterprise Planning and Infrastructure	40,341	37,314	35,608	(1,706)	38,337	(2,004)	(4.97%)
Housing and Environment	36,652	33,598	29,719	(3,879)	34,246	(2,406)	(6.56%)
Education Culture and Sport	161,685	148,845	143,697	(5,148)	160,553	(1,132)	(0.70%)
Social Care and Wellbeing	121,513	111,375	110,139	(1,236)	120,236	(1,277)	(1.05%)
Total Service Budgets	389,123	358,454	344,474	(13,980)	381,165	(7,958)	(2.05%)
Total Corporate Budgets	32,099	3,137	(617)	(3,754)	34,165	2,066	6.44%
Total Net Expenditure	421,222	361,591	343,857	(17,734)	415,330	(5,892)	(1.40%)
Funding:							
Government Support:							
General Revenue Grant & Non-Domestic Rates	(321,429)	(294,643)	(295,216)	(573)	(321,429)	0	0.00%
Local Taxation:							
Council Tax & Community Charge Arrears	(99,793)	(91,477)	(96,848)	(5,371)	(99,805)	(12)	(0.01%)
Total Funding	(421,222)	(386,120)	(392,064)	(5,944)	(421,234)	(12)	(0.00%)
Net Impact on General Fund (Surplus)/Deficit	0	(24,529)	(48,207)	(23,678)	(5,904)	(5,904)	
Transfer to / (from) Earmarked GF Reserve	0	0	0	0	5,904	5,904	
Transfer to / (from) Uncommitted GF Reserve	0	0	0	0	0	0	
Net Impact on Budget (Surplus)/Deficit	0	(24,529)	(48,207)	(23,678)	0	0	

Assumptions:

Year to date

- In the Service and Corporate Budgets accruals have been applied as at the end of February 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 February;
- 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 28 February 2014

As at end of February 2014					
Accounting Period 11	Approved Budget £'000	Service Determined Minimum Required £'000	Actual Expenditure £'000	Variance Amount £'000	Percent Spend %
Services					
Corporate Governance	3,278	221	114	(107)	51.5%
Education Culture and Sport	12,512	5,876	5,279	(697)	88.3%
Enterprise Planning and Infrastructure	63,937	34,942	27,340	(7,602)	78.2%
Housing and Environment	14,742	4,576	3,219	(1,357)	70.3%
Social Care and Wellbeing	6,446	319	319	0	100.0%
Total Service Budgets	100,915	46,034	36,270	(9,764)	78.8%
Funding:					
General Capital Grant	(14,102)	(14,102)	(13,637)	465	96.7%
Specific Capital Grant	(232)	(232)	(55)	177	23.7%
Other Capital Financing	(86,581)	(31,700)	(22,578)	9,122	71.2%
Total Funding	(100,915)	(46,034)	(36,270)	9,764	66.7%
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 February 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.