

ABERDEEN CITY COUNCIL

COMMITTEE	Finance, Policy & Resources
DATE	23 April 2015
ACTING DIRECTOR	Ewan Sutherland
TITLE OF REPORT	Council General Fund Monitoring 2014/15
REPORT NUMBER:	CG/15/50
CHECKLIST RECEIVED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to:-

- i) inform Elected Members on the current financial position for the Council and the forecast outturn for financial year 2014/15, highlighting areas of risk and management action that have been identified by directors.

2. RECOMMENDATION(S)

It is recommended that the Committee:-

- i) notes the report; and
- ii) notes that as previously agreed, the Head of Finance will review and consider the overall 2014/15 position of the council and take the appropriate action necessary to ensure the council is suitably financially prepared for future revenue and capital investment purposes; and
- iii) agree that following review of the 2014/15 final position and in consultation with the Capital Project Monitoring Group, revisions be made to the capital programme to take account of carried forward commitments from 2014/15 for the continuation of existing projects.

3. FINANCIAL IMPLICATIONS

- 3.1 In relation to revenue, it is forecast that with expenditure and income for the period to the end of February 2015 being controlled and the delivery of savings options progressing positively the Council will generate an underspend against budget of £6 million.

- 3.2 At the meeting of the Council on 5 February 2015 it was approved that the sum of £2.93 million be earmarked for reclaiming social work. The Head of Finance considers it prudent to retain the uncommitted underspend pending final review of the year end position and consideration of future liabilities the council may have e.g. holiday pay, to ensure the council is suitably prepared to meet its future liabilities.
- 3.3 The recommended level of uncommitted General Fund revenue reserves is £11.3 million, as approved by the Committee in October 2012 and this will continue to be maintained.
- 3.4 In relation to capital, the projected funding for the General Fund capital programme comes from a range of sources, including Scottish Government capital grant, capital receipts, revenue contributions, usable capital reserves and borrowing.
- 3.5 The projected capital expenditure of £63 million and previous capital expenditure has an impact on the General Fund revenue budget, through the repayment of borrowing. The budgeted capital financing costs amount to 6.73% of the overall net revenue budget.
- 3.6 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 quantified 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 the financial year 2014/15. The Corporate Management Team receives monthly reports on 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, building on information and analysis provided to the individual Service Committees during the current cycle of meetings.
- 5.3 The information in this report presents the actual financial figures to the end of February 2015 and the full year forecasts based thereon for the consideration of Elected Members.
- 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 which represents an underspend of approximately 1.3% of the net expenditure budget.
- 5.6 The most significant risks and matters arising from the figures that are presented include the following:
- 5.6.1 Corporate Governance (CG) shows a favourable full year forecast of £1.3 million due to favourable variances in a number of areas, particularly staff costs and income which is forecast to be above budget in relation to recharges for support and shared services. Housing Benefits is currently predicted to be within budget. This is a demand led service which makes it difficult to predict costs and whilst the majority of expenditure is recovered from the DWP there is a cost to the Council.
- 5.6.2 Enterprise, Planning and Infrastructure (EP&I) presents a favourable forecast of £1.3 million arising largely from staff costs which provide considerable savings through vacancy management arrangements and strong income generation from planning and building warrant application fees. The net operating costs of catering and roads are forecast to be lower than budget whilst conversely, there are cost pressures in relation school transport and in fleet services.
- 5.6.3 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 and school catering where there may be an adverse impact from the introduction of free school meals in January 2015 if the funding from the Scottish Government, which will be calculated on a national average price per meal, does not fully fund the cost. Additional costs in relation to the hearing affecting Fleet Services have not been fully quantified and may adversely affect the forecast outturn.
- 5.6.4 Housing and Environment (H&E) forecast that an under spend against budget of £2.1 million is achievable. This is largely due to savings from on-going staff vacancies, reduced use of the Furniture Purchase Scheme and increased income from services provided. This is offset by the costs of using hotel accommodation for homeless clients.
- 5.6.5 H&E has key risks in relation to assumptions made around staffing levels, generation of fee income and levels of homeless presentations.
- 5.6.6 Education, Culture and Sport (EC&S) is forecast to keep expenditure within its budget and generate an overall saving of approximately £0.5 million. Specific savings around probationer teachers, vacancy management, payments to pre school providers along with a number of centrally held education budgets have been offset by costs associated

with out of authority placements which based on current commitment levels is in excess of the budget, lower than anticipated childcare income and higher costs in relation to teachers long term absences.

- 5.6.7 In addition to the volatility of out of authority placements, the key risk for EC&S is in relation to 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. Arrangements have been put in place to enable schools to set aside monies for ICT in advance of the appropriate connectivity.
- 5.6.8 Social Care & Wellbeing (SC&W) currently reports an adverse full year forecast budget position of £0.5 million which incorporates a number of significant over and underspends. There is a particular cost pressure in the commissioning of services, particularly in relation to children placed in residential schools outside the authority and in adults' needs services where there is an anticipated shortfall in savings to be achieved from service redesign. Conversely income forecasts are strong particularly through grants and contributions that are now expected, whilst running costs including staff costs are predicted to show favourable variances across a number of areas.
- 5.6.9 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 fluctuations in demand make this a difficult area to predict. This is exacerbated by on-going difficulties in identifying the cost of some services and the accuracy of data held in Carefirst.
- 5.6.10 The Corporate budgets, which are made up of funding of Capital Financing Costs, the Joint Grampian Valuation Board, Council Expenses, Trading Account surpluses and funding set aside for contingencies, shows an underspend of £0.9 million. This reflects the anticipated reduced use of corporate contingencies and reduced costs of borrowing (capital financing costs) against budget taking account of capital expenditure profiles.

General Fund Capital Programme

- 5.7 The overall position of the General Fund capital programme for 2014/15 is reported at a high level to enable Elected Members to see the progress that is being made in the delivery of the programme.
- 5.8 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.
- 5.9 The total anticipated expenditure for the year as at the end of December 2014 is £63 million and this is broken down by Service in Appendix B, along with the anticipated funding arrangements.

- 5.10 The main reason for the significant variance from budget (which includes approved projects carried forward from 2013/14) is because a number of roads related and zero waste strategy projects are going to be re-profiled for commencement / delivery in the next financial year.
- 5.11 In relation to funding this expenditure the Scottish Government general capital grant of £24.9 million will be the first funding stream to be utilised.
- 5.12 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.
- 5.13 Borrowing will also be considered and, as borrowing has a long term revenue cost, it is the strategy of the Council to reduce the level of debt which contributes towards sustaining a stable financial position for the future.
- 5.14 Whilst there is a significant in year variance against the capital programme budget it is important that funding is secured to enable the continuation of projects spanning more than one financial year.
- 5.15 Following finalisation and review of the General Fund programme in the latter stages of the year end process and further scrutiny by the Capital Project Monitoring Group, it is requested that approval be given to carry forward and re-profile budgets as necessary subject to overall project budgets remaining unchanged.

Management Actions

- 5.16 As the financial year draws to a close the year end progresses and procedures will ensure that budget holders provide the necessary input while accounting staff will complete the preparation of the draft annual accounts.
- 5.17 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

- 5.18 The Council has a reserves strategy (approved by Finance and Resources Committee in October 2012) 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.
- 5.19 The impact on reserves of the current full year forecasts for expenditure and income is that additional resources can be secured to address commitments to reclaiming social work (£2.93 million) with the balance to be used to contribute towards specific future projects as identified during the year end process and the funding of the capital

investment requirements of the Council, as incorporated in the 5 year capital programme and the Strategic Infrastructure Plan.

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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APPENDIX A

ABERDEEN CITY COUNCIL 2014/15

General Fund Revenue Position As at 28 February 2015

Aberdeen City Council Year End 2014/15

As at end of February 2015	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	943	851	744	(107)	757	(186)	(19.72%)
Corporate Governance	29,623	28,139	25,617	(2,522)	28,295	(1,328)	(4.48%)
Enterprise Planning and Infrastructure	40,560	37,463	36,188	(1,275)	39,296	(1,264)	(3.12%)
Housing and Environment	36,444	33,407	32,362	(1,045)	34,379	(2,065)	(5.67%)
Education Culture and Sport	171,882	158,631	150,654	(7,977)	171,327	(555)	(0.32%)
Social Care and Wellbeing	124,750	114,416	114,999	583	125,315	565	0.45%
Total Service Budgets	404,202	372,907	360,564	(12,343)	399,369	(4,833)	(1.20%)
Miscellaneous Services	40,338	10,650	7,825	(2,825)	39,183	(1,155)	(2.86%)
Council Expenses	2,137	1,479	1,516	37	2,757	620	29.01%
Joint Boards	1,512	1,386	1,304	(82)	1,434	(78)	(5.16%)
Contingencies	1,402	1,276	0	(1,276)	0	(1,402)	(100.00%)
Trading Surpluses	(13,630)	(12,496)	(11,142)	1,354	(13,486)	144	(1.06%)
Use of Reserves & Balances	(6,032)	(5,530)	0	5,530	(5,929)	103	(1.71%)
Other	0	0	0	0	826	826	0.00%
Total Corporate Budgets	25,727	(3,235)	(497)	2,738	24,785	(942)	(3.66%)
Total Net Expenditure	429,929	369,672	360,067	(9,605)	424,154	(5,775)	(1.34%)
Funding:							
<u>Government Support:</u>							
General Revenue Grant & Non-Domestic Rates	(329,585)	(302,120)	(299,948)	2,172	(329,585)	0	0.00%
<u>Local Taxation:</u>							
Council Tax & Community Charge Arrears	(100,344)	(91,982)	(100,569)	(8,587)	(100,349)	(5)	(0.00%)
Total Funding	(429,929)	(394,102)	(400,517)	(6,415)	(429,934)	(5)	(0.00%)
Net Impact on General Fund (Surplus)/Deficit	0	(24,430)	(40,450)	(16,020)	(5,780)	(5,780)	
Transfer to / (from) Earmarked GF Reserve	0	0	0	0	5,780	5,780	
Transfer to / (from) Uncommitted GF Reserve	0	0	0	0	0	0	
Net Impact on Budget (Surplus)/Deficit	0	(24,430)	(40,450)	(16,020)	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; and
- 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.

Forecast Outturn

- Known commitments and expenditure plans have been taken into account in relation to the forecasts; and
- 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.

**ABERDEEN CITY COUNCIL
2014/15**

**General Fund Capital Programme
As at 28 February 2015**

As at end of February 2015					
Accounting Period 11	Approved Budget £'000	Service Determined Minimum Required £'000	Actual Expenditure £'000	Variance Amount £'000	Percent Spend %
Services					
Corporate Governance	2,162	627	563	(64)	89.9%
Education Culture and Sport	13,976	8,160	5,085	(3,075)	62.3%
Enterprise Planning and Infrastructure	80,523	50,097	40,902	(9,195)	81.6%
Housing and Environment	13,435	3,092	2,667	(425)	86.3%
Social Care and Wellbeing	2,307	924	74	(850)	8.0%
Total Service Budgets	112,403	62,900	49,292	(13,608)	78.4%
Funding:					
General Capital Grant	(24,607)	(24,607)	(22,233)	2,374	90.4%
Specific Capital Grant	(13,268)	(3,310)	(2,309)	1,001	69.8%
Other Capital Financing	(74,528)	(34,983)	(24,749)	10,234	70.7%
Total Funding	(112,403)	(62,900)	(49,292)	13,608	78.4%
Slippage Required/ (Underspend)	0	0	0	0	

Assumptions:

- Actual Expenditure** - Expenditure has been shown on a cash basis, i.e. transactions completed prior to the end of February are reflected in the values shown; and
- 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 Determined Minimum** - 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 holders 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; and
 - The Capital Project Monitoring Group reviews the values on a regular basis.