

ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	6th October 2016
INTERIM DIRECTOR	Richard Ellis
TITLE OF REPORT	General Fund Revenue Budget Projections 2017/18 – 2019/20
REPORT NUMBER:	CG/16/125
CHECKLIST RECEIVED:	Yes

1. PURPOSE OF REPORT

The purpose of this report is to provide Council with details of the current General Fund Revenue budget projections for the next three financial years 2017/18 to 2019/20.

2. RECOMMENDATION(S)

It is recommended that the Committee:-

- i) note the financial projections contained within this report;
- ii) note that further projections and actions will be reported as part of the budget setting process; and
- iii) note the intention to move the Council's budget setting meeting to a later date than currently planned and that this meeting will include General Fund, HRA, Common Good and the Pension Fund.

3. FINANCIAL IMPLICATIONS

General Fund

- 3.1 Work has been ongoing to progress with the 2017/18 budget for a number of months.
- 3.2 A 2017/18 base budget has been built up and Directorate function reviews undertaken including previously modelled and new growth and savings proposals.
- 3.3 Current indications are that the Scottish Government will await the UK Government's Autumn Statement on 23rd November 2016 before issuing financial settlement figures to council's most likely in late December 2016. It is further anticipated that a one year settlement will be provided.

- 3.4 With the funding position as yet uncertain and likely to remain so until December 2016, we have and will continue to develop different stress tested scenarios and identify options to ensure that we meet our statutory requirement to present a balanced budget in February 2017 with proposals to meet our commitments.
- 3.5 At this stage our ongoing modelling is based on the following option:

A year-on-year reduction in funding from Scottish Government of 2%, and an annual increase in Council Tax of 3%;

This approach provides the following projections which are also attached as Appendix 1 to this report but shown in International Financial Reporting Standard format (i.e. as per the Council's accounts):

	2017/18	2018/19	2019/20
	£'000	£'000	£'000
Net Cost of Services	466,609	480,199	493,598
Funding	(447,513)	(455,905)	(463,109)

	2017/18	2018/19	2019/20
	£'000	£'000	£'000
Budget (Surplus)/Deficit	19,096	24,294	30,489

- 3.5 A number of assumptions have been made when projecting likely spend for 2017/18 including:

2017/18 Pay Award – an assumed 1% increase has been allowed for.

Living Wage – a contractual uplift has been assumed in relation to social care.

Apprenticeship Levy – the impact of the introduction of the levy has been factored into the base budget.

Utilities – a contractual uplift has been applied.

Demographics and Demand – increases have been factored in to reflect pupil numbers, increase in demand for Children's Services and the impact on services of increased households in the City.

Capital Investment – the revenue impact of investment in assets has been included.

- 3.6 The budget is an iterative process and at this point some of the details around saving proposals are at place holder level only, with full service options being worked up as specific items are approved for progression.

3.7 Engagement sessions have been held with trade unions, additional sessions have also been run within directorates. A zone page has also been developed to encourage staff to raise ideas for the budget on the ideas hub.

3.8 In addition to the above and taking account of the scale of savings required in future years, a number of specific workstreams are underway:

3.8.1 Transformation Framework

“Doing Different/Better Things” – through directorate specific and enterprise wide options, expressed in terms of our core purpose and customer:

- Directorate – focussing on demand management and supply chain efficiencies; service re-design; alternative service delivery models; and income recovery through fees and charges, grant funding and new business.
- Enterprise – focussing on community empowerment; asset optimisation; supply chain efficiencies; digitisation of our business; embedding the “Shaping Aberdeen” culture; reviewing our corporate support; and exploring entrepreneurial/trading options.

A number of cross cutting options are evolving from this framework.

3.8.2 Maximising Commercial Income

The Council has engaged external assistance to facilitate a review of our existing income streams and an assessment of new income and commercial opportunities. This will not only play a key role in addressing the savings gap, but also build resilience and flexibility to:-

- a) best deliver the council’s strategy and desired outcomes; and
- b) allow the organisation to respond to changing financial context on a more sustained basis

This process is ongoing and will be reported through CMT / ECMT and thereafter to Elected Members at key milestones.

3.9 It is important that a collaborative approach is taken to transformation and that our transformation plans are aligned to our budget. Options put forward need to be considered in the context of corporate priorities, and ideas will need to be developed, prioritised and taken forward in a structured and co-ordinated manner to ensure maximum impact can be achieved.

3.10 A revaluation of the assessment of the rateable value of non-domestic properties will be undertaken in 2017 which may generate additional income which could mitigate against future funding pressures.

Housing Revenue Account (HRA)

3.10 Work is also ongoing to progress with the 2017/18 HRA budget taking account of the 30 year business plan. At this stage, options have been developed such that a balanced position is currently projected.

4. OTHER IMPLICATIONS

- 4.1 The Council is required to set its council tax levels before the 11 March in the financial year preceding that for which it is set as governed by the Local Government Finance Act 1992.
- 4.2 This means that projected expenditure needs to be matched by income. In the absence of a balanced budget the legislation requires that council tax will make up the difference. It would not be lawful for the Council to pass a motion that prevented delayed or frustrated compliance with these obligations.
- 4.3 The Council is required to provide council tenants at least 28 days notice before any change to rental amounts are applied.
- 4.4 The Council is committed to engaging and consulting with stakeholders such as community groups and trade unions, at relevant key stages throughout the budget setting process.

5. BACKGROUND/MAIN ISSUES

- 5.1 The main issues are addressed in section 3 of this report.
- 5.2 Budget Setting Date
The current council diary has the budget setting council meeting scheduled for 2nd February 2017.

As mentioned in paragraph 3.3 above it's now anticipated that settlement figures from the Scottish Government will not be available until late December 2016 which will make it difficult to fully scrutinise and model the impact of the settlement into the budget within the committee reporting timescales.

Therefore, in order to ensure that this process is not compromised and that proper consideration of proposed savings options and consultation with stakeholders can be carried out, it is recommended that the council budget setting meeting be rescheduled to later in February or early March 2017.

It is further recommended that this meeting will consider the General Fund, HRA, Common Good and Pension Fund.

6. IMPACT

Improving Customer Experience –

No direct impact arising from this report. However, robust financial planning and budgeting assists the council to plan and design its services to meet current and future customer needs.

Improving Staff Experience –

No direct impact arising from this report. However, good financial information improves financial management and helps to track how successful initiatives such as service re-design have been.

Improving our use of Resources –

As a recognised top priority the Council must take the necessary measures to balance its budget.

Corporate -

Financial governance is a vital part of ensuring that the resources required to take forward the council's plans and vision are robustly monitored and used effectively.

Public –

This report is likely to be of interest to the public as it concerns the stewardship of the council's financial resources.

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.

8. BACKGROUND PAPERS

None

9. REPORT AUTHOR DETAILS

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