

## ABERDEEN CITY COUNCIL

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COMMITTEE	Finance, Policy & Resources
DATE	1 <sup>st</sup> December 2016
INTERIM DIRECTOR	Richard Ellis
TITLE OF REPORT	Council General Fund Monitoring 2016/17
REPORT NUMBER:	CG/16/133
CHECKLIST RECEIVED:	Yes

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### 1. PURPOSE OF REPORT

This report provides an opportunity to consider the current financial position for the Council and the forecast outturn for the financial year 2016/17, highlighting assumptions made, areas of risk identified and management action to mitigate these risks.

### 2. RECOMMENDATION(S)

It is recommended that the Committee:-

- i) note the financial position contained within this report; and
- ii) approve the amendment to the guarantee as stated in Appendix D (confidential paper).

### 3. FINANCIAL IMPLICATIONS

3.1 The financial position as at the end of September 2016 can be seen at Appendix A.

3.1.2 Current indications are that an underspend of £0.7m against budget is achievable.

3.1.3 Against a background of absorbing cost pressures, a tightening of the financial position of the council is to be expected and this is demonstrated by the current forecast surplus which is less than that seen in previous years.

3.1.4 In arriving at the forecast outturn, a number of assumptions have been made based on currently available data. In addition, a number of key areas have been identified as requiring further in depth analysis by the Service and Finance to understand and assess the impact of demand changes on forecast outturns.

- 3.1.5 Appendix B provides details of these assumptions and areas of risk.
- 3.1.6 The council has a number of earmarked reserves for specific projects. It is currently predicted that £13.7 million of these will be used during 2016/17.
- 3.1.7 Included within earmarked reserves is the Financial Risk Fund of £8.3 million, as agreed during the budget process to provide financial resilience against growing cost pressures. Whilst all mitigating actions will be taken to control expenditure and maximise income, it may be necessary to utilise this reserve to ensure the revenue budget remains in at least a balanced position.

## **3.2 Capital**

- 3.2.1 The financial position as at the end of Sept 2016 can be seen in Appendix C.
- 3.2.2 As the majority of capital projects span more than one financial year, the focus when considering the position of the capital programme takes account of the whole life of projects rather than just the in year position. The exception to this is the rolling programmes which are shown separately in the appendix.
- 3.2.3 Funding comes from a number of sources, including the Scottish Government General Capital Grant, other third party grants and contributions, capital receipts, revenue contributions, usable capital reserves and borrowing. These are managed each year to ensure capital investment is funded in the most effective way, both in year and in planning for the future.
- 3.2.4 At this stage there are a few variances in the programme details of which are provided at Appendix C.

## **3.3 Reserves**

- 3.3.1 The recommended level of uncommitted general fund revenue reserves of £11.3 million, as approved by committee in October 2012, will continue to be maintained. This ensures the Council can deal with unexpected and unplanned expenditure should it arise.
- 3.3.2 The Council sets aside funds for specific projects and for specific purposes. These are commonly referred to as “earmarked reserves” and fall into specific categories – financial risks; specific contingent risks; unspent grant income; specific projects; and the Devolved Education Management scheme.
- 3.3.3 Earmarked reserves include the investment strategy and it is recommended that any uncommitted revenue surplus be set aside for this purpose.

#### 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 second opportunity for the committee to consider the overall financial position, with specific reference to the General Fund, for the financial year 2016/17.
- 5.2 Specific service reports are presented to the relevant service committees and can be referred to for further detailed information.
- 5.3 In addition, the Common Good position is presented to the committee whilst the Housing Revenue Account is considered by the Communities, Housing and Infrastructure committee.
- 5.4 The financial position, assumptions, risks and management actions are detailed in Appendices A, B and C to this report.

#### 6. IMPACT

##### **Improving Customer Experience –**

No direct impact arising from this report.

##### **Improving Staff Experience –**

No direct impact arising from this report.

##### **Improving our use of Resources –**

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.

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

##### **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. This report is part of that framework and has been produced to provide an overview of the current operating position.

## 8. BACKGROUND PAPERS

Financial Ledger Data and Service Monitoring Reports;  
Redetermination letters received from the Scottish Government;

## 9. REPORT AUTHOR DETAILS

Lesley Fullerton, Senior Accountant  
[lfullerton@aberdeencity.gov.uk](mailto:lfullerton@aberdeencity.gov.uk)  
01224 346402

**Aberdeen City Council**

**Corporate Financial Reporting Summary 2016/17**

**APPENDIX A**

As at end of Septembert 2016  Accounting Period 6	Year to Date			Forecast to Year End			
	Revised Budget £'000	Actual Expenditure £'000	Variance Amount £'000	Full Year Revised Budget £'000	Forecast Outturn £'000	Variance Amount £'000	Variance Percent % £'000
<b>Services</b>							
Office of Chief Executive	1,534	1,744	210	3,073	3,073	0	0.00%
Corporate Governance	15,333	15,229	(104)	29,637	28,938	(699)	(2.36%)
Communities, Housing & Infrastructure	43,437	42,704	(733)	86,873	86,864	(9)	(0.01%)
Education & Children's Services	111,628	108,691	(2,937)	218,309	218,299	(10)	(0.00%)
Adult Social Care (IJB)	43,162	41,253	(1,909)	86,296	86,296	0	0.00%
<b>Total Service Budgets</b>	<b>215,094</b>	<b>209,621</b>	<b>(5,473)</b>	<b>424,188</b>	<b>423,470</b>	<b>(718)</b>	<b>(0.17%)</b>
<b>Total Corporate Budgets</b>	<b>(9,441)</b>	<b>(10,023)</b>	<b>(582)</b>	<b>12,892</b>	<b>12,349</b>	<b>(543)</b>	<b>(4.21%)</b>
<b>Total Net Expenditure</b>	<b>205,653</b>	<b>199,598</b>	<b>(6,055)</b>	<b>437,080</b>	<b>435,819</b>	<b>(1,261)</b>	<b>(0.29%)</b>
<b>Funding:</b>							
<u>Government Support:-</u>							
Revenue Support Grant & Non Domestic Rates	(165,423)	(164,770)	653	(330,846)	(330,846)	0	0.00%
<u>Local Taxation:-</u>							
Council Tax & Community Charge Arrears	(53,117)	(61,436)	(8,319)	(106,234)	(105,728)	506	(0.48%)
<b>Total Funding</b>	<b>(218,540)</b>	<b>(226,206)</b>	<b>(7,666)</b>	<b>(437,080)</b>	<b>(436,574)</b>	<b>506</b>	<b>(0.12%)</b>
<b>Net Impact on General Fund (Surplus)/Deficit</b>	<b>(12,887)</b>	<b>(26,608)</b>	<b>(13,721)</b>	<b>0</b>	<b>(755)</b>	<b>(755)</b>	

## APPENDIX B

<b>ASSUMPTIONS &amp; RISKS</b>			
<b>Service</b>	<b>Budget Description</b>	<b>Details</b>	<b>Mitigation/Action Required</b>
Corporate Governance (CG)	Housing Benefits	This is a demand led service which is largely funded by the DWP and Scottish Government (SG). The main area of risk for this budget is Discretionary Housing Payments (DHP) which is experiencing a high level of demand but with only some elements of the scheme likely to be fully funded by DWP/SG monies. At this stage it has been assumed that spend will be fully offset by income received. There is a risk this may not be the case.	Actively manage the award of those elements of the scheme for which external funding is unlikely to be received. Contact SG to make the case for additional DHP funding. Make use of the £2m sum earmarked for Welfare Reform.
Office of the Chief Executive (OCE)	Marketing	Many companies within the oil industry were previously the participants of sponsorship scheme to sponsor roundabouts throughout the City. The decline in the industry has seen a fall in income from this sector. With work being undertaken to identify alternative sources of income it is currently assumed that the 2016/17 budget will be achieved.	Seek alternative sources of income outwith the oil and gas sector.
Communities, Housing Infrastructure (CH&I)	Housing Support/Access	The Council have a statutory obligation to meet specific needs of the homeless. As such this is a demand led service which can fluctuate. To meet the needs of the growth in the number of homeless presentations there are several cost pressures, including the increased costs of property rentals, use of B&B facilities, and commissioning costs to agencies/charities. This represents a risk of overspend as forecasts include assumptions on level of activity.	Continued monitoring of the activities is required for the service to control costs and ensure funds are spent in most efficient method. Due to the downturn in the rental market the service manager is exploring options to provide a more cost effective service.

Service	Budget Description	Details	Mitigation/Action Required
	Design Team	A statutory requirement to upgrade of IT systems and additional consultants fees will put pressure on this budget.	Additional income has been identified which will offset this pressure. The detail behind consultants fees is being reviewed with a view to limiting spend where possible.
	Fleet	An improvement process is ongoing within Fleet to upgrade their vehicles and develop staff. There are currently a number of budget pressures within Fleet in hires and materials.	Measures are being taken by the service to bring the out turn in line with budget including investment in new fleet. Personnel from Finance are working closely with Fleet to assist in the delivery of the improvement plan.
	Waste	A new waste disposal contract has been entered into, which will provide refuse derived fuel and material recycling capabilities. A delay in the start of the contract has resulted in an overspend position due to the additional costs of landfill and reduced market price of recyclates. This is a short term issue which will cease once the new site at Altens East is operational.	Further detailed work is ongoing to assess the impact of absorbing cost pressures to provide greater clarity on which areas of the waste budget can be controlled, whilst also understanding the impact this may have on the provision of the service.
	Transport	Additional staff and consultants fees has put pressure on this budget with an overspend currently forecast.	Currently analysing the details of the projects requiring additional spend to ensure income is maximised and spend is contained as much as possible.
	Planning Income	It is currently assumed that planning income will not reach the increased 2016/17 budgeted level. However, whilst this is a risk it is equally likely that income above that budgeted could materialise.	Continue to monitor economic activity across the city and the impact this could have on the achievement of planning income.

Service	Budget Description	Details	Mitigation/Action Required
Education & Children's Services (E&CS)	DEM	The scheme enables establishments to utilise current year underspends in future years. It has been assumed these budgets will be required in full on the basis that any underspend on devolved budgets will result in a change to the level of earmarked sums.	None required directly although there is a need to monitor budgets to ensure overspends do not occur and that underspends earmarked are kept within the limits of the scheme.
	Out of Authority Placements	The level of commitments on the Out Of Authority Placements budget will vary depending upon a number of factors, including judgements by the Children's Panels or the Additional Support Needs Tribunal. This estimate is likely to fluctuate during the year. Forecasts include assumptions on the period of placements with an overspend currently predicted based on current commitments. There is a risk this may worsen due to increasing care packages costs when new or alternative placements are arranged and/or additional packages are put in place.	Continued monitoring of such placements is essential to control costs going forward. This should include close working with the Children's Panel and Additional Support Needs Tribunal to ensure all options are explored prior to the use of this form of placement.  The Service are currently undertaking a review of their 5 year savings plan, and specifically commissioning and in-house residential costs and income, working on a line by line basis to review all budgets.
	School Escorts	This budget is needs led and relates to staff accompanying children with Special Needs to and from school each day.	The ASN Review implementation has created savings in the transport expenditure for this group of children, but as that element of the budget is held by another service, the costs reduction is not attributable to Education.

Service	Budget Description	Details	Mitigation/Action Required
Adult Social Care (ASC)	Commissioned Services	<p>This needs led budget presents a significant risk to the council with major fluctuations in commitment levels being experienced due to demand pressures and data recording issues.</p> <p>With a 1% increase in adults care packages costing approximately £740k, the pressure on this budget could easily increase.</p>	<p>Whilst it is difficult to predict future demands with certainty, it is imperative that close monitoring of this budget is undertaken to control costs wherever possible.</p> <p>A working group is in place to look at improving data recording which will in turn enhance forecasting in this area And this will dovetail into deep dives about savings in service areas such as Learning Disability.</p> <p>Fluctuations will be contained within the provision for growth and price inflation and if necessary transformational funding for increases in capacity.</p>
	Client Contributions	<p>This income budget is dependant on the financial assessment of clients and is therefore subject to variations arising from the differing financial means of clients. This presents risks in achieving the budgeted level of income.</p>	<p>The number of clients has fallen in nursing and residential care due to deregistration, closure of care homes and a drift towards community based care. Commissioned service budgets are being reviewed and realigned to reflect this.</p> <p>The current list of deregistered properties for both in-house and external providers is being reviewed for completeness by the non-residential financial assessments team to ensure income is optimised.</p>

Service	Budget Description	Details	Mitigation/Action Required
	Rent Income	Rent is received from Social work properties. The IJB is currently undertaking a review of service delivery which could have an impact on current income. It is assumed that this budget will balance for 2016/17 once a review of income budgets has been undertaken.	Under the current service reviews, underspends on expenditure budgets will be identified and offset against shortfalls in income budgets.
Corporate/CH&I	Trading Surpluses	There is a risk that the current downturn in the oil industry may affect the Property Letting market whilst Car Parking is showing signs of falling income.	Building Services – detailed work is undertaken on a regular basis to ensure there is full understanding of job costing and the associated billing position. Property Letting and Car Parking – continued awareness and review of the position is required.
Corporate	Contingency	A number of specific contingency sums are held including credit amounts for savings not allocated specifically to services. For the credit amount in relation to procurement it has been assumed that the savings are included in the forecast actuals of services and thus will not be allocated against the contingency. It has been assumed at this stage that the credit amount in relation to vacancy management will be achieved.	Work is ongoing to verify vacancy management savings. In addition, there should be an alignment of procurement savings identified against service budgets. This has historically proved to be challenging. Continual review of the financial position and any calls on contingency will be undertaken.
Funding	Council Tax	Taking account of the current Council Tax Base it has been assumed that in year income will fall short of that budgeted.	Continued monitoring of base levels to accurately predict expected income.

## APPENDIX C

As at Period 6 2016/17	Figures for Total Project			Pr	Cu
	Approved Budget	Expenditure to Date	Forecast Expenditure		
Non-Housing Capital	£'000	£'000	£'000		
Communities Housing & Infrastructure - Projects	428,166	156,859	426,322	G	G
Communities Housing & Infrastructure - Rolling Programmes	n/a	n/a	n/a	G	G
Corporate Governance	7,557	1,075	7,549	G	G
Education & Children's Services	141,573	41,565	142,255	R	R
Integration Joint Board	4,400	2,348	4,400	G	G
Construction Inflation (Unassigned)	1,195	0	1,195	G	G
	<b>582,891</b>	<b>201,847</b>	<b>581,721</b>		

- Communities, Housing & Infrastructure - the City Broadband project, Accelerate Aberdeen has not performed per expectations in terms of vouchers issued. This is also reflected in the grant receivable from DCMS. The final deadline for submission of Accelerate Aberdeen Connection Vouchers was extended to September 2016. The balance of programme funding has now been ear-marked against a range of projects and these are approaching completion.
- Education & Children's Services - Brimmond Primary opened at the end of October 2015. Project spend has exceeded the original budget profile. However, officers from the E&CS Estates team are reviewing the cost profile to ensure accuracy.
- Education & Children's Services – The Art Gallery remains on schedule for the handover date whilst fundraising income is being monitored on a regular basis.

As at Period 6 2016/17	Approved Budget	Expenditure to Date	Forecast Expenditure
Communities Housing & Infrastructure Rolling Programmes	£'000	£'000	£'000
	<b>22,403</b>	<b>9,483</b>	<b>22,464</b>

- NESTRANS Capital Grant – NESTRANS have re-profiled their spend programme which is now reflected in the grant payment profile.
- Renewal & Replacement of Roads – the budget has been updated for flood design works per the Financial Circular from the Scottish Government. It is assumed that some of these works will fall into future years.