

## ABERDEEN CITY COUNCIL

---

**COMMITTEE:** FINANCE AND RESOURCES  
**DATE:** 10 DECEMBER 2009  
**REPORT BY:** CITY CHAMBERLAIN  
**TITLE OF REPORT:** FINANCIAL STRATEGY - REVENUE BUDGET  
2010/11  
**REPORT NUMBER:** CG/09/175

---

### **1. PURPOSE OF REPORT**

1.1. The purpose of this report is to:

- a) Inform members on the projected base budget position for 2010/11 with the information that has currently been provided by Services in relation to known budget movements;
- b) Provide details of the growth pressures and savings proposals by Services; and
- c) Seek member's agreement to a range of service and financial changes which should be recommended to Council for approval on 16 December 2009 in order to balance the 2010/11 revenue budget.

### **2. RECOMMENDATION(S)**

2.1 It is recommended that members:

- a. consider the contents of this report; and
- b. make recommendations to Council on 16 December 2009 in regard to a package of savings and efficiency options from those outlined to achieve a balanced budget taking account of any growth and feedback from consultation.

2.2 It is also recommended that members give further guidance to Directors on further changes to be explored over the coming weeks in order to identify further possible savings required to achieve a balanced budget.

## **FINANCIAL IMPLICATIONS**

- 3.1. The current forecast out-turn position identifies that further pressure is being experienced by Services in producing a balanced budget for 2009/10. Sustainable alternatives are being sought for the current financial year and the outcomes would clearly have an impact on the 2010/11 budget.
- 3.2. The Council also retains working balances to meet any unforeseen expenses during the financial year. In being prudent the Council aims to retain 2.5% to 3% of net spend which equates to approximately £11.3 to £13.6 million.
- 3.3. The projected level of working balances after taking into account known commitments is currently anticipated to be £10 million or 2.3% of net spend as at 31 March 2010.

## **4. SERVICE & COMMUNITY IMPACT**

- 4.1. As a recognised top priority the Council must continue to take the necessary measures to continue to balance its budget. Therefore, Services are required to work within a financial constraint and every effort is being focused on delivering services more efficiently and effectively and not only on reducing services to individuals and communities.
- 4.2. Options for balancing the budget may have an impact upon service delivery and the wider community and these will be identified through each directorate and are included within this report. These options will ultimately be reported to Council on 16 December 2009 and the 11 February 2010.

## **5. OTHER IMPLICATIONS**

- 5.1. A major impact on the Council's position for 2010/11 is the current economic down turn of the United Kingdom economy and the quantitative easing implemented by the Bank of England to move the country out of recession.
- 5.2. This resulted in a revised national settlement for Scotland for which the detail has now been received. The detail of the settlement is included within this report at paragraph 6.19 to 6.26.
- 5.3. In addition we can anticipate, in future years, a position of significant contracting of public sector funding which will change the shape of and the range of services which can be delivered

- 5.4. It should also be noted that the overall capital allocation has been reduced to reflect the level of capital spend that the Scottish Government accelerated from the financial year 2010/11 to 2009/10. Proposals for the Non-Housing Capital Programme reflecting capital allocation changes will be reported to the Finance and Resources Committee in January 2010 and Council on 11 February 2010.

## 6. REPORT

### Summary – 2010/11 Budget Position

- 6.1 The current position can be summarised in the following table with the caveat that a number of factors may change this position. These include – formal notification of the level of joint board requisitions, the outcome of the Non-Domestic rate revaluation in April 2010, pay awards and decisions on the pace of implementation of Concordat and Single Outcome Agreements (SOA) commitments.

#### 2010/11 General Fund Revenue Budget £ million

<u>Note</u>	<u>Funding</u>	
1	2009/10 Estimated Funding	445.821
2	Review of Council Tax Collectable	0.247
3	Additional General Revenue Grant	4.549
4	Adult Support and Protection Funding	0.650
5	Council Tax Freeze Grant	3.300
		454.567
	<u>Projected Spend</u>	
	Current Estimated Spend (as at 27 November 2009)	470.860
	Add: Cost Risks (Ref to paragraph 6.7 to 6.8)	8.925
		479.785
	Estimated – Savings/Efficiencies target	(25.218)

**Note 1** – This is the current level of funding the Council estimates for the financial year 2009/10.

**Note 2** – A review of Council Tax has been undertaken and it is estimated that there will be a small increase in the Band D equivalent properties for 2010/11 generating additional income. These figures are based on an assumption of a Council tax freeze. .

**Note 3** – The Council has now received formal notification (Finance Circular 12/2009) of the likely level of grant funding from the Scottish Government which they have still to formally ratify.

**Note 4** – Contained within the funding letter received by the Council it has been indicated that funding relating to Adult Support and Protection will be separately provided. This funding does show that the whole of Scotland allocation remains the same as 2009/10, so additional income is anticipated at 2009/10 levels.

**Note 5** – If the Council freezes the Council Tax charge at 2009/10 levels an additional £3.3 million is allocated. It is assumed that the Council will freeze Council Tax levels and therefore be awarded this funding.

- 6.2 It should also be noted that linking into the Medium Term Financial Plan (MTFP) services have identified additional costs totalling approximately £9.1 million. These will have to be scrutinised as part of the budget process to determine which items the Council would wish to add to its cost base. This would increase the above funding gap or savings/efficiencies targets outlined in the table at paragraph 6.1 above and details are provided at Appendix B.

### **Current Projected Spend**

- 6.3 The attached table shown at Appendix A shows how the previously reported 2010/11 position has moved since being reported to Council on 18 November 2009. This shows that at present there is a gross spend of £470.860 million for 2010/11.
- 6.4 In determining the base line position for 2010/11 it is evident that there are a number of areas where the Council is potentially exposed to greater costs based on the current projected position for 2009/10. Primarily, the major risks relate to sports income being considerably down, children's out of city placements\specialist care and the increasing demand for adult services.
- 6.5 There are also ongoing reviews of budgets being undertaken which may have an adverse impact on the base position for 2010/11 and they are also considered further in relation to cost risks.
- 6.6 The current projected spend also includes :
- A corporate budget provision /contingency of £3.5 million;
  - A sum of £1.897 million for a revenue investment fund;
  - A total of £36.762 million for Joint Boards requisitions (Police, Fire & Rescue, and Valuation which is subject to confirmation).

### **2009/10 Out-turn Position and Further Growth Pressures**

- 6.7 There are currently a number of cost risks that the Council is currently experiencing in the current financial year. These are reported on in more detail within the normal monitoring cycle.

- 6.8 The main pressures in the current financial year are shown in the table below. The Council must decide if these pressures should be incorporated within the 2010/11 budget or if Services should absorb them within their allocated budget.

<b>Description</b>	<b>Cost Impact £'000</b>
Adult Services	4,775
Children's Out of City Placements/Specialist Care	3,350
Reduction In Sports Income	800
	8,925

- 6.9 It is felt prudent that all these items should be considered in setting the Council's 2010/11 budget strategy, as such demand led pressures are to some extent unavoidable unless the Council reviews the way it provides services.
- 6.10 In addition to the current year pressures (paragraph 6.7 to 6.9 above) that are being faced there are also additional pressures faced by Services totalling £9.140 million and these are set out in Appendix B.
- 6.11 It can be seen that some of these pressures relate to the Concordat and Single Outcome Agreement. Elected members will therefore have to decide what, if any, pressures that they would wish to be built into Service budgets. This will further increase the funding gap. The information outlined mainly reflects maximum costs and implementation upon a phased basis is an option for consideration.
- 6.12 There is also no pay award built into the base budget other than for Teachers (2.4%) and Chief Officials (2.5%) whereby negotiated settlements have previously been agreed for 2010/11. It is anticipated that the Trade Union side of the Scottish Joint Council for Local Government in Scotland will be requesting a 3% increase for their members (which would equate to £4.8 million).
- 6.13 Further, the Scottish Local Authorities Remuneration Committee has recommended that Councillor's remuneration be frozen for the next two years at the April 2009 level of remuneration. On this basis there is therefore no allowance built into the base budget for an increase.
- 6.14 The Council is also nearing the completion of the implementation of its 3R's project. The full year unitary charge is now estimated to be £12.5 million compared to the initial affordability model which estimated this to be £12.1 million.

- 6.15 This, along with lower levels of inflation and no current contribution from the sale of surplus sites means that an additional £825,000 will require to be built into the base budget.
- 6.16 Finally, an additional cost is likely to be incurred by the Council in relation to the revaluation of properties for the purposes of Non-Domestic Rates. At present this is expected to amount to £430,000.
- 6.17 In conjunction with the previous report to Council on 18 November 2009 it is recommended that the additional cost of rates (£430,000), the cost of outstanding pay settlements, Hill of Tramaud costs (£250,000) and Disabled Parking Bill measures (£300,000) are met from the budgeted corporate budget provision/contingency of £3.5 million. There is also no allowance to meet any reduction in the workforce as it is assumed that this will be cost neutral.
- 6.18 It should be noted that if a pay settlement is agreed in excess of 1.5% additional efficiencies will have to be identified by services to meet any costs in excess of this.

### **Funding**

- 6.19 The Council has now received formal notification of its grant settlement for 2010/11. This shows an increase of funding of £4.5 million, an increase of 1.3%. A further £3.3 million is also available if the Council chooses to freeze the level of Council Tax.
- 6.20 The figures above, however, include additional funding for the former ring fenced Fairer Scotland Fund (the Council has only budgeted for £2.4 million, the level of funding it currently receives). This is presently shown within net cost of Service and means that in reality the Council has only received an additional £2.1 million.
- 6.21 This means that the total funding available to the Council will be £454.567 million (assuming Council Tax levels are frozen and the Council receives £650,000 funding for Adult Support and Protection).
- 6.22 Contained within the settlement figure is the Council's share of the whole of Scotland reduction in funding of £131 million. This equates to £4.737 million for Aberdeen, or 3.6% of the whole of Scotland total.
- 6.23 The Council continues to be one of the lowest funded Council's in Scotland on a per head of population basis. The Scottish average is currently (based on mid year population estimates of 2008) £2,049 compared to this Council receiving £1,724 (excluding the Council Tax freeze grant).

- 6.24 Given the above if Aberdeen were to receive the Scottish average it would receive additional funding of approximately £68 million a year.
- 6.25 The settlement letter indicates that there is also a further allocation for the whole of Scotland in relation to Teachers Induction Scheme of £37.547 million. No further details are currently available on the likely share that this Council may receive.
- 6.26 The Non-Domestic Rate Income poundage has been set by the Scottish Government at 40.7 pence from the current level of 48.1 pence which is welcomed in light of the business rates revaluation due to take place in April 2010. Subject to any relief arrangements there will be an increased cost to the Council for the properties it owns based on the expected increase in property valuations of an estimated £430,000.

### **Savings**

- 6.27 Services have reviewed their individual budgets to determine what savings can be proposed to ensure that the Council is in a position to set a balanced budget. These proposals are contained within Appendix C for each Service and summarised in the table below:

<b>Service</b>	<b>£'000</b>
Council Expenses	20
Office of Chief Executive	111
Corporate Governance	3,811
Enterprise, Planning and Infrastructure	3,193
Housing and Environment	3,178
Education, Culture and Sport	9,246
Social Care and Well Being	6,508
	<hr/>
	<b>26,067</b>

- 6.28 It can be seen from the proposals being put forward that a total of £26.1 million has been identified. This excludes the savings identified in the Chief Executive's report to Council on 18 November 2009, on management restructuring, totalling £645,000. This is now built into the base budget.
- 6.29 Contained within Appendix C, for each proposal is a brief description of the saving or efficiency proposed, the impact this has for 2010/11 and future years along with the personnel impact.

### **2011/12 and future years Budget Position**

- 6.30 An estimated budget position for the financial years 2011/12 to 2013/14 is currently being developed. This will require certain high level assumptions to be made but it will however provide an indication of the continued financial pressure that the Council will continue to face over the short to medium term.
- 6.31 It is planned that this position will be reported to the Finance and Resources Committee on 6 May 2010. It should be borne in mind that the budget for these financial years will be calculated and based on a range of assumptions with no indication of the likely level of general revenue grant that will be receivable from the Scottish Government.

### **Conclusion**

- 6.32 In conclusion, in setting a balanced budget it can be seen that the Council continues to face difficult financial circumstances.
- 6.33 To achieve this a decision is required to determine the amount of additional cost pressures that Services need to build into their base budget for 2010/11 and offset this, and the current funding gap of £25.218 million, with savings and efficiencies identified within Appendix C.

## **7. AUTHORISED SIGNATURE**

Susan Cooper  
City Chamberlain  
[sucooper@aberdeencity.gov.uk](mailto:sucooper@aberdeencity.gov.uk)  
01224 522551

## **8. REPORT AUTHOR DETAILS**

Steven Whyte  
Chief Accountant  
[swhyte@aberdeencity.gov.uk](mailto:swhyte@aberdeencity.gov.uk)  
01224 523561

## **9. BACKGROUND PAPERS**

Financial ledger data extracted for 2009/10, service committee reports on financial monitoring and the Council's Medium Term Financial Plan; Finance Circular 12/2009.



## Appendix A

	Draft Base Budget 2010/11	£ million	£ million
<b>NET EXPENDITURE</b>			
Council Expenses		2.231	
Office of Chief Executive		0.951	
Corporate Governance		31.368	
Enterprise, Planning and Infrastructure		31.767	
Housing and Environment		47.670	
Education, Culture and Sport		179.840	
Miscellaneous Services		49.242	
Social Care and Wellbeing		123.092	
			<b>466.161</b>
<u>Adjustments since 18 November Committee:</u>			
- Chief Officials Restructuring Saving		(0.645)	
- Remove Fairer Scotland Funding		2.357	
- Remove EP&I Growth from base		(0.400)	
- Remove H&E Growth from base		(0.819)	
- Remove Other Miscellaneous Items		(0.276)	
- Add Funding for 3R's		8.513	
- Remove Joint Boards Pension Costs		(4.031)	
			<b>4.699</b>
<b>Revised Net Expenditure</b>			<b>470.860</b>
<b>FUNDING</b>			
Central Government Grants		(333.426)	
Council Tax		(105.685)	
Council Tax/Community Charge Arrears		(0.275)	
Trading Services		(6.435)	
			<b>(445.821)</b>
<u>Adjustments since 18 November Committee:</u>			
- Notified General Revenue Grant Settlement		(4.549)	
- Council Tax Freeze Grant		(3.300)	
- Adult Support and Protection		(0.650)	
- Council Tax Band D Review		(0.247)	
			<b>(8.746)</b>
			<b>(454.567)</b>
<b>Revised Budget (Surplus)/Deficit</b>			<b>16.293</b>

**Growth Proposed but NOT included in 2010/11 base budget****Summary Growth by Service**

<b>Description</b>	<b>£'000</b>
Enterprise, Planning & Infrastructure	75
Education, Culture & Sport	7,035
Social Care and Wellbeing	2,030
<b>Total Growth Proposed</b>	<b>9,140</b>

**Enterprise, Planning and Infrastructure**

<b>Description</b>	<b>£'000</b>
EBDP1 – International Direct Marketing – designed to promote major investment opportunities within the city.	60
EESP3 – Energy Management – additional funding required to enable Technical Services to carry out work to achieve energy saving measures.	5
PIP9 – Affordable Housing Research – commissioning of an independent adviser to help develop a model for assessing affordable housing contributions to planning gain.	10
<b>Total Growth Proposed</b>	<b>75</b>

**Education, Culture and Sport**

<b>Description</b>	<b>£'000</b>
3R's Unitary Charge adjustment to reflect the current agreed unitary charge for 2010/11.	825
School Meals Legislation (Concordat) 3 options - To deliver free school meals to all P1-P3 pupils from August 2010.	1,560
Pre-School Entitlement (Concordat) 3 options. From August 2010, pre-school entitlement will increase from 470 to 570 hours.	757
Curriculum For Excellence - To be fully implemented from 2010. The first national qualifications will be delivered in 2014. Support required for continued development of Literacy, Numeracy, Assessment and Learning and Teaching.	100
ASL Act - Potential cost of new duties relate to a number of revisions of the Education (Additional Support for Learning) (Scotland) Act 2004 and the 2009 amendments to the Act.	75
Kaimhill Decant - Costs associated with the decanting of pupils while new facilities are built on the original school site.	255
Secondary Management Structures - Costs associated with moving to a Faculty Structure.	435

<b>Education, Culture and Sport (Continued)</b>	
Primary 1 to 3 Class Sizes (Concordat) - Reducing class sizes in primary one to three to a maximum of 18.	2,843
MIS for schools - Replacement/upgrade of Schools Management Information System.	125
L&IS spend to Save :ICT - Investment in new technology to replace current postal notification of overdue accounts and reservations with email or text.	60
<b>Total Growth Proposed</b>	<b>7,035</b>

### **Social Care and Wellbeing**

<b>Description</b>	<b>£'000</b>
SCW-Growth-01 - Elmwood Resettlement. Current provision in the budget for the re-settlement of 10 individuals from Elmwood is £750k. It is now considered that support packages for these individuals will cost £1m.	250
SCW-Growth-02 - Impact of Demographic Changes. Seeks additional budget for Occupational Therapy equipment £200k, additional respite services £200k and the establishment of a peripatetic pool of staff £300k.	700
SCW-Growth-03 - Intensive Community Support. New service to be provided jointly with Education, culture and Sport to provide support to children to prevent out of city placements and thereby enable achievement of the savings plans included in the budget from 2009/10.	730
SCW-Growth-04 - Post Adoption Support. Additional post to meet new legislative requirements in 2009.	50
SCW-Growth-05 - Kinship Care payments. To pay kinship carers in line with fostering rates and provide support services. This is required to meet the agreement in the Concordat and is now included in the Looked After Children regulations 2009.	300
<b>Total Growth Proposed</b>	<b>2,030</b>

**SAVINGS AND EFFICIENCIES PROPOSED BY SERVICES**

**Summary Position:**

<b>Service</b>	<b>£'000</b>
Council Expenses	20
Office of Chief Executive	111
Corporate Governance	3,811
Enterprise, Planning and Infrastructure	3,193
Housing and Environment	3,178
Education, Culture and Sport	9,246
Social Care and Well Being	6,508
	<hr/>
	<b>26,067</b>