

## REPORT TO BUSINESS SERVICES COMMITTEE – 02 MARCH 2017

### FINANCIAL MONITORING AS AT 31 DECEMBER 2016

#### 1. Recommendations

##### 1.1 It is recommended that the Committee:

1. Note the revenue and capital budget monitoring as at 31 December 2016.
2. Approve the revenue budget virements set out in Appendix 3.

#### 2. Discussion

- 2.1 The Council's new Scheme of Governance was considered by Full Council on 29 September 2016 (Item 10) and approved with minor amendments on 24 November 2016 (Item 7) and will have come into force by the time of this committee.
- 2.2 The amendments that were approved incorporated changes to the financial management arrangements including the alignment of service budget responsibility with Policy Committees. Hence the requirement for the Financial Monitoring report to now be considered for the first time by this committee.

#### Revenue Budget Monitoring

- 2.3 Business Services Revenue Budget for monitoring purposes in 2016/17 is a net Revenue Budget of £34,388,000.
- 2.4 The above budget includes the budgets for Charges to Housing Revenue Account (HRA), Capital & Other Services and Other Expenditure & (Income), these are budgets managed within Finance.
- 2.5 The budget excludes the Community Planning budget, which is managed within Business Services, however is reported to Communities Committee.
- 2.6 The forecast to the end of the financial year is expected to be over budget by £400,000 at £34,788,000. The financial position is shown in more detail in **Appendix 1**.
- 2.7 In November Business Services were forecasting to be over budget by £690,000, contributing to the Council's overall position which was expected to be in excess of budget by £3,577,000.
- 2.8 As a result of the overall Council forecast, Strategic Leadership Team (SLT) put in place a number of measures designed to bring the budget back to a breakeven position. These include delays in filling vacancies, making internal appointments to vacant posts, reducing or stopping overtime, reducing expenditure on administration costs, supplies and services and travel to essential spend only, a greater use of reserves, capitalising expenditure on capital items that have been funded from revenue and a review of the Council Tax bad debt provision.

- 2.9 A number of these actions have been implemented and the Business Services Leadership Team (BSLT) have considered and agreed on a range of options which has resulted in a managed reduction in spend across the Revenue Budgets, in order to assist in rebalancing the current forecast position for the service and across the Council as a whole.
- Action has been taken to reduce all non-essential expenditure within the Repairs and Maintenance budget, this has resulted in a forecast underspend of £330,000;
  - Balances held in Reserves have been reviewed and the decision made that £200,000 can be utilised from the Repairs and Maintenance Fund to offset some of the current year pressures within the Property and Facilities budget.
- 2.10 Despite the above measures being put in place, there are some areas which are experiencing significant pressures. Further information detailing the major variances can be found within **Appendix 2**.
- 2.11 A number of budget virements are proposed for approval. Details of these are shown in **Appendix 3**.

#### Capital Budget Monitoring

- 2.12 Business Services Revised Capital Budget for 2016/17 is currently £14,253,000. This budget figure will alter during the year, as and when changes to the profile of capital expenditure from one year to another are agreed and adjusted for.
- 2.12 This is because the Capital budget is set over a long term, multiple year timeframe, as the projects will often take more than one financial year to complete, or will start in one financial year and end in the next. Consequently there is the need to reprofile the capital expenditure and so the revised capital budget for the current year will be updated to reflect the forecast outturn figures as set out in **Appendix 4**, subsequent to this committee noting them.
- 2.13 The overall capital expenditure now forecast for 2016/17 is £12,386,000 which is £1,867,000 less than the revised budget figure and this will mean that the budgeted expenditure will require to be deferred until 2017/18. Further information detailing the major variances can be found within **Appendix 5**.
- 2.14 The Monitoring Officer within Business Services has been consulted in the preparation of this report she had no comments to make and is satisfied that the report complies with the Scheme of Governance and relevant legislation.

### **3. Scheme of Governance**

- 3.1 The Committee is able to consider and take a decision on this item in terms of Section C.1.1 of the List of Committee Powers in Part 2A of the Scheme of Governance as it relates to resource matters (within agreed budgets) that have been delegated to the Committee.

#### **4. Equalities, Financial and Staffing Implications**

- 4.1 An Equalities Impact Assessment is not required for this report as the report deals with the monitoring of expenditure against budgets which have been approved previously, and the reprofiling of some expenditure.
- 4.2 The monitoring position for revenue is forecast to be £400,000 over budget for 2016/17 and capital expenditure is forecast to be £1,867,000 less than the revised budget, with details and explanation of variances contained within the appendices to this report.
- 4.3 There are no direct staffing implications arising from this report.

**Ritchie Johnson**

**Director of Business Services**

Report prepared by Julia Millar, Principal Accountant  
07 February 2017

**SUMMARY OF REVENUE MONITORING 2016/17 TO 31/12/2016 - BUSINESS SERVICES COMMITTEE**

	Revised Budget 2016/17 £000	Forecast 2016/17 £000	Forecast Higher than Budget £000	Lower than Budget £000	Net Variance £000	NOTES
<b>BUSINESS SERVICES COMMITTEE</b>						
- Chief Executive	334	312	0	(22)	(22)	
- Councillors' Remuneration and Expenses	2,098	2,049	0	(49)	(49)	
- Business Services Directorate	1,609	1,579	0	(30)	(30)	
- Finance	2,967	2,937	0	(30)	(30)	
- Insurance	(1,391)	(1,391)	0	0	0	
- Revenues	1,922	1,902	0	(20)	(20)	
- Benefits	2,329	2,329	0	0	0	
- Internal Audit	399	367	0	(32)	(32)	
- Human Resources & Organisational Development	6,314	6,311	0	(3)	(3)	
- Information Communications Technology	10,757	10,612	0	(145)	(145)	
- Legal & Governance	2,623	2,653	30	0	30	
- Customer Communication & Improvement	2,138	2,169	31	0	31	
- Procurement	921	1,129	208	0	208	A
- Miscellaneous Services	(11)	53	64	0	64	
- Joint Board Requisitions	1,702	1,772	70	0	70	
- Business Services Corporate Projects	1,023	1,023	0	0	0	
- Woodhill House	1,867	2,041	174	0	174	B
- Office Accommodation	2,416	2,533	117	0	117	
- Building Cleaning	120	232	112	0	112	
- Public Conveniences	854	877	23	0	23	
- Halls	665	711	46	0	46	
- Operational Buildings	(33)	0	33	0	33	
- Estates	(2,793)	(2,619)	174	0	174	C
- Property Corporate Projects	388	367	0	(21)	(21)	
- Property Construction Services	(1,069)	(1,069)	0	0	0	
- Property Building Repairs & Maintenance Account	(57)	(387)	0	(330)	(330)	D
	<b>38,092</b>	<b>38,492</b>	<b>1,082</b>	<b>(682)</b>	<b>400</b>	
Charges to HRA/Capital/Other Services	(3,287)	(3,287)	0	0	0	
Other Expenditure/(Income)	(417)	(417)	0	0	0	
<b>TOTAL BUSINESS SERVICES COMMITTEE</b>	<b>34,388</b>	<b>34,788</b>	<b>1,082</b>	<b>(682)</b>	<b>400</b>	

**Appendix 2 - Variance Analysis**

<u>Note</u>	<u>Forecast</u>	
	<u>Over (within) budget</u>	
	<u>2016/17</u>	<u>Narrative</u>
	£'000	
A	208	<b>Procurement</b> - is forecast to be over budget by £208,000. Procurement Staff are employed by Aberdeen City Council who have intimated that the 50% charge to Aberdeenshire Council for the year is estimated at £995,000. The forecast spend has been increased to reflect this information, however discussions are ongoing with an aim to reduce this forecast position through income generation or reducing costs.
B	174	<b>Woodhill House</b> - Is forecast to be over budget by £174,000. The income budget for Woodhill House included an element of income for an external tenant for part of the second floor. Currently no external tenant is occupying this space.
C	174	<b>Estates</b> - Is forecast to be over budget by £174,000. This is in relation to rates and is because surplus & vacant properties are no longer eligible for business rates relief as applied in previous years. This compounded with the 3 surplus academies has led to an increase in the rates paid to date within Estates. The demolition of one academy has begun and rates relief has been received for that building. With regard to the other two academies, there have been delays due to asbestos being found in the buildings which will require specialist removal. This will take four weeks from the contract being finalised. The demolition is now forecast to begin in mid February. The service is awaiting information from the Grampian Valuation Joint Board about additional relief that could be applied for which may offset some of the additional costs resulting from the delays.
D	(330)	<b>Property Building Repairs &amp; Maintenance Account</b> - is forecast to be within budget by £330,000, as a decision has been taken to halt all non-essential expenditure.

**Appendix 3**

**SUMMARY OF REVENUE MONITORING VIREMENTS**

£'000's

**1. Area Managers**

Transfer of the Area Managers budgets to the three Council Directorates to reflect line management responsibility. This virement also requires to be approved by the Education and Children's Services Committee and the Infrastructure Services Committee. This budget will remain within the three directorates for future years.

Education Administration and Management	841
Area Managers (Infrastructure)	921
Business Services Directorate	869
Area Managers (Business Services)	(2,631)

**Reconciliation of Budget**

<b>Opening Budget</b>	<b>35,731</b>
<b>Cross-Service Virements (as above)</b>	<b>(1,762)</b>
<b>Additional Budgets Approved by Full Council from Earmarked Reserves:</b>	
Business Services Corporate Projects (Business Transformation Fund)	72
Estates (Repairs and Maintenance Fund)	200
Property Corporate Projects (Business Transformation Fund) and Central Energy Efficiency Fund)	12
<b>Additional Budgets Approved by Full Council from Statutory Funds:</b>	
Insurance (Insurance Fund)	
<b>Virements Approved by the Head of Finance:</b>	
Information Communications Technology (Education Systems)	92
Human Resources & Organisational Development	43
<b>Closing Budget</b>	<b><u><u>34,388</u></u></b>

Appendix 4

BUSINESS SERVICES CAPITAL BUDGET 2016/17 MONITORING & CAPITAL PLAN 2015-2031 UPDATE - 31 DECEMBER 2016

PLANNED EXPENDITURE	Revised Budget 2016/17 £000	Forecast Outturn 2016/17 £000	Variance 2016/17 £000	Changes to Future Years £000	Note
Carbon Reduction - Council Wide Objectives	670	580	(90)	90	
Depots	2,000	1,600	(400)	400	1
Development of Industrial Portfolio & Factory Units	2,400	1,800	(600)	600	2
Health and Safety - Council Wide Objectives	608	608	0	0	
Information Communications Technology	2,140	2,140	0	0	
Information Communications Technology - Internal Wireless Networks	792	792	0	0	
Planned Maintenance - Council Wide Objectives	3,917	3,600	(317)	317	3
Public Toilets	100	100	0	0	
Woodhill House - Complete Refurbishment	162	162	0	0	
Workspace	1,000	540	(460)	460	4
Workspace - Peterhead Offices	464	464	0	0	
<b>TOTAL PLANNED EXPENDITURE</b>	<b>14,253</b>	<b>12,386</b>	<b>(1,867)</b>	<b>1,867</b>	

**BUSINESS SERVICES CAPITAL BUDGET 2016/17 MONITORING & CAPITAL PLAN 2015-2031 UPDATE - 31 DECEMBER 2016**

Significant Variance Analysis

<u>Note</u>	<u>Budget</u>	<u>Variance</u>	<u>Revised Budget</u>	<u>£,000</u>	<u>Narrative</u>
1	Depots	(400)			Delays on Stonehaven and Inverurie Key Depot projects due to Planning and land issues mean that budget amounting to £400,000 requires to be deferred until 2017/18.
2	Development of Industrial Portfolio & Factory Units	(600)			Delays associated with land and planning issues on key depot projects at Stonehaven and Inverurie, both of which make provision of starter units, means budget amounting to £600,000 requires to be deferred until 2017/18.
3	Planned Maintenance	(317)			Issues identified at Auchterellon Primary School are more extensive than originally thought and works planned for 2016/17 need to be delayed until ECS provide their views. The tender for upgrade works on windows at Sandhaven Primary School has just been issued so it is unlikely that the works will be completed before then end of the financial year. To minimise disruption the ventilation works at Anna Ritchie School have been delayed so that they take place as part of a wider kitchen upgrade in 2017/18. Works at Stonehaven Outdoor Pool have been added to the 2016/17 programme which mitigates the impact of some of the delays. In total £317,000 of budget requires to be delayed until 2017/18.
4	Workspace	(460)			Delays in reaching agreement on works required to be funded from the budget along with linkage to potential new HQ Business Case means budget amounting to £460,000 requires to be deferred until 2017/18.