

REPORT TO BUSINESS SERVICES COMMITTEE – 14 SEPTEMBER 2017

FINANCIAL MONITORING AS AT 30 JUNE 2017

1 Recommendations

The Committee is recommended to:

- 1.1 Note the revenue and capital budget monitoring as at 30 June 2017; and
- 1.2 Approve the revenue budget virements set out in Appendix 3.

2 Background / Discussion

- 2.1 The Council's Scheme of Governance aligns service budget responsibility with Policy Committee responsibility. This report covers the forecasted outturn for the period ended 30 June 2017 for both Revenue and Capital Budget monitoring.

Revenue Budget Monitoring

- 2.2 Business Services revenue budget for monitoring purposes in 2017/18 for net revenue expenditure is £40,246,000, this includes the budgets for Charges to Housing Revenue Account (HRA), Capital & Other Services and Other Expenditure & (Income), these are budgets managed within Finance. This budget excludes the Community Planning budget, which is managed within Business Services, however is reported to Communities Committee.
- 2.3 The forecasted position to the end of June 2017 is £41,546,000, or £1,300,000 higher than budget. This contributes to the overall position of the Council, which is £3,026,000 over budget. The financial position is shown in more detail in **Appendix 1** with accompanying narrative detailing the reasons for major variances to budget on **Appendix 2**.
- 2.4 It should be noted that included in the forecast are a number of assumptions and there are risks attached to these. These include assumptions on the allocation of ICT staff costs between Revenue and Capital Projects, the level of Customer Services Staffing and the levels of Rent Income.
- 2.5 As part of the setting of the 2017/18 Business Services budget a number of areas of risk were identified and the assumptions were built into the budget. One of the risks was around the rental and property income through our Estates Team. The property market in the north east continues to be challenging and despite significant efforts to secure tenants (eg in Woodhill House) and accelerate asset disposal, forecast income is well below budget and that reality will need to be considered as part of future budget discussions.

An unanticipated pressure of £400,000 has arisen in terms of income to the Service through an assessment of what can be recharged to capital, HRA and insurance budgets.

A range of actions is being pursued across the Service and this includes:

- Prioritising spend in year (can we defer or remove spend);
- Revisiting some of the detail around loss of income to assess if this can be appropriately re-balanced;
- Continue to prioritise the Estates Team efforts;
- Management action and vacancy management, such that even tighter controls are in place (reflecting that a significant part of the Service budget is staffing).

Committee will be briefed on any action that may have any significant impact on the delivery of services before such action is implemented.

- 2.6 It is recognised that some of the overspending areas are unlikely to be recovered this financial year, for example the rental of Woodhill House, and therefore that accepted budget risk is likely to crystallise. However, with the majority of the financial year left and several months of expenditure still to be committed, there still remains options to appropriately restrict spending. There are areas of discretionary spend on vacancies, non-contractual spend and non-essential spend that are being looked at with a view to reduce a number of the forecast figures. The September monitoring is key for the Service and will be advised to Committee as soon as it is available.
- 2.7 A number of budget virements are proposed for approval. Details of these are shown in **Appendix 3**. Also included is a reconciliation of the Revised Budget in the previous report to Committee to the Revised Budget in this report. The Revised Budget is subject to the approval of the virements in the reconciliation by the appropriate Committees and officers.

Capital Budget Monitoring

- 2.8 Business Services Revised Capital Budget for the year 2017/18 is £26,677,000. This budget figure alters during the year, as and when changes to the profile of capital expenditure from one year to another are agreed and adjusted for.
- 2.9 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 year 2017/18 will be updated to reflect the latest alterations in timings as set out in **Appendix 4**, subsequent to this committee noting them.
- 2.10 The overall capital expenditure budget to the end of June 2017 is forecasted to be £21,069,000 which is £5,608,000 less than the revised budget figure and this will mean that the budget from 2017/18 will need to be carried forward into future years. These adjustments will be reported to Aberdeenshire Council on 28 September 2017 for approval. The reason for the major variances can be found within **Appendix 5**.
- 2.11 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. Implications and Risk

- 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 total expenditure of £41,546,000 or £1,300,000 over budget for 2016/17 and capital expenditure of £21,069,000 or £5,608,000 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.
- 4.4 The following Risk has been identified as relevant to this matter on a Corporate Level: Budget Pressures ([Corporate Risk Register](#)). The following Risk has been identified as relevant to this matter on a Strategic Level: Balancing the Books ([Directorate Risk Registers](#)). Actions being taken to mitigate these risks are set out in paragraph(s) 2.* of the report.

Ritchie Johnson
Director of Business Services

Report prepared by Shirley-Ann Gordon, Principal Accountant
4 August 2017

Appendix 1

SUMMARY OF REVENUE MONITORING 2017/18 TO 30/6/2017 - BUSINESS SERVICES COMMITTEE

	Revised Budget 2017/18 £000	Forecast 2017/18 £000	Forecast Higher than Budget £000	Forecast Lower than Budget £000	Net Variance £000	NOTES
BUSINESS SERVICES COMMITTEE						
- Chief Executive	334	324	0	(10)	(10)	
- Councillors' Remuneration and Expenses	2,493	2,542	49	0	49	
- Business Services Directorate	1,124	1,140	16	0	16	
- Finance	2,955	2,924	0	(31)	(31)	
- Insurance	54	54	0	0	0	
- Revenues	1,608	1,608	0	0	0	
- Benefits	2,178	2,097	0	(81)	(81)	
- Internal Audit	387	369	0	(18)	(18)	
- Human Resources & Organisational Development	6,086	6,042	0	(44)	(44)	
- Information Communications Technology	9,989	10,034	45	0	45	
- Legal & Governance	2,555	2,555	0	0	0	
- Customer Communication & Improvement	2,863	3,069	206	0	206	A
- Printing	(638)	(638)	0	0	0	
- Procurement	676	676	0	0	0	
- Miscellaneous Services	(26)	(23)	3	0	3	
- Joint Board Requisitions	1,624	1,687	63	0	63	
- Business Services Corporate Projects	333	333	0	0	0	
- Woodhill House	1,231	1,607	376	0	376	B
- Office Accommodation	1,967	2,152	185	0	185	C
- Building Cleaning	(12)	(93)	0	(81)	(81)	
- Public Conveniences	250	298	48	0	48	
- Halls	376	354	0	(22)	(22)	
- Operational Buildings	(43)	(43)	0	0	0	
- Estates	(3,224)	(2,981)	243	0	243	D
- Property Corporate Projects	295	293	0	(2)	(2)	
- Property Construction Services	(1,247)	(1,293)	0	(46)	(46)	
- Property Building Repairs & Maintenance Account	5,326	5,326	0	0	0	
- Area Managers (Buchan & Formartine)	878	872	0	(6)	(6)	
	40,392	41,285	1,234	(341)	893	
Charges to HRA/Capital/Other Services	(3,287)	(2,880)	407	0	407	E
Other Expenditure/(Income)	3,141	3,141	0	0	0	
TOTAL BUSINESS SERVICES COMMITTEE	40,246	41,546	1,641	(341)	1,300	

Appendix 2 - Variance Analysis

<u>Note</u>	<u>Forecast</u>	
	<u>Over (within) budget</u>	<u>Narrative</u>
	<u>2017/18</u>	
	£'000	
A	206	Customer Communication and Improvement - Is forecast to be over budget by £206,000. This is mainly within the Customer Services staffing budget and is as a result of additional temporary staff being employed at the Contact Centre to deliver this front line service. Service Points have been opened and the service are actively looking at ways of reducing the Staff Costs by conducting a Service Delivery review.
B	376	Woodhill House - Is forecast to be over budget by £376,000. The variance has arisen as the Council are unable to lease the top floor of Woodhill House to a tenant. This is a recurring variance as it is proving very difficult to attract a tenant due to the economic downturn in Aberdeen and the discussions of a new Office within Inverurie. The variance is not affecting service delivery and will be addressed in the 18/19 budget setting process.
C	185	Office Accommodation - Is forecast to be over budget by £185,000. Savings were applied to the budget before the offices identified were vacated. This has been a recurring issue over the last two years and principally now the issue is limited to Inverurie offices. This will be a recurring variance until the workSPACE programme is completed. The level of service delivery is not affected. Council Services are actively involved in progressing this programme but there remains little opportunity to reduce the variance this financial year.
D	243	Estates - Is forecast to be over budget by £243,000. £148,000 of the pressure being incurred is within the rates budget. The Estates Service meets the cost of surplus properties and vacant rentable units. This is a recurring pressure as some of the properties transferred to Estates do not have budget provision as they have been exempt in the past. Action is being taken to dispose of the assets as quickly as possible but market conditions are difficult. A further pressure of £111,000 has been identified within the income budget. During 2016/17 one of the rental assets was sold to the tenant as per the terms within the lease agreement. This led to a loss of income circa £300,000. This is a recurring variance as there are no properties currently on the leasing schedule which would bring in this amount of income. The service are actively marketing vacant leasable units.
E	407	Charges to HRA/Capital/Other Services - The income from recharges to Capital, HRA and other services is forecast to lower than budget by £407,000. This represents the recovery of costs from Business Services for supporting these activities. The budgets and costs arising have been reducing and consequently the recovery is reduced.

SUMMARY OF REVENUE MONITORING VIREMENTS		Appendix 3
		£'000's
1	R&M Contributions to Property	
	Transfer of budgets which relate to the service contributions to the Repairs and Maintenance Fund. Full budget to be transferred to Business Services - Repairs and Maintenance Account. This virement also requires to be approved by the Education and Children's Services Committee, Infrastructure Services Committee and Communities Committee. This virement will apply to future years.	
	Administration and Management	(42)
	Area Managers (Banff & Buchan and Garioch)	(8)
	Nursery Education	(41)
	Primary Education	(2,056)
	Secondary Education	(1,142)
	Special Education	(107)
	Community Learning & Development	(139)
	Children Community Care	(9)
	Children Residential Care	(27)
	Arts Development	(15)
	Visitor Attractions	(40)
	Libraries	(87)
	Museums	(154)
	Sports & Leisure Management Client	(350)
	Consumer Protection	(2)
	Landscape Services Administration	(9)
	Burial Grounds	(39)
	Parks & Open Spaces	(57)
	Waste Management	(16)
	Area Managers (Kincardine & Mearns and Marr)	(6)
	Woodhill House	(123)
	Office Accommodation	(311)
	Public Conveniences	(118)
	Halls	(209)
	Estates	(22)
	Property Building Repairs & Maintenance Account	5,592
	Area Managers (Buchan & Formartine)	(8)
	Integration Joint Board	(455)
2	Printing	
	Transfer to present the Printing budget as an individual budget page to allow for clearer reporting and budget management. Budget was previously reported within Customer Communication and Improvement. This virement will apply to future years.	
	Customer Communication and Improvement	619
	Printing	(619)
3	Property Construction Services - Administration	
	Transfer of budget from Property Construction Services Administration to Business Services Support Services. This virement will apply to future years.	
	Estates	(81)
	Property Construction Services	(306)
	Business Services Directorate	387
4	Savings - Business Services	
	Transfer to reflect the re-alignment of approved budget savings and allocate these to the correct budget pages. This virement will apply to future years.	
	Chief Executive	(1)
	Councillors Remuneration and Expenses	(1)
	Finance	149
	Revenues	(1)
	Benefits	(151)
	Internal Audit	(1)
	Information Communications Technology	15
	Printing	(23)
	Business Services Corporate Projects	23
	Woodhill House	398
	Office Accommodation	290
	Public Conveniences	(451)
	Halls	(26)
	Estates	(17)
	Property Corporate Projects	(2)
	Property Construction Services	(1)
	Property Building Repairs & Maintenance Account	(200)
5	Community Planning	
	Transfer of budget to reflect staff movement between Community Planning and Customer Communication and Improvement. This virement also requires to be approved by the Communities Committee. This virement will apply to future years.	
	Customer Communication and Improvement	136
	Community Planning	(136)

Reconciliation of Budget

Opening Budget	35,038
Permanent Virements approved in 2016/17 after 2017/18 budget set	(1,744)
Cross Service Virements (as above)	4,937
Additional Budgets to be Approved by Full Council to/from Earmarked Reserves:	
Business Services Corporate Projects (Business Transformation Fund)	333
Property Corporate Projects (Business Transformation Fund)	39
Additional Budgets to be Approved by Full Council from Statutory Funds:	
Insurance (Insurance Fund)	162
Additional Virements to be Approved by Full Council:	
Council Tax saving	100
Inflation and Non Pay Inflation	(495)
Reduction in the working balance	1,000
Other Expenditure/Income balance	875
Virements Approved by the Director:	0
Virements to be Approved by the Head of Finance:	
Area Managers (Budget from Community Planning)	14
Customer Communications and Improvements - (Transfer of staff to Equalities)	15
Business Services Directorate (Admin Officer post)	10
Human Resources and Organisational Development (Developing Young Workforce)	45
Other Expenditure and Income (Rates relief scheme - On street parking)	(50)
Information Communications Technology (Impact System to ECS)	(72)
Area Managers (Adjust budget allocation)	37
Rounding Adjustment	2
Closing Budget	<u><u>40,246</u></u>

Appendix 4

BUSINESS SERVICES CAPITAL BUDGET 2017/18 MONITORING & CAPITAL PLAN 2016-2032 UPDATE - 30 JUNE 2017

	Revised Budget 2017/18 £000	Forecast Outturn 2017/18 £000	Variance 2017/18 £000	Changes to Future Years £000	Note
PLANNED EXPENDITURE					
Buchan House - Police Office Extension	1,017	509	(508)	508	1
Carbon Reduction - Council Wide Objectives	864	864	0	0	
Depots	6,582	6,582	0	0	
Development of Industrial Portfolio & Factory Units	3,591	2,500	(1,091)	1,091	2
Health and Safety - Council Wide Objectives	934	934	0	0	
Information Communications Technology	2,053	2,053	0	0	
Internal Wireless Networks	9	0	(9)	9	
Planned Maintenance - Council Wide Objectives	4,623	4,623	0	0	
Public Toilets	349	349	0	0	
Woodhill House - Complete Refurbishment	158	158	0	0	
Workspace	1,036	1,036	0	0	
Workspace - Saltoun Square Fraserburgh	591	591	0	0	
Workspace - Inverurie Offices	4,500	500	(4,000)	4,000	3
Workspace - Peterhead Offices	370	370	0	0	
TOTAL PLANNED EXPENDITURE	26,677	21,069	(5,608)	5,608	

BUSINESS SERVICES CAPITAL BUDGET 2016/17 MONITORING & CAPITAL PLAN 2016-2032 UPDATE - 30 JUNE 2017

Significant Variance Analysis

<u>Note</u>	<u>Budget</u>	<u>Variance Revised Budget 2017/18</u>	<u>£'000 Narrative</u>
1	Buchan House - Police Office Extension	(508)	Project has not commenced due to ongoing discussions with Police Scotland. As a result budget of £508,000 requires to be deferred until 2018/19.
2	Development of Industrial Portfolio & Factory Units	(1,091)	A number of projects are linked to the Depot Strategy. Although it is anticipated that the existing Depots forecast will be spent in 2017/18 once option appraisals are finalised, the element that the Industrial Portfolio budget requires to finance of £1,091,000 will not be required until 2018/19.
3	Workspace - Inverurie Offices	(4,000)	Options are still being assessed with regards to Inverurie Offices. Until appraisals have been completed work cannot commence which means budget of £4,000,000 requires to be deferred until 2018/19.