

REPORT TO BUSINESS SERVICES COMMITTEE – 16 NOVEMBER 2017

FINANCIAL MONITORING AS AT 30 SEPTEMBER 2017

1 Recommendations

The Committee is recommended to:

- 1.1 Note the revenue and capital budget monitoring as at 30 September 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 September 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 £40,813,000, 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 September 2017 is £42,100,000, or £1,287,000 higher than budget. This contributes to the overall position of the Council, which is £2,951,000 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 income generated from the printing contract and the delivery of savings on building cleaning.
- 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 (e.g. 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.

A new contract for printing commenced on 1 July 2016. Part of this contract included contract costs which were to be offset against a share in profits from other Councils coming on board the contract for bulk printing. There has been delays in securing additional printing contracts as work continues to bring the basement at Woodhill House up to the required standard. However the Council has been successful in securing rental income from the supplier which partly negates the reduction in expected profit share. The basement is expected to be fully up and running in January therefore it is expected that the Council will begin to see a share of the increase in profits.

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

- Prioritising spend in year (can we defer or remove spend);
- Continue to prioritise the Estates Team efforts to generate rental income;
- Vacancy management – only essential posts are being filled (reflecting that a significant part of the Service budget is staffing);
- Management action – in consultation with Members, Business Services Leadership Team are looking at bringing forward plans for applying savings in 2018/19 to the current year where possible.

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

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 £21,078,000. 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 re-profile the capital expenditure on a continual basis.

2.10 The overall capital expenditure budget to the end of September 2017 is forecasted to be £20,619,000 which is £459,000 less than the revised budget figure. The variance relates the extension at Buchan House where it has become unlikely that works will commence this financial year. Any movements to this position will be reported back to a future Committee meeting as and when identified.

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 re-profiling of some expenditure.
- 4.2 The monitoring position for revenue is total expenditure of £42,100,000 or £1,287,000 over budget for 2017/18 and capital expenditure of £20,619,000 which is £459,000 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 & Diane Bain, Accountant.
01 November 2017.

Appendix 1

SUMMARY OF REVENUE MONITORING 2017/18 TO 30/9/2017 - BUSINESS SERVICES COMMITTEE

	Revised Budget 2017/18 £000	Forecast 2017/18 £000	Forecast Higher than Budget £000	Lower than Budget £000	Net Variance £000	NOTES
BUSINESS SERVICES COMMITTEE						
- Chief Executive	334	314	0	(20)	(20)	
- Councillors' Remuneration and Expenses	2,493	2,456	0	(37)	(37)	
- Business Services Directorate	447	439	0	(8)	(8)	
- Finance	2,955	2,904	0	(51)	(51)	
- Insurance	60	60	0	0	0	
- Revenues	1,838	1,838	0	0	0	
- Benefits	2,231	2,085	0	(146)	(146)	
- Internal Audit	387	364	0	(23)	(23)	
- Human Resources & Organisational Development	6,103	6,103	0	0	0	
- Information Communications Technology	10,056	10,056	0	0	0	
- Legal & Governance	2,555	2,555	0	0	0	
- Customer Communication & Improvement	2,892	2,892	0	0	0	
- Printing	(638)	(233)	405	0	405	A
- Procurement	676	676	0	0	0	
- Miscellaneous Services	(26)	(5)	21	0	21	
- Joint Board Requisitions	1,624	1,687	63	0	63	
- Business Services Corporate Projects	485	485	0	0	0	
- Woodhill House	1,314	1,737	423	0	423	B
- Office Accommodation	1,966	2,193	227	0	227	C
- Building Cleaning	116	106	0	(10)	(10)	
- Public Conveniences	568	508	0	(60)	(60)	
- Halls	414	409	0	(5)	(5)	
- Operational Buildings	(39)	(39)	0	0	0	
- Estates	(3,221)	(2,735)	486	0	486	D
- Property Corporate Projects	275	271	0	(4)	(4)	
- Property Construction Services	(1,104)	(1,065)	39	0	39	
- Property Building Repairs & Maintenance Account	5,326	5,326	0	0	0	
- Area Managers (Buchan & Formartine)	878	865	0	(13)	(13)	
	40,965	42,252	1,664	(377)	1,287	
Charges to HRA/Capital/Other Services	(3,287)	(3,287)	0	0	0	
Other Expenditure/(Income)	3,135	3,135	0	0	0	
TOTAL BUSINESS SERVICES COMMITTEE	40,813	42,100	1,664	(377)	1,287	

Appendix 2 - Variance Analysis

<u>Note</u>	<u>Forecast</u>	<u>Narrative</u>
	<u>Over (within) budget</u>	
	<u>2017/18</u>	
	<u>£'000</u>	
A	405	<p>Printing - Is forecast to be over budget by £405,000. The Printing service was outsourced in 2016 and a new printing contract was implemented in July 2016. The Contract cost for Bulk Mailing and Printing is £540,000 and savings from the contract will be offset against this charge. Savings cannot be realised until the Print Room is fully functioning and able to deliver the additional printing orders from third parties written into the contract. The refurbishment of the print room was delayed due to additional essential works required with completion expected by the end of the calendar year. It is anticipated that the savings will start to be recognised from January 2018.</p> <p>It should be noted that the Council is now receiving additional rental income for Woodhill House which is factored into the forecast for Woodhill House.</p>
B	423	<p>Woodhill House - Is forecast to be over budget by £423,000.</p> <p>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 which has increased since June 2017 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. It had been previously anticipated that a new tenant would take occupancy in the current financial year which now proves unlikely.</p> <p>The variance is not affecting service delivery and will be discussed in the 2018/19 budget setting process.</p> <p>The above pressure has been partly offset by a reduction in the Rates charge from Aberdeen City Council due to Rates Revaluation. This is a recurring variance which doesn't affect the level of service delivery. Rateable values are being looked at on a Corporate wide basis.</p>
C	227	<p>Office Accommodation - Is forecast to be over budget by £227,000</p> <p>The variance is as a result of Worksmart savings being applied to this budget. However the offices that were expected to close are still in occupation. It is expected that until the offices are closed this will be a recurring variance. The level of service delivery is not affected. The Service are working through the roll out of new offices.</p>
D	486	<p>Estates - Is forecast to be over budget by £486,000.</p> <p>£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 £474,000 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, leading to a reduction in rental income. 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.</p>

SUMMARY OF REVENUE MONITORING VIREMENTS

Appendix 3

£'000's

Virements Planned as Part of the Budget Process:

1	Public Conveniences	
	Virement to transfer incorrectly applied budget saving to Business Services Directorate to allow for realisation through the appropriate budget pages. This virement will apply to future years.	
	Public Conveniences	300
	Business Services Directorate	(300)

Virements Made in Year in Response to Unplanned Situations:

2	Support Services	
	Transfer of budget from Business Services Support Services to Property Services Administration to allow for property service recharges. This virement is for 2017/18 only.	
	Business Services Directorate	(377)
	Property Construction Services	248
	Halls	21
	Building Cleaning	70
	Woodhill House	38
3	Property - Management Support	
	Transfer of budget from Property Construction to Cleaning, Halls & Facilities for Management support 17/18. This virement will apply to 2017/18 only.	
	Property Construction Services	(105)
	Halls	17
	Building Cleaning	58
	Woodhill House	30

Reconciliation of Budget

Opening Budget		40,246
Cross Service Virements (as above)		0
Additional Budgets to be Approved by Full Council to/from Earmarked Reserves:		
Business Services Corporate Projects (Business Transformation Fund)		152
Property Corporate Projects (Business Transformation Fund)		18
Property Corporate Projects (Central Energy Efficiency Fund)		(38)
Benefits (Welfare Reform)		53
Property Estates Renewal Fund		3
Additional Budgets to be Approved by Full Council from Statutory Funds:		
Insurance (Insurance Fund)		6
Additional Virements to be Approved by Full Council:		
Council Tax - Revenues Staffing		229
Living Wage (Various budget pages)		61
Virements Approved by the Director:		
Customer, Communications and Improvement		23
Office Accommodation		(23)
Virements to be Approved by the Head of Finance:		
Human Resources and Organisational Development (Social Work - Care Assessor)		16
Information Communications Technology (Social Work systems)		67
Customer, Communications and Improvement (Access Panel Costs from Development Management)		6
Rounding Adjustments		(6)
Closing Budget		<u>40,813</u>

Appendix 4

BUSINESS SERVICES CAPITAL BUDGET 2017/18 MONITORING & CAPITAL PLAN 2017-2032 UPDATE - 30/9/17

	Original Budget Full Council 9/2/17 2017/18 £000	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	50	(459)	459	1
Carbon Reduction - Council Wide Objectives	865	864	864	0	0	
Depots	6,100	6,582	6,582	0	0	
Development of Industrial Portfolio & Factory Units	3,600	2,500	2,500	0	0	
Health and Safety - Council Wide Objectives	500	934	934	0	0	
Information Communications Technology	1,450	2,062	2,062	0	0	
Planned Maintenance - Council Wide Objectives	3,067	4,623	4,623	0	0	
Public Toilets	278	349	349	0	0	
Woodhill House - Complete Refurbishment	0	158	158	0	0	
Workspace	869	1,036	1,036	0	0	
Workspace - Saltoun Square Fraserburgh	591	591	591	0	0	
Workspace - Inverurie Offices	4,500	500	500	0	0	
Workspace - Peterhead Offices	0	370	370	0	0	
TOTAL PLANNED EXPENDITURE	22,837	21,078	20,619	(459)	459	

BUSINESS SERVICES CAPITAL BUDGET 2016/17 MONITORING & CAPITAL PLAN 2017-2032 UPDATE - 30/9/17

Significant Variance Analysis

<u>Note</u>	<u>Budget</u>	<u>Variance</u> <u>Revised Budget</u> <u>2017/18</u> <u>£'000</u>	<u>Narrative</u>
1	Buchan House - Police Office Extension	(459)	Agreement on the design has not yet been reached with the Police and it is unlikely works will commence this financial year and a budget for fees only will be required. This means budget amounting to £459,000 requires to be delayed until 2018/19.

