

FINANCIAL MONITORING AS AT 31 DECEMBER 2017

1 Recommendations

The Committee is recommended to:

- 1.1 Note the revenue and capital budget monitoring as at 31 December 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 31 December 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 £40,928,000, 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 December 2017 is £42,441,000, or £1,513,000 higher than 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 Whilst the forecast position to the end of December shows a position that is in excess of budget by £1,513,000 the budget for capital financing charges and interest on revenue borrowing, which is managed by staff within Business Services is within budget by £280,000. Taking this into account, Business Services shows a net position that is in excess of budget by £1,233,000.
- 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 the delivery of savings on building cleaning, estimated savings from vacancy management process and savings within supplies and services through stopping or delaying expenditure.
- 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 is being considered as part of the 2018/19 budget process.

- 2.6 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 have 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 now operational from January 2018 therefore it is expected that the Council will begin to see a share of the increase in profits.
- 2.7 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.

- 2.8 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

- 2.9 Business Services Revised Capital Budget for the year 2017/18 is £20,146,000. 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.
- 2.10 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.
- 2.11 The overall capital expenditure budget to the end of December 2017 is forecasted to be £18,956,000 which is £1,190,000 less than the revised budget figure. The under-spend has increased from the period ending September 2017. This is due to a supplier going into administration resulting in a delay to an ICT project (£300,000), Public Toilet work being delayed until the Service strategy is agreed (£149,000) and a delay in programme of works at Salton Square, Fraserburgh (£291,000). Any movements to this position will be reported back to a future Committee meeting as and when identified.

2.12 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 and a Town Centre First Impact Assessment are 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 £42,441,000 or £1,513,000 over budget for 2017/18 and capital expenditure of £18,956,000 which is £1,190,000 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
19 January 2018.

Appendix 1

SUMMARY OF REVENUE MONITORING 2017/18 TO 31/12/2017 - 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	313	0	(21)	(21)	A
- Councillors' Remuneration and Expenses	2,493	2,355	0	(138)	(138)	
- Business Services Directorate	747	736	0	(11)	(11)	
- Finance	2,955	2,917	0	(38)	(38)	
- Insurance	107	107	0	0	0	
- Revenues	1,842	1,954	112	0	112	B
- Benefits	2,227	2,019	0	(208)	(208)	C
- Internal Audit	387	363	0	(24)	(24)	
- Human Resources & Organisational Development	6,103	5,993	0	(110)	(110)	D
- Information Communications Technology	10,062	9,924	0	(138)	(138)	E
- Legal & Governance	2,555	2,535	0	(20)	(20)	
- Customer Communication & Improvement	2,906	3,113	207	0	207	F
- Printing	(638)	(98)	540	0	540	G
- Procurement	676	923	247	0	247	H
- Miscellaneous Services	(26)	(26)	0	0	0	
- Joint Board Requisitions	1,665	1,788	123	0	123	I
- Business Services Corporate Projects	513	513	0	0	0	J
- Woodhill House	1,314	1,829	515	0	515	K
- Office Accommodation	1,962	2,179	217	0	217	L
- Building Cleaning	(184)	(59)	125	0	125	
- Public Conveniences	568	512	0	(56)	(56)	
- Halls	414	392	0	(22)	(22)	
- Operational Buildings	(39)	(39)	0	0	0	
- Estates	(3,501)	(2,916)	585	0	585	M
- Property Corporate Projects	212	203	0	(9)	(9)	
- Property Construction Services	(1,069)	(1,041)	28	0	28	
- Property Building Repairs & Maintenance Account	5,611	5,042	0	(569)	(569)	N
- Area Managers (Buchan & Formartine)	878	878	0	0	0	
	41,074	42,409	2,699	(1,364)	1,335	
Charges to HRA/Capital/Other Services	(3,287)	(3,109)	178	0	178	O
Other Expenditure/(Income)	3,141	3,141	0	0	0	
TOTAL BUSINESS SERVICES COMMITTEE	40,928	42,441	2,877	(1,364)	1,513	

Appendix 2 - Variance Analysis

<u>Note</u>	<u>Forecast</u>	
	<u>Over (within) budget</u>	
	<u>2017/18</u>	<u>Narrative</u>
	£'000	
A	(138)	Councillor Remuneration and Expenses - is forecast to be within budget by £138,000. The main election of Councillors is held every 4 years and took place in May 2017. The budget set aside for this purpose exceeded the actual expenditure recorded but efficiencies were made by sharing the venue with Aberdeen City Council and one off savings from the reimbursement for e-counting equipment costs from the Scottish Governments. In addition, budget is provided for Local By-Election of Councillors, of which there was only one required in the year.
B	112	Revenues - is forecast to be over budget by £112,000. This is due to an increase in staffing costs (£79,000), Bank and Card Charges (£82,000) and Postages (£30,000), offset partly by an increase in internal recharges income of £73,000. The increase in staffing costs has arisen following a service staff review and restructure in 2017 which resulted in a restructured team being employed to meet the new structure. This meant that the service were unable to meet the full £100,000 included in the budget. Card payments costs have increased due to the Council's annual usage increasing to around 400 annually. In addition, the Council are no longer able to charge customers for paying by credit card, which was previously charged at 1.5%
C	(208)	Benefits - is forecast to be under budget by £208,000. This is due to an underspend on Rent Rebate and Rent Allowances (£61,000) and Scottish Welfare Fund (£154,000). The underspend on Scottish Welfare Fund reflects an increase in the priority level set for the discretionary Community Care Grants to medium and high priority, which has led to fewer being paid out. These are partly offset by a decrease in Housing Benefit and Council Tax Admin Subsidy of £174,000 following the reduction of the administration grant paid out by Scottish Government in 2016/17.
D	(110)	Human Resources and Organisational Development - is forecast to be within budget by £110,000. This is due a saving on staff costs which has arisen from vacancy management. In addition, there was a one-off saving of £30,000 from work on a specific project completed this year. Savings will be recurring and the service will be operating on a reduced budget in 2018/19
E	(138)	Information Communications Technology - is forecast to be within budget by £138,000. The savings is mainly from ICT laptops. The education refresh in January- March 2018 will generate a one off income this year from a service charge on newly installed devices of £70,000. Additional income from internal charges and disposals is also recorded this financial year and savings from ICT Business Improvements provided a one off saving of £49,000.
F	207	Customer Communication & Improvement - is forecast to be over budget by £207,000. This is mainly due to an increase in staffing costs of £172,000. This is a recurring pressure due to the increased amount of calls and workload over the last few years for the contact centre which have been operating with up to 10 additional temporary staff. There is also increased pressure from service point staff where there is a gap in the budget provided by services and the cost of the service point staff. For this pressure to reduce, the service provided will need to be reviewed. i.e. reduction in open hours etc.

<u>Note</u>	<u>Forecast</u>		<u>Narrative</u>
	<u>Over (within) budget</u>		
	<u>2017/18</u>		
	£'000		
G	540		Printing - Is forecast to be over budget by £540,000. 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. The refurbished print room is now fully functional from 3rd January 2018. This will allow additional orders to be received. The impact of additional work will be assessed quarterly in arrears, with any savings being offset against the contract charge in 2018/19. 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.
H	247		Procurement - is forecast to be over budget by £247,000. This is due to an increase in costs to Other Local Authorities Third Parties (£468,000), partially offset by an increase in income from charges to services (£141,000). Procurement is a shared service with Aberdeen City Council who employ the staff and recharge 50% of the costs to Aberdeenshire. The service are working to an approved staffing structure which costs more than the budget available. In addition, £250,000 of savings were assumed in the budget as a result of Highland Council joining the shared service in 2017/18. This saving in relation to economies of scale will not be realised in full within the procurement budget, however the resulting savings should be realised across the council through reduced contract costs. This increase in recharged staffing costs is partially offset by procurement rebates of £135,000 which have been received from achieving targets within contracts.
I	123		Joint Board Requisitions - is forecast to be over budget by £123,000. The joint authority estimates the amount required from each Council for the financial year. In previous years there have been underspends reported, which were distributed pro-rata back to each Council as a refund. The budget set anticipated refunds would continue in 2017/18 however the joint authority advises that a vacancy management provision was introduced this year allowing a more accurate budget forecast. Therefore the authority is not forecasting to underspend this financial year. This is a recurring pressure as the joint authority expects budgets to be fully spent each financial year.
J	515		Woodhill House - Is forecast to be over budget by £515,000. The variance has arisen as the Council has been unable to lease the top floor of Woodhill House to a tenant. This is a recurring variance which has increased 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 is now unlikely. The variance is not affecting service delivery and will be discussed in the 2018/19 budget setting process.

<u>Note</u>	<u>Forecast</u>	
	<u>Over (within) budget</u>	
	<u>2017/18</u>	<u>Narrative</u>
	£'000	
K	217	Office Accommodation - Is forecast to be over budget by £217,000 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.
L	125	Building Cleaning - is forecast to be £125,000 over budget. Savings were put forward in the budget from Education and Children's Service however it is only expected that £150,000 of these savings will be realised this financial year. Discussions are ongoing with the service as to how these savings can be made in the future as these savings will impact the level of service delivery.
M	585	Estates - Is forecast to be over budget by £585,000. £182,000 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 £500,000 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.
N	(569)	Property Building Repairs & Maintenance Account - is forecast to be under budget by £569,000. Due to the challenging financial outturn within the Council, the service have reduced works orders for the Estates Service in relation to Repairs and Maintenance. This is a one-off reduction as the properties need to be kept to a high maintenance standard in order to be able to lease them to tenants. This is not affecting service delivery.
O	178	Charges to HRA/Capital/Other Services - is forecast to be over budget by £178,000 due to a reduction in business services costs overall, leading to a reduction in the level of recharge to HRA

SUMMARY OF REVENUE MONITORING VIREMENTS

Appendix 3

£'000's

Virements Planned as Part of the Budget Process:

1	Building Cleaning		
	Transfer of budget from Business Services Directorate to Building Cleaning in relation to savings relating to template 50 cross cutting relating to Public Conveniences		
	Business Services Directorate		300
	Building Cleaning		(300)

Virements Made in Year in Response to Unplanned Situations:

2	Property		
	Transfer of budget from Estates to Repairs & Maintenance as budget is managed by Hard FM team		
	Estates		285
	Repairs and Maintenance		(285)

Reconciliation of Budget

Opening Budget		40,813
Cross Service Virements (as above)		0
Additional Budgets to be Approved by Full Council to/from Earmarked Reserves:		
Corporate Estates (Business Transformation Fund)		15
Corporate Estates (Central Energy Efficiency Fund)		2
Estates (Property Estates Renewal Fund)		(2)
Corporate Projects (Business Transformation Fund)		28
Joint Boards (Joint Board Surpluses)		41
Additional Budgets to be Approved by Full Council from Statutory Funds:		
Insurance (Insurance Fund)		47
Additional Virements to be Approved by Full Council:		
Virements Approved by the Director:		
Virements to be Approved by the Head of Finance:		
Estates (Adult Social Work)		3
Property Construction Services (Planning)		(45)
ICT (Education)		6
Customer Communication and Improvement (Concessionary transport and call centre provision)		14
Rounding Adjustments		6
Closing Budget		<u><u>40,928</u></u>

BUSINESS SERVICES CAPITAL BUDGET 2017/18 MONITORING & CAPITAL PLAN 2017-2032 UPDATE - 31/12/17

	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	50	50	0	0	
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	2,485	2,485	0	0	
Health and Safety - Council Wide Objectives	500	934	934	0	0	
Information Communications Technology	1,450	2,062	1,762	(300)	300	1
Planned Maintenance - Council Wide Objectives	3,067	72	72	0	0	
Public Toilets	278	4,623	4,623	0	0	
Woodhill House - Complete Refurbishment	0	349	200	(149)	149	2
Workspace	869	158	158	0	0	
Workspace - Saltoun Square Fraserburgh	591	866	866	0	0	
Workspace - Inverurie Offices	4,500	591	300	(291)	291	3
Workspace - Peterhead Offices	0	500	50	(450)	450	4
		10	10		0	
TOTAL PLANNED EXPENDITURE	22,837	20,146	18,956	(1,190)	1,190	

BUSINESS SERVICES CAPITAL BUDGET 2016/17 MONITORING & CAPITAL PLAN 2017-2032 UPDATE - 31/12/17

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	Information Communications Technology	(300)		One of the Service's suppliers has entered administration and ICT are trying to progress this procurement with alternative suppliers. Other projects will be brought forward to mitigate this but some purchases will be delayed which means budget amounting to £300,000 requires to be deferred until 2018/19.
2	Public Toilets	(149)		Projects are on hold until the service strategy has been agreed which means budget amounting to £149,000 requires to be deferred until 2018/19.
3	Workspace - Saltoun Square Fraserburgh	(291)		Contractor is behind on planned programme of works, in particular the structural steel element, which means budget of £291,000 requires to be delayed until 2018/19.
4	Workspace - Inverurie Offices	(450)		Work on defining project scope is continuing and design works planned for this year have been delayed which means that budget amounting to £450,000 requires to be deferred until 2018/19.

