

REPORT TO BUSINESS SERVICES COMMITTEE – 28 FEBRUARY 2019

FINANCIAL MONITORING AS AT 31 DECEMBER 2018

1 Recommendations

The Committee is recommended to:

- 1.1 Consider and discuss the Revenue and Capital Budget monitoring as at 31 December, 2018; and
- 1.2 Agree and note the Revenue Budget virements set out in Appendix 3, which are to be submitted to Full Council for approval.

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, for both Revenue and Capital Budget monitoring.

Revenue Budget Monitoring

- 2.2 The financial position in respect of the Revenue Budget that falls within the remit of the Business Services Committee details a revised budget of £36,694,000 and a forecast position of £37,440,000, or £746,000 higher than budget. Planned funding from reserves of £396,000 reduces this forecast to an over budget position of £350,000. 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**.
- 2.3 When the virements in **Appendix 3** have been applied, the revised budget will be £36,694,000. The impact of the planned use of reserves is detailed below:

Forecast Expenditure	£37,440,000
Planned use of Reserves	£396,000
Net Forecast Expenditure	£37,044,000
Revised Budget	£36,694,000
Forecast Outturn – higher than budget	£350,000

- 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 and procurement. These are being closely monitored and forecasts may fluctuate throughout the year as the savings are rolled out.

- 2.5 As part of the setting of the 2018/19 Business Services budget, a number of assumptions were made. One of these was around the level of savings which could be achieved through vacancy management. Whilst a significant level of savings have been achieved in this area, it is evident that there are areas where this is having an impact on the delivery of Service. In particular, Human Resources and Organisational Development has seen a significant increase in staff turnover due to an imbalance between permanent and fixed term contracts. At the same time, there has been an increase in transactional workloads. Whilst the forecasted overspend is currently being offset in part from underspends in other areas, this is not sustainable, and a permanent solution is being explored.
- 2.6 Within Customer Services, the level of customer transactions taking place at service points has significantly increased. The level of funding initially passed over from other services no longer covers the required level of staffing. The wider Customer Communication and Improvement Service has taken steps to reduce this overspend, mainly through vacancy management, but ongoing pressures are still evident, estimated at around £200,000 a year. The demand to open two further service points at Fraserburgh and Stonehaven will further increase this pressure. Officers are working on proposals to modernise and streamline Customer Services using technology to replace more traditional customer channels to deliver efficiencies.
- 2.7 Procurement is a shared service with Aberdeen City Council and Highland Council. Aberdeen City Council employs the staff and recharged a proportion of the costs to Aberdeenshire Council. The service is working to an approved staffing structure which costs more than the budget available. Any procurement savings achieved in relation to economies of scale are realised Council-wide through reduced contract costs. Officers are looking at options to reduce the overspend on the Procurement budget page.
- 2.8 In addition, a range of actions are being pursued across the Service and this includes:
- Prioritising spend in year (can we defer or remove spend);
 - Exploring options to generate further income; and
 - Vacancy management – only essential posts are being filled (reflecting that a significant part of the Service budget is staffing);

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

Capital Budget Monitoring

- 2.9 Business Services Revised Capital Budget for the year 2018/19 is £15,962,000. 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, multi-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, 2018, is forecasted to be £13,460,000, which is £2,502,000 less than the revised budget figure. 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 forecasted to be £350,000 over revised budget and capital expenditure is forecasted to be £2,502,000 less than the revised budget, with details and explanation of variances contained within the appendices to this report.
- 4.3 A number of assumptions made in the budget regarding staffing is having an impact on service delivery within both Human Resources and Organisational Development and Customer Communications and Improvement. Officers are working towards solutions to address this impact and further information on this will be provided when completed.
- 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 paragraphs 2.5 to 2.8 of the report.

Ritchie Johnson
Director of Business Services

Report prepared by Shirley-Ann Gordon, Principal Accountant
February 2019

Appendix 1

SUMMARY OF REVENUE MONITORING 2018/19 TO 31/12/2018 - BUSINESS SERVICES COMMITTEE

	Original Budget 2018/19 £000	Approved Virements 2018/19 £000	Virements to be approved 2018/19 £000	Revised Budget 2018/19 £000	Forecast 2018/19 £000	Variance £000	Transfer to/(from) Reserves £000	Net Variance £000
BUSINESS SERVICES COMMITTEE								
- Chief Executive	330	1	0	331	322	(9)	0	(9)
- Councillors' Remuneration and Expenses	2,478	8	(237)	2,249	2,090	(159)	0	(159)
- Business Services Directorate	1,695	(1,021)	0	674	716	42	0	42
- Finance	2,855	73	0	2,928	2,955	27	0	27
- Insurance	(152)	(3)	0	(155)	(155)	0	(100)	(100)
- Revenues	1,538	235	0	1,773	1,952	179	0	179
- Aberdeenshire Advice & Support Team	2,100	(1)	0	2,099	2,017	(82)	(25)	(107)
- Internal Audit	381	1	0	382	361	(21)	0	(21)
- Human Resources & Organisational Development	5,123	482	53	5,658	5,886	228	0	228
- Information Communications Technology	9,566	818	0	10,384	10,286	(98)	0	(98)
- Legal & Governance	2,474	(1)	0	2,473	2,585	112	0	112
- Customer Communication & Improvement	2,813	55	0	2,868	2,935	67	0	67
- Printing	(638)	(6)	0	(644)	(649)	(5)	0	(5)
- Procurement	41	44	207	292	452	160	0	160
- Miscellaneous Services	(33)	5	0	(28)	2	30	0	30
- Joint Board Requisitions	1,914	0	0	1,914	1,903	(11)	0	(11)
- Business Services Corporate Projects	0	0	0	0	288	288	(288)	0
- Woodhill House	1,737	143	15	1,895	1,991	96	0	96
- Office Accommodation	2,188	4	(15)	2,177	2,068	(109)	0	(109)
- Building Cleaning	202	(256)	0	(54)	27	81	0	81
- Public Conveniences	552	15	0	567	533	(34)	0	(34)
- Halls	375	(375)	0	0	0	0	0	0
- Operational Buildings	(76)	50	0	(26)	(26)	0	0	0
- Estates	(2,682)	(346)	30	(2,998)	(3,078)	(80)	0	(80)
- Property Corporate Projects	185	(13)	0	172	148	(24)	17	(7)
- Property Construction Services	(1,291)	68	0	(1,223)	(1,223)	0	0	0
- Property Building Repairs & Maintenance Account	5,112	338	0	5,450	5,527	77	0	77
- Area Managers (Buchan & Formartine)	819	4	0	823	814	(9)	0	(9)
	39,606	322	53	39,981	40,727	746	(396)	350
Charges to HRA/Capital/Other Services	(3,287)	0	0	(3,287)	(3,287)	0	0	0
Other Expenditure/(Income)	1,052	(1,885)	833	0	0	0	0	0
NET EXPENDITURE FOR BUSINESS SERVICES	37,371	(1,563)	886	36,694	37,440	746	(396)	350

Appendix 2 - Variance Analysis Business Services Committee

<u>Budget Page</u>	<u>Forecast Over (within) budget 2018/19 £'000</u>	<u>Comment</u>
- Councillors' Remuneration and Expenses	(159)	Election of Councillors budget line is forecast to underspend by £146,000 due to no local elections or bi-elections taking place this year. Small underspends across other lines take the total underspend to £159,000. This is not affecting service delivery.
- Insurance	(100)	It is anticipated there will be additional income received to the insurance budget of around £100,000
- Aberdeenshire Advice & Support Team	(107)	There has been a reduction in benefits payments made, with the roll out of the Universal Credit system. This will result in a corresponding reduction in subsidy received from Department of Work and Pensions.
- Human Resources & Organisational Development	228	An overspend in staffing of around £169,000 is projected. The Service is working towards addressing this through vacancy management. In addition, a saving which was due to be realised across the Council for changes to relief staff contracts is no longer progressing.
- Legal & Governance	112	The Service is forecasting an overspend on staffing of around £95,000. The Service is working towards addressing this through vacancy management.
- Procurement	160	Procurement is a shared service with Aberdeen City Council and Highland Council. Aberdeen City Council employ the staff and recharge a proportion of the costs to Aberdeenshire. The service are working to an approved staffing structure which costs more than the budget available, any savings procurement make are in relation to economies of scale and therefore will not be realised in full within the procurement budget, however the savings will be realised across the Council through reduced contract costs. The Service is progressing options to deliver additional procurement savings above the target this financial year in order to address the shortfall in budget

Appendix 3

SUMMARY OF REVENUE MONITORING VIREMENTS - BUSINESS SERVICES COMMITTEE

£'000's

1 Permanent Virement to move budget from Councillors to Procurement to offset core funding shortfall within Business services

Procurement Councillors	207 (207)
-------------------------	--------------

Reconciliation of Budget

Opening Budget	37,371
Virements approved to 30 September 2018	(1,563)
Virements to be approved by Business Services Committee (as above)	0

Additional Virements to be Approved by Full Council:

Other Expenditure/(Income) - budget transferred to IJB for Apprenticeship Levy costs	(166)
Other Expenditure/(Income) - budget transferred to IJB for Criminal Justice Funding	2,676
Other Expenditure/(Income) - budget transferred to Economic Development for Carbon Reduction Commitment	(280)
Other Expenditure/(Income) - budget transferred to Transfer to/(from) Earmarked Reserves to offset	(1,397)

£'000's

1 Permanent Virement to move budget from Councillors to Procurement to offset core funding shortfall within Business services

Procurement Councillors	207 (207)
-------------------------	--------------

Virements Approved by the Director:

Office Accommodation - Offset additional rental and service charge income being received from tenants against Staff costs and rental income for Woodhill House	(15)
Woodhill House - Offset additional rental and service charge income being received from tenants against Staff costs and rental income for Woodhill House	15
Councillors - Budget provided towards Councillors share of Corporate Training costs.	(30)
HR & OD - Budget provided towards Councillors share of Corporate Training costs.	30

Virements to be Approved by the Head of Finance:

Estates - budget transferred from Waste Disposal (Infrastructure Services) for the reduction of internal rent for Ellon HWRC	30
HR & OD - Union Rep Salary budget contribution from Education	23

Closing Budget

36,694	
36,694	
0	

BUSINESS SERVICES CAPITAL BUDGET 2018/19 MONITORING & CAPITAL PLAN 2018-2033 UPDATE - 31/12/18

	Original Budget Full Council 8/2/18 2018/19 £000	Revised Budget 2018/19 £000	Forecast Outturn 2018/19 £000	Variance 2018/19 £000	Changes to Future Years £000	Note
PLANNED EXPENDITURE						
Buchan House - Police Office Extension	467	517	50	(467)	467	1
Carbon Reduction - Council Wide Objectives Depots	800	996	996	0	0	
Development of Industrial Portfolio & Factory Units	5,352	3,677	4,201	524	(524)	2
Health and Safety - Council Wide Objectives	5,341	2,000	2,000	0	0	
Information Communications Technology	500	500	500	0	0	
Legal and Governance System Software	1,450	1,557	1,557	0	0	
New Council Office	0	72	72	0	0	
Planned Maintenance - Council Wide Objectives	312	400	400	0	0	
Cleaning (Previously named Public Toilets)	2,500	2,000	2,000	0	0	
Woodhill House - Complete Refurbishment Workspace	115	150	90	(60)	60	
Workspace - Saltoun Square Fraserburgh	0	98	98	0	0	
	2,702	2,360	896	(1,464)	1,464	3
	0	1,635	600	(1,035)	1,035	4
TOTAL PLANNED EXPENDITURE	19,539	15,962	13,460	(2,502)	2,502	

BUSINESS SERVICES CAPITAL BUDGET 2017/18 MONITORING & CAPITAL PLAN 2018-2033 UPDATE - 31/12/18

Significant Variance Analysis

<u>Note</u>	<u>Budget</u>	<u>Variance</u> <u>Revised Budget</u> <u>2018/19</u> <u>£'000</u>	<u>Comment</u>
1	Buchan House - Police Office Extension	(467)	Due to a delay in finalising an agreement with Police Scotland the construction works will not commence until 2019/20 which means budget amounting to £467,000 required to be deferred until then.
2	Depots	524	Works at Alford and Crow's Nest, Banchory facilities have progressed faster than anticipated which means budget amounting to £524,000 requires to be accelerated from 2019/20.
3	Workspace	(1,464)	The programme of works are linked to the Office Strategy which is currently under consideration. Works planned for Viewmount, Stonehaven will not take place this financial year and will be undertaken in conjunction with the Office Strategy. Budget amounting to £1,464,000 requires to be delayed until 2019/20.
4	Workspace - Saltoun Square Fraserburgh	(1,035)	As a result of the contractor going into administration the project has been significantly delayed. Officers are currently progressing a solution but completion of the project will not happen until 2019/20. As a result, budget amounting to £1,035,000 requires to be deferred until next financial year.