

REPORT TO BUSINESS SERVICES COMMITTEE – 15 SEPTEMBER 2022

FINANCIAL PERFORMANCE AS AT 31 JULY 2022

1. Executive Summary/Recommendations

1.1 This report presents the revenue and capital financial performance information pertaining to services within the remit of this committee. It shows the expenditure incurred to 31 July 2022 and reflects the forecast outturn to 31 March 2023. The report also highlights the financial risks that may require mitigations to be identified as the financial year progresses. Progress with the achievement of savings agreed as part of the 2022/23 budget is detailed.

1.2 The Committee is recommended to:

1.2.1 Consider and discuss the Revenue forecast position as set out in Appendices 1 and 2;

1.2.2 Note the approved budget virements as set out in Appendix 3;

1.2.3 Note the risks highlighted in Section 5 of the report;

1.2.4 Note the progress with agreed savings as set out in Section 6 of the report;

1.2.5 Consider and discuss the Capital forecasted under-budget position of £1.117m as set out in Appendix 4; and

1.2.6 Note the Reserves position as at 31 July 2022.

2 Decision-Making Route

2.1 The purpose of this report is to provide the Committee with the financial information in relation to expenditure and income for the services for which the Committee has responsibility.

2.2 The financial information is set out in the following appendices

- **Appendix 1:** revenue financial position by budget page.
- **Appendix 2:** revenue financial position by type of spend.
- **Appendix 3:** virements reflected in the revenue financial position.
- **Appendix 4:** capital financial position by project

2.3 The Committee will receive further reports on the financial performance at each Committee cycle and elected members are able to access financial information out with the Committee cycle through a set of high-level interactive Power BI reports.

- 2.4 Full Council will receive a summary Financial Performance Report reflecting the Committee information contained within this report.

3 Discussion

- 3.1 The table below provides a summary of the revenue budgets and savings, capital budgets and available reserves as agreed by Council in March 2022.

	Council Revised Budget July 22 £000		Business Services Committee Revised Budget July 22 £000	Business Services Committee Expenditure July 22 £000	Business Services Committee Forecast to March 23 £000
Gross Revenue Budget	673,166		45,085		
Service Savings	(11,603)		(630)		
Budget Movements	23,032		1,071		
Net Revenue Budget	684,595		45,526	19,132	45,526
Capital	136,063		16,265	808	15,144
Reserves	81,513*		2,369*	79	79

*Draft figure for 2022/23. Final figures to be confirmed once 2021/22 Annual Accounts are audited.

4 Revenue Budget

- 4.1 Pressures are expected within income for Property and Estates, but these are currently being mitigated by vacancies across Business Services. At present Business Services expects to be within budget by the end of the financial year. There are however risks that have been identified which may result in an over budget position, these are listed below and will continue to be monitored and reported in future financial performance reports to this Committee.

5. Budget Financial Risks

- 5.1 Energy prices remain a high risk area due to the current volatility in the markets. The 2022/23 budget was considerably increased based on the Scottish Procurement pricing data, which reflects the forward procurement contract. This contract arrangement gives a high degree of confidence in the pricing and should ensure that the Council will not incur high price rises later in the year anticipated by the domestic markets. The Energy Management Team continue to monitor the position, meet with Finance to discuss and agree predictions and provide regular updates to the Strategic Leadership Team.
- 5.2 Local Government pay awards for 2022/23 onwards are subject to agreement via the relevant national negotiating groups, with negotiations being conducted by the Trade Unions and COSLA officers, who represent the Employers side. The 2022/23 budget included provision for a pay award of up to 3%. At the time of writing, discussions continue with the Scottish Government about the level of government funding which will be provided to Local Authorities to support any agreed pay awards. Any shortfall in funding received from the Scottish Government would require to be funded from Council reserves or Service efficiencies.

- 5.3 As mentioned above in paragraph 4.1, income pressures are currently being offset by vacancies within the Service. Efforts to fill vacancies is ongoing and there is a risk that if all vacancies are filled, there will not be sufficient savings to offset the pressures identified.

6. Savings

- 6.1 The approved Revenue Budget for 2022/23 included savings of £0.630 million.
- 6.2 Details of agreed savings by budget page along with progress to date are included in the table below:

Business Services Committee – Agreed Budget Savings 2022/23

Number	Budget Page	Saving Detail	Saving Agreed £000	Saving Achieved £000	RAG Status
1	Customer & Digital	Switch 1,000 Microsoft 365 licences to a lower-cost option	100	100	Green
2	Customer & Digital	Increased income from Grampian Valuation Joint Board for provision of IT Services	40	40	Green
3	Customer & Digital	Reduce IT staff by 2 FTE (unfilled vacancies)	84	84	Green
4	Customer & Digital	Reduce training budget due to increased use of opportunities provided by existing arrangements	20	20	Green
5	Councillors Remuneration & Expenses	Reduce Members travel budget by 50%	60	60	Green
6	Woodhill House	Remove line rental and call budgets due to move to Skype/Teams	70	70	Green
7	Office Accommodation	Remove line rental and call budgets due to move to Skype/Teams	13	13	Green
8	Office Accommodation	Additional rental income from Police Scotland at Buchan House	75	75	Green
9	Finance	Strategic Finance to maintain current levels of staff turnover savings	118	118	Green
10	Grampian Valuation Joint Board	Rebates from funding contributions	50	50	Green
Total			630	630	

7. Capital

- 7.1 The Capital Budget for Business Services agreed at Full Council on 9 March 2022 amounted to £16.199 million. Also approved as part of the Infrastructure Fund 2 budget was £0.66m Business Services projects. Aberdeenshire Council will consider any slippages from 2021/22 at the September meeting and this may result in a revision to the Business Services Capital Budget for 2022/23. Details of the Budget can be found at **Appendix 4**.
- 7.2 Current operating conditions continue to be challenging as the construction industry is still dealing with logistics and materials supply issues. The conflict in

Ukraine and increasing energy costs are resulting in material price increases, the construction industry is warning of a skilled labour shortage and contractors and suppliers are reluctant to provide fixed price rates.

- 7.3 In light of the risks mentioned above in paragraph 7.2, the capital projects planned for 2022/23 are currently being considered for affordability and deliverability as part of a review of the capital plan to ensure value for money and service delivery.
- 7.4 At present there is one project identified which is not likely to be delivered within the projected timescales.
- 7.5 **The New Council Office** is currently subject to review after the plans were withdrawn and a revised design requested.
- 7.6 Material deferral of budget to later years adds to the risk that the Capital Plan becomes unaffordable in a specific year resulting in future years phasing of budgets and reprioritisation requiring to be revisited.

8. Reserves

- 8.1 The balances held in reserves as at 31 March 2022 are subject to audit which will be reported to Audit Committee later in the financial year. There are two Earmarked Reserves, which fall within the remit of Business Services Committee to scrutinise the use of:

Reserve	Balance 31 March 2022 £'000	Balance 31 July 2022 £'000
Digital Strategy	1,948	1,869
Repairs & Maintenance	500	500
Total	2,448	2,369

- 8.2 The Digital Strategy reserve is fully committed and allocated to several projects with completion of the last project expected in December 2025. Funding is drawn down from the Reserve throughout the year as and when expenditure is incurred. £0.079 million has been drawn down to fund expenditure as at 31 July 2022.
- 8.3 The Repairs and Maintenance reserve is in place to alleviate any pressures arising on the repairs and maintenance budget from unplanned but essential emergency repairs such as an oil spill.

9 Council Priorities, Implications and Risk

- 9.1 The work and outcomes delivered through the various services reporting to the Business Services Committee helps in the delivery of the following council priorities:

Pillar	Priority
Our People	Education Health & Wellbeing
Our Environment	Infrastructure Resilient Communities
Our Economy	Economy & Enterprise Estate Modernisation

- 9.2 The table below shows whether risks and implications apply if the recommendations are agreed.

Subject	Yes	No	N/A
Financial	X		
Staffing		X	
Equalities and Fairer Duty Scotland			X
Children and Young People's Rights and Wellbeing			X
Climate Change and Sustainability			X
Health and Wellbeing			X
Town Centre First			X

- 9.3 The financial implications have been discussed throughout the report. There are no direct staffing implications.
- 9.4 The screening section as part of Stage One of the Integrated Impact Assessment process has not identified the requirement for any further detailed assessments to be undertaken. The report deals with the monitoring of expenditure against budgets which have been approved previously, and the re-profiling of some expenditure. There will be no differential impact, as a result of the report, on people with protected characteristics.
- 9.5 The following risk has been identified as relevant to this matter on a Corporate Level: Budget Pressures ([Corporate Risk Register](#)). On a Directorate level the following risk has been identified: We live within our means and use public money to maximise outcomes for communities ([Directorate Risk Register](#)). Actions being taken to mitigate these risks are set out in the report.

10 Scheme of Governance

- 10.1 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.
- 10.2 The Committee can consider this item in terms of Sections C.1.1 and C.6.1 of the List of Committee Powers in Part 2A of the Scheme of Governance as it relates to the scrutiny of financial performance information in respect of functions that have been delegated to the Committee.

Ritchie Johnson
Director of Business Services

Report prepared by Shirley-Ann Gordon, Team Manager
Date: 11 August 2022

List of Appendices:

- Appendix 1 – Revenue Financial Position by Budget Page
- Appendix 2 – Revenue Financial Position by Type of Spend
- Appendix 3 – Virements Reflected in the Revenue Financial Position
- Appendix 4 – Capital Financial Position by Project

Appendix 1

Business Services Revenue Budget by Budget Page

Committee Budget Page 2022-23	Revised Business Services Budget £'000	Forecast £'000	Variance £'000
71.Chief Executive	324	324	0
72.Councillors' Remuneration & Expenses	2,673	2,673	0
73.Business Services Directorate	1,230	1,230	0
74.Finance	10,319	10,319	0
75.Internal Audit	424	424	0
76.Customer & Digital	12,946	12,946	0
76a. Digital Strategy	79	79	0
78.Legal & People	7,656	7,656	0
79.Miscellaneous Licensing	-59	-59	0
80.GVJB	2,131	2,131	0
81.Printing	708	708	0
82.Procurement	887	887	0
83.Woodhill House	1,932	1,932	0
84.Office Accommodation	1,978	1,978	0
85.Building Cleaning	-	-	0
86.Public Conveniences	764	764	0
87.Operational Buildings	-	-	0
88.Estates	-2,938	-2,938	0
89.Property Construction Services	-1,251	-1,251	0
90.Building Repairs & Maintenance Fund	7,973	7,973	0
91.Area Managers - Buchan & Formartine	826	826	0
93.Charges to HRA	-3,398	-3,398	0
Community Resilience	6	6	0
Covid-19 Business Services	316	316	0
	45,526	45,526	0

Appendix 2

Business Services Revenue Budget by Type of Spend

	Revised	Forecast	Variance
	Business Services Budget		
Type of Spend	£'000	£'000	£'000
01.Staff Costs	46,894	46,894	0
02.Premises Costs	15,857	15,857	0
03.Transport	487	487	0
04.Supplies & Services	12,981	12,981	0
05.Third Parties	30,949	30,949	0
09.Grants	-27,197	-27,197	0
10.Income	-34,445	-34,445	0
	<u>45,526</u>	<u>45,526</u>	<u>0</u>

Director Approved Budget Virements

Cross Service	Service Pages		Reason for Movement	Amount £	Approver	Committee	Committee Date
	From	To					
No	Legal & People (Registrars)	Legal & People (Registrars)	Rebalance of budget to reflect where expenditure incurred - overall effect on page is zero.	18,300	Ritchie Johnson	Business Services	15/09/2022
No	Legal & People	Legal & People	Movement of budget between codes to relect where software expenditure incurred. Overall effect on page is zero	28,000	Ritchie Johnson	Business Services	15/09/2022
No	Councillors Remuneration & Expenses	Councillors Remuneration & Expenses	Rebalance of budget to reflect where expenditure incurred for Local Elections - overall effect on page is zero.	369,900	Ritchie Johnson	Business Services	15/09/2022
No	Councillors Remuneration & Expenses	Councillors Remuneration & Expenses	Movement of budget between codes to relect where telephone expenditure incurred. Overall effect on page is zero.	12,900	Ritchie Johnson	Business Services	15/09/2022
No	Property Construction Services	Property Constructuion Services	Movement of budget between codes to relect where software expenditure incurred. Overall effect on page is zero.	93,700	Ritchie Johnson	Business Services	15/09/2022
No	Property Construction Services	Property Constructuion Services	Increase in Income and Expenditure budgets to reflect additional staff and corresponding income receivable - overall effect on page is zero.	147,500	Ritchie Johnson	Business Services	15/09/2022
No	Finance	Finance	Income and expenditure budgets for funding receivable towards 10 x Money Advice Officers and 1 x Training and Quality Insurance Officer. Overall effect on page is zero.	387,600	Ritchie Johnson	Business Services	15/09/2022
No	Finance	Finance	Insurance income budgets moved to correct cost centre - overall effect on page is zero.	66,800	Ritchie Johnson	Business Services	15/09/2022
No	Finance	Finance	Movement of budget to correct code for software costs. Overall effect on page is nil.	110,000	Ritchie Johnson	Business Services	15/09/2022

No	Finance	Finance	Movement of budget to correct code for income. Overall effect on page is nil.	108,000	Ritchie Johnson	Business Services	15/09/2022
No	Finance	Legal & People	2 FTE staff moving from Finance to Legal and People - permanent virement for full year.	70,000	Ritchie Johnson	Business Services	15/09/2022
No	Legal & People	Finance	2 FTE staff moving from Finance to Legal and People - one-off virement to reflect part year movement in 2022/23	14,000	Ritchie Johnson	Business Services	15/09/2022
No	Office Accommodation	Estates	2021/22 Estate Rationalisation savings applied to budgets	67,700	Ritchie Johnson	Business Services	15/09/2022
No	Public Conveniences	Estates	2021/22 Estate Rationalisation savings applied to budgets	1,300	Ritchie Johnson	Business Services	15/09/2022
No	Operational Buildings	Estates	2021/22 Estate Rationalisation savings applied to budgets	300	Ritchie Johnson	Business Services	15/09/2022
No	Community Planning	Customer & Digital	Movement of budget to reflect where expenditure incurred.	12,500	Ritchie Johnson	Business Services	15/09/2022

Head of Finance Virements

Yes	Customer & Digital	Integrated Joint Board	Business Objects licences not renewed for 2022/23 - budget to be returned to IJB.	14,000	Mary Beattie	Business Services	15/09/2022
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Full Council Virements

Yes	Cross Council	Printing	Printing Charges centralised to Printing budget page	164,000	Full Council	Full Council	
Yes	Cross Council	Property Construction Services	Remove energy management direct charge to Services	241,400	Full Council	Full Council	

Transfers to/from Reserves

Cross Service	Reserve	Service Page	Reason for Movement	Amount £	Approver	Committee	Committee Date
No	Resilience & Recovery Fund	Customer & Digital	To support increased calls to Contact Centre.	115,000	Full Council	Full Council	
Yes	Additional Scottish Government Funding	Finance	Scottish Government funding to support administration of Scottish Child Bridging payments	32,000	Full Council	Full Council	
Yes	Additional Scottish Government Funding	Covid-19 Business Services	Scottish Government award of Covid-19 funding to support businesses and individuals.	315,846	Full Council	Full Council	
Yes	Community Resilience Reserve	Community Resilience	Drawdown to fund Community Resilience project expenditure	5,946	Full Council	Full Council	
Yes	Digital Strategy	Digital Strategy	Drawdown to fund expenditure incurred to date	79,000	Full Council	Full Council	

Appendix 4
Business Services Capital Budget 2022-23

	Approved Budget 2022/23	Expenditure July 2022	Forecast July 2022	Projected Variance July 2022	Narrative (variances greater than £100,000)
BUSINESS SERVICES					
22 Carbon Reduction - Council Wide Objectives	3,576	95	3,576	0	
23 Depots	2,139	99	2,139	0	
24 Development of Industrial Portfolio & Factory Units	769	6	769	0	
25 Faithlie Centre	0	4	4	-4	
26 Finance Corporate Systems Upgrade	99	142	99	0	
27 Health and Safety - Council Wide Objectives	575	8	500	75	
28 Information Communications Technology	1,183	119	1,183	0	
29 Legal and Governance System Software	64	5	64	0	
30 Lifecycle Maintenance - Council Wide Objectives	5,451	257	5,451	0	
31 New Council Office (Previously on Plan as Workspace - Inverurie)	2,273	26	1,283	990	Inverurie element of project delayed due planning permission being withdrawn and a revised design required.
32 Workspace - Viewmount	70	37	70	0	
Business Services Total	16,199	798	15,138	1,061	
INFRASTRUCTURE FUND 2					
86 Business Services Projects	66	10	10	56	
Total	16,265	808	15,148	1,117	