

REPORT TO BUSINESS SERVICES COMMITTEE – 15 NOVEMBER 2018

FINANCIAL MONITORING AS AT 30 SEPTEMBER 2018

1 Recommendations

The Committee is recommended to:

- 1.1 Consider and discuss the revenue and capital budget monitoring, as at 30 September, 2018; 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, for both Revenue and Capital Budget monitoring.

Revenue Budget Monitoring

- 2.2 The Business Services Revenue Budget for monitoring purposes in 2018/19 was agreed at Full Council on 8 February, 2018, at £37,371,000. The proposed virements will reduce the budget to £35,808,000. This includes the budgets for Charges to Housing Revenue Account (HRA), Capital & Other Services and Other Expenditure & (Income). These are budgets managed within Finance. It excludes the Tackling Poverty & Inequalities Budget, which is managed within Business Services but is reported to the Communities Committee.
- 2.3 The forecasted position to the end of September, 2018, is £37,931,000, or £2,123,000 higher than budget. Planned funding from reserves of £1,786,000 reduces this overspend to £337,000. The financial position is shown in more detail in **Appendix 1**, with accompanying narrative detailing the reasons for major variances to budget in **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 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 has 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 Communications 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 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. A number of councils have now committed to this. However, the profit share is not anticipated to fully offset the costs of the contract this financial year. This pressure is expected to reduce over the following two financial years, as further councils commit to the contract.
- 2.8 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.

- 2.9 A number of budget virements are proposed for approval. Details of these are shown in **Appendix 3**. The revised budget is subject to the approval of the virements in the reconciliation by the appropriate committees and officers.

Capital Budget Monitoring

- 2.10 Business Services Revised Capital Budget for the year 2018/19 is £26,342,000. 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.
- 2.11 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.
- 2.12 The overall capital expenditure budget to the end of September, 2018, is forecasted to be £24,611,000, which is £8,649,000 less than the revised budget figure. Details are shown in **Appendices 4 and 5**. Any movements to this position will be reported back to a future committee meeting, as and when identified.
- 2.13 The Monitoring Officer within Business Services has been consulted in the preparation of this report, she had no comments to make and she 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 break even for 2018/19 and capital expenditure of £24,611,000, which is £8,649,000 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
October, 2018

Appendix 1

SUMMARY OF REVENUE MONITORING 2018/19 TO 30/09/2018 - 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	Funded from Reserves £000	Net Variance £000
BUSINESS SERVICES COMMITTEE								
- Chief Executive	330	1	0	331	321	(10)	0	(10)
- Councillors' Remuneration and Expenses	2,478	8	0	2,486	2,109	(377)	0	(377)
- Business Services Directorate	1,695	(1,021)	0	674	723	49	0	49
- Finance	2,855	74	(1)	2,928	2,928	0	0	0
- Insurance	(152)	(3)	0	(155)	(155)	0	0	0
- Revenues	1,538	236	(1)	1,773	1,773	0	0	0
- Aberdeenshire Advice & Support Team	2,100	(1)	0	2,099	2,068	(31)	(25)	(56)
- Internal Audit	381	1	0	382	370	(12)	0	(12)
- Human Resources & Organisational Development	5,123	296	186	5,605	5,605	0	0	0
- Information Communications Technology	9,566	818	0	10,384	10,481	97	0	97
- Legal & Governance	2,474	1	(2)	2,473	2,473	0	0	0
- Customer Communication & Improvement	2,813	60	(5)	2,868	2,960	92	0	92
- Printing	(638)	(6)	0	(644)	(644)	0	0	0
- Procurement	41	46	(2)	85	481	396	0	396
- Miscellaneous Services	(33)	5	0	(28)	3	31	0	31
- Joint Board Requisitions	1,914	0	0	1,914	1,914	0	0	0
- Business Services Corporate Projects	0	0	0	0	288	288	(288)	0
- Woodhill House	1,737	143	0	1,880	1,998	118	0	118
- Office Accommodation	2,188	(1)	5	2,192	2,106	(86)	0	(86)
- Building Cleaning	202	(250)	(6)	(54)	74	128	0	128
- Public Conveniences	552	15	0	567	545	(22)	0	(22)
- Halls	375	54	(429)	0	0	0	0	0
- Operational Buildings	(76)	50	0	(26)	(26)	0	0	0
- Estates	(2,682)	(377)	31	(3,028)	(3,031)	(3)	0	(3)
- Property Corporate Projects	185	(13)	0	172	145	(27)	27	0
- Property Construction Services	(1,291)	82	(14)	(1,223)	(1,223)	0	0	0
- Property Building Repairs & Maintenance Account	5,112	338	0	5,450	5,450	0	0	0
- Area Managers (Buchan & Formartine)	819	5	(1)	823	815	(8)	0	(8)
	39,606	561	(239)	39,928	40,551	623	(286)	337
Charges to HRA/Capital/Other Services	(3,287)	0	0	(3,287)	(3,287)	0	0	0
Other Expenditure/(Income)	1,052	(1,535)	(350)	(833)	667	1,500	(1,500)	0
NET EXPENDITURE FOR BUSINESS SERVICES	37,371	(974)	(589)	35,808	37,931	2,123	(1,786)	337

Appendix 2 - Variance Analysis Business Services Committee

<u>Budget Page</u>	<u>Forecast Over (within) budget 2018/19</u>	<u>Comment</u>
- Councillors' Remuneration and Expenses	£'000 (377)	Election of Councillors budget is underspent by £340,000 due to no Local Elections taking place this year. Service delivery is not being affected.
- Procurement	396	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
- Woodhill House	118	A tenant within Woodhill House has reduced their rented space which has resulted in reduced rental income. The Service has advertised vacant space but the decline in the rental market over the last couple of years has contributed to difficulties in renting out properties. The Service will continue to seek new tenants. This is not affecting service delivery.
- Building Cleaning	128	The Service has been required to deliver a significant level of savings. Whilst a significant proportion of these have been delivered, work with Services will continue to agree new methods of service delivery in order to achieve the savings in full. This is having an impact on service delivery which Officers are working towards resolving.

Appendix 3

SUMMARY OF REVENUE MONITORING VIREMENTS - BUSINESS SERVICES COMMITTEE

£'000's

0

There are no virements to be approved by Business Services Committee

Reconciliation of Budget

37,371

(974)

0

Virements approved at 30 June 2018

Additional Virements to be Approved by Full Council:

Human Resources & Organisational Development - Allocation of Travel & Subsistence Savings to Services	190
Customer Communications & Improvement - Allocation of Travel & Subsistence Savings to Services	(1)
Finance - Allocation of Travel & Subsistence Savings to Services	(1)
ICT - Allocation of Travel & Subsistence Savings to Services	(3)
Legal & Governance - Allocation of Travel & Subsistence Savings to Services	(2)
Human Resources & Organisational Development - Allocation of Travel & Subsistence Savings to Services	(3)
Property Construction Services - Allocation of Travel & Subsistence Savings to Services	(5)
Building Cleaning - Allocation of Travel & Subsistence Savings to Services	(1)
Area Managers - Allocation of Travel & Subsistence Savings to Services	(1)
Halls - Transfer of Halls from Business Services to Education & Children's Services	(398)
Property Construction Services - Expenditure Funded from Borrowing transferred to Capital	(9)
Building Cleaning - Expenditure funded from Borrowing transferred to Capital	(5)
Other Expenditure - Annual Revenue allocation towards Regeneration as agreed at Full Council February 1£	(350)

£'000's

There are no virements to be approved by Business Services Committee

0

Virements Approved by the Director:

Estates - Transfer of surplus halls budgets to Estates	23
Halls - Transfer of surplus halls budgets to Estates	(23)
Human Resources & Organisational Development - Transfer of waste budget for MaConochie Road, Fraser	(1)
Office Accommodation - Transfer of waste budget for MaConochie Road, Fraserburgh from Human Resources	1
ICT - Transfer of budget for 2 Cherwell licenses' from Revenues	1
Revenues - Transfer of budget for 2 Cherwell licenses to ICT	(1)
ICT - Transfer of budget for Xerox Hybrid Mail Server for Beta Testing from Procurement	2
Procurement- Transfer of budget for Xerox Hybrid Mail Server for Beta Testing to ICT	(2)
Customer Communications & Improvement - Transfer of budget to Office Accommodation for purchase and	(4)
Office Accommodation - Transfer of budget from Customer Communications & Improvement for purchase a	4
Estates - Transfer of budget for cost of support service staff from Halls	8
Halls - Transfer of budget for cost of support service staff to Estates	(8)

Virements to be Approved by the Head of Finance:

0

Closing Budget

35,808

0

BUSINESS SERVICES CAPITAL BUDGET 2018/19 MONITORING & CAPITAL PLAN 2018-2033 UPDATE - 30/09/18

	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	517	0	0	
Carbon Reduction - Council Wide Objectives	800	996	996	0	0	
Depots	5,352	6,123	3,677	(2,446)	2,446	1
Development of Industrial Portfolio & Factory Units	5,341	5,400	2,000	(3,400)	3,400	2
Health and Safety - Council Wide Objectives	500	1,129	500	(629)	629	3
Information Communications Technology	1,450	1,557	1,557	0	0	
Legal and Governance System Software	0	72	72	0	0	
New Council Office	312	400	400	0	0	
Planned Maintenance - Council Wide Objectives	2,500	4,124	2,000	(2,124)	2,124	4
Cleaning (Previously named Public Toilets)	115	200	150	(50)	50	
Woodhill House - Complete Refurbishment	0	98	98	0	0	
Workspace	2,702	2,360	2,360	0	0	
Workspace - Saltoun Square Fraserburgh	0	1,635	1,635	0	0	
TOTAL PLANNED EXPENDITURE	19,539	24,611	15,962	(8,649)	8,649	

BUSINESS SERVICES CAPITAL BUDGET 2017/18 MONITORING & CAPITAL PLAN 2018-2033 UPDATE - 30/09/18

Significant Variance Analysis

<u>Note</u>	<u>Budget</u>	<u>Variance</u>	<u>Comment</u>
		<u>Revised Budget</u>	
		<u>2018/19</u>	
		<u>£'000</u>	
1	Depots	(2,446)	Projects at Inverurie and Mintlaw have been delayed due to planning issues with the site (Inverurie) and delays with the purchase of the site (Mintlaw). This means that budget amounting to £2,446,000 requires to be delayed to later years.
2	Development of Industrial Portfolio & Factory Units	(3,400)	Expenditure on site developments not progressing in line with the programme as anticipated including a joint venture with a service company on a leaseback project which has not yet progressed. As a result, budget amounting to £3,400,000 requires to be deferred to later years.
3	Health and Safety - Council Wide Objectives	(629)	A major electrical refurbishment of a care home has been deferred this year. A programme of works is currently being developed following recent discussions with Fire Scotland regarding additional fire risk assessments and related works in larger schools. Fire risk assessment related works already procured are, however, progressing. It is anticipated that £629k of budget will not be spent this year and will require to be delayed until 2019/20.
4	Planned Maintenance - Council Wide Objectiv	(2,124)	A small number of budget proposals involve contributions to wider construction programmes already committed and a small number, such as replacement windows at Turriff Academy, have been delayed. It is anticipated that £2,000,000 will be spent this year which means budget amounting to £2,124,000 requires to be deferred until 2019/20.