

REPORT TO ABERDEENSHIRE COUNCIL – 22 NOVEMBER 2018

REVENUE BUDGET MONITORING AS AT 30 SEPTEMBER 2018

1. Recommendations

1.1 The Council is recommended to:

1. Consider and discuss the Revenue Budget monitoring to 30 September, 2018;
2. Consider and discuss the forecast position and the actions taken to address the current situation;
3. Approve the budget virements as set out in Appendix 2;

2. Discussion

- 2.1 The Council's budget for monitoring purposes in 2018/19 was agreed on 8 February, 2018, at £550.631 million. This increased to £554.756 million as a result of virements approved during the first quarter of 2018/19. As at 30 September, 2018, the forecast to the end of the financial year is expected to be in excess of budget by £3.702 million (0.67%). The financial position is shown in more detail in **Appendix 1**.
- 2.2 As the Council has approximately £555 million of revenue resources to manage and deliver, there are several risks and pressures associated with this. These were captured in the report to Council on 8 February, 2018, and are also attached as **Appendix 4**.
- 2.3 Services are fully aware that there are a number of risks facing the Council and that these risks are subject to ongoing review. The risks are reported to the relevant policy committees, along with actions being taken to mitigate those risks.
- 2.4 SLT discusses the Council's budget on a weekly basis and has reviewed the latest financial information to arrive at the reported forecast position. Services continue to practise a more risk-based approach to budget management, which recognises that budget variances are likely to occur. These variances, when identified, are discussed, any implications are considered, and appropriate action taken and reported through SLT and to the relevant policy committee, where appropriate.
- 2.5 As councillors will be aware, each policy committee receives details of the financial position for the areas of responsibility under its remit either by a committee report or bulletin report, depending on the timing of the policy committee in relation to the next Council meeting. Forecast pressures have been identified within all service budgets, details of which have been reported to the relevant policy committees. As mentioned above, the potential impact on service delivery and on staff delivering these services will continue to be a key consideration for SLT during their discussions.
- 2.6 The financial monitoring reports presented to policy committees now reflect the transfer of the budget responsibilities associated with the activities which fall within the remit of the Culture and Sport Business Unit.

- 2.7 There are a number of virements to be approved, and these are shown in **Appendix 2**. The virements have been included in the revised budget figures used in this report, hence it is important to note that the revised budget is subject to the approval of the virements.
- 2.8 The Council has in place a Reserves Strategy. The majority of the financial balances in the Reserves are earmarked for specific purposes. The Usable Reserves are detailed in **Appendix 3** along with the movements on those Reserves, the forecast movement for the remaining months of the year, and the forecast closing balance for each of the Reserves. The Head of Finance is currently undertaking a review of Reserves and will report back to Council as part of the Medium Term Financial Strategy in February, 2019, on the outcome of that review.
- 2.9 The Monitoring Officer within Business Services has been consulted in the preparation of this report and is satisfied that the report complies with the Scheme of Governance and relevant legislation.

3. Scheme of Governance

- 3.1 The Council is able to consider and take a decision on this item in terms of the general powers conferred by Section A of the List of Committee Powers in Part 2A of the Scheme of Governance. In particular, Section A.8.2 applies in relation to the virements as they relate to the incurring of revenue expenditure not provided for in the Revenue Budget.

4. Implications and Risk

- 4.1 An Equalities Impact Assessment and a Town Centre 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 is £3.702 million in excess of budget and it is forecast that the working balance will be £9.609 million at the year-end if this position is maintained.
- 4.3 There are no 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 2.6 of the report.

Ritchie Johnson

Director of Business Services

Report prepared by Susan Donald, Accountancy Finance Manager
7 November, 2018

SUMMARY OF REVENUE MONITORING 2018/19 TO 30/09/2018 BY SERVICE

Appendix 1

	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	37,371	(974)	(589)	35,808	37,931	2,123	(1,786)	337
COMMUNITIES COMMITTEE	124,633	5	1,349	125,987	126,123	136	(178)	(42)
EDUCATION & CHILDREN'S SERVICES COMMITTEE	290,441	4,852	(217)	295,076	300,739	5,663	(2,076)	3,587
INFRASTRUCTURE SERVICES COMMITTEE	69,027	242	320	69,589	73,127	3,538	(3,718)	(180)
EXPENDITURE TO BE FUNDED FROM BORROWING	(6,357)	0	14	(6,343)	(6,343)	0	0	0
TOTAL POLICY COMMITTEES	515,115	4,125	877	520,117	531,577	11,460	(7,758)	3,702
CAPITAL FINANCING CHARGES AND IOB	30,340	0	0	30,340	30,340	0	0	0
TOTAL EXPENDITURE	545,455	4,125	877	550,457	561,917	11,460	(7,758)	3,702
REVENUE SUPPORT GRANT	(290,216)	(3,442)	0	(293,658)	(293,658)	0	0	0
ADDITIONAL SCOTTISH GOVERNMENT FUNDING	(9,039)	(389)	(877)	(10,305)	(10,305)	0	0	0
BUSINESS RATES	(110,710)	0	0	(110,710)	(110,710)	0	0	0
RING FENCED GRANTS	(2,841)	(65)	0	(2,906)	(2,906)	0	0	0
COUNCIL TAX	(137,825)	(229)	0	(138,054)	(139,840)	(1,786)	1,786	0
TOTAL INCOME	(550,631)	(4,125)	(877)	(555,633)	(557,419)	(1,786)	1,786	0
NET (SURPLUS)/DEFICIT BEFORE USE OF RESERVES	(5,176)	0	0	(5,176)	4,498	9,674	(5,972)	3,702
FUNDING FROM RESERVES								
TRANSFERS TO/(FROM) EARMARKED RESERVES				5,176	419	(4,757)	4,757	0
TRANSFERS TO/(FROM) STATUTORY FUNDS				0	(1,215)	(1,215)	1,215	0
REPLENISHMENT/(USE) OF WORKING BALANCE				0	0	0	0	0
TOTAL FUNDING FROM RESERVES				(796)	(796)	(5,972)	5,972	0
(SURPLUS)/DEFICIT				0	3,702	3,702	0	3,702

REVENUE MONITORING VIREMENTS - FULL COUNCIL

£'000's

1	Allocation of agreed budget savings from reduced Travel & Subsistence across services	
	Human Resources & Organisational Development (Business Services)	190
	Customer Communications & Improvement (Business Services)	(1)
	Finance (Business Services)	(1)
	ICT (Business Services)	(3)
	Legal and Governance (Business Services)	(2)
	Human Resources & Organisational Development (Business Services)	(3)
	Property Construction Services (Business Services)	(5)
	Building Cleaning (Business Services)	(1)
	Area Managers (Business Services)	(1)
	Primary Education (Education & Children's Services)	(29)
	Libraries (Communities)	(10)
	Children's Services - Community Care (Education & Children's Services)	(27)
	Economic Development (Infrastructure Services)	(3)
	Parks & Open Spaces (Infrastructure Services)	(1)
	Street Cleansing (Infrastructure Services)	(1)
	Consumer Protection (Infrastructure Services)	(1)
	Animal Welfare (Infrastructure Services)	(1)
	Environmental Health (Infrastructure Services)	(5)
	Building Standards (Infrastructure Services)	(3)
	Development Management (Infrastructure Services)	(3)
	Environment (Infrastructure Services)	(3)
	Transportation (Infrastructure Services)	(1)
	Highways (Infrastructure Services)	(1)
	Road Maintenance - Exp & Income (Infrastructure Services)	(6)
	Area Managers (Infrastructure Services)	(1)
	Homelessness (Communities)	(2)
	Integration Joint Board (Communities)	(75)

Appendix 2

REVENUE MONITORING VIREMENTS - FULL COUNCIL

	£'000's
2	
Allocation of annual contribution towards Regeneration agreed at Full Council in February 2018	
Economic Development (Infrastructure Services)	350
Other Expenditure/Income (Business Services)	(350)
3	
Transfer of Halls from Business Services to Education & Childrens Services as part of the Culture & Sport Business Unit	
Halls (Business Services)	(398)
Sports & Leisure Management - Client (Communities)	398
4	
Additional funding received from the Scottish Government to meet the new homelessness priorities set through HARSAG.	
Homelessness (Communities)	877
Additional Funding from Scottish Government	(877)

SUMMARY OF EARMARKED RESERVES AND STATUTORY FUND 2018/19

Appendix 3

Reserve/Fund	Balance at 1 April 2018 £'000	Transfers out £'000	Transfers in £'000	Balance at 30 September 2018 £'000	Forecast October-March £'000	Forecast balance at 31 March 2019 £'000
General Fund Balance	(11,135)	0	(2,176)	(13,311)	3,702	(9,609)
Earmarked Reserves	0	0	(3,000)	(3,000)	0	(3,000)
Provision for Pay Strategy	(450)	43	0	(407)	287	(120)
Business Transformation Fund	(4,339)	1,338	0	(3,001)	245	(2,756)
Developed School Management (DSM)	(61)	0	0	(61)	0	(61)
Aberdeenshire Farming Museum Purchase Fund	(11)	0	0	(11)	0	(11)
Aberdeenshire Heritage Artefact Acquisition Fund	(1,125)	0	0	(1,125)	319	(806)
Pupil Equity Funding	(20)	0	0	(20)	0	(20)
Estate of the late William Paterson Beedie Bequest	(147)	41	(67)	(173)	0	(173)
Property Service - Central Energy Efficiency Fund	(55)	0	0	(55)	0	(55)
Tolbooth Restoration Fund	(106)	0	(0)	(107)	0	(107)
Property Estates Renewals Fund	(2,047)	0	0	(2,047)	(586)	(2,633)
Second Homes Council Tax Reserve	(33)	0	0	(33)	18	(15)
Gerrie Trust	(0)	0	0	(0)	0	(0)
Investment in Technologies - Development Management Review	(221)	12	0	(209)	13	(196)
Wellfare Reform	(3,507)	49	0	(3,458)	300	(3,158)
Alfordable Housing	(216)	0	0	(216)	0	(216)
Transitional Reserve for Severance Costs	(1,815)	115	0	(1,700)	758	(942)
Renewable Energy Reserve	0	0	0	0	0	0
City Region Deal	(161)	0	0	(161)	0	(161)
Capital Reserve	(104)	0	0	(104)	0	(104)
Energy from Waste	(197)	12	0	(185)	68	(117)
Support for Community Groups	(191)	0	0	(191)	0	(191)
Credit Unions	(60)	0	0	(60)	0	(60)
Sinking Fund for the replacement of AWP's	(781)	82	0	(699)	0	(699)
Community Culture & Tourism	(101)	0	0	(101)	0	(101)
Planning	(5,105)	169	0	(4,936)	1,350	(3,586)
Regeneration Reserve	(973)	72	0	(901)	124	(777)
Revenue Grants Unconditional and Expenditure not Incurred						
Earmarked Reserves	(21,827)	1,933	(3,067)	(22,961)	2,895	(20,066)
Housing Revenue Account	(2,000)	0	0	(2,000)	0	(2,000)
Capital Receipts Reserve	(660)	0	0	(660)	0	(660)
Usable Capital Receipts Reserve	(0)	0	0	(0)	0	(0)
Statutory Funds	(97)	0	0	(97)	0	(97)
Building Repairs & Maintenance	(1,454)	0	0	(1,454)	911	(543)
Roads Maintenance	(304)	0	0	(304)	304	0
Winter Maintenance	(298)	0	0	(298)	0	(298)
Capital Insurance	(1,316)	0	0	(1,316)	0	(1,316)
Statutory Funds	(3,471)	0	0	(3,471)	1,215	(2,256)
Capital Grants Unapplied Account	(3,441)	0	0	(3,441)	0	(3,441)
Total Usable Reserves	(42,534)	1,933	(5,243)	(45,844)	7,812	(38,031)

APPENDIX 4

1. Financial Risks

- 1.1 Budget assumptions carry a degree of financial risk which means that a budget variation may arise if information or circumstances supporting that assumption change. The acceptance of risk is a necessary part of the budget process.
- 1.2 A number of financial risks have been identified when developing the proposed revenue budget. These are highlighted below:-

(1) Grant Settlement

A one year Settlement has been received again for this budget process. The merits of a multi-year Settlement continue to be expressed to enhance the accuracy of future years' budget setting. A flat cash Settlement was budgeted for in 2018/19, whereas the current Settlement was worse than this by some £2.219 million. There are still some significant elements of the Settlement requiring clarification and local allocation of money, therefore an assumption has been built into the budget for additional income and associated expenditure relating to these issues. As with other risks highlighted, a change to the assumed position will require further discussion and priorities to be reviewed.

(2) Pay Provision

The pay inflation provisions currently reflected within the budget are officers' estimations and are in no way intended to influence pay negotiations. Currently pay inflation of 2% is assumed. If the pay negotiations result in a figure different from the budget assumptions, further discussions and priorities will have to be assessed in order to accommodate any resultant financial pressure in year.

(3) Staff Costs

As part of the MTFs, directors have reviewed staff budgets to identify the potential for turnover savings, for non-filling of vacant posts and the scope for structures to be reviewed compared with any impact on service delivery. All services, particularly Education & Children's Services are likely to face additional pressures on their staffing budgets due to improved recruitment and demographics when compared to the base budget position.

(4) Demographic Changes

The demographics of Aberdeenshire continue to show a general rise in population with a specific increase in age profile of the population. The associated challenges of providing care for a rising population where people live with multiple conditions, an increase in pupil numbers and early years' childcare as well as changes due to learning disability clients and child placements are well known and have been expressed once again during this budget process. This pattern of demographics results in rising demand for services without the immediacy of corresponding increases in grant.

- (5) Treasury Management
Treasury Management involves accepting a number of risks and assumptions around interest rate levels for borrowing and investing, financial market conditions, the timing of borrowing and the timing of the delivery of the Capital Plan. In addition, assumptions have been made about the level of cash balances held and when the Council will actually need resources to fund the Capital Plan. A significant risk exists around these assumptions as the uncertainty in the financial markets, particularly with interest rates, means that adverse movements will impact on the overall Loans Fund budget. Treasury advisers are engaged to complement and provide an informed external view when required.
- (6) Council Tax
The ability to raise Council Tax by a maximum of 3% is permitted for the financial year 2018/19. Whilst a rise in Council Tax will raise additional income there is also the associated risk of an increase in non-collection.
- (7) Aberdeenshire Health & Social Care Partnership
Aberdeenshire Council and NHS Grampian share the financial responsibility for funding the Partnership. Aberdeenshire Council's budget assumes that the funds specifically for the Partnership are passed on. In addition, there is the possibility of further funding announcements being made by the Scottish Government for the Partnership and on this basis a prudent assumption has been included within the Partnership budget for additional resources. If these resources are not fully available discussions will take place with the Council and NHS Grampian around possible solutions for the 2018/19 Partnership budget. There has been considerable work undertaken to minimise this risk by setting the appropriate budget but a risk remains across the whole Partnership.
- (8) Inflation
The budget has been prepared on the basis that known contracted inflation will be part of the budget, whereas a general inflation provision has been removed. Should this not be possible and if the anticipated levels of inflation increase then this may cause additional pressure on the revenue budget.
- (9) Reserves
For a number of years, the General Fund Reserve has been set at approximately 2% of the net revenue budget. A review of reserves is undertaken as part of the Medium Term Financial Strategy process to ensure that total reserves are reflective of current circumstances. Reserves are closely monitored throughout each financial year.

1.3 All of these risks and others within the budget will be monitored and managed in order to identify any issues and address these at an early stage.