

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 11 OCTOBER 2016

REVENUE MONITORING 2016/17 AND RENEWAL & REPAIR FUND POSITION 2016/17

REPORT BY IAN LORIMER, HEAD OF CORPORATE IMPROVEMENT AND FINANCE

ABSTRACT

This report appraises members of the actual revenue expenditure incurred and income received for the period 1 April 2015 to 31 August 2016 together with the anticipated year end position in respect of each Council Directorate. In addition the report details the actual financial position of the Renewal and Repair Fund in respect of the Property, Information Technology, Roads & Transport, Print and Design Unit and Recreation funds at 31 August 2016 and the estimated closing balance at the year-end.

1. RECOMMENDATIONS

1.1 It is recommended that the Committee:-

- i) review and scrutinise the content of this report, in particular the comments on the Financial Implications section regarding the projected year end position; and
- ii) note the Renewal and Repair fund position;

2. ALIGNMENT TO ANGUS COMMUNITY PLAN / SINGLE OUTCOME AGREEMENT

2.1 This report contributes as a whole to the local outcome(s) contained within the Angus Community Plan and Single Outcome Agreement 2013-2016.

3. BACKGROUND

3.1 At the Special Meeting of Angus Council on 18 February 2016 the Council approved the revenue budget estimates for the 2016/17 financial year. Details of the updated revenue budgets are contained in the Final Revenue Budget Volume 2016/17 published in May 2016. **Appendix A** provides a summary of the budgets by Business Unit and details the movements for monitoring purposes in 2016/17.

3.2 The Renewal & Repair Fund is made up of five separate categories which cover the prescribed areas noted below:-

- Property
- Information Technology
- Roads & Transport
- Print & Design
- Recreation

3.3 The Special Meeting of Angus Council on 18 February 2016 provided additional funding to the Renewal and Repair Fund of £1.975 million. This was aggregated to the closing balance at 31 March 2016 (£3.120 million) to provide funding across the five Categories of £5.095 million. The position of the Renewal and Repair Fund is outlined in section 4.11 of this report.

3.4 **Budgetary Control**

The responsibilities of chief officers with regard to revenue monitoring are set out in Section 3 of the Council's Financial Regulations. In this regard, this report seeks to ensure that budgetary control is exercised through early identification, reporting and addressing of variances from the revenue budget.

3.5 **Reporting Period**

This report sets out the actual revenue expenditure incurred and income received for the period 1 April 2016 to 31 August 2016 (5 months) and the projected outturn for each Angus Council Directorate.

3.6 The monitoring report in **Appendix B** is broken down into eight separate sections and provides details of the actual net expenditure and the projected net spend against full year budget for all Council Directorates, as well as the Joint Boards. **Appendix B** Section A shows the summary position of net revenue expenditure and projected outturns for all Directorates. Sections B to F detail the net revenue expenditure and projected outturn position on the basis of expenditure categories e.g. staff costs, property costs etc. Section G highlights the position for income from fees, charges, grants etc. whilst Section H details the position in relation to the Housing Revenue Account (those services funded by council house rent payers).

4. **CURRENT POSITION**

Appendix C sets out the reconciliation of the Monitoring Budget with that contained in the Final Revenue and Capital Budget Volume 2016/17. As per last year Capital Funded from Current Revenue (CFCR) has been included in the monitoring budget. The budgeted Central Support Service (CSS) recharges have been removed from the budget for monitoring purposes.

4.1 **Monitoring Budget**

4.2 A summary of the revenue monitoring budget position is outlined in the table below.

Monitoring Budget Summary

<u>Movements</u>	<u>£000</u>
2016/17 Final Budget Volume	247,913
<u>Budgeted items excluded for monitoring purposes</u>	
CSS Recharges	1,066
Contribution to Special Funds & Balances	(790)
Capital Financed from Current Revenue	0
Specific Grants	(38)
Transforming Angus Tier 1 Savings	173
Sub-total	248,324
<u>Virements (non-recurring budget uplifts)</u>	
Contribution from Angus Welfare Fund	12
2016/17 Monitoring Budget	248,336

The following paragraphs provide commentary on the financial performance of each Directorate based on the actual spend to date versus profiled budget and the projected outturn versus the updated budget for the year. Only key commentary for each cost category has been provided in the interests of keeping the size of this report at a reasonable level. If members of the Committee have specific queries to this level of detail, these should be raised with the Head of Corporate Improvement and Finance at the earliest opportunity.

4.3 Chief Executive's Unit

The Chief Executive's Unit is currently projecting an underspend of £0.077 million (2.2%) between outturn net expenditure and the revenue budget with the main reasons for this variance detailed in the tables below.

Chief Executive's - Core inc. Members Services (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Staff Costs	Staff Slippage, vacant posts, £53k of slippage offset by £53k Third Party Payments for bought-in Internal Audit services.	83
Property Cost	Underspend on cleaning costs.	5
Third Party Payments	Internal Audit bought-in services	(53)
Other Expenditure	Leased cars & Members' car allowances spend lower than anticipated.	9
Misc.	Other minor variances	5
Total Underspend/(Overspend)		49

Chief Executive's - Economic Development (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Staff Costs	Part year vacancies and maternity leave	28
Property Costs	Anticipated underspend on electricity	(12)
Third Party Payments	Payment to Scottish Government for Youth Employment Scotland.	(7)
Income	Rental income for Journeycall building agreed in lease higher than anticipated (23), unbudgeted income for use of public toilets at Arbroath Harbour Visitor Centre (6)	29
Misc.	Other minor variances	(10)
Total Underspend/(Overspend)		28

4.4 Children & Learning

The Children & Learning directorate is currently projecting an underspend of £0.283 million (1%) between outturn net expenditure and the revenue budget with the main reasons for this variance detailed in the tables below.

Schools & Learning (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Staff Costs	£766k relates to the devolved school management scheme. The remainder of the underspend is due to a surplus against visiting teachers, music instructors and staff absences.	1,578
Property Costs	There is an underspend within the non-devolved budget of £441k due to property rationalisation efficiencies but this is offset by an overspend within the devolved budget of £326k due to higher than expected building improvement costs and planned & unplanned maintenance.	115
Supplies & Services	There is an underspend of £110k within the non-devolved budget due to lower than expected expenditure on office equipment. This is offset against an overspend within the devolved budget of £288k due to higher than expected office equipment costs which suggests the need for a budget realignment.	(178)

Third Party Payments	Higher than expected examination fees, contributions to sports centres and payments to outside bodies.	(251)
Other Expenditure	There are 3 additional school days in 2016-17 resulting in higher school transport costs. Historically the transport budget has consistently overspent, however, given budgetary pressures in other areas and the expectation of reduced contract costs to be realised through Transforming Angus, the budget has not been realigned.	(128)
Income	Increase to redeterminations as a result of unutilised redeterminations carried forward from 15/16.	(266)
Total Underspend/(Overspend)		870

Children & Young People (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Property Costs	Higher than projected property costs within the Criminal Justice service. This is currently under review.	(75)
Misc	Other minor variances	22
Total Underspend/(Overspend)		(53)

Adult Services (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Staff Costs	The Help to Live at Home project has resulted in a move from internal provision through permanent staff to outsourced provision through third party providers. This has resulted in an underspend against the original staff cost budget and a (albeit higher than an anticipated) corresponding overspend against third party payments. The overspend against third party payments has been exacerbated by the Scottish Living Wage which has resulted in an inflationary increase to our third party contracts.	763
Property Costs		(8)
Supplies & Services		501
Third Party Payments		(3,306)
Other	Minor variances	(19)
Income	Due to unbudgeted Integrated Care Fund income, to be offset against third party payments.	1,436
Total Underspend/(Overspend)		(633)

Quality & Performance (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
	Various minor over and underspends within all subjective headings.	99
Total Underspend/(Overspend)		99

4.5 **Communities (General Fund)**

The Communities directorate is currently projecting an overall underspend of £0.262 million (0.6%) between projected outturn net expenditure and the revenue budget, with the main reasons for this variance detailed by division in the tables below.

Services to Communities (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Property Costs	Balance of rates budgets not taken as a saving in 2016/17, offset by anticipated overspend on energy costs (per Property energy reports)	125
Misc	Other minor variances	(10)
Total Underspend/(Overspend)		115

Technical and Property Services (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Staff Costs	Slippage within Roads & Property sections	271
Third Party Payments	Contingency for winter maintenance	(130)
Income	Property fee income & fuel recharge reduction	(146)
Misc.	Other minor variances	2
Total Underspend / (Overspend)		(3)

Planning & Place (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Staff Costs	Staff slippage and vacant posts within community planning and planning	136
Total Underspend/(Overspend)		136

Affordable Housing Revenue Account – Where contributions towards affordable housing provision are received from developers during the year, these will initially be included in the Planning & Place revenue account to meet accounting treatment requirements. Any such contributions will transfer automatically to the Affordable Housing Revenue Account at the year end and will therefore not be available to the Communities Directorate for operational costs throughout the year. Where contributions are received therefore, the operational underspend reported in the above table will be adjusted to detail the level of underspend available to the Communities Directorate.

No contributions have so far been received from developers and consequently no adjustment to the above underspend is required at this time.

Regularity & Protective Services (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Staff Costs	Slippage within Environmental Health & Consumer Protection	64
Other	Fuel & maintenance cost increases	(220)
Income	Residual expenditure for Fleet to be recharged and also income from HRA for anti-social behaviour.	152
Misc.	Other minor variances	19
Total Underspend/(Overspend)		15

Carnoustie Pitches Development

As members may be aware from media reports the above project (which is part of the Council's capital budget for 2016/17) has been affected by the need to undertake an archaeological survey which was a condition of the planning consent. This has delayed the project and is likely to incur significant additional costs. The nature of these investigations means the final cost cannot be assessed with certainty but at this stage an estimated additional cost of £150k to £200k may potentially arise. There is no budget for this additional cost and it is not reflected in the projected outturn position shown in this report. Finance officers are assessing whether the additional costs should be treated as capital or revenue expenditure as this will influence what funding options are available. Having found material of significant archaeological interest the Council has no realistic choice but to have this investigation work done. External funding options are being investigated to see if the eventual cost to the Council can be reduced. Members will be kept advised on costs and asked to approve a funding solution in the next cycle of Committees.

4.6 Resources

The Resources directorate is currently projecting a gross underspend position of £0.493 million (5%) between outturn net expenditure and the revenue budget with the main reasons for this variance detailed in the tables below.

Corporate Improvement & Finance (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Staff Costs	Staff Slippage due to vacant posts and delayed recruitment	261
Supplies & Services	Overspend on computer support costs and maintenance. Further reviews of these areas are to be undertaken.	(68)
Misc.	Other minor variances	7
Total Underspend/(Overspend)		200

Organisational Change (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Staff Costs	Staff slippage due to vacant posts and delays in recruiting staff.	167
Supplies & Services	Various under and over projections within this cost heading, mainly within Data & Voice Communications	42
Misc.	Other minor variances	(1)
Total Underspend/(Overspend)		208

Legal & Democratic Services (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Staff Costs	Staff slippage due to vacant posts	193
Income	Currently projected shortfall in income within DRU, income targets were set prior to the transformation of the service and are being reviewed.	(226)
Misc.	Other minor variances	2
Total Underspend/(Overspend)		(31)

Transforming Angus (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Staff Costs	Re-alignment of budget based on bids made for staff costs	(301)
Supplies & Services	As with staff costs and further bids as expected. Position reflects what has been approved to date.	414
Misc.	Other minor variances	3
Total Underspend/(Overspend)		116

4.7 **Other Services**

Other Services is currently projecting an under spend of £0.151 million (1.7%) between outturn net expenditure and the revenue budget with the main reasons for this variance detailed in the table below. This projection assumes that the Provision for Additional Burdens will be spent in full, however, it should be recognised that any underspend will be available as a contingency.

Other Services (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Property Costs	Energy Efficiency CRC Scheme	131
Income	Additional Corporate Property Rental	20
Total Underspend/(Overspend)		151

4.8 **Capital Financing Costs**

In line with the capital long term affordability assessment presented to the special budget setting meeting of the Council on 18 February 2016 (report 64/16 refers), £1.000 million of the Capital Financing Costs budget will be utilised in the current year for the early repayment of debt to reduce future years' debt servicing costs.

After allowing for the early debt repayment amount and the updated capital plan position per the Final Capital Budget Volume, the Capital Financing Costs budget is projected to be underspent by some £0.356 million. In line with the principles agreed in report 64/16, this underspend will be carried forward as it is fully committed to reduce the level of borrowing required in 2017/18 as part of the agreed financing strategy for the Council's capital programme.

4.9 **Tayside Joint Valuation Board**

Valuation Joint Board – an underspend of £0.056 million is evident in respect of the Council's share of the Tayside Valuation Joint Board requisition. This is mainly due to an estimated share of the Joint Board's underspend for 2015/16 of £0.056 million

4.10 Housing Revenue Account

It is currently projected that there will be a surplus of £0.163 million from the Housing Revenue Account in 2016/17. It is intended that officers from Corporate Improvement & Finance (Resources) and Housing (Communities) directorates will consider a number of options during the year including additional contributions to capital funding or special repayments of debt to optimise use of any surplus revenue account funding. Members will be kept fully informed of the development of these options during the remainder of the financial year.

Housing Revenue Account (Variances)

<u>Budget Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Supervision and Management	Slippage and unfilled posts within the community housing teams and the strategy team	163
Total Surplus / (Deficit)		163

4.11 Renewal & Repair Fund

The estimated uncommitted balance available on the funds as at 31 March 2017 as shown in the table below is £1.020m (Property £0.302m; Information Technology £0.100m; Roads & Transport £0.100m; Print & Graphic Design £0.180m; Services to Communities £0.302m and Parks & Cemeteries £0.036m).

Once the de minimis retention levels are taken into account the effective aggregate available balance on all funds reduces to £0.635m.

<u>Renewal & Repair Fund</u>	<u>Opening Balance 01/04/16 £000</u>	<u>Payments made to 31/08/16 £000</u>	<u>Estimated Outstanding Commitments to 31/03/17 £000</u>	<u>Estimated Uncommitted Balance 31/03/17 £000</u>	<u>Fund Minimum Balance £000</u>	<u>Estimated Available Balance 31/03/17 £000</u>
Property	1,623	(374)	(947)	302	(150)	152
Information Technology	1,551	(78)	(1,373)	100	(100)	0
Roads & Transport	422	(157)	(165)	100	(100)	0
DRU	257	(21)	(56)	180	(20)	160
Services to Communities	326	(14)	(10)	302	0	302
Parks & Cemeteries	916	(32)	(848)	36	(15)	21
Total Fund	5,095	(676)	(3,399)	1,020	(385)	635

4.12 Virements

Under Financial Regulations 4.3 each Director has a delegated virement limit within each financial year that allows the transfer of budget resource from one area of the Directorate to another or from Directorate to Directorate. Where a virement is in excess of these virement limits formal approval by members is required.

Approval for Virements

There are no approvals sought for virements from this Committee.

There are no delegated approvals for noting by this committee

5. FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising for the Council directly from the recommendations contained within this report. The variances against profiled budgets and full year budgets noted in Section 4 are the subject of ongoing review.

- 5.2 Members will have noted from **Appendix B** that an underspend of £1.210 million is projected at this point in the financial year, this includes an underspend of £0.146m relating to devolved school management, which is ring fenced.
- 5.3 HRA is projecting a £0.163 million surplus during 2016/17.
- 5.4 The Renewal and Repair Fund has an estimated uncommitted closing balance of £1.020 million. Once the minimum balance has been removed there is an estimated usable balance of £0.635 million.

NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973, (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

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List of Appendices:

Appendix A - Calculation of 2016/17 Revenue Monitoring Budgets

Appendix B - Summary of Net Revenue Expenditure & Projected Outturn - All Directorates

Appendix C - Reconciliation of Monitoring Budget with Council Tax Setting Budget