

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 31 JANUARY 2017

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 2016 to 30 November 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 30 November 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 30 November 2016 (8 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).

3.7 **100% Carry Forwards**

A total of £8.450 million 100% carry forwards was approved by Angus Council, committee reports 42/16 and 248/16 refers. From the total value of 100% carry forwards a sum of £0.574 million has been retained in balances, £6.405 million has been added to the 2016/17 revenue budget and £1.471 million has been transferred to the Special Funds.

50% Carry Forwards

The Council's annual accounts process for 2015/16 identified a number of revenue budget underspends. Under the terms of the virement flexibility scheme, Directorates are permitted to carry forward the lower of 50% of this underspend, or an upper limit. The final position on 50% carry forward amounts in accordance with the scheme has been calculated at £0.629 million and has been applied to the 2016/17 revenue budget.

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	23
100% Carry Forwards	6,405
50% Carry Forwards	629
Re-determinations	848
Unspent Grant Monies from 2015/16	79
2016/17 Monitoring Budget	256,308

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 £0.340 million (8.5%) 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 and vacant posts.	78
Supplies & Services	Projected underspend on 50% carry forward from 2015/16 (£70k) and various other underspends (£40k).	110
Misc.	Other Minor Variances	11
Total Underspend/(Overspend)		199

Chief Executive's - Economic Development (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Staff Costs	Staff slippage from part year vacancies and maternity leave	46
Property Costs	Underspends within building general repairs (£10k), miscellaneous property costs (£10k) and other variances (£5k)	25
Supplies and Services	Projected underspends in areas such as subscriptions (£12k), 2015/16 carryforwards (£14k), offset by projected overspends on Borjomi Project (£15k) and consultancy fees (£20k).	29
Income	Additional income from green economy income (£16k), Scottish Employment Recruitment Incentive Income (£24k), offset by reduced income from Borjomi Project (£15k).	30
Misc.	Other minor variances	11
Total Underspend/(Overspend)		141

4.4 **Children & Learning Directorate**

The Children & Learning Directorate budget contains a non-devolved element, controlled and managed by Angus Council and a devolved school budget element, managed by the schools. For completeness and accuracy these two budgets are now reported separately.

Children & Learning Directorate Budget Variances

The Children & Learning Directorate is currently projecting an underspend of £2.127 million (1.6%) between outturn net expenditure and the revenue budget with the main reasons for this variance detailed in the tables below. Of this underspend, £1.436 million relates to the Schools & Learning devolved budget managed by schools. Please note that the £1.436

million includes underspends amounting to £0.636 million relating to 100% carry forwards. It is intended to carry these underspends into financial year 2017/18 and if approved this will reduce to the underspend position to £0.800 million.

A schedule detailing the projected devolved school budget over or underspend, for secondary schools only, by school is included at appendix D.

Schools & Learning – Non-devolved budget (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Staff Costs	This underspend relates to a surplus against visiting teachers, music instructors and staff absences. The underspend which related to a historic budget calculation has been realigned to offset overspends and accurately reflect the costs of the service	284
Property Costs	Additional planned works at Liff PS and upgrade of science room at Monifieth HS	(48)
Supplies & Services	The projected underspend is predominantly due to a number of carry forwards that are now not expected to be utilised within this financial year but which will be required in 2017/18. This is marginally reduced by additional committed expenditure relating to digital prototypes and vocational learning training	122
Other Expenditure	This is mainly due to underspends on school transport costs and car allowances. The previous report highlighted a potential overspend on school transport however this has been addressed by viring budgets from other areas of underspend.	110
Income	This is due to reduced EMA grant income.	(60)
Total Underspend/(Overspend)		408

Schools & Learning - Devolved School Budget (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Staff Costs	The underspend relates predominantly to vacant posts within secondary schools.	475
Supplies & Services	This underspend relates predominantly to primary schools, however not all primary schools have yet had the opportunity to provide updated projections so this underspend may be utilised.	115
Total Underspend/(Overspend)		590

Schools & Learning – Total	998
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Children & Young People (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Staff Costs	The underspend is mainly due to additional funding within Early Years and ASN which is partially offset by overspends within Children & Families and Criminal Justice as a result of unachieved slippage targets	16
Property Costs	Increased rental costs within Early Years	(12)

Supplies & Services	This underspend is largely due to a number of carry forwards that are now not expected to be utilised.	325
Third Party Payments	This underspend relates to lower than anticipated payments to outside parties. However, third party commitments are inherently difficult to project due to unpredictable fluctuations in demand for services such as fostering and adoption placements and therefore the current projection may move considerably before the end of the financial year.	313
Other Expenditure	Other Minor Variances	19
Income	Additional income received within the Criminal Justice Service	272
Total Underspend/(Overspend)		933

Quality & Performance (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Staff Costs	The underspend is due to posts which have intentionally been held vacant whilst a review has been undertaken of services and budgetary pressures within the Children & Learning Directorate	115
Property Costs	This underspend is largely due to lower than anticipated costs against rates, cleaning and energy costs as a result of efficiencies achieved through the agile agenda	50
Supplies & Services	This underspend relates to lower than anticipated costs across general supplies and services and office and other equipment purchases and maintenance	44
Third Party Payments	This overspend is due to higher than anticipated annual subscription costs, membership fees and software license fees	(46)
Other Expenditure	This relates to an anticipated underspend against staff car allowances due to the early adoption of agile working	33
Total Underspend/(Overspend)		196

4.5 **Health & Social Care Integration Joint Board**

The Integrated Joint Board is currently projecting an overspend of £0.245 million (1%) between outturn net expenditure and the revenue budget with the main reasons for this variance detailed in the tables below.

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 (albeit higher than anticipated) and a 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.	545
Property Costs		(8)
Supplies & Services		501
Third Party Payments		(3,612)
Other	Minor variances	(19)
Income	The increased income is due to unbudgeted Integrated Care Fund income, which will be offset against third party payments and additional Health Board funding agreed by the CFO of the Angus Health & Social Care Partnership.	2,348
Total Underspend/(Overspend)		(245)

4.6 Communities (General Fund)

The Communities directorate is currently projecting an overall underspend of £0.502 million (1.1%) between projected outturn net expenditure and the revenue budget, with the main reasons for this variance detailed by division in the tables below.

Directorate (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Staff Costs	Slippage and unfilled posts	14
Third Party Payments	Managed underspend against 50% carry forward to offset lower caravan park income below	75
Income	Lower than anticipated income from Caravan Park	(81)
Misc.	Other minor variances	(6)
Total Underspend/(Overspend)		2

Business Support Variances

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Misc.	Other minor variances	(6)
Total Underspend/(Overspend)		(6)

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 and slight underspend anticipated on energy (per Property energy reports)	142
Third Party Payments	Additional management fee provided to Angus Alive (on a one-off basis) to cover integrated library / ACCESS staffing issues	(80)
Income	HRA recharge income estimated to be some £50k below target, based on payments / enquiries made at ACCESS offices / via ACCESSline up to 30 November 2016.	(44)
Misc.	Other minor variances	(29)
Total Underspend/(Overspend)		(11)

Technical and Property Services (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Staff Costs	Net slippage / vacancies across all sections, primarily Roads	381
Supplies & Services	Fuel purchase for Harbour users underspend (£50k), budget neutral, see income below, carry forwards from 2015/16: Arbroath Harbour dredging underspend (£83k) due to SEPA licence restrictions; and Agile implementation Property (£115k) underspent pending further discussion with Agile Implementation Team and other minor variance (£9k)	257
Third Party Payments	Overspend on contingency based on 5yr. average for winter maintenance (£240k) offset by underspends within A92 unitary charge (£20k) & college transport (£168k), budget neutral, see	134

	income below, and carry forwards from 2015/16: Decriminalisation Parking Enforcement (£186k) awaiting Scottish Government approval and administration procurement tender review and award	
Income	Roads / Property capital / R&R fee income reduction due to contraction of financial plan (£149k) and reduced recharges for Harbour fuel (£50k) and college transport (£168k); (associated reduction in expenditure).	(367)
Misc.	Other minor variances	9
Total Underspend / (Overspend)		414

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.	251
Other Expenditure	Increased levels of Housing Benefit payments (£174k) and Higher Housing Benefit administration costs (£175k) anticipated during the year. . Various minor underspends (£15k).	(334)
Income	Increased housing benefit grant income (£322k) and increased Private Landlord Registration fees (£27k) plus other minor additional income (£16k). The increased income however is offset by a likely reduction in levels of Planning Income and Building Warrant Fees (£258k).	107
Misc.	Other minor underspends	8
Total Underspend/(Overspend)		32

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.

Contributions amounting to £24.5k have been received from developers so far this year and have been removed from the above underspend at this time.

Regularity & Protective Services (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Staff Costs	Net slippage across all sections	159
Supplies & Services	Increased gate fees for disposal of food waste and co-mingled recycle due to price rises and tonnages processed.	(99)
Other Expenditure	Primarily due to fuel price increase and additional maintenance requirements which are both fully rechargeable.	(266)
Income	Increased residual expenditure for Fleet to be recharged and also additional income; HRA for anti-social behaviour & Parks and Gardens	308
Misc.	Other minor variances	(31)
Total Underspend/(Overspend)		71

4.7 Resources

The Resources directorate is currently projecting an overall underspend position of £0.786million (7.5%) 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	433
Supplies & Services	Underspend due to 2015/16 100% carry forwards not going to be spent (£50k) and other minor variances.	55
Income	Additional Income from the DWP for new legislation (£77k), additional fees from Scottish Water (£40k) and minor other variances (£9k) offset by loss of income through year end management recharges (£30k)	96
Misc.	Other minor variances	22
Total Underspend/(Overspend)		606

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.	172
Total Underspend/(Overspend)		172

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	217
Income	Mainly due to a currently projected shortfall in income from DRU. Income targets were set prior to the transformation of the service and are being reviewed.	(198)
Misc.	Other minor variances	(11)
Total Underspend/(Overspend)		8

Transforming Angus (Variances)

Transforming Angus is projecting an overspend position of £0.007 million (1%) with the main reasons for this variance detailed in the table below. The Transforming Angus budget, given its nature, is difficult to predict, however, any overspend against this budget will be offset against balances..

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Misc.	Minor variances	(7)
Total Underspend/(Overspend)		(7)

4.8 Other Services

Other Services is currently projecting an under spend of £0.480million (5.0%) 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 have an

underspend of £100k, however, it should be recognised that any further underspends will be available as a contingency.

Other Services (Variances)

<u>Subjective Cost Heading</u>	<u>Explanation</u>	<u>Projected Outturn £000</u>
Staff Costs	Main reason for underspend is vacant posts within the Public Records Scotland budget	25
Property Costs	Main reason for underspend is Energy Efficiency CRC Scheme	128
Supplies & Services	Main reason for underspend is CCTV (£127k), Election Expenses (£85k) and Provision for Additional Burdens (£100k). Carry forward request to be made for May 2017 Council Elections.	317
Income	Main reason for projecting higher than budgeted income is Additional Corporate Property Rental.	9
Misc.	Other Minor Variances	1
Total Underspend/(Overspend)		480

4.9 **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 and the ongoing 17/18 budget process, the Capital Financing Costs budget is projected to be underspent by some £1.894 million. In line with the principles agreed in report 64/16, £0.894 million of 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.

4.10 **Tayside Joint Valuation Board**

Valuation Joint Board – the Council's share of the Tayside Valuation Joint Board requisition is currently projected to be on budget for 2016/17.

4.10 **Housing Revenue Account**

It is currently projected that there will be a surplus of £0.676 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>
Financing Charges	Lower borrowing costs	173
Supervision and Management	Slippage and unfilled posts within the community housing teams and the strategy team	130
Repairs and	Bathroom repairs higher than anticipated	(36)

Maintenance		
Other minor variances	Other minor variances	(11)
Rents and Service Charges	Increased rental income due to higher than budgeted new build properties now part of the overall housing stock	420
Total Surplus / (Deficit)		676

4.12 **Renewal & Repair Fund**

The estimated uncommitted balance available on the funds as at 31 March 2017 as shown in the table below is £0.988m (Property £0.265m; Information Technology £0.100m; Roads & Transport £0.100m; Print & Graphic Design £0.200m; Services to Communities £0.302m and Parks & Cemeteries £0.021m).

Once the de minimis retention levels are taken into account the effective aggregate available balance on all funds reduces to £0.603m.

Renewal & Repair Fund	Opening Balance 01/04/16 £000	Payments made to 30/11/16 £000	Estimated Outstanding Commitments to 31/03/17 £000	Estimated Uncommitted Balance 31/03/17 £000	Fund Minimum Balance £000	Estimated Available Balance 31/03/17 £000
Property	1,832	(449)	(1,118)	265	(150)	115
Information Technology	1,551	(468)	(983)	100	(100)	0
Roads & Transport	422	(201)	(121)	100	(100)	0
DRU	257	(23)	(34)	200	(20)	180
Services to Communities	576	(21)	(253)	302	0	302
Parks & Cemeteries	1,024	(193)	(810)	21	(15)	6
Total Fund	5,662	(1,355)	(3,319)	988	(385)	603

4.13 **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.

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 £5.959 million is projected at this point in the financial year. There are a number of anticipated adjustments required and these are set out in the table below, leaving an adjusted projected underspend of £3.998million.

	£m
Projected Outturn	5.959
<u>Less:</u>	
Devolved School Management underspend – ring fenced	(0.590)

100% carry forward Capital Financing Costs (report 64/16 refers)	(0.894)
2015/16 Carry forwards included in fall back savings	(0.295)
2016/17 Unspent grant monies carried forward to 2017/18	(0.189)
Add:	
Transforming Angus projected overspend – offset against balances	0.007
Adjusted 2016/17 Projected Outturn	3.998

5.3 HRA is projecting a £0.676 million surplus during 2016/17.

5.4 The Renewal and Repair Fund has an estimated uncommitted closing balance of £0.988 million. Once the minimum balance has been removed there is an estimated usable balance of £0.603 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

Appendix D – Reconciliation of Under/Over spend on Secondary Schools DSM Budgets