

ANGUS COUNCIL**POLICY AND RESOURCES COMMITTEE – 30 January 2018****REVENUE MONITORING 2017/18 AND RENEWAL & REPAIR FUND POSITION 2017/18****REPORT BY IAN LORIMER, HEAD OF CORPORATE FINANCE****ABSTRACT**

This report provides revenue budget performance information for the Committee to consider. The report shows the latest projected year end position for each Council Directorate and main service area and gives a brief explanation of significant variances. The report also provides an update on expenditure funded through the Council's Renewal and Repair Funds. The position within this report is based upon actual spend information at 30 November 2017.

1. RECOMMENDATIONS

1.1 It is recommended that the Committee:-

- i) note the context commentary at paragraph 3.2 of the report and the relevance of this report to the Council's 2018-19 revenue budget strategy;
- ii) review and scrutinise the content of this report, in particular the comments on the Financial Implications section regarding the projected year end position; and
- iii) note the Renewal and Repair fund position.

2. ALIGNMENT TO ANGUS COUNCIL PLAN / LOCAL OUTCOME IMPROVEMENT PLAN (LOIP)

2.1 This report contributes as a whole to the Council Plan/LOIP.

3. BACKGROUND

3.1 At the Special Meeting of Angus Council on 16 February 2017 the Council approved the revenue budget estimates for financial year 2017/18, report [58/17](#) refers. An update of the revenue budgets was presented to Policy and Resources on the 20 June, report [200/17](#) refers. Full details of the 2017/18 budgeted net expenditure of £251.868 million are available within the [Final Budget Volume 2017-18](#).

The latest revenue budget performance position for the Council is outlined in section 4 of this report and Appendix B & C.

3.2 Context – 2018-19 Revenue Budget Strategy

The budget projections outlined in this report and associated appendices will be used to inform the 2018-19 revenue budget to be set by the Council in February 2018. In particular members of the Committee are asked to note that the net projected year end underspend position of £2.780m is the result of prudent leadership and sound budget management based on a deliberate policy (agreed through the Policy & Budget Strategy Group) (PBSG) which seeks to deliver a significant underspend in 2017/18. Each Directorate has been asked to deliver a one-off underspend on their 2017/18 revenue budget which will boost the Council's general fund reserve in order that this reserve can, if required, be used to help balance the 2018-19 revenue budget. The PBSG has targeted a £3m underspend net of carry forwards, etc. and that target has almost been achieved based on these latest projections.

3.3 **Budgetary Control**

The responsibilities of budget holders for revenue budget monitoring are set out in Section 3 of the Council's Financial Regulations. Actual expenditure and income is reviewed on a monthly basis by budget holders supported by Finance service staff. Regular review of budget performance by officers and members throughout the year is essential for budgetary and the early identification, reporting and addressing of variances from the budget set.

3.4 **100% Carry Forwards**

Budget holders can carry forward unused budget resources from one year to the next on a 100% basis subject to Council approval. For financial year 2017/18 a total of £4.993 million 100% carry forwards was approved by Angus Council, committee reports 48/17 and 234/17 refer. From this total value of 100% carry forwards a sum of £0.114 million has been retained in reserves and £4.879 million has been added to 2017/18 service revenue budgets. A further £0.574 million, which had previously been retained in reserves, has also now been added to the 2017/18 revenue budget. Appendix A shows the effect of these to the budget set in February 2017 and also shows that £0.195 million of these carry forwards has been returned back into reserves as they are no longer required.

4. **CURRENT POSITION**

4.1 **Budget Performance**

- 4.2 A summary of the All Council Revised Budget and Projected Outturn is attached at **Appendix B** for the Committee to review. This provides the detail of the 2017/18 Revised Net Budget, Projected Outturn and Projected Variance for all Council services.

Appendix C (i-vi) provides a breakdown of the monitoring information by Service along with a brief narrative on the main reasons for variances. If members require additional explanation these should be sought from the Head of Corporate Finance in the first instance prior to the Committee meeting in order that liaison can be undertaken with Directorate budget holders.

The following paragraphs provide summary commentary on the Projected Outturn for each of the Services for the figures presented at Appendix C (i-vi).

4.3 **Chief Executive's Unit**

The Chief Executive's Unit is currently projecting an underspend of £0.614 million (9.3%) on their adjusted revenue budget. The main reason for this variance is an underspend on staff costs due to slippage on vacant posts.

4.4 **People**

The People Directorate is currently projecting an underspend of £0.701 million (0.54%) on their adjusted revenue budget. Included in this figure is an underspend of £0.260million within the Devolved School Budgets, leaving a projected underspend of £0.441 million in all other areas of the Directorate. The main reasons for the £0.701 million variance are due to underspends within Schools & Learning (£0.990m) on teacher staff costs, additional grant funding for Early years and lower school meal costs, Quality & Performance (£0.260m) due to early delivery of agile savings and 100% carry forwards not anticipated to be required. These underspends are offset by a projected overspend within Children & Young People Services (£0.589m) due to increased residential placements, fostering and kinship costs.

The devolved School Budget underspend of £0.260 million mentioned above is made up of £0.120 million within secondary and £0.140 million within primary. Details of the projected devolved school budget over or underspend, for secondary schools only, by school is included at appendix D.

4.5 **Adult Services - Health & Social Care Integration Joint Board (IJB)**

Although the Integrated Joint Board has responsibility for the management of its own budget resources the Council as a provider of funds to the IJB has an interest in its budget performance. The Adult Services component of the IJB budget is currently projecting an underspend of £1.158 million (2.6%) on their adjusted revenue budget. In the main this relates to ring fenced monies which are not required in the current financial year and it would be intended to create a specific reserve to support future change programme initiatives.

4.6 **Place**

The Place Directorate is currently projecting an underspend of £0.577 million (1.6%) on their adjusted revenue budget. The main reasons for this variance is staff slippage across the Directorate and additional income within parks & gardens, burial grounds and car parking. These are offset by a reduction in the projected fee income within Technical and Property Services and the containment of the financial impact of the new residual waste contract of circa £1.25 million.

As at 30th November 2017; the anticipated overspend on Winter maintenance was £0.100 million and the projected outturns in this report are based on that position. However it is expected that the overspend on Winter Maintenance will be higher (£0.300 million as at mid-January). Officers are investigating options for how to contain a higher overspend within existing budgets in order to deliver within the projections in this report.

4.7 **Other Services (including Joint Boards)**

Other Services covers budget headings which are corporate in nature and don't fit naturally with a particular area of service delivery. Each budget has a designated accountable manager providing oversight. The major budget items are Scottish Welfare Fund; Elections; Provision for Additional Burdens; Energy and Property Maintenance. Other Services is currently projecting an underspend of £0.078 million (0.7%) on their adjusted revenue budget.

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.

4.8 **Housing Revenue Account (HRA)**

The Housing Revenue Account is currently projecting an underspend of £0.531 million. The main reason for this variance is staff slippage due to delays in recruitment of vacant posts, lower than anticipated Property Insurance costs and additional rental income.

4.9 **Capital Financing Costs**

The Capital Financing Costs budget is projected to be underspent by some £1.671 million. This is a planned underspend which in line with the principles agreed in report [62/17](#) will be carried forward as it is fully committed to reduce the level of borrowing required in 2018/19 as part of the agreed financing strategy for the Council's capital programme.

4.10 **Renewal & Repair Fund**

The Renewal & Repair Fund is made up of four separate categories, Property, Information Technology, Roads & Transport, and Recreation.

Report [61/17](#) to the Special Meeting of Angus Council on 16 February 2017 provided additional funding to the Renewal and Repair Funds of £0.580 million. This along with £0.255 million from reserves has been aggregated to the closing balance at 31 March 2017 (£3.976 million) to provide funding across the five Categories of £4.893 million. The position of the Renewal and Repair Fund is outlined in Appendix E.

The estimated uncommitted aggregated balance available on the funds as at 31 March 2018 is £0.954 million, once the de minimis retention levels are taken into account the balance on all funds reduces to £0.589 million and details of this are attached at Appendix E.

4.11 **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. There are no virements requiring approval at this time.

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 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 £4.850 million is projected at this point in the financial year in respect of General Fund services. There are a number of adjustments required to this total to reflect previously approved policy. These are set out in the table below, leaving an adjusted projected underspend of £2.780 million.

	£m
Projected Outturn (General Fund services)	4.850
<u>Less:</u>	
Devolved School Management underspend – ring fenced for schools	(0.260)
100% carry forward Capital Financing Costs (report 62/17 refers)	(1.671)
Change Programme automatic 100% carry forward	(0.139)
Adjusted 2017/18 Projected Outturn (General Fund services)	2.780

- 5.3 It was previously noted to committee (Report 336/17, Special Council Meeting 29th September 2017) that entry into the new residual waste contract with Dundee City Council (DCC) would result in a receipt for Angus Council through DCC's sale of DERL related assets. The receipt of £2.766 million has now been received from DCC and will be added to the Council's available General Fund balance pending consideration of its future use through the 2018/19 to 2020/21 budget setting process.
- 5.4 As outlined in the commentary on the Place Directorate it is now expected that the additional costs arising from the new residual waste contract will be managed within existing budgets. The drawdown from the General Fund contingency balance in 2017-18 described in Report 336/17 will therefore no longer be necessary.

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.

REPORT AUTHOR: JILL RENNIE, SENIOR ACCOUNTANT
EMAIL DETAILS: FINANCE@angus.gov.uk

List of Appendices:

- Appendix A – Net Revenue Budget Summary
- Appendix B – All Council Projected Outturn
- Appendix C – Projected Outturn by Service
- Appendix D – Secondary Schools DSM Under/Over Spends
- Appendix E – Renewal and Repair Funds