

Revenue Budget Performance Commentary**Summary**

Across all General Fund Directorate budgets there was a favourable variance compared to the original budget set of just under £9 million. Much of this was known about or planned for during 2017/18 as part of the Council's proactive financial management arrangements.

In broad terms the underspends within Directorate revenue budgets arose due to the following main reasons:-

- a. Savings in staff costs (£4.5 million) – again this year services have either delayed recruitment to posts due to pending reviews and change programme savings requirements.
- b. General reduction in property costs and transport costs across the Council (£1.5 million).
- c. Overspends in costs impacted by weather e.g. roads winter maintenance, energy costs, etc. By their very nature these costs are difficult to predict from year to year
- d. Slippage in projects and works – underspends against budgets in these areas arise for a variety of reasons but the delays or non-filling of staff posts is likely to have been a factor in some cases where services simply haven't had the staff to progress projects in line with expected timelines.
- e. Additional income from the new Waste Management Contract of £2.8 million.

The underspends on Directorate budgets for 2017/18 particularly in areas like staff costs also need to be viewed in the context of the further savings which have now been removed from Directorate budgets in 2018/19. A total of £7m of savings were implemented when the 2018/19 budget was set in February 2018.

Directorate Commentaries

A high level commentary on revenue budget performance for each Council directorate is outlined below and should be read in conjunction with Appendix A:-

- Chief Executive – an overall underspend on the controllable budget of £0.903 million is evident in respect of the Chief Executive's Unit. Executive Support recorded an underspend of £0.333 million which was mainly as a result of staff slippage and underspends in supplies and services. The Change Programme recorded an underspend of £0.168 million of which £0.099 million is subject to 100% carry forward as per report 83/14. The balance of £0.069 million is due to underspends on agile programme budgets mainly in relation to staff slippage and mileage costs. In future, Agile related budgets will be part of the Facilities Management Services revenue budget. Economic Development recorded an underspend of £0.121 million resulting from underspends in supplies and services including £0.058 million unused carry forward monies. Overspends recorded in third party payments, however compensated by an over-recovery of income. The underspend of £0.280 million within Strategic Policy and Transformation was mainly as a result of staff slippage and underspends in supplies and services and third party payments. There was also lower than anticipated spend on one-off 100% carry forwards.
- People – an overall underspend on the controllable budget of £2.683 million is evident in respect of the People Directorate.
 - The Non-Devolved Schools & Learning business segment returned an underspend position of £2.290 million. This was mainly due to underspends on staff costs (secondary teachers, music instructors and visiting teachers), school transport charges and school meals costs. This final underspend includes £1.026 million of grant money which will be carried forward into 2018/19 as funding relates to the academic year, £0.817 million of this relates to Pupil Equity Funding Scottish Government Grant.

- The Children and Young People's business segment ended financial year 2017/18 with an overspend position of £0.345 million. The overspend was mainly as a result of additional charges in respect of residential placements, fostering and kinship costs. These were partially offset by savings within salary costs and miscellaneous supplies & services
 - Quality & Performance posted an underspend of £0.653 million which was mainly due to lower than expected expenditure on the 100% carry forward initiatives such as digital strategy and broadband upgrade in rural schools. These are major projects and it is anticipated that these underspends will be carried forward into financial year 2018/19.
 - Human Resources, Information Technology, Organisational Development and Communications has returned an underspend of £0.085 million is in the main due to staff slippage.
- Devolved Schools & Learning – The devolved school budget underspend is £0.824 million and is made up of £0.210 million within primary and £0.614 million with secondary. The schools have already formulated plans to utilise these underspends in financial year 2018/19.
- Adult Services - an overall underspend on the controllable budget of £0.962 million is evident in respect of Adult Services. In accordance with the Integration Scheme this underspend will be earmarked by the Council and held as Reserves on behalf of the Angus Integration Joint Board. The overall year end position has been supported by non-recurring under spends in a number of services, early achievement of 2018-19 savings (Help to Live at Home) and the carry forward of previous years reserves (£0.582m).
 - Place – an overall underspend on the controllable budget of £0.397 million is evident in respect of the Place directorate.

Despite some significant challenges from, in particular, the winter weather and the commencement of the new waste disposal contract, the place Directorate was proactive in managing its overall budget to address these issues without having to call on corporate resources. The following elements are the main reasons for the underspend position.

- Across the whole of the Place Directorate, staff costs underspent by £2.115 million as a result of maintaining a range of vacant posts throughout the year.
- Directorate
 - £0.053 million underspend : Lower than anticipated caravan park repair costs
 - £0.034 million overspend : Lower than anticipated caravan park rental income
- Business Support
 - £0.032 million overspend : Under recovery of recharge income from the Housing Revenue Account for Business Support services
- Housing, Regulatory and Protective Services
 - £0.336 million underspend : Reduced costs for maintenance of Waste Service vehicles
 - £0.145 million underspend : Additional income generated by the Parks and Gardens Service
 - £0.210 million underspend : Additional income in respect of decriminalised parking enforcement
 - £0.385 million underspend : Reduced requirement for capital funding from revenue resources
 - £1.029 million overspend : Part year impact from commencement of the new waste disposal contract at Baldovie in Dundee
 - £0.124 million overspend : Housing benefit payments
 - £0.039 million overspend : Additional property maintenance works required at recycling centres

- Services to Communities
 - £0.365 million overspend : Under recovery of recharge income from the Housing Revenue Account for ACCESS office services
 - £0.033 million overspend : Repayment of balance of prudential borrowing

- Technical and Property Services
 - £0.690 million overspend : Additional winter maintenance costs, net of additional Government resources
 - £0.480 million overspend : Reduced fee income in respect of the capital and Renewal and Repair Fund programmes
 - £0.040 million overspend : Additional A92 unitary charges as a result of increased traffic volumes

- Other Services – an overall underspend on the controllable budget of £4.523 million is evident in respect of Other Services. This underspend is within Corporate Records Management (£0.250) a carry forward has been requested, apprenticeship levy being less than originally budgeted for (£0.232 million) and a receipt for the new waste management contract which has been entered into (£2.766 million), provision for additional burdens (£0.423 million), underspend on the 2017/18 pay award provision (£0.316 million), increased income from statutory additions (£0.175 million) and a benefit from the reduction in the bad debt provision (£0.361 million) based on an improvement in the Sales Ledger debt outstanding.

- Joint Valuation Board – an underspend of £0.044 million is evident in respect of the Council's share of the Tayside Valuation Joint Board requisition. This underspend was as a result of an understated debtor from 2016/17.

Commentary on other General Fund underspends

- Loan Charges – Members may recall that in setting the 2017/18 capital budget the Council agreed to a continuation of a special repayment strategy to help keep future loan charges affordable (report 62/17 refers). This report proposed that special repayments of debt should continue at a maximum of £1.000 million per annum with any balance of unused loan charges budget being carried forward into the following year to be used against budget pressures in the form of corporate Capital From Current Revenue (CFCR).

In closing the 2017/18 accounts an underspend of £3.103 million arose in respect of the loan charges budget. £1.000 million of this was then applied as a special repayment to reduce the Council's debt, as agreed in report 62/17. It was agreed through report 64/18 however that any balance of headroom over and above the £1.000 million special repayment would no longer be utilised as corporate CFCR, but be carried forward in balances and used to help balance the revenue budget. The £2.103 million balance of the underspend will therefore be carried forward into 2018/19 for this purpose.

The level of underspend projected on the 2017/18 loan charges budget (per report 64/18) was some £2.662 million prior to any application as a special repayment of debt, however this increased by £0.441 million as a result of a lower than anticipated Loans Fund Rate (4.35% as opposed to budget of 4.67%).

- Council Tax Income – members will note from Table 1 in the main Report that an additional £2.003 million of Council Tax income has been accounted for in 2017/18. Of this, £1.017 million is due to an underspend in the Council Tax Reduction Scheme, £0.182 million is due to a favourable movement on the bad debt provision and the balance of £0.804 million reflects the ongoing strong collection performance, of which £0.788 million relates to second home billed council tax which has to be ear-marked for affordable housing. The underspend on the Council Tax Reduction scheme was due to additional grant being received and demand being significantly less than expected.

Commentary on Housing Revenue Account Revenue Budget Versus Actual

Housing Revenue Account is projecting an overall surplus of £1.261 million for which it is intended will be set aside in full for future special debt repayments to reduce the HRA's liability for future loan charges and to consequently provide future capital affordability flexibility.

The main reasons for the surplus are outlined below:

- **Financing Charges** – Lower than budgeted Loan Fund Charges £0.311 million
- **Supervision & Management** – Underspend of £0.915 million, mainly due to underspends on staff as a result of vacant posts £0.196 million, reduced property costs of £0.190 million, underspends on supplies & services of £0.093 million and lower than budgeted recharges for support services totalling £0.324 million
- **Repairs & Maintenance** – Overspends on Repairs & Maintenance of £0.260 million, mainly due to the acceleration of rewiring and gas maintenance works.
- **Loss of Rents** – Lower than budgeted loss of rents of £0.238 million
- **Other Expenditure** – Underspend totalling £0.167 million mainly due to lower than budgeted insurance costs
- **Income** - overall under target against budget £0.109 million, mainly due to reduction in service charges

Commentary Against Projected Outturn (Report 97/18)

The most recent projected outturn for 2017/18 based on January 2018 ledgers showed a projected underspend for General Fund services overall of £5.736 million and the actual position is higher at £10.887 million. This is an increase of £5.151 million.

Area	January 2018 Outturn (£m)	Movement (£m)	Final 2017/18 Outturn (£m)
Council Directorates	4.074	4.710	8.784
Capital Financing Costs	1.662	0.441	2.103
Total	5.736	5.151	10.887

The projected outturn report showed an underspend on capital financing charges of £1.662 million and the actual position is higher at £2.103 million, an increase of £0.441 million.

Note – underspend/(overspend)

In terms of the directorates the actual underspend position is £4.710 million higher than anticipated. The more significant movements when compared to Report 97/18 and the reasons for these are outlined as follows:-

- People – the gross projected underspend increased from £0.261 million to £1.654 million (a favourable movement of £1.393 million) comparing the final position for 2017/18 against the January outturn position. There was a favourable movement within Non-Devolved Schools & Learning of £0.527 million which was mainly due to lower than anticipated school transport charges and increased school meals income. Children & Young People also achieved a favourable movement of £0.334 million. This was mainly as a result of lower than anticipated residential placement costs charges whilst staff slippage was higher than expected. staff slippage. There were positive movements of £0.477 million within Quality and Performance. This was largely due to reduced expenditure on 100% carry forward initiatives which is likely to happen in financial year 2018/19. Human Resources, Information Technology, Organisational Development and Communications final outturn shows a favourable movement from January 2018 of £0.055 million due to computer support costs overspend being less than originally projected.
- Devolved Schools & Learning projected underspend increased by £0.410 million from the January monitoring report. This is mainly due to a higher than expected savings within secondary staff costs due to difficulties attracting supply staff.
- Adult Services anticipated underspend reduced by £0.161 million from the January report due to late submission of invoices from private providers which particularly affected Learning Disabilities.
- Place – the gross projected underspend has decreased from £0.144 million to breakeven (reduction of £0.144 million). This was mainly due to the following elements.
 - Housing, Regulatory and Protective Services
 - £0.385 million additional underspend : Reduced requirement for capital funding from revenue resources previously projected on budget
 - Technical and Property Services
 - £0.400 million additional overspend : Additional winter maintenance costs
 - £0.140 million additional underspend : Additional resources received from the Government to offset increased winter maintenance costs

- Chief Executive - the gross projected underspend has increased by £0.276 million from £0.600 million to £0.876 million. This was due to various supplies and services expenditure being lower than anticipated; Pooled Youth Work Fund and Friday Night Project underspend as a result of projects not going ahead; lower than anticipated spend on one-off 100% carry forwards; higher management recharge than anticipated.
- Other Services – the gross projected underspend has increased by £2.943 million from £1.505 million to £4.523 million. This was mainly due to the receipt received as part of the new Waste Management Contract the Council entered into.

Housing Revenue Account

The reported projected surplus in January 2018 of £0.847 million has increased to £1.261 million (a movement of £0.414 million). The main movements in this regard were:

- **Financing Charges** – Lower than projected Loan Fund Charges £0.181 million
- **Supervision & Management** – A favourable movement of £0.414 million, mainly due to reduced property costs of £0.137 million, underspends on supplies & services of £0.101 million and lower than budgeted recharges for support services totalling £0.166 million
- **Repairs & Maintenance** – Increased overspend £0.047 million, mainly due to further acceleration of gas maintenance works
- **Loss of Rents** – A further reduction in loss of rents of £0.082 million
- **Other Expenditure** – various minor underspends totalling £0.029 million
- **Income - Movement** of £0.244 million, mainly due to lower than anticipated costs resulting in reduced recharges.