

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 9th October 2018

REVENUE MONITORING 2018/19, RENEWAL & REPAIR FUND POSITION 2018/19 AND FINAL REVENUE BUDGET VOLUME

REPORT BY IAN LORIMER, HEAD OF FINANCE AND LEGAL

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 and 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 31 July 2018. The report also asks the Committee to homologate the actions taken by the Head of Finance & Legal for finalisation of the 2018/19 Final Revenue Budget Volume.

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;
- ii) note the Renewal and Repair fund position;
- iii) homologate the amendments to Directorate 2018/19 revenue budgets and corporate provisions made in preparing the 2018/19 Final Revenue Budget Volume as detailed in sections 3.3 to 3.5 of this report; and
- iv) note the position regarding savings from the Council's Change Programme and the proposed funding solution for the £0.665 million shortfall as set out in section 3.6 of this report.

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 15 February 2018 the Council approved the revenue budget estimates for financial year 2018/19, report 60/18 refers. An update of the revenue budget is provided in section 3.3 of this report and the full details of the 2018/19 budgeted net expenditure of £258.194 million are available within the Final Budget Volume 2018/19 at the following link:-

https://www.angus.gov.uk/media/final_revenue_budget_volume_2018_19

The latest revenue budget performance position for the Council is outlined in section 4 of this report.

3.2 2018/19 Final Budget Volume

The directorate revenue budgets for 2018/19 approved at the Special Meeting of Angus Council on 15 February 2018 have been amended for the following matters for the purposes of preparing the Final Revenue Budget Volume:-

3.3 2017/18 Total Revenue Support Grant

Report 60/18 noted that the Council's Total Revenue Support Grant for 2018/19 had been provisionally set at £205.259 million (including an estimated £4.043 million not yet distributed). Finance Circular 4/2018, issued by the Scottish Government on 6 March 2018, provided further detailed information on the Council's overall 2018/19 grant total. As a result, the Council's Revenue Grant Support allocation for 2018/19 has increased by a further £0.527 million to £205.786 million. This increase has arisen in the main from changes in the estimates of funding not yet distributed as updated information has been provided in the circular 4/2018. All the changes in the grant funding have been added to the relevant base budget in 2018/19 to support costs being incurred by services in these areas.

3.4 Property Maintenance & Energy Budgets

Directorates have been advised of the final property maintenance and energy budgets for 2018/19, and these are reflected in the Final Revenue Budget Volume. These adjustments have all been made within the existing budget total.

3.5 Facilities Management

As part of the Change Programme all facilities management of the Council's main office and administrative buildings has been brought together into a single budget. A provision of £2.084 million has been established for facilities management and this has been provided via transfers from the Directorate revenue budgets. This has been undertaken to centralise the costs of back office and proposed locality hub buildings such as Angus House such as Angus House, Bruce House & County Buildings

In order to avoid delay in confirming the cash limited revenue budgets available to each service of the Council for financial monitoring purposes the adjustments listed in the paragraphs above have been applied on a budget neutral basis. The Committee is asked to homologate these adjustments to the budget.

3.6 Change Programme Savings

When Report 60/18 was agreed in February 2018 Change Programme savings of £6.747 million were shown as a single line within the budget. Work has been ongoing since February to assign those savings to individual service budgets. At the point of publishing the Final Revenue Budget Volume (FBV) for 2018/19 in August some £4.648 million of Change Programme savings had been assigned and removed from service budgets leaving a balance of £2.099 million still to be assigned and shown as a corporate item within the FBV. Since publication of the FBV further work to assign all remaining savings has been undertaken and completed for inclusion in this first revenue budget monitoring report for the 2018/19 budget.

Report 310/18 which is also on the agenda for this Committee provides a detailed update on the Council's Change Programme. That reports explains that for a small number of projects the level of savings originally anticipated will not be achieved in 2018/19 and will alternatively be achieved in 2019/20. This delay creates a shortfall of £0.665 million in the 2018/19 revenue budget compared to the position agreed in February 2018. Officers are investigating whether part of this shortfall can be addressed by adjusting other budgets and will review whether this is feasible at the mid-point of this financial year (once September actual information is available). In the meantime and in order for the budget to remain in balance it is proposed to fund the £0.665 million shortfall by utilising uncommitted general fund balances which at 31 March 2018 stood at £2.604 million. Since the majority of the shortfall is caused by a delay in the timing of the delivery of savings it is reasonable to apply a one-off funding solution for this in 2018/19. Should alternative solutions present themselves following the further work by officers these will be brought to the Committee for consideration.

3.7 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 the early identification, reporting and addressing of variances from the budget set. A new budget monitoring module within the Council's financial system Integra has gone live this financial year and all budget holders are making use of this new module, which has streamlined the revenue monitoring process.

4. CURRENT POSITION

4.1 Budget Performance

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 2018/19 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 Finance & Legal 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).

4.2 Strategic Policy, Transformation and Public Sector Reform

The Strategic Policy, Transformation and Public Sector Reform service area is currently projecting a saving against the revised controllable budget of £0.153 million (4%). The main reason for this variance is within staff costs due to the delay in filling vacant posts.

4.3 People

The People Directorate is currently projecting a saving of £0.681 million (0.5%) on the adjusted revenue budget. The main variance being within Schools & Learning (£0.552) million saving), due to savings in teacher staff costs, school transport and the costs of school meals. In addition the Children, Families & Justice area is projecting a £0.119 million saving due to vacant posts, and reduced volunteer mileage.

The projected savings shown above assumes a breakeven position within the devolved School Budgets at this time.

4.4 Place

The Place Directorate is currently projecting a saving of £0.144 million (0.3%) on the adjusted revenue budget. The main reasons for this variance is within staff costs and is due to posts being held vacant for future savings through service redesign, offset by increased waste disposal costs and reduced income expected from the Housing Revenue Account.

4.5 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 Council Tax Reduction Scheme, Scottish Welfare Fund; Elections; Provision for Additional Burdens; Energy and Property Maintenance.

Other Services is currently projecting a deficit of £0.073 million (0.4%) on the adjusted revenue budget due to less than budgeted income projected at this time from Interest on Revenue Balances and other minor variances.

The projected outturn on the provision for additional burdens budget currently assumes breakeven, no calls on this budget have emerged to this point but unexpected costs on winter maintenance for example can come later in the financial year. The 2018/19 staff pay award also remains unsettled and is an area of risk compared to the budget provision available.

4.6 Facilities Management

The new facilities management service area is currently projecting a saving of £0.117 million against budget due to staff slippage and savings in excess mileage in respect of staff relocation under the agile programme.

4.7 **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 a significant interest in its budget performance. The Adult Services component of the IJB budget is currently projecting a saving of £0.758 million (1.8%) on the adjusted revenue budget. Within this there are offsetting variances. There are overspends within Learning Disabilities (subject to the overall Learning Disability Review) and Older People Services and underspends within Mental Health and Centrally Managed Budgets.

The Older People's Services overspend is partly attributable to demographic growth issues. There are funds set aside within the IJB to offset this growth and adjustments will be made to reflect this once it has been fully quantified by the service with finance support.

There remain a number of one-off underspends (eg. associated with the implementation of the Living Wage for Sleepovers – due for resolution in August 2018) and regarding the resettlement of patients from inpatient hospital care.

From 2018/19, Angus Council has a new risk sharing agreement with National Health Service Tayside (NHS Tayside) regarding Angus IJB's financial position (Report 187/18 refers). Consequently the Council now has an interest in the overall financial position of the IJB, not just Adult Services.

Angus IJB is currently projecting a year end underspend of £0.038 million. Per the Integration Scheme the IJB would retain any savings at the year-end within its reserves. As long as the IJB has reserves Angus Council would not be required to contribute to any budget deficits.

It is important to note the above figures were based on July information and projections are therefore subject to further revision.

4.8 **Housing Revenue Account (HRA)**

The Housing Revenue Account is currently projecting a saving of £0.748 million against the budget set. The main reason for this variance is staff slippage due to posts being held vacant prior to service redesign.

4.9 **Capital Financing Costs**

The Capital Financing Costs budget is projected to be underspent by some £1.171 million. This is a planned underspend which, in line with report [64/18](#), will be carried forward and fully available to assist with funding the 2019/20 wider revenue budget.

4.10 **Renewal & Repair Fund**

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

Due to affordability constraints a decision was taken as part of the 2018/19 budget strategy not to contribute to any new resources to the Renewal and Repairs funds, but these funds carried forward a balance from 2017/18 of £2.902 million. The position of the Renewal and Repair Fund is outlined in Appendix D.

The estimated uncommitted aggregated balance available on the funds as at 31 March 2019 is £0.916 million, once the de minimis retention levels are taken into account the balance on all funds reduces to £0.561 million and details of this are attached at Appendix D.

4.11 **Virements**

Under Financial Regulation 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.

Virements have been processed to allocate £1.434 million to services of the £2.099 million of change programme savings which were still held as a corporate provision when the FBV was published and the source of these amendments can be found in report 310/18 to this committee. This leaves a balance of £0.665 million as noted in paragraph 3.6 above which it is proposed to cover from general fund balances.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no additional financial implications arising for the Council from the recommendations contained within this report which have not been explained in the body of the 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 a saving compared to budget of £2.186 million is projected at this point in the financial year in respect of General Fund services. There is an adjustment required to this total to reflect previously approved policy, detail is set out in the table below, leaving an adjusted projected saving of £1.015 million.

	£m
Projected Outturn (General Fund services)	2.186
<u>Less:</u>	
100% carry forward Capital Financing Costs (report 64/18 refers)	1.171
Adjusted 2018/19 Projected Outturn (General Fund services)	1.015

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 – Net Revenue Budget Summary

Appendix B – All Council Projected Outturn

Appendix C – Projected Outturn by Service

Appendix D – Renewal and Repair Funds