

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 12TH MARCH 2019

REVENUE MONITORING 2018/19 AND RENEWAL & REPAIR FUND POSITION 2018/19

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 December 2018.

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;

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. 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 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 employees. 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 £0.610 million (15%). £0.245 million of this saving relates to the Change Fund and will automatically be carried forward to 2019/20 as detailed in paragraph 5.2 below. This leaves a saving of £0.365 million with the main reason for this variance being within staff costs due to the delay in filling vacant posts. Higher than budgeted income for the LEADER programme, which is a European Union Initiative, (£0.220m) has been received but this has been offset by higher than budgeted costs for the programme within third party payments (£0.240m) and savings on the programmes employee costs (£0.016m). The programmes deficit within third party payments has been reduced as a result of savings occurring within other third party payment areas, namely skills (£0.076m) and payments to outside bodies (£0.072m). Savings are also occurring in supplies and services due to an underspend on IT consultancy.

4.3 People

The People Directorate is currently projecting a saving of £0.939 million (0.7%) on the adjusted revenue budget. The main variance is within Schools & Learning (£0.820 million saving), due to savings in teacher employee costs, school transport and various supplies and services. These savings have been partially offset by higher than budgeted rates charges and increased unitary charge payments in respect of Forfar Community Campus and Carnoustie/Forfar schools.

Digital Enablement, Information Technology, Human Resources & Business Support is projecting a saving of £0.246 million (6.3%) on the adjusted revenue budget. The main variance is due to savings being made within employee costs as a result of delays in filling vacant posts.

Children, Families & Justice is projecting a £0.066 million deficit. This is mainly due to increased expenditure on internal and external placement provision for looked after and accommodated children and young people. These increased costs are partially offset by post vacancies and reduced expenditure on travel costs. In addition, there have been increased contributions from other local authorities and additional grant income within Criminal Justice Service.

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 deficit of £0.394 million (0.8%) on the adjusted revenue budget. The main reason for this variance is due to increased waste disposal costs which have been partially offset by savings within employee costs due to posts being held vacant for future savings through service redesign. Income from the Housing Revenue Account is expected to be lower than budgeted and this has also contributed to the deficit.

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 saving of £0.670 million (6.5%) on the adjusted revenue budget. This is mainly due to an underspend on the budget for Discretionary Housing Payments (DHPs). An overprovision in this budget for 2018/19 was identified through the 2019/20 budget setting process and associated analysis of government grant support. There is also reduced requests for grants to voluntary bodies, increased income from interest on revenue balances, additional rental income from corporate properties and additional income for Salix projects which are contributing to the projected underspend.

The projected outturn on the provision for additional burdens budget of £0.498 million 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 employee pay award also remains unsettled and is an area of risk compared to the budget provision available. If no calls emerge on this contingency budget by the year end there will be an underspend of close to £0.5 million.

4.6 **Facilities Management**

The new Facilities Management service area is currently projecting a saving of £0.540 million (20%) against budget due to employee slippage, savings in excess mileage in respect of employee relocation under the agile programme and savings as a result of lower than anticipated rates and energy costs. In addition savings are also being realised against office consumables and courier / delivery service following the centralisation of service budgets in Agile properties and corporate services.

4.7 **Capital Charges and Financing**

The Capital Charges and Financing budget is projecting a year end saving of £1.615 million, an increase of £0.444 million on the position reported in previous monitoring statements. This updated position reflects the latest estimate of borrowing anticipated to be undertaken in 2018/19, along with an update to the projected year end loans pool rate. This is a planned saving which, in line with report [64/18](#), will be carried forward and fully available to assist with funding the 2019/20 wider revenue budget.

4.8 **Corporate Items**

There are a number of budgets held centrally under corporate items until service allocations are determined, the major items being pay award and severance cost provisions.

Corporate items are currently showing a projected saving of £1.700 million which is due to the severance costs provision not being fully required in 2018/19 and this saving will be earmarked in the General fund balance to assist with severance costs in future years.

4.9 **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 £1.036 million (2.3%) on the adjusted revenue budget. Within this there are offsetting variances. A number of budget realignments have been actioned regarding demographic growth and this has resulted in mitigating some of the previous deficits in Older People. Physical Disabilities and Learning Disabilities are currently projecting a deficit which is offset by savings within Mental Health and Centrally Managed Budgets.

There remain a number of one-off deficits (e.g. associated with the implementation of the Living Wage for Sleepovers) and regarding the resettlement of patients from inpatient hospital care. On a recurring basis the IJB is compiling its medium term financial plans, and some of the planned savings for that programme are being realised in 2018/19.

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.

The last reported position of the health element of Angus IJB is projecting a year end saving of £1.006 million which results in a projected overall saving for Angus IJB of £2.042 million. Per the Integration Scheme the IJB would retain any savings at the year-end within its reserves. As long as the IJB is making savings or has available reserves Angus Council would not be required to contribute to any budget deficits.

It is important to note the above figures are based on the most recently published information and projections are therefore subject to further revision.

4.10 **Housing Revenue Account (HRA)**

The Housing Revenue Account is currently projecting a saving of £0.869 million against the budget set. The main reason for this variance is employee slippage due to posts being held vacant prior to service redesign. Lower than anticipated repairs and maintenance costs, mainly in relation to bathrooms and repaints, have also contributed to this saving as has higher than anticipated rental income on garages.

4.11 **Renewal & Repair Fund**

The Renewal & Repair Fund is made up of six separate categories, Property, Information Technology, Roads & Transportation, Parks & Cemeteries, Services to Communities and Digital Reprographics Unit.

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 £0.942 million, once the de minimis retention levels are taken into account the balance on all funds reduces to £0.577 million and details of this are attached at Appendix D.

4.12 **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.

There are no virements to be approved at this time.

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 £5.673million 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 £2.113 million.

	£m
Projected Outturn (General Fund services)	5.673
<u>Less:</u>	
100% carry forward Capital Financing Costs (report 64/18 refers)	(1.615)
100% carry forward Change Fund	(0.245)
Severance Costs – Earmark in General Fund Balances	(1.700)
Adjusted 2018/19 Projected Outturn (General Fund services)	2.113

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

Appendix E – Carry Forwards Summary

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