

**ANGUS COUNCIL**

**POLICY AND RESOURCES COMMITTEE – 27TH AUGUST 2019**

**REVENUE MONITORING 2019/20 AND RENEWAL & REPAIR FUND POSITION 2019/20**

**REPORT BY IAN LORIMER, DIRECTOR OF 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 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 and income information at 30 June 2019.

**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 21 February 2019 the Council approved the revenue budget estimates for financial year 2019/20, report 61/19 refers. Full details of the 2019/20 budgeted net expenditure of £271.017 million are available within the Final Budget Volume 2019/20 at the following link:-

[https://www.angus.gov.uk/media/final\\_revenue\\_budget\\_volume\\_2019\\_20](https://www.angus.gov.uk/media/final_revenue_budget_volume_2019_20)

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

**Appendix A** sets out a reconciliation between the 2019/20 Final Budget Volume net expenditure of £271.017 million and the net Monitoring budget being reported in this committee report of £265.197 million.

**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 went live in 2018/19 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 2019/20 Revised Net Budget, Projected Outturn and Projected Variance for all Council services.

**Appendix C (i-xv)** 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 Director of Finance in the first instance prior to the Committee meeting in order that liaison can be undertaken with Directorate budget holders.**

The information in Appendix C (xi) relates to the old Services to Communities cost centre. It is necessary for these budgets still to be allocated to a variety of services and work is underway to identify this and undertake the virement to the new budget holders. The information in Appendix C (xii-xiii) relates to the old People Directorate and the old Place Directorate & Business Support. These areas relate to the new business support team and work is still being undertaken to allocate these budgets in line with the new management structure.

The following paragraphs provide summary commentary on the Projected Outturn for each of the Services for the figures presented at Appendix C (i-xv). It should be noted that any projected savings/deficits within employee costs mentioned in the paragraphs below will be offset against the corporate slippage target held within Other Services, paragraph 4.10.

### 4.2 Schools & Learning

The Schools & Learning Directorate is currently projecting a deficit of £0.345 million (0.3%) on the adjusted revenue budget. This is mainly due to there being insufficient budget to contain anticipated inflationary increases relating to rates charges, energy costs, ground maintenance and facilities management charges (mainly cleaning costs) within Primary and Secondary. Further review work is being undertaken in this regard including assessing whether any corporately held budget for rates costs need to be allocated to support the projected budget pressures identified in Schools & Learning.

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

### 4.3 Communities

Communities is currently projecting a deficit of £0.462 million (2.2%) on the adjusted revenue budget. The main reasons for this variance are increased contract costs for co-mingle recyclates (£0.319 million), and increased costs within ground maintenance for project materials and external contracts (£0.155 million). Savings have been achieved with the new waste incineration contract (£0.250 million) and within ground maintenance there has been additional income of £0.198 million as a result of additional contracts.

### 4.4 Children, Families & Justice

Children, Families & Justice is currently projecting an on budget position.

#### 4.5 **Infrastructure**

Infrastructure is currently projecting a deficit of £0.209 million (1.2%) on the adjusted revenue budget. There are projected savings of £0.193 million within employee costs as a result of vacancies but these are being cancelled out by a deficit within roads capital fee recharge income (£0.184 million) and forecasts suggest there will be a shortfall compared to budget of circa £0.200 million on income from parking and other minor deficits (£0.018 million).

In relation to car parking the projected gross income at this point in the year is £0.511 million. From this is deducted VAT and transaction charges to give projected net income of £0.390 million. Taking into account running costs and the repayment of borrowing from the purchase and installation of the original ticket machines a net income for the year of £0.278 million is projected compared to the £0.500 million assumed for budget purposes. These figures currently exclude the costs and potential additional income associated with the introduction of cash machines as agreed in Report 213/19 which will be taken into account once the new machines are installed.

#### 4.6 **Finance**

The Finance Directorate is currently projecting a saving of £0.120 million (2.9%) on the adjusted revenue budget. This is due to the early identification of savings within employee costs (£0.089 million) and transport costs (£0.011 million) which have been identified as future savings.

#### 4.7 **Human Resources, Digital Enablement, Information Technology & Business Support**

Human Resource, Digital Enablement, Information Technology & Business Support is currently projecting a saving of £0.058 million (1.7%) on the adjusted revenue budget. This is due to savings being made within employee costs as a result of secondments and delays in filling vacant posts.

#### 4.8 **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 £0.127 million (3.8%). The main reason for this variance being within employee costs (£0.090 million) due to the delay in filling vacant posts. Various savings within Economic Developments supplies and services (£0.048 million) have also contributed to the position as have more minor savings in third party payments and Transport Costs. These savings have been partially offset by a projected deficit in property costs (£0.047 million).

#### 4.9 **Legal & Democratic**

Legal & Democratic is currently projecting a saving of £0.094 million (3.7%) on the adjusted revenue budget. This is mainly due to a saving of £0.051 million in employee costs as a result of employee vacancies. Various savings within Supplies & Services (£0.039 million) have also contributed to the position.

#### 4.10 **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 £0.697 million (7.4%) on the adjusted revenue budget. This is mainly due to the treatment of the new corporate employee slippage target of £0.750 million. The £0.750 million will be reported as a deficit through the year and will be offset against corresponding surpluses on employee slippage being reported within an individual service. A separate monitoring process is being undertaken on a monthly basis to determine what the total projected surplus or deficit on employee slippage is and as at the

end of June we are projecting a deficit of £0.237 million – it is anticipated that this will reduce as the financial year progresses and vacancies arise. .

The projected outturn on the provision for additional burdens budget (£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.

#### 4.11 **Facilities Management**

Facilities Management is currently projecting an on budget position.

**Paragraphs 4.12 to 4.14 refer to interim budgets where work is currently underway to reallocate these within the new council structure and will be removed once this allocation has been completed.**

#### 4.12 **Services to Communities (residual elements)**

Services to Communities is currently projecting a deficit of £0.400 million (0.77%) on the adjusted revenue budget. This is due to reductions in income to the General Fund from recharges to the Housing Revenue Account in respect of staff, property, etc. costs which are met by the General Fund in the first instance. This will require a budget realignment which is currently being worked on.

#### 4.13 **People Directorate (residual elements)**

This budget is currently projecting a deficit of £0.110 million (15.2%) on the adjusted revenue budget. This is mainly due to an unachievable historical employee slippage target.

#### 4.14 **Place Directorate & Business Support (residual elements)**

The Place Directorate & Business Support is currently projecting a deficit of £0.150 million (36%) on the adjusted revenue budget. This is due to a reduction in income from South Links Caravan Park (£0.050 million) and a reduction in the income from Housing Revenue Account recharges (£0.100 million).

#### 4.15 **Capital Charges and Financing**

The Capital Charges and Financing budget is projecting a year end saving of £0.552 million. This position reflects the latest estimate of borrowing anticipated to be undertaken in 2019/20, along with an update to the projected year end loans pool rate. This is a planned saving in line with report 62/19.

#### 4.16 **Corporate Items**

There are a number of budgets held centrally under corporate items until service allocations are determined.

Corporate items are currently showing a projection of £2.239 million below budget. This is mainly due to the energy cost budget provision not being fully required (£0.373 million) in 2019/20, balance of pay award (£0.651 million) and over provision of budget for the increase in teacher's pension costs with Scottish Government funding allocations now known (£0.569 million) (report 216/19 refers). The saving on energy will be earmarked in the General fund balance as a banked saving for the 2020/21 budget setting process. A further £0.121 million for increases in contracted rates for gas and £0.153 million for Non Domestic Rate Poundage increases were also set aside and to date have not been allocated to service budgets. In addition the provision for the pay award element on all contracts with Tayside Contracts of £0.372 million is still to be allocated once additional analysis work has been undertaken. The allocation of Non Domestic Rates and the Tayside Contracts pay award uplifts will offset some of the projected deficits identified in Schools and Learning, paragraph 4.2 of this report.

#### 4.17 **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 an on budget position due to increased residential costs alongside a reduction in income being received. Within this there are offsetting variances. Older People and Physical Disabilities are currently projecting a deficit which is offset by savings within Mental Health, Learning Disabilities 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 2019/20.

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 £2.174 million which results in a projected overall saving for Angus IJB of £2.174 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.

#### 4.18 **Housing Revenue Account (HRA)**

The Housing Revenue Account is currently projecting an on budget position.

#### 4.19 **Renewal & Repair Fund**

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

Due to affordability constraints a decision was taken as part of the 2018/19 budget strategy not to contribute any new resources to the Renewal and Repairs funds, but these funds carried forward a balance from 2017/18 of £2.902 million. This balance reduced to £2.319 million at the end of 2018/19. 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 2020 is £1.091 million, once the de minimis retention levels are taken into account the balance on all funds reduces to £0.726 million and details of this are attached at Appendix D.

#### 4.20 **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 and members are reminded are based on position which are early in the financial year.

- 5.2 Members will have noted from **Appendix B** that a surplus compared to budget of £0.817 million is projected at this point in the financial year in respect of the General Fund services net adjusted budget (excluding the Angus Health & Social Care Partnership) of £217.696 million i.e. 0.38%. 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 deficit of £0.108 million. It may be that some of these previous policy decisions will need to be reviewed but decisions in this regard can be deferred until later in the financial year by which time a more refined projected year end position will be available.

	£m Saving / (Deficit)
<b>Projected Outturn (General Fund services)</b>	0.817
<u>Less:</u>	
100% carry forward Capital Financing Costs (report 62/19 refers)	(0.552)
Energy Costs Budget Provision held as banked saving for 2020/21 (report 216/19 refers)	(0.373)
<b>Adjusted 2019/20 Projected Outturn (General Fund services)</b>	<b>(0.108)</b>

**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