

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 26 NOVEMBER 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 main Council service area, 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 September 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) approve the virements noted at paragraph 4.19; 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 21 February 2019 the Council approved the revenue budget estimates for financial year 2019/20 (Report No. 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

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 £270.899 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 set budget. 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-xiv) 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 Services budget holders.**

The information in Appendix C (xi-xii) 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-xiv). There has been a change in the monitoring presentation from earlier reports and it should be noted that, although projected slippage savings / deficits remain within the Services projected outturns within their monitoring on Integra, these have been removed in Appendix C. The slippage savings / deficits are reported against the corporate slippage budget held within Other Services, paragraph 4.10 as agreed through the 2019/20 budget setting process. This presentational change has now identified projected outturn deficits within some services where in the previous reports the deficits were being masked by employee slippage.

4.2 Schools & Learning

The Schools & Learning Directorate is currently projecting a deficit of £0.168 million (0.14%) on the adjusted revenue budget. This is mainly due to increased expenditure in relation to other local authority placements, special school fees including Kingspark, Dundee and there being insufficient budget to contain anticipated inflationary increases relating to rates charges, energy costs, ground maintenance 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 £0.134 million (0.6%) 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 (£0.170 million). Savings have been achieved with the new waste incineration contract (£0.250 million).

4.4 Children, Families & Justice

Children, Families & Justice is currently projecting a deficit of £0.213 million (1.2%) on the adjusted revenue budget. This is mainly due to an additional residential placement within September.

4.5 Infrastructure

Infrastructure is currently projecting a deficit of £0.319 million (1.8%) on the adjusted revenue budget. It is projected that there will be a shortfall compared to budget of circa £0.200 million on income from parking. There is also an anticipated reduction in fee income within Assets of £0.250 million. A budget issue has been submitted for this for 2020/21. This position has been reduced due to savings occurring on the budget for Harbour dredging (£46k), for which a carry forward request is to be submitted as dredging will take place in 2020/21.

4.6 **Finance**

The Finance Directorate is currently projecting an on budget position.

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

Human Resource, Digital Enablement, Information Technology & Business Support is currently projecting a saving of £0.004 million (0.1%) on the adjusted revenue budget. This is due to an anticipated saving in supplies and services.

4.8 **Strategic Policy, Transformation and Public Sector Reform**

The Strategic Policy, Transformation and Public Sector Reform service area is currently projecting a saving of £0.050 million (0.5%) on the adjusted revenue budget after allowing for the budget virement detailed at paragraph 4.19 below. This is mainly due to various underspends within third party payments and staff slippage within the change fund.

£0.027 million of the projected saving relates to the Change Fund and will automatically be carried forward to 2020/21 as detailed in paragraph 5.2 below. Removal of the Change Fund saving results in an adjusted projected saving of £0.023 million.

4.9 **Legal & Democratic**

Legal & Democratic is currently projecting a deficit of £0.121 million (4.8%) on the adjusted revenue budget. This is mainly due to lower than anticipated income from the Digital Reprographic Unit (£0.075 million), legal fees (£0.026 million) and property enquiries (£0.021 million).

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; Corporate Employee Slippage; Provision for Additional Burdens; Energy and Property Maintenance.

Other Services is currently projecting a deficit of £0.178 million on the adjusted revenue budget. This is mainly due to a deficit of £0.237 million currently being projected against the corporate employee slippage budget.

The projected outturn on the provision for additional burdens adjusted budget (£0.043 million) currently assumes breakeven.

4.11 **Facilities Management**

Facilities Management is currently projecting a saving of £0.065 million (2.7%) on the adjusted revenue budget. This is mainly due to additional income relating to the prior two years draw down of deferred income for St Margaret's House.

Paragraphs 4.12 to 4.13 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 **People Directorate** (residual elements)

This budget is currently projecting an on budget position.

4.13 **Place Directorate & Business Support** (residual elements)

Place Directorate & Business Support is currently projecting a deficit of £0.158 million (100%) on the adjusted revenue budget. This is in the main due to a projected reduction in the income from Housing Revenue Account recharges (£0.150 million).

4.14 **Capital Charges and Financing**

The Capital Charges and Financing budget is projecting a year end saving of £0.822 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.

4.15 **Corporate Items**

There are a number of budgets held centrally under Corporate Items until service allocations are determined.

Corporate Items are currently showing a projected saving of £1.609 million on the adjusted revenue budget. This is mainly due to the energy cost budget provision not being fully required (£0.373 million) in 2019/20, the balance of pay award (£0.666 million) and over provision of budget for the increase in the teacher's pension costs with Scottish Government funding allocations now known (£0.295 million). 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 these still have to be allocated to service budgets. The allocation of Non Domestic Rates uplift will offset one of the projected deficits identified in Schools and Learning, paragraph 4.2 of this report.

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

Although the Integration 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 £0.588 million. Within this projected saving there are off setting variances. Physical Disabilities are currently projecting a deficit, which is then offset by savings within Mental Health, Learning Disabilities and Centrally Managed Budgets.

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 No. 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 £2.66 million which results in a projected overall saving for Angus IJB of £3.25 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.

4.17 **Housing Revenue Account (HRA)**

The Housing Revenue Account is currently projecting a saving of £0.013 million on the adjusted revenue budget. This is due to savings being identified within supervision and management to help manage an anticipated deficit within repairs and maintenance.

4.18 **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 £1.291 million, once the de minimis retention levels are taken into account the balance on all funds reduces to £0.926 million and details of this are attached at Appendix D.

4.19 **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 Service to another, or from Service to Service. Where a virement is in excess of these virement limits formal approval by members is required.

With reference to the Strategic Policy, Transformation and Public Sector Reform monitoring reported at paragraph 4.8 above, the Director of Finance has agreed a virement of £0.450 million from the provision for additional burdens budget in Other Services to the Strategic Policy, Transformation and Public Sector Reform budget. The monitoring presentation at paragraph 4.8 above reflects this virement. This is to address a budget shortfall for recharge income from the HRA in respect of HRA use of the ACCESS service. Changes to the structure of this service along with the integration of ACCESS and Library services have significantly reduced the cost base of this service over the last few years. Along with a reduction in the level of HRA transactions going through the service, this has resulted in a projected significant under-recovery against the income target for HRA recharges. This is expected to be an ongoing issue and is not sustainable within current budget provisions. It has therefore been necessary to make a permanent virement in this regard and members are asked to approve the approach taken. After processing the virement above, the Provision for Additional Burdens adjusted budget will reduce to £0.043 million, this will mean that consideration may need to be made for use of balances to resolve any future budget issues if they arise

5. **FINANCIAL IMPLICATIONS**

- 5.1 There are no additional financial implications arising for the Council from the recommendations contained within this report that 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 surplus compared to budget of £1.259 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 budget) of £223.398 million, i.e. 0.57%. There are adjustments required to this total to reflect previously approved policy and detail is set out in the table below, leaving an adjusted projected surplus of £0.037 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)
Projected Outturn (General Fund services)	1.259
<u>Less:</u>	
100% carry forward Capital Financing Costs (report 62/19 refers)	(0.822)
Energy Costs Budget Provision held as banked saving for 2020/21 (Report No. 216/19 refers)	(0.373)
100% carry forward Change Fund	(0.027)
Adjusted 2019/20 Projected Outturn (General Fund services)	0.037

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