

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 28 JANUARY 2020

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 November 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 4.17; 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 £272.114 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-xii) 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 following paragraphs provide summary commentary on the Projected Outturn for each of the Services for the figures presented at Appendix C (i-xii). 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

Schools & Learning are currently projecting a saving of £6.757 million (5.69%) on the adjusted revenue budget.

This saving however includes the following which will be carried forward automatically into financial year 2020/21:

Early Years Expansion Grant £6.000 million, Pupil Equity Funding (PEF) £0.848 million – these elements are funded by specific government grant. The accounting treatment of such grants means that any saving resulting from unutilised grant, carries forward automatically at the year-end for use in the following year for the original purpose. In respect of the early years element, this is a planned saving to address the funding requirements for the capital works required to provide facilities to accommodate the early years expansion, ensuring there is no need to seek access to any Council funds for this purpose. A portion of the carry forward will also be used in funding the initial revenue implications of the process to get the required staffing levels in place. The PEF element arises as the grant is provided on the basis of academic years rather than financial years. The carry forward is therefore required to fund expenditure in the early part of the next financial year.

Devolved School Management (DSM) £0.100 million – the terms of the DSM scheme give schools the flexibility to carry forward any planned saving or deficit into the following financial year. It is anticipated that the primary school sector will have an overall savings position of £0.100 million whilst the secondary school sector is expected to be break-even overall.

These carry forward elements distort the actual underlying position of Schools & Learning as reported in Appendix Ci. Adjusting for these automatic carry forward elements results in a revised projected outturn position as follows:

Schools & Learning	£m	Projected Variance Fav / (Adv) £m
Net Expenditure per App Ci		6.757
Less Early Years Expansion Revenue Grant	(6.000)	
Less Pupil Equity Funding	(0.848)	
Less Devolved School Management Scheme	(0.100)	
Total Adjustments		(6.948)
REVISED NET EXPENDITURE		(0.191)

The main reasons for the revised projected adverse variance are as follows:- increased primary teachers' salary costs which have occurred as a result of higher than anticipated long-term sickness and maternity absences; the effect of changes to the teachers' pay scales and the impact of pupil roll increases within secondary schools. These projected deficits have been partially offset by projected savings on schools meals charges and school transport costs.

4.3 **Communities**

Communities is currently projecting a deficit of £0.071 million (0.3%) on the adjusted revenue budget. The main reasons for this variance are increased contract costs for co-mingle recyclates (£0.343 million), increased costs within ground maintenance for project materials and external contracts (£0.215 million) and less than anticipated income with fleet (£0.150). This position has been reduced due to savings being achieved with the new waste incineration contract (£0.225 million).

4.4 **Children, Families & Justice**

Children, Families & Justice is currently projecting a deficit of £0.128 million (0.6%) on the adjusted revenue budget. This is mainly due to increased costs within residential schools (£0.371 million) offset against savings being achieved on car mileage and volunteer mileage (£0.092 million) and staff slippage within Criminal Justice (£0.110 million).

4.5 **Infrastructure**

Infrastructure is currently projecting a deficit of £0.306 million (1.7%) 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 £0.222 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 (£0.046 million), 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 a saving of £0.089 million (2.1%) on the adjusted revenue budget. This is due to higher than anticipated income being received.

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

Human Resource, Digital Enablement, Information Technology & Business Support is currently projecting a deficit of £0.097 million (1.6%) 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 with this position being reduced 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 £0.099 million (1.1%) on the adjusted revenue budget. This is mainly due to various savings within property costs and third party payments.

4.9 **Legal & Democratic**

Legal & Democratic is currently projecting a deficit of £0.046 million (1.8%) on the adjusted revenue budget. This is mainly due to the aggregate net outturn position for several income budget heads, budget realignment shall be reviewed for 2020/21 for such income budgets.

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 saving of £0.307 million on the adjusted revenue budget. This is mainly due to a saving of £0.077 million currently being projected against the corporate employee slippage budget in addition to additional income and savings in property costs.

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 £0.178 million (7.2%) on the adjusted revenue budget. This is due to savings occurring within rates budgets (£0.113 million) and additional income relating to the prior two years draw down of deferred income for St Margaret's House (£0.065 million).

4.12 **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.

4.13 **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 £1.183 million on the adjusted revenue budget. This is mainly due to the energy cost budget provision not being fully required (£0.323 million) in 2019/20, the balance of pay award (£0.690 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 was also set aside, no call on this budget is looking likely and therefore is included as part of the savings.

4.14 **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 £1.065 million. Within this projected saving there are off setting variances. Physical Disabilities are currently projecting a deficit, which is then offset by savings within 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 £2.453 million which results in a projected overall saving for Angus IJB of £3.518 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.

4.15 **Housing Revenue Account (HRA)**

The Housing Revenue Account is currently projecting a saving of £0.307 million on the adjusted revenue budget. This is due to savings being identified within financing charges where it is anticipated that interest charges will be lower than budgeted due to there being less borrowing requirements for the Capital Programme.

4.16 **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 £1.335 million, once the de minimis retention levels are taken into account the balance on all funds reduces to £0.970 million and details of this are attached at Appendix D.

4.17 **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.

Adult Services to Communities (£0.180 million)

Adult Services have one-off availability of budget in 2019/20 relating to provision of aids and adaptations. Adult Services have agreed with the Communities Directorate that this funding can be made available for provision of additional aids and adaptations grant provision – to be operated alongside the Private Sector Housing Grant process.

Given the agreement between the 2 services, the £0.180 million is currently fully committed within Adult Services. Approval of the virement will not therefore affect the outturn projections at paragraph 4.15 above.

Members are though asked to note that at this stage in the year it will not be possible to spend all of the £0.180 million in the current year. It is therefore intended to seek carry forward of any unspent element both to allow time to identify and develop the opportunities to provide grant and to ensure funding for grants approved but not paid by 31 March 2020. It is intended that the carry forward would have to be fully utilised by 31 March 2021.

The Director of Finance has agreed in principle to this virement and committee are now being asked to consider and approve the virement.

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 £8.787 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 £224.613 million, i.e. 3.91%. There are adjustments required to this total to reflect previously approved policy along with previously explained funding within Schools and Learning (paragraph 4.2) which due to accounting treatment will be carried forward into 2020/21. Detail is set out in the table below, leaving an adjusted projected surplus of £0.694 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.

	Saving / (Deficit) £m
Projected Outturn (General Fund services)	8.787
<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)	(0.323)
100% carry forward Schools & Learning, see paragraph 4.2	(6.948)
Adjusted 2019/20 Projected Outturn (General Fund services)	0.694

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.

REPORT AUTHOR: JILL RENNIE, Team Leader (Finance)

EMAIL DETAILS: FINANCE@angus.gov.uk

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