

ANGUS COUNCIL

INFORMATION REPORT – 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 28 February 2020.

1. BACKGROUND

- 1.1 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](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 2 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 £272.159 million.

1.2 **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.

2. CURRENT POSITION

2.1 **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 2.10 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.

## 2.2 **Impact of COVID – 19**

The impact of COVID-19 on the Council's revenue budget for 2019/20 is still being assessed in detail but is currently envisaged to be relatively modest given the timing of these events being so close to the financial year end. Those additional costs and any savings arising from COVID-19 response relating to 2019/20 will be reported as part of the final outturn report in June.

Although a relatively modest impact is expected it is important to note that the projections in this report have been prepared excluding any COVID-19 impact. Officer time is being spent preparing the actual year end position rather than fine tuning projections.

The estimated financial impact of COVID-19 for 2020/21 is being assessed and will be the subject of separate reporting to committee in June 2020.

## 2.3 **Schools & Learning**

Schools & Learning are currently projecting a saving of £6.196 million (5.22%) 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 £5.500 million;
- Pupil Equity Funding (PEF) £0.260 million.

Both of 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 for the final part of the 2019/20 academic year.

Devolved School Management (DSM) £0.220 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 £0.220 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:

<b>Schools &amp; Learning</b>		<b>£m</b>	<b>Saving / (Deficit) £m</b>
Projected Variance per App Ci			6.196
Less Early Years Expansion Revenue Grant		(5.500)	
Less Pupil Equity Funding		(0.260)	
Less Devolved School Management Scheme		<u>(0.220)</u>	
Total Adjustments			(5.980)
<b>Adjusted Projected Variance</b>			<b>0.216</b>

The main reasons for the revised projected saving of £0.216m 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 more than offset by projected savings on school meals charges and lower than anticipated property costs which include an unexpected rates rebate of £0.535 million which has been received as a result of a reduction in the rateable value of some of our schools.

#### 2.4 **Communities**

Communities is currently projecting a saving of £0.153 million (0.7%) on the adjusted revenue budget. The main reasons for this variance are increased contract costs for co-mingle recyclates (£0.354 million), less than anticipated income within fleet (£0.210) and an anticipated net deficit on Housing Benefit costs (£0.129 million) This position has been offset due to anticipated savings within waste management capital charges and financing (£0.285 million), a saving with the new waste incineration contract (£0.224 million), an anticipated net saving within ground maintenance (£0.055 million) as well as higher than anticipated income within Planning and Communities (£0.201 million) and increased income from Private Landlord Registration (£0.055 million).

#### 2.5 **Children, Families & Justice**

Children, Families & Justice is currently projecting a deficit of £0.271 million (1.5%) on the adjusted revenue budget. This is mainly due to increased costs within residential schools (£0.339 million) and additional legal fees and memberships / subscriptions (£0.054 million) offset against savings being achieved on car mileage and volunteer mileage (£0.056 million) and on planned maintenance and energy costs (£0.049 million).

#### 2.6 **Infrastructure**

Infrastructure is currently projecting a deficit of £0.128 million (0.7%) on the adjusted revenue budget. It is projected that there will be a shortfall compared to budget of circa £0.215 million on income from parking. There is also an anticipated reduction in fee income within Assets of £0.266 million. This position has been reduced due to savings occurring on the budgets for Winter Maintenance (£0.200 million), Lighting (£0.080 million) and Harbour dredging (£0.046 million).

#### 2.7 **Finance**

The Finance Directorate is currently projecting a saving of £0.031 million (0.76%) on the adjusted revenue budget. This is due to higher than anticipated income being received.

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

Human Resource, Digital Enablement, Information Technology & Business Support is currently projecting a deficit of £0.062 million (1.0%) on the adjusted revenue budget. This is in the main due to a projected reduction in the income from Housing Revenue Account recharges and net reduction on employee cost recoveries (£0.218 million) with this position being reduced due to a variety of anticipated savings in supplies and services (£0.137m).

## 2.9 **Strategic Policy, Transformation and Public Sector Reform**

The Strategic Policy, Transformation and Public Sector Reform service area is currently projecting a saving of £0.304 million (3.4%) on the adjusted revenue budget. This is mainly due to various savings within the Cultural & Leisure Trust property maintenance and energy costs (£0.191 million) and third party payments (£0.132 million).

## 2.10 **Legal & Democratic**

Legal & Democratic is currently projecting a deficit of £0.038 million (1.5%) 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. This position has been reduced by anticipated savings within Supplies and Services.

## 2.11 **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 £0.746 million on the adjusted revenue budget. This is mainly due to a saving of £0.233 million currently being projected against the corporate employee slippage budget, also employee slippage on the change fund which is subject to an agreed 100% carry forward, offset against increased apprenticeship levy due to teachers back pay (£0.090 million). In addition to there is additional income (£0.090 million) along with savings in property costs (£0.128 million) and supplies & services (£0.201 million).

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

## 2.12 **Facilities Management**

Facilities Management is currently projecting a saving of £0.354 million (16.6%) on the adjusted revenue budget. This is due to savings occurring within rates and cleaning budgets (£0.178 million) and with postages and office consumables (£0.145 million). Additional income relating to the prior two years draw down of deferred income for St Margaret's House (£0.065 million) has also contributed to this position. However, this has been reduced due to a net deficit occurring within transport costs for hire / lease vehicles (£0.069 million).

## 2.13 **Capital Charges and Financing**

The Capital Charges and Financing budget is projecting a year end underspend of £1.094 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. In line with report 89/20, this underspend will be carried forward and used to fund the 2020/21 capital programme in the form of CFCR (Capital Funded from Current Revenue).

## 2.14 **Corporate Items**

There are a number of budgets held centrally under Corporate Items.

Corporate Items are currently showing a projected saving of £1.786 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 2019/20 pay award (£0.690 million) and over provision for the increase in the teacher's pension costs with Scottish Government funding allocations now known (£0.295 million). The saving on energy has been 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. Also, Angus Heath and Social Care Partnership have returned previously generated underspends to the Council of £0.545 million which are currently included in this projected saving. It should be noted that this is an exceptional item which was not part of the 2019/20 budget, however we were aware of when we set the 2020/21 budget and have taken this into account in

determining the General Fund balance position. These savings are being partially offset by the £0.245 million shortfall in change programme savings projected to be achieved.

#### 2.15 **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 £0.555 million. Within this projected saving there are off setting variances. Physical Disabilities are currently projecting a deficit, which is then offset by savings within 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 £3.832 million which results in a projected overall saving for Angus IJB of £4.387 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 especially in light of COVID-19 response.

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

The Housing Revenue Account is currently projecting a saving of £0.056 million on the adjusted revenue budget. This is due to savings being identified within financing charges (£0.355 million) where it is anticipated that interest charges will be lower than budgeted due to there being a lower funding requirement for the Capital Programme. Savings have also been identified within Rents and Service Charges (£0.518 million) where it is anticipated that rental income is likely to be higher than budget mainly due to additional income generation from the transfer of the former Angus Community Care Charitable Trust (ACCCT) properties to HRA. This position has been reduced by an anticipated deficit within Loss of Rents (£0.643 million) which are due to additional voids from the transfer of ACCCT and a deficit within Repairs and Maintenance (£0.424 million) mainly due to changes in tenancy and emergency repairs. However savings have been made within Supervision and Management (£0.297 million) which are to be used to offset the anticipated deficit within Repairs and Maintenance. Other minor deficits (£0.045 million) have also occurred to the overall position.

#### 2.17 **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 Repographics 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 £1.469 million, once the de minimis retention levels are taken into account the balance on all funds reduces to £1.104 million and details of this are attached at Appendix D.

## 2.18 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.

There are no virements to consider at this time.

## 3. FINANCIAL IMPLICATIONS

3.1 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 review as part of the year end process.

3.2 Members will have noted from Appendix B that a surplus compared to budget of £10.165 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 £224.658 million, i.e. 4.52%. There are adjustments required to this total to reflect previously approved policy along with previously explained funding within Schools and Learning (paragraph 2.3) which due to accounting treatment will be carried forward into 2020/21 and also for the projected saving within the change fund. Detail is set out in the table below, leaving an adjusted projected surplus of £2.547 million.

	Saving / (Deficit) £m
<b>Projected Outturn (General Fund services)</b>	10.165
<u>Less:</u>	
100% carry forward Capital Financing Costs (report 62/19 refers)	(1.094)
Energy Costs Budget Provision held as banked saving for 2020/21 (Report No. 216/19 refers)	(0.323)
100% carry forward Change Fund	(0.221)
100% carry forward Schools & Learning, see paragraph 2.3	(5.980)
<b>Adjusted 2019/20 Projected Outturn (General Fund services)</b>	<b>2.547</b>

## 4. REPORT AUTHOR

**This report and associated schedules has been compiled by Jill Rennie, Team Leader (Finance) who can be contacted by emailing [FINANCE@angus.gov.uk](mailto: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