Appendix B(ii)

Commentary on General Fund Directorates Revenue Budget Versus Actual

Summary Commentary

Across all General Fund Directorate budgets there was a favourable variance compared to the original budget set of just under £8.0 million. Much of this was known about or planned for during 2016/17 as part of the Council's proactive financial management arrangements.

In broad terms the underspends within Directorate revenue budgets arose due to the following main reasons:-

a. Savings in staff costs (£4.4 million) – services have either delayed recruitment to posts when they have become vacant (slippage) or have decided not to fill posts at all to enable budget savings required in 2017/18 to be delivered without incurring severance costs. Some services have struggled to recruit staff causing further underspends to arise.

b. Slippage in delivery of services and projects funded from 100% carry forwards. Some £6.405m of resources were carried forward in to the 2016/17 revenue budgets through the carry forward scheme. These were one-off uplifts to budgets and in some cases it has not been possible to spend the amount in full thereby contributing to the underspend shown for 2016/17 (£2.0 million). This element of the underspend is a one-off.

c. Savings in costs impacted by weather e.g. roads winter maintenance, energy costs, etc. By their very nature these costs are difficult to predict from year to year

d. Slippage in projects and works – underspends against budgets in these areas arise for a variety of reasons but the delays or non-filling of staff posts is likely to have been a factor in some cases where services simply haven't had the staff to progress projects in line with expected timelines.

The underspends on Directorate budgets for 2016/17 particularly in areas like staff costs also need to be viewed in the context of the further savings which have now been removed from Directorate budgets in 2017/18. A total of £4m of savings were implemented when the 2017/18 budget was set in February 2017.

Directorate Commentaries

A high level commentary on revenue budget performance for each Council directorate is outlined below and should be read in conjunction with Appendix B(i):-

- Children & Learning – an overall underspend on the controllable budget of £3.407 million (2%) is evident in respect of the Children & Learning. The Schools & Learning business segment returned an underspend of £2.322 million. This underspend was mainly as a result of difficulties in recruiting teachers to permanent posts and supply cover for staff absences and delays in progressing projects funded from one-off 100% carry forward resources.. The Children and Young People's underspend of £0.875 million was achieved predominantly as a result of staff slippage across all areas due in part to positions being held vacant to meet future savings targets, underspends on 100% carry forward initiatives and increased grant income within Early Years and Criminal Justice business segments. Quality & Performance posted an underspend of £0.210 million mainly as a result of staff slippage and savings on miscellaneous property costs and car allowances.

- Adult Services - an overall underspend on the controllable budget of £0.582 million is evident in respect of Adult Services. In accordance with the Integration Scheme this underspend will be earmarked by the Council and held as Reserves on behalf of the Angus Integration Joint Board The overall year end position has been supported by additional Scottish Government funding to support underlying cost pressures, and is reliant upon non-recurring under spends in a number of services. In particular there has been slippage on expected costs in both Mental Health (£0.180 million) and Learning Disability (£0.130million) that have helped support the bottom line on an in year only basis

- Communities – an overall underspend on the controllable budget of £2.113 million is evident in respect of the Communities directorate. The main underspend elements contributing to this position are: staff slippage across the Directorate (£0.869 million); reduced rates costs on properties for which responsibility had transferred to ANGUSalive (£0.032 million); underspends across the Directorate on property energy costs due in part to milder winter (£0.193 million); lower than anticipated spend on one-off 100% carry forwards for Arbroath Harbour dredging and agile move costs (£0.202 million); lower than anticipated spend on community support projects and costs (£0.134 million); lower costs incurred in running Charrettes (£0.058 million); reduced costs relating to road winter maintenance (£0.520 million) due to the milder weather; delayed decriminalised parking enforcement implementation (£0.125 million); slippage in road maintenance programmes (£0.275 million); and net additional Parks & Gardens rechargeable income after allowing for additional project materials required (£0.266 million). These were offset to some degree by overspends in respect of: additional waste disposal gate fees (£0.087 million); increased fuel prices and costs of vehicle maintenance requirements (£0.189 million); lower than budgeted recharge to the Housing Revenue Account in respect of ACCESS and Business Support services (£0.302 million); and lower than budgeted Planning fee income (£0.282 million).

- Resources – an overall underspend on the controllable budget of £0.789 million (8%) is evident in respect of the Resources directorate. This was a managed underspend mainly as a result of lower staff costs due to staff turnover and posts being deliberately not filled or filled only temporarily to meet the savings targets for 2017/18 (£0.865 million). This Directorate could not have implemented the 2017/18 budget savings without this proactive management of staff and vacancies during 2016/17. The underspend on staff costs was offset by additional systems support costs and less than budgeted income for the Digital Reprographics Unit.

- Chief Executive – an overall underspend on the controllable budget of £0.384 million is evident in respect of the Chief Executive’s Unit. The underspend of £0.241 million in the Chief Executive Core was mainly as a result of staff slippage and underspends in supplies and services. Economic Development recorded an underspend of £0.143 million resulting from staff slippage and underspends in supplies and services and third party payments.

- Other Services – an overall underspend on the controllable budget of £0.118 million is evident in respect of Other Services, this is made up from a variety of areas.

- Transforming Angus – an overall underspend on the controllable budget of £0.103 million is evident in respect of Transforming Angus. This underspend was mainly as a result of the timing of the delivery of the various change programmes. The Transforming Angus budget, given its nature, is difficult to predict and as per report 83/14 any underspend is subject to 100% carry forward to protect the resources available to support the change programme.

- Joint Valuation Board – an overspend of £0.048 million is evident in respect of the Council’s share of the Tayside Valuation Joint Board requisition. This overspend was as a result of an outstanding debtor from 2015/16 in respect of Angus Council’s share of the estimated Joint Board underspend for 2015/16 (£0.056 million), the income for which was not received until May 2017 and was not accrued in 2016/17. This has been offset by Angus Council’s share of the estimated Joint Board underspend for 2016/17 (£0.008 million).

Commentary on other General Fund underspends

- Loan Charges – Members may recall that in setting the 2016/17 capital budget the Council agreed to a continuation of a special repayment strategy to help keep future loan charges affordable (report 64/16 refers). It was agreed that special repayments of debt should continue at a maximum of £1.000 million per annum with any balance of unused loan charges budget being carried forward into the following year to be used against budget pressures in the form of corporate Capital From Current Revenue (CFCR).

  In closing the 2016/17 accounts an underspend of £3.306 million arose on the loan charges budget. £1.000 million of this was then applied as a special repayment to reduce the Council's debt. The £2.306 million balance of the underspend will be carried forward into 2017/18 and ear marked within General Fund balances. In line with the most recent long term affordability report (62/17), this will be utilised as corporate CFCR funding towards the 2017/18 capital programme.

  The level of underspend projected on the 2016/17 loan charges budget (per report 62/17) was some £3.091 million prior to any application as a special repayment of debt, however this increased by £0.215 million as a result of a lower than anticipated Loans Fund Rate (4.44% as opposed to budget of 4.62%).

- Council Tax Income – members will note from Table 1 in the main Report that an additional £1.162 million of Council Tax income has been accounted for in 2016/17. Of this, £0.257 million is due to an underspend in the Council Tax Reduction Scheme, £0.398 million is due to a favourable movement on the bad debt provision and the balance of £0.507 million reflects the ongoing strong collection performance, of which £0.410 million relates to second home billed council tax which has to be ear-marked for affordable housing. The underspend on the Council Tax Reduction scheme was due to demand being significantly less than expected.

Commentary on Housing Revenue Account Revenue Budget Versus Actual

The reported projected surplus in January 2017 of £0.765 million increased to £1.059 million (a movement of £0.294 million). The main movements in this regard were: lower than budgeted central support services recharges (£0.169 million); lower than projected repairs & maintenance costs (£0.152 million); lower than projected capital finance charges as a result of the lower than anticipated Loans Fund Rate (£0.134 million); application of additional CFCR £0.300 million; and an underspend in respect of ACCESS and Business Support services (£0.386 million). These movements, when combined with a number of other more minor variances aggregating to an underspend of £0.072 million, delivered the overall surplus of £1.059 million, which it is intended will be set aside in full for future special debt repayments to reduce the HRA's liability for future loan charges and to consequently provide future capital affordability flexibility.

Commentary Against Projected Outturn (Report 120/17)

The most recent projected outturn for 2016/17 based on January 2017 ledgers showed a projected underspend for General Fund services overall of £9.076 million and the actual position is higher at £9.985 million. This is an increase of £0.909 million.

Area	January 2017 Outturn (£m)	Movement (£m)	Final 2016/17 Outturn (£m)
Council Directorates	7.182	0.497	7.679
Capital Financing Costs	1.894	0.412	2.306
Total	9.076	0.909	9.985

The projected outturn report showed an underspend on capital financing charges of £1.894 million and the actual position is higher at £2.306 million, an increase of £0.412 million.

Note – underspend/(overspend)

In terms of the directorates the actual underspend position is £0.497 million higher than anticipated. The more significant movements when compared to Report 120/17 and the reasons for these are outlined as follows:-

- Children & Learning – the gross projected underspend increased from £3.387 million to £3.407 million (a favourable movement of £0.020 million) comparing the final position for 2016/17 against the January outturn position. There was a favourable movement within Schools & Learning of £0.272 million which was mainly due to a higher than anticipated underspend on Teacher salary costs within Secondary. Other favourable movements within Schools and Learning arose as a result of reduced spend on 100% carry forward initiatives and increase school meals income however this was offset by an adverse movement on property repairs and maintenance costs. Children & Young People achieved an adverse movement of £0.170 million. There were minor movements of £0.082 million within Quality and Performance which was largely due to a lower than anticipated underspend against employee costs.

- Communities – the gross projected underspend has increased from £1.457 million to £2.113 million (a movement of £0.656 million). This was mainly due to: further underspend in respect of road winter maintenance (£0.195 million); additional slippage in road maintenance programmes (£0.335 million); additional delay to Decriminalised Parking Enforcement implementation (£0.095 million); reduction in vehicle maintenance costs from previous projections (£0.242 million); lower than projected spend on community support projects and costs (£0.480 million); lower costs incurred in running Charrettes (£0.040 million); additional Parks & Gardens rechargeable works income (£0.075 million); and lower than projected recharge to the Housing Revenue Account in respect of ACCESS and Business Support services (£0.318 million) million which offset to some degree the underspend movements above.

- Resources – the actual underspend has decreased slightly from the last projected position of £0.860 million to £0.789 million, (£0.071 million).This was mainly due to projected expenditure in supplies and services on systems support costs coming through higher than previously projected for IT and payroll and additional costs from property maintenance for the data centre which was not previously projected.

- Chief Executive - the gross projected underspend has increased by £0.029 million from £0.355 million to £0.384 million. This was due to a combination of minor movements over a number of headings within Chief Executive Core budget.

- Other Services – the gross projected underspend has reduced by £0.872 million from £0.990 million to £0.118 million. This was due to a combination of movements over a number of headings, but the main movement relates to increased spend within the Provision for Additional Burdens budget for Tenancy Support Workers and various year end adjustments.

- Transforming Angus – the gross projected underspend has increased from £0.064 million to £0.103 million. This was due to consultancy costs projected to be incurred not materialising before the end of the financial year.