

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 25 OCTOBER 2022

REVENUE MONITORING 2022/23 AND RENEWAL & REPAIR FUND POSITION 2022/23

REPORT BY IAN LORIMER, DIRECTOR OF FINANCE

ABSTRACT

This report provides revenue 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 as at 31 August 2022.

1. RECOMMENDATION

1.1 It is recommended that the Committee:

- i) Review and scrutinise the content of this report, in particular the comment on the Financial Implications section regarding the projected year end position;
 - ii) Note that significant further work is required and underway to fully assess the financial effect of the pay deal proposals and the impact of the energy cap on the Council's budget;
 - iii) Note the intention to bring a separate report on the implications of the pay deal proposals and how they will be funded in the next cycle;
 - iv) Note the intention to bring a report to members in the next cycle seeking approval to de-commit resources currently set aside in the Council's General Fund Reserve for specific projects and purposes in order to free up funds to help address the projected overspend in the Council's budget; and
- ii) Note the Renewal and Repair fund position.

2. ALIGNMENT TO THE COUNCIL PLAN

2.1 This report contributes as a whole to the Council Plan.

3. BACKGROUND

3.1 At the Special Meeting of Angus Council on 3 March 2022 the Council approved the revenue budget estimates for financial year 2022/23 (Report No. 62/22 refers). Full details of the 2022/23 budgeted net expenditure of £309.390 million are available within the final Budget Volume 2022/23 at the following link:-

[Final Budget Volume 2022_23](#)

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 2022/23 Final Budget Volume net expenditure of £309.390 million and the net Monitoring budget being reported in the committee report of £303.609 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 staff. 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.

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 2022/23 Revised Net Budget, Projected Outturn and Projected Variance for all Council services.

Appendix C (i-xiii) 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 Service budget holders.**

The following paragraphs provide a brief summary commentary on the Projected Outturn for each of the Services for the figures presented at Appendix C (i-xiii). During 2019/20 there was a change in the monitoring presentation in respect of employee slippage and this will continue for 2022/23. Projected slippage savings / deficits on staff costs have been removed in Appendix C. The slippage savings / deficits are reported against the corporate slippage budget held within Other Services, paragraph 4.11. This presentational change continues to identify projected outturn deficits within some services.

There is currently a Corporate expenditure budget being held for increased energy costs (£0.685 million). At this time this cannot be allocated to individual services until more information is available and therefore is being reported as part of the Corporate Items budget line for monitoring purposes. As outlined in paragraph 4.14 below this is identified as a saving within Corporate Items, with compensating projected deficits being identified in Service budgets through the year and this will continue to be monitored in this way until the end of the financial year at which point the corporate budget will be allocated to individual service based on actual additional spend against budget.

The projected position for each service and the overall position for the Council set out in this report and its appendices does not currently reflect the impact of 2022/23 pay deals being negotiated by COSLA (on behalf of all Councils) and Trade Unions. The projections for energy costs are based on current costings and will require to be re-assessed in light of the additional support being provided by the UK Government to limit energy cost increases to businesses (the energy price cap to apply until March 2023).

4.2 Education & Lifelong Learning

Education & Lifelong Learning are currently projecting a saving of £0.587 million (0.5%) on the adjusted revenue budget.

This however includes unspent ring-fenced grant in relation to Pupil Equity Funding and Devolved School Management funds all of which would be due to be carried forward automatically into financial year 2023/24. Adjusting for these automatic carry forward elements results in a revised projected outturn position as follows:

Education & Lifelong Learning	£ million	Fav / (Adv) £ million
Projection per Appendix Ci		0.587
Less Pupil Equity Funding	(0.750)	
Less Devolved School Management Scheme	(0.430)	
Total Adjustments		(1.180)
Revised Projection		(0.593)

The main reason for the revised projected deficit position is due to increased spend on energy within the schools, due to the national energy price increases (£1.310 million), increase in fuel costs affecting school transport costs (£0.269 million). These increased costs are, however, being offset by net savings on school meals budget (£0.400 million) from lower than anticipated take up and slippage on employee costs due to recruitment delays for teachers, ASN teachers and early years posts (£0.699 million).

4.3 Vibrant Communities & Sustainable Growth

Vibrant Communities & Sustainable Growth is currently projecting a saving of £0.009 million on the adjusted revenue budget. Although a very small saving being projected it is worth noting this is due to savings on HRA recharges within Other Housing, being offset by loss of income due to the industrial building sale.

4.4 Children, Families & Justice

Children, Families & Justice is currently projecting a significant deficit of £3.186 million (15.2%) on the adjusted revenue budget. The main reason for this deficit projection is due to a significant increase in the cost of residential placements for looked after children. The projections are based on current placements at current rates and assume that all of those placements run for the remainder of the financial year. It is possible some placements may finish before the financial year end but equally possible that new placements could also be required. A separate briefing is to be arranged for elected members on the pressures affecting the residential placements budget given the significance of this issue and the risks the problem could grow. It should also be noted that there is currently projected to be a deficit on external fostering budgets, but this is being offset by savings on internal fostering budgets.

4.5 Infrastructure & Environment

Infrastructure & Environment are currently projecting a saving of £0.735 million (2%) on the adjusted revenue budget. The main reasons for this saving is due to £1 million unbudgeted income from MEB waste incineration plant due to current energy prices, being partially offset by additional fuel costs and vehicle hire costs.

4.6 Strategic Policy, Transformation and Public Sector Reform

The Strategic Policy and Public Sector Reform service is currently projecting a deficit of £0.273 million (3.6%) on the adjusted revenue budget. This deficit is due to increased energy costs within the ANGUSalve client properties. As the owner of the relevant buildings the Council pays for the running costs of buildings used by ANGUSalve.

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

Human Resources, Digital Enablement, Information Technology & Business Support is currently projecting a deficit of £0.011 million on the adjusted revenue budget as a result of one-off scanning costs.

4.8 Finance

The Finance Service is currently projecting a saving of £0.095 million (2.6%) on the adjusted revenue budget. This is due to additional rechargeable income being anticipated within Welfare Rights and Revenues and Benefits.

4.9 Legal & Democratic Services (excluding Licencing)

Legal & Democratic Services is currently projecting a deficit of £0.049 million (1.4%) on the adjusted revenue budget. This is mainly due to lower than budgeted income in the Digital Reprographics Unit.

4.10 Licensing

Angus Council is the licensing authority for the local government area of Angus and the Council has resolved that a number of activities be licensed. The licensing authority is required to seek to ensure that the total amount of fees meet the expenses incurred by them in respect of administering licences. It has been deemed necessary, in order to aid transparency in this regard, that the Licensing budgets are shown separately from the Legal & Democratic Services budget for monitoring purposes.

Licensing is currently projecting a deficit of £0.034 million. This is due to an anticipated loss of income, based on the profile of previous year's income at this time.

4.11 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'; Centralised Energy and Property Maintenance.

Other Services is currently projecting a saving of £0.066 million on the adjusted revenue budget.

The main reason for this projected saving position is due to the Corporate Employee Slippage target currently projecting £0.054 million additional to the budgeted target due to delays and significant difficulties in filling vacancies plus additional income being generated from employees purchasing additional annual leave £0.017 million, offset by small projected overspend in a few areas.

The Provision for Additional Burdens budget is currently projecting a break even position, there has been some call on this budget to date and given wider pressures on budget could be more to come, therefore it is prudent to project break even at this time.

4.12 Facilities Management

Facilities Management is currently projecting a deficit of £0.221 million (10.8%) on the adjusted revenue budget. This is mainly due to energy costs projections being made at this time based on the current information known around the increase in energy costs.

4.13 Capital Charges and Financing

The Capital Charges and Financing budget is currently projecting a breakeven (on budget) position.

4.14 Corporate Items

Corporate items is currently projected a saving of £0.685 million which relates to the energy budget which as per paragraph 4.1 above is compensating for part of the projected deficits

Services are reporting on their energy budgets at this time. As mentioned earlier work to assess the financial effect of the business energy price cap for 6 months to March 2023 is currently underway.

Pay Award Costs

Corporate budgets are being held for the original projections made around the 2022/23 pay award but as members will be aware negotiations and balloting by Trade Unions for Local Government employees & Teachers are still ongoing and further information will be provided once this is confirmed.

The projected year end position shown in this report and the appendices does not currently reflect the impact of 2022/23 pay deals being negotiated by COSLA (on behalf of all Councils) and Trade Unions. At the time of writing the outcome of Union ballots on acceptance of the revised offer made covering the Local Government Employees (LGE) staff group are awaited. The Teachers staff group has rejected the offer made by COSLA at this time.

The Scottish Government has agreed to provide additional funding to support part of the pay offer which has been made but confirmation of the Council's share of that funding is awaited. Despite the additional Government funding the Council will still have to fund the equivalent of an increase of around 1.5% (£2.8m) from its own resources.

The LGE pay deal is complex and means different levels of percentage increase for staff on different pay grades and also includes a cap on the increase for higher earners. The proposed pay offer for LGE staff also affects the Council's partner organisations including Tayside Contracts, ANGUSalive and the Angus Health & Social Care Partnership. At the time of writing this report work to fully assess the full budgetary impact of the pay award proposals is ongoing but a provisional estimate of £3.7m has been made of the net additional (and unbudgeted) cost to the Council from the pay proposals currently on the table. This assumes the Teacher staff group accept the offer made which has been rejected so there is a risk the final level of unbudgeted cost will exceed this provisional estimate.

Given the significance of the issue to the Council's finances both in the current year and the knock on effect to future years officers intend to bring a separate report to members in the next cycle setting out the full implications of the pay proposals. By that time confirmation of acceptance of offers, the Council's share of funding and the implications for partners will have been fully assessed.

The Chancellor's announcement on 16 September that the 1.25% employer's National Insurance contribution increase from 1 April 2022 is to be reversed from 6 November 2022 will result in a sizeable saving for the Council, estimated at around £0.58m for the 2022/23 part year impact. The confirmed impact for the Council will be reported in the next monitoring report to Committee in December.

4.15 Angus 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 current projected year end position is a surplus of £1.496 million.

Angus Council under the risk sharing agreement with the National Health Service Tayside (NHS Tayside) would bear a share of any overspend by the Angus IJB's irrespective of whether that arose in adult services which used to be the responsibility of the Council or health services (Report No. xxx/xx 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 circa £1.695 million which results in a projected overall saving for Angus IJB of £3.191 million.

It is important to note the above figures are based on the most recently published information and projections are therefore subject to further revision.

4.16 Housing Revenue Account (HRA)

The Housing Revenue Account is currently projecting a surplus of £0.834 million. This is due in the main to savings due to employee slippage £0.351 million, slippage in repairs & maintenance currently projected of £0.599 million, offset by loss of rental income from void properties of £0.163 million.

4.17 Renewal & Repair Fund

The Renewal & Repair Fund is made up of five separate categories; Property; Information Technology; Roads & Transportation; Parks & Cemeteries and Culture & Leisure Trust Client/ANGUSalive.

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 & Repair funds, these funds continue to carry forward a balance from 2021/22 of £1.498 million.

This estimated uncommitted aggregated balance available on the funds as at 31 March 2023 is £0.311 million, once the de minimus retention levels are taken into account the balance on all funds reduces to £0.046 million and details of this are attached at Appendix D.

5. PROPOSALS

- 5.1 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 be approved at this time.

6. FINANCIAL IMPLICATIONS

- 6.1 There are no additional financial implications arising 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.
- 6.2 Members will have noted from Appendix B that an overall deficit compared to budget of £1.597 (0.7%) million is projected at this point in the financial year in respect of General Fund Services net adjusted budget (excluding the Angus Health & Social Care Partnership budget) of £238.168 million. Over and above this there are one-off savings in a number of budgets funded by ring-fenced grants which cannot be used for other purposes. All of these factors mean the projected deficit is substantially higher than the headline figure amounting to £2.777 million. To this projected deficit will be added the additional unbudgeted costs from the pay award proposals currently on the table (paragraph 4.14 refers), provisionally estimated at £3.7m and any other pressures caused by inflation which may arise during the remainder of the financial year. A saving in national insurance costs will reduce the deficit slightly and the energy price cap should result in some additional benefits compared to the current projections.
- 6.3 Although the position is subject to change, and there is significant risk on the cost of the Teacher staff group pay deal which remains unresolved, it is evident from the information currently available that the Council is heading for a very significant overspend of just under £6m for the 2022/23 financial year. Only a small part of this was anticipated (in relation to pay costs). This is not an acceptable position to be in and remedial action will be required to try to reduce the scale of the deficit.

- 6.4 The Council will have to use some of its uncommitted General Fund Reserve to cover any budget deficit which can't be addressed through other means. This was always going to have to be the case in relation to excess pay costs. Using Reserves to meet additional unbudgeted pay costs in 2022/23 is a one-off, one-year only solution and permanent reductions in costs (mainly through reductions in staff numbers) will have to be made to make these additional pay costs affordable on an ongoing basis. Significant cuts to staffing and services can therefore be anticipated as part of the 2023/24 budget setting process.
- 6.5 Report 178/22 to Council in June 2022 advised that officers have been reviewing all existing commitments within the Council's General Reserve to try to free up resources on a one-off basis. This would mean the cancellation or curtailment of previously planned uses for these funds. This review work is ongoing and proposals for changes to what has previously been approved will be brought to members for consideration in the next cycle as part of an overall package to address the budget deficit now facing the Council.
- 6.6 There are adjustments required to the currently projected position (excluding pay) of £1.597 million to reflect funding within Education and Lifelong Learning, (paragraph 4.2) which due to accounting treatment will be carried forward into 2023/24. Detail is set out in the table below.

	Saving / (Deficit) £ million
Projected Outturn (General Fund Services)	(1.597)
Less:	
Ring-fenced grant carry forward Education & Lifelong Learning, see paragraph 4.2	(1.180)
Adjusted 2022/23 Projected Outturn (General Fund Services)	(2.777)

7. EQUALITY IMPACT ASSESSMENT

An equality Impact Assessment is not required as this is a noting report and does not have any impact on individuals.

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a 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