

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 6 DECEMBER 2022

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

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 as at 31 October 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 progress has been made in assessing the financial effect of the 2022/23 staff pay deal proposals 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 to Angus Council in December. This report will also seek approval to de-commit resources currently set aside in the Council's General Fund Reserve for specific projects in order to free up funds to help address the projected overspend in the 2022/23 revenue budget; and
- iv) 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 £310.326 million. 2021/22 agreed budget and grant carry forwards have now been included in the monitoring budget.

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 on energy costs.

The projected position set out in this report and its appendices includes an estimate of the impact of 2022/23 pay deals now agreed or continuing to be negotiated by COSLA (on behalf of all Councils) and Trade Unions. This cost is included against the Corporate Items heading in this report but will eventually be allocated to service budgets once pay deals for all bargaining groups have been concluded.

4.2 Education & Lifelong Learning

Education & Lifelong Learning are currently projecting a saving of £4.890 million (3.7%) on the adjusted revenue budget.

This however includes unspent ring-fenced grant in relation to Early Years, 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	£m	Projected Variance Fav / (Adv) £m
Projection per App Ci		4.890

Less Early Years Specific Grant	(3.893)	
Less Pupil Equity Funding	(0.605)	
Less Devolved School Management Scheme	(0.905)	
Total Adjustments		(5.403)
Revised Projection		(0.513)

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 (£1.314 million), increased spend on Non-Domestic Rates (£0.085 million) contract cleaning (£0.128 million). There is also a projected net loss on school meals income (£0.496 million), due to lower uptake. These increased costs and loss of income are, however, being offset by employee cost slippage due to recruitment delays for teachers, music teachers and in the business unit (£1.278 million), benefits on PPP insurance through a benchmarking exercise and PPP performance deductions (£0.200 million).

4.3 **Infrastructure & Environment**

Infrastructure & Environment are currently projecting a saving of £2.732 million (7.4%) on the adjusted revenue budget. The main reasons for this saving is due to a projected £2.600 million of unbudgeted income being received from the MEB waste incineration plant due to current energy prices and a reduced contract price the cost of disposing of recycled materials. The income through the waste incineration contract is very volatile and difficult to predict. The Council receives additional income as part of a gainshare arrangement with the contractor which depends on a number of factors including plant performance, energy sales and income received from third parties all of which are beyond the Council's direct control. Very high energy prices are the main factor for the income being much higher than expected.

4.4 **Children, Families & Justice**

Children, Families & Justice is currently projecting a significant deficit of £3.111 million (14.4%) 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 (£2.961 million). 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 that some placements may finish before the financial year end but equally possible that new placements could also be required.

A separate briefing has been arranged for 6 December 2022 for elected members on the pressures affecting the residential placements budget given the significance of this issue and the risks the problem could grow. The briefing will also cover report 409/22 being presented to Policy & Resources committee on the 6 December which sets out proposals for investment in the Angus Council children's residential estate, to ensure that, where appropriate, children and young people can be cared for in Angus and reducing Council reliance on out of area care placements.

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 (net £0.470 million). These deficit projections are being offset by reduced spend on grant funding, looked after children (£0.250million), mental health & wellbeing (£0.035 million) and CORRA Foundation (£0.035 million), any underspend on grant will be automatically carried forward into 2023/24.

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

Human Resources, Digital Enablement, Information Technology & Business Support is currently projecting a deficit of £0.133 million on the adjusted revenue budget as a result of one-off scanning costs and an increase in software licensing costs.

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

The Strategic Policy and Public Sector Reform service is currently projecting a deficit of £0.204 million (2.8%) 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 **Vibrant Communities & Sustainable Growth**

Vibrant Communities & Sustainable Growth is currently projecting a deficit of £0.042 million on the adjusted revenue budget. This is due to income shortfalls in each division totalling £0.163m, offset by savings in Private Landlord registrations (£0.090 million) and various savings within supplies & services (£0.032 million).

4.8 **Finance**

The Finance Service is currently projecting a saving of £0.112 million (3.1%) on the adjusted revenue budget. This is in the main 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 £0.015 million (0.4%) on the adjusted revenue budget. This is mainly due to lower than budgeted income in the Digital Reprographics Unit (DRU), offset by savings in various supplies & services headings, also within DRU budget.

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 £0.019 million. This is due to an anticipated loss of income, based on the profile of previous year's income at this time.

4.11 **Facilities Management**

Facilities Management is currently projecting a deficit of £0.155 million (7.6%) 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.

4.12 **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 £1.636 million on the adjusted revenue budget.

The main reason for this projected saving position is due to the Corporate Employee Slippage target currently projecting £0.412 million additional to the budget due to delays and significant difficulties in filling vacancies; additional income of £1.187 million being projected on Interest on Revenue Balances (IORB) due to an increase in the average interest rate and increased cash

balances and additional income being generated from employees purchasing additional annual leave £0.017 million..

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.

4.13 **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 projecting a deficit of £1.455 million. This projected deficit relates to the projected unfunded cost of the 2022/23 pay award which was recently agreed for Local Government Employees.. This figure also includes a provision for a possible share of Tayside Contracts increased pay costs and estimated projections for Teachers and Chief Officers, based on the most recent offers which are currently still being negotiated, (£2.906 million).

Given the significance of the issue to the Council's finances both in the current year and the knock on effect to future years a separate report is to be submitted to Angus Council in December setting out the full implications of the pay proposals as they stand..

However, this deficit projection on pay has been partially offset by the energy budget provision not being used at this point which as per paragraph 4.1 above which is compensating for part of the projected deficits Services are reporting on their energy budgets at this time (£0.685 million). Further savings against budget will also be made from the 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 (£0.580 million).

In relation to energy costs it has now been confirmed that the price cap will not apply to the Council as the rate the Council pays for its energy as part of the national procurement arrangements is below the level of the cap.

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 £2.756 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. 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 deficit of circa £2.756 million which results in a projected overall breakeven position for Angus IJB.

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 **Tayside Contracts**

The monitoring budget assumes the Council will receive a share or surpluses made by Tayside Contracts of £0.460 million. This budget is now considered unlikely to be achieved because of the scale of non-pay inflation cost pressures onto Tayside Contracts. Detailed discussion are

ongoing with Tayside Contracts and the partner Councils to identify the full scale of the issue and means of funding it but it is likely that additional financial support from the 3 constituent councils will be required on a significant scale in financial year 2022/23 and this will be reflected in the next monitoring report to the Committee in February 2023.

4.17 **Housing Revenue Account (HRA)**

The Housing Revenue Account is currently projecting a surplus of £0.185 million. This is mainly due to projected savings from the agreement of implementing the loans fund review against financing charges (£0.813 million) and employee slippage (£0.408 million). This is offset by a projected deficit on repairs & maintenance, mostly due to a backlog as a result of the pandemic (£0.370 million), and by the loss of rental income from void properties (£0.330 million) and delays in bringing new build properties on stream (£0.330 million).

4.18 **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 £0.349 million, once the de minimus retention levels are taken into account the balance on all funds reduces to £0.084 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 surplus compared to budget of £4.236 million (1.7%) is projected at this point in the financial year on the General Fund Services net adjusted budget (excluding the Angus Health & Social Care Partnership budget) of £244.895 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 surplus moves to a projected deficit amounting to £1.487 million. As mentioned in paragraph 4.14 above this projected deficit now includes £2.906 million of unbudgeted pay award costs.
- 6.3 Although the position is subject to change, and there is still a 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 an overspend of just under £1.5 million 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 is underway 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 at Angus Council in December as part of an overall package to address the budget deficit now facing the Council.
- 6.6 There are adjustments totalling £5.723 million that need to be made to the currently projected surplus of £4.236 million. These adjustments reflect funding within Education and Lifelong Learning, (paragraph 4.2) and Children, Families & Justice (paragraph 4.4) which due to accounting treatment will be carried forward into 2023/24. Detail is set out in the table below.

	Saving / (Deficit) £m
Projected Outturn (General Fund Services)	4.236
Less:	
Ring-fenced grant carry forward Education & Lifelong Learning, see paragraph 4.2	(5.403)
Ring-fenced grant carry forward Children, Families & Justice, see paragraph 4.4	(0.320)
Adjusted 2022/23 Projected Outturn (General Fund Services)	(1.487)

- 6.7 The deficit shown above is likely to increase once the full impact of rising costs and how they will be funded in relation to Tayside Contracts is known (paragraph 4.16 refers).
- 6.8 In the last revenue monitoring report to the Committee in October a projected overall deficit of £6 million was expected. The position has improved significantly by just over £4.5 million as shown in the table above due primarily to the following:-

Additional income from MEB waste contract arrangements	£1.6 million
Additional staff slippage due to recruitment problems	£0.4 million
A reduction in the estimated excess cost of the 2022/23 pay award	£0.8 million
Additional income from Interest on Revenue Balances projections	£1.4 million

Budget monitoring in the current climate of high inflation and unpredictable demand continues to be very challenging.

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