

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 2 MAY 2023

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 28 February 2023.

**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 the Renewal and Repair fund position as set out in section 4.18;
- III. Note the update in section 5.1 with regard to Ukrainian Grant Funding that the Council is due to receive for the financial year 2022/23.

**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 £312.893 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 4.12. 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 take account of the funding for the pay awards for 2022/23, as per Report 420/22. The Chief Officers and Teachers pay deals were only concluded on 14 March 2023 and have not yet been processed and therefore costs remain estimated at this time and were included in Report 420/22. As highlighted as part of the 2023/24 budget reports at Special Council on 2 March 2023, additional funding from Scottish Government will cover any additional costs associated with the conclusion of these pay deals. Budget uplifts will be processed for the actual cost of these pay deals and therefore will not have an impact on the projected outturn in this report.

### 4.2 Education & Lifelong Learning

Education & Lifelong Learning are currently projecting a saving of £6.357 million (4.8%) on the adjusted revenue budget.

However, this includes unspent ring-fenced grant in relation to Early Years, Pupil Equity Funding, Devolved School Management funds, Ukrainian funding and Creative Learning 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		6.357
Less:		
Early Years Specific Grant	(2.937)	
Pupil Equity Funding	(0.808)	
Devolved School Management Scheme	(1.686)	
Ukrainian Funding	(0.226)	
Creative Learning	(0.024)	
Total Adjustments		(5.681)
Revised Projection		0.676

The main reason for the revised projected surplus position is due to employee cost slippage mainly due to recruitment delays for teachers, music teachers and in the business unit (£1.806 million) and benefits received from PPP insurance through a benchmarking exercise and PPP performance deductions (£0.291 million).

These savings are however being largely offset by increased spend on energy within the schools, (£1.113 million), increased Non-Domestic Rates charges (£0.092 million), additional contract & COVID cleaning costs (£0.046 million), offset by reallocated early years grant funding of £0.774 million. Increased transport school transport costs due to inflation are leading to a budget deficit of £0.224m. There is also a projected net loss on school meals income (£0.800 million), due to lower uptake offset by reduced spend.

#### 4.3 **Infrastructure & Environment**

Infrastructure & Environment are currently projecting a saving of £1.778 million (4.7%) on the adjusted revenue budget. The main reasons for this projected saving is due to £1.930 million of unbudgeted income arising from the MEB waste incineration plant gain share agreement due to prevailing high energy prices.. The projected surplus from this additional income in waste is, however, currently being partly offset by the net effect of surpluses and deficits across a number of areas of the directorate.

#### 4.4 **Children, Families & Justice**

Children, Families & Justice is currently projecting a deficit of £2.889 million (13%) 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 (£3.089 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.

It should also be noted that there is currently projected to be a deficit on external fostering budgets, but this is being partly offset by savings on internal fostering budgets (net £0.389 million deficit). These deficit projections are being offset by reduced spend on grant funding, looked after children (£0.276 million), mental health & wellbeing (£0.101 million) and CORRA Foundation (£0.181 million). Any underspend on ring-fenced grants will be carried forward into 2023/24.

#### 4.5 **Human Resources, OD, Digital Enablement, IT & Business Support**

Human Resources, Digital Enablement, Information Technology & Business Support is currently projecting a saving of £0.075 million (0.8%) on the adjusted revenue budget as a result of savings from use of SWAN circuits, offset by increased 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 £0.230 million (2.8%) on the adjusted revenue budget. This deficit is due to increased energy, water and unplanned maintenance 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 saving of £0.630 million (10.6%) on the adjusted revenue budget. This includes Private Sector Housing Grant (£0.109 million) and an unutilised grant carry forward request for the Syrian Humanitarian Aid scheme (£0.130 million) both of which will be carried forward into financial year 2023/24. Adjusting for this results in a revised projected saving of £0.391 million.

The balance is mainly due to savings in Private Landlord registrations (£0.147 million) which will be subject to a 100% carry forward request, additional planning income from building warrants (£0.305 million) offset by various income shortfalls across a number of areas of the directorate (£0.064 million).

#### 4.8 **Finance**

The Finance Service is currently projecting a saving of £0.100 million (2.6%) 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 saving of £0.142 million (3.9%) on the adjusted revenue budget. This is mainly due to savings across a number of supplies & services budgets (£0.096 million) and a reduction in the annual contribution to Tayside Procurement Consortium (£0.081 million). These savings are, however, being offset by lower than budgeted income in the Digital Reprographics Unit (£0.045 million).

#### 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 £0.009 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 saving of £0.046 million (2.3%) on the adjusted revenue budget. There are a number of minor savings and deficits across the service.

#### 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 £4.435 million on the adjusted revenue budget.

However, this saving includes unspent ring fenced Scottish Government grants, Levelling Up £0.111 million and UK Shared Prosperity Fund £0.770 million and these are due to be carried forward automatically into financial year 2023/24. Adjusting for this results in a revised projected saving of £3.249 million.

The main reason for this revised saving position is due to £2.209 million of additional Corporate Employee Slippage being projected against a budgeted target of £2.359 million. This slippage comes from across all Council Directorates and is mainly due to significant difficulties being experienced in filling vacant posts. Savings from industrial action which was taken by teachers during the recent pay negotiations has also contributed to this additional slippage figure. The interest on revenue balances budget is projecting a surplus for the year of £0.975 million due to significantly higher than budgeted rates of return on investments due to rises in interest rates.

Throughout the year the Provision for Additional Burdens budget has been reported as projecting a break even position. There has been some calls on this budget to date but it is now expected that a saving on this budget of £0.326 million will arise. It should be noted however that £0.100 million of this saving will be subject to a 100% carry forward request for elected members to consider as part of the financial year end process.

#### 4.13 **Capital Charges and Financing**

The Capital Charges and Financing budget is currently projecting a small saving of £0.251 million after allowing for a planned special repayment of £1.0 million due to expected lower than budgeted interest costs.

#### 4.14 **Corporate Items**

Corporate items is currently projecting a saving of £1.873 million.

The surplus projection is due to an energy budget saving which as per paragraph 4.1 above is compensating for part of the projected deficits Directorates are reporting on their energy budgets at this time (£0.685 million) and savings based on 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 (£0.916 million). Also, additional Scottish Government funding for Chief Social Work Officers has been passed over from Angus Health & Social Care Partnership to Angus Council (£0.312 million) since the last reporting period.

#### 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 funding partner of the IJB has a significant interest in its budget performance.

The current projected year end position on the Adult Services part of the IJB budget is a saving of £3.488 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 budget is projecting a year end deficit of circa £3.488 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**

After detailed discussions with Tayside Contracts and further information being received, it has been agreed that the originally budgeted surplus will not be achievable due to the scale of non-pay inflation cost pressures on Tayside Contracts. For monitoring purposes a shortfall of £0.210 million is projected against the budget of £0.460 million. It is possible that Tayside Contracts will require further financial support from the constituent councils for the impact of inflationary and other budget pressures. At present it is being assumed such financial support, should it be required, will be offset against final year end outturn.

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

The Housing Revenue Account is currently projecting a saving of £0.531 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 (£0.313 million).

These projected savings are, however, being offset by additional costs on repairs & maintenance backlog as a result of the pandemic and a previous supplier failure (£0.086 million), the loss of rental income from void properties (£0.324 million) and delays in bringing new build properties on stream (£0.270 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 £0.653 million, once the de minimus retention levels are taken into account the balance on all funds reduces to £0.388 million and details of this are attached at Appendix D.

### **5. UKRAINIAN GRANT FUNDING**

- 5.1 The Council is due to receive a significant amount of grant funding from the UK / Scottish Governments for hosting Ukrainian refugees. It should be noted that none of this funding or costs to date are captured in this monitoring report at this time. A separate report is also on the agenda for this meeting to inform members of the amount and purpose of this funding together with the costs and implications arising for the council. It is likely that the funding (which will be used over more than one financial year) will have a sizeable impact on the level of underspend and reserves in the Council's year end position at 31 March 2023 when this is reported to Council in June 2023.

### **6. PROPOSALS**

- 6.1 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.

### **7. FINANCIAL IMPLICATIONS**

- 7.1 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.

- 7.2 Members will have noted from Appendix B that an overall saving compared to budget of £12.346 (4.9%) 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 £249.642 million. However, as reported in Section 4 there are one-off savings in a number of budgets funded by ring-fenced grants & contributions (£7.359 million) which cannot be used for other purposes and need to be carried forward to 2023/24. This means the projected saving of £12.346 million moves to a projected reduced saving of £4.987 million.

7.3 The position is subject to change but the significant risk previously reported on the cost of the Teacher staff group pay deal has been mitigated now that the Scottish Government has agreed to provide additional funding for part of the total cost.

7.4 As per section 7.2, adjustments totalling £7.359 million need to be made to the currently projected saving of £12.346 million. These adjustments reflect grant funding within Education and Lifelong Learning, (paragraph 4.2), Children, Families & Justice (paragraph 4.4), Vibrant Communities & Sustainable Growth (paragraph 4.7) and Other Services (paragraph 4.12) which due to accounting treatment will be carried forward into 2023/24. The detail is set out in the table below.

	<b>Saving / (Deficit) £m</b>
<b>Projected Outturn (General Fund Services)</b>	12.346
<b>Less:</b>	
Ring-fenced grant carry forward Education & Lifelong Learning, see paragraph 4.2	(5.681)
Ring-fenced grant carry forward Children, Families & Justice, see paragraph 4.4	(0.558)
Ring-fenced grant carry forward Vibrant Communities & Sustainable Growth, see paragraph 4.7	(0.239)
Ring-fenced grant carry forward Other Services, see paragraph 4.12	(0.881)
<b>Adjusted 2022/23 Projected Outturn (General Fund Services)</b>	<b>4.987</b>

7.5 In the last revenue monitoring report to the Committee in February a projected overall saving of £1.892 million was reported. The projected position has improved by £3.095 million due primarily to the areas set out in the table below:-

<b>Narrative</b>	<b>£m</b>
Additional savings generated within Education & Lifelong Learning (ELL) due to redistribution of Early Years Grant, approach agreed as part of ELL 2023/24 budget savings package.	0.961
Additional staff slippage due to recruitment problems (budgets have been increased for the uplift for LGE pay award and slippage due to teacher industrial action)	0.623
Interest Income on Cash Balances	0.225
Provision for Additional Burdens	0.325
Transfer of funding from AHSCP	0.312
<b>TOTAL</b>	<b>2.446</b>

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

## 8. 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