

## **Commentary on General Fund Services Revenue Budget Versus Actual**

The 2022/23 Revenue Budget was set in March 2022. There has been a change to the management structure of the Council since then, with some areas transferring between Directorates. We have been monitoring under this new management structure throughout 2022/23.

The Policy and Resources Committee received regular updates on budget performance during financial year 2022/23 with the latest adjusted monitoring budget (including Angus Health & Social Care Partnership) of £309.390 million reported in Report 115/23.

### **PART 1 – Comments on Actual Compared to Budget**

#### **Summary Commentary**

Relative to the budget set, Total Net Expenditure on General Fund Services was £14.126 million lower than budget. The most recent projected position was for a saving against the budget of £12.346 million, however this excluded additional grant funding for Ukraine support which, once included, gave a projected saving of £15.068. The final outturn for the year has therefore, decreased by £0.942 million. Most of the £14.126 million saving compared to budget was known about and/or planned for during 2022/23, and in setting the 2023/24 budget. Some 65% of the total underspend was in areas of spend funded by ring-fenced grants which cannot be used for other purposes.

In broad terms variances within General Fund Services revenue budgets arose due to the following main reasons:-

- a. Slippage within employee costs has returned an additional saving of £2.229 million against the budgeted slippage target of £2.359 million, mainly due to difficulties filling vacant posts, which has impacted all Directorates and also £1.002 million of savings in Education & Lifelong Learning due to industrial action by teaching staff. There was also almost £1m of savings in relation to the budget for a 1.25% increase in National Insurance contributions which was reversed by the UK Government part way through the financial year.
- b. Slippage in projects and works (£1.4m) – underspends against budgets in these areas arise for a variety of reasons but the non-filling of employee posts is likely to be a factor where services simply haven't had the resource to progress projects in line with expected timelines.
- c. Pre-paid and ring-fenced grants of £9.195 million which due to accounting treatment requirements are shown as savings at the year end, this included Ukraine grant funding of £2.722 million. These unspent grants will be used in the current and future financial years and represent delayed expenditure rather than a saving.
- d. Savings within Capital Financing Charges of £0.745 million due to lower than budgeted interest and expenses.
- e. Additional income arising from: 1/ profit sharing from the waste incineration plant in Dundee of £1.930 million (a base income budget was created as part of the 2023/24 budget setting as part of the Finance & Change Plan) and 2/ additional income from Interest on Revenue Balances of £1.110 million through rising interest rates on investments of cash balances with counterparties.
- f. These savings have been offset by the additional unbudgeted spend on external residential placements and fostering within Children Families & Justice of £3.444 million.

This overall saving on Directorate budgets for 2022/23 needs to be viewed in the context of further savings which have now been removed from Directorate budgets in 2023/24, along with the planned savings achieved as part of the future years budget & reserves strategies.

## **Service Commentaries**

A high level commentary on revenue budget performance for each Council service is outlined below and should be read in conjunction with Appendix A. It should be noted that through the Council's Change Programme in 2019/20, it was agreed to manage slippage on employee costs budgets corporately, so the following commentary is after removing employee slippage from services and including this within the Other Services budget heading.

- **Education & Lifelong Learning (ELL)**

Education & Lifelong Learning (Devolved School Management [DSM] and Non-DSM elements combined) ended the financial year 2022/23 by returning a saving of £5.496 million or 4.01% of the controllable budget.

This is predominantly due to underspends on Early Years expansion (£2.432 million); Pupil Equity Fund (PEF) grant (£0.665 million); and within the DSM budgets, which are managed by Head Teachers (£1.149 million, 1.33% of controllable budget). The Early Years and PEF underspends were made on costs 100% funded from Scottish Government grant which is ring-fenced for these purposes and will be carried forward and earmarked within the Council's General Fund balance. DSM underspends are carried forward in full and are available for use by Angus schools during 2023/24. Underspends of £0.401 million on various other specific grant funding will also be carried forward in full. Adjusting for these carry forwards (£4.647m) results in an adjusted saving compared to budget of £0.849 million, less than 1% of the controllable budget

The £0.849 million underspend relates to vacant posts within the support team and business unit and planned efficiencies in relation to additional Scottish Government funding. Efficiencies are in accordance with 2023/24 budget proposals made by ELL, as agreed by Elected Members. The overall saving is offset by the increased spend on energy costs.

- **Infrastructure & Environment**

Infrastructure ended the financial year 2022/23 by returning a saving of £1.327 million or 3.77% of the controllable budget. This was primarily due to the following savings and overspends: 1/ deficit (£0.985m) within Roads arising from deficits on: road & winter maintenance, bus contracts, street lighting energy, in addition to income shortfall on: rechargeable works, electric vehicle hubs energy recharges, parking enforcement and school transport recharges; 2/ deficit (£0.129) within Assets/Capital Projects being primarily unachieved fee income; 3/ savings (£0.229) within Burial Grounds & Parks being additional income; 4/ net savings (£2.526m) within Waste being profit share of MEB waste plant, recyclates sales, garden waste subscriptions and increased income from commercial and special bin collections; and lastly, 5/ deficit on Fleet Services of (£0.320) being historical income budget realignment issue.

- **Children, Families & Justice**

The Children, Families and Justice Service ended the financial year 2022/23 by returning a deficit of £2.930 million. Looked After Children Attainment Challenge (£0.285 million) and Mental, Health and Wellbeing (£0.043 million) are grants received from the Scottish Government which are ring-fenced and subject to automatic carry forward into 2023/24, along with external funding from the CORRA Foundation (£0.186 million). These total £0.514 million. Adjusting for these carry forwards results in an revised deficit of £3.444 million all of which relates to higher expenditure in external fostering and residential placements.

- **Human Resources, OD, Digital Enablement, IT & Business Support**

Human Resources, OD, Digital Enablement, IT and Business Support ended the financial year 2022/23 by returning a small deficit of £0.023 million or 0.2% of the controllable budget, this was mainly due to higher than budgeted software licencing costs within Digital Enablement & IT of around £0.156 million offset by telephony budget savings due to the move to Scottish Wide Area Network (SWAN) Circuits across the council.

- **Strategic Policy, Transformation and Public Sector Reform (SPT&PSR)**

SPT & PSR ended the financial year 2022/23 by returning a deficit of £0.227 million or 2.74% of the controllable budget. This is primarily due to deficits on several property budgets in buildings used by ANGUSalve to provide services. Overspends arose on unplanned maintenance (£0.110million) as well as water and energy costs (£0.210million). The aforementioned deficits were partially offset by additional unbudgeted income from Dundee City Council in relation to the shared internal audit service, Scottish Government refugee administration grant and income from NHS Tayside.

- **Vibrant Communities & Sustainable Growth (VC&SG)**

VC & SG ended the financial year 2022/23 by returning a saving of £1.159 million or 17.39% of the controllable budget. Savings arose within: 1/ Economic Development £0.268 million being unutilised Scottish Government Skills grant (subject to grant carry forward request); 2/ Planning & Sustainable Growth £0.426 million being saving on Private Sector Housing Grant payments (subject to carry forward request) and additional building control and planning application income (£0.335million); 3/ Vibrant Communities £0.090 million savings within several budget headings across supplies & services and third party payments; 4/ Other Housing £0.292 million being net savings with third party payments and additional Humanitarian grant income (subject to grant carry request); 5/ Environment & Consumer Protection £0.087 million being supplies & services savings and additional income.

- **Finance**

Finance ended the financial year 2022/23 by returning a saving of £0.114 million or 2.98% of the controllable budget. This net saving was primarily due to additional unbudgeted income received within Revenues & Benefits and Welfare Rights teams from several different sources.

- **Legal & Democratic Services**

Legal & Democratic (L&D) ended the year financial year 2022/23 by returning a saving of £0.091 million or 2.44% of the controllable budget. This net saving was primarily due to slippage on the annual Tayside Procurement Consortium contribution. For 2023/24 this budget shall be utilised for fund two new posts with the Procurement and Commissioning team.

- **Licensing**

Licensing ended the financial year 2022/23 by returning a deficit of £0.012 million compared to the controllable budget. This net deficit resulted, after accounting for only the direct employee costs within L&D and excludes further pertinent costs associated with the Licensing function relating to Central Support Services charges and staff costs within the HR, OD, Digital Enablement, IT and Business Support Directorate. The deficit above, was primarily due to underachievement on the budgeted income target.

- **Facilities Management**

Facilities Management ended the financial year 2022/23 by returning a saving of £0.147 million or 6.17% of the controllable budget. The saving resulted from savings in numerous budget headings within supplies and services: i.e. office consumables, PPE equipment and phone charges plus greater than budgeted rechargeable income.

- **Other Services**

The Other Services budget holds a number of contingency and difficult to predict budgets. Actual expenditure can therefore be subject to significant variations compared to budget. Other Services ended the 2022/23 financial year by returning a saving £4.305 million. This was, in the main, due to additional corporate employee slippage (£2.359 million).

Further areas where savings have been achieved are in relation to Government Grant/Funding which is being carried forward 100% for use in 2023/24 (£0.883 million). Savings also arose from additional income on Interest of Revenue Balances (£1.110 million) due to significantly higher than budgeted rates of return on investments and from within the Provision for Additional Burdens budget (£0.244 million) as no significant call was made on this budget during 2022/23.

#### ▪ **Corporate Items**

There are a number of budgets held centrally under corporate items until service allocations are determined and these have resulted in a saving of £1.425 million. The savings mainly arose due to the original budget provided for the 1.25% employers National Insurance contribution which was reversed part way through the year not being required in full. Additional Scottish Government funding for Chief Social Work Officer support has also been passed over from the Angus Health & Social Care Integrated Joint Board of £0.312 million which hadn't been budgeted for.

#### **Adult Services**

Adult Services ended the financial year 2022/23 with a saving on the controllable budget of £3.646 million. This is made up of staff slippage and underspends on commissioned services for care homes and care at home. This underspend is not included within the overall savings reported at the start of this appendix as it relates to a partner organisation.

#### **Commentary on other General Fund Corporate Budgets**

- Capital Charges and Financing Costs which are also referred to as loan charges have an overall saving of £0.745 million. Some £0.524 million of this saving was due to lower than budgeted interest and expense charges due to the actual interest rates being lower than budgeted for. The balance of £0.221 million is budget headroom that was not required in 2022/23 and this will go into the uncommitted General Fund Reserve.

#### **Commentary on Housing Revenue Account Revenue Budget Versus Actual**

The Housing Revenue Account (HRA) covers the costs and incomes for providing the Council's Housing services. The HRA year-end position was an overall surplus of £2.034 million for the year but this position is significantly affected by the accounting treatment of £1.000 million of capital funding from reserves and balances as well as £2.518 million of Scottish Government capital grant funding for the 2022/23 staff pay award across the Council - further comments are given below. Allowing for those specific issues, a like for like saving against the budget of £0.516 million was made. The main reasons for the surplus are outlined below:

- **Financing Charges** – £2.451 million underspend:
  - **Borrowing Costs** - £0.934 million lower than budget due to Loans Fund Charges being less than anticipated as a result of the Loans Fund Review and lower than budgeted interest charges due to lower borrowing requirements in the prior year.
  - **Capital From Current Revenue (CFCR)** - £1.517 million lower than budget, representing an underlying CFCR underspend of £2.517 million offset by £0.700 million of HRA balances and a £0.300 million Affordable Housing Revenue Account (AHRA) contribution utilised in the funding of the capital programme. The AHRA contribution is funded by a transfer from General Fund reserves.

The underlying CFCR underspend was offset by £2.518 million of General Capital Grant received by the Council as part of the funding package from the Scottish Government to help fund staff pay deal costs in 2022/23 (section 9 of report 420/22 to Council on 15 December 2022 refers). The additional grant was transferred to the HRA under the statutory guidance provided by the Scottish Government regarding the use of the additional funding provided. The equivalent underspend in the HRA CFCR budget was transferred back to the General Fund to help in meeting the costs of the 2022/23 pay award.

- **Repairs & Maintenance** - £0.488 million higher than budget. Repairs work is getting back on track and backlogs built up during the pandemic are being cleared. The backlog was also caused by a previous supplier failure. Good progress has been made by the replacement supplier, however extra expenditure has been incurred this year as a result. This overspend has been partially offset by a delay in planned maintenance projects. This was due to project development resources being redirected to Change of Tenancy work and due to vacancies in the team.
- **Supervision & Management** – £0.371 million lower than budget, mainly due to Housing Management costs being lower than budget despite absorbing the significant impact of the pay award (circa £0.350 m). This has been offset mainly as a result of employee slippage.
- **Loss of Rents** – £0.069 million above budget. There has been loss of rents from void properties as changes of tenancy are taking longer to process for a number of reasons. There have been material supply and contractor staff shortages, although this is now improving. There have also been problems with utility companies clearing debt on meters. In addition, several properties have also been intentionally held vacant to help provide housing destinations for those in need of humanitarian aid due to the war in Ukraine, and whilst major upgrade works have been carried out.
- **Rents and Service Charges** – £0.380 million lower than budgeted primarily due to delays in bringing new build properties on stream compared to expectations when the budget was set.

## **PART 2 – Comments on Budget Compared to Last Projection**

It is important to assess how accurate the Council's budget monitoring processes are. Good budget management reduces the risk of surprises at the financial year end. The narrative below compares the year end position with the last projections prepared.

### **Commentary against Projected Outturn– General Fund Services**

The most recent 2022/23 projected outturn was reported to committee in May, based on February 2023 ledgers. This showed a projected saving against budget for General Fund services of £12.246 million, however this excluded grant funding for Ukraine support which once included for comparison purposes gave a projected saving of £15.068 million. The final position for 2022/23 now being reported is £0.942 million lower at £14.126 million.

Table 1

<b>Area</b>	<b>February 2023 Outturn £ million</b>	<b>Movement £ million</b>	<b>Final 2022/23 Outturn £ million</b>
Council Services	12.095	(1.436)	10.659
Capital Financing Costs	0.251	0.494	0.745
<b>Ukraine Funding (for comparison purposes)</b>	<b>2.722</b>	<b>0.000</b>	<b>2.722</b>
<b>Total</b>	<b>15.068</b>	<b>0.942</b>	<b>14.126</b>

The more significant movements to explain the deficit movement in table 1 are outlined as follows:-

- **Education & Lifelong Learning**

Education & Lifelong Learning outturn increased by £0.174 million, after allowing for a reduction in grant carry forwards of £1.034 million and this is mainly due to movements within property expenditure and the corporate uplift to assist with the energy overspend.

- **Infrastructure & Environment**

Unfavourable movement of £0.471 million on the previous, adjusted projected saving of £1.778 million. This was primarily due to being over budget within Roads winter maintenance and Transport bus contracts (previously assumed on budget) and the application of further 22/23 Change Programme savings regarding Road's maintenance and Arbroath Harbour.

- **Children, Families & Justice**

Insignificant favourable movement of £0.003 million on the previous projection.

- **Human Resources, OD, Digital Enablement, IT & Business Support**

Adverse movement of £0.100 million on the previous projected saving of £0.077 million, primarily as a result of a correction to the IT software licensing projection. In February the overspend in licensing was reduced because it was considered that there would be a larger underspend on telephony budgets, however, part of the telephony budget was required for an in-year saving.

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

Insignificant favourable movement of £0.003 million on the previous, adjusted projected deficit of £0.230 million.

- **Vibrant Communities & Sustainable Growth**

Favourable movement of £0.361 million on the previous, adjusted projected saving of £0.389 million, primarily due to additional Scottish Government Skills administration grant income for base budgeted Economic Development employees, remaining additional savings generated across various supplies & services and third-party payments budgets including additional income all within Planning & Sustainable Growth, Vibrant Communities, Other Housing and Environmental & Consumer Protection services.

- **Finance**

Insignificant favourable movement of £0.014 million on the previous, adjusted projected saving of £0.100 million.

- **Legal & Democratic**

Unfavourable movement of £0.051 million on the previous, adjusted projected saving of £0.142 million, primarily due to increased supplies & services expenditure on external consultancy and within Digital Reprographic Unit.

- **Licensing**

Insignificant unfavourable movement of £0.003 million on the previous, adjusted projected deficit of £0.009 million.

- **Facilities Management**

Favourable movement of £0.101 million on the previous, adjusted projected saving of £0.046 million. This was primarily due to increase in unbudgeted income derived from prior years income accrual correction and greater building use rechargeable income.

- **Other Services**

The gross projected saving has decreased by £0.132 million from previous outturn report, this is in the main due to compensating savings & deficits within a number of year end adjustments.

- **Corporate Items**

Corporate Items ended the year with a reduction on the previously projected saving of £0.448 million as a result of corporate savings held during the year within corporate items being allocated out at year end. These were not accounted for during the in year monitoring process.

### **Commentary against Projected Outturn - Housing Revenue Account (HRA)**

After allowing for the specific accounting treatment issues noted above, the reported projected surplus in February 2023 of £0.531 million has decreased to a surplus of £0.516 million (a decrease of £0.015 million). The main movements in this regard were:

- **Financing Charges** (borrowing costs) - £0.121 million increase in underspend mainly due to interest charges being lower than previously anticipated.
- **Repairs & Maintenance** - £0.402 million increased overspend. This is mainly due to the continued good progress in clearing the backlog of repairs works.
- **Supervision & Management** – £0.058 million increased underspend due to a number of minor variances.
- **Loss of Rents** – £0.255 million decreased overspend primarily due to lower than budgeted bad debt provision being required, and progress being made on clearing the backlog of repairs on vacant properties.