

## AGENDA ITEM NO 5

REPORT NO 286/23

### ANGUS COUNCIL

#### POLICY AND RESOURCES COMMITTEE – 24 OCTOBER 2023

#### REVENUE MONITORING 2023/24 AND RENEWAL & REPAIR FUND POSITION 2023/24

#### 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 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;

### 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 2 March 2023 the Council approved the revenue budget estimates for financial year 2023/24 (Report No. 54/23 refers). Full details of the 2023/24 budgeted net expenditure of £325.118 million are available within the Final Budget Volume 2023/24 at the following link:-

[Final Budget Volume 2023 24](#)

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 2023/24 Final Budget Volume net expenditure of £325.118 million and the net Monitoring budget being reported in this report of £326.879 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 2023/24 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 2023/24. 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.

Although a new management structure has been agreed for the Council following the deletion of the post of Director of Strategic Policy, Transformation and Public Sector reform this report is based on the previous management structure as the new structure has yet to be reflected in the financial system for reporting purposes. To report on the new structure manually without changing the financial system would require additional work and possibly impact on timelines for preparing the projected outturns so a decision was made to prepare this report on the previous management structure. The new management structure will be reflected in the budget monitoring report to the next committee cycle.

There are a number of corporate budgets that cannot be allocated to individual services until the financial year end or until more information becomes available so they are being reported as part of the Corporate Items budget line for monitoring purposes meantime. As outlined in paragraph 4.14 below these are currently being identified as a saving or deficit within Corporate Items with compensating projected savings or deficits being identified in Directorate budgets. The budgets 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 Directorates based on final actual spend information.

The projected position set out in this report and its appendices, include funding for the 2023/24 pay awards for Chief Officers and Local Government Employees that was determined at the budget setting in March 2023. Pay deals are still being negotiated for these areas and further updates will be provided at the next committee cycle.

### 4.2 Education & Lifelong Learning (ELL)

Education & Lifelong Learning are currently projecting a saving of £0.722 million (0.52%) on the adjusted revenue budget.

However, this saving includes unspent ring-fenced grant in relation to Early Years, Pupil Equity Funding, Devolved School Management funds and Ukrainian funding which are carried forward automatically into financial year 2024/25. 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		0.722
Less:		
Early Years Specific Grant	(0.500)	
Pupil Equity Funding	(0.593)	
Devolved School Management Scheme	(0.420)	
Ukrainian Funding	(0.200)	
Total Adjustments		(1.713)
Revised Projection		(0.991)

The main reason for the revised projected deficit position is due to issues with the funding for Early Years pay award cost for 2022/23 and 2023/24 as the ring-fenced specific grant funding is not sufficient to cover the pay awards. This is, however, being partially offset by employee slippage in other areas of ELL with the net impact currently projected as £0.417 million. There are also projected deficits on Rates (£0.563 million) due to rateable property revaluations and Ground Maintenance costs (£0.065million).

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

Infrastructure & Environment are currently projecting a deficit of £1.229 million (3.45%) on the adjusted revenue budget. The main reasons for this projected deficit is due to reduced income from a projected shortfall in the MEB gainshare (£0.694 million) due mainly to lower energy costs and grounds maintenance income falling short of target (£0.225 million). Further, MEB waste disposal costs are projected to be higher than budget (£0.654 million) and ground maintenance materials and external contract costs have increased due to inflation (£0.137 million).

There is an overall projected saving on direct fleet vehicle costs (£0.167 million) and lower wholesale fuel prices (£0.155 million) which is being offset by an overspend on vehicle hires to cover delayed vehicle delivery and vehicle unavailabilities while under repair (£0.145 million). There is also a saving in Third Party Payments due to a reduction in local bus service contract costs (£0.195 million)

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

Children, Families & Justice is currently projecting a deficit of £0.223 million (0.82%) of the adjusted revenue budget. However, this position includes unspent ring-fenced grant in relation to Looked After Children (£0.100 million), Corra Funding (£0.080 million), Whole Family Wellbeing (£0.400 million) and Asylum Seekers Funding (£0.140 million). These grants will be carried forward automatically into financial year 2024/25. Adjusting for this results in a revised projected deficit of £0.943 million.

The main reason for this revised deficit projection is due to an overspend of £0.800 million on residential / secure placements and residential placements under Continuing Care legislation (£0.337 million). However, this deficit is partly offset by a cost reduction of £0.138 million in fostering / kinship and external placement expenses.

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

Human Resources, OD, Digital Enablement, IT & Business Support is currently projecting a deficit of £0.163 million (1.9%) on the adjusted revenue budget as a result of increased software licence costs within Digital Enablement & IT.

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

The Strategic Policy and Public Sector Reform service is currently projecting a deficit of £0.019 million (0.25%) on the adjusted revenue budget. This deficit is due to the Internal Audit bought in service.

#### 4.7 **Vibrant Communities & Sustainable Growth**

Vibrant Communities & Sustainable Growth is currently projecting a saving of £0.180 million (3.3%) on the adjusted revenue budget. This is mainly due to a saving on Private Landlord registrations (£0.082 million) which partially offset by an overspend in Other Housing General (£0.017 million). Also, savings on Environmental & Consumer Protection sampling fees (£0.063m) and an underspend on Private Water supply grants due to lack of applications (£0.018 million).

#### 4.8 **Finance**

The Finance Service is currently projecting a saving of £0.167 million (4.64%) on the adjusted revenue budget. This is in the main due to additional income streams 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 £0.072 million (2.03%) on the adjusted revenue budget. This is mainly due to a reduction in the anticipated income within the Digital Reprographic Unit (£0.105 million) and Registrars (£0.011 million). These deficits are being partly offset by projected savings on printing costs within the Digital Reprographic Unit (£0.019 million) and transport costs within Members Services (£0.026 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 saving of £0.006 million. This is due to additional projected income based on the profile of previous years income at this time.

#### 4.11 **Facilities Management**

Facilities Management is currently projecting a saving of £0.210 million (10.3%) on the adjusted revenue budget. This is mainly due to savings on cleaning (£0.078 million), property rates (£0.079 million) and additional projected income (£0.030 million) from increased charges for use of Council buildings.

#### 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 £0.488 million on the adjusted revenue budget.

The main reason for this saving position is due to £0.492 million of additional Corporate Employee Slippage being projected against a budgeted target of £2.850 million. This slippage comes from

across all Council Directorates and is mainly due to significant difficulties being experienced in filling vacant posts.

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

However, it should be noted that there are a number of ring fenced Scottish Government grants reported through Others Services. The grants are currently being projected as full spend any resulting unspent grant will be carried forward automatically into financial year 2024/25.

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

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

#### 4.14 **Corporate Items**

Corporate items is currently projecting a deficit of £0.473 million.

The current deficit projection is mainly due to Change Programme savings which are now looking like being unachievable in 2023/24 (£0.469 million). More information on these can be found within the Change Programme update report being presented at this same committee (report xxx/23). Please note that the Change Programme update report is actually reporting an unachievable savings value of £1.163 million with the difference being £0.694 million in relation to the excess revenue share from MEB waste facility target being reduced. This reduction is being reported within paragraph 4.3 of this report.

As per paragraph 4.1 above there are a few areas within corporate items which are either being projected as a saving or deficit at this time which are currently being offset by compensating savings or deficits within Directorates. Adjustments will be made to budgets accordingly through out the year and final adjustments will be made as part of the year end process.

Also referenced above was the pay award provision for 2023/24 for Local Government Employees and Chief Officers which reported that this is being held within Corporate Items and will be allocated out once the pay award has been agreed.

#### 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 £3.373 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 saving of circa £0.585 million which results in a projected overall saving for Angus IJB of £3.958 million.

It is important to note the above figures are based on the most recently published information and the 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 at this time a breakeven position is projected against the budget of £0.250 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 the final year end outturn.

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

The Housing Revenue Account is currently projecting a saving of £0.684 million. This is mainly due to lower than expected borrowing in 2022/23 resulting in reduced financing charges (£0.337 million). Additionally, savings have been anticipated through the reduction of lost rents amounting to £0.419 million and an increase in rental income by £0.185 million.

The expected savings are being reduced due to higher costs, especially in energy, caused by inflation.

#### 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. The carry forward a balance of £0.782 million from 2022/23.

This estimated uncommitted aggregated balance available on the funds as at 31 March 2024 is £0.416 million. Once the de-minimus retention levels are taken into account the balance on all of the funds reduces to £0.067 million and details of this balance are attached at Appendix D.

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

- 5.1 The Council received a significant amount of grant funding from the UK / Scottish Governments for hosting Ukrainian refugees during 2022/23 and the balance of this grant is currently being held within the general fund reserve and will be drawn down through the year when required. It should be noted that all costs incurred by Council Directorates will be covered in full by this grant funding and will therefore have no impact on the projected savings / (deficits) being projected and reported.

### **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 deficit compared to budget of £0.406 million (0.16%) 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 £258.236 million. However, as reported in Section 4 there are one off savings in a number of budgets which include ring-fenced grants & contributions (£2.433 million) which cannot be used for other purposes. These adjustments reflect grant funding within Education and Lifelong Learning, (paragraph 4.2), Children, Families & Justice (paragraph 4.4), which due to accounting treatment will be carried forward into 2024/25. This means the projected deficit of £0.406 million moves to a projected increased deficit of £2.839 million and the detail of which is set out in the table below;

	<b>Saving / (Deficit) £m</b>
<b>Projected Outturn (General Fund Services)</b>	<b>(0.406)</b>
<b>Less:</b>	
Ring-fenced grant carry forward Education & Lifelong Learning, see paragraph 4.2	(1.713)
Ring-fenced grant carry forward Children, Families & Justice, see paragraph 4.4	(0.720)
<b>Adjusted 2023/24 Projected Outturn (General Fund Services)</b>	<b>(2.839)</b>

- 7.3 The position is subject to change going forward and it should be noted that there is a risk that further increased deficits will be reported once the outcome of the pay award for 2023/24 and associated funding arrangements is known.
- 7.4 Budget monitoring in the current climate of high inflation and unpredictable demand continues to be very challenging. If the final year end position was to be a deficit of £2.839 million as shown above it would be necessary to meet this from the Council's reserves on a one-off basis and this is also likely to mean additional savings having to be delivered in future years to compensate for any budget shortfalls of an ongoing nature.

## **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