

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 5 DECEMBER 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 October 2023.

1. RECOMMENDATION

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 officers are reviewing options to try to reduce the scale of the projected year end deficit; and
- III. 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 the committee 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-xii) 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-xii). 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.

This report is now based on the new management structure of the Council following the retirement of the Director of Strategic Policy, Transformation and Public Sector Reform.

There are a number of corporate budgets that cannot be allocated to individual services 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, includes provision for the 2023/24 pay awards for Chief Officers and Local Government (LG) Employees that was determined at the budget setting in March 2023. At the time of writing the pay deal for LG Employees remains to be finalised and a full calculation of the impact of this is being worked on and will be included in the next report to the 30th January 2024 Policy & Resources Committee.

4.2 Education & Lifelong Learning (ELL)

Education & Lifelong Learning are currently projecting a saving of £0.424 million (0.31%) on the adjusted revenue budget.

However, this saving includes unspent ring-fenced grant in relation to Pupil Equity Funding, Devolved School Management funds and Ukrainian funding which due to their ring-fenced nature 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		0.424
Less:		
Pupil Equity Funding	(0.514)	
Devolved School Management Scheme	(0.495)	
Ukrainian Funding	(0.200)	
Total Adjustments		(1.209)
Revised Projection		(0.785)

The main reasons for the revised projected deficit position are: property rates increase (£0.563 million) due to rateable property revaluations; ground maintenance charges (£0.065 million), pay award and consolidation of the living wage increases offset by Local Government Employee strike days, net deficit (£0.304 million). Additional costs are also being projected due to additional placements in Kingspark school (£0.180 million) and further additional costs to local authorities for placements (£0.056 million). There are also projected savings within third party payments due to PPP performance and insurance reductions (£0.500 million).

4.3 **Infrastructure & Environment**

Infrastructure & Environment are currently projecting a deficit of £2.302 million (6.10%) on the adjusted revenue budget. The main reason for this projected deficit is due to a projected shortfall of income from the MEB waste contract gainshare based on the latest information from the Contract Manager (£1.200 million). Further, MEB waste disposal costs are projected to be higher than budget (£0.360 million) and ground maintenance materials and external contract costs have increased due to inflation (£0.140 million). Additional A92 unitary charge payments projected based on actual RPI uplifts and the latest traffic volumes (£0.112 million) and structural & cyclical maintenance primarily due to inflationary increased and quantum of works required (£0.300 million).

4.4 **Children, Families & Justice**

Children, Families & Justice is currently projecting a deficit of £0.892 million (3.29%) of the adjusted revenue budget. However, this position includes unspent ring-fenced grant in relation to Looked After Children (£0.100 million), Corra Funding (£0.079 million) and Whole Family Wellbeing (£0.389 million). These grants will be carried forward automatically into financial year 2024/25. Adjusting for this results in a revised projected deficit of £1.460 million.

The main reason for this revised deficit projection is due to £0.960 million additional costs on residential / secure placements, and £0.957 million additional costs within external fostering, which is partly offset by slippage within internal fostering of £0.564 million. A deficit position is also being projected within residential placements under Continuing Care legislation (£0.176 million).

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

Human Resources, OD, Digital Enablement, IT & Business Support is currently projecting a deficit of £0.518 million (5.86%) on the adjusted revenue budget as a result of increased software licence costs within Digital Enablement & IT (£0.413 million) due to more IT services becoming cloud based and a projected income shortfall within DRU (£0.100 million).

4.6 **Legal, Governance & Change (excluding Licencing)**

Legal, Governance & Change Directorate is currently projecting a deficit of £0.005 million (0.05%) on the adjusted revenue budget. This is mainly due to a reduction in the anticipated income within Registrars (£0.019 million). These deficits are being offset by projected savings transport costs within Members Services (£0.025 million).

4.7 **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, Governance & Change budget for monitoring purposes.

Licensing is currently projecting a deficit of £0.029 million. This is due to a shortfall projected from income, based on the profile of previous years income at this time.

4.8 **Vibrant Communities & Sustainable Growth**

Vibrant Communities & Sustainable Growth is currently projecting a saving of £0.319 million (5.7%) on the adjusted revenue budget. This is mainly due to a projected savings on Private Landlord registrations (£0.085 million), Planning consultancy (£0.108 million) and Environmental & Consumer Protection service sampling costs (£0.060 million).

4.9 **Finance**

The Finance Directorate is currently projecting a saving of £0.174 million (0.05%) on the adjusted revenue budget. This is in the main due to additional income streams being anticipated within Welfare Rights and Revenues and Benefits.

4.10 **Chief Executives**

Chief Executives is currently projecting a deficit of £0.002 million (0.12%) on the adjusted revenue budget.

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 £0.335 million on the adjusted revenue budget.

The main reason for this saving position is due to £0.345 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 have been some calls on this budget to date and given wider pressures on budget and the impact of Storm Babet this budget is expected to be fully utilised by the end of the financial year.

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

4.12 **Capital Charges and Financing**

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

4.13 **Corporate Items**

Corporate items is currently projecting a deficit of £0.698 million.

The current deficit projection is mainly due to Change Programme savings which are now looking like being unachievable in 2023/24.

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 throughout 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 (LGE) and Chief Officers which reported that this is being held within Corporate Items.

Corporate items includes a £2m budget for Tayside Contracts inflationary pressures (both pay and non pay) and this is currently being projected on budget and will be allocated out at the year end once the full extent of the financial pressures in 2023/24 are confirmed.

4.14 **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 £3.256 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 £0.446 million which results in a projected overall saving for Angus IJB of £2.810 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.

4.15 **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 with a large deficit now being predicted and additional financial support to Tayside Contracts being required. This deficit position is due to the scale of non-pay inflation cost pressures on Tayside Contracts, along with the increased costs of the LGE pay award. For monitoring purposes at this time a breakeven position is projected against the budget surplus of £0.250 million. This is consistent with the treatment of the inflationary pressures budget held within Corporate Items (paragraph 4.14). which we are projecting also on budget.

4.16 **Housing Revenue Account (HRA)**

The Housing Revenue Account is currently projecting a saving of £0.941 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 £0.407 million. Early indications show this as an improving picture, however, properties were intentionally held void in the early stage of the Storm Babet response while assessments of housing need were carried out. This may reduce the impact of performance improvements.

Early indications also show a positive in the context of the projected rental income of £0.170 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. The carried forward balance was £0.782 million from 2022/23.

This estimated uncommitted aggregated balance available on the funds as at 31 March 2024 is £0.405 million. Once the de-minimus retention levels are taken into account the balance on all of the funds reduces to £0.056 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. STORM BABET

- 6.1 At the time of preparing the revenue budget monitoring projections set out in this report officers are continuing to assess the cost implications arising from Storm Babet. These potential cost implications and how they might be funded are therefore, with a couple of exceptions, not reflected in this report but will be reported to members separately in early course. It is expected that most revenue costs associated with the Storm will be covered by a claim to the Scottish Government Bellwin Scheme and Council Reserves. A separate update report on the financial implications of the Storm is being prepared for the full Council meeting on 14 December 2023.

7. PROPOSALS

- 7.1 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.

8. FINANCIAL IMPLICATIONS

- 8.1 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.
- 8.2 Members will have noted from Appendix B that an overall deficit compared to budget of £3.194 million (1.24%) is projected at this point in the financial year in respect of General Fund Services (excluding the Angus Health & Social Care Partnership budget) of £257.915. million. However, as reported in Section 4 there are one off savings in a number of budgets which include ring-fenced grants & contributions (£1.777 million) which cannot be used for other purposes. These adjustments reflect grant 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 2024/25. This means the projected deficit of £3.194 million moves to a projected increased deficit of £4.971 million the detail of which is set out in the table below.

	Saving / (Deficit) £m
Projected Outturn (General Fund Services)	(3.194)
<u>Less:</u>	
Ring-fenced grant carry forward Education & Lifelong Learning, see paragraph 4.2	(1.209)
Ring-fenced grant carry forward Children, Families & Justice, see paragraph 4.4	(0.568)
Adjusted 2023/24 Projected Outturn (General Fund Services)	(4.971)

- 8.3 A deficit such as that currently projected is unacceptable and actions to reduce that deficit will now need to be taken. Any intended actions requiring elected member approval will be brought to this committee in the next cycle.
- 8.4 The position shown in this report and its appendices is subject to change. It is likely that the deficit currently shown will rise once the outcome of the pay award for 2023/24 is fully worked through.
- 8.5 In the last revenue monitoring report to the Committee in October a projected overall deficit of £2.839 million was reported. The projected position has increased by £2.132 million due primarily to the areas set out in the table below:-

Narrative	£m
Infrastructure & Environment	
- further reduction in income from MEB waste contract, gain share	0.500
- impact of inflation on maintenance & waste disposal contract	0.500
Children, Families & Justice	
- third party payment costs of young people placements & fostering	0.550
HR, OD, DE, IT & BS	
- additional software licence costs	0.250
TOTAL	1.800

- 8.6 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 £4.971 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. The Council does not currently have sufficient uncommitted reserves to meet the deficit projected so it will be necessary to review existing commitments to address any final year end deficit which arises.

9. 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