

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 30 JANUARY 2024

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 30 November 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 that non-urgent expenditure and recruitment to vacancies is being deferred to try to reduce the scale of the projected year end deficit;
- 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 this report of £327.128 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 are 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 Directorate budget holders.**

The following paragraphs provide a brief summary commentary on the Projected Outturn for each of the Directorates 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 employee 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 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 now reflects the costs and funding associated with pay awards for all staff groups. The complex payment profile and funding mechanisms for 2023/24 pay awards and the conclusion of negotiations for some staff groups late in the financial year mean this report is the first time the full impact has been reflected in the Council's budget monitoring. For Local Government Employees (LGE) and Chief Officers the pay award costs are shown at an all Council level rather than broken down to individual services – this will be done for the next monitoring report.

4.2 Education & Lifelong Learning (ELL)

Education & Lifelong Learning are currently projecting a saving of £0.735 million (0.53%) on the adjusted revenue budget.

However, this saving includes unspent ring-fenced grant in relation to Devolved School Management funds and Ukrainian funding which due to their ring-fenced nature are carried forward automatically into financial year 2024/25. It should be noted that the previously reported Pupil Equity Fund underspend and carry forward is now being used as part of the agreed funding mechanism for the 2023/24 pay award and has been removed from ELL at this time. This reduction in available PEF funding carried forward will be made good from additional Scottish Government grant in financial year 2024/25 so there will be no detrimental impact on PEF resources available to schools. 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		0.735
Less:		
Devolved School Management Scheme	(0.620)	
Ukrainian Funding	(0.200)	
Total Adjustments		(0.820)
Revised Projection		(0.085)

The main reasons for the revised projected deficit position are: non funded pay award and consolidation of the living wage for Early Years employees, offset by Local Government Employee strike days, (net £0.433 million); increased ground maintenance charges (£0.065 million); additional costs being projected due to additional placements in Kingspark school (£0.179 million) and costs to local authorities for placements (£0.136 million). There are, however, projected savings due to PPP contractual performance and insurance reductions and overprovision for previous years' inflation impacts (£0.650 million).

4.3 **Infrastructure & Environment**

Infrastructure & Environment (I&E) are currently projecting a deficit of £2.045 million (5.19%) 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 (£1.242 million) and MEB waste disposal costs projected to be higher than budget (£0.350 million) due higher than expected inflation and waste volumes.

I&E are also projecting deficits on A92 unitary charge payments (£0.099 million) and unfunded bus contracts (£0.094 million) and various deficits across a number of other areas of the service (£0.300 million) and income shortfalls (£0.179 million). These projected deficits are however being offset by projected savings within Facilities Management property costs (£0.247 million).

4.4 **Children, Families & Justice**

Children, Families & Justice is currently projecting a deficit of £0.989 million (3.65%) of the adjusted revenue budget.

However, this position includes unspent ring-fenced grant in relation to Looked After Children, Corra Funding and Whole Family Wellbeing which due to their ring-fenced nature are carried forward into financial year 2024/25. Adjusting for these automatic carry forward elements results in a revised projected outturn position as follows:

Children, Families & Justice	£m	Projected Variance Fav /(Adv) £m
Projection per App Ciii		(0.989)
Less:		
Looked After Children	(0.056)	
Corra Funding	(0.073)	
Whole Family Wellbeing	(0.389)	
Total Adjustments		(0.518)
Revised Projection		(1.507)

The main reasons for this revised deficit projection are due to £1.328 million additional costs on residential / secure placements, and a net deficit within internal & external fostering (£0.165 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 £0.271 million (3.07%) on the adjusted revenue budget as a result of increased software licence costs across the Directorate (£0.166 million) 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 saving of £0.009 million (0.10%) on the adjusted revenue budget. This is mainly due to the projected savings in transport costs within Members Services (£0.026 million). These savings are being offset by projected reductions in the anticipated income within Registrars (£0.016 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 £0.021 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 £0.031 million (0.52%) on the adjusted revenue budget. This is mainly due to a projected saving on Private Landlord registrations (£0.093 million), Planning consultancy (£0.108 million) and Environmental & Consumer Protection service sampling costs (£0.060 million).

There is also a projected deficit in Housing Benefit income recovery from the Department of Work & Pensions (£0.072 million) and a clawback by DWP for subsidies determined as being overpaid per the audit process (£0.206 million). These clawbacks are being appealed but as things stand have been applied in the current financial year.

4.9 **Finance**

The Finance Directorate is currently projecting a saving of £0.161 million (4.10%) 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 saving of £0.020 million (1.17%) on the adjusted revenue budget as a result of additional unbudgeted income.

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 £1.355 million on the adjusted revenue budget.

The main reason for this saving position is due to £0.979 million additional employee slippage against the corporate target of £2.850 million. This is mainly due to ongoing recruitment issues being experienced across the Council and the impact of the LGE pay award for 2023/24 compounding the value of vacancies. Interest on revenue balance income is now being projected at £0.475 million more than budget due to the continued high interest rate levels the Council is earning on its temporary cash balances.

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 the 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 saving of £0.808 million. The underspend is the result of lower than expected capital expenditure advances for 2023/24 due to project slippage and some anticipated savings in interest costs as a result of lower interest rates.

4.13 **Corporate Items**

Corporate items is currently projecting a surplus of £0.724 million.

The current surplus projection is mainly due to additional funding for 2023/24 pay deals in excess of the level assumed when the budget was set in March 2023. Work to calculate the total costs and funding (including a number of strands of Scottish Government funding) for 2023/24 pay deals has recently been concluded and a saving relative to budget of £1.751 million identified.

In addition a saving of £0.4 million on the £2 million budget for Tayside Contracts inflationary pressures (both pay and non pay) is also projected based on an updated assessment of costs.

Partially offsetting these is Change Programme savings of £0.928 million which are now considered to be unachievable in 2023/24 and the previously reported savings against the corporately held rates budget now being distributed to Education & Lifelong Learning.

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.

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 £3.313 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 £0.734 million which results in a projected overall saving for Angus IJB of £2.579 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 £0.950 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 vacant 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 and anticipated income on revenue balances to be higher than budgeted. This is due to increased interest rates £0.050 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 £0.426 million. Once the de-minimis retention levels are taken into account the balance on all of the funds reduces to £0.077 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 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 was presented to Angus Council on the 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 surplus compared to budget of £0.517 million (0.2%) is projected at this point in the financial year in respect of General Fund Services (excluding the Angus Health & Social Care Partnership budget and Housing Revenue Account) of £258.169 million. However, as reported in Section 4 there are one off savings in a number of budgets which include ring-fenced grants & contributions (£1.338 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 surplus of £0.517 million moves to a projected deficit of £0.821 million and the detail of which is set out in the table below.

	Saving / (Deficit) £m
Projected Outturn (General Fund Services)	0.517
<u>Less:</u>	
Ring-fenced grant carry forward Education & Lifelong Learning, see para 4.2	(0.820)
Ring-fenced grant carry forward Children, Families & Justice, see para 4.4	(0.518)
Adjusted 2023/24 Projected Outturn (General Fund Services)	(0.821)

- 8.3 A deficit such as that currently projected, although much reduced from the previous monitoring report remains unacceptable and actions to reduce that deficit are now being taken. This mainly involves delaying some recruitment to vacant posts and deferring non-urgent expenditure in a manner which limits any negative impact on service delivery.
- 8.4 The position shown in this report and its appendices is subject to change especially as the impact of winter weather becomes evident.
- 8.5 In the last revenue monitoring report to the Committee in December a projected overall deficit of £4.971 million was reported. The projected position has now decreased by £4.150 million due primarily to the areas set out in the table below:-

Narrative	£m
Corporate Items	
- Pay award additional funding/confirmation of total costs	(1.751)
- Saving on inflation provision (Tayside Contracts)	(0.400)
- Reduction in deliverable Change Programme savings	0.234
Other Services	
- Additional Employee Slippage – mainly due to pay award	(0.634)
- Interest on Revenue Balance Income – revised projection	(0.475)
Capital Financing Charges	
- Revised projection based on latest capital expenditure projections	(0.808)
TOTAL	(3.834)

8.6 Budget monitoring in the current climate of high inflation, unpredictable demand and complex belatedly agreed pay deals continues to be very challenging. If the final year end position was to be a deficit of £0.821 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.

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