

ANGUS COUNCIL

RESOURCES & CENTRAL SERVICES COMMITTEE

9 SEPTEMBER 2004

GENERAL FUND REVENUE BUDGET –  
VIREMENT FLEXIBILITY BETWEEN 2003/04 & 2004/05

REPORT BY THE DIRECTOR OF FINANCE

**ABSTRACT**

This report details the amounts to be carried forward in departmental budgets from 2003/04 to 2004/05, under the terms of the budget virement flexibility scheme.

**1. RECOMMENDATIONS**

1.1 It is recommended that the Committee:

- (a) agree that the ring-fenced underspends for 2003/04, totalling £0.904 million set out in Section 4 of this report be carried forward in full to 2004/05;
- (b) note that a further £0.359 million i.e. excluding the £0.904 million of ring-fenced sums, will be carried forward by departments from 2003/04 to 2004/05 under the terms of the budget virement flexibility scheme.

**2. INTRODUCTION**

- 2.1 Report 525/01, approved by the Finance & IT Committee on 1<sup>st</sup> May 2001 recommended that the pilot revenue budget virement flexibility scheme, introduced for financial years 1999/00 to 2000/01, be made permanent.
- 2.2 This report details the amounts to be carried forward in departmental budgets from 2003/04 to 2004/05, under the terms of the virement flexibility scheme.

**3. MAIN FEATURES OF THE SCHEME**

- 3.1 The virement flexibility scheme allows departments to carry forward either 50% of any underspend on their controllable budget, or a set sum ceiling amount, whichever is lower. In the interests of conforming to cash limited budgeting principles, this flexibility is permitted only after it has been ensured that divisional underspends are utilised firstly to address divisional overspends within the same department.
- 3.2 Virement flexibility between financial years is a useful management tool intended to assist with the integration of strategic planning and three-year budgeting. Restrictions on this carry forward flexibility are necessary, however, to ensure that basic budget disciplines are adhered to, and that a reasonable level of General Fund balances can be maintained.
- 3.3 The ceilings on the level of budget carry forwards for each department were detailed in report 525/01, but are restated in Table A for information.

**Table A – Budget Carry Forward Ceilings**

	<b>Category 1</b>	<b>Category 2</b>	<b>Category 3</b>
	Education Social Work	Roads Cultural Services Leisure Services Planning & Transport Environmental & Consumer Protection	Chief Executive Members' Services Emergency Planning Economic Development Community Planning * Personnel Training Services Finance – General Finance – Revenues Law & Administration HQ Buildings Central Telephones * Registrars Print Unit District Courts & Licensing * Information Technology Property Services Local Offices Other Housing
<b>Carry Forward Ceiling</b>	<b>£100,000</b>	<b>£50,000</b>	<b>£30,000</b>

\* Community Planning, Central Telephones and District Courts & Licensing were not previously treated as separate budget heads for carry forward purposes, and therefore do not have a prescribed budget carry forward ceiling under the current Financial Regulations. This will be addressed in the current review of Financial Regulations.

#### **4. RING-FENCED UNDERSPENDS**

4.1 Prior to calculating the sums to be carried forward under the virement flexibility scheme, adjustments must be made to departmental underspends for items which are proposed to be carried forward at 100% on a strictly ring-fenced basis from 2003/04 to 2004/05.

##### 4.2 Education

The budget underspend for Education includes £142,000 which was part of resources received from the Scottish Executive in respect of Adult Literacy. In accordance with the Council's Financial Regulations, it is proposed that this amount be ring-fenced and carried forward to 2004/05 in full.

##### 4.3 Environmental & Consumer Protection

The budget underspend for Environmental & Consumer Protection includes £10,000 of grant funding in respect of consumer protection, received from the Scottish Executive late in the financial year. It is proposed that this sum be carried forward in full on a ring-fenced basis to 2004/05.

##### 4.4 Planning & Transport

Within the overall budget underspend for Planning & Transport, £219,000 relates to Access to the Countryside funding. It is proposed that this sum be carried forward in full to 2004/05 to ensure that full funding is provided for this initiative.

##### 4.5 Community Planning

The budget underspend for Community Planning includes £20,000 which relates to contributions received from community planning partners. It is proposed that this sum be carried forward to 2004/05 on a ring-fenced basis, to ensure that these contributions are applied in full to community planning initiatives.

#### 4.6 Personnel

The budget underspend for Personnel includes £60,000 relating to projects funded from Policy Led Budgeting, mainly due to slippage in the implementation of Job Evaluation. Members will recall Report 992/03 approved by this Committee on 4 September 2003, entitled "Policy Led Budgeting – Monitoring Period Ended 31 March 2003". Due to the small number of Policy Led Budgeting projects still ongoing, this was the last monitoring report specifically dealing with these projects, and it was agreed that the remaining projects would be dealt with under the normal revenue monitoring procedures. In line with the previously agreed treatment of Policy Led Budgeting funds, it is proposed that this £60,000 underspend be carried forward in full to 2004/05 to meet outstanding commitments on these projects.

#### 4.7 Miscellaneous Other Services

The budget underspend for Miscellaneous Other Services includes £16,000 for Investors in People. This sum is to cover the cost of departmental assessments, and it is proposed that this sum be carried forward in full to ensure that the assessments for those departments still to achieve Investors in People status are fully funded.

Also included within the underspend on Miscellaneous Other Services is £15,000 in respect of STORM risk management training. It is proposed that this sum be carried forward to 2004/05 to ensure that delivery of this training can be completed.

#### 4.8 Quality of Life

Members will recall report 189/03 to the Special Finance & IT Committee on 13 February 2003, which recommended projects to be funded from Quality of Life resources allocated to Angus Council following the Scottish Executive's Spending Review 2002. £180 million was provided nationally for the three-year period 2003/04 to 2005/06, with Angus Council being allocated a total of £3.825 million (£1.067 million in 2003/04, £1.274 million in 2004/05 and £1.484 million in 2005/06).

4.8.1 A number of departments have experienced a degree of slippage in implementing projects approved under Quality of Life, resulting in significant budget underspends. In line with the policy adopted previously with regard to ring-fenced monies provided by the Scottish Executive, it is considered appropriate that these sums be carried forward in full into 2004/05, to enable the objectives of these projects to be met.

4.8.2 Table B details the amounts which will be carried forward by each department to 2004/05 under the Quality of Life initiative.

**Table B – Quality of Life Carry Forwards 2003/04 to 2004/05**

<b>Department</b>	<b>Quality of Life Carry Forward £'000</b>
Education	179
Social Work	85
Leisure Services	10
Environmental & Consumer Protection	73
Community Planning	59
Information Technology	16
<b>Total</b>	<b>422</b>

#### 4.9 Summary Position

It is proposed that the ring-fenced amounts totalling £904,000 identified in Section 4 above be carried forward to 2004/05 in full.

## 5. VIREMENT FLEXIBILITY BETWEEN 2003/04 AND 2004/05

- 5.1 The External Audit review of the Council's annual accounts for 2003/04 has not yet been completed. However, it is not envisaged that the position will change materially from that outlined in this report. If material changes do occur these will be the subject of a further committee report.
- 5.2 The Council's draft annual accounts for 2003/04 identify a number of departmental revenue budget underspends. Under the terms of the virement flexibility scheme, departments will be permitted to carry forward 50% of this underspend, or the relevant sum shown in Table A above, whichever is lower.
- 5.3 Table C highlights the actual amounts which will be carried forward to 2004/05 for each department, under the restrictions of the scheme and excluding those proposed ring-fenced sums identified in Section 4 above.

**Table C – Budget Carry Forwards 2003/04 to 2004/05**

Department	Controllable Underspend * £ 000	50% x Underspend £ 000	Upper Limit £ 000	Carry Forward £ 000
Education <sup>1</sup>	101	51	100	<b>51</b>
Social Work	0	0	100	<b>0</b>
Roads	0	0	50	<b>0</b>
Leisure Services - Recreation	0	0	50	<b>0</b>
Leisure Services - Cultural	0	0	50	<b>0</b>
Environmental & C.P.	50	25	50	<b>25</b>
Planning & Transport	97	49	50	<b>49</b>
Chief Executive	0	0	30	<b>0</b>
Members' Services	57	29	30	<b>29</b>
Emergency Planning	0	0	30	<b>0</b>
Economic Development	0	0	30	<b>0</b>
Personnel	111	56	30	<b>30</b>
Training Services	39	20	30	<b>20</b>
Finance – General	70	35	30	<b>30</b>
Finance – Revenues	124	62	30	<b>30</b>
Law & Administration	0	0	30	<b>0</b>
Central Telephones	0	0	30	<b>0</b>
HQ Buildings	0	0	30	<b>0</b>
Registrars	11	6	30	<b>6</b>
District Courts & Licensing	0	0	30	<b>0</b>
Information Technology	72	36	30	<b>30</b>
Property Services	40	20	30	<b>20</b>
Local Offices	0	0	30	<b>0</b>
Other Housing	151	76	30	<b>30</b>
Trading Services ** (Leisure)	9	N/a	100	<b>9</b>
<b>TOTAL</b>				<b>359</b>

\* Excludes the ring-fenced underspends identified in Section 4.

\*\* In previous years any surplus achieved by Contract Services (now included under Trading Services) over and above that budgeted for annually was carried forward in full to the following years' budget, up to a maximum of £100,000. From 2004/05 Trading Services has been subsumed within Leisure Services and Environmental & Consumer Protection. The additional surplus of £9,000 in 2003/04 was generated by Ground Operations and Sports Services, and has therefore been allocated to Leisure Services which now has responsibility for these functions.

<sup>1</sup> It should be noted that the Education underspend reported to the Education Committee on 19 August 2004 (Report no. 882/04 and included as Item 19 on the Agenda) was £146,000, some £45,000 higher than that shown on this statement. This arises because the figure reported to the Education Committee does not take account of an adjustment for non-controllable energy and property costs amounting to some £45,000. The figures shown above represent the final position in terms of the budget to be carried forward to 2004/05.

## **6. FINANCIAL IMPLICATIONS**

The Council's draft annual accounts for 2003/04 identify a total controllable revenue budget underspend by departments of £1.755 million. The sums to be carried forward to uplift 2004/05 revenue budgets outlined in Sections 4 & 5 totals £1.263 million which will leave a balance of departmental underspends of £0.492 million available within General Fund balances.

## **7. HUMAN RIGHTS IMPLICATIONS**

There are no human rights implications resulting from this report.

## **8. CONSULTATION**

The Chief Executive and Director of Law & Administration have been consulted in the preparation of this report.

## **9. CONCLUSION**

The confirmed total budget carry forward from 2003/04 to 2004/05 of £1.263 million will provide the departments concerned with additional flexibility to meet budget pressures in financial year 2004/05 and permit the provision of ring-fenced resources for specific initiatives.

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**NOTE:** No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.