

ANGUS COUNCIL

RESOURCES & CENTRAL SERVICES COMMITTEE

20 OCTOBER 2005

GENERAL FUND REVENUE BUDGET –  
VIREMENT FLEXIBILITY BETWEEN 2004/05 & 2005/06

REPORT BY THE ACTING DIRECTOR OF FINANCE

**ABSTRACT**

This report details the amounts to be carried forward in departmental budgets from 2004/05 to 2005/06, 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 2004/05, totalling £1.833 million set out in Section 4 of this report be carried forward in full to 2005/06;
- (b) note that a further £0.303 million i.e. excluding the £1.833 million of ring-fenced sums, will be carried forward by departments from 2004/05 to 2005/06 under the terms of the budget virement flexibility scheme.
- (c) agrees that a refund of £61k be made in 2005-06 from the Asset Replacement Reserve (ARR) to the General Fund as referred to in paragraph 5.3.2.

**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 2004/05 to 2005/06, 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 are detailed in the Financial Regulations, section 2.14 and 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>	<b>Category 4</b>
	Education	Roads	Chief Executive	Information Technology
	Social Work	Leisure Services	Finance	Property Services
		Environmental & Consumer Protection	Law & Administration	Other Housing
			Planning & Transport	
<b>Limit</b>	<b>£150,000</b>	<b>£100,000</b>	<b>£75,000</b>	<b>£50,000</b>

#### **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 2004/05 to 2005/06.

##### 4.2 Education

The budget underspend for Education includes £789,000 which was various resources received from the Scottish Executive. It is proposed that this sum be carried forward in full on a ring-fenced basis to 2005/06.

##### 4.3 Roads

The budget underspend for Roads includes £128,000 of CFCR. It is proposed that this sum be carried forward in full on a ring-fenced basis to 2005/06.

##### 4.4 Planning & Transport

Within the overall budget underspend for Planning & Transport, £422,000 relates to Access to the Countryside funding £366,000 and CFCR £56,000. It is proposed that the total sum be carried forward in full to 2005/06 to ensure that full funding is provided for this initiative.

##### 4.5 Other Housing

The budget underspend within Other Housing of £114,000 relates to various Community Safety Projects. It is proposed that this sum be carried forward to 2005/06 on a ring-fenced basis.

##### 4.6 Management Development Corporate Initiative

The budget underspend on Management Development Corporate Initiative £17,000 relates to OCK and ESK. It is proposed that this sum be carried forward to 2005/06 on a ring-fenced basis.

##### 4.7 Responding to Change – Training for Customer Care

There was no spend on training for customer care within 2004-05, therefore the full £25,000 allocated for this is to be carried forward as ring-fenced into 2005-06.

##### 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 2005/06, 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 2005/06 under the Quality of Life initiative.

**Table B – Quality of Life Carry Forwards 2004/05 to 2005/06**

<b>Department</b>	<b>Quality of Life Carry Forward £'000</b>
Education	35
Social Work	148
Roads	86
Information Technology	16
Other Housing	53
<b>Total</b>	<b>338</b>

4.9 Summary Position

It is proposed that the ring-fenced amounts totalling £1.833 million identified in Section 4 above be carried forward to 2005/06 in full.

**5. VIREMENT FLEXIBILITY BETWEEN 2004/05 AND 2005/06**

5.1 The Council's draft annual accounts for 2004/05 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.

5.2 Table C highlights the actual amounts which will be carried forward to 2005/06 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 2004/05 to 2005/06**

<b>Department</b>	<b>Controllable (Over)/ Underspend * £ 000</b>	<b>50% Underspend £ 000</b>	<b>Upper Limit £ 000</b>	<b>Carry Forward £ 000</b>	
Education	46	23	150	<b>23</b>	
Social Work	3	2	150	<b>2</b>	
Roads	26	13	100	<b>13</b>	
Leisure Service	(102)	0	100	<b>0</b>	
Environmental & CP	0	0	100	<b>0</b>	
Planning & Transport	111	55	75	<b>55</b>	
Chief Executive	37	19	75	<b>10</b>	
Members' Services	62	31		<b>17</b>	
Emergency Planning	3	2		<b>1</b>	
Community Planning	16	8		<b>4</b>	
Economic Development	0	0		<b>0</b>	
Personnel	117	59		<b>32</b>	
Training Services	42	21		<b>11</b>	
Finance – General	33	17		75	<b>17</b>
Finance – Revenues	12	6		<b>6</b>	
Law & Administration	38	19		75	<b>4</b>
Central Telephones & Access	8	4	<b>4</b>		
HQ Buildings	(31)	(15)	<b>0</b>		
Registrars	26	13	<b>13</b>		
District Courts & Licensing	19	10	<b>10</b>		
Information Technology	76	38	50		<b>38</b>
Property Services	38	19	50	<b>13</b>	
Local Offices	(12)	(6)	<b>0</b>		
Other Housing	60	30	50	<b>30</b>	
<b>TOTAL</b>				<b>303</b>	

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

5.2.1 The net overspend of £102k against Leisure Services relates to non-trading activities and takes into account an overspend on repairs and maintenance outwith the general arrangements of accounting for works commissioned by Property Services. In the 2004-05 Accounts a net surplus of £336k was transferred to the Asset Replacement Reserve as provided for in Report No 539/05. This transfer of £336k took into account a marginal overspend of £41k on Leisure Services, but should properly take the £102k fully into account. Thus there should be a refund in 2005-06 of £61k from the Asset Replacement Reserve to the General Fund.

## **6. FINANCIAL IMPLICATIONS**

The sums to be carried forward to uplift 2005/06 revenue budgets outlined in Sections 4 & 5 totals £2.136 million.

## **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 2004/05 to 2005/06 of £2.136 million will provide the departments concerned with additional flexibility to meet budget pressures in financial year 2005/06 and permit the provision of ring-fenced resources for specific initiatives.

COLIN MCMAHON  
Acting Director of Finance

**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.