

Commentary on General Fund Services Revenue Budget Versus Actual

The 2019/20 budgets were set using the Council's new management structure with this consisting of eight council Services. In addition to this there were still residual items within the Services to Communities, People Directorate and the Place Directorate. However, it was necessary for work to be undertaken during the year to allocate these budgets to a variety of services. All of the residual budgets have now been allocated to the appropriate services and this report has been prepared in line with the new structure to be consistent with how the budget has been presented during 2019/20.

PART 1 – Comments on Budget Compared to Actual

Summary Commentary

Relative to the budget set Total Net Expenditure on General Fund Services was £14.4 million lower than budget. This compares to the most recent projected position of £10.2m, an increase of £4.2m. Much of this was known about or planned for during 2019/20 and in setting the 2020/21 budget as part of the Council's proactive financial management arrangements.

In broad terms variances within General Fund Services revenue budgets arose due to the following main reasons:-

- a. Savings in budget provisions for energy and non-domestic rates costs (£1.4m)
- b. Slippage in projects and works – underspends against budgets in these areas arise for a variety of reasons but non-filling of staff posts is likely to be a factor where services simply haven't had the resource to progress projects in line with expected timelines (£1.8m)
- c. Savings within Capital Charges & Financing, Corporate decision taken around delays in special repayment of debt (£1.4m)
- d. Pre-paid grants, due to technical accounting treatment are shown as savings at year end (£7m)

The savings on services budgets for 2019/20 also need to be viewed in the context of the further savings which have now been removed from Directorate budgets in 2020/21. A total of £6m of savings were implemented when the 2020/21 budget was set in February 2020. This excludes savings of £4.244m and £0.458m in relation to Angus Health and Social Care Partnership and Angus Alive, respectively.

Service Commentaries

A high level commentary on revenue budget performance for each Council service is outlined below and should be read in conjunction with Appendix A. It should be noted that through the Council's Change Programme it was agreed to manage slippage on staff costs budgets corporately so the following commentary is after removing employee slippage from services and allowing for this within Other Services where the corporate slippage budget sits.

- **Schools & Learning**

Schools & Learning (DSM and Non-DSM elements combined) returned a saving position of £7.234 million, (6% of adjusted budget). This was almost entirely due to underspends on Early Years expansion and Pupil Equity Fund (PEF) funded costs (£6.3m) and within the Devolved School Management (DSM) budgets which are managed by Head Teachers of £0.518 million. The Early Years and PEF underspends were made on costs 100% funded from Scottish Government grant which is ring-fenced for these purposes and will be carried forward and

earmarked with the Council's General Fund balance. DSM underspends are carried forward in full and are available for use by Angus schools during 2021/21. Rates rebates were received on a number of schools due to changes in rateable values.

- **Communities**

Communities ended the financial year 2019/20 under budget by £2.031 million, 8% of the adjusted budget. This was in the main due to savings within capital charges & financing. A planned special repayment of debt on the Vehicle Replacement Programme in 2019/20 has been deferred to provide funding flexibility. Some £1.2m of this saving has also been requested as a carry forward to assist the service with additional costs associated with COVID-19. There has also been an overachievement of income generated within Planning and Ground Maintenance.

- **Children, Families & Justice**

The Children, Families and Justice Service ended the financial year with a saving against budget of £0.324 million. This was mainly as a result of grant received from the Scottish Government for Looked After Children Attainment Challenge and this will be carried forward into 2020/21.

- **Infrastructure**

Infrastructure Services, £0.051 million saving. This is due to savings in the street lighting energy budget and underspends on rechargeable projects being offset against unrecoverable income on these projects.

- **Finance**

Finance ended the year with a budget saving of £0.223 million. This mainly related to additional income received within Revenues & Benefits and Welfare Rights and savings within a number of areas in supplies & services.

- **Human Resources, Digital Enablement, IT & Business Support**

Human Resources, Digital Enablement, Information Technology and Business Support has returned a deficit compared to budget of £0.517 million. This is after transferring £0.745 million of employee slippage to Other Services. There were unbudgeted Office 365 costs which were originally to be funded from the Capital budget and were transferred to revenue, as these are classed as non-enhancing and therefore revenue in nature. In addition an under recovery of recharge income from the Housing Revenue Account also arose. This has been recognised as part of the 2020/21 budget setting process and further work is to be undertaken on charges to HRA across the services.

- **Strategic Policy, Transformation and Public Sector Reform**

An overall saving against the adjusted controllable budget of £0.445 million is evident in respect of this area. The main areas of savings are within property costs (£0.224m) for the buildings used by ANGUSalive, savings within third party payments and additional grant income which will be carried forward into 2020/21.

- **Legal & Democratic**

Legal & Democratic ended the year with a budget deficit of £0.084 million. This mainly related to under recovery of income over a number of areas and budget realignment is to be undertaken as part of 2020/21 budget monitoring.

- **Other Services** – the Other Services budget holds a number of contingency and difficult to predict budgets. Actual expenditure can therefore be subject to significant variations compared to budget. An overall saving on the adjusted controllable budget of £1.119 million is evident in respect of Other Services and this was in the main due to additional corporate employee slippage (£0.317m) and a saving within the change fund due to delays within specific projects (£0.346m), this is subject to a 100% carry forward for future years. Savings on the energy efficiency budget of £0.225m has been requested for carry forward to fund a number of efficiency projects going forward. There were also a number of savings and overspends made within other services which have partially offset each other, monitoring of these areas can be difficult as some of these areas are unknown until the year end such as bad debt provision and HRA support service recharge.
- **Facilities Management** – The Facilities Management (FM) service area finished its second year returning a saving of £0.466 million. Most of this saving was projected and reported through the year as coming from property costs, energy and rates rebates and additional income from charges to the Integration Joint Board for use of Council buildings, the charge was not processed in 2018/19 and therefore we are over recovering our budgeted income target. There is also a prepaid grant from Transport Scotland for the lease payments on the Council's fleet of electric cars which will be carried forward to 2020/21. We will continue to review these savings being made and it may be possible to increase the savings targets for the agile programme in the Council's Change Programme in 2020/21 and 2021/22.
- **Corporate Items** - There are a number of budgets held centrally under corporate items until service allocations are determined, the major items in 2019/20 being pay award and energy cost provisions. Savings on these budgets held centrally that have had no call or reduced need including, energy costs £0.450 million, balance on the 2019/20 pay award & teacher's pension provision £1 million. The Angus Health and Social Care Partnership also returned previous years reserve balances to the Council of £0.545 million, these all contributed to the total saving in corporate items of £2.079 million.
- **Adult Services** - an overall saving on the controllable budget of £0.789 million is evident in respect of Adult Services. In accordance with the Integration Scheme this saving will be earmarked by the Council and held as Reserves on behalf of the Angus Integration Joint Board. This underspend is not included within the overall savings reported at the start of this appendix.

Commentary on other General Fund Corporate Budgets

- **Loan Charges** – In setting the 2019/20 capital budget the Council agreed to a continuation of a special repayment strategy to help keep future loan charges affordable (report 62/19 refers). In closing the 2019/20 accounts a saving relative to budget of £2.042 million arose on the loan charges budget. £1.000 million of this was then applied as a special repayment to reduce the Council's debt, as agreed in report 62/19. The remainder of this saving (£1.042 million) has been earmarked to be carried forward into 2020/21 for possible further use in making additional special repayments of debt.

The level of saving projected on the 2019/20 corporate loan charges budget (per report 62/19) was some £1.552 million prior to any application as a special repayment of debt, however this increased by £0.491 million as a result of a lower than anticipated Loans Fund Rate (4.33% as opposed to budget of 4.40%) and movements in the level of borrowing required.

Commentary on Housing Revenue Account Revenue Budget Versus Actual

The Housing Revenue Account (HRA) covers the costs and incomes for providing the Council's Housing services. The HRA year end position was an overall surplus of £0.295 million for the year for the reasons given below.

The main reasons for the deficit are outlined below:

- **Financing Charges** – £0.457 million lower than budgeted Loan Fund Charges as a result of a better than expected Loans Pool interest rate and lower than originally anticipated borrowing in previous years;
- **Repairs & Maintenance** - £0.447 million over budget, primarily as a result of increased expenditure in respect of change of tenancy maintenance.
- **Supervision & Management** – £0.212 million lower than budget, mainly due to vacant staff posts (£0.043 million) and lower than budgeted recharges for ACCESS services (£0.186 million);
- **Loss of Rents** – £0.070 million lower than budget, primarily as a result of higher than budgeted unlet houses (£0.501 million) while vacant properties at Timmergreens await demolition, offset by reduced use of the budget for bad debt provision (£0.528 million) and lower than expected expenditure on vacant properties (£0.043 million);
- **Income** – £0.489 million higher than budgeted income, with the main elements being better than budgeted rent receipts (£0.380 million) following the transfer of former Angus Community Care Charitable Trust (ACCCT) properties into the HRA stock during the year. Additionally, cash assets of £0.307 million were transferred the former ACCCT. This was offset by lower than expected receipts in respect of: dispersed rents & service charges (£0.198 million).
- **Capital From Current Revenue** - £0.500 million higher than budgeted – this represents the capital funding provided by the Affordable Housing Revenue Account which is funded by a transfer between the General Fund and Housing reserves.

PART 2 – Comments on Budget Compared to Last Projection

It is important to assess how accurate the Council's budget monitoring processes are. Good budget management reduces the risk of surprises at the financial year end. The narrative below compares the year end position with the last projections prepared.

Commentary against Projected Outturn (Information Report) – General Fund Services

The most recent projected outturn for 2019/20 based on February 2020 ledgers showed a projected saving against budget for General Fund services overall of £10.165 million and the actual position is higher at £14.397 million. This is an increase of £4.232 million.

Table 1

Area	February 2020 Outturn (£m)	Movement (£m)	Final 2019/20 Outturn (£m)
Council Services	9.071	4.284	13.355
Capital Financing Costs	1.094	(0.052)	1.042
Total	10.165	4.232	14.397

The projected outturn report showed a saving on capital financing charges of £1.094 million and the actual position is higher at £1.042 million, a reduction of £0.052 million due to lower interest costs.

In terms of the Services, the actual saving against budget is £4.284 million higher than anticipated.

The more significant movements when compared to the Information from May committee and the reasons for these are outlined as follows:-

- **Schools & Learning**

Schools and Learning outturn increased by £1.038 million and this is in the main due to savings on Scottish Government Grant for Early Years expansion being higher than previously predicted and a saving on PPP unitary charges due to unexpected insurance rebate and increased performance deductions.

- **Communities**

Increased the previously projected savings of £0.153 million to an actual saving of £2.031 million, a favourable movement of £1.878 million. This was mainly due to a request to carry forward circa £1.170 million to 2020/21 as a potential COVID-19 contingency derived from not proceeding with Vehicle Replacement Programme additional financing repayments in 2019/20 as initially planned. There is also a saving on the MEB contract payments due to reduced tonnages and additional revenue gain share.

- **Children, Families & Justice**

Children, Families & Justice final outturn resulted in an increased saving of £0.595 million due to Looked After Children Attainment Challenge funding which was received from Scottish Government late in the financial year and savings on fostering, kinship and adoption allowances.

- **Infrastructure**

The projected deficit in February projections of £0.128 million moved to an actual saving of £0.051 million, a favourable movement of £0.179 million. This was due to reduced expenditure on street lighting energy costs and reduced spend on rechargeable projects not previously notified.

- **Finance**

Favourable movement from previous outturn of £0.192 million. This relates to a projected deficit on supplies and services not materialising and additional income on year end recharges compared to previous estimates.

- **Human Resources, Digital Enablement, IT & Business Support**

Increased deficit of £0.445 million, due to unbudgeted Office 365 costs being reallocated as revenue from capital and number of minor variances across the service.

- **Strategic Policy, Transformation and Public Sector Reform**

Increased savings of £0.141 million were achieved due in the main to reduced spend on LEADER costs than previously estimated.

- **Legal & Democratic**

Adverse movement of £0.046 million on a previously projected deficit of £0.038 million, due to various small movements across all subjective heads.

- **Other Services** – the gross projected saving has increased by £0.373 million from previous outturn report, this is in the main due to year end adjustments (e.g. bad debt provisions) which are not know until preparing the Council’s annual accounts.
- **Facilities Management** – finished with an increased saving from that previously projected of £0.112 million mainly due to additional income from Tayside Health Board due to previous years charges not being issued.
- **Corporate Items** – ended the year with an additional saving of £0.293 million. These additional savings were due to Scottish Government grant not being required in 2019/20 and will be earmarked, allocated and utilised in 2020/21.

Commentary against Projected Outturn (Report 42/20) Housing Revenue Account

The reported projected surplus in February 2020 of £0.196 million has increased to a surplus of £0.295 million (an increase of £0.099 million). The main movements in this regard were:

- **Financing Charges** – £0.101 million increased underspend as a result of a better than expected Loans Pool interest rate;
- **Supervision & Management** – £0.161 million decreased underspend mainly in relation to vacant staff posts and the recharge for ACCESS services;
- **Loss of Rents** – £0.736 million favourable movement primarily as a result of the level of unlet houses being better than originally projected as well as not requiring to utilise the bad debt provision budget;
- **Income** - £0.059 million adverse movement in income primarily from lower than originally projected rental incomes offset by the receipt of cash assets transferred from the former ACCCT.
- **Capital From Current Revenue** - £0.500 million higher than budgeted – this represents the capital funding provided by the Affordable Housing Revenue Account which is funded by a transfer between the General Fund and Housing reserves.