

**ANGUS COUNCIL**

**ANGUS COUNCIL – 10 SEPTEMBER 2020**

**PROPOSED REVISIONS TO THE COUNCIL'S 2020/21 GENERAL FUND REVENUE BUDGET  
AND FINAL REVENUE BUDGET DOCUMENTS**

**REPORT BY THE DIRECTOR OF FINANCE**

**ABSTRACT**

This report seeks the Council's approval of proposed adjustments to the Council's 2020/21 General Fund Revenue Budget from that set in February 2020 to take account of the impact of the COVID-19 pandemic. The report also advises of the intention to publish the 2020/21 Final Revenue Budget Volume on the Council's website to provide clarity on the revised budget the Council would be working to.

**1. RECOMMENDATION(S)**

1.1 It is recommended that the Council

- (a) Notes the contents of this report and that the proposed budget revisions are a best estimate in a fast changing environment;
- (b) Notes the significant risks and uncertainties which remain for the Council's finances and the need to retain flexibility and options to respond to these;
- (c) Notes the budget assumptions affecting key partners as outlined in the report;
- (d) Notes the updated Fairer Scotland Duty Assessment at Appendix 13 and Equality Impact Assessment at Appendix 14;
- (e) Approves the key principles to proposed budget revisions set out in Section 3.3 of the report;
- (f) Approves the proposed amendments to the 2020/21 Service revenue budgets, corporate and other budgets and the assumptions these are based on as detailed in sections 4 & 5 of this report;
- (g) Approves the proposed approach to funding the remaining budget gap as detailed in section 6 of this report including the proposal to earmark a proportion of uncommitted General Fund Reserves as a specific COVID-19 contingency;
- (h) Approves the Net Expenditure Summary at Appendix 12 as the Council's revised 2020/21 General Fund Revenue Budget;
- (i) Approves the 2019/20 year-end 100% carry forward requests set out in section 4.5 and Appendix 1 of this report, in accordance with the Council's budget carry forward scheme, subject to none of these being affected by changes arising from the external audit process; and
- (j) Notes that the revised budgets set out in Appendix 12 will, where applicable, form the monitoring budget for the purposes of reporting throughout the remainder of the year to the Policy & Resources Committee.

**2. ALIGNMENT TO THE ANGUS COUNCIL PLAN AND COMMUNITY PLAN**

2.1 This report contributes to the following strategic priorities in the Angus Council Plan of We want:

- Angus to be a go-to area to do business

- To maximise inclusion and reduce inequalities
- Our communities to be strong, resilient and led by citizens
- Angus Council to be efficient and effective

The priorities of the Community Plan

- Reducing Child Poverty
- Improving Mental health and well-being
- Improving accessibility and connectivity

### 3. BACKGROUND

3.1 At the Special meeting of Angus Council on 27 February 2020 the Council approved the General Fund revenue budget estimates for financial year 2020/21, report 88/20 refers. Further to the approval of the 2020/21 revenue budget and as reported in report 174/20 to the Special Arrangements Committee on 23 June 2020 the Council needs to update and revise the revenue budget due to budget finalisation reviews and the COVID-19 pandemic, detail of which is provided in this report.

3.2 The COVID-19 pandemic has resulted in significant additional costs and a significant reduction in income for the Council which means that the 2020/21 Revenue Budget set in February is no longer deliverable and has to be adjusted to maintain a balanced position which can then be monitored and controlled. Members will appreciate that revising our budget to deal with the significance of the COVID-19 issues and the ongoing uncertainties and risks is no easy task and further adjustments to budgets may be required as the year progresses. This report seeks members agreement to a number of revisions to the 2020/21 General Fund revenue budget both at service level and in overall terms to ensure clarity and accountability and to maintain effective financial management at this challenging time. The Council is also under a legal obligation to ensure it maintains a balanced budget position.

#### 3.3 **Key Principles to Proposed Budget Revisions**

This report and its recommendations have been prepared on the basis of a number of principles which recognise the significant financial challenges the Council faces now and into the future and the huge uncertainties and risks which continue to prevail and may yet affect the Council's finances. Council is asked to endorse the following principles as part of its consideration of this report:-

- a) Our budget and use of resources should continue to support delivery of our Council Plan which itself has been updated in response to the pandemic (Report 214/20 refers).
- b) Our budget should continue to recognise the important role which the Council as a local authority must play in responding to and recovering from the pandemic including our place (along with partners) as major employers at a difficult time economically.
- c) We must adjust the 2020/21 revenue budget set in February 2020 to reflect our revised best estimates of costs and incomes.
- d) We must maintain a balanced budget position and be clear on our updated revised expenditure and how that is expected to be funded.
- e) We will not adjust the 2020/21 Band D Council Tax set in February 2020 as part of the budget revision process (only downward in-year revisions are legally possible).
- f) Unless proposed in this report no other adjustments to policies, budgets or fees and charges decisions made by the Council when it set the 2020/21 revenue budget and Council Tax on 27 February 2020 are proposed at this time.
- g) We should regard all adjustments to budgets for 2020/21 due to the COVID-19 pandemic as one-off. Any of the issues identified which are expected to continue into financial year 2021/22 should be raised as budget issues through the 2021/22 budget setting process to maintain the integrity of the existing base budget.
- h) We should address the funding gap caused by the pandemic without further diminution of our General Fund Contingency Reserve and if possible seek to reinstate that to the £4.880m agreed in February 2020.

- i) We should adopt solutions to the funding gap which recognise that our financial challenges in future years still exist, are substantial in size and are likely to be made worse by the pandemic due to ongoing negative impacts on our costs and incomes including Government Grant.
- j) We should protect our previously agreed commitment to earmarking reserves to assist with balancing future years budgets under our 3 Year Reserves Strategy (£2.5m).
- k) We should explore more fully and quickly the opportunities for service change/redesign brought about by the pandemic and build on work already started in our Change Programme to deliver better outcomes and/or make financial savings.
- l) Our financial planning should build in additional resilience to recognise the significant risks affecting the Council and key partner budgets into 2020/21 and possibly beyond.
- m) We should keep our revised budget under close review and be prepared to make further changes if required to ensure our financial sustainability. Any further changes will require member approval in accordance with budget virement rules in Financial Regulations.

#### **4. ADJUSTMENTS TO GENERAL FUND REVENUE BUDGETS - POST COUNCIL TAX SETTING, PRE COVID-19**

4.1 The Service revenue budgets for 2020/21 approved at the Special Meeting of Angus Council on 27 February 2020 require to be amended for the following matters for the purposes of preparing the 2020/21 Final Revenue Budget Volume.

##### 4.2 2020/21 Total Revenue Support Grant

Report 82/20 noted that the Council's Total Revenue Support Grant for 2020/21 had been provisionally set at £218.807 million. Finance Circular 2/2020, issued by the Scottish Government on 10 March 2020, provided further detailed information on the Council's overall 2020/21 grant total. As a result, the Council's Revenue Grant Support allocation for 2020/21 has increased by a further £2.066 million to £220.199 million. This increase arose following Stage 1 of the Scottish Government's Budget Bill and is available for use at the Council's discretion.

##### 4.3 Employer's Pension Contributions for Teachers

During the budget finalisation review officers identified an issue with increased employer's pensions contributions for teachers. On further review it was evident that the issue related to the temporary allocation of funding for the 2019/20 share of the pension increase not being dealt with correctly through the 2020/21 budget setting process. As a result the funding allocated to Schools & Learning to cover the additional costs for the increased employer contribution to teacher pensions was not sufficient. An additional allocation of £1.121 million now needs to be made to the Schools & Learning budget to cover the full costs in 2020/21. This meant that the net expenditure summary reported at that time was understated by the £1.121 million.

##### 4.4 Earmarked Grant Monies

As part of the budget finalisation review officers also re-visited the grant workings and identified that a sum of £0.165 million had been earmarked twice, meaning that the net expenditure summary had been overstated by £0.165 million.

As a result of the amendments in paragraphs 4.2 to 4.4 the use of the General Fund Reserve to balance the budget at 27 February 2020 has been re-worked. Table 1 below sets out the updated position.

**Table 1 – Use of General Fund Reserves updated position**

	£m
Use of General Fund Reserves to balance the budget @ 27 <sup>th</sup> February 2020	<b>(2.238)</b>
Additional Government Grant received (Finance Circular 2/2020)	2.066
Schools & Learning Employers Pension Contributions Costs	(1.121)
Earmarked Grant Correction	0.165
Updated use of General Fund Reserves to balance the budget	<b>(1.128)</b>

As part of the budget finalisation review and the 2019/20 Annual Account process officers undertook a further review of the General Fund Reserve to determine if there was any scope to reduce the call on General Fund Reserves. This review has concluded that £1.070 million of committed monies within the General Fund Reserve could be de-committed. The £1.070 million is made up of the following:-

- Re-determination Monies – Teachers Induction (£0.521 million) – was committed in the General Fund Workings as at March 2020 as part of the Annual Accounts process. However, officers have confirmed that Schools & Learning were given an ongoing budget uplift in 2018/19 based on an assessment of the monies that were identified in the finance circular as being held back and distributed at the year end. This means that the re-determinations did not need to be committed in the General Fund Balance when they were paid by the Scottish Government at the year-end as the funding required is now part of the base budget.
- Counselling Through Schools (£0.264 million) – was committed in the General Fund Workings as at March 2020 as part of the Annual Accounts process. However, officers have confirmed that a budget provision of £0.264 million was added to Corporate Items in the 2020/21 base budget based on assessment of the monies that were identified in the finance circular as being held back and distributed at the year end. This means that the re-determinations did not need to be committed in the General Fund Balance when they were paid by the Scottish Government at the year-end as the funding required is now part of the base budget.
- 2018/19 Re-determinations monies (£0.014 million) – is the balance of the 2018/19 re-determination monies that are still committed at March 2020. Officers have confirmed this is no longer required as a commitment.
- 2017/18 Re-determination Monies (£0.271 million) – is the balance of the 2017/18 re-determinations monies that are still committed at March 2020. Officers have confirmed this is no longer required as a commitment. The majority of this relates to funding committed for Temporary Accommodation (£0.264 million) which was transferred to the Housing Revenue Account.

These adjustments have resulted in a change to the General Fund Reserve position reported on 27 February 2020 and Table 2 below sets out the movement and Table 3 shows the updated position:-

**Table 2 – Movement on Uncommitted General Fund Reserve**

	£m
Use of General Fund Reserves to balance the budget @ 27 <sup>th</sup> February 2020	(2.238)
Less: Updated use of General Fund Reserves to balance the budget (Table 1)	(1.128)
<b>Increase in uncommitted General Fund Reserve</b>	<b>1.110</b>
<b>Add monies in General Fund Reserve which can be de-committed</b>	<b>1.070</b>
<b>Total increase in reported uncommitted General Fund Reserve</b>	<b>2.180</b>

**Table 3 – Updated Uncommitted General Fund Reserve**

	£ m
Uncommitted General Fund Reserve at 31 <sup>st</sup> March 2020 (per Annual Accounts and assuming all budget carry forwards – see Section 4.5 are approved)	1.330
Increase as per Table 2 above	2.180
<b>Adjusted Available Uncommitted General Fund Reserve at 31 March 2020</b>	<b>3.510</b>

#### 4.5 100% budget carry forwards

The Council has for many years operated a budget flexibility system which enables Services to carry forward unspent budget from one financial year to the next. This system recognises that it is not always possible to complete projects or have goods and services delivered in expected timescales to meet the end of the financial year cut-off point for budget purposes. This is a key part of the Council's financial management arrangements and provides budget flexibility across financial years which allows services to carry forward resources for specific purposes.

Thirty one 100% carry forward requests were received from Services totalling £2.590 million. The requests were reviewed by officers and have now been categorised into the following:-

Table 1 – 100% Carry Forward Requests

	£m
Approved by Angus Council 12 August, report 188/20 refers	0.150
Approved by Angus Council 16 July, report 187/20 refers	0.200
Approved by Director of Finance under Delegated Authority	0.075
Approval to be sought at meeting of Angus Council 10 September 2020	2.165
<b>Total</b>	<b>2.590</b>

The details of the carry forward requests of £2.165 million requiring approval as part of this Report are attached at Appendix 1. The position on the Council's uncommitted General Fund Reserve presented in this report assumes all of the proposals in Appendix 1 are agreed. If any were not agreed the uncommitted balance would increase.

These carry forwards are all for what Directors consider are essential works and projects, represent mostly unavoidable financial commitments which will arise during 2020/21 and provides all Services with flexibility in managing their budgets in an increasingly difficult financial environment. Section 6 of this report does however identify re-examining and potentially refusing some of these requests as a possible funding option to address the COVID-19 impact on the Council's budget.

## 5 COVID-19 IMPACTS ON 2020/21 GENERAL FUND REVENUE BUDGETS

5.1 The majority of COVID-19 impacts are in the budgets of our main services, so Service Directors were asked to identify what they considered to be necessary adjustments to their budgets due to the pandemic covering the full financial year 2020/21. This involved identifying all areas of projected increased costs, loss of income and reduced costs due to the impact that COVID-19 has had on their service. These returns have been summarised in Table 4 in paragraph 5.2 below with detailed returns being attached as appendices 2-11.

Finance officers have also identified a number of other areas where there is potential for a COVID-19 impact and have also considered how to potentially fund the budget impact for 2020/21, these are all detailed in the paragraphs below.

#### 5.2 Service Budgets

Directors have identified a number of what are being called in this report "negative budget impacts" as well as "positive budget impacts" caused by the pandemic. Negative budget impacts are those issues which mean the Council will incur additional costs or will receive less income both of which mean resources having to be found to cover these. Positive budget impacts are where cost savings or additional income is anticipated which can offset some of the negative budget impacts. The table below highlights both elements and the net impact on the Council's budget.

**Table 4 - Budget Revision Summary by Service**

Service	Negative Impact			Positive Impact		Net Impact
	Mobilisation Costs	Lost Income & Other Costs	Recovery Costs	Reduced Costs	Internal Funding/ Budget Realignment	
	£m	£m	£m	£m	£m	£m
Children, Families & Justice	0.139	0.000	0.263	(0.000)	(0.000)	<b>0.402</b>
Communities	0.192	1.122	0.049	(0.087)	(0.000)	<b>1.276</b>
Facilities Management	0.035	0.015	0.063	(0.073)	(0.000)	<b>0.040</b>
Finance	0.015	0.000	0.000	(0.015)	(0.000)	<b>0.000</b>
Human Resources, Digital Enablement, Information Technology & Business Support	0.106	0.000	0.128	(0.000)	(0.095)	<b>0.139</b>
Infrastructure	0.030	3.479	0.139	(0.012)	(0.450)	<b>3.186</b>
Legal & Democratic Services	0.000	0.048	0.000	(0.024)	(0.000)	<b>0.024</b>
Schools & Learning	1.663	0.994	3.082	(0.080)	(0.121)	<b>5.538</b>
Strategic Policy, Transformation & Public Sector Reform	0.000	0.068	0.000	(0.005)	(0.000)	<b>0.063</b>
Other Services (note 1)	0.527	0.000	0.000	(0.288)	(0.000)	<b>0.239</b>
<b>TOTAL</b>	<b>2.707</b>	<b>5.726</b>	<b>3.724</b>	<b>(0.584)</b>	<b>(0.666)</b>	<b>10.907</b>

Note 1 - this figure is £0.939m in Appendix 12 because it includes other adjustments (see para 5.3, 5.4 and 5.5 below)

The Council is being asked to approve adjustments totalling £10.907 million to the 2020/21 Service revenue budgets to reflect the issues covered in appendices 2 to 11. These are captured in Column (E) on the revised 2020/21 net expenditure summary attached as Appendix 12. Column (B) in Appendix 12 covers other adjustments to budgets mainly the allocation of the central provisions such as pay award and deduction of confirmed Change Programme savings. These adjustments are neutral to the Net Expenditure position agreed in February. Column (D) of Appendix 12 reflects the items in Section 4 above.

### 5.3 Corporate Budgets

Finance officers have reviewed corporate budgets which are held centrally, and the following require to be considered, with the budget impact summarised in table 5 below:

- **Provision for Additional Burdens**

This budget sits within Other Services and is currently £0.500 million and is used as a contingency for any unexpected requirements of a revenue nature during the financial year. The Director of Finance is the budget holder for this budget. This budget provides flexibility to meet unexpected costs of a more modest nature without having to call on the Council's Reserves. It is proposed as part of the budget recast to increase this provision by £0.250 million to £0.750 million in recognition of the much higher level of risk which exists this year.

- **Interest on Revenue Balances**

An assessment of this has been undertaken using a range of year end balances and average rates and this has confirmed that there is likely to be a loss of income of £0.100 million. This is due to the reduction in interest rates the Council can earn on its temporary cash balances.

- **Loan Charges**

Further review of the capital plan for 2020/21 has resulted in expenditure originally planned for 2020/21 being pushed back into future financial years. This means the Council's capital borrowing will be less than assumed when the 2020/21 budget was set and (subject to decisions on revisions to the 2020/21 capital budget) this will result in an estimated saving within the loan charges budget of £0.600 million.

- Council Tax Reduction Scheme (CTRS)**  
 There is a high risk that CTRS claims will increase during 2020/21. As the economy moves into recession and unemployment rises more people will become eligible to claim relief on their Council Tax and this is expected to increase the charges to the CTRS budget (currently £5.490 million). It is difficult to predict the full year position in mid-August but officers consider that an allowance for increased costs of £0.750 million (approximately +14%) would be appropriate meantime. Providing CTRS for eligible claimants helps the Council with its Council Tax income targets. Additional Government funding to support additional CTRS costs has recently been announced at £25m nationally and although the Angus Council share of that is unknown a planning assumption of additional grant of £0.500 million has been made and is included in the funding section of this report.
- Council Tax – Surplus Local Tax Income and Long Term Empty Property Income**  
 There is a risk around both of these areas of the budget given the suspension of construction works and extended relief provided during lock down so it is proposed to reduce the income assumed in both of these budgets from £0.200 million and £0.250 million respectively by £0.050 million in each case.
- Tayside Contracts – Net Surplus – Angus Council Share**  
 There is a risk around Tayside Contracts not achieving the surplus budgeted for in 2020/21 and this is currently under review as part of the reconciliation work which is ongoing and detailed in paragraph 5.16 of this report. Until this work has been concluded no amendment to the budget is proposed. The surplus will be positively affected by additional cleaning being commissioned in schools but negatively impacted by a reduction in road/construction work during lockdown.
- Employee Slippage**  
 In setting the budget for 2019/20 the Council agreed to adopt a corporate approach to the management of budget slippage on employee costs which meant employee slippage budgets being held centrally rather than within each of the Services. The 2020/21 employee slippage budget could potentially be exceeded due to a slowdown in recruitment activity during lockdown, but it is considered too early in the year to safely assume that this will be the case. This budget was increased by £0.300 million to £2 million for 2020/21 through the change programme savings and at this time no amendment to this budget is proposed.

**Table 5 – Corporate Budgets**

<b>Budget Head</b>	<b>Negative Impact</b>	<b>Positive Impact</b>	<b>Net Impact</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Provision for Additional Burdens	0.250	0.000	0.250
Interest on Revenue Balances	0.100	0.000	0.100
Loan Charges	0.000	(0.600)	(0.600)
Council Tax Reduction Scheme	0.750	0.000	0.750
Surplus Local Tax Income	0.050	0.000	0.050
Long Term Empty Property Income	0.050	0.000	0.050
Tayside Contracts – Angus Share of Surplus	0.000	0.000	0.000
Employee Slippage	0.000	0.000	0.000
<b>TOTAL</b>	<b>1.200</b>	<b>(0.600)</b>	<b>0.600</b>

#### 5.4 Other Areas Impacting the Overall Budget

- **Change Programme Savings**

The Provisional Budget Volume (Report 82/20) allowed for change programme savings of £10.244 million, this figure has now reduced by £1.211 million to £9.033 million as detailed in report 208/20, to Policy and Resources Committee on 1 September 2020.

As members are aware from previous reports the Council's Change Programme savings target for 2020/21 is heavily reliant on savings being achieved by the following partner organisations:-

Angus Health & Social Care Partnership (AHSCP)	£4.244 million
ANGUSalive	£0.458 million

Both of these partners have been very severely impacted by the pandemic and significant uncertainty remains regarding their ability to achieve the targeted savings. Further comment in this regard is provided later in this report.

In the current uncertain environment and with Council staff potentially having to be redeployed on to pandemic response issues at short notice in the coming months (as witnessed recently with the outbreak in Coupar Angus) there is a high probability of further slippage on Change Programme savings delivery. With this risk in mind an allowance of £0.150 million has been included for possible further deterioration in projected savings in the budget revisions proposals in this report.

- **Council Tax Income**

The Council's collection of Council Tax is currently well behind trends in previous years in part due to the temporary suspension of formal debt recovery agreed by Council in the period April – June 2020 to support citizens affected by lockdown. It is therefore unlikely that the Council will achieve the same level of in-year collection of Council Tax in 2020/21 that would have been expected.

The key judgement is whether the collection of Council Tax income will be delayed (a cashflow issue) or not paid at all (a direct loss of income). Officers expect there to be a delay in payment compared to previous years but at this stage consider that non-collection of the income assumed when the 2020/21 budget was set will not be a significant issue financially. In reality it will be several years before the Council can properly judge the level of non-collection of the 2020/21 Council Tax because any debt unpaid at the end of this financial year will continue to be pursued into future years.

There is nevertheless a higher risk of bad debt on Council Tax income in 2020/21 caused by the wider economic circumstances, i.e. some taxpayers may have become unemployed and be unable to pay in the short term. With this risk in mind officers recommend making an allowance in the budget revisions for increased Council Tax bad debt of £0.250 million (equivalent to 0.44% of the amount due) at this point in time with this position to be kept under review. Bad debt levels are assessed annually in preparing the Council's Annual Accounts and the proposed £0.250 million adjustment will provide flexibility in doing that assessment as at 31 March 2021.

- **Fees & Charges Bad Debts**

Although the Council's income is expected to be significantly impacted by the pandemic it continues to levy fees and charges for services provided and for some services these charges are levied in arrears (after the service has been provided). There is therefore an increased risk around non-payment of Council services fees & charges due to wider economic circumstances and officers therefore recommend allowing £0.100 million in the budget revisions to recognise this increased bad debt risk. If this proves not to be required in practice the provision will be released back into the Council's General Fund Reserve for alternative use.



- **Ongoing Home Working - Health & Safety Issues**

The Council's office-based staff have for the last several months been working at home and Scottish Government guidance remains to work from home where possible. Home working staff have been impacted substantially by the lockdown, in many cases having to make do with what they had and their contribution to keeping essential public services going during this difficult period should not be under-estimated. Working at home over a prolonged (and currently indeterminate) period requires the Council to ensure that staff have a safe working environment and this covers IT equipment, furniture, etc.

A comprehensive review of health and safety issues for home workers has now been undertaken and has identified a number of issues which require to be addressed as a matter of priority. Some of the identified need will be addressed by redeploying furniture and equipment from the Council's existing offices but some new provision will also be required and it is proposed to make an allowance for these costs of £0.100 million in the budget revisions. The Council has approximately 1,600 staff working at home currently. A separate request for investment in additional IT equipment is also included in the report on revisions to the Council's 2020/21 capital budget (Report 212/20 refers). That capital investment is about productivity and enhancing agile working as well as the health and safety issue covered here.

**Table 6 – Other Areas Impacting the Budget**

<b>Budget Head</b>	<b>Negative Impact</b>	<b>Positive Impact</b>	<b>Net Impact</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Change Programme Savings	1.361		1.361
Council Tax Collection	0.250		0.250
Fees & Charges Bad Debts	0.100		0.100
Home Working – Health & Safety Issues	0.100		0.100
<b>TOTAL</b>	<b>1.811</b>	<b>0.000</b>	<b>1.811</b>

5.5 Additional Savings/Cost Avoidance

In a couple of areas officers have been reviewing the potential for savings across all of the services to determine if all potential savings that could be generated in 2020/21 have been captured. Some of these are included in Service Director returns (Appendices 2-11) but not in all cases and there is a need to ensure all potential savings are captured but without double counting these.

- **Energy Costs**

Officers have undertaken an assessment of the energy budget position and have projected that savings from the period of lockdown and potentially different use of offices for the remainder of the financial year could be between 0 and 11%. For the purposes of budget revisions a mid-point equivalent to a saving of £0.300 million has been assumed. This projection comes with a risk now that the ventilation guidance has been issued by the Scottish Government. This could impact on further savings being made within the energy budget and will therefore be kept under review.

- **Employee travel & subsistence** Officers from Finance have undertaken an assessment of the employee travel & subsistence budget position compared to previous years and have projected a saving of £0.100 million this financial year. This is over and above the projected savings noted in Service proposals in Appendices 2-11.

- **Non Domestic Rates – Council Properties**

A projected saving of £0.200 million on Council Property Non-Domestic Rates charges for 2020/21 is expected. This saving is attributable to the nationally agreed approach not to apply the planned increase the rate poundage for 2020/21.

**Table 7 – Additional Savings/Cost Avoidance**

Budget Head	Negative Impact	Positive Impact	Net Impact
	£m	£m	£m
Energy Costs	0.000	(0.300)	(0.300)
Employee Travel & Subsistence	0.000	(0.100)	(0.100)
Non-Domestic Rates – Council Properties	0.000	(0.200)	(0.200)
<b>TOTAL</b>	<b>0.000</b>	<b>(0.600)</b>	<b>(0.600)</b>

5.6 Partner Financial Impacts - Assumptions

Reports to the Special Arrangements Committee regarding the financial impact of COVID-19 have highlighted the risks and uncertainties affecting our key partners financial positions and how these could have knock on consequences for the Council. At the time of writing this report the position remains extremely uncertain and therefore high risk and the management of that risk exposure is key. For the purposes of this report and consideration of revisions to the Councils 2020/21 revenue budget the following position has been assumed.

**Angus Health & Social Care Partnership (AHSCP)**

5.7 AHSCP is funded by NHS Tayside and Angus Council and under the Integration Scheme the two funding partners share the risk of AHSCP not meeting its budget targets. Angus Council must therefore consider the financial position of AHSCP as part of its budget revision process. AHSCP are, unsurprisingly, incurring significant additional costs in response to the pandemic. Regular estimates of the financial impact are captured in Mobilisation Plans which are submitted to the Scottish Government with the latest update provided to the Angus Integration Joint Board in August. The most recent estimate of the 2020/21 full year impact of the pandemic on AHSCP is a negative budget impact of £9.7 million however this is partly covered by funding already confirmed (£2.1 million) and some costs (c£4.0 million) can be contained by the Partnership partly due to some instances of offsetting reduced spend leaving a net exposure of c£3.6 million.

5.8 The Scottish Government has previously committed to meeting all reasonable additional costs incurred by HSCPs through their Mobilisation Plans and additional funding to recognise some of these additional costs has already been provided as noted above. However there remains a risk that some of the residual costs identified by AHSCP, that are not already funded by the Scottish Government or forecast to be contained, may not be covered by additional Government funding. Based on the commitment made this risk is considered to be of low to medium likelihood and impact.

5.9 As mentioned earlier in this report a sizeable part of the 2020/21 budgeted savings in the Council's Change Programme were expected to be made by AHSCP (£4.244 million). This amount is based on AHSCP self-funding the estimated cost and demand pressures it expected to arise. Delivery of that saving to meet those cost and demand pressures is unlikely to be achieved in full due to the pandemic but this impact has been captured in the Mobilisation Plans for which Government funding is being sought.

5.10 It is also relevant to consider that should the Scottish Government not fully fund the excess cost of COVID-19, then in this scenario the IJB would report a year end overspend and would be required to consider the use of IJB reserves to offset any overspend. At the moment this is not factored into any formal reserves planning, but the IJB are aware this is a possibility. For the same reasons as this report recommends protecting the Councils Reserves the AHSCP Reserves should also be managed carefully with an eye on the future.

5.11 Although there remains significant risk and uncertainty for the Council in regard to the AHSCP position it is recommended that at this time no specific allowance be built into the budget revisions for a negative financial impact on the Council arising from the AHSCP budget in 2020/21. This view is based on:-

- the clear commitment made by the Scottish Government to providing additional financial support to HSCPs;
- the significant financial challenges Angus Council is already having to manage;
- the prudent approach to financial management which AHSCP have demonstrated to date;
- the possibility of a requirement to access IJB reserves to offset COVID-19 related overspends; and

- the recommended protection of the Council's contingency reserves and other funding measures available to the Council (see below) which could be deployed if necessary should the AHSCP position not prove to be manageable in other ways.

It is important to note the impact of COVID-19 for AHSCP will be significant beyond 2020/21.

### **ANGUSalive**

- 5.12 As previously reported ANGUSalive have been severely impacted by the pandemic and unlike most services which have since resumed almost all of ANGUSalive's services (and in particular those which generate income) remain closed. More than half of ANGUSalive's costs are paid for through fees and charges income. ANGUSalive have been successful in putting many of their staff on to the Coronavirus Job Retention Scheme (CJRS) to mitigate the financial impact on the Trust but this does not compensate in full for the lost income and as the CJRS winds down the financial burden on the Trust will grow. The Trust has already made painful decisions on staffing affecting casual as well as permanent employees.
- 5.13 Like Angus Council ANGUSalive is a major employer in Angus and provides services which communities rely on. The contribution which ANGUSalive makes to the Council's ambitions for Angus is significant. Having culture and leisure services operated through an arms-length trust is also hugely beneficial financially for the Council in relation to taxation costs avoided. Should the Trust fall into administration or have to make redundancies Angus Council would be liable for some liabilities. In short officers believe that the Council and ANGUSalive need to work together to ensure the financial sustainability of the Trust both now and in the future. A separate report (Report 224/20 which is also on this Council meeting agenda) covers these issues in more detail including aspects of ensuring ANGUSalive can be regarded as a going concern for accounting purposes.
- 5.14 Discussions are ongoing at a national level between Scottish Government and COSLA regarding support for Councils and their culture and leisure trusts for lost income due to the pandemic but those discussions are at a very early stage and there is no certainty of any additional funding from this source at the time of writing. Angus Alive do have a reasonable level of Reserves (£1.527 million at 31 March 2020) but these are expected to be called upon to some extent to support the gap in costs versus income not covered by the CJRS. Use of Reserves in this manner is not sustainable in the medium term.
- 5.15 Taking into account the unique and severe impact on ANGUSalive caused by the pandemic and the uncertainty over when their income generating services may be able to resume it is recommended that for the purposes of revisions to the budgets set in February the Council assume that the 2020/21 savings targeted from Angus Alive in the Council's Change Programme will not be achievable. This amounts to £0.458 million. It is proposed that this be a planning assumption at this stage for the purposes of assessing the Council's overall budget position and will be reviewed once more information on potential support for the culture and leisure sector is known. It is not intended that additional cash be provided at this point only that the Council has set a sum of £0.458 million aside to provide to ANGUSalive should that ultimately prove necessary. This will also help ANGUSalive in their financial planning for the months ahead. If it proves necessary in the coming months Angus Council members will be asked to approve the release of any additional funding to ANGUSalive beyond the position agreed in the February 2020 budget setting.

### **Tayside Contracts**

- 5.16 As previously reported Angus Council along with partners in Dundee City and Perth & Kinross Councils have been providing financial support to Tayside Contracts since late March to cover fixed costs and to ensure Tayside Contracts can continue to pay their staff. Tayside Contracts have also successfully applied to the Coronavirus Job Retention Scheme (CJRS) for some of their staff (those roles eligible under the CJRS) to reduce the financial impact on the Councils. At the time of writing work is ongoing to reconcile the stand-by payments made to cover fixed costs with actual costs and to allocate those final figures to the various Councils budgets which pay for Tayside Contracts services. In making their submissions of budget revisions Service Directors have made estimates of the budgetary impact from Tayside Contracts stand-by payments on a prudent basis and once the full reconciliation has been completed the expectation is that the budget impact on the Council will reduce from that shown in this report. The reconciliation will also include potential savings on school meals costs during the period of lockdown which are also still being assessed. If the figures do change this will be reflected in the next budget monitoring report to the Policy & Resources Committee.

- 5.17 The most significant impact of supporting Tayside Contracts in budgetary terms is in Infrastructure and in particular Roads services where payment of stand-by payments has eroded the purchasing power of the existing budgets to carry out the physical works to Council road, etc. assets. The proposed budget revisions in Appendix 7 for Infrastructure would offset this erosion of purchasing power allowing planned works to go ahead largely as intended based on the time available in the remainder of the financial year.

#### **Additional Government Funding**

- 5.18 The Council is in receipt of significant sums of additional funding from the Scottish Government intended to support the financial impact from the pandemic. Most of this has come through Barnett Formula "Consequential" from HM Treasury. These are a mixture of funds which are ring-fenced for specific purposes and funds which are for use at the Council's discretion. New sources of funding continue to be announced in response to emerging issues, most recently in relation to supporting additional teaching provision in schools and support for additional school cleaning and transport costs. Table 8 below reflects the latest position on additional funding which can support the issues affecting the Council's budget. Additional funding for Scottish Welfare Fund payments (£0.383m to date) is not included in Table 8 as that is ring-fenced and cannot be used to support general financial pressures in the Council's budget.

**Table 8**

	Earmarked Funding £m	Non Earmarked Funding £m	Total Funding £m
Consequential (Tranche 1 £155m)		3.372	3.372
Consequential (Tranche 2 - £49m)		1.066	1.066
Hardship Fund (£50m)		1.088	1.088
Food Fund	0.602		0.602
Frees School Meals & Food Provision to Vulnerable People	0.626		0.626
Digital Inclusion – Schools	0.076		0.076
Registrars – Weekend Opening		0.013	0.013
Council Tax Reduction Scheme (CTRS) Expected Share (to be confirmed)	0.500		0.500
<b>Safe Return to School</b>			
Additional Teachers & Support Workers – Tranche 1 (£50m)	0.708		0.708
Additional Teachers & Support Workers – Tranche 2 (£30m)	0.425		0.425
Upfront Investment (School cleaning & transport) (£20m) *	0.400		0.400
Evidence Based bid Funding (£30m)*	0.600		0.600
<b>TOTAL Additional Government Funding</b>	<b>3.937</b>	<b>5.539</b>	<b>9.476</b>

\* - the indications are that £20m and £30m nationally will be available from these two sources and an assumption has been made that Angus Council will be allocated a 2% share. There is some risk on the £30m element which is to be based on a demonstration of need but officers believe the Council can demonstrate that need from the additional costs arising in school cleaning, PPE and transport costs.

- 5.19 **Summary Position and Remaining Budget Gap**

**Table 9**

	£m	£m
Service Budgets (table 4)	10.907	
Corporate Budgets (table 5)	0.600	
Other Areas (table 6)	1.811	
Additional Savings/Cost Avoidance (table 7)	(0.600)	
ANGUS alive savings not achievable assumption	0.458	
<b>NET IMPACT ON REVENUE BUDGET</b>		<b>13.176</b>
Additional Government Funding (table 8)		(9.476)
<b>REMAINING FUNDING GAP TO BALANCE THE BUDGET</b>		<b>3.700</b>

Based on the recommendations, assumptions and estimates in this report and taking into account the known and anticipated additional Government funding it can be seen from the table above that a shortfall of £3.700 million remains. Although additional Government funding is significant and welcome it is not enough to cover the estimated impact in 2020/21 in full. Although further funding is possible the current indications are that, with the exception of an

income loss support scheme, this is unlikely and the Council must accordingly plan on the basis of what it knows. Section 6 below identifies the options for bridging the remaining funding gap.

## **6. FUNDING OPTIONS FOR BRIDGING THE GAP**

- 6.1 Bearing in mind the principles set out earlier in this report the remaining funding gap should be regarded as a one-off issue which can be addressed with one-off funding solutions. This is not to say that the financial impact of the pandemic will end on 31 March 2021 but that the focus in rebalancing the budget is addressing the position for the 2020/21 financial year in a manner which recognises future financial challenges.

Funding options can be split into:-

1. Generally acceptable / no immediate or direct impact on service delivery
2. Potentially acceptable but with some impact on service delivery
3. Fallback options – those with a bigger impact on service delivery or the Council's financial sustainability which could be deployed if necessary

### **1. Generally acceptable / no immediate impact on service delivery options**

6.2 A) Uncommitted General Fund Reserve

Table 3 in Section 4 of this report explains how an improved grant settlement after the budget was set and other adjustments has resulted in a net increase in the Council's uncommitted General Fund Reserve compared to the position assumed when the 2020/21 revenue budget was originally set in February. This along with the previously identified uncommitted Reserve per the Council's draft 2019/20 Accounts means the Council has £3.510 million available to fund the net remaining gap identified in Table 9. Although it would be preferable to be able to use those uncommitted Reserves for other priorities or to support future budget challenges and this isn't therefore an option without consequences it is a reasonable and pragmatic solution to the unprecedented financial impact of the pandemic in the absence of further Government funding support.

6.3 B) Flexibility on Early Years Ring-fenced Grant Funding

In recognition of the financial challenges facing Councils due to the pandemic Scottish Government has agreed that Councils can re-deploy ring-fenced resources provided for Early Learning & Childcare (ELC) expansion and Pupil Equity Funding to meet other cost pressures caused by COVID-19. In Angus all of the PEF funding and the majority of the ELC revenue funding has been committed with staff in post and contracts to external providers awarded. A sum of £1.293 million has however been identified as being available in the ELC revenue monies which could be applied towards the remaining funding gap without impact on ELC provision. Most of this available funding is effectively being used to support the cost of ELC supplier support payments (£0.950 million) as set out in Appendix 9 which is in line with national guidance. Use of this funding carries a risk however in relation to the capital costs of ELC expansion and using it to address the shortfall in the revenue budget means it would not be available to cover additional ELC capital costs should that prove to be required. Officers consider this risk to be acceptable on the basis that ELC revenue and capital funding is being reviewed by Scottish Government because the pandemic has delayed the legislative start date for the ELC expansion and it is generally accepted that delivery of the policy is likely to require adjustment to the previous funding awarded.

6.4 C) General Fund Contingency

Use of part of the General Fund Contingency (£4.880 million) to part fund the recruitment of additional teachers and school support staff was agreed at the Special Arrangements Committee on 23 June 2020 based on a value of £0.926 million, report 179/20 refers. Report 187/20 updated that position and the situation has since developed again with a further tranche of additional grant support being confirmed. A separate report on the budget implications for Angus schools is on the agenda for the Council meeting and provides full details (Report 218/20 refers) but in summary it is now estimated that a call on the General Fund Contingency of only £0.202m would now be required. The gap between costs and Government funding in financial year 2020/21 is included in the calculation of the net gap in Table 9 meaning the only element remaining to be funded is the cost in 2021/22. Rather than this sum being regarded as a draw down on the contingency it is recommended this be deducted from uncommitted reserves instead. This will allow the General Fund Reserve Contingency agreed in February 2020 of £4.880 million to be reinstated in full.

## 6.5 Summary

Table 10 summarises the acceptable / no immediate impact options.

**Table 10 – Summary of acceptable / no service delivery impact options**

	£m
Uncommitted General Fund Reserve (updated position)	3.510
Less Earmark for 2021/22 element of additional teachers	(0.202)
Adjusted Uncommitted General Fund Reserve	<b>3.308</b>
Flexibility on ELC Ring-fenced Grant	1.293
Total of Options	<b>4.601</b>

It will be noted from Table 10 that the total of generally acceptable / no immediate impact on service delivery options would be more than sufficient to close the remaining budget gap shown in Table 9 thereby providing a means to bring the Council's 2020/21 revenue budget back into balance. This is the approach recommended by officers and PBSG. Table 10 identifies £4.601 million of options to cover £3.700 million of a remaining funding gap, leaving a surplus of £0.901 million.

## 6.6 COVID-19 Contingency

Throughout this report mention is made of the many risks and uncertainties facing the Council in the months ahead. The situation remains so unpredictable that officers believe some further contingency funding should be set aside as part of the budget revisions in this report. Table 10 shows that there is an excess of available funding options compared to the remaining funding gap (Table 9) of £0.901 million. It is recommended that this sum be earmarked as a specific COVID-19 Contingency which can if required be drawn upon to address new issues between now and the end of the financial year. Use of this Contingency would require the prior approval of elected members. In the event the Contingency isn't required these funds can be taken into account for alternative use in setting the 2021/22 revenue budget. This contingency would be over and above the General Contingency of £4.880 million.

## 6.7 Other Options

The options in Table 10 are not the only options available and it is important that the Council is aware of and considers what other options could be pursued particularly when so much risk and uncertainty still surrounds the impact of the pandemic on the Council's services and finances for the remainder of the financial year. The options listed in paragraphs 6.8 to 6.16 below could replace some of the options in Table 10. It is also possible that some of these options could require to be adopted at a future point if significant new negative impacts on the Council's budget arise in the coming months (see Risks and Uncertainties Section below).

## **2. Options which are potentially acceptable but will have some impact on service delivery**

### 6.8 A) Review of 2019/20 proposed budget carry forward requests

As outlined in Section 4.5 some £2.590 million of 100% carry forward requests were submitted as part of the 2019/20 Annual Accounts process and in view of the urgency of some of those requests a total of £0.425 million have already been approved leaving £2.165 million still to be considered. Although many of the requests are considered by officers to be essential in nature and are required to fund specific projects and commitments a re-examination and refusal of some of these requests could be pursued as an alternative to the options in Table 10 if members considered this a better approach.

### 6.9 B) Review of General Fund Reserve Commitments

At 31 March 2020 the Council's General Fund Reserve included commitments of £35.361 million. The adjustments to some of these commitments covered in Section 4 of this report reduce this sum to £33.181 million. All of this sum has been set aside (earmarked) for specific purposes to be used either this financial year or in future. Some of these sums need to remain as they relate to ring-fenced Government policy commitments while others reflect Angus Council policy commitments. Sums earmarked could nevertheless be reviewed and de-committed as emergency measures to create additional funding to address COVID-19 impacts. This would mean using these resources now but would likely create gaps elsewhere e.g. in the capital budget or change fund or revenue budget in future years that would need to be accepted and dealt with as they arise in future. Since this option would create issues in future no estimated value has been attached to it at this stage, it does however remain a viable option which could be investigated in more detail either now or on a fallback basis later if required.

### **3. Fall-back funding options with impact onto service delivery/financial sustainability**

- 6.10 The analysis above indicates that fall-back funding options are not required to balance the revised budget. The fall-back options below are considered to have a more detrimental impact on service delivery and achievement of the Council's priorities as set out in the Council Plan. These could nevertheless be pursued either now as alternatives to other options or later in response to new risks or issues which might emerge in the months ahead. The list of options below is not exhaustive, those shown are considered to be the most palatable and practical.
- 6.11 **A) Review of 2020/21 Budget Issues & Budget Investments**  
Some £3.986 million of Budget Issues and investments were approved as part of the budget setting on 27 February 2020, report 88/20 refers. Whilst many of those were in recognition of specific budget cost pressures which will still be relevant others may have been disrupted by the pandemic and in principle could be revisited. Officers are minded that these items agreed in February should not be amended at this point in time because in the main they are still required albeit in some instances spend will have started later than planned.
- 6.12 **B) Review of Works Programme and Planned Investment within Infrastructure Service**  
Appendix 7 shows the budget issues expected to affect Infrastructure Services and within that the most significant impact is from payment of stand-by payments to Tayside Contracts. Payment of these stand-by payments has used up a large proportion of the 2020/21 available budget for road maintenance and the Director has identified a need to compensate for this impact if the same programme of maintenance works as was planned is to go ahead. While it would have a very significant impact of planned works the Council could chose, as a funding option, not to recognise the impact of the stand-by payments thereby reducing the identified funding gap. There are two components to this proposal as outlined in Appendix 7 - £2.091 million from re-purposing other budgets and cancelling other works and £0.3 million from cancelling some of the £0.5 million additional investment agreed through the budget. Officers do not consider either of these options to be attractive and have thus included these as fall-back options.
- 6.13 **C) Temporary moratorium on any non-essential spending**  
All expenditure incurred by the Council is for the purposes of delivering services so any moratorium on spending to create an underspend in the budget would have an impact to some degree. Nevertheless, it would be possible in some areas of expenditure to defer spending or seek to avoid it completely and manage the impact. Members are reminded that savings of £55.900 million (20%) have been made in the Council's revenue budget over the last seven years with another £10.200 million targeted for 2020/21, which is being reviewed, so the scope for adopting this option is quite limited. No value has been placed on the potential savings such an option could deliver at this stage but as each month of the 2020/21 financial year goes by the scope to make savings from a moratorium reduces. It is recommended that this option not be implemented but be retained as a fall-back option.
- 6.14 **D) Temporary moratorium on non-essential recruitment**  
The Council could temporarily stop all but essential recruitment to try to generate financial savings. The scope to manage service delivery with gaps in staff is very limited given the scale of reduction in staff already made (more than 500 posts (12%) in the last seven years) and the existing challenges of remote and new ways working caused by the pandemic. The Council also already has a significant target of £2 million for staff slippage (savings from turnover and delayed recruitment) built into the 2020/21 revenue budget so any potential in-year savings beyond that are likely to be limited and very challenging to deliver in the 6 months of the financial year which remain. No estimate of potential savings from this option has been made at this stage and the value of potential saving reduces as the year progresses. It is recommended that this option not be implemented but be retained as a fall-back option.
- 6.15 **E) Voluntary Severance Review**  
The Council has over many years managed any downward movement in workforce numbers through natural turnover and service reviews (resulting in compulsory or voluntary severance in a planned and managed way). The Council has not historically sought volunteers for severance (early retirement/voluntary redundancy) on an across the board basis largely because this could be unstructured, damaging to moral and can incur sizeable upfront costs. Nevertheless, the unprecedented situation caused by the pandemic makes this an option which could be considered. Given the reductions in staff which have already taken place in

recent years, the further reductions which will happen as part of the Council's Change Programme and the workload burdens already faced by many staff it is not recommended that the Council seek expressions of interest for voluntary severance as a general policy at this time but regard this as a fall-back option should it become necessary.

6.16 F) Further use of General Fund Contingency

The Council has already agreed to use of part of this contingency for additional teaching and school staff and although this is no longer required based on the proposals elsewhere in this report in principle the contingency could be used for other purposes if required. As Director of Finance, and in view of the significant risks and uncertainties which remain due to COVID-19, I believe it would be imprudent to make further calls on the contingency at the current time. The contingency should be retained as protection against new financial issues emerging hence its inclusion as a fall-back option. The contingency at 31 March 2020 was £4.880 million.

6.17 G) Fiscal Flexibilities

At the time of writing discussions between COSLA and Scottish Government are taking place regarding other options which would give Councils additional financial flexibilities. These options do not provide additional funding but could, for example, allow the financial impact of the pandemic to be funded in different ways or spread over a longer period. These options are not yet confirmed and so remain potential fallback options at this time.

6.18 Summary

None of the fall-back options have been given estimated values at this stage because they are difficult to assess and none of them are recommended for implementation. They have been included in this report to make clear what options would need to be considered if the pandemic or any other issues create further pressures on the 2020/21 revenue budget.

## 7. FUTURE YEARS BUDGETS / RESERVES STRATEGY

7.1 At the Council Tax Setting meeting in February it was agreed that the Council would adopt a 3 Year Reserves Strategy in which the uncommitted General Fund Reserve would be used to support balancing the budget over the next 3 financial years but on a diminishing basis. A drawdown from the General Fund Reserve of £1.500 million is proposed for 2021/22 and £1.000 million for 2022/23. This report recommends maintaining that Strategy and continuing to regard the £2.500 million for future years as committed. This position could be revisited if new issues emerge but that will create even larger problems in future years.

7.2 The focus of this report is addressing the issues affecting the 2020/21 revenue budget but it is important to remember that even before COVID-19 the Council was anticipating significant financial challenges into future years caused by restrictions in funding and inflation / demand pressures. COVID-19 makes that future outlook more uncertain and, in all likelihood, more financially challenging. As far as possible the solutions to the funding gap into 2020/21 should avoid simply shifting the problem to 2021/22. The proposals in this report achieve that aim by retaining a substantial General Fund Contingency balance (£4.880 million); by maintaining the 3 year Reserves Strategy agreed in February and by identifying fall-back options which could be implemented should the position deteriorate further.

## 8. OVERALL SUMMARY & RECOMMENDATIONS

In summary, this report is asking members to consider the following:-

- Approve the £2.165 million 100% carry forward requests in Appendix 1
- Approve the service budget revisions in Appendices 2-11
- Approve the amendments proposed to the Corporate Budget Items as set out in section 5.3
- Note the other areas impacting the budget and approve the proposed amendments as set out in section 5.4
- Note the additional savings/cost avoidance and approve the proposed savings as set out in section 5.5
- Note the Council's partners financial impact assumptions and approve the proposed amendments as set out in sections 5.6 to 5.17
- Note the additional Government funding allocated to the Council as set out in section 5.18.



- Note the summary financial position and the remaining funding gap as set out in section 5.19.
- Note the funding options for bridging the gap and approve the proposals as set out in Section 6.
- Note the future years budgets/reserves strategy proposals as set out in section 7
- Approve the revised Net Expenditure Summary (Appendix 12) as the revised 2020/21 General Fund Revenue Budget

## 9. FINAL BUDGET VOLUME

- 9.1 Subject to approval of the budget revisions covered by this report, full details of the updated 2020/21 budgeted net expenditure of £295.942 million will be available within the Final Budget Volume 2020/21 at the following link:-

[https://www.angus.gov.uk/media/final\\_revenue\\_budget\\_volume\\_2020\\_21\\_pdf](https://www.angus.gov.uk/media/final_revenue_budget_volume_2020_21_pdf)

## 10. RISKS & UNCERTAINTIES

- 10.1 The environment the Council is operating in as a consequence of the pandemic is highly uncertain and carries many risks which are relevant to the consideration of this report. The table below highlights the main risks and the proposed approach to mitigating these. It must be emphasised however that the Council's ability to manage any significant financial risks which come to fruition in the coming months is increasingly limited unless further funding or other relief options are made available by Government.

Risk	Mitigation measures
Underestimation of the impact on 2020/21 budgets in this report	<p>a) Services have reviewed their budgets in detail and reviewed previous trends in making their estimates.</p> <p>b) The estimates made have been compared with other Councils for reasonableness.</p> <p>c) The strategy for dealing with the pandemic set out in this report provides financial flexibility and options should new negative impacts on budgets emerge.</p>
New unexpected negative budget impacts emerge e.g. due to localised outbreaks or lockdowns	<p>a) As per point c) above</p> <p>b) A prudent view of additional Government Grant has been taken which could offset new negative impacts</p> <p>c) A specific COVID-19 contingency is proposed to provide additional flexibility</p>
Risks affecting the AHSCP budget require Angus Council funding support	<p>a) AHSCP Reserves provide a reasonable level of initial protection from issues affecting Angus Council</p> <p>b) The Angus Council strategy for dealing with the pandemic as set out in this report provides financial flexibility and options should risks on the AHSCP budget come to fruition</p>
Risks affecting the ANGUSalve budget require Angus Council funding support	<p>a) ANGUSalve Reserves provide a reasonable level of initial protection from issues affecting Angus Council</p> <p>b) The Angus Council strategy for dealing with the pandemic as set out in this report provides financial flexibility and options should risks on the ANGUSalve budget come to fruition and this includes assuming that savings of £458,000 by ANGUSalve may not prove deliverable in practice because of the pandemic's impact on the Trust's finances</p> <p>c) Report 224/20 also proposes other support measures to manage this risk</p>
Additional government grant is less than expected	<p>a) A prudent view of additional Government Grant has been taken based on normal Angus shares</p>

	b) The balance of probabilities is for additional Government Grant to be higher than assumed in this report, e.g. if an income loss support scheme is confirmed
Future budgets are negatively impacted due to ongoing higher costs and/or reductions in income (including Government Grant)	<p>a) The strategy for dealing with the pandemic as set out in this report seeks to ensure we retain as much flexibility for future years as possible including the 3 Year Reserves Strategy and General Fund Contingency Reserve</p> <p>b) Part of the Council's recovery plan is focused on service redesign in light of the what the pandemic has shown is possible and this should result in savings in some areas</p>

## 11. FAIRER SCOTLAND DUTY UPDATE AND EQUALITY IMPACT ASSESSMENT

- 11.1 Attached as Appendices 13 and 14 are updated Fairer Scotland Duty and Equality Impact Assessments which consider the impact of the budget revisions in this report compared to the Assessment made in February. The proposals in this report do not negatively impact on the February assessment, indeed much of the additional costs the Council is having to incur are about ensuring service continuity and support to those most in need can be provided. The net increase in expenditure in this report is therefore expected to have a positive impact overall.

## 12. FINANCIAL IMPLICATIONS

- 12.1 The financial implications are as set out in this report. In summary the current best estimates of the net budgetary impact of the pandemic can be met by utilising uncommitted General Fund Reserves and available funding from ELC ring-fenced revenue grant. The recommendations in this report will provide the Council with a robust updated budget and some financial flexibility to address further issues should they arise. There is nevertheless an overall negative impact on the Council's finances compared to the position it would have been in had the pandemic not happened and that legacy will make balancing future years budgets even more difficult.

**NOTE:** The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

- Finance circulars 2/2020 and 12/2020

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### List of Appendices

- Appendix 1 – 100% Revenue Budget Carry Forward Requests
- Appendix 2-11 – Service budget recast submissions
- Appendix 12 – Revised 2020/21 Net Expenditure Summary
- Appendix 13 – Fairer Scotland Duty Update
- Appendix 14 – Equality Impact Assessment