

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 27 OCTOBER 2020

REVENUE MONITORING 2020/21 AND RENEWAL & REPAIR FUND POSITION 2020/21

REPORT BY IAN LORIMER, DIRECTOR OF FINANCE

ABSTRACT

This report provides revenue budget performance information for the Committee to consider. The report shows the latest projected year-end position for each main Council service area, gives a brief explanation of significant variances and provides an update on expenditure funded through the Council's Renewal and Repair Funds. The position within this report is based upon actual spend and income information at 31 August 2020.

1. RECOMMENDATIONS.

1.1 It is recommended that the Committee:

- i) review and scrutinise the content of this report, in particular the comments on the Financial Implications section regarding the projected year end position; and
- ii) note the Renewal and Repair fund position.

2. ALIGNMENT TO ANGUS COUNCIL PLAN / COMMUNITY PLAN

2.1 This report contributes as a whole to the Council Plan and the Community Plan.

3. BACKGROUND

3.1 At the Special Meeting of Angus Council on 27 February 2020 the Council approved the revenue budget estimates for financial year 2020/21 (Report No. 82/20 refers). Further to the approval of the 2020/21 revenue budget and as reported in 174/20 to the Special Arrangements Committee on 23 June 2020, the Council was required to update and revise the revenue budget due in the main to the COVID-19 pandemic and detail of these revisions are reported in 211/20 to Angus Council on 10 September 2020. This report highlighted to members that revising the budget to deal with the significance of the COVID-19 issues and the ongoing uncertainties and risks was no easy task and further adjustments to the budget may be required as the year progresses. Full details of the 2020/21 budgeted net expenditure of £290.474 million are available within the Final Budget Volume 2020/21 at the following link:

https://www.angus.gov.uk/media/final_revenue_budget_volume_2020_21

The latest revenue budget performance position for the Council is outlined in section 4 of this report.

Appendix A sets out a reconciliation between the 2020/21 Final Budget Volume net expenditure of £290.474 million and the net Monitoring budget being reported in this committee report of £294.134 million.

3.2 Budgetary Control

The responsibilities of budget holders for revenue budget monitoring are set out in Section 3 of the Council's Financial Regulations. Actual expenditure and income is reviewed on a monthly basis by budget holders supported by Finance service employees. Regular review of budget performance by officers and members throughout the year is essential for the early identification, reporting and addressing of variances from the set budget.

4. CURRENT POSITION

4.1 Budget Performance

A summary of the All Council Revised Budget and Projected Outturn is attached at **Appendix B** for the Committee to review. This provides the detail of the 2020/21 Revised Net Budget, Projected Outturn and Projected Variance for all Council services.

Appendix C (i-xii) provides a breakdown of the monitoring information by Service along with a brief narrative on the main reasons for variances. **If members require additional explanation these should be sought from the Director of Finance in the first instance prior to the Committee meeting in order that liaison can be undertaken with Services budget holders.**

The following paragraphs provide summary commentary on the Projected Outturn for each of the Services for the figures presented at Appendix C (i-xii). During 2019/20 there was a change in the monitoring presentation in respect of employee slippage and this will continue for 2020/21. It should therefore be noted that, although projected slippage savings / deficits remain within the Services projected outturns within their monitoring on Integra, these have been removed in Appendix C. The slippage savings / deficits are reported against the corporate slippage budget held within Other Services, paragraph 4.10. This presentational change continues to identify projected outturn deficits within some services where in the previous reports the deficits were being masked by employee slippage.

As part of the revisions to the Revenue Budget for 2020/21, report 211/20, there were a number of corporate savings projected for energy, property maintenance and travel. At this time these can not be allocated to individual services and are being reported as part of Other Services monitoring. As you see in paragraph 4.10 below this is identifying a deficit within Other Services. Compensating projected savings are being identified in Service budgets and this will continue to be monitored through the year and reported as soon as it is identified if these savings are not going to materialise.

4.2 Schools & Learning

Schools & Learning are currently projecting a saving of £0.642 million (0.49%) on the adjusted revenue budget.

This saving however includes the following which will be carried forward automatically into financial year 2021/22:

Pupil Equity Funding (PEF) £0.710 million – this element is funded by specific government grant. The accounting treatment of such grants means that any saving resulting from unutilised grant, carries forward automatically at the year-end for use in the following year for the original purpose. This arises as the grant is provided on the basis of academic years rather than financial years. The carry forward is therefore required to fund expenditure in the early part of the next financial year.

Devolved School Management (DSM) £0.080 million – the terms of the DSM scheme give schools the flexibility to carry forward any planned saving or deficit into the following financial year.

These carry forward elements distort the actual underlying position of Schools & Learning as reported in Appendix Ci. Adjusting for these automatic carry forward elements results in a revised projected outturn position as follows:

Schools & Learning	£m	Projected Variance Fav / (Adv) £m
Projection per App Ci		0.642
Less Pupil Equity Funding	(0.710)	
Less Devolved School Management Scheme	<u>(0.080)</u>	
Total Adjustments		(0.790)
Revised Projection		(0.148)

The main reason for the revised projected deficit is due to higher than anticipated teacher salary costs within Secondary.

4.3 **Communities**

Communities is currently projecting a deficit of £0.117 million (0.5%) on the adjusted revenue budget. It is anticipated that there will be a deficit in Supplies and Services (£0.193 million), this is mainly (£0.148 million) due to the initial setup costs of the new Civica software contract, any deficit at year end will be covered by monies carried forward and currently placed in balances. In addition, it is projected that there will be savings within transport costs (£0.280 million) mainly from fuel as a result of services not operating during lockdown and lower fuel prices plus there will be various savings within property costs (£0.117 million). However, these savings are reduced by an anticipated reduction in income over a number of areas (£0.238 million) and a reduction in Housing Benefit overpayment recovery (£0.110 million).

4.4 **Children, Families & Justice**

Children, Families & Justice is currently projecting a saving of £0.228 million (1.1%) on the adjusted revenue budget. This is mainly due to savings on car and volunteer mileage (£0.184 million) and lower than anticipated cost in a number of areas within third party payments (£0.067 million).

4.5 **Infrastructure**

Infrastructure is currently projecting a saving of £0.224 million (1%) on the adjusted revenue budget. This is mainly due to savings occurring on the A92 Unitary Charge payments (£0.227 million) as a result of reduced traffic volume due to COVID-19.

4.6 **Finance**

The Finance Directorate is currently projecting a saving of £0.095 million (2.3%) on the adjusted revenue budget. This is mainly due to higher than anticipated income being received.

4.7 **Human Resources, Digital Enablement, Information Technology & Business Support**

Human Resource, Digital Enablement, Information Technology & Business Support is currently projecting a deficit of £0.052 million (0.8%) on the adjusted revenue budget. This is in the main due to a projected deficit in relation to additional telephone charges (£0.055 million).

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

The Strategic Policy, Transformation and Public Sector Reform service area is currently projecting a saving of £0.607 million (6.4%) on the adjusted revenue budget. This is mainly due to various savings within property costs (£0.341 million) mainly within the Cultural & Leisure Trust Client area, and higher than budgeted income being anticipated in a number of areas (£0.191 million). Further, more minor, savings are also being projected in Supplies & Services (£0.027 million) and third party payments (£0.038 million).

4.9 **Legal & Democratic**

Legal & Democratic is currently projecting a deficit of £0.215 million (8.0%) on the adjusted revenue budget. This is partly due to an anticipated deficit in areas of income due to the impact of COVID-19, as well as several historical income budgets which shall need review as part of the 2021/22 budget setting process.

4.10 **Other Services (including Joint Boards)**

Other Services covers budget headings which are corporate in nature and don't fit naturally with a particular area of service delivery. Each budget has a designated accountable manager providing oversight. The major budget items are Council Tax Reduction Scheme; Scottish Welfare Fund; Elections; Corporate Employee Slippage; Provision for Additional Burdens; Energy and Property Maintenance.

Other Services is currently projecting a deficit of £1.011 million on the adjusted revenue budget. As mentioned in paragraph 4.1 above, this is due to the estimated corporate savings budgets established as part of the revised 2020/21 budget not being allocated out. Compensating savings are being projected and reported within Service's monitoring. There is currently a projected deficit of £0.295 million against the corporate employee slippage target, £1.9 million, but it is still too early in the year to raise any cause for concern around this target not being met.

The projected outturn on the provision for additional burdens adjusted budget (£0.750 million) currently assumes breakeven.

4.11 **Facilities Management**

Facilities Management is currently projecting a deficit of £0.034 million (1.3%) on the adjusted revenue budget. This is mainly due to various deficits occurring within Property costs.

4.12 **Capital Charges and Financing**

The Capital Charges and Financing budget is currently projecting a year end outturn in line with the recast budget of £10.573 million.

4.13 **Corporate Items**

There are a number of budgets held centrally under Corporate Items and these are all currently projecting an outturn in line with budget at this time.

4.14 **Adult Services - Health & Social Care Integration Joint Board (IJB)**

Although the Integration Joint Board has responsibility for the management of its own budget resources, the Council as a provider of funds to the IJB has a significant interest in its budget performance.

Noting the impact of COVID-19 the overall projected year end position is a deficit of c£5.49m, which is largely attributable to COVID-19 implications. This figure is a very high-level estimate, based on multiple assumptions and excludes assumptions regarding further COVID-19 funding.

It should be noted there is still uncertainty regarding future funding that will be received by the IJB with respect to addressing the overall financial impact of COVID-19.

On a recurring basis the IJB is compiling its medium term financial plans, however the Partnership's ability to progress savings programmes has been seriously impaired as a result of COVID-19 and the underachievement of savings targets are noted within the current projection. These will continue to be monitored closely.

From 2018/19, Angus Council has a new risk sharing agreement with National Health Service Tayside (NHS Tayside) regarding Angus IJB's financial position (Report No. 187/18 refers). Consequently, the Council now has an interest in the overall financial position of the IJB, not just Adult Services.

The last reported position of the health element of Angus IJB is projecting a year end saving of circa £3.000 million which results in a projected overall deficit for Angus IJB of £2.490 million.

It is important to note the above figures are based on the most recently published information and projections are therefore subject to further revision.

4.15 **Housing Revenue Account (HRA)**

The Housing Revenue Account is currently projecting a saving of £0.076 million on the adjusted revenue budget. This is due to savings being identified within supervision and management where it is anticipated that costs will be lower than budgeted.

4.16 **Renewal & Repair Fund**

The Renewal & Repair Fund is made up of six separate categories: Property; Information Technology; Roads & Transportation; Parks & Cemeteries; Services to Communities/Angus Alive; and Digital Reprographics Unit.

Due to affordability constraints a decision was taken as part of the 2018/19 budget strategy not to contribute any new resources to the Renewal and Repairs funds, these funds continue to carry forward a balance from 2019/20 of £2.193 million. The position of the Renewal and Repair Fund is outlined in Appendix D.

The estimated uncommitted aggregated balance available on the funds as at 31 March 2021 is £1.580 million, once the de minimis retention levels are taken into account the balance on all funds reduces to £1.215 million and details of this are attached at Appendix D.

4.17 **Virements**

Under Financial Regulation 4.3, each Director has a delegated virement limit within each financial year that allows the transfer of budget resource from one area of the Service to another, or from Service to Service. Where a virement is in excess of these virement limits formal approval by members is required.

There are no virements to be approved at this time.

5. **FINANCIAL IMPLICATIONS**

5.1 There are no additional financial implications arising for the Council from the recommendations contained within this report that have not been explained in the body of the report. The variances against full year budgets noted in Section 4 are the subject of ongoing review.

5.2 Members will have noted from Appendix B that a surplus compared to budget of £0.367 million is projected at this point in the financial year in respect of the General Fund services net adjusted budget (excluding the Angus Health & Social Care Partnership budget) of £244.430 million, i.e. 0.15%. There are adjustments required to this total to reflect previously explained funding within Schools and Learning (paragraph 4.2) which due to accounting treatment will be carried forward into 2021/22. Detail is set out in the table below, leaving an adjusted projected deficit of £0.423 million.

	Saving / (Deficit) £m
Projected Outturn (General Fund services)	0.367
<u>Less:</u>	
100% carry forward Schools & Learning, see paragraph 4.2	(0.790)
Adjusted 2020/21 Projected Outturn (General Fund services)	(0.423)

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.

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List of Appendices:

Appendix A – Net Revenue Budget Summary

Appendix B – All Council Projected Outturn

Appendix C – Projected Outturn by Service

Appendix D – Renewal and Repair Funds