

ANGUS COUNCIL**POLICY AND RESOURCES COMMITTEE – 2 FEBRUARY 2021****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 30 November 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;
- ii) note the Renewal and Repair fund position;
- iii) approve the virements detailed in paragraph 4.17, noting that these are in the main as a result of revisions requiring to be made to the revenue budget recast position which Council approved at its meeting of 10 September 2020 (Report 211/20 refers); and
- iv) agree that the additional funding support allocated to the Council from the Scottish Government's Loss of Income Scheme as detailed in paragraph 4.18 be added to the Council's COVID-19 Contingency Reserve as an interim measure prior to the Council finalising its 2021/22 revenue and capital budgets in early March 2021.

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 Report 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 was reported in Report 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 £294.734 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 continues for 2020/21. It should therefore be noted that, although projected slippage savings / deficits remain within the Services projected outturns within their monitoring on our Integra financial system, 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 cannot be allocated to individual services and are being reported as part of Other Services monitoring. As outlined 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 in this way until the end of the financial year at which point the corporate savings will be allocated to individual services based on actual savings made.

4.2 **Schools & Learning**

Schools & Learning are currently projecting a saving of £5.677 million (4.3%) on the adjusted revenue budget.

This however includes unspent ring-fenced grant in relation to Early Years Expansion and Pupil Equity Fund as well as Devolved School Management funds all of which will be carried forward automatically into financial year 2021/22. Adjusting for these carry forward elements results in a revised projected outturn position as follows:

Schools & Learning	£m	Projected Variance Fav / (Adv) £m
Projection per App Ci		5.677
Less Early Years Expansion	(3.500)	
Less Pupil Equity Funding	(0.620)	
Less Devolved School Management Scheme	<u>(0.077)</u>	
Total Adjustments		(4.197)
Revised Projection		1.480

The main reasons for the revised projected position is due to savings on Counselling Services within schools (£0.344 million), various property related costs, such as property improvements (£0.601 million), transport costs (£0.257 million) with further savings being achieved in a number of areas within supplies & services (circa. £0.510 million). However higher than

anticipated teacher salary costs within Primary and Secondary (£0.380million) have reduced these savings.

4.3 **Communities**

Communities is currently projecting a saving of £0.021 million (0.1%) on the adjusted revenue budget. However, this position includes carry forwards from 2019/20 which have not been spent in 2020/21 due to COVID related delays (£0.234 million) and these will be subject to a budget carried forward request into financial year 2021/22 in due course for members to consider. It is considered prudent for the purposes of this report to regard these future carry forward requests as commitments. This approach would result in a revised projected deficit of £0.213 million.

This is mainly due to higher than anticipated costs in a number of areas within Supplies and Services (£0.367 million) and Third Party Payments (£0.130 million). In addition, it is anticipated that there will be a reduction in income over a number of areas (£0.072 million). However, part of these deficits will be reduced by anticipated savings within transport costs (£0.239 million) and property costs (£0.117 million).

4.4 **Children, Families & Justice**

Children, Families & Justice is currently projecting a saving of £1.042 million (5.1%) on the adjusted revenue budget. However, this position includes ring-fenced unspent grant in respect of Looked After Children (£0.206million) and Mental Wellbeing (£0.053million) which will be carried forward automatically into financial year 2021/22. In addition, there is £0.149 million to be returned to the General Fund Reserve in respect of unspent budget recast monies. This arises because COVID budget uplifts agreed by Council in September 2020 are not now expected to be required to the same extent and it is appropriate that the funds from the General Fund Reserve which part funded those COVID budget uplifts is returned. Adjusting for these elements results in a revised projected saving of £0.634 million.

The main reasons for the revised projected saving is due to lower than anticipated costs in a number of areas within third party payments (£0.389 million) and transport costs (£0.204 million).

4.5 **Infrastructure**

Infrastructure is currently projecting a saving of £1.458 million (6.6%) on the adjusted revenue budget. However, this position now includes a saving in the additional budget recast provision given to accommodate Tayside Contracts standby payments during lockdown (£1.077 million) which is proposed be returned to the General Fund Reserve. When Council approved revisions to the 2020/21 Revenue Budgets in September 2020 it was noted that officers were still working to determine the final impact of stand-by payments to Tayside Contracts and that the position at the time was likely to reduce. This has now been confirmed.

A carry forward from 2019/20 for Harbour dredging (£0.046 million) is also included in this position with this now being delayed, due to COVID, until May 2021 and this will be subject to a budget carry forward request into 2021/22 in due course for members to consider. It is considered prudent for the purposes of this report to regard this future carry forward request as a commitment. This approach would result in a revised projected saving of £0.335 million.

The main reason for this position is due to savings occurring on the A92 Unitary Charge payments (£0.275 million) as a result of reduced traffic volume due to COVID-19. There is also a one-off managed saving (£0.180 million) within the third party payments which has been used to offset the loss of income due to the continued suspension of car parking charging (£0.123 million) and a reduction in statutory duties income (£0.050 million).

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

The Strategic Policy, Transformation and Public Sector Reform service area is currently projecting a saving of £0.854 million (9.6%) on the adjusted revenue budget. However, this position includes projected unspent ring-fenced No One Left Behind grant (£0.030 million) which will be carried forward automatically into financial year 2021/22. There is also a carry forward from 2019/20 which has not been fully spent in 2020/21 due to COVID related delays (£0.016 million) and this will be subject to a budget carry forward request into financial year 2021/22 in due course for members to consider. It is considered prudent for the purposes of

this report to regard this future carry forward request as a commitment. This approach would result in a revised projected saving of £0.808 million.

This revised projection is due to various savings within property costs (£0.519 million) mainly within the Cultural & Leisure Trust Client area, and higher than budgeted income being anticipated in a number of areas (£0.226 million). Further, more minor, savings are also being projected in Supplies & Services (£0.049 million).

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

Human Resource, Digital Enablement, Information Technology & Business Support is currently projecting a deficit of £0.098 million (1.54%) on the adjusted revenue budget. However, this includes £0.040 million to be returned to the General Fund Reserve in respect of unspent budget recast monies. This arises because COVID budget uplifts agreed by Council in September 2020 are not now expected to be required to the same extent and it is appropriate that the funds from the General Fund Reserve which part funded these COVID budget uplifts is returned. Adjusting for this results in a revised projected savings of £0.058 million. This is in the main due to a projected saving in relation to reduced telephone charges.

4.8 **Finance**

The Finance Directorate is currently projecting a saving of £0.163 million (3.8%) on the adjusted revenue budget. However, this position includes a carry forward from 2019/20 which has not been fully spent in 2020/21 due to COVID-19 related delays (£0.025 million) and this will be subject to a budget carry forward request into financial year 2021/22 in due course for members to consider. It is considered prudent for the purpose of this report to regard this future carry forward request as a commitment. This approach would result in a revised projected saving of £0.138 million. This saving is mainly due to higher than anticipated income being received.

4.9 **Legal & Democratic Services**

Legal & Democratic Services is currently projecting a deficit of £0.225 million (8.6%) on the adjusted revenue budget. This is due in the main to an anticipated deficit in areas of income due to the impact of COVID-19, which were not anticipated when preparing the budget revision report in September 2020. Approval is now being requested in paragraph 4.17 of this report for a £0.132 million budget uplift to reduce this impact on the Legal & Democratic Services 2020/21 budget. Adjusting for this results in a revised projected deficit of £0.093 million which is due to unrealistic historical income budgets, detailed in appendix C, which have been highlighted as budget issues, as part of the 2021/22 budget setting process. These income budgets have not been achieved by Legal & Democratic Services for some years now and, therefore, require to be adjusted so that they are more accurate and robust.

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 £0.269 million on the adjusted revenue budget. However, this position includes carry forwards from 2019/20 which have not been spent in 2020/21 (£0.044 million) and these will be subject to a budget carry forward request into financial year 2021/22 in due course for members to consider. It is considered prudent for the purpose of this report to regard this future carry forward request as committed. This approach would result in a revised projected deficit of £0.313 million.

As mentioned in paragraph 4.1 above, this position is due to the estimated corporate savings budgets established as part of the revised 2020/21 budget not being allocated out at this stage. Compensating savings are being projected and reported within Service's monitoring. The change fund is also now projecting a saving on consultancy costs of £0.135 million which will be automatically carried forward as detailed in paragraph 6.2 below. There is currently a projected deficit of £0.040 million against the corporate employee slippage target, £1.99 million.

The projected deficit is also being offset by an estimated saving on the provision for additional burdens budget (£0.375 million). The current assumption is that only half of this budget will be required but that could change depending on additional demands which arise in the period to 31 March 2021.

4.11 **Facilities Management**

Facilities Management is currently projecting a saving of £0.318 million (13.07%) on the adjusted revenue budget. However, this position includes a carry forward from 2019/20 which has not been spent in 2020/21 as a result of COVID-19 (£0.040 million). It is not yet clear whether this will be required in 2021/22 and if required will be subject to a budget carry forward request in due course for members to consider. It is considered prudent for the purposes of this report to regard this future carry forward as a commitment. This approach results in a revised projected saving of £0.278 million. This is mainly due to various savings occurring within Property costs as a result of COVID-19.

4.12 **Capital Charges and Financing**

Whilst the Capital Charges and Financing year end outturn remains in line with the recast budget of £10.573 million at this point in time, this position is currently being reassessed in terms of the option the Council has been given by the Scottish Government to apply a loan repayment holiday fiscal flexibility to ease the pressures of the COVID-19 pandemic. Despite this uncertainty in the outturn position, it will remain within the available budget of £10.573 million. The impact of this assessment will be reflected in future revenue monitoring reports.

4.13 **Corporate Items**

There are a number of budgets held centrally under Corporate Items one of which is the change programme savings target, there is a remaining balance of £0.306 million for 2020/21 which will be funded from the COVID-19 contingency, report 314/20 refers. All other areas are 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 and as the organisation responsible for ensuring the delivery of adult social work and social care services as part of the HSCP has a significant interest in its budget performance.

Noting the impact of COVID-19 the overall projected year end position is a deficit of circa £2.926m, 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.

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 £3.0 million which results in a projected breakeven position for the Angus IJB as whole.

It is important to note the above figures are based on the most recently published report with this information reflecting estimates for the whole of 2020-21 and consequently given the uncertainty re the impact of COVID 19 over the coming months, further review of the projections will be undertaken which may lead to further adjustments to Angus IJB overall position.

4.15 **Housing Revenue Account (HRA)**

The Housing Revenue Account is currently projecting a saving of £1.333 million on the adjusted revenue budget. This is mainly due to savings being identified within Repairs and Maintenance (£1.281 million) due to a delay in repairs being undertaken as a result of COVID-19. Costs are also anticipated to be lower than budgeted within Financing Charges and Supervision and Management but this is partially reduced due to anticipated Income being 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; Culture & Leisure Trust Client/ANGUSalive; 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 £1.557 million, once the de minimis retention levels are taken into account the balance on all funds reduces to £1.192 million and details of this are attached at Appendix D.

4.17 **Virements / Revisions to 2020/21 Recast Revenue Budgets**

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.

Recast budgets returned to General Fund Reserve

Members will recall that committee report 211/20, September 2020, recommended a number of changes (increases) to Services revenue budgets for 2020/21 to take account of the impact of the COVID-19 pandemic. Services have been monitoring these revised budgets and are now projecting that some of the additional budget resources provided through Report 211/20 are not now going to be required and some additional resource is now required. Report 211/20 set out how the various increases in budgets were to be funded and this required a significant drawdown from the Council's uncommitted General Fund Reserve. On this basis it is considered appropriate that budget uplifts provided through Report 211/20 which are no longer required should be removed and additional uplifts now required be provided and the balance of the freed up one-off resources be returned to the General Fund Reserve. The following virements/adjustments to recast budgets are recommended for members approval.

Service	Purpose	Reason not required	Amount £m
Children Families &	Additional mileage costs	Costs have not materialised	0.087
Children Families &	Additional residential costs	Costs are now projected to be lower than first thought.	0.062
Infrastructure	Tayside Contracts standby payments	Full reconciliation now complete and as expected the actual cost is significantly less	1.077
HR, DE, IT & BS	Retain temporary posts of Assistant HR Advisers	Post now vacant	0.040
Legal Democratic Services &	Loss of income within Registrars & Licensing Functions		(0.132)
TOTAL			1.134

4.18 **Scottish Government Loss of Income Scheme**

Confirmation was received from the Scottish Government just before Christmas of the Council's allocation from the Loss of Income Scheme. This is a national support scheme for local authorities intended to compensate them for the significant loss of income suffered due to COVID-19 restrictions. The scheme covers Councils and their Arms-Length External Organisations (ALEOs). Funding available from the Loss of Income Scheme is £90m nationally and covers only part of the losses Councils estimate that have suffered.

Angus Council's allocation from the Scheme will be £0.737 million, which includes £0.119 million related to our ANGUSalve ALEO. The £0.737 million is not included in the Service outturn figures in this report.

The budget revisions agreed in September (Report 211/20 refers), accounted for Services projected loss of income so there is no need to apply the support from the Loss of Income Scheme to Service budgets. At this time it is therefore recommended that the additional funding support allocated to the Council from the Scottish Government's Loss of Income Scheme (£0.737 million, including £0.119m earmarked for ANGUSalve) be added to the Council's COVID-19 Contingency Reserve as an interim measure prior to the Council finalising its 2021/22 revenue and capital budgets in early March 2021.

Any loss of income within Service's including ANGUSalve will continue to be monitored and if required a budget uplift can be made from this funding subject to member approval. This could be necessary for example now that we have gone into a second lock down period which may last beyond 31 January.

4.19 **Uncommitted General Fund & COVID-19 Contingency Reserves Update**

The proposals in this report will see one-off resources added to the Council's General Fund Reserve and COVID-19 Contingency Reserve. The tables below set out the movement on these Reserves from what was reported in September 2020, report 211/20 refers.

	£m
Uncommitted General Fund Reserve at September 2020 (report 211/20)	0.000
COVID-19 recast budgets returned (para 4.17 above)	1.134
COVID-19 Projected Revised Uncommitted General Fund Reserve	1.134
Adjusted 2020/21 Projected Outturn (para 5.2)	2.977
Adjusted Projected Uncommitted General Fund Reserve at 31 March 2021	4.111

	£m
COVID-19 Contingency Reserve at September 2020 (report 211/20)	0.901
Contact Centre extension of posts, report 316/20 refers	(0.172)
Change Programme Savings Target Shortfall, report 314/20 refers.	(0.306)
Loss of Income Scheme (para 4.18 above)	0.737
Adjusted Projected COVID-19 Contingency Reserve at 31 March 2021	1.161

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 £8.831 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 £245.031 million, i.e. 3.60%. There are adjustments required to this total to reflect funding within Schools and Learning, Children, Families & Justice and Strategic Policy, Transformation & Public Sector Reform (paragraphs 4.2, 4.4 and 4.6 respectively) which due to accounting treatment will be carried forward into 2021/22. An adjustment is also required to reflect previously approved policy. Detail is set out in the table below. In addition adjustments have been made regarding 2019/20 Carry Forwards that are required to be carried forward into 2021/22 due to delays in spending these as a result of COVID-19 and additional budget provision that was given as part of the budget recast exercise which has not been spent is to be returned to the General Fund Reserve, leaving an adjusted projected surplus of £2.977 million.

	Saving / (Deficit) £m
Projected Outturn (General Fund services)	8.831
<u>Less:</u>	
Ring-fenced grant carry forward Schools & Learning, see paragraph 4.2	(4.197)
Ring-fenced grant carry forward Children, Families & Justice, see paragraph 4.4	(0.259)
Ring-fenced grant carry forward Strategic Policy, Transformation & Public Sector Reform, see paragraph 4.6	(0.030)
100% carry forward - Change Fund	(0.135)
2019/20 Carry Forwards not spent in 2020/21 expected to be subject to a carry forward request to 2021/22	(0.405)
Adjusted 2020/21 Projected Outturn (pre COVID-19 recast budget adjustments) (General Fund Services)	3.805
2020/21 Recast Budget to be returned to Uncommitted General Fund Reserve (para 4.17 refers)	(1.134)
Balance of Change Programme Savings target to be funded from COVID-19 Contingency (para 4.19 refers)	0.306
Adjusted 2020/21 Projected Outturn (Post COVID-19 recast budget adjustments) (General Fund services)	2.977

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.

REPORT AUTHOR: JILL RENNIE, Team Leader (Finance)

EMAIL DETAILS: FINANCE@angus.gov.uk

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