

ANGUS COUNCIL**POLICY AND RESOURCES COMMITTEE – 9 MARCH 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 31 December 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; and
- 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 increase in 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.

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 £293.600 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 **Education & Lifelong Learning**

Education & Lifelong Learning are currently projecting a saving of £5.738 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:

Education & Lifelong Learning	£m	Projected Variance Fav / (Adv) £m
Projection per App Ci		5.738
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		1.541

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

(£0.334 million), transport costs (£0.261 million) with further savings being achieved in a number of areas within supplies & services (circa. £0.680 million) and third party payments (circa. £0.148 million). However higher than anticipated teacher salary costs within Primary and Secondary (£0.226million) have reduced these savings.

4.3 **Communities**

Communities is currently projecting a deficit of £0.044 million (0.2%) 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 (£0.194 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 £0.238 million.

This is mainly due to higher than anticipated costs in a number of areas within Supplies and Services (£0.298 million) and Third Party Payments (£0.144 million). In addition, it is anticipated that there will be a reduction in income over a number of areas (£0.119 million). However, part of these deficits will be reduced by anticipated savings within transport costs (£0.207 million) and property costs (£0.116 million).

4.4 **Children, Families & Justice**

Children, Families & Justice is currently projecting a saving of £0.942 million (4.7%) 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. This position also includes carry forwards from 2019/20 which have not been spent in 2020/21 and has been earmarked to part fund a budget issue submitted as part of the 2021/22 budget setting process (£0.049 million) and will be subject to a budget carried forward request into financial year 2021/22 in due course for members to consider. 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 Services**

Infrastructure is currently projecting a saving of £0.381 million (1.8%) on the adjusted revenue budget.

A carry forward from 2019/20 for Harbour dredging (£0.046 million) is 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).

The position on winter maintenance is currently being assessed due to the recent adverse weather conditions with an initial estimate of the potential overspend of £0.750 million being identified by officers. However, current indications are that this can be contained by a combination of headroom within the Provision for Additional Burdens budget within Other Services and the currently reported saving within the Infrastructure Directorate. Some capitalisation of costs may also be required. The position on winter maintenance (milder conditions recently) and road repairs and maintenance (large increase in emergency repairs) is very much a variable position at this point in time. A more detailed assessment of the costs and proposed means of funding for these will be reported to this committee once a final outturn position is known but in the meantime officers believe that the pressures on the budget are containable within the existing budgets available.

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 £0.831 million (9.3%) 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 £0.785 million.

This revised projection is due to various savings within property costs (£0.520 million) mainly within the Cultural & Leisure Trust Client area, and higher than budgeted income being anticipated in a number of areas (£0.231 million).

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

Human Resource, Digital Enablement, Information Technology & Business Support is currently projecting a saving of £0.040 million (0.6%) on the adjusted revenue budget. This is due to minor savings within Transport Costs and Supplies & Services.

4.8 **Finance**

The Finance Directorate is currently projecting a saving of £0.171 million (3.4%) 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 £0.146 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 £0.093 million (3.3%) on the adjusted revenue budget. This is due in the main due to several now 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 £0.165 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 £0.209 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 £0.062 million against the corporate employee slippage target, £1.993 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 £0.288 million (11.8%) 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 £0.248 million. This is mainly due to various savings occurring within Property costs as a result of COVID-19 and additional income being anticipated from Transport Scotland.

4.12 **Capital Charges and Financing**

Whilst the Capital Charges and Financing year end outturn remains in line with the recast budget of £10.473 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 £10.473 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 and we are now projecting an underspend of £0.280 million. There is £0.458 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 deficit of £0.178 million.

There is due to the energy budget provision of £0.128 million not being required in 2020/21 but will form part of the 2021/22 budget proposals. This underspend is being offset by the balance of the change programme savings target, of £0.306 million for 2020/21 which will be funded from the COVID-19 contingency, report 314/20 refers.

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 £2.756 million, 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 £2.8 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/ANGUSalve; 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 £1.611 million, once the de minimis retention levels are taken into account the balance on all funds reduces to £1.246 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. As part of this process a planning assumption was made around ANGUSalve and as per paragraph 4.13 above this will now be required in 2021/22 and not in 2020/21 and therefore the following virement is recommended, with this amount then being earmarked in the general fund reserve for use in 2021/22.

Service	Purpose	Reason not required	Amount £m
Corporate Items	ANGUSalve income generation uncertainty	Projections identifying this will be required in 2021/22 and not in 2020/21 as first anticipated.	0.458

4.18 **Scottish Government Loss of Income Scheme**

As previously reported to the Committee in February 2021 the Council will receive £0.737 million from the £90 million Loss of Income Scheme funding and it was approved that this would be added to the Council's COVID-19 Contingency Reserve, this included £0.119 million being earmarked for ANGUSalve.

Further communication was received from COSLA on 16 February 2021 to inform Councils that a total of £200 million was now being distributed for the Loss of Income Scheme in 2020/21. Angus Council's total allocation from the Scheme will now be £1.634 million, which includes the £0.737 million previously reported and an additional £0.897 million. A total of £0.265 million now relates to ANGUSalve.

It is therefore recommended that the increased funding support allocated to the Council from the Scottish Government's Loss of Income Scheme (£0.897 million, including £0.146 million

to be earmarked for ANGUSalive) be added to the Council's COVID-19 Contingency Reserve. This is in line with the assumed position set out in the reports for the Special Council meeting on 4 March 2021. Any loss of income within Services including ANGUSalive will continue to be monitored and if required a budget uplift can be made from this funding subject to member approval.

	£m
Projected COVID-19 Contingency Reserve at 31 March 2021 (report 17/21)	1.160
Additional Loss of Income Scheme (para 4.18 above)	0.897
Adjusted Projected COVID-19 Contingency Reserve at 31 March 2021	2.057

5. FINANCIAL IMPLICATIONS

- 5.1 There are no additional financial implications arising 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 £8.369 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 £243.876 million, i.e. 3.14%. There are adjustments required to this total to reflect funding within Education and Lifelong 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, leaving an adjusted projected surplus of £3.182 million.

	Saving / (Deficit) £m
Projected Outturn (General Fund services)	8.369
<u>Less:</u>	
Ring-fenced grant carry forward Education & Lifelong 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	(0.414)
Adjusted 2020/21 Projected Outturn (pre COVID-19 recast budget adjustments) (General Fund Services)	3.334
2020/21 Recast Budget to be returned and earmarked in the General Fund reserve for use in 2021/22 (para 4.17 refers)	(0.458)
Balance of Change Programme Savings target to be funded from COVID-19 Contingency	0.306
Adjusted 2020/21 Projected Outturn (Post COVID-19 recast budget adjustments) (General Fund services)	3.182

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 C – Projected Outturn by Service

Appendix B – All Council Projected Outturn
Appendix D – Renewal and Repair Funds