

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 4 MAY 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 28 February 2021.

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 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 £293.163 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 £7.093 million (5.4%) 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		7.093
Less Early Years Expansion	(4.500)	
Less Pupil Equity Funding	(0.538)	
Less Devolved School Management Scheme	(0.465)	
Total Adjustments		(5.503)
Revised Projection		1.590

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 (£0.862 million), transport costs (£0.461 million) with further savings being achieved in a number of areas within supplies & services (circa. £1.064 million) and third party payments (circa. £0.176 million). However higher than anticipated teacher salary costs within Primary and Secondary (£0.946million) have reduced these savings as has lower than anticipated income (£0.371 million).

4.3 **Communities**

Communities is currently projecting a saving of £0.350 million (1.5%) 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 (£0.256 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 surplus of £0.094 million.

This is mainly due to lower than anticipated costs in transport costs (£0.182 million) and property costs (£0.118 million). However, part of this saving will be reduced by higher than anticipated costs in a number of areas within Supplies and Services (£0.193 million).

4.4 **Children, Families & Justice**

Children, Families & Justice is currently projecting a saving of £1.491 million (7.4%) on the adjusted revenue budget. However, this position includes ring-fenced unspent grant in respect of Looked After Children (£0.284million) and Mental Wellbeing (£0.062) 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 (£0.084 million). An element of this has been earmarked to part fund a budget issue submitted as part of the 2021/22 budget setting process (£0.060 million) and the balance (£0.024 million) has not been fully spent in 2020/21 due to COVID related delays. These will be subject to budget carry forward requests 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. Adjusting for these elements results in a revised projected saving of £1.061 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 (£0.751 million), transport costs (£0.185 million) and Property Costs (£0.071 million).

4.5 **Infrastructure Services**

Infrastructure is currently projecting a deficit of £0.149 million (0.7%) 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 deficit of £0.195 million.

The main reason for this position is due to there being a potential for a deficit on winter maintenance and associated responsive maintenance of carriageways (£0.600 million). In addition to this there is a projected loss of income due to the continued suspension of car parking charging (£0.126 million). However there is a one-off managed saving (£0.180 million) within third party payments which has been used to offset the loss of income. The deficit is reduced further due to savings occurring on the A92 Unitary Charge payments (£0.300 million) as a result of reduced traffic volume due to COVID-19. There is also a further saving within Harbour dredging (£0.046 million) occurring within 2020/21 for which a carry forward will be requested as part of the year end process.

As previously reports indications were that the projected additional costs within winter maintenance could be contained by a combination of headroom within the Provision for Additional Burdens budget within Other Services and the currently reported savings within Infrastructure Services. As the projections stands £0.195 million will be required to be funded from the Provision for Additional Burdens budget which will then allow Infrastructure Services to breakeven.

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 £0.884 million (9.9%) on the adjusted revenue budget. However, this position includes projected unspent ring-fenced Skills Funding grant (£0.120 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 (£0.024 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 £0.748 million.

This revised projection is largely due to various savings within property costs (£0.529 million) mainly within the Cultural & Leisure Trust Client area, and higher than budgeted income being anticipated (£0.113 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 £0.119 million (1.8%) on the adjusted revenue budget. This is mainly due to various savings within Supplies & Services.

4.8 **Finance**

The Finance Directorate is currently projecting a saving of £0.141 million (3.3%) 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 £0.116 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 £0.062 million (2.2%) on the adjusted revenue budget. It is anticipated that income will be lower than budget as a result of the DRU seeing a major reduction in normal business (£0.094 million) and due to several now unrealistic historical income budgets (£0.074 million), detailed in appendix C, which were highlighted as budget issues, and approved 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. This deficit position has been reduced as a result of savings within Supplies and Services (£0.081 million).

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 surplus of £0.781 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 surplus of £0.737 million.

There is currently a projected saving of £0.361 million against the corporate employee slippage target, £1.993 million, and the change fund is 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 also an estimated saving on the provision for additional burdens budget (£0.679 million). As mentioned in paragraph 4.5 above the intention would be to use some of this saving to offset the currently projected deficit within Infrastructure Services due to additional costs within winter maintenance.

As mentioned in paragraph 4.1 above, this position will be reduced 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.

4.11 **Facilities Management**

Facilities Management is currently projecting a saving of £0.545 million (22.2%) on the adjusted revenue budget. However, this position includes projected unspent ring-fenced Transport Scotland grant for electric cars (£0.122 million) which will require to be carried forward into financial year 2021/22. There is also 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. Adjusting for these elements results in a revised projected saving of £0.383 million. This is mainly due to various savings occurring within Property costs as a result of COVID-19 and within supplies and services.

4.12 **Capital Charges and Financing**

Report 211/20 included a recast of the capital financing costs budget, reducing it to £10.473 million. Previous monitoring reports have also highlighted that the Loans Fund Review would be deferred whilst the use of Scottish Government fiscal flexibilities was considered. It was established through the 2021/22 budget setting process that fiscal flexibilities would not be applied at this point in time and that the loans fund review would continue to be deferred until 2021/22 (although the associated £2.0 million saving in 2020/21 would still be taken – report 76/21 refers).

The outturn on the capital financing costs for 2020/21 is £11.073m, an overspend of £0.600 million against the recast budget.

4.13 **Corporate Items**

There are a number of budgets held centrally under Corporate Items and we are now projecting a deficit of £0.177 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 saving 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 £3.126 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.

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 £3.1 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. This includes costs for Provider Support payments which are dependent on the key provider support system data intelligence for quantifying the costs. The information available is limited to actual spend on authorised claims and does not capture outstanding claims and hence there is a level of uncertainty in the financial forecast.

4.15 **Housing Revenue Account (HRA)**

The Housing Revenue Account is currently projecting a saving of £2.134 million on the adjusted revenue budget. This is mainly due to savings being identified within Repairs and Maintenance (£2.245 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 these are offset by Loss of Rents being higher than anticipated as a result of the pandemic and 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 £1.596 million, once the de minimis retention levels are taken into account the balance on all funds reduces to £1.231 million and details of this are attached at Appendix D.

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 an overall surplus compared to budget of £10.416 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 £243.484 million, i.e. 4.15%. There are adjustments required to this total to reflect funding within Education and Lifelong Learning, Children, Families & Justice, Strategic Policy, Transformation & Public Sector Reform and Facilities Management (paragraphs 4.2, 4.4, 4.6 and 4.11 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 £3.977 million.

	Saving / (Deficit) £m
Projected Outturn (General Fund services)	10.416
Less:	
Ring-fenced grant carry forward Education & Lifelong Learning, see paragraph 4.2	(5.503)
Ring-fenced grant carry forward Children, Families & Justice, see paragraph 4.4	(0.346)
Ring-fenced grant carry forward Strategic Policy, Transformation & Public Sector Reform, see paragraph 4.6	(0.120)
Ring-fenced grant carry forward Facilities Management, see paragraph 4.11	(0.122)
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	(0.519)
Adjusted 2020/21 Projected Outturn (pre COVID-19 recast budget adjustments) (General Fund Services)	3.671
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)	3.977

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.

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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