

### **Commentary on General Fund Services Revenue Budget Versus Actual**

The 2020/21 Revenue Budget was set in February 2020 prior to the COVID-19 pandemic, which has resulted in significant additional costs for the Council. This meant the Revenue Budget set in February was no longer deliverable and had to be adjusted to maintain a balanced position. Report [211/20](#) which was presented to Angus Council on 10 September 2020 reported a gross uplift to the revenue budget of £13.176 million to reflect the estimated budgetary impact of COVID-19.

As we continued through financial year 2020/21 Services monitored to this revised budget and reports were presented to the Policy & Resources Committee on a regular basis where adjustments were made to the monitoring budget to take account of areas where additional spend was being required and also where previously estimated additional spend was not materialising, e.g. Standby payments to Tayside Contracts. The Councils COVID-19 costs have accounted for circa £14 million of the total spend in 2020/21.

### **PART 1 – Comments on Budget Compared to Actual**

#### **Summary Commentary**

Relative to the budget set Total Net Expenditure on General Fund Services was £14.7 million lower than budget. This compares to the most recent projected position of £10.4 million, an increase of £4.3 million. Much of this £14.7 million was known about and/or planned for during 2020/21 and in setting the 2021/22 budget but some of it also arose after the year end due to the impact COVID-19 has had on Council services during 2020/21. The ability to provide a 'normal' range of services and generate some sources of income has not been possible.

In broad terms variances within General Fund Services revenue budgets arose due to the following main reasons:-

- a. Slippage within employee costs has returned an additional saving of £0.6m against the budgeted slippage target, mainly due to delays in recruitment due to COVID-19,
- b. Savings in budget provisions for energy and non-domestic rates costs (£1.2m),
- c. Slippage in projects and works (£6m) – underspends against budgets in these areas arise for a variety of reasons but the main reason is the impact that COVID-19 has had on some Services being able to provide their 'normal' services, either due to lockdowns and/or where services simply haven't had the resource to progress projects in line with expected timelines. A reduction in payments to third party providers who would have provided some of these services eg Tayside Contracts for School Meals is also a factor.
- d. Pre-paid grants, due to technical accounting treatment are shown as savings at year end (£6.9m),

This overall saving on services budgets for 2020/21 needs to be viewed in the context of the impact the COVID-19 pandemic has had on the ability of Service to deliver services in the normal way and also in the context of further savings which have now been removed from Directorate budgets in 2021/22. A total of £5.161 million of savings were implemented when the 2021/22 budget was set in March 2021. This includes savings of £3.696m in relation to Angus Health and Social Care Partnership.

#### **Service Commentaries**

A high level commentary on revenue budget performance for each Council service is outlined below and should be read in conjunction with Appendix A. It should be noted that through the Council's Change Programme in 2019/20, it was agreed to manage slippage on staff costs budgets corporately so the following commentary is after removing employee slippage from services and allowing for this within Other Services where the corporate slippage budget sits.

- **Education & Lifelong Learning (E&LL)**

Education & Lifelong Learning (DSM and Non-DSM elements combined) returned a saving position of £8.013 million, (0.6% of adjusted budget). This was largely due to underspends on Early Years expansion and Pupil Equity Fund (PEF) funded costs (£5.1m) and within the Devolved School Management (DSM) budgets which are managed by Head Teachers of £1.011 million. The Early Years and PEF underspends were made on costs 100% funded from Scottish Government grant which is ring-fenced for these purposes and will be carried forward and earmarked within the Council's General Fund balance. DSM underspends are carried forward in full and are available for use by Angus schools during 2021/21. E&LL also saw savings within Property costs £0.692 million, mainly in property maintenance and energy, there was also a delay in moving the temporary classrooms from Edzell to Monifieth, which will be completed in 2021/22. School meal payments to Tayside Contracts have also finished the year as a saving (£1.1 million) due to significant decline in meal numbers due to the pandemic and lockdowns.

- **Communities**

Communities ended the financial year 2020/21 under budget by £0.689 million, 2.4% of the adjusted budget. This was in the main due to additional income generated through ground maintenance external contracts (£0.339m) and additional grant funding for Humanitarian Aid Grant (£0.171m) which will be ring-fenced and subject to 100% carry forward. Savings also resulted within Property costs due to delayed works due to impact of COVID-19 within Burial Grounds and Ground Maintenance (£0.163m).

- **Children, Families & Justice**

The Children, Families and Justice Service ended the financial year with a saving against budget of £1.303 million. This was partly as a result of grant received from the Scottish Government in the main for Looked After Children Attainment Challenge which will be carried forward into 2021/22 (£0.448m); lower than expected transport costs as a result of system disruption caused by the pandemic and reduced third party payment costs following a successful retendering exercise for family support services which resulted in one-off part year savings. There was also an in year reduction in fostering and secure care expenditure.

- **Infrastructure Services**

Infrastructure Services achieved a £0.456 million saving against the adjusted budget. This is due to savings £0.092 in Arbroath Harbour dredging budget for 2020/21 and 2019/20 carry forward, £0.046 million which is subject of a carry forward request to utilise in 2021/22. A refund from the A92 PFI project for insurance costs was received after the year end, £0.392 million which again is subject to a 100% carry forward, proposal is to utilise this funding to address local road network flooding associated with the A92 and potential local roads improvements. The significant overspend on winter maintenance c. £0.450 in 2020/21 was primarily funded by an extraordinary reduction £0.310 on A92 Unitary Charge payments resultant from reduced traffic volume due to COVID-19.

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

An overall saving against the adjusted controllable budget of £1.527 million is evident in respect of this area. In the main these savings have resulted due to grant income being received for various projects within the Skills team £0.992 million which will be ear-marked and carried forward to 2021/22. Savings have been generated within property costs (£0.268m) for the buildings used

by ANGUSalive, along with various savings within third party payments and supplies & services, again largely due to the effects of the pandemic.

- **Human Resources, Digital Enablement, IT & Business Support**

Human Resources, Digital Enablement, Information Technology and Business Support has returned a small saving compared to budget of £0.024 million. This is after transferring £0.732 million of employee slippage to Other Services.

- **Finance**

Finance ended the year with a budget saving of £0.265 million. This mainly related to additional unbudgeted income received within Revenues & Benefits and Welfare Rights and savings within a number of areas in supplies & services due in part due to the pandemic.

- **Legal & Democratic Services**

Legal & Democratic ended the year with a small budget surplus of £0.002 million.

- **Other Services** – the Other Services budget holds a number of contingency and difficult to predict budgets. Actual expenditure can therefore be subject to significant variations compared to budget. An overall saving on the adjusted controllable budget of £2.176 million is evident in respect of Other Services and this was in the main due to additional corporate employee slippage (£0.670m) and a saving within the change fund due to delays within specific projects (£0.460m), this is subject to a 100% carry forward for future years. Contributing also to this savings figure was £0.650 million balance on the Provision for Additional Burdens budget, this was increased as part of the COVID-19 budget recast as a potential source of funding for unexpected/unbudgeted COVID-19 costs but due to the additional funding received from the Scottish Government was not required. A saving within centrally held property budgets has not been utilised in 2020/21 (£0.339m) contributing to the overall saving, £0.224m of this was previously carried forward from 2019/20 and will, subject to approval, be carried forward into 2020/21. There were also a number of savings and overspends made within other services which have partially offset each other, monitoring of these areas can be difficult as some of these areas are unknown until the year end such as bad debt provisions.
- **Facilities Management** – The Facilities Management (FM) service area finished its third year returning a saving of £0.348 million. Most of this saving was projected and reported through the year as coming from property costs, energy and rates in the main due to the COVID-19 impact on our building costs. There is also a prepaid grant from Transport Scotland for the lease payments on the Council's fleet of electric cars which will be carried forward to 2021/22. We will continue to review these savings being made and it should be noted that there is a savings target within the Change Programme in 2021/22 of £0.148 million for the Agile/Estates project, these savings will be taken from the FM budgets in 2021/22.
- **Corporate Items** - There are a number of budgets held centrally under corporate items until service allocations are determined and these have resulted in a saving of £0.093 million. This was from a budget held for energy costs, this budget has now been used as part of the 2021/22 budget strategy.
- **Adult Services** - an overall saving on the controllable budget of £1.199 million is evident in respect of Adult Services. This is made up of £1.6m ring fenced COVID-19 monies and £0.4 m deficit in services. In accordance with the Integration Scheme this saving will be earmarked by

the Council and held as Reserves on behalf of the Angus Integration Joint Board. This underspend is not included within the overall savings reported at the start of this appendix.

### **Commentary on other General Fund Corporate Budgets**

- Capital Financing Costs (CFC) – also known as loan charges, the CFC budget was overspent by £0.163 million in 2020/21. This was due in the main to the Loans Fund interest rate being higher than anticipated - 4.50% as opposed to budget of 4.30%. The calculation of the Loans Fund interest rate takes in a variety of factors including: interest paid on external borrowing (e.g. PWLB); interest received on external investments (e.g. with financial institutions or other local authorities); total Loans Fund debt and in-year Loans Fund borrowing. A combination of low interest earned on external investments, reducing Loans Fund debt and significant capital expenditure slippage leading to very little in-year Loans Fund borrowing, has ultimately resulted in an increase to the interest rate that forms the basis of the council's loan charges.

### **Commentary on Housing Revenue Account Revenue Budget Versus Actual**

The Housing Revenue Account (HRA) covers the costs and incomes for providing the Council's Housing services. The HRA year-end position was an overall surplus of £3.401 million for the year for the reasons given below.

The main reasons for the surplus are outlined below:

- **Financing Charges** – £0.332 million lower than budget due to: Loans Fund Charges lower than anticipated as a result of lower than originally anticipated borrowing in current and previous years;
- **Repairs & Maintenance** - £2.479 million lower than budget, primarily due to the ongoing constraints of the COVID-19 pandemic, with non-essential work being illegal during lockdown periods.
- **Supervision & Management** – £0.516 million lower than budget, mainly due to vacant staff posts and reduced supplies and services costs as a result of increased agile working;
- **Loss of Rents** – £0.291 million above budget, primarily as a result of void properties having to be held as such for 4 months due to COVID-19 restrictions and then taking longer to re-let as the opportunity was taken to carry out planned maintenance and upgrade works while properties were empty;
- **Other Expenditure** – £0.237 million lower than budget, mainly due to reflecting receipts from the sale of fixed assets here to record this income initially through the I&E account;
- **Income** – £0.457 million lower than budgeted, with a number of properties held empty as part of the ongoing Timmergreens regeneration in Arbroath and 60 new-build properties delayed coming on stream due to the initial COVID-19 lockdown restrictions; and
- **Capital From Current Revenue** - £0.584 million lower than budgeted – this represents use of £0.351 million of HRA balances in the funding of the capital programme, £0.500 million capital funding provided by the Affordable Housing Revenue Account (which is funded by a transfer from General Fund reserves) and a £1.435 million transfer from the HRA reserves to the General Fund reserves to fund the appropriation of a number of General Fund properties to the HRA.

## **PART 2 – Comments on Budget Compared to Last Projection**

It is important to assess how accurate the Council's budget monitoring processes are even in a year where the pandemic has disrupted service provision and financial activity to a significant extent. Good budget management reduces the risk of surprises at the financial year end. The narrative below compares the year end position with the last projections prepared.

### **Commentary against Projected Outturn– General Fund Services**

The most recent projected outturn for 2020/21 based on February 2021 ledgers showed a projected saving against budget for General Fund services overall of £10.416 million and the actual position is higher at £14.751 million. This is an increase of £4.335 million.

Table 1

<b>Area</b>	<b>February 2021 Outturn (£m)</b>	<b>Movement (£m)</b>	<b>Final 2020/21 Outturn (£m)</b>
Council Services	11.016	3.898	14.914
Capital Financing Costs	(0.600)	0.437	(0.163)
<b>Total</b>	<b>10.416</b>	<b>4.335</b>	<b>14.751</b>

The projected outturn report showed a deficit on capital financing charges of £0.600 million and the actual position is lower at £0.163 million, a reduction of £0.437 million due to a higher interest costs and the £0.600 million of recast budget adjustment being re-instated due to this is now being required in the 2020/21 accounts.

In terms of the Services, the actual saving against budget is £3.898 million higher than anticipated.

The more significant movements when compared to the May 2021 Revenue Budget Monitoring Report to the Policy & Resources Committee and the reasons for these are outlined as follows:-

- **Education & Lifelong Learning**

Education & Lifelong Learning outturn increased by £0.920 million and this is in the main due to additional Early Years Pilot Deferral grant monies, which we were only made aware of late in the financial year. There was also a reduction in the School Meals payments made to Tayside Contracts, which was only finalised after the end of the financial year as part of Tayside Contracts Annual Accounts process wherein there was a lower deficit on catering activity due to school closures than had been projected. The DSM budgets also finished the year with an increased saving than projected previously.

- **Communities**

Increased the previously projected savings of £0.350 million to an actual saving of £0.688 million, a favourable movement of £0.338 million. This was mainly due to additional grant income for Humanitarian Aid (£0.171m) being received which will be earmarked and carried forward as part of the annual accounts process. Additional income from all areas of communities was actually received (£0.230m).

- **Children, Families & Justice**

Children, Families & Justice final outturn resulted in a reduction in the expected saving by £0.188 million due to slightly lower than projected savings within property maintenance and cleaning budgets - continued uncertainty until the end of the financial year within these areas due to COVID-19 impact made projections difficult.

- **Infrastructure Services**

The projected deficit in February projections of £0.149 million moved to an actual saving of £0.460 million, a favourable movement of £0.609 million. This was due to lower spend on winter maintenance than previously projected and also the late receipt of an A92 PFI insurance refund (£0.392m).

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

Increased savings of £0.643 million were achieved due in the main to increased grant income for the Skills team and Young Persons Guarantee which will be earmarked and carried forward as part of the Annual Accounts process.

- **Human Resources, Digital Enablement, IT & Business Support**

Reduced saving of £0.095 million, small movements in a few subjective heads.

- **Finance**

Favourable movement from previous outturn of £0.124 million due to additional unbudgeted income from MacMillan and NHS for Welfare Rights services.

- **Legal & Democratic**

Favourable movement of £0.064 million on a previously projected deficit of £0.062 million, due to various small movements across all subjective heads.

- **Other Services** – the gross projected saving has increased by £1.4 million from previous outturn report, this is in the main due to year end adjustments (e.g. bad debt provisions) and final saving on provision for additional burdens budget, which we were being cautious with in the previous outturn due to unknown COVID-19 restrictions etc. Additional employee slippage has also resulted in a higher saving than previously expected.

- **Facilities Management** – finished with a reduced saving from that previously projected of £0.197 million. Corporate COVID-19 savings (report 211/20) which had been held centrally during the year were allocated as part of the Annual Accounts process and have had an impact on FM as these were mainly within property costs, e.g. energy.

- **Corporate Items** – ended the year with an additional saving of £0.270 million, due to a year end adjustment being made for the change programme savings target (£0.306m)

### **Commentary against Projected Outturn (Report 42/20) Housing Revenue Account (HRA)**

The reported projected surplus in February 2021 of £2.134 million has increased to a surplus of £3.401 million (an increase of £1.267 million). The main movements in this regard were:

- **Financing Charges** – £0.135 million increased underspend as a consequence of a further reduction in capital programme borrowing requirement as a result of additional capital slippage due to the prolonged COVID-19 restrictions;
- **Repairs & Maintenance** - £0.234 million increased underspend as a result of the prolonged ongoing lockdown restrictions at the end of the financial year;
- **Supervision & Management** – £0.107 million increased underspend mainly in relation to computer maintenance and staff disclosures;
- **Loss of Rents** – £0.116 million reduced overspend primarily as a result of re-letting void properties quicker than anticipated as we became more accustomed to the new working practices that were required to address the COVID-19 restrictions;

- **Other Expenditure** – £0.174 million increased underspend mainly in relation to inclusion of receipts from the sale of fixed assets; and
- **Capital From Current Revenue** - £0.584 million increased underspend as a result of the year end accounting entries required to reflect the appropriation of General Fund properties to the HRA.