

ANGUS COUNCIL

ANGUS COUNCIL – 24 JUNE 2021

PROPOSED REVISIONS TO THE COUNCIL'S 2021/22 GENERAL FUND REVENUE BUDGET

REPORT BY IAN LORIMER, DIRECTOR OF FINANCE

ABSTRACT

This report seeks the Council's approval of proposed revisions to the Council's 2021/22 General Fund Revenue Budget from that set in March 2021 to take account of adjustments for the impact of COVID-19. The 2021/22 revenue budget was set excluding COVID-19 costs due to their being insufficient information and clarity on potential costs and funding and it was agreed that budget revisions would be undertaken during 2021/22. These budget revisions will be reported on in the Corporate Monitoring to Policy & Resources Committee during 2021/22.

1. RECOMMENDATION(S)

1.1 It is recommended that the Council

- (a) Notes the contents of this report and that the proposed 2021/22 budget revisions are a best estimate by Services and projections are in the main based on spend that has materialised in 2020/21;
- (b) Approves the key principles to proposed budget revisions set out in Section 3.3 of the report;
- (c) Approves the proposed £2.616 million of 2021/22 budget revisions detailed in Appendix 1 and summarised in Table 1;
- (d) Approves the proposed approach to funding the £2.616 million budget revisions as detailed in section 5;
- (e) Approves the Revised Net Expenditure Summary detailed in Appendix 2 as the Council's revised 2021/22 General Fund Revenue Budget;
- (f) Notes that the revised budgets set out in Appendix 2 will, where applicable, form the monitoring budget for the purposes of reporting throughout the remainder of the year to the Policy & Resources Committee.

2. ALIGNMENT TO THE ANGUS COUNCIL PLAN

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

3. BACKGROUND

3.1 Reference is made to Item 3 of the minute of the Special Meeting of Angus Council of 4 March 2021 which approved the revenue and capital budgets for the 2021/22 financial year, report 68/21 refers. Due to the uncertainty regarding the impact of COVID-19 on the Council's 2021/22 costs, and lack of detail on funding that may become available, the 2021/22 Revenue Budget was set excluding potential costs and funding associated with COVID-19. It was agreed that budget revisions would be undertaken during 2021/22 once there was sufficient information and clarity to adjust budgets with confidence and the revisions would be subject to member approval.

- 3.2 The ongoing COVID-19 pandemic means that Services are now incurring some additional costs or loss of income due to COVID-19 in 2021/22. In the main these additional costs arise due to safety and hygiene measures still being required despite the recent lifting of some restrictions. It is therefore essential for financial governance purposes that budgets are adjusted where required to take account of known or expected COVID-19 budget impacts to both expenditure and income budgets. This means that the 2021/22 Revenue Budget set in March has to be adjusted to maintain a balanced position which can then be monitored and controlled. Members will appreciate that revising our budget to deal with the COVID-19 issues and the ongoing uncertainties and risks is no easy task and further adjustments (plus and minus) to budgets may be required as the year progresses. This report seeks members agreement to a number of revisions to the 2021/22 General Fund revenue budget at service level to ensure clarity and accountability and to maintain effective financial management at this challenging time.

3.3 **Key Principles to Proposed Budget Revisions**

The pandemic brought about unique circumstances and challenges for the Council's finances during 2020/21 and some of those challenges will continue for the foreseeable future.

The scale of the uncertainty and risk of further negative financial impacts is not currently expected to be as significant as that faced in 2020/21 and the Council has received significant additional funding from the Scottish Government towards the financial impact that the pandemic is currently estimated to have on the Council during 2021/22. We are therefore in a better position with regard to the funding for COVID costs now than we were a year ago. The medium to long term impact of the pandemic and how that could be funded is however less clear.

With this context in mind the Council is asked to endorse the following principles which are similar to last year as part of its consideration of this report:-

- a) We should regard all revisions to budgets for 2021/22 due to the pandemic as one-off. Any of the issues raised which are expected to continue into 2022/23 or beyond should be raised as budget issues through the 2022/23 budget setting process to maintain the integrity of the existing base budget.
- b) We should address the funding gap caused by COVID-19 for 2021/22 without further diminution of our general fund uncommitted reserves and use the additional COVID-19 funding received as part of the Revenue Budget grant allocation for 2021/22 from the Scottish Government.
- c) We should adopt solutions which recognise that our financial challenges in future years still exist, are substantial in size and are likely to be made worse by the pandemic due to ongoing negative impacts on our costs and incomes including Government Grant.
- d) We should protect our previously agreed commitment to earmarking reserves to assist with balancing future years budgets (£1m) and if possible expand that.
- e) We need to continue to explore more fully and quickly the opportunities for service change/redesign brought about by the pandemic.
- f) Our budget and use of resources should continue to support delivery of our Council Plan (Report 61/21 refers).
- g) Our budget should continue to recognise the important role which the Council as a local authority must play in responding to and helping Angus citizens and businesses recover from the pandemic including our place (along with partners) as major employers at a difficult time economically.
- h) We must adjust the 2021/22 revenue budget set in March 2021 to reflect our revised best estimates of costs and incomes.
- i) We must maintain a balanced budget position and be clear on our updated revised expenditure and how that is expected to be funded.

- j) We will not adjust the 2021/22 Band D Council Tax set in March 2021 as part of the budget revision process (only downward in-year revisions are legally possible).
- k) Unless proposed in this report no other adjustments to policies, budgets or fees and charges decisions made by the Council when it set the 2021/22 revenue budget and Council Tax on 4 March 2021 are proposed at this time.
- l) We should address the funding gap caused by the pandemic without further diminution of our General Fund Contingency Reserve of £4.705m as agreed in March 2021.
- m) Our financial planning should build in additional resilience to recognise the significant risks affecting the Council and key partner budgets into 2021/22 and possibly beyond.
- n) We should keep our revised budget under close review and be prepared to make further changes if required to ensure our financial sustainability. Any further changes will require member approval in accordance with budget virement rules in Financial Regulations.

4. CURRENT POSITION

4.1 An information request was issued to Services which set out the approach to the initial revision of the 2021/22 Revenue Budget and requested information on the budget revisions required for their service areas to cover any significant or unavoidable impacts caused by COVID-19 plus any areas of savings in budgets that were expected to arise. Services were asked to adhere to the following guidance when completing their returns:-

- If costs are confirmed as arising for the full financial year e.g. if we need to employ additional staff covering the period to 31 March 2022, then full year cost implications should be submitted.
- If costs are confirmed as being short term e.g. we have a peak in demand which we expect to tail off then only the cost implications for the period required should be submitted.
- If it is not clear how long COVID-19 will impact on the service area and budget e.g. will hygiene measures be required for the whole year, then an assumption of 9 months should be made for this exercise i.e. from 1 April to 31 December. The budget impact of COVID-19 will be reviewed again after the mid-point of the financial year and having approvals covering 9 months will provide flexibility to conclude that work.

4.2 Services were also asked to include additional COVID-19 costs which are to be funded from additional Government Grant provided for specific purposes so that all adjustments to the 2021/22 revenue budgets can be captured in one place irrespective of how they will be funded. Members should note that the COVID-19 costs being funded from additional grant for specific purposes have been reported to other committees and the information has been included to capture a complete picture.

4.3 Additional Government Grant Funding

Finance Circular 5/2021, issued by the Scottish Government on 18 March 2021, provided further detailed information on the Council's overall 2021/22 grant total. This circular confirmed that a share of £259 million of Non-Recurring COVID consequentials for 2021/22 were payable to each authority and as a result, the Council's Revenue Grant Support allocation for 2021/22 has increased by £5.656 million, from £227.738 million to £233.394 million.

4.4 Corporate Savings

There are a number of corporate areas in the 2021/22 Revenue Budget where possible savings may materialise due to COVID-19, e.g. Staff Travel. Officers are still assessing the likely savings in this area and once this review work is complete it will be reported later in the financial year and budgets adjusted accordingly.

5. PROPOSALS

5.1 Appendix 1 includes a summary of the budget revision position based on the Service submissions, a review of corporate budget items and an assessment of known/assumed information about funding options. The budget revision position is summarised in Table 1 below.

Table 1 – Budget Revisions Summary By Service

| Service | Gross COVID-19 Budget Adjustments 2021/22 £m | COVID-19 Budget Savings £m | Net Impact 2021/22 £m | Government Grant Funding for Specific Purposes (Note1) £m | Net Impact 2021/22 £m |
|---|---|-----------------------------------|------------------------------|---|------------------------------|
| Education & Life Long Learning | 4.939 | 0.000 | 4.939 | (3.856) | 1.083 |
| Communities | 0.403 | (0.050) | 0.353 | (0.055) | 0.298 |
| Children, Families & Justice | 0.063 | 0.000 | 0.063 | 0.000 | 0.063 |
| Infrastructure | 0.155 | (0.043) | 0.112 | 0.000 | 0.112 |
| Strategic Policy, Transformation & Public Sector Reform | 0.176 | 0.000 | 0.176 | (0.082) | 0.094 |
| Other Services | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Digital Enablement, Information Technology, Human Resources & Business Support Unit | 0.666 | 0.000 | 0.666 | (0.227) | 0.439 |
| Finance | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Legal & Democratic | 0.381 | 0.000 | 0.381 | 0.000 | 0.381 |
| Facilities Management | 0.146 | 0.000 | 0.146 | 0.000 | 0.146 |
| TOTAL | 6.929 | (0.093) | 6.836 | (4.220) | 2.616 |

Note 1- This Government Grant Funding has been allocated by the Scottish Government for spend on specific areas.

- 5.2 The position is likely to change as the impact of COVID-19 on Service areas and the recovery process becomes clearer but based on the first submissions the estimated gross financial impact of the pandemic for 2021/22 is a total of £6.929 million. After allowing for identified COVID-19 budget savings and additional Government Grant funding for specific purposes (mainly in Education) this leaves a net impact of £2.616 million of adjustments requiring approval. These adjustments are captured in Column (D) on the revised 2021/22 net expenditure summary attached as Appendix 2.
- 5.3 The net impact of £2.616 million can be covered from the £5.656 million of COVID-19 Government funding that has been received in 2021/22. The 2020/21 COVID-19 funding announced at the end of the financial year will not be spent in full and will carry forward into 2021/22. A further report setting out the use of all COVID-19 funding and what remains to be spent will be brought forward after the recess. This is good news for the Council as it means based on the current estimates we will have enough Government Funding to balance the revised budget without there being any further impact on the uncommitted General Fund Reserve as approved at budget setting March 2021. There will also be COVID-19 consequential funding which will remain available for alternative use.
- 5.4 There are less significant budget uncertainties and risks around the COVID-19 impact for 2021/22 compared to 2020/21 but there are still some as we continue to get back to normal.
- 5.5 The information provided in this report has not considered the continued risks around any impact of further local lockdowns or onto the Change Programme savings. The latter were reported at budget setting which includes significant sums for Angus Health and Social Care Partnership (AHSCP) which is an area of risk due to current circumstances. Members are reminded that there is £0.458m earmarked in the General Fund reserve for ANGUSalive if it becomes necessary to provide additional financial support at some future point.

6. MEDIUM TERM IMPLICATIONS

- 6.1 As reported to the Special Angus Council meeting in March 2021 (report 72/21 refers) the Council's service and financial strategy must recognise the medium term impacts from the pandemic and ensure that essential services required by Angus citizens of all ages can be planned for and funded. Work is being undertaken to address this and a report will be brought back to committee after the summer recess setting out proposals.

7. FINANCIAL IMPLICATIONS

- 7.1 COVID-19 has had and will continue to have major implications for the Council's services, staff and finances. The budget revision work has identified a significant financial impact as set out in the report and Appendix 1. This position is different from last year at this time as the estimated financial impact of COVID-19 for 2021/22 can be met from the £5.656 million allocation of additional Government Grant received in 2021/22. It should be noted that there would remain a balance of £2.057m in the COVID-19 contingency reserve as reported at the Council Tax Setting in March 2021.
- 7.2 Although services have provided best estimates for the implications of the pandemic on their budgets there remains a likelihood of further revisions being required in light of experience. Those further revisions may result in adjustments to budgets upwards or downwards to ensure services are funded in line with the actual additional costs or lost income being incurred.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 An Equality Impact Assessment is not required.

NOTE: The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

- Local Government Finance Circular No 5/2021 issued on 18 March 2021 by the Scottish Government

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List of Appendices

Appendix 1 – 2021/22 Budget Revisions

Appendix 2 – 2021/22 Revised Net Expenditure Summary