

**ANGUS COUNCIL – 9 SEPTEMBER 2021**

**BUDGET STRATEGY UPDATE AND USE OF COVID-19 FUNDING – INITIAL PROPOSALS**

**REPORT BY IAN LORIMER, DIRECTOR OF FINANCE**

**ABSTRACT**

This report sets out an updated budget strategy for the Council in relation to the use of uncommitted funds and initial proposals for the use of some of those funds for COVID-19 response, recovery and renewal purposes.

**1. RECOMMENDATIONS**

1.1 It is recommended that the Council:

- a) note the medium-term challenges for the Council's finances as set out in Section 4 of the report;
- b) note the latest estimates of funding available on an uncommitted basis as set out in Section 5 of the report and the need for this to be used to support the Council's financial sustainability in a flexible way;
- c) Approve the proposed strategy for use of uncommitted funds as set out in Section 6 of the report and in particular the use of funds proposed in paragraphs a) to e) of Section 6;
- d) Agree that the strategy set out in Section 6 of this report will be subject to review and updating as necessary over the coming months and as part of the Council's budget setting process expected to conclude in February 2022;
- e) Approve the initial proposals for use of funds set aside for COVID-19 response, recovery and renewal as set out in Section 7 and Appendices A to F of the report; and
- f) Note that officers are working on further proposals for use of funds set aside for COVID-19 response, recovery and renewal and will bring these forward in the next cycle of meetings.

**2. ALIGNMENT TO THE COUNCIL PLAN**

2.1 The proposals in this report are relevant to all aspects of the Council Plan and will assist with the delivery of the priorities set out in that Plan.

**3. BACKGROUND**

3.1 Reference is made to Report 72/21 - Covid-19 Budget Implications And Potential Use Of Scottish Government Fiscal Flexibilities approved by the Council on 4 March 2021 and to Report 213/21 - Proposed Revisions To The Council's 2021/22 General Fund Revenue Budget approved by Council on 24 June 2021. These reports advised members of the need to plan for the medium-term implications arising from the COVID-19 pandemic, of the funding available and that further reports would be submitted setting out specific proposals.

3.2 Although the medium to long implications from the pandemic are still emerging and may take months if not years to be fully understood there is a need to address known issues identified so far as well as taking advantage of opportunities which will support Angus citizens and businesses with recovery and renewal following the pandemic. There is also a need to address issues for the Council itself in terms of the health, safety and welfare of our workforce.

- 3.3 The Council's response to the effects of the pandemic and the funding available to support that work cannot be viewed in isolation of the wider financial challenges facing the Council. This report therefore makes recommendations regarding the Council's future budget strategy to inform the resources that are available for COVID-19 response, recovery and renewal purposes.

#### 4. MEDIUM TERM BUDGET STRATEGY POSITION

- 4.1 An update to the Medium Term Budget Strategy agreed by Council on 4 March 2021 will be brought to Council for consideration in November 2021 but in the meantime the best estimates of the future budget position for the Council are as shown in the table below.

**Table 1 – Medium Term Budget Strategy – Projected Funding Gaps**

	2022/23 £m	2023/24 £m	2 Year Total £m
Projected Funding shortfall (Report 74/21)	9.7	9.5	19.2
Adjustment for previous years funding gap dealt with on a one-off basis	3.0	1.0	4.0
<b>Sub-total</b>	<b>12.7</b>	<b>10.5</b>	<b>23.2</b>
Less Change Programme savings targets*	(10.1)	(8.6)	(18.7)
Less Existing Reserves Drawdown Strategy	(1.0)	0.0	(1.0)
Estimated funding gap still to be addressed (assuming no Council Tax increases)	1.6	1.9	3.5

\* - these savings targets include £9m of options which are still under development based on high level themes and therefore remain uncertain as to their detailed means of delivery at present.

- 4.2 Table 1 shows a 2-year position only and further funding gaps are likely to exist into the 2024/25 financial year which will also need to be addressed. Members are reminded that savings of £71.3m (26% of the net budget) have already been made by the Council over the last 9 years so new savings to the scale projected to be required will be very difficult to achieve.
- 4.3 Given this context it is considered appropriate to implement a strategy for the use of uncommitted funds which provides resources to support future funding gaps in the Council's main budget as well as funding for COVID-19 response, recovery and renewal.

#### 5. FUNDS CURRENTLY AVAILABLE ON AN UNCOMMITTED BASIS

- 5.1 The Council has 3 main sources of funding which are currently uncommitted which can support future budget challenges and our approach to pandemic recovery. In this regard reference is made to Reports 212/21 and 213/21 (Angus Council of 24 June 2021) and Report 265/21 (Policy & Resources Committee of 31 August 2021) which provide additional detail. The funding sources are:-

- a. Uncommitted General Fund Reserve at 31 March 2021
- b. Uncommitted 2021/22 COVID-19 Grant Funding
- c. COVID-19 Contingency Reserve

##### a) Uncommitted General Fund Reserve at 31 March 2021

- 5.2 At 31 March 2021 the Council's Uncommitted General Fund Reserve was £6.091m. Of this total some £4.278m relates to 2020/21 COVID-19 grant funding which has yet to be drawn upon and £1.813m relates to savings in the Council's overall budget during 2020/21. Although part of the uncommitted reserve position arises from COVID-19 funding provided to the Council this funding has not been ring-fenced by the Scottish Government and is therefore available for use as the Council considers appropriate. The uncommitted sum of £6.091m is from the Council's unaudited Accounts and varies slightly from the position shown in Report 212/21 following some late adjustments in preparing the Accounts.

5.3 b) Uncommitted 2021/22 COVID-19 Grant Funding  
 Report 213/21 sought approval to make adjustments to 2021/22 revenue budgets to reflect the expected impact the pandemic will have this financial year. Adjustments of £2.616m were approved to be funded from £5.656m of COVID-19 general grant funding provided to the Council by the Scottish Government. This grant funding has not been ring-fenced and is available to use as the Council considers appropriate taking into account the uncertainties and risks which exist that may still affect the Council's costs and incomes during the remainder of the financial year. At the present time therefore some £3.040m of funding from this source remains uncommitted.

5.4 c) COVID-19 Contingency Reserve  
 During financial year 2020/21 and in response to the significant uncertainties prevailing in the early stages of the pandemic the Council established a COVID-19 Contingency Reserve. This Reserve is a sub-set of the main General Fund Reserve set aside to provide additional protection against unforeseen financial impacts on the Council caused by the pandemic.

5.5 At 31 March 2021 the balance on the COVID-19 Contingency Reserve was £2.057m. Of this sum £0.265m relates to lost income funding support for ANGUSalve and has been earmarked for their purposes. As set out elsewhere on the agenda for this meeting of the Council that funding is now required by ANGUSalve to support their cashflow. Allowing for the drawdown of £0.265m for ANGUSalve the remaining balance on the Reserve will be £1.792m

Summary Position

5.6 Based on the position set out above the funds available can be summarised as:-

**Table 2 – Summary of Uncommitted Funds (August 2021)**

Source	Uncommitted Funds £m
Uncommitted General Fund Reserve – COVID-19 Funding	4.278
Uncommitted General Fund Reserve – Non-COVID Funds	1.813
Uncommitted 2021/22 COVID-19 Grant Funding	3.040
<b>Sub-total of funds available before Contingency Reserve</b>	<b>9.131</b>
COVID-19 Contingency Reserve (after ANGUSalve drawdown)	1.792
<b>TOTAL FUNDS AVAILABLE</b>	<b>10.923</b>

5.7 Excluding the COVID-19 Contingency Reserve which is already set aside there are £9.131m of uncommitted funds available to the Council at this point in time. The funds available do however need to be viewed in context. These are one-off monies so should not be used to make ongoing financial commitments. There remains a possibility that the COVID-19 related adjustments to 2021/22 budgets agreed through report 213/21 will prove insufficient in practice and further funding support to Council services (and ANGUSalve) could therefore be required. There is also no certainty regarding any further funding support from the Scottish Government should further financial impacts from COVID-19 emerge. It is also important to stress the need to plan for the medium to long term in relation to COVID-19 response, recovery and renewal and the Council should therefore not feel compelled to use the funding available immediately unless it is convinced of the merits of the spend the funding will support.

**6. PROPOSED STRATEGY FOR USE OF UNCOMMITTED FUNDS**

6.1 With so much uncertainty regarding future impacts from the pandemic, future government grant allocations for the Council's main budget and general risks affecting the Council's finances it is essential that our forward financial strategy is flexible and able to be adapted to changing circumstances but also recognises the significant financial challenges which continue to face the Council. With the need for flexibility and the need to plan for the Council's financial sustainability in mind the following approach to the use of available funds set out in Section 5 above is proposed:-

6.2 **a) The Council sets aside £5.0m of the funds available to enable the existing General Fund Reserves Drawdown Strategy to be increased and extended**

The Council agreed a Reserves Drawdown Strategy as part of the 2020/21 budget setting process. The intention of that Strategy was to use one-off funds to help balance future budgets and provide more time to deliver the permanent savings required in the Council's core budget. At present the Council's Reserves Drawdown Strategy has funding of only £1.0m set aside – this to be used to support balancing the 2022/23 revenue budget. There is huge uncertainty regarding the public finances generally and future grant funding allocations to the Council by the Scottish Government. This together with the significant disruption to our Change Programme savings plans caused by the pandemic means it is prudent to set aside more funding to support the balancing of future years budgets.

The proposed increase of £5m together with the existing £1m already set aside would enable a revised Reserves Drawdown Strategy on the following basis to be implemented:-

Financial Year	Drawdown Value £m
2022/23	£3.0m
2023/24	£2.0m
2024/25	£1.0m
Total over 3 years	£6.0m

Whilst the use of Reserves to support future budgets as proposed above will provide flexibility it will not remove the need for the Council to find new permanent savings in its core budgets based on the projections set out in Section 4 of this report. The Reserves Drawdown Strategy therefore only provides more time to find those permanent savings options it does not eliminate the need for them.

6.3 **b) The Council earmarks £1.0m of the available funding for general financial and inflationary risks in its revenue budget in the current financial year**

Based on the latest information there is a significant risk that 3 large projects within the Council's Change Programme will not achieve the full targeted amount of savings in financial year 2021/22. This shortfall could be as high as £726,000 but is likely to be lower than this sum. Any shortfall on 2021/22 savings targets will need to be covered from one-off resources. As members will be aware from reports in the media there are sizeable inflationary pressures affecting some of the supplies the Council needs to buy to provide services. There are indications this is affecting revenue as well as capital costs. There is also risk in areas such as pay where negotiations with trade unions are ongoing and the possibility of industrial action exists.

The Council does have the Provision for Additional Burdens budget and General Fund Contingency as existing options should cost increases arise which cannot be contained within existing budgets but inflationary and other risks are more acute than normal at present and for this reason an additional specific provision is suggested as an appropriate response.

To be clear, the proposed earmarking of funding for general financial and inflationary risks provides only a one-off solution to any cost risks which cannot be met within existing budgets during financial year 2021/22. Should those risks materialise and become a permanent increase in the Council's cost base it will be necessary to find a permanent funding solution as part of the 2022/23 budget setting process. Likewise any shortfall in Change Programme savings in 2021/22 will increase the savings required into financial year 2022/23.

Should the £1.0m not be required in whole or in part the funds will become available for alternative use as the Council considers appropriate. A view on whether the £1.0m is going to be required will be taken in setting the 2022/23 revenue and capital budgets.

6.4 **c) The Council sets aside £0.5m of the funds available as an initial provision towards one-off budget issues which may come forward through the 2022/23 budget setting process.**

Through each year's budget setting process Council services identify specific budget issues and pressures affecting the cost of providing their services. These budget issues where unavoidable are either provided for in the main budget on an ongoing basis or are funded on a one-off basis if considered to be one-off in nature. Based on past experience it seems inevitable

that one-off budget issues in the 2022/23 revenue budget will require to be funded and the setting aside of some funding at this time recognises this. Should these funds not be required for budget issues they can be used for alternative purposes as the Council considers appropriate.

**6.5 d) The Council sets aside £2.5m of the funds available for COVID-19 response, recovery and renewal purposes in the current and future financial years**

The road to recovery from the pandemic is likely to be a long one and its impact on the people and businesses of Angus will take time to emerge. Council services have been on the front line of responding to the pandemic and officers anticipate that Council support will continue to be needed in different ways in the months and years ahead. With this in mind it is considered appropriate that the Council set aside a substantial sum of the uncommitted funds it has available for COVID-19 response, recovery and renewal purposes.

Initial proposals for use of part of this funding are set out in Section 7 below but work to develop a number of other proposals is well advanced and will be brought forward in early course.

**6.6 e) The Council add the remaining available funds of £0.131m to the COVID-19 Contingency Reserve to provide a source of funding to deal with the expected medium to long term impacts from the pandemic.**

If members are supportive of the strategy outlined in Sections a) to d) above then a sum of £0.131m would remain uncommitted from the funds available at present. It is suggested that this sum be added to the Council's existing COVID-19 Contingency Reserve for the time being with the future use of this Reserve to be considered further as part of the Council's budget setting process.

6.7 Table 3 below summarises the proposals in Section a) to e) above.

**Table 3 – Proposed Use / Earmarking of Uncommitted Funds**

<b>Proposal</b>	<b>Value £m</b>
Increase and extend General Fund Reserves Drawdown Strategy	5.0
Earmarked for 2021/22 general financial and inflationary risks	1.0
Earmarked for 2022/23 one-off budget issues	0.5
Earmarked for COVID-19 response, recovery and renewal	2.5
Contribution to COVID-19 Contingency Reserve	0.13
<b>Total Proposals*</b>	<b>9.13</b>

\*- these proposals would mean the Council has an uncommitted General Fund Reserve balance of £nil and a COVID-19 Contingency Reserve of £1.923m.

6.8 For the avoidance of doubt all of the above proposals will require to be reviewed and potentially amended in the coming months if circumstances change and will certainly require to be assessed again as part of the 2022/23 budget setting process. It is therefore recommended that the strategy proposed in bullet points a) to e) above is updated and agreed by members in setting the 2022/23 revenue and capital budgets and Council Tax.

**7. COVID RESPONSE, RECOVERY AND RENEWAL – INITIAL PROPOSALS**

7.1 Over the summer Council officers have been discussing where there are specific needs to address pandemic impacts as well as opportunities to make improvements in services and our efficiency. Investigations in this regard are ongoing and will be the subject of further reports over the coming months, however an initial set of proposals is considered to be sufficiently developed to bring to Council for consideration this cycle.

7.2 In identifying proposals officers have developed a number of principles to guide decision making bearing in mind the funding available is one-off in nature. The principles are that proposals:-

- a) should primarily be guided by our Council Plan (including our Strategy on a Page) and our Finance & Change Plan – our use of available funding should be seeking to progress those priorities the Council has already agreed;

- b) should be used to address areas of greatest need in Angus communities as a result of the pandemic, where but for investment by the Council, that need would remain unmet;
- c) need to be measured against other savings or cuts the Council might have to apply in our existing core budget – the relative priority of proposed spend and its impact on achieving our priorities is key irrespective of how that will be funded;
- d) should have a clear exit strategy and avoid creating ongoing service and financial commitments;
- e) should consider projects and initiatives of a spend to save nature, i.e. those which can save money or reduce future cost increases to help us address future funding gaps.

7.3 A summary of the initial proposals is below with further detail attached in the Appendices. Council is being asked to approve these proposals and the associated funding to make them happen. The expected benefits from the proposals are as set out in the Appendices.

Proposal/Project	Lead Directorate	Total Funding Sought £000	Further Detail
<b>Climate Change</b> – temporary staff to deliver SECAP once approved; development of marketing and comms plan; climate event; citizen engagement and support, clean up grant fund. Key priority for Council.	Vibrant Communities & Sustainable Growth	155	Appendix A
<b>Enterprising Angus Programme</b> – temporary staff to undertake detailed reviews and help deliver the Programme. Spend to save initiative	Legal & Democratic	140	Appendix B
<b>Trauma Informed Practice</b> - develop knowledge and skills of the workforce and create capacity to provide development to level 3 on National Trauma Training Framework. Will equip staff to support Angus citizens and their needs	HR, Digital Enablement, IT & Business Support	30	Appendix C
<b>Visit Angus – Phase 1</b> – improvements to toilet provision and availability (opening times) at various locations plus signage on responsible tourism	Vibrant Communities & Sustainable Growth	72	Appendix D
<b>Risk, Resilience and Safety</b> – additional temporary staff to support critical health and safety work and resilience work. Staffing shortages have been exposed by the pandemic	Strategic Policy, Transformation and Public Sector Reform	180	Appendix E
		46	Appendix F
<b>Total Proposals</b>		<b>623</b>	

7.4 If all of the proposals above totalling £0.623m are approved this would leave £1.877m available from the proposed £2.5m set aside for COVID response, recovery and renewal in Section 6. Over and above this sum would be the COVID-19 Contingency Reserve itself of £1.923m so in total the Council would still have £3.800m available for COVID-19 purposes.

7.5 In addition to the above proposals officers are working on the following areas which will be the subject of future reports where appropriate:-

- Outdoor Learning – development of our approach to outdoor learning e.g. a widening of the curricular offer in all of our schools; increased engagement for 16+ clients, greater opportunity for adult learning and youth work activities.
- Free Bikes for children who can't afford them – we are monitoring national developments and funding on this to see whether any further input locally is required. This is unlikely based on current information and the success in Angus to date

- ANGUSalive and partners – development of opportunities around health and wellbeing including social prescribing
- Children and Young People Numeracy – project to allow our Angus Virtual School to plan and measure progress in numeracy curricular design, review the current learning and teaching of required knowledge and concepts – may be possible to fund through specific additional funding from Scottish Government
- Visit Angus – Phase 2 - various initiatives being explored to support tourism and avoid negative effects of tourism
- Angus Food & Drink Strategy – temporary staff to co-ordinate delivery of our Strategy, marketing
- Digital Enablement and IT – dynamic response to the pandemic has meant that project resources were redirected to deliver COVID-19 specific forms and processes as well as providing support and infrastructure to facilitate greater uptake of remote working. Council wide savings and efficiency projects that have slipped are likely to need greater resource if we are to realise the benefits in a reasonable timescale. This is likely to take the form of temporary resource and backfill to free up staff to implement these changes. A recent cyber resilience incident highlights the need to apply more consistent security measures across the schools estate; the recommended specialist security review and then implementation of the changes will require funding.
- Service Design and Community Empowerment – to recover and renew and building on the innovative and collaborative service delivery approaches that the council, our partners and our communities implemented in response to the pandemic, a programme of projects will be delivered which effectively engage and empower our communities. This programme will also build a sustainable service design workforce capability across the council which will enable our ongoing transformation and change.

7.6 Over and above the proposals identified in paragraphs 7.3 and 7.5 it seems likely that new issues and opportunities may emerge as we continue through the recovery and renewal phase of the pandemic. The funding strategy set out earlier in this report will provide some flexibility to respond to these issues as they emerge.

## **8. FINANCIAL IMPLICATIONS**

8.1 There are no additional financial implications for the Council beyond those set out in the body of this report. The proposals set out in paragraph 7.3 can be funded from the funding proposed to be set aside for COVID-19 response, recovery and renewal (para 6.5 refers) which itself has come from Scottish Government funding provided to the Council for COVID-19 purposes.

## **9. EQUALITY IMPACT ASSESMENT**

9.1 An equality impact assessment has been completed and is attached at Appendix G.

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