

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 7 DECEMBER 2021

REVENUE MONITORING 2021/22 AND RENEWAL & REPAIR FUND POSITION 2021/22

REPORT BY IAN LORIMER, DIRECTOR OF FINANCE

**ABSTRACT**

This report provides revenue 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 October 2021. The report also seeks the Committee's approval of a funding solution to implement changes in the payroll and staffing team.

**1. RECOMMENDATIONS**

1.1 It is recommended that the Committee:

- i) Review and scrutinise the content of this report, in particular the comment on the Financial Implications section regarding the projected year end position;
- ii) Note the position on the 2021/22 Budget Revisions as set out in Section 4.18 of this report;
- iii) Approve the approach to funding the outcome of a review of the payroll and staffing teams to address staff shortages and resilience risks as set out in Section 6 of this report; and
- iv) Note the Renewal and Repair fund position.

**2. ALIGNMENT TO THE COUNCIL PLAN**

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

**3. BACKGROUND**

3.1 At the Special Meeting of Angus Council on 04 March 2021 the Council approved the revenue budget estimates for financial year 2021/22 (Report No. 75/21 refers). Full details of the 2021/22 budgeted net expenditure of £290.226 million are available within the final Budget Volume 2021/22 at the following link:-

[Final Revenue Budget Volume 2021-22](#)

The latest revenue budget performance position for the Council is outlined in section 4 of this report.

**Annex A** sets out a reconciliation between the 2021/22 Final Budget Volume net expenditure of £290.226 million and the net Monitoring budget being reported in the committee report of £298.666 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 2021/22 Revised Net Budget, Projected Outturn and Projected Variance for all Council services.

**Appendix C (i-xiii)** 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-xiii) . During 2019/20 there was a change in the monitoring presentation in respect of employee slippage and this will continue for 2021/22. It should therefore be noted that, although projected slippage savings / deficits remain within the Services projected outturns within their monitoring on Integra, these have been removed in Appendix C . The slippage savings / deficits are reported against the corporate slippage budget held within Other Services, paragraph 4.11. 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.

There are Corporate savings projected for water. At this time these cannot be allocated to individual services and are being reported as part of Other Services monitoring. As outlined in paragraph 4.11 below this is identifying as a deficit within Other Services. Compensating projected savings will be identified in Service budgets through the year 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 £6.235 million (4.9%) on the adjusted revenue budget.

This however includes unspent ring-fenced grant in relation to Early Years Expansion and Pupil Equity Funding as well as Devolved School Management funds all of which will be carried forward automatically into financial year 2022/23. Adjusting for these automatic 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		6.235
Less Early Years Expansion	(4.000)	
Less Pupil Equity Funding	(1.025)	
Less Devolved School Management Scheme	<u>(0.415)</u>	
Total Adjustments		(5.440)
Revised Projection		0.795

The main reason for the increase in the projected saving is due to projected savings within employee costs (£0.269 million) due to lower than anticipated costs for permanent teachers within Secondary Schools and a small number of vacant posts within the support team and business

unit. Savings are also anticipated on school meals due to lower than anticipated uptake within Secondary Schools (£0.249 million). Further savings are anticipated on the replacement of the school's new on-line payment system (£0.120 million) and the upgrading of toilets (£0.150 million) however these will be subject of 100% carry forward requests. There are also projected savings within areas such as education resources (£0.124 million) within Additional Support Needs and Support Team.

#### 4.3 **Vibrant Communities & Sustainable Growth**

Vibrant Communities & Sustainable Growth is currently projecting a saving of £0.365 million (1.5%) on the adjusted revenue budget. This is mainly due to higher than anticipated planning application and waste income (£0.487 million) and ringfenced Private Landlord Registers monies (£0.069 million). This saving is offset by additional transport costs (£0.199 million) mainly on direct vehicle costs (large repairs) and additional vehicles being required as a result of COVID19 restrictions.

#### 4.4 **Children, Families & Justice**

Children, Families & Justice is currently projecting a deficit of £0.100 million (0.5%) on the adjusted revenue budget. However, this position includes ring-fenced unspent grant in respect of Attainment Challenge Funding (£0.276 million) which will be carried forward automatically into financial year 2022/23. Adjusting for this results in a revised projected deficit of £0.376 million.

The main reason for the revised projected deficit is increased residential school charges (£0.307 million) as a result of additional young people in placements and increased costs in respect of inter-agency fees between local authorities (£0.046 million)

#### 4.5 **Infrastructure Services**

Infrastructure Services is currently projecting a saving of £0.243 million (1.3%) on the adjusted revenue budget. This is due to savings in contract payments (£0.200 million) as a result of A92 traffic volume still being lower than pre COVID-19 levels and savings occurring within dredging budgets (£0.043 million). However, due to the higher prices we have incurred for salt this year there could be a potential overspend on winter maintenance, an update will be provided on this at the next cycle of corporate monitoring.

#### 4.6 **Strategic Policy, Transformation and Public Sector Reform**

The Strategic Policy and Public Sector Reform service is currently projecting to break even.

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

Human Resources, Digital Enablement, Information Technology & Business Support is currently projecting a saving of £0.036 million (0.5%) on the adjusted revenue budget. This is mainly due to savings being anticipated on IT software maintenance but these savings are partially offset by anticipated additional Office 365 licence costs.

#### 4.8 **Finance**

The Finance Service is currently projecting a saving of £0.038 million (1.1%) on the adjusted revenue budget. This is due to a number of small savings anticipated within supplies and services and transport costs.

#### 4.9 **Legal & Democratic Services (excluding Licencing)**

Legal & Democratic Services is currently projecting a saving of £0.089 million (2.5%) on the adjusted revenue budget. This is due to increased income being projected from Registrars (£0.054 million) and legal fees (£0.006 million) and minor savings anticipated within supplies and services (£0.029 million) and transport costs (£0.022 million). These savings are however being reduced slightly as a result of income being lower than expected for the Digital Reprographics Unit (£0.025 million).

#### 4.10 **Licensing**

Angus Council is the licensing authority for the local government area of Angus, Committee will be aware that the Council has resolved that a number of activities be licensed. The licensing authority is required to seek to ensure that the total amount of fees meet the expenses incurred by them in respect of administering licences. It has been deemed necessary, in order to aid transparency in this regard, that the Licensing budgets are shown separately from the Legal & Democratic Services budget for monitoring purposes.

Licensing is currently projecting a saving of £0.001 million (1%) on the adjusted revenue budget. This is due to a minor saving being anticipated in Supplies & Services.

#### 4.11 **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 saving of £0.030 million on the adjusted revenue budget. The main reason for this saving position is due to the Corporate Employee Slippage target currently projecting a saving of £0.415 million. This position has however been reduced due to spend on the apprenticeship levy being higher than anticipated (£0.119 million) as a result of increased pay costs and an increase in Early Years staff numbers. The position has been reduced further as a result of a reduction in income currently being projected within interest on revenue balances (£0.164 million) due to lower interest rates on investments currently being experienced and deficits occurring within a number of areas of Supplies and Services (£0.098 million).

As mentioned in paragraph 4.1 above, this position will be reduced due to the estimated corporate savings budgets (£0.043 million) not being allocated at this stage. Compensating savings will be projected and reported within Service's monitoring during the year.

#### 4.12 **Facilities Management**

Facilities Management is currently projecting a saving of £0.372 million (15%) on the adjusted revenue budget. This is mainly due to savings occurring around the reduced use of buildings and reduced spend on employee mileage as a result of COVID-19 and agile working. These savings are however being reduced slightly as a result of income being lower than expected from the HRA as a result of their reduced use of office buildings, these charges are currently being reviewed pending the moves to the new locality hubs.

#### 4.13 **Capital Charges and Financing**

The Capital Charges and Financing budget is currently projecting a year end outturn in line with the budget of £11.051 million.

#### 4.14 **Corporate Items**

There are a number of budgets held centrally under Corporate Items and we are currently projecting a deficit of £0.726 million, this being the estimated unachievable Change Programme Savings at this time. More information regarding this can be found in the Change Programme Update report which was reported to P&R Committee on 26 October 2021.

The 2021/22 pay award negotiations appear close to resolution and some additional Scottish Government funding is being provided on a one-off basis. A full assessment of the financial implications of the pay award deal once confirmed will be undertaken and reported at the next committee cycle.

#### 4.15 **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 has a significant interest in its budget performance.

The current projected year end position for Adult Services is a deficit of £3.204 million.

From 2018/19, Angus Council has a 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 latest reported position of the health element of Angus IJB is projecting a year end saving of circa £4.370 million which results in a projected overall saving for Angus IJB of £1.165 million.

It is important to note the above figures are based on the most recently published information and projections are therefore subject to further revision.

#### 4.16 **Housing Revenue Account (HRA)**

The Housing Revenue Account is currently projecting a saving of £1.106 million on the adjusted revenue budget. This is mainly due to anticipated costs being lower than budgeted within Repairs & Maintenance (£0.829 million) due to contingency funds not being required and contractors experiencing supply and staff retention challenges. There are also early indications that rental income will be higher than initially estimated (£0.510 million) as a result of additional properties coming on stream. Costs are anticipated to be lower than budgeted within Supervision & Management (£0.143 million) and Financing Charges (£0.134 million) but this position is partially reduced due to anticipated loss of rents from void properties being higher than budgeted (£0.509 million).

#### 4.17 **Renewal & Repair Fund**

The Renewal & Repair Fund is made up of five separate categories; Property; Information Technology; Roads & Transportation; Parks & Cemeteries and Culture & Leisure Trust Client/ANGUSalive.

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 & Repair funds, these funds continue to carry forward a balance from 2020/21 of £1.621 million. The position of the Renewal & Repair Fund is outlined in Appendix D.

This estimated uncommitted aggregated balance available on the funds as at 31 March 2022 is £0.847 million, once the de minimus retention levels are taken into account the balance on all funds reduces to £0.582 million and details of this are attached at Appendix D.

#### 4.18 **2021/22 Budget Revisions**

Report 213/21 to Angus Council on 24 June 2021 sought approval of 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 report approved £6.836 million of budget adjustments of which £4.220 million would be funded from Government Grant, leaving a net impact of £2.616 million to be funded. The budget uplifts reported in Appendix E is £6.583 million a difference of £0.253 million as this was left in the General Fund Reserve as this related to temporary staff costs for 2022/23. Services have been asked to review the budget uplifts as part of this cycle of revenue monitoring and update the position on the COVID-19 funding adjustments to identify:

- Details of any additional budget uplifts required for 2021/22.
- Details of any approved budget uplifts that are no longer required and can be returned to the General Fund reserve.

This information has been collated from services and is set out in Appendix E. A total of £0.670 million has been identified as further budget uplifts required for 2021/22 and a total of £0.188 million of budget uplifts have been identified as no longer being required and can be returned to the General Fund Reserve. The £0.670 million is for school meals and hardship payments and will be fully funded by specific Scottish Government Grants so has a neutral effect on the Council's overall budget position.

### **5. PROPOSALS**

- 5.1 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.

There are no virements to be approved at this time.

### **6. PAYROLL AND STAFFING REVIEW**

- 6.1 The volume of work for the Payroll and Staffing Teams has grown substantially particularly over the period of the pandemic including furlough payments, one-off payments to social care and teaching staff and increasing legislative requirements and other elements around recruitment including the increase in Early Years provision. The teams have lost a number of experienced staff through retirement and moves to other organisations and it has become increasingly difficult to maintain day to day operations as well as all the additional requirements brought about by the pandemic. A programme of work to streamline and digitise processes also had to be put on hold to ensure that the team met their priorities around paying and recruiting staff. In addition a backlog of work has built up associated with legislative requirements that requires to be addressed as a matter of urgency. Resilience within the payroll area is a specific risk and of high concern and has been highlighted by the Council's external auditors in their 2020/21 Report to Members (Report 368/21/ refers).
- 6.2 Given the associated risks around these work areas it was considered necessary to review the existing structure of these teams to identify an operating model which will improve resilience, maximise efficiency, streamline current processes where possible and ensure preparedness for process digitisation/automation. Additional funding is required to take on temporary resource to address the backlog of work and allow the process development to be undertaken. Additional funding is also required for permanent staffing to improve resilience, performance and reduce the current risks. Ordinarily a requirement for additional ongoing funding would be considered through the budget setting process but there is a need to address the issues and risks as a matter of urgency now rather than delay until late February 2022.
- 6.3 Depending on the outcome of recruitment to the new structure funding of up to £0.116 million on an ongoing basis would be required and a further funding of £0.045 million on a one-off basis. It is proposed that the ongoing funding required be offset by increasing the corporate budget for

staff slippage by an equivalent amount. Increasing the budget for staff slippage does carry risk but experience to date indicates a higher budget target for staff slippage would be achievable especially given current levels of turnover and problems filling some vacancies. It is proposed that the one-off funding required be met from the 2021/22 Provision for Additional Burdens revenue budget. The Committee is being asked to approve the above funding solutions to enable the new Payroll and Staffing team structure to be implemented immediately.

## 7. FINANCIAL IMPLICATIONS

- 7.1 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.
- 7.2 Members will have noted from Appendix B that an overall saving compared to budget of £6.583 million is projected at this point in the financial year in respect of General Fund Services net adjusted budget (excluding the Angus Health & Social Care Partnership budget) of £247.222 million, i.e.2.66%. There are adjustments required to this total to reflect funding within Education and Lifelong Learning and Children, Families & Justice (paragraphs 4.2 and 4.4 respectively) which due to accounting treatment will be carried forward into 2022/23. Detail is set out in the table below.

	<b>Saving / (Deficit) £m</b>
<b>Projected Outturn (General Fund Services)</b>	6.583
<b>Less:</b>	
Ring-fenced grant carry forward Education & Lifelong Learning, see paragraph 4.2	(5.440)
Ring-fenced grant carry forward Children, Families & Justice, see paragraph 4.4	(0.276)
<b>Add:</b>	
2021/22 Budget Revision uplifts for COVID-19 to be returned to the General Fund Reserve	0.188
<b>Adjusted 2021/22 Projected Outturn (General Fund Services) *</b>	<b>1.055</b>

- 7.3 It is likely that requests for 100% carry forwards will be made against this sum where planned spend has been delayed. Where such carry forwards arise and are approved this will reduce the value of saving on the budget available for other purposes.

## 8. EQUALITY IMPACT ASSESSMENT

An equality Impact Assessment is not required as this is a noting report and does not have any impact on individuals.

**NOTE:** No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a 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

Appendix E - Summary of Budget Revisions