

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 1 FEBRUARY 2022

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 as at 30 November 2021.

**1. RECOMMENDATION**

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) 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 £296.303 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 £7.089 million (5.5%) 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		7.089
Less Early Years Expansion	(4.000)	
Less Pupil Equity Funding	(1.030)	
Less Devolved School Management Scheme	(0.890)	
Less Education Recovery Clusters Allocation	(0.200)	
Less Mental Health & Wellbeing Monies	<u>(0.110)</u>	
Total Adjustments		(6.230)
Revised Projection		0.859

The main reason for this position is due to projected savings within employee costs (£0.331 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 being projected within various areas such as the School Counsellor budget (£0.340 million), the replacement of the schools new on-line payment system (£0.120 million) and the upgrading of toilets (£0.150 million) however these will all be subject of 100% carry forward requests. There are also projected savings

within areas such as education resources (£0.064 million) within Additional Support Needs and Support Team. These are partially offset by increased costs in respect of school transport and vehicle running costs (£0.091 million) and additional ground maintenance charges because of unbudgeted 2021/22 inflationary increases (£0.057 million).

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

Vibrant Communities & Sustainable Growth is currently projecting a saving of £0.660 million (2.7%) on the adjusted revenue budget. This is mainly due to higher than anticipated income in a number of areas (£1.195 million). This saving is offset by additional transport costs (£0.356 million) mainly on direct vehicle costs (large repairs) and additional vehicles being required as a result of COVID19 restrictions and additional supplies and services costs in a number of areas (£0.173 million).

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

Children, Families & Justice is currently projecting a saving of £0.058 million (2.8%) 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 £0.218 million.

The main reason for the revised projected deficit is increased external residential school costs (£0.290 million) as a result of additional young people requiring placements. This position is reduced as a result of savings occurring in transport costs (£0.047 million) and supplies and services (£0.017 million).

#### 4.5 **Infrastructure Services**

Infrastructure Services is currently projecting an overspend of £0.017 million (0.09%) on the adjusted revenue budget. Projected savings largely arise on contract payments (£0.200 million) as a result of A92 traffic volume still being lower than pre COVID-19 levels and within dredging budgets (£0.043 million) as less dredging has been required. However, these projected savings are offset by a projected winter maintenance overspend of £0.265 million. It is noted that in addition to the weather, there is some risk to the winter maintenance projection relating to unscheduled vehicle maintenance for which final costs are awaited, but a best estimate has been included at this time. Inflation on salt prices has also been a factor.

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

The Strategic Policy and Public Sector Reform service is currently projecting a saving of £0.024 million (0.3%) on the adjusted revenue budget. This is due to savings occurring within the Big Data Strategy carry forward from 2019/20 which will now not be required until 2022/23 and will be subject to a carry forward request 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 break even position at this time.

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

Human Resources, Digital Enablement, Information Technology & Business Support is currently projecting a saving of £0.091 million (1.2%) on the adjusted revenue budget. This is mainly due to savings being anticipated on IT software maintenance.

#### 4.8 **Finance**

The Finance Service is currently projecting a saving of £0.139 million (3.9%) on the adjusted revenue budget. This is due to additional income being anticipated within Revenue and Benefits (£0.128 million) and savings being anticipated within transport costs as a result of home working (£0.020 million).

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

Legal & Democratic Services is currently projecting a saving of £0.207 million (5.9%) on the adjusted revenue budget. This is mainly due to savings being anticipated across a number of headings within supplies and services (£0.147 million) and transport costs (£0.022 million) due to a reduction in members travel. Increased income is being projected from Registrars (£0.054 million) and legal fees (£0.006 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) and a reduction in the Procurement Recharge (£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 £0.032 million (2.7%) on the adjusted revenue budget. This is mainly due to anticipated income being higher than budgeted.

#### 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 £0.740 million on the adjusted revenue budget. However, this position includes carry forward from 2020/21 for Local Government Election expenditure which will not be incurred until 2022/23 (£0.200 million) and will be subject to a budget carry forward request 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 £0.540 million.

The main reason for this revised saving position is due to the Corporate Employee Slippage target currently projecting a saving of £0.607 million due to delays and difficulties in filling staff vacancies. We are currently projecting a saving within Provision for Additional Burdens of £0.250 million, to date the commitment against a budget of £0.500 million is only £0.150 million and we therefore think it is reasonable at this time to project this saving. There are also smaller savings within various other areas of other services of £0.040 million. This position has however been reduced due to spend on the apprenticeship levy being higher than anticipated (£0.114 million) because 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 (£0.200 million) due to lower interest rates on investments currently being experienced.

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 £0.400 million (16%) on the adjusted revenue budget. This is mainly due to savings occurring around the reduced use of buildings and reduced spend on employee mileage because of COVID-19 and agile working. These savings are however being reduced slightly because of income being lower than expected from the HRA due to 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**

The Corporate Items budget at the start of the financial year comprised:-

Budget Description	2021/22 FBV £m	P&R Report - 380/21 £m	Movement £m	Reason
Energy Cost Provision (to be allocated at year end)	(0.350)	(0.350)	0.000	n/a
Pay Award Provision	3.274	3.274	0.000	n/a
Earmarked Grants	0.472	0.472	0.000	n/a
Unallocated Change Programme Savings	(1.464)	(0.808)	0.656	Allocation of savings against services as saving realised
COVID Consequentials	5.656	5.656	0.000	n/a
<b>TOTAL</b>	<b>7.588</b>	<b>8.244</b>	<b>0.656</b>	

This budget has now been revised as follows:-

Budget Description	P&R Report – 380/21 £m	P&R Report /22 £m	Movement £m	Reason
Energy Cost Provision (to be allocated at year end)	(0.350)	(0.350)	0.000	n/a
Pay Award Provision	3.274	3.274	0.000	n/a
Earmarked Grants	0.472	0.472	0.000	n/a
Unallocated Change Programme Savings	(0.808)	(0.808)	0.000	n/a
COVID Consequentials	5.656	3.293	(2.363)	Allocation of funding to Services per report 213/21
IJB Return of Reserves	0.000	0.648	0.648	Angus Council's share of Angus IJB reserves
<b>TOTAL</b>	<b>8.244</b>	<b>6.529</b>	<b>(1.715)</b>	

The projected outturn against this revised budget and the reasons for the variances is shown in the table below:-

Budget Description	Adjusted Budget £m	Projected Outturn £m	Variance £m	Reason
Energy Cost Provision (to be allocated at year end)	(0.350)	(0.350)	0.000	n/a
Pay Award Provision	3.274	3.274	0.000	n/a
Earmarked Grants	0.472	0.472	0.000	n/a
Unallocated Change Programme Savings	(0.808)	(0.082)	(0.726)	Savings not anticipated to be delivered in 2021/22
COVID Consequentials	3.293	0.000	3.293	£3.040m balance per report 285/21, budget strategy and £0.253m carry forward for funding of temporary posts in 2022/23 - report 213/21
IJB Return of Reserves	0.648	0.000	0.648	Angus Council's share of Angus IJB reserves
<b>TOTAL</b>	<b>6.529</b>	<b>3.314</b>	<b>3.215</b>	

Although the 2021/22 pay award negotiations for Local Government employees has now been agreed, agreement has yet to be reached for teachers and Chief Officers, therefore the full financial implications for the Council remain uncertain and an area of risk. There is currently a £3.274m provision in the 2021/22 budget for pay increases and consolidation of the living wage costs. In addition Scottish Government funding of £0.655 million is being provided on a one-off basis to support part of the additional cost of the pay increase for the local government employee staff group. Officers in the payroll and finance teams are currently assessing what the pay deal means for the Council's costs and budgets and a further update will be provided to members in due course, most likely as part of the 2022/23 budget setting considerations.

Members are also asked to note that there are potential risks around the financial implications of the pay award for 2021/22 on our partners including Tayside Contracts and ANGUSalve which may have an additional impact on Angus Council, but again once the financial implications are known a further update will be provided to members.

#### 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 £3.348 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 £1.022 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 £1.271 million on the adjusted revenue budget. This is mainly due to anticipated costs being lower than budgeted within Repairs & Maintenance (£0.729 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 (£0.509 million) as a result of additional properties coming on stream and costs are anticipated to be lower than budgeted within Supervision & Management (£0.414 million) as a result of employee slippage and delays with recruitment. Financing Charges are also anticipated to be lower than budgeted (£0.134 million). This position is partially reduced due to anticipated loss of rents from void properties being higher than budgeted (£0.516 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/ANGUSalve.

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 £0.820 million, once the de minimus retention levels are taken into account the balance on all funds reduces to £0.555 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 from COVID-19 consequentials budget, see paragraph 4.14 in Corporate Items above. 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.
- Details of any budget uplifts processed in 2021/22 which are now required in 2022/23 and will be returned and earmarked in the general fund.

This information has been collated from services and the latest update is set out in Appendix E:

- £0.566 million has been identified as further budget uplifts required for 2021/22, from Scottish Government funding
- £0.188 million of budget uplifts have been identified as no longer being required and can be returned to the General Fund Reserve
- £0.107 million of budget now requested to be returned and earmarked in the General Fund Reserve for use in 2022/23.

The £0.566 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. VIREMENT 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. FINANCIAL IMPLICATIONS**

- 6.1 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.
- 6.2 Members will have noted from Appendix B that an overall saving compared to budget of £12.638 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 £247.875 million, i.e.3.78%. It is however important to stress that a significant part of this saving (£3.3 million) arises because the full amount of additional one-off COVID funding the Council received for 2021/22 will not all be spent this financial year and Council has already agreed that this unspent element will be used in future years. The projected overall saving is also higher because of the return of £0.648 million of one-off reserves from the Angus Health & Social Care Partnership. Over and above this there are one-off savings in a number of budgets funded by ring-fenced grants which cannot be used for other purposes. All of these factors mean the projected saving which is available for use is substantially lower than the headline figure of £12.638 million.

- 6.3 There are adjustments required 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. In addition adjustments have also been made regarding a 2020/21 100% carry forward that is now required to be carried forward into 2022/23 and COVID funding which is now required in 2022/23, leaving an adjusted projected surplus of £1.672 million.

	<b>Saving / (Deficit) £m</b>
<b>Projected Outturn (General Fund Services)</b>	<b>12.638</b>
Less:	
Ring-fenced grant carry forward Education & Lifelong Learning, see paragraph 4.2	(6.230)
Ring-fenced grant carry forward Children, Families & Justice, see paragraph 4.4	(0.276)
2020/21 Carry Forward not spent in 2021/22 expected to be subject to a carry forward request to 2022/23	(0.224)
Angus Council share of prior year AHSCP reserves to be earmarked in General Fund Reserve	(0.648)
Report 215/21 – Balance of 2021/22 COVID-19 funding to be earmarked in the General Fund for future years. (see paragraph 4.14)	(0.253)
Report 215/21 - 2021/22 Budget Revisions uplifts for COVID-19 not fully utilised in 2021/22 but required for 2022/23 (see paragraph 4.18)	(0.107)
Report 215/21 - 2021/22 Budget Revision uplifts for COVID-19 to be earmarked as COVID-19 funding in the General Fund Reserve	(0.188)
Report 285/21 – balance of 2021/22 COVID-19 Government Funding to be earmarked in General Fund. (see paragraph 4.14)	(3.040)
<b>Adjusted 2021/22 Projected Outturn (General Fund Services)</b>	<b>1.672</b>

- 6.4 Additional requests for 100% carry forwards will likely be made against this sum where further 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.

## 7. EQUALITY IMPACT ASSESSMENT

An equality Impact Assessment is not required as this is an information 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 – 2021/22 Budget Revisions