

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 8 MARCH 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 at 31 January 2022.

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; and
- ii) 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 4 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 identified 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 service based on actual savings made.

4.2 Education & Lifelong Learning

Education & Lifelong Learning are currently projecting a saving of £8.530 million (6.6%) 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 (to follow)		8.530
Less Early Years Expansion	(4.500)	
Less Pupil Equity Funding	(1.057)	
Less Devolved School Management Scheme	(1.119)	
Less Education Recovery Clusters Allocation	(0.300)	
Total Adjustments		(6.976)
Revised Projection		1.554

The revised projection has moved by £0.695 million from the previous report with the main reason for this being an overly prudent school meals cost projection being used and this outturn now includes savings for the recast budgets for the 2nd Clean and PPE/sanitiser costs within schools.

However, this revised position includes a number of 100% carry forwards from 2020/21 where projects and plans have been delayed and will be subject to further carry forward requests in due course for members to consider: upgrade to Arbroath High toilets, £0.150 million; replacement of the online payment system, £0.120 million; School Counsellors £0.248 million and Columbia 1400 Corporate Training, £0.050 million. This approach would result in a projected saving of £0.986 million.

The main reason for the revised projected position is mainly due to slippage within employee costs of £0.400m. This is due to lower than anticipated permanent teacher salary costs within Secondary and vacant posts within the support team relating to Virtual School and Music Tuition and in the Business Unit. There are savings projected on additional cleans being carried out by Tayside Contracts of £0.100m; savings projected on school meal costs of £0.800 million and projected savings on educational resources and miscellaneous supplies & services of £0.095 million. All of the savings are being marginally offset by a projected deficit on school transport costs of £0.150 million.

4.3 **Vibrant Communities & Sustainable Growth**

Vibrant Communities & Sustainable Growth is currently projecting a saving of £0.798 million (3.2%) on the adjusted revenue budget. However, this position includes Private Sector Housing Grant (£0.109m) which will be carried forward automatically into financial year 2022/23. Adjusting for this results in a revised projected savings of £0.689 million.

The main reasons for this revised projected saving are higher than anticipated income in a number of areas (£0.814m); savings on co mingle recycling due to a price decrease (£0.335m); savings in Private Landlord Registration (£0.069m) which will be subject to a 100% carry forward request. These savings are however offset by additional transport costs (£0.301m) mainly as a result of additional hires for COVID restrictions and direct vehicle costs (large repairs) and increased costs on MEB Waste Incineration (£0.277m).

4.4 **Children, Families & Justice**

Children, Families & Justice is currently projecting a saving of £0.683 million (3.3%) on the adjusted revenue budget. However, this position includes ring-fenced unspent grant in respect of Looked After Children Attainment Challenge Funding (£0.316m); Mental Health & Wellbeing (£0.200m) and CORRA foundation funding (£0.100m) all of which will be carried forward automatically into financial year 2022/23. Adjusting for this results in a revised projected saving of £0.067 million.

The main reasons for the revised projected saving are additional income in respect of respite care from other local authorities (£0.134m) and other minor savings on mileage and supplies & services (£0.083m). These savings are partially offset by increased residential school charges as a result of additional you people in placements (£0.150m).

4.5 **Infrastructure Services**

Infrastructure Services is currently projecting a deficit of £0.318 million (1.7%) on the adjusted revenue budget. The main reasons for this variance are loss of fee income of £0.250 million as long term vacancies on fee earning posts has an adverse effect on workload and the generation of income. A budget issue has been submitted as part of the 2022/23 budget process to cover this and this will be considered at the Special Council Meeting on 3 March. If approved this will partially improve this situation going forward.

A saving in the A92 contract due to continued reduction in traffic volumes £0.200 million is being offset by a projected deficit on winter maintenance of £0.265 million due to an increase in salt costs and additional vehicle maintenance.

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 saving is due to savings occurring within the Big Data Strategy carry forward from 2019/20 which will not now be required until 2022/23. This will be subject to a carry forward request in due course for members to consider. It is however considered prudent for the purpose of this report to regard this carry forward request as a commitment. This approach would result in a 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 £0.108 million (1.4%) on the adjusted revenue budget. This is mainly due to savings on IT software licences and maintenance.

4.8 **Finance**

The Finance Service is currently projecting a saving of £0.147 million (4.1%) on the adjusted revenue budget. This is due to additional income being anticipated within Revenues and Benefits of £0.128m and savings within transport costs of £0.023 million due to agile/home working.

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

Legal & Democratic Services is currently projecting a saving of £0.217 million (6.2%) on the adjusted revenue budget. This is mainly due to savings anticipated across a number of headings within supplies & services of £0.137million and transport costs of £0.027 million due to a reduction in members travel. Increased income is being projected from the Registrars Service of £0.046 million.

4.10 **Licensing**

Angus Council is the licensing authority for the local government area of Angus and 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 £0.043 million. This is due to additional income being anticipated.

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 £0.991 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 (£0.200m) 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 carry forward request as a commitment. This approach would result in a revised projected saving of £0.791 million.

The main reason for this revised saving position is due to the Corporate Employee Slippage target currently projecting £0.827 million additional to the budgeted target due to delays and difficulties in filling vacancies. The Provision for Additional Burdens budget is currently projecting a savings of £0.250 million. To date a commitment of £0.150 million is projected against a budget

of £0.500 million so it is therefore considered reasonable to project this saving. In addition there is now a carry forward from 2020/21 of £0.026 million no longer required and this contributes to the projected saving. This position is however being reduced due to spend on the apprenticeship levy being higher than anticipated (£0.076m) because of increased pay costs. The position is reduced further as a result of a reduction in expected income currently being projected within interest on revenue balances (£0.200m) due to lower interest rates on investments currently being experienced.

As mentioned in paragraph 4.1 above, this position is also partially due to estimated corporate savings budgets (£0.043m) not being allocated at this stage. Compensating savings will be projected and reported within Service's year end outturn position.

4.12 **Facilities Management**

Facilities Management is currently projecting a saving of £0.471 million (19.6%) on the adjusted revenue budget. This is mainly due to savings occurring around the reduced use of Council buildings and reduced spend on employee mileage due to the impact of COVID-19 and agile working. However, these savings are slightly offset due to lower than projected income expected from the HRA due to their reduced use of office buildings. These charges are to be 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**

Corporate items is currently projecting a saving of £2.920 million. However £3.782 million against this budget requires to be carried forward into 2022/23 (£3.134 million for COVID consequential (reports 285/21 and 341/21 refer) and £0.648 million which is Angus Council's share of the Angus IJB reserves returned to the Council). Adjusting for this results in a deficit of £0.862 million against corporate items. This deficit is made up of estimated excess pay award costs £0.136 million and Change Programme savings not deliverable in 2021/22 of £0.726 million.

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 have been assessing what the pay deal may mean for the Council's costs and budgets. This assessment includes the cost of the LGE pay deal agreed and an estimate for teachers and Chief Officers based on the current offers made. The assessment has confirmed that the pay award provision of £3.274 million will not be sufficient to cover the projected 2021/22 pay costs by £0.136 million. This includes an additional £0.280 million payable to Tayside Contracts.

There remains an additional risk that this deficit will increase if reaching a final agreement with teaching and chief officer staff groups results in higher offers than those already made and in recognition of this risk a sum of £150,000 has been earmarked in the overall net projected position shown in Section 7 below.

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 is a deficit of £0.250 million. This projected deficit has reduced by £3.092 million from the previous report and is mainly due to the reduction in the projection for provider support / COVID costs being reclaimed and also Scottish Government winter planning monies now being brought into the bottom line to offset demographic costs.

From 2018/19, Angus Council has a new 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 last reported position of the health element of Angus IJB is projecting a year end saving of circa £4.546 million which results in a projected overall saving for Angus IJB of £4.296 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 surplus of £1.526 million. This is due to savings on repairs and maintenance (£0.867m) due to contingency funds not being required and contractors experiencing supply and staff retention challenges. There are continued indications that rental income will continue to be higher than initially estimated (£0.518m) as a result of additional properties coming on stream and costs are anticipated to be lower than budgeted within supervision and management (£0.516m) as a result of employee slippage. Finance charges are also projected to be lower than budgeted (£0.134m). These projected savings are being partially reduced due to higher anticipated loss of rents from void properties (£0.543m).

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 £1.119 million, once the de minimus retention levels are taken into account the balance on all funds reduces to £0.854 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
- £0.183 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. 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 £14.614 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 £245.532 million, i.e. 6%. It is however important to stress that a significant part of this saving (£3.1 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 £14.614 million.

There are adjustments required to this total to reflect funding within Education and Lifelong Learning, Vibrant Communities & Sustainable Growth and Children, Families & Justice (paragraphs 4.2, 4.3 and 4.4 respectively) which due to accounting treatment will be carried forward into 2022/23. Detail is set out in the table below.

	Saving / (Deficit) £m
Projected Outturn (General Fund Services)	14.614
Less:	
Ring-fenced grant carry forward Education & Lifelong Learning, see paragraph 4.2	(6.976)
Ring-fenced grant carry forward Vibrant Communities & Sustainable Growth, see paragraph 4.3	(0.109)
Ring-fenced grant carry forward Children Families & Justice, see para 4.4	(0.616)
2020/21 Carry Forward not spent in 2021/22 to be subject to a carry forward request to 2022/23	(0.792)
Angus Council Share of prior year AHSCP reserves to be earmarked in General Fund Reserve	(0.648)
Report 215/21 – 2021/22 Budget Revisions, uplifts for COVID-19 not fully utilised in 2021/22 but required in 2022/23, see paragraph 4.18	(0.183)
Report 285/21 – balance of 2021/22 COVID-19 Government Funding to be earmarked in the General Fund Reserve, see paragraph 4.14	(3.134)
Report 67/22 Budget Revision uplifts for COVID-19 no longer required but earmarked for use in 2022/23 budget setting	(0.188)
Earmarked for 2021/22 pay award risks (para 4.14)	(0.150)
Adjusted 2021/22 Projected Outturn (General Fund Services)	1.818

7. 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.

REPORT AUTHOR: JILL RENNIE, Team Leader (Finance)

EMAIL DETAILS: FINANCE@angus.gov.uk

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