

### **Commentary on General Fund Services Revenue Budget Versus Actual**

The 2021/22 Revenue Budget was set in March 2021 with this budget not allowing for any budgeted expenditure relating to the continued COVID-19 impact. Report 213/21 to Angus Council on 24 June 2021 recommended a number of changes (increases) to Service revenue budgets to take account of the continued impact of the COVID-19 pandemic. Services have been monitoring these revised budgets.

The Policy and Resources Committee received regular updates on budget performance during financial year 2021/22 with the latest adjusted monitoring budget (including Angus Health & Social Care Partnership) of £296.303 million report 84/22 refers.

### **PART 1 – Comments on Budget Compared to Actual**

#### **Summary Commentary**

Relative to the budget set, Total Net Expenditure on General Fund Services was £22.0 million lower than budget. This compares to the most recent projected position of a £14.6 million saving, an increase of £7.4 million. Much of this £22.0 million was known about and/or planned for during 2021/22, and in setting the 2022/23 budget, as part of the Council's proactive financial management arrangements.

In broad terms variances within General Fund Services revenue budgets arose due to the following main reasons:-

- a. Slippage within LGE employee costs has returned an additional saving of £1.2 million against the budgeted slippage target, mainly due to recruitment issues, which are being identified across a number of service areas. Lower than anticipated permanent teacher numbers has also generated an additional saving of £1.2 million within employee costs,
- b. Slippage in projects and works (£1.8m) – underspends against budgets in these areas arise for a variety of reasons but the non-filling of employee posts is likely to be a factor where services simply haven't had the resource to progress projects in line with expected timelines. A reduction in payments to third party providers who would have provided some of these services eg Tayside Contracts for School Meals is also a factor.
- c. Planned savings on Scottish Government grant – COVID consequentials (report 285/21 refers) of £2.5 million – these are programmed to be used in future financial years,
- d. Pre-paid grants, due to technical accounting treatment are shown as savings at year end of £8.2 million,
- e. Savings within Capital Charges & Financing of £3.8 million, including the proposal to accelerate the Loans Fund repayment policy saving, generating an additional £2 million of one-off savings and to earmark £1.3 million of savings from CFCR funding for future drawdown.
- f. Additional income arising from profit sharing from the waste incineration plant in Dundee of £1.1 million.

This overall saving on services budgets for 2021/22 needs to be viewed in the context of further savings which have now been removed from Service budgets in 2022/23, along with the planned savings achieved as part of the future years budget & reserves strategies.

#### **Service Commentaries**

A high level commentary on revenue budget performance for each Council service is outlined below and should be read in conjunction with Appendix A. It should be noted that through the Council's Change Programme in 2019/20, it was agreed to manage slippage on employee costs budgets corporately so the following commentary is after removing employee slippage from services and allowing for this within Other Services where the corporate slippage budget sits.

- **Education & Lifelong Learning (E&LL)**

Education & Lifelong Learning (Devolved School Management [DSM] and Non-DSM elements combined) ended the financial year 2021/22 by returning a saving of £8.802 million, or 6.74% of the controllable budget.

This was largely due to underspends on Early Years expansion (£4.435 million); Pupil Equity Fund (PEF) funded costs (£0.791 million); and within the DSM budgets which are managed by Head Teachers of £1.502 million. The Early Years and PEF underspends were made on costs 100% funded from Scottish Government grant which is ring-fenced for these purposes and will be carried forward and earmarked within the Council's General Fund balance. DSM underspends are carried forward in full and are available for use by Angus schools during 2022/23. Underspends of £0.442 million on various other specific grant funding will also be carried forward in full.

Approval is being sought as part of this report to carry forward £0.270 million in respect of delayed projects and plans for: Arbroath High School toilets upgrade; and replacement of the online payment system. Of the remaining £1.362 million underspend, the main elements to note are: £1.238 million savings within staff costs resulting from lower than anticipated permanent teacher numbers and vacant posts within the support team and business unit; £0.200 million lower spend in respect of COVID cleaning costs; £0.363 million net underspend from lower-than-expected school meals uptake; offset by £0.475 million overspend on grounds maintenance charges.

- **Vibrant Communities & Sustainable Growth (VC&SG)**

VC & SG ended the financial year 2021/22 by returning a saving £2.298 million or 8.9% of the controllable budget. This saving was primarily due to unbudgeted additional income (£1.100 million) arising from profit sharing from the waste incineration plant in Dundee (see part two below). Savings also arose on the Private Landlord Registration budget; Private Sector Housing Grant; Humanitarian Grant & Economic Development Covid19 budget uplifts (£0.450 million), all of which are subject to carry forward requests into 2022/23. Furthermore, the Planning service income budget for 2021/22 was temporarily reduced as an anticipated negative effect of Covid-19. However, this estimated reduced income did not, in fact, materialise and overall income receipts was greater than budgeted (£0.140 million). Lastly, there were combined savings (£0.400 million) made within Waste, regarding the co mingling contract price variation and the Parks service had additional net unbudgeted income, achieved through successful tendered work.

- **Children, Families & Justice**

The Children, Families and Justice Service ended the financial year 2021/22 by returning a saving of £0.651 million. This was wholly attributable to grants received from the Scottish Government for Looked After Children Attainment Challenge (£0.316 million), Mental, Health and Wellbeing (£0.308 million) and external funding from the CORRA Foundation (£0.100 million). All of these are subject to automatic carry forward into 2022/23 (£0.724 million). Adjusting for these carry forwards results in a small overspend of £0.073 million mainly due to higher expenditure in external residential placements.

- **Infrastructure Services**

Infrastructure ended the financial year 2021/22 by returning a saving of £0.069 million or 0.33% of the controllable budget. This saving was primarily due to an underspend on the Arbroath Harbour dredging budget, which is the subject of a carry forward request into 2022/23.

- **Strategic Policy, Transformation and Public Sector Reform (SPT&PSR)**

SPT & PSR ended the financial year 2021/22 by returning a saving of £0.007 million or 0.08% of the controllable budget.

- **Human Resources, Digital Enablement, IT & Business Support**

Human Resources, Digital Enablement, Information Technology and Business Support ended the financial year 2021/22 by returning a saving of £0.005 million or 0.06% of the controllable budget.

- **Finance**

Finance ended the financial year 2021/22 by returning a saving of £0.144 million or 4.0% of the controllable budget. This net saving was primarily due to additional unbudgeted income received within Revenues & Benefits and Welfare Rights teams, from several different sources. In addition, there was also a saving on the travel costs budget.

- **Legal & Democratic Services**

Legal & Democratic (L&D) ended the year financial year 2021/22 by returning a saving of £0.242 million or 6.4% of the controllable budget. This net saving was primarily due to reduced expenditure on: Members travel allowances (£0.028 million), miscellaneous supplies & services (£0.073 million), which is the subject of a carry forward request into 2022/23, and the Tayside Procurement Consortium contribution (£0.021 million). In addition, there was a saving on the 2021/22 one off Covid-19 budget uplifts (£0.074 million) which is also the subject of a carry forward request into 2022/23. Finally, Registrar's income was greater than budgeted (£0.047 million).

- **Licensing**

Licensing ended the financial year 2021/22 by returning a saving of £0.041 million compared to the controllable budget. This net saving was achieved, after accounting for only the direct employee costs within L&D and excludes further pertinent costs associated with the Licensing function relating to Central Support Services charges and staff costs within the HR, DE, IT and Business Support Directorate. The saving above, was primarily due to income levels recovering greater than expected after Covid-19. For 2021/22 the base income budget was temporarily reduced due by £0.048 million to reflect the anticipated effect of Covid 19. However, the actual income received was 17% greater than this temporarily reduced budget.

- **Other Services**

The Other Services budget holds a number of contingency and difficult to predict budgets. Actual expenditure can therefore be subject to significant variations compared to budget. Other Services ended the financial year 2021/22 by returning a saving £2.436 million. This was, in the main, due to additional corporate employee slippage (£1.2 million). Further areas where savings have been achieved are in relation to Government Grant/Funding which is being carried forward 100% for use in 2022/23 (£0.119 million) and Levelling Up Fund & Discretionary Housing Payments (£0.244 million).

Savings also arose in Energy Efficiency & Salix budgets due to delays in undertaking projects in 2021/22 of £0.479 million. The local government election one-off budget was not all required in 2021/22 and £0.192 million will be carried forward into 2022/23 where the majority of the costs of running the May 2022 election have been incurred.

- **Facilities Management**

Facilities Management ended the financial year 2021/22 by returning a saving of £0.322 million. Most of this saving was projected and reported through the year as coming from property costs; cleaning, energy and rates in the main due to the continued home working through financial year 2021/22 on our building costs. It should be noted that as part of the original agile programme a savings target within the Change Programme of £0.367 million is required in 2022/23. We will continue to review these budgets as the Council moves into the new 'Agile 2' programme.

## ▪ **Corporate Items**

There are a number of budgets held centrally under corporate items until service allocations are determined and these have resulted in a saving of £3.170 million. This saving mainly arose from additional COVID-19 consequential government grant received in 2021/22 of £5.656 million, with £3.172 million of planned spend arising during 2021/22. Report 285/21 “Budget Strategy Update and Use of COVID-19 Funding” details how the balance of this funding, along with other uncommitted funds, will be used for COVID-19 response, recovery and renewal purposes. The surplus on this budget of £2.484 million will, therefore, be earmarked in the General Fund Reserve per this report.

The balance of the saving was achieved through the return of reserves from the Health & Social Care Integrated Joint Board of £0.648 million; corporate pay award provision of £0.700 million, £0.350 million being in relation to the consolidation of the living wage with this requiring to be earmarked as payment will be back dated to April 2021, offset by the change programme savings not delivered in 2021/22 of £0.726 million.

## **Adult Services**

Adult Services ended the financial year 2021/22 with a saving on the controllable budget of £1.120 million. This is made up of £1.791 million ring fenced Scottish Government Additional Allocation monies, a reduction of £0.157 million in ring fenced COVID-19 monies and £0.517 million deficit in services. In accordance with the Integration Scheme, this saving will be earmarked by the Council and held as Reserves on behalf of the Angus Integration Joint Board. This underspend is not included within the overall savings reported at the start of this appendix.

## **Commentary on other General Fund Corporate Budgets**

- Capital Financing Costs (CFC) which are also referred to as loan charges have an overall saving of £3.839 million. £2 million of this saving is due to the review of the Loans Fund Policy (report 104/22 refers) to achieve a planned saving in principal repayments. This saving was agreed as £2 million per annum, however an amendment to a one off saving of £4 million in 2021/22 is proposed (approval sought in this report) and this has been included in the outturn position in this report.
- In addition to this, £1.3 million of the CFC budget was planned Capital Financed from Current Revenue (CFCR), however this was not required to be drawn down in 2021/22 and has been incorporated into the 2021/26 Capital Plan for future draw down. The £1.283 million will be earmarked in the General Fund Reserve as a future commitment. The balance of £0.556 million is budget headroom that was not required in 2021/22 and this will fall into the General Fund Reserve.

## **Commentary on Housing Revenue Account Revenue Budget Versus Actual**

The Housing Revenue Account (HRA) covers the costs and incomes for providing the Council’s Housing services. The HRA year-end position was an overall deficit of £0.368 million for the year for the reasons given below.

The main reasons for the deficit are outlined below:

- **Financing Charges** – £0.711 million lower than budget due to Loans Fund Charges being less than anticipated as a result of the Loans Fund Review and lower than budgeted interest charges due to lower borrowing requirements in the prior year;

- **Repairs & Maintenance** - £1.770 million lower than budget, is partly due to the impact of the Pandemic, but also due to contractor performance issues experienced in two of the four contract areas.
- **Supervision & Management** – £0.441 million lower than budget, mainly due to vacant staff posts and reduced supplies and services costs as a result of increased agile working;
- **Loss of Rents** – £0.681 million above budget, primarily as a result of void properties taking longer to be processed due to: the challenges experienced with unplanned repair lots impacting upon changes of tenancy not being carried out as intended; and the energy crisis has meant that meter changes have not been able to be carried out normally in void properties meaning that they cannot be relet, so voids are taking longer to process.
- **Rents and Service Charges** – £0.120 million lower than budgeted, due to 2 main factors: firstly, a number of properties have remained empty as part of the Timmergreens regeneration, ahead of the new-build construction; secondly new-build properties coming on stream were delayed. Both these things have reduced the anticipated level of income.
- **Capital From Current Revenue** - £2.473 million higher than budgeted – this represents use of £1.609 million of HRA balances in the funding of the capital programme, £0.300 million capital funding provided by the Affordable Housing Revenue Account (which is funded by a transfer from General Fund reserves) and an additional £1.500 million applied to fund the HRA Capital Programme in order to reduce the in-year borrowing requirement. This was offset by a £0.936 million transfer from the HRA reserves to the General Fund reserves to fund the appropriation of General Fund property and land to the HRA.

## **PART 2 – Comments on Budget Compared to Last Projection**

It is important to assess how accurate the Council's budget monitoring processes are even in a year where the pandemic has disrupted service provision and financial activity to a significant extent. Good budget management reduces the risk of surprises at the financial year end. The narrative below compares the year end position with the last projections prepared.

### **Commentary against Projected Outturn– General Fund Services**

The most recent 2021/22 projected outturn was reported to committee in March, based on January 2022 ledgers. This showed a projected saving against budget for General Fund services of £14.614 million. The final position for 2021/22 now being reported is £7.412 million higher at £22.026 million.

Table 1

<b>Area</b>	<b>January 2022 Outturn £ million</b>	<b>Movement £ million</b>	<b>Final 2021/22 Outturn £ million</b>
Council Services	14.614	3.573	18.187
Capital Financing Costs	0.000	3.839	3.839
<b>Total</b>	<b>14.614</b>	<b>7.412</b>	<b>22.026</b>

The more significant movements when compared to the March 2022 Revenue Budget Monitoring Report to the Policy & Resources Committee and the reasons for these are outlined as follows:-

- **Education & Lifelong Learning**

Education & Lifelong Learning outturn increased by £0.376 million and this is in the main due to £0.538 million further staff cost underspends in respect of permanent teacher numbers, offset by a £0.199 million reduction in the underspend anticipated on the net school meals position as meal uptake increased towards the year-end.

- **Vibrant Communities & Sustainable Growth**

Favourable movement of £1.411 million on the previous, adjusted projected saving of £0.485 million, primarily due to £1.100 million unbudgeted additional income in relation to profit sharing from the waste incineration plant in Dundee. This unbudgeted income arose through the significant increases in wholesale electricity prices evident in February 2022 which generated additional income for the incineration plant and triggered the Council's contractual profit-sharing arrangements. The actual amount of the additional income applicable to Angus Council was dependant on the plant operators completing their financial accounts and as such this was not known with any degree of certainty in advance of year end.

- **Children, Families & Justice**

Children, Families & Justice outturn reduced by £0.140 million primarily as the result of additional automatic grant carry forward in respect of Mental Health and Wellbeing grant (£0.108 million).

- **Infrastructure Services**

Favourable movement of £0.344 million on the previous, adjusted projected deficit of £0.318 million. This was primarily due to significant savings in winter maintenance spend for February / March 2022 compared to the prior three years average for same period (used to calculate the previous outturn position in January 2022).

- **Strategic Policy, Transformation and Public Sector Reform**

Insignificant favourable movement of £0.016 million on the previous, adjusted projected deficit of £0.033 million.

- **Human Resources, Digital Enablement, IT & Business Support**

Adverse movement of £0.108 million, primarily as a result of an under recovery of staff costs in respect of the common housing register (£0.117 million).

- **Finance**

Insignificant unfavourable movement of £0.003 million on the previous, adjusted projected saving of £0.147 million.

- **Legal & Democratic**

Favourable movement of £0.063 million on the previous, adjusted projected saving of £0.143 million, primarily due to further savings on Tayside Procurement Consortium contribution and great than anticipated Registrar's income receipts.

- **Licensing**

Insignificant unfavourable movement of £0.002 million on the previous, adjusted projected saving of £0.043 million.

- **Other Services**

The gross projected saving has increased by £1.025 million from previous outturn report, this is in the main due to additional employee slippage being achieved of £0.500 million and energy efficiency and Salix projects being delayed, £0.479 million of budget which was being projected through the year as being fully spent, but with project delays this did not materialise.

- **Facilities Management**

FM finished with a reduced saving from that previously projected of £0.160 million, mainly due to increased spend on property maintenance not previously included in the projections and other property savings not being achieved.

- **Corporate Items**

Corporate Items ended the year with an additional saving of £0.700 million as a result of the teachers pay award being less than originally budgeted for and the delay around the revised pay & grading to consolidate the living wage.

### **Commentary against Projected Outturn - Housing Revenue Account (HRA)**

The reported projected surplus in January 2022 of £1.526 million has decreased to a deficit of £0.368 million (a decrease of £1.894 million). The main movements in this regard were:

- **Financing Charges** – £0.577 million increased underspend mainly as a consequence of the impact of Loans Fund Review.
- **Repairs & Maintenance** - £0.903 million increased underspend; whilst we knew there were works not being carried out, the underspend did increase as the scale of the challenges became clearer.
- **Supervision & Management** – £0.075 million decreased underspend mainly due to vacant staff posts and reduced supplies and services costs as a result of increased agile working.
- **Loss of Rents** – £0.138 million increased overspend primarily due to higher than budgeted bad debt provision.
- **Capital From Current Revenue** - £2.473 million increased overspend this represents use of £1.609 million of HRA balances in the funding of the capital programme, £0.300 million capital funding provided by the Affordable Housing Revenue Account (which is funded by a transfer from General Fund reserves) and an additional £1.500 million applied to fund the HRA Capital Programme in order to reduce the in-year borrowing requirement. This was offset by a £0.936 million transfer from the HRA reserves to the General Fund reserves to fund the appropriation of General Fund property and land to the HRA. These changes arose from the acceleration in spend on the HRA capital programme.