

REVENUE BUDGET MONITORING – FOR THE YEAR 2020-21

1. EXECUTIVE SUMMARY

- 1.1 The main purpose of this report is to advise Members of the revenue budget position of the Council as at the end of financial year 2020-21. The report also summarises the movement in the General Fund balance.
- 1.2 The performance against budget for financial year 2020-21 was an overall underspend, after earmarkings have been accounted for, of £0.188m (0.07%).
- 1.3 After accounting for automatic and proposed earmarked reserve proposals, there is a net underspend of £0.003m in relation to Council services departmental expenditure, a net underspend of £0.230m in relation to other central costs and a net under recovery of income of £0.045m. Social Work, managed by the Health and Social Care Partnership (HSCP), were underspent by £0.907m and this amount has been used to reduce the HSCP's debt to the Council for historic social work overspends which is consistent with the Scheme of Delegation.
- 1.4 COVID funding received during 2020-21 was not fully utilised due to some being notified and received very late in the financial year and some being for specific purposes which are ongoing activity. It is proposed to carry forward a total of £15.526m of COVID funding (£13.530m for Council and £1.996m for Social Work).
- 1.5 The General Fund Balance has moved from £49.670m at the end of financial year 2019-20 to £80.634m at the end of 2020-21. The movement represents an increase of £30.964m which is due to the contributions to and from earmarked reserves and the favourable year-end underspend position.
- 1.6 There is a separate report that details the earmarked reserves which outlines proposals to earmark a total of £74.277m from the General Fund balance, leaving £6.357m unallocated. Of this £5.032m is required to be held as the General Fund contingency, leaving an unallocated balance of £1.325m.
- 1.7 There have been 6 virements of revenue budget over £0.200m in the period January to March 2021 for approval.

REVENUE BUDGET MONITORING – FOR THE YEAR 2020-21

2. INTRODUCTION

- 2.1 This report summarises the revenue budget position of the Council as at the end of the financial year 2020-21. The overall revenue budget monitoring statement for the Council is attached as Appendix 1 and departmental outturn summaries are attached as Appendix 2.

3. RECOMMENDATIONS

- 3.1 Members to consider the revenue budget monitoring position as at the end of financial year 2020-21.
- 3.2 Members to note that the unallocated balance within the General Fund as at 31 March 2021, after taking into account the contingency, amounts to £1.325m.
- 3.3 Members to approve the revenue virements over £0.200m between January and March 2021.

4. DETAIL

4.1 Final Outturn Variance (Un-audited)

- 4.1.1 The performance against budget for the financial year 2020-21 was an overall underspend of £0.188m (0.07%). A summary of the final outturn position is noted within the table below.

Final Outturn Variance (Un-audited)				
2020/21				
Department	Actuals	Budget	Variance	Percentage
		Adjusted for Earmarkings	(Overspend) Underspend	
	£	£	£	%
Chief Executive's Unit	5,311,425	5,272,674	(38,752)	(0.74%)
Executive Director (Douglas Hendry)	109,632,137	109,651,191	19,054	0.02%
Executive Director (Kirsty Flanagan)	50,088,403	50,110,624	22,221	0.04%
Total Departmental Expenditure	165,031,966	165,034,489	2,523	0.00%
Joint Boards	1,469,554	1,472,371	2,817	0.19%
Loans Charges	12,120,475	12,379,659	259,183	2.09%
Pension Costs	1,810,070	1,755,321	(54,749)	(3.12%)
Other	7,811,840	7,834,991	23,151	0.30%
Total Central Expenditure	23,211,939	23,442,342	230,403	0.98%
Social Work	55,788,559	55,788,559	(0)	0.00%
Total Social Work Expenditure	55,788,559	55,788,559	(0)	0.00%
Total Expenditure	244,032,464	244,265,390	232,926	0.10%
Total Funding	278,624,564	278,669,551	(44,987)	(0.02%)
UNDERSPEND			187,939	

4.2 Council Departmental Budget Outturn

- 4.2.1 The performance against budget shows departmental controllable expenditure being £0.003m (0.00%) under budget. Included in this outturn position is an adjustment to update the 2020-21 budget to reflect £18.895m of new earmarkings at the year-end.
- 4.2.2 Within the Chief Executive's Unit there was an under-recovery of Local Tax Commission due to reduced recoveries. This is partially offset by an underspend in Community Planning as planned project work had to be delayed due to the team's involvement in the Caring for People response to COVID. There are no new unspent budget earmarkings being requested due to the overspend.
- 4.2.3 Within the remit of Executive Director Douglas Hendry, the main underspends were due to positive contract management within NPDO and Hub Schools, delays in filling vacancies within Procurement and savings on bank staff within Cleaning. The main overspends were on minor repairs, residential placements and clothing grants. Overall there was a favourable net position.
- 4.2.4 Within the remit of Executive Director Kirsty Flanagan, the main underspends were Waste Variation monies from Renewi, over-recovered vacancy savings, an underspend in SPT and a decrease in the bad debt provision. The main overspends were in Winter Maintenance, Street Lighting Electricity and Glass Collection. Overall there was a favourable net position.

4.3 Central Budget Outturn

- 4.3.1 The performance against budget for central/non-departmental expenditure was a net underspend of £0.230m (0.98%). Included in this outturn position is an adjustment to update the 2020-21 budget to reflect the new year-end earmarkings which total £9.774m. The main reasons giving rise to the underspend in central costs was underspends on Elected Members due to COVID travel restrictions, in NDR budgets and on the Loans Fund due to slippage within the capital programme. These were partially offset by an overspend on insurance costs. All three underspend areas have been reviewed and savings options have been agreed to help deliver a balanced budget in 2021-22 and beyond.
- 4.3.2 The overall favourable position for Departmental and Central Expenditure Budgets has provided the opportunity to propose earmarking of unspent budget for specific purposes and these are included in the 'Earmarked Reserves – 2020-21 Year End' report on this agenda. Unspent budget earmarkings will only be considered when the purpose is aligned to the objectives, priorities and targets of the Council, there is a business case to justify the expenditure and the general reserve contingency is met. The detail of the proposed unspent budget earmarkings and their associated business cases can be found in the Earmarked Reserves report.

4.4 Social Work Outturn

- 4.4.1 Social Work Services, managed by the HSCP, were underspent by £0.907m (1.6%). In accordance with the IJB's Scheme of Integration, the underspend will be used to pay down the amounts owing to the Council from previous Social Work overspends. A 2020-21 net underspend on Health of £0.183m has also been transferred over to the Council to reduce the accumulated overspend from previous years. There is still an outstanding amount owed by the IJB to the Council and this will be recovered through reductions in the funding provided to the IJB for Social Work services in future years with the repayment timescale agreed at the Policy and Resources Committee on 13 May 2021.
- 4.4.2 The underspend of £0.907m after earmarkings of £2.389m, was as a result of high levels of staffing vacancies, reductions in service demand for care home placements for Older People and reduced travel costs across the service due to COVID mitigation restrictions. This was partially offset by higher than budgeted demand across Learning Disability, Physical Disability and Children's External Placements.

4.5 Funding Budget Outturn

- 4.5.1 The performance against budget for funding was a net overspend/under-recovery of income of £0.045m. Included in this outturn position is an adjustment to update the 2020-21 budget to reflect the new automatic earmarking at the year-end, these new earmarkings total £2.256m and relate solely to the Strategic Housing Fund.

4.5.2 There is a year-end adverse position in relation to Council Tax of £0.044m where collections have been lower than the budget.

4.6 COVID Impact

4.6.1 There is a large amount of COVID funding not utilised at year end and there is a total of £15.526m of COVID funding to be earmarked. Significant amounts to note are:

- £5.399m from the £275m allocation to support COVID pressures – this had been discussed and agreed to be carried forward to meet 21-22 COVID related pressures at the Council meeting on 27 February 2021.
- Education relevant COVID carry forwards amount to £3.413m and include Logistics funding, funding for Teaching and Support Staff and Mental Health and Wellbeing.
- Social Work - £1.996m – to be used by Social Work specifically
- Discretionary Fund - £1.655m – this fund provides assistance to small businesses and the self employed based in Argyll and Bute facing financial challenge as a result of COVID restrictions and who have not been in receipt of any of the COVID related business support announced by the Scottish Government since 1 October 2020.
- Unallocated general COVID funding - £0.830m – funding that hasn't been allocated to a particular COVID purpose as yet.

4.6.2 Much of the COVID funding was notified and received very late in the financial year, resulting in such a high amount of earmarking being required. The high earmarking value will impact on the general fund balance and this is something likely to be seen in many other councils.

4.7 Impact on the General Fund

4.7.1 The movement in the General Fund balance is different to the underspend, as noted above, as it also reflects earmarked reserve withdrawals and contributions. The General Fund balance at 31 March 2020 was £49.670m and has increased by £30.964m to £80.634m as at 31 March 2021. The movement in the balance is summarised in the table below.

	£m
Balance on General Fund 31 March 2020	49.670
Social Work Repayment – Planned Repayment	0.500
Social Work Repayment – Advance Repayment agreed at Budget Meeting 27 February 21	1.000
Social Work Repayment – 20-21 Health and Social Work Underspends	1.089
Supplementary estimates June 20	(0.015)
Revenue Budget 20-21 - investment in capital	2.636
Released sums earmarked to service budgets 2020-21	(7.751)
Contributions to earmarked reserves 2020-21	33.314

Overall budget underspend as above	0.188
Rounding	0.003
Balance on General Fund 31 March 2021	80.634

4.7.2 The balance on the General Fund is significantly higher than normal. This can be attributed to the Social Work repayments and increased earmarkings - resulting from the COVID earmarkings discussed at Section 4.6 (above), unspent grants (the most significant being £4.806m in relation to the 1140 hours expansion) and unspent budget requests. Earmarkings are discussed in detail in the Earmarked Reserves report on this agenda.

4.7.3 The closing balance on the General Fund as at 31 March 2021 is £80.634m. Of this, £74.277m is earmarked for specific purposes and £5.032m is required to be held as the General Fund contingency, leaving an unallocated balance of £1.325m as shown in the table below.

	£m
Balance on General Fund 31 March 2021	80.634
Earmarked balances at 31 March 2021 (as per Earmarked Reserves report)	(74.277)
Contingency balance (2.0% of net expenditure)	(5.032)
Unallocated balance as at 31 March 2021	1.325

4.7.4 The £1.325m unallocated balance as at 31 March 2021 is very similar to the £1.326m unallocated balance as at 31 March 2020.

4.7.5 The Council continue to have robust financial management arrangements and it is vital that these continue to be in place, particularly as the Council are facing financial challenges around the recovery and how services may need to be adapted as a result of the COVID pandemic.

4.8 VIREMENTS OVER £0.200M (REVENUE)

4.8.1 Virement is the process of transferring budget between cost centres, services or departments or between capital projects. The Council's constitution notes that virements over £0.200m require approval by Council. This section of the report will be used to outline revenue virements in the period that require approval. Capital virements are included within the capital monitoring report.

4.8.2 For the period January to March 2021, there are 6 virements over £0.200m requiring authorisation:

- £7.846m taken from the COVID funding allocation at the centre and £0.043m taken from Chief Executives Unit to fund COVID costs across Executive Director Douglas Hendry £1.029m, Executive Director Kirsty Flanagan £6.716m and Council Tax Income £0.144m
- £1.000m from Social Work to Funding, representing a £1.000m repayment of outstanding debt
- £0.291m into the Repairs and Renewals fund for replacement of capital items for schools from Education revenue budget

- £0.213m from the Utilities budgets held at the centre to Executive Director Douglas Hendry to meet solid fuel costs
- Removal of Budget from Social Work HQ £0.851m and allocating to Homecare £0.250m, Equipment £0.053m and LD Supported Living £0.548m to distribute centrally held funds
- £0.299m budget harvested within Social Work against the vacancy savings target for the period February

5. CONCLUSION

5.1 The performance against budget for financial year 2020-21 was an overall underspend of £0.188m (0.07%). The General Fund balance has increased by £30.964m which reflects the contributions to and from earmarked reserves and the favourable year-end underspend position.

6. IMPLICATIONS

6.1	Policy	Automatic earmarking as per the policy have been taken into consideration with the final reported outturn position.
6.2	Financial	Report notes the underspend against budget during 2020-21 and the movement in the General Fund balance
6.3	Legal	None
6.4	HR	None
6.5	Fairer Scotland Duty	None
6.5.1	Equalities	None
6.5.2	Socio-Economic Duty	None
6.5.3	Islands Duty	None
6.6	Risk	None
6.7	Customer Services	None

Kirsty Flanagan
Section 95 Officer
11 June 2021

Councillor Gary Mulvaney, Policy Lead for Financial Services and Major Projects

APPENDICES

Appendix 1 – Overall Revenue Budget Monitoring Statement 2020-21
 Appendix 2 – Department 2020-21 Outturn Summaries.

	Actual 2020/21	Budget 2020/21	Adjustment for Funds Earmarked in General Fund Reserve													HSCP Loan repayment	Adjusted Budget 2020/21	"Real Variance" (Over)/undersp end	Comment
			Income from council tax on 2nd homes	Unspent Grant monies	Third Party Contributions	CHORD	DMR School Carry Forwards	Previous Council Decision	Energy Reinvestment Fund	Existing Legal Commitments	Scottish Government Initiatives	Piers and Harbours Surplus	Fleet - Timing Delay	COVID-19 Specific Funding	NEW Unspent Budget Proposals				
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
Expenditure																			
Chief Executive's Unit	5,311,425	6,593,435		192,586	3,968				7,118						1,117,089		5,272,674	(38,752)	Within Community Planning, there was an underspend as planned project work was unable to proceed due to the team's time and involvement in Caring for People response to Covid-19. Within Financial Services, there was an £80k under-recovery of Local Tax Commission due to reduced recoveries. This was offset by an underspend against Non Domestic Rates Relief due to a reduction in rateable value of properties in receipt of discretionary relief and therefore a reduction in the cost of relief that the Council has to pay.
Executive Director (Douglas Hendry)	109,632,137	121,131,231		5,367,404	3,462		639,649				470,848			3,413,021	1,585,656		109,651,191	19,054	The favourable outturn position is attributed to underspends within Legal and Regulatory Support - NPDO and Hub Schools due to insurance savings and positive contract management and Commercial Services - catering and cleaning.
Executive Director (Kirsty Flanagan)	50,088,403	56,204,885		2,164,131		48,990							362,384	84,145	3,434,611		50,110,624	22,221	Over recovery of vacancy savings plus a reduction in bad debt provision partially offset by earmarking requests.
Total Departmental Expenditure	165,031,966	183,929,551	0	7,724,121	7,430	48,990	639,649	7,118	0	0	470,848	362,384	0	4,614,255	5,020,267	0	165,034,489	2,523	
Joint Boards	1,469,554	1,472,371															1,472,371	2,817	Outwith reporting criteria
Loans Fund	12,120,475	12,788,251													301,624		12,379,659	259,183	Underspend due to significant slippage within the capital programme.
Redundancy Costs	1,810,070	1,755,321															1,755,321	(54,749)	Strain on the Fund costs not covered from either the provision or earmarking
Other	7,811,840	17,383,463	0	0	0	0	0	0	0	0	0	0	0	8,915,472	450,000	183,000	7,834,991	23,151	There is an underspend in Elected Members and NDR, partially offset by an overspend on Insurances. A repayment of existing debt from the HSCP Health underspend is recognised here (£0.183m).
Total Central Expenditure	23,211,939	33,399,406	0	0	0	0	0	0	0	0	0	0	106,968	8,915,472	751,624	183,000	23,442,342	230,403	
Social Work	55,788,559	59,084,341									392,465			1,996,411		906,906	55,788,559	(0)	There was an underspend in social work of £0.907m as a result of high levels of staffing vacancies, reductions in service demand for care home placements for Older People and reduced travel costs across the service due to COVID mitigation restrictions. This was partially offset by higher than budgeted demand across Learning Disability, Physical Disability and Children's External Placements. This underspend has been used to reduce the HSCP's debt to the Council for historic overspends. This is consistent with the Scheme of Delegation.
Total Social Work Expenditure	55,788,559	59,084,341	0	0	0	0	0	0	0	0	392,465	0	0	1,996,411	0	906,906	55,788,559	(0)	
Total Expenditure	244,032,464	276,413,298	0	7,724,121	7,430	48,990	639,649	7,118	0	0	863,313	362,384	106,968	15,526,138	5,771,891	1,089,906	244,265,390	232,926	
Funding																			
AEF & NDR Income	220,557,265	220,558,240															220,558,240	(975)	Rounding difference
Council Tax	54,437,241	52,225,000	2,256,253														54,481,253	(44,012)	Under-recovery of Council tax income, this is after additional budget input from COVID-19 funding
Budgeted/withdrawn from Earmarked Reserves	7,751,053	7,751,053															7,751,053	0	
Supplementary Estimates Approved	15,000	15,000															15,000	0	
Budgeted Contribution to General Fund Balance	(4,135,995)	(4,135,995)															(4,135,995)	0	
Total Funding	278,624,564	276,413,298	2,256,253	0	0	0	0	0	0	0	0	0	0	0	0	0	278,669,551	(44,987)	
Under/(Overspend)	34,592,100	0	2,256,253	7,724,121	7,430	48,990	639,649	7,118	0	0	863,313	362,384	106,968	15,526,138	5,771,891	1,089,906	34,404,161	187,939	

REPORTING CRITERIA - +/- £50k OR +/- 10%

Department	Service	Actual 2020/21	Budget 2020/21	Funds carried forward to 2021/22											HSCP Loan repayment	Adjusted Budget 2020/21	(Over)/ Underpend	Variance %age	Comment		
				Income from council tax on 2nd homes	Unspent Grant monies	Third Party Contributions	CHORD	DMR School Carry Forwards	Previous Council Decision	Energy Reinvestment Fund	Existing Legal Commitments	Scottish Government Initiatives	Piers and Harbours Surplus	Fleet - Timing Delay						COVID-19 Specific Funding	NEW Unspent Budget Proposals
Expenditure		£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£		
Chief Executive's Unit	Chief Executive	809,549	861,411			3,968				7,118					14,000			836,325	26,776	3.20%	Within Community Planning, there was an underspend as planned project work was unable to proceed due to the team's time and involvement in Caring for People response to Covid-19.
Chief Executive's Unit	Head of Financial Services	4,501,877	5,732,023		192,586										1,103,089			4,436,348	(65,528)	-1.48%	EB0k under-recovery of Local Tax Commission due to reduced recoveries. This was offset by an underspend against Non Domestic Rates Relief due to a reduction in rateable value of properties in receipt of discretionary relief and therefore a reduction in the cost of relief that the Council has to pay.
Chief Executive's Unit Total		5,311,425	6,593,435	0	192,586	3,968	0	0	7,118	0	0	0	0	1,117,089	0	0	5,272,674	(38,752)	-0.74%		
Executive Director (Douglas Hendry)	Executive Director (Douglas Hendry)	408,625	358,919														358,919	(49,706)	-13.85%	Overspend is due to an increase in Bad Debt provision of £81k.	
Executive Director (Douglas Hendry)	Head of Commercial Services	9,361,303	9,767,664									28,808			358,000			9,380,856	19,553	0.21%	Outwith Reporting Criteria
Executive Director (Douglas Hendry)	Head of Education	81,919,299	92,349,300		5,359,293	3,462			639,649			442,040			3,413,021			81,944,179	24,880	0.03%	Outwith Reporting Criteria
Executive Director (Douglas Hendry)	Head of Legal and Regulatory Support	17,942,910	18,655,348		8,111										680,000			17,967,237	24,327	0.14%	Outwith Reporting Criteria
Executive Director (Douglas Hendry) Total		109,632,137	121,131,231	0	5,367,404	3,462	0	639,649	0	0	0	470,848	0	0	3,413,021	1,686,656	0	109,651,191	19,054	0.02%	
Executive Director (Kirsty Flanagan)	Executive Director (Kirsty Flanagan)	(3,390)	621,321												620,000			1,321	4,711	356.63%	Over recovery of vacancy savings £377k plus reduction in Bad Debt provision £281k, offset by new unspent budget earmarking requests.
Executive Director (Kirsty Flanagan)	Head of Customer Support Services	7,866,444	8,060,485		97,186										43,000	50,000		7,870,299	3,855	0.05%	Numerous offsetting under and overspends
Executive Director (Kirsty Flanagan)	Head of Development and Economic Growth	9,621,461	11,828,522		2,066,945				48,990						41,145	60,614		9,610,828	(10,634)	-0.11%	Numerous offsetting under and overspends
Executive Director (Kirsty Flanagan)	Head of Roads and Infrastructure Services	32,603,887	35,694,557										362,384		2,703,997			32,628,176	24,289	0.07%	Numerous offsetting under and overspends
Executive Director (Kirsty Flanagan) Total		50,088,403	56,204,855	0	2,164,131	0	48,990	0	0	0	0	0	362,384	0	84,145	3,434,611	0	50,110,624	22,221	0.04%	
Total Departmental Expenditure		165,031,966	183,929,551	0	7,724,121	7,430	48,990	639,649	7,118	0	0	470,848	362,384	0	4,614,255	5,020,267	0	165,034,489	2,523	0.00%	
Social Work	Chief Officer Integration	(3,407,001)	688,113									392,465			1,996,411		1,706,238	(3,407,001)	(0)	0.00%	Underspend before Loan repayment due to the over-recovery of vacancy savings (£119k) as well as the over-recovery of charges to clients (£380k) and budget savings (£1,461m). This is partially offset by overspends on bad debt provision (£69k), software costs, payments to other bodies and payments to other services of the authority. Both the charges to clients and budget savings over-recoveries are as a result of Scottish Government funding to offset income loss and unachieved budget savings elsewhere in the service as a result of Covid-19. The underspend was used to repay HSCP Loan to the Council.
Social Work	Head of Adult Services	45,692,882	44,411,492														(1,281,390)	45,692,882	(0)	0.00%	Overspend arises due to a combination of higher than budgeted demand for services and slippage on the delivery of savings in Adult Services Central Management and Learning Disability and Physical Disability Services. These overspends are partially offset by an underspend on Mental Health and Older People services. The overspend was offset against the HSCP loan repayment to the Council.
Social Work	Head of Children and Families and Community Justice	13,118,504	13,589,688														471,184	13,118,504	(0)	0.00%	Underspend before Loan repayment due to reduced demand for Contact & Welfare and Fostering & Adoption services as well as staffing underspends. This is partially offset by overspends due to demand for Residential Placements. The underspend was used to repay HSCP Loan to the Council.
Social Work	Head of Strategic Planning and Performance	384,174	395,048														10,874	384,174	0	0.00%	Outwith Reporting Criteria
Total Social Work Expenditure		55,788,559	59,084,341	0	0	0	0	0	0	0	0	392,465	0	0	1,996,411	0	906,906	55,788,559	(0)	0.00%	
Total Expenditure		220,820,525	243,013,892	0	7,724,121	7,430	48,990	639,649	7,118	0	0	863,313	362,384	0	6,610,666	5,020,267	906,906	220,823,046	2,523	0.00%	

REPORTING CRITERIA - +/- £50k OR +/- 10%