Agenda Item

Report

Report to:	**Financial Resources Scrutiny Forum**
Date of Meeting:	**1 July 2021**
Report by:	**Executive Director (Finance and Corporate Resources)**

Subject:	**2020/2021 Recurring Variances and 2021/2022 Outlook**

1. Purpose of Report

1.1. The purpose of the report is to:

- ♦ advise on the recurring variances experienced in 2020/2021 and report on their outlook for 2021/2022.

2. Recommendation(s)

2.1. The Forum is asked to approve the following recommendation(s):

(1) that the outlook for 2021/2022, in terms of recurring budget variances experienced in 2020/2021, be noted.

3. Background

3.1. As part of the regular reports provided to the Financial Resources Scrutiny Forum, detail is provided on the trends in expenditure/income across the year and also any resultant variance. In addition, these variances are highlighted in an accompanying narrative paper which explains to members the reason for the variance.

3.2. On an annual basis, any significant recurring variance from the preceding year is highlighted to members along with the outlook on that particular budget line for the year ahead. This should provide members with a rolling picture on the Council's detailed budgets.

4. 2020/2021 Issues and Outlook for 2021/2022

4.1. The 2020/2021 recurring budget variances have been reviewed for each Resource, and alongside this, the respective Resource has provided the Forum with an update on the outlook for that spend area as anticipated in 2021/2022. Each Resource is taken in turn in Appendix 1.

5. Employee Implications

5.1. None.

6. Financial Implications

6.1. None.

7. Climate Change, Sustainability and Environmental Implications

7.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

8. Other Implications

8.1. No financial data is included in the report. However, Appendix 1 (referenced in section 4) details recurring variances from 2020/2021 and the outlook for 2021/2022.

9. Equality Impact Assessment and Consultation Arrangements

9.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and therefore no impact assessment is required.

8.2. There is also no requirement to undertake any consultation in terms of the information contained in the report.

Paul Manning
Executive Director (Finance and Corporate Resources)

8 June 2021

Link(s) to Council Values/Ambitions/Objectives

- Accountable, Effective, Efficient and Transparent

Previous References

- None.

List of Background Papers

- None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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Appendix 1

Community and Enterprise Resources

Employee Costs (Basic and on-costs) – an underspend was experienced on basic employee costs due to vacancies and difficulty in recruiting during the pandemic. This is expected to reduce during 2021/22 as vacant posts are filled and turnover is reduced as part of full service recovery.

Property costs – showed an overspend this year due to additional costs on enhanced cleaning regimes, equipment and janitorial supplies and the cost of the temporary mortuary all resulting from the pandemic. Also costs of electrical power for street lighting was higher than budgeted. It is anticipated all of these areas will continue into 2021/22 and this will be monitored as part of the overall cost of COVID.

Supplies and Services (Food cost) – an underspend was experienced during the year on food costs in the areas of school meals and corporate catering. This was a direct result of the pandemic and reflects the impact of school closures and the specific impact on the school meal service. There was also and impact on coffee shops and corporate catering due to changed working practices. The underspend is offset by the loss of income for both areas. It is anticipated that school meals will restart in 2021/22 with the reopening of schools fully from April 2021 however corporate catering areas will continue to be impacted whilst there remains changes to working arrangements for staff.

Transport and Plant – variances were experience through the year mainly due to overspends in Fleet Service Charges – timing of achievement of efficiencies within Fleet Services and also outside repairs being greater than anticipated and the additional costs of vehicles as a result of additional requirement around social distance and service recovery. There were also reduced costs for fuel and vehicles hire. A continued pressure within transport and plant is anticipated during 2021/22 as efficiencies within Fleet are implemented and the ongoing cost of transport, including fuel, relating to Resources' COVID response continues.

Payments to Other Bodies (Business Support Grant): An underspend within Business Support grants reflecting the timing of payment to business for support during the pandemic was achieved. This was transferred to reserves at yearend and will be allocated in 2021/22 financial year to reflect ongoing Discretionary fund support.

Income (Fees and Charges General) – There was a significant impact on the Resource due to unachieved income in 2020/21 as a direct result of the pandemic. This was in the areas of parking, care of gardens, school meals, the Roads service and other income streams. It is anticipated that the level of income for the Resource for 2021/22 will continue to be impacted and the scale of the loss of income will continue to be monitored through the financial year as services restart.

Education Resources

Employee Costs (Basic and on-costs) – an underspend was experienced on Non-Teachers' employee costs in relation to Early Years posts, where the posts were being actively recruited through the year. This was however impacted by closures and the delayed implementation of ELC expansion. It is anticipated that posts within Early Years will continue to be recruited in the run up to ELC expansion in August 2021.

An overspend in Teachers' salaries during the year related to pupil growth. It is anticipated this will continue during the year as a result of pupil growth in the secondary sector.

Additional costs for teachers as part of learning recovery will be incurred and this will be funded by specific government funding. The Scottish Government is providing funding to councils towards meeting the costs of additional teaching and support staff in 2021/2022.

Property Costs (Cleaning and Utilities) – an overspend in property costs due to enhanced cleaning regimes in schools as a result of the pandemic, additional costs for cleaning materials and utility costs due to increased requirement for ventilation in schools. These areas of costs are anticipated to continue into the new financial year.

Supplies and Services (Pupil Equity Funding) – showed an underspend as the grant funding is provided for the academic school year rather than financial year. The underspend from 2020/21 was transferred to reserves at the end of the year. The grant for 2021/2022 will again be aligned to the academic year.

Underspends within catering for Holiday Lunch clubs and Breakfast clubs due to school closures was used to support the overall Education costs of COVID. This will not re-occur in 2021/22 as services have resumed. There is also underspends within ELC for food provision and this has been transferred to reserves. This is unlikely to continue into 2021/22 as full 1,140 expansion starts from August 2021.

Additional costs for PPE and health and hygiene requirements have also been experienced. This was fully funded from government funding supporting mobilisation and recovery for Education. This will continue into 2021/22.

Transport and Plant – additional costs were experienced in the cost of transporting children with Additional Support Needs to school as well as the mainstream school contract reflecting the volume of children requiring mainstream transport to school. It is anticipated that the cost of school transport will continue to be a pressure during 2021/22 given the increased cost of service delivery and the increase in pupil numbers.

Payments to Other Bodies (Independent Schools): A recurring overspend was experienced in Independent School places reflecting the increased cost of placements for pupils with additional support needs in independent schools resulting from the new pricing framework and the level of demand. This was partially offset by an underspend on Other Local Authorities and the over recovery of income. It is anticipated that the cost of independent schools will continue to overspend due to contract price increases and this will be managed in part via an underspend in other local authority placements and recovery of income from other local authorities similar to 2021/22.

An underspend in Payments to Other Bodies was partially due to less than anticipated expenditure in respect of Counselling funding, which will be carried forward, and also Early Years expansion funding which will be transferred to reserves to meet the ongoing costs. Plans are underway for support for schools through Counselling in 2021/22 with schools reopening and increased demand; and any underspend in Early Years funding will be carried forward to meet ongoing commitments.

Transfer Payment – additional costs were experienced in the cost of Footwear and Clothing Grants as a direct result of increased claimants through the pandemic. This is anticipated to continue in 2021/22 and is funded as part of the Resource's cost of COVID.

Income – There was an impact on the Resource due to unachieved income in 2020/21 due to the pandemic. This was in the areas of ELC fees, music tuition income, course fees, playgroup income and income from milk grant.   It is anticipated that the level of income for the Resource for 2021/22 will continue to be impacted and this will be monitored through the financial year as services restart.

Finance and Corporate Resources

Employee Costs – overspends in a number of Service areas reflected lower than anticipated turnover of staff during the year. The Resource continues to have a budgeted turnover requirement into 2021/2022. This will be monitored through the year and is entirely dependent on staff moves and changes.

Property Costs – Electricity and Supplies and Services – Other Supplies and Services in IT Services both showed underspends in 2021/2022. These underspends reflect lower than budgeted costs at the Caird Centre as the services transition to a new storage solution. The budget will be realigned during 2021/2022 to reflect the new service delivery model.

In Fixtures and Fittings, the underspend reflected the profile of Scottish Welfare Fund expenditure to date and is offset by an overspend in Other Admin Costs. The spend type is demand lead and therefore variances may recur in 2021/2022.

In the Legal Costs budget line, an underspend reflected the reduction in legal expenses in relation to the collection of Council Tax. This is demand lead and therefore may recur in 2021/2022.

In the Computer Equipment Maintenance budget line, an overspend during 2020/21 reflected a greater level of server and support costs.

Telephones and Mobile Phones within IT Services showed an underspend and overspend respectively, both of which were offset by income variances because all spend is recharged. These budget lines are subject to a saving in 2021/2022 and the budget will be realigned as required.

Transfer Payments (Rent Allowance / Rent Rebates) – within Finance Services (Transactions) these lines showed a net underspend in-year, relating to the demand for Housing Benefit for both private and Council tenants, and the reduced costs of overpayments. These budget lines are demand led and this could result in variances against budget in 2021/2022.

Income – Other Income showed an under recovery which related to the recovery of Housing Benefit Overpayment being lower than anticipated to date. This is demand lead and may continue in 2021/2022.

Housing and Technical Resources

Employee Costs (Basic and on-costs) – an underspend in APT&C employee costs related to vacancies which are actively being recruited or being held whilst service requirements are determined. No underspend is currently expected in 2021/22.

In Manual employee costs, an overspend reflected the current level of trade operatives required to meet service demands. No overspend is expected in 2021/22, but this depends on workload and completion deadlines which may continue to be affected by the ongoing Covid-19 pandemic.

Payment to Contractors – On Payment to Private Contractors an underspend reflected the level of contractor payments incurred due to Covid-19 pandemic. These vary depending on workload demands and the timing of works on a wide variety of capital and revenue works. Underspend is expected in 2021/22, but the value of this will depend on the level and type of workload as well as the timing of works, and has been affected by the ongoing Covid-19 pandemic.

On Payments to External Contractors, an overspend reflected the requirement to purchase external professional services within the Projects team, to meet service demands. No overspend is expected in 2021/22, but this depends on workload and completion deadlines and is likely to be affected by the ongoing Covid-19 pandemic.

Income – The budget line Recovery from Capital showed an under-recovery. The level of income recovered varies depending on the current workload and the timing of a wide variety of major capital projects. Linked to the budget lines above, an under-recovery is expected in 2021/22, but this will depend on workload and completion deadlines and has been affected by the ongoing Covid-19 pandemic.

Recharges – Departments of the Authority – showed an under-recovery which reflected the demand for HRA revenue repairs. Again, an under -recovery is expected in 2021/22, but this depends on workload and completion deadlines and has been affected by the ongoing Covid-19 pandemic.

Housing Revenue Account

Employee Costs (Basic and on-costs) – an underspend through the year mainly reflected vacancies, which were either being actively recruited or being held whilst service requirements are determined. No underspend is expected in 2021/22.

Property Costs – in Repairs and Maintenance – Internal and External Contractor, an overspend was identified reflecting the level of demand for repairs, this included a contribution to property for fixed costs due to the Covid-19 Pandemic. Again, no overspend is anticipated in 2021/22, but this will depend on the level of demand for repairs and has been affected by the ongoing Covid-19 pandemic.

An underspend in Rent W/O Bad Periods reflecting a lower requirement for bad debt provision than anticipated by the ongoing Covid-19 pandemic, following delays in the roll out of Universal Credit, as well as better than expected collection rates for rental income. No underspend is expected in 2021/22, but this depends on external factors including the timetable for roll out of Universal Credit and the ongoing Covid-19 pandemic.

Income – House Rents were under-recovered due to the impact of Covid-19 on the completions date for new build properties. An under-recovery is expected in 2021/22, as a continuation of these delays but this will also depend on progress with works and completion deadlines and could be affected by the ongoing Covid-19 pandemic.

Social Work Resources

Employee Costs – An overspend in the Home Care budget lines reflects recruitment for future vacancies to maintain staffing levels and also expenditure on overtime to meet service requirements. The overspend is unlikely to continue into 2021/22 as additional budget has been added by the IJB and on the basis that expenditure related to the COVID pandemic continues to be met by the Scottish Government via the Local Mobilisation Pan.

The Care Staff budget showed an underlying underspend which was the result of vacancies which are actively being recruited. In addition, part of the underspend was also attributable to the decommissioning of Kirkton and McWhirters Care Homes. The underspend will continue into 2021/22, until the replacement facilities are commissioned.

Payments to Other Bodies – Foster Payments showed an overspend due to demand being greater than anticipated a result of the continuing use of external foster placements arising from permanent fostering placements for children and young people. It is anticipated that the budget will continue to overspend in 2021/22.

Payment to Contractors – Payments to Residential Schools and External Placements showed an overspend due to the demand being greater than anticipated and the impact of the COVID pandemic resulted in additional placement. The overspend is expected to continue in 2021/22.