

SCOTTISH BORDERS COUNCIL EXECUTIVE COMMITTEE

MINUTES of Meeting of the EXECUTIVE COMMITTEE held in Council Chamber, Council Headquarters, Newtown St Boswells, TD6 0SA and Via Microsoft Teams on Tuesday, 15th August, 2023 at 10.00 am

Present:- Councillors E. Jardine (Chair), L. Douglas, M. Douglas, J. Greenwell, C. Hamilton, S. Hamilton, J. Linehan, S. Mountford, D. Parker, E. Robson, M. Rowley, F. Sinclair, R. Tatler, E. Thornton-Nicol, and T. Weatherston.

Apologies: Councillors C. Cochrane and J. Pirone.

In Attendance:- Chief Executive, Director – Corporate Governance, Director – Finance and Procurement, Director – Infrastructure and Environment, Director - Resilient Communities, Director- Social Work and Practice, Democratic Services Team Leader, Democratic Services Officer (D. Hall)

1. **MINUTE**

There had been circulated copies of the Minute of the meeting held on 13 June 2023.

DECISION

APPROVED for signature by the Chairman.

2. **EDUCATION SUB-COMMITTEE**

There had been circulated copies of the Minutes of the meetings of the Education Sub-Committee held on 10 November 2022 and 2 March 2023. Councillor Leigh Douglas highlighted that with reference to paragraph 3.8 of the Minute of 2 March 2023, Mr Neil Bennet should be referred to as “Chair of Berwickshire High School Parent Council” instead of “Chair of Berwickshire High School”. Regarding paragraph 4.5, Mr Jonathan Short should be referred to as “Chair of Hawick High School Parent Council” in place of “Chair of Hawick High School”. It was agreed to amend the Minute accordingly.

DECISION

APPROVED for signature by the Chairman as amended.

3. **MONITORING OF THE CAPITAL FINANCIAL PLAN 2023/24**

There had been circulated copies of a report by the Director – Finance and Procurement which provided an update on the progress of the 2023/24 Capital Financial Plan and sought approval for virements and the reallocation of funds. The monitoring tables contained in the report provided the details of actual expenditure to 30 June 2023. The June month end position reflected a projected outturn of £130.365m with a net budget variance of £4.827m. That included net timing movements from 2023/24 of £7.881m. Further, more significant, movements from 2023/24 were likely as the year progressed and there was further clarity on the timing of major projects. The construction material supply chain had continued to experience disruption, which was likely to cause delays in sourcing essential materials and impact on project timelines. Spend projections within the report were only to be treated as indicative. Recent experience had demonstrated significant slippage at outturn when compared to initial budgetary estimates by managers. A number of macro-economic factors continued to affect the Capital Plan in 2023/24. Unprecedented levels of inflation combined with disruption in the construction materials supply chain continued to impact on the wider economy and the Council. A surge in demand coupled with constraints on supply had led to price increases, shortages, and longer lead times. The impact of that on tender prices for major projects and the wider Capital Plan continued to be assessed. Current legally committed projects had a

small risk of impact and block programmes of work could operate within a cash constrained budget and were considered lower risk. However, it would impact on the scale of project delivery from the blocks. The most significant risk lay in contracts being tendered this year which could result in a budget pressure as had been highlighted through reports taken to Scottish Borders Council in May and June 2023 in respect of Earlston Primary School and Galashiels Academy. Any financial implications from those market conditions would be reported through the regular budget monitoring cycle, with any longer-term impacts reflected in the financial planning process. In anticipation of inflationary pressures, an inflation contingency was established in the 2021/22-year end to support potential budget pressures. During the 2023/24 budget setting process a Planned Programming Adjustment budget line was added to the Financial Plan. That was offset where unspent project budgets became available through the year. The remaining balance to address in 2023/24 remained £0.833m. Identified pressures in new build projects at Earlston Primary School and Galashiels Academy had increased the Planned Programming Adjustment in future years of the plan. The funding of those pressures would be considered as part of the 2024/25 financial planning process. Appendix 1 to the report contained a list of the block allocations approved for the year and the various approved and proposed projects to be allocated from them within the 2023/24 Capital Plan. A list of estimated whole project capital costs for single projects which would not be completed in the current financial year was contained in Appendix 3 to the report. The latest version of the CIPFA Prudential Code, published in December 2021, required from financial year 2023/24 onwards that quarterly monitoring of prudential indicators should be reported by Councils. In order to meet that, quarters 2 and 4 of each financial year would continue be reported through existing treasury management reports. Quarters 1 and 3, which were not previously reported, would now be included in monitoring reports. Appendix 4 to the report contained the first monitoring report and provided an updated position on key treasury indicators as at the 30 June 2023 quarter end. The information provided was a snapshot at the end of quarter 1. There were no concerns to highlight at this stage of the year. The Director – Finance and Procurement, Mrs Suzy Douglas, presented the report and responded to Members questions. In response to a question regarding the reporting of projects at risk, Mrs Douglas explained that the amber ratings in the report were highlighting that there were some concerns regarding the budget to fund the relevant project. If specific projects were at risk of not proceeding, then they would be highlighted appropriately. Regarding payments from the Scottish Government for free school meal provision, Mrs Douglas explained that the Council was aware of what it was receiving for the current financial year and confirmed that the sum was less than anticipated. In response to a question regarding budget pressures arising from iPad purchases, Mrs Douglas explained that there was no increased budget pressure as a result from the iPad purchases, and that the budget had been increased to take account for the expected sale of iPads. The Chief Executive clarified that the Council had a purchase and lease back deal in place for the iPads.

DECISION

- (a) AGREED the projected outturn contained in Appendix 1 to the report as the revised capital budget and approved the virements required.**
- (b) NOTED:-**
 - (i) the budget virements previously approved by Directors, detailed in Appendix 2 to the report, under delegated authority;**
 - (ii) the list of block allocations in Appendix 2 to the report;**
 - (iii) the list of whole project costs detailed in Appendix 3 to the report; and**
 - (iv) the update on key Treasury indicators at 30 June 2023 in Appendix 4 to the report.**

4. **MONITORING OF THE GENERAL FUND REVENUE BUDGET 2023/24**

- 4.1 There had been circulated copies of a report by the Director – Finance and Procurement which provided budgetary control statements for the Council's General Fund based on actual expenditure and income to 30 June 2023 along with explanation of the major variances identified between projected outturn expenditure/income and the current approved budget. Forecasts had been completed at the first quarter of 2023/24 at the 30 June 2023 which projected overall pressures within the Council of £3.771m at the financial year end. £3.267m of service pressures had been identified at the end of the first quarter plus £0.504m of inflation pressures. All pressures were detailed in Appendix 1 to the report. The most significant service pressure of £3.377m related to additional forecasted costs in Children & Families Social Work, which was mainly attributable to an increase in out of area placement costs. That position was one being reported across the UK as the volume and complexity of cases increased, along with an increase in the cost of placements. That budget was already under significant pressure during 2022/23 and as such Elected Members had approved budget growth of £2.5m through the 2023/24 financial planning process. Those pressures of £3.377m were over and above the growth provided with an unprecedented requirement for out of area placements exhibiting over the first quarter of 2023/24. Urgent management action was underway to minimise any further escalation in costs to protect the ongoing financial sustainability of the Council. Current inflation levels in the UK were impacting the Council directly and through impacts on delivery partners. At the first quarter additional direct costs of 0.504m, over and above growth provided in the budget were forecast based on current inflation levels. The overall £3.771m pressure posed a significant risk to the Council's ability to balance the 2023/24 budget. The Recovery Fund was not sufficient to address the scale of pressure. The Council Management Team had reviewed the monitoring position and had proposed a 20% reduction in some previously approved earmarked balances, brought forward from 2022/23, as a solution to balancing the budget in 2023/24. Those reductions were shown in Appendix 2 to the report. Consideration was urgently being given to the permanent budgetary impact of pressures and how they would be funded through the 2024/25 financial planning process. Financial Plan savings of £11.418m required to be delivered in 2023/24. Appendix 4 to the report provided an analysis of deliverability. Following the June 2023 month end £5.343m (47%) savings had been delivered permanently, £5.456m (48%) were profiled to be delivered by 31 March 2023, and £0.619m (5%) had been delivered on a temporary basis through alternative savings.
- 4.2 The Director of Social Work and Practice, Mr Stuart Easingwood, provided assurances that the Council was responding to unprecedented demands on the services provided by Children & Families Social Work to the best of its abilities. The demand on services was being experienced on a Scotland and UK wide scale. Scottish Borders Council was committed to providing care for young people from the Scottish Borders locally as much as possible. Out of area placements were only considered once all other opportunities in the region were exhausted or if a Children's Hearing Panel had made a legal order in the interests of the young person. In response to a question regarding the level of educational engagement a young person receiving out of area care would have, Mr Easingwood explained that the Director of Education and Lifelong Learning was working to guarantee that no effort was spared in ensuring that young people were provided with an educational package alongside the appropriate care provision. Regarding in-region facilities at the proposed Tweedbank Care Village, Mr Easingwood explained that the plans were still progressing in partnership with Scottish Borders Housing Association and Aberlour. Mr Easingwood confirmed that a meeting was contemporaneously underway to discuss interim provision of facilities in the area whilst the Care Village plans were progressed. The plans for the Care Village were also under review with a desire to ensure that they were fit for purpose. The Chief Executive highlighted that the Council had a range of provisions in schools such as pastoral support; special service; partnership work with Quarriers and Aberlour; as well as Community Learning and Development engagement to support young people. In response to a question regarding the potential for foster care to help alleviate some of the pressures, Mr Easingwood explained that

there had been a 25% decline in the number of foster placements available nationwide, thanked foster carers for their invaluable undertaking and confirmed that work to recruit more carers would continue. In response to a request from Elected Members the Chief Executive undertook to provide a private briefing outlining the number of children involved, legislative landscape, and costs associated with the Children and Families Social Work service. Mr Easingwood confirmed that on a national level work was ongoing as part of the Children and Young Peoples Planning Partnership, and that all of agencies involved understood the need to be pro-active to resolve difficult issues. The Chief Executive explained that future care provision would not involve an either/or system of in-region or out of region care. Certain situations would likely always arise that could not be resolved at a local level, and the public sector needed to invest in the provision of care and care facilities for the future to avert a crisis. In response to a question regarding staffing provision, Mr Easingwood explained that it was important to create career trajectories for people, and that an attractive package needed to be developed to ensure that people were encouraged to pursue a career in care. Members welcomed the savings that had been achieved, or were profiled to be achieved, in the year. It was highlighted that referring to current levels of inflation as unprecedented was imprecise because despite the rate being high, rates had been much higher in previous decades. In response to a question uncertainty regarding receiving teachers' pay award finances from the Scottish Government, Mrs Douglas confirmed that a commitment had been made that the Council would receive funding, however there was uncertainty in relation to the timing of the payment.

DECISION

AGREED to:-

- (a) note the projected corporate monitoring position reported at 30 June 2023, the remaining pressures identified, the underlying cost drivers of this position and the identified areas of financial risk as reflected in Appendix 1 to the report;**
- (b) note the pressures of £3.771m detailed in Appendix 1;**
- (c) approve the CMT proposal to reduce earmarked balances, brought forward from 2022/23, by 20% as detailed in Appendix 2 to the report to allow the 2023/24 budget to be balanced;**
- (d) note the Recovery Fund resources detailed in Appendix 3 to the report;**
- (e) note the progress made in achieving Financial Plan savings in Appendix 4 to the report;**
- (f) approve the virements in Appendices 5 and 6; and**
- (g) approve the virements in Appendix 7 specifically related to the reduction in previously approved earmarked balances.**

5. BALANCES AT 31 MARCH 2024

There had been circulated copies of a report by the Director – Finance and Procurement which provided an analysis of the Council's balances as at 31 March 2023 and advised of the projected balances at 31 March 2024. The Council's General Fund useable reserve (non-earmarked) balance was £9.980m at the end of the financial year. The General Fund useable reserve was projected to be around £8.4m at 31 March 2024 in line with the Council's Financial Strategy. The requirement to draw down from reserves during 2023/24 to fund the 2023/24 pay award, which was yet to be agreed, had been recognised as part of that Strategy. The total of all useable balances, excluding development contributions, at 31 March 2024 was projected to be £61.906m compared to £62.244m at 31 March 2024. The movement in balances year to year was primarily due to the net effect of the

release of earmarked balances carried forward from 2022/23 into the 2023/24 revenue budget and the increase in allocated balances associated with service concessions (the reprofiling of PPP debt) as approved by Scottish Borders Council on 16 February 2023. The projected balance of the Capital Fund of £9.111m would be affected by any further capital receipts, developer contributions, interest credited, and any expenditure authorised to be financed from the Fund during the remainder of the financial year.

DECISION

NOTED:-

- (a) **the unaudited 2022/23 revenue balances at 31 March 2023;**
 - (b) **the projected revenue balances as at 31 March 2024 in Appendices 1 and 2 to the report; and**
 - (c) **the projected balance in the Capital Fund in Appendix 3 to the report.**
6. **PRIVATE BUSINESS**
AGREED under Section 50A(4) of the Local Government (Scotland) Act 1973 to exclude the public from the meeting during consideration of the business detailed in Appendix 1 to this Minute on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 8 of Part I of Schedule 7A to the Act.

SUMMARY OF PRIVATE BUSINESS

7. **GALASHIELS TOWN CENTRE REGENERATION - STRATEGIC SITE PURCHASE**
Members considered a report by the Director – Resilient Communities and made an in principle decision subject to receiving a further report.

The meeting concluded at 12.00 pm