

SCOTTISH BORDERS COUNCIL EXECUTIVE COMMITTEE

MINUTES of Meeting of the EXECUTIVE COMMITTEE held in Council Chamber, Council Headquarters, Newtown St Boswells, and via Microsoft Teams on Tuesday, 13th February, 2024 at 10.00 am

Present:- Councillors E. Jardine (Chairman), M. Douglas, J. Greenwell, S. Hamilton, D. Parker, E. Robson, M. Rowley, F. Sinclair, R. Tatler, E. Robson, and T. Weatherston.

Also Present: Councillor W. McAteer.

Apologies:- Councillors C. Cochrane, L. Douglas, J. Linehan, J. Pirone and E. Thornton-Nicol.

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

1. **MINUTE**

There had been circulated copies of the Minute of the meeting held on 5 December 2023.

DECISION

APPROVED for signature by the Chairman.

2. **EDUCATION SUB-COMMITTEE**

There had been circulated copies of the Minute of the meeting of the Education Sub-Committee held on 24 October 2023.

DECISION

NOTED for signature by the Chairman.

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

3.1 there had been circulated copies of a report by the Director – Finance and Procurement which provided an update on the progress of the delivery of the 2023/24 Capital Financial Plan and sought approval for the virements and reallocation of funds required following the review of funding and forecasts as at the December Month end. The monitoring tables were contained in Appendix 1 to the report on actual expenditure to 31 December 2023 and the key issues and highlights identified in those numbers were summarised. The December month end position reflected a projected outturn of £96.9m against a budget of £116.6m, giving a net budget variance of £19.7m. That budget variance included net timing movements from 2023/24 into future years of £22m offset by funding increases of £2.4m from external funding for the Borders Innovation Park (£0.836m), insurance receipt for Peebles Swimming Pool (£0.481m), additional budget for Plant & Vehicle from the Fund (£0.720m) and increased capital receipts which partially offset the Planned Programme Adjustments (£0.465m). Further timing movements from 2023/24 may occur at year end as the construction materials supply chain continued to experience disruption causing delays in sourcing essential materials and impacting on project timelines.

3.2 A number of macro-economic factors continued to affect the Capital Plan in 2023/24. Recent levels of inflation along with disruption in the construction materials supply chain continued to impact on the wider economy and consequently the Council. A surge in demand coupled with constraints on supply had led to price increases, material shortages and longer lead times. The impact on tender prices for major projects and the wider Capital Plan continued to be assessed and built into forecasted costs as they were

identified. Current legally committed projects had a smaller risk of impact and block programmes of work could operate within a cash constrained budget and were considered lower risk; although it was likely to impact on the scale of project delivery within the blocks. The financial implications from those unfavourable market conditions would continue to be reported through the regular budget monitoring cycle with the longer-term impacts reflected in the financial planning process. 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 be addressed in 2023/24 was £0.368m following some small underspends in projects and the application of capital receipts. Appendix 2 to the report contained a list of the block funding allocations approved for this year as well as the approved projects, actual spend to the end of September and the movement requiring virements within the blocks. Appendix 3 to the report contained a list of estimated whole project capital costs for projects which in the main would not be completed in the current financial year. As detailed within the approved 2023/24 Financial Plan there was a requirement for the Council to borrow to fund the Capital Programme and that would be actioned during the final quarter of the year, in line with the Treasury Strategy and advice from our external advisors. 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. To meet that, quarters 2 and 4 of each financial year would continue to be reported through existing treasury management reports. Quarters 1 and 3, which were not previously reported, were included in the report and Appendix 4 to the report provided an updated position on key treasury indicators as at the 31 December 2023 quarter end. The information provided was a snapshot at the end of quarter 3. There were no concerns to highlight. The Director – Finance and Procurement, Mrs Suzy Douglas, presented the report and responded to questions. In response to a question regarding the proposed level of borrowing, Mrs Douglas explained that plans were in place for £30m of borrowing, however further borrowing in 2024/25 was expected. Regarding the anticipated expenditure on Borderlands projects, Mrs Douglas undertook to discuss matters and provide an explanation following the meeting. Members commended Mrs Douglas for her work in difficult circumstances and expressed their hope that capital could be deployed to fund the provision of utilities and services to industrial sites in the future.

DECISION

AGREED:-

- (a) the projected outturn in Appendix 1 to the report as the revised capital budget and approved the virements required;**
- (b) to note the list of block allocations in Appendix 2 to the report and approved the required virements;**
- (c) to note the list of whole project costs detailed in Appendix 3 to the report;**
- (d) to note the requirement to borrow funding during Q4 of 2023/24 to fund capital expenditure as detailed in Appendix 1 to the report; and**
- (e) to note the update on key Treasury indicators at the 31 December 2023 as contained in Appendix 4 to the report.**

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

With reference to paragraph 3 of the Minute of the meeting held on 14 November 2023 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 31 December 2023 along with explanations of the major variances identified between projected outturn and the current approved budget. Services were currently forecasting an unfunded overspend of £3.0m at the end of the financial

year. That was £1.7m more than the unfunded position reported to in November. Service pressures continued to be experienced across the Council. Budget overspends remained within out of area placements for young people (£1.8m) and new overspends in ASN and School transport had been identified of £0.9m due to increased contract pricing. A further £0.2m overspend in IT and £0.1m less Council Tax income were also reported. Several actions were agreed on 14th November in order to reduce the level of overspend facing the Council. The freeze on discretionary spend had not created a material underspend across the Council but was likely to have positively impacted on the individual service positions. The impact of the freeze on discretionary expenditure would continue to be tracked. A significant element of expenditure was traditionally incurred in the last quarter of the year and the freeze enacted should be expected to impact during the last 3 months of the financial year. Further instruction had been issued to managers across the Council reiterating the need to reduce expenditure. The 6-week delay on recruitment of vacant posts created savings of £0.3m which have been used to partially offset corporate financial plan savings. Under the Council's financial regulations, no earmarking, outwith specific Council policy, could take place unless the Council had a balanced outturn position. Within the overall Q3 position reported, £0.8m of funding which was carried forward from 2022/23 had not been spent and was therefore supporting the Council's overall position. Within Resilient Communities £0.5m had not been utilised, mainly relating to No one left behind (£0.375m) and within Properties and Facilities £0.3m set aside to support the delivery of sustainability and carbon reduction had not been used for the original purpose. The overall overspend of £3.0m posed a significant risk to the Council's ability to balance the 2023/24 budget, one off measures would be required at the year end to ensure the Council did not overspend this financial year. Financial plan savings of £11.505m were planned to be delivered in 2023/24. An analysis of delivery of savings as at the end of quarter 3 was provided in Appendix 3 to the report. That analysis showed that following the December month end £6.348m (55%) savings had been delivered permanently, and £5.157m (45%) had been delivered on a temporary basis through alternative means, that included corporate savings held within Finance and Corporate Governance amounting to £1.994m relating to a new commissioning strategy (£0.250m) and digital transformation (£1.744m). Members thanked Mrs Douglas for the report and highlighted that the Council was facing one of its most challenging financial situations in its history. Difficult decisions regarding the long-term financial security of the Council needed to be made, and it was stressed that the Budget Working Group should be convened earlier in the financial year to begin its work on the budget setting process.

DECISION

AGREED to:-

- (a) note the projected corporate monitoring position reported at 31 December 2023, the remaining pressures identified, the underlying cost drivers of that position and the identified areas of financial risk as contained in Appendix 1 to the report;**
- (b) a pause on all non-statutory spend until 31 March 2024 to mitigate some of £3.0m overspend detailed in Appendix 1 to the report;**
- (c) note the need to agree robust delivery plans for 2024/25 savings before the start of the next financial year;**
- (d) notes the Recovery Fund resources detailed in Appendix 2;**
- (e) notes the progress made in achieving Financial Plan savings in Appendix 3; and**
- (f) approve the virements attached in Appendices 4 and 5 to the report.**

5. **BALANCES AT 31 MARCH 2024**

With reference to paragraph 4 of the Minute of the meeting held on 14 August 2023, 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 31 March 2023. The General Fund useable reserve was projected to be around £7.0m at 31 March 2024, that followed a £1m transfer of funding to Live Borders as approved at Council on 14th December 2023 and a planned drawdown of £1.2m towards the 2023/24 pay award (£0.37m of which would be returned by Scottish Government next year). The total of all useable balances, excluding development contributions, at 31 March 2024 was projected to be £57.15m. The projected balance on the Capital Fund of £9.284m (including development contributions) as detailed in Appendix 3 to the report, would be affected by any further capital receipts, development contributions, interest received, and any expenditure authorised to be financed from the Fund during the remainder of the financial year. Members acknowledged that whilst it was not ideal to deploy reserves, it was prudent to do so where services needed to be protected. In response to a question regarding developer contributions for the Waverly Railway, the Chief Executive outlined that the obligation to provide developer contributions to Transport Scotland had been bought out by the Council in 2017. Regarding the potential uses for education developer contributions, Mrs Douglas explained that there was a direct relationship between the capital plan and contributions. Certain contributions needed to be used for specific purposes. Members expressed their hope that there would be greater flexibility to allow developer contributions to be used for a larger range of projects. The Director – Infrastructure and Environment, Mr John Curry, confirmed that work was ongoing to assess how developer contributions could be used more effectively.

DECISION

NOTED:-

- (a) **the audited 2022/23 revenue balances as at 31 March 2023;**
- (b) **the projected revenue balances as at 31 March 2024 as contained in Appendices 1 and 2 to the report; and**
- (c) **the projected balance in the Capital Fund as contained in Appendix 3 to the report.**

6. **DEBT RECOVERY POLICY**

With reference to paragraph 5 of the Minute of the meeting held on 14 November 2023 there had been circulated copies of a report by the Director – Finance and Procurement which presented the updated Debt Recovery Policy. The Debt Recovery Policy set out a framework for providing a fair, consistent and transparent approach to collecting sundry debt ensuring that the Council continued to maximise collection performance. Appendix 1 to the report contained the Council's Debt Recovery Policy, which had been amended to reflect changes to Council structure, roles and responsibilities, working practices, and an update of Performance Indicators and Targets. Members thanked Mrs Douglas for the report and highlighted that the Policy was well balanced and had sufficient safeguards in place to protect vulnerable people.

DECISION

AGREED to approve the amendments to the Debt Recovery Policy.

7. **PEEBLES POOL FIRE - LESSONS LEARNED**

With reference to paragraph 6 of the Minute of the meeting held on 13 June 2023, there had been circulated copies of a report by the Director – Infrastructure and Environment which outlined the lessons learned review that took place with the relevant Council Officers, the Council's Insurers, Loss Adjustors and Contractors following the Fire at

Peebles Swimming Pool on 19 June 2022. The review had made findings on a range of points. A review was to be undertaken across the operational and leased estate on how bins were managed and stored to prevent this type of scenario occurring again elsewhere within the Borders. That should focus initially on 'high risk' buildings such as schools, followed by those where external organisations occupied and managed Council owned buildings. The Council and those that managed its buildings needed to regularly audit assets to reduce risks. Leases and Service Level Agreements should be redrafted clearly explaining responsibilities of all parties. A claims protocol should be developed to clearly outline the process and responsibilities of landlord, tenant, and other relevant parties during and following an incident to ensure clarity and timely nature of response. A project team (led by the Council) should be established and begin working immediately post incident to respond and support the reinstatement whilst also engaging with key parties and stakeholders. A communications plan would be determined with the project reinstatement group at the outset. Input from the Loss Adjustor along with the appointment of relevant specialists was required immediately post incident to ensure accurate information was captured at the outset of a claim. Members welcomed the report and encouraged Mr Curry to ensure that the key lessons highlighted in the report were acted upon and robust processes put in place. Mr Curry undertook to ensure that timescales were provided where possible in the protocols which were to be put in place. It was highlighted that whilst the Pool had been closed for longer than expected due to the extra works which had been undertaken it was now in a much better condition due to those works.

**DECISION
AGREED:-**

- (a) to acknowledge and endorse the lessons learned outcomes outlined within the report;**
- (b) that further reports were brought to the Executive Committee for consideration as they were developed during 2024/25.**

The meeting concluded at 10.50 am