
2019/20 UNAUDITED REVENUE OUTTURN

Briefing Note by Executive Director, Finance & Regulatory

EMERGENCY POWERS – COVID-19

20 May 2020

1 DECISION(S) REQUIRED BY CHIEF EXECUTIVE

1.1 I recommend that the outturn position for 2019/20, prior to Statutory Audit, is noted and that the Chief Executive approves:

- (a) the adjustments to previously approved earmarked balances noted in Appendix 1; and**
- (b) the net underspend of £1.538m delivered by the Council being added to the Unallocated General Fund Balance. This balance will be available to support the Council through the COVID-19 pandemic during 2020/21 and can be drawn down when required.**

2 BACKGROUND AND PURPOSE

2.1 2019/20 Outturn

This report provides a statement comparing final revenue outturn expenditure and income for 2019/20 with the final approved budget for the year along with explanations for significant variances.

2.2 During 2019/20 detailed Revenue Monitoring Reports were reviewed by Corporate Management Team regularly allowing appropriate corporate management action to be taken during the year where required. In line with Financial Regulations quarterly monitoring reports were submitted to the Executive Committee for approval. Where appropriate, approval was sought from the Executive Committee to vary the budgets through budget virement throughout the year.

2.3 An unaudited net outturn underspend of £1.538m was achieved in the 2019/20 revenue budget. The £1.538m net underspend (0.58% of final approved budget) was delivered following a number of earmarked balances carried forward with the approval of the Executive Committee during 2019/20. In total, these amount to £8.412m and relate to a number of initiatives across departments and specifically include £1.16m of carry forward for Devolved School Management (DSM including PEF).

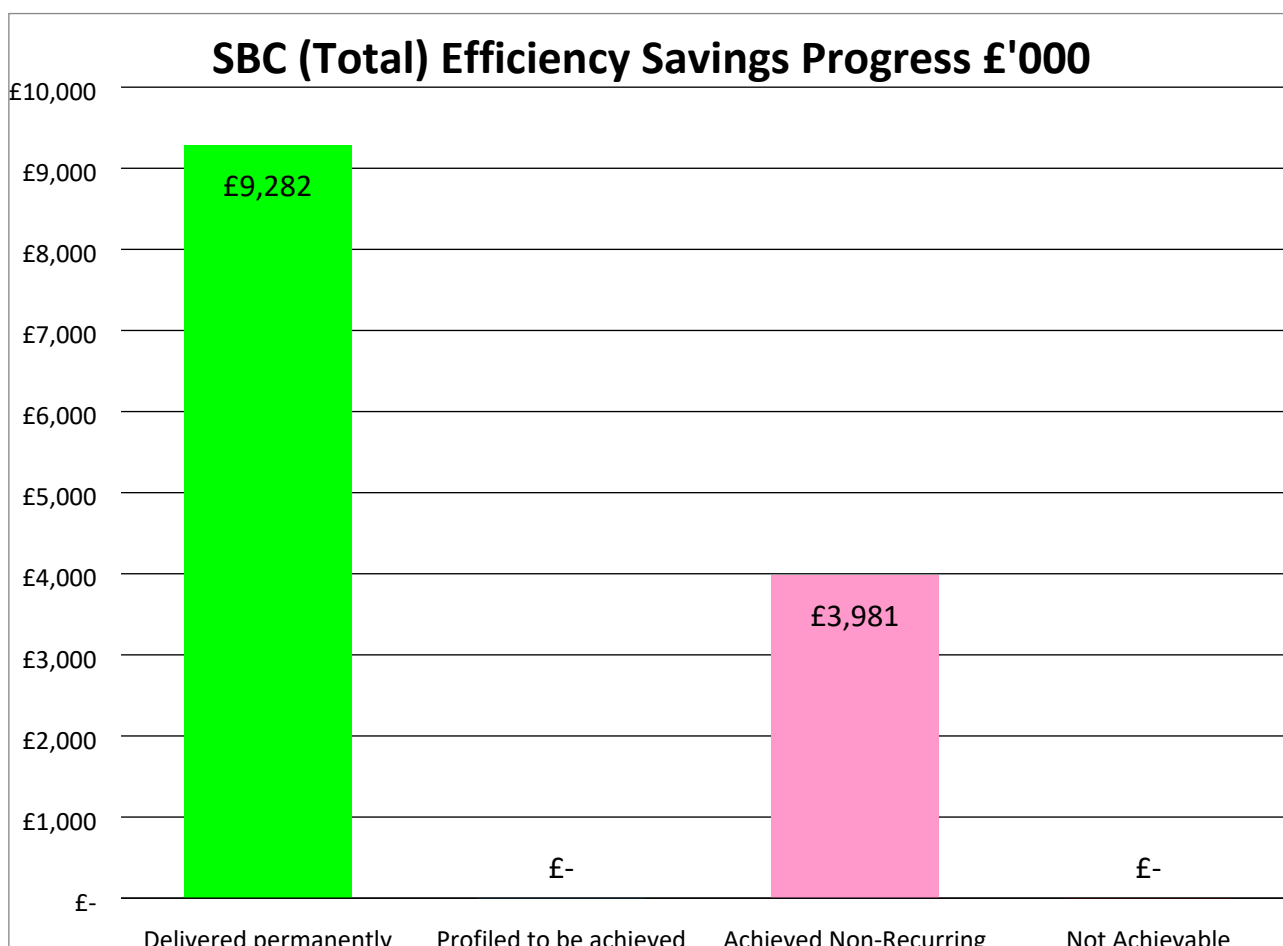
2.4 The net outturn position has been achieved through a number of service underspends, supported by the discretionary spend restrictions in the final quarter of the year, along with savings from a planned review of loans charges. These underspends were partially offset by further service pressures in Health & Social Care and a funding pressure in Council Tax.

- 2.5 A high level summary of the outturn position in each Council Service is detailed in section 4 of this report. The favourable outturn position reported is subject to the statutory audit process.
- 2.6 It was agreed by CMT at the start of 2019/20 to reduce discretionary spend wherever possible across the Council, this direction was followed up in the final quarter with further restrictions on discretionary spend which meant orders only being authorised for expenditure for which there was a statutory requirement or legal commitment in order to assist the Council's overall financial position. The favourable position at year-end has been greatly assisted by this planned management action.
- 2.7 **Integration Joint Board**
2019/20 represents the fourth operational year of the Health & Social Care partnership which has resulted in a fundamentally different way of working with NHS Borders through the Integration Joint Board (IJB). Within integrated Health & Social Care services during 2019/20 additional in-year budget allocations were required to the value of £3.9m to alleviate service pressures of £2.6m as well as £1.3m of unachievable Financial Plan savings. Over the last 3 financial years the Council has invested over £10m of additional in-year budget to the H&SC service along with £11m permanent budget growth allocated in 2018/19, 2019/20 and 2020/21. This area of service continues to present significant risks to the Council and will require further robust management action in 2020/21 to both contain demand pressures within existing budgets and deliver required financial plan savings. This is particularly crucial in light of the extremely challenging operating environment presented by the COVID-19 pandemic. The continued over commitment of resources to support H&SC is impacting upon service budgets in other areas of the Council and indicates the need for a fundamental review of the approach to budgetary control, authorisation of expenditure and the effectiveness of management action within the department to control spend within budget. As noted in the context of the 2018/19 outturn, this position is unsustainable.
- 2.8 **Peebles Fire**
In delivering the reported outturn position for 2019/20 the Council has overcome financial challenges from a variety of sources. A significant fire at Peebles High School in December 2019 resulted in an ongoing insurance claim process requiring considerable staffing resource to support the emergency response. There are 3 aspects to the Insurance claim, demolition and site clearance of the fire damaged buildings, costs related to the recovery effort eg provision of temporary classroom units which are on site at Peebles and the costs of permanent rebuilding. The first 2 category claims are capped at £1m, if the additional costs exceed £1m the Council is liable for any additional costs. The Council's is also liable for the insurance excess of £100k which will be deducted from the final claim.
- 2.9 **Storm damage**
Adverse weather through Storms Ciara and Dennis in February 2020 resulted in financial pressures of £200k along with Leachate pressures in Waste Services of £240k, both of which have been absorbed within the outturn position ensuring that the Council's adverse weather allocated reserve of £1m can be retained. As these costs are lower than the Bellwin threshold of 0.2% of net Council budget Officers have confirmed with Scottish Government that no Bellwin claim has been pursued.

2.10 Fit for 2024

The Council's Fit for 2024 programme has delivered savings of £0.850m during 2019/20 as per the requirements of the financial plan. Significant planning and review has also taken place to ensure that Fit for 2024 savings which require to be delivered in 2020/21 are as planned as possible. The aim of the programme remains to deliver a Council that is adaptable, efficient and effective, and one ultimately capable of not only meeting the challenges ahead, but of fully optimising outcomes for the citizens and communities for which it is responsible. This programme is designed to deliver savings in a more cross cutting, permanent and sustainable way in the future through a planned series of service reviews. The current COVID-19 pandemic will have a fundamental impact on the way the Council is organised and delivers services going forward with the Fit for 2024 programme instrumental in ensuring the Council builds on all transformational benefits the pandemic presents including digital advancements.

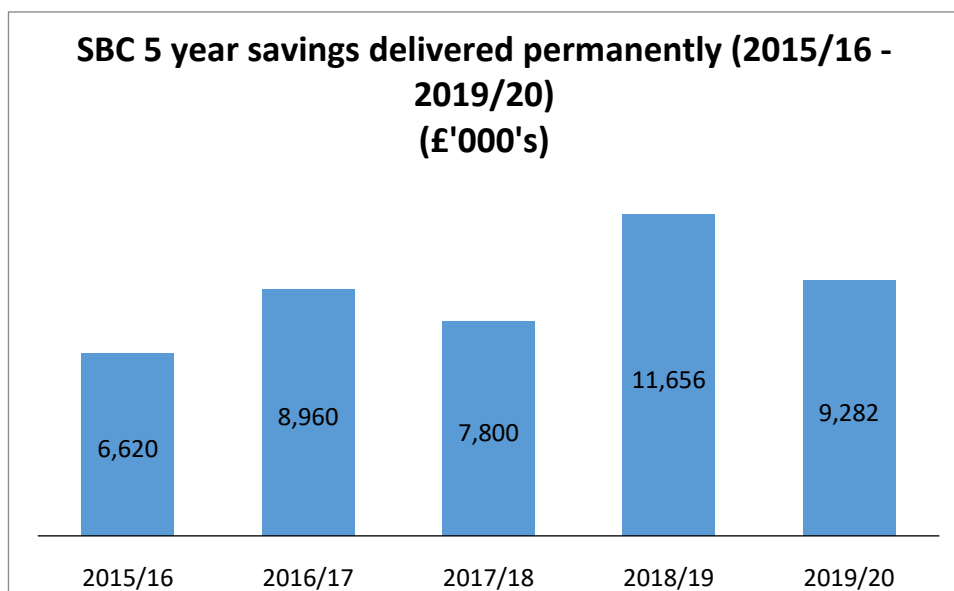
2.11 A summary of the planned delivery of savings agreed within the 2019/20 Financial Plan is outlined in Appendix 2 to this report and is summarised for the Council as a whole below:



2.12 As required by the Financial Plan, savings of £13.263m were successfully delivered during 2019/20. Of these, £9.282m (70%) were delivered permanently. The remaining £3.981m (30%) of savings were achieved on a temporary basis. As part of the 2021/21 financial planning process £1.061m was allocated to H&SC to permanently address previous year savings. The balance of savings being carried forward to be delivered in 2020/21 is therefore £2.92m (22% of the 2019/20 total). Particular emphasis is being placed by CMT on the permanent delivery of these savings during the early

part of 2020/21 or where this is not possible, as a result of the current COVID-19 pandemic, on the identification of alternative options.

- 2.13 The chart above highlights the continuing scale of savings being delivered within the Council on an ongoing basis with a further £13.263m being delivered in 2019/20, £9.3m permanently. £11.7m of savings were delivered on a permanent basis in 2018/19, £7.8m in 2017/18, £8.96m in 2016/17 and £6.62m in 2015/16. This demonstrates the scale of change undertaken within the Council over the last 5 years with permanent savings delivered over the past 5 years shown in the graph below.



- 2.14 A high level summary of the outturn position in each Council department is shown below. The detailed outturn statement for the 2019/20 revenue budget is shown in Appendix 1.

2.15 **Culture & Sport**

Favourable £0.001m

The Culture & Sport service have delivered an outturn position with a minor underspend of £0.001m.

2.16 **Asset & Infrastructure**

Favourable £0.490m

Underspends within Roads & Infrastructure (£746k) due to improved gross profit and improved labour costs in SBC Contracts, underspends within Network & Infrastructure, partly through the closure of construction sites related to Covid-19 and Parks & Environment (£123k) from additional income, reduced transport costs and discretionary spend savings. Offset by pressures within Facilities (£273k) primarily from a reduction in income within the Catering Service, Waste Management Services (£56k) from income pressure and costs related to floods in February.

2.17 **Economic Development & Corporate Services**

Favourable £0.140m

A net positive position has been delivered within the Service from managed underspends as a result of the discretionary spend freeze, additional rental income through increased occupancy and staff turnover savings.

2.18 **Health & Social Care (H&SC)**

Adverse £0.825m

Higher than anticipated costs in relation to care provision for Older People as well other locality based care services have been incurred and have resulted in in-year cost saving measures, agreed earlier in the financial year, not being realised. These year-end pressures of £0.825m combined with the transfer of £3.1m budget from other Council services during the year total £3.9m of additional costs over and above the base budget. As noted in the context of the 2018/19 outturn, this position is unsustainable and requires urgent management action.

2.19 Children & Young People

Favourable £0.676m

Discretionary spend reductions from across the Directorate as well as the impact of closures as a result of COVID-19 during March have resulted in a net year end underspend. The total DSM carry forward across all Primary and Secondary schools (including Pupil Equity Fund) is £1.16m.

2.20 Customer & Communities

Favourable £0.300m

The underspend position has been primarily delivered through discretionary spend savings, grants, project implementation delays and reduced expenditure due to Covid-19.

2.21 Finance, IT & Procurement

Favourable £0.522m

Reduced borrowing and favourable interest rates has seen an underspend in Loan Charges (£998k), however a pressure in Information Technology due to the acceleration of specific elements of the IT Model has reduced the overall position.

2.22 Human Resources

Favourable £0.203m

A net positive position has been delivered within the service. The favourable outturn position reflects the impact of the discretionary spend freeze.

2.23 Regulatory Services

Favourable £0.354m

A net positive position has been delivered within the Service from additional income and the impact of both recruitment and discretionary spend freezes.

2.24 Funding (including Council Tax)

Adverse (£0.328m)

An income pressure within Council Tax of £0.326m due to less income being received than budgeted for accounts for the majority of the year end funding variance. This pressure represents 0.5% of the Council Tax final approved budget of £63.29m.

2.25 COVID-19 review

A management review of all revenue budgets in light of the 2019/20 outturn position and the emerging difficulties in the 2020/21 budget as a result of the COVID-19 pandemic is being carried out and will be reported to CMT and Elected Members as part of the first quarterly financial monitoring reports.

2.26 The net underspend delivered by the Council will be added to the Unallocated General Fund Balance. This balance is available to support the Council through the COVID-19 pandemic during 2020/21 and will be drawn

down when required. Any draw down beyond this additional balance will require to be repaid to reserves.

3 IMPLICATIONS

3.1 Financial

There are no costs attached to any of the recommendations contained in this report its content being specifically related to reporting the revenue account outturn as at 31 March 2020.

3.2 Risk and Mitigations

The final outturn position reported is subject to the external audit. Additionally, the temporary achievement of £2.92m of planned efficiency savings will require to be addressed on a permanent and recurrent basis in 2020/21.

3.3 Equalities

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report.

4 CONSULTATION

The Convener, the Leader of the Administration and the Leader of the Opposition are being consulted and any questions will be responded to by relevant Officers and any comments received will be considered by the Chief Executive in arriving at her decision.

Author(s)

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APPROVED:

Chief Executive: Tracey Logan

Date: 28 May 2020

Having consulted -

Leader of the
Administration: Cllr Shona Haslam

Date: 26 May 2020

Convener: Cllr David Parker

Date: 26 May 2020

Leader of the
Opposition: Cllr Stuart Bell

Date: 26 May 2020