
IN-YEAR BUDGET REVIEW 2020/21

Report by Executive Director, Finance & Regulatory

SCOTTISH BORDERS COUNCIL

27 August 2020

1 PURPOSE AND SUMMARY

- 1.1 This report updates Council on the current financial position of the 2020/21 budget and proposes a re-alignment of resources to amend the budget approved by Council on the 26 February 2020 budget in response to the COVID-19 pandemic. Members will recall that the profound impact of the COVID 19 emergency and the pressing need to re-prioritise budgets was highlighted in a report to Council in June. An in-year budget exercise to review both revenue and capital budgets has been undertaken by the Corporate Management Team (CMT) based on the first quarter (June 2020 month end) position and recommendations to revise these budgets are now submitted for approval.**
- 1.2 The COVID-19 emergency situation, currently affecting the UK, has caused unprecedented pressure to society and the economy with significant financial challenges that are continuing to change and emerge. The pandemic has caused a major impact on delivery of public services, with the Council having a key role to play in supporting Borders communities, businesses and residents during this time. As well as directly dealing with the impact of the virus and protecting communities, the Council is now re-opening key public services across the region, in line with the Scottish Government's Route Map.
- 1.3 The report presented to the Council meeting on 26 June 2020, highlighted an initial assessment of the revenue impact of COVID-19 on the Council's finances, and projected pressures of £15m excluding any impact on Council Tax at that point. CMT has since undertaken an exercise to re-plan the Council's 2020/21 revenue and capital budgets. This review was based on the June 2020 month end position and is summarised in appendix 1.
- Revenue
- 1.4 The analysis of the revenue budget, now including a projected impact on Council Tax, has highlighted estimated revenue budget pressures of £20.449m and available resources of £19.056m from a combination of in year savings and additional grant support leaving a residual budget pressure, based on current forecasts, of £1.393m.

Capital

- 1.6 The approach to the review of the capital budget has focussed on assessing the impact of the national "lockdown" of the construction industry and the associated inevitable delays in current and planned programmes of work. The overall impact on the capital plan is that net £26.855m of budget within the Capital Plan has moved as a timing movement to future years with a movement from base budget of £96.953m to a revised plan of £70.098m. This revised plan is based on a review of deliverability of the Plan with revised budgets now representing what project managers are forecasting will be spent and delivered during the remainder of 2020/21.

2 RECOMMENDATIONS

2.1 It is recommended that Council:

- a) approve the revisions to the revenue and capital budgets for 2020/21 as set out in Appendix 1 and note that these will be included as virements within the Executive monitoring report in September;**
- b) note the ongoing management action being undertaken to aim to bring the revenue budget to a balanced position, if possible, by 31 March 2021;**
- c) note that any budget shortfall at 31 March 2021 will require to be funded from reserves;**
- d) note that future monitoring reports will be presented to the Executive Committee as part of the revenue and capital monitoring processes.**

3 IN-YEAR BUDGET REVIEW

Revenue Budget Review

- 3.1 The analysis of the revenue budget, now including a projected impact on Council Tax, has highlighted estimated revenue budget pressures of £20.449m in 2020/21. These pressures can be broken down as follows and are detailed per service in Appendix 1:

Budget Pressure	£m	Comment
Additional costs	13.844	These additional costs are detailed per service in Appendix 1 and include additional costs such as PPE, cleaning materials and additional homecare costs.
Delays in delivery of financial plan savings	2.386	The emergency response has reduced management capacity to drive forward change in some cases along with the current operating models making change very challenging which has resulted in delays in delivery.
Loss of budgeted income	3.442	Income from fees & charges has been impacted over the first 3 months of 2020/21 in services such as planning fee income, schools meals and waste income.
Council Tax	0.777	The projected impact on Council Tax ultimate collection levels for 2020/21 including the impact of delays in house building.
Total Council COVID-19 pressures	20.449	

- 3.2 In order to support the Council's response to the COVID-19 pandemic funding has been made available by the Scottish Government. The level of support provided has not however been sufficient to fund the full financial impact of COVID-19 including the significant impact on the level of income which funds local services. Additional Scottish Government funding in the form of grant has addressed 33% of the total pressure identified, with the welcome easing of restrictions in the use of specific grants within Children & Young People taking this up to 49%. The remainder of funding has required to be found from within existing Council budgets and reserve balances.
- 3.3 The Scottish Government has taken a twin track approach to collecting the costs of COVID-19 and consequently has separated Health and Social Care activities delivered by the Integration Joint Board (IJB) out from impacts on other Council Services. All Councils have consequently submitted cost collection returns both through COSLA and the IJB to feed into a national process to assess the local government financial impact arising from COVID-19.

3.4 To supplement the Scottish Government funding and balance the revenue budget where possible, CMT has undertaken an in-year budget review to determine where existing Council budgets could be directed to fund the additional costs and loss of income initially in 2020/21.

3.5 CMT has undertaken a thorough review of all budgets across the Council with each service being reviewed to determine where service budgets could be redirected to support COVID-19 pressures. The following areas have been reviewed in all services to determine opportunities for redirection of budget to the COVID-19 reserve:

- Earmarked balances carried forward from 2019/20 into 2020/21
- Budget Growth provided as part of the 2020/21 budget process
- Uncommitted budgets through reprioritisation of budgets
- Uncommitted budgets through services not being delivered in the first quarter of 2020/21

3.6 The total available resources are shown below:

Funding	£m	Comment
Scottish Government funding (SG)	5.630	Including £1.1m hardship fund, £3.408m share of £155m Barnett consequentials, £0.013m Death Registration and £1.109m Food Fund phases 1 & 2
Share of £50m IJB fund (SG)	1.078	To support Social Care pressures
Specific Grant flexibility (SG)	3.486	SG are allowing Councils to be flexible in the use of grants such as PEF and Early Years expansion
Redirect earmarked balances (SBC)	0.740	Earmarked balance carried forward from 2019/20, now directed to COVID-19
Reduce previously agreed 2020/21 budget growth (SBC)	1.252	2020/21 budget growth, now directed to COVID-19
2020/21 resources identified by budget review exercise (SBC)	5.412	Removed from budgets (at month 3) based on uncommitted budget and reduced activity in 2020/21
Draw down from reserves (previously agreed use of 2019/20 underspend)	1.458	2019/20 underspend of £1.458m allocated to reserves at year end, now being drawn down
Total Council COVID-19 reserve	19.056	

3.7 Comparing the £19.056m identified funding from the budget review with £20.449m projected pressure results in a shortfall in the COVID-19 reserve of £1.393m, with all known commitments and impacts at this time being taken into account. This means the Council is projecting to spend more than has been provided for in the COVID-19 reserve. Due to arrangements with Scottish Government regarding specific grants in Children & Young People (CYP), where budget can be diverted to support pupils during this period, this does mean, however, that included within the forecast, £1.481m remains within the service to contribute towards funding financial implications of schools returning on 11 August 2020.

3.8 The current shortfall of £1.393 plus any further impacts, beyond the estimated shortfall of £1.393m, which are not yet identified will require further funding to be identified in order for the Council to successfully manage the financial impacts of COVID-19 by 31 March 2021. The financial projections and assumptions in this paper are based on an early assessment of the impact of COVID-19 after 3 months. While this assessment is based on quantitative information in the Council's ledger, further pressures may emerge as the year progresses. Should a second wave of the pandemic impact on the delivery of Council services this will have additional financial consequences. Even if a second wave does not transpire it is possible that further measures may have to be taken to address risks around COVID-19 and it is possible the full costs of responding to COVID-19 are not yet evident.

3.9 Key assumptions which have been made in arriving at these figures include:

- CYP grant can be redirected to support Education recovery, currently £1.481m remains uncommitted to support the service during the remainder of 2020/21;
- No further distribution of grant to support H&SC from Scottish Government has been reflected in the forecast at this stage pending further information and agreements with NHS Borders;
- Council Tax Reduction Scheme (CTRS) pressures will be funded from the nationally announced £50m;
- The Council will have to fund pressures in the ultimate level of Council Tax collection currently estimated at £0.777m (a national review is being undertaken by COSLA on the impact on Council Tax collection but no national funding has been attributed to this as yet);
- It is currently assumed that Live Borders will not require additional financial support from the Council over and above the agreed management fee. Uncertainties do, however, remain relating to transition of their services out of lockdown and the impact of revised opening arrangements on operating income. As such their financial position will continue to be monitored closely. COSLA are currently discussing an income scheme with Government which is understood will include ALEOs like Live Borders.

3.10 The following management action will be undertaken during the remainder of the financial year with the aim of closing the current £1.393m gap and containing any pressures yet to emerge. Updates on the progress of this management action will be presented to the Executive Committee as part of the monitoring process:

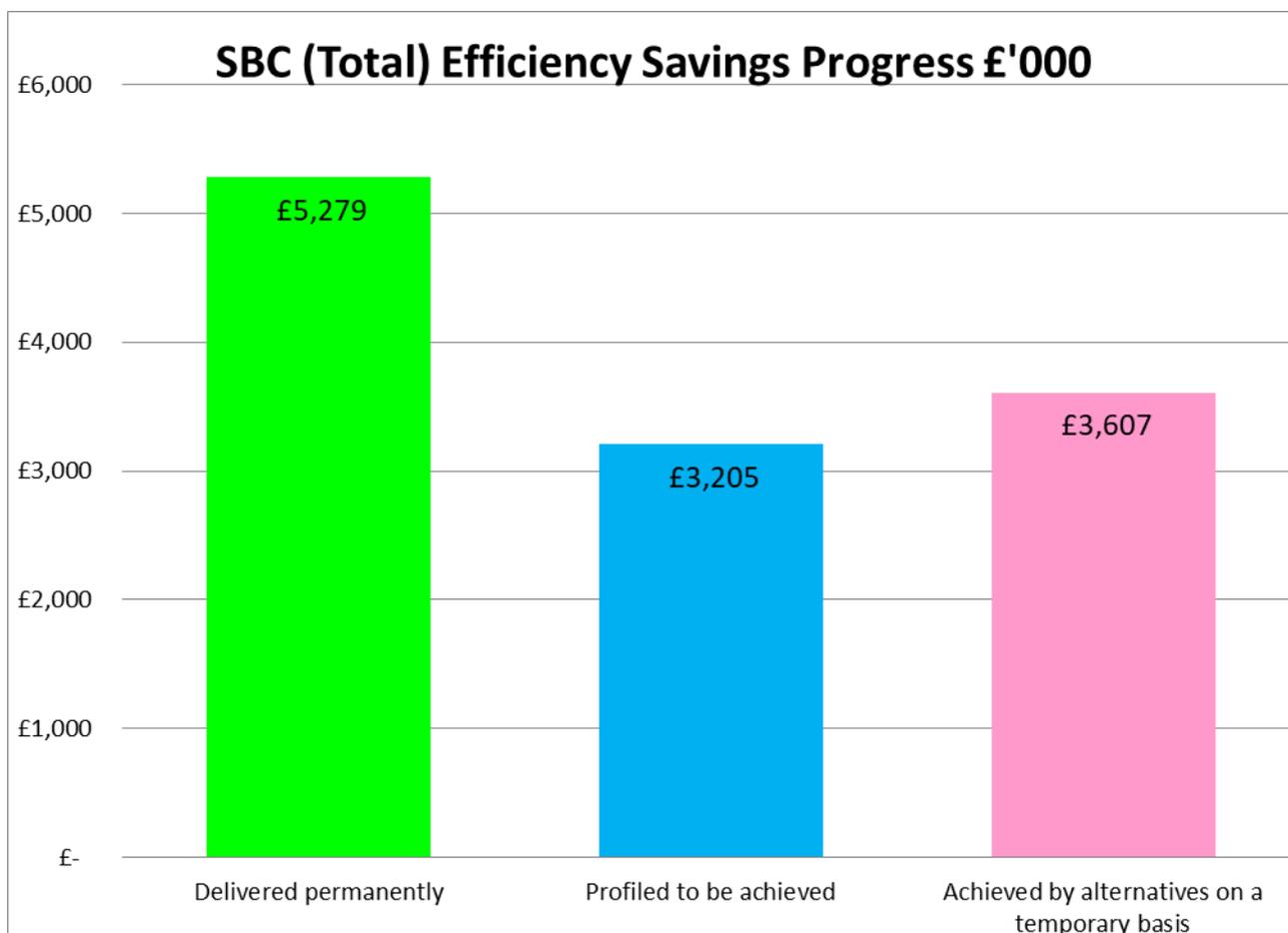
- Contain additional costs wherever possible;
- Maximise income opportunities for the Council;
- Continue the current freeze on discretionary spend to release further service budgets to contribute to the COVID-19 reserve;
- Consider wherever possible how savings can be accelerated from 2021/22 into 2020/21 to support the financial position in the current year;
- Continue engagement with COSLA to ensure the Council is fully aware and engaged in any discussions on any further Scottish Government funding.

3.11 The Council has been made aware of funding sources from Scottish Government which have not yet been confirmed and as such have not been included in this reported financial position of the Council. These will be reflected in the monitoring position when allocations are confirmed and will contribute towards closing the remaining gap in funding in 2020/21. These indicative national funding streams include:

- £20 million will be allocated to help Councils with additional costs associated with new health protection measures, school transport, enhanced cleaning and other essential logistical issues.
- Further Barnett consequential from the UK Government to be allocated to Scottish Councils of £49m.
- A new income loss scheme to partly compensate Councils for loss of income from fees and charges.
- Further IJB funding of £50m to support the Social Care Sector – this covers full IJB activities so may also include funding for NHS Borders.

Review of Deliverability of Savings

3.12 As previously reported, there is likely to be a significant impact on the delivery of planned Financial Plan savings during 2020/21 as a result of the emergency situation. Financial plan savings of £12.091m require to be delivered in 2020/21. An analysis of deliverability has been updated as shown in Appendix 2. Following the June month end £5.279m (44%) savings have been delivered permanently, £3.205m (26%) are profiled to be delivered by 31 March 2021 and £3.607m (30%) have been delivered on a temporary basis through alternative savings as shown in the graph below.



3.13 Delivery of £8.886m (74%) of savings in the first quarter of the financial year is a very positive position. By comparison, in the last 2 financial years, 56% and 54% of savings respectively were delivered at this stage in the financial year. CMT are placing significant emphasis on ensuring the £3.205m which are profiled to be delivered by 31 March 2021 are progressed and delivered as soon as possible. A piece of work has also commenced to ensure that permanent plans are in place for the £3.607m delivered temporarily in 2020/21 to ensure permanent full year delivery in 2021/22.

Capital Budget Review

3.14 The approach to the review of the capital budget has focussed on assessing the impact of the national "lockdown" of the construction industry and the associated inevitable delays in current and planned programmes of work. Based on information at the June 2020 month end the revised Capital Plan is reflected in Appendix 1. This includes the following key points:

- As at the June month end £4.261m has been spent within the Capital Plan which represents 6.08% of the revised projected outturn spend of £70.098m for the year – this demonstrates the level of delay being experienced and indicates that the plans for delivery are still ambitious and that further timing movement into future years may be required as the year progresses.
- An initial estimate of net £26.855m required timing movement to carry forward budgets from 2020/21 into future years has been identified.
- The Hawick Flood programme has been re-profiled including budget for an additional £5.5m COVID-19 risk impact taking the overall programme up to £88m over the life of the project. This revised programme has been agreed with Scottish Government with 80% of the overall funding provided by Scottish Government and the remaining 20% SBC.
- Part of the review of the capital plan has allowed £0.360m to be added to the Emergency & Unplanned budget through reassessment of planned works in order to support additional COVID-19 costs which may emerge within projects elsewhere in the plan. The revised budget £0.572m is being held within Emergency & Unplanned while an assessment is made on whether projected COVID-19 pressures can be managed within projects.
- Officers are currently reviewing projects within the 2020/21 capital plan to ensure that the projects are still deliverable, remain top priorities for the Council and that the solutions proposed provide best value.
- It should be noted that work to replace Eyemouth Primary School has been paused to re-examine the options for education delivery in the town given the recent public concern with regard to the proposals to develop the former High School site to include education, early years,

housing and community use. A report on this issue is included elsewhere on the Council agenda.

- A review of deliverability of future years of the Capital Plan will also be undertaken ahead of the 2021/22 financial planning process to ensure the plan remains deliverable considering the scale of timing movement from 2020/21 into future years.

4 IMPLICATIONS

4.1 Financial

There are no further costs attached to any of the recommendations contained in this report other than those outlined in the body of the report.

4.2 Risk and Mitigations

There is a risk that the full service and financial implications of the current pandemic are not yet clear which may lead to further pressures being identified which as yet are unfunded. This is being mitigated through on-going monitoring processes which are reported to CMT on a monthly basis along with very close working relationships between finance and service managers to ensure any changes in assumptions are captured as soon as possible.

4.3 Integrated Impact Assessment (IIA)

Given the nature of the report summarising the financial implications of the activities of the Council in relation to COVID-19 an IIA is not required.

4.4 Acting Sustainably

There are no additional economic, social or environmental effects other than those covered specifically within the report.

4.5 Carbon Management

Impact on the Council's carbon emissions relating to the closure of many Council buildings for a prolonged period this financial year is being considered as part of the ongoing COVID-19 monitoring processes.

4.6 Changes to Scheme of Administration or Scheme of Delegation

There are no changes required to either the Scheme of Administration or the Scheme of Delegation as a result of the proposals in this report.

5 CONSULTATION

- 5.1 The Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR & Communications, the Clerk to the Council and Corporate Communications has been consulted and any comments received have been incorporated into the final report.

Approved by

David Robertson

Executive Director – Finance & Regulatory Signature

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Background Papers: Scottish Borders Council meeting - 25 June 2020

Previous Minute Reference:

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Suzanne Douglas can also give information on other language translations as well as providing additional copies.

Contact us at Suzanne Douglas, sdouglas@scotborders.gov.uk.