
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2020/21

Report by the Executive Director, Finance & Regulatory

EXECUTIVE COMMITTEE

15 September 2020

1 PURPOSE AND SUMMARY

- 1.1 This report provides the Executive Committee with budgetary control statements for the Council's General Fund based on actual expenditure and income to 30 June 2020 along with explanations of the major variances identified between projected outturn expenditure/income and the current approved budget.**
- 1.2 As reporting to the Council meeting on 27 August 2020, after the first quarter of 2020/21 a detailed budget review exercise has been undertaken to realign budgets in light of the financial implications of the COVID-19 response. This analysis of the revenue budget 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.
- 1.3 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 4. 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.
- 1.4 Full details of pressures, risks and challenges and the significant majority of areas of the Council's operation where budget plans remain on track are detailed in Appendix 1 to this report.

2 RECOMMENDATIONS

2.1 It is recommended that the Executive Committee:-

- (a) notes the projected corporate monitoring position reported at 30 June 2020, the pressures identified, the underlying cost drivers of this position and the identified areas of financial risk as reflected in Appendix 1;**
- (b) following the revisions to the revenue budgets for 2020/21 approved by Council on 27 August 2020, agrees the virements attached as Appendix 2;**
- (c) approves the virements in Appendix 3 to earmark budget into 2021/22;**
- (d) notes the progress made in achieving Financial Plan savings in Appendix 4; and**
- (e) asks the Corporate Management Team to continue to take all possible management action to balance the budget in the current year.**

3 PROJECTED OUTTURN

- 3.1 The revenue monitoring position set out in this report and summarised in Appendix 1 is based on actual income and expenditure to the 30 June 2020.
- 3.2 After the first quarter of 2020/21 the detailed review of the revenue budget presented to Council on 27 August 2020, highlighted estimated revenue budget pressures of £20.449m in 2020/21. 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.
- 3.3 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 50%. The remainder of funding has required to be found from within existing Council budgets and reserve balances. To supplement the Scottish Government funding and balance the revenue budget where possible, CMT have 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.
- 3.4 The current shortfall of £1.393m plus any further impacts, beyond the estimated shortfall, 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.
- 3.5 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.

3.6 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 on a quarterly basis 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.

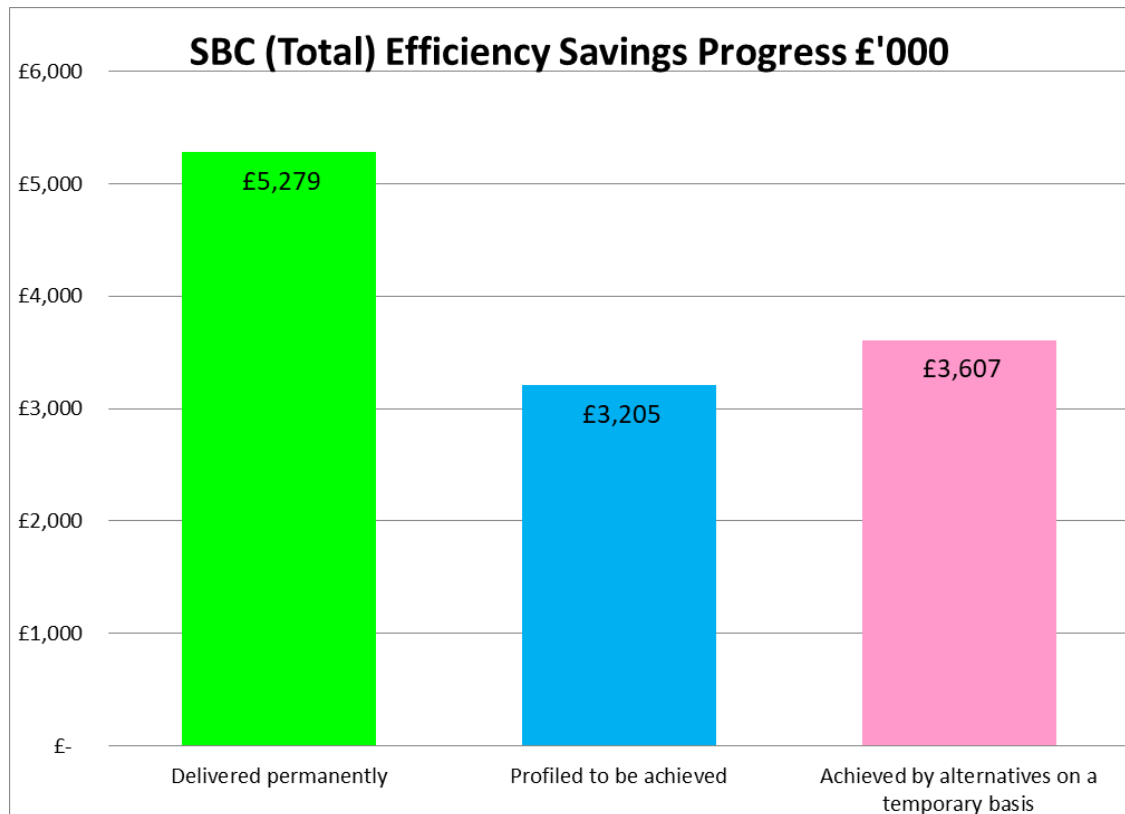
3.7 The Council has been made aware of funding sources from Scottish Government which have not yet been confirmed and as such have not been included in this reported financial position of the Council. These will be reflected in the monitoring position when allocations are confirmed and will contribute 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 consequentials 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.

3.8 It should be noted that any budget shortfall at 31 March 2021 will require to be funded from reserves at year end.

3.9 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.



3.10 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.

3.11 **Culture & Sport**

Culture and Sport are projecting a balanced position after the first quarter as a result of the continuation of their management fee from the Council, furloughing of 80% of their staff and additional funding commitments. There remains financial risk around the opening up of services as highlighted in section 3.5 above.

Assets & Infrastructure

Assets & Infrastructure has experienced significant COVID-19 related pressures through loss of income and additional costs such as catering and cleaning. These pressures have been partially offset by re-prioritisation of service budgets with the balance being funded corporately from the COVID-19 reserve.

3.12 **Economic Development & Corporate Services**

The most significant budgetary impact in Economic Development & Corporate services relates to projected loss of planning fee income of just under £1m through the impact of lockdown and the economic downturn. This continues to be monitored closely and has been funded from the COVID-19 reserve.

3.13 **Health & Social Care**

The Health and Social Care function is experiencing significant additional costs primarily within Homecare and increased client care package costs. There has also been an impact on the service's ability to deliver £1.147m of financial plan savings due to resources being diverted to the COVID-19 response. These pressures are partly offset by reducing budget growth in the financial plan with the remainder being funded from the COVID-19 reserve.

3.14 **Children & Young People**

The Children & Young People service is experiencing financial pressure from childcare hub arrangements over the summer holidays as well as education recovery costs. These pressures have primarily been funded from changes in grant conditions for Early Years expansion funding and Pupil Equity Fund grants to be used to support children during this period. The grant arrangements freed up £3.486m budget with £1.481 remaining uncommitted to support the return to school from 11 August 2020.

3.15 **Customer & Communities**

The service has experienced pressures from loss of income as well as the costs of Business Crisis grants and Community Council funding from the Food Fund. These costs have been partially offset by the Scottish Government funded Food Fund along with the redirection of earmarked balances from 2019/20 with the balance funded from the COVID-19 reserve.

3.16 **Finance & Corporate Services**

The Finance service holds the corporate COVID-19 costs and as such all corporate expenditure and Scottish Government funding are reflected in this budget. £1.299m loans charges budget has been allocated to the COVID-19 reserve due to reduced borrowing requirements to fund the Capital Plan.

3.17 **Human Resources**

The service has not experienced significant COVID-19 related financial pressures but has contributed to the corporate COVID-19 reserve through the redirection of budget growth and uncommitted service budgets.

4 IMPLICATIONS

4.1 **Financial Recommendations**

There are no costs attached to any of the recommendations contained in this report, its content being specifically related to the performance of the revenue budget in 2020/21.

4.2 **Risk and Mitigations**

There is a risk that further cost pressures may emerge as the year progresses or that the savings required to compensate for non-delivery of Financial Plan savings may not be delivered as planned, both of which may impact on the outturn position. Every effort must continue to be made by Service Directors to contain projected spend in the remainder of the year and to consider permanent effects on the Financial Plan. These efforts include maintaining a focus on sound financial management, balancing the budget and delivering good value for money and ensuring these remain key aspects the culture of the council.

4.3 It is imperative therefore that as many savings as possible identified within the 2020/21 and previous financial plans are delivered

permanently to ensure affordability and budget sustainability.

The risks identified above are being managed and mitigated through:-

- (a) monthly reports of actual expenditure and income against approved budgets being made available to budget managers from the Council's Business World System.
- (b) review of budget variances and monitoring of management actions to control expenditure by Finance, Service staff and Service Directors and monthly reporting to CMT.
- (c) engagement with Departments and review of monthly management accounts by management teams.
- (d) supporting departmental corporate transformation projects to monitor and deliver the planned corporate transformation savings in the medium-term Financial Plan.

4.4 **Integrated Impact Assessment**

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.

4.5 **Acting Sustainably**

There are no significant effects on the economy, community or environment.

4.6 **Carbon Management**

No effect on carbon emissions are anticipated from the recommendation of this report.

4.7 **Rural Proofing**

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

4.8 **Changes to Scheme of Administration or Scheme of Delegation**

No changes to either the Scheme of Administration or the Scheme of Delegation is required as a result of 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 have been consulted and any comments received have been incorporated into the final report.

Approved by

David Robertson
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Signature

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Background Papers: Scottish Borders Council 27th August 2020
Previous Minute Reference:

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