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## **MONITORING OF THE GENERAL FUND REVENUE BUDGET 2020/21**

**Report by the Executive Director, Finance & Regulatory  
EXECUTIVE COMMITTEE**

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**17 November 2020**

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### **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 September 2020 along with explanations of the major variances identified between projected outturn expenditure/income and the current approved budget.**
- 1.2 As reported to the Executive Committee on 15<sup>th</sup> September 2020, after the first quarter of 2020/21 a detailed budget review exercise was undertaken to realign budgets in light of the financial implications of the COVID-19 response. The reported position after the first quarter was a residual budget pressure, based on forecasts at that point, of £1.393m.
- 1.3 Forecasts have now been updated to the second quarter of 2021/21 at the 30<sup>th</sup> September, the position has improved with a revised residual forecast pressure of £0.628m. The latest forecast includes all known pressures including loss of income, confirmed Scottish Government funding, the effects of the continued freeze on discretionary spend and assumptions around delivery of Financial Plan savings. This position reflects an improvement of £0.765m from the first quarter with the aim remaining to balance the revenue budget by the 31<sup>st</sup> March 2021 if at all possible.
- 1.4 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 September month end £5.705m (47%) savings have been delivered permanently, £1.454m (12%) are profiled to be delivered by 31 March 2021 and £4.932m (41%) have been delivered on a temporary basis through alternative savings.
- 1.5 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 September 2020, the remaining pressures identified, the underlying cost drivers of this position and the identified areas of financial risk as reflected in Appendix 1;**
- (b) approves the virements attached as Appendix 2;**
- (c) notes the progress made in achieving Financial Plan savings in Appendix 3; and**
- (d) 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 September 2020.
- 3.2 After the first quarter of 2020/21 a detailed review of the revenue budget was approved by Council on 27 August 2020 and subsequently the associated virements were agreed by the Executive Committee on the 15<sup>th</sup> September. This report highlighted estimated residual revenue budget pressures of £1.393m in 2020/21 as a result of identified pressures of £20.449m with estimated funding of £19.056m. This position has now been updated at the second quarter, September month end.
- 3.3 The second quarter reporting has now identified projected annual additional expenditure and impacts on income of £23.152m as shown below.

<b>Budget Pressure</b>	<b>£m</b>	<b>Comment</b>
Additional costs	15.352	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	3.188	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	3.920	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	0.692	The projected impact on Council Tax ultimate collection levels for 2020/21 including the impact of delays in house building.
<b>Total Council COVID-19 pressures</b>	<b>23.152</b>	

- 3.4 In order to support the Council's response to the COVID-19 pandemic funding has been made available by the Scottish Government. Funding received from Scottish Government is highlighted in Appendix 4 of this report. To supplement the Scottish Government funding and with the aim of balancing the revenue budget where possible, CMT have already redirected existing Council budgets to fund the additional costs and loss of income in 2020/21. The updated total available resources of £22.524m are detailed below, reflected additional income from Scottish Government and also further Council budget identified for redirection to support COVID-19 pressures:

<b>Funding</b>	<b>£m</b>	<b>Comment</b>
Scottish Government funding (SG)	7.212	Including £1.1m hardship fund, £3.408m share of £155m Barnett consequentials, £0.013m Death Registration and £1.107m Food Fund phases 1 & 2, £1.078m SG funding and £0.506m for safe

		opening of schools.
Share of £75m IJB fund (SG)	1.617	Share of £75m to support Social Care pressures
Specific Grant flexibility (SG)	4.318	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)	5.927	Budgets removed 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
<b>Total Council COVID-19 reserve</b>	<b>22.524</b>	

3.5 This process of assessing known impacts and funding has continued since the June month end with progress being made in closing the residual gap as the year continues. The revised residual shortfall in funding is £0.628m. This amount 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 the impact of COVID-19 after 6 months. The on-going impact and response to the pandemic remains fluid, any further financial implications not yet evident will require to be managed as the year progresses.

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

- CYP grant can be redirected to support Education recovery, currently £1.517m 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 £0.692m;
- It is currently assumed that Live Borders will not require additional financial support from the Council during 2020/21 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 will include ALEOs like Live Borders.

3.7 The following management action will be undertaken during the remainder of the financial year with the aim of closing the current £0.628m gap and containing any pressures yet to emerge. Updates on the progress of this management action will continue to be presented to the Executive Committee on a quarterly basis as part of the monitoring process:

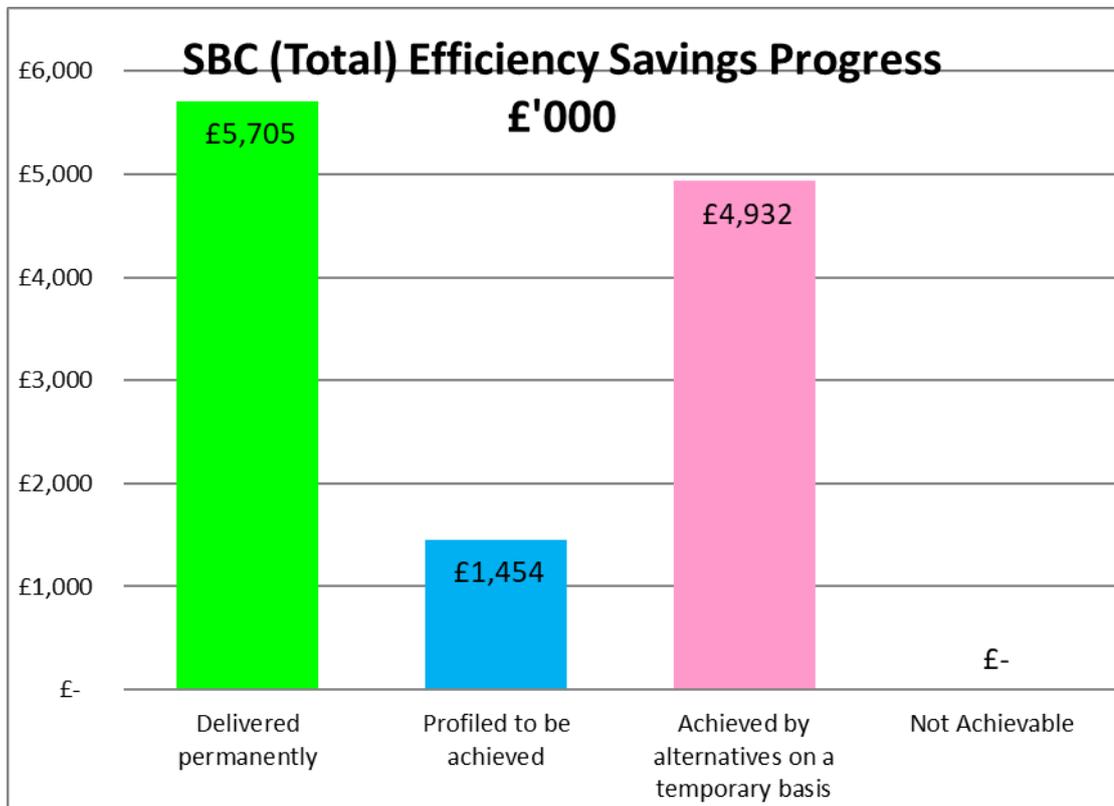
- Contain additional costs wherever possible;
- Maximise income opportunities for the Council;
- Continue the current freeze on discretionary spend to release further service budgets to contribute to the COVID-19 reserve;
- Consider wherever possible how savings can be accelerated from 2021/22 into 2020/21 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.

3.8 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 with some of this funding available to contribute towards closing the remaining gap in funding in 2020/21. These indicative national funding streams include:

- A further £30m over and above the confirmed £20 million allocated to help Councils with additional costs associated with new health protection measures, school transport, enhanced cleaning and other essential logistical issues. The Council will be required to demonstrate additional expenditure in order to bid in to this additional £30m.
- A new income loss scheme of £90m nationally to partly compensate Councils for loss of income from fees and charges.
- Further IJB funding of £67m to support the Social Care Sector as confirmed as part of the £1.1b funding package announced to support Health & Social Care.
- A £30m scheme has been announced Financial Insecurity and Free School Meals.

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

3.10 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 September month end £5.705m (47%) savings have been delivered permanently, £1.454m (12%) are profiled to be delivered by 31 March 2021 and £4.932m (41%) have been delivered on a temporary basis through alternative savings as shown in the graph below.



3.11 CMT are placing significant emphasis on ensuring the £1.454m 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 £4.932m delivered temporarily in 2020/21 to ensure permanent full year delivery in 2021/22.

### 3.12 **Assets & Infrastructure**

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

### 3.13 **Corporate Improvement & Economy**

Corporate Improvement & Economy are projecting a small underspend position after the second quarter through the freeze on discretionary spend. Live Borders are expected to be able to operate within their management fee for 2020/21 as a result of their use of the furlough scheme and support grants. There remains financial risk around the opening up of services which will continue into 2021/22.

### 3.14 **Health & Social Care**

The Health and Social Care function is continuing to experience significant pressures as a result of the COVID-19 response. Net additional COVID-19 pressures across the services require further budget to be allocated to the service. There has also been a further impact on the service's ability to deliver financial plan savings due to resources being diverted to the COVID-19 response. These total pressures are partly offset from within the service with the remainder being funded from the COVID-19 reserve.

### 3.15 **Children & Young People**

The service continues to experience COVID-19 related pressures which are being funded through the Scottish Government's decision to allow Councils to

free up specific grant to support education recovery. A further £0.832m of grant is now available to be directed to the recovery giving a total grant of £4.318m to support the wider service with £1.517m remaining uncommitted at this stage to support education over the remaining months of the financial year.

### **3.16 Customer & Communities**

The service is able to address all pressures internally following the second quarter of the year and also able to make a contribution to the COVID-19 reserve to support pressures elsewhere in the Council. Further funding of £20m announced to support Financial Insecurity concerns will be managed through this service during the remainder of 2020/21.

### **3.17 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. A balance sheet review has been carried out on development contributions which has resulted in £1.509m contributions being applied to PPP unitary charge (£0.956m) and Loans Charges (£0.553m). This has in turn released revenue budget which has been transferred to the IT budget to contribute to digital transformation investment during 2020/21.

### **3.18 Human Resources**

The service has addressed corporate pressures from within existing service budgets allowing a balanced budget to be forecast.

## **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

