
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2020/21

Report by the Executive Director, Finance & Regulatory

EXECUTIVE COMMITTEE

9th February 2021

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 31 December 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 17th November 2020, after the second quarter of 2020/21 a residual COVID-19 budget pressure of £0.628m remained, based on forecasts at that point.
- 1.3 Forecasts have now been updated to the third quarter of 2021/21, based on the 31st December a balanced outturn position is forecast at the 31st March 2021. 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 £0.628m from the second quarter.
- 1.4 During the year financial returns have been made on a quarterly basis to ensure that expenditure associated with social care is included within a return collated with NHS Borders and submitted to Scottish Government as a COVID mobilisation plan. Funding has then been distributed via Health to the Council and this balanced position assumes within H&SC that all H&SC additional expenditure related to COVID-19 will be funded by Scottish Government through the mobilisation return process.
- 1.5 As previously reported, there has been 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 December month end £5.670m (47%) savings have been delivered permanently, £0.645m (5%) are profiled to be delivered by 31 March 2021 and £5.776m (48%) have been delivered on a temporary basis through alternative savings. It should be noted that the highly uncertain environment the Council is operating in may impact on delivery of the remaining £0.645m savings which still require to be delivered before 31st March 2021.

- 1.6 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 31 December 2020, the 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 at Appendix 2;**
- (c) approves the earmarked balances attached at Appendix 3, noting the support these balances are providing to the 2021/22 Financial Plan totalling £1.562m;**
- (d) notes the progress made in achieving Financial Plan savings in Appendix 4;**
- (e) delegates authority for the remainder of the financial year to allow the Executive Director, Finance & Regulatory to approve any year end adjustments required for COVID-19 related funding expected late in the financial year; and,**
- (f) 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 31 December 2020.
- 3.2 After the second quarter of 2020/21 an improved projected outturn position was reported with a remaining residual pressure of £0.628m forecast. This residual revenue budget pressure was as a result of identified pressures of £22.903m with estimated funding of £22.524m. This position has now been updated at the third quarter, December 2020 month end, with the Council now projecting a balanced outturn position. During the year financial returns have been made on a quarterly basis to ensure that expenditure associated with social care is included within a return collated with NHS Borders and submitted to Scottish Government as a COVID mobilisation plan. Funding has then been distributed via Health to the Council and this balanced position assumes within H&SC that all H&SC additional expenditure related to COVID-19 will be funded by Scottish Government through the mobilisation return process.
- 3.3 The third quarter reporting has now identified projected annual additional expenditure and impacts on income of £28.901 as shown below.

Budget Pressure	£m	Comment
Additional costs	20.543	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	3.794	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	3.960	Income from fees & charges has been impacted over the first 9 months of 2020/21 in services such as planning fee income, schools meals and waste income.
Council Tax	0.604	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	28.901	

- 3.4 In order to support the Council's response to the COVID-19 pandemic funding has been made available by the Scottish Government. To supplement the Scottish Government funding and with the aim of balancing the revenue budget, CMT have redirected existing Council budgets to fund the additional costs and loss of income in 2020/21. The updated total available resources of £28.901m are detailed below:

Funding	£m	Comment
Scottish Government funding (SG)	8.489	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)	5.728	Share of £75m to support Social Care pressures plus confirmed IJB funding of £1.991m and assumed £2.120m of further funding to cover all expenditure pressures.
Specific Grant flexibility (SG)	6.658	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)	4.576	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
Total Council COVID-19 reserve	28.901	

- 3.5 Based on the December month end the Council is projecting a balanced outturn position at 31st March 2021. 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 9 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 the forecast reflects best estimate of resources required to support COVID-19 in 2020/21 with the balance of funding being earmarked into 2021/22;
- It is assumed that grant to support COVID-19 pressures experienced during 2020/21 in H&SC will be provided from Scottish Government;
- It is assumed the remaining nationally announced £25m for Council Tax Reduction Scheme (CTRS) pressures will be allocated to Councils to cover forecast pressures (initial share of £25m received and reflected in budget);
- The Council will have to fund pressures in the ultimate level of Council Tax collection currently estimated at £0.604m;
- 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 the second lockdown. As such their financial position will continue to be monitored closely.

3.7 The following management action will be continued during the remainder of the financial year with the aim of containing any pressures yet to emerge:

- 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.

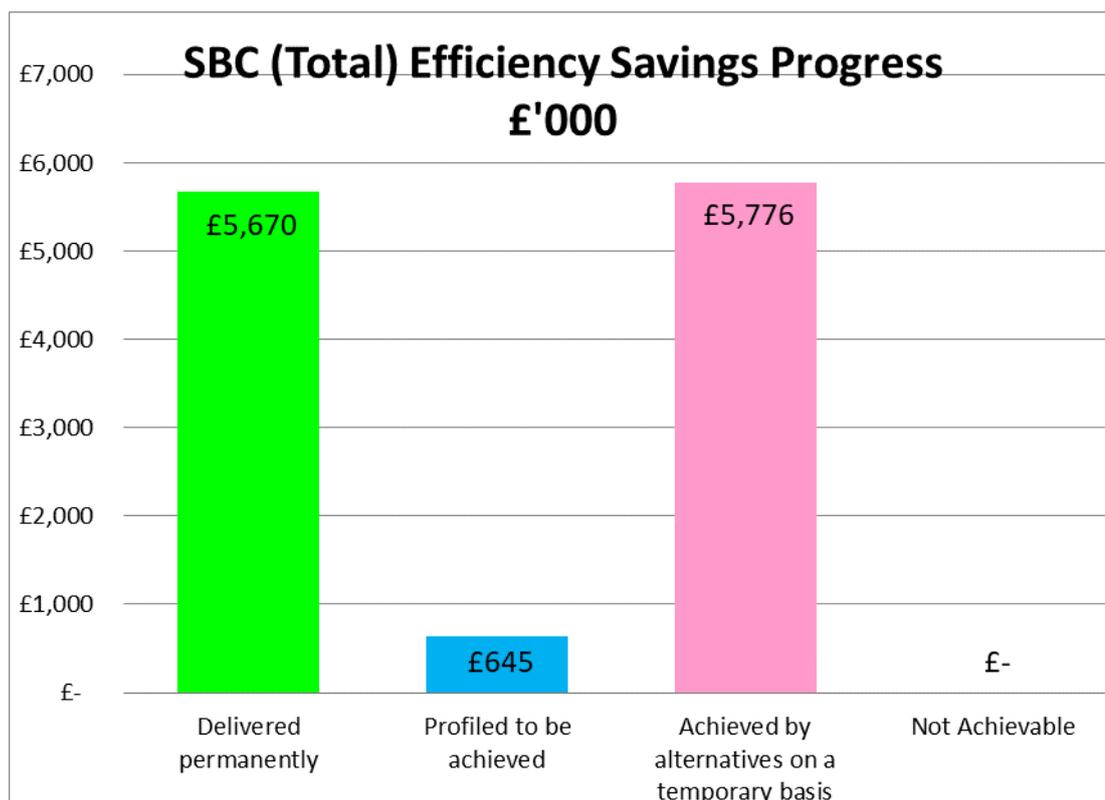
3.8 The Council has been made aware of funding sources from Scottish Government which have not yet been confirmed and as such have not been included in this reported financial position of the Council. These will be reflected in the budget, and reported through the outturn position when allocations are confirmed. 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 (with a further £110m announced on 28th January 2021) nationally to partly compensate Councils for loss of income from fees and charges.
- A share of £15m nationally to fund specific pressures resulting from Tier 4 restrictions, the Council will need to justify spend in order to

draw down this additional funding.

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 December month end £5.670m (47%) savings have been delivered permanently, £0.645m (5%) are profiled to be delivered by 31 March 2021 and £5.776m (48%) 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 £0.645m which are profiled to be delivered by 31 March 2021 are progressed and delivered as soon as possible. It should be noted that the highly uncertain environment the Council is operating in may impact on delivery of these savings before 31st March 2021. A piece of work has also commenced to ensure that permanent plans are in place for the £5.776m savings delivered temporarily in 2020/21 to ensure permanent full year delivery in 2021/22.

3.12 **Assets & Infrastructure**

The service continues to experience COVID-19 pressures which are being addressed through the Council's COVID-19 reserve. The service is currently being impacted by severe weather, this has resulted in additional costs being forecast for leachate at the Easter Langlee landfill site. The roads service is also being impacted by both COVID-19 and the adverse weather. Resources and budget are currently being diverted towards winter, where above average winter conditions are currently being experienced.

3.13 **Corporate Improvement & Economy**

Corporate Improvement & Economy are projecting a small underspend position after the third 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 re-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. Further funding from Scottish Government has been received to provide for costs projected at quarter 2. Further funding is anticipated to provide for additional pressures which have materialised since quarter 2. 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 with a further £0.435m savings being delivered through alternative means through support from elsewhere in the Council.

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 with forecast excess grant funding being earmarked into 2021/22. Temporary savings in Additional Support Needs of £459k are being made available to assist with COVID-19 pressures in other areas of the Council.

3.16 **Customer & Communities**

The service is able to manage services within budget following the third quarter of the year and also able to make a contribution to the COVID-19 reserve to support pressures elsewhere in the Council.

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. IT investment is being funded through a planned drawdown from the IT transformation allocated reserve.

3.18 **Human Resources**

Delayed delivery of Council-wide Corporate Transformation savings as a result of management resources across the Council being diverted to the COVID-19 response. This is partially offset by savings within the wider Human Resources service.

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**

It should be noted that the highly uncertain environment the Council is operating in may impact on the assumptions that have been made for the full-year projections which are based on 9 months' financial information and COVID-19 impact to December 2020 month end. 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. Management actions stated in this report will continue during the remainder of the financial year. 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 are being consulted and any comments received will be incorporated into the final report.

Approved by

David Robertson
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Signature

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Background Papers:

Previous Minute Reference:

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