
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2021/22

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

17 August 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 30 June 2021 along with explanations of the major variances identified between projected outturn expenditure/income and the current approved budget.**
- 1.2 The Council has continued to experience impacts from the COVID-19 pandemic into the new financial year with a number of variations from budget evident at this early stage. Due to the very challenging operating environment it remains essential that the Council continues to operate as efficiently as possible to ensure that any financial implications not yet clear can be managed as the financial year progresses.
- 1.3 Forecasts have been completed at the first quarter of 2021/22 at the 30th June, projecting the Council to be in a balanced position at the financial year end. This forecast position reflects the carry forward of resources from 2020/21, and assumes that the COVID-19 reserve will be drawn down over the course of the year to meet identified financial pressures. 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.
- 1.4 Significant confirmed funding is in place for 2021/22, along with a commitment that additional expenditure incurred through the Integration Joint Board (IJB) delivering Health & Social Care services will be funded by Scottish Government. The confirmed funding can be categorised as follows:

Confirmed Covid-19 funding – 2021/22	£m
Funding provided by Scottish Government	23.899
Funding included in the 2021/22 Financial Plan for COVID-19 response	1.654
Reserve carried forward from 2020/21 underspend	2.256
Assumed IJB funding through LMP – tbc	3.805
Total COVID-19 funding	31.614

- 1.5 The total COVID-19 funding is split between funding which has been ring-fenced to be used for a specific purpose (£13.462m) for example education recovery, IJB funding, admin funding and funding to support communities, and that which can be used more generally by the Council to address COVID-19 pressures (£18.152m). Full details of funding available are shown in Appendix 2.
- 1.6 There is likely to be an ongoing impact on the delivery of planned Financial Plan savings during 2021/22 as a result of the diversion of management time to the pandemic during 2020/21 and into 2021/22. Financial plan savings of £9.301m require to be delivered in 2021/22. An analysis of deliverability has been updated as shown in Appendix 5. Following the June month end £2.099m (22%) savings have been delivered permanently, £2.950m (32%) are profiled to be delivered by 31 March 2022 and £4.252m (46%) have been delivered on a temporary basis through alternative savings.

2 RECOMMENDATIONS

2.1 It is recommended that the Executive Committee:-

- (a) notes the projected corporate monitoring position reported at 30 June 2021, the remaining pressures identified, the underlying cost drivers of this position and the identified areas of financial risk as reflected in Appendix 1;**
- (b) notes the COVID-19 funding detailed in Appendix 2;**
- (c) approves the virements attached as Appendix 3 & 4; and**
- (d) notes the progress made in achieving Financial Plan savings in Appendix 5.**

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 2021.
- 3.2 The COVID-19 emergency situation, which affected the UK throughout 2020/21, has continued to cause financial implications for the Council. The pandemic has caused a major impact on delivery of public services, with major impacts on a number of Council Services. The Council played a key role in supporting Borders communities, businesses and residents during a very challenging 2020/21 and continues to do so into 2021/22. The Council has received significant financial support from Scottish Government to maintain public services during the pandemic and to administer a variety of support grants to local businesses now totalling £71m.
- 3.3 The Scottish Government has continued to take a twin track approach to providing funding for the costs of COVID-19 and is separating Health and Social Care activities delivered by the Integration Joint Board (IJB) out from impacts on other Council Services. The Council is continuing to work proactively with NHS Borders on the joint cost collection exercise for Health & Social Care costs associated with COVID-19 and will shortly be submitting the first Local Mobilisation Plan (LMP) return based on the June month end position. It is assumed that all COVID-19 related financial impacts will be funded through the LMP but that any impact of delays in delivery of financial plan savings will require to be funded by the Council. In addition the Council has received significant funding from the Scottish Government since March 2021 to support financial pressures in both 2020/21 and 2021/22. A full analysis of COVID-19 funding is provided at Appendix 2, this funding will be used to support the Council's financial position in 2021/22.
- 3.4 As well as COVID-19 financial implications, Council face a significant financial risk around the 2021/22 pay agreement which has emerged since the Financial Plan was approved in March 2021. There is no pay agreement yet in place for 2021/22, the Council budgeted for an assumed 2% increase in pay in the current year. Since the Council's budget was set in March there has been agreement for a 4% increase for NHS staff and 4.2% for Elected Members and there is now increasing pressure from Unions representing Local Government staff to deliver a higher pay award than the average 2% originally offered and budgeted for. Each 1% increase in the pay award would cause a permanent increase in the pay bill of around £1.6m per annum. The final shape of a pay deal remains to be agreed with the trade unions and there is significant pressure to ensure parity of pay across the public sector. COSLA continue to lobby Scottish Government to provide further funding to support pay agreements.
- 3.5 Analysis of the revenue budget after 3 months of the financial year forecasts a balanced year end position will be delivered assuming that the full COVID-19 reserve will require to be drawn down as the year progresses. This position reflects updates in both known COVID-19 implications and service specific issues to provide an estimated year end position. A remaining one-off COVID-19 reserve of £10.581m remains on the balance sheet to address service pressures during the remainder of the financial year.

- 3.6 The current monitoring position indicates additional expenditure and impacts on income associated with COVID-19 and service pressures of £21.033m as shown below.

Budget Pressure	£m	Comment
Additional COVID-19 costs	7.877	These additional costs are detailed per service in Appendix 1 and include additional costs such as PPE, cleaning materials and additional homecare costs and also includes the distribution of additional Scottish Government funding such as that to support families and those facing financial hardship.
Education recovery	4.969	Specific Scottish Government funding to support education recovery
IJB Local Mobilisation Plan (LMP)	3.805	Assumed funding from Scottish Government through the LMP based on commitment to fund COVID-19 costs
Delays in delivery of financial plan savings	2.040	The ongoing 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	0.636	Income from fees & charges has been impacted during 2020/21 in services such as planning fee income, schools meals and waste income.
Service pressures	1.706	Service pressures primarily made up of net pressure in Waste (£340k), Catering (£75k), net pressure in Learning Disability service (£729k), lower than required admin charge to grants (£200k) and pressures in IT through contract renewal and server costs
Total Council pressures	21.033	

- 3.7 In order to support the Council's response to the COVID-19 pandemic funding has been made available by the Scottish Government. Full details of funding available are shown in Appendix 2. To supplement the funding from Scottish Government, CMT has again, taken decisions around discretionary spend and the impact of the current operating model to allow services to make a contribution to Council pressures. The updated total funding of £21.033m required to address current forecasts is detailed below:

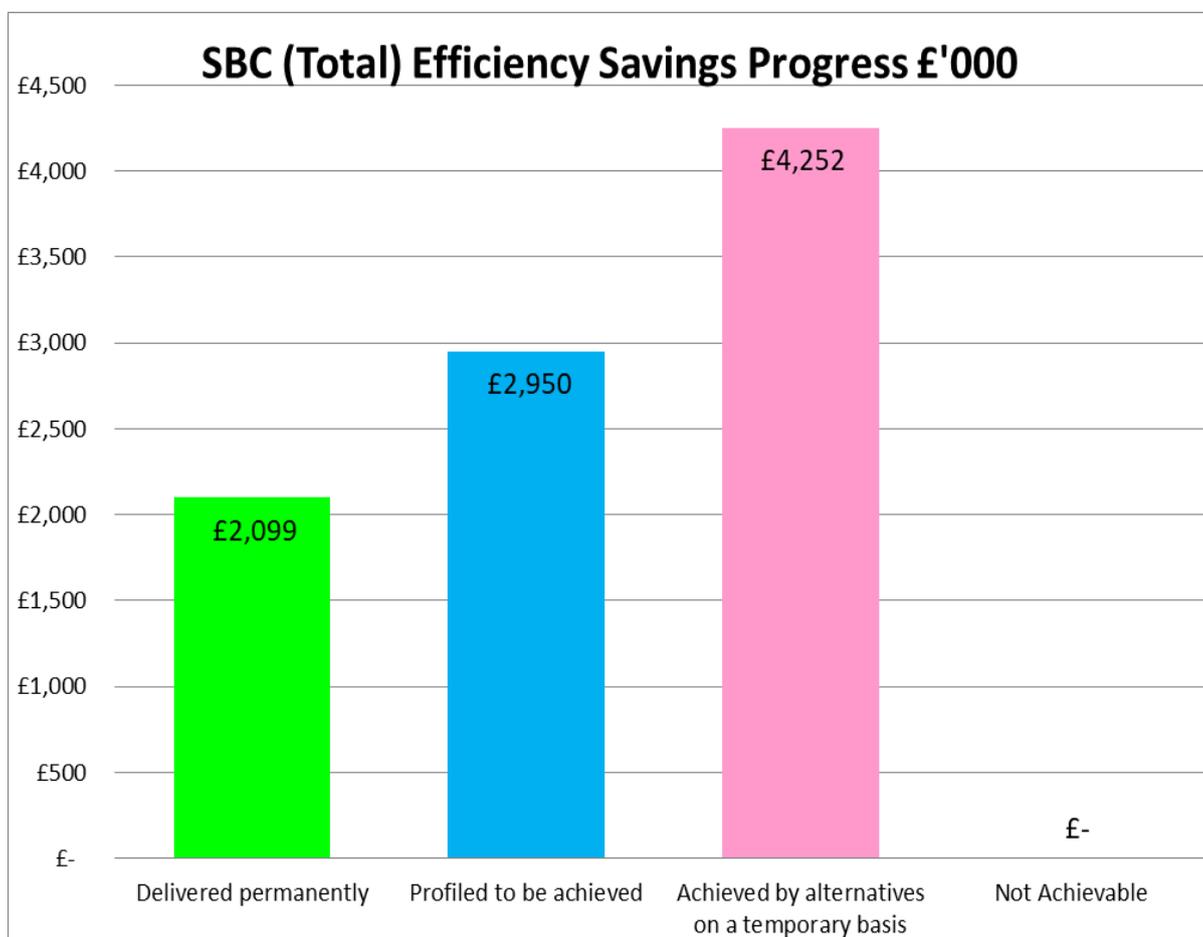
Funding	£m	Comment
Scottish Government funding (SG)	10.605	Scottish Government funding to support COVID-19 pressures.
Education recovery	4.969	Specific Scottish Government funding to support education recovery
IJB Local Mobilisation Plan (LMP)	3.805	Assumed funding from Scottish Government for IJB pressures from COVID-19 reflecting reporting through the Local Mobilisation Plan (LMP).
Council 2021/22 Financial Plan	1.654	Budget allocated through the 2021/22 Financial Plan to support COVID-19 response and recovery.
Council COVID-19 revenue funding	21.033	

- 3.8 The following management action will be undertaken during the remainder of the financial year with the aim of 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 2022/23 into 2021/22 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.

- 3.9 It should be noted that any budget shortfall at 31 March 2022 will require to be funded from reserves at year end.

- 3.10 There is likely to be an ongoing impact on the delivery of planned Financial Plan savings during 2021/22 as a result of the diversion of management time to the pandemic during 2020/21 and into 2021/22. The level of savings required by the financial plan in 2021/22 totals £9.301m. An analysis of delivery of savings as at the end of month 3 is provided in Appendix 4. This analysis shows that following the June month end £2.099m (22%) savings have been delivered permanently, £2.950m (32%) are profiled to be delivered by 31 March 2022 and £4.252m (46%) have been delivered on a temporary basis through alternative savings.



3.11 CMT are placing significant emphasis on ensuring the £2.950m which is profiled to be delivered by 31 March 2022 is progressed and delivered as soon as possible. Work has also commenced to ensure that permanent plans are in place for the £4.252m delivered temporarily in 2021/22 to ensure permanent full year delivery in 2022/23.

3.12 **Assets & Infrastructure**

Asset and Infrastructure continue to experience significant COVID-19 related pressures primarily through loss of income and additional costs including vehicle hire and agency staff to support the waste service, bus subsidy pressures from reduced passengers and additional PPE/cleaning materials. These pressures have been partially offset by re-prioritisation of service budgets with the balance being funded corporately from the COVID-19 reserve. In addition there are service related pressures, some of which are being addressed within the service from available budgets, with a balanced position being achieved following virements from across the Council.

3.13 **Health & Social Care**

Health and Social Care has a balanced position against plan at the end of quarter one after the proposed virements have been actioned. There are further COVID pressures funded via the Local Mobilisation Plan (LMP) and the COVID-19 reserve for non-delivery of savings in Learning Disability and additional staffing requirements. The first LMP claim will total £3.805m. The main areas of service pressures are within Learning Disability and Generic Services where care package costs have again increased above budget. Reviews of the costs of care packages to ensure these are appropriate to the needs of clients, remains a priority action for management.

3.14 **Young People Engagement & Inclusion**

The service is projecting a balanced position at the end of June 2021. COVID-19 grant funding was utilised appropriately to ensure young people were supported as they returned to full time face to face schooling in the summer term. All nine secondary schools ran Easter Schools in order help senior pupils prepare for their assessments. The majority of the 2021/22 COVID grant funding relating to staff has been used to engage teachers for the 2021/22 academic session to reduce the attainment gap and to accelerate the Inspire Learning programme; grant funding uncommitted at the end of June will be used as the need is identified. Work continues to put plans in place to deliver the required Financial Plan savings on a permanent basis.

3.15 **Customer & Communities**

Customer and Communities presents a balanced position against plan at the end of quarter one after the proposed virements have been actioned. Additional COVID funding has been provided to support communities through the Financial Hardship funding. £292k pressures from continued demand on the Council Tax Reduction Scheme are being addressed. Staffing pressures have been managed within the Service from staff turnover and reallocation between services.

3.16 **Finance & Regulatory Services**

Financial pressures are being experienced in respect of the challenges around delivery of the corporate Commissioning and Contract Management Financial Plan savings and increased costs in respect of IT and telephony to support large numbers of staff across the Council working from home as a result of COVID-19 response. Timing movements in the capital programme have resulted in a saving in loans charges. Midlothian Council have now set out a model for corporate risk management which excludes the possibility of a shared risk service with SBC. Work to explore this potential efficiency has now ceased.

3.17 **Human Resources**

The service has addressed a small pressure from within existing service budgets. Additional income and staff turnover savings are being re-allocated to address pressures elsewhere in the Council.

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 2021/22.

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 2021/22 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

Signature

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Background Papers:

Previous Minute Reference:

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