
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2021/22

Report by Director, Finance & Corporate Governance
EXECUTIVE COMMITTEE

16 November 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 September 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 in the second quarter of the financial year. 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 The approved new Corporate structure has been reflected in this report. Forecasts have been completed at the second quarter of 2021/22 at the 30th September, projecting the Council to be in a balanced position at the financial year end. This position requires a further draw down of £0.620m from the COVID-19 reserve compared to the reported position at the end of the first quarter of the current year. This forecast position includes the carry forward of resources from 2020/21. Impacts from COVID-19 are expected to continue in to 2022/23, the COVID-19 reserve will be drawn down as required 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 is categorised as follows:

Confirmed Covid-19 funding – 2021/22	£m
Funding provided by Scottish Government	24.074
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	3.579
Total COVID-19 funding	31.563

- 1.5 The total COVID-19 funding is split between funding which has been ring-fenced to be used for a specific purpose (£13.411m) 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). This includes all residual COVID-19 funding carried forward from 2020/21 and full details of funding available are shown in Appendix 2.
- 1.6 There has been 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 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 3. Following the September month end £2.491m (27%) savings have been delivered permanently, £1.964m (21%) are profiled to be delivered by 31 March 2022 and £4.846m (52%) 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 September 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) notes the progress made in achieving Financial Plan savings in Appendix 3; and**
 - (d) approves the virements attached as Appendix 4 & 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 September 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 in 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 £71.4m.
- 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 continue to submit quarterly Local Mobilisation Plan (LMP) returns, the next one will be based on this September 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.
- 3.4 Pay award negotiations for 2021/22 are still not concluded and therefore continue to represent a risk to the revenue budget. The Council has budgeted for a 2% pay award. It is understood that both UNISON and Unite have a mandate to undertake industrial action from October 2021 to March 2022. Contingency planning has been taking place across the affected services. To date we have received no intimation of any proposed dates for action.
- 3.5 Analysis of the revenue budget after 6 months of the financial year forecasts a balanced year end position will be delivered assuming that the COVID-19 reserve will be sufficient to cover pressures as they materialise. This position reflects updates in both known COVID-19 implications and service specific issues to provide an estimated year end position. The remaining one-off COVID-19 reserve has been adjusted by £0.620m at the second quarter position leaving a balance of £9.961m to address service pressures.
- 3.6 The current monitoring position indicates additional forecast annual expenditure and impacts on income associated with COVID-19 and service pressures of £21.602m as shown below.

Budget Pressure	£m	Comment
Additional COVID-19 costs	7.946	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	5.033	Specific Scottish Government funding to support education recovery
IJB Local Mobilisation Plan (LMP)	3.579	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	2.368	Net service pressures experienced in the first 6 months of 2021/22 detailed in Appendix 1.
Total Council pressures	21.602	

- 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 mitigate Council pressures. The updated total funding of £21.602m required to address current forecasts is detailed below:

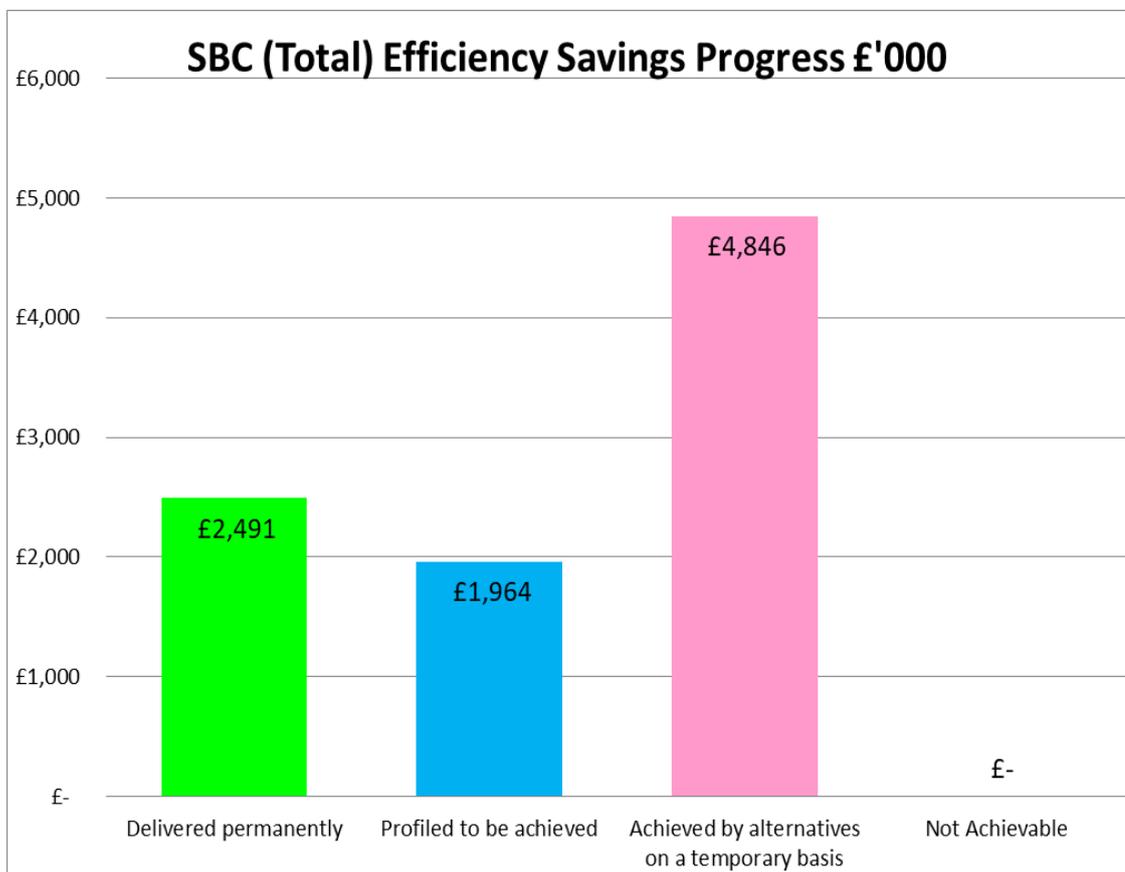
Funding	£m	Comment
Scottish Government funding (SG)	11.347	Scottish Government funding to support COVID-19 pressures.
Education recovery	5.022	Specific Scottish Government funding to support education recovery
IJB Local Mobilisation Plan (LMP)	3.579	Assumed funding from Scottish Government for IJB pressures 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	21.602	

3.8 The following management action will continue 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 has been 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 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 6 is provided in Appendix 3. This analysis shows that following the September month end £2.491m (27%) savings have been delivered permanently, £1.964m (21%) are profiled to be delivered by 31 March 2022 and £4.846m (52%) have been delivered on a temporary basis through alternative savings.



3.11 CMT are placing significant emphasis on ensuring the £1.964m, which is profiled to be delivered by 31 March 2022, is progressed and delivered as soon as possible. Work has also commenced, as part of the 2022/23 financial planning process, to ensure that permanent plans are in place for the £4.846m delivered temporarily in 2021/22 to ensure permanent resolution in 2022/23.

3.12 **Infrastructure & Environment**

Infrastructure and Environment are forecasting a reduced surplus within SBcContracts primarily as a result of reduced profit which is being impacted by material price increases and increased lead times as reported in the wider construction market. Reduced income across Architects, Engineers and Fleet Management and the continued impact of COVID-19 are contributing to an overspend within the Service.

3.13 **Social Work & Practice**

Social Work & Practice is forecasting a pressure of £0.470m at the end of the second quarter after the proposed virements have been actioned. These pressures are primarily as a result of service pressures in Children & Families Social Work and Learning Disability Service. These service pressures are as a result of increases in care package costs and out of area placement costs which have increased above budget. Reviews of the costs of care packages to ensure these are appropriate to the needs of clients, whilst being as cost effective as possible, including regular scrutiny panel meetings, remains a priority action for management. The COVID pressures funded via the Local Mobilisation Plan (LMP) have been updated with a second LMP claim totalling £3.579m, a decrease from the first claim of £3.805m.

3.14 **Children & Young People**

The service has continued to ensure a balanced position is projected at the end of September 2021. COVID-19 funding continues to be utilised appropriately to ensure young people are supported in the autumn term.

The 2021/22 academic session saw an additional 29.1 FTE teachers employed through additional Scottish Government funding to reduce the attainment gap and to accelerate the Inspire Learning programme; £250k remains uncommitted at the end of September to be used as the need is identified. £1.710m of COVID funding relating to PPE and safe return of schools (logistics) is currently un-committed. Work continues to put plans in place to deliver the required Financial Plan savings on a permanent basis.

3.15 **Resilient Communities**

A net underspend of £224k is being forecast primarily from a net underspend from rents, rates and an improving financial position in Council Tax Reduction Scheme. This underspend is being redirected to support pressures elsewhere in the Council.

3.16 **Finance & Corporate Governance**

This service area holds the corporate COVID-19 reserve. The service is managing within existing budget with the anticipated costs relating to the ongoing independent inquiry proposed to be funded from reserves. An element of the IT revenue budget is being capitalised to fund part of the LAN/WIFI refresh (£27k).

3.17 **People, Performance and Change**

The department is managing vacancies across services and is forecasting an overall underspend (£49k). Available budget will be transferred from Business Change to fund additional transformational spend anticipated for 2021/22.

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

