
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2021/22

Report by Director, Finance & Corporate Governance

EXECUTIVE COMMITTEE

8 February 2022

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 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 third 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 Forecasts have been completed at the third quarter of 2021/22 at the 31st December, projecting the Council to be in a balanced position at the financial year end. This position is a net increase of £0.729m in the COVID-19 reserve compared to the reported position at the end of the second 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	25.304
Funding included in the 2021/22 Financial Plan for COVID-19 response	1.682
Reserve carried forward from 2020/21 underspend	2.256
Assumed IJB funding through LMP – tbc	3.671
Total COVID-19 funding	32.913

- 1.5 COVID-19 funding is split between funding which has been ring-fenced to be used for a specific purpose (£14.733m) 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 (£18.180m). 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 December month end £2.687m (29%) savings have been delivered permanently, £0.696m (7%) are profiled to be delivered by 31 March 2022 and £5.918m (64%) 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 31 December 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 31 December 2021.
- 3.2 The COVID-19 emergency situation, which affected the UK throughout 2020/21, has continued to cause financial implications for the Council during 2021/22. 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 totalling £72.7m.
- 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 December 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 An agreement for pay award for SJC and Chief Officer staffing groups has been reached for 2021/22. Backpay for 2021/22 has been processed through payroll at the January 2022 month end. This agreement has been fully funded in the current year. Pay award negotiations for teaching staff for 2021/22 are still not concluded and therefore continue to present a risk to the revenue budget.
- 3.5 Analysis of the revenue budget after 9 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 increased by £0.729m at the third quarter position resulting in a balance of £10.690m to address pressures.

- 3.6 The current monitoring position indicates additional forecast annual expenditure and impacts on income associated with COVID-19 and service pressures of £22.224m as shown below.

Budget Pressure	£m	Comment
Additional COVID-19 costs	8.876	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	4.633	Specific Scottish Government funding to support education recovery
IJB Local Mobilisation Plan (LMP)	3.671	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 9 months of 2021/22.
Total Council pressures	22.224	

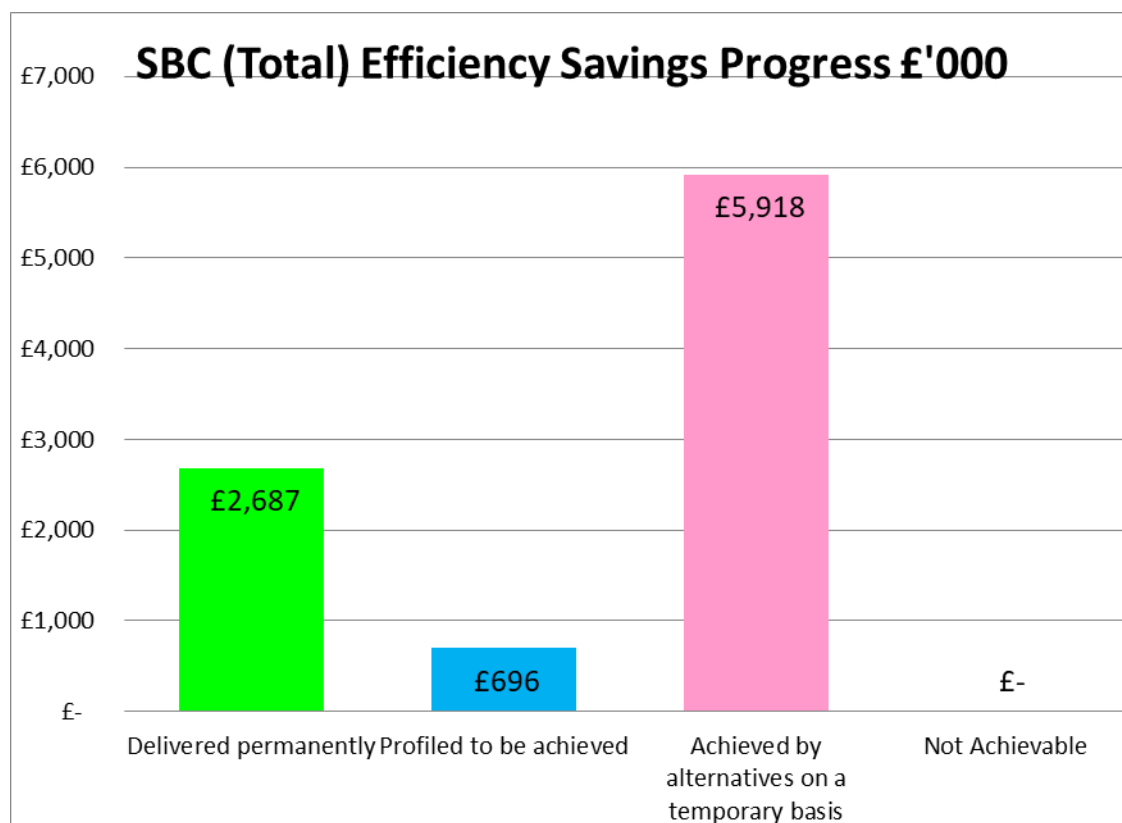
- 3.7 In order to support the Council's response to the COVID-19 pandemic funding has been made available by the Scottish Government. Full details of funding available are shown in Appendix 2. To supplement the funding from Scottish Government, CMT has again, taken decisions around discretionary spend and the impact of the current operating model to allow services to mitigate Council pressures. The updated total funding of £22.224m required to address current forecasts is detailed below:

Funding	£m	Comment
Scottish Government funding (SG)	12.249	Scottish Government funding to support COVID-19 pressures.
Education recovery	4.622	Specific Scottish Government funding to support education recovery
IJB Local Mobilisation Plan (LMP)	3.671	Assumed funding from Scottish Government for IJB pressures from COVID-19 reflecting reporting through the Local Mobilisation Plan (LMP).
Council 2021/22 Financial Plan	1.682	Budget allocated through the 2021/22 Financial Plan to support COVID-19 response and recovery.
Council COVID-19 revenue funding	22.224	

- 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 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 9 is provided in Appendix 3. This analysis shows that following the December month end £2.687m (29%) savings have been delivered permanently, £0.696m (7%) are profiled to be delivered by 31 March 2022 and £5.918m (64%) have been delivered on a temporary basis through alternative savings.



3.10 CMT are placing significant emphasis on ensuring the £0.696m, which is profiled to be delivered by 31 March 2022, is progressed and delivered permanently as soon as possible. Work is also ongoing, as part of the 2022/23 financial planning process, to ensure that permanent plans are in place for the £5.918m delivered temporarily in 2021/22 to ensure permanent resolution in 2022/23.

3.11 **Corporate**

A virement is being requested to reflect the Council's share of £30m to fund 2021/22 back pay costs following the national pay agreement for SJC staff (£0.667m). Also earmarked balanced from COVID-19 contingency funding to support the 2022/23 financial plan (£1.353m).

3.12 **Infrastructure & Environment**

The service is reporting a small underspend which is contributing to the overall Council position. Within this position the service are forecasting the management of pressures relating to the flooding event in Hawick and Storm Arwen in November from existing budgets. Pressures are being reported mainly from reduced catering income and reduced income collection rate relating to Housing and Temporary Accommodation. An earmarked balance from Second Homes Council Tax to support future investment in affordable housing is being sought.

3.13 **Social Work & Practice**

The Service is forecasting an underspend of £91k to contribute to the overall Council position. The main variances relate to increased income in Learning Disabilities (£191k) due to increased client contributions after financial assessments. Offset by a pressure in Mental Health (£150k) related to higher care costs in 2021/22. Underspends primarily due to staffing across various services (£94k) have been identified. While Locality pressures are a net overspend (£43k) with lower than planned staffing costs offsetting higher than expected care packages. Earmarked balances for Rapid Rehousing Transition Plan, Central Safer Communities and Carer's Act funding has been requested. Additional Scottish Government Funding

for 2021/22 is being reflected.

3.14 Children & Young People

The service is showing a pressure of £0.148m at the end of December 2021. COVID-19 funding continues to be utilised appropriately to ensure young people are supported. The 2021/22 academic session saw an additional 29.1 FTE teachers employed to reduce the attainment gap and to accelerate the Inspire Learning programme; all funding has been committed at the end of December. £400k of COVID funding relating to 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. Earmarking of expected DSM (£192k) and PEF (£495k) underspends across Primary and Secondary schools have been proposed which will give flexibility in 2022/23 as well as Early Years underspend due to reduced numbers of children currently in settings.

3.15 Resilient Communities

The service is reporting a small underspend which is contributing to the overall Council position. The service is grossing up additional funding from Scottish Government for supporting communities. Earmarked balances are being sought across a number of service areas to support commitments in 2022/23.

3.16 Finance & Corporate Governance

The service's forecast pressures relate to further anticipated costs relating to the independent inquiry (£70k) and additional overtime (£5k). To mitigate these costs, wherever possible, the department is managing vacancies across services (£73k). Earmarked balances are being sought across a number of service areas to support commitments in 2022/23. An underspend in Loans Charges due to a reduced borrowing requirement is being added to the previously established Treasury reserve (£1m) and a £1m earmarked balance from the COVID-19 reserve to fund investment in 2022/23 to support Sports & Culture Trusts with their COVID-19 recovery plans.

3.17 People, Performance and Change

The department's forecast pressures relate to the Social work Traineeship (£49k), increased investment required in training, disclosure and advertising costs associated with SB Cares recruitment issues (£30k) and an undeliverable in-year subscription Financial Plan saving (£38k). To partly mitigate these costs, the department is managing vacancies across services and is forecasting a net pressure of £27k. Available budget will be transferred from Business Change to fund additional transformational spend anticipated for 2022/23.

3.18 Strategic Commissioning and Partnerships

The service is reporting a balanced position. SB Cares has realised underspends mainly affected by reduced service provision and staffing costs caused by Covid, which has been used to offset undelivered savings in 2021/22. Earmarked balances are requested for Information Technology (£5.217m) to support ongoing programme planning work with CGI to outline, prioritise and deliver SBC's digital transformation programme with a focus on digitally enabling the frontline workforce, enabling data driven decision making and process automation. Plans are being developed to utilise additional Scottish Government Funding within SB Cares (£0.938m) for interim Homecare winter pressures. Sports Services has a small overspend related to Depreciation and Interest which will be covered from Loan Charges (£30k).

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 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 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 Sustainable Development Goals

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

4.6 Climate Change

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 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

4.9 **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 will be consulted and any comments received will be incorporated into the final report.

Approved by

David Robertson

Signature

Director Finance & Corporate Governance

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Background Papers:

Previous Minute Reference:

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