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## **2021/22 UNAUDITED REVENUE OUTTURN**

**Report by Director, Finance & Corporate Governance**

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### **EXECUTIVE COMMITTEE**

**14 June 2022**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 This report provides the Executive Committee with a statement comparing final revenue outturn expenditure and income for 2021/22 with the final approved budget for the year along with explanations for significant variances.**
- 1.2 A net, unaudited outturn underspend of £1.427m was achieved in the 2021/22 revenue budget. The £1.427m net underspend (less than 0.5% of final approved budget) was delivered following a number of earmarked balances being carried forward from 2021/22 into 2022/23. In total, these amount to £37.189m and relate to a number of initiatives across the Council and specifically include £9.465m of carry forward into the Council's COVID-19 reserve and £1.599m of carry forward by schools under the Devolved School Management scheme (DSM). Council services have delivered an underspend position whilst delivering significant financial plan savings totalling £9.301m. A high level summary of the outturn position in each Service is detailed from section 3.16 of this report.
- 1.3 The Council's finances and operating model have continued to be affected by the COVID-19 emergency situation during 2021/22 as well as unprecedented market conditions and inflationary pressures, pressures from pay award and staff recruitment and retention challenges.
- 1.4 The Council has administered £73.9m of funding which has been passed to over 5,770 businesses through a variety of business grants. The COVID-19 reserve was utilised during 2021/22 to maintain public services utilising further specific support from Scottish Government to support individuals and businesses during the pandemic. The challenging operating environment has included significant recruitment and retention issues across the Council which have contributed to the year end underspend position but in doing so have resulted in capacity issues with a number of teams experiencing recruitment issues in filling vacant positions.
- 1.5 During 2021/22 detailed revenue monitoring reports were reviewed by the Strategic Leadership Team (SLT) allowing proactive corporate management action to be taken during the year where required. In line with Financial Regulations quarterly monitoring reports were approved by the Executive Committee, authorising the necessary adjustments to the budget throughout the year.
- 1.6 As previously reported, there has been an impact on the delivery of approved Financial Plan savings during 2021/22, mainly as a result of the COVID-19 response and recovery phase with slippage experienced in the

delivery of planned savings. The level of savings required by the financial plan, totalled £9.301m, in 2021/22. An analysis of delivery of savings is provided in Appendix 3. The outturn position shows that £3.489m (37%) savings were delivered permanently in line with approved plans, £1.932m (21%) were delivered in 21/22 with no requirement for the savings to be delivered from 2022/23, with the remaining £3.880m (42%) delivered on a temporary basis through alternative savings.

## **2 RECOMMENDATIONS**

### **2.1 It is recommended that the Executive Committee:-**

- (a) Agrees the content of this report and notes the favourable outturn position for 2021/22 prior to Statutory Audit;**
- (b) Notes that this draft unaudited outturn position will inform the budgetary control process during 2022/22 and inform the financial planning process for future years;**
- (c) Approves the sums earmarked under delegated authority by the Director, Finance & Corporate Governance as well as adjustments to previously approved earmarked balances as shown in Appendix 1; and**
- (d) Notes the range of pressures associated with the current operating environment will be reported through the monitoring process during 2022/23.**

### 3 FINAL OUTTURN STATEMENT

- 3.1 This report provides a statement comparing final revenue outturn expenditure and income for 2021/22 with the final approved budget for the year along with explanations for significant variances.
- 3.2 A net, unaudited outturn underspend of £1.427m was achieved in the 2021/22 revenue budget. The £1.427m net underspend (less than 0.5% of final approved budget) was delivered following a number of earmarked balances being carried forward from 2021/22 into 2022/23. In total, these amount to £37.189m and relate to a number of initiatives across the Council and specifically include £9.465m of carry forward into the Council's COVID-19 reserve and £1.599m of carry forward by schools under the Devolved School Management scheme (DSM). Council services have delivered an underspend position whilst delivering significant financial plan savings totalling £9.301m.
- 3.3 During 2021/22 detailed revenue monitoring reports were reviewed by SLT, allowing proactive corporate management action to be taken during the year where required. In line with Financial Regulations quarterly monitoring reports were approved by the Executive Committee, authorising the necessary adjustments to the budget throughout the year.

3.4 **External influences – COVID-19, market conditions and inflation and nationally agreed pay awards**

The Council's finances and operating model have continued to be affected by the COVID-19 emergency situation during 2021/22. The challenging operating environment has included significant recruitment and retention issues across the Council which have contributed to the year end underspend position but in doing so have resulted in capacity issues with a number of teams experiencing recruitment issues in filling vacant positions. The Council has utilised the COVID-19 reserve during 2021/22 to maintain public services and has received further specific support from Scottish Government to support individuals and businesses during the pandemic. The Council has administered over £73.9m of funding which has been passed to over 5,770 businesses through a variety of business grants.

- 3.5 The Scottish Government continued their twin track approach to providing funding for the costs of COVID-19 in 2021/22 by separating Health and Social Care activities delivered by the Integration Joint Board (IJB) out from impacts on other Council Services. The Council worked proactively with NHS Borders on the joint cost collection exercise for Health & Social Care costs associated with COVID-19 and received £3.846m through the Local Mobilisation Plan (LMP).
- 3.6 The funding received by Scottish Government in 2021/22 along with unspent sums carried forward from 2020/21 were deployed to cover financial impacts identified during 2021/22. The balance of funding not required in 2021/22 has been earmarked into 2022/23 into the COVID-19 reserve to support further financial impacts. The COVID reserve, which was created during 2020/21, and totalled £15.682m at the end of 2020/21 has been partly deployed through the revenue budget in 2021/22 and now totals £9.465m.
- 3.7 In summary as shown in the table below, £9.652m was received from the Scottish Government during 2021/22 which coupled with the COVID-19 reserve of £15.682m, the budget provided through the financial plan of £1.682m and IJB funding of £4.626m gave total COVID resources of

£31.642m in 2021/22. £22.177m of this funding has been spent in 2021/22 with the balance of £9.465m being carried forward into 2022/23 through the COVID-19 reserve. Elements of the carry forward have already been committed in 2022/23 with the remainder available to help the Council address the ongoing impacts of COVID-19 during the next financial year. Full details of projected impacts and funding available in 2022/23 will be provided through the first 2022/23 monitoring report to the Executive Committee based on June 2022 month end.

<b>Confirmed Covid-19 funding – 2021/22</b>	<b>£m</b>
Funding provided by Scottish Government during 2021/22	9.652
Reserve carried forward from 2020/21 underspend	15.682
2021/22 Financial Plan	1.682
IJB funding through Local Mobilisation Plan	4.626
<b>Total COVID-19 funding</b>	<b>31.642</b>

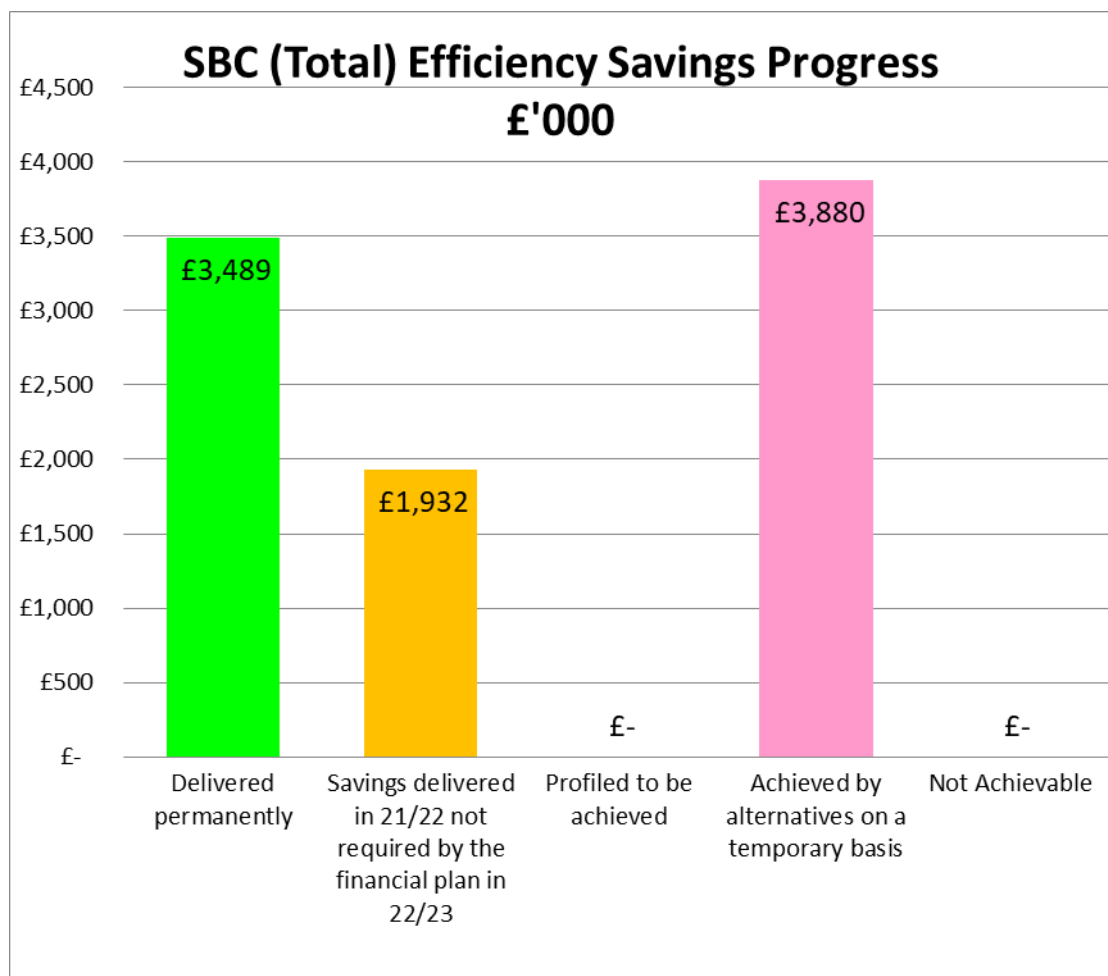
- 3.8 The outturn position now confirms additional expenditure and impacts on income associated with COVID-19 in 2021/22 of £22.177m as shown below.

<b>Budget Pressure</b>	<b>£m</b>	<b>Comment</b>
Additional costs	8.932	These additional costs 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	3.767	Specific Scottish Government funding to support education recovery
IJB Local Mobilisation Plan (LMP)	4.626	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 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	0.444	Income from fees & charges has been impacted during 2021/22 in services such as planning fee income, schools meals and waste income.
Service Pressures	2.368	Net service pressures in 2021/22.
<b>Total pressures</b>	<b>22.177</b>	

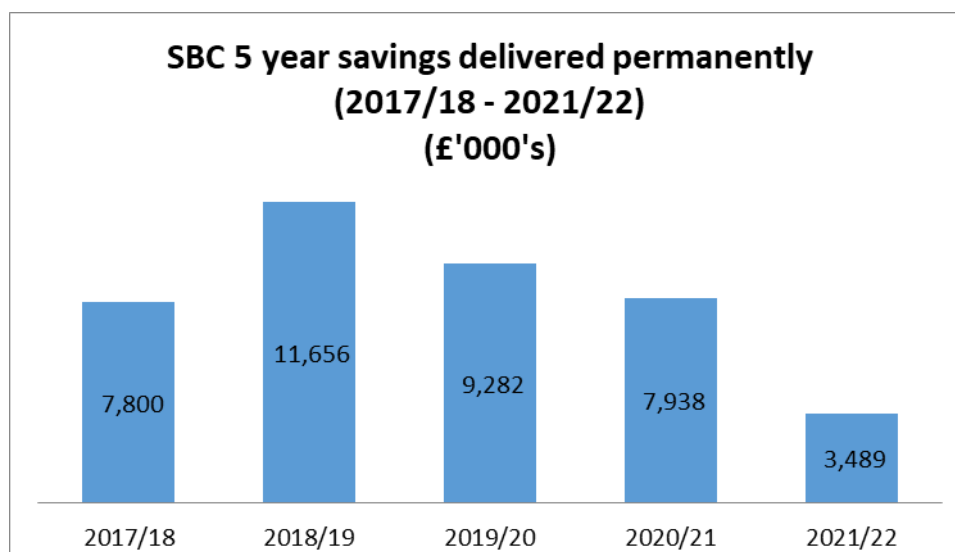
3.9 The funding of the 2021/22 COVID-19 costs is detailed below:

<b>Funding</b>	<b>£m</b>	<b>Comment</b>
Scottish Government funding (SG) provided in 2021/22	12.102	Scottish Government funding provided in 2021/22.
Education recovery	3.767	Specific Scottish Government funding to support education recovery.
Integration Joint Board (IJB) funding provided through Local Mobilisation Plan (LMP)	4.626	Confirmed funding from Scottish Government for IJB pressures from COVID-19 reflecting final Local Mobilisation Plan (LMP) claim.
COVID-19 funding provided through 2021/22 Financial Plan	1.682	Council funding provided through the 2021/22 financial plan for COVID-19 response and recovery.
<b>Total funding required in 2021/22</b>	<b>22.177</b>	

- 3.10 Unprecedented market conditions and inflationary pressures have impacted both the Council and its key contractors during 2021/22. Associated pressures have been funded in the overall 2021/22 outturn position. These pressures are continuing into 2022/23 with support from the Council being requested by contractors in these challenging market conditions.
- 3.11 An agreement for pay award for all staffing groups was reached for 2021/22, this has been fully funded in year and has been provided for permanently in the base budget from 2022/23. Pay award negotiations for 2022/23 continue and therefore continue to present a risk to the revenue budget in the next financial year. An assumed 2% pay award across all staff groups was budgeted for, any deviation from this level of increase will result in financial implications which will require to be addressed through the in-year monitoring process.
- 3.12 The outturn position for 2021/22 provides the basis to inform 2022/23 forecasting. The 2021/22 outturn information will be used to inform and influence the monitoring of the 2022/23 revenue budget and the 2023/24 financial planning process.
- 3.13 As previously reported, there has been an impact on the delivery of approved Financial Plan savings during 2021/22, mainly as a result of the COVID-19 response and recovery phase. The savings required by the financial plan, totalling £9.301m, were delivered in full in 2021/22 despite slippage in permanent savings plans. An analysis of delivery of savings is provided in Appendix 3. The outturn position shows that £3.489m (37%) savings were delivered permanently in line with approved plans, £1.932m (21%) were delivered in 21/22 with no requirement for the savings to be delivered from 2022/23, with the remaining £3.880m (42%) delivered on a temporary basis through alternative savings.



3.14 Particular emphasis is being placed by the SLT, during the early part of 2022/23, on the permanent delivery of savings delivered temporarily in 2021/22. The graph below highlights the continuing scale of savings being delivered within the Council on an ongoing basis with a further £9.301m being delivered in 2021/22, £3.5m permanently. £7.9m of savings were delivered on a permanent basis in 2020/21, £9.3m in 2019/20, £11.7m in 2018/19 and £7.8m in 2017/18. This demonstrates the scale of change undertaken within the Council over the last 5 years with permanent savings delivered since 2017/18 totalling £40.165m. Since 2013/14 the Council has achieved permanent, recurring savings of £66m.



3.15 A high level summary of the outturn position in each Council service is shown below. The detailed outturn statement for the 2021/22 revenue budget is shown in Appendix 1.

3.16 **Corporate**  
**Favourable £0.650m**

A corporate underspend has been achieved following confirmation of Scottish Joint Council (SJC) and Chief Officer 2021/22 pay award, paid in January 2022. The budget required to fund this pay increase was less than had been anticipated, resulting in a corporate year end benefit.

3.17 **Assets & Infrastructure**  
**Adverse £0.484m**

Infrastructure & Environment has delivered a net adverse position of £0.484m. Planning services income receipts have been higher than anticipated earlier in the year and therefore are contributing to the £0.174m being returned to the COVID-19 reserve. During 2021/22 the service have responded to emergency flooding and storm events with costs in excess of £0.400m, the milder than average winter experienced has allowed the service to manage some of these costs within existing budgets. In addition there have been costs of £0.302m for leachate disposal from the landfill site, due to underspends across other Council areas this adverse position can be managed within the outturn position meaning that no drawdown is required from the winter reserve which therefore remains intact at £1m.

3.18 **Social Work & Practice and Public Health**  
**Favourable £1.086m**

Social Work & Practice has delivered a net favourable position of £1.082m during 2021/22 with Public Health delivering a £0.004m underspend. The key areas of underspend in the final quarter are in Older People which underspent by £0.520m and Learning disability service which underspent by £0.361m, both due to higher than expected client income and lower than expected client care costs. Children and Families Social Work reported underspends in staff costs due to recruitment difficulties, but these were offset by overspends in external placements in year. Mental Health experienced lower staffing and client costs than expected of £0.113m in the final quarter. Due to lower staffing costs and reduced cover as Officers were redirected to COP26, Safer Communities was also £0.057m under budget. The final outturn position for Learning Disability Service shows an overspend against base budget of £1.7m which requires to be addressed to avoid similar pressures materialising in 2022/23.

3.19 **Education & Lifelong Learning (E&LL)**  
**Favourable £0.444m**

E&LL has delivered a net underspend of £0.444m during 2021/22. COVID-19 funding (£0.866m) has been transferred to the COVID-19 reserve for use in 2022/23 and will be drawn down as required. The Workforce Management Reserve has been increased by £0.300m to fund conservation of salaries that might be required following the introduction of the revised DSM scheme in August 2022. The 2021/22 academic session saw an additional 36.5 FTE teachers employed to reduce the attainment gap and to accelerate the Inspire Learning programme. Work on the revised DSM scheme for Primary and Secondary schools along with a service wide review of budgets is allowing plans to be formulated to deliver the required Financial Plan savings on a permanent basis. DSM

and PEF carry forwards across Primary and Secondary schools have increased by £0.564m to a total carry forward of £1.599m.

### 3.20 **Resilient Communities**

#### **Favourable £0.118m**

The service has delivered an underspend of £0.118m at year end. This is as a result of savings in employee costs, discretionary spend and additional income. Within this position the service are clawing back previously earmarked budget for Tenant Grant Fund (£0.061m), Build Back Better Borders (£0.066m), Communities Fund (£0.039m) where expenditure in 2021/22 was greater than previously forecast.

### 3.21 **Finance & Corporate Governance**

#### **Favourable £0.179m**

The department's underspend of £0.179m is due mainly to managed vacancies and discretionary spend as well as receiving additional income. £1.3m has been transferred to the Treasury reserve from a loans charges underspend to smooth the effect of changes in capital financing requirements over future financial years.

### 3.22 **People, Performance & Change**

#### **Favourable £0.057m**

The department has an underspend of £0.057m at March 2022. This is as a result of managing staff vacancies and discretionary spend (£0.038m) and additional income (£0.019m).

### 3.23 **Strategic Commissioning & Partnerships**

#### **Adverse £0.589m**

Strategic Commissioning and Partnerships have delivered a net adverse position of £0.589m. This is primarily from Information Technology being £0.474m over budget after timing adjustments were made to reflect the revised impacts from the digital transformation programme. Combined with SB Cares which is £0.113m over budget primarily due to higher operating costs of care homes.

### 3.24 **Funding**

#### **Adverse £0.033m**

A small under-recovery of Council Tax income of £0.033m was delivered (0.05% of the final approved budget of £65.358m) due to marginally less net growth in properties than anticipated.

### 3.25 **Year end position**

The favourable outturn position reported is subject to the statutory audit process. A number of pressures are emerging with regards to the Council's operating environment in financial year 2022/23, in addition to the resources approved in the budget. Proposals to address these issues will be brought forward to the Executive Committee as part of the monitoring process.

## **4 IMPLICATIONS**

### 4.1 **Financial**

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**

The final favourable outturn position reported is subject to the external audit process. Additionally, the temporary achievement of £3.880m of planned efficiency savings will require to be addressed on a permanent and recurrent basis in 2022/23.

#### 4.3 **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.

#### 4.4 **Sustainable Development Goals**

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

#### 4.5 **Climate Change**

No effect on carbon emissions are anticipated from the recommendation of this report.

#### 4.6 **Rural Proofing**

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

#### 4.7 **Data Protection Impact Statement**

There are no personal data implications arising 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 Director (People Performance & Change), the Clerk to the Council and Corporate Communications have been consulted on this report and any comments received have been incorporated into this final report.

#### **Approved by**

**David Robertson**  
**Director, Finance & Regulatory**

**Signature .....**

#### **Author(s)**

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#### **Background Papers:** **Previous Minute Reference:**

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