

MONITORING OF THE GENERAL FUND REVENUE BUDGET 2022/23

**Report by Acting Chief Financial Officer
EXECUTIVE COMMITTEE**

16 August 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 30 June 2022 along with explanations of the major variances identified between projected outturn expenditure/income and the current approved budget.**
- 1.2 The Council has started the new 2022/23 financial year with a number of pressures emerging regarding the current operating environment. These include continuing impacts from the COVID-19 recovery period and unprecedented inflation levels in the wider economy causing both internal Council pressures and also pressures on critical service delivery partners. It is therefore proposed that the current COVID-19 reserve, previously held to provide one-off funding to support the impacts of COVID-19, be redirected to a 'Recovery Fund'. This Recovery Fund will support the Council, and where appropriate its partners, through deployment of one-off funding to support the current operating environment including impacts of COVID-19 recovery, inflation pressures and wider operating constraints including staffing challenges. 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 2022/23 at the 30th June, projecting the Council to be in a balanced position at the financial year end. This forecast position includes the deployment of £4.249m of the Recovery Fund in order to balance the 2022/23 budget resulting in a balance of £5.807m remaining to address future pressures. The Recovery Fund will be drawn down as required to meet identified financial pressures.
- 1.4 Confirmed funding is in place for 2022/23 and is categorised as follows:

Confirmed Covid-19 funding – 2022/23	£m
Funding provided by Scottish Government	0.156
Funding carried forward from 2021/22 through COVID-19 reserve	9.465
Funding included in the 2022/23 Financial Plan for COVID-19 response	0.069
Assumed Local Mobilisation Plan (LMP) funding	0.366
Total COVID-19 funding	10.056

- 1.5 COVID-19 funding is split between funding which has been ring-fenced to be used for a specific purpose (£1.974m) for example education recovery, LMP and admin funding, and that which can be used more generally by the Council to address COVID-19 pressures (£8.082m). This includes all residual COVID-19 funding carried forward from 2021/22 and full details of funding available are shown in Appendix 2.
- 1.6 Financial plan savings of £12.027m require to be delivered in 2022/23. An analysis of deliverability is shown in Appendix 3. Following the June month end £6.965m (58%) savings have been delivered permanently, £3.509m (29%) are profiled to be delivered by 31 March 2023 and £1.553m (13%) 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 2022, the remaining pressures identified, the underlying cost drivers of this position and the identified areas of financial risk as reflected in Appendix 1;**
- (b) approves that the current COVID-19 reserve, previously held to provide one-off funding to support the impacts of COVID-19, be redirected to a 'Recovery Fund' to support the current operating environment including impacts of COVID-19 recovery, inflation pressures and wider operating constraints;**
- (c) notes the pressures of £4.249m detailed in appendix 1 being funded from the Recovery Fund in 2022/23 in order to balance the budget;**
- (d) notes the Recovery Fund resources detailed in Appendix 2;**
- (e) notes the progress made in achieving Financial Plan savings in Appendix 3; and**
- (f) 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 June 2022.
- 3.2 The Council has started the new 2022/23 financial year with a number of pressures emerging regarding the current operating environment. These include continuing impacts from the COVID-19 recovery period and unprecedented inflation levels in the wider economy causing both internal Council pressures and also pressures on critical service delivery partners. It is therefore proposed that the current COVID-19 reserve, previously held to provide one-off funding to support the impacts of COVID-19, be redirected to a 'Recovery Fund'. This Recovery Fund will support the Council through deployment of one-off funding to support the current operating environment including impacts of COVID-19 recovery, inflation pressures and wider operating constraints including staffing challenges.
- 3.3 In 2020/21 and 2021/22 financial years, Scottish Government adopted a twin track approach to funding of COVID-19 pressures through a Local Mobilisation Plan (LMP) for Integration Joint Board (IJB) functions and separate Council funding. The Council is currently completing the first LMP return for 2022/23 with the assumption that £0.366m of COVID-19 pressures will be funded by Scottish Government as reflected in the appendices to this report.
- 3.4 Current unprecedented inflation levels in the UK are impacting the Council directly and through impacts on delivery partners. At the first quarter additional direct costs of £0.850m are forecast based on current inflation levels. These pressures are being met from the Recovery Fund.
- 3.5 An agreement for pay award for all staffing groups across the Council has yet to be reached nationally for 2022/23 and therefore presents a risk to the revenue budget. The revenue budget for 2022/23, approved by Council on 22nd February 2022, included an assumed pay award for all staff of 2%. Any deviation from this assumed 2% will impact on the Council's budget and will be reported through future monitoring reports.
- 3.6 Analysis of the revenue budget after 3 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 Recovery Fund has been reduced by £4.249m at the first quarter position resulting in a balance of £5.807m remaining to address future pressures.
- 3.7 The current monitoring position indicates additional forecast annual expenditure and impacts on income associated with COVID-19, inflation and service pressures of £4.249m as shown below.

Budget Pressure	£m	Comment
Additional COVID-19 costs	0.960	These additional costs are detailed per service in Appendix 1 and include additional costs such as PPE and cleaning materials.
Education recovery	0.400	Specific Scottish Government funding to support education recovery
Local Mobilisation Plan (LMP)	0.366	Budget claimed through Scottish Government to fund ongoing COVID-19 pressures in IJB services
Service pressures	1.673	Net service pressures forecast at the first quarter of 2022/23
Inflation pressures	0.850	Pressures identified in 2022/23 based on current inflation levels
Total Council pressures	4.249	

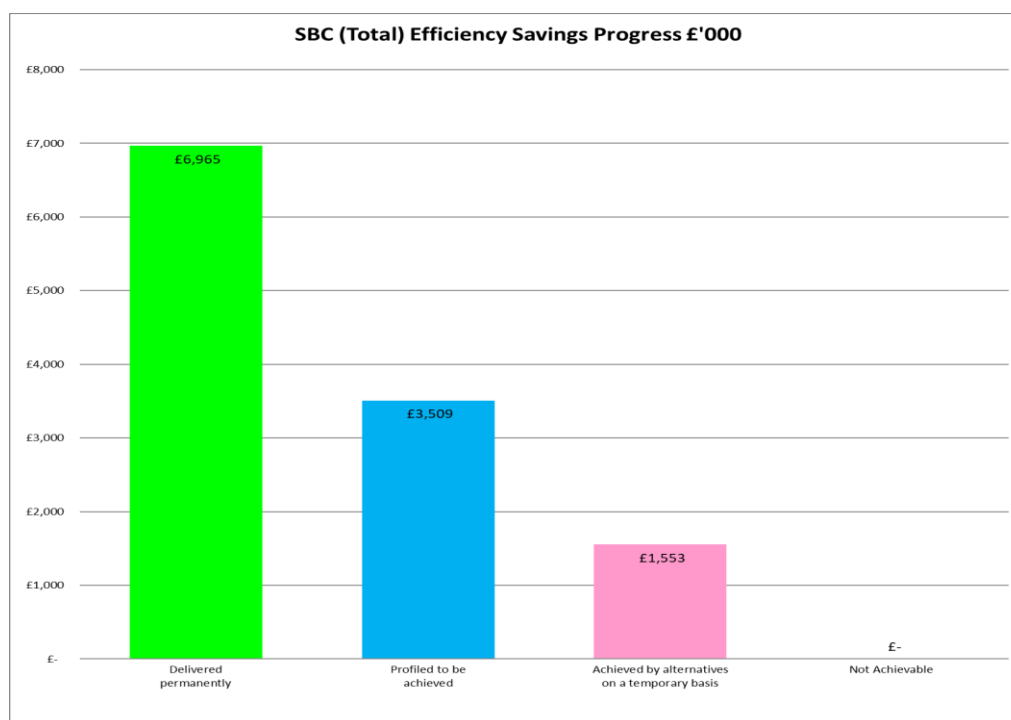
- 3.8 Full details of COVID-19 funding available is shown in Appendix 2. The updated total funding of £4.249m required to address current forecasts is detailed below:

Funding	£m	Comment
Funding carried forward from 2021/22 through Covid-19 Reserve	3.414	Scottish Government funding to support COVID-19 pressures carried forward from 2021/22 through the Covid-19 Reserve
Education recovery	0.400	Specific Scottish Government funding to support education recovery
Local Mobilisation Plan (LMP)	0.366	Budget claimed through Scottish Government to fund ongoing COVID-19 pressures in IJB services
Council 2022/23 Financial Plan	0.069	Budget allocated through the 2022/23 Financial Plan to support COVID-19 response and recovery.
Council COVID-19 revenue funding	4.249	

- 3.9 There is a risk during this recovery period and challenging operating environment that services become over reliant on additional one-off funding. One off resources have been available since 2020/21 through the previous COVID-19 reserve and currently through the Recovery Fund, these resources are finite and managers therefore need to ensure that as services return to a new normal, action is taken to manage budget pressures as they arise. The following management actions are required for the remainder of this financial year and beyond to contain pressures yet to emerge within the existing budget:

- Contain additional costs wherever possible;
- Maximise income opportunities;
- Consider options around service discretionary spend;
- Consider wherever possible how savings can be accelerated from 2023/24 into 2022/23 to support the financial position in the current year.

3.10 The level of savings required by the financial plan in 2022/23 totals £12.027m. An analysis of delivery of savings as at the end of month 3 is provided in Appendix 3. This analysis shows that following the June month end £6.965m (58%) savings have been delivered permanently, £3.509m (29%) are profiled to be delivered by 31 March 2022 and £1.553m (13%) have been delivered on a temporary basis through alternative savings.



3.11 Strategic Leadership Team (SLT) have noted the significant improvement in savings delivery compared to the same reporting period in 2021/22 and remain focused on ensuring that the £3.509m, which is profiled to be delivered by 31 March 2023, is progressed and delivered permanently as soon as possible.

3.12 **Infrastructure & Environment**

The service is showing a pressure of £0.987m. The main pressures relate to property being repaired & furnished for homeless (£0.120m); ongoing Covid-19 recovery requirements for cleaning, PPE enhancement, staffing and equipment (£0.302m); reduction in income (£0.060m); fuel inflation (£0.214m); hired & contracted cost inflation (£0.194m); increased maintenance costs (£0.027m) and the cost of 5 year Local Development Plan (£0.070). SBcContracts position will be challenging in 2022/23 due to unprecedented rises in the costs of raw materials and fuel as well as a shortage of bitumen is causing ongoing supply chain issues and work continues with clients, designers and suppliers to overcome delays.

An earmarked balance of £4.025m from Second Homes Council Tax to support future investment in affordable housing is being sought.

3.13 Social Work & Practice

Social Work & Practice is forecasting an overall budget pressure of £2.004m for 2022/23 with £1.004m reflected in the appendices to this report. The most significant pressure relates to increased external placements within the Children's and Family service (£1.745m). £0.745m of this pressure has been funded from the Council's Recovery Fund with options being explored to fund the remaining pressure of £1m from existing Social Work budgets. Further pressures relate to increases to the contract rates to homecare providers who continue to experience Covid-19 pressures (£0.259m) and pressures such as PPE within SBCares of £0.107m both of which have been included in the first quarterly LMP claim for 2022/23.

Learning Disability are managing forecast pressures of £0.295m above budget primarily due to the 2022/23 impact of client specific pressures which were funded non-recurrently in 2021/22. These pressures along with the requirement to deliver savings of £0.472m pose a financial risk as the year progresses if they are not managed effectively.

3.14 Education & Lifelong Learning

Budgets are being created to manage the Council's share of £10m for Summer Holiday Food and Childcare programme and £3.9m for Easter Study support. Pupil Equity Funding (PEF) is being allocated from Central Schools to Primary and Secondary and South East Improvement Collaborative (SEIC) funding is being allocated to Additional Support Needs for the start of the new academic year.

Detailed work has been undertaken to review the overall service budget to permanently reallocate in line with the aims of the service and support the delivery of the revised DSM scheme from the start of the new academic year in August 2022. Virements associated with the new DSM review will be reflected as part of a report on a revised DSM scheme being presented to August Council.

The service is showing a pressure of £0.463m relating to impacts of inflation (£0.399m) and a one off fuel grant given to school transport operators (£0.064m).

3.15 Resilient Communities

Budgets are being created to manage the Council's share of £280m £150 Cost of Living Payment for Low Income Households and £3.4m Adult Disability Payment.

The service is showing a pressure of £0.385m. The main pressure relates to the higher demand under the Council Tax Reduction Scheme (£0.304m), the uptake is expected to increase following an advertising campaign to ensure individuals and families are accessing their entitlement to the scheme. Grants relating to the Queen's Platinum Jubilee were higher than the budget allocation (£0.040m); additional temporary resource was required to process backlogs due to increased workloads as a result of Covid-19 (£0.043m). Recovery of over payments in respect of Housing Benefit have been less than anticipated (£0.060m); a small underspend due to part year relief for the Great Tapestry of Scotland (£0.062m) offsets this.

3.16 Finance & Corporate Governance

A virement is being requested to transfer available budget for Loans Charges to Sports Services to fund depreciation and interest charges for sports pitches.

The service is showing a pressure of £0.381m mainly relating to a shortfall in grants administration recharge (£0.200m) and increased costs of the

local elections (£0.143m).

3.17 People, Performance and Change

The service is showing a small pressure of £0.047m from the investment in the Mosaic provider portal which is being funded from the Recovery Fund. This investment will provide a key live link between social work providers and the Council and will contribute towards the ambition of automation of processes wherever possible, reducing manual effort.

3.18 Strategic Commissioning and Partnerships

Strategic Commissioning & Partnerships is forecasting a pressure of £0.411m above budget for 2022/23. This is from ongoing pressures in Information Technology from CGI service charges due to increased use of computer storage platforms (£0.267m). SB Cares is presenting a pressure related to Covid-19 costs (£0.107m) largely related to continued use of PPE at higher than pre-pandemic levels. The service is working with significant staff vacancies which are partially offsetting increased costs for agency and overtime. Sports Services is forecasting a pressure (£0.037m) relating to Jeddburgh Campus management fee after depreciation and interest charges for sport pitches have been covered by an internal transfer.

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 2022/23.

4.2 Risk and Mitigations

There is a risk that further cost pressures may emerge as the year progresses or that the savings required by the Financial Plan 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 of the culture of the Council.

4.3 It is imperative therefore that as many savings as possible identified within the 2022/23 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 quarterly reporting to SLT, and monthly on an exception basis.
- (c) engagement with Departments and review of monthly management accounts by Directors.
- (d) supporting departmental transformation projects to monitor and deliver the planned transformation savings in the medium-term Financial Plan.
- (e) Internal Audit are undertaking a 'Business Planning, Budget Setting, Monitoring & Reporting, including Workforce Planning' audit, which will

check for evidence of (a) to (d) being in practice across the Council as part of their independent and objective review of practices to facilitate good practice and continuous improvement.

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 Director (Finance & Corporate Governance), 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 this final report.

Approved by

Suzy Douglas
Acting Chief Financial Officer

Signature

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Background Papers:

Previous Minute Reference:

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