
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2022/23

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

15 November 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 September 2022 along with explanations of the major variances identified between projected outturn expenditure/income and the current approved budget.**
- 1.2 The Council continues to be impacted by the current operating environment. These impacts 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. 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 second quarter of 2022/23, as at the 30th September, projecting the Council to be in a balanced position at the financial year end. This forecast position includes the deployment of £4.022m of the Recovery Fund in order to balance the 2022/23 budget resulting in a balance of £3.626m 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 Recovery 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	2.237
Total Recovery funding	11.927

- 1.5 Recovery funding is split between funding which has been ring-fenced to be used for a specific purpose (£3.845m) 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 September month end £7.433m (62%) savings have been delivered permanently, £2.215m (18%) are profiled to be delivered by 31 March 2023 and £2.379m (20%) 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 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) notes the pressures of £4.022m detailed in Appendix 1 being funded from the Recovery Fund in 2022/23 in order to balance the budget;**
- (c) notes the Recovery Fund resources detailed in Appendix 2;**
- (d) notes the progress made in achieving Financial Plan savings in Appendix 3; and**
- (e) 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 2022.
- 3.2 The Council continues to be impacted by the current operating environment. These impacts 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.
- 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 second LMP return for 2022/23 with the assumption that £2.237m 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 second quarter additional direct costs of £1.811m are forecast based on current inflation levels in addition to £0.850m of pressures addressed at the end of the first quarter. These pressures are being met from the Recovery Fund. Full year impacts of inflation requires to be addressed through the 2023/24 financial planning process. The Bank of England inflation rate was confirmed at 10.1% in October 22.
- 3.5 An agreement for pay award for SJC staffing groups has now been reached nationally for 2022/23. The revenue budget for 2022/23, approved by Council on 22nd February 2022, included an assumed pay award for all staff of 2%. The agreed pay award for SJC staff is as follows:
- For those on the Scottish Local Government Living Wage and SCP 19-24 an undifferentiated 5% or a £2,000 uplift (calculated on a nominal 36-hour full-time working week), whichever is larger. •
 - This is a 10.2% increase for the lowest paid and for someone on SCP38 (£24,984) this is 7.7% increase (£1925) and for someone currently on SCP 52 (£30,212) this is 6.37% (£1925). •
 - The offer is for an undifferentiated 5% or a £1,925 uplift (calculated on a nominal 36- hour full-time working week), whichever is larger, capped for those currently earning £60,000 or more at a £3000 uplift (based on a 37-hour week).

The funding of this agreed pay award is broken down in the table below:

	%
2022/23 pay award assumed in Council budgets	2%
Additional £140m provided by Scottish Government (SG)	1.5%
Shortfall to be met locally by Councils	1.5%
Total	5%
A further £120.6m capital has been provided by SG to pay for additional consolidated element of the pay award	

For Scottish Borders Council the 1.5% shortfall equates to an estimated

£2.4m annual pressure. This pressure will be offset by the reversal of the 2022/23 NI increase by the UK government. The impact of this reversal in 2022/23 is estimated at £0.450m. The Council aims to make backpay payments to employees in the November payroll when the detailed financial implications will be clear. It is proposed that the 2022/23 shortfall will be funded from Council balances with the permanent impact addressed as part of the 2023/24 financial planning process. Negotiations with the SNCT teaching unions continue which may pose a further significant financial risk to the Council should the agreed pay award exceed 5%.

3.6 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 Recovery Fund has been reduced by a further £4.022m at the second quarter position resulting in a balance of £3.626m remaining to address future pressures. As highlighted above there is an assumed c£2m gap in funding for 2022/23 pay, assuming this funding will be drawn down from the Recovery Fund at the next reporting period, the remaining balance on the Fund would reduce to £1.6m to cover pressures in the remainder of the year.

3.7 The current monitoring position indicates additional forecast annual expenditure and impacts on income associated with COVID-19, inflation and service pressures of £4.022m as shown below.

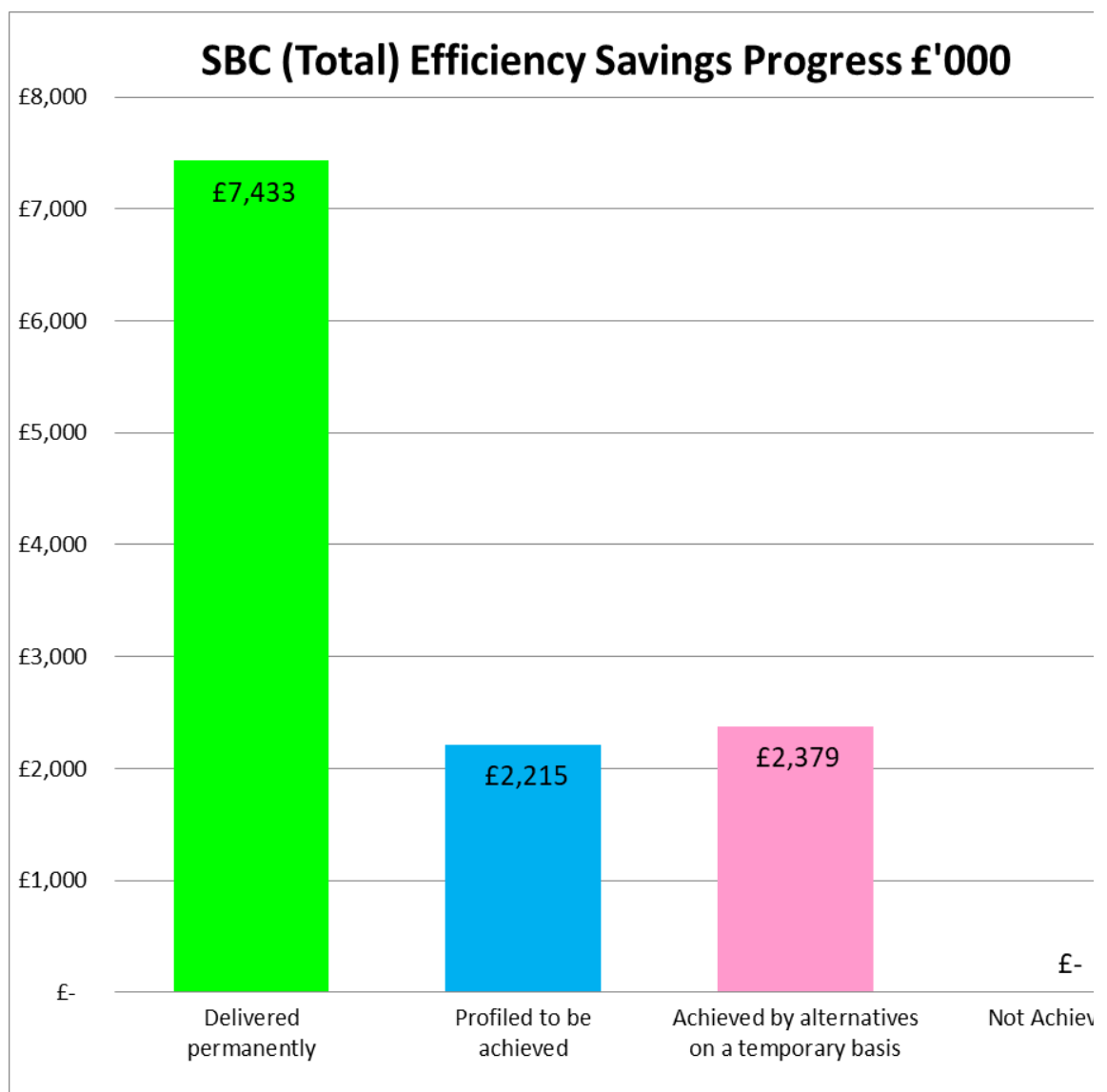
Budget Pressure	£m	Comment
Additional COVID-19 costs	0.151	These additional costs are detailed per service in Appendix 1 and include additional costs such as staff absences and Council Tax Reduction Scheme.
Local Mobilisation Plan (LMP)	1.871	Budget claimed through Scottish Government to fund ongoing COVID-19 pressures in IJB services
Service pressures	0.189	Net service pressures forecast at the second quarter of 2022/23
Inflation pressures	1.811	Pressures identified in 2022/23 based on current inflation levels
Total Council pressures	4.022	

3.8 Full details of COVID-19 funding available is shown in Appendix 2. The updated total funding of £4.022m required to address current forecasts is detailed below:

Funding	£m	Comment
Funding carried forward from 2021/22 through Covid-19 Reserve	2.151	Scottish Government funding to support COVID-19 pressures carried forward from 2021/22 through the Covid-19 Reserve
Local Mobilisation Plan (LMP)	1.871	Budget claimed through Scottish Government to fund

		ongoing COVID-19 pressures in IJB services
Council COVID-19 revenue funding	4.022	

- 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 6 is provided in Appendix 3. This analysis shows that following the September month end £7.433m (62%) savings have been delivered permanently, £2.215m (18%) are profiled to be delivered by 31 March 2023 and £2.379m (20%) have been delivered on a temporary basis through alternative savings.



3.11 Strategic Leadership Team (SLT) have noted the continued improvement in savings delivery compared to the same reporting period in 2021/22 and remain focused on ensuring that the £2.215m, 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 forecasting a pressure of £2.110m. The majority of this pressure is linked to Corporate inflation for utilities within Property Management Services, managed as part of the Corporate Landlord model. The Council purchases its gas and electricity through Scottish Procurement where the purchasing strategy smooths out the volatility of energy prices. However, despite this, gas and electricity prices have risen to record breaking prices and it is likely we will see a sustained period of high energy prices. Pressures are also being reported for the use of temporary units at Peebles High School, following the fire in 2019, there will be ongoing costs for these until the new school is open. The service is also experiencing staff absence costs in SBCContracts and Waste Management Services and pressures linked to repairs and maintenance and hire of refuse collection vehicles whilst we await delivery of new vehicles towards the end of the financial year. A transfer to the Strategic Contract movement reserve of £629k is

recommended given the market position, this can be used to support future RPI increases in contracts.

3.13 **Social Work & Practice**

Social Work & Practice is forecasting a balanced position at the end of the second quarter. Significant budget movements relate to the continued allocation of additional Scottish Government Health & Social Care funding. SW&P is returning £1.8m to the Corporate budget from Integrated Joint Board delegated services relating to IJB pressures built into the budget for 2022/23 which were funded by Scottish Borders Council. This then allows the Corporate budget to release £1.8m to Children & Families services to fund pressures caused by continued and increasing out of authority care placements. A budget virement to earmark £2.5m of additional SG funding into 2023/24 in line with expenditure plans has been proposed.

3.14 **Education & Lifelong Learning**

The revised DSM scheme was approved by Council in August 2022, virements have been processed to allocate funding to Primary and Secondary schools. Probationer, Strategic Equity and South East Improvement Collaborative (SEIC) funding is being allocated to Primary and Secondary Schools from Central Schools. The revision of the DSM scheme has allowed E&LL to delivery its required savings permanently. A review of the E&LL central management structure is being undertaken by the E&LL Director and Chief Officer Education to ensure a robust structure and efficient use of resources. Budgets are being managed across services to ensure best use of available funding to support children and young people. Work is being undertaken in conjunction with the I&E finance team to re-base budgets for school meals using the funding in both areas. The provision of free bus travel by Scottish Government to under 22 year olds is allowing the transfer of £86k to I&E as scholars passes are no longer required. Possible pressures around increased sickness are currently being managed within E&LL.

3.15 **Resilient Communities**

A small service overspend of £49k is being forecast, this is linked to higher demand for the Council Tax Reduction Scheme on the back of Covid-19. Take up is expected to increase further following a planned advertising campaign. An earmarked balance is being requested to 2023/24 by Customer Advice and Support for additional staffing resource to progress digital transformation within the service and wider Council.

3.16 **Finance & Corporate Governance**

The service is forecasting a small overspend of £20k linked to additional staffing within Emergency Planning to support the Council's response to emergency situations and additional costs linked to the avian flu outbreak within Protective Services. Reduced borrowing is allowing for a transfer of £1m to the Treasury Reserve.

3.17 **People, Performance and Change**

The service is showing a small underspend of £28k as a result of additional income.

3.18 **Strategic Commissioning and Partnerships**

SB Cares is presenting a largely balanced position but recognising additional staffing pressures of c. £600k. Options for reducing and funding this pressure will be considered in Quarter 3. Inspire Academy has identified a requirement for initial start up funding for the Inspire Academy as outlined in the 27th October Council report. An allocation of funding from the Council of up to £50,000 will allow for timing movement in the forecasts. This funding will be returned to the Council within the first 12 months of operation.

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 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

Author(s)

Name	Designation and Contact Number
Suzy Douglas	Financial Services Manager 01835 824000 X 5881

Background Papers:

Previous Minute Reference:

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