
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2022/23

Report by Acting Chief Financial Officer

EXECUTIVE COMMITTEE

14 February 2023

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 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 third quarter of 2022/23, as at the 31st December, projecting the Council to be in a balanced position at the financial year end. This forecast position includes the deployment of £1.528m of the Recovery Fund in order to balance the 2022/23 budget resulting in a balance of £1.844m 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	1.987
Total Recovery funding	11.677

1.5 Recovery funding is split between funding which has been ring-fenced to be used for a specific purpose (£3.595m) 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 December month end £8.276m (69%) savings have been delivered permanently, £0.504m (4%) are profiled to be delivered by 31 March 2023 and £3.247m (27%) 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 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 £1.528m 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 appendices 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 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 third LMP return for 2022/23 with the assumption that £1.987m of COVID-19 pressures will be funded by Scottish Government as reflected in the appendices to this report. The Health & Social Care Partnership has recently received written communication from Scottish Government, confirming that any unspent IJB reserves currently held require to be returned to Scottish Government. Confirmed COVID-19 spend to month 8 is being funded at this stage with a reconciliation exercise between the Month 8 position and final outturn planned for April 2023. On this basis the Council continues to assume that the full IJB COVID-19 cost of £1.987m in 2022/23 will be funded through these means. Should full funding not be provided through the LMP, proposed IJB earmarked balances from 2022/23 will be reduced in line with any remaining pressure.
- 3.4 Current unprecedented inflation levels in the UK are impacting the Council directly and through impacts on delivery partners. At the third quarter additional direct costs of £0.034m are forecast based on current inflation levels in addition to a total £2.661m of pressures addressed at the end of the second quarter. These pressures are being met from the Recovery Fund. Full year impacts of inflation are being addressed through the 2023/24 financial planning process.
- 3.5 An agreement for pay award for SJC staffing groups has been reached nationally for 2022/23 with new pay levels and backpay payments made in November 2022. The financial impact of the 2022/23 pay award has now been calculated at £5.904m. The Council is required to fund a 1.5% shortfall in the 2022/23 pay agreement reached. This shortfall has been calculated at £0.339m in the current year which is lower than the permanent impact of around £2m due to staff turnover and vacant posts. This 2022/23 shortfall will be funded from Recovery Fund 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 9 months of the financial year forecasts a balanced year end position will be delivered assuming that the Recovery Fund 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 £1.528m at the third quarter position resulting in a balance of £1.844m remaining to address future pressures.

- 3.7 The current monitoring position indicates forecast annual expenditure and impacts on income associated with COVID-19, inflation and service pressures of £9.833m as shown below.

Budget Pressure	£m	Comment
Additional COVID-19 costs	1.035	Additional costs are detailed per service in Appendix 1 and include additional costs such as staff absences and Council Tax Reduction Scheme.
Education recovery	0.400	Specific Scottish Government funding to support education recovery
Local Mobilisation Plan (LMP)	1.987	Budget claimed through Scottish Government to fund ongoing COVID-19 pressures in IJB services
Service pressures	3.716	Net service pressures forecast at the second quarter of 2022/23
Inflation pressures	2.695	Pressures identified in 2022/23 based on current inflation levels
Total Council pressures	9.833	

- 3.8 Full details of COVID-19 funding available is shown in Appendix 2. The updated total funding of £9.833m required to address current forecasts is detailed below:

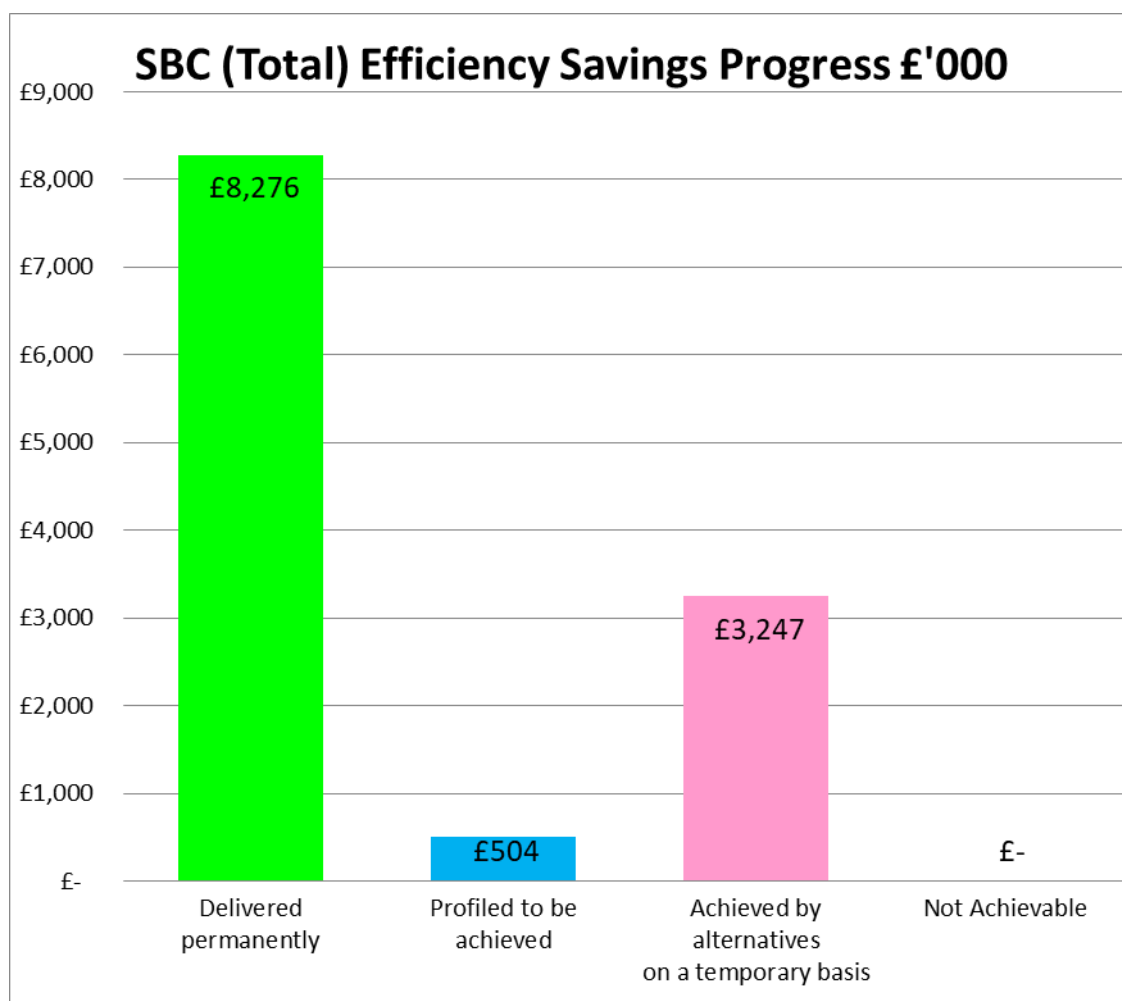
Funding	£m	Comment
Funding carried forward from 2021/22 through Covid-19 Reserve	7.377	Scottish Government funding to support COVID-19 pressures carried forward from 2021/22 through the Covid-19 Reserve
Education recovery	0.400	Specific Scottish Government funding to support education recovery
Local Mobilisation Plan (LMP)	1.987	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	9.833	

- 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; and
- 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 December month end £8.276m (69%) savings have been delivered permanently, £0.504m (4%) are profiled to be delivered by 31 March 2023 and £3.247m (27%) have been delivered on a temporary basis through alternative savings.



3.11 Council Management Team (CMT) remain focused on ensuring that the £0.504m, 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 reporting a pressure of £1.144m, this is primarily relating to the 2022/23 pay award. There are other movements within the service including pressures within Property & Estates Management Services and Parks and Environment which are being offset by reduced treatment costs within Waste Management Services and additional planning fee income. The service has been impacted by adverse weather in the last quarter with both flood

events and cold winter periods, the full impact of these will not be available until out-turn. Earmarked balances into 2023/24 are being requested from Property Management Services for sustainability and carbon reduction (£398k), Network & Infrastructure Asset Management for Small Schemes (£248k), Passenger Transport for the Demand Responsive Transport Pilot in Berwickshire (£48k), Planning Services for Community Engagement Fund (£349k) and Housing Strategy & Services for the Local Heat & Energy Efficiency Strategy (£54k).

3.13 **Social Work & Practice**

The service is forecasting a net pressure of £772k, £421k of this relates to the impact of the 2022/23 pay award. A £395k overspend in Children & Families Social Work is the result of four further out of area care placements. Urgent management review is underway to consider options for bringing this service back in line with budget. Other services reporting a balanced position following identified saving of £1.503m to be vired to SB Cares to part fund agency/overtime pressure. Additional funding has been allocated to Strategic Commissioning & Practice to offset undeliverable strategic commissioning savings of £591k. Earmarked balances for Mental Health and Renewal fund, Carers Act, external funding for Older People and Generic Services are proposed.

3.14 **Education & Lifelong Learning**

The service is forecasting an overspend position of £3.339m. £2.613m of this relates to the impact of the 2022/23 pay award, including an assumed 5% for teachers (pay award yet to be agreed). Pressure of over £700k relating to sickness and maternity has been identified within the service with £600k being managed within the service and the balance of £111k being funded from the Recovery Fund. School transport is showing a pressure of £615k, this is due to a combination of higher than anticipated prices and the requirement of additional routes not envisaged when the 2022/23 budget was set. This significant budget increase requires detailed analysis and assessment of what impact this will have on the 2023/24 budget. Teacher strikes have resulted in an underspend of £195k across E&LL. Scottish Government have notified the Council that this, and any future underspends due to strikes, should be ring-fenced within Council budgets in the event that it is required to support the 2022/23 teachers pay award.

3.15 **Resilient Communities**

The service is reporting a net pressure of £397k, this relates to the 2022/23 pay award which is being partially offset by a reduced forecast for Council Tax Reduction Scheme where a continued monthly reduction in spend is being reported. Earmarked balances into 2023/24 are being requested from Business Support (£130k). and Customer Advice and Support (£57k) to support the 2023/24 Financial Plan and Economic Development for the Borders Events Strategy (£425k) and International Cycling Event (£250k).

3.16 **Finance & Corporate Governance**

The service is reporting a pressure of £399k with £274k relating to the 2022/23 pay award. Pressures are being reported within Democratic Services relating to Children's Panel, Appeal and Reporters expenses, Local Election costs and Councillor Travel. Within Emergency Planning a pressure is reported for the purchase of generators to support preparedness in the event of power cuts and additional legal expenses are also reported. Earmarked balances into 2023/24 of £82k to support the 2023/24 Financial Plan.

3.17 **People, Performance and Change**

The service is reporting a pressure of £102k relating to the 2022/23 pay award. An earmarked balance into 2023/24 of £200k is being requested to support the Financial Plan. A small drawdown of £11k from the Workforce Allocated Reserve is also requested.

3.18 **Strategic Commissioning and Partnerships**

The service is forecasting a pressure of £941k. £681k of this relates to the impact of the 2022/23 pay award with the remaining £260k as a result of increased service charges due to IT volumetrics. An earmarked balance of £1.812m is being requested from Information Technology into 2023/24 to align with the revised delivery timeframe for the Digital Transformation programme. Additional funding has been received from Social Work & Practice to part fund overtime and agency pressures £1.503m. Additional funding has been allocated to offset undeliverable strategic commissioning savings of £591k.

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 CMT, 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

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Background Papers:
Previous Minute Reference:

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