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## **2022/23 UNAUDITED REVENUE OUTTURN**

**Report by Acting Chief Financial Officer**

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### **EXECUTIVE COMMITTEE**

**13 June 2023**

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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 2022/23 with the final approved budget for the year along with explanations for significant variances.**
- 1.2 A net, unaudited outturn underspend of £1.532m was achieved in the 2022/23 revenue budget. The £1.532m net underspend (less than 0.5% of final approved budget) was delivered following a number of earmarked balances being carried forward from 2022/23 into 2023/24. In total, these amount to £31.142m and relate to a number of initiatives across the Council and specifically include £1.187m of carry forward into the Council's Recovery Fund and £3.589m 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 £12.027m. A high level summary of the outturn position in each Service is detailed from section 4 of this report.
- 1.3 The Council's finances and operating model have continued to be affected by the COVID-19 recovery period during 2022/23. Unprecedented market conditions and inflationary pressures, pressures from pay award and staff recruitment and retention challenges have also continued to impact. These financial challenges have resulted in a total draw down of £10.591m from the Recovery Fund during the year.
- 1.4 During 2022/23 detailed revenue monitoring reports were reviewed by the Council Management Team (CMT) 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.
- 1.5 Most recent communications from Scottish Government indicate that pay negotiations require Councils to fund 3% pay increases for all staff groups for 2023/24 on a permanent basis. The Council budgeted for a 2% pay increase which leaves a 1% gap. A 1% increase in pay for all staff groups will require around £1.8m additional funding. On this basis the £1.532m

2022/23 revenue underspend will be ring-fenced within the Council's General Fund balance as a contribution towards pay pressures in 2023/24.

- 1.6 As previously reported, there were significantly more savings delivered permanently in 2022/23 when compared to 2021/22. The level of savings required by the financial plan, totalled £12.027m in 2022/23. An analysis of delivery of savings is provided in Appendix 3. The outturn position shows that £8.934m (74%) savings were delivered permanently in line with approved plans with the remaining £3.093m (26%) delivered on a temporary basis through alternative savings.

## **2 RECOMMENDATIONS**

### **2.1 I recommend that the Executive Committee:-**

- a) Agrees the content of this report and notes the favourable outturn position for 2022/23 prior to Statutory Audit;**
- b) Approves the ring-fencing of £1.532m 2022/23 revenue underspend within the Council's General Fund balance to provide for 2023/24 pay pressures;**
- c) Notes that this draft unaudited outturn position will inform the budgetary control process during 2023/24 and inform the financial planning process for future years; and**
- d) Approves the sums earmarked under delegated authority by the Acting Chief Financial Officer as well as adjustments to previously approved earmarked balances as shown in Appendix 1.**

### **3 FINAL OUTTURN STATEMENT**

- 3.1 This report provides a statement comparing final revenue outturn expenditure and income for 2022/23 with the final approved budget for the year along with explanations for significant variances.
- 3.2 A net, unaudited outturn underspend of £1.532m was achieved in the 2022/23 revenue budget. The £1.532m net underspend (less than 0.5% of final approved budget) was delivered following a number of earmarked balances being carried forward from 2022/23 into 2023/24. In total, these amount to £31.142m and relate to a number of initiatives across the Council and specifically include £1.187m of carry forward into the Council's Recovery Fund and £3.589m 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 £12.027m. A high level summary of the outturn position in each Service is detailed from section 4 of this report.
- 3.3 During 2022/23 detailed revenue monitoring reports were reviewed by CMT, 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 The Council's finances and operating model have continued to be affected by the COVID-19 recovery period during 2022/23. Unprecedented market conditions and inflationary pressures, pressures from pay award and staff recruitment and retention challenges have also continued to impact. These financial challenges have resulted in a total draw down of £10.591m from the Recovery Fund during the year.
- 3.5 In 2020/21 and 2021/22 financial years, Scottish Government funded Health & Social Care (H&SC) COVID-19 pressures through a Local Mobilisation Plan (LMP) for Integration Joint Board (IJB) functions. This process continued into 2022/23. The H&SC Partnership received written communication from Scottish Government during 2022/23, confirming that any unspent IJB reserves held at that point were required to be returned to Scottish Government. Confirmed COVID-19 spend to month 8 was funded at that stage with a reconciliation exercise between the Month 8 position and final outturn planned for early in financial year 2023/24. On this basis the Council continues to assume that the full IJB COVID-19 cost of £2.088m in 2022/23 will be funded through these means.
- 3.6 In summary as shown in the table below, £0.225m was received from the Scottish Government during 2022/23 which coupled with the Recovery Fund of £9.465m and IJB funding of £2.088m gave total resources of £11.778m in 2022/23. £10.591m of this funding has been spent in 2022/23 with the balance of £1.187m being carried forward into 2023/24 through the Recovery Fund. Elements of the carry forward have already been committed in 2023/24 with the remainder available to support the Council and its partners during the next financial year. Full details of projected impacts and funding available in 2023/24 will be provided through the first

2023/24 monitoring report to the Executive Committee based on June 2023 month end.

<b>Confirmed Recovery Fund funding – 2022/23</b>	<b>£m</b>
Funding provided by Scottish Government during 2022/23	0.225
Reserve carried forward from 2021/22 underspend	9.465
IJB funding through Local Mobilisation Plan	2.088
<b>Total COVID-19 funding</b>	<b>11.778</b>

3.7 The outturn position now confirms additional expenditure and impacts on income in 2022/23 of £10.591m as shown below.

<b>Budget Pressure</b>	<b>£m</b>	<b>Comment</b>
Additional costs	1.135	These additional costs include PPE, cleaning materials and includes the distribution of additional Scottish Government funding to support those facing financial hardship
Education recovery	0.400	Specific Scottish Government funding to support education recovery
IJB Local Mobilisation Plan (LMP)	2.088	Budget claimed through Scottish Government to fund ongoing COVID-19 pressures in IJB services
Service Pressures	3.723	Net service pressures in 2022/23 including external residential placements, Integrated Joint Board costs, school transport and IT costs.
Inflation Pressures	3.245	Inflation costs relating to utilities and fuel, fuel grants given to transport operators
<b>Total pressures</b>	<b>10.591</b>	

3.8 The funding of the 2022/23 costs is detailed below.

<b>Funding</b>	<b>£m</b>	<b>Comment</b>
Scottish Government funding (SG) provided in 2022/23	0.225	Scottish Government funding provided in 2022/23
Reserve carried forward from 2021/22	8.278	Council funding provided from reserve created and carried forward from 2021/22
Integration Joint Board (IJB) funding provided through Local Mobilisation Plan (LMP)	2.088	Confirmed funding from Scottish Government for IJB pressures from COVID-19 reflecting final Local Mobilisation Plan (LMP) claim
<b>Total funding required in 2022/23</b>	<b>10.591</b>	

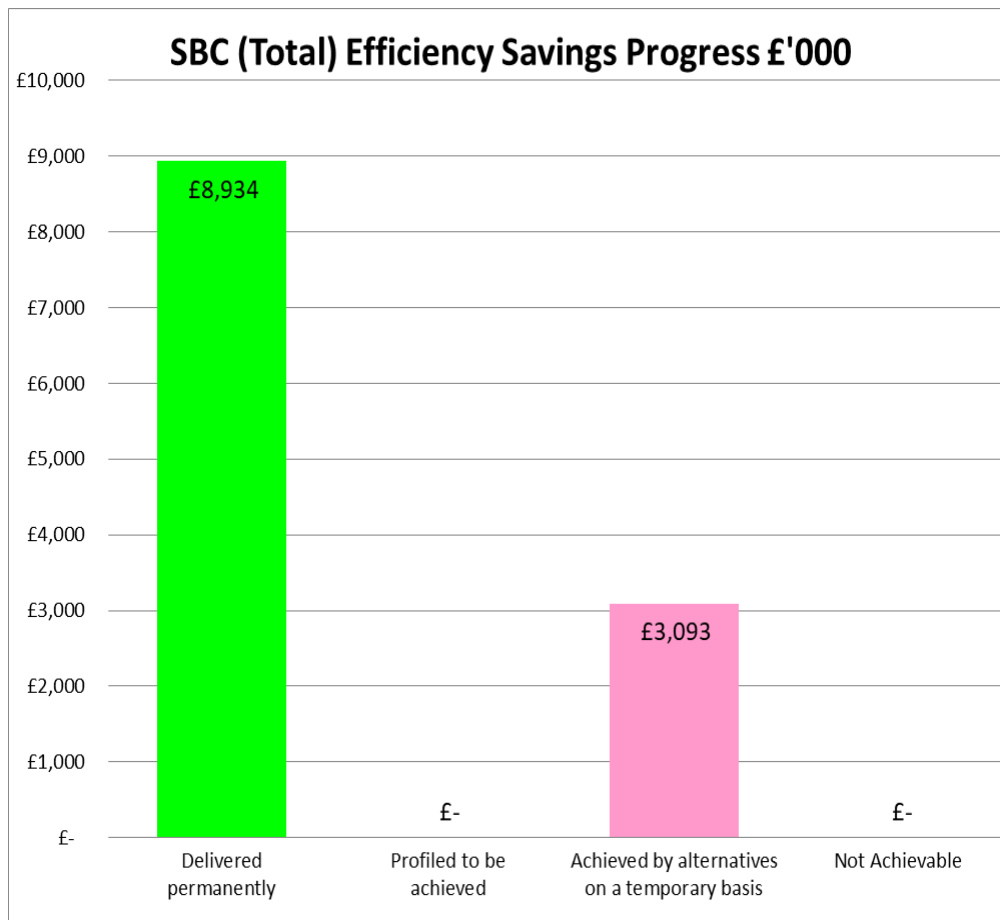
3.9 Unprecedented market conditions and inflationary pressures have continued to impact both the Council and its key contractors during 2022/23. Associated pressures have been funded in the overall 2022/23 outturn position. Many of these pressures are continuing into 2023/24 with further support from the Council being requested by contractors in these challenging market conditions.

3.10 An agreement for pay award for all staffing groups was reached for 2022/23, this has been fully funded in year and has been provided for permanently in the base budget from 2023/24. Pay award for teaching staff has been agreed for 2023/24. The agreed 5% pay award from 1 April 2023 with a further 2% increase from January 2024 has been funded by Scottish Government but assumes Councils will contribute 3% to this increase. Negotiations for 2023/24 continue for SJC and Chief Officials.

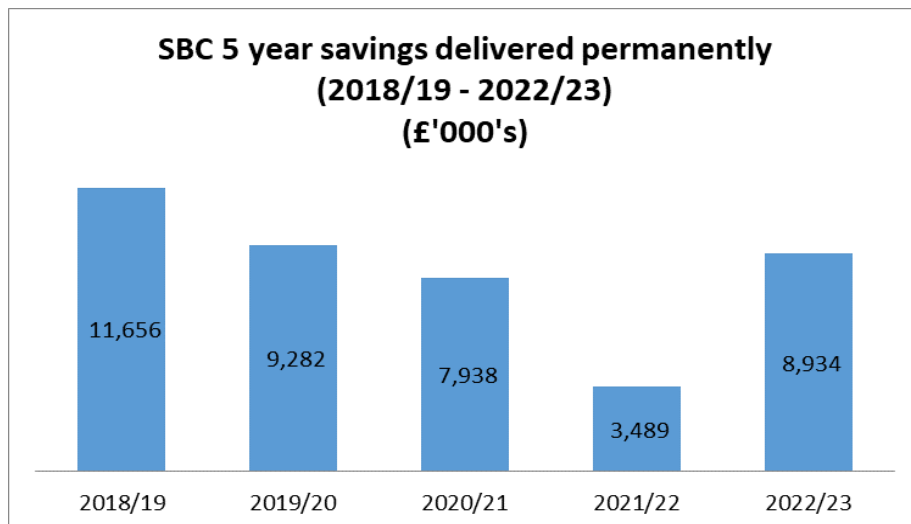
3.11 An assumed 2% pay award across all staff groups was budgeted for 2023/24. Most recent communications from Scottish Government indicate that negotiations assume Councils will fund 3% pay increases for all staff groups for 2023/24 on a permanent basis, in line with the agreement for teachers. A 1% increase in pay for all staff groups will require around £1.8m additional funding. On this basis the £1.532m 2022/23 revenue underspend will be ring-fenced within the Council's General Fund balance as a contribution towards pay pressures in 2023/24. Depending on the timing of the pay agreement this sum may be sufficient to cover 2023/24 costs on a one-off basis as payment will be made on occupied posts and not on the full staffing establishment. The permanent budget implications will require to be addressed through the 2024/25 financial planning process.

3.12 The outturn position for 2022/23 provides the basis to inform 2023/24 forecasting. The 2022/23 outturn information will be used to inform and influence the monitoring of the 2023/24 revenue budget and the 2024/25 financial planning process.

3.13 As previously reported, there were significantly more savings delivered permanently in 2022/23 compared to 2021/22. The level of savings required by the financial plan, totalled £12.027m in 2022/23. An analysis of delivery of savings is provided in Appendix 3. The outturn position shows that £8.934m (74%) savings were delivered permanently in line with approved plans with the remaining £3.093m (26%) delivered on a temporary basis through alternative savings.



3.14 Particular emphasis is being placed by the CMT, during the early part of 2023/24, on the permanent delivery of savings delivered temporarily in 2022/22. The graph below highlights the continuing scale of savings being delivered within the Council on an ongoing basis with a further £12.027m being delivered in 2022/23, £8.9m permanently. £3.5m of savings were delivered on a permanent basis in 2021/22, £7.9m in 2020/21, £9.3m in 2019/20 and £11.7m in 2018/19. This demonstrates the scale of change undertaken within the Council over the last 5 years with permanent savings delivered since 2018/19 totalling £41.3m. Since 2013/14 the Council has achieved permanent, recurring savings of £79m.



## 4 SERVICE ANALYSIS

4.1 A high level summary of the outturn position in each Council service is shown below. The detailed outturn statement for the 2022/23 revenue budget is shown in Appendix 1.

### 4.2 Infrastructure & Environment Favourable £1.14m

Infrastructure & Environment have delivered a net favourable position of £1.140m. Included within this position is an underspend within Temporary Accommodation as a result of increased income, this income is paid out in the form of Housing Benefit and therefore a compensating overspend is seen within Resilient Communities. An underspend in Catering is also offsetting a compensating pressure within School Meals in Education & Lifelong Learning. The net position for I&E is therefore an underspend of £0.868m which is primarily being driven by an increased surplus within SBC Contracts as a result of increased gross profit and reduced plant & vehicle costs, staff savings and additional income across the service allowing the service to cover the cost of an above average winter period.

### 4.3 Social Work & Practice and Public Health Favourable £0.479m

Social Work & Practice has delivered a net favourable position of £0.479m during 2022/23 with Public Health presenting a balanced position against £0.094m budget. The key areas of underspend in the final quarter are in Older People £0.188m, People with Physical Disabilities £0.112m and Joint Mental Health Services £0.142m. These variances have all resulted from lower than anticipated client specific care and extra care housing costs. The final outturn position for the Learning Disability Service was a £0.025m underspend against the most recently approved budget, however, this was an overspend of £1.2m against base budget. This is an improved position compared to a £1.7m overspend in 2021/22. Lower than anticipated staffing costs in Generic Services due to ongoing vacancies contributed to an underspend of £0.102m. Similarly, vacancies in the Community Access Policing Teams within Safer Communities budgets resulted in lower staffing costs and reduced cover generated an underspend of £0.067m. Children &

Families Social Work reported an overspend of £0.217m against the most recently approved budget, however this was also an overspend of £3.022m against base budget and is due to increasing costs for Out of Area placements. The 2023/24 budget has addressed some of this budget shortfall, however, work within the service will be required in 2023/24 to ensure the service remains within budget.

#### **4.4 Education & Lifelong Learning Adverse £0.058m**

Education & Lifelong Learning has delivered a net adverse position of £0.058m. A further £1.537m was earmarked in respect of ring fenced Early Years funding taking the total carry forward to £5.223m an element of which will be used to offset the reduction in funding of £1.700m in 2023/24 allowing time for the remodelling of the service. Work on the revised DSM scheme for Primary & Secondary schools was completed and successfully implemented in August 2022. A smaller than anticipated amount of £0.047m was required to be drawn down from the Workforce Management Reserve to fund salary conservation in 2022/23. DSM and PEF carry forwards across Primary & Secondary schools have increased by £0.601m to a total carry forward of £3.589m. Non DSM underspend in Primary and Secondary schools of £0.412m was utilised to offset the pressure in Additional Support Needs of £0.443m. Lower than anticipated take up of Under22 free bus travel has resulted in a higher than anticipated cost of scholars passes significantly contributing to the pressure of £0.119m in school transport.

#### **4.5 Resilient Communities Adverse £0.016m**

Resilient Communities have delivered a net adverse position of £0.016m. Included within this position is an overspend within Housing Benefits as a result of an increased level of Housing Benefit being paid to people in temporary accommodation, the Council then receives this back again through income within Temporary Accommodation and therefore a compensating underspend is seen within Infrastructure & Environment. The net position is therefore an underspend of £0.206m which is primarily being achieved through staff savings, additional income and discretionary spend savings which are offsetting a pressure within Scottish Welfare Fund where an increased demand on this service is being seen.

#### **4.6 Finance & Corporate Governance Favourable £0.206m**

Finance & Corporate Governance have delivered a net favourable position of £0.206m. This has been achieved through additional staff turnover and discretionary spends savings which have offset additional election expenses and reduced income within Licencing.



#### **4.7 People, Performance & Change Favourable £0.223m**

People, Performance and Change have delivered a net favourable position of £0.223m. This has been achieved through additional staff turnover, additional income and discretionary spend savings across the service.

#### **4.8 Strategic Commissioning & Partnerships Adverse £0.505m**

Strategic Commissioning and Partnerships have delivered a net adverse position of £0.505m. This is from Information Technology being £0.509m over budget due to increased service charges and mobile telephony costs following the implementation of Pathfinder and Total Mobile, these pressures will be offset going forward from savings generated within the services as a result of the roll-out. SB Cares and Commissioning contributed a net £0.004m underspend toward this position.

#### **4.9 Funding Favourable £0.063m**

A favourable outturn position was delivered within Council funding as a result of additional Council Tax income of £0.063m (0.09% of approved budget).

#### **4.10 Year end position**

The favourable outturn position reported is subject to the statutory audit process. As detailed above, the £1.532m 2022/23 underspend will be ring-fenced within the Council's General Fund balance as a contribution towards pay pressures in 2023/24. This pressure will require to be permanently addressed through the 2024/25 financial planning process.

### **5 IMPLICATIONS**

#### **5.1 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 2022/23.

#### **5.2 Risk and Mitigations**

The final favourable outturn position reported is subject to the external audit process. Additionally, the temporary achievement of £3.093m of planned efficiency savings will require to be addressed on a permanent and recurrent basis in 2023/24.

#### **5.3 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.

#### 5.4 Sustainable Development Goals

There are no significant effects on the economy, community or environment. The maintenance of appropriate reserve balances supports the Council's ongoing financial sustainability and ability to respond to unforeseen circumstances.

#### 5.5 Climate Change

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

#### 5.6 Rural Proofing

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

#### 5.7 Data Protection Impact Statement

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

#### 5.8 Changes to Scheme of Administration or Scheme of Delegation

There are no changes to the Schemes of Administration or Delegation as a result of this report.

## 6 CONSULTATION

- 6.1 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 are being consulted on this report and any comments received will be incorporated into the final report.

### Approved by

Suzy Douglas  
Acting Chief Financial Officer

#### Author(s)

Name	Designation and Contact Number
Suzy Douglas	Acting Chief Financial Officer (X5881)

#### Background Papers:

#### Previous Minute Reference:

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Suzy Douglas can also give information on other language translations as well as providing additional copies.

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