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## **MONITORING OF THE GENERAL FUND REVENUE BUDGET 2023/24**

### **Report by Director of Finance & Procurement EXECUTIVE COMMITTEE**

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**15 August 2023**

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#### **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 2023 along with explanations of the major variances identified between projected outturn expenditure/income and the current approved budget.**
- 1.2 Forecasts have been completed at the first quarter of 2023/24 at the 30th June 2023, projecting overall pressures within the Council of £3.771m at the financial year end. £3.267m of service pressures have been identified at the end of the first quarter plus £0.504m of inflation pressures. All pressures are detailed in Appendix 1, the most significant service pressure of £3.377m relates to additional forecast costs in Children & Families Social Work, mainly attributable to an increase in out of area placement costs. This position is one being reported across the UK as the number and complexity of cases increases along with an increase in the cost of placements. This budget was already under significant pressure during 2022/23 and as such elected members approved budget growth of £2.5m through the 2023/24 financial planning process. These pressures of £3.377m are over and above the growth provided with an unprecedented requirement for out of area placements exhibiting over the first quarter of 2023/24. Urgent management action is underway to minimise any further escalation in costs to protect the ongoing financial sustainability of the Council.
- 1.3 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 £0.504m, over and above growth provided in the budget, are forecast based on current inflation levels.
- 1.4 The overall £3.771m pressure poses a significant risk to the Council's ability to balance the 2023/24 budget. The Recovery Fund is not sufficient to address this scale of pressure. The Council Management Team (CMT) has reviewed the monitoring position and has proposed a 20% reduction in some previously approved earmarked balances, brought forward from 2022/23, as a solution to balancing the budget in 2023/24. These reductions are shown in Appendix 2. Consideration is urgently being given to the permanent budgetary impact of these pressures and how these will be funded through the 2024/25 financial planning process.

- 1.5 Financial plan savings of £11.418m require to be delivered in 2023/24. An analysis of deliverability is shown in Appendix 4. Following the June 2023 month end £5.343m (47%) savings have been delivered permanently, £5.456m (48%) are profiled to be delivered by 31 March 2024 and £0.619m (5%) 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 2023, 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 specifically the pressures of £3.771m detailed in appendix 1;**
- (c) approves the CMT proposal to reduce earmarked balances, brought forward from 2022/23, by 20% as detailed in Appendix 2 to allow the 2023/24 budget to be balanced;**
- (d) notes the Recovery Fund resources detailed in Appendix 3;**
- (e) notes the progress made in achieving Financial Plan savings in Appendix 4;**
- (f) approves the virements attached at Appendix 5 & 6; and**
- (g) *if the Executive Committee approve the CMT proposal to reduce earmarked budgets to redirect to identified pressures; approve the virement attached at Appendix 7 specifically relating to the reduction in previously approved earmarked balances.***

### 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 2023.
- 3.2 Forecasts have been completed at the first quarter of 2023/24 at the 30th June 2023, projecting overall pressures within the Council of £3.771m at the financial year end. £3.267m of service pressures have been identified at the end of the first quarter plus £0.504m of inflation pressures. All pressures are detailed in Appendix 1, the most significant service pressure of £3.377m relates to additional forecast costs in Children & Families Social Work, mainly attributable to an increase in out of area placement costs. This position is one being reported across the UK as the number and complexity of cases increases along with an increase in the cost of placements. This budget was already under significant pressure during 2022/23 and as such elected members approved budget growth of £2.5m through the 2023/24 financial planning process. These pressures of £3.377m are over and above the growth provided with an unprecedented requirement for out of area placements exhibiting over the first quarter of 2023/24. Urgent management action is underway to minimise any further escalation in costs to protect the ongoing financial sustainability of the Council.
- 3.3 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 £0.504m, over and above growth provided in the budget, are forecast based on current inflation levels.

<b>Budget Pressure</b>	<b>£m</b>	<b>Comment</b>
Service pressures	3.267	Net service pressures forecast at the first quarter of 2023/24
Inflation pressures	0.504	Pressures identified in 2023/24 based on current inflation levels
<b>Total Council pressures</b>	<b>3.771</b>	

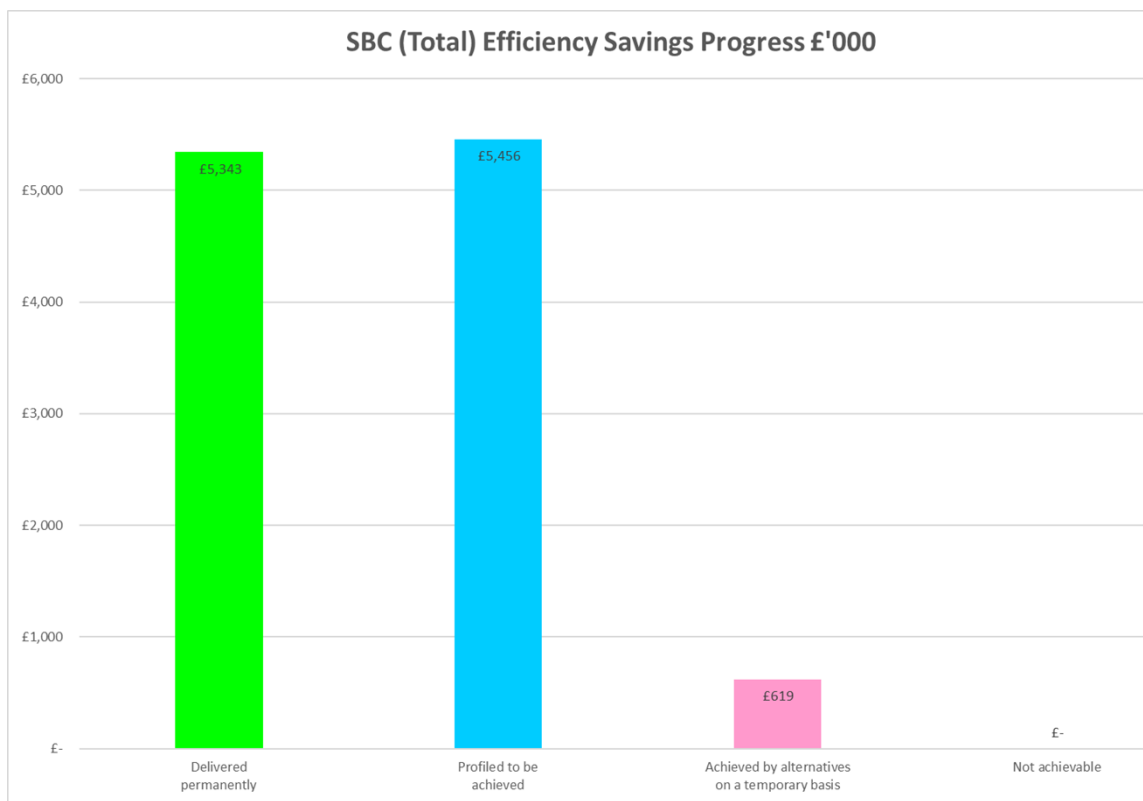
- 3.4 The £3.771m pressure poses a significant risk to the Council's ability to balance the 2023/24 budget. The Recovery Fund is not sufficient to address this scale of pressure. CMT has reviewed the monitoring position and has proposed a circa 20% reduction in some previously approved earmarked balances, brought forward from 2022/23, as a solution to balancing the budget in 2023/24. These proposed reductions are shown in Appendix 2.
- 3.5 Members will be aware that earmarked carry forwards are approved at year end on condition that the Council is not experiencing budget pressures in the core budget. The revised 2023/24 budget includes significant earmarked budget brought forward from 2022/23 with a total £31.142m unspent in 2022/23 and brought forward into 2023/24. There are elements of this carry forward which are already fully accounted for such as budget carried forward to support the 2023/24 financial plan and specific funding from 2<sup>nd</sup> homes Council Tax. Following a detailed review, CMT believe that £18.866m of the budget carried forward could be considered for a circa 20% reduction in 2023/24 to allow this budget to be redirected to the £3.771m pressures identified at the end of the first quarter. This approach protects the 2023/24 budget approved by Members in February

2023.

- 3.6 In response to the significant pressures now being reported in Children & Families Social Work, CMT has requested an urgent detailed analysis of all children's out of area placements including those which have been put in place during the first quarter of 2023/24 and their associated costs. A senior officer panel has been convened by the Chief Executive involving senior staff from Social Work, Education, Finance and Legal Services to scrutinise all future decisions on this budget and also to consider opportunities to reduce current forecast costs through supporting young people locally. Consideration is also urgently being given to the permanent budgetary impact of these pressures and how these will be funded through the 2024/25 financial planning process.
- 3.7 As shown in Appendix 3, the Recovery Fund balance of £1.187m has been retained at the same level as was reported through the 2022/23 outturn report. Should the CMT proposal to reduce earmarked balances by 20% be approved by the Executive Committee, this would reduce the balance to £0.950m available to support the Council during the remainder of the financial year.
- 3.8 There is a risk during this challenging operating environment that services become reliant on additional one-off funding. One off resources have been available since 2020/21 through the previous COVID-19 reserve and more recently through the Recovery Fund, these resources are finite and are likely to be fully deployed during 2023/24. 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 2024/25 into 2023/24 to support the financial position in the current year.
- 3.9 An agreement for pay award for non-teaching staffing groups across the Council has yet to be reached nationally for 2023/24 and therefore presents a risk to the revenue budget. The revenue budget for 2023/24, approved by Council on 23<sup>rd</sup> February 2023, includes an assumed pay award for all staff of 2%. Teaching unions have agreed a pay award for 2023/24 with Scottish Government (SG) assuming in the funding package that 3% will be funded by Councils. It is anticipated that Councils will be required to fund a 3% increase across all staffing groups which would result in a pressure of c£1.8m for a full year. As approved through the 2022/23 outturn reports, £1.532m budget has been ringfenced within the general fund balance to support 2023/24 pay award on a one off basis in the current year.
- 3.10 The level of savings required by the financial plan in 2023/24 totals £11.418m. An analysis of delivery of savings as at the end of month 3 is provided in Appendix 4. This analysis shows that following the June month end £5.343m (47%) savings have been delivered permanently, £5.456m (48%) are profiled to be delivered by 31 March 2022 and £0.619m (5%) have been delivered on a temporary basis through alternative savings.



3.11 CMT remain focused on ensuring that the £5.456m, which is profiled to be delivered by 31 March 2024, is progressed and delivered permanently as soon as possible.

### 3.12 **Infrastructure & Environment**

Delivery of new waste vehicles is expected in the in the upcoming months to ease the pressure in waste services relating to vehicle hire costs. Initial forecasts suggest potential pressure relating to gas and electricity costs, further assessments will be made as additional data is obtained.

### 3.13 **Social Work & Practice**

There are significant budget pressures of £3.377m within Children & Families Social Work services due to a steep increase in the number of children entering out of authority placements during Q1 2023/24. National placement contract prices have also risen further contributing to the pressure.

It is anticipated reallocated Scottish Government funding combined with savings in other areas will be sufficient to cover pressures emerging within IJB delegated services: learning disability day services, community support as well as 24 hour permanent care within other services.

### 3.14 **Education & Lifelong Learning**

Scottish Government has tasked all Councils with maintaining minimum teacher numbers, currently Scottish Borders continues to be above this figure. Pupil Equity funding has not yet been confirmed at school level for the 2023/24 financial year, so schools are planning for the 2023/24 academic year based on the best available information. Potential pressures have been identified in both school meals and school transport, further analysis is required and will take into account the impact of the new academic year that commences in August.

The Early Years review has started, the service will increase the focus once teams return from their summer break in order to identify and agree the

required changes to the service for the 2024/25 financial year to ensure the service is managed within the reduced specific grant provided.

### 3.15 **Resilient Communities**

The service is forecasting a balanced outturn position. Pressure relating to housing benefit is expected to follow a similar pattern to that in 2022/23. Funding has been diverted from Safer Communities (Homeless) to address this.

### 3.16 **Finance & Corporate Governance**

The service is forecasting a balanced outturn position. Budgetary requirements are being actioned to transfer budget to Sports Services to fund depreciation and interest charges for sports pitches and fund a pressure in Major Projects feasibility.

### 3.17 **People, Performance and Change**

The service is forecasting a balanced outturn position. Available budgets have been transferred to fund an additional resource requirement in Business Change & Programme Management.

### 3.18 **Strategic Commissioning and Partnerships**

The IT budget continues to have pressures in relation to increased use of computer storage platforms and volumetrics. Permanent budget has been identified across the Council to fund an IT Contracts Manager to release the IT Client Manager to evaluate proposals and make decisions in relation to IT technical elements that are currently stalled due to lack of resource within the in-house IT team.

Within Adult Social Care, forecast pressures in care homes are being offset by forecast underspends in homecare and day care services.

## **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 2023/24.

### 4.2 **Risk and Mitigations**

The Risk Register associated with the Financial Strategy 2023/24 – 2027/28 ([Item No. 7 - Financial Strategy Risk Register.pdf \(modern.gov.co.uk\)](#)) that was approved by Council on 23 February 2023 lists the following examples of relevant Budget Control risks:

“If we are unable to deliver budgeted savings then expenditure may not be contained within approved budgets and there may be negative impacts on service provision” (No.5 - Amber risk); and

“If we are unable to accurately forecast demographics in relation to vulnerable children/children with complex needs then we may not be able to plan service provision accordingly and expenditure may not be contained within approved budgets, resulting in the potential for reduced service provision” (No.7 - Red risk).

In respect of the former Financial Strategy Risk No.5, it is imperative therefore that as many savings as possible identified within the 2023/24 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.

In respect of the latter Financial Strategy Risk No.7, a 'deep-dive' into Corporate Risk CMT019 "C&YP/Learner Placements - If children, young people and learners are placed/educated outwith the local area to meet their needs, this may result in significant costs to SBC" is continuing to be progressed in light of its heightened risk score. An increased frequency of meetings are being held with the Director Education & Lifelong Learning and the Chief Officer Children & Families Social Work to maintain focus on this risk, share updates on the current position and discuss the progress of actions that are underway. The Corporate Risk Register was presented to the Audit Committee on 10 May 2023 as an Appendix to the Risk Management Annual Report 2022/23 ([Item No. 10 a - Appendix 1 - Corporate Risk Register Quarter 4 2022-23.pdf \(modern.gov.co.uk\)](#)).

Furthermore, 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 **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 Director of Corporate Governance, the Chief Officer Audit and Risk, the Director of People, Performance & Change, the Clerk to the Council and Corporate Communications are being consulted and any comments received will be reported to the meeting.

### Approved by

**Suzy Douglas**

**Director of Finance & Procurement**

**Signature .....**

### Author(s)

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### Background Papers:

### Previous Minute Reference:

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