
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2023/24

Report by Director of Finance & Procurement EXECUTIVE COMMITTEE

14 November 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 30 September 2023 along with explanations of the major variances identified between projected outturn and the current approved budget.**
- 1.2 Budget pressures continue to be experienced across the Council as a result of activity levels, statutory requirements and the ongoing impact of high inflation levels. This poses a significant risk to the Council's ability to balance the 2023/24 budget.
- 1.3 Unfunded pressures of £1.3m are currently being reported at this point in the current year which have arisen as a result of further demand and inflationary cost increases associated with placements within Children and Families Social Work.
- 1.4 Further pressures of £3.1m associated with inflation and the ongoing implications of COVID recovery have been identified across the Council and are being managed within existing service budgets.
- 1.5 In response to these significant budget pressures the Council Management Team (CMT) have agreed a number of management actions to enable the Council to deliver a balanced year end position. These actions are intended to fund the identified pressures of £1.3m in Children and Families Social Work and also support services to manage their services within existing budget.
- Introduction of a 6 week recruitment delay to non front-line staffing to increase savings from natural staff turnover
 - Restriction on discretionary spend budgets not yet committed over the remainder of the year
 - Limiting future earmarking to that specifically agreed by Council Policy e.g. DSM, Second Homes council tax at this time.
- 1.6 Financial plan savings of £11.5m require to be delivered in 2023/24. An analysis of deliverability is shown in Appendix 3. Following the September 2023 month end £6.2m (53%) savings have been delivered permanently by September, £3.8m (33%) are profiled to be delivered by 31 March 2024 and £1.6m (14%) have been delivered on a temporary basis through alternative savings.

2 RECOMMENDATIONS

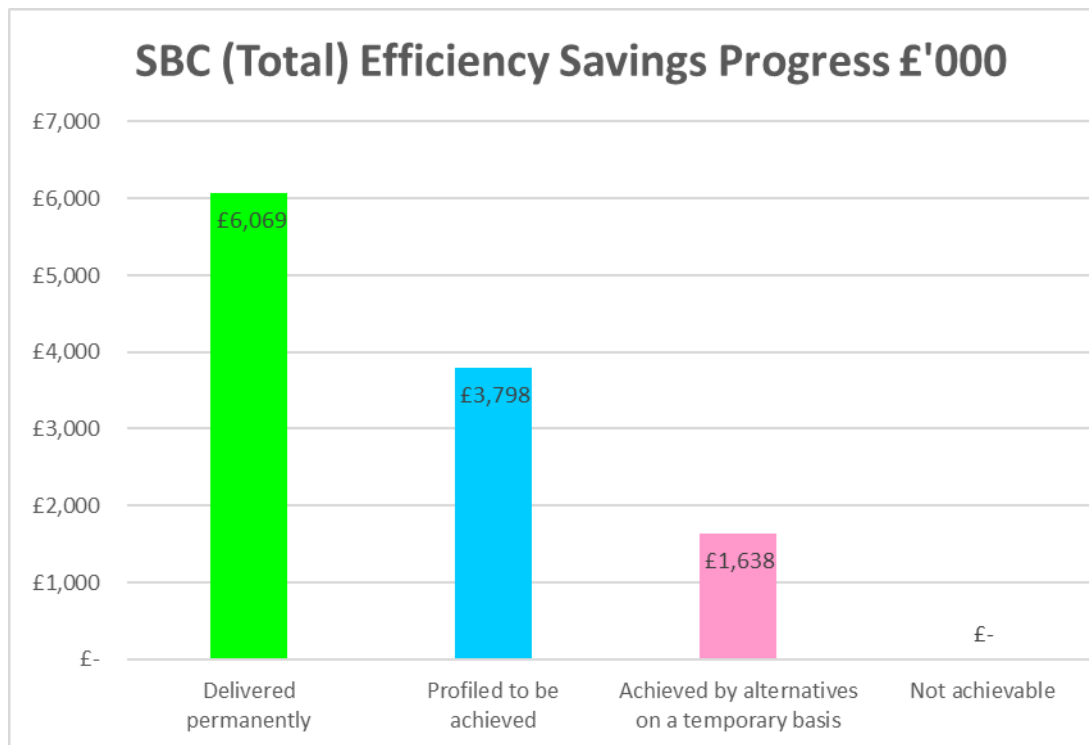
2.1 It is recommended that the Executive Committee:-

- (a) notes the projected corporate monitoring position reported at 30 September 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 the CMT management actions agreed to mitigate the pressures contained within appendix 1 and request a report on Placements within Children and Families Social Work to explain the current challenges within the service and how the Council intends to address the issues;**
- (c) note the impact of ongoing service pressures on the 2024/25 Financial planning process;**
- (d) notes the Recovery Fund resources detailed in Appendix 2;**
- (e) notes the progress made in achieving Financial Plan savings in Appendix 3;**
- (f) approves the virements attached in Appendices 4 and 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 2023 and forecasts for the remainder of the year.
- 3.2 Unfunded pressures of £1.3m are currently being reported which have arisen as a result of further demand and inflationary increases within Children and Families Social Work. The position around the cost of out of area placements and caring for our young people is one being reported across the UK with the number and complexity of cases rising alongside increases 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. A further budget of £3.4m was transferred into the service following approved at the August Executive. The £1.3m pressure identified in this report is over and above the £6.27m growth previously provided with the unprecedented requirement for out of area placements continuing in the second quarter of 2023/24.
- 3.3 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 to consider the future operating model in order to support young people locally wherever possible. Consideration is also urgently being given to the permanent budgetary impact of these pressures and how these can be funded through the 2024/25 financial planning process.
- 3.4 Further pressures of £3.1m associated with inflation and the ongoing implications of COVID recovery have been identified across the Council and are being managed within existing service budgets. The current level of inflation continues to impact the Council directly and indirectly through its delivery partners. At the second quarter additional costs in electricity, out of area placements and school transport, over and above the growth provided in the budget for 2023/24 are forecast. We are also experiencing pressures in care and transport services where suppliers are withdrawing from contracts due to the increased costs of running their services. This withdrawal with little or no notice reduces our ability to competitively tender the services increasing costs in the short term.
- 3.5 In response to these significant budget pressures the Council Management Team (CMT) have agreed a number of management actions to enable the Council to deliver a balanced year end position. These actions are intended to fund the identified pressure of £1.3m in Children and Families Social Work and to also support directorates to manage their services within existing budgets.
 - An introduction of a 6 week recruitment delay to non front-line staffing to increase the savings available from natural staff turnover,
 - The reduction to discretionary spend not yet committed over the remainder of the year,
 - Limiting future earmarking to that specifically agreed by Council Policy e.g. DSM and second homes council tax at this time.
- 3.6 The level of savings required by the financial plan in 2023/24 totals £11.5m. 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 £6.1m (54%) savings have been delivered permanently, £3.8m (32%) are profiled to be delivered by 31 March

2024 and £1.6m (13%) have been delivered on a temporary basis through alternative savings.



- 3.7 CMT remain focused on ensuring that the £3.8m of savings, profiled to be delivered by 31 March 2024, is progressed and delivered permanently as soon as possible.
- 3.8 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 23rd 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) requiring that as part of the funding package that an uplift of 3% will be funded by Councils.
- 3.9 It is anticipated that Councils will also be required to fund a 3% increase across all SJC staffing groups which would result in a pressure of c£1.8m for a full year. As approved through the 2022/23 outturn reports, £1.5m budget has been ringfenced within the general fund balance to support the 2023/24 pay award on a one-off basis in the current year. £0.7m of this is being drawn down in this reporting period to fund the agreed Teacher Pay award for 2023/24.
- 3.10 As shown in Appendix 2, the Recovery Fund balance has reduced to £0.4m after £0.2m was utilised to address pressures identified at the end of the first quarter and £0.05m for areas committed to in 2022/23: refurbishment of the caravan park at Victoria Park, Selkirk, and the Live Borders review. £0.5m is being utilised to support identified inflation pressures within Corporate Landlord in this reporting period.
- 3.11 Appendices 4 and 5 provide detail of the budget movements highlighted in Appendix 1 which require approval by the Executive committee.

Service Highlights

3.12 Infrastructure & Environment (I&E)

I&E is forecasting a net pressure of £0.995m. This forecast overspend is partially caused by higher than anticipated utility costs across the Council estate due to continued inflationary cost pressures above those included in the Financial Plan (£498k). Non-Domestic Rates have also increased due to the impact of transitional relief on revaluations compared with assumptions made in the budget before the methodology for calculations was received (£477k). Property costs were previously consolidated from individual services into I&E as part of the implementation of the Corporate Landlord model which means all property pressures are now reported through I&E. These pressures have been partially offset by £468k from the Recovery Fund. The remaining net pressure of £527k relates primarily to the balance of the utilities pressure and additional costs within Facilities Management relating to cleaning.

3.13 Social Work & Practice

There are significant budget pressures of £1.308m within Children & Families Social Work services including additional forecast costs due to an increase in out of area placement costs (£0.738), the significant care of one young person within the local area (£0.475m) and the increased cost of the costs of unaccompanied asylum seekers being greater than the funding provided by UK Government (£0.092m).

Within Homelessness Property Management there are ongoing pressures including in relation to repairing and furnishing properties to make them available for use and the Rapid Rehousing Transition Plan. A working group to review homelessness services across the council has been established to ensure the provision is fully integrated across Council services.

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

3.14 Education & Lifelong Learning

Scottish Government has tasked all Councils with maintaining minimum teacher numbers, at census, and Scottish Borders Council is in line with this figure.. We have not yet had confirmation of the Council's share of national funding from Scottish Government towards the agreed Teachers pay award, however we have included an assumption around funding based on our percentage share.

Additional Support Needs in schools are forecasting a pressure of £764k due to higher numbers of children and young people requiring support in the return to post covid normality across the education spectrum. The support currently provided will be reviewed by senior E&LL staff to ensure budgets are prioritised effectively.

School transport pressures of £194k have materialised due to external providers handing back non-viable contracts, necessitating the use of providers offering more expensive provision in the short term. This pressure will be managed within the service.

The Early Years review is underway, with the service increasing their focus to identify and agree the required changes to the service for the

2024/25 financial year. This will ensure the service is managed within the reduced specific grant provided.

3.15 **Resilient Communities**

The service is managing an underlying pressure of £73k. The current economic climate continues to put pressure on households and demand for Scottish Welfare and Council Tax Reduction Scheme support remains high.

A pressure in Housing Benefit subsidy primarily linked to homeless properties has also been identified. The Homeless Service is reported under Social Work & Practice and additional net income is being received in this area which partially offsets this pressure.

3.16 **Finance & Corporate Governance**

The service is managing an underlying pressure of £60k relating to potential non-delivery of financial plan savings within Protective Services (£50k) and costs relating to avian flu (£10k).

3.17 **People, Performance and Change**

The service is currently forecasting a saving of £20k with additional staff turnover savings being made.

3.18 **Strategic Commissioning and Partnerships**

Within Adult Social Care, a pressure of £496k is forecast due to increased costs in care homes and within care at home staff. This is being caused by the high overtime and agency costs required to cover high levels of staff sickness and a shortage of bank staff. It is partially offset by forecast underspends in Older People and Generic Services and permanent funds are also being allocated from the demographic budget. The remaining pressure is anticipated to be addressed throughout the remainder of the year by focussing on Care Home and Care at Home staff rotas and allocations.

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 **Signature**
Director of Finance & Procurement

Author(s)

| Name | Designation and Contact Number |
|---------------|---------------------------------------|
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Background Papers:

Previous Minute Reference:

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