
LIVE BORDERS FINANCIAL SUPPORT

Report by Director of Finance & Procurement

SCOTTISH BORDERS COUNCIL

14 December 2023

1 PURPOSE AND SUMMARY

- 1.1 **This report provides Scottish Borders Council with an update on financial support required by Live Borders to ensure financial balance in 2023/24. It notes that Live Borders has now finalised its financial forecasts and the report recommends that an allocation of £1million is provided to the Trust from Council reserves. Without this financial support the Trust will not be able to meet its projected financial liabilities in the current year.**
- 1.2 The Council has been in detailed discussions with Live Borders regarding their financial position in the current year. The Trust is experiencing significant financial difficulties as it adjusts its service delivery model in a post-COVID operating environment, deals with a backlog of maintenance, the effects of inflation and the ongoing impact of energy price rises in recent years which have significantly impacted the cost of operating sports facilities, notably swimming pools. At the Council meeting on 23rd November 2023, Council agreed the independent consultants' report on the joint strategic review of sport, leisure and cultural services and agreed the resultant consolidated set of recommendations and the report findings. In implementing the recommendations from the strategic review there will be the requirement for a detailed prioritisation of spend, cost reductions, additional income generation and the potential closure of some facilities in order to keep the Trust financially viable.
- 1.3 The financial implications in the joint strategic review report noted that there were expected to be significant financial implications resulting from both the implementation of the recommendations contained within the report and the short to medium term financial support required by Live Borders to ensure they remain a going concern. It was also noted that Live Borders were still finalising updated financial forecasts for the current year and that officers would report back to Elected Members for approval of additional funding as required and as the scale of financial implications become clear.
- 1.4 Live Borders has now finalised financial forecasts for the current year, including a detailed cash flow projection to the 31st March 2024. This information received after the Council meeting on the 23rd November confirms, based on the current run rate of expenditure and forecast income, that by the 31st March 2024 the Trust is forecast to require up to £1.5m of additional funding to meet their projected liabilities. Live Borders is proactively taking a number of management actions to minimise this pressure as far as possible.

- 1.5 As well as addressing financial challenges during the remainder of this financial year, significant emphasis is being placed on assessing the likely financial implications in 2024/25 as part of the ongoing financial planning process. It is now considered that the additional support recommended for 2023/24 will have to be followed up with an additional package of support as part of the budget process for 2024/25 and future years.

2 RECOMMENDATIONS

2.1 It is recommended that Scottish Borders Council:

- (a) Notes the Live Borders 2023/24 forecast pressures of up to £1.5m;**
- (b) Approves the allocation of £1m from Council Reserves to provide Live Borders with immediate cash flow support;**
- (c) Delegates authority to the Director of Finance & Procurement to allocate further funding, up to a maximum of an additional £0.5m, before the 31st March 2024 if required; and**
- (d) Delegates authority to the Director of Finance & Procurement to provide a letter of comfort to Live Borders external auditors, confirming the Council's ongoing financial support for Live Borders to ensure they remain solvent and a going concern.**

3 BACKGROUND

- 3.1 At the last Council meeting on 23rd November 2023, Council agreed the independent consultants' report findings and recommendations on the joint strategic review of sport, leisure and cultural services and agreed the resultant consolidated set of recommendations.
- 3.2 The financial implications in the joint strategic review report confirmed that there were expected to be significant financial implications resulting from both the implementation of the recommendations contained within the report and the short to medium term financial support required by Live Borders.

4 UPDATED FINANCIAL POSITION

- 4.1 Live Borders has now, subsequent to the last Council meeting, finalised financial forecasts for the current year including a detailed cash flow projection to the 31st March 2024 which confirms, based on the current run rate of expenditure and forecast income, that by the 31st March 2024 the Trust are forecast to require up to £1.5m of additional funding to meet their projected liabilities.
- 4.2 Live Borders are proactively taking a number of management actions to minimise this pressure as far as possible. These include:
- ongoing monitoring of the staffing budget;
 - clarification on VAT management through engagement with HMRC;
 - engagement with the Trust's Bank to determine whether an arranged overdraft may help mitigate cash flow challenges over the remainder of the financial year.
- 4.3 In line with the Council's approach to managing pressures in the budget, associated with the current inflationary environment and pressures in areas such as out of authority placements for younger people, Live Borders are taking a similar approach around restrictions on discretionary spend over the remainder of the financial year with the aim of reducing spend wherever possible.
- 4.4 As part of the implementation of the strategic review recommendations, the ongoing financial position of the Trust will be monitored regularly during the remainder of the financial year.
- 4.5 As well as addressing financial challenges during the remainder of this financial year, significant emphasis is being placed on assessing the likely financial implications in 2024/25 as part of the ongoing financial planning process. It is now considered that the additional support recommended for 2023/24 will have to be followed up with an additional package of support as part of the budget process for 2024/25.
- 4.6 The Live Borders Trust's external auditors have indicated that they need an updated letter of comfort from the Council in order to sign off the Trust's 2022/23 accounts and conclude that the Trust is a going concern. The letter of comfort needs to take effect from December 2023 and indicate the Council's ongoing support for Live Borders over a minimum of a 12 month period. The final wording of the letter is still to be agreed although it is anticipated that the external auditors would require this commitment to make sure the Trust remains financially solvent.

5 IMPLICATIONS

5.1 Financial

It is proposed that £1m will be drawn down from Council reserves to provide Live Borders with immediate cash flow support. The remaining requirement of up to a further £0.5m will be considered during the remainder of the financial year with an assessment made at year end on whether this is manageable within existing budget. If required the Council will draw down from reserves at year end to fund any unmet balance. The Council continues to work with Live Borders to ensure the Trust returns to financial sustainability.

5.2 Risk and Mitigations

The 23 November 2023 Council report referenced uncertainty on the financial risks associated with the temporary financial support required by Live Borders in the short term within the Financial Implications section. This report provides further information on the updated financial forecasts for the current year from Live Borders in respect of the financial risks and highlights a going concern risk associated with Live Borders' financial sustainability raised by its external auditors. The recommendations in this report are designed to mitigate those risks in the short term.

The major risk associated with this report is that the level of forecast additional funding provided proves to be insufficient. This risk is being mitigated through regular monitoring of financial activity during the remainder of the financial year. The trends and financial challenges experienced during 2023/24 will also inform budget funding requirements in 2024/25.

The financial control measures by Live Borders outlined in paragraphs 4.2 and 4.3 in this report, concurrently with the implementation of the recommendations agreed by Council on 23 November 2023 report to review existing governance and reporting arrangements and undertake a 12-month joint transformational change programme are designed to enable a high performing and financially sustainable partnership in the medium term.

Risk Management is an iterative process and therefore risks (threats and opportunities) associated with those services provided by Live Borders on behalf of the Council will continue to be considered in line with the Council's risk management framework. This will evolve in line with the financial control measures, joint transformational change programme, and any changes arising from the update of the Service Provision Agreement and the 23 November 2023 Council report relating to Live Borders.

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.

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 have been consulted on this report and any comments have been incorporated into this final report.

Approved by

Suzy Douglas

Signature

Director of Finance & Procurement

Author(s)

Suzy Douglas	Director of Finance & Procurement 01835 824000 X5881
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Background Papers:

Previous Minute Reference:

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