



SCOTTISH BORDERS COUNCIL

Live Borders financial support – 2023/24

14 December 2023



Background

Financial year 2022/23:

- The Trust has been 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 which have significantly impacted the cost of operating sports facilities, notably swimming pools
- As a result the Council supported Live Borders with £550k additional funding to support their financial position in 2022/23
- These challenges led to the initiation of the joint strategic review aimed at returning the Trust to a financially sustainable position

Background



2023/24 - 23rd November Council report:

- 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
- The financial implications of the report stated 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
- The Council, was at this stage, awaiting financial forecasts from Live Borders to confirm the scale of the financial shortfall in 2023/24



Updated position

2023/24 – updates since 23rd November:

- Live Borders has engaged external financial support and has finalised financial forecasts for the current year, including a detailed cash flow projection to the 31st March 2024
- Council officers met with the Chair of Live Borders and their financial consultant on Monday 4th December to discuss their financial forecast for 2023/24
- This confirmed, 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 additional funding to meet their projected liabilities



Updated position

2023/24 – next steps:

- The Council report presented today recommends that £1m is drawn down from Council Reserves to provide Live Borders with immediate cash flow support
- Live Borders are taking proactive management action to reduce the current forecast shortfall during the final quarter of the financial year
- The remaining pressure 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



Updated position

2023/24 – key net financial pressures:

- **£0.6m – increased staffing costs** - 35% of staff are on the Living Wage (forecast to increase to 58% of workforce from April), pay increases and cost of living payments have resulted in significantly increased costs
- **£0.7m – increased energy costs** – energy inflation has impacted Sports Trusts, notably costs of heating swimming pools
- **£0.2m – building maintenance** – a backlog of building maintenance is putting further pressure on the budget

= total net pressures of £1.5m in 2023/24



Updated position

2023/24 – operating context:

- The financial pressures highlighted are of a similar nature to those being reported by other Sport & Leisure Trusts across the UK
- The Council itself is experiencing similar service demand and inflation pressures and recognising the challenges of operating in a post-COVID environment with previous COVID reserves forecast to be fully deployed in this financial year



Updated position

2023/24 – updates since 23rd November:

- 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 needs to 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 understood that the external auditors would require this commitment to make sure the Trust remains financially solvent

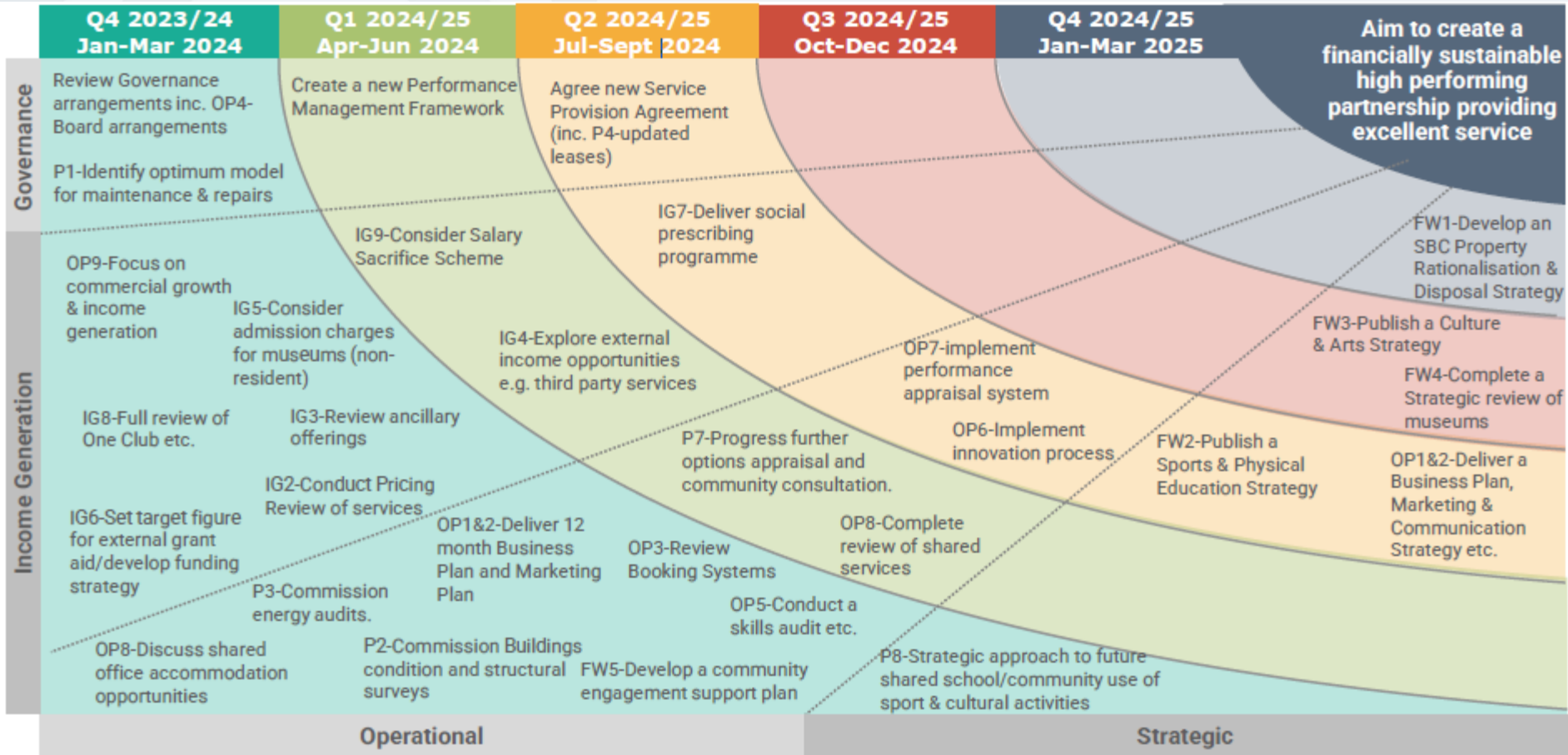


Joint strategic review

- It is essential that the recommendations from the joint strategic review report are progressed as quickly as possible
- The funding shortfall identified in this report covers the full financial year up to 31st March 2024
- The cost of the implementation of the review will require additional funding along with on-going financial support during the implementation phase, primarily in the next financial year, these costs will be considered as part of the Council's 2024/25 financial planning process
- The review has a key aim of ***creating a financially sustainable, high performing partnership providing excellent service*** to communities



Joint Transformational Change Programme Roadmap



Partnership approach



- Both organisations are in very regular contact on the current financial position, working closely together on a way forward
- Governance and oversight is in place through the joint strategic review implementation – Officers and Elected Members/Board Members
- Joint working plans to ensure progress in the short term include:
 - Support whilst Live Borders recruit to key management posts within the organisation
 - Joint implementation of the agreed action plan
 - Engagement with external auditors to allow 2022/23 accounts to be approved and ensure a going concern status for the next 12 months

Report recommendations



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