
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2023/24

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

13 FEBRUARY 2024

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 31 December 2023 along with explanations of the major variances identified between projected outturn and the current approved budget.**
- 1.2 Services are currently forecasting an unfunded overspend of £3.0m at the end of the financial year. This is £1.7m more than the unfunded position reported to the Executive Committee in November.
- 1.3 Service pressures continue to be experienced across the Council. Budget overspends remain within out of area placements for young people (£1.8m) and new overspends in ASN and School transport have been identified of £0.9m due to increased contract pricing. A further £0.2m overspend in IT and £0.1m less Council Tax income are also reported.
- 1.4 Several actions were agreed at the Executive Committee on 14th November in order to reduce the level of overspend facing the Council:
- The freeze on discretionary spend has not created a material underspend across the Council but is likely to have positively impacted on the individual service positions. The impact of the freeze on discretionary expenditure will continue to be tracked. A significant element of expenditure is traditionally incurred in the last quarter of the year and the freeze enacted should be expected to impact during the last 3 months of the financial year. Further instruction has been issued to managers across the Council reiterating the need to reduce expenditure.
 - The 6 week delay on recruitment of vacant posts created savings of £0.3m which have been used to partially offset corporate financial plan savings.
 - Under the Council's financial regulations no earmarking, outwith specific Council policy, can take place unless the Council has a balanced outturn position. Within the overall Q3 position reported, £0.8m of funding which was carried forward from 2022/23 has not been spent and is therefore supporting the Council's overall position. Within Resilient Communities £0.5m has not been utilised, mainly relating to No one left behind (£0.375m) and within Properties and Facilities £0.3m set aside to support the delivery of sustainability and carbon reduction has not been used for the original purpose.

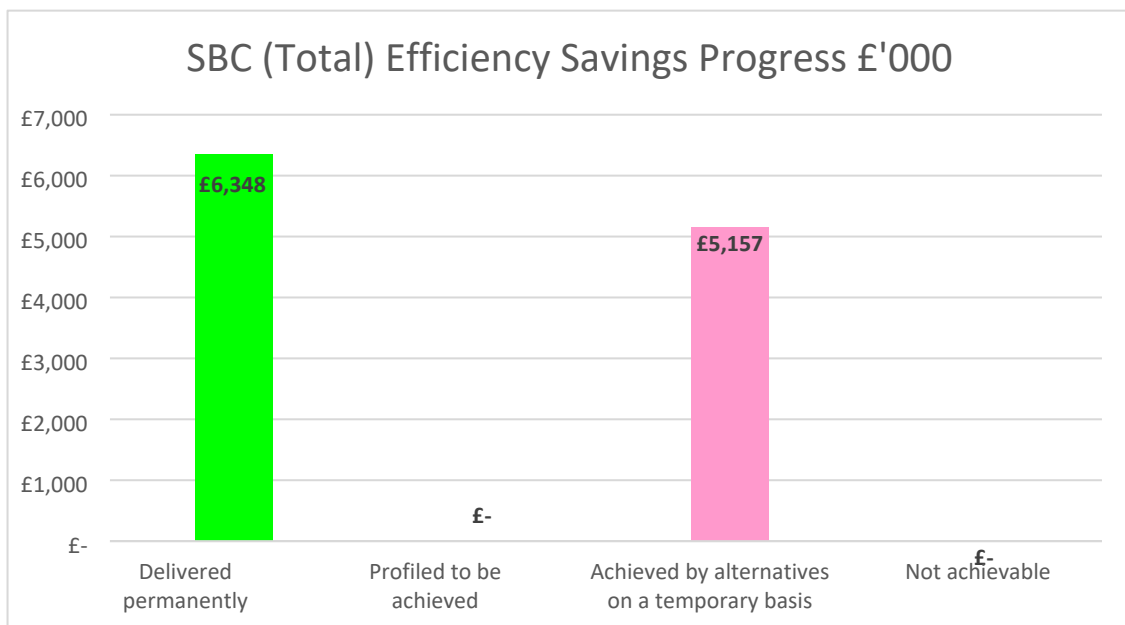
- 1.5 The overall overspend of £3.0m poses a significant risk to the Council's ability to balance the 2023/24 budget, one off measures will be required at the year end to ensure the Council does not overspend this financial year.
- 1.6 Financial plan savings of £11.505m were planned to be delivered in 2023/24. An analysis of delivery of savings as at the end of quarter 3 is provided in Appendix 3. This analysis shows that following the December month end £6.348m (55%) savings have been delivered permanently, and £5.157m (45%) have been delivered on a temporary basis through alternative means, this includes corporate savings held within Finance and Corporate Governance amounting to £1.994m relating to a new commissioning strategy (£0.250m) and digital transformation (£1.744m).

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Executive Committee:-**
 - (a) notes the projected corporate monitoring position reported at 31 December 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) agrees to a pause on all non statutory spend until 31 March 2024 to mitigate some of £3.0m overspend detailed in appendix 1;**
 - (c) notes the need to agree robust delivery plans for 2024/25 savings before the start of the next financial year.**
 - (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 at Appendix 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 31 December 2023 and forecasts for the remainder of the year.
- 3.2 We are currently forecasting an unfunded overspend of £3.0m for the year. All pressures are detailed in Appendix 1, the most significant service overspends relate to additional forecast costs in out of area placements within Children & Families Social Work (£1.8m) and ASN and Home to School Transport £0.9m. The delay in the delivery of corporate savings have been offset by forecast underspends in Economic development largely due to earmarked balances brought forward from 2022/23 not being spent in year and other corporate funding. A further £0.2m pressure in IT and £0.1m less Council Tax income are also reported.
- 3.3 As previously reported 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 increasing 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 £3.4k was transferred into the service as approved at the August Executive Committee and an additional unfunded overspend of £1.3m was reported to members at the November Executive Committee. The C&FSW pressure has risen by a further £0.5m (net) in Q3 to give a total reported unfunded overspend of £1.8m.
- 3.4 A senior officer panel continues to meet frequently, 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. The permanent budgetary impact of these pressures is being considered as part of the 2024/25 financial planning process and a project to review and deliver changes to the service is being commissioned; initiated through a full CMT away day at the end of January.
- 3.5 Within Education previously reported pressures within Additional support needs staff in schools and school transport contracts are being dealt with within existing budgets, however an additional inflationary pressure in Transport has been identified (£0.9m). This is over and above growth provided in the budget and has arisen due to increased pricing when retendering of contracts throughout the year.
- 3.6 The level of savings required by the financial plan in 2023/24 totals £11.505m. An analysis of delivery of savings as at the end of quarter 3 is provided in Appendix 3 and shows that £6.348m (55%) savings have been delivered permanently and £5.157m (45%) have been delivered on a temporary basis through alternative means, this includes corporate savings held within Finance and Corporate Governance amounting to £1.994m relating to a new commissioning strategy (£0.250m) and digital transformation (£1.744m).



- 3.7 The level of savings achieved on a temporary basis pose a significant risk to the Council. Non delivery of savings reduces the Council's ability to deal with unplanned service and inflationary pressures which arise throughout the year. These savings will roll forward into 2024/25 and the work currently underway to develop a new programme of change to ensure continued sustainability of the council will develop a delivery programme for these and future year savings.
- 3.8 As detailed within the report to the November Executive Committee, under the Council's financial regulations no earmarking, outwith specific Council policy, can take place if the Council does not have a balanced outturn position. Within the overall position £0.8m of funding which was carried forward from 2022/23 has not been spent and is therefore supporting the Council's overall position. Within Resilient Communities £0.5m has not been utilised mainly from No one left behind funding (£0.375m) and in Properties and Facilities (£0.3m) has not been utilised and is positively impacting on the overall financial position of the Council.
- 3.9 SJC pay inflation budget has been allocated across all directorates following the finalisation of the pay award for 2023/24. The total cost of the SJC Pay award was £5.4m and was funded through a combination of £4.8m SG funding and £0.7m of Council funding, in addition to that provided within the 2023/24 financial plan. Teachers pay was reflected in the budget earlier in the year.
- 3.10 As shown in Appendix 2, the Recovery Fund balance remains at £0.4m at Q3. The remaining balance is available to support the Council during the remainder of the financial year and is being maintained at this time to contribute to any additional Live Borders pressures that emerge during the final quarter of the year. As approved by Council on 14th December 2023, £1m has been provided to Live Borders with a further up to £0.5m approved should it be required.
- 3.11 Due to the scale of financial challenge remaining and the late stage of the financial year, the Council is likely to be in a position of being reliant on one off funding to balance the financial position at year end which is unsustainable in the long term. The Executive Committee is asked to approve a pause on all non statutory Council spend to reduce the anticipated year end pressure.

- 3.12 Appendix 4 and 5 provide detail of the budget movements highlighted in Appendix 1 which require approval via the Executive Committee.

Service Highlights

3.13 Infrastructure & Environment (I&E)

The service is reporting a balanced position as detailed in Appendix 1. Underspends have arisen in Properties and Facilities as budget which was carried forward from 22/23 to support delivery of sustainability and carbon reduction (£0.318m) and funding received to deliver the roll out of Free School Meals to Primary 6s and 7s in Facilities (£0.4m) will no longer be spent. In addition, there are underspends in depreciation (£0.247m) and a further reduction of costs within supplies and services in waste treatment are expected due to current pricing (£0.2m). These underspends are meeting financial plan savings not delivered (£0.525m) on a temporary basis and covering increased costs within Facilities (£0.326m) primarily due to food inflation and additional equipment purchases, SBContracts increased overhead costs (£0.1m), Fleet Services reduced income (£0.085m) and other smaller pressures across the service.

3.14 Social Work & Practice

There are significant budget pressures of £1.8m within Children & Families Social Work services. Since the position notified in the November Executive Committee, costs have increased by £819k; These costs have partially been offset by savings elsewhere across the service.

In Homelessness Property Management, previously reported pressures relating to property management and Rapid Rehousing Transition Plan activity are anticipated to be met by lower than anticipated costs elsewhere within Safer Communities, notably a reduction in the Community Access Team costs due to ongoing vacant posts.

3.15 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 meaning held back funding for teachers has now been released by Scottish Government. Several strands of funding have now been confirmed including Pupil Equity and Strategic Equity and Teachers Pay Award and have been distributed accordingly.

Previously reported pressures in Additional Support Needs in schools and Transport pressures have been offset by underspends elsewhere in the E&LL budget but further overspends in Additional Support Needs transport and Home to School transport have now arisen due to the increased costs of contracts retendered throughout the year (£0.9m).

Devolved Schools Management (DSM) carry forwards for Primary and Secondary schools are estimated at £0.239m and £0.493m respectively. Pupil Equity Funding carry forwards in Primary and Secondary schools are estimated at £0.317m and £0.096m respectively. Other schools carry forwards relating to Strategic Equity Fund and Care Experienced Children & Young People amount to £0.257 across Primary and Secondary schools. DSM carry forwards are governed under a specific Council policy and are therefore remain eligible for earmarking.

3.16 Resilient Communities

The service is forecasting a balanced position with a net service underspend amounting to £0.7m, £0.5m of this is being used to offset the

Corporate savings targets which have been delayed in year. This is driven by underspend in Economic Development due to lower than anticipated spend No one left behind £0.375m, Employment support £0.050m, Tourism £0.087m and additional staff turnover with the Access Team of £0.118m.

Within the Scottish Welfare Fund a further upsurge in demand for Community Care Grants during October and November has resulted in a overspend in this area (£0.124m). A change from Low to Medium priority in the early part of the year did not produce the expected reduction in spend, mainly due to substantial supplier price increases. A further change in priority from Medium to High has been implemented from 1 January 2024 in attempt to reduce the financial pressure during the remainder of the financial year.

As approved during the Council Meeting on 14th December 2023 additional funding of £1m was provided to Live Borders during this period. Up to a further £0.5m may be transferred, if required, during the final quarter of the financial year.

3.17 Finance & Corporate Governance

The service is forecasting a balanced position. Delays in delivery of corporate financial plan savings of £1.994m as detailed above and pressures within Democratic services of £0.1m (including Elected members travel £12k), are being offset by the transfer of £0.35m from Bridge Homes LLP following the winding up of the business, £0.7m from Economic Development as detailed above and the recruitment freeze actioned in November (£0.3m).

3.18 People, Performance and Change

The service is forecasting a balanced position following transfer of budget of £0.237m from Social Work & Practice to fund the Social Work Trainee Programme.

3.19 Strategic Commissioning and Partnerships

IT service pressures amounting to £192k relating to the inflationary increases in software licenses (£89k), mobile phone costs (£46k) and the Ipad refresh (£44k) are also detailed in Appendix 1.

Within Adult Social Care an increasing pressure of £1.2m 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. In addition, higher than anticipated fleet vehicle costs contribute to this pressure (£0.203m). This pressure has been offset on a temporary basis by unallocated Scottish Government funding for Adult Social care that was carried forwards from 2022/23. It should be noted that although work is being undertaken to mitigate some of these pressures, including a focus on Care home and Home Care staff rotas and allocations, further work is required to fully address these pressures in 2024/25.

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 out with the local area to meet their needs, this may result in significant costs to SBC” is continuing to be progressed considering its heightened risk score. An increased frequency of meetings continue to be 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 because of this report.

5 CONSULTATION

- 5.1 The Director of Corporate Governance, the Chief Officer Audit and Risk, the Director of People, Performance & Change, 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

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Background Papers:

Previous Minute Reference:

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