

Agenda Item	16
Report No	HC/42/20

THE HIGHLAND COUNCIL

Committee: The Highland Council

Date: 17 December 2020

Report Title: Revenue Budget Update Report December 2020

Report By: Executive Chief Officer- Resources and Finance

1. Purpose/Executive Summary

- 1.1 There are no material changes to the Quarter 2 corporate revenue position as reported to the Corporate Resources Committee on 11 November 2020.
- 1.2 As previously reported, the negative impacts of Covid 19 on the Council's budget have been and are expected to continue to be significant during 2020/21.
- 1.3 Whilst there remains a great deal of uncertainty, current projections for the year end outturn position, which includes all expected sources of additional government funding, suggest a net budget overspend of **£8.7m**
- 1.4 Had the Council been operating in a business as usual environment, an overspend of this level would be cause for significant concern. However, in the current circumstances, this level of forecast overspend, and the improving position reflect the positive financial management delivered by all Services plus the additional funding received by the Scottish Government. The Council has several feasible options to help manage the forecast year end position and as a result greater focus has shifted to ensuring longer term sustainability as part of the 2021/22 budget process.
- 1.5 While Officers will continue to mitigate the level of forecast overspend in the remainder of the year wherever possible, there are several options available to the Council to deal with any year end overspend. Those options include the use of reserves, the use of contingencies, or the use of fiscal flexibilities.
- 1.6 This report requests the recruitment of additional cleaning staff for the 3 months April to June 2021 is approved at a cost circa £0.5m and is allowed for as a pressure in the 2021/22 budget setting process currently underway.
- 1.7 Members are also asked to approve the recruitment of a two-year fixed term Employability Team Leader with an estimated total cost of £135K.

2. Recommendations

2.1 Members are asked to:

- i. note this revenue budget update report;
- ii. agree to allocate £0.5m to meet the increased requirements for cleaning services within schools during Quarter 1 of 2021/22.
- iii. agree to allocate £0.135m for the establishment of a 2-year fixed term Employability team leader post to meet the unemployment challenges facing the region in these challenging times.

3. Implications

- 3.1 If an overspend position is reported at year end, the Council will need to decide how to meet that overspend by using contingencies, reserves or fiscal flexibilities.
- 3.2 In addition to risks set out at Section 5 to this report, there is a significant risk that unforeseen events occur which result in additional cost burden. Services that are demand-led, such as looked after children or winter maintenance, may see significant movements in cost forecast by year end from that currently forecast. Other risks relating to Brexit, or unexpected items such as adverse weather or suppliers seeking additional financial support, may emerge during the year for which no specific contingencies are held. The impact of further Covid-related issues could also be significant.
- 3.3 There are no legal, equality, climate change/Carbon Clever, rural or Gaelic implications arising as a direct result of this report.

4. Update on Budget Gap

- 4.1 The table below provides a summary of the overall forecast position for the 2020/21 year-end outturn.

	Annual Budget £m	Year-end forecast £m	Year-end variance £m
Expenditure	£613.5m	£627.5m	£14.0m
Income	£613.5m	£618.8m	£5.3m
Difference between expenditure and income- 'Budget gap'	£0	£8.7m	£8.7m

- 4.2 There is no change to the position previously reported to the Corporate Resources Committee on the 11th November. Overall, the combined impact of the net service overspend plus excess corporate income gives a forecast budget deficit of **£8.7m** for the year.

5. Risks

- 5.1 As part of the report to Council on the 1st October Members were presented with a table identifying the significant areas of risk that would impact on the Council's outturn position. Those risks were separated into two categories, cost risk, where risks items totalling a worst case £33.095m were identified, and funding risk, where a risk of £14.373m was identified.
- 5.2 The items identified as costs risk reflect the potential issues that may arise that would impact on Service budgets. Chiefly these risks are Covid-related and may impact on Service-specific expenditure or income streams, but other non-Covid risks also exist.
- 5.3 As the year progresses, whilst the likelihood of the risks crystallising may change, either increasing or decreasing, it is more likely that the value of the risks will diminish as the period for the risks to impact has reduced.
- 5.4 The main cost risks identified related to a second lockdown, further enhanced arrangements for the return to schools, increased costs around adult social care, supplier and contractual challenges, increased recruitment, challenges in savings delivery, winter and Brexit. It is considered that the previous worst case figure is the very maximum for the value of these risks and that the risk impact could fall anywhere in the range from zero to that maximum value.
- 5.5 The funding risk identified related to the potential scenario that actual government funding received would not be at the level of that assumed. The Council is still to receive formal confirmation from Government on just under £10m of assumed additional funding. There is a high degree of confidence that all these funding streams will result in additional funds flowing to the Council. However, there is a risk that when confirmed, amounts may be lower than estimated. The near £10m figure reflects the current estimate for this funding however a worst-case scenario may see up to around £2m less coming to the Council.
- 5.6 There is also an upside risk that further additional Government funding for local authorities may become available in the remainder of the year. Any additional funding may however be linked to the provision of additional services (so no net impact on the bottom-line financial position) or be forthcoming because of a worsening in the wider Covid context which may see cost risk factors crystallising. No financial value has yet been attributed to such a scenario.

6. 2021/22 revenue budget

- 6.1 Officers continue to work to model the size of any potential budget gap in financial year 2021/22 as well as look at options as to how that budget gap may be mitigated.
- 6.2 In terms of estimating what any budget gap may be assumptions in a number of key areas are required around:
- Changes in government grant funding;
 - The impact of any staff pay award;
 - Covid impact on income and expenditure.
- 6.3 It will be essential that any budgetary approach proposed for financial year 2021/22 is

flexible and able to adapt to changing circumstances. In particular, it is likely that Members may need to revisit the 2021/22 budget during the course of the year to ensure it meets the prevailing circumstances.

7. Enhanced environmental cleaning to schools

7.1 In supporting a return to schools, the Scottish Government on 30th October 2020 published a document titled '*Coronavirus (COVID-19) Guidance on reducing the risks from COVID-19 in schools – Version 4.3*'. This guidance provided Covid advice that all Scottish Local Authorities and schools should ensure that an enhanced environmental cleaning regime is in place. The regime put in place should be in line with Health Protection Scotland Guidance for Non-Healthcare Settings.

7.2 The guidance specifies in particular:

- Ensuring regular detergent cleaning schedules and procedures are in place using a product which is active against bacteria and viruses; ensure adequate contact time for cleaning products is adhered to;
- Ensuring regular (at least twice daily) cleaning of commonly touched objects and surfaces (e.g. desks, handles, dining tables, shared technology surfaces etc.);
- Ensuring that where possible movement of individuals between workstations is minimised and where workspaces are shared there is cleaning between use (e.g. avoid hot desks and instead each individual, children, young people and staff, has a designated desk);
- Ensuring there are adequate disposal facilities;
- Where appropriate, reduce touchpoints;
- Setting clear use and cleaning guidance for toilets to ensure they are kept clean and physical distancing is achieved as much as possible;
- Cleaning work vehicles, between different passengers or shifts as appropriate;
- There should also be more frequent cleaning of rooms/areas that must be used by different groups, including staff (e.g. classrooms, toilet blocks, changing rooms and staff areas);
- Movement of children, young people and staff between classrooms should be minimised wherever possible. Where this cannot be avoided, the provision of appropriate cleaning supplies to enable them to wipe down their own desk/chair/surfaces before leaving and, especially, on entering the room should be considered as part of overall hygiene strategies for secondary schools; and
- Careful consideration should be given to the cleaning regime for specialist equipment (e.g. in practical subjects or for children with additional support needs), sensory rooms, practical subjects with specialist equipment and dining halls, etc. to ensure safe use.

7.3 With Catering staff returning to their substantive posts the Service has had to deal with cleaning resource gaps appearing across the estate and whilst the existing Cleaning Teams have stepped in to take on additional daytime cleaning duties (circa 90 additional part-time daytime posts) this resource model is not sustainable. Current Government advice is that a regular effective hygiene programme will help to slow down the transmission of Covid 19 thus reducing the impact on both the NHS and our local communities. Enhanced cleaning therefore continues to be essential in this ongoing battle with Covid. However, the existing Cleaning & FM model is at risk and does need

reinforcing to support through the next 6 months, in particular helping to maintain the safe delivery of the Education Service.

- 7.4 It will be noted that we are projecting (unbudgeted) spend of circa £1.9m to cover the cost of additional daytime and after school cleaning as well as additional FM costs to 31st March 2021. These costs are reflected in the H&P quarter 2 revenue monitoring position which forecasts a £8.4m year end overspend for the service, which in turns forms part of the £8.7m overspend forecast for the Council's revenue budget.
- 7.5 The Scottish Government has confirmed a range of additional funding streams to address the impact of Covid, some for specific purposes, others for general use. Additional funding of £50m for 'Education recovery- logistics costs' has been made available nationally. Of this £20m will be distributed across all local authorities on a proportionate basis with the remaining £30m distributed based on need. The Council is in the process of completing a return to demonstrate its education recovery costs, which will also include costs incurred across other Council budgets, in particular school transport. As part of the overall Council Q2 monitoring it has been assumed that the Council will receive £3m of the national £50m total.
- 7.6 Given the ever-changing dimension of the Covid pandemic and to assist the alleviation of risk to the Cleaning & FM model it is recommended that recruitment of additional cleaning staff for the 3 months April to June 2021 is approved at a cost circa £0.5m and is allowed for as a pressure in the 2021/22 budget setting process currently underway.

8. Additional support for Highland labour market

- 8.1 Members will be aware from the reading of the labour market report elsewhere on this agenda that the Council's response to the unemployment challenges facing the region is challenging. Accordingly, it is now considered that this is the correct time to provide the dedicated focus now needed to drive forward the service re-design and to co-ordinate Council efforts towards the current labour market crisis. Members are therefore asked to agree the establishment of a 2-year fixed term Employability team leader post – this has an estimated total cost of £135k. This sum is allowed for as a pressure in the 2021/22 budget setting process currently underway. The unemployment challenges that the area faces are directly related to the COVID impact, and as such there is a clear need to this post to be budgeted for as part of the Council's COVID budget pressure considerations.

Designation: Executive Chief Officer- Resources and Finance

Date: 4th December 2020

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Background Papers:

https://www.highland.gov.uk/download/meetings/id/76864/item_4_corporate_revenue_monitoring_report_to_30_june_2020

https://www.highland.gov.uk/download/meetings/id/77128/item_4_revenue_budget_update_report-october_2020

https://www.highland.gov.uk/download/meetings/id/77201/item_11_revenue_budget_update_report