



**REPORT TO: ECONOMIC GROWTH, HOUSING & ENVIRONMENTAL
SUSTAINABILITY ON 24 AUGUST 2021**

SUBJECT: REVENUE BUDGET MONITORING TO 30 JUNE 2021

**BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND
FINANCE)**

1. REASON FOR REPORT

- 1.1 To inform the Committee of the revenue budget monitoring position to 30 June 2021.
- 1.2 This report is submitted to the Economic Growth, Housing and Environmental Sustainability Committee following a decision of Moray Council on 17 June 2020 to agree a simplified committee structure as a result of the COVID-19 pandemic. In the case of this committee the combining of the delegated responsibilities of Economic Development and Infrastructure, Community Services (Housing and Property) and Finance (budget, capital and revenue monitoring) (para 9 of the minute refers).

2. RECOMMENDATION

2.1 It is recommended that Committee considers and notes:

- (i) the budget monitoring position of £1,123,000 over budget for 2021/22 as at 30 June 2021;
- (ii) that this position consists of an underspend on Devolved School budgets of £434,000, an underspend of £728,000 on Children's services, an overspend on Social Care services delivered on behalf of the Moray Integration Joint Board (MIJB) of £761,000 and an overspend on other services of £1,524,000;
- (iii) movement of £3,578,000 in the General Revenue Grant, as detailed in paragraph 3.4;
- (iv) emerging budget pressures as summarised in paragraph 6.1;

2.2 It is recommended that the Council approves:

- (i) the use of ear-marked reserves for transformation of Council services to fund expenditure of £100,000 as detailed in paragraph 6.3

and use of free general reserves of £30,373 as detailed in paragraph 8.3.

3. BACKGROUND

- 3.1 When the revenue budget for 2021/22 was approved by Moray Council on 3 March 2021 (paragraph 5 of the minute refers), General Revenue Grant of £167,832,000 was estimated for the year, based on the latest amount notified to the Council and including estimates for further distributions of grant during the year. BRIS retention totalling £1,859,000 was included in funding. Council Tax receipts of £44,405,000 were anticipated. Budgeted expenditure of £214,106,000 was agreed, and this required projected use of £10,000 of the Council's General Reserves and use of financial flexibilities totalling £1,251,000 to balance the budget.
- 3.2 On 30 June 2021 Council approved adjustments to the base budget to reflect variances during 2020/21 which were projected to continue into 2021/22. The net effect of these adjustments was to increase budgeted expenditure by £242,000. On 12 May 2021 and 30 June 2021 Council approved additional expenditure of £191,000 to be funded from General Reserves. The majority of these adjustments have been posted to departments during quarter 1. The slippage on Economic Recovery projects and Moray Growth Deal (MGD) approved to be funded from reserves totalling £53,000 will be actioned for the quarter 2 budget monitoring report.
- 3.3 In addition to the Council's core budget, monies allocated to schools through the Devolved School Management (DSM) scheme and not spent are brought forward from previous years. The DSM balance brought forward in 2021/22 is £1,342,000 (2020/21 £683,000). Unused funding of £802,000 received in 2020/21 for the Pupil Equity funding and £599,000 for Early Learning and Childcare has been carried forward into 2021/22 in accordance with the grant conditions.
- 3.4 Variations to General Revenue Grant (GRG) amounting to £3,578,000 have been notified. This consists of mainly of additional funding for Covid agreed by Scottish Government: £1,056,000 for pandemic support payments; £981,000 Education recovery; £256,000 summer activities funding; £36,000 self isolation grant, offset by a reduction of £88,000 due to the approved allocation for Free School Meals (FSM) provision during the pandemic being remitted twice in 2020/21. In addition, funding for Scottish Government priorities has been allocated as follows: £562,000 living wage shortfall funding and £775,000 for the extension of free school meals to P4. As at 30 June 2021 the funding for summer activities has been drawn down and £128,000 has been drawn down for free school meals over the summer vacation, to match expenditure in quarter 1.
- 3.5 With these adjustments the Council's overall General Services revenue budget currently stands at £231,621,000.
- 3.6 Funding of £7,211,000 for the expansion of Early Learning and Childcare (ELC) was included in base budget. Grant funding of £9,139,000 has been notified for 2021/22 and the budget will be adjusted by £1,928,000 to reflect

this additional funding. ELC is funded by specific grant, but for transparency it is included in the government grant figure in **APPENDIX 2**.

- 3.7 Reconciliation of the movements in the base budget from that which was approved by the Moray Council on 2 March 2021 is shown in **APPENDIX 2** and allocations to departments from the provisions for Inflation and Contingencies, Additional Costs and Savings are listed in **APPENDIX 3**.

4. BUDGET POSITION

- 4.1 **APPENDIX 1** summarises the current position for each service area, comparing the actual expenditure for the year to 30 June 2021 with the budget to 30 June 2021.
- 4.2 Overall the budget position at 30 June 2021 is expenditure over budget to date of £1,123,000 or 2.1% of budget to date (including services delivered on behalf of the Moray Integrated Joint Board).
- 4.3 The principal areas of overspend and underspend across the Council are summarised below:
- 4.3.1 In Children's Services, there is an underspend of £728,000 primarily due to less spend to date on out of area costs totalling £526,000; a contract for residential care for children with disabilities has ended giving an underspend of £148,000, and £28,000 relating to adoption placements, allowances and legal fees .
- 4.3.2 Devolved School budgets are underspent by £434,000 at the end of the first quarter, £180,000 in primary schools and £254,000 secondary schools.
- 4.3.3 The MIJB is reporting an overspend across both Council and NHS services during quarter 1 of £1,100,000. The figures included in this report relate purely to the services delivered by Moray Council on behalf of the MIJB and amount to an overspend of £761,000.
- 4.3.4 The impact of the Covid pandemic and lockdown measures that have been put in place are continuing to have significant impact on the budgets during the first quarter. All services are seeing less income than expected in the first quarter totalling £450,000. This includes loss of leisure income, catering income, car parking income, planning and building control fees. There is also a loss of internal revenue income due to roads DLO staff time being unable to be recharged to capital totalling £1,700,000 for the first quarter.
- 4.3.5 This is partially offset by underspends in some services in the core service expenditure due to works and spend being unable to be incurred or completed. The main service variances total £626,000, which includes repairs and maintenance, roads core service, building services DLO, and corporate training.
- 4.3.6 There is also directly related Covid expenditure totalling £466,000. This is made up of £302,000 in Education, relating to costs of supply teachers payments, payment for summer free school payment, hardship payments and

sanitiser; £2,000 in Housing, mainly relating to the setting up of temporary accommodation and agency costs and £162,000 in Environmental and Commercial services for relief staff and agency staff payments covering staff who are self-isolating.

- 4.3.7 Details of Covid expenditure and the use of the earmarked Covid reserve will be included in the report on the update of the short to medium term financial planning, to Council on 15 September 2021.

- 4.4 **APPENDIX 7** gives details of budget monitoring for Environmental and Commercial services and Economic Growth and Development services that are usually reported to the Economic Development and Infrastructure Services Committee, and are included with this report.

5. BUDGET PRESSURES

- 5.1 Budget pressures recognised when the budget was approved on 3 March 2021 are released when the pressure crystallises to the extent that it can be accurately quantified. Provisions to meet budget pressures and new duties totalling £5,141,000,000 have been released in quarter 1 and these are itemised in **APPENDIX 3**.
- 5.2 Provisions still held centrally at the end of quarter 1 total £13,879,000 and are detailed in **APPENDIX 4** and given a RAG assessment for likelihood of requirement.
- 5.3 Two provisions are assessed as amber, for uncertainty of requirement: additional whole life costing for Lossiemouth High School (£40,000) and clearance of Bilbohall site for housing development (£120,000). Lossiemouth High School life cycle requirements will be reviewed in quarter 2 to ascertain if this is still required as the budget pressure was based on an early estimate. The clearance of Bilbohall site is not yet required due to uncertainties in the wider construction sector resulting in no response to the invitation to tender, which is currently being reviewed with the intention of repackaging the work requested
- 5.4 Two provisions that are classed as green have drawn down more than the original allocation. Linkwood primary school running costs were estimated at £275,000 but the actual budget provision drawn down based on the school roll was £282,000. The budget pressure for school meals due to changes in regulations was £371,000 split over 2 financial years, originally 2020/21 and 2021/22, revised to 2021/22 and 2022/23. However the implementation of the regulations was rescheduled for April 2021, and the full budget pressure has been drawn down in 2021/22.
- 5.5 All other provisions are expected to be required in full at this juncture.

6. EMERGING BUDGET PRESSURES

- 6.1 Emerging budget pressures are noted throughout the year as they are identified. Pressures that were identified during quarter 1 are listed in the table below:

	Para Ref	Estimated full year effect £000s
Learning Estate Team	6.2	243
Provision for service developments	6.3	100
Estimated underprovision for SJC pay award	6.4	700
Community Council Elections	6.5	14
		1,057
		=====

- 6.2 The Learning Estate Team is the cost of the new team that will be taking the Learning Estate Strategy forward as agreed at Committee on 9 October 2021 (para 4 of the minute refers)
- 6.3 Following reflection on the process for allocating reserves held for Transformation, it is recommended that a provision is made for services to bid into for modest service improvements or developments in response to changing circumstances or to help create greater resilience within the Council. A provision of £100,000 is recommended to be funded from the ear marked reserve for Transformation of services in 2021/22 and thereafter recognised as a budget pressure when the budget for 2022/23 is considered. There is still a requirement for more significant investment in transformation of services to ensure the long-term financial stability of the Council and consideration of that issue will form part of a report on the Council's short to medium term financial strategy to the meeting of Council on 15 September 2021.
- 6.4 When the budget for 2021/22 was approved provision was made for a flat rate pay award of 2%. Since then Scottish Government have approved a public sector pay policy based on a banded pay award. It is estimated that this would cost £700,000 more than the provision allowed in the budget for non-teaching staff. Negotiations continue and the issue of pay award is the most uncertain of the many uncertainties facing the Council at this time. However, it is considered prudent to recognise that additional recurring funding is likely to be required.
- 6.5 There is no budget provision for Community Council elections and based on the costs of previous elections, a budget pressure of £14,000 was agreed at Committee on 30 June 2021 (para 23 of the minute refers)
- 6.6 The budget will continue to be reviewed for any emerging pressures and further recommendations will be made to future Committees when required.

7. SAVINGS

- 7.1 Savings of £2,585,000 were approved when the budget was set on 3 March 2021. These savings comprised increased income of £25,000 from inflationary uplifts to charges for services; one-off savings of £143,000, and other permanent savings of £2,417,000.

- 7.2 To date budgets for charges have been adjusted in full. Temporary savings of £63,000 have been posted to departmental budgets. The balance relates to the Grampian Valuation Joint Board refund, the amount of which will be confirmed when the accounts are audited and approved by the Board at the meeting when the audited accounts are approved – the expected date of this has not yet been confirmed with Audit Scotland. The projected saving will be posted in quarter 2.
- 7.3 Of the originally approved permanent savings, a balance of £439,000 remains in central provisions as at the end of June. These are detailed in **APPENDIX 5** and given a RAG assessment for anticipated achievement.
- 7.3.1 One saving totalling £94,000 is assessed as red. The savings relating to the Improvement and Modernisation programme Stream 2: ICT & Digital – schools admin is unlikely to be achieved in 2021/22 since the review is not expected to be completed until March 2022. This saving will be carried forward to 2022/23
- 7.3.2 One saving totalling £20,000 is assessed as amber. The balance of the saving relating to the relocation of staff from Auchernack and Forres community centre is delayed, this related primarily to NDR saving and will not be achievable until the building is disposed of, so part of the saving may be achievable in 2021/22.
- 7.3.3 The other unposted savings are assessed as green - these are expected to be achieved or substantially achieved during this financial year.

8. FREE GENERAL RESERVES

- 8.1 The balance on general reserves (excluding DSM and ear-marked reserves) as at 1 April 2021 was £15,349,000. Use of reserves totalling £10,000 as approved when the 2021/22 budget was set (**Appendix 6**).
- 8.2 Moray Council on 12 May 2021 approved an additional use of reserves totalling £30,000, as detailed in paragraph 3.9 in the report on Living Wage Consolidation (paragraph 14 of the [minute](#) refers). Moray Council on 30 June 2021 approved an additional use of reserves totalling £161,000, as listed in paragraph 3.23, and a net budget increase of £242,000 relating to continuing variances as reported in the outturn report, as detailed in paragraph 3.21 (paragraph 17 of the draft minute refers). Moray Council on 1 July 2021 approved an additional use of reserves totalling £430,00 for UK Levelling up fund as detailed in paragraph 6c (paragraph 31 of the draft minute refers).
- 8.3 The impact of the above, leaves an estimated free balance of £14,476,000 at 31 March 2022. Additional budget pressures noted above will also reduce this balance if and when they crystallise.
- 8.4 The Home Office provides funding for Syrian refugees, over a five year period. Of the funding received to date £30,373 was unspent at 31 March 2021. The underspend has been committed to assist the refugees with their settlement costs and provide English for Speakers of Other Languages (ESOL) classes for the adults. Consequently it is recommended that this amount is funded

from reserves. If approved this will reduce the estimate free balance to £14,446,000

9. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

Effective budget management is an essential component of delivery of council priorities on a sustainable basis.

(b) Policy and Legal

No policy or legal implications arise directly from the contents of this report.

(c) Financial implications

The financial implications are addressed throughout the report.

(d) Risk Implications

There are no risk implications arising directly from this report. Budget managers are aware of their responsibilities for managing their budgets in accordance with the Council's Financial Regulations. There is a risk to the Council arising from the agreement that if the Moray Integrated Joint Board overspends the Council will meet 37% of the additional costs incurred.

(e) Staffing Implications

No staffing implications arise directly from this report.

(f) Property

No property implications arise directly from this report.

(g) Equalities

No equalities implications arise directly from this report.

(h) Consultations

Consultation concerning Revenue Budget Monitoring is an on-going process with budget managers across the Council. CMT and Heads of Service have also been consulted in the preparation of this report and any comments incorporated.

10. CONCLUSION

10.1 The financial position of the Council at the end of June 2021 is an overspend against General Services Revenue Budget of £1,123,000 (including services delivered on behalf of the Moray Integration Joint Board).

10.2 Variations in General Revenue Grant totalling £3,578,000 have been notified to the council.

- 10.3 There are additional budget pressures of £1,057,000 noted for Council services at quarter 1.**
- 10.4 The Council has approved use of £873,000 from free general reserves. With a potential further £130,373 required.**

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Background Papers: Held by author
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