



REPORT TO: CORPORATE COMMITTEE ON 29 AUGUST 2023

SUBJECT: REVENUE BUDGET MONITORING TO 30 JUNE 2023

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

1. REASON FOR REPORT

- 1.1 To advise Committee of the revenue budget monitoring position to 30 June 2023.
- 1.2 This report is submitted to Council in terms of Section III B (10) of the Council's Administrative Scheme relating to monitoring current revenue expenditure against approved budget.

2. RECOMMENDATION

2.1 It is recommended that Committee considers and notes:

- (i) the budget monitoring position of £867,000 under budget for 2023/24 as at 30 June 2023;**
- (ii) that this position consists of an underspend on Devolved School budgets of £448,000, an underspend of £277,000 on Children's services, an underspend of £747,000 on Environmental and Commercial Services, an overspend on Social Care services delivered on behalf of the Moray Integration Joint Board (MIJB) of £985,000 and an underspend on other services of £380,000;**
- (iii) movement of a £162,000 decrease in the General Revenue Grant, as detailed in paragraph 3.4;**
- (iv) the emerging budget pressure noted in paragraph 6.3 for Bus Revolution revenue, required to match the agreed business plan;**

2.2 It is recommended that the Council approves:

- (i) the use of ear-marked reserves for Covid of £74,000 as detailed in paragraph 6.3.**

3. BACKGROUND

- 3.1 When the revenue budget for 2023/24 was approved by Moray Council on 1 March 2023 (paragraph 5 of the minute refers), General Revenue Grant of £193,416,000 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. Council Tax receipts of £49,574,000 were anticipated. Budgeted expenditure of £260,840,000 was agreed, and this required projected use of £17,850,000 of the Council's Ear Marked Reserves to balance the budget.
- 3.2 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 2023/24 is £853,000 (2022/23 £1,288,000). Unused Pupil Equity Fund of £757,000 received in 2022/23 and £36,000 funding for nursery snacks and fundraising have been carried forward into 2023/24 in accordance with the grant conditions.
- 3.3 On 28 June 2023 Council approved additional expenditure of £2,158,000 to be funded from Ear-marked Reserve for Covid. All of these adjustments have been posted to departments during quarter 1.
- 3.4 The General Revenue Grant (GRG) has been adjusted by a reduction of £162,000 to align with the latest finance circular available from the Scottish Government as estimates for funding were used for amounts not yet known at the time of preparing the original budget. The finance circular also contains undistributed amounts which are not yet reflected in the GRG. When these amounts are confirmed they will also be included. Further redeterminations of funding have since been announced and will be reflected in the quarter 2 monitoring.
- 3.5 With these adjustments the Council's overall General Services revenue budget currently stands at £264,848,000.
- 3.6 Reconciliation of the movements in the base budget from that which was approved by the Moray Council on 1 March 2023 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 with the budget to 30 June 2023.
- 4.2 Overall the budget position at 30 June 2023 is expenditure under budget to date of £867,000 or 1.4% 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.

- 4.4 In Children's Services, there is an underspend of £277,000. A contract for residential care for children with disabilities has ended due to the transition to adult services of the person cared for, giving a contract underspend of £141,000. Out of Area placements are £79,000 under budget, although this can quickly fluctuate given the cost per week of a placement. Adoption and fostering fees/allowances are under budget by £54,000. Within Area Teams, SDS/direct payments are £21,000 over budget to date.
- 4.5 Education has a £465,000 under spend to date. Devolved School budgets are underspent by £448,000 at the end of the first quarter; £151,000 in primary schools and £297,000 secondary schools. There is flexibility in DSM budgets to allow for planning for the sessions ahead and where spend is planned on the academic year. There are other minor variances, both over and under spends, within central Education budgets.
- 4.6 Environmental and Commercial Services are presenting a £747,000 underspend to date; Waste has underspends on Leachate of £41,000 and recycling of £14,000; Harbours income is ahead of target by £60,000; the Consultancy budget is under spent by £178,000 in total which is partially due to a £200,000 grant received in Emergency Planning from the Scottish and Southern Electricity Networks (SSEN) Resilient Communities Fund, which is aimed at helping communities become more resilient in the face of storms, severe weather and prolonged power loss. Projects for the full grant amount have been identified and agreed with SSEN, and include providing Community support centres, household emergency plan and resilience leaflets and emergency packs, an annual community resilience conference and a battery pack loan scheme. All proposed spend will be presented to Members. Other minor variances within Consultancy make up the net variance. Roads Maintenance is £313,000 under spent to date: an additional budget of £300,000 for one year only for roads patching was approved as a service development in the budget setting. The profiling of the works in this area is giving a variance to date but is not expected to be an ongoing variance; Catering has an £80,000 underspend on food costs, although income is currently on target. Food costs are no longer as closely linked to income as they were following the extension of universal Free School Meals from Nursery to Primary 5. Uptake may gradually rise as time goes on. This is the same trend as last year which had a significant underspend on food costs. Some food prices didn't increase as much as anticipated last year but there is expected to be an increase in wheat products as the situation in Ukraine is affecting supplies. Fleet are currently £98,000 under budget with variances in income offsetting overspends in transport and plant costs, energy and materials. Lands and Parks are £17,000 over budget to date with small variances on burial grounds, fuel and war memorials. The Public Transport Unit is currently over by £19,000 relating to Bus Revolution project costs (see para 6.3).
- 4.7 General Services Housing and Property is under spent by £49,000 in total with positive and negative variances; Improvement Grants are under by £49,000 due to a higher capital grant than currently budgeted to date; Industrial Estates have underspends on repairs and income exceeding budget

to date; Homeless temporary accommodation is currently underbudget due to additional income from the revised charges policy approved at Corporate Committee on 31 January 2023 (para 8 of the minute refers), but additional costs will follow for furniture and repairs. Schools repairs and maintenance are £87,000 overspent which is due to the pattern of spend on school buildings; energy costs in shared buildings are £28,000 over budget. Budget has been set aside in inflation for energy costs and will be drawn down in quarter 2.

- 4.8 The MIJB is reporting an overspend across services during quarter 1 of £985,000. The figures included in this report relate purely to the services delivered by Moray Council on behalf of the MIJB.
- 4.9 Income budgets across the Council are showing both positive and negative variances. Sports and leisure facilities budgets were reduced in 2021/22 due to the effects of covid restrictions and they have been partially increased in 2023/24 and proposed to be back to pre covid level in 2024/25. Income is £100,000 ahead of target in quarter 1 and the budget adjustment will be accelerated to reflect this. In General Services Housing, Improvement Grants are under by £49,000 due to a higher capital grant than currently budgeted for to date, Industrial Estate income is ahead of target by £16,000 and (as per para 4.7) Homeless temporary accommodation has additional income of £35,000 to date. Within Environmental and Commercial Services there is additional income at this quarter 1 stage in Waste recycling services (£14,000), Harbours (£60,000), Roads income from service users (£18,000) and a surplus of £9,000 on burial ground interment fees, although there is an income shortfall of £12,000 on sale of lairs. Other income shortfalls include Libraries income (£7,000) and Building Standards (£10,000).

5. BUDGET PRESSURES & ADDITIONS

- 5.1 Budget pressures recognised when the budget was approved on 1 March 2023 are released when the pressure crystallises to the extent that it can be accurately quantified. Provisions to meet budget pressures and new duties totalling £3,575,000 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 £11,694,000 and are detailed in **APPENDIX 4** and given a RAG assessment for likelihood of requirement.
- 5.3 Two provisions are assessed as red, as no longer being required. As per the final report covering the delivery of the Economic Recovery Plan (reported to Economic Development and Infrastructure Services Committee on 2 May 2023) the £53,000 budget pressure has been removed; and £30,000 for the Deposit Return Scheme which was confirmed in Scottish Parliament in June to be delayed until October 2025.
- 5.4 Provisions totalling £326,000 are assessed as amber, for uncertainty of requirement. These include the reduction in Early Learning and Childcare specific grant of £190,000, with forecast expenditure being reviewed with the service to assess requirements and a Change Management Plan being

implemented following consultants' report; only £9,000 for DSM review class contact time is required as the temporary post to carry out this work is now vacant, leaving a £9,000 saving.

- 5.5 Two provisions that are classed as green have drawn down more than the original allocation. Budget for the Public Private Partnership payments of £272,000 was based on the September 2022 Retail Price Index (RPI) and the annual unitary payment was based on February 2023 RPI, which has given a significant increase from the estimate. The Whole Family Wellbeing Fund (WFWF) £545,000 is the 2023/24 funding allocation. Unspent funds from last year have also been carried forward to be funded from reserves and it is unlikely that the total of these will be spent in full this year. Decision on how the funds are spent are made by the Community Planning Partnership and it is therefore intended that any unspent funds at year end are put to an earmarked reserve. The revised Improvement and Modernisation Plan (IMP) of £1,302,000 is being reviewed with departments and a further update will be reported to committee in November.
- 5.6 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. There are two such budget pressures quantified during quarter 1.
- 6.2 On 28 June 2023 Council approved temporary additional Additional Support Needs (ASN) funding of £1,100,000 to support 10 schools and an early years setting for session 2023/24, plus an additional recurring budget of £700,000 to fund the alternative curriculum provision to maintain children in Moray and prevent out of area placements. The total £1,800,000 will be funded from covid reserves.
- 6.3 The full Business Case for the Bus Revolution project, which is part of the Moray Growth Deal, was approved at the Special meeting of Moray Council on 8 March 2023 (para 9 of the minute refers). Capital costs over the life of the project are funded by the Scottish Government as part of the overall Growth Deal. The revenue costs and income will sit with the Council and, as reported in March, the financial case indicates a subsidy requirement for the first three years of the project. The projections as stated in the full business case are that in 2023/24 the net revenue position is a budget shortfall of £94,000. A budget pressure was included in the Council budget for £20,000 and this has been drawn down to fund software and marketing expenditure. An additional £74,000 is required to balance the funding and approval for this to be funded from covid reserves is requested.
- 6.4 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 and increased charges of £4,415,000 were approved when the budget was set on 1 March 2023. These savings comprised one-off savings of £775,000 and other permanent savings of £3,490,000. The increase in charges per the budget paper was £150,000.
- 7.2 In addition to the savings approved when the budget was set, additional savings/income of £1,480,000 was approved at Moray Council on 28 June 2023 (para 13 of the minute refers), including an increase of £400,000 for Council Tax receipts. These are included on **APPENDIX 5**.
- 7.3 The NESS Energy from Waste (EfW) facility began its commissioning phase in February 2023, during which the plant processes limited amounts of waste while assessments are carried out. The plant is expected to become fully operational later in 2023. Until such time, temporary savings were expected to emerge from additional income at Dallachy as it continues in operation. It is not confirmed if this will be achieved in full and so will be monitored and reported back.
- 7.4 A one off saving of £50,000 will accrue from the refund due from Grampian Valuation Joint Board, the amount of which will be confirmed when the accounts for 2022/23 are audited and approved by the Board – the saving will be posted thereafter.
- 7.5 Of the original approved savings, a balance of £2,344,000 remains in central provisions as at the end of June. These are detailed in **APPENDIX 5** and given a RAG assessment for anticipated achievement.
- 7.6 Seventeen savings totalling £3,242,000 are assessed as amber at this stage. Several savings within Environmental and Commercial Services have been delayed and their positions being confirmed. These include savings generated from installing a salt store in Keith: build costs have escalated significantly and the business case will be updated to check it still yields savings before committing to construction. Will be taken back to the Asset Management Working Group if there is a significant variation in benefits. The hiring out of Roads Maintenance machinery is delayed due to delays in delivery of replacement vehicles, relating to the previously reported supply chain issues for fleet. The saving from making permanent the move to 3 weekly recycling collection has yet to be posted. The significant uplift in harbours commercial income from offshore commenced in July and savings are still to be posted. Increased Transportation and Consultancy recharges to capital haven't yet established in order to take the full saving. The Dallachy spare capacity income (para 7.3) is currently also classed as amber at this point.
- 7.7 Other savings assessed as amber include £30,000 from the use of purchasing cards across services to ensure that VAT receipts are submitted per financial regulations and therefore all input VAT reclaimed, and Property Services admin review £26,000. The relocation of staff from Auchernack is dependent on the sale as the saving is mainly from a reduction in NDR costs. The

savings relating to the Improvement and Modernisation programme (IMP) Stream 2: ICT & Digital – schools admin has been out to consultation and the Change Management Plan is completed. There will be a report to committee in September and any update on achieving the saving will be updated for quarter 2 monitoring. Savings of £245,000 expected in Childrens Services have slipped as the new contracts were late starting but will be posted to departments later this year.

- 7.8 Unposted savings assessed as green are expected to be achieved or substantially achieved during this financial year.

8. **RESERVES**

- 8.1 The balance on free general reserves (ie excluding DSM and ear-marked reserves) as at 1 April 2023 was £5,000,000. This is the minimum level of reserves that can be held on free general reserves.
- 8.2 Moray Council on 28 June 2023 approved an additional use of covid ear marked reserves totalling £2,158,000, as detailed in paragraph 3. (paragraph 13 of the Minute refers) . The variance analysis adjustments approved at that meeting have also been reflected as a reduction in the use of reserves (due to additional savings and income). The ASN budget pressure discussed in para 6.2 of £1,800,000 is also reflected. The impact of this is an estimated balance of £5,022,000 at 30 June 2023. If approved, the Bus Revolution budget pressure will also reduce this balance. **APPENDIX 6** itemises the movements on reserves during the year to date and gives the free balance on the reserves at 30 June 2023.
- 8.3 Balances at 30 June 2023 for other ear marked reserves are £3,791,000 for Transformation and £5,122,000 for Council priorities.

9. **SUMMARY OF IMPLICATIONS**

- (a) **Moray 2026: A Plan for the Future and Moray Corporate Plan**
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. Rising inflation presents a risk to the Council's budget.

- (e) **Staffing Implications**
No staffing implications arise directly from this report.
- (f) **Property**
No property implications arise directly from this report.
- (g) **Equalities/Socio Economic Impact**
No equalities implications arise directly from this report.
- (h) **Climate Change and Biodiversity Impacts**
No climate change and biodiversity impacts arise directly from this report.
- (i) **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 2023 is an underspend against General Services Revenue Budget of £867,000 (including services delivered on behalf of the Moray Integration Joint Board).**
- 10.2 Variations in General Revenue Grant totalling £162,000 have been notified to the council.**
- 10.3 There is one additional budget pressure noted for Council services at quarter 1; £74,000 for Bus Revolution revenue. If approved this would be funded from covid ear-marked reserves.**

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Background Papers: Held by author
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