



REPORT TO: CORPORATE COMMITTEE ON 30 NOVEMBER 2021

SUBJECT: REVENUE BUDGET MONITORING TO 30 SEPTEMBER 2021

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 September 2021 and of the current estimated out-turn for 2021/22.
- 1.2 This report is submitted to Committee in terms of Section III A (2) 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 £167,000 over budget for 2021/22 as at 30 September 2021;
- (ii) that this position consists of an underspend on Devolved School budgets of £864,000, an underspend of £1,258,000 on Children's services, an overspend on Social Care services delivered on behalf of the Moray Integration Joint Board (MIJB) of £1,838,000, an overspend of £213,000 for partnership nurseries and an overspend on other services of £238,000;
- (iii) movement of £1,915,000 in the General Revenue Grant, as detailed in paragraph 3.4;
- (iv) the current estimated out-turn for 2021/22 of an overspend of £341,000 and an increase in the retention under the Business Rates Incentivisation Scheme (BRIS) of £23,000 resulting in a increase in the planned use of Council reserves by £318,000 from that budgeted for; and
- (v) emerging budget pressures as summarised in paragraph 6.1.

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 of £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 Shortly after the budget was set Scottish Government announced additional funding for local authorities in 2020/21 relating to the pandemic. This came as General Revenue Grant and is held in an ear-marked reserve. As reported to Council on 20 September 2021 (paragraph 27 of the Minute refers) pandemic-related budget pressures of £1,307,000 were included in the base budget and these could appropriately be funded from the ear-marked reserve, removing the need to use financial flexibilities or funding from free general reserve.
- 3.3 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 (paragraph 17 of the Minute refers). On 12 May 2021 (paragraph 14 of the Minute refers) and 30 June 2021 (paragraph 17 of the Minute refers) Council approved additional expenditure of £191,000 to be funded from General Reserves. All of these adjustments have been posted to departments during quarter 1 and 2. On 1 July 2021 Council (paragraph 31 of the Minute refers) approved additional expenditure of £430,000 for UK Levelling Up Fund, the budget for which was posted to the department in quarter 2. The Economic Growth, Housing and Environmental Services Committee on 24 August 2021 (paragraph 6 of the Minute refers) approved additional expenditure of £30,000 for Syrian refugees to be funded from free general reserves and £100,000 for small scale projects to transform Council services to be funded from the ear-marked reserve for transformation of services. The budget for Syrian refugees has been posted to the service in quarter 2 and the budget for transformation of services will be posted during quarter 3. A proposal for expenditure of part of the budget for small scale transformation projects is the subject of a report to Council this afternoon.
- 3.4 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.

- 3.5 Variations to General Revenue Grant (GRG) amounting to £1,915,000 have been notified. This consists mainly of additional funding relating to Covid: £870,000 for additional teachers; £549,000 for Scottish Child Payment bridging payments; £36,000 self-isolation grant extension; £92,000 for Tenant Hardship grants, and £55,000 Business Support administration grant. Other non Covid related additional funding allocated by Scottish Government relating to manifesto pledges: £187,000 to fund an increase to the National Minimum School Clothing Grant; £69,000 to remove charges for Core curriculum subjects (which is inadequate to cover the loss of income to the Council) and £57,000 funding to remove music tuition fees. As at 30 September 2021 the funding for music tuition fees and the increase to the National Minimum School Clothing Grant have been drawn down.
- 3.6 With these adjustments the Council's overall General Services revenue budget currently stands at £239,487,000.
- 3.7 Funding of £10,432,000 for the expansion of Early Learning and Childcare (ELC) was included in base budget. ELC is funded by specific grant, but for transparency it is included in the government grant figure in **APPENDIX 3**. Funding of £10,284,000 has been drawn down, leaving a balance of £148,000. It is currently projected that there will not be sufficient grant available to cover the costs by the end of the financial year and work is underway to establish whether expenditure can be contained within the level of grant as originally planned..
- 3.8 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 3** and allocations to departments from the provisions for Inflation and Contingencies, Additional Costs and Savings are listed in **APPENDIX 4**

4. BUDGET POSITION

- 4.1 **APPENDIX 1** summarises the current position for each service area, comparing the actual expenditure for the year to 30 September 2021 with the budget to 30 September 2021.
- 4.2 Overall the budget position at 30 September 2021 is expenditure over budget to date of £167,000 or 0.2% 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 £1,258,000 primarily due to an underspend to date on out of area childcare packages of £878,000. A contract for residential care for children in Moray has ended giving an underspend of £290,000. A further underspend of £60,000 relates to adoption placements, allowances and legal fees .
- 4.5 Devolved School budgets are underspent by £864,000 at the end of the second quarter, £410,000 in primary schools and £454,000 secondary schools. There is an overspend of £213,000 on partnership nurseries.

- 4.6 The MIJB is reporting an overspend across both Council and NHS services at the end of quarter 2 of £2,374,000. 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 £1,838,000.
- 4.7 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 second quarter. All services are seeing less income than expected in the first half of the year totalling £727,000. This includes loss of leisure income above that anticipated when the budget was set, catering income, car parking income, planning and building control fees. There is also a loss of internal revenue income due to roads maintenance staff time being unable to be recharged to capital totalling £686,000 at the end of the second quarter.
- 4.8 This is partially offset due to works and spend in some services being unable to be incurred or completed due to the impact of Covid. The main service underspends total £962,000, which includes property repairs and maintenance, roads maintenance, building services, and corporate training.
- 4.9 There is also directly related Covid expenditure totalling £8,234,000. This is made up of £965,000 in Education, relating to costs of supply teachers, additional teachers and staffing for Early Learning and Childcare partner providers, financial sustainability payments, free school meal vouchers, hardship payments and additional cleaning / sanitiser; £2,000 in Housing, mainly relates to building recommissioning works (pools and libraries), £309,000 in Environmental and Commercial services for relief staff and agency staff payments covering staff who are self-isolating and £6,958,000 for business grants. All of this will be funded from covid ear-marked reserves if expenditure exceeds base budget.
- 4.10 The commitments against the ear-marked Covid reserve are included in a report to Council this afternoon.

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 they can be accurately quantified. Provisions to meet budget pressures and new duties totalling £5,134,000,000 have been released in quarter 2 and these are itemised in **APPENDIX 4**.
- 5.2 Provisions still held centrally at the end of quarter 2 total £15,920,000 and are detailed in **APPENDIX 5** and given a RAG assessment for likelihood of requirement.

- 5.3 Two provisions are assessed as red as they will not be required in this financial year but will be in 2022/23. Clearance of Bilbohall site for housing developments (£120,000) is expected to be delayed due to the uncertainties in the wider construction sector and the annual maintenance of automatic bollards (£7,000) will not be required until the automatic bollards are installed. The provision for maintenance of automatic bollards in Elgin High Street is budgeted to be funded from ear-marked covid reserves.
- 5.4 Eight provisions are assessed as amber, four relating to core provisions and four relating to Covid funding, for uncertainty of requirement. The four relating to core provisions are: additional whole life costing for Lossiemouth High School (£40,000); school roll numbers (£669,000); climate change (£130,000) and Building Information Model (BIM) (£20,000). Lossiemouth High School life cycle requirements will be reviewed in quarter 3 to ascertain if this is still required as the budget pressure was based on an early estimate. School roll numbers draw down was posted in October and based on the new roll figures the amount required was less than the budget allocation. Climate change consultants have been appointed, with one procurement still in train and the budget may not be required in full in this financial year. BIM is uncertain if it will be completed in this financial year. The four relating to Covid funding are: recurring costs of ICT equipment (£6,000); temporary ICT staff (£253,000); education (£1,065,000); general business grant administration funding (£176,000). Recurring ICT costs are for mobile phone monthly charges council-wide and are currently being absorbed within the current budget. Temporary ICT staff posts have only recently been filled and full year funding may not be required this financial year. Education has a delay in appointing staff and the funding is required to cover the academic year. The requirement for business grant administration funding depends upon the issue of more grants and potentially will not all be utilised this financial year. All provisions will be reviewed in quarter 3.
- 5.5 Four provisions that are classed as green have drawn down more than the original allocation. Two were reported previously for Linkwood primary school running costs and for school meals due to changes in regulations. In quarter 2 £634,000 has been drawn down for the National care home contract uplift for 2021/22, this pressure was agreed at budget setting but the costs were unknown until the national agreement was made. £201,000 was drawn down for the economic recovery plan funded from Covid reserves, as approved by Council on 28 October 2020. There are a number of strands to the planned expenditure on economic recovery and not all were reflected in the budget pressure of £85,000 originally included for 2020/21. The additional strands are included in the Short to Medium Term Financial Planning report to Council on 30 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. Pressures that were identified during quarters 1 and 2 are listed in the table below :

	Para Ref	Estimated full year effect £000s
Estimated underprovision for SJC pay award	6.1	700
		700
		=====

- 6.2 This budget pressure was reported in quarter 1 and remains in place. A revised pay offer has been made and is being considered by Trades Unions. No further budget pressures have been recognised in quarter 2.
- 6.3 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 of requisition, the amount of £68,000 has been confirmed following the audited accounts that were approved by the Board at the meeting on 5 November 2021. The actual saving will be posted in quarter 3.
- 7.3 Of the originally approved permanent savings, a balance of £370,000 remains in central provisions as at the end of September. These are detailed in **APPENDIX 6** and given a RAG assessment for anticipated achievement.
- 7.4 Two saving totalling £103,000 are assessed as red. The savings relating to the Improvement and Modernisation programme Stream 2: ICT & Digital – schools admin (£94,000) will not 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. Also the saving associated with moving towards a cashless car parking system (£9,000) is not expected to be achieved as less people are now using the car parks and the uptake for pay by phone is less than expected.

- 7.5 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.
- 7.6 The other unposted savings are assessed as green - these are expected to be achieved or substantially achieved during this financial year.

8. ESTIMATED OUT-TURN

- 8.1 **APPENDIX 2** summarises the first estimated out-turn position for each service area, comparing the estimated expenditure to the financial year-end with the budget to 31 March 2022.
- 8.2 Overall the estimated out-turn position for 2021/22 is expenditure over budget of £341,000 or (0.1)% of budget to date (including services delivered on behalf of the Moray Integrated Joint Board).
- 8.3 The estimated out-turn position for 2021/22 for Health & Social Care is an overspend of £3,822,000 on services provided by the Council to MIJB. The overall projected overspend for all MIJB services is £2,374,000. As the MIJB has a cost sharing agreement between the Council and NHS Grampian, an adjustment to reflect the agreement is shown. This decreases the budget shortfall for which the council is liable by £2,944,000. This brings the total anticipated variance in expenditure for 2021/22 to an overspend of £341,000. The Scottish Government has made a recent announcement of additional funding and new investment that is being put in place to help protect health and social care services over the winter period and to provide longer term improvement in service capacity. The details and implications of this are unknown at the time of writing this report, an update will be available for the quarter 3 budget monitoring report.
- 8.4 The principal areas of overspend and underspend across the Council reflect the major variances mentioned in section 4 of this report. Details of projected out-turn variances are summarised below:
- 8.5 In Children Services, there is a total projected underspend of £2,432,000. This predominantly relates to £1,700,000 for out of area childcare packages. A contract for residential care for children with disabilities has ended giving an underspend of £568,000, a report is going to a future Committee to recommend use of this underspend going forward. Adoption allowances and legal fees are projected to be underspent by £31,000; one-off income received from adoption placement is projected to give an underspend of £32,000 and throughcare/aftercare grants are expected to be £50,000 underspend to year end.
- 8.6 Staff savings from vacancies and appointment below top of scale across all services are anticipated to exceed the overall budget provision by £960,000. Variances are anticipated across all services due to the impact of the pandemic upon the recruitment process and the ability for services to replace vacancies.

- 8.7 In Education there is an estimated overspend of £1,200,000 due to the specific grant for Early Learning & Childcare being insufficient to meet current demand for this service. This will be the subject of a future report to Committee..
- 8.8 The impact of the Covid pandemic and lockdown measures that have been put in place have had significant impact on the budgets to date and this is anticipated to continue to the year end, albeit at a reduced level. All services are generating less income than budgeted, projected to total £1,005,000 at the year end. This includes loss of leisure income, catering income, car parking income, trade waste, planning and building control fees. Direct costs of response to the pandemic remain at £8,234,000 as reported in paragraph 4.9.
- 8.9 The Council Tax collection rate at this stage is holding up well against the 2019 performance and Council Tax Reduction is reducing to pre-pandemic levels , so at this stage it is estimated to achieve the budget at year end.

9. FREE GENERAL RESERVES

- 9.1 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 was approved when the 2021/22 budget was set.
- 9.2 Moray Council on 12 May 2021 approved an additional use of reserves of £30,000, as detailed in paragraph 3.9 in the report on Living Wage Consolidation (paragraph 14 of the Minute refers), as listed in **APPENDIX 7** . 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). The Economic Growth, Housing and Environmental Services Committee on 24 August 2021 (paragraph 6 of the Minute refers) approved additional expenditure of £30,000 for Syrian refugees to be funded from free general reserves. Moray Council on 15 September 2021 approved use of reserves of £10,000 for the Glenlivet Masterplan (paragraph x of the Minute refers)
- 9.3 Moray Council on 15 September 2021 approved further ear marking of free general reserves totalling £8,816,000 as detailed in paragraph 3.12 of the report on short to medium term financial planning (paragraph 27 of the minute refers).
- 9.4 The impact of the above leaves an estimated free balance of £5,535,000 at 31 March 2022. Additional budget pressures noted above will also reduce this balance if and when they crystallise.
- 9.5 The impact of the estimated out-turn is an increase in the use of reserves of £318,000, leaving an estimated free balance of £5,207,000 at 31 March 2022.

10. 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.
- (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.

11. CONCLUSION

- 11.1 The financial position of the Council at the end of September 2021 is an overspend against General Services Revenue Budget of £167,000 (including services delivered on behalf of the Moray Integration Joint Board).**
- 11.2 Variations in General Revenue Grant totalling £1,915,000 have been notified to the council.**
- 11.3 There are emerging budget pressures of £700,000 noted for Council services at quarter 2.**

- 11.4 The estimated out-turn position consists of an overspend of £341,000 and the increase in BRIS retention £23,000, to give a net increase in use of reserves of £318,000.**
- 11.5 The Council has approved use of £998,000 from free general reserves and a transfer of £8,816,000 to ear marked reserves, with a potential further £734,000 required.**

Author of Report: Deborah O'Shea, Principal Accountant

Background Papers: Held by author

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SPMAN-1293228629-629 / SPMAN-1293228629-630 /
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