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**REPORT TO: MORAY COUNCIL ON 28 SEPTEMBER 2022**

**SUBJECT: SHORT TO MEDIUM TERM FINANCIAL PLANNING**

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

**1. REASON FOR REPORT**

- 1.1 To consider updated budget projections and recommended budget savings.
- 1.2 This report is submitted to the Council in terms of the Council's Scheme of Administrative section (III) (A) (2) relating to considering Capital and Revenue budgets and long term financial plans.

**2. RECOMMENDATION**

**2.1 It is recommended that the Council notes :**

- (i) **The updated budget for 2022/23 and forecast positions for 2023/24 and 2024/25; and**
- (ii) **That there are still significant uncertainties relating to the Council's budgetary position for 2022/23 and future years.**

**2.2 It is recommended that the Council approves the savings set out in paragraphs 4.2 to 4.19 and summarised in paragraph 4.20, totalling £1.9 million recurring savings and £1.7 million one-off savings.**

**3. BACKGROUND**

- 3.1 The Council's revenue and capital budgets for 2022/23 were approved at a special meeting of Moray Council on 22 February 2022 (paragraph 4 of the Minute refers). At that time there was an environment of considerable uncertainty about the state of the economy, due to the impact of the Covid-19 pandemic and Brexit and geo-political pressures, with rising inflation and bank rates increasing. The pay award for local government staff for 2022/23 was unknown and the teacher's pay award for 2021/22 still not agreed. An update was given to Council on 10 August 2022 (paragraph x of the Minute refers).
- 3.2 There is still considerable uncertainty regarding key variables in the budget. In particular pay awards have not been agreed. However it is clear that the 2% increase assumed when the budget was set will be inadequate. The revised

position summarised in **APPENDIX 1** has been updated to incorporate the impact of the initial 5% pay offer to non-teaching staff which was rejected.

- 3.3 When the budget for 2022/23 was set a budget pressure of £2 million for Early Learning and Childcare (ELC) was included. This budget pressure was reversed in the projected budget for 2023/24. This was always going to be challenging target and preliminary work by consultants suggests that it is not achievable. There are potential savings from ELC but these are likely to be wiped out by increasing demand. The consultants' findings will be reported to Education and Children's Services Committee. The projections in **APPENDIX 1** assume that there is no scope for ELC savings in 2023/24. Indeed, with further reductions in ELC specific grant expected there may be additional budget pressures in this area.
- 3.4 The impact of the full range of savings discussed below is also included in **APPENDIX 1**.
- 3.5 **APPENDIX 1** has not been adjusted to indicate the impact of a loans pool holiday, a financial flexibility which is available in 2022/23 only and will provide flexibility to extend the timescale in which commensurate savings are required by one year. Other key areas which have not been adjusted for are: further increase in pay awards, with the teaching unions having rejected a 5% pay award, which brings risk that negotiations for all other pay groups are re-opened; increasing impact of inflationary increases in prices, including the recently announced Real Living Wage; potential cuts in funding from Scottish Government following the Spending Review planned for after the UK Government announces its fiscal event; expected reduction in ELC specific grant (as the quantum is not yet known) While therefore the loans pool holiday provides valuable breathing space to assess and plan in the medium to long term in this complex environment, there is clear potential for the savings target to increase significantly from 2023/24 onwards and with reducing reserves and flexibilities exhausted, it is essential that momentum is not lost in identifying savings to remove the structural deficit and cover emerging budget pressures.

#### **4. BUDGET SAVINGS 2022/23 TO 2024/25**

- 4.1 Council on 10 August 2022 (paragraph x of the Minute refers) approved a hierarchical approach to budget savings, with preference given to transformation of services, thereafter to income generation and finally to service reduction / cessation, recognising that given the scale of savings required there would be a requirement to reduce service provision.

##### **Service Transformation**

- 4.2 The Council entered into a tri-partite agreement with Aberdeen City Council and Aberdeenshire Council to procure an Energy from Waste plant on a Design, Build and Operate model. When the plant is operative the Council will cease to operate its landfill site, resulting in an anticipated recurring saving of £630,000.

##### **Income generation**

- 4.3 Delay in the expected date on which the Energy from Waste plant will become operational gives an opportunity to generate income in the short term. The contractor becomes obliged to accept waste from the three local authorities on

29 October 2022. It is anticipated that the contractor will use Dallachy to dispose of Moray's waste and this will generate income from the contractor for the period from 29 October until the Energy from Waste plant becomes operational. Based on current calculations of the volume of waste to be disposed of, there will be surplus capacity which could be sold to the private sector. Over 2022/23 and 2023/24 it is estimated that there is potential to generate one-off income totalling £975,000.

- 4.4 The Roads Maintenance service uses 2 tar sprayer machines to deliver the surface dressing programme, which is timetabled for May to August. Outwith these times the machines would be available to be hired out to other local authorities or private companies. Initial enquires to neighbouring authorities suggests there would be an interest in this and a schedule of charges has been developed. Based on this schedule an estimated income of £100,000 is included. A further £5,000 is estimated to be achievable from hiring out a fork lift truck, based at Buckie harbour.
- 4.5 Scottish Government set the statutory fees for planning applications and has recently increased these. An estimate of the impact of the increase is included as £210,000 in 2022/23, rising to £400,000 by 2025/26. Fees generated are dependent on planning applications made and number and type of planning applications vary so income has been based on average application levels.
- 4.6 The Council receives income from charges for Traffic Regulatory Orders (TROs) – from contractors, utilities companies, property developers and in connection with community events. It is not proposed to increase the charge for community events. A 10% increase in other charges would generate additional income of £16,000. It is also recommended that a charge of £117 per temporary bus stop is introduced (impacting on contractors and utilities companies), with anticipated income of £2,000 pa for 2023/24.
- 4.7 Income to General Services revenue is generated by recharging work done on capital projects and to outside bodies. It is anticipated that additional recharges can properly be made for Transportation staff (£71,000) and that the Consultancy section could carry out work currently out-sourced, generating a further £71,000. A review of recharges to Grampian Valuation Joint Board (GVJB) and to the Common Goods and Trusts administered by the Council to reflect current workloads and to include an element of overhead recovery would generate savings of £7,000.

#### **Further savings**

- 4.8 Financial Services have reviewed staffing structures with a view to generating savings and implemented a Change Management Plan within Accountancy, restructuring the management of the section and provision of technical support and replacing one Accountancy Technician post with a trainee accountant post. In addition to this it is proposed to delete one vacant 0.3 fte processing assistant post in Payments as the service have been able to function adequately whilst carrying the vacancy. Together these proposals would generate annual savings of £55,000. A further £3,000 savings can be generated by reducing travel and postage budgets to reflect increased use of e-communication. A review of the use of purchasing cards across the Council has identified that not all purchases are supported by the submission of VAT

receipts to the Payments section. It is estimated that the Council has lost over £40,000 in input VAT reclaimed. It is proposed that the condition that VAT receipts are submitted is proactively policed.

- 4.9 Grampian Valuation Joint Board is funded by requisitions from the constituent authorities. The Board has experienced difficulty in recruiting to posts in 2022/23 and an underspend is therefore expected. That will be returned as a refund in 2023/24 and it is recommended that an anticipated refund of £50,000 is incorporated in the budget for that year.
- 4.10 It is recommended that a one-off saving of £100,000 is generated in 2022/23 by taking a temporary 40% reduction in the central training budget. This has arisen largely due to delays in resuming activity after pandemic restrictions were lifted.
- 4.11 It is recommended that a 0.2 fte post of Primary School Advisor is deleted at the end of 2023/24, creating a £15,000 saving in 2024/25. The post is a temporary post. Removing the post would reduce the capacity to provide additional support to Acting Head Teachers or Head Teachers of Schools with known difficulties. Support will continue to be provided by the central Education team at the agreed core level.
- 4.12 Administration procedures within Property Services have been reviewed and it is recommended that the staffing complement is reduced by 1 fte Grade 3 post, generating an efficiency saving of £26,000 from streamlined procedures.
- 4.13 It is proposed that three-weekly kerbside collection is maintained, enabling savings of £136,000 to be taken (£54,000 collection vehicle, £82,000 from 3 posts, 1 fte Grade 3, 2 fte Grade 3). Due to increased house numbers from new build there is an emerging budget pressure for recycling collections but this will be dealt with separately in the budget process.
- 4.14 Currently 2 in-service days coincide with examination periods. The school is closed to most pupils but school transport still has to be provided for pupils sitting exams. It is recommended that the dates of in-service days are changed to obviate the need to provide school transport, generating a saving of £6,000 in 2024/25, after the necessary notice of change and consequent amendment of contracts have been implemented.
- 4.15 It is recommended that the budget for 3 Additional Support Needs (ASN) contracts are reviewed. Due to advances in provision of on-line educational services, including free provision of some resources, the budgets for home tuition for children unable to attend school due to on-going medical treatment and for training school staff in the use of assistive technology can be reduced, generating savings of £49,000 in 2022/23 at no loss of service. The contract with NHS Grampian for the provision of additional support from the paediatric speech and language team has been reshaped to reflect the current level of service and a recurring budget saving of £60,000 is proposed for 2023/24.
- 4.16 There is a vacant post on Internal Audit, recently approved to address capacity issues within the service. Given the requirement to make significant savings and in line with approaches taken in other services, it is now proposed that this post is deleted, generating a saving of £40,000.

- 4.17 An underspend on Children's Services of £650,000 is forecast for 2022/23 and it is recommended that £600,000 is taken as one-off savings, with recurring savings of £50,000 in 2022/23 and £54,000 in 2023/24 from the deletion of the (temporary) post of Head of Children's Services.
- 4.18 The Benefits and Money Advice team have temporary arrangements in place to support a vacant team leaders post. The arrangements are working effectively and it is recommended that the restructure to 4 team leaders is made permanent, generating savings of £40,000.
- 4.19 It is proposed to review and consolidate the contract management IT systems used by the library service, with efficiency savings of £7,000 anticipated in 2024/25.
- 4.20 In summary, the following savings, totalling £2 million recurring savings, are recommended:

	Para	Ref *	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s
Energy from Waste plant – cease operations at Dallachy landfill site	4.2	D4-1			630	
Surplus capacity at Dallachy	4.3	D4-1	250	725 (250)	(725)	
Hire of tar sprayers	4.4	D7-1		100		
Hire of fork lift truck	4.4	D9-3		5		
Statutory planning fees	4.5	E2-1	210	110	40	40
Increase charges for TROs	4.6	D9-4		16		
Introduce charge for temporary bus stops	4.6	D9-2		2		
Recharge Transportation staff	4.7	D9-5		71		
Recharge Consultancy staff	4.7	D11-1		71		
Recharges to GVJB, Common Goods, Trusts	4.7	F6-4		7		
Accountancy structure	4.8	F6-3	39	16		
Payments post	4.8	F6-3	10			
Travel and postage	4.8	F6-4	3			
Purchasing cards	4.8	F6-6	10	30		
GVJB refund	4.9	F6-5		50	(50)	
Central training budget	4.10	F4-2	100	(100)		
Primary School Advisor	4.11	A20-1			15	
Property admin	4.12	C5-1		26		
Three-weekly collection	4.13	D4-2		136		
School in-service days (transport)	4.14	D9-1			6	
ASN contracts	4.15	A18-1	49	60		

	Para	Ref *	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s
Internal Audit vacant post	4.16	F7-1	40			
Children's Services – one-off	4.17	B1-1	600	(600)		
Head of Children's Services	4.17	B1-1	50	54		
Benefits and Money Advice team	4.18	F8-4	40			
Libraries contract management systems	4.19	A5-6			7	
<b>TOTAL</b>			<b>1,401</b>	<b>529</b>	<b>(77)</b>	<b>40</b>
Recurring savings			451	704	698	40

\* Members' use – library reference

## 5. **SUMMARY OF IMPLICATIONS**

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

Financial Planning is integral to the Council's overall planning processes and allows the Council to direct resources to its agreed priorities which include financial sustainability.

### (b) **Policy and Legal**

The Council is required by statute to set a balanced budget before the start of the financial year. The requirement is set out in the Local Government Finance Act 1992 (section 93).

### (c) **Financial implications**

The Council has an underlying structural deficit which will be met from reserves in 2022/23 but this cannot continue as reserves are finite. A continued and heightened budget gap is forecast for 2023/24 and 2024/25.

Early action to tackle the projected funding gap for 2023/24 and 2024/25 is required. As a first step some income generation and other savings proposals are brought forward, totalling £1.9 million recurring savings, with additional one-off savings totalling £1.7 million. There are considerable uncertainties regarding a number of potential budget pressures. To achieve financial stability and sustainability the creation of further non-essential budget pressures must be avoided.

### (d) **Risk Implications**

The forecast deficits for 2023/24 and 2024/25 represent a significant risk to the Council. There is also a risk that the deficits are understated.

### (e) **Staffing Implications**

There are no staffing implications arising directly from this report.

**(f) Property**

There are no property implications arising directly from this report.

**(g) Equalities/Socio Economic Impact**

No implications arise directly from this report. Any savings proposal with an equalities impact will be subject to an Equalities Impact Assessment. There are no equalities implications for the savings presented.

**(h) Climate Change and Biodiversity Impacts**

There are no implications for climate change and biodiversity arising from this report.

**(i) Consultations**

CMT and Heads of Service have been fully involved in the preparation of proposed savings and Political Group Leaders has been consulted.

**6. CONCLUSION**

- 6.1 There are considerable uncertainties regarding the Council's budgetary position in 2022/23, however the underlying position is a deficit, funded by use of ear-marked reserves to balance. Savings are therefore required and proposed recurring savings of £1.9 million are set out in this report, with additional one-off savings of £1.7 million.**

Author of Report:

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Background Papers:

Political Group Leaders agenda papers

Ref:

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