



REPORT TO: SPECIAL MEETING OF MORAY COUNCIL ON 8 MARCH 2023

SUBJECT: REVENUE BUDGET MONITORING TO 31 DECEMBER 2022

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

1. REASON FOR REPORT

- 1.1 To advise Committee of the revenue budget monitoring position to 31 December 2022 and of the current estimated out-turn for 2022/23.
- 1.2 This report is submitted to Council 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 £1,244,000 under budget for 2022/23 as at 31 December 2022;**
- (ii) that this position consists of an underspend on Devolved School budgets of £1,098,000, an over achievement on Sport and Leisure income of £268,000, an overspend on Social Care services delivered on behalf of the Moray Integration Joint Board (MIJB) of £1,043,000, and an underspend on other services of £921,000;**
- (iii) movement of £5,080,000 in the General Revenue Grant, as detailed in paragraph 3.4;**
- (iv) the current estimated out-turn for 2022/23 of an underspend of £11,967,000 which includes a loans pool holiday, reducing expenditure by £7,583,000, along with further underspends of £4,384,000.**
- (v) Included in that underspend is budget pressures totalling £2,581,000 which are projected to slip into next year and will result in an increase in Council reserves for 2022/23 but will be required in 2023/24;**
- (vi) the emerging budget pressures noted in paragraph 6.1; and**

- (vii) an additional £2,007,000 funding for the pay award coming as capital grant.

3. BACKGROUND

- 3.1 When the revenue budget for 2022/23 was approved by Moray Council on 22 February 2022 (paragraph 4 of the minute refers), General Revenue Grant of £180,723,000 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 £46,555,000 were anticipated. Budgeted expenditure of £240,732,000 was agreed, and included use of financial flexibilities totalling £3,120,000 and required projected use of £10,335,000 of the Council's ear marked reserves to balance the budget. The financial flexibility planned to be used was use of capital receipts to fund Covid-related expenditure. The Treasury has advised Scottish Government that the use of capital receipts to fund Covid-related revenue costs would score against the Scottish Government capital allocation and so this financial flexibility has been withdrawn. To replace this the budgeted use of ear-marked reserves has been increased.

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 2022/23 is £1,288,000 (2021/22 £1,342,000).

Unused Pupil Equity Fund (PEF) of £1,046,000 received in 2021/22 and £44,000 funding for nursery snacks and fundraising have been carried forward into 2022/23 in accordance with the grant conditions as funding is made on a financial year basis but spent on an academic year basis.

On 29 June 2022 Council approved additional expenditure of £1,449,000 to be funded from the covid ear-marked reserve. The majority of these adjustments (£1,102,000) have been posted to departments. The additional provision of £295,000 approved for the expansion of Universal Free School Meals to Primary 5 (underspend from the 2021/22 allocation) won't be required, due to lower uptake than expected.

- 3.2 Variations to General Revenue Grant (GRG) amounting to £5,080,000 have been notified. This consists of additional funding for the local government pay award £2,330,000, Teacher Induction Scheme £1,609,000, balance of funding for the Cost of Living Payments £560,000, Whole Family Wellbeing Fund £546,000, and other smaller items of funding of £35,000. Funding has not all been drawn down but will be required for the final quarter.
- 3.3 With these adjustments the Council's overall General Services revenue budget currently stands at £257,534,000.
- 3.4 Reconciliation of the movements in the base budget from that which was approved by the Moray Council on 22 February 2022 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 31 December 2022 with the budget to 31 December 2022.
- 4.2 Overall the budget position at 31 December 2022 is expenditure under budget to date of £1,244,000 or 0.7% of budget to date (including services delivered on behalf of the Moray Integrated Joint Board (MIJB)).
- 4.3 The principal areas of overspend and underspend across the Council are summarised below.

Devolved School budgets are underspent by £1,098,000 at the end of the third quarter, £298,000 in primary schools and £800,000 in secondary schools. All schools have plans for underspend, within DSM limits with the majority of underspend being used for tenant responsibilities, forecast staffing in secondary schools and resource purchases. The underspend is within the current limit within the DSM scheme for individual schools. There is also an underspend in Pupil Equity Funding of £439,000. Schools have plans for PEF spend for the remainder of the academic year with committed spend for any underspend arising from posts which have taken time to fill within the school year. Early Learning and Childcare partnership provider payments are £413,000 over budget to date.

- 4.4 The MIJB is reporting an overspend across both Council and NHS services during quarter 3 of £2,095,000. 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 £1,043,000.
- 4.5 Environmental and Commercial Services are overspent by £182,000 on fuel costs due to all vehicles having to use white diesel and not red diesel due to changes in legislation. Provision for this pressure was made when the budget was set but has proven to be inadequate, due to rising fuel costs.
- 4.6 Housing and Property Services are overspent on homeless accommodation by £190,000. There are underspends in repairs and maintenance budgets for corporate planned works of £125,000, shared buildings of £41,000 and school buildings of £16,000. Industrial Estates are showing a £15,000 underspend at quarter 3.
- 4.7 Income budgets across the Council are showing both positive and negative variances. Sports and leisure facilities were expected to continue to see reduced income in the aftermath of covid restrictions and budgets were adjusted accordingly. Recovery is ahead of forecast with income for quarter 3 £268,000 above the revised target. Income from trade waste is £142,000 below target, continuing the trend which emerged during the pandemic, however, income from the sale of recyclates is currently £200,000 above target. Bulk waste and tipping income are also above target to date, by £22,000 and £53,000 respectively. Fees from building standards and planning applications are in aggregate £225,000 above target. Catering income is £70,000 below budget but this is more than offset by a related underspend of

£243,000 on food and other catering supplies due to lower uptake of free school meals by primary 5 pupils than expected.

5. BUDGET PRESSURES and ADDITIONS

- 5.1 Budget pressures recognised when the budget was approved on 22 February 2022 are released when the pressure develops to the extent that it can be accurately quantified. Provisions to meet budget pressures and new duties totalling £3,455,000 have been released in quarter 3 and these are itemised in **APPENDIX 4**.
- 5.2 Provisions still held centrally at the end of quarter 3 total £5,286,000 and are detailed in **APPENDIX 5** and given a RAG assessment for likelihood of requirement.
- 5.3 Twenty four provisions are assessed as red, as no longer being required this year. The following provisions balances are not expected to be required until 2023/24 due to timing: Additional funding for teachers balances of £81,000 and £225,000; DSM/ class contact time review £13,000; Moray Growth Deal contribution to STEM £3,000; Development plan scheme transportation appraisals £200,000; Free school meals extension, balance now £256,000, which will depend on uptake from the new school year in August and will be required in 2023/24; clearance of Bilbohall site for housing development £120,000 as work is not expected on site until the end of 2023 and will not be required in this financial year; Economic recovery plan £193,000 with delays in establishing pop-up shops; revised Improvement and Modernisation Programme £533,000 is not expected to be fully required until 2023/24; annual maintenance of automatic bollards for £7,000 which are no longer required this year. Budget has been drawn down for the Levelling Up Fund leaving a balance of £221,000 which may be required for submission of a new bid next year. Lastly, the Whole Family Wellbeing Fund balance of £546,000 has no spend against it in 2022/23 and will require carrying forward - a total of £2,398,000 slippage.
- 5.4 The following provisions assessed as red are no longer required: £64,000 for removal of music tuition fees and core curriculum charges as funding has been received via redetermination; £69,000 for the removal of curriculum charges and £57,000 removal of music tuition charges being the balance of the redetermination that is not required; £187,000 and £420,000 for Living Wage; £143,000 for the National Insurance increase that was subsequently reversed from November 2022; free school meal holiday provision £48,000 of the £80,000 balance; £30,000 for Moray Growth Deal support as salary costs have been drawn down and no further funding required; £12,000 for free period products, £26,000 for Easter study provision, and £82,000 for the administration element of the Cost of Living Payments funding. £30,000 for the balance of ELC Consultant approved budget that is not required.
- 5.5 Two provisions are assessed as amber, for uncertainty of requirement £63,000 school real time data, the department is looking into alternative ways of utilising this due to being unable to recruit; and £120,000 for Youth work (Buckie and Forres) engagement has only just started with spend in quarter 3

but full amount will not be required in this financial year. Any balance not spent will be required to be carried forward

- 5.6 Two provisions that are classed as green have drawn down more than the original allocation. Health and Social Care Package costs were estimated at £185,000 split over 2021/22 and 2022/23. Due to a delay in the commencement of the package the full amount was not drawn down until 2022/23. The budget pressure for energy costs was estimated at £411,000 however due to the increase in the cost of energy since that estimate was made this was under estimated by £1,224,000. The impact of the National Insurance 1.25% increase was more than provided for but the reversal of NI rates from November has reduced the requirement, with the balance of the provision of £143,000 not required.
- 5.7 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 have been identified during quarter 3 are shown in the table below:

	Para Ref	Estimated full year effect £000s
Homeless Accommodation	6.2	230
Waste Management - leachate	6.3	73
Teachers pay offer	6.4	1,470
Total		1,773
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- 6.2 There is an emerging budget pressure for providing homeless accommodation. There is an overspend to quarter 3 of £190,000 with this projected to increase to £230,000 by the end of 2022/23.
- 6.3 Leachate – the cell has recently been capped which causes increased leachate initially but the rates have also increased under a new contract.
- 6.4 At present a pay offer for teachers has not yet been accepted for 2022/23. However, it is a substantial budget pressure that will materialise in due course. Using the most recent pay offer figures (February 2023) the estimated minimum cost to the Council, over and above the budget already included this year, is £1,470,000. This assumes additional funding is provided by the Scottish Government to support the revised offer.
- 6.5 The budget will continue to be reviewed for any emerging pressures.

7. SAVINGS

- 7.1 Savings of £1,576,000 were approved when the budget was set on 22 February 2022. These savings comprised one-off savings of £68,000 and other permanent savings of £1,508,000.
- 7.2 Temporary savings of £68,000 were forecast from the refund of the Grampian Valuation Joint Board (GVJB) surplus. The GVJB audited accounts were approved and signed at the meeting of the Board on 27 January 2023, giving an actual surplus refunded to Moray of £78,000.
- 7.3 Of the originally approved permanent savings, a balance of £151,000 remains in central provisions as at the end of December. These are detailed in **APPENDIX 6** and given a RAG assessment for anticipated achievement.
- 7.4 One saving totalling £20,000 is assessed as red. The saving relating to the closure of Auchernack are unlikely to be achieved in 2022/23 because it will only be realised when the building is disposed.
- 7.5 Three savings totalling £263,000 are assessed as amber. These savings relate to the Improvement and Modernisation programme Stream 2: ICT and Digital – schools admin £94,000, IMP Stream 4: Review and Expansion of Flexible working £44,000 now subsumed into Smarter Working and Lean review £125,000. These will be kept under review.
- 7.6 The other saving, increase vacancy factor in line with pay awards, is assessed as green as the actual saving was higher than the target.
- 7.7 In addition to the savings approved when the budget was set, additional savings of £70,000 accrue from the increase in NI threshold. There was a late posting of a vacancy factor increase of £36,000 relating to 2021/22. A further saving of £25,000 relates to a vacant post advised by the service to be no longer required. £3,000 saving following restructure to the janitor service agreed in 2015 and being implemented as planned over a number of years as postholders retire. Additional one-off savings of £600,000 relating to children's services were approved at Council on 28 September 2022 (para 16 of the minute refers) along with a further £50,000 permanent saving in Children's Services, £49,000 saving from home tuition, £3,000 for travel/postages budgets, vacancies in Internal Audit and Benefits of £43,000 each and corporate training saving of £100,000. Further savings approved at that meeting have yet to be posted, totalling £519,000.

8. ESTIMATED OUT-TURN

- 8.1 **APPENDIX 2** summarises the estimated out-turn position for each service area, comparing the estimated expenditure to the financial year-end with the budget to 31 March 2023.
- 8.2 Overall the estimated out-turn position for 2022/23 is expenditure under budget of £11,967,000 or 4.6% of budget for the year (including services delivered on behalf of the Moray Integrated Joint Board).

- 8.3 The estimated out-turn position for 2022/23 for Health and Social Care is an overspend of £4,222,000 on services provided by the Council to MIJB. The figures included in this report relate purely to the services delivered by Moray Council on behalf of the MIJB and amount to a forecasted overspend of £2,644,000. However, due to additional funding received and reserves brought forward, there is expected to be enough reserves to cover this overspend for 2022/23. The MIJB has a cost sharing agreement between the Council and NHS Grampian, but due to the use of reserves an adjustment to reflect the agreement is not anticipated to be required.
- 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 Staff savings from vacancies and appointment below top of scale across all services are anticipated to exceed the overall budget provision by £1,937,000, reflecting difficulties in recruiting and retaining staff. Income budgets across the Council are showing both positive and negative variances, with a projected net effect of £313,000 over achievement. This includes increased leisure income, planning fee income and recyclates but with a reduction in income for libraries, catering income, car parking income and trade waste.
- 8.6 In Children Services, there is a total projected underspend of £326,000, excluding staff savings from vacancies. This relates primarily to delays in new contracts for services being implemented (£214,000), throughcare/aftercare grants £31,000 under, adoption allowances, legal fees and placements are projected to be underspent by £42,000; fostering fees and allowances projected to be £96,000 underspent; and one-off income received from adoption placement is projected to give an underspend of £33,000. This is being reduced by overspends expected in direct payments of £82,000; and home to school transport £62,000.
- 8.7 In Education there is an estimated overspend of £324,000 due to increasing costs and the reduction in specific grant for Early Learning and Childcare. A budget pressure of £2 million was recognised when the budget was set, due to current demand for this service. The service has been reviewed with a view to containing costs and the recommendations of the review have been reported to Education, Children's and Leisure Services Committee on 14 December 2022 (paragraph 20 of the Minute refers) and will be subject to further report to that committee.
- 8.8 General Services Housing are projecting an underspend of £203,000, excluding staff savings, which is a combination of a projected underspend of £329,000 on the Rapid Rehousing Transition Plan the funding for which will be required to be carried forward to fund the revised plan approved by Housing and Community Safety Committee on 6 September 2022 (paragraph 8 of the Minute refers), and Corporate repairs and maintenance underspend of £119,000. Overspends projected in the service are Homeless accommodation of £230,000 and sheltered housing of £22,000.

- 8.9 Environmental and Commercial Services are projecting a £313,000 overspend overall. The winter maintenance budget is based on the assumption of a very mild winter and with the conditions already experienced up to the end of quarter 3, combined with the increase in salt price which has gone from £35 per tonne to £51 per tonne, there is a forecast overspend of £700,000. Underspends in other services reduce the overall forecast for the department, including additional income and staff vacancy savings which have been mentioned above.
- 8.10 There are projected underspends in Economic Development totalling £539,000. Underspends include £50,000 for a hydrogen study carried out last year and budget in 2022/23 not required, £75,000 for Local Heat and Energy Efficiency Strategy – new funding on 2022/23 unlikely to be spent due to difficulties in recruiting, £25,000 Climate Change studies which cost less than anticipated, £20,000 Local Development Plan. There has been slippage amounting to £210,000 for Economic Development Projects, the bulk of which relates to pop-up shops and following that slippage to business grants which were anticipated to be made following successful pop-up shops.
- 8.11 Loans charges are expected to be underspent by £5,801,000 due to a combination of loans pool repayment holiday - £7,583,000 underspend – and increased interest payments of £1,782,000, based on a loans pool rate of 4%.
- 8.12 Centrally held provisions are expected to underspend by £3,664,000. This is mainly due to slippage, with a number budget pressures and additions, as identified in section 5 and totalling £2,581,000, not being required in this financial year but will require to be carried forward into 2023/24 and to additional savings as itemised in paragraph 7.7.
- 8.13 The Scottish Government provided additional to support the local government pay offer. The Council's share of the recurring revenue funding is £2,330,000 and funding through capital grant is £2,007,000. The revenue funding is incorporated in the budget. Funding through capital grant will require ministerial consent to route through the Housing Revenue Account and has yet to be incorporated into the budget.
- 8.14 The estimated actual does not include an estimate of Council Tax receipts against budget. It has been particularly difficult to forecast Council Tax this year, due to the complication of Cost of Living payments. However, indications are that it will be below budget.

9. RESERVES

- 9.1 The balance on free general reserves (i.e., excluding DSM and ear-marked reserves) as at 1 April 2022 was £5,000,000. This is the minimum level of reserves that can be held on free general reserves within the limits of the Council's Reserves Policy.
- 9.2 Moray Council on 29 June 2022 approved an additional use of covid ear marked reserves totalling £1,449,000, as detailed in paragraph 3.3 (paragraph 14 of the Minute refers). Moray Council on 30 August 2022 approved

additional use of covid ear marked reserves totalling £960,000 for employability (paragraph 8 of the minute refers). The impact of this is an estimated balance of £7,038,000 at 31 December 2022.

- 9.3 Balances at 31 December 2022 for other ear marked reserves are £4,388,000 for Transformation and £5,888,000 for Council priorities.

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. A significant underspend against budget is forecast. This is mainly due to taking a loans pool holiday and to slippage in planned expenditure
- (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.

11. **CONCLUSION**

- 11.1 The financial position of the Council at the end of December 2022 is an underspend against General Services Revenue Budget of £1,244,000 (including services delivered on behalf of the Moray Integration Joint Board).**
- 11.2 Variations in General Revenue Grant totalling £5,080,000 have been notified to the council.**
- 11.3 The estimated out-turn position consists of an underspend of £11,967,000, to give a net decrease in planned use of reserves of £11,602,000. £7,583,000 arises from taking a loans pool holiday. £2,581,000 is slippage in use of budget provisions.**

Author of Report: Susan Souter, Senior Accountant
Background Papers: Held by author
Ref: