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**REPORT TO: MORAY COUNCIL ON 6 DECEMBER 2023**

**SUBJECT: REVENUE BUDGET MONITORING TO 30 SEPTEMBER 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 September 2023 and the current estimated out-turn for 2023/24.
- 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 £332,000 over budget for 2023/24 as at 30 September 2023;**
- (ii) that this position consists of an underspend on Devolved School budgets of £613,000, an underspend of £459,000 on Children's Services, an underspend of £505,000 on Environmental Services and an overspend on Social Care services delivered on behalf of the Moray Integration Joint Board (MIJB) of £1,995,000 and an underspend on other services of £86,000;**
- (iii) movement of a £2,873,000 increase in General Revenue Grants, as detailed in paragraph 3.5;**
- (iv) the current estimated out-turn for 2023/24 of an overspend in Council services including Health and Social Care of £1,235,000 after adjusting for the cost sharing agreement with NHS for MIJB, with underspends in loans charges of £885,000 and slippage in use / reduction in requirement of provisions of £786,000 resulting in an overall £436,000 underspend and a decrease in the planned use of Council reserves by £463,000 from that budgeted for; and**
- (v) the emerging budget pressure noted in paragraph 6.2.**

### **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 was £853,000 (2022/23 £1,288,000) and on 13 June 2023 Corporate Committee approved an additional £33,000 to be retained over and above the permitted DSM allowances, for planned spend at two schools which were not completed during the academic year due to circumstances out with their control (para 10 of the minute refers). This budget has been reallocated from Covid reserves. 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 Reserves for Covid. All of these adjustments were posted to departments during quarter 1 (para 13 of the minute refers).
- 3.4. Additional funding from Covid reserves of £421,000 are reflected in budgets for quarter 2, including Bus Revolution revenue budget of £74,000, a cost of living contribution to Moray Food Plus of £16,000, temporary ASN costs of £299,000 from the additional £1,100,000 approved by Council on 28 June 2023, and the £33,000 DSM adjustment for two schools explained in paragraph 3.2 above. Other adjustments of £639,000 reflected in the budgets are for other service specific earmarked reserves set up at 2022/23 year end closedown for funding received that required carried forward and used in 2023/24.
- 3.5. Variations to General Revenue Grant (GRG) amounting to £2,873,000 have been notified and actioned. This consists of additional funding for summer holiday activities of £68,000, Employability £264,000, and £331,000 to support the resettlement and wider integration of displaced Ukrainians. Funding passported to the MIJB has also been actioned: £1,882,000 for Real Living Wage and £328,000 for Personal and Nursing Care.
- 3.6. A contribution towards the recurring costs of the final Scottish Negotiating Committee for Teachers (SNCT) pay agreement for 2022-24 of £2,204,000 has been confirmed which will reduce the required use of reserves.
- 3.7. With these adjustments to use of reserves and GRG, the Council's overall General Services revenue budget currently stands at £268,781,000.

- 3.8. 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 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 with the budget to 30 September 2023.
- 4.2 Overall the budget position at 30 September 2023 is expenditure over budget to date of £332,000 or 0.3% of budget to date, which includes services delivered on behalf of the Moray Integration Joint Board (MIJB).
- 4.3 The principal areas of overspend and underspend across the Council are summarised below.
- 4.4 In Education, Resources and Communities there is an underspend of £105,000. Much of this relates to the over achievement of income in Sport and Leisure services against an income budget reduction during Covid. The income budget was due to be increased in phases over 2023/24 and 2024/25 but recovery has been quicker than expected and the full income budget will be reinstated this year. Libraries has an overspend on licences of £57,000 and under achievement of income from sales, fees and charges of £14,000. Licences is a non recurring overspend due to the timing of licence renewals; there is a small saving in libraries licence fees of £4,000 expected in 2024/25.
- 4.5 Children's Services has an underspend of £459,000 to date, an increase from quarter 1. 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 £272,000. Out of Area placements are £46,000 under budget and, as was similarly reported last quarter, this can quickly fluctuate given the cost per week of a placement. Adoption and fostering fees/allowances are under budget by £90,000, and throughcare/aftercare payments are also under budget, by £15,000 at quarter 2. Within Area Teams, Self Directed Support (SDS)/direct payments and legal fees are currently £52,000 and £10,000 over budget respectively, while fostering home to school transport are £14,000 under budget.
- 4.6 Education has a £703,000 under spend to date. Devolved School budgets are underspent by £613,000 at the end of the second quarter; £130,000 in primary schools and £483,000 in 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 in Schools and Curriculum Development, including underspends of free sanitary products £14,000 and clothing grants £11,000. Overspends in central supply of £71,000 which is difficult to forecast due to being cover for maternity and sick leave, and an insurance excess payment of £58,000. In ASN there are underspends including speech and language therapy of £25,000, travel and training.

- 4.7 Environmental and Commercial Services are presenting a £505,000 underspend to date across services; Waste has a net underspend of £180,000; £160,000 of this is for Waste Disposal. As waste is now being transported to the new Energy from Waste plant in Aberdeen, the costs are offset by underspends on Landfill Tax and Leachate costs. During this transitional year the budgets will require ongoing monitoring and review, including the impact of reduced gate fees from electricity generated by the plant. There is also £18,000 underspend on energy costs within Waste. Harbours income is ahead of target by £175,000, with spend of £30,000 for management and legal fees at Buckie Harbour reducing the net underspend. Consultancy is under spent by £272,000 in total which is partially due to the £200,000 grant received in Emergency Planning from the Scottish and Southern Electricity Networks (SSEN) Resilient Communities Fund, explained in the quarter 1 monitoring report. There has been small items of expenditure to date but the bulk is earmarked for spending on creating power generation capacity for information and co-ordination hubs. Any unspent funds at year end will be earmarked for projects agreed with SSEN. Revenue expenditure to date on Flood Prevention and Bridge Works projects are under budget but this is understood to be due to profiling of works. Roads Maintenance is £145,000 over spent to date, with £92,000 coming from an over spend in recharges from Fleet for additional vehicle hire. Fleet are currently £76,000 under budget in total but within this are variances that highlight significant price increases within the service. Although Fleet recharges to departments recover all elements of the cost of vehicles and plant, the external costs sit within Fleet and it is through monitoring of this budget that total variances, both over and under spends, can be monitored. Vehicle running costs are £121,000 over budget at quarter 2, with spare parts accounting for £111,000 of this. The costs of spare parts have increased by approximately 30% in recent years. External vehicle hires managed by Fleet services are over budget at this point of the year by £115,000, and as it's mainly Environmental and Commercial Services requiring the vehicles; Lands and Parks, Public Transport Unit and Roads - as referred to above, it's a recurring overspend that is kept within the department. Expenditure of £37,000 has also been incurred for accident damage this year to date. Cleaning and Catering services is £139,000 under budget; of this variance school catering has a £110,000 underspend on food and other costs from which an approved £150,000 saving has still to be taken, and is £16,000 favourable on income. 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 underspent on food costs although there is expected to be an increase in wheat products as the situation in Ukraine continues to affect supplies. Lands and Parks are £22,000 over budget to date with variances on burial ground income, vehicle running costs and war memorials. The Public Transport Unit (PTU) is currently over budget by £90,000; £54,000 is because of additional school transport routes required due to pupil numbers and an increase in ASN provision, and a shortfall of £35,000 in public transport income and this budget is being reviewed by the service with accountancy.
- 4.8 Economic Growth and Development Services have a £46,000 overspend which is primarily due to a shortfall in income in Building Control and Planning.

- 4.9 In Financial Services, a £54,000 overspend is due to software costs £44,000 and postages within Taxation.
- 4.10 Governance, Strategy and Performance is over budget by £44,000 with notable variances. Benefits is £161,000 over budget to date due to overspends including software costs, Scottish Welfare Fund, Discretionary Housing Payments and Housing Benefits. Customer Services is under budget by £16,000; contract underspend of £33,000 and an overspend on software £10,000. Underspends in other sections include Legal; income is above target in short term let income by £19,000 and Licensing Board income by £39,000, and underspends in Supplies and Services £14,000, Electoral grant of £14,000 unspent to date. In Poverty, a social inclusion/shared prosperity fund match funding contribution budget is under budget by £32,000 to date.
- 4.11 General Services Housing and Property is over spent by £52,000 in total with positive and negative variances; Improvement Grants are under by £16,000 due to a higher capital grant than currently budgeted to date; Industrial Estates have underspends with income exceeding budget to date by £28,000; Homeless temporary accommodation is currently under budget by £24,000 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. Repairs and maintenance continue to have an overspend; £120,000 overspend for schools which is due to the pattern of spend on school buildings while corporate buildings repairs are £44,000 under to date. There is an income shortfall in Property fees of £54,000 due to less capital project work being carried out than budgeted for in the capital plan.
- 4.12 In Other expenditure budgets, a variance of £8,000 overspend is due to additional pension costs/strain on the fund overspend of £77,000 and Members Wards budgets are £47,000 underspent to date.
- 4.13 The MIJB is reporting an overspend across services at the end of quarter 2 of £1,995,000. The figures included in this report relate purely to the services delivered by Moray Council on behalf of the MIJB.
- 4.14 Income budgets across the Council are showing both positive and negative variances. Sports and leisure facilities budgets should be back to pre Covid level earlier than planned (paragraph 4.4). Libraries income has a recurring variance due to loss of income (paragraph 4.4). In General Services Housing, Improvement Grants are under by £16,000 due to a higher capital grant than currently budgeted for to date, Industrial Estate income is ahead of target by £28,000 and (as per paragraph 4.11) Homeless temporary accommodation has additional income of £24,000 to date. Within Environmental and Commercial Services there is additional income at this quarter 2 stage in Waste recycling services (£36,000), Harbours (£123,000), Roads income from service users (£119,000), Catering income £17,000 and there is an income shortfall of £25,000 on sale of lairs in Burial Grounds, and £35,000 in the PTU. Income is above target in Legal Services for licensing income by £58,000, Industrial Estates rental of £28,000 and Homeless accommodation of £24,000. Other income shortfalls include the Building Control and Planning fees £65,000. Recharges to capital are also under budget.

## **5. BUDGET PRESSURES AND 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 £5,928,000 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 £4,103,000 and are detailed in **APPENDIX 5** and given a RAG assessment for likelihood of requirement.
- 5.3 Six provisions are assessed as red, as no longer being required this year; although two are currently required in future years; the revised Improvement and Modernisation Plan (IMP) of £1,302,000 has changed from amber to red as the amount drawn down in Quarter 2 is all that is required for 2023/24, the balance of £596,000 will be required for full year effect funding to cover April to August 2024; the £30,000 Deposit Return Scheme budget pressure was confirmed in Scottish Parliament in June to be delayed until October 2025. Other budget pressures now no longer needed are; DSM review class contact time budget pressure of £18,000; the Economic Recovery Plan (reported to Economic Development and Infrastructure Services Committee on 2 May 2023) of £53,000; £5,000 for a contribution to Renewables Income Fund; and £11,000 for the Trade Union provision which was drawn down as part of funding from reserves and is no longer a budget pressure. These will be adjusted for in quarter 3 and will be reflected as a reduction in required used of reserves this year.
- 5.4 Fourteen provisions, totalling £3,654,000, are assessed as amber, being not yet taken and uncertain if required, or yet to be taken. Six have had no draw down of budget this year to date but latest consultations with departments are that they are still likely to be required, with only School real time data uncertain of requirement of the £63,000 budget pressure. The remaining eight classed as amber include; free school meals of £293,000 with a balance of £205,000 available. A portion of this is required for Christmas and mid term break in the 2023/24 academic year; School roll numbers £700,000 budget pressure was waiting for updated census figures which have just been received and calculations indicate that £406,000 of this is not required as the roll figures came in below estimates. The Levelling Up Fund balance of £177,000 may be drawn down as it has the potential to spend in full if the application is submitted. Youth Work £120,000 (£60,000 each for Forres and Buckie areas) will be used in full this year. 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, therefore shown as amber.
- 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 2 are listed in the table below.

	<b>Para Ref</b>	<b>Estimated full year effect £000s</b>
Waste – additional crew for household collections	6.2	136
<b>Total</b>		<b>136</b>
		<b>====</b>

- 6.2 There are significant developments ongoing within the Waste service, with moves to 3 weekly collections during covid now a permanent fixture and the opening of the NESS Energy from Waste (EfW) facility and the transitional phase of operations. Discussions with the Waste Manager has identified a separate issue when recognising all the changes; whilst savings have been made in some aspects of household collections, this has highlighted the need for an additional crew to service an increased number of properties across Moray, a budget pressure that was perhaps obscured by the changes implemented during Covid. Already operational, this has identified a budget pressure in the service of £136,000.

## 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 were approved at Moray Council on 28 June 2023 (paragraph 13 of the minute refers), including an increase of £400,000 for Council tax receipts.
- 7.3 Increases to car parking charges were approved in the Elgin Car Parking review reported to Council on 27 September 2023. The full year income budget will increase by £414,000 with a part year effect from 1 January 2024 of £103,000.
- 7.4 Temporary Accommodation charges for the homeless have also been increased, with a part year effect in 2023/24 of £20,000.
- 7.5 Customer Services Change Management Plan savings of £108,000 have been taken.

- 7.6 Savings approved in the Short to Medium Term Financial Plan reported to Council on 28 June 2023 total £29,000.
- 7.7 Energy from Waste saving on a reduced gate fee due to electricity generation at the waste plant in Aberdeen has been initially valued at £150,000 but further savings are anticipated.
- 7.8 Total savings/increased income posted to date are £2,536,000 plus the Council Tax increase. Of the original approved savings, a balance of £1,879,000 remains in central provisions as at the end of June. These are detailed in **APPENDIX 6** and given a Red Amber Green (RAG) assessment for anticipated achievement.
- 7.9 Approved savings that are now not expected to go ahead, marked in red on the **APPENDIX 6**, total £783,000; financial services restructure of £16,000; £35,000 for salt store at Keith which is now being progressed as part of a wider depot review; £2,000 saving for charges for temporary bus stops will not be achieved as contractors have supplied their own temporary stops; £56,000 for the Stream 2: ICT and Digital - schools admin will not materialise this year as following the report to Education, Children's and Leisure Services (ECLS) Committee on 19 September 2023, which gave an update to committee on progress of the IMP. As was confirmed at that meeting, the next stage of the project will be a Service Review with an update to be presented to the next ECLS Committee. Estimated savings will not be realised this year (paragraph 20 of the minute refers); the LEAN review has been delayed and savings of £125,000 yet to be achieved; the £725,000 proposed income from spare capacity at Dallachy is unlikely to be achieved in full as private sector companies have sought alternative sites for their waste. This has led to reduced landfill charges but also less tipping income. There is potential to meet £200,000 of additional income, however, for tipping by other local authorities when there were issues with the new EfW facility.
- 7.10 Savings classed as amber total £2,531,000. Of these, £2,353,000 are still expected to be achieved this year; review of purchasing card £30,000, which will be across services to ensure that VAT receipts are submitted per financial regulations and therefore all input VAT reclaimed; £136,000 savings from the move to a 3 weekly recycling collection; Harbours commercial income of £336,000; £142,000 of increased Transportation and Consultancy recharges to capital; £1,168,000 of a service concession in Education PPP payments; an increase of vacancy factor in line with pay agreement of £208,000; Children's services care placements £245,000; reduction in reinvestment costs of £18,000; a share of the surplus from the Grampian Valuation Joint Board 2022/23 requisition of £46,000. . The remaining £198,000 savings are tentative; £100,000 for hiring out of Roads machinery is currently going through the process of communicating with suppliers and determining needs before going out to tender, however supply chain issues are causing delays in delivery of replacement vehicles; balance of a contract saving £8,000; Property Services admin review £26,000; Stream 4 review and expansion of flexible working £44,000; £20,000 NDR saving from the relocation of staff from Auchernack which is reliant on the sale being completed early in 2024. Some of these may slip into next 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 with the budget to 31 March 2023.
- 8.2 Overall the estimated out-turn position for 2023/24 is expenditure over budget of £436,000 or 0.2% of budget for the year, including services delivered on behalf of the MIJB.
- 8.3 The estimated out-turn position for 2023/24 for the MIJB is an overspend of £10,600,000. The MIJB have strategic funds and an element of reserves to offset part of the overspend, and the partner providers (NHS and Council) are required to cover the balance. Health and Social Care services provided by the Council make up 37% of the MIJB and so the Council's share of this projected overspend is £1,540,000. Some of the reserves are ear-marked for spend in 2024/25 and will require to be replenished. It is currently estimated that with no further changes in the cost of services the opening position for MIJB will be an overspend and the Council's share of that overspend would be £5 million.
- 8.4 The principal areas of forecast overspends and underspends 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 appointments below top of scale across all services are anticipated to exceed the overall budget provision by £238,000. This excludes the current saving still to be posted against staffing budgets to increase the vacancy factor, which will be done when pay agreements have been settled. Income budgets across the Council are showing both positive and negative variances, with a projected net effect of £587,000 under achievement. This includes increased leisure income and street naming and numbering income, additional income in short term lets and licensing fees, and recycling income. There is a shortfall in income for Libraries, Roads construction consent, public transport income, green waste and trade waste. Catering income, sale of lairs in Burial Grounds, planning and building control fees and Property fees income are all expected to be below target.
- 8.6 In Children's Services there is a projected underspend totalling £723,000, made up of £104,000 from the review of two contracts going out to tender, the disabilities residential contract £300,000 (in addition to the planned £245,000 saving to be taken in quarter 3), fostering fees and allowances underspend £143,000, throughcare/after care grants £29,000, adoption allowances and post-adoption support £42,000, one off income from adoption placement £36,000, vacancy target exceeded by £146,000 and other contract underspends of £21,000. This is reduced by overspends in direct payments of £82,000, home to school transport £23,000 and adoption placements with other local authorities £23,000 and other overspends regarding Section 22 of £16,000.

- 8.7 In Education there is a projected underspend of £199,000. Underspends include spend on school sanitary products £25,000, clothing grants £10,000, disturbance mileage £11,000, and a review of the Speech and Language Therapy service generating a projected £65,000 underspend. Staffing vacancies also generating an overachievement of vacancy target by £146,000. Overspends on Early Learning and Childcare payments to partner providers of £100,000 are expected to be brought back into line next year once all change management plans are implemented. Insurance excess payments are projected to be £58,000, and central supply £225,000 above budget by year end.
- 8.8 As mentioned earlier in this report (paragraph 4.11) there is an overspend in repairs and maintenance at school buildings and an income shortfall in Property fees recharges. The latter is due to reduced capital projects that are rechargeable for the service. The full year effect is an overspend on General Services Housing of £470,000; school repairs and maintenance £200,000, Property fees shortfall £150,000 and staff vacancy target shortfall.
- 8.9 Environmental and Commercial Services currently projecting an over spend of £447,000 (1.6%) for the year. Shortfall in achieving vacancy targets of £104,000 is one factor, which is partly due to sub contractors being used to cover vacancies which is vastly more expensive, along with overspends in Fleet Services of £120,000 primarily around transport costs including spare parts, external vehicle hire for user departments (not staff car hire), trackers/radio contracts and accident damage. Traffic and Transportation projecting a £270,000 overspend: shortfall in Roads Construction Consent income £60,000, shortfall of £110,000 public transport income (per paragraphs 4.7 and 7.5), and £100,000 additional costs for school transport contracts due to additional transport requirements for Forres Academy pupils whilst RAAC remedial works are ongoing, and an increase in service routes for mainstream and ASN pupils. Waste Management has various over and under budget projections totalling a net £30,000 overspend; underspends on recycling income £50,000, advertising £20,000, energy costs £15,000 and fuel £30,000 against under achievements on green waste income from brown bin permits of £50,000, trade waste income £90,000 and street sweeping income £5,000. Over the next quarter the EfW costs and income will be assessed and a new budget position developed. The estimated outturn figures in Appendix 2 include a net underspend of £38,000 for Building Cleaning and Catering; this is not inclusive of the £150,000 saving yet to be taken for food costs (per paragraph 4.7). Parks and Countryside has a projected overspend of £161,000 due to income budget unachieved in Burial Grounds sale of lairs £60,000 and Open Spaces costs for additional vehicle hires and fuel £92,000, and War Memorials £6,000. Finally, the SSEN grant of £200,000 in Consultancy is creating a variance.
- 8.10 HR, ICT and Organisational Development have a projected underspend of £95,000; training £50,000 and staff vacancy target surplus £45,000.
- 8.11 Financial Services has a net underspend of £211,000 projected; a staff vacancy target surplus of £45,000 and Interest on Revenue Balances (IORB) exceed budget by £236,000, but within this are overspends in postages of £45,000 and software costs £35,000.

- 8.12 Governance, Strategy and Performance have a net £208,000 underspend projected. Overspends on housing benefits of £100,000 and software costs (Benefits team £32,000 and the Contact Centre £10,000). Underspends include the multi function device contract payments £33,000, additional income from Licensing and Short Term Lets £58,000 plus other supplies and services budgets £10,000. A match funding contribution budget in Poverty social inclusion/shared prosperity fund (paragraph 4.10) is no longer required of around £64,000.
- 8.13 There are other overspends for additional pension and Strain on the Fund costs totalling £83,000.
- 8.14 Loans Charges - £2,000,000 of a budget pressure was approved as part of budget setting and has been added to the budget in full. Loans Charges are currently forecasting an underspend against budget of £885,000; the budget calculations were based on projected spend during 2022/23 quarter 3 but spend finished at £6 million less than anticipated. Another factor is interest rates, which were assumed to be 4% in the budget calculations, but the recent workings are estimated slightly lower, at approximately 3.35%. Due to the portfolio of loans the Council has, which includes older loans with lower interest rates, the calculations for average loans charges results in lower costs overall. For comparison, the 2022/23 loans pool actual rate was 3.54%.
- 8.15 Centrally held provisions are expected to underspend by £786,000. Additional Costs including the remaining budget pressure requirements as discussed in section 5 are estimated to be £1,768,000 under at this stage of the year; primarily consisting of the budget pressures classed as red (paragraph 5.3): slippage in the IMP £596,000 and Deposit Return Scheme £30,000. The others totalling £87,000 are no longer required. Slippage in the amber category includes the Whole Family Wellbeing Fund (WFWF) £545,000 which will go to an earmarked reserve at year end. An estimated £406,000 of the school roll budget pressure is no longer required. Savings outstanding were discussed in section 7 and the amber savings expected to be achieved this year have been included in the estimated outturn figure in **APPENDIX 2**. The original budget approved included £4,415,000 of savings and increased charges, and to date £2,536,000 has been posted to department budgets with a further £2,995,000 expected to be posted in quarter 3. If these are realised there will be an overachievement of savings of £1,116,000 in the year, however £300,000 of this was bringing forward the reinstatement of the leisure income budget to pre-covid levels from next year. Provision for Contingencies and Inflation are complex to estimate as the pay agreement is still under negotiation which is the largest remaining draw down of inflation. The estimated position for inflation is an overspend as other inflationary increases are still expected this year, including corporate insurance.

## **9 RESERVES**

- 9.1 The balance on free general reserves (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 in terms of the Council's reserves policy.

- 9.2 When the budget was set, an allocation of £15,478,000 of Covid ear-marked reserves were approved. The report to Moray Council on 28 June 2023 for the Revenue out-turn variances approved an additional use of covid ear-marked reserves totalling £2,158,000 (paragraph 13 of the minute refers). The variance analysis adjustments also reflected a reduction in the use of reserves of £1,589,000 due to additional savings and income. Temporary and permanent budget pressures in Additional Support Needs (ASN) were reported to that same meeting and £1,800,000 was approved to be funded from this reserve. Further adjustments have also been approved in quarter 2 and taken into account on the appendix; additional funding for the SNCT pay agreement 2022-24 has recently been confirmed of £2,204,000 and the pay award funding £2,007,000 that is received via capital grant for two years 2022/23 and 2023/24 has now been reflected in the figures as these will reduce the budgeted requirement for use of reserves. **APPENDIX 7** itemises the movements on reserves during the year to date and gives the balance on the reserve of £9,160,000 at 30 September 2023 after all approved items. The quarter 2 position is that £15,548,000 of covid reserves are required in 2023/24 compared to an original budgeted amount of £15,478,000.
- 9.3 Balances at 30 September 2023 for other ear-marked reserves are £3,791,000 for Transformation and £5,881,000 for Council priorities. There is also a reserve for the Moray Growth Deal with a free balance of £4,000,000 as at 30 September 2023; the £759,000 approved at budget setting is not required this year due to slippage in projects.

## **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. 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 September 2023 is an overspend against General Services Revenue Budget of £332,000, including services delivered on behalf of the Moray Integration Joint Board.**

**11.2 Variations in General Revenue Grant totalling £2,867,000 have been notified to the Council.**

**11.3 There is one additional budget pressure totalling £136,000 for quarter 2, noted in section 6.**

**11.4 The estimated out-turn position is for an over spend of £436,000.**

**11.5 The Council has estimated use of £14,953,000 from Covid ear-marked reserves in 2023/24.**

Author of Report: Susan Souter, Senior Accountant

Background Papers: Held by author

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