



REPORT TO: POLICY AND RESOURCES COMMITTEE ON 3 SEPTEMBER 2019

SUBJECT: REVENUE BUDGET MONITORING TO 30 JUNE 2019

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 To advise Committee of the revenue budget monitoring position to 30 June 2019.
- 1.2 This report is submitted to Committee in terms of Section III A (8) 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 £44,000 under budget for 2019/20 as at 30 June 2018;**
- (ii) that this position consists of an underspend on Devolved School budgets of £262,000, an overspend on Social Care services delivered on behalf of the Moray Integration Joint Board (MIJB) of £466,000 and an underspend on other services of £248,000;**
- (iii) movement of £2,294,000 in the General Revenue Grant, as detailed in paragraph 3.4;**
- (iv) emerging budget pressures as summarised in paragraph 6.2; and**
- (v) further commitments of £2,428,000 against reserves as summarised in section 8.**

2.2 It is recommended that Committee approves setting aside £2 million from General Reserves into an ear-marked reserve for implementing Council priorities.

3. BACKGROUND

- 3.1 When the revenue budget for 2019/20 was approved by Moray Council on 27 February 2019 (paragraph 4 of the minute refers), General Revenue Grant of £157,236,000 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 £41,530,000 were anticipated. Budgeted expenditure of £203,954,000 was agreed, and this required projected use of £5,188,000 of the Council's General Reserves to balance the budget.
- 3.2 On 27 June 2019 Council approved adjustments to the base budget to reflect variances during 2018/19 which were projected to continue into 2019/20. The net effect of these adjustments was to reduce budgeted expenditure by £1,121,000. At the same meeting additional expenditure of £118,000 to be funded from General Reserves was also approved. All of these adjustments have been posted to departments as at 30 June 2019.
- 3.3 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 balance brought forward in 2018/19 is £10,000 (2018/19 £448,000). In addition to this, unused funding of £61,000 received in 2018/19 for the expansion of Early Learning and Childcare has been carried forward into 2019/20 in accordance with the grant conditions.
- 3.4 Variations to General Revenue Grant (GRG) amounting to £2,294,000 have been notified. This predominately relates to funding for the additional element of the teachers' pay award agreed by Scottish Government (£2,377,000), with adjustments totalling a net reduction £83,000 made to the originally estimated GRG.
- 3.5 Funding of £5,507,000 for the expansion of Early Learning and Childcare (ELC) has been notified for 2019/20. ELC is funded by specific grant, but for transparency it is included in the government grant figure in **Appendix 2**.
- 3.6 With these adjustments the Council's overall General Services revenue budget currently stands at £207,392,000.
- 3.7 Reconciliation of the movements in the base budget from that which was approved by the Moray Council on 27 February 2019 is shown in **APPENDIX 2** and allocations to departments from the provisions for Inflation and Contingencies, Additional Costs and Savings are listed in **APPENDIX 3**.

4. BUDGET POSITION

- 4.1 **APPENDIX 1** summarises the current position for each service area, comparing the actual expenditure for the year to 30 June 2019 with the budget to 30 June 2019.
- 4.2 Overall the budget position at 30 June 2019 is expenditure under budget to date of £44,000 or 0.1% of budget to date (including services delivered on

behalf of the Moray Integrated Joint Board). All departmental budgets are underspent, bar Development Services and Health and Social Care Services.

- 4.3 The principal areas of overspend and underspend across the Council are summarised below:
- 4.3.1 In Integrated Children's Services, there is an underspend of £69,000 on a contract for residential care for children with disabilities, due to two children originally in this service having made the transition to adult services.
- 4.3.2 Devolved School budgets are underspent by £262,000 at the end of the first quarter, £54,000 in primary schools and £208,000 secondary schools. The central supply teachers budget is overspent by £78,000 for the first quarter.
- 4.3.3 There are a number of fluctuations in income across the Council. Harbours income £30,000, rental income from leasing car parking spaces £14,000 and legal fees £11,000 are more than expected in the first quarter. However the income expected from waste recyclates is £34,000 below target and building and development control fees are £81,000 less than expected.
- 4.3.4 Other major variances in Direct Services mainly relate to underspends in the Fleet budget, totalling £41,000. Landfill tax is also under budget, by £42,000.
- 4.3.5 When MIJB set its budget for 2019/20 it included a financial recovery plan amounting to £3,070,000 over the years 2019/20 to 2021/22. In quarter 1 the MIJB is reporting £609,000 toward this target. However, the overspend across both Council and NHS services during quarter 1 is £837,040. 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 £466,000.

5. BUDGET PRESSURES

- 5.1 Budget pressures recognised when the budget was approved on 27 February 2019 are released when the pressure crystallises to the extent that it can be accurately quantified. Provisions to meet budget pressures and new duties totalling £2,272,000 have been released in quarter 1.
- 5.2 Provisions still held centrally at the end of quarter 1 total £7,910,000 and are detailed in **APPENDIX 4** and given a RAG assessment for likelihood of requirement.
- 5.3 Two provisions are assessed as red or unlikely to be needed: £22,000 for industrial estate voids and £10,000 for ERDMS extension. The budget pressure for industrial estate voids has been partially allocated and the balance is not now anticipated to be required in this financial year. The ERDMS project extension has now finished and posts merged into Customer Services so the provision for additional funding is unlikely to be required.
- 5.4 Two provisions are assessed as amber, for uncertainty of requirement: Integrated Children's Services out of area placements (£1,049,000) and the increase in teachers' pension costs arising from the reduction in the Public Service Pension scheme discount rate (£1,776,000). The first provision is

based on forecast spend and for the first quarter there has been a number of transitions to adult services, which has resulted in no funding required to be drawn down. A detailed report will be going to a future meeting of the Children & Young People Committee. The second provision was calculated on the basis that the full year effect of the increase would be required in 2019/20. Since the budget was set, the pension increase has been postponed until September 2019 and so the full amount of provision will not be needed in 2019/20. This provision is partly offset by anticipated government funding, which again will be less in 2019/20 than budgeted for.

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 identified during quarter 1 which can be quantified at present are listed in the table below:

	Para Ref	Estimated full year effect £000s
DHP funding	6.2	30
Making Tax Digital software	6.3	15
		45
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6.2 Interim funding for Discretionary Housing Payments (DHP) has been confirmed at £426,000 plus £13,000 towards the costs of administering the scheme. When the budget was set funding was estimated at £400,000. Although funding for DHP is paid in General Revenue Grant, there is an expectation that this funding is used to fund DHP. Accordingly the increased funding is noted as creating a budget pressure.

6.3 Making Tax Digital (MTD) is a key government initiative which the Council is required to implement. Software to enable MTD compliant VAT returns is currently estimated to cost £15,000 – mainly as a one-off item of expenditure.

6.4 These and any other emerging pressures will be reviewed at the end of quarter 2 and recommendations made as to funding when the first estimated actual for 2019/20 is developed and reported to Council in November 2019.

7. **SAVINGS**

7.1 Savings of £10,124,000 were approved when the budget was set on 27 February 2019. These savings comprised increased income of £18,000 from inflationary uplifts to charges for services; one-off savings of £149,000, and other permanent savings of £9,957,000.

7.2 To date budgets for charges have been adjusted by £6,771. The remaining balance of £11,229 will be reviewed as part of the estimated actual process

and budgets adjusted accordingly. Temporary savings of £156,579 have been posted to departmental budgets, £7,579 more than the target.

- 7.3 Of the originally approved permanent savings, a balance of £1,381,214 remains in central provisions as at the end of June. These are detailed in **APPENDIX 5** and given a RAG assessment for anticipated achievement.
- 7.3.1 Five savings totalling £403,000 are assessed as red. Savings from Accounts Payable electronic processing have not yet been realised and are dependent upon an ICT solution. The full provision for savings from increase in NI threshold and contracts renewal are not achievable as the balance relates to ring fenced budgets for MIJB and HRA. ESOL/libraries/Essential skills savings are all dependent upon Committee decision on the service but will not be achieved in full due to delays in the decision.
- 7.3.2 Savings of £300,000 from the commercialisation of the sports and leisure service, including Elgin Community Centre, were approved in the budget. Of this £87,000 is still held centrally. £24,000 of this relates to an over-estimation of the impact of uptake of Fit Life membership. It is considered that this is unlikely to be achieved. Potential savings from Elgin Community Centre are still being assessed.
- 7.3.3 The allocated budget for income from Fit Life reflects the target increase in numbers. The budget for quarter 1 was £266,000 and the income reflected in the General Ledger and thus in this report has broadly been attained – actual income recorded of £263,000. However, this does not reflect the level of default on payment of Fit Life membership fees. The problems experienced immediately following the campaign for increased membership are being resolved. The true picture requires to take into account outstanding debt. There are outstanding debts from the first quarter of 2019/20 totalling £8,659. The real shortfall of income to budget is therefore £11,659, or 4.4% of budgeted income.
- 7.3.4 Initial indications were that the savings from increased income at Elgin Community Centre would be substantially not achieved. However, there has been a recent upsurge in income billed. The position is being reviewed and savings will be allocated during quarter 2.
- 7.3.5 Ten savings totalling £537,000 are assessed as amber. HR/Payroll system is still expected to be achieved by the end of the financial year. VAT review for leisure services will be adjusted once a date for the change in VAT status is implemented – this is currently scheduled for 1 October 2019. Land and Parks reduced weekend overtime is currently being assessed as unsure if the balance of the saving can be achieved in this financial year. Roads maintenance vehicle savings have not yet been implemented and as such it's unlikely the full year saving will be achieved. Reduction in cleaning hours at schools is not yet implemented and is unknown if this saving will be achieved. The change management plan for the review of property services is yet to be finalised and so the savings are unlikely to be realised in full. The DSM budget saving has been taken in full; the balance left will not be achieved until 2020/21. Central admin balance of saving is unlikely to be achieved as it is

related to the Library and ESOL savings which have not yet been agreed by Committee.

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

8. GENERAL RESERVES

- 8.1 The balance on general reserves (excluding DSM and ear-marked reserves) as at 1 April 2019 was £12,276,000. Use of reserves totalling £3,312,000 was approved to balance the 2018/19 budget.

- 8.2 The Moray Council on 8 May 2019 approved an additional use of reserves totalling £119,000 and on 28 June 2018 approved a net budget reduction of £1,121,000, reducing the underlying need to use reserves, and also additional funding from reserves for specific items, totalling £118,000, this budget has been released in full in quarter 1. Commitments of £2,428,000 against general reserves are detailed in **APPENDIX 6**.

- 8.3 As noted in the out-turn report to Council on 27 June 2019, the final out-turn for 2018/19 was £2 million better than forecast. In the short to medium term the Council will face many conflicting demands on its finances, and has little resilience to cope with unplanned demands. It is therefore proposed that the £2 million windfall is set aside in an ear-marked reserve, to be used to help the Council meet its priorities as set out in the Corporate Plan. One of the Council's priorities is to achieve financial stability, and it is intended that any one-off expenditure which assists in achieving financial stability – such as exit packages which do not fall within the parameters of the current permission to use capital receipts to fund transformation – could be funded from this ear-marked reserve, as well as other measures facilitating the achievement of Council priorities. Any use of this fund should be clearly reported to this committee or to Council and the use approved by members.

9. SUMMARY OF IMPLICATIONS

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

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 half 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/Socio Economic Impact

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.

10. CONCLUSION

10.1 The financial position of the Council at the end of June 2019 is an underspend against General Services Revenue Budget of £44,000 (including services delivered on behalf of the Moray Integration Joint Board).

10.2 Variations in General Revenue Grant totalling £2,294,000 have been notified to the council.

10.3 Additional budget pressures of £45,000 for Council services have been recognised. These are likely to result in a call on general reserves.

10.4 The Council has previously approved use of £2,428,000 from general reserves.

Author of Report: Deborah O'Shea, Principal Accountant

Background Papers: Held by author

Ref: DOS/LJC/