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**REPORT TO: MORAY COUNCIL ON 6 MARCH 2024**

**SUBJECT: REVENUE BUDGET MONITORING TO 31 DECEMBER 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 31 December 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 £1,742,000 over budget for 2023/24 as at 31 December 2023;**
- (ii) that this position consists of an underspend on Devolved School budgets of £818,000, an underspend of £116,000 on Children's Services, an underspend of £193,000 on General Services Housing and Property, and an overspend £289,000 on Environmental and Commercial Services and £210,000 on Economic Growth and Development. There is also an overspend on Social Care services delivered on behalf of the Moray Integration Joint Board (MIJB) of £2,313,000 and an overspend on other services of £57,000;**
- (iii) movement of a £5,897,000 increase in General Revenue Grants, as detailed in paragraph 3.5;**
- (iv) the current estimated out-turn for 2023/24 of an underspend in Council services, including Health and Social Care, of £962,000 after adjusting for the cost sharing agreement with NHS for MIJB. With projected overspends in loans charges of £451,000 and increased use of provisions more than budgeted, this results in an overall projected overspend of £1,497,000 but with additional funding there**

**is a decrease in the use of Council reserves by £125,000 than is budgeted.**

### **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. 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 £5,897,000 have been notified and actioned. This includes confirmed funding of £3,912,000 for pay awards which will reduce the required use of reserves. An additional £50,000 has been allocated to support the resettlement of displaced Ukrainians. Following discussions between the Scottish Government and COSLA it was agreed that funding would be provided to introduce a Scottish Recommended Allowance (SRA) for kinship and foster carers across Scotland, to be backdated to 1 April 2023. Moray's allocation for this is £262,000. The Council currently uses four age ranges to differentiate the payment of allowances, and the SRA use three. When compared to the SRA, the rates in Moray are lower across 2 of the SRA age ranges, but higher for one. At meeting on 12 December 2023, Council endorsed an increase in line with the SRA rates for the rates below the proposed minimum but maintain the

rate which is above the SRA rate. The cost of backdating allowances will have been calculated as £134,000 for the full year.

- 3.6. With these adjustments to use of reserves and GRG, the Council's overall General Services revenue budget currently stands at £269,812,000.
- 3.7. 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 31 December 2023.
- 4.2 Overall the budget position at 31 December 2023 is expenditure over budget to date of £1,742,000 or 0.9% 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 £50,000. Sport and Leisure services have over achieved on income by £112,000 to date; this position is after the budget that was reduced by £500,000 during Covid was reinstated in full earlier than expected. Libraries has an overspend on licences of £66,000 and under achievement of income from sales, fees and charges of £17,000. There is a £14,000 underspend on the Learning Estate Review Team in operational budgets.
- 4.5 Children's Services has an underspend of £116,000 to date, this position is after a £245,000 saving was actioned in commissioned services during quarter 3. 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 £128,000. Contracts for pre-school children with disabilities and Stronger Safer Families have £42,000 and £48,000 underspend respectively, while a delay of one month for the new contract for Restorative Practice has left a £21,000 underspend. Placement Services, including adoption and fostering fees/allowances and throughcare/aftercare payments are under budget by £111,000 at quarter 3, and one-off income for adoption placements by other local authorities in Moray is also ahead of budget by £71,000. Within Area Teams, Self Directed Support (SDS)/direct payments and home to school transport are currently £85,000 and £26,000 over budget respectively, with legal fees and compensation a further one-off £220,000 overspend.
- 4.6 Education has a £642,000 underspend to date. Devolved School budgets are underspent by £818,000 at the end of the third quarter; £281,000 in primary schools and £537,000 in secondary schools; non-devolved budgets are also under budget on energy costs by £88,000 and £47,000 respectively. Schools and Curriculum Development is over budget by a total of £218,000 to date; of this, central supply is over by £216,000 due to providing teaching cover for

maternity and sickness absence, and there are other over and under spends. ASN is under budget by £31,000, within areas including home tuition and training. Early Learning and Childcare (ELC) is currently £128,000 over budget. This consists of payments to partner providers overspend of £155,000 and an underspend on snack and fundraising accounts of £34,000.

- 4.6.1 Environmental and Commercial Services are presenting a net £289,000 overspend to date across services. Roads Maintenance is £431,000 over spent to date, with £176,000 coming from an overspend in recharges from Fleet for additional vehicle hire and external contract hire. Materials and supplies and services costs are over budget to date but with recharges to capital and external income from service users currently ahead of budget, the overspends are considered to be timing pressures and are expected to level out in the final quarter. Winter Maintenance is over budget by £60,000 to date for additional vehicle hires. Fleet are currently £2,000 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 £278,000 over budget at quarter 3, with spare parts accounting for £226,000 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 £184,000 with mainly Environmental and Commercial Services requiring the vehicles: Lands and Parks, Public Transport Unit and Roads - as referred to above, this is a recurring overspend that is kept within the department. Expenditure of £41,000 has also been incurred for accident damage this year to date.
- 4.7 Waste has a net underspend of £126,000 in total across various budget headings. As was reported in the quarter 2 monitoring report, waste is now being transported to the new Energy from Waste plant in Aberdeen, with costs 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. Income within Waste is under target for this point of the year; green waste by £60,000 and trade waste by £63,000 to date. Cleaning and Catering services is £76,000 under budget; the variance in school catering makes up £69,000 of this and is after a £150,000 saving on food costs was actioned following the quarter 2 monitoring report. Lands and Parks are £114,000 over budget to date with variances on burial ground income, vehicle running costs and war memorials.
- 4.8 Traffic and Transportation is showing a £190,000 overspend to date; various variances include overspends on school transport costs of £60,000 and a £31,000 overspend on electric vehicle chargers – there is the possibility to review and recharge for the Council’s own electric vehicle use. Other major variances are due to shortfall in income: car parks £33,000, Traffic income for Roads Construction Consent £74,000, and Bus Revolution £30,000. Consultancy is showing an underspend of £233,000 in total, mainly due to the £200,000 grant received in Emergency Planning from the Scottish and

Southern Electricity Networks (SSEN) Resilient Communities Fund. There has been £4,000 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.

- 4.9 Economic Growth and Development Services have a £210,000 overspend which is primarily due to a shortfall in income in Building Control of £108,000 and Planning of £128,000. The income from street naming and numbering is above target by £24,000.
- 4.10 In Financial Services, a £49,000 underspend is a result from a number of variances: overspends include £16,000 on postages within Taxation, and software costs £44,000. Underspends in the admin grant income for the Energy Grant Scheme of £20,000, finance software £10,000 and unallocated service development budget £67,000 offset the variance.
- 4.11 Governance, Strategy and Performance is over budget by £5,000 with notable variances. Benefits is £160,000 over budget to date due to overspends including software costs £37,000, Scottish Welfare Fund £68,000 and Housing Benefits £67,000. Customer Services is under budget by £4,000; multi function device contract underspend of £14,000 and an overspend on software for the Contact Centre of £10,000. Underspends in other sections include Legal: income is above target in licences for short term lets of £61,000 and Licensing Board income of £41,000, and underspends in Supplies and Services of £36,000
- 4.12 General Services Housing and Property is under budget by £193,000 in total. Homeless temporary accommodation is currently under budget by £37,000 due to additional income from the revised charges policy approved at Corporate Committee on 31 January 2023 (para 8 of the minute refers); Improvement Grants are under by £30,000 due to a higher capital grant than currently budgeted to date; Industrial Estates income exceeds budget to date by £100,000, partly due to servitude fees but also new rentals and rent increases. Repairs and maintenance continue to have an overspend: £64,000 overspend on schools, which is due to the pattern of spend on school buildings while corporate buildings repairs are £111,000 under to date. There is an income shortfall in Property fees of £63,000 due to less capital project work being carried out than budgeted for in the capital plan.
- 4.13 In Other expenditure budgets, an overspend of £28,000 is due to additional pension costs/strain on the fund overspend of £69,000 and Members Wards budgets are £41,000 underspent to date.
- 4.14 Health and Social Care Services are overspent by £2,313,000 at the end of quarter 3. This overspend relates purely to the Health and Social Care services delivered by Moray Council on behalf of the MIJB. The quarter 3 position for Non-IJB Health and Social Care functions is on budget.
- 4.15 Income from external users across the Council are showing both positive and negative variances and have been noted in the paragraphs above. Sports

and leisure facilities budgets appear to be back to pre Covid levels earlier than planned (paragraph 4.4). Income is above budget in Legal Services for short term lets and other licensing income (para 4.10). In General Services Housing (para 4.11), Homeless temporary accommodation has additional income of £37,000 to date and Industrial Estate income is ahead of target by £100,000. Within Environmental and Commercial Services (para 4.7) income above budget includes Harbours £48,000, Roads £191,000, Catering income £55,000. Income is ahead of target in Waste areas including gas extraction, recycling and bulky waste, but there are shortfalls in green waste and trade waste income. Within Lands and Parks there is an income shortfall of £65,000 on sale of lairs and interment fees in Burial Grounds, and £34,000 shortfall on charges for external grounds maintenance and playground inspections. Car Park income is also under budget to date, as is the Bus Revolution planned income. Libraries income has a recurring variance due to loss of income (para 4.4) and there is a significant income shortfall to date in Planning and Building Control income as outlined in paragraph 4.8.

## **5. BUDGET PRESSURES AND ADDITIONS**

- 5.1 Local Government Pay Awards continue to be a significant risk to the Council's budget. The Scottish Government initially provided confirmed funding of £155m towards the 2023/24 pay deal; of this the Council have been allocated £2.596m. In September 2023 the Scottish Government identified a further £80m to fund an improved offer which sees some redistribution of underspends expected in Pupil Equity Funding and Employability, to be repaid in 2024/25 and future years. The mechanics of these have yet to be confirmed and are not all included in the budget: £720,000 is included as additional budgeted Revenue Grant with a further £600,000 currently estimated for the reprofiled elements. Further funding coming through the General Services capital grant for the pay award has also been indicated but amounts not yet confirmed; an approximated £374,000 is expected. Councils will also contribute an additional £10 million; a £170,000 budget pressure has been added to the Councils budget for this. The full pay offer was backdated to April 2023 with the first element of the pay award paid to staff in November and the additional element will be paid in January 2024. Estimated outturns have the full pay award built in. Any unfunded element will require to be funded from the Council's reserves in 2023/24. The Council have passed on an equivalent share of funding to Health & Social Care for their pay award.
- 5.2 £2.8m of Scottish Government funding has been allocated to Moray for the Teachers Pay Award, with an additional £800,000 included in inflation pot as part of the budget. The total increase in teaching staff budgets was over £4.8m, leaving an unfunded balance of £1.2m to come from Council reserves in 2023/24. The current agreement is up to August 2024 therefore there is a continued risk that pay awards agreed beyond that date will be higher than what is included in the base budget.
- 5.3 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 are itemised in **APPENDIX 4**, detailing additional funding confirmed since the last quarter of £1,985,000 (excluding pay award funding) and also reflecting the adjustment for the budget pressures categorised red at quarter 2

monitoring which have been removed or reprofiled in the financial plan if delayed but still required. Budget pressures totalling £2,906,000 have been released in quarter 3.

- 5.4 Provisions still held centrally at the end of quarter 2 total £6,375,000 and are detailed in **APPENDIX 5** and given a RAG assessment for likelihood of requirement.
- 5.5 Fourteen provisions, totalling £3,654,000, are assessed as amber, being not yet taken and uncertain if required, or yet to be taken. Seven 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 budgeted. The Levelling Up Fund balance of £177,000 may be drawn down as it has the potential to spend in full if approval of the application is confirmed. Confirmation is expected at the end of March so this may be required in 2024/25. The remaining seven classed as amber include free school meals with a balance of £127,000 available; and approximately £15,000 is required for holiday provision in the 2023/24 academic year. These along with the remaining budget pressure with balances will be reviewed as part of the 2024/25 budget setting process and it is intended that those with planned or committed spend will be put into earmarked reserves at year end, including those where the funding requirement follows the academic year i.e. Education Investment Fund, Additional Support Needs, Raising Attainment.
- 5.6 All other provisions are expected to be required in full at this juncture.

## **6. SAVINGS**

- 6.1 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.
- 6.2 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.
- 6.3 Savings and increased income posted against departmental budgets in quarter 3 are itemised on **APPENDIX 6**.
- 6.4 Savings approved in the Short to Medium Term Financial Plan report to Council on 25 October 2023 totalling £83,000 have also been actioned.
- 6.5 In addition to the budgeted savings, the following were also identified: increase in Nursery rental income was identified, savings from the mothballing of Crossroads Primary School, and the reinstatement of the leisure income back to pre-covid levels (ref para 4.4). An earlier budgeted amount for match funding is no longer required as funding has since been approved from the UK Governments Shared Prosperity Fund to projects in Moray. Finally, the saving from Corporate Committee's decision on 7 November 2023 to refuse the

application for a renewal of the rent rebate to Keith Golf Club, complete the adjustments in quarter 3.

- 6.6 Of the original approved savings, a balance of £1,182,000 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. The figures reflect the adjustment for the savings categorised red at quarter 2 monitoring which have been removed or put back in the financial plan if delayed but still achievable.
- 6.7 Approved savings that are now not expected to go ahead, marked in red on the **APPENDIX 6**, total £120,000: income from hiring out Roads machinery and the salary sacrifice scheme for Electric Vehicle and Ultra Low Emission Vehicles, both still prospective savings but unlikely to be this year.
- 6.8 Savings classed as amber total £1,280,000; 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; £1,168,000 of a service concession in Education PPP payments; £20,000 saving from the relocation of staff from Auchernack which is reliant on the sale being completed early in 2024, although the majority of the saving is on rates. The remaining savings are tentative: Stream 4 review and expansion of flexible working £44,000; reduction in reinvestment costs in Children's Services of £18,000. Some of these may slip into next financial year.

## 7 **ESTIMATED OUT-TURN**

- 7.1 **APPENDIX 2** summarises the estimated out-turn position for each service area, comparing the estimated expenditure with the budget to 31 March 2023.
- 7.2 Overall the estimated out-turn position for 2023/24 is expenditure over budget of £1,284,000 or 0.7% of budget for the year, including services delivered on behalf of the MIJB.
- 7.3 Material recurring pressures exist in operational budgets and these have been included in the projected out-turn position for each service area, and are discussed below. There are a number of high risk areas that could add further expenditure to the forecasts, and these need to be managed to reduce the one-off use of reserves needed to balance this year's budget.
- 7.4 **Moray Integration Joint Board (MIJB)**  
The forecast position for IJB delegated functions at quarter 2, which was reported to [the MIJB on 30 November 2023](#), is an overspend of £10,600,000 on core services. There are a number of overspends in the core services. In Learning Disability service, there are a number of high cost care packages and increasing demands for care, where people are living longer and more complex care needs resulting in a projected overspend of £3,500,000. In addition, the costs for mental health clients have increased by £410,000. The prescribing budget has been under significant pressure for the last few years and is forecasting an overspend of £3,500,000 to the end of this financial year. Older people and PSD services have been under pressure in care purchased by area teams and permanent care due to the ageing population



and increased care needs. The Home care service within the care services provided in-house has recruitment and retention issues and so any underspending in internal services increases the spend in external services. This pressure to the year end is £1,136,000. Out of Area placements for specific individuals for mental health, learning disability and acquired brain injury by the NHS has seen a significant rise in cases this financial year which is forecasting an overspend of £971,000. These pressures are being partially offset by underspends in the strategic funds and an element of reserves not required in 2023/24 giving a forecast deficit of £4,145,000. The partner providers are required to pick up this deficit and there is a cost sharing agreement in place, under which the Council will incur a 37% share of this deficit. The MIJB is currently working on the quarter 3 position, which will be reported to the 28 March 2024 committee, the provisional forecast has been reviewed and is showing an improved position of £3,024,000 overspend. The Council's share of this deficit will be £1,119,000. This is shown in **APPENDIX 2** as a separate adjustment to the projected overspend on social care services provided by the Council which is also reflected in the funding section; the outcome of this MIJB cost adjustment is to reduce the estimated use of covid reserves.

#### **7.5 Staffing and Income**

Staff savings from vacancies and appointments below top of scale across all services were anticipated to exceed the overall budget provision by £238,000 at quarter 2. Since the 2023/24 pay deal was agreed and incorporated into staffing budgets, the vacancy factor has also been increased in line with the pay award, as shown in APPENDIX 6. Income budgets across the Council are showing both positive and negative variances, with a projected net effect of £306,000 under achievement. Section 4 of this report outlined the current position against budgeted income within departments and many of these have forecast variances for the year, including: surplus income from leisure, Industrial Estates, street naming and numbering, licences for short term lets and other licensing fees, and recycling income. There is a shortfall in income for Libraries, car parking and public transport income, green waste and trade waste. Sale of lairs in Burial Grounds, planning and building control fees are also expected to remain below target. Some projected income recognised as savings when the budget was approved has not been achieved and the impact of this is reflected in savings held centrally.

#### **7.6 Education, Resources and Communities**

A forecast underspend of £368,000 due to over achievement of leisure income £137,000 and staff vacancies target £285,000. Offset against these are forecast overspends through loss of income in libraries £17,000, library licences £66,000 and PPP costs £22,000.

#### **7.7 Children's Services**

Children's Services is forecast to underspend by £425,000, due principally to a disabilities residential contract forecasting a variance of £264,000 Further underspends of £104,000 from the review of two contracts going out to tender, fostering fees and allowances underspend £215,000, throughcare/after care grants £34,000, adoption allowances and post-adoption support £41,000, one off income from adoption placement £71,000, vacancy target exceeded by £275,000 and other contract underspends of £21,000. This is reduced by

projected overspends in direct payments of £107,000, home to school transport £40,000 and legal fees and compensation of £484,000.

#### 7.8 **Education**

An underspend of £359,000 is forecast across the service area, due principally to staffing vacancies generating an overachievement of vacancy target by an expected £500,000, and underspends on energy costs £240,000, school sanitary products £27,000, clothing grants £5,000, disturbance mileage £8,000, and a review of the Speech and Language Therapy service £60,000, and training for Additional Support Needs £10,000. Overspends are anticipated on central supply £480,000, payments and insurance excess payments £58,000.

#### 7.9 **General Services Housing and Property Services**

General Services Housing and Property Services are projecting an overspend of £396,000. 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 are overspends, including: school repairs and maintenance £150,000, Property fees shortfall £125,000, a staff vacancy target shortfall, and modular unit storage costs. Underspends include Improvement Grants for repairs of £30,000 and backdated Industrial Estate rental income £50,000.

#### 7.10 **Environmental Services**

An overspend of £352,000 is forecast for Environmental and Commercial Services, a reduction in the forecast overspend at last quarter, which is partly due to a revised forecast for staff vacancies. Overspends in Fleet Services are mainly as a result of inflationary cost pressures in transport costs including spare parts and maintenance costs, and the cost of external vehicle hires for user departments. Traffic and Transportation are projecting a £378,000 overspend, due to underachievement of income in car parks £75,000, Traffic Roads Construction Consent income £70,000 and Bus Revolution £110,000. Overspends on costs for upgrading the car park machines for revised prices introduced from 1 January 2024 totalled £20,000, electricity costs for EV charging points £50,000, structural survey for St Giles car park £13,000, home to school transport £50,000 and £20,000 due to additional transport requirements for Forres Academy pupils whilst RAAC remedial works are ongoing. Waste Management has various over and under budget projections totalling a net £35,000 underspend; underspends on recycling income £60,000, advertising £20,000, energy costs £20,000, and royalties (Dallachy) £20,000, gas extraction income £10,000 and landfill tax grant scheme £10, against under achievements on green waste income from green waste permits of £60,000 and trade waste income £65,000. The estimated outturn figures in **APPENDIX 2** include a forecast underspend of £118,000 for Building Cleaning and Catering. Parks and Open Space has a projected overspend of £107,000: £76,000 in Burial Grounds due to sale of lairs income budget unachieved; Open Spaces costs for additional vehicle hires and fuel £90,000, and War Memorial repairs and maintenance £13,000. The overspend would be larger but for the £87,000 underspend on headstone inspections and tree inspections that was approved as a one off funding from reserves budget this year and has not been implemented. Finally, the SEN grant of £200,000 in Consultancy is creating a variance but will be moved to

an earmarked reserve for capital or revenue spend in future years and so is not included in the estimated out-turn for the year.

#### **7.11 HR, ICT and Organisational Development**

HR, ICT and Organisational Development are forecasting a minimal variance, with an underspend on training offsetting software overspends, and an unachieved vacancy factor of £42,000.

#### **7.12 Financial Services**

Financial Services has a projected net underspend of £1,629,000. Within this are overspends in postages of £45,000 and software costs £35,000. Projected underspends are a forecast staff vacancy target surplus of £63,000 and Interest on Revenue Balances (IORB) exceeding budget by £1,646,000. This is a substantial increase in the IORB previously forecast due to a review of the average interest rates applied to revenue balances. Whilst this is a positive change within this service, the counterbalance is reflected by an increase in Loans charges, explained below in paragraph 8.16.

#### **7.13 Governance, Strategy and Performance**

Governance, Strategy and Performance have a net £168,000 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 £15,000 arising from the change over onto the new contract, but it is expected that as new devices are rolled out the lease payments will resume at budgeted levels. Other underspends are additional income from Licensing and Short Term Lets £80,000 plus other supplies and services budgets £10,000. Staff vacancy targets are projected over budget by £205,000.

#### **7.14 Other**

There are other overspends for additional pension and Strain on the Fund costs totalling £83,000.

#### **7.15 Loans Charges**

Loans charges budgets were increased this year by £2,000,000 as part of the budget setting process. At quarter 2 an underspend of £885,000 was forecast; this has since been revised to an overspend of £451,000 and is primarily coming from an increase in Interest On Revenue Balances (IORB) (ref 8.13), plus a small increase in forecast interest payable and expenses on external Council borrowing, the total of which are allocated in full across the Council's internal loans pool. The 7 day interest rates used in the calculation of the IORB have gradually increased from 4.2% in April 2023 to over 5% since August 2023 and is currently 5.17%. Forecasting with the rate to remain at this level, the average rate applied in the 2023/24 calculation is 4.9%; for comparison, the 2022/23 rate was 2.1%.

#### **7.16 Central Provisions**

Centrally held provisions have a negative variance to date of £2,773,000 which is expected to decrease to £2,008,000 by year end. The provision for Contingencies and Inflation are over budget due to the drawn down of pay award budgets which have now been applied to salary budgets. The draw down comes from the provision for Inflation whilst funding from the Scottish Government has been applied to the Scottish Government Grant budget. A

total budget of £8,391,000 was approved for Inflation, including contract inflation and pay awards, which allowed for a 3% pay award across Teaching and Non-Teaching staff. The total effect of the 2023/24 pay settlements was an increase to budgets of £10,896,000, excluding Health & Social Care where a proportional contribution of £1,072,000 was made from the grant funding received. Other inflationary increases expected and still to be applied to budgets are external audit fee increase, software indexation and apprenticeship levy. In total, £14,916,000 of inflation requirements are expected for this year. Grant funding to support the 2023/24 pay deal is estimated at £7,090,000, although some allocations are not yet confirmed. Together with the inflation budget, this leaves a small balance of contingency. These are reflected in the anticipated variance in the appendices.

- 7.17 Additional Costs of £271,000, including the remaining budget pressure requirements as discussed in section 5 are estimated to be drawn down by the end of the year. Those unused will be put to earmarked reserves at year end. This includes Whole Family Wellbeing Fund (WFWF) £545,000 where decisions on how the funds are spent are made by the Community Planning Partnership. Similarly, the balance of the one year budget for Education Investment £259,000, the additional ASN funding £1,235,000 (which are both being spent over the academic year) and Ukrainian resettlement funding £381,000 will be required for future use and will go to earmarked reserves at year end.
- 7.18 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**. (Review of purchase card £30,000, Service concession £1,168,000 and Reduction in investment in Children's Services £18,000). If these are realised as anticipated there will be an overachievement of the revised budgeted savings of £34,000 in the year.

## 8 **RESERVES**

- 8.1 The balance on free general reserves (excluding DSM and ear-marked reserves) as of 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.
- 8.2 When the budget was set, use of £15,478,000 of Covid ear-marked reserves to balance the budget was 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 Teacher's and non-teaching pay agreements has been announced, some confirmed while other allocations are expected. The pay award funding for both revenue and capital, streams is also reflected in the figures as these will reduce the requirement for use of reserves. **APPENDIX 7** itemises the movements on reserves approved during the year to date and gives the uncommitted balance

on the reserve of £14,496,000 at 31 December 2023. The quarter 3 position is that £10,782,000 of covid reserves are budgeted to be used in 2023/24 and £11,776,000 is currently estimated at this time. With the MIJB cost adjustment (paragraph 7.4) this would reduce the use of reserves by £1,119,000 to £10,657,000, £125,000 less than budgeted.

- 8.3 Uncommitted balances at 31 December 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 31 December 2023; the £759,000 approved at budget setting is not required this year due to slippage in projects.

## **9 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 and this risk is projected to materialise. Inflation continues to present 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.

## **10 CONCLUSION**

- 10.1** The financial position of the Council at the end of December 2023 is an overspend against General Services Revenue Budget of £1,742,000, including Health and Social Care services delivered on behalf of the Moray Integration Joint Board.
- 10.2** Variations in General Revenue Grant totalling £5,897,000 have been notified to the Council.
- 10.3** The estimated out-turn position is for an over spend of £1,497,000, but with additional funding the estimated use of Council reserves is £125,000 less than budgeted.
- 10.4** The Council has estimated use of £10,657,000 from Covid ear-marked reserves in 2023/24.

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