



REPORT TO: CORPORATE COMMITTEE ON 30 AUGUST 2022

SUBJECT: REVENUE BUDGET MONITORING TO 30 JUNE 2022

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

1. REASON FOR REPORT

- 1.1 To advise Committee of the revenue budget monitoring position to 30 June 2022.
- 1.2 This report is submitted to Council in terms of Section III B (10) of the Council's Scheme of Administration 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 £657,000 under budget for 2022/23 as at 30 June 2022;**
- (ii) that this position consists of an underspend on Devolved School budgets of £324,000, an underspend of £263,000 on Children's services, an overspend on Social Care services delivered on behalf of the Moray Integration Joint Board (MIJB) of £279,000 and an underspend on other services of £349,000;**
- (iii) movement of £11,235,000 in the General Revenue Grant, as detailed in paragraph 3.4, and**
- (iv) the increasing budget pressure noted in paragraph 6.1.**

2.2 It is recommended that the Council approves the use of ear-marked reserves for Covid of £960,000 as detailed in paragraph 8.5.

3. BACKGROUND

- 3.1 When the revenue budget for 2022/23 was approved by Moray Council on 22 February 2022 (paragraph 4 of the minute refers), General Revenue Grant of £180,723,000 was estimated for the year, based on the latest amount notified to the Council and including estimates for further distributions of grant during the year. Council Tax receipts of £46,555,000 were anticipated. Budgeted expenditure of £240,732,000 was agreed, and this required projected use of £10,335,000 of the Council's ear marked reserves and use of financial flexibilities totalling £3,120,000 to balance the budget. There were expected to be two types of financial flexibility available to the Council in 2022/23 when the budget was set: use of capital receipts to fund Covid-related expenditure and expenditure on transformation expected to generate financial savings and a loans principal holiday. Confirmation of both was expected. Confirmation of the ability to take a loans principal holiday has been received but the Treasury has advised Scottish Government that the use of capital receipts to fund Covid-related revenue costs would score against the Scottish Government capital allocation and so this financial flexibility has been withdrawn. To replace this it is currently budgeted to use additional ear-marked reserves however, the impact of a loans principal holiday is being investigated.
- 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 2022/23 is £1,288,000 (2021/22 £1,342,000). Unused Pupil Equity Fund of £1,046,000 received in 2021/22 and £44,000 funding for nursery snacks and fundraising have been carried forward into 2022/23 in accordance with the grant conditions.
- 3.3 On 29 June 2022 Council approved additional expenditure of £1,449,000 to be funded from the ear-marked reserve for Covid (paragraph 24 of the minute refers). The majority of these adjustments (£1,102,000) have been posted to departments during quarter 1. The underspend on the expansion of Universal Free School Meals and slippage on provision of CO2 monitors for schools approved to be funded from reserves totalling £347,000 will be actioned before the quarter 2 budget monitoring report.
- 3.4 Variations to General Revenue Grant (GRG) amounting to £11,235,000 have been notified. This consists of additional funding for Covid economic recovery £1,280,000; £173,000 summer activities funding; Discretionary Housing payments £223,000; £472,000 for bridging payments (payments to school age children entitled to free school meals); £272,000 for removal of charges for music tuition and core curriculum charges; £50,000 for national trauma training services, Adult disability payment support £45,000; £12,000 for free period products; £44,000 Easter study provision and £28,000 for the extension of free school meals. In addition, funding of £4,490,000 towards the cost of living £150 payments to Council Tax accounts for dwellings in Band A to D has been received and £4,146,000 passported to MIJB for additional investment in Health & Social Care. As at 30 June 2021 £10,310,000 of the funding has been drawn down.

- 3.5 With these adjustments the Council's overall General Services revenue budget currently stands at £252,289,000.
- 3.6 Reconciliation of the movements in the base budget from that which was approved by the Moray Council on 22 February 2022 is shown in **APPENDIX 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 2022 with the budget to 30 June 2022.
- 4.2 Overall the budget position at 30 June 2022 is expenditure under budget to date of £657,000 or 1.1% of budget to date (including services delivered on behalf of the Moray Integrated Joint Board).
- 4.3 The principal areas of overspend and underspend across the Council are summarised below.
- 4.4 In Children's Services, there is an underspend of £263,000. There are three main areas of variance. A contract for residential care for children with disabilities has ended due to transition to adult services, giving an underspend of £79,000. A delay in procurement of two new commissioned services has resulted in an underspend of £128,000. There is an underspend of £19,000 against the budget for adoption placements, allowances and legal fees.
- 4.5 Devolved School budgets are underspent by £324,000 at the end of the first quarter, £90,000 in primary schools and £234,000 secondary schools.
- 4.6 The MIJB is reporting an overspend across both Council and NHS services during quarter 1 of £692,000. The figures included in this report relate purely to the services delivered by Moray Council on behalf of the MIJB and amount to an overspend of £279,000. Additional funding received as part of the local government settlement, including the amount referred to in paragraph 3.4 above, has been drawn down and is fully committed in line with funding conditions.
- 4.7 Income budgets across the Council are showing both positive and negative variances. Sports and Leisure facilities were expected to continue to see reduced income in the aftermath of Covid restrictions and budgets were adjusted according. Recovery is ahead of forecast with income for quarter 1 £106,000 above the revised target. Income from trade waste is £66,000 below target, continuing the trend which emerged during the pandemic, however income from the sale of recyclates is currently £73,000 above target (this is a very volatile market). Fees from building standards and planning applications are in aggregate £111,000 below target. Catering income is £89,000 below budget but this is more than offset by a related underspend of £168,000 on food and other catering supplies.

4.8 There continues to be directly related Covid expenditure, totalling £1,303,000 in quarter one. The bulk of this relates to education recovery, with £1,027,000 cost of additional staffing. Expenditure of £33,000 has been incurred in Housing, mainly relating to the setting up of tenant hardship grants; £149,000 in Environmental and Commercial services for additional building cleaning, additional vehicle hire for lands and parks for social distancing and mini bus anti-bacterial fogging. £32,000 has been spent on economic recovery and £62,000 from the Flexible Food fund. In addition to this expenditure, which has largely been budgeted for, there are overspends of £47,000 on the Scottish Welfare Fund and £14,000 on housing benefits (although there is an underspend of £88,000 on Discretionary Housing Payments (DHP) – Scottish Government allocated additional funding for DHP during 2021/22 and is in the process of clawback and redistribution of funds.).

5. **BUDGET PRESSURES & ADDITIONS**

5.1 Budget pressures recognised when the budget was approved on 22 February 2022 are released when the pressure crystallises to the extent that it can be accurately quantified. Provisions to meet budget pressures and new duties totalling £7,044,000, have been released in quarter 1 and these are itemised in **APPENDIX 3**.

5.2 Provisions still held centrally at the end of quarter 1 total £11,832,000 and are detailed in **APPENDIX 4** and given a RAG assessment for likelihood of requirement.

5.3 Three provisions are assessed as red, as no longer being required: £64,000 for removal of music tuition fees and core curriculum charges as funding has been received via redetermination of general revenue grant; £120,000 for clearance of the Bilbohall site for housing development as work is not now expected on site until the end of 2022 and will not be required in this financial year and £12,000 additional funding for free period products which is not required on current level of uptake, although plans to increase uptake are being developed.

5.3 Two provisions are assessed as amber, for uncertainty of requirement: Free school meals extension balance (£402,000) and removal of music tuition charges (£92,000). Free school meals extension balance will depend on uptake from the new school year in August. £35,000 for the removal of music tuition charges is known to be required in quarter 2 but commitments against the balance are not yet known.

5.4 Two provisions that are classed as green have drawn down more than the original allocation. Health and Social Care Package costs were estimated at £185,000 split over 2021/22 and 2022/23. Due to a delay in the commencement of the package the full amount was not drawn down until 2022/23. The budget pressure for National Insurance 1.25% increase was £240,000 more than provided for but this element correlates to the consolidated living wage, for which there is a provision including employer's on-costs. A provision of £1,145,000 was included in the budget for implementation of the consolidated living wage, including retrospective payments. To date £226,000 has been drawn down along with the over

allocation for NI of £240,000, the balance of the provision is expected to be required.

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. There have been no new pressures quantified during quarter 1.

6.2 A budget pressure of £411,000 was included in the budget for increased cost of gas and electricity. This provision is still held centrally. This pressure was calculated on the cost of energy reported in the annual energy report in the autumn of 2021. With the cost of gas and electricity continuing to increase, this budget pressure is insufficient and more detailed costs will be updated for quarter 2.

6.3 The budget will continue to be reviewed for any emerging pressures and further recommendations will be made to in future as and when required.

7. SAVINGS

7.1 Savings of £1,576,000 were approved when the budget was set on 22 February 2022 (paragraph 4 of the minute refers). These savings comprised one-off savings of £68,000 and other permanent savings of £1,508,000.

7.2 Temporary savings of £68,000 will accrue from the refund due from Grampian Valuation Joint Board, the amount of which will be confirmed when the accounts for 2021/22 are audited and approved by the Board – the saving will be posted thereafter.

7.3 Of the originally approved permanent savings, a balance of £1,201,000 remains in central provisions as at the end of June. The detail of this is set out in **APPENDIX 5** and given a RAG assessment for anticipated achievement.

7.4 One saving totalling £94,000 is assessed as red. The savings relating to the Improvement and Modernisation programme (IMP) Stream 2: ICT & Digital – schools admin will not be achieved in 2022/23 and a progress report will be going to Committee in November 2022, with savings now projected to be made in 2023/24.

7.5 Two savings totalling £169,000 are assessed as amber. These savings relate to the IMP Stream 4: Review & Expansion of Flexible working £44,000 and Lean review £125,000 and will be reviewed in line with the forthcoming IMP update to committee.

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

7.7 In addition to the savings approved when the budget was set, additional savings of £71,000 accrue from the increase in NI threshold in April 2022. In addition there was a late posting of a vacancy factor increase of £37,000 relating to 2021/22. A further saving of £25,000 relates to a vacant post advised by the service to be no longer required.

8. **RESERVES**

8.1 The balance on general reserves (excluding DSM and ear-marked reserves) as at 1 April 2022 was £5,000,000. This is the minimum level of reserves that can be held on free general reserves.

8.2 Moray Council on 29 June 2022 approved an additional use of Covid ear-marked reserves totalling £1,449,000, (paragraph 24 of the Minute refers). The impact of this is an estimated balance of £8,188,000 on the Covid ear-marked reserve at 30 June 2022. The additional budget pressure from utilities inflation noted above will also reduce this balance as and when it crystallises.

8.3 Scottish Government provided funding of £960,000 for employability as part of the redetermination of General Revenue Grant in March 2022. Although part of General Revenue Grant there are strict conditions around funding for employability and to meet these this funding will be required in 2022/23 and possibly 2023/24. Consequently it is recommended that this amount is funded from reserves. The surplus generated in 2021/22 was transferred to Covid ear-marked reserves and so this is the appropriate source of funding to use. If approved this will reduce the estimate free balance on the Covid ear-marked reserve to £7,228,000.

8.4 Balances at 30 June 2022 for other ear-marked reserves are £4,388,000 for Transformation, with a provisional allocation of around half that amount for IMP, and £5,688,000 for Council priorities, the use of which is yet to be determined in detail but which was set aside to give the Council scope to fund some of its priorities – e.g. Climate Change – where there is no significant allowance in the budget. A further ear-marked reserve of £4,000,00 was set aside to fund cash flow during the earlier years of Moray Growth Deal – this is fully committed.

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. 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 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 2022 is an underspend against General Services Revenue Budget of £657,000 (including services delivered on behalf of the Moray Integration Joint Board).

10.2 Variations in General Revenue Grant totalling £11,235,000 have been notified to the Council.

10.3 There are no additional budget pressures noted for Council services at quarter 1 however the amount provided for utilities inflation is inadequate.

10.4 The Council has approved use of £13,898,000 from Covid ear-marked reserves, with a potential further £960,000 required.

Author of Report: Deborah O'Shea, Principal Accountant

Background Papers: Held by author

Ref: DOS/SPMAN-1293228629-743