



REPORT TO: MORAY COUNCIL EMERGENCY CABINET ON 12 AUGUST 2020

SUBJECT: FUNDING FROM RESERVES 2020/21

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

1. REASON FOR REPORT

- 1.1 To ask the Cabinet to agree to the use of free general reserves to fund expenditure in 2020/21 as set out in the report.
- 1.2 This report is submitted to the Emergency Cabinet following a decision of Moray Council on 17 June 2020 to convene a meeting of the Emergency Cabinet as and when required until a new simplified Committee structure commences on 2 September 2020, due to the COVID-19 pandemic.

2. RECOMMENDATION

- 2.1 **It is recommended that the Emergency Cabinet approves the use of free general reserves to fund expenditure of £437,164 as set out in paragraph 3.10 of this report.**

3. BACKGROUND

- 3.1 In addition to the funding announced in the local government settlement, Scottish Government announces funding during the financial year for various initiatives. Where this funding is distributed as part of the General Revenue Grant (GRG) and balance unspent at 31 March 2020 it is held in free general reserves. The bulk of the expenditure requested to be funded from free general reserve relates to additional GRG funds awarded during 2019/20. There are also requests relating to project slippage, and some funding received by the council to be spent as and when needed.
- 3.2 Additional funding of £257,000 was announced in January 2020 for additional support for learning. The funding announcement was too late to be used in 2019/20. The service department plans to use the funding to help with the transition through the restructure of the additional support for learning service.
- 3.3 Scottish Government provided additional funding of £25,000 in 2018/19 and £25,000 in 2019/20 for the reinvigoration and extension of the Whole System

Approach to justice services. Although funding has come through GRG, the service is expected to report on expenditure. Under £7,000 has been spent to date. The service has reported to Scottish Government plans to employ a project worker to include those under 21 and up to 26 who have been care experienced. The underspend of £43,486 would be added to the in-year funding of £25,000 in 2020/21.

- 3.4 The budget for Discretionary Housing Payments (DHP) was underspent by £28,902. Demand is anticipated to increase in 2020/21, partly as a result of COVID-19 and its impact on household finances, partly due to the roll out of Universal Credit, resulting in more people being affected by the benefit cap. Consequently the service requests that an amount equal to last year's underspend is funded from reserves in 2020/21.
- 3.5 The Home Office provides funding for Syrian refugees, over a five year period. Of the funding received to date, £26,083 was unspent at 31 March 2020. The underspend has been committed to provide staffing at Linkwood Primary School and within the English as an Additional Language (EAL) Service. Moray College have also been asked to provide classes for adults. Consequently it is recommended that this amount is funded from reserves.
- 3.6 The Dorenell wind farm is contributing £50,000 a year for 25 years towards the cost of maintaining Moray's core paths network. £40,000 was spent in 2019/20 on capital projects. It is recommended that the balance of £10,000 is available to spend in 2020/21, funded from reserves.
- 3.7 The Council received a contribution of £5,000 towards Community Planning Partner projects for Police Scotland which remains unspent at 31 March 2020. It is recommended that this sum plus the Council's match-funding (a total of £9,693) is available to be spent in 2020/21, funded from reserves.
- 3.8 At a meeting on 8 May 2019 (paragraph 14 of the minute refers), the Council agreed to allocate funding of £40,000 towards the Moray Growth Deal. During 2019/20 £4,000 was spent on graphics / artists impressions for the Cultural Quarter project. It is recommended that the balance of the approved allocation (£36,000) is made available to be spent in 2020/21, funded from reserves.
- 3.9 As a result of COVID-19, there was slippage on some projects. Work was unable to proceed on some small energy efficiency projects and on the Elgin Traffic Survey. Consequently it is recommended that the budgets for these projects - £6,000 for energy efficiency projects, which generate cash savings and contribute towards the Council's target to be carbon neutral in future years and £20,000 for the traffic survey – are rolled forward into 2020/21 and funded from reserves.

3.10 The amount requested to be funded from reserves is summarised below:

	Para ref	£000s
Additional Support for Learning	3.2	257
Whole System Approach	3.3	43
DHP	3.4	29
Syrian refugees	3.5	26
Core paths network	3.6	10
Community Planning Partner projects	3.7	10
Moray Growth Deal	3.8	36
Energy efficiency small projects	3.9	6
Elgin traffic survey	3.9	20
Total		437

4. **SUMMARY OF IMPLICATIONS**

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

The proposed expenditure contributes towards priorities in the Corporate Plan.

(b) Policy and Legal

There are no policy or legal issues arising directly from this report. Additional Scottish Government funding is given to support Councils in working towards Scottish Government priorities.

(c) Financial implications

Corporate Management Team Additional Expenditure Warning

When the council approved the budget for 2019/20 on 27 February 2019 (para 4 of the Minute refers), the three year indicative budget before the council showed savings required in 2020/21 of £12.2 million and £6.7 in 2021/22. Although the final figures will vary, it is clear that the council will have to reduce its costs significantly across all services in future years. All financial decisions must be made in this context and only essential additional expenditure should be agreed. In making this determination the committee should consider:

- Is there a statutory requirement to incur the expenditure?
- Are there any alternative actions available to avoid or reduce the cost?
- Are there alternative ways in which the service could be provided?
- What are the risks and consequences of not allocating the funding?
- Does the expenditure contribute to long term financial stability?

If in light of these factors the spend is considered essential, the relevant committee should consider how it could be accommodated within the service budget, including what other activity would have to cease or

diminish with what impact and risk. Only following these considerations should request be made to the Council for additional budget allocation.

The additional spend recommended in this report is one-off and therefore will not directly increase the saving target for 2021/22, albeit reduced reserves will add pressure to achieve the savings required to bridge the projected budget gap. £46,000 of the spend is effectively from ring-fenced funding (Syrian refugees, core path networks, community planning partner projects) and £300,000 is spend from additional Scottish Government grant not included when the budget was set. The balance of the funding requested - £91,000 – could therefore be considered to be adding to pressure to make savings in 2021/22

While in isolation this figure may appear significant, the cumulative impact of all new pressures will require to be taken into account for future years. If the Emergency Cabinet recommends additional budget to be allocated this recommendation will be considered in the next quarterly budget monitoring report in the context of the current overall financial position of the council and in particular in the overall context of spend beyond affordable limits that impinges on the Council's reserves policy position and in the report being prepared for Council on 2nd September 2020 to review the Council's short term financial strategy.

(d) Risk Implications

There are no risks directly associated with the proposals in this report.

(e) Staffing Implications

There are no staffing implications arising directly from this report.

(f) Property

There are no property implications arising directly from this report.

(g) Equalities/Socio Economic Impact

There are no equalities issues or impact on the socio-economic duty arising directly from this report.

(h) Consultations

Members of CMT, Heads of Service and the Democratic Services Manager have been consulted in the preparation of this report and comments incorporated in the report.

5. CONCLUSION

5.1 The request to fund expenditure for reserves is for late receipts of Scottish Government grant; DHP, an area where budget pressure is anticipated in 2020/21; effectively ring-fenced funding, and certain areas of slippage where funding had previously been approved for a Council priority.

5.2 It is recommended that the requests are approved as set out in this report.

Author of Report: Lorraine Paisey, Chief Financial Officer
Background Papers:
Ref: