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**REPORT TO: ECONOMIC GROWTH, HOUSING & ENVIRONMENTAL  
SUSTAINABILITY ON 6 OCTOBER 2020**

**SUBJECT: REVENUE BUDGET MONITORING TO 30 JUNE 2020**

**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 2020.
- 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 £523,000 under budget for 2020/21 as at 30 June 2020;**
- (ii) that this position consists of an underspend on Devolved School budgets of £608,000, an overspend on Social Care services delivered on behalf of the Moray Integration Joint Board (MIJB) of £261,000 and an underspend on other services of £176,000;**
- (iii) movement of £4,137,000 in the General Revenue Grant, as detailed in paragraph 3.4;**
- (iv) emerging budget pressures as summarised in paragraph 6.2; and**
- (v) a reduction in the planned use of reserves in 2020/21 to £770,000 as summarised in section 8.**

### **3. BACKGROUND**

- 3.1 When the revenue budget for 2020/21 was approved by Moray Council on 3 March 2020 (paragraph 3 of the minute refers), General Revenue Grant of £162,442,000 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 £45,700,000 were anticipated. Budgeted expenditure of £210,490,000 was agreed, and this required projected use of £2,348,000 of the Council's General Reserves to balance the budget.
- 3.2 On 2 September 2020 Council approved adjustments to the base budget to reflect variances during 2019/20 which were projected to continue into 2020/21. The net effect of these adjustments was to reduce budgeted expenditure by £156,000. On 12 August 2020 the Emergency Cabinet approved additional expenditure of £437,000 to be funded from General Reserves. None of these adjustments have yet been posted to departments but will be actioned for the quarter 2 budget monitoring report.
- 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 DSM balance brought forward in 2020/21 is £683,000 (2019/20 £10,000). In addition to this, unused funding of £443,000 received in 2019/20 for the Pupil Equity funding has been carried forward into 2020/21 in accordance with the grant conditions.
- 3.4 Variations to General Revenue Grant (GRG) amounting to £4,137,000 have been notified. This predominately relates to additional funding for Covid agreed by Scottish Government: £2,644,000 from Barnett consequentials; £853,000 Hardship fund; £261,000 for Scottish Welfare Fund top up; Food Fund £448,000, registrars of death £11,000; additional DHP funding of £35,000. There were also adjustments totalling a net reduction of £115,000 made for the Parental Employee Support Fund (PESF) funding. As at 30 June 2020 the Scottish Welfare Fund top up has been drawn down, as have £390,000 of the Food Fund and the additional DHP funding, to match expenditure in quarter 1.
- 3.5 With these adjustments the Council's overall General Services revenue budget currently stands at £215,753,000.
- 3.6 Funding of £3,940,000 for the expansion of Early Learning and Childcare (ELC) was included in base budget. Grant funding of £9,345,000 has been notified for 2020/21 and the budget will be adjusted to reflect this additional funding. ELC is funded by specific grant, but for transparency it is included in the government grant figure in **APPENDIX 2**.
- 3.7 Reconciliation of the movements in the base budget from that which was approved by the Moray Council on 2 March 2020 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 2020 with the budget to 30 June 2020.
- 4.2 Overall the budget position at 30 June 2020 is expenditure under budget to date of £523,000 or 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:
- 4.3.1 In Integrated Children's Services, there is an underspend of £395,000 on a contract for residential care for children with disabilities, due to two of the three children originally in this service having made the transition to adult services.
- 4.3.2 Devolved School budgets are underspent by £608,000 at the end of the first quarter, £291,000 in primary schools and £317,000 secondary schools.
- 4.3.3 The impact of the Covid pandemic and lockdown measures that have been put in place have had significant impact on the budgets during the first quarter. All services are seeing less income than expected in the first quarter totalling £1,889,000. This includes loss of leisure income, catering income, car parking income, planning and building control. The initial estimate of loss of income in quarter 1 was reported to the Emergency Cabinet on 21 May 2020 (paragraph x of the minutes refers). At that juncture loss of income for the quarter was estimated at £1,962,000. In the Short Term Financial Planning Update reported to Council on 2 September 2020 (para x of the minute refers) loss of income from fees and charges and service closures were estimated at £2,644,000 for the year. There will be a further update of this as part of the estimated actuals due to be reported in December.
- 4.3.4 This is partially offset by underspends in many services in the core service expenditure due to works and spend being unable to be incurred or completed. The main service variances total £1,282,000, which includes repairs and maintenance, energy costs, landfill tax from reduced tonnage landfilled, Passenger Transport Unit (PTU), catering supplies, purchases of tyres and parts for the Council's fleet of vehicles, corporate training. Payments from the Scottish Welfare Fund (SWF) are also below budget. After an initial spike in demand, requests reduced, partly due to the circumstances of lockdown, with house moves being prevented as so claims for grants for household furniture and white goods reducing and partly due to alternative sources of funding being made available. Of particular note is the success of the Council's Flexible Food Fund, which provides up to two months payments as a contribution to households struggling financially. This supported over 640 households. Additional support to maximise income through benefits and grants and help with budgeting and managing bills and debts was also provided. When the first estimate of costs were reported to the Emergency Cabinet on 21 May 2020, reduced costs of £612,000 were reported. The difference is partly due to SWF (£186,000) which was assumed to spend in full, and to landfill tax (£108,000) where no impact was estimated

from changed activity patterns. Savings on transport running costs was understated.

- 4.3.5 There is also directly related Covid expenditure totalling £585,000. This is made up of £469,000 in Education, relating to set up costs of the Hub and supply teachers payments; £54,000 in Housing, mainly relating to the setting up of temporary accommodation and agency costs and £62,000 in Environmental and Commercial services for relief staff and agency staff payments. Estimated revenue costs of £576,000 for quarter 1 were reported to the Emergency Cabinet on 21 May 2020.
- 4.3.6 The Council budgeted for a temporary saving of £540,000 from a VAT refund. The actual sum received is £677,000 and this is showing as an underspend in Financial Services.
- 4.3.7 When MIJB set its budget for 2020/21 it included a financial recovery and transformation plan amounting to £1,944,000 for 2020/21. In quarter 1 the MIJB is reporting £256,000 toward this target. However, the overspend across both Council and NHS services during quarter 1 is £149,205. 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 £261,000.
- 4.4 **APPENDIX 7** gives details of budget monitoring for Environmental and Commercial services and Economic Growth and Development services that are usually reported to the Economic Development and Infrastructure Services Committee, and are included with this report.

## **5. BUDGET PRESSURES**

- 5.1 Budget pressures recognised when the budget was approved on 3 March 2020 are released when the pressure crystallises to the extent that it can be accurately quantified. Provisions to meet budget pressures and new duties totalling £1,436,000 have been released in quarter 1.
- 5.2 Provisions still held centrally at the end of quarter 1 total £5,337,000 and are detailed in **APPENDIX 4** and given a RAG assessment for likelihood of requirement.
- 5.3 Four provisions are assessed as red or no longer required: £65,000 for RHI payments; £2,000 for reduction in public service pension scheme discount rate; £139,000 for school meals and £57,000 for NDR reform. The budget pressure for Renewable Heat Incentive (RHI) payments which were to cease after 7 years is no longer required as per the service payments will continue for 20 years. The additional budget required for reduction in public service pension scheme discount rate has been allocated and the balance is not now required. Implementation of the new regulations for school meals has been postponed until April 2021 so the provision for additional funding is not required in this financial year. The budget pressure for NDR reform is no longer required as it has been confirmed that it is already included in the Grampian Valuation Joint Board budget requisition.

5.4 Six provisions are assessed as amber, for uncertainty of requirement: additional whole life costing for Lossiemouth High School (£40,000); DWP funding; Microsoft licences; clearance of Bilbohall site for housing development (£120,000); Rapid housing transition (£101,000) and registrars of death (£11,000). Increased cost for Lossiemouth High School will not be required until the school is operational. The DWP funding and Microsoft licenses budget pressure exceeded the original expected requirement by £37,000 in total. This will be covered by the budget pressure allowed for NDR reform but not required. The rest of the budget pressures rated as amber are required but awaiting further information to confirm that the funding will be required during this financial year.

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 1 are listed in the table below:

	<b>Para Ref</b>	<b>Estimated full year effect £000s</b>
Cleaning of public conveniences	6.2	15
		=====
		15
		=====

6.2 The Moray Council Emergency Cabinet on 12 August 2020 (paragraph 19 of the Minute refers), agreed to keep the public conveniences previously considered for closure or alternative service delivery open until a review is completed in January 2021. This meant the previously agreed savings of £32,000 will not be achieved but also additional costs were approved up to £15,000 for cleaning. Costs are expected to be incurred in quarter 2.

6.3 The budget will continue to be reviewed for any emerging pressures and further recommendations made to Council in December 2020 if required.

## **7. SAVINGS**

- 7.1 Savings of £3,102,000 were approved when the budget was set on 3 March 2020. These savings comprised increased income of £48,000 from inflationary uplifts to charges for services; one-off savings of £582,000, and other permanent savings of £2,472,000.
- 7.2 To date budgets for charges have been adjusted by £46,000. The remaining balance of £2,000 will be reviewed as part of the estimated actual process and budgets adjusted accordingly. Temporary savings of £43,000 have been posted to departmental budgets. The balance relates to the VAT refund and will be posted in quarter 2.
- 7.3 Of the originally approved permanent savings, a balance of £875,000 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 £204,000 are assessed as red. Savings of £20,000 from Accounts Payable electronic processing have not yet been realised and are dependent upon an ICT solution. £14,000 saving for customer services use of e-forms, uptake has been lower than anticipated, therefore saving unlikely to be achieved. £55,000 property service review was included in savings taken from the IMP management restructure. £83,000 relating to the sport/ leisure service commercialisation is delayed and the change management plan is still being prepared so the saving is unlikely to be achieved in this financial year. £32,000 relating to public conveniences is no longer achievable after the Committee decision to keep the service open until a further review can be completed in January 2021.
- 7.3.2 Six savings totalling £415,000 are assessed as amber. Savings of £3,000 relating to the members service reduction in hours is delayed until the return from maternity leave in January 2021, some savings will be achieved in the year. £52,000 saving relating to the relocation of staff from Auchernack and Forres community centre are delayed, a change management plan is in progress which should return some savings but unlikely to achieve the full amount. £360,000 relating to 4 projects under the Improvement and Modernisation Programme were paused during lockdown at this point it is unclear whether savings will be achieved during this financial year.
- 7.3.3 The other unposted savings are assessed as green - these are expected to be achieved or substantially achieved during this financial year.

## **8. FREE GENERAL RESERVES**

- 8.1 The balance on general reserves (excluding DSM and ear-marked reserves) as at 1 April 2020 was £14,639,000. Use of reserves totalling £2,348,000 was approved to balance the 2020/21 budget. Since then the BRIS retention of £1,859,000 for a three year period was notified to the Council and this reduces the need to use reserves in 2020/21.
- 8.2 The Moray Council on 12 August 2020 approved an additional use of reserves totalling £437,000, as listed in **APPENDIX 6**, and on 2 September 2020

approved a net budget reduction of £156,000, reducing the underlying need to use reserves.

- 8.3 The planned use of free general reserves is currently £770,000. This figure does not take into account the estimated impact of the pandemic, as reported to Council on 2 September 2020.

## **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.
- (e) Staffing Implications**  
No staffing implications arise directly from this report.
- (f) Property**  
No property implications arise directly from this report.
- (g) Equalities**  
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 2020 is an underspend against General Services Revenue Budget of £523,000 (including services delivered on behalf of the Moray Integration Joint Board).**
- 10.2 Variations in General Revenue Grant totalling £4,137,000 have been notified to the council.**
- 10.3 There are additional budget pressures of £15,000 noted for Council services at quarter 1. This figure excludes the cost of the pandemic.**
- 10.4 The Council has approved use of £770,000 from general reserves. There will be a further unplanned call on reserves to meet the net unfunded costs of the pandemic.**

Author of Report: Deborah O'Shea, Principal Accountant

Background Papers: Held by author

Ref: