



REPORT TO: MORAY COUNCIL ON 23 FEBRUARY 2022

SUBJECT: REVENUE BUDGET MONITORING TO 31 DECEMBER 2021

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 2021 and of the current estimated out-turn for 2021/22.
- 1.2 This report is submitted to Council in terms of Section III A (2) 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 £1,189,000 under budget for 2021/22 as at 31 December 2021;**
- (ii) that this position consists of an underspend on Devolved School budgets of £1,217,000, an underspend of £1,479,000 on Children's services, an overspend on Social Care services delivered on behalf of the Moray Integration Joint Board (MIJB) of £1,928,000 and an underspend on other services of £421,000;**
- (iii) movement of £3,212,000 in the General Revenue Grant, as detailed in paragraph 3.5;**
- (iv) the current estimated out-turn for 2021/22 of an underspend of £2,132,000 which would result in an increase in Council reserves; and**
- (v) emerging budget pressures as summarised in paragraph 6.1.**

3. BACKGROUND

- 3.1 When the revenue budget for 2021/22 was approved by Moray Council on 3 March 2021 (paragraph 5 of the minute refers), General Revenue Grant of £167,832,000 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. BRIS retention of £1,859,000 was included in funding. Council Tax receipts of £44,405,000 were anticipated. Budgeted expenditure of £214,106,000 was agreed, and this required projected use of £10,000 of the Council's General Reserves and use of financial flexibilities totalling £1,251,000 to balance the budget.

- 3.2 Shortly after the budget was set Scottish Government announced additional funding for local authorities in 2020/21 relating to the pandemic. This came as General Revenue Grant and is held in an ear-marked reserve. As reported to Council on 20 September 2021 (paragraph 27 of the Minute refers) pandemic-related budget pressures of £1,307,000 were included in the base budget and these could appropriately be funded from the ear-marked reserve, removing the need to use financial flexibilities or funding from free general reserve.
- 3.3 On 30 June 2021 Council approved adjustments to the base budget to reflect variances during 2020/21 which were projected to continue into 2021/22. The net effect of these adjustments was to increase budgeted expenditure by £242,000 (paragraph 17 of the Minute refers). On 12 May 2021 (paragraph 14 of the Minute refers) and 30 June 2021 (paragraph 17 of the Minute refers) Council approved additional expenditure of £191,000 to be funded from General Reserves. All of these adjustments have been posted to departments during quarter 1 and 2. On 1 July 2021 Council (paragraph 31 of the Minute refers) approved additional expenditure of £430,000 for UK Levelling Up Fund, the budget for which was posted to the department in quarter 2. The Economic Growth, Housing and Environmental Services Committee on 24 August 2021 (paragraph 6 of the Minute refers) approved additional expenditure of £30,000 for Syrian refugees to be funded from free general reserves and £100,000 for small scale projects to transform Council services to be funded from the ear-marked reserve for transformation of services. The budget for Syrian refugees has been posted to the service in quarter 2 and the budget for transformation of services will be posted during quarter 4.
- 3.4 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 2021/22 is £1,342,000 (2020/21 £683,000). Unused funding of £802,000 received in 2020/21 for the Pupil Equity funding and £599,000 for Early Learning and Childcare has been carried forward into 2021/22 in accordance with the grant conditions.
- 3.5 Variations to General Revenue Grant (GRG) amounting to £8,606,000 have been notified since the budget was approved, and previous monitoring reports gave details of £5,493,000. A further £3,212,000 has been notified during quarter 3. The bulk of the funding is for social care: £2,238,000 for additional winter pressures and £450,000 for adult social care pay uplift funding. There is additional funding relating to Covid: £335,000 for flexible funding to tackle financial insecurity; £52,000 for CO₂ monitors in schools and £36,000 self-isolation grant extension. Other funding relates to manifesto pledges: £51,000 for Mental Health Officer and £50,000 for the national trauma training programme. As at 31 December 2021 £132,000 for flexible funding to tackle financial insecurity has been drawn down.

- 3.6 With these adjustments the Council's overall General Services revenue budget currently stands at £242,700,000.
- 3.7 Funding of £10,432,000 for the expansion of Early Learning and Childcare (ELC) was included in base budget. Expansion of ELC is funded by specific grant, but for transparency it is included in the government grant figure in **APPENDIX 3**. All funding received has been drawn down. At the end of quarter 2, it was projected that there would not be sufficient grant available to cover the costs to the end of the financial year. Following work on this area, it is now projected that expenditure in 2021/22 can be covered by the revenue grant, using brought forward underspend from previous years. This means that the revenue cost of the expansion of ELC has been met entirely by the grant funding from Scottish Government. However, current levels of expenditure going forward are higher than the funding received in 2021/22 and the funding announced for 2022/23 has been reduced. This was the subject of a report to Education, Children's and Leisure Services Committee on 26 January 2022 (paragraph x of the Minute refers) and work is ongoing to identify how costs may be contained within the level of funding from Scottish Government.
- 3.8 Reconciliation of the movements in the base budget from that which was approved by the Moray Council on 2 March 2021 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 for the year to 31 December 2021 with the budget to 31 December 2021.
- 4.2 Overall the budget position at 31 December 2021 is expenditure under budget to date of £1,189,000 or 0.8% 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 £1,479,000 primarily due to an underspend to date on out of area childcare packages of £729,000. A contract for residential care for children in Moray has ended giving an underspend of £432,000 and another contract for £250,000 has ended due to clients transitioning to adult services. A further underspend of £68,000 relates to adoption placements, allowances and legal fees .
- 4.5 Devolved School budgets are underspent by £1,217,000 at the end of the third quarter, £423,000 in primary schools and £794,000 secondary schools, with significant delays in delivery for purchases on order. There is an underspend of £49,000 on the facilitating school improvement budget.
- 4.6 The MIJB is reporting an overspend across both Council and NHS services at the end of quarter 2 of £2,094,000. 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 £1,928,000.

- 4.7 The impact of the Covid pandemic and lockdown measures that have been put in place continue to have significant impact on the Council's pattern of income and expenditure during the third quarter. All services are seeing less income than expected, totalling £1,101,000 at the end of the third quarter. This includes loss of leisure income above that anticipated when the budget was set; catering income; car parking income; planning and building control fees.
- 4.8 This is partially offset by works and spend in some services being unable to be incurred or completed due to the impact of Covid. The main service underspends total £1,243,000, which includes property repairs and maintenance, school improvements, recycling, Moray training and corporate training.
- 4.9 There is also directly related Covid expenditure totalling £3,477,000. This is made up of £1,432,000 for additional teachers and support staff; £204,000 for free school meals payments; £633,000 hardship/bridging payments; £198,000 ELC partner providers; £12,000 in Housing, mainly relating to building recommissioning works (pools and libraries); £551,000 for relief staff and agency staff payments covering staff who are self-isolating or have long covid; £214,000 flexible food fund and £233,000 for business grants. All of this will be funded from additional funding from Scottish Government in this financial year or from covid ear-marked reserves if expenditure exceeds base budget.

5. BUDGET PRESSURES

- 5.1 Budget pressures recognised when the budget was approved on 3 March 2021 are released when the pressure crystallises to the extent that they can be accurately quantified. Provisions to meet budget pressures and new duties totalling £2,129,000 have been released in quarter 3 and these are itemised in **APPENDIX 4**.
- 5.2 Provisions still held centrally at the end of quarter 3 total £16,909,000 and are detailed in **APPENDIX 5** and given a RAG assessment for likelihood of requirement.
- 5.3 Four provisions are assessed as red as they will not be required in this financial year but will be in 2022/23. Clearance of Bilbohall site for housing developments (£120,000) is expected to be delayed due to the uncertainties in the wider construction sector and the annual maintenance of automatic bollards (£7,000) will not be required until the automatic bollards are installed. The provision for maintenance of automatic bollards in Elgin High Street is budgeted to be funded from ear-marked covid reserves. Lossiemouth High School life cycle (£40,000) requirements have been reviewed in quarter 3 to ascertain if this is still required as the budget pressure was based on an early estimate and is not required. School roll numbers draw down was posted in October based on the new roll figures: the amount required was less than the budget allocation and the balance of £438,000 will not be required.

- 5.4 Six provisions are assessed as amber for uncertainty of requirement, three relating to core provisions and four relating to Covid funding. The three relating to core provisions are: Programme Management Office (PMO) (£1,264,000); Participatory budgeting (£84,000), and Building Information Model (BIM) (£20,000). It is uncertain whether any more appointments to the PMO establishment will be made this financial year. It is unlikely that all of the budget for Participatory Budgeting will be needed in this financial year but it will be required in 2022/23. BIM is uncertain if will be completed in this financial year. The three relating to Covid funding are: recurring costs of ICT equipment (£6,000); temporary ICT staff (£230,000) and general business grant administration funding (£170,000), . Recurring ICT costs are for mobile phone monthly charges Council-wide and are currently being absorbed within the current budget. Temporary ICT staff posts have not yet all been filled and full year funding may not be required this financial year. The requirement for business grant administration funding depends upon the issue of more grants and potentially will not all be utilised this financial year.
- 5.5 Four provisions that are classed as green have drawn down more than the original allocation. Two were reported previously: for Linkwood primary school running costs and for school meals due to changes in legislation. In quarter 2 £634,000 was drawn down for the National Care Home Contract uplift for 2021/22, this pressure was agreed at budget setting but the costs were unknown until the national agreement was made. £201,000 was drawn down for the economic recovery plan funded from Covid reserves, as approved by Council on 28 October 2020. A budget pressure of £85,000 had been originally included for 2020/21 and the balance of £116,000 was approved by Council on 30 November 2021 (paragraph 8 of the Minute refers)
- 5.6 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 quarters 1 and 2 are listed in the table below :

	Para Ref	Estimated full year effect £000s
Estimated underprovision for SJC pay award	6.1	670
Moray Growth Deal – increase grade of the Programme management officer	6.2	25
ICT cyber security improvements	6.3	27
		722
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- 6.2 This budget pressure was reported in quarter 1 as an estimate of £700,000 for the underprovision of the SJC pay award. The SJC pay award has been agreed and payments were made in January 2022 and the budget pressure

adjusted accordingly, however the teachers pay award has not yet been agreed. A provision of £1,125,000 was made for teachers pay award and it is not yet known if this will be agreed in this financial year, however in preparing the estimated actuals it has been assumed that this sum will be required.

- 6.3 Work on developing the outline business cases for the Moray Growth Deal (MGD) has clarified Scottish Government expectations of the work which will be entailed in developing full business cases and in monitoring and reporting through the life of MGD. Following this a budget pressure of £25,000 was approved by Council on 19 January 2022 (para x of the minute refers) to increase the grade of the Programme Management Officer to truly reflect the level of responsibility of this post (currently vacant), with a further potential budget pressure identified for a new (possibly part time to manage budget pressures) post of Programme Officer to support the Senior Responsible Officers and a new part-time finance post to take on the additional work of financial monitoring and reporting.
- 6.4 In recognition of the increased likelihood of cyber attacks on public sector organisations, the Council's ICT service has been investigating potential cyber security improvements. Software to raise awareness of phishing attacks has been identified. This would have an on-going cost of £27,500 and this budget pressure was approved by Council in 19 January 2022 (para x of the minute refers).

7. SAVINGS

- 7.1 Savings of £2,585,000 were approved when the budget was set on 3 March 2021. These savings comprised increased income of £25,000 from inflationary uplifts to charges for services; one-off savings of £143,000, and other permanent savings of £2,417,000.
- 7.2 To date budgets for charges have been adjusted in full. Temporary savings of £131,000 have been posted to departmental budgets. The balance of £12,000 relates to the Grampian Valuation Joint Board refund of requisition, where the amount refunded was less than expected following adjustments in the audited accounts: the saving will therefore not be achieved in full.
- 7.3 Of the originally approved permanent savings, a balance of £310,000 remains in central provisions as at the end of December. These are detailed in **APPENDIX 6** and given a RAG assessment for anticipated achievement.
- 7.4 Three savings totalling £147,000 are assessed as red. The savings relating to the Improvement and Modernisation programme Stream 2: ICT & Digital – schools admin (£94,000) and Stream 4: review & expansion of flexible working (£44,000) are unlikely to be achieved in 2021/22 since the review is not expected to be completed until March 2022. These savings will be carried forward to 2022/23. Also the saving associated with moving towards a cashless car parking system (£9,000) is not expected to be achieved as less people are now using the car parks and the uptake for pay-by-phone is less than expected.
- 7.5 One saving of £20,000 is assessed as amber. This is the balance of the saving relating to the relocation of staff from Auchernack and Forres

community centre is delayed, relating primarily to NDR saving and will not be achievable until the building is disposed of.

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

8. ESTIMATED OUT-TURN

- 8.1 **APPENDIX 2** summarises the revised estimated out-turn position for each service area, comparing the estimated expenditure to the financial year-end with the budget to 31 March 2022.
- 8.2 Overall the estimated out-turn position for 2021/22 is expenditure under budget of £2,132,000 or 0.9% of budget to date (including services delivered on behalf of the Moray Integrated Joint Board).
- 8.3 The estimated out-turn position for 2021/22 for Health & Social Care is an overspend of £1,836,000 on services provided by the Council to MIJB. The overall projected overspend for all MIJB services is £176,000. In October 2021, the Scottish Government Director of Health Finance and Governance wrote to Health Board Directors of Finance stating that support will be provided to NHS Boards and Integration Authorities to deliver a break even position for 2021/22. Accordingly a break-even position is shown in the estimated out-turn.
- 8.4 The principal areas of overspend and underspend across the Council reflect the major variances mentioned in section 4 of this report. Details of projected out-turn variances are summarised below:
- 8.5 In Children Services, there is a total projected underspend of £2,097,000. This predominantly relates to £1,000,000 for out of area childcare packages. A contract for residential care for children with disabilities has ended giving an underspend of £568,000, a report recommending the re-investment of this underspend in the service was approved at Education, Children's Leisure Services Committee on 26 January 2022 (para x of the minute refers). Adoption allowances and legal fees are projected to be underspent by £32,000; fostering fees and allowances projected underspend of £70,000; one-off income received from adoption placement is projected to give an underspend of £32,000 and throughcare/aftercare grants are expected to be £40,000 underspent at the year end.
- 8.6 Staff savings from vacancies and appointment below top of scale across all services are anticipated to exceed the overall budget provision by £1,910,000. Variances are anticipated across all services due to the impact of the pandemic upon the recruitment process and the ability of services to fill vacancies.
- 8.7 The impact of the Covid pandemic and lockdown measures that have been put in place have had significant impact on the budgets to date and this is anticipated to continue to the year end, albeit at a reduced level. All services are generating less income than budgeted, projected to total £1,144,000 at the year end. This includes loss of leisure income, catering income (offset by savings on food costs) of £595,000, car parking income, trade waste, planning

and building control fees. In contrast, income from recycling is £325,000 above budget – this is an area where there is considerable volatility in prices for recyclates – green waste permits are £60,000 above budget and bulky waste £35,000. The net effect is an overspend of £129,000.

- 8.8 This is partially offset by works and spend in some services being unable to be incurred or completed due to the impact of Covid. The main service underspends forecast total £588,000, which includes property repairs and maintenance, corporate training, business start up grants and discretionary housing payments (DHP). As part of the Economic Recovery Plan, £100,000 was allocated for business start up grants to follow on pop up shops, but due to continuing covid restrictions and staff workload administering Scottish Government grants this scheme has seen no take up yet. The underspend in DHP is also due to workload pressures, with priority currently being given to Scottish Welfare Fund payments and self-isolation grants.
- 8.9 Provisions are expected to overspend by £2,568,000 by the year end. This is primarily due to the pay award costing more than originally budgeted, there are budget pressures incurred that exceed the original budget as detailed in para 6.1 above. This is reduced by budget pressures that will not be required in this financial year.
- 8.10 The Council Tax collection rate at this stage is holding up well against the budget assumption and although below the 2019 performance is much closer to that than to the 2020 level and Council Tax Reduction is currently reducing to pre-pandemic levels , so at this stage it is estimated to achieve the budget at year end.

9. FREE GENERAL RESERVES

- 9.1 The balance on general reserves (excluding DSM and ear-marked reserves) as at 1 April 2021 was £15,349,000. Use of reserves totalling £10,000 was approved when the 2021/22 budget was set. Further approved use of reserves are detailed in paragraph 3.3 above and listed in **APPENDIX 7**.
- 9.2 Moray Council on 15 September 2021 approved further ear marking of free general reserves totalling £8,816,000 as detailed in paragraph 3.12 of the report on short to medium term financial planning (paragraph 27 of the minute refers).
- 9.3 The impact of the above leaves an assumed use of reserves to fund the shortfall in provision for SJC pay award gives an estimated free balance of £5,000,000 at 31 March 2022. As that leaves the Council at its policy minimum for free general reserves, the additional budget pressures noted above will be funded from the covid reserve if and when they crystallise.
- 9.4 The impact of the estimated out-turn is a return to reserves of £2,132,000, which will be transferred to the ear-marked reserves for covid.

10. **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. High levels of staff vacancies impact on service delivery and staff in post.
- (f) **Property**
No property implications arise directly from this report.
- (g) **Equalities/Socio Economic Impact**
There are no equalities issues associated with 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.

11. **CONCLUSION**

- 11.1 **The financial position of the Council at the end of December 2021 is an underspend against General Services Revenue Budget of £1,189,000 (including services delivered on behalf of the Moray Integration Joint Board).**
- 11.2 **Variations in General Revenue Grant totalling £3,212,000 have been notified to the council.**

- 11.3 There are emerging budget pressures of £722,000 noted for Council services at the end of quarter 3.**
- 11.4 The estimated out-turn position consists of an underspend of £2,132,000, to give a net return to reserves.**
- 11.5 The Council has an estimated balance on free general reserves of £5,000,000 at 31 March 2022.**

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Background Papers: Held by author
Ref:

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