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**REPORT TO: ECONOMIC GROWTH, HOUSING AND ENVIRONMENTAL  
SUSTAINABILITY ON 1 DECEMBER 2020**

**SUBJECT: REVENUE BUDGET MONITORING TO 30 SEPTEMBER 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 September 2020 and of the current estimated out-turn for 2020/21.
- 1.2 This report is submitted to the Economic Growth, Housing and Environmental Sustainability Committee following a decision of Moray Council on 17 June 2020 to agree a simplified committee structure as a result of the COVID-19 pandemic. In the case of this committee the combining of the delegated responsibilities of Economic Development and Infrastructure, Community Services (Housing and Property) and Finance (budget, capital and revenue monitoring) (para 9 of the minute refers).

**2. RECOMMENDATION**

**2.1 It is recommended that Committee considers and notes:**

- (i) the budget monitoring position of £1,546,000 over budget for 2020/21 as at 30 September 2020;**
- (ii) that this position consists of an underspend on Devolved School budgets of £841,000, an overspend on Social Care services delivered on behalf of the Moray Integration Joint Board (MIJB) of £216,000 an overspend of £5,151,000 on Covid related expenditure and an underspend on other services of £2,980,000;**
- (iii) movement of £1,144,000 in the General Revenue Grant, as detailed in paragraph 3.4;**
- (iv) the current estimated out-turn for 2020/21 of an underspend of £1,500,000 and shortfall in Council Tax income of £2,400,000, a net £900,000 overspend partly offset by a retention under the Business Rates Incentivisation Scheme (BRIS) resulting in a**

**decrease in the planned use of Council reserves by £959,000 from that budgeted for; and**

- (v) The position regarding Moray Integration Joint Board (MIJB) as described in paragraph 8.3, with cost implications of £112,000 for the Council.**

### **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 12 August 2020 the Emergency Cabinet approved additional expenditure of £437,000 to be funded from General Reserves. 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. Some of these adjustments have been posted to departments but the rest will be actioned for the quarter 3 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 £466,000 (2019/20 £10,000). In addition to this, unused funding of £660,000 received in 2019/20 for the Pupil Equity Fund and £431,000 for expansion of Early Learning and Childcare has been carried forward into 2020/21 in accordance with the grant conditions.
- 3.4 Variations to General Revenue Grant (GRG) since quarter 1 amounting to £1,144,000 have been notified. This predominately relates to additional funding for Covid agreed by Scottish Government: £836,000 from Barnett consequentials, and £330,000 for Council Tax Reduction. In addition an extra £13,000 funding was given for the Community Justice Partnership. There were also adjustments totalling a net reduction of £35,000 made for the additional DHP funding.
- 3.5 With these adjustments the Council's overall General Services revenue budget currently stands at £217,429,000.
- 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. Scottish Government has given permission for ELC funding to be

allocated to certain expenditure on response to the COVID-19 pandemic and this has been taken into account as the estimated result for the year was developed. ELC is funded by specific grant, but for transparency it is included in the government grant figure in **APPENDIX 3**.

- 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 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 30 September 2020 with the budget to 30 September 2020.
- 4.2 Overall the position at 30 September 2020 is expenditure over budget to date of £1,546,000 or 1.7% 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 Children and Families and Criminal Justice Services, there is an overall underspend to date of £1,155,000. This is predominantly due to £706,000 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; fostering fees and allowances are underspent by £124,000; the adoption service is underspent by £100,000, due to one-off income received and reduced placements with external providers and area teams are underspent by £137,000 relating to Self Directed Support, home to school transport for foster children and their operational budgets.
- 4.3.2 Devolved School budgets are underspent by £841,000 at the end of the second quarter, £371,000 in primary schools and £470,000 secondary schools.
- 4.3.3 The impact of the Covid-19 pandemic and lockdown measures have had significant impact on budgets during the first half of the year. All services are generating less income than budgeted, with a total shortfall of £3,669,000 for the year to date. This includes loss of leisure income, catering income, car parking income, planning and building control fees and also loss of internal revenue income due to roads DLO staff time being unable to be recharged to capital. Funding is anticipated to be received from Scottish Government towards reduced income from the pandemic. The actual amount is yet to be confirmed. The income loss scheme does not cover internal recharges to capital.

- 4.3.4 The loss of income is partially offset by underspends in many services due to works and expenditure being unable to be incurred or completed. The main service underspends total £1,539,000, which includes repairs and maintenance, energy costs, landfill tax from reduced tonnage landfilled, school transport contract (with supplier relief paid at 75% of the contract value during schools closure in lockdown), 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 and so claims for grants for household furniture and white goods reducing and partly due to alternative sources of funding being made available.
- 4.3.5 There is also directly related Covid expenditure totalling £1,183,000. This is made up of £949,000 in Education, relating to set up costs of the Hub and payments to supply teachers; £100,000 in Housing, mainly relating to the setting up of temporary accommodation and agency costs and £134,000 in Environmental and Commercial services for relief staff and agency staff payments.
- 4.3.6 When MIJB set its budget for 2020/21 it included a financial recovery and transformation plan amounting to £1,944,000 for 2020/21. Progress against the recovery plan has been impeded by the pandemic. At the end of quarter 2, there is an overspend across both Council and NHS services of £86,203. 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 £338,000. Funding is potentially being made available by the Scottish Government for IJB's to fund unachievable savings due to the pandemic. No details have yet been received.
- 4.3.7 In addition to the impact on expenditure discussed in paragraphs 4.3.3 to 4.3.7, a further impact of the pandemic has been a reduction in Council Tax income. As at 30 September Council Tax income collected is £1,256,000 below what would be expected in the normal course of events.
- 4.4 **APPENDIX 8** 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.

## 5. **BUDGET PRESSURES AND NEW DUTIES**

- 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 £818,000 have been released in quarter 2.

- 5.2 Provisions still held centrally at the end of quarter 1 total £6,155,000 and are detailed in **APPENDIX 5** and given a RAG assessment for likelihood of requirement.
- 5.3 Seven provisions are assessed as red or no longer required: £65,000 for RHI payments; £139,000 for school meals; additional whole life costing for Lossiemouth High School £40,000; £80,000 Moray Growth Deal economic impact assessments £120,000 for site clearance at Bilbohall; £101,000 rapid rehousing transition; 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. 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. Increased cost for Lossiemouth High School will not be required until the school is operational, which is now not expected until April 2021. The provision of £80,000 for economic impact assessments for the various strands of the Moray Growth Deal is now anticipated to be required in 2021/22. Site clearance of Bilbohall for housing development is not now expected to commence until 2021/22 and so is not required this financial year. Likewise the £101,000 for rapid rehousing transition will also not be required until 2021/22. The budget pressure for NDR reform is no longer required as it has been confirmed that the cost of NDR reform is included in the Grampian Valuation Joint Board budget requisition, the uplift for which was funded from the provision for inflationary increases.
- 5.4 Four provisions are assessed as amber, for uncertainty of requirement: DWP funding; Microsoft licences; registrars of death (£11,000); and school counselling funding. . The DWP funding and Microsoft licenses budget pressure exceeded the original expected requirement by £35,000 in total. This will be covered by the budget pressure allowed for NDR reform but not required. Provision of £272,000 is held for school counselling. A new school counselling service will be the subject of a tender process and this provision is unlikely to be fully utilised in 2020/21.
- 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 and no further pressures have come to light during quarter 2:

	Para Ref	Estimated full year effect £000s
Cleaning of public conveniences	6.2	15
		15

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- 6.2 The funding required to keep the public conveniences previously considered for closure or alternative service delivery open until a review is completed in January 2021 can be met from the budget for overtime within Waste Management, which is underspent, and so this is no longer creates a budget pressure.
- 6.3 The budget will continue to be reviewed for any emerging pressures and further recommendations made to Council in February 2021 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 posted during quarter 3. Temporary savings of £677,000 have been posted to departmental budgets, £137,000 more than target due to the final Leisure VAT refund claim being more than anticipated.
- 7.3 Of the originally approved permanent savings, a balance of £688,000 remains in central provisions as at the end of September. These are detailed in **APPENDIX 6** and given a RAG assessment for anticipated achievement.
- 7.3.1 Five savings totalling £220,000 are assessed as red. £14,000 saving for customer services use of e-forms as uptake has been lower than anticipated, therefore the saving unlikely to be achieved. Savings of £55,000 from the review of Property Services was included in savings taken from the IMP management restructure. £83,000 relating to the commercialisation of the sport/ leisure service, which has been delayed due to the pandemic 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. £36,000 balance of savings relating to the relocation of staff from Auchernack and Forres community centre is not anticipated to be achieved in this financial year as NDR and residual running costs are still being incurred at present.
- 7.3.2 Five savings totalling £363,000 are assessed as amber. Savings of £3,000 relating to the members service reduction in hours is delayed until return from maternity leave in January 2021, some savings will be achieved in the year. £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. ESTIMATED OUT-TURN**

- 8.1 **APPENDIX 2** summarises the first estimated out-turn position for each service area, comparing the estimated expenditure to the financial year-end with the budget to 31 March 2021.
- 8.2 Overall the estimated out-turn position for 2020/21 is expenditure under budget of £1,500,000 or 0.7% of budget to date (including services delivered on behalf of the Moray Integrated Joint Board).
- 8.3 The estimated out-turn position for 2020/21 for Health & Social Care is an overspend of £388,000 on services provided by the Council to MIJB. The overall projected overspend for all MIJB services is £302,000. As the MIJB has a cost sharing agreement between the Council and NHS Grampian, an adjustment to reflect the agreement is shown. This decreases the budget shortfall for which the Council is liable by £226,000. This brings the total anticipated variance in expenditure for 2020/21 to an underspend of £1,500,000
- 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 out-turn variances are summarised below:
- 8.4.1 In Children and Families and Criminal Justice Services, there is a total projected underspend of £1,880,000. This predominantly relates to £1,135,000 for out of area costs, partly due to 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. Fostering fees and allowances are projected to be underspent by £300,000; £98,000 relating to contracts that have ended during the year: the adoption service is projected to be underspent by £171,000, due to one-off income received and reduced placements with external providers and social work area teams are projected to be underspent by £175,000 relating to Self Directed Support, home to school transport for foster children and operational budgets.
- 8.4.2 Staff savings from vacancies and appointment below top of scale across all services are anticipated to exceed the overall budget provision by £1,951,000. Variances are anticipated across all services due to the impact of the pandemic upon the recruitment process and the ability for services to replace vacancies.
- 8.4.3 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 £4,255,000 at the year end. This includes loss of leisure income, catering income, car parking income, trade waste, planning and building control fees. There is also £2,132,000 projected loss of income due to roads DLO staff costs and property service fees being unable to be recharged to capital. Direct costs of response to the pandemic remain at £1,183,000 as reported in paragraph 4.3.5. This puts the estimated additional costs of the pandemic at £7.6 million. An estimate of direct costs (net of specific grant funding received), reduced capital recharges and lost income totalling £6.5 million was reported to the Emergency Cabinet on 1 July (paragraph of the Minute refers) and an updated estimate of £8.4 million was reported to Council on 2 September (paragraph of the Minute refers): mobilisation and recovery costs plus lost income of £6.5 million less specific grants of £0.7million plus impact of reduced capital of £2.6 million. The reduction of £0.6 million in anticipated expenditure arises from the use of ELC grant funding to cover relevant expenditure following flexibility given by Scottish Government.

- 8.4.4 Council Tax income is considerably below the level budgeted for. An estimate of a shortfall against budget of £2,400,000 is included in the estimated out-turn for the year. This is consistent with the estimated shortfalls reported in July and September.
- 8.4.5 A hitherto unreported indirect impact of the pandemic is a significant reduction in estimated loan charges in 2020/21. As reported in another report to this committee, there is significant slippage in the capital programme. However, the main impact on loans charges arises from loans interest repayments. The level of interest currently being charged has dropped to an all time low and the combination of slippage on the capital plan and low interest rates is a projected underspend of £2,453,000.

## **9. FREE GENERAL RESERVES**

- 9.1 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.
- 9.2 The Moray Council on 12 August 2020 approved an additional use of reserves totalling £437,000, as listed in **APPENDIX 7**, and on 2 September 2020 approved a net budget reduction of £156,000, reducing the underlying need to use reserves.
- 9.3 In the report to Council on 2 September on short term financial planning, the estimated impact of the pandemic was £7,433,000 to be funded out of reserves. Detailed work on estimated actuals has reduced this estimate by £600,000, due to application of ELC grant funding. As noted in section 8 of



this report, the cost of the pandemic has been mitigated by the inability to recruit staff, resulting in a projected underspend of £1,951,000 and loans charges are estimated to be £2,453,000 under budget, further sheltering the projected pandemic overspend, although a further corollary of low interest rates is a reduction in projected Interest on Revenue balances of £200,000. The projected underspend on Children and Families and Criminal Justice services of £1,880,000 further reduces the call on reserves. An additional call on reserves of £226,000 arises from Health and Social care spend.

- 9.4 The impact of the estimated out-turn is a reduction in the use of reserves of £959,000, leaving an estimated free balance of £12,910,000 at 31 March 2021.

## 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.
- (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.

**11. CONCLUSION**

- 11.1 The financial position of the Council at the end of September 2020 is an overspend against General Services Revenue Budget of £1,546,000 (including services delivered on behalf of the Moray Integration Joint Board).**
- 11.2 Variations in General Revenue Grant totalling £1,144,000 have been notified to the council.**
- 11.3 There are no additional budget pressures noted for Council services at quarter 2. The estimated out-turn position consists of an underspend of £1,612,000 less the overspend of £112,000 relating to MIJB, a total of £1,500,000, plus £2,400,000 Council Tax income below budget, partially offset by BRIS retention, a net underspend of £959,000.**

Author of Report: Deborah O'Shea, Principal Accountant

Background Papers: Held by author

Ref: