



REVENUE MONITORING UPDATE 2023/24

Report by Chief Financial Officer

PURPOSE

- 1.1 The purpose of the Report is to inform Members of the Comhairle's forecast revenue outturn for 2023/24.

EXECUTIVE SUMMARY

- 2.1 A summary of the financial performance to the end of January 2024 is attached at Appendix 1 to the Report and shows a projected net overspend of £1m. After adjusting for the £1.1m relating to Health and Social Care, which will be funded from the Integration Joint Board reserves, the Comhairle is expected to outturn on budget. Additional income of £1.3m, £996k of which relates to investment income and £347k to Council Tax, as previously reported, has now been offset by additional costs of £1m within Winter Maintenance.
- 2.2 Although there are budget variances across other service areas, these are being currently managed within overall resources. Departments are currently projected to be within carry forward tolerances at the end of the year and an exception report on budgetary performance is included at Appendix 3.
- 2.3 The 2023/24 pay award for staff, excluding teachers, resulted in additional costs of £1.4m for the Comhairle and this has been funded through extra resources received from the Scottish Government.
- 2.4 The cost associated with recovery and replacement of systems following the cyber-attack will mainly fall in 2024/25, with £144k to date, in the current year. Funding of just under £500k, previously set aside for a Project Fund, has been repurposed for this, but it is likely that further funding will be required, particularly for the ongoing annual system costs.
- 2.5 A review of earmarked reserves will be undertaken, to identify any funds which can now be freed up to assist with the additional costs or contribute to the wider budget process. This will include a review of the budget underspends being proposed for carry forward by services.
- 2.6 The Unaudited Accounts for 2022/23 showed that the Comhairle held reserves of £2.9m earmarked for the forward budget strategy, in addition to its current policy of holding £3.5m in reserves. Budget variations, detailed in this report and previous reports, together with the use of £1.9m of reserves as part of the 2024/25 Budget, has reduced the available reserve to £1.6m.
- 2.7 This level of reserve must be considered in the context of a forecast deficit of around £6m in 2025/26 and work will commence shortly on developing proposals on how this can be addressed.

RECOMMENDATION

- 3.1 It is recommended that the Comhairle:**

a) note the financial performance to date.

Contact Officer: Anne MacDonald, Principal Accountant

Appendices: 1) Revenue Outturn Update 2023/24

2) Centrally Held Budgets

3) Department Exception Report

4) Covid-19 General Funding and Comhairle Balances

Background Papers: Budget and Council Tax Setting 2023/24, 22 February 2023

Budget and Council Tax Setting 2024/25, 20 February 2024

IMPLICATIONS

4.1 The following implications are applicable in terms of the Report.

Resource Implications	Implications/None
Financial	The proper administration of the Comhairle's financial affairs is a duty under Section 95 of the Local Government (Scotland) Act 1973.
Legal	A Local Authority must maintain an appropriate balance between the quality of the performance of its functions; the cost to the authority of that performance; and the cost to persons of any service provided by it for them on a wholly or partly rechargeable basis. In maintaining that balance a Local Authority shall have regard to efficiency, effectiveness, economy, and the need to meet equal opportunity requirements.
Staffing	None
Assets and Property	None
Strategic Implications	Implications/None
Risk	There are significant risks associated with the Comhairle Revenue budget.
Equalities	N/A
Corporate Strategy	N/A
Environmental Impact	N/A
Consultation	The Comhairle Service Redesign was subject to consultation in 2019.

**REVENUE OUTTURN UPDATE 2023/24
OVERALL COMHAIRLE SUMMARY**

Appendix 1

OBJECTIVE SUMMARY		Initial Budget as approved February 2023 £	Total Budget as at 31 January 2024 £	Actual Spend to 31 January 2024 £	Overspend / (Underspend) £	Forecast Out-turn as at 31 March 2024
1	<u>Education, Sport and Children's Services Committee</u>					
2	Director of Education & Children's Services	5,955,310	5,130,852	4,352,481		5,130,852
3	Head of Education	39,606,277	41,380,842	33,683,119	-288,000	41,092,842
4	Head of Children's Services	3,950,279	4,182,049	2,735,664	259,000	4,441,049
5	<u>Community Safety Board</u>					
6	Depute Chief Executive	987,154	966,863	537,834		966,863
7	Strategic Finance Directorate	369,340	369,340	158,764	-21,000	348,340
8	<u>Social Work and Social Care Board</u>					
9	IJB Chief Officer	3,309,852	4,158,731	22,020	3,233,781	-924,950
10	Head of Community Resources	18,883,842	19,591,315	15,268,849	-1,012,726	18,578,589
11	Head of Partnership Services	10,082,256	10,230,804	7,036,677	-1,121,051	9,109,753
12	Depute Chief Executive	306,000	306,000	229,500		306,000
13	<u>Sustainable Development Committee</u>					
14	Depute Chief Executive	693,400	627,679	751,613		627,679
15	Economic Development & Planning	1,285,110	1,665,625	2,965,182		1,665,625
16	Culture & Heritage	861,918	1,174,849	895,084		1,174,849
17	<u>Transportation & Infrastructure Committee</u>					
18	Head of Assets & Infrastructure	20,171,452	20,768,704	14,894,324	1,200,000	21,968,704
19	<u>Policy & Resources Committee</u>					
20	Chief Executive	504,849	517,841	328,515		517,841
21	Human Resources and Performance	1,727,100	2,932,398	2,090,358		2,932,398
22	Law and Governance	1,788,967	1,812,826	1,368,647		1,812,826
23	Community Engagement	885,577	1,772,821	1,662,906		1,772,821
24	Depute Chief Executive	29,749	122,747	364,898		122,747
25	Culture & Heritage	212,371	196,417	145,458		196,417
26	Strategic Finance Directorate	1,200,264	1,207,442	956,496	-38,484	1,168,958
27	Chief Financial Officer	2,548,277	3,190,802	2,181,419	140,000	3,330,802
28	Investment Delivery	61,546	65,093	112,316		65,093
29	NET EXPENDITURE	108,801,186	114,054,578	92,012,329	2,351,520	116,406,098
30	<u>Department Budgets Managed Centrally</u>					
	Asset Rentals	15,751,735	15,751,735	9,105,398		15,751,735
31	<u>Central Budgets</u>					
	Contingency	200,000	200,000	-		200,000
32	WISP Lifecycle Fund		881,322			881,322
34	Interest Receivable	-1,434,606	-1,534,606	1,594,417	-995,975	-2,530,581
35	Interest Payable and Financing Costs	8,009,108	7,976,473	2,657,885		7,976,473
36	Debt Repayment	6,957,387	6,957,387	-		6,957,387
37	Depreciation Charged	-16,097,019	-16,097,019	9,303,861		-16,097,019
38	Ward Priorities Fund	87,000	159,616	54,650		159,616
39	Crown Estate Funding			7,650		
40	CnES Earmarked Balances	12,631	12,631			12,631
41	TOTAL NET EXPENDITURE	122,287,422	128,362,117	92,939,633	1,355,545	129,717,662
42	<u>Funded by</u>					
	Revenue Support Grant	95,846,000	98,307,000	79,210,125		98,307,000
43	National Non-Domestic Rates	9,106,000	9,106,000	-		9,106,000
44	Council Tax	12,386,000	12,386,000	13,451,908	347,000	12,733,000
45	Service Redesign Programme	1,711,000				
46	Use of Balances	3,238,422	8,563,117			8,563,117
47	TOTAL FUNDING	122,287,422	128,362,117	92,662,033	347,000	128,709,117
48	SURPLUS/(DEFICIT) FOR THE YEAR			-277,600	-1,008,545	-1,008,545

**REVENUE OUTTURN UPDATE 2023/24
CENTRALLY HELD BUDGETS**

Appendix 2

Centrally Held Budgets 2023/24			
	Total Budget £	Month 10 Total Budget £	£
Crown Estate Funding		1,377,237	
Insurance Premium Adjustments		130,181	
Savings to be realised		-114,853	
Pay Award		140,000	
CFCR Unapplied		1,549,708	
Modern Apprenticeships		326,000	
Youth Crime		56,806	
ESF Employability Project		309,094	
Continuing Care / After Care		25,000	
Developing the Young Workforce Funding		382,146	
ECS - Self-Directed Support		14,453	
ECS FM Deductions		59,356	
C&YP Mental Health & Wellbeing		54,423	
Teacher Training		181,783	
National Trauma Training Programme		50,000	
British Sign Language		13,000	
Town Centre Legacy Fund		32,051	
Other Housing		277,087	
Revolving Loans Pool		588,262	
CnES Business Support		50,000	
Renewable Energy Planning		20,000	
Licence Fee Income		75,000	
Flood Prevention		20,827	
Trading Operations Vehicle Replacement		345,284	
National Mod Funding		136,432	
Single Public Authority		30,000	
Researcher Post		7,000	
Travel Bookings		97,810	
Scottish Welfare Fund		204,231	
Macmillan Benefits Service		31,887	
Adult Disability		18,000	
NDR Empty Property Relief		112,000	
Local Heat & EnergyEfficiency Strategies		150,000	
Green Growth Accelerator Resources Funding		26,000	
Departmental Projects		500,000	
Departmental Carry Forwards		693,699	
Chief Executive	45,372		
Depute Chief Executive	458,639		
Education	91,425		
Strategic Finance	97,199		
Investment Delivery	1,084		
			7,969,304
IJB Earmarked Reserves			
Health and Social Care		11,561	
Health and Social Care Change Fund		116,761	
Self Directed Support		218,350	
Sensory Impairment		15,000	
Criminal Justice Transition Funding		50,000	
Criminal Justice CPP Extra Transitional Funding		12,000	
Improving Quality - Care at Home		17,946	
Carers Act			
			441,618
HISTP Match Fund			147,318
WISP Lifecycle Fund			6,015,653
Central Budgets as at 31 January 2024			14,573,893

DEPARTMENT EXCEPTION REPORTS

EDUCATION, SKILLS AND CHILDREN'S SERVICES DEPARTMENT

Education, Sport & Children's Services Department expects to outturn within the 1% budget tolerances at year end. There were significant amounts of one-off funding carried forward and work continues within the department to utilise these funds in line with grant and strategic requirements. On the basis of the current information available the underspend is expected to be in the region of £288k

At the time of writing the report, the centrally held Mainland Placement budget is forecasting an overspend of £259k at year end, assuming there are no changes to the existing placements before the end of the financial year.

The School Catering Trading Operation (TO) is currently forecasting an overspend in the region of £129k due to the continuing high food costs and loss in sales income. There are significant challenges facing the TO in respect of contract prices and work is being undertaken to review the position. This should be offset by a forecast under spend of approximately £47k on Building Cleaning.

Income in respect of School Meals is £128k lower than budgeted. Work continues within the department to increase uptake of school meals and to collect a significant backlog of income which has accumulated since the cyber-attack.

There are a range of other offsetting over and underspends across the department, but the main variances are noted and summarised below.

Head of Children's Services

The shortfall on the 2023/24 Residential contract has been met partially from £89k of funding carried forward from the last financial year, pending a permanent budget solution. The ongoing figure required is in the region of £120k, however inflation means this figure will likely increase. Current invoicing suggests a further overspend of about £60k - £70k in this service as a result of spot purchasing of additional support.

Fostering services are currently forecasting to be around £27k under budget for this financial year but work is ongoing to develop this service. Rates provided to carers have recently been increased in line with an agreed national rate. This increase has been funded by government.

There are several grants currently being spent within the section, some of which, including WFWF (Whole Family Wellbeing Fund), UASC (Unaccompanied Asylum-Seeking Children) and The Promise will generate carry forwards at year end in line with funding agreements.

Director of Education, Skills and Children's Services

Prudential investment for the procurement of the new Additional Support Needs (ASN) vehicle fleet at approximately £60k per annum has progressed. It is anticipated that the design for the renewal and expansion of the vehicle fleet planned for this year will provide efficiency and more flexible vehicles to reduce reliance on taxi services going forward. Current figures suggest an underspend of £120k across transport services with offsetting under and overspends within the section.

There are a number of other over and underspends in the Education Resources section which cover a wide variety of functions. There is an underspend on Training and Inservice (£70k). Less than anticipated income of approx. £128k is expected on School Meals.

Head of Education

The forecast overspend on staffing has reduced since the second quarter and the department is currently forecasting an underspend of about £68k but supply costs have been very high since December and could significantly impact this figure. (£68k is less than 1 FTE teaching post out of a budget of over £40 million). Work continues to monitor the staffing budgets on a monthly basis and factors such as supply levels and grant funding of posts mean that a final position on this will be difficult to fully ascertain until all year-end

adjustments are processed. It should be noted that budget saving changes will take effect at the start of the new school session so the full year effect of any savings taken will not be achieved until next financial year.

Energy budgets are underspent at the end of period 11, however this pattern is not unusual with several of the winter months invoices still to be factored in. Ongoing analysis and modelling will provide a more accurate picture at year end but at this stage a figure of over £380k has been estimated. This is offset by other overspends on premises for building cleaning, rents and refuse collection of approximately £133k. Utility underspends will be taken centrally due to the significant funding allocated to departments for this purpose in 2023/24.

There are currently underspends within this service on Materials and Equipment of £217k but there is offsetting spend against IT equipment and licences of £160k. Broadband and telephone budgets are showing a forecast net over-spend of around £55k.

There are some areas of underspend as a result of specific grant carry forward, work is underway to ensure that the funding that has been carried forward is utilised in line with requirements and being used to deliver maximum impact across the relevant services. Further spend on this funding is anticipated by the end of the year.

HEALTH AND SOCIAL CARE SERVICE

At the end of the financial year the Comhairle services reporting to the Integration Joint Board (IJB) are forecasting to be over budget by £1.1m. Although there are significant underspends within some service areas, as detailed below, these are not sufficient to offset the savings targets required when setting the budget.

Head of Community Resources

- The Home Care Service is anticipating an underspend of £202k. This is mainly due to the level of vacancies within this service. This saving has already been partially offset by agency staffing costs, which were assigned to ensure continuity of care.
- Comhairle Residential Care is projecting an overspend of £61k. The new Goathill Campus is in its first year of operation and there are additional costs in this year due to the double running of the new and old facilities and staff being trained in the operation of the new facility. Funding was set aside in reserves to meet these costs, and this has been taken account of in the forecast.
- Relatedly, Adult Care and Support Services is forecast to be under spent by £866k.
- As recruitment continues, work requires to be done to allocate staffing to the correct service areas on the campus which will impact the variances on the related service headings.

Head of Social and Partnership Services

- The Criminal Justice section is forecasting an underspend of £88k mainly due to staffing vacancies and absences.
- Assessment and Care Services are predicting an underspend of £295k due to vacancies within the Community Care Team, including new posts created from additional Scottish Government funding included within the 2023/24 budget.
- Independent Care Homes is forecast to be under spent by £180k due to lower than budgeted costs for bed spaces.
- Commissioning and Partnership Services is forecasting to be underspent by £558k. This is largely due to vacancies in new posts created from further Scottish Government monies for improving care in the community (START team).

IJB Chief Officer

- The forecasted £3.2m Management and Administration over spend against the IJB Chief Officer reflects the budgeted use of IJB reserves and savings required to balance the 2023/24 budget. The known and achieved savings will be allocated against this at year-end to establish the final impact on reserves.

DEPUTE CHIEF EXECUTIVE

At the end of the financial year the Depute Chief Executive services are anticipating being £1.2m overspent; £1m of this relates to Winter Maintenance costs which will be funded centrally.

Economic Development and Planning

- Project expenditure is currently higher than budgeted, but it is anticipated that once claims are processed that they should outturn within budget tolerances.

Housing and Consumer and Environmental Services

- The income for Consumer and Environmental Services is higher than budgeted due to licence fee income received in this year. These licences may not be renewed / received for another 3 or 5 years but there are annual costs associated with them. The income will be reviewed at year end and transferred centrally to meet future years costs.
- The homeless service income has been lower than anticipated due to a lower number of service users. This is positive news but also has an effect on the budget as the service is still incurring costs.

Assets and Infrastructure

- Municipal Services are forecasting an overspend of £200k. This is mainly due to lower than anticipated income within Burial Services and Waste Collection. The Abattoir service is anticipating an overspend of £118k at the end of the financial year, mainly due to increased staffing and premises related costs and lower than anticipated income. The Trading Operations are anticipating being £112k overspent, this mainly due to fleet charges from vehicle parts and breakdowns. Underspends relating to employee costs in other areas have reduced the overall overspend.
- Assets & Infrastructure has experienced cost pressures within the year, particularly in areas such as Repairs & Maintenance and Property Maintenance Delivery, Project Delivery income from capital, and car parking income. There is also a budget saving of £66k for external rent for the Sandwich Road building that will not be met this year. It is anticipated that the overspends anticipated in these areas will be mostly offset with various underspends spread across the section relating to staff vacancies and underspends in supplies & services. The IT section are incurring additional expenditure as a result of the cyber-attack and it is anticipated that this will be funded from central budgets.
- The Winter Maintenance budget is located centrally, with any under or overspends managed on a corporate basis. It is currently estimated that Winter Maintenance will be £1m in excess of budget at the end of the financial year due to the increase in contractor and salt costs, and the amount of gritting required in the 2023/24 winter season.

STRATEGIC FINANCE

Strategic Finance is currently forecasting to outturn £80k over budget. This relates to income targets in respect of overpayment recovery and debt collection, which it has not been possible to undertake, due to the cyber-attack. There are also costs associated with the re-building of IT systems, but the majority of this spend will be in 2024/25 and will be addressed as part of the overall management of the cyber-attack costs.

There are minor variances across the service, but these are generally being used to offset additional costs such as maternity leave cover, early recruitment to a post to allow for handover and training, and the costs associated with the transfer of the main financial management system to a “cloud” based version.

The Director post remains vacant, although some of this saving is being used to fund limited backfill arrangements within Accountancy and for the work undertaken on the Medium-Term Financial Strategy by the financial consultant. The balance of this budget has been used to partially offset redundancy and pension strain costs incurred as part of the organisational structure review.

CHIEF EXECUTIVE'S DEPARTMENT

The Chief Executive Department is currently showing a negative variance, this is mainly due to expected funding not yet received. The Department is expecting to outturn within budget at the end of the financial year.

INVESTMENT DELIVERY

At this point in the financial year, it is also anticipated that the Investment Delivery Section will outturn within budget tolerances.

COVID-19 GENERAL FUNDING AND BALANCES TO SUPPORT THE BUDGET

<u>Earmarked CnES Scottish Government Funding held Centrally</u>	<u>£'000</u>
IT Equipment	118
Building Configuration	144
Digital Strategy	60
Economic Recovery Funding - Balance of Investment Opportunities	632
Business Support Grant funding	7
Winter Plan - RRTP	18
Business Support Admin	45
Free School Meal Provision	18
PESF Boost	47
Flexible Fund	1
Education Recovery Funding	21
Household Support	414
CO2 Monitors	4
Balance as at 31 January 2024	<u>1,529</u>

<u>BALANCES AVAILABLE TO SUPPORT THE BUDGET</u>	<u>£'000</u>
As at 31 March 2023 per the Draft Accounts	2,940
2023/24 Air Subsidy Contract	-235
WISP Schools - Budget adjustments for FM & Lifecycle Costs	-54
GRG Adjustments	-61
Treasury Management	996
Council Tax Income	347
Unallocated COVID funding	50
Vat on Leisure Services claim	632
Strike Pay - Teachers	55
Mainland Placements	-259
Winter Maintenance	-1,000
Management Saving not achieved	-114
Contingency	200
Valuation Board	20
Estimated Balances available at the end of 2023/24	<u>3,517</u>
2024/25 Budget Deficit	<u>-1,947</u>