



THIRD QUARTER REVENUE MONITORING 2024/25

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 2024/25.

EXECUTIVE SUMMARY

- 2.1 A summary of the financial performance to the end of December 2024 is attached at Appendix 1 to the Report and shows a projected net overspend of just over £1m. After adjusting for the £1.7m relating to Health and Social Care, which will be funded from the Integration Joint Board reserves, the net position for the Comhairle is a projected underspend of £649k. This underspend mainly relates to Education and Children's Services. It should be noted that as these figures were prepared during March, the forecast takes into account the income and expenditure transactions during January and February.
- 2.2 Although there are budget variances across other service areas, these are being currently managed within overall resources. All 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 to the Report.
- 2.3 The Comhairle continues to incur costs as systems are rebuilt and services return to normal operation following the cyber-attack that took place in November 2023. As a result of the cyber-attack, in this financial year to date the Comhairle has incurred £674k of additional costs. This has been funded through Reserves and £250k of funding from the Scottish Government. There are on-going discussions with the insurance brokers regarding their reimbursement of costs.
- 2.4 A forensic audit of Water Services commenced during 2024/25; this has generated £36k of recurring annual savings which partially relates to Health & Social Care Services. This saving has been factored into 2025/26 budget.
- 2.5 The Unaudited Accounts for 2023/24 showed that the Comhairle held reserves of just under £3.7m earmarked for the forward budget strategy, in addition to its current policy of holding £3.5m in reserves. At the current time it is expected that reserves will remain at £3.7m by the end of the financial year, taking into account the additional cost of the Pay Award, Air Services and the projected outturn of the Children's Mainland Placement budget.

RECOMMENDATION

- 3.1 It is recommended that the Comhairle:
- a) note the financial performance to date.

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Appendices:

- 1) Third Quarter Revenue Outturn 2024/25
- 2) Centrally Held Budgets
- 3) Department Exception Report
- 4) Covid-19 General Funding and Comhairle Balances

Background Papers: Budget and Council Tax Setting 2024/25, February 2023

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	
Environmental Impact	N/A
Consultation	The Comhairle Service Redesign was subject to consultation in 2019.

BACKGROUND

- 5.1 The Unaudited Accounts for 2023/24 showed that the Comhairle had reserves of £3.7m earmarked for the forward budget strategy, after taking into account the £1.9m required to meet the costs of the budget deficit in 2024/25.
- 5.2 The initial budget agreed by the Comhairle in February 2024, included the use of £1.9m of reserves and vacancy savings of £300k. To date £270k of vacancy savings have been identified and the budget adjustment will be processed at the end of the financial year.
- 5.3 A forensic audit of the Water services commenced during 2024/25. A detailed survey of the Comhairle estate was undertaken to ensure that properties were correctly categorised, and a review of the billing was also undertaken to ensure that the correct fees and tariff have been applied. This has resulted in an annual saving of approximately £36k with refunds in region of £47k relating to previous years. The fee for the audit will be deducted from the savings and the balance returned to central reserves. The recurring saving to date have been factored into the 2025/26 initial budget.
- 5.4 The Comhairle carried forward £918k of Scottish Government funding to support general COVID costs. £493k of this was earmarked to support Economic Recovery, with the balance being used to support Comhairle Services. To date, this financial year, £71k of Economic Recovery payments have been made. A review of these remaining funds will be undertaken with a view to freeing up these funds to support the wider Comhairle budget, where there is no firm spend commitment.
- 5.5 Hebridean Housing Partnership (HHP) are proposing to dispose of their office in Winfield Way to the Uist Council of Voluntary Organisations (UCVO). When UCVO acquire the former HHP office they wish to purchase the land adjacent to the building to allow for additional parking. Under the transfer agreement, HHP must notify the Comhairle of their intention to dispose of the land and we must seek Scottish Minister approval. The Scottish Government have granted their consent to the proposed transaction.

- 5.6 The Second Quarter Report indicated savings of £590k on treasury management activities, £475k in respect of loan charges principal repayments and additional investment income of £115k. The final outturn on investment income is likely to increase slightly but this will be offset by necessary budget amendments in relation to depreciation adjustments. As previously reported, this data was not available at the time of setting the budget due to the cyber-attack and the full effect will not be known until the 2024/25 Accounts are finalised.

CONCLUSION

- 6.1 The Comhairle Budget for 2025/26 has been set utilising £2m of reserves and assuming £1.4m of savings. After offsetting the £2m required for 2025/26, the Comhairle has an estimated £1.7m of reserves available to support the budget process, but this needs to be considered in the context of an increasing deficit position and the continued uncertainties around the Settlement, future pay awards and inflation.

**THIRD QUARTER REVENUE MONITORING 2024/25
OVERALL COMHAIRLE SUMMARY**

Appendix 1

OBJECTIVE SUMMARY		Initial Budget as approved February 2024 £	Total Budget as at 31 December 2024 £	Actual Spend to 31 December 2024 £	Overspend / (Underspend) £	Forecast Out-turn as at 31 March 2025
1	<u>Education, Sport and Children's Services Committee</u>					
2	Chief Officer Education & Children's Services	5,661,607	5,282,855	4,031,832	-496,000	4,786,855
3	Head of Education	44,392,753	46,622,112	34,832,112	38,735	46,660,847
4	Head of Children's Services	3,871,671	4,781,373	2,935,442	238,000	5,019,373
5	<u>Community Safety Board</u>					
6	Head of Assets & Infrastructure	875,101	880,263	697,829		880,263
7	Strategic Finance Directorate	389,340	389,340	268,145		389,340
8	<u>Social Work and Social Care Board</u>					
9	IJB Chief Officer	5,063,967	3,085,700	1,147	3,408,089	322,389
10	Head of Community Resources	20,520,914	20,177,298	14,504,394	-396,528	19,780,770
11	Head of Partnership Services	10,199,910	10,266,684	6,989,481	-1,344,337	8,922,347
12	Chief Planning Officer	306,000	306,000	306,000		306,000
13	<u>Sustainable Development Committee</u>					
14	Chief Officer Economic & Community Regeneration	2,879,970	3,161,626	4,654,903		3,161,626
15	<u>Transportation & Infrastructure Committee</u>					
16	Head of Assets & Infrastructure	20,625,438	22,145,205	12,782,970	215,000	22,360,205
17	<u>Policy & Resources Committee</u>					
18	Chief Executive	473,424	476,435	374,061		476,435
19	Human Resources and Performance	2,141,705	3,225,660	1,967,933		3,225,660
20	Law and Governance	1,909,473	1,917,322	1,579,690		1,917,322
21	Community Engagement	878,282	973,521	825,561		973,521
22	Chief Officer Economic & Community Regeneration	36,862	215,272	558,171		215,272
23	Culture & Heritage	202,938	187,900	162,211		187,900
24	Strategic Finance Directorate	1,179,525	1,205,939	560,946	-38,000	1,167,939
25	Chief Financial Officer	2,799,466	3,628,579	3,141,932	-17,000	3,611,579
26	Investment Delivery	26,793	26,804	74,475		26,804
27	NET EXPENDITURE	114,307,205	122,784,488	90,130,599	1,607,959	124,392,447
28	<u>Department Budgets Managed Centrally</u>					
29	Asset Rentals					
30	<u>Central Budgets</u>					
31	Contingency	200,000	200,000			200,000
32	WISP Lifecycle Fund					
33	Interest Receivable	-2,534,606	-2,534,606	-1,534,993		-2,534,606
34	Interest Payable and Financing Costs	7,976,473	8,203,884	3,958,725	-115,000	8,088,884
35	Debt Repayment	6,957,387	6,957,387		-475,000	6,482,387
36	Depreciation Charged	-766,038	-766,038			-766,038
37	Ward Priorities Fund	87,000	154,699	60,446		154,699
38	Crown Estate Funding			2,288,647		
39	CnES Earmarked Balances	647,695	500,695		55,000	555,695
38	TOTAL NET EXPENDITURE	126,875,116	135,500,509	90,326,130	1,072,959	136,573,468
40	<u>Funded by</u>					
41	Revenue Support Grant	101,254,567	106,197,997	78,618,656		106,197,997
42	National Non-Domestic Rates	9,691,000	9,722,000	-		9,722,000
43	Council Tax	13,683,000	13,683,000	13,738,000	55,000	13,738,000
44	Vacancy Savings	300,000	300,000			300,000
45	Use of Balances	1,946,549	5,597,512	-469		5,597,512
44	TOTAL FUNDING	126,875,116	135,500,509	92,356,187	55,000	135,555,509
45	SURPLUS/(DEFICIT) FOR THE YEAR			2,030,057	-1,017,959	-1,017,959

THIRD QUARTER REVENUE MONITORING 2024/25 Appendix 2
CENTRALLY HELD BUDGETS

Centrally Held Budgets 2024/25			
	Q3 Total Budget	Q3 Total Budget	
	£	£	£
Crown Estate Funding		1,089,194	
Insurance Premium Adjustments		-126,057	
Savings to be realised		-414,853	
CFCR Unapplied		2,158,693	
Modern Apprenticeships		326,000	
Youth Crime		7,787	
ESF Employability Project		385,364	
Continuing Care / After Care		25,000	
Developing the Young Workforce Funding		382,146	
ECS - Self-Directed Support		14,453	
ECS FM Deductions		3,449	
C&YP Mental Health & Wellbeing		9,850	
Teacher Training		144,345	
National Trauma Training Programme		50,000	
British Sign Language		13,000	
Town Centre Legacy Fund		64,551	
Other Housing		395,087	
Revolving Loans Pool		736,019	
CnES Business Support		25,410	
Renewable Energy Planning		115,000	
Licence Fee Income		170,000	
Flood Prevention		20,827	
Trading Operations Vehicle Replacement		70,316	
National Mod Funding		162,885	
Single Public Authority		30,000	
Researcher Post		7,000	
Travel Bookings		97,610	
Scottish Welfare Fund		303,117	
Macmillan Benefits Service		14,621	
Adult Disability		18,000	
Local Heat & Energy Efficiency Strategies		225,000	
Green Growth Accelerator Resources Funding		26,000	
Ukraine Refugee Settlement		230,000	
Departmental Projects		432,392	
Departmental Carry Forwards		697,415	
Assets & Infrastructure	270,720		
Chief Executive	113,433		
Economic & Community Regeneration	114,259		
Education	81,978		
Strategic Finance	117,025		
			7,909,621
HISTP Match Fund			139,328
WISP Lifecycle Fund			4,387,624
Central Budgets as at 31 December 2024			12,436,573

DEPARTMENT EXCEPTION REPORTS

EDUCATION, SKILLS AND CHILDREN'S SERVICES DEPARTMENT

At the end of the third quarter and after the consideration of specific and grant funding (likely to be spent or carried forward into next year), the Education, Sport & Children's Services Department anticipates an underspend of £477k for this financial year. This figure is within the 1% carry forward tolerances. The underspend is due to a combination of factors; there is a reduction in demand for energy due to the mild temperatures and lower energy prices, along with overall staffing savings and a variety of overspends and underspends as summarised below and detailed in the second quarter monitoring report:

Sports Development

- Projected to be underspent by £65k due to the non-filling of a senior post

Libraries

- Underspent by £37k due to minor underspends across the service and delayed spend on projects.

Resources Section

- Is projected to be underspent by £70k, this mainly relates to School and Additional Support Needs Transport.

Central Administration

- Staffing and training are underspent by £75k.

Early Years

- Forecasting an underspend of £220k; partially due to difficulty in filling posts through the year and higher than budgeted income.

The centrally held Mainland Placement budget is projecting spend in excess of budget of £258k at the end of the financial year which will impact the Comhairle centrally held reserves.

HEALTH AND SOCIAL CARE SERVICE

At the end of the financial year the Comhairle services reporting to the Integration Joint Board (IJB) are forecasting a deficit of £1.67m. Although there are significant under spends within some service areas for the reasons described below, they are not sufficient to fully meet the savings targets required.

Head of Community Resources

- The Home Care Service is anticipating an underspend of £64k. 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.
- Combined Comhairle Residential Care and Adult Care and Support Services are forecast to be underspent by £312k. The new Goathill Campus is yet to be fully occupied and staffed, resulting in vacancy savings but also a corresponding shortfall in expected income from service users.

Head of Social and Partnership Services

- The Criminal Justice section is forecasting a significant underspend due to staffing vacancies and absences and the inclusion of additional unbudgeted Scottish Government funding, targeted at specific service outcomes.
- Assessment and Care Services are forecasting an underspend of £216k due to vacancies within the Community Care Team including new posts created from additional Scottish Government funding.
- Independent Care Homes are forecast to underspend by £147k. This relates to increased income from service users.

- Commissioning and Partnership Services is forecast to be underspent by £752k. 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 forecast £3.41m Management and Administration over spend against the IJB Chief Officer reflects unachieved savings against the budget target. Known and achieved savings will be allocated against this service at year-end.

ECONOMIC AND COMMUNITY REGENERATION

At the end of the financial year the Economic and Community Regeneration section is anticipating to outturn within budget tolerances.

Culture and Heritage

- Expenditure is in line with the forecast budget, no issues are expected by the end of the financial year.

Planning and Housing Services

- Expenditure to date is broadly in line with forecast budget, albeit Building Standards fee income to date has continued to be lower than anticipated. No issues anticipated by end of financial year.

Economic Development

- Currently showing an overspend, this is largely due to external funding anticipated to come in to fund the Spaceport1 Project, this is anticipated to be addressed by the end of the financial year or into 2025/26 depending on when the Islands Deal funding is processed.

Chief Officer Economic & Community Regeneration

- Expenditure to date is in line with forecasted budget, albeit there are some anomalies due to income and expenditure on areas such as the Shared Prosperity Funding and Islands Deal which represents funding still to be claimed or paid out. No issues are anticipated by the end of the financial year

ASSETS AND INFRASTRUCTURE

At the end of the financial year the Assets & Infrastructure section are anticipating being £215k overspent.

Burial Grounds

- Anticipating a shortfall in income against budget as lairs can currently only be sold when required.

Refuse Collection

- Expected to outturn within budget as a small surplus on income from commercial waste bin collections has been offset by an increased payment to trading operation.

Waste Disposal

- Reports a small surplus on the disposal aspect on commercial waste bin income, however Haulier income is likely to outturn around £203k below budget as budget target is unlikely to be met, although this is somewhat offset by underspends in other budget lines.

Recycling Processing

- Reporting increased transportation costs, although income is expecting to be greater than budgeted due to a one-off large consignment of scrap metal from Bennadrove.

The Abattoir

- Is being closely monitoring through an Abattoir MOWG. At this stage it is anticipated that there will be an overspend due to income not meeting budget targets. Non- Domestic Rates relief has been available in the past, and has been included in the budgets, however the Rates section have advised that this relief may no longer be available.

Market Stance

- Electricity costs and transport costs are likely to outturn over budget at this stage. There has also been additional expenditure in preparing Market Stance for the Advetec project.

Roads Section

- Is currently reporting an overspend, although much of this is anticipated to be recovered from capital. Car parking income of £8k has been received, against an annual income budget of £90k.
- The rest of the services anticipate to outturn within budget, although close monitoring of the budget will be required.
- The Winter Maintenance budget of £2,123k for 2024/25 is managed centrally, with any under/overspends managed on a corporate basis. The budget included an additional £660k compared to the previous year, £410k of this is on a recurring basis and the £250k one-off funding from ICCEF. Although the outturn position is still to be finalised, it is anticipated that this additional funding will mean a substantial reduction in potential overspend.

The position of the **Chief Executive's Department** and **Strategic Finance** has not changed since the second quarter revenue monitoring was presented.

FORMER COVID-19 GENERAL FUNDING AND BALANCES TO SUPPORT THE BUDGET

Earmarked CnES Scottish Government Funding held Centrally	£'000
IT Equipment	118
Building Configuration	144
Digital Strategy	52
Economic Recovery Funding - Balance of Investment Opportunities	421
Winter Plan - RRTP	18
Business Support Admin	41
PESF Boost	47
Flexible Fund	1
Household Support	414
CO2 Monitors	4
Balance as at 31 December 2024	1,260

BALANCES AVAILABLE TO SUPPORT THE BUDGET	£'000	£'000
As at 31 March 2024 per the Draft Accounts		3,683
2023/24 Air Subsidy Contract		-45
WISP Schools - Budget adjustments for FM & Lifecycle Costs		7
Mainland Placement		-258
Insurance Premium increase		-126
Estimated Bus Subsidy - fuel adjustment		100
Pay Award		-241
Asset Rentals		-363
Treasury Management		590
Balance of Housing Management Fee		30
Council Tax Income		55
Utility Savings		68
Management Saving not achieved		-64
Unspent General Contingency		195
Balance of Extra days leave returned to reserves		74
Estimated Balances available at the end of 2024/25		3,705
2025/26 Budget Shortfall		2,000