

REVENUE BUDGET MONITORING – FOR THE YEAR 2023-24

1. EXECUTIVE SUMMARY

- 1.1 The main purpose of this report is to advise Members of the revenue budget position of the Council as at the end of financial year 2023-24. The report also summarises the movement in the General Fund balance.
- 1.2 The performance against budget for the financial year 2023-24 was an overall overspend, before considering the Loans Fund position, of £1.004m (0.32%). The favourable position from the Loans Fund budget of £5.932m resulted in an overall underspend, before earmarking requests, of £4.928m (1.57%). The new unspent budget earmarking requests amount to £3.200m and, if approved, will result in an overall underspend of £1.728m (0.55%).
- 1.3 The underspend within the Loans Fund was a result of effective Treasury Management combined with increased interest rates on investments and a reduced need to borrow due to significant slippage in the capital programme. Much of our capital programme was able to be financed from cash balances held rather than taking borrowing particularly when interest rates were so high. There was also an opportunity to realise a one-off gain of £0.870m on the early repayment of loans. Note that the favourable position within Loans Fund is not expected to be recurring as outlined in paragraph 4.4.1.
- 1.4 Social Work, managed by the Health and Social Care Partnership (HSCP), was overspent by £0.165m and this amount was covered from their creditor balance which created a nil variance on the revenue monitoring.
- 1.5 The General Fund Balance has moved from £86.356m at the end of financial year 2022-23 to £115.741m at the end of 2023-24. The movement represents an increase of £29.385m as there has been a high amount of new earmarkings this year from the Service Concessions one-off gain.
- 1.6 There is a separate report that details the earmarked reserves which outlines proposals to earmark a total of £107.443m from the General Fund balance, leaving £8.298m unallocated. Of this £6.039m is required to be held as the General Fund contingency, leaving an unallocated balance of £2.259m.
- 1.7 There have been 5 virements of revenue budget over £0.200m in the period January to March 2024 for approval.

REVENUE BUDGET MONITORING – FOR THE YEAR 2023-24

2. INTRODUCTION

- 2.1 This report summarises the revenue budget position of the Council as at the end of the financial year 2023-24. The overall revenue budget monitoring statement for the Council is attached as Appendix 1 and departmental outturn summaries are attached as Appendix 2.

3. RECOMMENDATIONS

- 3.1 Members to consider the revenue budget monitoring position as at the end of financial year 2023-24.
- 3.2 Members to note that the unallocated balance within the General Fund as at 31 March 2024, after taking into account the contingency, amounts to £2.259m.
- 3.3 Members to approve the revenue virements over £0.200m between January and March 2024.

4. DETAIL

4.1 Final Outturn Variance (Un-audited)

- 4.1.1 The performance against budget for the financial year 2023-24 was an overall overspend, before considering the Loans Fund position, of £1.004m (0.32%). The favourable position from the Loans Fund budget of £5.932m resulted in an overall underspend, before earmarking requests, of £4.928m (1.57%). Note that the favourable position within Loans Fund is not expected to be recurring as outlined in paragraph 4.4.1.
- 4.1.2 There are new unspent budget earmarking requests amounting to £3.200m and, if approved, will result in an overall underspend of £1.728m (0.55%). A summary of the final outturn position is noted within the table below.

Final Outturn Variance (Un-audited)				
2023/24				
Department	Actuals	Budget	Variance	Percentage
			(Overspend) Underspend	
	£	£	£	%
Chief Executive's Unit	1,155,011	1,161,208	6,197	0.53%
Executive Director (Douglas Hendry)	139,307,911	139,998,734	690,823	0.49%
Executive Director (Kirsty Flanagan)	58,610,514	57,258,349	(1,352,165)	(2.36%)
Weather related incident costs (not covered by Bellwin)	839,000	0	(839,000)	0.00%
Joint Boards	1,318,703	1,396,371	77,668	5.56%
Other	11,584,462	11,583,993	(470)	(0.00%)
Service Concessions	(40,869,000)	(40,489,000)	380,000	(0.94%)
Social Work	77,604,909	77,604,909	(0)	0.00%
Net Expenditure	249,551,510	248,514,563	(1,036,947)	(0.42%)
Total Funding	314,826,700	314,793,907	32,793	0.01%
OVERSPEND BEFORE LOANS FUND			(1,004,154)	(0.32%)
Loans Fund	8,614,463	14,546,979	5,932,516	40.78%
UNDERSPEND BEFORE EARMARKINGS			4,928,361	1.57%
NEW Unspent Budget Proposals			3,200,000	
UNDERSPEND AFTER EARMARKINGS			1,728,361	0.55%

4.2 Net Expenditure Budget Outturn

4.2.1 The performance against budget shows net expenditure (excluding Loans Fund) being £1.037m (0.42%) over budget.

4.2.2 Within the Chief Executive's Unit (Community Planning) there was a small underspend (£0.006m) resulting within travel codes due to staff travel costs coming in under budget due to increased digital working and less face to face meetings.

4.2.3 Within the remit of Executive Director Douglas Hendry (Education, Legal and Regulatory Support and Commercial Services), there was an operational underspend after accounting for automatic earmarkings of £0.691m. The main underspends were due to:

- Receipt of one-off historic water rate refunds.
- Staffing underspends due to delays in recruitment and staffing underspends within Cleaning, ELC and Legal and Regulatory Support.
- Underspends within the Scheme of Devolved School Management where previous carry forwards were not fully utilised.

4.2.4 Within the remit of Executive Director Kirsty Flanagan (Roads and Infrastructure, Development and Economic Growth and Customer Support Services), there was an operational overspend of £1.352m after accounting for automatic earmarkings. The key overspends include:

- Reduction in income within Piers and Harbours
- Additional fleet costs across the service
- Increased staff costs for Pupil Transport
- An unrealised Depot saving
- Increased electricity costs for street lighting
- Additional Car Parking maintenance costs
- Reduction in TRO income in Roads.

4.2.5 There was £0.839m of costs related to the weather incident that could not be claimed through the Scottish Government Bellwin scheme so this added to the overall overspend.

4.2.6 Within Joint Boards, SLA payments were £0.078m lower than available budget.

4.2.7 Other costs include non-controllable and central costs which balanced to budget.

4.2.8 As part of the budget setting process on 22 February 2024, Council made the decision to transfer £0.380m from the Service Concessions one off gain (Priorities Investment Fund) to the unallocated general fund. This is contributing to the overall underspend and will therefore automatically go into the General Fund as part of year end processes.

4.2.9 Social Work Services, managed by the HSCP, were overspent by £0.165m (0.21%). Under CIPFA LASAAC Guidance, this amount has been drawn from the creditor on the Council's balance sheet. The overspend of £0.165m before drawing from the creditor was as a result of ongoing demand for older people care services, both residential and non-residential.

4.3 Funding Budget Outturn

4.3.1 The performance against budget for funding was a net underspend/over-recovery of income of £0.033m. Included in this outturn position is an adjustment to update the 2023-24 budget to reflect the new automatic earmarking at the year-end, these new earmarkings total £3.363m and relate to the Strategic Housing Fund and TIF income.

4.3.2 There is a year-end favourable position in relation to Council Tax of £0.033m which is due to Council Tax debt recovery after court summons being more than anticipated.

4.4 Loans Fund Budget Outturn

4.4.1 The performance against budget for Loans Fund was a net underspend of £5.932m (40.78%). This underspend within the Loans Fund is not expected to be recurring and was a result of effective Treasury Management combined with increased interest rates on investments and a reduced need to borrow due to significant slippage in the capital programme. Much of our capital programme was able to be financed from cash balances held rather than taking borrowing

particularly when interest rates were so high. There was also an opportunity to realise a one-off gain of £0.870m on the early repayment of loans.

4.5 Unspent Budget Proposals

4.5.2 The overall favourable position has provided the opportunity to propose earmarking of unspent budget for specific purposes and these are included in the 'Earmarked Reserves – 2023-24 Year End' report on this agenda. Unspent budget earmarkings will only be considered when the purpose is aligned to the objectives, priorities and targets of the Council, there is a business case to justify the expenditure and the general reserve contingency is met. The detail of the proposed unspent budget earmarkings and their associated business cases can be found in the Earmarked Reserves report.

4.6 Impact on the General Fund

4.6.1 The movement in the General Fund balance is different to the underspend noted above, as it also reflects earmarked reserve withdrawals and contributions. The General Fund balance at 31 March 2023 was £86.356m and has increased by £29.385m to £115.741 as at 31 March 2024. The movement in the balance is summarised in the table below.

	£m
Balance on General Fund 31 March 2023	86.356
Revenue Budget 23-24 - transfer to general fund	0.019
Released earmarked sums to service budgets 2023-24	(27.286)
Contributions to earmarked reserves 2023-24 – Service Concessions	35.658
Contributions to earmarked reserves 2023-24	19.275
Supplementary Estimate	(0.008)
Overall budget underspend as above	1.728
Rounding	(0.001)
Balance on General Fund 31 March 2024	115.741

4.6.2 The balance on the General Fund has increased from last year. The movement represents an increase of £29.385m as new earmarkings have been particularly high this year due to the one-off gain from the accounting for Service Concessions materialising and being earmarked for the agreed commitments.

4.6.3 The closing balance on the General Fund as at 31 March 2024 is £115.741m. Of this, £107.443m is earmarked for specific purposes and £6.039m is required to be held as the General Fund contingency, leaving an unallocated balance of £2.259m as shown in the table below.

	£m
Balance on General Fund 31 March 2024	115.741
Earmarked balances at 31 March 2024 (as per Earmarked Reserves report)	(107.443)
Contingency balance (2.0% of net expenditure)	(6.039)
Unallocated balance as at 31 March 2024	2.259

4.6.4 The £2.259m unallocated balance as at 31 March 2024 represents an increase of £1.060m on the £1.199m unallocated balance as at 31 March 2023.

4.7 VIREMENTS OVER £0.200M (REVENUE)

4.7.1 Virement is the process of transferring budget between cost centres, services or departments or between capital projects. The Council's constitution notes that virements over £0.200m require approval by Council. This section of the report will be used to outline revenue virements in the period that require approval. Capital virements are included within the capital monitoring report.

4.7.2 For the period January to March 2024, there are 5 virements over £0.200m requiring authorisation:

- £4.831m from Head of Legal & Regulatory Support to Loans Fund to recode the service concession saving.
- £0.930m moved from Other Income and Expenditure to Executive Director Douglas Hendry £0.786m and Executive Director Kirsty Flanagan £0.146m to right size utilities budgets.
- £0.422m from Roads to Loans Fund to recognise Piers and Harbours Loans Charges.
- £0.319m from Other Operating Income and Expenditure to Roads to allocate the agreed Winter Pressure funding.
- £0.216m from Education to the Loans Fund to recognise Energy Efficiency Savings.

5. CONCLUSION

5.1 The performance against budget for financial year 2023-24 was an overall underspend of £1.728m (0.55%). The General Fund balance has increased by £29.385m as there has been a high amount of new earmarkings this year from the Service Concessions one off gain.

6. IMPLICATIONS

6.1 Policy Automatic earmarking as per the policy have been taken into consideration with the final reported outturn position.

6.2	Financial	Report notes the underspend against budget during 2023-24 and the movement in the General Fund balance.
6.3	Legal	None
6.4	HR	None
6.5	Fairer Scotland Duty	None
6.5.1	Equalities	None
6.5.2	Socio-Economic Duty	None
6.5.3	Islands Duty	None
6.6	Climate Change	None
6.7	Risk	None
6.8	Customer Services	None
6.9	The Rights of the child (UNCRC)	None

Kirsty Flanagan
Section 95 Officer
4 June 2024

Councillor Ross Moreland, Policy Lead for Finance and Commercial Services

APPENDICES

Appendix 1 – Overall Revenue Budget Monitoring Statement 2023-24
Appendix 2 – Department 2023-24 Outturn Summaries

For further information contact Anne Blue, Head of Financial Services
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	Actual 2023/24	Budget 2023/24	Adjustment for Funds Earmarked in General Fund Reserve														Adjusted Budget 2023/24	"Real Variance" (Over)/ Underspend	Comment
			Council Tax Income Ringfenced for SHF	Unspent Grant monies	Third Party Contributions	CHORD	DMR School Carry Forwards	Previous Council Decision	Existing Legal Commitments	Scottish Government Initiatives	Energy Efficiency Fund	Piers and Harbours Surplus	Electric Vehicle Charging Surplus	Fleet - Timing Delay	Hermitage Park	NEW Unspent Budget Previously agreed			
Expenditure	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
Chief Executive's Unit	1,155,011	1,168,944		7,736	0			0									1,161,208	6,197	Outwith reporting criteria
Executive Director (Douglas Hendry)	139,307,911	143,099,843		1,167,084	0		644,837	57,176		1,212,012	20,000						139,998,734	690,823	Underspend is largely due to one off historic water rate refunds. There were also delays in recruitment and staffing underspends within Cleaning, ELC and across Legal and Regulatory Support. Within the Scheme of Develoved School Management, previous amounts carried forward were not fully utilised. These are partially offset by overspends within Commercial Cafes and Residential School Accommodation.
Executive Director (Kirsty Flanagan)	58,610,514	61,562,691		2,235,569	232,604	120,596						1,335,720			37,445	342,408	57,258,349	(1,352,165)	Overspend due to reduction in income in Piers & Harbours, additional Fleet costs across the service, increased staff costs for Pupil Transport, unrealised Depot Saving, increased electricity costs for Street Lighting, additional Car Parking Maintenance costs and a reduction in TRO income in Roads. These overspends have been partially offset by an over-recovery of vacancy savings due to delays in recruitment combined with funding for ferries previously internally funded and slippage on Route Optimisation Project.
Weather related incident costs (not covered by Bellwin)	839,000	0															0	(839,000)	Costs associated with weather incident that could not be claimed through the Scottish Government Bellwin Scheme.
Joint Boards	1,318,703	1,396,371															1,396,371	77,668	SLA payments to Joint Boards for 2023/24 were lower than available budget
Other	11,584,462	11,708,484	0	124,491	0	0	0	0	0	0	0	0	0	0	0	0	11,583,993	(470)	Outwith reporting criteria
Service Concessions	(40,869,000)	(4,831,000)														35,658,000	(40,489,000)	380,000	Council agreed on 22 February 24 to transfer £0.380m from the Service Concessions one off gain (Priorities Investment Fund) to the unallocated general fund.
Social Work	77,604,909	77,604,909															77,604,909	(0)	Outwith reporting criteria.
Total Expenditure	249,551,510	291,710,241	0	3,534,880	232,604	120,596	644,837	57,176	0	1,212,012	20,000	1,335,720	0	0	37,445	36,000,408	248,514,563	(1,036,947)	
Funding																			
AEF & NDR Income	225,642,006	224,854,386						787,620									225,642,006	0	
Council Tax	61,908,860	59,301,000	2,575,067														61,876,067	32,793	The level of Council Tax debt recovered after court summons was £33k more than anticipated.
Budgeted/withdrawn from Earmarked Reserves	27,286,334	27,286,334															27,286,334	0	
Supplementary Estimates Approved	8,000	8,000															8,000	0	
Budgeted Contribution to General Fund Balance	(18,500)	(18,500)															(18,500)	0	
Total Funding	314,826,700	311,431,220	2,575,067	0	0	0	0	787,620	0	0	0	0	0	0	0	0	314,793,907	32,793	
Under/(Overspend) before Loans Fund	65,275,189	19,720,979	2,575,067	3,534,880	232,604	120,596	644,837	57,176	0	1,212,012	20,000	1,335,720	0	0	37,445	36,000,408	66,279,344	(1,004,154)	
Loans Fund	8,614,463	19,720,979														5,174,000	14,546,979	5,932,516	Increased level of interest received on investments combined with reduced borrowing costs resulted in an improved position in excess of £3m compared to previous year. Significant slippage in the capital programme in 2022-23 resulted in lower principal repayments in 2023-24 than anticipated. There was also a one-off gain of £0.870m as a result of a discount received on the early repayment of loans.
Overall Under/(Overspend)	56,660,726	0	2,575,067	3,534,880	232,604	120,596	644,837	57,176	0	1,212,012	20,000	1,335,720	0	0	37,445	41,174,408	51,732,365	4,928,361	
NEW Unspent Budget Proposals																			3,200,000
Revised Under/(Overspend) after proposed unspent budget earmarkings																			1,728,361

Department	Service	Actual 2023/24	Budget 2023/24	Council Tax Income Ringfenced for SHF	Unspent Grant monies	Third Party Contributions	CHORD	Funds carried forward to 2024/25							Fleet - Timing Delay	Hermitage Park	NEW Unspent Budget Previously agreed	Adjusted Budget 2023/24	(Over)/ Underspend	Variance %age	Comment
								DMR School Carry Forwards	Previous Council Decision	Existing Legal Commitments	Scottish Government Initiatives	Energy Efficiency Fund	Piers and Harbours Surplus	Electric Vehicle Charging Surplus							
Expenditure		£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
Chief Executive's Unit	Chief Executive	1,155,011	1,168,944		7,736												1,161,208	6,197	0.53%	Outwith reporting criteria	
Chief Executive's Unit Total		1,155,011	1,168,944	0	7,736	0	0	0	0	0	0	0	0	0	0	0	1,161,208	6,197	0.53%		
Executive Director (Douglas Hendry)	Executive Director (Douglas Hendry)	423,043	526,689														526,689	103,646	19.68%	Over-recovery of vacancy savings due to delays in recruitment.	
Executive Director (Douglas Hendry)	Head of Commercial Services	11,769,965	11,992,862		7,114				0				20,000				11,965,748	195,783	1.64%	One off historic water rate refunds and staffing underspends within Cleaning service, partially offset by overspends within Commercial Cafes and Surplus Properties.	
Executive Director (Douglas Hendry)	Head of Education	106,648,921	109,781,816		1,116,210	0		644,837			1,212,012						106,808,757	159,836	0.15%	Underspend within ELC and unspent DSM carry-forward, offset by overspends within Schools and Residential Accommodation.	
Executive Director (Douglas Hendry)	Head of Legal & Regulatory Support	20,465,983	20,798,477		43,760					57,176							20,697,541	231,558	1.12%	One off historic water rate refunds, staffing underspends within Procurement and Legal services.	
Executive Director (Douglas Hendry) Total		139,307,911	143,099,843	0	1,167,084	0	0	644,837	57,176	0	1,212,012	20,000	0	0	0	0	139,998,734	690,823	0.49%		
Executive Director (Kirsty Flanagan)	Executive Director (Kirsty Flanagan)	237,787	1,011,720														1,011,720	773,933	76.50%	Over-recovery of vacancy savings due to delays in recruitment combined with funding for ferries previously internally funded and slippage on Route Optimisation Project.	
Executive Director (Kirsty Flanagan)	Head of Customer Support Services	9,212,172	9,366,051		12,800												9,353,251	141,079	1.51%	Staffing underspends combined with underspends on software maintenance.	
Executive Director (Kirsty Flanagan)	Head of Development & Economic Growth	8,864,853	11,237,380		2,195,179	232,604	120,596										8,689,001	(175,852)	-2.02%	Overspend on homeless accommodation and costs of enforcement action in Environmental Health combined with income under-recovery for Fish Exports partially offset by additional income in Transportation policy.	
Executive Director (Kirsty Flanagan)	Head of Financial Services	6,837,595	7,070,849		27,580											144,408	6,898,851	61,256	0.89%	The underspend is mainly due to underspend in staffing costs.	
Executive Director (Kirsty Flanagan)	Head of Roads & Infrastructure Services	33,458,106	32,876,691									1,335,720			37,445	198,000	31,305,526	(2,152,580)	-6.88%	Overspend due to reduction in income in Piers & Harbours, additional Fleet costs across the service, increased staff costs for Pupil Transport, unrealised Depot Saving, increased electricity costs for Street Lighting, additional Car Parking Maintenance costs and a reduction in TRO income in Roads.	
Executive Director (Kirsty Flanagan) Total		58,610,514	61,562,691	0	2,235,569	232,604	120,596	0	0	0	0	1,335,720	0	0	37,445	342,408	57,258,349	(1,352,165)	-2.36%		
Total Departmental Expenditure		199,073,436	205,831,478	0	3,410,389	232,604	120,596	644,837	57,176	0	1,212,012	20,000	1,335,720	0	37,445	342,408	198,418,291	(655,149)	-0.33%		

Department	Service	Actual 2023/24	Budget 2023/24	Council Tax Income Ringfenced for SHF	Unspent Grant monies	Third Party Contributions	CHORD	DMR School Carry Forwards	Previous Council Decision	Existing Legal Commitments	Scottish Government Initiatives	Energy Efficiency Fund	Piers and Harbours Surplus	Electric Vehicle Charging Surplus	Fleet - Timing Delay	Hermitage Park	NEW Unspent Budget Previously agreed	Adjusted Budget 2023/24	(Over)/ Underspend	Variance %age	Comment
Social Work	Chief Officer Integration	(22,453)	711,310															711,310	733,763	103.16%	The underspend is due to an over-recovery on vacancy savings combined with underspends on centrally held funds, printing & stationery and postages. The final reserve transfer of £165k to balance overall budget position for Social Work is included within this service area.
Social Work	Head of Acute and Complex Care	19,692,853	19,829,884															19,829,884	137,032	0.69%	The forecast underspend reflects known demand for Residential Placements in the Learning Disability (LD) service and staff vacancies in Addictions and Mental Health teams. This is partially offset by overspends on LD Supported Living and Respite and MH Supported Living and Residential Placement budgets.
Social Work	Head of Health and Community Care	41,385,226	39,660,364															39,660,364	(1,724,861)	-4.35%	The overspend reflects the demand for external and internal care home placements and homecare. This is offset by underspends within the progressive care centres and assessment and care management teams due to staff vacancies.
Social Work	Head of Children & Families	16,083,935	16,929,013															16,929,013	845,078	4.99%	Underspend due to reduced demand for Fostering, Adoption and staff vacancies in the area teams. This is combined with additional income received from the Home Office for Unaccompanied Asylum Seeking Children. This is all partially offset by overspends in the Children's Houses and demand for residential placements.
Social Work	Head of Strategic Planning & Performance	465,349	474,337															474,337	8,989	1.90%	Outwith reporting criteria
Total Social Work Expenditure		77,604,909	77,604,909	0	0	0	0	0	0	0	0	0	0	0	0	0	0	77,604,909	(0)	0.00%	
Weather related incident costs (not covered by Bellwin)		839,000	0															0	(839,000)	0.00%	Costs associated with weather incident that could not be claimed through the Scottish Government Bellwin Scheme.
Total Expenditure		277,517,345	283,436,387	0	3,410,389	232,604	120,596	644,837	57,176	0	1,212,012	20,000	1,335,720	0	0	37,445	342,408	276,023,200	(1,494,145)	-0.54%	