



REVENUE OUTTURN 2023/24

Report by Chief Financial Officer

PURPOSE

- 1.1 The purpose of the Report is to inform Members of the Comhairle's revenue outturn for 2023/24 and seek approval for the Departmental carry forwards.

EXECUTIVE SUMMARY

- 2.1 The Draft Accounts for 2023/24 will be presented to a special meeting of the Audit and Scrutiny Committee for approval in December 2024, prior to submission for audit. At this stage work is ongoing on the closure of the Accounts and the figures in this report may be subject to change as a result of final adjustments and audit. In a routine year, these changes are unlikely to be of a material nature in terms of revenue expenditure. However, it is acknowledged that the loss of data and the dependence on spreadsheet-based records prior to the rebuilding of systems may result in some additional audit findings.
- 2.2 A summary of the Comhairle outturn, which shows an indicative unaudited deficit of £3.7m is given at Appendix 1 to the Report. The initial budget assumed a budget deficit of £3.2m, which was to be funded through reserves. There are many factors which contribute to the overall deficit, including the transfer of previously earmarked reserves to services, for spend on the delivery of projects. There were budget variations across services and the detail is provided in the body of the Report.
- 2.3 The Winter Maintenance outturn was £833k over the budget; this was partially offset by the £200k Contingency budget. The Children's Mainland Placement budget was £253k over, due to additional placements. These costs will be funded by central reserves.
- 2.4 Treasury Management activities, including the operation of the Loans Fund, generated overall savings of £2.1m, compared to the initial budget, £1m of which was highlighted at the end of the first quarter. There are three elements involved in the savings: the principal repayment on the debt; the interest payments associated with the debt; and the income from investments.
- 2.5 The Comhairle Services delegated to the Integrated Joint Board (IJB) were overspent by £1.8m but this has been funded from IJB Reserves. The level of reserves is diminishing and although there may be sufficient to cover any deficit in 2024/25, this is not sustainable, and there are obvious risks to the Comhairle's budget in future years.
- 2.6 The carry forward rules permit services to carry forward an over or underspend of up to 1% of their controllable budgets. All departments are within budget tolerances and the proposed carry forward are detailed in Appendix C to the Report.
- 2.7 The Comhairle received an additional £3.3m of Revenue Support Grant from the Scottish Government, of which £2.5m was to fund the additional costs of the pay award for staff.
- 2.8 There was £269k of expenditure as a result of the cyber-attack, this was funded from earmarked reserves. The cost associated with recovery and replacement of systems following the cyber-attack will mainly fall in 2024/25. The balance of the £500k, previously set aside for a Project Fund, has been repurposed for this, although additional funding will also be required. The ongoing annual system costs will be included in the budget from 2024/25.
- 2.9 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, means that the balance now stands at £3.7m.

RECOMMENDATIONS

3.1 It is recommended that the Comhairle:

- a) note the financial performance for the year ended 31 March 2024
- b) agree the carry forward of budgets as detailed in Appendix C to the Report;
- c) agree the specific carry forward for the Chief Executive's Departments as detailed in Appendix C to the Report;
- d) agree the specific carry forward for Education, Skills and Children's Services as detailed in Appendix C to the Report;
- e) agree the Education, Skills and Children's Services carry forward as detailed in paragraph 7.19 of the Report;
- f) agree the Economic Community Regeneration (former Depute Chief Executive) specific carry forward as detailed in Appendix C to the Report; and
- g) agree the Strategic Finance specific carry forward as detailed in paragraph 7.38 of the Report.

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Appendices: A) Revenue Outturn Update 2023/24
B) Comhairle Balances 2023/24
C) 2023/24 Carry Forward Summary
D) Covid-19 General Funding and Comhairle Balances

Background Papers: Budget and Council Tax Setting 2023/24, 22 February 2023
First Quarter Revenue Monitoring 2023/24, 20 September 2023
Second Quarter Revenue Monitoring 2023/24, 29 November 2023
Revenue Monitoring Update 2023/24, 24 April 2024

IMPLICATIONS

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

Resource Implications	Implications/None
Financial	This Report is required under Financial Regulations and forms part of the closure of Accounts for 2023/24.
Legal	The proper administration of the Comhairle's financial affairs is a duty under Section 95 of the Local Government (Scotland) Act 1973. Section 12 of the Local Government in Scotland Act 2003 requires the Comhairle to prepare and approve its Draft Accounts by 30 June, for submission to the Scottish Government and Audit Scotland. As a result of the cyber-attack, this has not been achieved and Audit Scotland have been informed.
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 and 2020.

INTRODUCTION

- 5.1 The Report provides details on the financial position of the Comhairle at the end of 2023/24 and highlights some of the main issues that have impacted on budgets during the year. It also recommends the carry forward of Departmental underspends in accordance with Comhairle policy.

OUTTURN

- 6.1 Overall, the Comhairle out-turn was a deficit of £3.7m for the year against a budgeted deficit of £3.2m. This deficit was largely due to the overspend of over £632k in Winter Maintenance.

BUDGET PERFORMANCE

- 7.1 The following section provides a brief overview of services' budgetary performance and relates to controllable budgets as shown at Appendix A, which exclude central support costs and capital charges. The Performance Management Reports to Service Committees will have provided more specific details on any areas of concern.

Chief Executive's Department

- 7.2 At the end of 2023/24 the Chief Executive's Department had an underspend of almost £294k. After allowing for the specific carry forward of £220k as detailed in Appendix C to the Report. The 1% allowable carry forward is £67k and the excess £7k will be returned to central reserves.
- 7.3 There were small over and underspends across the service areas, but the main underspend related to staff vacancies and supplies and services.

Education, Skills and Children's Services Department

- 7.4 After the application of specific carry forwards and grant carry forwards as detailed in Appendix C to the Report, the Education, Skills & Children's Services Department is reporting an underspend of £301k for 2023/24, which is within the carry forward tolerances. This figure is also net of £269k of utilities budgets which has been returned to central reserves, due to lower than budgeted utility costs.
- 7.5 At the end of 2023/24 the centrally held Mainland Placement budget is showing an overspend of £253k, which was highlighted early in the year, and which will be funded from central reserves.
- 7.6 There had been a significant shortfall in income across the department since the COVID pandemic. Sports facilities have recovered in the latter part of the year and performance was close to target after taking account of the additional income due to the VAT exemption. Income on sports facilities was £117k higher than budgeted, in addition to this, £573k was transferred to central reserves in respect of the claim to HMRC in respect of the VAT exemption. There was a shortfall in School Meals income during 2023/24 which was 14% lower than the budget target and 6% lower than the School Meals income received in 2022/23. The Department will consider the reasons for this reduction, but it is hoped the new menus introduced in February 2024 will improve the situation going forward.
- 7.7 There are a range of offsetting minor over and underspends across the department, but the main variances are noted and summarised in relevant paragraphs below.

Head of Children's Services

- 7.8 There is a year-end underspend within this service of £498k, which reduces to £213k following the application of the specific carry forwards for ring-fenced funding and grant funding. The shortfall on the Residential Contract has been dealt with in 2023/24 and met from within available budgets, which included an £89k carry forward from 2022/23.
- 7.9 A number of Children's Services posts, including Senior Management posts, were vacant for a period during the year leading to an underspend on salaries, which accounts for the majority of the £144k underspend in the service. Recent appointments to these posts have ensured this will not be repeated in 2024/25.

Director of Education, Skills and Children’s Services

- 7.10 There is a year-end overspend in this service of £396k, which is £483k following the application of the specific carry forwards but £293k of this relates to non-devolved supply teacher costs, which is offset by a budget within the Head of Education budget.
- 7.11 The section shows an overspend on School and Additional Support Needs (ASN) transport of £29k. The cost of ASN Transport has stabilised this year after the employment of additional drivers and escorts and is underspent to date. Prudential Investment funding has also been returned to budget, awaiting utilisation in the procurement of the new ASN vehicle fleet. It is hoped that the design for the renewal and expansion of the vehicle fleet planned for 2024 will provide efficiency and more flexible vehicles to reduce reliance on taxi services.
- 7.12 The Education Trading operations, recorded under Director of Education and Children’s Services, is showing an overspend of £149k as a result of major increase to food costs and some additional relief staffing costs.

Head of Education

- 7.13 There are some larger areas of underspend in this service producing the overall underspend of £36k after the application of carry forward grants and specific carry forwards.
- 7.14 Schools and Attainment are showing an overspend of £58k. Teacher Induction funding was £37k higher than budgeted. The funding announced for 2024/25 is significantly lower than budgeted and next year we will be reporting a deficit on this budget.
- 7.15 ASN is showing an overspend of £213k. The Department has undertaken to review the delivery of ASN to pupils in 2024/25 to try and reduce the recurrence of this deficit. Careful analysis of the 2023/24 overspend is required to identify the problem areas. This is now possible as the Financial Monitoring System lost during the cyberattack, is close to reinstatement. E-Sgoil and the National e-Learning offer have generated funding through the year.
- 7.16 The Early Years Service shows a significant underspend of £408k this year which has largely been driven by reduced spend on relief staff and a difficulty in filling posts through the year.
- 7.17 Sports and Health are reporting an overspend of £51k (after £15k of specific carry forward is applied). There was higher than budgeted income in Sports Centres by year end in 2023/24 (£117k).
- 7.18 The Library Service is reporting an underspend of £114k as a result of a variety of unspent project funding and vacant posts.
- 7.19 Approval is sought for the following proposals in respect of the £301k underspend detailed above. They are focussed on addressing issues and needs that have been identified and prioritised by the department. The balance will be considered.

Proposal	£k	Narrative
Funding to allow continuation of S2 electives for Nicolson pupils at the College.	15	The College are proposing to remove access to this provision if the Comhairle does not assist with a funding package – learning credits no longer available to the college for this provision.
ASN Staffing	99	A Principal Teacher for Learning Support (£85k) and 0.2 FTE Support For Learning Assistant (£14k) in Lionel.
One-off funds to continue to maintain the Sports Centre Gym Equipment for 12 months.	63	If funding is not granted for the maintenance of the equipment it will have to be taken out of service and decommissioned. The Comhairle gyms will close across the Western Isles.
Funding to support an accessible vehicle for Daliburgh School.	20	If funds are not allocated, The Department will have to identify additional savings from the ASN Transport Budget to fund the required vehicle.

To assist with budgetary pressures on the Mainland Placement budget	42	This budget is continually under pressure
Deferred retirement costs	62	Previous financial year saving not achieved. Funding to cover costs in 2024/25
Total	301	

Table 1 - Proposals in Respect of £301k Underspend

Depute Chief Executive

- 7.20 At the end of the financial year the Depute Chief Executive had an underspend of £140k.
- 7.21 Culture and Heritage budgets were overspent by £10k and this mainly related to the Museum nan Eilean museum exhibition maintenance costs.
- 7.22 Health & Consumer Services had an underspend of £204k, mainly due to income in excess of the budget. This was reviewed at the end of the financial year due to the licence fee income being paid forward for 3-5 years and in setting the budget for 2024/25. In addition to this, there was a staffing vacancy in the Uist Office which generated a saving of £20k. This was partially offset by additional premises related costs within the Homeless Service.
- 7.23 Economic Development and Planning were underspent by £8k. The planning service was £152k under budget, mainly due to additional income received during the year. Fees are received before the planning assessment takes place; therefore, the funding may not be received in the year the work is carried out. A large application fee was received in 2023/24, it is proposed that £75k of this be carried forward to fund a planning post in the coming year. These additional resources were partially offset by costs associated with the Spaceport1 Project.

Assets and Infrastructure

- 7.24 The Assets and Infrastructure section has out-turned within budget tolerances, underspending by £151k at the end of the financial year, excluding Winter Maintenance. The trading operations are required to manage the IAS 19 costs within their budget, this was £123k for the Assets and Infrastructure Trading Operations.

Municipal Services

- 7.25 Municipal Services had an overall overspend of £193k at the end of the year.
- 7.26 The Cleansing section reported a £228k overspend. Burial Grounds overspent by £78k as income was £70k less than budgeted and payment to the trading operation £7k over budget. Street Cleaning overspent by £4k due to less income received than budgeted from surface dressing projects. Refuse Collection reported a £69k overspend mainly due an overspend of £26k relating to bin purchases due to new housing developments, and a £54k overspend in payment to trading operation. The Abattoir overspent by £85k in the year as income was £47k less than budget, premises related expenses being £20k higher than expected and employee costs £9k over budget.
- 7.27 The Environmental Management section reported a £105k underspend. Waste Disposal was £134k overspent. Despite savings of £37k on supplies & services, income (mainly haulier related) was £176k below the budget figure. Recycling Processing reported a £69k overspend. Although income was £19k more than expected and expenditure on supplies and services showed savings of £17k, transport costs were £30k over budget and payments to private companies exceeded budget by £76k. Biowaste Processing reported a surplus of £166k from savings in employee expenses of £129k, premises' expenses £53k and supplies & services £27k, although transport costs were £36k over budget. Landfill Tax reported an underspend of £133k despite income being £80k less than

anticipated as expenditure showed savings of £213k which is due to the change to the 3-weekly refuse collection. Public Conveniences reported an overspend of £10k, due to additional expenditure required from cleaning and vandalism.

- 7.28 Various underspends relating to staff costs and supplies and services in other areas within the section, have also reduced the overall overspend.
- 7.29 Municipal Services Trading Operations had a deficit of £377k after taking into account the adjustments for IAS19:
- Refuse Collection reported a significant overspend of £264k which can be attributed to an overspend on fleet management costs due to vehicle parts and breakdowns.
 - Burial Grounds reported £17k over budget with fleet management costs due to the age of the fleet, and payments to private contractors were the main contributors to the deficit.
 - Street Cleaning out-turned £20k over budget despite savings in employee expenses as overspends in transport costs from vehicle breakdowns, central support costs and depreciation exceed the underspend.
 - Garage reported a slight underspend of £7k.
 - Bus Operations reported a deficit of £83k, mainly due to fleet management costs and increased staffing costs.

Assets & Infrastructure

- 7.30 Assets and Infrastructure had an overall underspend of £344k at the end of the year, excluding Winter Maintenance.
- 7.31 Assets & Infrastructure has experienced cost pressures within the year, particularly in areas such as Repairs & Maintenance (£101k) and Property Maintenance Delivery (£107k), and Project Delivery income from capital (£15k). There is also a budget saving of £66k for external rental income for the Sandwich Road building that was not able to be met this year. A surplus of £74k was reported from renewable energy, but the export tariff for 2024/25 is considerably lower.
- 7.32 The Roads section, excluding Winter Maintenance, operated to budget overall during the year, with overspends on parking income (£73k) and highway lighting (£141k) offset by underspends in other areas in Roads.
- 7.33 Marine Services reported an underspend of £109k, with pier services reporting a small overspend due to necessary repairs and ice plants also reporting an overspend, due to equipment required and lower than budgeted ice sales. An underspend in marine fuel, from reduced expenditure on gas oil, offset these overspends.
- 7.34 The IT section reported an underspend of £263k which has offset overspends in other areas in the Department. This underspend is mostly a result of staff vacancies throughout the year and supplies and services. Costs, as a result of the cyber-attack, have been funded from a previous year's IT underspend which was held within central reserves.
- 7.35 The Winter Maintenance budget is located centrally, with any under/overspends managed on a corporate basis. The Winter Maintenance contracts run from October to March. The Winter Maintenance budget of £1,482k was overspent by £833k. £200k was taken from central contingency in the year to reduce this overspend to £633k. In line with previous practice, where no earmarked funds from previous years underspends remain, this will be funded from central reserves.

Strategic Finance

- 7.36 The Strategic Finance services, which includes central budget for Pensions, Charitable and Empty Property Rates Relief and the Valuation Board, had a net underspend of £41k, of which £21k will be returned to central reserves. Savings from the vacant Director post, net of additional allowances

paid to staff, have been allocated to offset an element of the budget savings associated with the corporate restructuring.

- 7.37 Accountancy & Exchequer Services were £20k underspent mainly due to staffing vacancies during the year. The additional costs, as a result of the cyber-attack, have been funded by central reserves.
- 7.38 The cyber-attack continues to impact on all aspects of the service, it is proposed to use the carry forward to fund any short-term adjustments in staffing/overtime required to take forward system rebuild work and address delays and backlogs.

Health and Social Care

- 7.39 At the end of the financial year the Comhairle services reporting to the Integration Joint Board (IJB) are over budget by £1.85m. Although there are significant underspends within some service areas for the reasons described below, these were not sufficient to fully meet the savings targets required when setting the 2023/24 balanced budget.

Head of Community Resources

- 7.40 The Home Care Service is underspent by £127k. This is mainly due to the level of staffing vacancies within this service. This saving has already been partially offset by agency staffing costs, which were assigned to ensure continuity of care.
- 7.41 Comhairle Residential Care is overspent by £835k. The new Goathill Campus is in its first year of operation; there are additional costs in this year due to the double running of the new and the old facilities, with 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 these figures. Additionally, the overspend includes a planned use of £375k of IJB reserves set aside for the Goathill Campus capital costs.
- 7.42 Adult Care and Support Services achieved savings related to staff vacancies in Bremner Court Housing with Extra Care. These have been set against the Department's central budget savings target.

Head of Social and Partnership Services

- 7.43 The Criminal Justice section is underspent by £95k mainly due to staffing vacancies and absences.
- 7.44 Assessment and Care Services are underspent by £215k due to vacancies within the Community Care Team including new posts created from additional Scottish Government funding included within the 2023/24 budget.
- 7.45 Independent Care Homes are underspent by £235k due to lower than budgeted costs for bed spaces.
- 7.46 Commissioning and Partnership Services is underspent by £107k. This is largely due to vacancies in new posts created from Scottish Government monies for improving care in the community (Short Term Assessment and Reablement (START) team). The savings have been set against the Department's central budget savings target.

IJB Chief Officer

- 7.47 The £1.85m Management and Administration overspend 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 have been allocated against this service and the overspend reflects the final impact on IJB reserves that report to the Comhairle for the year.

RESERVES

- 8.1 The Comhairle holds a minimum balance of £3.5m within the General Reserve, to mitigate against financial risks. In addition to this there is a sum to support the forward budget strategy, which at the beginning of this year amounted to almost £3m.
- 8.2 The minimum balance is reviewed annually as part of the Budget and Council Tax setting. The financial pressures on the Comhairle have never been greater, with uncertainties around pay, inflation, external costs and the Scottish Government settlement.
- 8.3 Appendix D to the Reports shows the details of the changes to the reserves, which have been reported to the Comhairle during the year. There were some significant calls on the reserves during the year, due to external factors such as Air Subsidy Contract, Winter Maintenance and Mainland Placements. This has been offset by loan charge savings and investment income, the identification of further savings and the payment of a VAT claim from HMRC in respect of sports facilities charges. At the end of the year the general reserve available to support the budget strategy amounted to £3.7m.
- 8.4 At the beginning of the financial year there was £1.8m earmarked to assist with the recovery from the COVID 19 Pandemic. During the financial year £495k was expended, mainly to support Education, households and the Economic Recovery as agreed in December 2021. The balance of the centrally held funding is detailed in Appendix D to the Report.

IAS19 ADJUSTMENTS

- 9.1 IAS19 requires that the Comhairle's Accounts reflect the full cost of pension liabilities and in 2023/24 this resulted in a charge of £2.7m (31% of the superannuation contributions), compared to £12.4m (153% of the superannuation contributions) in the previous year. This is an accounting adjustment and does not impact on the Comhairle's cash position or on the amount of cash to be raised from Council Tax.
- 9.2 The only services directly affected by the adjustment are trading operations, as this is treated as an additional element of operating costs, and in 2023/24 they received a charge of £254k, which is a contributing factor to these operations reporting deficits in their Accounts.

COUNCIL TAX AND NON-DOMESTIC RATES INCOME

- 10.1 The Council Tax Income Account, which shows the net position after allowing for discounts, Council Tax Reduction (CTR) and debt write off, showed a surplus of £397k. There are two contributing factors: variations in the level of CTR and other exemptions, which vary from year to year depending on the circumstances of individual householders; and an increase in the number of properties. This increase in properties and income levels is consistent with the review undertaken as part of the budget setting for 2024/25. Statistics on in-year collection, which is usually around 96.5%, are not available, due to the loss of data following cyber-attack.
- 10.2 The Non-Domestic Rates (NDR) Income Account represents the amount distributed by the Scottish Government from the National Pool, as notified to the Comhairle as part of the Financial Settlement. This figure is not affected by the actual NDR collected from local businesses during the year. Again, statistics for in-year collection, which in 2022/23 was 98%, are not available.
- 10.3 The loss of data and systems has meant that routine debt follow-up processes have not been undertaken since the cyber-attack. Any impact from this on collection rates will become more apparent during the current year.

CONTINGENCY AND OTHER CENTRAL BUDGETS

- 11.1 At the end of the financial year the £200k held for contingency had no calls on it in this financial year. The funding has been utilised to meet some of the additional Winter Maintenance costs.
- 11.2 There are currently £19m of balances earmarked for specific purposes, the detail of which is shown in Appendix B to the Report. A review of these balances will be undertaken to identify any sums no longer required for its intended purpose, and which can be released to assist with the budget process.

PROVISIONS

- 12.1 Following the annual review of outstanding debt, the bad debts provision for Council Tax was increased by £53k and Non-Domestic Rates by £121k. These amounts are offset against the income received, in the Council Tax and NDR Income Accounts. The Council Tax provision is formula based and reflects the age profile of the debt. The detailed records for the current year were not available as a result of the cyber-attack and the payments data for the period up to October 2023 were used as a basis for the calculation. NDR debt has reduced in recent years, reflecting the introduction of the Small Business Bonus Scheme which many businesses in the islands benefit from. Due to the relatively low number of accounts in arrears, this provision is derived from a review of individual accounts. The increase is due to a small number of businesses with unpaid bills going into administration. The impact of the cyber-attack on the ability to carry out debt collection is not yet quantifiable and may necessitate a revisiting of the provision formulas in the next financial year.
- 12.2 The overall provision for Sundry and Residential Care increased by £206k, reflecting the age profile of the debt. This provision is also formula based, with the amount provided increasing in line with the age of the debt. The increase is mainly due to the number of residential care debts moving into the older category, which carries a higher risk in terms of recovery. This increase is charged to the relevant service accounts.

TREASURY MANAGEMENT

- 13.1 Treasury Management activities, including the operation of the Loans Fund, generated overall savings of £2.1m, compared to the initial budget, £1m of which was highlighted at the end of the first quarter. There are three elements involved in the savings: the principal repayment on the debt; the interest payments associated with the debt; and the income from investments.
- 13.2 At the time of setting the budget it is prudent to assume that the capital programme will progress as planned, and this is reflected in the level of the budget set for principal repayment and interest. This approach reduces the risks associated with under provision, with any savings being returned to the General Reserve. The saving, which amounts to £493k in 2023/24, arises from a combination of slippage in capital expenditure and the use of internal resources in lieu of borrowing.
- 13.3 The income budget consists of two elements: interest on investments; and interest payments received for the loan to the Stornoway Port Authority. At the end of the first quarter, additional income of £1m was highlighted, reflecting the continuation of higher interest rates, with investments attracting rates of over 5%; and the start of the repayments on the initial advances made to the Stornoway Port Authority. The final outturn shows a further increase of £600k in income, the majority of which relates to investments. Although a significant amount of balances have been used to finance the Stornoway Port Authority loan, the overall cash flow position has meant that investments have remained at a higher level than expected.

CONCLUSION

- 14.1 At the end of 2023/24 the General Fund balance has reduced from £30m to £26.2m, of which £19m is earmarked for specific projects, including £1.9m earmarked for 2024/25 Budget, as detailed in Appendix D to the Report. This leaves £3.7m to support the forward budget strategy.