



SECOND 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 September 2024 is attached at Appendix 1 to the Report which shows a projected net overspend of £0.9m. After adjusting for the £1.8m relating to Health and Social Care, which will be funded from Integrated Joint Board reserves, the net position for the Comhairle is a projected underspend of £0.9m. This underspend mainly relates to Education and Children's Services and Loan Charges. It should be noted that as the figures were prepared during December, the forecast takes into account the income and expenditure transactions during October and November.
- 2.2 Although there are budget variances across other service areas, these are being currently managed within overall resources. All departments except Education & Children's Services 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 Comhairle included 3% inflation for employee costs within the initial budget. The pay deals, finally agreed in September 2024, awarded non-teaching staff an increase of 3.6% or a £0.67 uplift on the hourly rate, whichever was worth more at each pay point, and 4.27% for teachers. The additional cost of the pay award was £1.1m. The Comhairle received additional funding of £734k through the General Revenue Grant and after allocating £208k of these resources to Health & Social Care, a balance of £241k remains, to be funded from Comhairle Reserves.
- 2.4 Following the cyber-attack that took place in November 2023, the Comhairle continues to incur costs, as systems are rebuilt, and services return to a normal service. In this financial year to date, the Comhairle has incurred £249k of additional costs and this has been funded from Reserves, set aside for this purpose. The Scottish Government has indicated that it will contribute £250k towards the costs.
- 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. Reserves available to support the budget currently amount to £4m, but this may reduce, depending on the winter maintenance outturn, which will become clearer towards the end of the year.

RECOMMENDATIONS

- 3.1 **It is recommended that the Comhairle:**
 - a) **note the financial performance to date;**
 - b) **approve the ring fencing of planning income as detailed in Appendix 3 to the Report;**
 - c) **approve the reallocation of unspent Year 2 Crown Estate to the Islands Deal Projects as detailed in Appendix 3 to the Report; and**
 - d) **approve the allocation of the Assets and Infrastructure carry forward from 2023/24 as detailed in Appendix 3 to the Report.**

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Appendices: 1) Second Quarter Revenue Monitoring 2024/25, Overall Comhairle Summary

- 2) Centrally Held Budgets
- 3) Department Exception Report
- 4) Former Covid-19 General Funding and Balances to Support the Budget

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. Work is on-going to identify the vacancy savings in this financial year, some Services already include a vacancy assumption to balance their budget or utilise the resources to pay for relocation and advertising costs.
- 5.3 The Comhairle's 2024/25 budget assumed a 3% pay award, with the additional assumption that, as in recent years, the Scottish Government would provide funding for any award in excess of this amount. The Teachers 4.27% pay award was unanimously accepted on the 12 September 2024, as in previous years, this award was fully funded by the Scottish Government. The non-teaching pay award for staff was 3.6% or £0.67 on the hourly rate, whichever was worth more at each SJC pay point. The Scottish Government contributed £734k towards staff pay through the General Revenue Grant; the total cost of the pay award was £1.2m.
- 5.4 The Comhairle carried forward £918k of Scottish Government funding to support general COVID costs, of this £493k was earmarked to support Economic Recovery, with the balance being used to support Comhairle Services. To date this financial year, £17k of Economic Recovery payments have been made. Bearing in mind that this funding was received 2-3 years ago, a review of the 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 The Half Year Treasury Report, presented to Policy and Resources Committee on 27 November 2024, indicated that savings were anticipated during the year and that details would be provided in this

report. At the time of setting the budget, loans fund data was not available due to the cyber- attack and the budget was based on the previous year, with an expectation that there would be a saving on the principal repayment, which has now been quantified at around £475k. Additional investment income of £115k is also expected to be realised, as investment levels and interest rates continue ahead of forecast rates.

- 5.6 Although Council Tax income is currently exceeding budget, this is likely to change before the end of the year, as the post cyber-attack processing delays are cleared. Although there has been significant progress made, the delays have meant that debt collection processes for the late payment have been stalled, which could impact on collection rates.

CONCLUSION

- 6.2 The Comhairle has an estimated £4m of reserves available to support the budget process, with the current Budget Strategy for 2025/26 proposing the use of £2m to enable a balanced budget to be set. This leaves £2m to support future budgets, but this needs to be considered in the context of an increasing deficit position and the continued uncertainties around the Settlement and future pay awards and a substantial deficit within IJB Budgets.

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

Appendix 1

| OBJECTIVE SUMMARY | | Initial Budget as approved February 2024 £ | Total Budget as at 30 September 2024 £ | Actual Spend to 30 September 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 | 5,271,416 | 2,485,875 | -337,000 | 4,934,416 |
| 3 | Head of Education | 3,871,671 | 4,726,502 | 1,862,808 | -275,000 | 4,451,502 |
| 4 | Head of Children's Services | 44,392,753 | 46,424,519 | 22,992,864 | 206,000 | 46,630,519 |
| 5 | <u>Community Safety Board</u> | | | | | |
| 6 | Head of Assets & Infrastructure | 875,101 | 880,263 | 415,382 | | 880,263 |
| 7 | Strategic Finance Directorate | 389,340 | 389,340 | 196,912 | | 389,340 |
| 8 | <u>Social Work and Social Care Board</u> | | | | | |
| 9 | IJB Chief Officer | 5,063,967 | 3,027,934 | 246,120 | 3,345,094 | 317,160 |
| 10 | Head of Community Resources | 20,520,914 | 20,177,298 | 8,519,240 | -521,850 | 19,655,448 |
| 11 | Head of Partnership Services | 10,199,910 | 10,266,684 | 3,806,430 | -1,059,352 | 9,207,332 |
| 12 | Chief Planning Officer | 306,000 | 306,000 | 153,000 | | 306,000 |
| 13 | <u>Sustainable Development Committee</u> | | | | | |
| 14 | Chief Officer Economic & Community Regeneration | 2,879,970 | 3,104,354 | 2,960,036 | | 3,104,354 |
| 15 | <u>Transportation & Infrastructure Committee</u> | | | | | |
| 16 | Head of Assets & Infrastructure | 20,625,438 | 21,975,357 | 8,295,751 | 190,000 | 22,165,357 |
| 17 | <u>Policy & Resources Committee</u> | | | | | |
| 18 | Chief Executive | 473,424 | 476,435 | 243,800 | | 476,435 |
| 19 | Human Resources and Performance | 2,141,705 | 3,216,218 | 1,364,769 | | 3,216,218 |
| 20 | Law and Governance | 1,909,473 | 1,917,322 | 1,057,770 | | 1,917,322 |
| 21 | Community Engagement | 878,282 | 973,521 | 471,980 | | 973,521 |
| 22 | Chief Officer Economic & Community Regeneration | 36,862 | 215,272 | 551,149 | | 215,272 |
| 23 | Culture & Heritage | 202,938 | 188,650 | 103,093 | | 188,650 |
| 24 | Strategic Finance Directorate | 1,179,525 | 1,205,939 | 311,383 | | 1,205,939 |
| 25 | Chief Financial Officer | 2,799,466 | 3,628,579 | 1,734,419 | | 3,628,579 |
| 26 | Investment Delivery | 26,793 | 26,804 | 37,541 | | 26,804 |
| 27 | NET EXPENDITURE | 114,307,205 | 122,342,539 | 56,215,785 | 1,547,892 | 123,890,431 |
| 28 | <u>Department Budgets Managed Centrally</u> | | | | | |
| | Asset Rentals | | | | | |
| 29 | <u>Central Budgets</u> | | | | | |
| | Contingency | 200,000 | 200,000 | | | 200,000 |
| 30 | WISP Lifecycle Fund | | 131,408 | | | 131,408 |
| 31 | Interest Receivable | -2,534,606 | -2,534,606 | -1,096,450 | | -2,534,606 |
| 32 | Interest Payable and Financing Costs | 7,976,473 | 7,976,473 | 2,453,294 | -115,000 | 7,861,473 |
| 33 | Debt Repayment | 6,957,387 | 6,957,387 | | -475,000 | 6,482,387 |
| 34 | Depreciation Charged | -766,038 | -766,038 | | | -766,038 |
| 35 | Ward Priorities Fund | 87,000 | 156,133 | 31,781 | | 156,133 |
| 36 | Crown Estate Funding | | | 701,702 | | |
| 37 | CnES Earmarked Balances | 647,695 | 647,695 | | | 647,695 |
| 38 | TOTAL NET EXPENDITURE | 126,875,116 | 135,110,991 | 56,902,708 | 957,892 | 136,068,883 |
| | <u>Funded by</u> | | | | | |
| 39 | Revenue Support Grant | 101,254,567 | 105,808,997 | 58,003,285 | | 105,808,997 |
| 40 | National Non-Domestic Rates | 9,691,000 | 9,722,000 | - | | 9,722,000 |
| 41 | Council Tax | 13,683,000 | 13,683,000 | 13,738,000 | 55,000 | 13,738,000 |
| 42 | Vacancy Savings | 300,000 | 300,000 | | | 300,000 |
| 43 | Use of Balances | 1,946,549 | 5,596,994 | -15,572 | | 5,596,994 |
| 44 | TOTAL FUNDING | 126,875,116 | 135,110,991 | 71,725,713 | 55,000 | 129,568,997 |
| 45 | SURPLUS/(DEFICIT) FOR THE YEAR | | | 14,823,005 | -902,892 | -6,499,886 |

**SECOND QUARTER REVENUE MONITORING 2024/25 Appendix 2
CENTRALLY HELD BUDGETS**

| Centrally Held Budgets 2024/25 | | | |
|--|------------------------|------------------------|-------------------|
| | Q2 Total Budget | Q2 Total Budget | |
| | £ | £ | £ |
| Crown Estate Funding | | 1,089,194 | |
| Insurance Premium Adjustments | | -126,057 | |
| Savings to be realised | | -414,853 | |
| Pay Award | | 147,000 | |
| 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 | | 362,548 | |
| 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 | | 182,392 | |
| 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 | | |
| | | | 8,098,853 |
| HISTP Match Fund | | | 139,328 |
| WISP Lifecycle Fund | | | 4,592,416 |
| Central Budgets as at 30 September 2024 | | | 12,830,597 |

DEPARTMENT EXCEPTION REPORTS EDUCATION, SKILLS AND CHILDREN'S SERVICES DEPARTMENT

At the end of the second 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 £632k for this financial year. This figure is out-with the 1% carry forward tolerances highlighted in the budget strategy of the Comhairle in February 2023 and will result in funds being returned to Comhairle central reserves. This 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 highlighted below. It is also important to note that reporting and monitoring of budgets has been more limited in the first half of 2024/25 as a result of the cyber-attack and so spend may accelerate towards the latter part of the year as budget managers are able to review their budgets more closely.

The centrally held Mainland Placement budget is projecting spend in excess of budget of £226k at the end of the financial year which will impact the Comhairle centrally held reserves.

There was a significant shortfall in income across the department following the COVID pandemic, especially in Sports Facilities, this has recovered, and performance is now in excess of the budgeted target, even after the increased charges for 2024/25. 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 2021/22. Indications at the second quarter are that the situation has improved, and income is now closer to the budgeted target. Expenditure has exceeded budget for Rates, water charges and waste disposal charges across the Department.

There is a large range of offsetting over and underspends across the department at Quarter 2 but the main variances are noted and summarised below.

Chief Officer Children's Services

There is an apparent Quarter 2 underspend in this service of £260k, which reduces to a £20k when the grant funded projects are factored out. The previous shortfall on the Residential contract has mainly been dealt with and met from within available budgets leaving an estimated year end gap of £51k for additional short breaks and emergency placements. There has also been a one-off charge for adoption expenses of £37k from another local authority. These overspends have been offset by staff efficiencies due to delays in appointment to some posts and a reduction in the cost of fostering adoption expenses and allowances.

Chief Officer Education, Skills and Children's Services

There is an estimated underspend at the second quarter in this service area of £275k. This service area contains Sport and Health, Libraries, Central Finance and Admin Teams, Trading Operations and in house Home to School and Additional Support Needs (ASN) Transport operations.

- Chief Officer direct budgets include the WISP Lifecycle budgets, Castlebay Complex Admin Officer, School Counselling and Directorate staffing and admin.
- The Sport and Health service is made up of two elements - Sports Facilities and Sports Development. Sports Development is projected to underspend by around £65k due to non-filling of a Senior post so far this year. Sports Facilities are projected to break even in spite of a significant overspend on staffing of around £70k. This overspend has been offset by an underspend on energy (£30k) and increased Slainte Mhath income so far this year (£40k).
- Libraries are showing an apparent underspend of £100k at the end of the second quarter but this reduces to £60k when unspent grant funding is factored out. This £60k underspend is in staffing and relates to unfilled or delayed filling of posts.

- The Resources Section shows an underspend of £50k projected to Quarter 2. This is made up of School / ASN transport of £50k and an overspend of £20k on Education Trading operations. This overspend of £20k is as a result of a major increase in food costs. This overspend is being artificially reduced by a one-off allocation from ICCEF of £160k to counteract the recent sharp increase in food inflation. This will be an ongoing issue to be addressed during the 2025/26 budget build exercise but the £20k for this year will be offset on a one-off basis during 2024/25 by utilising Scottish Government additional funding for UFSM expansion which isn't scheduled to start until February 2025. The cost of ASN Transport has stabilised this year after the employment of additional drivers and escorts and the procurement of the new ASN vehicle fleet. The renewal and expansion of the vehicle fleet has provided additional efficiency and more flexible vehicles which reduces reliance on taxi services. Although a potential £100k underspend is visible, there are currently new pressures and the requirement for a new vehicle to be purchased and operated. Taking the new pressures into account the underspend projected for this service is £50k by year end.
- The budgets for Central Admin, Staffing and Training at Quarter 2 are underspent in the region of £100k. This is a mix of staffing (£60k) and training budgets (£40k). This may reduce by year end depending on appointments and the level of training increasing as we near the end of the year.

There are no other significant variances out-with specific and grant funding.

Chief Officer Education

There are some larger areas of underspend and overspend in this service at second quarter producing the overall net underspend of £337k after the specific and grant funding is factored out.

The Schools and Attainment service is currently showing a net underspend of £79k. There are predicted underspends on energy costs across the department of approximately £300k due to the reduction in demand for energy due to the mild temperatures and lower energy prices but that position may change over the remainder of the winter months. There are also a variety of staffing underspends and overspends in schools, but an overall net underspend projected at the end of second quarter. Offsetting overspends include Teacher Induction Funding which was £23k lower than budgeted. There are also higher than budgeted costs on rates of £76k, water charges of £23k and waste disposal charges of £58k across all schools, with one or two more significant overspends in schools waste disposal charges. The Department is addressing these with schools to look for a long-term solution. ASN is showing overspends of £10k related to Early Years and £46k related to Uist and Barra for 2024/25 at Quarter 2. This is offset by a currently projected underspend in Lewis and Harris of £158k. This is an overall underspend of £100k on ASN as at the second quarter but we anticipate that will reduce to around £40k by the end of the year. The Department has undertaken to review the delivery of ASN to pupils during 2024/25 to try and reduce the recurrence of the deficit from 2023/24. Careful analysis of the 2023/24 overspend was carried out to identify the issues and this was reflected in the 2024/25 ASN Audit. This is now possible as the financial monitoring system lost during the cyberattack has been reinstated.

E-Sgoil and the National e-Learning offer have received significant grant funding again this year.

The Early Years Service is showing an underspend of £200k at second quarter but again with profiled spend due to pay award arrears etc. we expect that to be approximately £180k by the end of the financial year. This has mainly been due to reduced spend on relief staff and a difficulty in filling posts through the year (£100k), increased income receipts (£60k) and potentially lower than anticipated payments of around £20k to private providers.

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 £1.76m. 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 when setting the 2024/25 balanced budget.

Head of Community Resources

- The Home Care Service is anticipating an underspend of £124k. 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 £378k. 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 receipt of additional unbudgeted Scottish Government funding targeted at specific service outcomes.
- Assessment and Care Services are forecasting an underspend of £353k due to vacancies within the Community Care Team, including new posts created from additional Scottish Government funding and a reduction in spend on Self-Directed Support service recipients.
- Independent Care Homes are forecast to breakeven. This currently assumes the budgeted uplift will apply to the providers, however negotiations on the 2024/25 per-bed price are currently on-going.
- Commissioning and Partnership Services is forecast to be underspent by £506k. 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 £3.35m 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.
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ECONOMIC AND COMMUNITY REGENERATION

At the end of the financial year the Depute Chief Executive services are 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.
- **Housing Services** are currently showing a variance of £650k to budget. This is largely due to reimbursements due from Scottish Government regarding Energy Efficiency schemes and the allocation of ACTISH funding being approved in December 2024. The ACTISH resources have now been transferred.
- **Economic Development** is 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.
- **Planning and Building Standards** expenditure to date is broadly in line with forecasted budget, albeit Building Standards fee income is lower than anticipated. There is a concurrent report being presented to Human Resources Committee this series, to establish a 5-year fixed term planning officer post for national and major projects. It is proposed that this post is funded from £100k of Crown Estate which has already been allocated from year 5 funding, £75k from 2023/24 carry forward as agreed in December 2024 with the balance being funded from ring-fencing planning fee income from renewable energy infrastructure projects between 2024/25 and 2027/28. It is anticipated the total cost of the post will circa of £350k over the 5-year period.
- **Chief Officer E&CR** – 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

It is proposed that an underspend of £137k in funding previously allocated to community support for loss of turbine income, be reallocated to fund current and future Islands Deal administration and Project costs. The expectation from Scottish and UK Government is that local authorities fund the costs of delivering a Growth Deal in their area. This includes the need to adequately resource a Growth Deal Programme Management Office (PMO) to manage and deliver the Growth Deal. The PMO staffing currently consists of two full-time seconded posts of Programme Director and Project Officer, and Senior Accountant allocation of 14.8 hours per week. All postholders are currently employed by the Comhairle.

The Islands Growth Deal Joint Committee approves an annual budget in respect of the operational running costs. Orkney Islands Council, Shetland Islands Council and Comhairle nan Eilean Siar each pay an equal share of these operational costs. In addition to the staff costs above, there are costs associated with internal audit and administration of the Islands Growth Deal Joint Committee, two thirds of which are recharged to Orkney and Shetland.

The Comhairle and its partners have worked effectively within resource constraints to progress the Islands Deal. In addition to allocating funding towards a Programme Management Office, there has been significant allocation of staff time from executive, economic development, legal, finance and communications functions.

There has been identification of sufficient budget provision for core PMO costs up to end March 2026, supported by a previously agreed allocation of Crown Estate Year 2 funding towards the Islands Growth Deal. However, there is a requirement beyond this to identify funding towards the Comhairle's future costs of running the programme over the course of the ten-year delivery period.

In addition, each Project within the Islands Deal requires a Full Business Case, approved by Scottish and UK Government, before funds can be released. These are required to be to HM Treasury's Green Book 5 Case Business Model standard. While there is significant work being done on this in-house and by external partners, there is usually a need for additional consultancy support particularly in relation to the technical requirements of the Economic Case. Crown Estate Year 2 funding, matched by HIE, has enabled projects to progress from Strategic to Outline Business Case, and in some instances Full Business Cases. However, funding for additional consultancy is now limited and there is a risk to the progression of the projects within the Islands Deal if funding is not identified that can be drawn on for consultancy support.

ASSETS AND INFRASTRUCTURE

At the end of the financial year the Assets & Infrastructure section are anticipating being £190k overspent.

- Burial Grounds are anticipating a shortfall in income against budget as lairs can currently only be sold when required.
- Refuse collection anticipates a small surplus on income from commercial waste bin collections.
- Waste Disposal reports a small surplus on the disposal aspect on commercial waste bin income, however Haulier income is likely to outturn around £190k below budget, as the budget target is unlikely to be achieved.
- 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 budgeted targets. Rate relief has been available in the past, and has been included in the budgets, however this may not be available in the current year.
- Market Stance electricity costs and transport costs are likely to outturn over budget at this stage.
- The Roads section is currently reporting an overspend of £116k, on the basis that no more unforeseen works are required, although much of this is anticipated to be recovered from capital. Car parking income of £7k has been received, against an income budget of £90k.

- The rest of the services anticipate outturning within budget, although close monitoring of the budget will be required.
- The Air Services subsidy requires a feed of £45k from reserves, to meet the costs of the contract.
- The Winter Maintenance budget of £2,123k for 2024/25 is centrally held, with any under or overspends managed on a corporate basis. An additional £660k has been allocated to the 2024/25 Winter Maintenance budget as one-off funding from ICCEF. The Winter Maintenance contracts run from October to March.

The Department carried forward £152k from a general underspend in 2023/24. This is proposed to be used as follows:

- £30k for Electric Vehicle Charging infrastructure maintenance
- £69k for upgrade of Assets & Infrastructure IT devices to Windows 11
- With the balance being utilised to help with the predicted overspend in 2024/25

STRATEGIC FINANCE

Strategic Finance is currently forecasting to outturn within budget. There are variances across the service, but these are generally being used to offset additional costs such as loss in income due to the cyber-attack and maternity leave cover. The main variance related to the vacant Director post, some of which is being used to fund limited backfill arrangements within Accountancy. A restructuring of the service management structure has now been completed.

The service includes a number of income budgets relating to debt collection and the recovery of housing benefit overpayments, an element of which the Comhairle is permitted to retain, in line with DWP rules. As stated in the main report, debt collection processes have largely been put on hold as staff address processing backlogs, and it may be that some of the income shortfall may need to be funded from Reserves (Cyber-attack cost).

CHIEF EXECUTIVE'S DEPARTMENT

At the end of the second quarter 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.

FORMER 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 | 52 |
| Economic Recovery Funding - Balance of Investment Opportunities | 476 |
| Winter Plan - RRTP | 18 |
| Business Support Admin | 41 |
| PESF Boost | 47 |
| Flexible Fund | 1 |
| Household Support | 414 |
| CO2 Monitors | 4 |
| Balance as at 30 September 2024 | <u>1,315</u> |

| BALANCES AVAILABLE TO SUPPORT THE BUDGET | <u>£'000</u> | <u>£'000</u> |
|--|---------------------|---------------------|
| 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 |
| Insurance Premium increase | | -126 |
| Pay Award | | -241 |
| Treasury Management | | 590 |
| Balance of Extra days leave returned to reserves | | 74 |
| Estimated Balances available at the end of 2024/25 | | <u>3,942</u> |
| 2025/26 Budget Shortfall | | 2,000 |