

REVENUE BUDGET MONITORING – FOR THE YEAR 2021-22

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 2021-22. The report also summarises the movement in the General Fund balance.
- 1.2 The performance against budget for financial year 2021-22 was an overall underspend, after earmarkings have been accounted for, of £1.630m (0.59%).
- 1.3 After accounting for automatic and proposed earmarked reserve proposals, there is a net underspend of £0.815m in relation to Council services departmental expenditure, a net overspend of £0.432m in relation to central expenditure and a net over recovery of income of £1.247m. Social Work, managed by the Health and Social Care Partnership (HSCP), were underspent by £1.738m and this amount is recognised as a creditor on the balance sheet as money owing to the HSCP by the Council which creates a nil variance on the revenue monitoring.
- 1.4 The General Fund Balance has moved from £78.245m at the end of financial year 2020-21 to £96.530m at the end of 2021-22. The movement represents an increase of £18.285m which largely relates to the timing of Scottish Government funding that was unspent at the end of the year such as COVID funding, unspent grants including ELC 1140 hours and Crown Estates, and Scottish Government Initiatives such as Employability and the expansion of free school meals. It is expected that other Local Authorities will have a similar increase to their General Fund Balance due to the timing of the funding.
- 1.5 There is a separate report that details the earmarked reserves which outlines proposals to earmark a total of £89.433m from the General Fund balance, leaving £7.097m unallocated. Of this £5.256m is required to be held as the General Fund contingency, leaving an unallocated balance of £1.841m.
- 1.6 There have been 7 virements of revenue budget over £0.200m in the period January to March 2022 for approval.

REVENUE BUDGET MONITORING – FOR THE YEAR 2021-22

2. INTRODUCTION

- 2.1 This report summarises the revenue budget position of the Council as at the end of the financial year 2021-22. 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 2021-22.
- 3.2 Members to note that the unallocated balance within the General Fund as at 31 March 2022, after taking into account the contingency, amounts to £1.841m.
- 3.3 Members to approve the revenue virements over £0.200m between January and March 2022.

4. DETAIL

4.1 Final Outturn Variance (Un-audited)

- 4.1.1 The performance against budget for the financial year 2021-22 was an overall underspend of £1.630m (0.59%). A summary of the final outturn position is noted within the table below.

Final Outturn Variance (Un-audited)				
2021/22				
Department	Actuals	Budget	Variance	Percentage
			(Overspend) Underspend	
	£	£	£	%
Chief Executive's Unit	5,308,081	5,326,199	18,118	0.34%
Executive Director (Douglas Hendry)	115,159,967	115,382,507	222,539	0.19%
Executive Director (Kirsty Flanagan)	49,122,963	49,697,141	574,178	1.16%
Total Departmental Expenditure	169,591,011	170,405,846	814,835	0.48%
Joint Boards	1,490,458	1,496,371	5,913	0.40%
Loans Charges	9,382,472	9,382,472	(0)	0.00%
Pension Costs	1,797,571	1,745,323	(52,248)	(2.99%)
Other	9,663,887	9,278,808	(385,078)	(4.15%)
Total Central Expenditure	22,334,387	21,902,974	(431,413)	(1.97%)
Social Work	62,870,734	62,870,734	(0)	0.00%
Total Social Work Expenditure	62,870,734	62,870,734	(0)	0.00%
Total Expenditure	254,796,133	255,179,554	383,422	0.15%
Total Funding	278,706,348	277,459,487	1,246,861	0.45%
UNDERSPEND			1,630,282	

4.2 Council Departmental Budget Outturn

- 4.2.1 The performance against budget shows departmental controllable expenditure being £0.815m (0.48%) under budget. Included in this outturn position is an adjustment to update the 2021-22 budget to reflect £15.054m of new earmarkings at the year-end.
- 4.2.2 Within the Chief Executive's Unit (Community Planning and Finance) there was a small underspend which was largely due to a reduction in travel costs as a result of COVID-19 restrictions and new ways of working.
- 4.2.3 Within the remit of Executive Director Douglas Hendry (Education, Legal and Regulatory Support and Commercial Services), the main underspends were due to an over recovery of vacancy savings, reduced catering in schools due to less demand as a result of COVID-19, reduced running costs within Early Learning and Childcare and an underspend in NPDO and Hub Schools arising from insurance savings and the settlement of historic disputed cost reductions. The main overspends related to external residential placements within Education. Overall there was a net favourable position.
- 4.2.4 Within the remit of Executive Director Kirsty Flanagan (Roads and Infrastructure, Development and Economic Growth and Customer Support Services), the main underspends were due to the over recovery of vacancy savings, additional income within Environmental Health, one-off income in

Housing and additional planning fee income. The main overspends were due to the under recovery of building warrant fees and transportation project costs.

4.3 Central Budget Outturn

- 4.3.1 The performance against budget for central/non-departmental expenditure was a net overspend of £0.432m (1.97%). Included in this outturn position is an adjustment to update the 2021-22 budget to reflect the new year-end earmarkings which total £4.837m. The main reasons for the overspend is within Insurance costs which were overspent by £0.339m and pension related costs not covered from either the provision or earmarking £0.052m.
- 4.3.2 The overall favourable position for Departmental and Central Expenditure Budgets has provided the opportunity to propose earmarking of unspent budget for specific purposes and these are included in the 'Earmarked Reserves – 2021-22 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.

4.4 Social Work Outturn

- 4.4.1 Social Work Services, managed by the HSCP, were underspent by £1.738m (2.76%) after repaying all outstanding amounts owing to the Council from previous years' overspends. Under CIPFA LASAAC Guidance, this amount has been recognised as a creditor on the Council's balance sheet making the funds available to Social Work to spend in future years.
- 4.4.2 The underspend of £1.738m before recognising the creditor, was as a result of unspent Scottish Government Grants of £1.056m with the balance of £0.682m coming from underspends within Older People and across Children's services

4.5 Funding Budget Outturn

- 4.5.1 The performance against budget for funding was a net underspend/over-recovery of income of £1.247m. Included in this outturn position is an adjustment to update the 2021-22 budget to reflect the new automatic earmarking at the year-end, these new earmarkings total £2.389m and relate to the Strategic Housing Fund and TIF income.
- 4.5.2 There is a year-end favourable position in relation to Council Tax of £1.246m where recovery was assisted by circa £0.450m of Low Income Pandemic Payments (LIPP) credited directly to Council Tax accounts therefore improving collection rates.

4.6 COVID Impact

- 4.6.1 There remains a large amount of COVID funding not utilised at year end and there is a total of £9.407m of COVID earmarkings at 31 March 2022. This has reduced from the £13.469m balance at the start of the year as a result of:
- Spend against COVID earmarkings £5.003m
 - Agreed allocations from COVID funding to capital pressures resulting from the economic effect of COVID £9.433m
 - New general COVID funding of £7.562m
 - New specific COVID funding earmarkings of £2.812m
- 4.6.2 The Council meeting on 24 February 2022 agreed specific uses for the previously uncommitted amounts of COVID funding. These are now recognised within Appendix 5 of the Earmarked Reserves report for future monitoring purposes.

4.7 Impact on the General Fund

- 4.7.1 The movement in the General Fund balance is different to the underspend, as noted above, as it also reflects earmarked reserve withdrawals and contributions. The General Fund balance at 31 March 2021 was £78.245 and has increased by £18.285 to £96.530 as at 31 March 2022. The movement in the balance is summarised in the table below.

	£m
Balance on General Fund 31 March 2021	78.245
Social Work Repayments	2.759
Revenue Budget 21-22 - Investment in Capital	2.975
Revenue Budget 21-22 - COVID allocation to reserves	7.562
Released earmarked sums to service budgets 2021-22	(18.923)
Contributions to earmarked reserves 2021-22	22.280
Overall budget underspend as above	1.630
Rounding	0.003
Balance on General Fund 31 March 2022	96.530

- 4.7.2 The balance on the General Fund has increased significantly from last year. More information is contained within the earmarking report, however the increase mainly relates to the repayment of debt from the HSCP and the earmarking of unspent Scottish Government Grants, Scottish Government Initiatives and COVID funding.
- 4.7.3 The closing balance on the General Fund as at 31 March 2022 is £96.530m. Of this, £89.433m is earmarked for specific purposes and £5.256m is required to be held as the General Fund contingency, leaving an unallocated balance of £1.841m as shown in the table below.

	£m
Balance on General Fund 31 March 2022	96.530
Earmarked balances at 31 March 2022 (as per Earmarked Reserves report)	(89.433)
Contingency balance (2.0% of net expenditure)	(5.256)
Unallocated balance as at 31 March 2022	1.841

- 4.7.4 The £1.841m unallocated balance as at 31 March 2022 represents an increase of £0.516m on the £1.325m unallocated balance as at 31 March 2021.
- 4.7.5 Although the unallocated balance at 31 March 2022 is £1.841m the Council at its meeting on 24 February agreed that the budgeted revenue surplus of £2.482m would be transferred into the general fund. This will bring the unallocated General Fund balance up to £4.323m in 2022-23.
- 4.7.6 The Council continue to have robust financial management arrangements and it is vital that these continue to be in place, particularly as the Council are facing financial challenges around the recovery and how services may need to be adapted as a result of the COVID pandemic.

4.8 VIREMENTS OVER £0.200M (REVENUE)

- 4.8.1 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.
- 4.8.2 For the period January to March 2022, there are 7 virements over £0.200m requiring authorisation:
- £0.375m taken from the COVID funding allocation at the centre and £0.194m taken from Executive Director Douglas Hendry to fund COVID costs within Executive Director Kirsty Flanagan £0.569m
 - £2.559m from Social Work to Funding, representing a full repayment of outstanding debt
 - £0.230m into the Loans Fund from Executive Director Douglas Hendry £0.216m and Social Work £0.014m to recognise Energy Efficiency Savings
 - £0.355m from the Loans Fund to Executive Director Kirsty Flanagan recognising the 5% increase in piers and harbours fees to fund borrowing
 - £0.545m into the Repairs and Renewals fund for replacement of capital items for schools from Education revenue budget
 - £0.220m budget harvested within Social Work against the vacancy savings target for the period March
 - £0.240m adjustment within Executive Director Douglas Hendry to adjust prepared meals budgets between Education and Commercial Services.

5. CONCLUSION

- 5.1 The performance against budget for financial year 2021-22 was an overall underspend of £1.630m (0.59%). The General Fund balance has increased by £18.285m which mainly relates to the repayment of debt from the HSCP and the earmarking of unspent Scottish Government Grants, Scottish Government Initiatives and COVID funding.

6. IMPLICATIONS

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|-------|----------------------|---|
| 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 2021-22 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 |

Kirsty Flanagan
Section 95 Officer
6 June 2022

Councillor Gary Mulvaney, Policy Lead for Finance and Commercial Services

APPENDICES

Appendix 1 – Overall Revenue Budget Monitoring Statement 2021-22

Appendix 2 – Department 2021-22 Outturn Summaries.

For further information contact Anne Blue, Interim Head of Financial Services
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	Actual 2021/22	Budget 2021/22	Adjustment for Funds Earmarked in General Fund Reserve														Adjusted Budget 2021/22	"Real Variance" (Over)/underspend	Comment		
			Income from council tax on 2nd homes	Unspent Grant monies	Third Party Contributions	CHORD	DMR School Carry Forwards	Previous Council Decision	Existing Legal Commitments	Scottish Government Initiatives	Piers and Harbours Surplus	Fleet - Timing Delay	COVID-19 Specific Funding	Hermitage Park	NEW Unspent Budget Previously agreed	NEW Unspent Budget Proposals					
Expenditure	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£			
Chief Executive's Unit	5,308,081	7,321,234		888,592	36,393			650					843,310			226,090	5,326,199	18,118	Outwith reporting criteria		
Executive Director (Douglas Hendry)	115,159,967	122,796,043		3,592,825	12,720			1,599,933	188,127			1,190,560			166,000	160,025	115,382,507	222,539	The underspend is mainly due to an over-recovery of vacancy savings, reduced catering costs in schools due to reduced demand due to COVID, reduced running costs in ELC settings due to a combination of services not being operational in 21/22 and reduced grants to ELC providers, increased income from cross-boundary placements in Education and an underspend in NPDO/Hub Schools arising from insurance savings and the settlement of historic disputed cost reductions. These are partially offset by an overspend on external residential placements in Education.		
Executive Director (Kirsty Flanagan)	49,122,963	55,342,845		2,394,817		87,290		55,150				953,618	672,586		622,000	4,327	855,916	49,697,141	574,178	The underspend is mainly due to over-recovery of vacancy savings within the department, additional income in Environmental Health from Private Water Supply Appraisals and Fish Export Income, one-off income in Housing and additional Planning Fee income. This is partially offset with various overspends within the department, mainly the under-recovery of Building Warrant Fee income and additional Transportation project costs.	
Total Departmental Expenditure	169,591,011	185,460,121	0	6,876,234	49,113	87,290		1,599,933	243,927	0	2,144,178	672,586	0	1,968,656	4,327	166,000	1,242,031	170,405,846	814,835		
Joint Boards	1,490,458	1,496,371																1,496,371	5,913	Outwith reporting criteria	
Loans Fund	9,382,472	13,624,339																9,382,472	(0)	Outwith reporting criteria	
Redundancy Costs	1,797,571	1,745,323																1,745,323	(52,248)	Strain on the fund costs not covered from either the provision or earmarking	
Other	9,663,887	9,873,990	0	0	0	0	0	0	0	0	0	0	0	47,182	0	483,000	65,000	9,278,808	(385,078)	Overspend in insurance costs of £0.339m	
Total Central Expenditure	22,334,387	26,740,023	0	0	0	0	0	0	0	0	0	0	0	392,292	47,182	0	4,332,575	65,000	21,902,974	(431,413)	
Social Work	62,870,734	62,870,734																62,870,734	(0)	As at 31 March 2022, following repayment of all outstanding debt to the Council, social work underspent by £1.738m. A large proportion of this (£1,056m) related to underspent funding streams from the Scottish Government that would be eligible for automatic carry forward in normal circumstances and the balance of £0.682m was mainly due to underspends within Older People and across Children's services. The total underspend of £1.738m has been transferred to LB reserves for use in future years resulting in the final balanced budget position for 2021/22.	
Total Social Work Expenditure	62,870,734	62,870,734	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	62,870,734	(0)		
Total Expenditure	254,796,133	275,070,878	0	6,876,234	49,113	87,290		1,599,933	243,927	0	2,144,178	672,586	392,292	2,015,838	4,327	4,498,575	1,307,031	255,179,554	383,422		
Funding																					
AEF & NDR Income	216,837,441	216,584,644							252,256										216,836,900	541	Outwith reporting criteria
Council Tax	56,241,673	52,859,000	2,136,353																54,995,353	1,246,320	Over-recovery of Council tax income assisted by circa £0.450m of LIPP payments credited directly to Council Tax accounts.
Budgeted/withdrawn from Earmarked Reserves	18,922,888	18,922,888																	18,922,888	0	Outwith reporting criteria
Budgeted Contribution to General Fund Balance	(13,295,654)	(13,295,654)																	(13,295,654)	0	Outwith reporting criteria
Total Funding	278,706,348	275,070,878	2,136,353	0	0	0	0	252,256	0	0	0	0	0	0	0	0	0	277,459,487	1,246,861		
Under/(Overspend)	23,910,215	0	2,136,353	6,876,234	49,113	87,290		1,599,933	496,183	0	2,144,178	672,586	392,292	2,015,838	4,327	4,498,575	1,307,031	22,279,933	1,630,282		

REPORTING CRITERIA - +/- £50k OR +/- 10%

