

MANAGEMENT COMMENTARY

- The net 2023/24 service overspend includes £1.260 million of unfunded pay award costs due from Scottish Government per November 2023 pay agreement for 2023/24. Scottish Government has said it will provide the remaining sums due to the council in 2024/25. £568,000 of the unfunded costs are included in the 2024/25 Local Government Finance Settlement. However, the method of reimbursing the remaining balance of £692,000 has yet to be confirmed by Scottish Government, although is included in the pay agreement.
- There was an over recovery in council tax income of £1.762 million due to receipt of prior years' income which has already been fully provided for within the bad debt provision and increased gross charges from new houses.

In addition, the approved revenue budget for 2023/24 to 2025/26 includes significant one-off resources covering key priority areas such as Covid-19 recovery, employability support, Anti-Poverty interventions, transitional funds to support delivery of budget savings and funding for short term budget pressures as mitigating measures are implemented and winter resilience. There was a net saving of £16,000 relating to vehicle purchase costs being lower than anticipated in 2023/24.

The 2023/24 service overspend will be funded from the council's Risk and Inflation reserve reducing the balance from £4.784 million to £1.884 million and £16,000 from savings in one-off earmarked resources. The Risk and Inflation reserve will be replenished with the amount of funding that the council receives from Scottish Government in 2024/25 for the unfunded pay award costs from 2023/24. Should the full outstanding amount be received which is estimated to be £1.260 million, the Risk and Inflation reserve will be increased to £3.144 million.

The draft net core revenue overspend of £2.916 million takes account of the temporary cost reductions implemented during 2023/24 to minimise the projected overspend position but also reflects further increasing budget pressures in a number of areas, particularly within Social Policy. There also continues to be material recurring pressures within the revenue budget and relevant Heads of Service are progressing actions to ensure these pressures are mitigated on an ongoing basis. It is essential that previously agreed actions are implemented to ensure future year spend in these areas is managed within available resources.

In addition, other areas of the budget will be closely monitored during 2024/25, including demand led services, cost of living pressures and other levels of indexation. The council's approved revenue budget assumes a 3% pay award for all staff, from August 2024 for teaching staff and from April 2024 for all other staff groups in line the current pay agreements. Negotiations continue between COSLA and Trade Unions to agree the pay award for 2024/25.

Existing commitments against the balance are £35.2 million, mainly arising from £5.7 million of Council resources earmarked as one-off amounts required to balance recurring revenue budgets, Government grants carry forward £6 million, a Modernisation Fund £5.7 million, Risk and Inflation fund £1.9 million, developer contributions from HRA of £823,000, a DSM Transitional Fund £1.2 million, long term placement care home reserve £1.2 million, funds for St Kentigern's Works of £1.1 million, schools delegated carry forward balances of £1.7 million and a Revenue Budget Reserve of £4.3 million. There is £1.7 million for time limited projects where investments in specific programmes or activities for a short period of time can be made typically to support transformational change or focus on a particular area to generate future financial and non-financial benefits. Full details of the commitments against the General Fund Balance are detailed in Note 34 on page 84.

The council has a Modernisation Fund which can be used to assist in funding potential termination costs for staff or other costs associated with modernisation and change within the council. From 2010/11 to date £20.1 million has been paid from the Modernisation Fund. As at 31 March 2024, the balance of the Modernisation Fund is £5.7 million (£5.2 million as at 31 March 2023).

In 2023/24, valuations were undertaken for properties subject to material change and scheduled quinquennial valuations undertaken for the council's cemetery land, grass pitches, non-grass pitches, golf courses, bowling greens, running tracks, tennis courts, pavilions, OAP pavilions, landfill sites and civic amenity sites. As a result, £17.7 million was charged to the Comprehensive Income and Expenditure Account and £38.8 million was credited to the Revaluation Reserve resulting in a net upward revaluation of £21.1 million. The revaluation charge has no impact on the General Fund Balance carried forward.

7.3 Revenue Budget – Housing 2023/24

Statement 9 (page 88) the HRA – Income and Expenditure Statement includes depreciation and impairment on housing assets. The deficit for the year is £25.4 million (£37.2 million 2022/23). Statement 10 (page 89) the Statement of Movement on the HRA Balance adjusts this deficit as a result of amounts which are required by statute to be debited or credited to the HRA Balance for the year, the net credit for these items is £25.4 million (£37.2 million 2022/23). The overall position was breakeven for the year, which maintains the HRA balance carried forward at £0.9 million (£0.9 million 2022/23).