



APPENDIX A

Financial Performance 2023/24

Report to: **Communities Committee**

1. Introduction

- 1.1 Council approved the 2023/24 Revenue and Capital budgets on 9 March 2023 as part of agreeing the wider Medium Term Financial Strategy (MTFS). The MTFS supports the delivery of the Council Plan and associated priorities by setting out the framework within which resources are available over the medium term and the financial challenges facing the Council, in doing so, it incorporates all revenue and capital funding and use of reserves.
- 1.2 The purpose of this report is to provide Communities Committee with an update on the forecast position for the services for which it has responsibility, to highlight recognised pressures which are impacting on these budgets and provide options on how these could be addressed, including identifying possible use of Reserves.

2. Forecast Revenue Position 2023/24

- 2.1 The revenue budget for Communities Committee was developed through consultation with services and members to identify the resources required to deliver on the Councils priorities. As set out in **Table 1**, the original total revenue budget for 2023/24 was **£170.204 m**, rising to **£170.546m** due to draw down from Reserves. The total forecast net expenditure for the year as at 30 June 2023 is **£2.388m over budget**.

Table 1: Forecast Outturn vs Revised Budget 2023/24

Budget Page	Original Budget 2023/24 £000	Revised Budget 2023/24 £00	Actual to 30 June 2023 £000	Forecast 2023/24 £000	Forecast Under/ (over) Budget £000
16.Administration & Management - Live Life Aberdeenshire	383	383	152	668	(285)
17.Arts Development	458	458	75	311	147
18.Macduff Aquarium	184	184	42	184	-
19.Grant Aid	104	104	-	104	-
20.Libraries	4,373	4,373	1,157	4,357	16
21.Museums	685	685	161	658	27
22.Outdoor and Adventurous Activities	249	249	79	309	(60)
23.Programming and Development	90	90	(3)	90	-
24.Halls	659	659	210	669	(10)
25.Sport and Leisure	5,006	5,006	2,056	6,337	(1,331)
26.Integration Joint Board	150,911	150,911	37,728	150,911	-
27.Affordable Housing	275	275	59	244	31
28.Homeless Persons	3,913	3,936	1,265	4,521	(585)
29.Improvement and Repairs Grants	937	937	232	1,449	(512)
30.Gypsies / Travellers	168	168	22	158	10
31.Sheltered Housing Support	351	351	123	187	164
32.Community Safety	403	403	107	403	-
33.Community Planning	55	55	(17)	55	-
34.Tackling Poverty and Inequalities	1,068	1,381	613	1,381	-
5.Procurement Efficiencies - Communities Committee	(68)	(68)	-	(68)	-
Community Resilience	-	6	6	6	-
Total Communities Committee	170,204	170,546	44,067	172,934	(2,388)

2.2 Services which fall under the remit of Communities Committee are forecast to be **£2.388m** over budget at 30 June 2023.

2.3 Live Life Aberdeenshire

Administration and Management £285,000 over budget

Admin and Management budget was transferred from Education & Children’s Services during 2022-23. The budget available for transfer was not sufficient to meet the cost of the team in place after savings were applied. The service will continue to work to mitigate the pressure and realign budgets to team structures.

Arts Development £147,000 under budget

Arts Development is forecast to be £147,000 under budget due to staff vacancies which are offsetting in part the Administration and Management over budget position.

Sport and Leisure £1,331,000 over budget

Sport and Leisure is forecast to be £1,331,000 over budget. This is due to the cost of staffing facilities estimated at £521,000 over budget and the continued loss of income projected to be around £810,000. Facility opening hours have been curtailed with a summer timetable which will reduce the reliance on relief staff and help address the over budget position. A new membership scheme will be launched in September 2023 to attract additional members and the expansion of the learn to swim programme will improve the income forecast.

2.4 Housing

General Fund Housing is forecast to be £0.559m over budget. Details in relation to these budgets are included in a separate report to this Committee.

3. The Risks

- 3.1 As set out in the [Medium Term Financial Strategy](#) the Council is facing unprecedented financial challenges due to events out with our control, including ongoing economic challenges, recovery from the pandemic and the global impact of Russia's war in Ukraine, all of which have contributed to rising inflation and interest rates, volatility in our supply chains and the Cost of Living crisis. Rising costs, increased demand for local services and reducing real term financial settlements from Scottish Government has created a challenging operating environment for 2023/24.
- 3.2 To respond to these challenges, the budget agreed by Council included significant assumptions and acceptance of risk to enable a balanced position, as well as agreement of a range of savings and efficiencies.
- 3.3 The budget risks relating to the services within Communities Committee are set out in [Appendix A1](#).
- 3.4 Local Government Pay Awards continue to be a significant risk to the Council's budget as a whole. Scottish Government have provided funding of £155m towards a revised pay offer, of which Aberdeenshire Council anticipate to receive £7.088m. £4.6m of this funding was assumed in the budget setting process and was transferred to an earmarked reserve. It will be recommended to Council that the additional funding is also transferred to the reserve pending agreement. The latest offer to Trade Unions which was within the Scottish Government funding envelope, of 5.5% was rejected. Any offer agreed above this level without additional funding will create a pressure on all services.

3.5 Health & Social Care Partnership

The Health & Social Care Partnership is forecasting to be £19.098m over budget for 2023/24. This is to be mitigated by Savings totalling £4.7m and the planned use of IJB Reserves of £3.050m as detailed in **Table 2**, leaving a revised out of balance position of **£11.348m**. If this forecast continues to materialise this may require to be funded by the partners. The Council's contribution would be 45% of the out of balance position creating a potential budget pressure for the Council of **£5.107m**.

Table 2: Health & Social Care Partnership Forecast Position

	NHS £000	Council £000	Total £000
Out of Balance Position	7,618	11,480	19,098
<u>Mitigated by:</u>			
Employment Savings	-	(500)	(500)
Vacancy Management Savings	(696)	(504)	(1,200)
Efficiency Savings	(1,739)	(1,261)	(3,000)
Total Savings	(2,435)	(2,265)	(4,700)
Planned Use of Reserves			(3,050)
Revised Out of Balance Position			11,348
Council (45%)			5,107
NHS (55%)			6,241
			11,348

- 3.6 The IJB Collaboration and Leadership Forum meet mid August to focus on the current position and the requirement to achieve savings as per the approved budget. There is an ongoing review of areas of material overspend and mitigations that can be applied to reduce the predicted overspend position.
- 3.7 Budget Development Workshops with IJB in August will be a continuation of work to look at the main areas of pressure and steps that can be taken to reduce them.
- 3.8 Future financial performance reports will provide updates on the monitoring of these risks and any envisaged impacts and mitigations.

4. Savings

- 4.1 Savings of **£0.245m** were agreed by Council in relation to services under Communities Committee. These are detailed in **Appendix A2**.
- 4.2 Of the £0.245m saving identified, £0.146m are on target to be achieved by the end of the financial year.

- 4.3 Included in these savings are £0.040m of Vacancy Management meaning that when posts become vacant, services be required to consider how to deliver services differently to avoid the need to recruit to the vacant post. Services are managing this carefully to ensure that delivery of services is not adversely impacted by reduced staffing numbers. To date, services look to be on track to achieve these.
- 4.4 Corporate savings of £2m were also agreed in relation to Voluntary Severance. Savings in relation to staff leaving the organisation under this scheme will be removed from the relevant budgets throughout the year as they are identified, and updates provided to committee. Should this target not be achieved through Voluntary Severance, services may be required to find alternative savings across the Council.
- 4.5 Monitoring of the achievement of these savings will continue to be undertaken throughout the year and reported to future Committees as part of the financial performance reporting. Should it become apparent during the year that these savings will not be achieved, this will be reported to Committee as part of future financial performance reports, with details of the services options to mitigate any resultant budget pressure.

5. Reserves

- 5.1 Reserves are an important resource for the Council and the level, purpose and planned use of these reserves was set out in the Medium Term Financial Strategy. [Appendix A3](#) details the Earmarked Reserves which specifically relate to the services which fall under Communities Committee. These are summarised in [Table 3](#) below:

Table 3: Reserves at 30 June 2023

Reserve	Balance at 1 April 2023 £000	Balance at 30 June 2023 £000
Aberdeenshire Farming Museum Purchase Fund*	(61)	(61)
Aberdeenshire Heritage Artefact Acquisition Fund*	(11)	(11)
Estate of the late William Paterson Beedie Bequest*	(20)	(20)
Tolbooth Restoration Fund*	(55)	(55)
Affordable Housing Reserve*	(7,868)	(7,868)
Additional Scottish Government Funding*	(156)	(97)
Earmarked reserve - government grants*	(7,124)	(6,970)
Local Authority Continued Economic Recovery Fund (LACER)	(5)	-
Health & Social Care Partnership Risk Reserve	(3,991)	(3,991)
Tackling Poverties and Inequalities Reserve	(3,447)	(3,329)
Community Resilience Fund Reserve	(43)	(37)
Total Reserves	(22,781)	(22,439)

**These reserves have legal or funding restrictions on their use*

5.2 The Tackling Poverty and Inequalities Reserve will focus on several elements.

- Digital Inclusion as there has been an increase in people requiring kits so a challenge fund is being considered.
- Wellbeing which will link in with the Local Outcomes Improvement Plan (LOIP) that Aberdeen Voluntary Action is leading on.
- Children & young people focusing on activities, services and a winter challenge fund as there is an expectation that there will be a reduction in financial help available for low income households to help with the rising cost of living. Partners have seen an increase in the use of foodbanks and welfare rights over the summer especially from working households so a challenge fund will be required with a longer term solution being explored.

5.3 It should be noted that the balances available in reserves are provisional and may be subject to change until the annual accounts for 2022/23 have been reviewed by External Audit. Any changes will be reflected in future financial performance monitoring reports together with updates on the use of these reserves throughout 2023/24.

6. Capital

6.1 The Capital Plan forms part of the Medium-Term Financial Strategy and reflects the Council's capital priorities. The capital projects identified in the 2023/24 budget were agreed as part of the Council's Capital Plan on 9 March 2023 and those that specifically relate to Communities Committee are detailed in [Appendix A4](#) and summarised in [Table 4](#).

Table 4: Capital Plan Forecast vs Revised Budget 2023/24

	Revised Budget 2023/24 £000	Actual to 30 June 2023 £000	Forecast at 30 June 2023 £000	Under/ (over) budget £000
General Capital Expenditure	4,081	338	4,054	27
Infrastructure Fund 1	2,526	190	2,526	-
Infrastructure Fund 2	1,706	1	1,714	(8)
Total Capital Expenditure	8,313	529	8,294	19

6.2 Whilst the general services capital plan for 2023/24 was presented in detail on 9 March 2023, a detailed review of the Capital Plan is being undertaken during 2023/24 to allow a comprehensive, affordable, and deliverable Capital Plan to be developed for the financial years 2024 to 2028.

6.3 The level of borrowing required to support the capital investments presents an ongoing challenge to the Council's financial sustainability. The repayment of borrowing used to fund

capital expenditure incurred today, creates a future revenue budget commitment over the entirety of the anticipated life span of the new asset.