

**WEST DUNBARTONSHIRE COUNCIL**  
**Report by the Strategic Lead - Resources**  
**Council: 30 September 2020**

---

**Subject: General Services Budgetary Control Report to 31 August 2020  
(Period 5)**

**1. Purpose**

**1.1** The purpose of this report is to:

- i) advise on both the General Services revenue budget and the approved capital programme to 31 August 2020; and
- ii) inform Members of an alternative option for use of capital receipts in 2019/20 which would increase the free reserves by £0.305m between the draft and audited Financial Statements as at 31 March 2020.

**2. Recommendations**

**2.1** Council is asked to:

- i) note that the revenue account currently shows a projected annual adverse variance of £2.309m (0.98% of the total budget);
- ii) note that of this projection £2.229m is due to the projected impact of covid and the underlying position would be £0.080m adverse;
- iii) note that the capital account shows that planned expenditure and resource for 2020/21 is lower than budgeted by £20.988m (29.64% of the budget), made up of £21.654m (30.58% of the budget) relating to project slippage, partially offset by £0.666m relating to an in year overspend;
- iv) agree to fund £0.305m of transformational projects from capital receipts during 2019/20 (as noted in 4.16), resulting in an increase of £0.305m free reserves which will be adjusted within the audited Financial Statements as at 31 March 2020; and
- v) note that details for the outcome of the expected savings from the transformational projects to be funded from capital receipts will be reported as part of the year end budgetary control report 2020/21 and that future use of capital receipts will be considered as part of the Long Term Finance Strategy.

**3. Background**

Revenue

- 3.1** At the meeting of West Dunbartonshire Council on 4 March 2020, Members agreed the revenue estimates for 2020/2021. A total net budget of £229.157m was approved for General Services, before use of balances.

- 3.2 Since the budget was agreed, additional funding has been provided by Scottish Government and a total net budget of £234.968m is now being monitored:

|  | <b>£m</b>             |
|--|-----------------------|
| Base Budget 20/21  | 229.157               |
| Scottish Government funding (covid related)                          | 6.319                 |
| Scottish Government funding (re-determinations)                      | 0.050                 |
| Adjustment to Scottish Government funding assumptions (probationers) | (0.558)               |
| <b>Current Revised budget</b>  | <b><u>234.968</u></b> |

### Capital

- 3.3 At the meeting of Council on 4 March 2020, Members also agreed the updated 10 year General Services Capital Plan for 2020/2021 to 2028/29. The next three years from 2020/21 to 2022/23 have been approved in detail with the remaining years being indicative at this stage. After adjusting for anticipated slippage from 2019/20 into 2020/21, the budget agreed for 2020/21 was £67.437m.
- 3.4 Since then, budget adjustments have taken place (through further 2019/20 capital slippage and additional external funding), revising the 2020/21 annual budget to £70.800m, as follows:

|   | <b>£m</b>            |
|---|----------------------|
| Base Budget 2020/21                                   | 46.241               |
| Anticipated Slippage from 2019/20 – March 2020        | 21.195               |
| Anticipated budget 2020/21 (Council – March 2020)     | <u>67.437</u>        |
| Additional slippage from 2019/20 – following year end | 0.809                |
| Revised Base Budget 2019/20 – following year end      | 68.246               |
| <u>Increase council budget:</u>                       |                      |
| District Heating Network (Council: June 2020)         | 1.058                |
| <u>New Funding:</u>                                   |                      |
| Strathclyde Passenger Transport                       | 0.750                |
| Cycling, Walking, Safer Streets (S. Govt)             | 0.328                |
| Digital Inclusion for pupils – (S. Govt)              | 0.418                |
| <b>Revised Budget 2020/21</b>                         | <b><u>70.800</u></b> |

### Update on Council's financial position as at 31 March 2020 – use of capital receipts

- 3.5 The draft accounts detail revenue reserves held of £9.090m. Once earmarked reserves of £6.643m has been accounted for, this leave £2.447m of free reserves. The prudential target is £4.305m.

- 3.6** The Scottish Government released a circular in March 2019 (FC 4/2019) that allow capital receipts to be used to fund transformational projects – for a limited period (until 31 March 2022). The definition provided within the guidance is that a transformation project is a project '*designed to transform service delivery, including through service redesign, in a way that reduces costs and/or demand for services in future financial years*'.

#### **4. Main Issues**

##### Revenue

- 4.1** The summary report at Appendix 1 currently identifies a projected annual adverse variance (overspend) of £2.309m (0.98% of the total budget) and service reports by Strategic Leads are attached as Appendix 2.
- 4.2** The projected adverse variance is made up of a general overspend against services of £0.080m and £2.229m due to the currently projected impact of covid. The covid impact projection is based upon a range of assumptions as to how services will restart over the remainder of this financial year.
- 4.3** Information on the projected annual variances in excess of £0.050m are highlighted and noted within Appendix 3, with additional information on action being taken to minimise or mitigate overspends where possible.
- 4.4** Agreed savings and management adjustments actioned within 2020/21 are monitored with current indications showing that of the total target being monitored (£0.910m) £0.889m is currently on target to be achieved.
- 4.5** Covid has had an impact on people's ability to pay for services, including Council Tax, generally people financially impacted by covid have been provided with more flexible payment terms to pay over longer periods and the current expectation is that such payments will be made in the future. Officers will monitor and report as appropriate as the year progresses.
- 4.6** Officers will continue to manage the budgets as closely as possible throughout the year and it is hoped that by: tight budgetary control; ongoing recovery actions (e.g. as described for the HMT0 above); further Government funding; and/or agreed financial flexibilities to allow Councils to better cope with the financial impact of covid, that the financial impact can be significantly mitigated and reduced over the remainder of the year. However there are clearly potential risks to this, mainly due to the unpredictable nature of the pandemic.

##### Capital

- 4.7** The current progress on the capital plan is shown in Appendices 5 to 8.
- 4.8** The overall programme summary report at Appendix 5 shows that planned expenditure and resource for 2019/20 is lower than budgeted by £20.988m (29.64% of the budget), made up of £21.658m relating to project slippage, partially offset by £0.666m relating to an in year overspend.

- 4.9** Appendix 5 also provides both an analysis of the overall programme at each alert status and a summary budgetary control report. The tables at the top detail both the number of projects and the corresponding spend as a percentage of the overall programme currently at red, amber or green alert status for project life and the current year. As will be seen from the Appendix a significant proportion of the identified slippage is as a result of delays due to covid on-site restrictions. The current projections are based on best judgement as to how these projects will continue in operation during the remainder of the year.
- 4.10** Appendix 6 details financial analysis of projects at red status and Appendix 7 is amber, with additional information on action being taken to minimise or mitigate under or overspends where possible. Appendix 8 provides an analysis of projects at green status. Appendix 9 provides an analysis of resources.
- 4.11** From the analysis within the appendices it can be seen that there are number of projects with material slippage, these are listed as follows:

| <b>Project Name</b>                       | <b>Period 5<br/>Slippage<br/>(£m)</b> | <b>Period 3<br/>Slippage<br/>(£m)</b> |
|---|---------------------------------------|---------------------------------------|
| Gruggies Burn                             | 3.735                                 | 3.735                                 |
| District Heating Expansion                | 3.500                                 | 3.500                                 |
| Vehicle Replacement                       | 2.555                                 | 2.555                                 |
| Schools Estate Improvement Plan           | 2.340                                 | 0.029                                 |
| Posties Park                              | 1.223                                 | 1.223                                 |
| Clydebank Charette                        | 1.223                                 | 1.223                                 |
| Regeneration                              | 0.803                                 | 0.981                                 |
| Schools Estate Improvement Plan - Phase 2 | 0.750                                 | -                                     |
| Early Years                               | 0.543                                 | 0.616                                 |
| Heritage Capital Fund                     | 0.510                                 | 0.545                                 |

Update on Council's financial position as at 31 March 2020 – use of capital receipts

- 4.12** As the Council progresses through the audit of the draft Financial Statements, it has an opportunity to increase the level of free reserves as at 31 March 2020.
- 4.13** Following a Council decision (January 2020), capital receipts to the value of £0.305m were used to reduce the principal element of loan charge payments in 2019/20. Following Scottish Government guidance, as an alternative to this, the Council could choose to use these capital receipts to fund £0.305m of spend on transformational projects (currently funded by the Change Fund, held as a revenue earmarked reserve).

- 4.14** As £0.305m revenue reserve would no longer be used, this results in an increase in the overall General Services revenue reserves as at 31 March 2020. In leaving the Change Fund earmarked balance as it is at 31 March 2020 within the draft Financial Statements, would result in an increase of free reserves of £0.305m.
- 4.15** The £0.305m principal currently funded from capital receipts, would be funded from Loans Fund Review balances held unused.
- 4.16** During 2019/20 the Council funded a number of transformational projects through the Change Fund. Appendix 10 notes the projects which are recommended to be funded through £0.305m capital receipts.
- 4.17** Options for future use of capital receipts will be considered and reported as part of the Long Term Finance Strategy.

## **5. Option Appraisal**

- 5.1** No option appraisal was required for this report.

## **6. People Implications**

- 6.1** There are no people implications.

## **7. Financial and Procurement Implications**

- 7.1** The report notes the projected in-year financial position for both General Services revenue and capital budgets.
- 7.2** If Members agree to the recommendations within the report, the overall reserves position for General Services would increase by £0.305m in the audited Financial Statements as at 31 March 2020, resulting in an additional £0.305m free reserves.

## **8. Risk Analysis**

- 8.1** The main risks are as follows:
- (a) The present variances should be viewed in the knowledge that there are a number of variable factors which could arise between now and 31 March and which could affect the year end results for both the revenue and capital budgets – particularly in light of covid;
  - (b) As a consequence of current market conditions, capital receipts may either not be received or they may be less than anticipated. The budget assumption is that capital receipts achieved in 2020/21 will be used to fund principal repayments within the loan charges budget. As the gain through the Loans Fund Review is available to fund principal, if receipts are not achieved, there is no affect on the financial position recorded in the budget in this area. However, of the capital receipts anticipated, £0.500m is assumed to fund the annual premium charge within loan

charges and this cannot be funded from the Loans Fund Review gain. Any shortfall in capital receipts below £0.500m will affect the revenue budget position. This is being closely monitored and any issues will be reported to Council; and

- (c) The projected cost of covid is based upon a variety of assumptions including: known available funding; no assumptions made as yet on potential financial flexibilities that may be agreed by Government; service demand; and timing of nationally agreed changes through the phasing out of lockdown. These assumptions change regularly and therefore there is a significant risk that the projected year end budgetary position will change from that reported.

## **9. Equalities Impact Assessment (EIA)**

**9.1** No equalities impact assessment was required in relation to this report.

## **10. Environmental Sustainability**

**10.1** No assessment of environmental sustainability was required in relation to this report.

## **11. Consultation**

**11.1** All services involved in delivering the revenue and capital budgets have been consulted in the compilation of this report.

## **12. Strategic Assessment**

**12.1** Proper budgetary control and sound financial practice are cornerstones of good governance and support Council and officers to pursue the strategic priorities of the Council's current Strategic Plan. This report forms part of the financial governance of the Council.

---

Stephen West  
Strategic Lead - Resources

Date: 21 September 2020

---

**Person to Contact:** Gillian McNeilly, Finance Manager  
Council Offices, Church Street, Dumbarton  
Telephone: (01389) 737194  
E-mail: [gillian.mcneilly@west-dunbarton.gov.uk](mailto:gillian.mcneilly@west-dunbarton.gov.uk)

**Appendices:**

|              |  |
|--------------|--|
| Appendix 1 - | Revenue Budgetary Control 2019/20<br>– Corporate Summary;        |
| Appendix 2 - | Revenue Budgetary Control 2019/20<br>– Strategic Lead Summaries; |
| Appendix 3 - | Analysis of Revenue Variances over                               |

- Appendix 4 - £50,000;  
2020/21 Management Adjustments  
Monitoring;
- Appendix 5 - Overall Capital Programme Summary;
- Appendix 6 - Analysis of Projects at Red Status;
- Appendix 7 - Analysis of Projects at Amber Status;
- Appendix 8 - Analysis of Projects at Green Status;
- Appendix 9 - Analysis of Resources; and
- Appendix 10 - Transformational Project detail.

**Background Papers:** Ledger output – period 5;  
General Services Revenue Estimates 2020/21  
General Services 10 Year Capital Plan Update - Council 4  
March 2019;  
General Services Budget Preparation 2020/21 to 2022/23 –  
Budget Update – Council 29 January 2020; and  
Scottish Government Finance Circular 4/2019 – Accounting  
for Capital receipts to fund qualifying expenditure on  
transformational projects

**Wards Affected** All Wards

