

WEST DUNBARTONSHIRE COUNCIL
Report by the Chief Officer – Resources
Council – 26 October 2022

**Subject: General Services Budgetary Control Report to 31 August 2022
(Period 5)**

1. Purpose

- 1.1** This report provides an update on the General Services revenue budget and the approved capital programme to 31 August 2022.
- 1.2** The report also asks Members to approve the use of capital receipts received in 2021/22 for use on covid spend, and to approve the extension for delegated authority to 30 November 2022 for the audited Financial Statements (noting the requirement to suspend Standing Order, due to the previous Council decision).

2. Recommendations

- 2.1** Council is asked to:
- i) note a current projected annual adverse variance on the revenue account of £0.661m (0.26% of total budget);
 - ii) note that projected expenditure on the capital account is lower than the 2022/23 budget by £15.731m (23.98% of budget), made up of £14.072m (21.46% of budget) of project slippage, and an in-year net underspend of £1.659m
 - iii) approve the activation of the Scottish Government approved financial flexibility 'Loans Fund Principal Holiday' during 2021/22
 - iv) approve the activation of the Scottish Government approved financial flexibility 'Use of Capital Receipts to fund COVID expenditure' to the value of £1.454m; and
 - v) to agree to suspend Standing Order 20 and agree to delegate authority to the Audit Committee to formally approve the audited accounts by 30 November 2022, prior to submission to the Accounts Commission.

3. Background

Revenue

- 3.1** At the meeting of West Dunbartonshire Council (the Council) on 9 March 2022, Members agreed the revenue estimates for 2022/2023. A total net budget of £251.693m was approved for General Services, before use of balances.
- 3.2** Since the budget was agreed, additional funding has been provided by the Scottish Government and a further allocation of the Council's existing general COVID funds has resulted in a revised total net budget of £252.394m.

	£m
Budget as set – Council 9 March 2022	251.693
S. Govt – Easter Provision Fund	0.101
Covid Reserves (Council June 2022) – Cost of Living Crisis	0.600
	<u>252.394</u>

Reserves

- 3.3** The General Fund balance at 31 March 2022, based in the Councils unaudited 2021/22 annual accounts, can be analysed as follows:

	Balance (£m)
Balance on General Fund as at 31 March 2021	15.028
Change to General Fund balance at end of 2021/22	(0.008)
Earmarked Balances	(11.524)
Contingency allowance at 2% of net expenditure	(3.123)
Unallocated Balance as at 31 March 2022 (draft)	0.373

- 3.4** Due to the current financial challenges facing the Council recruitment restrictions have been implemented and the filling of vacancies is subject to active review. For variances linked to this action (beyond the budgeted turnover targets), in year savings through not filling vacancies, are now being removed from services and held in a central code. This has resulted in a number of favourable service variance being removed from services and held centrally (currently £0.648m). This has no impact on the overall projected outturn of the Council, just on how that outturn is reported. A few services have still to have a final position agreed with the Chief Officer, so have not been centralised as at period 5, meaning any favourable variances in relation to their vacancies are still being reported within the service figures however this will be updated in future budget control reports.
- 3.5** With vacancy savings being removed from service budgets and transferred to a central budget, other projected overspends identified within services are now more clearly reported. This demonstrates that, if the Council were to only meet the budgeted turnover level of vacancies there would be a far more significant overspend which highlights the extent to which the Council cannot afford to operate with its current full establishment.
- 3.6** The effects of removing the vacancy savings from service budgets to a central budget as at Period 5 are noted below:

Service with Vacancy Transfers at Period 5	Variance in BCR £000	Vacancy Savings Moved to Central Budget £000	Variance if Vacancies not Removed £000
Resources	48	78	(30)
Regulatory and Regeneration	312	355	(43)
People and Technology	(59)	160	(219)
Housing and Employability	11	55	(44)
Central Budget	(648)	648	0

Capital

- 3.6** At its 9 March 2022 meeting the Council also agreed the updated General Services Capital Plan for 2022/2023 to 2030/31. The three years from 2022/23 to 2024/25 were approved in detail with the remaining years being indicative at that stage. After adjusting for anticipated slippage from 2021/22 into 2022/23, the budget agreed for 2022/23 was £54.181m, as noted below.
- 3.7** Since then, budget adjustments have taken place (through further 2021/22 capital slippage and additional external funding), revising the 2022/23 annual budget to £65.587m, as follows:

	£m
Base Budget 2022/23 (before slippage)	33.471
Slippage from 2021/22 – March 2022	18.035
<u>Increase capital budget from 9 March 2022 Council meeting:</u>	
Changing Places Toilets	0.050
Roads and Pavements	2.000
Flood Prevention	0.500
Street Sign Renewal	0.100
Children & Families Team	TBC
Christmas Lighting	TBC
Large Bins for High Traffic Areas	0.025
Pothole Rapid Repair Service	TBC
Anticipated budget 2021/22 (Council – March 2022)	54.181
Additional slippage from 2021/22 – following year end	7.593
<u>New Funding introduced to Period 5</u>	
CFCR (HSCP)	0.010
District Heating Consultancy	0.120
SG – Clyde Walking, Safer Streets	0.566
SG – Nature Restoration Fund	0.126
Place Based Investments	0.676
SPT – Kilbowie Road Bus Route	0.495
SPT – Congestion Reduction Measures	0.330
SPT – Balloch Station Park and Ride	0.050
SPT – Bus Infrastructure Improvements	0.200
Cost of Living Crisis (Council June 2022)	1.000
Acceleration of Schools Estate Improvement Plan	0.240

Scottish Government Financial FlexibilitiesLoans fund principal repayment holiday and used of Capital receipts for covid purposes - 2021/22

- 3.8** In 2021/22, consistent with previous years, capital receipts were budgeted to fund the annual repayment of loans fund advances (£1.673m), annual premium charges (£0.403m) and transformational projects (up to £0.526m) – in line with Scottish Government finance circulars.
- 3.9** Two further finance circulars have also been released in relation to Scottish Government approved financial flexibilities:
- (a)** Local Government Finance Circular No 2/2021 allows a short term flexibility for capital receipts to be used to fund the impact of COVID in 2020/21 or 2021/22 (but not both).
- (b)** Local Government Finance Circular No 5/2022 allows a short term financial flexibility for a loans fund advance ‘holiday’ in either 2021/22 or 2022/23 (but not both) whereby the advances due repaid in year are not repaid as planned, but are repaid over a set period of time into the future (up to 20 years, following the guidance laid out in the circular).

Financial Statements 2021/22 – delegated authority

- 3.10** Council on 31 August 2022 agreed, if required to meet the timetable for submission, to delegate authority to the Audit Committee to formally approve the audited Financial Statements by 31 October 2022, prior to submission to the Accounts Commission.
- 3.11** The Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2022 (the 2022 Regulations) 5 amend the Local Authority Accounts (Scotland) Regulations 2014 for 2021-22 to:

Regulation 10(1)(b) of the 2014 Regulations, as amended (date for approval of audited annual accounts) requires local authorities to aim to approve the annual accounts for signature no later than 30 November 2022 in respect of the accounts for the financial year 2021-22, and 30 September in each subsequent year, in respect of the accounts for the immediately preceding financial year. Audit Scotland has set a completion date of 31 October 2022 for 2021-22 audits. This is earlier than the extended statutory deadline to commence transitioning back to regular timescales.

4. Main IssuesRevenue

4.1 The summary report at Appendix 1 highlights a projected annual adverse variance (overspend) of £0.661m (0.26% of the total budget). Appendix 2 provides more detailed service reports by Chief Officer.

4.2 This adverse variance is made up of:

	£m
COVID related variance	0.365
Less available COVID funding	(0.365)
Remaining COVID related variance	0.000
Non-COVID variance	0.661
Total variance	0.661

4.3 Information on 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 Although the pay award for 2022/23 has yet to be agreed, if the current offer were to be agreed the current overspend would increase by approximately £0.900m, subject to a decision on the allocation of the additional funding to be made available by the Scottish Government as a contribution towards the pay offer. There is also the risk that the final pay award agreed may vary from the current offer and that the 2022/23 teacher's pay award is materially different from the pay offer for the rest of local government.

4.5 Agreed management adjustments (Appendix 4) actioned within 2022/23 are monitored with current indications showing that of the amount being monitored of £0.276m, £0.251m is on target to be fully achieved.

General COVID Reserve

4.6 As at 31 March 2022 the Council carried forward £3.302m for future general COVID spend. Some of these available funds have been committed, with £0.279m remaining for future budget pressures.

	Earmarked £m	Free £m	Total £m
Covid balances as at 31 March 2022	2.058	1.244	3.302
Cost of Living Crisis (Council June 2022)	0.600	(0.600)	0
Funding of general covid spend (P5 BCR)	0.365	(0.365)	0
Balance as at 31 August 2022	3.023	0.279	3.302

4.7 This position takes account of the potential transfer back to Council budget of £0.203m in relation to residential care costs. This is subject to a separate report being presented to this Council meeting.

4.8 On 22 September 2022 UK Government announced that from 6 November 2022 the National Insurance levy (1.25%) which commenced from 1 April 2022 to subsidise Health and Social Care costs will be reversed. The budget agreed by Members at Council on 9 March 2022 allocated this cost to COVID monies, therefore part of the earmarked balance noted at 4.6 above. The part

year saving from the reversal of this cost will not result in an adjustment to the projected year end budgetary position, but will reduce the COVID reserves earmarked, freeing this back into the general COVID reserve. This will be reflected in future budgetary control reports.

Reserves

- 4.9** The Council's General Fund contingency is set at 2% of net expenditure for 2022/23 and amounts to £3.123m. At the beginning of the financial year there was £0.373m of unallocated General Fund Balance (over and above contingency). After taking into consideration the forecast outturn position at 31 August 2022, the Council is currently forecast to have £0.288m below the current Prudential Target. As noted in paragraph 4.4 this does not include the effects of the likely pay award which would bring the Council further below the target by £0.900m. Per the financial regulations, the Council will require to put in place a recovery action plan to bring reserves back to a level in line with or above the Prudential target. The Chief Officer – Resources will prepare an action plan and present this to full Council on 21 December 2022 as part of a Financial Update paper.

	Detail	Balance at £m
Unallocated Balance as at 31 March 2022	Unallocated balance over and above the 2% contingency, which amounts to £3.123m	0.373
Current Forecast Outturn for 2022/23 as at 31 August 2022		(0.661)
Balance above/(below) Prudential Target as at 31 March 2023		(0.288)

Capital

- 4.10** The current progress on the capital plan is shown in Appendices 4 to 9.
- 4.11** The overall programme summary report at Appendix 4 shows that planned 2022/23 expenditure is lower than the 2022/23 budget by £15.731m (23.98% of budget), made up of £14.072m (21.46% of budget) of project slippage, and an in-year net underspend of £1.659m.
- 4.12** Appendix 5 also provides an analysis of the overall programme at each alert status and a summary budgetary control report including detailing the number of projects and corresponding spend as a percentage of the overall programme currently at red, amber or green alert status for project life and the current year. The current projections are based on best judgement as to how these projects will continue in operation during the remainder of the year.
- 4.13** Appendices 6 and 7 detail the financial analysis of projects at red and green status respectively (currently no amber) and provide additional information on action being taken to minimise or mitigate under or overspends where possible. Appendix 8 provides an analysis of resources.

- 4.14** From the analysis within the appendices it can be seen there are a number of projects with identified slippage to date. Those with slippage valued at greater than £0.500m, are listed as follows:

Project Name	Period 4 Slippage (£m)	Period 5 Slippage (£m)
Levelling Up Fund	(4.614)	(5.203)
Vehicle Replacement	(2.217)	(2.217)
West Bridgend CC	(1.063)	(1.063)
Vehicle Replacement Strategy	(1.000)	(1.000)
Viresco Studios and Arts Centre	(0.750)	(0.750)
Clydebank on the Canal	(0.000)	(0.657)
Bus cycling & walking infrastructure	(0.552)	(0.552)

- 4.15** For comparison purposes, a summary of the monthly slippage position is noted below:

	Period 4	Period 5	Movement
	£m	£m	£m
Overall capital plan	65.587	65.587	0.000
Overall variance	(14.140)	(15.731)	(1.591)
Slippage	(12.260)	(14.072)	(1.812)
Net over/ under	(1.880)	(1.659)	0.221
% slippage	18.69%	21.46%	2.77%

Loans fund principal repayment holiday and used of Capital receipts for COVID purposes - 2021/22

- 4.16** In completing the draft year end accounts to 31 March 2022, the timing of some capital receipts resulted in a shortfall of receipts required to fund the costs noted in paragraph 3.8. Therefore the two financial flexibilities detailed at paragraph 3.8 were activated, resulting in the loans fund holiday being taken and the released capital receipts then used to fund COVID spend. This information was provided to Council within the Financial Update report presented to Council on 22 June 2022 and within the draft Financial Statements report to Council on 31 August 2022. However, both reports were for noting rather than approval. Council is asked to approve the activation of these two financial flexibilities in advance of the Council's audited financial statements being presented to the Audit Committee on 9 November 2022.
- 4.17** In addition, the full value of the budgeted 2021/22 transformational costs was not spent (only £0.383m spent of the original £0.526m, resulting in an under recovery of £0.143m) and therefore the capital receipts allocated to this were not fully required. The excess of capital receipts to fund this was transferred to be used for COVID expenditure – this being set against the identified COVID expenditure as highlighted within the year end budgetary control report,

reported to Council on 31 August 2022, as part of the Financial Statements report.

- 4.18** Using capital receipts to fund COVID expenditure during 2021/22 allowed for more COVID earmarked funds to be carried forward into 2022/23 for future use. Within the Council's draft financial statements the use of capital receipts for COVID expenditure in 2021/22 allowed a further £1.311m to be carried forward as an earmarked COVID reserve within revenue. However, due to the reduced spend on transformation projects this will increase to £1.454m within the audited accounts

Financial Statements 2021/22 – delegated authority

- 4.19** Due to the timing of the completion of the audit of the draft Financial Statements and the reporting deadlines for Council in October 2022, the audited Financial Statements are being reported to Audit Committee, under the previous delegated authority agreed by Council. However, Council approval specified 'to 31 October 2022', whereas the Audit Committee is 9 November 2022. To ensure appropriate approval is given, the recommendation within this report is to extend this period until 30 November 2022, with this deadline still being allowable within legislation.
- 4.20** To allow Members to approve this recommendation there is a requirement to suspend Standing Order 20, due to the previous delegated authority being agreed at Council on 31 August 2022.

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** The Loans Fund Principal holiday increases future budgets for the additional repayment required over 20 years (offset by funding from future capital receipts, nil net effect) and interest which would be due paid on this additional outstanding amount has been reported as part of the adverse variance within the budgetary control reports for 2022/23 and is also included within budget forecasts for future years. Interest on the additional outstanding amount at the expected average interest rate is approximated within the table below. It should be noted that interest rates are currently increasing and as such this is a guide:

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Interest at 3%	0.050	0.044	0.037	0.031	0.026
Interest at 4%	0.067	0.058	0.049	0.042	0.035

7.3 Within the draft Financial Statements the use of capital receipts for covid expenditure in 2021/22 has allowed a further £1.454m to be carried forward as an earmarked covid reserve within revenue.

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 which could affect the year end results for both the revenue and capital budgets;
- (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 a significant sum of capital receipts achieved in 2022/23 will be used to fund transformational projects and the principal and premium repayments within the loan charges budget. Any shortfall in capital receipts below that budgeted will affect the revenue budget position. This is being closely monitored and any issues will be reported to Council;
- (c) As a consequence of current market conditions, inflation is at an all-time high and interest rate continue to rise. To forecast for the full year costs budget assumptions have been required (particularly around energy and interest costs). These assumptions continue to change regularly and therefore it is likely that the projected year end budgetary position will change from that reported;
- (d) COVID related variances are based upon estimates regarding the likely annual values and are subject to further review. The cost of COVID currently projected is based upon a variety of assumptions including: known available funding; financial flexibilities; ongoing service restrictions and service demand. These assumptions continue to change regularly and therefore it is highly likely that the projected year end budgetary position will change from that reported;
- (e) As noted in 4.4 above, the current pay award for staff from 1 April 2022 has yet to be agreed. Any cost beyond the increase assumed in the budget will be required to be funded. Scottish local authorities are working with CoSLA and the Scottish Government to ensure adequate funding is available. For the purposes of this report, it is assumed that the payward budgeted is adequate and anything beyond that budgeted will be fully funded.

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.

Laurence Slavin
Chief Officer – Resources

Date: 30 September 2022

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Appendices:

- Appendix 1 - Revenue Budgetary Control 2021/22 – Corporate Summary;
- Appendix 2 - Revenue Budgetary Control 2021/22 – Chief Officer Summaries;
- Appendix 3 - Analysis of Revenue Variances over £50,000;
- Appendix 4 - Monitoring of efficiencies
- Appendix 5 - Overall Capital Programme Summary;
- Appendix 6 - Analysis of Projects at Red Status;
- Appendix 7 - Analysis of Projects at Green Status;
- Appendix 8 - Analysis of Capital Resources.

Background Papers: Ledger output – period 5;
General Services Revenue Estimates 2022/23
General Services Capital Plan Update - Council 9 March 2022.
Local Government Finance Circular No 5/2022 - Statutory Guidance for Proper Accounting Practice: Statutory Repayment of Debt – Short Term Financial Flexibility

Local Government Finance Circular No 2/2021 - Capital Receipts to fund the impact of covid-19
Local Government Finance Circular No 4/2019 - Accounting for Capital Receipts to fund qualifying expenditure on a transformation project
Local Government Finance Circular No 7/2018 - Accounting for Financial Instruments
Local Government Finance Circular 7/2016 - The Local Authority (Capital Financing and Accounting) (Scotland) Regulations 2016 – loans fund accounting
Report to Council 22 June 2022: Financial Update
Report to Council 31 August 2022: draft Financial Statements
The Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2022
West Dunbartonshire Standing Orders (20)

Wards Affected

All Wards

