

WEST DUNBARTONSHIRE COUNCIL
Report by the Chief Officer – Resources
Council – 29 March 2023

**Subject: General Services Budgetary Control Report to 31 January 2023
(Period 10)**

1. Purpose

- 1.1** This report provides an update on the General Services revenue budget and the approved capital programme to 31 January 2023.

2. Recommendations

- 2.1** Council is asked to:

- i) note a current projected annual adverse variance on the revenue account of £1.999m (0.78% of total budget); and
- ii) note that projected expenditure on the capital account is lower than the 2022/23 budget by £35.309m (53.04% of budget), made up of £30.488m (45.79% of budget) of project re-profiling, and an in-year net underspend of £4.820m (7.24% of budget).

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 £257.137m.

	£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
S.Govt – revenue/ alternative funding for pay award	4.743
	257.137

- 3.3** The % pay award for non teaching Local Government employees has been agreed and paid out. Funding from Scottish Government has been confirmed to fund part of the increase from budgeted to agreed payaward. The funding due to be received has been included in section 3.2 above, with the additional budget this allows, being transferred to Council services and included within the Budgetary Control Reports.

- 3.4** An agreement has recently been reached in relation to the Chief Officer pay award, with a further agreement reached to remove the £60,000 cap for all non-teaching Local Government employees. Officers are currently working on the cost implications of this in relation to 2022/23, therefore the figures in this report do not reflect the updated position yet.
- 3.5** The teachers' pay award has recently been agreed but not yet paid out. Officers are currently reviewing the cost implication to the council and the extent to which this will be funded by the Scottish Government. Therefore, the figures in this report do not reflect the updated position yet.

Reserves

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

	Balance (£m)
Balance on General Fund as at 31 March 2021	15.020
Earmarked Balances	(11.517)
Contingency allowance at 2% of net expenditure	(3.123)
Unallocated Balance as at 31 March 2022	0.380

- 3.5** 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 variances being removed from services and held centrally (currently £1.257m). This has no impact on the overall projected outturn of the Council, simply on how that outturn is reported.
- 3.6** 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.
- 3.7** The effects of removing the vacancy savings from service budgets to a central budget as at Period 10 are noted below:

Service with Vacancy Transfers at Period 10	Variance in BCR (under)/over £000	Vacancy Savings Moved to Central Budget (under)/over £000	Variance if vacancies were not removed (under)/over £000
Resources	109	(42)	67
Regulatory and Regeneration	231	(450)	(219)
People and Technology	(158)	(187)	(345)

Housing and Employability	84	(55)	5
Supply Distribution & Property	143	(185)	(42)
Citizens, culture & Facilities	(33)	(338)	(371)
Central Budget		(1,257)	

Capital

3.8 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 re-profiling from 2021/22 into 2022/23, the budget agreed for 2022/23 was £54.181m, as noted below.

3.9 Since then, budget adjustments have taken place (through further 2021/22 capital re-profiling and additional external funding), revising the 2022/23 annual budget to £66.576m, as follows:

	£m
Base Budget 2022/23 (before re-profiling)	33.471
Re-profiling 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 2022/23 (Council – March 2022)	54.181
Additional re-profiling from 2021/22 – following year end	7.593
<u>New Funding introduced to Period 10</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
SG – Play park upgrade	0.079
SG – Free School Meal Expansion	0.495
National Acquisitions	0.011
SMPT Carless	0.200
Acceleration of budget – Clydebank Elderly Care	0.019

Session Initial Protocol (SIP) project Swan Trunking	0.030
Demolition 215 Main St, Alexandria	0.155
Revised budget – Period 10	66.576

4. Main Issues

Revenue

- 4.1** At the meeting of Council 21 December 2022, Members were advised of the projected adverse year end variance (overspend) as at 31 October 2022 (Period 7) of £1.447m. A further updated adverse position as at 31 December 2022 (Period 9) of £2.143m was provided to Council on 1 March 2023, as part of the 2023/24 budget report. Since then, the 2022/23 year end variance has been updated as at 31 January 2023 (Period 10) as shown in Appendix 1 and highlights a revised projected annual adverse variance of £1.999m (0.78% of the total budget). The following table explains the relevant movements across services from the figure reported at period 7 (£1.447m) to the current projection as at period 10 (£1.999m):

		£m	£m
Adverse variance as at 31 October 2022 (Period 7) – Council 21 December 2022			1.447
Movements between Period 7 and Period 9:			
Education	Increase in Residential Care Costs (ref paragraph 4.2).	1.419	
	Reduction in education expenditure primarily due to a reduction in employee costs in relation to industrial action (ref paragraph 4.3).	(0.482)	
People & Technology (Mainly Information Services)	Reduction in expenditure relating mainly to reduced employee costs and supplies & service costs. Also, includes additional income from external recharges.	(0.122)	
Supply, Distribution & Property	Improved overall net expenditure position relating mainly to the income forecast within Corporate Asset Maintenance now anticipated to be back inline with budget.	(0.113)	
All Other Services	Movement across all services.	(0.006)	
Total Movements between Period 7 and Period 9			0.696
Adverse variance as at 31 December 2022 (Period 9) - Council 1 March 2023			2.143
Movements between Period 9 and Period 10:			
Education	Reduction in education expenditure primarily due to a reduction in employee costs in relation to industrial action (ref paragraph 4.3).	(0.259)	

Roads & Neighbourhood Services	Increase in the cost per tonne for waste removal.	0.793	
	Additional income anticipated within Road Services – Recharges to capital.	(0.251)	
Citizens, Culture & Facilities (CCF)	Additional cost of pay award to WDLT.	0.318	
	Reduction across services, mainly catering.	(0.126)	
Requisitions	Reduction in requisition payments (22/23 charges paid out of 21/22 and budget set too high).	(0.213)	
Unearmarked Covid Funds	Reclassification of education expenditure to be allocated against Covid Funds.	(0.242)	
All other Services	Movement across all other services.	(0.164)	
Total Movements between Period 9 and Period 10			(0.144)
Revised adverse variance reported to 31 January 2023 (Period 10)			1.999

Appendix 2 provides more detailed service reports by Chief Officer.

- 4.2** At its meeting held on 26 October 2022, Council agreed that the allocation of Residential Care Costs should change from that of a 77.3% HSCP/22.7% Education split to a 72%/28% split in 2022/23 and on a recurring basis. The P10 Budgetary Control Report appendices have been updated to reflect this decision and increases the adverse variance by £1.419m.
- 4.3** However, this is partly offset by the reduction in staff costs due to industrial action in relation to teacher’s pay, which has already taken place. However, these P10 figures do not include any further reduction in costs arising from the two additional strike days (28th February and 1st March). This, when factored into future budgetary control reports, will reduce the projected overspend by approximately £0.400m to £1.599m.
- 4.4** It is worth highlighting that a letter from the Cabinet Secretary for Education and Skills to the COSLA Spokesperson Children and Young People dated 13 December 2022 stated:

“In view of the current financial position for 2022-23, I would also welcome a discussion about how we might fund any additional costs in this financial year related to teachers’ pay, that may arise from current SNCT negotiations, including taking into account any pay bill savings that local government might realise as a result of industrial action by teachers over pay”.

If, it transpires, that the Council needs to use all or some of the staff cost reduction to fund any in year impact of teachers’ pay, then this will increase the adverse variance. However, there has been no further correspondence from the Scottish Government on this issue since the letter dated 13 December.

4.5 The current adverse variance as shown on appendix 1 is made up of:

	£m
COVID related variance	0.981
Less available COVID funding	<u>(0.981)</u>
Remaining COVID related variance	0.000
Non-COVID variance	<u>1.999</u>
Total variance	<u>1.999</u>

4.6 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.

4.7 The pay award for 2022/23 has now been agreed, the current offer and funding and anticipated spend is reported within the appendices – it is anticipated that payaward increased the overspend by approximately £0.900m. The teachers' pay award has recently been agreed but not yet paid out. Officers are currently reviewing the cost implication to the council and the extent to which this will be funded by the Scottish Government.

4.8 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.

4.9 A breakdown of the 2022/23 earmarked balances are shown within Appendix 5. This shows that, of the £11.517m brought forward into 2022/23, £7.060m has already been spent with a further £3.466m projected to be spent by 31 March 2023. This means that £0.991m is anticipated to be carried forward in 2023/24.

General COVID Reserve

4.10 As at 31 March 2022 the Council carried forward £3.445m for future general COVID spend. Some of these available funds have been committed, with £0.100m remaining for future budget pressures.

4.11 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. The part year saving from the reversal of this cost has been deducted from the committed COVID reserve, freeing this back into the general COVID reserve as noted in the table below:

	Committed £m	Free £m	Total £m
Covid balances as at 31 March 2022	2.164	1.281	3.445
Cost of Living Crisis (Council June 2022)	0.600	(0.600)	0
Funding of general Covid spend (P10 BCR)	0.981	(0.981)	0
NI uplift part year saving (Nov – March)	<u>(0.400)</u>	0.400	0
Balance as at 31 January 2023	<u>3.345</u>	<u>0.100</u>	<u>3.445</u>

- 4.12** If the remaining £0.100m of free covid funds are not required by the year end for any additional purposes, they will be applied against Education expenditure due to increases in costs of residential care in the same manner as the £0.242m noted in the table at paragraph 4.1. This would reduce the projected year end adverse variance by £0.100m.

Reserves

- 4.13** At the beginning of the financial year there was £0.380m of unallocated General Fund Balance (over and above contingency). After taking into consideration the forecast outturn position at 31 January 2023, the Council is currently forecast to have £1.619m below the current Prudential Target, including the effects of the assumed pay award for teachers which is still to be agreed. However, per the financial regulations, the Council is required to put in place a recovery action plan to bring reserves back to a level in line with or above the Prudential target. Details of the plan were presented to Council on 21 December 2022 as part of a Financial Update paper, where Council agreed to use the Service Concessionary Financial Flexibility to fund the Council's 2022/23 projected overspend, which at that time was £1.5m but has increased by £0.499m to £1.999m as stated in paragraph 4.1. Furthermore, at the same meeting, Council agreed to increase the prudential target to 3% of net expenditure from 2023/24 onwards. The projected levels of reserves held by the end of 2022/23 are set out in the table below:

	£m
Unearmarked Balance as at 31 March 22	3.503
Prudential Target as at 2% of net expenditure (2022/23)	(3.123)
Unallocated balance (over and above Prudential Target)	0.380
Current Forecast Outturn for 2022/23 as at 31 January 2023	(1.999)
Balance above/(below) Prudential Target prior to recovery plan	(1.619)
Remedial action taken:	
Allocation of Service Concessionary Financial Flexibility to fund overspend agreed 21 December 2022	1.999
Projected Unearmarked reserves as at 31/03/23	0.380

Capital

- 4.14** The current progress on the capital plan is shown in Appendices 6 to 9.
- 4.15** The overall programme summary report at Appendix 6 shows that planned 2022/23 expenditure is lower than the 2022/23 budget by £35.309m (53.04%)

of budget), made up of £30.488m (45.79% of budget) of project re-profiling, and an in-year net underspend of £4.820m (7.24% of budget).

- 4.16** Appendix 6 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.
- 4.17** Appendices 7 and 8 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 9 provides an analysis of resources.
- 4.18** From the analysis within the appendices it can be seen there are a number of projects with identified re-profiling to date. Those with re-profiling valued at greater than £0.500m, are listed as follows:

Project Name	Period 9 Re-profiling (£m)	Period 10 Re-profiling (£m)	Movement (£m)
Levelling Up Fund	(6.835)	(6.785)	0.050
District Heating Expansion	(3.350)	(3.720)	(0.370)
Vehicle Replacement	(2.217)	(2.217)	0
Regeneration Fund	(2.333)	(2.333)	0
Schools Estate Improvement Plan	(1.940)	(1.997)	(0.057)
Strathleven House	(1.590)	(1.590)	0
West Bridgend CC	(1.063)	(1.063)	0
Vehicle Replacement Strategy	(1.000)	(1.000)	0
Depot Rationalisation	(0.965)	(0.965)	0
Regen/Local Econ. Development	(0.876)	(0.876)	0
Cost of Living Crisis	(0.750)	(0.750)	0
Clydebank on the Canal	(0.657)	(0.657)	0
ICT Modernisation	(0.521)	(0.536)	(0.015)
Flood Risk Management	0	(1.257)	(1.257)
River Leven Flood Prevention Scheme	0	(0.620)	(0.620)
Gruggies Burn Flood Prevention	0	(1.524)	(1.524)

- 4.19** For comparison purposes, a summary of the monthly re-profiling position is noted below:

	Period 9	Period 10	Movement
	£m	£m	£m
Overall capital plan	66.391	66.576	0.185
Overall variance	(28.292)	(35.309)	(7.017)
Re-Profiling	(27.148)	(30.488)	(3.340)
Net over/ under	(1.144)	(4.820)	(3.676)
% Re-Profiling	40.89%	45.79%	4.90%

4.20 The overall movement in re-profiling of £3.340m, shown in the table above, is almost entirely caused by the need to reprofile £3.401m of various flood prevention schemes as listed within the table at 4.18 above.

4.21 The overall increase in the net underspend of £3.676m relates mainly to the decisions agreed by Council (21 December 2022) to reduce or remove projects from the capital plan.

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.

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 rates 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) The current pay award for teachers from 1 April 2022 has yet to be agreed. Any cost beyond the increase assumed in the budget will be required to be 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.

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Date: 13 March 2023

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Appendices:	Appendix 1 - Revenue Budgetary Control 2022/23 – Corporate Summary;
	Appendix 2 - Revenue Budgetary Control 2022/23 – Chief Officer Summaries;
	Appendix 3 - Analysis of Revenue Variances over £50,000;
	Appendix 4 - Monitoring of Efficiencies
	Appendix 5 - Monitoring of Earmarked Balances
	Appendix 6 - Overall Capital Programme Summary;
	Appendix 7 - Analysis of Projects at Red Status;
	Appendix 8 - Analysis of Projects at Green Status;
	Appendix 9 - Analysis of Capital Resources.

Background Papers:

- Ledger output – Period 10;
- General Services Revenue Estimates 2022/23
- Review of West Dunbartonshire Council's Capital Programme – Council 21 December 2022
- General Services Budget Setting 2023/24 and 2024/25 – 2027/28 Budget Estimates and Council Tax Setting – Council 1 March 2023
- General Services Capital Plan Update - Council 9 March 2022.

Wards Affected All Wards