

WEST DUNBARTONSHIRE COUNCIL
Report by the Chief Officer – Resources
Council – 21 December 2022

**Subject: General Services Budgetary Control Report to 31 October 2022
(Period 7)**

1. Purpose

1.1 This report provides an update on the General Services revenue budget and the approved capital programme to 31 October 2022.

2. Recommendations

2.1 Council is asked to:

- i) note a current projected annual adverse variance on the revenue account of £1.447m (0.56% of total budget); and
- ii) note that projected expenditure on the capital account is lower than the 2022/23 budget by £23.294m (34.18% of budget), made up of £22.073m (32.39% of budget) of project re-profiling, and an in-year net underspend of £1.221m (1.79% 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 For non teaching Local Government employees the % pay award has been agreed but not yet paid. Funding from Scottish Government has been confirmed to fund part of the increase from budgeted to agreed payaward. Teachers pay award has not yet been agreed. 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 for period 7 Budgetary Control Report.

Reserves

- 3.4 The General Fund balance at 31 March 2022, based in the Councils audited 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	(11.181)
Contingency allowance at 2% of net expenditure	(3.123)
Unallocated Balance as at 31 March 2022	0.716

- 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 £1.130m). 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 7 are noted below:

Service with Vacancy Transfers at Period 7	Variance in BCR £000	Vacancy Savings Moved to Central Budget £000	Variance if vacancies were not removed £000
Resources	69	78	(9)
Regulatory and Regeneration	296	477	(181)
People and Technology	(57)	211	(268)
Housing and Employability	84	55	29
Supply Distribution & Property	227	96	131
Citizens, culture & Facilities	(208)	213	(421)
Central Budget		1,130	

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 £68.157m, 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 2021/22 (Council – March 2022)	54.181
Additional re-profiling from 2021/22 – following year end	7.593
<u>New Funding introduced to Period 6</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	1.985
Revised budget – Period 7	68.157

4. Main Issues

Revenue

4.1 The summary report at Appendix 1 highlights a projected annual adverse variance (overspend) of £1.447m (0.56% 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	0.745
Less available COVID funding	(0.745)
Remaining COVID related variance	0.000
Non-COVID variance	1.447
Total variance	1.447

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 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. There is also the risk 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.

4.6 A breakdown of the 2022/23 earmarked balances are shown within Appendix 5. This shows that, of the £11.181m brought forward into 2022/23, £4.574m has already been spent with a further £5.718m projected to be spent by 31 March 2023. This means that £0.889m is anticipated to be carried forward in 2023/24.

General COVID Reserve

4.7 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 £0.336m remaining for future budget pressures.

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

	Earmarked £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 (P7 BCR)	0.745	(0.745)	0
NI uplift part year saving (Nov – March)	(0.400)	0.400	0
Balance as at 31 October 2022	3.109	0.336	3.445

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 £0.716m of unallocated General Fund Balance (over and above contingency). After taking into consideration the forecast outturn position at 31 October 2022, the Council is currently forecast to have £0.731m below the current Prudential Target, including the effects of the likely pay award. 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	0.716
Current Forecast Outturn for 2022/23 as at 30 October 2022		(1.447)
Balance above/(below) Prudential Target as at 31 March 2023		(0.731)

Capital

- 4.10** The current progress on the capital plan is shown in Appendices 6 to 9.
- 4.11** The overall programme summary report at Appendix 6 shows that planned 2022/23 expenditure is lower than the 2022/23 budget by £23.294m (34.18% of budget), made up of £22.073m (32.39% of budget) of project re-profiling, and an in-year net underspend of £1.221m (1.79% of budget).
- 4.12** 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.

- 4.13** 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.
- 4.14** 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 6 Re-profiling (£m)	Period 7 Re-profiling (£m)
Levelling Up Fund	(5.203)	(6.700)
Vehicle Replacement	(2.217)	(2.217)
West Bridgend CC	(1.063)	(1.063)
Vehicle Replacement Strategy	(1.000)	(1.000)
Depot Rationalisation	0	(0.965)
Viresco Studios and Arts Centre	(0.750)	(0.750)
Clydebank on the Canal	(0.657)	(0.657)

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

	Period 6	Period 7	Movement
	£m	£m	£m
Overall capital plan	67.572	68.157	0.585
Overall variance	(17.181)	(23.294)	(6.113)
Re-Profiling	(16.122)	(22.073)	(5.951)
Net over/ under	(1.059)	(1.221)	(0.162)
% Re-Profiling	23.86%	32.39%	8.53%

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.

Laurence Slavin
Chief Officer – Resources

Date: 25 November 2022

Person to Contact: Janine Corr, Accountant
Council Offices, Church Street, Dumbarton
E-mail: janine.corr@west-dunbarton.gov.uk

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 7;
General Services Revenue Estimates 2022/23
General Services Capital Plan Update - Council 9 March 2022.

Wards Affected All Wards