

WEST DUNBARTONSHIRE COUNCIL
Report by the Chief Officer – Resources
Council – 30 October 2024

**Subject: General Services Revenue Budgetary Control Report to 31 August 2024
(Period 5)**

1. Purpose

1.1 The purpose of this report is to advise Council of the 2024/25 Revenue Budget position at 31 August 2024 and the forecast position of the General Fund Reserve as at 31 March 2025.

2. Recommendations

2.1 Council is asked to note a current projected annual underlying adverse variance on the revenue account of £2.066m (0.71% of total budget).

3. Background

3.1 At the meeting of West Dunbartonshire Council (the Council) on 6 March 2024, Members agreed the revenue estimates for 2024/2025. A total net budget of £284.668m was approved for General Services.

3.2 Since the budget was agreed, as reported to Council in June 2024, additional funding has been provided by the Scottish Government of £3.916m to fund the pay uplift to a minimum rate of £12 per hour for workers providing direct adult social care in the third and independent sectors. Also reported to Council in June was further budget adjustments due to:

- £1.129m to support the freezing of Council Tax.
- £0.860m from the release of an unspent matched European Structural Fund balance (ESF) which was returned to the general fund.
- £1.051m made available from the revised reduction in employer pension contributions.

3.3 The budget has also been adjusted to remove the effects of the Criminal Justice specific grant which is paid direct to HSCP; removing both the cost and income from the General Services budget while maintaining a 2024/25 balanced budget. The revised 2024/25 Revenue Budget of £289.927m (excluding earmarked reserves) is made up as follows:

	Service	£m	£m
Agreed budget 6 March 2024			284.668
<i>Additional Resources:</i>			
Additional Share of £230m for Social Care Uplift	HSCP Requisition	3.916	
Share of £62.7m in relation to Council Tax Freeze	Strategy to rebuild reserves	1.129	
Release of unspent matched ESF funding	Strategy to rebuild reserves	0.860	
Increased Pension benefit	Strategy to rebuild reserves	1.051	
Total Additional Resources			6.956
<i>Base Budget Adjustment:</i>			
Removal of Criminal Justice Specific Grant	Criminal Justice Requisition		(1.697)
Total adjustments			5.259
Revised budget as at Period 5			289.927

4. Main Issues

- 4.1 The summary report at Appendix 1 highlights a projected net annual underlying adverse variance (overspend) of £2.066m (0.71% of the total budget). The current projection shows an improved year end position from the figure reported at Period 3, with a reduction in the anticipated overspend of £0.476m as detailed in the table below. Appendix 2 provides more detailed service reports by Chief Officer. In addition, services are projecting the use of £0.817m of earmarked reserves.

	£m	£m
Net adverse variance at Period 3		2.542
Movements in service variance		
<u>Resources</u> Corporate Assets – increased cost of utilities	0.126	
<u>Regulatory & Resources</u> Delays and difficulties in filling vacancies within Planning	(0.113)	
<u>Education, Learning and Attainment</u> Day and Residential Expenditure less than anticipated	(0.309)	
<u>Roads and Neighbourhood</u> Targeted attempts by established working group to reduce overspends as reported at Period 3	(0.644)	
<u>Loan Charges</u> Delayed fall in interest rates	0.330	
<u>Miscellaneous</u> Unbudgeted cost of child abuse compensation claims	0.155	
Other service movement less than £0.050m	(0.021)	
Total movement in service variances		(0.476)
Net adverse variance at Period 5		2.066

- 4.2 In June (as per paragraph 3.2) a strategy was agreed to replenish general reserves from:

- additional funding from the Revenue Support Grant in relation to the council tax freeze
- the release of matched ESF funding
- additional revised benefit from reduction in employer pension contributions.

The saving from the employer pension contribution rate as explained at paragraph 4.5, would be smoothed over 4 years thus easing the budget pressure by £5.332m in years 2024/25-2027/28.

- 4.3** Information on any 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** A list of agreed efficiencies and management adjustments totalling £6.649m is shown within Appendix 4. Current indications show, £6.599m is on target to be achieved. However, Appendix 4 also shows that it is anticipated that £0.050m will not be achieved and will be funded by the smoothing fund for 2024/25 only, with the expectation that the full saving will be achieved in future years.
- 4.5** On 20 December 2023, a report to Council presented the financial benefit to the Council as a consequence of the Strathclyde Pension Fund (SPF) Board reducing the employer pension contribution rate in the years 2024/25 and 25/26 from 19.3% to 6.5% generating an estimated saving to the Council of £21.327m. Service superannuation budgets have been reduced via a virement to a central reserve, to reflect the saving in 2024/25. The Council agreed to smooth the total saving over 4 years with £5.332m being used to balance the budget in 2024/25 and the remaining amount to be transferred to an earmarked reserve to be used in future years to help ease the budget pressure as agreed at Council on 6 March 2024. The budgeted transfer to Reserves to date is £7.270m which reflects the current in year reduction of the service budget. The underspend of £1.938m will be transferred to an earmarked reserve to be used to balance the budget in future years.
- 4.6** The Housing Revenue Account (HRA) is currently forecasting a deficit of £1.205m after applying all available reserves. The Housing (Scotland) Act 1987 specifies that if an HRA deficit arises in any one year, the local authority must make a contribution to make good the deficit from the General Fund. The HRA would then be expected to repay that contribution from any future surpluses generated. The Housing Senior Management Team will continue to identify efficiencies across all areas of the HRA revenue account budget in order to minimise the adverse variance. An update on this will be reported to Council when the BCRs for period 7 are reported in December.

General Fund Reserves Position

- 4.8 Appendix 5 shows the latest position in respect of Unallocated and Earmarked Reserves and shows the projected balance as at 31 March 2025:

	Unearmarked Balance (£m)	Earmarked Balance (£m)	Total General Fund Reserves (£m)
As at 31 March 2024 (draft)	4.418	9.115	13.533
In year movements	1.607	4.844	6.451
Projected in year use of reserves	(2.066)	(0.817)	(2.883)
Projected Balance as at 31 March 2025	3.959	13.142	17.101

- 4.9 A breakdown of the 2024/25 earmarked balances and the movements in reserves is summarised in Appendix 6.
- 4.10 The Council's General Fund contingency (Prudential Target) is set at 3% of net expenditure for 2024/25 and amounts to £5.400m. After taking into consideration the forecast adverse outturn position of £2.066m at 31 August 2024, the Council is currently forecast to have £1.441m below the current Prudential Target. The services have mitigating actions to reduce their projected adverse variances. In addition, the June Finance Update advised how the additional benefit from the reduction in pension contributions would continue to rebuild reserves with an additional £1.621m forecast over 2025-2026.

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;
- (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 all capital receipts achieved in 2024/25 will be used to 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.

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: 4 October 2024

Person to Contact: **Carol Alderson. Finance Manager**
Council Offices, Church Street, Dumbarton
E-mail: carol.alderson@west-dunbarton.gov.uk

Appendices:

- Appendix 1 - Revenue Budgetary Control 2024/25 – Corporate Summary;
- Appendix 2 - Revenue Budgetary Control 2024/25 – Chief Officer Summaries;
- Appendix 3 - Analysis of Revenue Variances over £50,000;

- Appendix 4 - Monitoring of Efficiencies
- Appendix 5 - Reconciliation of General Fund Reserves
- Appendix 6 - Monitoring of Earmarked Balances

Background Papers:

- Ledger output – Period 5;
- General Services Revenue Estimates 2024/25

Wards Affected All Wards