



PARTNERSHIP AND RESOURCES POLICY DEVELOPMENT AND SCRUTINY PANEL

2018/19 FINANCIAL PERFORMANCE – MONTH 6 MONITORING REPORT

REPORT BY HEAD OF FINANCE AND PROPERTY SERVICES

A. PURPOSE OF REPORT

To provide the Panel with an update on the financial performance of the Partnership and Resources portfolio.

B. RECOMMENDATION

It is recommended that the Panel:

1. Notes the financial performance of the Partnership and Resources portfolio as at month 6;
2. Notes that the Partnership and Resources portfolio position at month 6 is part of the overall council budget position which was reported to Council Executive on 13 November 2018;
3. Notes any actions required to be taken by Heads of Service and budget holders to manage spend within available resources.

C. SUMMARY OF IMPLICATIONS

I	Council Values	Focusing on customers' needs, being honest, open and accountable, making best use of resources, working in partnership.
II	Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	Local Government (Scotland) Act 1973, Section 95; Local Government in Scotland Act 2003, section 1-14.
III	Implications for Scheme of Delegations to Officers	No implications at this stage.
IV	Impact on performance and performance indicators	Effective budget management is an essential element of service performance. Additional financial reporting provides elected members with information to allow for proper scrutiny of performance of services.
V	Relevance to Single Outcome Agreement	The revenue budget provides resources necessary to help deliver the Single Outcome Agreement. Effective prioritisation of resources is essential to achieving key outcomes.
VI	Resources – (Financial, Staffing and Property)	The forecast position for the Partnership and Resources portfolio revenue budget is an underspend of £1.476 million.

There is anticipated slippage of £1.678 million on the capital budgets for the portfolio.

VII Consideration at PDSP

A financial performance report will be presented to the Panel twice yearly on an ongoing basis.

VIII Other Consultations

Depute Chief Executives, Head of Operational Services, Head of Corporate Services, Head of Housing, Customer and Building Services, Performance and Improvement Service

D. TERMS OF REPORT

D.1 Introduction

This report provides an update on the financial performance of the Partnership and Resources Policy Development and Scrutiny Panel (PDSP) portfolio of services as at month 6. It is important to note that the council's revenue budget is operationally managed at a Head of Service level, and the financial position included within this report is part of the overall council forecast position which was reported to Council Executive on 13 November 2018. This report also includes the position on the delivery of approved budget reduction measures relevant to the Partnership and Resources portfolio for 2018/19.

The budget monitoring process is undertaken in line with the council's budgetary control framework and procedures, which places particular focus on a risk based and pro-active approach to budget monitoring. The projected out-turn for 2018/19 which was reported to Council Executive on 13 November 2018 indicated that the overall General Fund Revenue budget is forecasting an overspend of £1.352 million for 2018/19, which is partly offset by £1.052 million of early delivery of budget reductions within Social Policy, producing a net projected 2018/19 overspend of £300,000. Included within the overall forecast, there are recurring pressures of £3.894 million. The next update on the revenue monitoring position to Council Executive will be the outcome of the month 9 monitoring exercise on 26 February 2019, including an update on the mitigating actions that were previously agreed for recurring pressures.

This report focuses on the financial performance of council services which further enhances the information presented to elected members to allow scrutiny of service and financial performance. The report contains reference to key performance measures for service areas which are contained within Service Management Plans and referenced in the 2016/17 Local Government Benchmarking Framework (LGBF) data-set. LGBF data for 2017/18 is currently being collated by the Improvement Service and will be made available later in the financial year and included in the month 12 PDSP updates.

D.2 Financial Information for 2018/19 Month 6 Forecast Position

The table below summarises the position in relation to service and capital expenditure and provides an update on the forecast position. The forecast revenue position is an underspend of £1.476 million for the Partnership and Resources portfolio. There is net slippage of £1.678 million in the capital programme. As part of the monitoring exercise, a number of key risks and service pressures have been identified and these are noted in the narrative for the relevant service area.

Service	2018/19 Budget £'000	Forecast Month 6 £'000	Variance £'000
GENERAL FUND REVENUE			
Chief Executive, Finance and Property Services			
Chief Executive and Elections	677	670	(7)
Revenues and Benefits	4,452	4,190	(262)
Financial Management	2,106	1,991	(115)
Internal Audit & Risk	380	353	(27)
Advice Shop	1,648	1,584	(64)
Construction Services	0	0	0
Property Services	14,942	15,108	166
Total	24,205	23,896	(309)
Corporate Services			
Corporate Procurement	328	290	(38)
Information Technology	4,327	4,208	(119)
Performance & Improvement	802	767	(35)
Corporate Communications	424	449	25
Legal Services	815	756	(59)
Human Resources and Support Services	4,302	4,384	82
Total	10,998	10,854	(144)
Operational Services			
Facilities Management	8,244	8,557	313
Fleet Management	482	672	190
Total	8,726	9,229	503
Housing, Customer and Building Services			
Customer Service Centre	1,257	1,172	(85)
Customer & Community Services	2,750	2,750	0
Total	4,007	3,922	(85)
Joint Boards			
Joint Boards	1,128	1,128	0
Total	1,128	1,128	0
Non Service Expenditure			
Non Service Expenditure	36,666	35,225	(1,441)
Total	36,666	35,225	(1,441)
TOTAL GENERAL FUND REVENUE	85,730	84,254	(1,476)
GENERAL SERVICES CAPITAL			
Property	13,189	11,908	(1,281)
ICT	6,846	6,449	(397)
TOTAL GENERAL SERVICES CAPITAL	20,035	18,357	(1,678)

D.3 Summary of Main Issues in Service Expenditure Budgets and Impact on Performance

D.3.1 General Fund Revenue – Chief Executive, Finance and Property Services

A underspend of £309,000 is expected for this area in 2018/19 mainly as a result of early delivery of approved staffing savings. There are pressures on energy costs with an increase in utility unit rates which is currently sitting at an 8% increase on last year's rates which compares to a budgeted rate of 5%. Work will continue to identify how this pressure will be met on a recurring basis.

Property maintenance spend continues to be a risk and revenue works are only being

carried out on an emergency or essential maintenance basis across the property portfolio to ensure delivery of approved savings are met.

The Scottish Government is consulting on the implementation of the proposals in the Barclay Review on non-domestic rates. An update on the outcome of this consultation will be provided in due course.

The LGBF includes a number of key indicators that relate to Finance and Property Services including percentage of invoices paid within 30 days and the cost per dwelling of collecting council tax. The LGBF data shows that West Lothian's performance has remained consistent since 2013/14, with approximately 96% of invoices paid within 30 days, and consistently ranking fifth or sixth out of the 32 Scottish local authorities. The data for council tax collection is also positive, with West Lothian remaining in the top six for lowest cost per dwelling of collecting council tax since 2013/14. West Lothian's cost of support services as a proportion of total council expenditure is ranked fifth lowest out of the 32 Scottish Local authorities.

D.3.2 General Fund Revenue – Corporate Services

An underspend of £144,000 is forecast, mainly as a result of vacancies throughout the service. This is offsetting an overspend on occupational health expenditure and this remains a risk area with close monitoring taking place for the remainder of the year.

In terms of available benchmarking information from LGBF, as noted above, West Lothian Council ranks fifth lowest in Scotland with regard to the cost of support services as a percentage of gross budget.

Although not specific to Corporate Services, the overall sickness absence levels for the council remain higher than in other councils. The most recent LGBF data for 2016/17 indicated that there were on average 5.46 absence days per teacher and 12.73 days per non-teaching staff, with the council ranked 11th and 30th respectively within Scotland. Figures for 2017/18 were 5.06 absence days per teacher and 13.78 absence days for non-teaching staff. Increased levels of sickness absence has an impact on the delivery of councils services and can increase costs where periods of absence must be covered. Additional expenditure on occupational health costs can assist in reducing absence levels. An update on sickness absence and the application of revised policies is also reported in a separate paper to this PDSP.

D.3.3 General Fund Revenue – Operational Services

Expenditure within Operational Services reporting to the Partnership and Resources portfolio relates to Facilities Management (facilities management within schools and building cleaning) and also the green fleet budgets. Within Facilities Management, there is an overspend of £313,000 which mainly relates to an overspend on shift allowances and staffing costs above budget due to sickness absence levels. A review of shift working is required to match actual work patterns and customer demand and this will be carried out as part of the review of terms and conditions for 2020/21. Sickness absence levels are continuously monitored to identify where expenditure can be managed.

In terms of performance, the cost of cleaning and delivering a facilities management service continues to increase year on year, due to increases in the living wage which is fully provided for within the council's approved budget. Benchmarking information, in particular through the LGBF is contained within support services and cost per pupil performance indicators.

Green fleet, expenditure is forecast to overspend by £190,000. The green fleets assists the council in delivering approved budget reductions in business mileage and this has largely been the case with year on year reductions being achieved. The transition to the new pool fleet has resulted in additional one-off costs due to the overlap of the older to the newer

fleet, however, the transition is progressing well and this will assist in achieving approved budget reductions for 2018/19.

D.3.4 General Fund Revenue – Housing, Customer and Building Services

Expenditure within Housing, Customer and Building Services relating to the Partnership and Resources portfolio includes Customer and Community Services and the Customer Service Centre. An underspend of £85,000 is expected in the Customer Service Centre due to staffing savings. A breakeven position is forecast for Customer & Community Services, helped by a number of one-off or short-term measures. There is an underlying cost pressure in Customer and Community Services and Officers are progressing options to deliver a sustainable solution going forward.

Performance information for the Customer and Community Services indicates that, for the first 6 months in 2018/19, the percentage of customers who rated the overall quality of service as good or excellent was above target at 99.4% and, for the Customer Service Centre, was marginally below target at 97% against a target of 98%.

D.3.5 General Fund Revenue – Joint Boards

A break-even position is forecast for 2018/19.

D.3.6 General Fund Revenue – Non Service Expenditure

A underspend of £1.441 million is currently forecast for the Council Tax Reduction Scheme. There are a variety of factors which are impacting on the uptake levels and a focus group is investigating these. One of the actions which is being taken forward is to contact those who may be entitled to qualify for the scheme. The impact of Universal Credit may see further changes in this area. Further work is being carried out to ascertain the recurring position for the scheme.

D.3.7 General Fund Revenue – Monitoring of approved budget reductions

For the Partnership and Resources portfolio, savings of £3.917 million in 2018/19 have largely been delivered in full. Savings of £275,000 in relation to cleaning and facilities management are categorised as amber. The operational delivery of the savings are progressing well. The savings require staffing reductions to be delivered and it is envisaged that in the coming months sufficient vacancies arising from early retirement or staffing turnover will deliver these savings in full.

D.3.8 General Services Capital

The forecast position in this report relates to the Property and ICT asset categories, with net slippage of £1.678 million forecast for the financial year. The Roads and Related Assets and Open Space Asset categories was reported to the Environment PDSP on 30 October 2018.

Property

The forecast for property assets is £11.908 million spend against a budget of £13.189 million. A number of projects are not progressing as quickly as anticipated, resulting in forecast slippage of £1.281 million for the financial year. Potential cost pressures with projects have been highlighted due to a number of emerging issues. These cost pressures will be considered and value engineering will be undertaken wherever possible to reduce costs.

ICT

The draft outturn for ICT assets is £6.449 million spend against a budget of £6.846 million. A few projects are not progressing as quickly as expected, meaning that there is slippage of £397,000 in the ICT capital programme. This slippage was accounted for and reported to Council Executive on 13 November 2018, and it is still expected that the projects will be delivered within budget as part of the new ten year capital programme.

The LGBF includes comparative information on operational buildings. West Lothian performs favourably compared to other Scottish local authorities, with a current ranking of fourth for the percentage of operational buildings assessed as suitable for their current use and sixth for the percentage of internal floor area of operational buildings assessed as being in satisfactory condition.

E. SUMMARISED BUDGET POSITION FOR 2018/19

The month 6 forecast position is a net underspend of £1.476 million within the general fund revenue budget for the Partnership and Resources portfolio, mainly as a result vacancies as a result of early delivery of approved savings and an underspend within the Council Tax Reduction Scheme. The report highlights pressure areas within the portfolio area where action is required to identify options to sustainably manage spend within budget resources available. In terms of capital there is net slippage of £1.678 million for the Property and ICT programmes.

F. FUTURE BUDGET ISSUES AND RISKS

West Lothian Council approved savings of £41.281 million for the three year period 2018/19 to 2020/21 as part of a five year budget strategy on 13 February 2018. For 2018/19, there remain risks around the deliverability of budget reductions. In addition, recurring pressures of £3.894 million will have an impact on how the council can contain overall spending within the approved budget. It is therefore essential that mitigating actions, which have been agreed are progressed to ensure these pressures are managed on a recurring basis.

The forecast out-turn position reflects the very challenging financial position the council is now facing after many years of funding constraints and requirements to make significant savings with demand for services continuing to grow. There are considerable risks and uncertainties around various aspects of council spending, including the level of future pay awards, the costs of demand led services especially in social care, the level of inflationary increases in budget and the recycling market. There are also major risks connected to the future level of UK and Scottish Government funding and of policy changes that impact on local government in Scotland. As a result, there is a considerable risk that the forecast indicated within this report could increase further during the financial year.

Specifically for the Partnership and Resources portfolio, the key risks and uncertainties include staffing pressures within Customer and Community Services, the potential impact of welfare changes and the achievability of non-domestic rates savings within Finance and Property Services. With regard to Corporate Services there are anticipated challenges in delivering the support that will be required in the delivery of the Transforming Your Council programme. This will present particular pressures for Procurement, Human Resources and Legal Services.

The council's risk based approach to budget monitoring will ensure that effective action is taken to manage risks during the course of the financial year. Officers will continue to provide updates on risks as part of the quarterly budget monitoring reporting to Council Executive at period 4, 6 and 9.

G. CONCLUSION

The forecast position for the Partnership and Resources portfolio is a revenue budget underspend of £1.476 million and net slippage of £1.678 million for the Property and IT capital programme. The Heads of Service and budget holders will continue to progress the mitigating action required to ensure the pressures identified within the portfolio area are managed accordingly in 2018/19.

As noted, the forecast position for the Partnership and Resources portfolio is part of the overall position for 2018/19 was reported to Council Executive on 13 November.

H. BACKGROUND REFERENCES

1. Council Executive 2018/19 General Fund Revenue Budget – Month 6 Monitoring Report – 13 November 2018
2. Scheme of Administration
3. Local Government Benchmarking Framework

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