

DATA LABEL: PUBLIC



PARTNERSHIP AND RESOURCES POLICY DEVELOPMENT AND SCRUTINY PANEL

2019/20 FINANCIAL PERFORMANCE – MONTH 12 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 in 2019/20;
2. Notes that the Partnership and Resources portfolio position at month 12 was part of the overall council budget position reported to Council Executive on 23 June 2020;
3. Notes actions 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)	An underspend of £2.199 million was the position for the Partnership and Resources portfolio revenue budget in 2019/20. There was net accelerated spend of £2.304 million on the capital programme for the portfolio area.

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 and Head of Housing, Customer and Building Services

D. TERMS OF REPORT

D.1 Introduction

This report provides an update on the general fund revenue financial performance in respect of the Partnership and Resources Policy Development and Scrutiny Panel (PDSP) portfolio of services. The council's revenue budget is operationally managed at a Head of Service level, and the financial position included within this report formed part of the overall council position reported to Council Executive on 23 June 2020. This report also includes the position on the delivery of approved budget reduction measures relevant to the Partnership and Resources portfolio for 2019/20.

The budget monitoring process is undertaken in line with the council's budgetary control framework and procedures, which place particular focus on a risk based and pro-active approach to budget monitoring.

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 2018/19 Local Government Benchmarking Framework (LGBF) data-set. LGBF data for 2019/20 will be collated by the Improvement Service and will be made available later in the financial year.

D.2 Financial Outturn for 2019/20

The table below summarises the position in relation to service expenditure for the portfolio area. 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	Budget £'000	Outturn Position £'000	Variance £'000
GENERAL FUND REVENUE			
Chief Executive, Finance and Property Services			
Chief Executive and Elections	1,317	1,293	(24)
Finance	3,615	3,059	(556)
Anti-Poverty	7,119	7,071	(48)
Construction Services	400	400	0
Estates	30,513	30,381	(132)
Total	42,964	42,204	(760)
Corporate Services			
Corporate Procurement	439	395	(44)
Information Technology	7,499	7,365	(134)
Performance & Improvement	906	895	(11)
Corporate Communications	502	502	0
Legal Services	1,084	1,132	48
Human Resources and Support Services	5,799	5,920	121
Total	16,229	16,209	(20)
Operational Services			
Facilities Management	10,132	10,496	364

Fleet Management	1,195	1,261	66
Total	11,327	11,757	430
Housing, Customer and Building Services			
Customer Service Centre	1,673	1,463	(210)
Customer & Community Services	3,562	3,493	(69)
Total	5,235	4,956	(279)
Joint Boards			
Joint Boards	1,154	1,154	0
Total	1,154	1,154	0
Non Service Expenditure			
Non Service Expenditure	10,924	9,576	(1,348)
Total	10,924	9,576	(1,348)
Funding			
Council Tax	(82,608)	(82,830)	(222)
Total	(82,608)	(82,830)	(222)
TOTAL GENERAL FUND REVENUE P&R PDSP	5,225	3,026	(2,199)
GENERAL SERVICES CAPITAL			
Property	18,382	20,910	2,528
ICT	4,351	4,127	(224)
TOTAL GENERAL SERVICES CAPITAL P&R PDSP	22,733	25,037	2,304

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

The revenue budget for Chief Executive, Finance and Property Services was underspent by £760,000. This was largely due to a one off £540,000 windfall from the appeals process for Non Domestic Rates. There are emerging pressures within the Anti Poverty service which will be an ongoing challenge in 2020/21 relating to clothing grants and the ongoing consequences of the current Covid pandemic. Property maintenance expenditure continues to be a risk, as does the collection of commercial rents if premises become vacant in coming months.

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 for 2018/19 was 95.8% of invoices were paid within 30 days and ranked seventh in Scotland. This is an increase in performance compared to 2017/18, and an improved ranking of five places. The data for council tax collection for 2018/19 indicates that West Lothian ranks fourth lowest for cost per dwelling for collecting council tax. West Lothian's cost of support services as a proportion of total council expenditure is ranked seventh lowest out of the 32 Scottish local authorities.

D.3.2 General Fund Revenue – Corporate Services

Corporate Services had an underspend of £20,000 for 2019/20, with early delivery of 2020/21 approved savings within IT offsetting pressures elsewhere within the service, in particular, occupational health costs.

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

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, building cleaning and various central functions) as well as Fleet Management (general Fleet Services and Green Travel).

Pressures within Facilities Management were largely as a result of levels of sickness absence. Mitigating actions have been taken to seek to address this issue.

In terms of performance, the cost of cleaning and delivering a facilities management service will increase year on year, due to increases in the pay award for staffing and this 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.

Pressures within Fleet Management relate to £44,000 of general fleet costs and a £22,000 overspend in electricity charges for electric vehicles. The Green Travel fleet 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.

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. There was an underspend of £210,000 within the Customer Service Centre due to staffing savings and an underspend of £69,000 within Customer & Community Services due to staffing savings that were partly offset by an under recovery of Registration income.

Performance information for Customer and Community Services and for the Customer Service Centre indicates that, for 2019/20, the percentage of customers who rated the overall quality of service as good or excellent was above target for both areas at 99.4% and 96.8% respectively.

D.3.5 General Fund Revenue – Joint Boards

A break-even position was achieved.

D.3.6 General Fund Revenue – Non Service Expenditure

There was an underspend of £370,000 on the Council Tax Reduction Scheme (CTRS) which was largely due to a small reduction in uptake levels for the scheme. There are a variety of factors which are impacting on uptake levels and a focus group continues to work on maximising the uptake. The roll-out of Universal Credit resulted in a small reduction in the level of applications for CTRS in 2019/20. An Improvement Group is regularly reviewing the processes to ensure Council Tax collection is not adversely impacted. Since the start of the Covid-19 pandemic there has been a considerable increase in CTRS claims and this trend is likely to continue throughout 2020/21.

Following the completion of the appeals process for non-domestic rates (NDR) for a number of council properties, there was a net one-off refund of £392,000 relating to NDR payments made by the council in previous years and a one-off payment in the current year of £144,000 under the Business Rates Incentivisation Scheme (BRIS) due to the council exceeding BRIS income targets in 2017/18.

In addition, treasury savings were generated from the reprofiling of the loans fund principal of £608,000.

D.3.7 General Fund Revenue – Council Tax Income

The final outturn for Council Tax income was an over recovery of £222,000. There has been additional income generated through new houses. The budget assumed that 900 new houses would be build, however the actual number of new houses was over 1,000. Council tax income is facing an under recovery on 2020/21 due to the impact of Covid-19.

D.3.8 General Services Capital

The final outturn position for Property and ICT asset categories was net accelerated spend of £2.304 million for the financial year.

Property

Outturn expenditure for property in 2019/20 was £20.910 million against a budget of £18.382 million.

During 2019/20, significant property projects were undertaken including the first phase of works for the extension and reconfiguration of Ogilvie Additional Support Needs (ASN) School. Good progress was made with Early Learning and Childcare (ELC) projects with a range of kitchen improvements and the extension to Polkemmet Primary school completed. Works on the redevelopment of the Ability centre to create the new Livingston North partnership centre also commenced during the year.

Planned Improvements and Statutory Compliance reported a net accelerated position of £2.956 million with a net slippage position of £442,000 for property projects.

In Planned Improvements there was accelerated spend of £147,000 for the science labs upgrade in Linlithgow Academy, £200,000 for the cladding replacement at Inveralmond Community High School, £145,000 for toilet improvements at St Ninian's Primary School, with roof replacements at Winchburgh and Greenrigg Primary Schools and St Kentigern's Academy reporting acceleration of £200,000, £93,000 and £88,000 respectively.

The main areas of slippage within the projects category, were Whitburn Partnership Centre, Ogilvie ASN school, the new ELC Blackridge Primary school and the ELC St Mary's Primary School new build project.

ICT

The final outturn for ICT in 2019/20 was £4.127 million which represents slippage of £224,000 against budget. Although ICT reported a net slippage position, good progress was made with work on the Antivirus Malware Microsoft Office refresh and the rollout of Windows 10 projects all completed during the financial year.

The slippage for ICT can mainly be attributed to the Social Care Administration (SWIFT) replacement, technology enabled care programme internal infrastructure, social policy electronic call monitoring and the HR and Payroll replacement projects.

The Swift system replacement project reported slippage of £62,000 for 2019/20. The procurement process for this was stopped as a result of challenges made by suppliers regarding eligibility criteria.

The HR and Payroll replacement system slipped £206,000 of the total 2019/20 budget due to payments being withheld until delivery milestones were satisfactorily achieved. As the new payroll system is operational, the remaining expenditure will be paid during 2020/21.

The Social Policy Electronic Call Monitoring slipped the total budget of £105,000 for 2019/20 due to a delay in the initial roll out of the contract. The project has been rescheduled to be undertaken during 2020/21.

E. SUMMARISED BUDGET POSITION FOR 2019/20

The month 12 outturn position in 2019/20 was an underspend of £2.199 million within the General Fund Revenue budget for the Partnership and Resources portfolio. The month 12 position was reported to Council Executive on 23 June 2020. Capital projects have accelerated spend of £2.304 million.

F. FUTURE BUDGET ISSUES AND RISKS

West Lothian Council approved a four year revenue budget strategy from 2019/20 to 2022/23 on 19 February 2019 which included approved savings measures for 2019/20 of £14.674 million. The significant level of approved savings, in addition to the impact of constrained funding and the financial consequences of the current Covid-19 pandemic, is resulting in an increased risk of overspends across council services and on the ability to deliver approved budget reductions. In addition, there are currently recurring pressures of around £974,000, as reported to Council Executive on 18 August 2020. Mitigating actions have been agreed and are being implemented to ensure these pressures are managed on a recurring basis.

Council Executive has provided with a number of updates reports on the financial implications of the current Covid-19 pandemic on 26 May 2020, 23 June 2020 most recently on 18 August 2020 as part of the 2020/21 General Fund revenue budget monitoring exercise for period 3. There is an estimated revenue pressure of approximately £4.334 million in 2020/21 even after confirmed additional funding is accounted for. Taking account of this pressure, Council Executive agreed the £994,000 over and above the minimum approved General Fund Balance level of £2 million should be ear-marked for managing the projected 2020/21 overspend and considered the potential actions available to manage and mitigate the financial pressures. Council Executive also agreed that officers should continue to monitor the financial impact of Covid-19 and engage with the Scottish Government and COSLA around further government funding for the council to mitigate the significant additional costs being incurred by the council. Further updates will be provided to Council Executive to allow consideration of the latest position and any action required to manage to the financial implications of the virus, the next of which will be included within the month four budget monitoring exercise to be reported to Council Executive in October 2020.

The overall position reflects the very challenging financial context 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 and income, particularly the impact of Covid-19, including the costs of demand led services especially in social care, the level of inflationary increases in budgeted expenditure and the waste 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.

Specifically for the Partnership and Resources portfolio, the key risks and uncertainties include the impact of Covid-19 on Council Tax collection and the Council Tax Reduction scheme, delivery of significant staffing savings which will require restructures and changes to the way staff operate. Sickness absence levels and above inflationary contractual price changes are risks that can affect services across the portfolio area and are monitored closely.

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 2019/20 position for the Partnership and Resources portfolio was an underspend of £2.199 million. As noted, the position for the Partnership and Resources portfolio is part of the overall outturn position for 2019/20 which was reported to Council Executive on 23 June

2020. There was net accelerated spend of £2.304 million on the capital programme for the portfolio area.

H. BACKGROUND REFERENCES

1. 2020/21 General Fund Revenue Budget – month 3 monitoring - Report by Head of Finance and Property Services on 18 August 2020
2. Draft 2019/20 General Fund Revenue Budget Outturn - Report by Head of Finance and Property Services on 23 June 2020
3. Revenue Budget 2020/21 to 2022/23 – report by Head of Finance & Property Services on 28 February 2020
4. Revenue Budget 2019/20 to 2022/23 – report by Head of Finance & Property Services on 19 February 2019
5. Local Government Benchmarking Framework

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