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West Lothian Council

COUNCIL EXECUTIVE

2022/23 GENERAL FUND REVENUE BUDGET - MONTH 6 MONITORING REPORT

REPORT BY HEAD OF FINANCE AND PROPERTY SERVICES

A. PURPOSE OF REPORT

This report provides Council Executive with an update on the outcome of the General Fund revenue budget monitoring exercise at month 6, including an update on material budget pressures, progress being made with the delivery of approved budget savings for 2022/23 and projected expenditure against one-off budgets in 2022/23 and 2023/24.

B. RECOMMENDATION

It is recommended that Council Executive:

1. Notes the outcome of the month 6 monitoring exercise, which is a forecast overspend position of £4.446 million which will be funded by one-off resources. This includes an overspend on net service expenditure of £696,000 and further costs of £3.750 million in relation to the pay award package after taking account of funding from Scottish Government to help councils manage the additional costs;
2. Notes the overall month 6 forecast position is in line with the position reported to Council Executive at month 4, albeit there are movements in forecast between services;
3. Notes the overspend of £4.446 million forecast at month 6 will be funded, as agreed at month 4, from retained one-off balances of £81,000 and the net saving in the committed General Fund balance of £3.850 million and savings from one-off resources in 2022/23 of £515,000;
4. Agrees that Heads of Service take all management action necessary to curtail spend and preserve any in year underspends to minimise the projected in-year overspend;
5. Notes the material recurring pressures of £6.363 million and the updates from relevant Heads of Service on progress being made against the agreed actions to mitigate these pressures;
6. Notes Heads of Service have been instructed to take all action necessary to mitigate as far as possible the recurring pressures by 31 March 2023 including a focus on what is being done to manage and reduce the pressure by implementing specific actions;
7. Agrees Heads of Service take all action necessary to deliver the approved savings for 2022/23, categorised as Amber, by 31 March 2023 given the magnitude of the financial challenges facing the council;
8. Agrees Heads of Service review the exit strategies proposed for one-off projects in advance of 2023/24, in particular the necessary measures to ensure spend and income generation is realigned to the recurring budget once the one-off investment ends;

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)**	None.
III	**Implications for Scheme of Delegations to Officers**	No implications at this stage.
IV	**Impact on performance and performance Indicators**	Ongoing funding restraint is likely to have implications for performance.
V	**Relevance to Single Outcome Agreement**	None.
VI	**Resources - (Financial, Staffing and Property)**	The forecast position for 2022/23 is an overspend of £4.446 million based on the month 6 risk-based monitoring exercise which is being funded by one-off resources. The forecast position includes an overspend on net service expenditure of £696,000 and a further £3.750 million in relation to the cost of the proposed pay award for all staff. Material recurring pressures are estimated to be £6.363 million.
VII	**Consideration at PDSP**	Financial Performance is reported biannually to PDSPs.
VIII	**Other consultations**	Depute Chief Executives, Heads of Service, Service Managers and Transformational Change Team.

D. TERMS OF REPORT

D.1 Background

West Lothian Council approved a revenue budget for 2022/23 in February 2022, with total savings for the year being £9.081 million. The budget also included significant one-off resources to address the pandemic and additional time limited investment for other council priorities.

Since February 2022, the cost of living crisis has significantly worsened and forecasts for energy prices are continuing to rise significantly. In addition, negotiations regarding the 2022/23 pay award have been continuing. The magnitude of the financial challenges facing the council are unprecedented with substantial risks that are largely out with the council's control creating material budget implications.

In line with the agreed budgetary control framework and procedures, the monitoring of the council's full revenue budget, is undertaken on a quarterly basis and reported to Council Executive. This includes an update on material pressures, progress made on the delivery of approved budget savings and implementation of the approved programme of one-off investment.

A risk based monitoring exercise is carried out on both the revenue budget and approved budget savings out with the quarterly monitoring exercises. This strategic approach to monitoring ensures that risks are identified at an early stage and allows areas to be identified for management action.

This report provides an update on the full budget monitoring exercise of service budgets at month 6, a full monitoring of approved savings and an update on the delivery of one-off resources for 2022/23 and 2023/24. The next update to Council Executive will be the outcome of the month 9 budget monitoring exercise which will be reported in early 2023.

D.2 2022/23 Budget

D.2.1 2022/23 Summary Position

Based on the outcome of the monitoring exercise at month 6, a significant overspend of £4.446 million is anticipated in 2022/23 against the core recurring revenue budget, which includes an overspend on net expenditure of £696,000 and currently estimated additional costs of £3.750 million in relation to the proposed pay awards. In addition, material recurring pressures remain in Operational Services, Housing, Customer and Building Services, Social Policy and Education totalling £6.363 million.

A number of overspends are currently forecast in various services and provision has been made for the agreed SJC (Scottish Joint Council) Local Government workforce pay award package worth between 5% and 10% and capped at a maximum increase of £3,000. The Scottish Government provided £140 million of recurring resource funding from 2022/23 to support the revised pay offer for all staff and £120.6 million capital funding in 2022/23 and 2023/24 which will be baselined in revenue funding from 2024/25 onwards to support the pay offer. As there was no provision for pay award in the Local Government Finance Settlement, councils have had to cover a significant amount of the total cost of the pay award. Teachers and Chief Officers pay award negotiations are ongoing.

There are also some areas where forecast underspends are helping to offset overspends elsewhere and it is important that underspends in such areas are preserved to minimise the projected overspend position. The following table summarises the forecast position following the budget monitoring exercise:

Service	**Revenue Budget 2022/23**	**Forecast 2022/23**	**Projected Variance 2022/23**
	£'000	**£'000**	**£'000**
Corporate Services	10,061	10,061	0
Housing, Customer and Building Services	8,532	10,162	1,630
Operational Services	61,395	63,469	2,074
Social Policy – IJB	90,995	90,995	0
Social Policy – Non IJB	34,090	34,070	(20)
Planning, Economic Development and Regeneration	4,152	3,852	(300)
Education	204,276	204,333	57
Chief Executive, Finance and Property	31,000	30,402	(598)
Joint Valuation Board	1,312	1,312	0
Service Expenditure – Total	**445,813**	**448,656**	**2,843**
Non-Service Expenditure	**50,001**	**49,319**	**(682)**
Council Tax Income	**(93,249)**	**(94,714)**	**(1,465)**
TOTAL NET EXPENDITURE	**402,565**	**403,261**	**696**
Net Cost of Proposed Pay Award			**3,750**
TOTAL NET EXPENDITURE INCLUDING PAY			**4,446**

D.2.2 Summary update on 2022/23 material pressures

As at month 6, key material pressures total £6.363 million, an increase of £819,000 since month 4. This increase relates to further recurring pressures identified in the month 6 monitoring exercise including Homelessness costs of £268,000, additional vehicle costs within Operational Services of £302,000 due to the increase in vehicle stock, partially offset with a reduction in projected variable costs within Nets, Land and Countryside of £98,000. A new pressure has been added for mainstream school transport contracts of £368,000.

Homelessness costs are projected to overspend by £1.794 million in 2022/23, after taking account of additional recurring budget of £550,000 and one-off budget of £450,000 provided in 2022/23 to help address the pressure resulting from the ongoing demand for temporary accommodation. The recurring pressure is forecast to be £2.114 million after taking account of the additional recurring funding. Recurring pressures continue to be forecast for overtime costs for absence cover in Older People Care Homes of £603,000 and for Additional Support Needs (ASN) and medical transport costs and £579,000.

Further information on the material pressures and actions to manage these pressures is contained within Appendix 1. It is important that Heads of Service take all action necessary to mitigate as far as possible the recurring pressures by 31 March 2023. This is vital given the very significant budget gap for 2023/24, the major risk of further cost pressures, and the planned use of the one-off resources to balance the 2023/24 budget. Council Executive will be provided with an update on progress regarding recurring pressures within the month 9 revenue budget monitoring report.

D.2.3 Corporate Services

The forecast position for Corporate Services is break even. There are continuing service pressures for legal fees and procurement rebates and additional spend is forecast within Admin and HR Services from contracts for agency staff. An under recovery of income in Legal Services also remains which will be partially mitigated by the additional funding ringfenced to mitigate Covid-19 related pressures. The pressures identified can be offset against one-off savings against other budgets within the service.

D.2.4 Housing, Customer and Building Services

An overspend of £1.630 million is forecast across the service area, due principally to existing pressures in Homelessness.

Homelessness is forecast to overspend by £1.794 million as a result of the ongoing demand for temporary accommodation. On average 139 clients per night were accommodated in B&B for the period from April to September 2022. Current numbers are 150 per night.

One-off budget of £450,000 was agreed to help mitigate the pressure in B&B spend but an overspend of £1.452 million is expected. This takes account of additional recurring budget provided from 2022/23 of £550,000. Other homelessness costs of £237,000 include property storage costs which is directly linked to the increased lengths of stay in temporary accommodation, as well as a change in the demographic presenting as homeless, and void rent loss and electricity. Tenders have been evaluated and awarded for the homeless transport contracts. Due to the rise in fuel costs, there has been an increase in the tender values together with the increasing number of families presenting as homeless requiring school transport, creating a pressure of £105,000 within this area.

The council has £315,000 of Rapid Rehousing Transition Plans (RRTPs) funding in 2022/23 as part of a multi-year plan to reduce the numbers of people presenting as homeless as well as rehousing people who are homeless quicker and reducing the length of stay in temporary accommodation and B&B accommodation.

The Housing Capital programme includes provision for additional housing stock through new build projects, open market acquisitions and the mortgage to rent scheme, which will help to mitigate some of the pressures on the homelessness budget as more housing stock becomes available to be let.

In addition, the General Services Capital Programme includes funding for shared living spaces which is anticipated to alleviate some of the pressure. These have all been subject to delays as a consequence of Covid-19 and this is contributing to the pressure as noted above. On 4 October 2022, Council Executive approved the purchase of up to 30 properties through the Open Market Acquisition Scheme, which will take a minimum of 18 months to complete, and will then be converted to 60 temporary sharing spaces. It is anticipated that this will result in a reduction in the use of bed and breakfast and temporary accommodation.

Further actions will also be required to reduce expenditure on a recurring basis and fully mitigate the budget pressure, including increasing the number of lets in the private sector and increasing the sharing spaces in the council's own stock.

Customer and Community Services is forecast to underspend by £73,000. This position is supported by one-off resources of £46,000 to mitigate the impact of the pressure on Registration activity income. Underspends of £36,000 and £55,000 respectively are anticipated in the Community Safety Unit and Customer Service Centre due to staffing vacancies and turnover.

D.2.5 Operational Services

An overspend of £2.074 million is forecast for Operational Services.

The Recycling and Waste Services budget is forecast to overspend by £844,000 mainly due to vehicle cost pressures of £775,000.

Pressures in Nets, Land & Countryside total £445,000 mainly due to vehicle and variable cost pressures of £329,000 and £172,000 respectively. Work continues to be undertaken by Operational Services to determine how variable costs can be controlled to reduce the pressure in this area.

Public Transport is forecast to overspend by £264,000 mainly due to ASN and Medical Transport cost pressures of £406,000 being partly offset by a forecast saving in Local Bus of £100,000. The ASN and Medical Transport cost pressures mainly relates to demand changes in relation to small group settings and ASN transport. A Public Transport and Education short-life working group is seeking ways to reduce the demand for these services with a view to eliminating this overspend. The recent re-tendering of these services provides a strong base for this exercise. The Local Bus saving mainly relates to the removal of the Falkirk cross boundary contract as Council Executive agreed to the extension of the local bus service into Westfield as an alternative.

Pressures in Fleet Management total £521,000. A shortage of mechanics is creating a pressure within the fleet workshop both because work is having to be out-sourced due to workshop capacity constraints which costs more and also because workshop overheads are not being recovered as workshop productive hours are lower than budgeted. This is creating a £185,000 pressure. There is a pressure of £139,000 in vehicle costs, £83,000 of which relates to vehicles continuing to be held beyond the end of their grant funding period with the remaining £56,000 relating to a delay in the implementation of the Green Travel budget saving measure. In addition, Fleet Management incurs the cost of electricity used in the West Lothian wide non-council Electric Vehicle charging points (£200,000). Finance and Property Services are reporting to Corporate Policy and Resources PDSP in December 2022 and then to Council Executive, on a proposal to introduce charges for using these Electric Vehicle charging points from early 2023 which would mitigate this pressure going forward.

Roads & Transportation is forecast to be on budget due to vehicle cost and income pressures of £264,000 and £94,000 respectively being offset by savings in staffing and LED lighting electricity usage.

Facilities Management, Community Transport and Inprint are currently forecast to be on budget.

The vehicle cost pressures noted above total £1.692 million. These largely arise from delays in vehicle procurement, which has resulted in an older, more expensive to maintain and run fleet as well as an increase in short-term hires, and an increase in the number of short-term hired vehicles. In addition, inflation is impacting vehicle costs including lease, hire, maintenance and fuel costs. Operational Services has set up a short-life working group to identify ways to reduce these cost pressures.

D.2.6 Social Policy – IJB

The forecast position for IJB delegated functions is break even. There remain a number of pressure areas in IJB delegated functions, which are offset by underspends and future savings.

Internal care homes for older people continue to be a recurring pressure with a forecast overspend of £681,000, where additional agency and locum costs are being incurred to cover for staff absence and vacancies.

Due to staffing constraints being experienced by external care at home providers there is an underspend of £1.1 million forecast in this area. In addition, there are vacancies in council provided care at home services of £503,000. These underspends are partially offset by a corresponding increase in care at home agency staff costs of around £1.3 million. This is helping to support hospital discharges and reduce the level of unmet need. In both this area and internal care homes, there is a focus on recruitment in order to reduce costs.

Additional costs relating to Covid-19 included in the IJB Mobilisation Plan for social care are currently forecast to be in the region of £3.7 million for 2022/23, which includes sustainability and personal protective equipment (PPE) payments for care providers, lost income and staff costs for sickness cover and remobilisation. This is being closely monitored with actual additional costs still subject to uncertainty, and the forecast reflects the assumption that this will be fully funded through IJB reserves.

D.2.7 Social Policy – Non IJB

The forecast position for Non-IJB social care functions is an underspend of £20,000.

There is a recurring pressure in external residential schools of £605,000. This is due to a high number of placements over recent financial years because of a lack of alternative options. This has resulted in delays to moving young people out of external resources and plans are underway in order to resolve this.

There is also a pressure in Continuing Care of £90,000, where young people may apply to stay in their current placement beyond the normal leaving date at age 16/18. This represents a significant risk of additional cost to the council where young people in current residential school placements may apply to stay for a longer period. These pressures are offset by underspends in staffing of £336,000, adoption costs of £176,000, and services for children with disabilities of £183,000.

D.2.8 Planning, Economic Development and Regeneration

An underspend of £300,000 is forecast for Planning, Economic Development and Regeneration due to over recovery of Planning Application fee income anticipated. This is partly due to the Planning Fee increase which came into force during October.

D.2.9 Education

The revenue budget for Education is currently forecast to overspend by £57,000, mainly as a result of additional expenditure being incurred in relation to the Early Learning & Childcare (ELC) expansion plan of £197,000 which is being partially being offset by staffing savings due to vacancies across the service area.

All three year olds and four year olds and eligible two year olds have been offered 1,140 hours of early learning and childcare provision since 19 April 2021. The increase in flexibility and choice for parents and carers, as required by Scottish Government policy, has resulted in a significant increase in parents choosing funded placements in private providers which has subsequently placed pressure on the revenue budget. The Early Learning & Childcare Policy is not currently fully funded by the Scottish Government, even after an adjustment to the pre-school funding distribution formula from 2022/23 which provided additional recurring resources of £932,000. The recurring pressure is anticipated to be £715,000. Officers continue to work with COSLA and Scottish Government to secure more funding next year to address the remaining gap.

Schools have submitted their second budget forecasts of the year which indicate that the DSM carry forward balance is expected to reduce to around £1 million by 31 March 2023. School budgets have been updated in line with the school census undertaken in September 2022 to reflect actual pupil numbers.

Finally, West Lothian Leisure's (WLL) updated forecast shows a deficit of £119,000 and minimum cash balance of £2.23 million in February 2023. With the ongoing cost of living crisis, a reduction in membership levels is anticipated over coming months.

D.2.10 Chief Executive, Finance and Property Services

The overall service budget is currently forecast to underspend by £598,000.

Anticipated over recovery of intervention income of £354,000 within the Revenues Unit and staff savings within Revenues takes the Revenues underspend position to £475,000.

Staff savings within the Anti-Poverty team bring the overall underspend to £215,000. Additional costs are being incurred as the result of increased demand for the Scottish Welfare Fund which will be funded from approved one-off resources in 2022/23.

Property services is a high-pressure area mainly due to the increase in energy prices. One-off resources of £3.659 million have been earmarked to help mitigate the pressure for 2022/23 although latest cost projections forecast spend on utilities to be approximately £3.736 million. These additional costs can be met from a saving in Non- Domestic rates on charges for the new Winchburgh Schools in 2022/23. A report on energy mitigation measures which have been taken and on potential future energy mitigation measures was approved by Council Executive in October.

Reactive and cyclical maintenance are forecasting to overspend by £551,000 and detailed work is being undertaken to get a full understanding of the cost drivers and to identify mitigating actions so that maintenance spend is managed within budget going forward. The under-recovery forecast for Tenanted Non- Residential Property (TNRP) income of £200,000 will be funded from approved one-off resources. Extensive work is being done by the Commercial Property manager to measure the medium-term impact on rental income. Within Property Services further pressures are highlighted, which will be offset by underspends in other areas of the budget and staff savings. These pressures will continue to be monitored.

The remainder of the savings are due to staffing savings across the service.

D.2.11 Joint Valuation Board

A break-even position is forecast.

D.2.12 Non-Service Expenditure

Non-service expenditure is forecast to underspend by £682,000. The Council Tax Reduction Scheme (CTRS) is currently forecast to underspend by £19,000. Legislation was introduced in April 2022 to better align CTRS received by Universal Credit (UC) customers with that of legacy benefits which will mean that, on average, CTRS awards for UC claimants will increase. The impact of this is being monitored.

In addition, there is a forecast underspend of £323,000 in housing benefits due to a continuing decrease in housing benefits caseloads, as people who require additional assistance with housing costs will claim universal credit unless they meet specific criteria. A forecast underspend in pensions contributes to the overall position.

D.2.13 Council Tax Income

Council Tax income is currently forecast to over recover by £1.465 million at month 6. The over recovery has reduced from month 4 due to a review of the bad debt provision process for the council tax penalty account to align this with the bad debt provision process for council tax. The impact of this change in process has been reflected in the latest position and accounts for the reduction in the over recovery of council tax income that was reported at month 4. In year collection rates have increased to 58.63% in September 2022 compared to 54.82% in September 2021 (3.81% increase) and 53.87% in September 2020 (4.76% increase). This increase is due to the Council Tax Cost of living £150 being paid to 61,195 households since 1 April 2022. The 2022/23 collection rates have increased for both in year and all years when comparing to 2021/22.

D.2.14 Modernisation Fund

The balance of the Modernisation Fund is £5.956 million. Currently there are spend commitments of £8,000 against the Modernisation Fund for Early Retirement/ Voluntary Severance (ERVS) costs and £560,000 for Digital and Service Transformation leaving a balance of £5.388 million. It was previously agreed that where the Modernisation Fund is available for ERVS cases, in certain cases where costs are significant, the service may have to meet the ERVS cost through one-off resource. It is important to note that the Modernisation Fund will be needed to meet future ERVS costs and investment, transformation and modernisation costs going forward, particularly the enhanced use of digital technologies, and is a key element in ensuring the council's medium-term financial plan is sustainable.

D.3 Delivery of Approved 2022/23 Budget Savings

D.3.1 Summary update on outcome monitoring of approved savings for 2022/23

Based on the approved savings measures for 2022/23, Heads of Service have undertaken an exercise to assess the operational deliverability of the savings, using the following categorisation:

- Green – achieved or achievable with implementation plans being developed which are capable of achieving the saving.
- Amber – substantial work required but it is anticipated that a workable plan can be implemented or issues have emerged that require additional action to ensure deliverability. Includes where there is an identified means of delivery but staff may be potentially displaced.
- Red – cause for concern with significant issues identified which means the saving is undeliverable. Urgent action is required to ensure delivery.

Based on the exercise carried out the savings for 2022/23 are categorised 71% Green and 29% Amber. A summary of savings at a Head of Service level is provided in the following table.

Status	2022/23						
	Green £'000	**%**	**Amber £'000**	**%**	**Red £'000**	**%**	**Total £'000**
Corporate	225	92	20	8	0	0	245
Housing, Customer and Building Services	163	79	43	21	0	0	206
Operational Services	375	39	598	61	0	0	973
Social Policy - IJB	3,190	76	989	24	0	0	4,179
Social Policy - Non IJB	1,062	55	881	45	0	0	1,943
Planning, Economic Development and Regeneration	105	91	10	9	0	0	115
Education	819	93	61	7	0	0	880
Chief Executive, Finance and Property	540	100	0	0	0	0	540
Total	**6,479**	**71**	**2,602**	**29**	**0**	**0**	**9,081**

D.3.2 Summary of service monitoring of approved savings

For 2022/23 29% of approved savings are categorised as Amber and include the following material measures:

- Housing, Customer and Building Services: Localised models of partnership working (£37,000) - review of non-staffing costs such as repair costs and furniture provision for temporary tenancies to be carried out to deliver reductions;
- Operational Services: Twin Stream recycling (£496,000) – this change is currently being implemented. It will take a few months to ensure that the expected saving will be achieved.
- Operational Services: Introduction of charges for new replacement bins (£35,000) – work ongoing to deliver the saving;
- Social Policy (IJB): Development of residential facilities (£344,000) – further core and cluster units to be developed;
- Social Policy (IJB): Contributions Policy (£301,000) – contributions policy implemented and continues to be monitored to confirm deliverability of the savings;
- Social Policy (IJB): Remodel Housing with Care provision (£299,000) – consultation has been completed and restructure work developing to deliver the measure;
- Social Policy (Non IJB): Education placements and care arrangements for children with disabilities (£438,000) – further work to be undertaken to fully deliver the saving;
- Social Policy (Non IJB): Reduce cost of residential placements (£425,000) - impact of increasing continuing care placements being monitored;
- All services: Digital transformation (£248,000) Saving being delivered by services as an operational measure

Given the magnitude of the financial challenges facing the council, Heads of Service should take all action necessary to deliver the remaining amber savings by 31 March 2023.

D.4 Delivery of One-Off Resources

D.4.1 Summary update on One-Off Resources for 2022/23 and 2023/24

The revenue budget for 2022/23 and 2023/24 includes £43.848 million for one-off projects and investment. In summary, the variance between approved resources of £43.838 million and forecast spend in 2022/23 and 2023/24 is £5.651 million which consists of long-term earmarked resources of £5.136 million which will be spent from 2024/25 onwards and other net savings from specific projects of £515,000, both of which were reported in the month 4 update.

The update confirms that, in general terms, good progress is being made to deliver agreed one-off projects. Given the significant amount of one-off resource, Heads of Service should ensure their service continues to progress and fully implement these projects during 2022/23 and 2023/24. In particular, there are a number of areas where funding provided to mitigate the impact of Covid-19 on spend and income will end in 2022/23 and it will be important that services are making the necessary plans to ensure spend and income in these areas is managed within core recurring budget available.

The one-off projects will continue to be reviewed as part of the month 9 monitoring exercise which will be undertaken in January 2023 and a further update on progress being made by services to deliver these projects will be included within the report for Council Executive.

D.5 Summary Position for 2022/23

The outcome of the risk-based monitoring exercise at month 6 is an overspend of £4.446 million, consisting of an overspend on net service expenditure of £696,000 and further costs of £3.750 million in relation to the cost of the pay award, after taking account of funding from Scottish Government to help council manage the additional costs. Teachers and Chief Officers pay award negotiations are ongoing.

Material pressures have increased to £6.363 million and it will be important that Heads of Service are to implement the actions identified to mitigate these pressures.

An update on progress being made with the delivery of one-off projects in 2022/23 and 2023/24 indicates a variance between approved resources and forecast spend in 2022/23 and 2023/24 of £5.651 million, consisting of long-term earmarked resources of £5.136 million which will be spend from 2024/25 onwards and other net savings from specific projects of £515,000.

In line with the agreed position for month 4, the projected overspend will be funded from sums held in the General Fund balance, savings from one-off resources in 2022/23, the net saving in the committed General Fund balance of £3.850 million and additional savings from one-off resources in 2022/23 of £515,000.

Agreed Funding of Overspend of £4.446 million	**£'000**
General Fund Balance over £2 million	81
Retained savings in the Committed General Fund Balance	3,850
Savings from one-off resources in 2022/23	515
Total Balance of available one-off resources	**4,446**

D.6 Future budget issues and risks

There remains significant risks and uncertainties associated with the financial assumptions in the council's budget which continue to be monitored, including the recovery from Covid-19, the cost of living crisis and forecast energy prices which are continuing to rise significantly. Ongoing negotiations around the 2022/23 pay award which has yet to be agreed for Teachers and Chief Officers are also a risk. The magnitude of the financial challenges facing the council are unprecedented with substantial risks that are largely out with the council's control creating significant budget implications.

In addition, material pressures of £6.363 million are having an impact on the council being able to manage spending within the agreed budget. It is therefore essential that these savings are progressed to implementation and where material pressures remain, mitigating actions are taken to ensure existing pressures are managed on a recurring basis. Future pay awards will also be a key risk going forward.

E. CONCLUSION

The outcome of the risk-based monitoring exercise at month 6 is an overspend of £4.446 million, consisting of an overspend on net service expenditure of £696,000 and further costs of £3.750 million in relation to the cost of the pay award, after taking account of funding from Scottish Government to help the council manage the additional costs.

As agreed by Council Executive at month 4 the overspend is being funded from one-off resources. Material pressures have increased to £6.363 million and it will be important that Heads of Service are to implement the actions identified to mitigate these pressures.

Although good progress is being made in the delivery of approved budget reductions with 71% of savings in 2022/23 categorised as green, 29% are categorised as amber and require further action to enable full delivery. Heads of Service should take all action necessary to deliver these approved savings by 31 March 2023, given the magnitude of the financial challenges facing the council.

Finally, as funding for Covid-19 pressures and other council priorities is time limited, arrangements should be put in place by Heads of Service to ensure associated spend ceases in line with funding.

F. BACKGROUND REFERENCES

General Fund Revenue Budget – Month 4 Monitoring Report – Report by Head of Finance & Property Services – 4 October 2022

Draft 2021/22 General Fund Revenue Budget Outturn - Report by Head of Finance and Property Services – 15 February 2022

Revenue Budget 2022/23 - Report by Head of Finance and Property Services – 15 February 2022

Appendices/Attachments:

Appendix 1 Update on Material Pressures

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15 November 2022

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Appendix 1 – Update on Material Budget Pressures

2022/23 Forecast Variance at Month 6	Potential Recurring Pressure at Month 6	Update on agree actions in relation to the pressure
£'000	£'000	
1. Housing, Customer and Building Services – Homelessness - B&B Accommodation		
1,452	1,902	Average homeless numbers per night are 140 for the year to 16 October 2022. On that date there were also 150 clients in bed and breakfast. Due to the impact of Covid-19 there was an increase in the number of homeless presentations throughout 2020/21 and 2021/22 and the resulting rise in the cost of living is expected to add to this. This will also be impacted by availability of suitable temporary and permanent accommodation meaning that the demand of emergency accommodation is likely to increase, thus putting more pressure on the budget. The service is taking forward the actions in the Rapid Rehousing Transition Plan (RRTP) to reduce numbers of people presenting as homelessness as well as rehousing people who are homeless quicker and reducing the length of stay in temporary accommodation and B&B accommodation. The Housing Capital programme includes provision for additional housing stock through the new build projects, open market acquisitions and the mortgage to rent scheme, all of which are intended to mitigate some of the pressures on the homelessness budget as more housing stock becomes available to be let. In addition, the general fund capital programme includes funding for new supported housing for young people, which is anticipated to alleviate some of the pressure. On 4 October 2022, the Council Executive approved the purchase of up to 30 homes through the Open Market Acquisition Scheme which will be turned in to 60 shared living spaces. There is additional recurring budget of £550,000 and one-off funding of £450,000 in the revenue budget model from 2022/23 acknowledging that it will take time for the spend to reduce as action is taken by the service to reduce/mitigate costs. This has negated £1 million of the budget pressure in 2022/23 and £550,000 of the recurring budget pressure from 2023/24.

2022/23 Forecast Variance at Month 6	Potential Recurring Pressure at Month 6	Update on agree actions in relation to the pressure
£'000	£'000	
2. Housing, Customer and Building Services – Other Homeless Provision		
237	107	Outwith B&B costs, the main homeless budget pressures are electricity £15,000, property storage costs of £53,000 and void house rents of £46,000.
3. Housing, Customer and Building Services – Homeless Transport		
105	105	The contracts for the homeless school transport provision were put out to tender over the summer holidays. Due to the increased costs in fuel and overall cost of living, it was anticipated that tender values received were likely to increase to reflect this. The cost of the successful contract was around 30% higher than previous costs, meaning a pressure of £70,000 has been identified. Further to this, the number of families presenting as homeless has increased, meaning more school transport is required which has resulted in an increase in pressure to £105,000. New contracts will continue to be monitored closely throughout the financial year and any changes identified will be reflected in the forecast.
4. Operational Services – Public Transport Additional Support Needs (ASN)/Medical Transport		
406	579	ASN/Medical Transport cost pressures mainly result from higher costs following the recent re-tendering of these contracts and demand changes requested, or expected to be requested, by Education in relation to Small Group Setting and ASN Transport. A Public Transport and Education short-life working group is seeking ways to reduce the demand for these services with a view to eliminating this overspend. The recent re-tendering of these services provides a strong base for this exercise.
5. Operational Services – Mainstream School Transport		
0	368	The recent re-tendering of Mainstream School Transport contracts has created a budget pressure. This pressure is being relieved in 2022/23 through the use of one-off funding (£410,000). This funding ceases in 2022/23 thereby creating a recurring budget pressure. This recurring pressure can be mitigated by a reduction in service offering and Operational Services is currently considering how best to achieve this.

2022/23 Forecast Variance at Month 6	Potential Recurring Pressure at Month 6	Update on agree actions in relation to the pressure
£'000	£'000	
6. Operational Services – Vehicles		
1,692	1.692	Vehicle pressures in Operational Services largely arise from delays in vehicle procurement, which has resulted in an older, more expensive to maintain and run fleet as well as an increase in short-term hires, and an increase in the number of short-term hired vehicles. In addition, inflation is impacting vehicle costs including lease, hire, maintenance and fuel costs. Operational Services has set up a short-life working group to identify ways to reduce (as it is not considered possible to eliminate) these cost pressures.
7. Operational Services – Nets, Land & Countryside variable spend		
172	172	Variable costs have overspent for a period of time. Work continues to be undertaken by Operational Services to reduce this budget pressure.
8. Social Policy – Older People Care Homes – Absence Cover		
290	603	There are significant challenges throughout Scotland in terms of adult and older people social care staffing. Locally, staffing continues to be a challenge with recruitment ongoing to increase staff numbers and reduce the need for agency staff. An action plan for recruitment has been created and includes on-the-job training for those without the former qualification requirements, in order to attract new people into the care industry. Work is ongoing with West Lothian College to attract students into social care work. A recruitment campaign is also planned. In terms of pressures created by sickness absence levels, staff in older people's services will be able to access an intensive vocational rehabilitation service being tested in the Health & Social Care Partnership (HSCP) and it is expected that over time this may have some positive impact on absence levels and thus reduce cover costs. The service benefits in 2022/23 from mobilisation plan funding.
9. Social Policy – Residential Schools		
442	120	Current placements in external residential schools are higher than planned due to lack of alternative options over the last couple of years and increased rate of admission. Plans are underway to reduce the number of children in placements and to bring expenditure back down to a sustainable level for future years. The current forecast is based on plans to reduced the combined Residential and Secure numbers to 16 by the end of the year, with a number of potential moves. The recurring pressure for 2023/24 and bringing this back into budget will heavily depend upon management of new placements and keeping these to a minimum.

2022/23 Forecast Variance at Month 6	Potential Recurring Pressure at Month 6	Update on agree actions in relation to the pressure
£'000	**£'000**	
10. Education – Early Learning & Childcare (ELC) Provision		
197	715	The increase in flexibility and choice for parents/carers, as required by Scottish Government policy, has resulted in a significant increase in parents choosing funded placements in private providers. This has subsequently placed pressure on the revenue budget. The number of placements where parents have chosen a private provider has risen from 221 to 658 over the last four years. ELC policy is not currently fully funded by the Scottish Government. A new funding formula has been implemented from 2022/23 providing the council with an additional £932,000 in funding for ELC provision. Officers are continuing to actively work on this with COSLA / SG to get more funding to address this gap. Additional measures to address the pressure are being identified by the service and include: • Ongoing review of efficient staffing levels across all council settings, whilst maintaining regulatory ratios. • Ongoing review of the revenue funding required for the delivery of meal provision in ELC from August 2021 in relation to uptake. • Engagement with Scottish Government regarding council funding for the delivery of ELC as it is currently not part of Grant Aided Expenditure. • Officers have advised the Scottish Government ELC Delivery Team of the revenue funding impact of the scheme. • Development of blended options that may encourage increased use of council settings. Parents and carers are now able to purchase additional hours in six council settings.