
Report To:	Policy & Resources Committee	Date:	7 August 2018
Report By:	Chief Financial Officer	Report No:	FIN/69/18/AE/AP
Contact Officer:	Angela Edmiston	Contact No:	01475 712143
Subject:	Revenue Budget Outturn 2017/18 - Unaudited		

1.0 PURPOSE

1.1 The purpose of the report is to advise the Committee of the unaudited outturn of Service Committee Budgets for the year ending 31 March 2018 and to highlight any significant variances between revised budgets, period 11 reports and outturn per the 2017/18 Unaudited Accounts.

2.0 SUMMARY

2.1 Appendix 1 details the outturn (excluding earmarked reserves) per the unaudited accounts for 2017/18 and the variance between the outturn and the period 11 reports presented to the Policy & Resources Committee for all Service Committees 22 May 2018.

2.2 The outturn per the unaudited accounts shows an underspend for 2017/18 of £2,797,000 (Appendix 1) for all Service Committees (Inclusive of HSCP). This represents an underspend of 1.7% against 2017/18 revised budget of £167,681,000. The main areas of underspend relate to:

- Additional turnover savings achieved across the Council of £970,000.
- Release of contingencies not required throughout 2017/18 of £1,021,000.
- Additional Internal Resources Interest earned of £108,000.
- Over recovery of Statutory Additions Income and DWP income received of £92,000 relating to Welfare Reforms.
- Over recovery of income from Other Local Authorities and Early Years Wraparound Service of £76,000.
- Net over recovery of income across Environment, Regeneration & Resources Directorate of £149,000.
- Over recovery of prior years' Council Tax collection income of £96,000.
- Underspend within contract cleaning costs across Education and Communities Directorate of £120,000.
- Early achievement of 2018/20 savings within HSCP Directorate of £173,000

2.3 Appendix 1 shows a small increase in the underspend reported to the last Policy & Resources Committee (Period 11) of £159,000 (0.09%). Appendix 2 provides the material variances for individual Committees and further explanations for the significant variances during the year.

2.4 Many of the areas of underspend were addressed when preparing the 2018/19 budget or are being reviewed as part of the 2019/20 budget process. As part of the 2018/19 budget, various historic underspends were removed from the budget as approved by the September 2017 Policy and Resources Committee and further efficiencies were identified and removed from the budget as approved by the November 2017 Policy and Resources Committee. Appendix 2 highlights those areas that were adjusted during the 2018/19 budget process including a £200,000 increase in Council Tax Income Account.

- 2.5 The Council currently utilises smoothing earmarked reserves to deal with pressures arising from demand led services. This approach helps smooth out budget pressures over a number of years. Current smoothing earmarked reserves include Winter Maintenance, Residential Childcare, Older People Residential Care Homes, Microsoft Licensing and Loans Charges.
- 2.6 Overall, the unaudited accounts position reflects a free reserves position of £4.595m which is an increase of £1.343m since the budget was set in March 2018 and £0.544m greater than the position reported to the Policy & Resources Committee in May 2018. This excludes the Health & Social Care underspend as this will be retained by the IJB. The Committee has already agreed that any decision on the use of remaining free reserves will be deferred until the consideration of the 2019/20 Budget.

3.0 RECOMMENDATIONS

- 3.1 That the Committee notes the underspend per the unaudited accounts for 2017/18 of £2,797,000, the reasons for the material variances from budget and the 0.09% movement from Period 11 to Final Outturn.
- 3.2 That the Committee note that officers will identify any opportunities to adjust budgets from 2019/20 and include proposals in future Budget Reports.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

4.1 The purpose of this report is to advise the Committee of the outturn position per the unaudited accounts for 2017/18 and to highlight the main issues contributing to the underspend of £2,797,000. The report also informs the Committee of the movement since the last report to the Committee and the main issues contributing to the movement.

5.0 2017/18 UNAUDITED OUTTURN

5.1 It can be seen from Appendix 1 that the outturn per the unaudited accounts for 2017/18 is an underspend of £2,797,000 for all Service Committees. The outturn comprises an underspend of £1,645,000 within Policy & Resources Committee, £354,000 within Environment & Regeneration Committee, £364,000 within Education & Communities and £434,000 within Health & Social Care. It should be noted that the underspend within Health & Social Care will be retained by the IJB and not form part of the Council's reserves.

5.2 The main areas of underspend relate to additional turnover savings achieved, the release of inflation contingencies not required, an over-recovery in prior years Council Tax collection, early achievement of 2018/19 savings, an over recovery of income across all services and additional Internal Resources Interest earned. Appendix 2 provides more detailed material variances and reasons behind the underspend on a Committee by Committee basis.

5.3 Further underspends below £50,000 were incurred across all Services. The underspend in year has been partly offset by increased costs for client care package cost within Social Care Services.

5.4 It can be seen in Appendix 1, that the outturn (per the unaudited accounts) of £2,797,000 is a small movement of £159,000 since the last report to the Policy & Resources Committee in May 2018. Appendix 1 details the movement in underspend per Service Committee. Appendix 2 provides more details regarding the material variances since the Period 11 Policy & Resources Committee report and the reasons for these movements.

5.5 Further details on the 2017/18 outturn will be submitted to individual Committees with the first Revenue Monitoring Report for 2018/19 in the next Committee cycle.

5.6 The unaudited accounts position reflects free reserves of £4,595,000 at 31 March 2018. This is an increase in the reserves position of £1,343,000 since the budget was set in March 2018 and £544,000 greater than the position reported at the Policy & Resources Committee in May 2018. The free reserves position excludes the Health & Social Care underspend as this will be retained by the IJB. The Committee has already agreed that decisions on the use of remaining free reserves will be deferred until the consideration of the 2019/20 Revenue Budget.

6.0 OTHER INFORMATION

6.1 The accuracy of budgeting and projections is an important measure of the Council's Financial Management performance. The percentage variance for 2017/18 increased slightly from 2016/17 but remains at a significantly lower percentage than 2015/16. The increase in percentage underspend in 2017/18 is mainly due to the early implementation of savings planned for 2018/19 budget. Efficiencies and historic underspends were identified in 2017/18 to be removed as part of the 2018/19 budget and have been reported as underspends within the 2017/18 final outturn. The following shows the variance for the last 4 years and the percentage against revised revenue budget for the relevant year.

Year	Variance	Percentage Variance
2014/15	Underspend £4.395m	2.61%
2015/16	Underspend £5.814m	3.41%
2016/17	Underspend £2.243m	1.38%
2017/18	Underspend £2.797m	1.67%

- 6.2 As part of the 2018/19 budget process, decisions were taken to address underspends. Directorates identified a number of historic underspends and efficiencies within the budgets that have been removed as part of the 2018/19 budget process.
- 6.3 Officers will however use this latest information to identify further potential budget adjustments in order to reduce the funding gap over 2019/20.

7.0 IMPLICATIONS

7.1 FINANCE

All financial implications are discussed in detail within the report and presented in attached appendices.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs / (Savings)

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

7.2 LEGAL

There are no specific legal implications arising from this report.

7.3 HUMAN RESOURCES

There are no specific human resources implications arising from this report.

7.4 EQUALITIES

Has an Equality Impact Assessment been carried out?

Yes See attached appendix

No This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

7.5 REPOPULATION

There are no repopulation issues arising from this report.

8.0 CONSULTATIONS

- 8.1 The Corporate Management Team has been consulted in the preparation of this report.

9.0 BACKGROUND PAPERS

9.1 There are no background papers for this report.

POLICY & RESOURCES**REVENUE BUDGET PROJECTED POSITION AT PERIOD 11 TO FINAL OUTTURN**

OBJECTIVE ANALYSIS	Approved Budget 2017/18 £000	Period 11 Revised Budget 2017/18 £000	Period 11 Projection 2017/18 £000	Period 11 Projected Over/(Under) Spend 2017/18 £000	Final Over/(Under) Spend 2017/18 £000	Movement from Probable Outturn £000	Variance as % of Revised Budget
Policy & Resources	17,234	15,925	14,549	(1,376)	(1,645)	(269)	-10.33%
Education & Communities	90,127	83,865	83,524	(341)	(364)	(23)	-0.43%
Environment & Regeneration	21,397	20,836	20,617	(219)	(354)	(135)	-1.70%
Health & Social Care	47,420	47,055	46,353	(702)	(434)	268	-0.92%
COMMITTEE NET EXPENDITURE EXCLUDING EARMARKED RESERVES	176,178	167,681	165,043	(2,638)	(2,797)	(159)	-1.67%

Reasons: Final Outturn**POLICY & RESOURCES**

Additonal Turnover Savings Achieved	(58)
Improved collection for prior years council tax	(96)
Inflation Contingencies not used	(1,021)
Pension Costs Underspend	(57)
2017/18 Final Audit Fee Accrual Correction	72
Internal Resources Interest Over Recovery	(108)
Over Recovery of Statutory Additions Income & DWP Income	(92)
Various (Underspends)/Overspends all under £50k	(285)

(1,645)**Reasons: Movement Period 11 to Final Outturn****POLICY & RESOURCES**

2017/18 Final Audit Fee	77
Internal Resources Interest Over Recovery	(108)
Various (Underspends)/Overspends all under £50k	(238)

(269)

POLICY & RESOURCES**REVENUE BUDGET PROJECTED POSITION AT PERIOD 11 TO FINAL OUTTURN****EDUCATION & COMMUNITIES**

Additional Turnover Savings Achieved	(274)
Over Recovery of Income from Other Local Authorities & Wrapround	(76)
CCTV Line Rental overspend	52
Early Achievement of 2018/20 Savings	(120)
Various (Underspends)/Overspends all under £50k	54
	(364)

HEALTH & SOCIAL CARE

Additional Turnover Savings achieved	(398)
Overspend in client package costs across all Services	123
Early achievement of 2018/20 savings	(173)
Various (Underspends)/Overspends all under £50k	14
	(434)

ENVIRONMENT & REGENERATION

Additional Turnover Savings achieved	(240)
Underrecovery of Industrial, Commercial income	69
Overrecovery of Planning Income	(76)
Overspend within Central Repairs	65
Catering Provisions Underspend	(69)
Reduction in Residual Waste Contract	(67)
Over Recovery of Income across Directorate	(142)
Various (Underspends)/Overspends all under £50k	106
	(354)

EDUCATION & COMMUNITIES

Internal Catering Underspend	(55)
Underspend within Telephones and EMA Contribution	(53)
ASN Resources Overspend	80
Underspend in Internal Cleaning Charges	(60)
Various (Underspends)/Overspends all under £50k	65
	(23)

HEALTH & SOCIAL CARE

Funding set aside for 18/19 CFCR	260
Various (Underspends)/Overspends all under £50k	8
	268

ENVIRONMENT & REGENERATION

Central Repairs overspend	54
Over Recovery of Income across Directorate	(81)
Underspend within Building Service Unit	(73)
Various (Underspends)/Overspends all under £50k	(35)
	(135)

MATERIAL VARIANCES FROM BUDGET (OVER £50,000)**POLICY & RESOURCES COMMITTEE****1. Contingencies – Outturn Underspend £1,021,000 (37.4%)**

Due to a lower than anticipated requirement for non-pay and pay inflationary pressures, the Council underspent by £1,021,000. As part of the 2018/19 budget process, £1 million of non-pay inflation has been released over the 2018/20 budget period. A further £190,000 of pressures contingency was released in the 2018/19 budget.

2. Internal Resources Income – Outturn Over Recovery £108,000 (72%)

Due to an increase in interest rates, Internal Resources Interest received was £108,000 more than budgeted in 2017/18. A review of this budget will be undertaken as part of the 2019/20 budget process.

3. Turnover Savings – Outturn Underspend £58,000 (0.69%)

Turnover savings of £58,000 was achieved by the Committee for 2017/18. An increase in turnover target was approved during the 2018/19 budget process and as a result turnover targets have been increased by £92,000 for 2018/19.

4. Council Tax Prior Years Income – Outturn Over Recovery £96,000 (31%)

Due to improved collection rates, the Council over recovered prior years Council Tax Income for debts 2012/13 or earlier by £96,000. A budget increase of £50,000 was approved September 2017 as part of the 2018/19 budget process.

ENVIRONMENT & REGENERATION COMMITTEE**1. Turnover Savings – Outturn Over Recovery £240,000 (1.4%)**

The Services within the Environment & Regeneration Committee achieved additional Turnover Savings of £240,000 in 2017/18. An increase in turnover target was agreed as part of the 2018/19 budget and as a result turnover targets have been increased by £92,000 for 2018/19.

2. Planning Income – Outturn Over Recovery £76,000 (12.7%)

The Committee over recovered on planning income of £76,000 due to an increase in planning applications. A budget adjustment of £33,000 additional income was approved September 2017 as part of the 2018/19 budget process.

3. Crematorium and Burial Grounds – Outturn Over Recovery £73,000 (9.8%)

An over recovery of income for cremations was achieved during 2017/18 due to a higher number of cremations than budgeted. This was offset partly by an under recovery of income for Burials. This reflects recent trends and a virement between Crematorium Income and Burial Grounds Income has been reflected within the 2018/19 budget.

4. Building Services Unit – Outturn Over Recovery £67,000 (4.3%)

A net over recovery of income within Building Services Unit of £67,000 due to a reduction in projected use of sub-contractors.

5. Commercial and Industrial Rent – Outturn Under Recovery £69,000 (9.9%)

Due to a higher than budgeted level of voids, there is an under recovery of income for Commercial and Industrial Rent of £69,000. £60,000 was reported to the last Committee and represents an ongoing budget pressure which is being reviewed by Officers.

EDUCATION & COMMUNITIES

1. Turnover Savings – Outturn Over Recovery £274,000 (0.31%)

The Committee achieved additional Turnover Savings of £274,000. An increase in turnover target was agreed as part of the 2018/19 budget process and as a result turnover targets have been increased by £123,000 for 2018/19. A further increase in teachers' turnover target of £100,000 was also approved as part of the 2018/19 budget process.

2. Income from Other Local Authorities and Early Years Wrapround – Outturn Over Recovery £76,000 (0.09%)

The Committee over recovered in income from Other Local Authorities and Wrapround in 2017/18 by £76,000 mainly due to children from out with Inverclyde placed within Garvel and Craigmarloch. This was largely offset by increases in employee costs.

3. Contract Cleaning Charges – Outturn Underspend £120,000 (0.14%)

An underspend of £120,000 was achieved within Contract Cleaning charges across the Directorate due to early achievement of a saving due in 2018/19. £60,000 of this underspend was reported to the last Education Services Committee.

HEALTH & SOCIAL CARE COMMITTEE

1. Turnover Savings – Outturn Over Recovery £398,000 (1.51%)

The Committee produced additional turnover savings for 2017/18 of £398,000. An increase in turnover target was agreed as part of the 2018/19 budget process and as a result turnover targets have been increased by £193,000 for 2018/19.

2. Client Commitments – Outturn Overspend £123,000 (1.12%)

Client Commitments overspent by £123,000 during 2017/18. Increased costs were incurred due to increased client packages mainly within Learning Disability. During 2017/18, the Directorate commenced a review on care packages to address the overspend. A budget pressure of £292,000 was approved as part of the budget process in order to address the rising costs of care packages within the Learning Disability Client group.

3. Early Achievement of Savings – Outturn Underspend £173,000 (100%)

During the 2018/19 budget process, a number of budget adjustments or efficiencies were approved by Committee to be removed from the 2018/19 budget. As a result, the Directorate reported no spend against these areas for 2017/18 and this was reported to Committee during 2017/18.

GENERAL FUND**1. Council Tax Income Account – Outturn Over Recovery of £333,000 (1.16%)**

Due to an increase in Council Tax base within Inverclyde, Council tax income was over recovered by £290,000. An over recovery of £43,000 was achieved as a result of the premiums charged to second homes and long term empty properties. An increase to the Council Tax Income budget of £200,000 was approved September 2017 as part of the 2018/19 budget process.

2. General Revenue Grant/Non Domestic Rates – Over Recovery of £208,000 (0.13%)

Due to additional grant redeterminations from the Scottish Government as part of the January funding announcement, £149,000 of funding received was not required by Services in 2017/18. This additional funding has been either addressed during the 2018/19 budget process or was received on a one off basis. An additional £59,000 was retained by the Council for exceeding the Business Rates Incentivisation Scheme target for Non-Domestic Rates Income. This is the first time the Council has achieved the target and has been classed as one off income for 2017/18.