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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b> 21 May 2019
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b> FIN/51/19/AP/AE
<b>Contact Officer:</b>	<b>Alan Puckrin</b>	<b>Contact No:</b> 01475 712223
<b>Subject:</b>	<b>2018/19 General Fund Revenue Budget as at 28 February 2019</b>	

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### 1.0 PURPOSE

- 1.1 The purpose of this report is to advise the Committee of the position of the General Fund Revenue Budget as at 28 February 2019 and to update the Committee in respect of the position of the General Fund Reserves and Earmarked Reserves.

### 2.0 SUMMARY

- 2.1 The Council approved the 2018/19 Revenue Budget in March 2018 and set a budget without the use of Revenue Reserves. It should be noted that Inverclyde Council approved a Committee and Senior Management restructure on 22 February 2018 and these changes have been reflected in the 2018/19 Revenue Budget reports to the individual Service Committees.

- 2.2 It can be seen from Appendix 1 that as at 28 February 2019 the General Fund is projecting a £1.371 million underspend (excluding Health & Social Directorate) which represents 0.71% of the net Revenue Budget and is an increase of £142,000 from the previous report. This is mainly due to:

- Release of non-pay inflation not required (£728,000).
- Projected over recovery Internal Resources Interest (£100,000).
- Net additional turnover savings achieved, including early achievement of savings (£578,000).
- Over Recovery of Planning Development Control Income (£157,000).

This has been offset in part by a projected overspend against the 2018/19 Pay Award allowance, an under recovery of Refuse Collection trade waste income and an overspend in the Recycling contract due to additional costs incurred as a result of the main recycling contractor going into administration. The items above were all considered as part of the 2019/20 Budget.

- 2.3 From appendix 1 it can be seen that all Service Committees are currently projecting underspends. The Health and Social Care Partnership is currently projecting an underspend of £793,000, however any resulting underspend will be retained by the Integration Joint Board.
- 2.4 Appendix 2 shows the latest position in respect of Earmarked Reserves, excluding those relating to Asset Plans and Funding Models. It can be seen that as at 28 February 2019 expenditure totalled £2.177 million which equates to 76.41% of the planned spend in 2018/19. It can also be seen from Appendix 2 that at 28 February 2019 actual expenditure is 25.67% behind phased budget. Write backs of £1.460 million were approved as part of the 2019/20 Budget and these have been reflected in both appendix 2 and appendix 3.
- 2.5 Appendix 3 shows the latest position in respect of the General Fund Reserves and shows that the projected balance at 31 March 2019 is £3.641 million which is £0.159 million less than the minimum recommended balance of £3.8 million. This is after a contribution of £0.340 million from the budget smoothing reserve, approved in March 2019.

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### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Committee notes the latest position of the 2018/19 Revenue Budget and General Fund Reserves.
  
- 3.2 It is recommended that the use of any Free Reserves over and above the £3.8 million be considered as part of the 2020/23 budget process.

**Alan Puckrin**  
**Chief Financial Officer**

## 4.0 BACKGROUND

- 4.1 The Council approved the 2018/19 Revenue Budget in March 2018 and set a balanced budget without the use of Reserves.

## 5.0 POSITION AS AT 28 FEBRUARY 2019

- 5.1 It can be seen from Appendix 1 that as at 28 February 2019 the General Fund is projecting an underspend of £1.371 million which equates to 0.71% of the net General Revenue Fund Budget and is an increase of £142,000 from the previous report.
- 5.2 Appendix 1 shows that all Service Committees are currently projecting underspends.
- 5.3 In summary the main issues relating to the four Service Committees are as follows:-

Policy & Resources Committee – Projected underspend of £778,000 (4.19%) mainly due to release of non-pay inflation contingency not required and a projected over recovery of Internal Resources Interest. These matters were factored into the 2019/20 Base Budget.

Environment & Regeneration – Projected underspend of £383,000 (1.69%) mainly due additional turnover savings, a projected over recovery in industrial & commercial rent income, an underspend in Roads Client Maintenance costs and additional turnover savings projected offset by a projected shortfall of refuse collection trade waste income. In addition, the Committee is reporting an overspend of £118,000 within the Recycling contract arising from the main recycling contractor entering administration. This extra cost will be contained by the Committee in 2018/19.

Education & Communities - £56,000 (0.07%) projected underspend mainly due to additional turnover savings and a projected underspend within Teachers employee costs. This has been offset in part by a projected overspend on utility costs and a projected shortfall in library income and golf course income.

Health & Social Care – Projected underspend of £793,000 (1.66%) mainly due to a projected increase in turnover savings being achieved, a number of the vacancies were considered as part of the recent budget discussions or formed part of the decisions taken in March 2018. In addition, there are projected underspends in Client care packages within Learning Disability Services and Addiction Services both as a result of approved Service Reviews agreed as part of the 2018/19 budget setting decisions and a refund from an external provider relating to previous years' service provision. The Committee underspend will be retained by the Integration Joint Board.

- 5.4 Appendix 2 shows the latest position in respect of the Earmarked Reserves and provides information on performance against phased budget. The Committee is asked to note that the phasing is not amended during the year and provides a useful benchmark for Officers and Members to monitor performance against originally envisaged targets. The Earmarked Reserve statement excludes those funds that relate to Assets Plans or Funding Models.
- 5.5 As at 28 February 2019 the Council has spent £2.177 million against a phased budget target of £2.929 million. This represents 25.67% behind the target phasing and spend equates to 76.41% of the projected spend for 2018/19. Performance in respect of Earmarked Reserves is reviewed by the Corporate Management Team and reported in detail to each Service Committee. Write backs of £1.460 million of earmarked reserves were approved during 2018/19 which have been reflected in appendix 2.

5.6 Appendix 3 shows the latest position in respect of the General Fund Reserves and shows that the projected unallocated balance at 31 March 2019 is £3.641 million which is £0.159 million less than the minimum recommended balance of £3.8 million. This is after a contribution of £0.340 million from the budget smoothing reserve, approved in March 2019. If the final free reserves position exceeds £3.8 million at 31 March 2019 the £0.340 million will be returned back to Budget Smoothing earmarked reserve.

This position reflects the decisions taken at the Council budget meeting on 21 March 2019 and reflects write back of earmarked reserves approved as part of the 2019/20 Budget.

## 6.0 CONSULTATION

6.1 This report has been produced utilising the detailed budget reports to each Committee.

## 7.0 IMPLICATIONS

### 7.1 Finance

One off Costs

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

Annually Recurring Costs

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (if Applicable)	Other Comments
N/A	N/A	N/A	N/A	N/A	N/A

### 7.2 Legal

There are no legal implications arising from this report.

### 7.3 Human Resources

There are no HR implications arising from this report.

### 7.4 Equalities

There are no equality implications arising from this report.

### 7.5 Repopulation

There are no repopulation implications arising from this report.

## 8.0 BACKGROUND PAPERS

8.1 None

**Policy & Resources Committee****Revenue Budget Monitoring Report****Position as at 28th Feb 2019**

Committee	Approved Budget 2018/2019	Revised Budget 2018/2019	Projected Out-turn 2018/2019	Projected Over/(Under) Spend	Percentage Variance
	£,000's	£,000's	£,000's	£,000's	
Policy & Resources	19,474	18,567	17,789	(778)	(4.19%)
Environment & Regeneration	20,521	22,667	22,284	(383)	(1.69%)
Education & Communities <b>(Note 1)</b>	90,235	81,248	81,192	(56)	(0.07%)
Health & Social Care	47,794	47,797	47,004	(793)	(1.66%)
<b>Committee Sub-Total</b>	<b>178,024</b>	<b>170,279</b>	<b>168,269</b>	<b>(2,010)</b>	<b>(1.18%)</b>
Loan Charges (Including SEMP)	12,500	17,028	17,028	0	0.00%
Savings Achieved Early <b>(Note 2)</b>	95	128	0	(128)	(100.00%)
Contribution to / (from) Statutory Funds	(240)	(240)	(240)	0	0.00%
Earmarked Reserves <b>(Note 3)</b>	0	4,100	4,100	0	0.00%
<b>Total Expenditure</b>	<b>190,379</b>	<b>191,295</b>	<b>189,157</b>	<b>(2,138)</b>	<b>(1.12%)</b>
<b>Financed By:</b>					
General Revenue Grant/Non Domestic Rates	(160,030)	(160,946)	(160,972)	(26)	0.02%
General Revenue Grant Redetermination	(523)	(523)	(523)	0	0.00%
Council Tax	(29,826)	(29,826)	(29,826)	0	0.00%
Integration Joint Board - Increase in Reserves	0	0	793	793	100.00%
<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>(1,371)</b>	<b>(1,371)</b>	

**Note 1 - Reduction reflects loans charges and earmarked reserves.****Note 2 - Efficiencies/adjustments identified post budget setting removed from Service Committee budgets.****Note 3 (Earmarked Reserves)**

SEMP	1,684
DMR	200
ASN	57
Riverside Inverclyde	617
AMP	591
Vehicle Replacement Programme	281
Microsoft Licensing	300
Digital Strategy	50
HSCP - CJA Preparatory Work	75
HSCP - Whole Systems Approach	25
HSCP - C&F employee cost underspend	144
HSCP - Your Voice	12
HSCP - Franks Law	34
HSCP - RRTP	30

**Contribution to General Earmarked Reserves** **4,100**

**Earmarked Reserves Position Statement**

**Appendix 2**

**Summary**

<b><u>Committee</u></b>	<b><u>Total Funding 2018/19</u></b>	<b><u>Phased Budget to 28 Feb 2019</u></b>	<b><u>Actual Spend To 28 Feb 2019</u></b>	<b><u>Variance Actual to Phased Budget</u></b>	<b><u>Projected Spend 2018/19</u></b>	<b><u>Earmarked 2019/20 &amp; Beyond</u></b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Education & Communities	1,276	384	267	(117)	382	894
Health & Social Care	1,860	977	891	(86)	1,003	857
Regeneration & Environment	3,865	1,096	690	(406)	1,028	2,837
Policy & Resources	2,297	472	329	(143)	436	1,861
	<b>9,298</b>	<b>2,929</b>	<b>2,177</b>	<b>(752)</b>	<b>2,849</b>	<b>6,449</b>

<b><u>2018/19 %age Spend Against Projected</u></b>	<b><u>2018/19 %age Over/(Under) Spend Against Phased Budget</u></b>
69.90%	(30.47%)
88.83%	(8.80%)
67.12%	(37.04%)
75.46%	(30.30%)
<b>76.41%</b>	<b>(25.67%)</b>

**Actual Spend v Phased Budget Behind Phasing = (£752k) (25.67%)**

**Last Update (Period 10) Behind of Phasing (£632k)**

**Movement in slippage v Phasing £120k**

**Appendix 3**

**GENERAL FUND RESERVE POSITION**

**Position as at 28/02/19**

	<u>£000</u>	<u>£000</u>
Balance 31/03/18		13447
Projected Surplus/(Deficit) 2018/19	1371	
Contribution from Budget Smoothing Earmarked Reserve <b>Note 1</b>	<u>340</u>	
		1711
<b><u>Proposed Write back of Earmarked Reserves:</u></b>		
SEMP Model Balance	200	
Major Events	195	
Riverside Inverclyde	350	
VRP Balance	100	
CEF Energy Audit	60	
Traffic Management Studies	30	
Welfare Reform Operational	80	
Budget Development	25	
Contingency	80	
GDPR	75	
Microsoft Licensing	<u>265</u>	
		1460
Refund from Mortgage Guarantee Reserve		50
Approved Use of Free Reserves (March 2018) <b>Note 2</b>		(8858)
Approved Use of Free Reserves (January 2019)		(169)
Approved Use of Free Reserves (March 2019) <b>Note 3</b>		<u>(4000)</u>
Projected Unallocated Balance 31/03/19		<u><b>3641</b></u>

**Minimum Reserve required is £3.8 million**

**Note 1** £340k budget smoothing earmarked has been utilised to fund use of Free Reserves approved March 2019. If the free reserves exceed the minimum reserves of £3.8 million then this will be returned back to the Smoothing Earmarked Reserve.

**Note 2 (Use of Reserves)**

Apprenticeship Programmes	170
Dementia and Autism Friendly Community	200
1 Youth Zones	186
Anti- Poverty Fund	200
Community Fund	215
Major Events 2019/21	345
Inverkip Community Hub	50
Demolish Redundant Buildings	150
Contingency Reserve	120
Indoor Bowling Club	100
Beacon Arts Centre - Repairs and Renewals Fund	120
Lady Alice Bowling Club	65
Indoor Tennis Facility	150
Inverclyde Leisure Spend to Save Investment	1300

### Appendix 3

#### GENERAL FUND RESERVE POSITION

##### Position as at 28/02/19

Cremator Replacement	850
Capital Programme 2018/21 Deficit	467
3 to 4 Traffic Management Studies	30
Passing places Kirn Drive	200
Refurbishment of Ashton Prom	50
Gourock Park Improvements	20
Extend Gourock Pool Opening Times	16
Roads/Footways Investment	204
GDPR	150
Budget Strategy Reserves	3000
Repopulation Strategy	500
	<u>8858</u>

##### **Note 3 (Use of Reserves)**

Clune Park Area	850
Grieve Road Community Centre	200
Roads Defect & Drainage	200
Greenock Town Centre Purchases	325
2019/23 Capital Programme	450
Youth Connections Building Repairs	100
Year of the Young People Legacy	100
Play Area Strategy	250
Refurbishment Weymss Bay Community Centre	100
Safer Street Initiative	150
Seed funding for active travel with Inverclyde	50
Equally Safe	10
Conservation Area Grants	80
Repairs Comet	50
Drumshantie Road car park	80
Resurface Auchneagh Farm Lane	10
Extended hours Gourock Pool - 2019	15
IL - PG Pool spend to save	150
Pay & Grading Model - Funding 2019/20	830
	<u>4000</u>