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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>17 September 2019</b>
<b>Report By:</b>	<b>Chief Executive, Corporate Director Environment, Regeneration &amp; Resources, Corporate Director Education, Communities &amp; Organisational Development and Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/78/19/AP/AE</b>
<b>Contact Officer:</b>	<b>Angela Edmiston</b>	<b>Contact No:</b>	<b>01475 712143</b>
<b>Subject:</b>	<b>Policy &amp; Resources Committee 2019/20 Revenue Budget – Period 4 to 31 July 2019</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to advise the Committee of the 2018/19 Revenue Budget out-turn and the 2019/20 projected out-turn for the Policy & Resources Committee as at period 4, 31 July 2019.

## 2.0 SUMMARY

- 2.1 In 2018/19 the underspend was £1,925,000, details of which are shown in Section 5 of the report.
- 2.2 The major variances making up this underspend are as follows:
- a) Inflation & Pressures contingencies underspend returned to reserves £1,174,000.
  - b) Internal Resource Interest over-recovery £343,000.
  - c) £90,000 over-recovery of ICT income.
  - d) £79,000 additional turnover savings.
- 2.3 The total revised Committee budget for 2019/20 is £17,026,000. This excludes Earmarked Reserves of £2,740,000.
- 2.4 The latest projection, excluding Earmarked Reserves, is an underspend of £1,067,000 (6.27%).
- 2.5 The main reasons for this underspend are:
- a) £250,000 projected underspend of non-pay inflation contingency
  - b) £500,000 projected underspend of pay inflation contingency
  - c) £250,000 over recovery of Internal Resource Interest
- 2.6 The Earmarked Reserves for 2019/20 totals £2,740,000 of which £1,662,000 is projected to be spent in the current financial year. To date expenditure of £139,000 (8.36%) has been incurred which is £31,000 less than the phased budgeted spend to date. It is to be noted that Earmarked Reserves reported in Appendix 4 excludes Earmarked Reserves for Asset Plans and Strategic Funds.
- 2.7 The Common Good Fund is projecting a surplus fund balance at 31 March 2020 of £75,130.

### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Committee notes the 2018/19 Revenue Budget out-turn and the 2019/20 projected underspend of £1,067,000 for the Policy and Resources Committee as at Period 4, 31 July 2019.
- 3.2 It is recommended that the Committee notes the projected 2019/20 surplus of £48,600 for the Common Good Fund.
- 3.3 It is recommended that the Committee approve the virement detailed in Appendix 6.

Aubrey Fawcett  
Chief Executive

Alan Puckrin  
Chief Financial Officer

Ruth Binks  
Corporate Director  
Education, Communities  
& Organisational Development

Scott Allan  
Corporate Director  
Environment, Regeneration &  
Resources

#### 4.0 BACKGROUND

4.1 The purpose of this report is to advise the Committee of the current position of the 2019/20 budget as well as the 2018/19 out-turn and to highlight the main issues contributing to the underspend of £1,925,000 in 2018/19 and projected underspend of £1,067,000 in 2019/20.

#### 5.0 2018/19 OUT-TURN

5.1 The main variations from budget in 2018/19 were:

	Revised Budget 2018/19	Out-turn 2018/19	Variance to Budget	Variance to Budget	Movement since P11 Outturn Projection
	£000	£000	£000	%	£000
Finance	7,701	7,327	(374)	(4.85)	(168)
Legal & Property Services	1,701	1,707	6	0.35	(26)
<b>Total Net Expenditure Environment, Regeneration &amp; Resources</b>	<b>9,402</b>	<b>9,034</b>	<b>(368)</b>	<b>(3.91)</b>	<b>(194)</b>
Organisational Development, Human Resources & Communications	1,995	1,992	(3)	(0.15)	4
<b>Total Net Expenditure Education, Communities &amp; Organisational Development</b>	<b>1,995</b>	<b>1,992</b>	<b>(3)</b>	<b>(0.15)</b>	<b>4</b>
Chief Executive	339	312	(27)	(0.79)	(2)
Miscellaneous	7,179	5,652	(1,527)	(21.27)	(955)
<b>TOTAL NET EXPENDITURE</b>	<b>18,915</b>	<b>16,990</b>	<b>(1,925)</b>	<b>(10.17)</b>	<b>(1,147)</b>
Earmarked reserves	(350)	(350)	0	0	0
<b>Total Net Expenditure (Excluding Earmarked Reserves)</b>	<b>18,565</b>	<b>16,640</b>	<b>(1,925)</b>	<b>(10.36)</b>	<b>(1,147)</b>

5.2 The following material variances relate to the Environment, Regeneration & Resources Directorate:

#### **Finance - £374,000 underspend (£168,000 increase in underspend since P11)**

Employee Costs: Final outturn is £67,000 underspend due to additional turnover savings being achieved. This is a £6,000 reduction in costs since last reported to the Committee.

Admin Costs: £40,000 underspend mainly due to a £35,000 overspend within Legal Expenses Sheriff Officer, offset within income. Various underspends being projected, which include £27,000 for ICT corporate calls and £25,000 postage costs within Revenues following a move to increased electronic communication. Overall decrease in spend of £47,000 since last reported to the Committee.

Other Expenditure: An overspend of £17,000 projected to the Committee mainly due to £35,000 reduction in Bad Debt Provision due to the reduced amount of Housing Benefit debt now raised due to Universal Credit, offset by under-recovery in income. Also £28,000 underspend due to the Universal Support payment to River Clyde Homes being less than budget. Overall increase in spend of £89,000 since last reported to the Committee.

Income: An over-recovery of £210,000 is being projected. This is mainly due to a £19,000 over-recovery within Legal fee income and £34,000 ICT income for Line Rental charges which are offset within Admin Costs. Also £118,000 over-recovery in Housing Benefit recoveries which is largely offset by a reduced Bad Debt Provision.

In addition, one-off income of £28,000 within ICT received from Education PEF funding and other ICT service charges and £44,000 over Recovery within Revenues mainly due to additional one-off grant funding from the DWP. Partially offset by an under recovery of prior years' Council Tax Income of £46,000.

**Legal & Property - £6,000 overspend (decrease of £26,000 since P11)**

Income: Final outturn is £44,000 over-recovery. This is an increase in income of £69,000 since last reported to Committee mainly due to £25,000 licensing recharge and £35,000 employee recharge off-set within employee costs.

- 5.3 The following material variances relate to the Education, Communities & Organisational Development Directorate:

**Organisational Development, H.R. & Communications - £3,000 underspend (increase of £4,000 since P11)**

Various projected overspends all of which are below £10,000.

- 5.4 The following material variances relate to the Miscellaneous budget.

**Miscellaneous – £1,527,000 underspend (£955,000 increase in underspend since P11)**

Non-Pay Inflation Contingency: Final underspend of £804,000 based on actual calls on inflation contingency. Increase in underspend of £76,000 since last reported to the Committee. Non-Pay Inflation Contingency reduced by £497,000 in 2019/20 budget and is to be reviewed as part of the 2020/21 Budget process.

Pay Inflation Contingency: Final underspend of £370,000 due to lower than anticipated requirements, mainly auto-enrolment costs being contained within the Service. Increase in underspend of £634,000 since last reported to the Committee.

Internal Resource Interest: Final out-turn is £343,000 over-recovery. This is an increase of £243,000 since reported at the Committee. A review of this budget was undertaken as part of the 2019/20 budget process and the recovery target was increased by £100,000 with a further increase being proposed for 2020/21.

**6.0 2019/20 CURRENT POSITION**

- 6.1 The current projection is an underspend of £1,067,000. The following are the material variances:

- 6.2 The following material variances relate to the Environment, Regeneration & Resources Directorate:

**Finance - £91,000 underspend**

Employee Costs: £39,000 projected underspend mainly due to additional turnover savings.

Other Expenditure: An underspend of £30,000 across various overhead budgets all under £10,000.

Income: An over-recovery of £25,000 is being projected. This is due to various minor over-recoveries all under £10,000.

### **Legal & Property - £2,000 underspend**

Projected underspends are all below £20,000.

- 6.3 The following material variances relate to the Education, Communities & Organisational Development Directorate:

### **Organisational Development, H.R. & Communications - £16,000 overspend**

Various projected overspends, all of which are below £10,000.

- 6.4 The following material variances relate to the Miscellaneous budget.

### **Miscellaneous – £1,000,000 underspend**

Non-Pay Inflation Contingency: There is a projected underspend of £250,000 based on current estimated calls on inflation contingency.

Pay Inflation: Currently projecting £500,000 underspend due to a reduced call on Teachers Pay Inflation than originally estimated due to Scottish Government contribution and Auto enrolment costs now contained within the Service.

Internal Resource Interest: Projecting a £250,000 over-recovery of income based on 2018/19 out-turn after a budget increase of £100,000 in 2019/20. The projected over-recovery will be considered as part of the 2020/23 draft budget.

- 6.5 The position relates to the Chief Executive budget.

### **Chief Executive – £10,000 overspend**

Projected variances are all below £10,000.

## **7.0 VIREMENT**

- 7.1 The Committee is asked to approve the virement of £43,000, no net impact within the Policy & Resources Committee, as detailed in Appendix 6. Virement has been reflected within this report.

## **8.0 EARMARKED RESERVES**

- 8.1 Appendix 4 gives a detailed breakdown of the current earmarked reserves position. Total funding is £2,740,000 of which £1,662,000 is projected to be spent in 2019/20 and the remaining balance of £1,078,000 to be carried forward to 2020/21 and beyond. It can be seen that expenditure of £139,000 has been achieved which is £31,000 less than the phased budgeted spend to date and represents 8.36% of the annual projected spend.

A further £500,000 was agreed at the August Policy & Resources Committee for a Spend to Save Earmarked Reserve with the majority of spend being incurred in future years.

## **9.0 COMMON GOOD FUND**

- 9.1 The Common Good Fund is projecting a surplus in 2019/20 of £48,600.

## 10.0 IMPLICATIONS

### 10.1 Finance

#### Financial Implications:

##### 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	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
N/A					

### 10.2 Legal

There are no specific legal implications arising from this report.

### 10.3 Human Resources

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

### 10.4 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.

### 10.5 Repopulation

There are no repopulation issues arising from this report.

## 11.0 CONSULTATIONS

11.1 The Chief Executive, Corporate Director Environment, Regeneration & Resources, Corporate Director Education, Communities & Organisational Development and the Chief Financial Officer have been consulted in the preparation of this report.

## 12.0 CONCLUSIONS

12.1 That the Committee note the 2018/19 Revenue Budget out-turn and the 2019/20 projected underspend of £1,067,000 for the Policy and Resources Committee as at Period 4, 31 July 2019.

## **13.0 BACKGROUND PAPERS**

13.1 There are no background papers for this report.

**Policy & Resources Budget Movement - 2019/20****Period 4: 1st April - 31st July 2019**

Service	Approved Budget	Movements			Revised Budget	
	2019/20 £000	Inflation £000	Virement £000	Supplementary Budgets £000	Transferred to EMR £000	2019/20 £000
Finance	7,933	70			(300)	7,703
Legal	1,860					1,860
Organisational Development, HR & Communications	2,061					2,061
Chief Exec	318					318
Miscellaneous	6,053	(969)				5,084
<b>Totals</b>	<b>18,225</b>	<b>(899)</b>	<b>0</b>	<b>0</b>	<b>(300)</b>	<b>17,026</b>

**Supplementary Budget Detail**

£000

Inflation

Miscellaneous Inflation breakdown:

Miscellaneous Pay Inflation

(731)

Miscellaneous Non Pay Inflation

(238)

Finance - Various annual inflationary increases

70

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(899)**Total Inflation & Virements**

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**(899)**

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**REVENUE BUDGET MONITORING REPORT****CURRENT POSITION****PERIOD 4: 1st April 2019- 31st July 2019**

2018/19 Actual £000	SUBJECTIVE ANALYSIS	Approved Budget 2019/20 £000	Revised Budget 2019/20 £000	Projected Out-turn 2019/20 £000	Projected Over/(Under) Spend £000
9,075	Employee Costs	8,685	8,675	8,657	(18)
534	Property Costs	564	563	564	1
673	Supplies & Services	932	986	996	10
3	Transport & Plant	4	4	4	0
1,503	Administration Costs	1,345	1,335	1,326	(9)
33,812	Payments to Other Bodies	36,048	35,054	34,279	(775)
(32,147)	Income	(29,353)	(29,291)	(29,567)	(276)
<b>13,454</b>	<b>TOTAL NET EXPENDITURE</b>	<b>18,225</b>	<b>17,326</b>	<b>16,259</b>	<b>(1,067)</b>
	Earmarked reserves		(300)	(300)	0
<b>13,454</b>	<b>Total Net Expenditure excluding Earmarked Reserves</b>	<b>18,225</b>	<b>17,626</b>	<b>16,559</b>	<b>(1,067)</b>

2018/19 Actual £000	OBJECTIVE ANALYSIS	Approved Budget 2019/20 £000	Revised Budget 2019/20 £000	Projected Out-turn 2019/20 £000	Projected Over/(Under) Spend £000
7,278	Finance	7,933	8,004	7,913	(91)
1,772	Legal Services	1,860	1,860	1,858	(2)
<b>9,050</b>	<b>Total Net Expenditure Environment, Regeneration &amp; Resources</b>	<b>9,793</b>	<b>9,864</b>	<b>9,771</b>	<b>(93)</b>
2,075	Organisational Development, Human Resources & Communications	2,061	2,061	2,077	16
<b>2,075</b>	<b>Total Net Expenditure Education, Communities &amp; Organisational Development</b>	<b>2,061</b>	<b>2,061</b>	<b>2,077</b>	<b>16</b>
321	Chief Executive	318	318	328	10
2,007	Miscellaneous	6,053	5,084	4,084	(1,000)
<b>13,454</b>	<b>TOTAL NET EXPENDITURE</b>	<b>18,225</b>	<b>17,326</b>	<b>16,259</b>	<b>(1,067)</b>
	Earmarked reserves		(300)	(300)	0
<b>13,454</b>	<b>Total Net Expenditure excluding Earmarked Reserves</b>	<b>18,225</b>	<b>17,626</b>	<b>16,559</b>	<b>(1,067)</b>

	Approved Reserves £000	Revised Reserves £000	19/20 Budget £000	Projected Spend £000	Projected Carry Forward £000
Earmarked Reserves	14,994	16,964	3,992	3,992	12,972
CFCR	0	450	450	450	0
<b>Policy &amp; Resources Overall Expenditure</b>	<b>14,994</b>	<b>17,414</b>	<b>4,442</b>	<b>4,442</b>	<b>12,972</b>

**POLICY & RESOURCES****REVENUE BUDGET MONITORING REPORT****MATERIAL VARIANCES (EXCLUDING EARMARKED RESERVES)****PERIOD 4: 1st April 2019- 31st July 2019**

Outturn 2018/19 £000	Budget Heading	Budget 2019/20 £000	Proportion of Budget £000	Actual to 31/07/19 £000	Projection 2019/2020 £000	Over/(Under) Budget £000
	<b><u>Finance/ICT</u></b>					
5,178	Employee Costs	5,300	1,671	1,658	5,261	(39)
10	Supplies & Services - Computer Software	3	2	7	23	20
0	PTOB - Payments to Other Bodies	46	8	0	16	(30)
	<b><u>Legal Services</u></b>					
	No material variances					0
	<b><u>Miscellaneous</u></b>					
1,651	Non-pay Inflation Contingency	2,602	20	20	2,352	(250)
3,423	Pay Inflation Contingency	1,042	5	5	542	(500)
(493)	Internal Resource Interest	(250)	0	0	(500)	(250)
<b>9,769</b>	<b>TOTAL MATERIAL VARIANCES</b>	<b>8,743</b>	<b>1,706</b>	<b>1,690</b>	<b>7,694</b>	<b>(1,049)</b>

## EARMARKED RESERVES POSITION STATEMENT

COMMITTEE: Policy &amp; Resources

Project	Lead Officer/ Responsible Manager	Total Funding	Phased Budget To Period 4	Actual To Period 4	Projected Spend	Amount to be Earmarked for 2020/21 & Beyond	Lead Officer Update
		2019/20	2019/20	2019/20	2019/20		
		£000	£000	£000	£000	£000	
Digital Strategy	Alan Puckrin	197	40	35	139	58	KANA upgarde and Revenues citizens access progressing.
Welfare Reform - Operational	Alan Puckrin	229	21	19	76	153	Being used to pay for additional temporary employees to address workload demands
Budget Development	Alan Puckrin	26	0	0	14	12	£22k of uncommitted projects to date, £10k of which will be spent in 2019/20.
2013/18 Revenue Contingency	Alan Puckrin	73	0	0	35	38	Projects to date include £10k Jewish Heritage Centre, £5k for Gourock Highland Games & £9k for The Great Get Together. Total uncommitted funds in 2019/20 of £22k.
Anti-Poverty Fund	Alan Puckrin	1,302	100	77	515	787	Wi Fi in Community Centres being progressed. Update on progress with other spend included in the September Welfare Reform update
GDPR	Gerry Malone	67	1	1	37	30	Estimated spend of £37k this financial year on training, ICT requirements, storage and CPD.
Develop Pay & Grading Model	Steven McNab	16	8	7	16	0	Staffing resources to assist with the development and implementation of pay and grading Model. Grade H (22.75hrs) to 31/10/19.
Pay & Grading Model - Funding for 2019/20	Alan Puckrin	830	0	0	830	0	To fund implementation of new pay and grading model from 2019/20.
<b>Total Category C to E</b>		<b>2,740</b>	<b>170</b>	<b>139</b>	<b>1,662</b>	<b>1,078</b>	

**COMMON GOOD FUND****REVENUE BUDGET MONITORING REPORT 2019/20****PERIOD 4 : 1st April 2019 to 31st July 2019**

	<b>Final Outturn 2018/19</b>	<b>Approved Budget 2019/20</b>	<b>Budget to Date 2019/20</b>	<b>Actual to Date 2019/20</b>	<b>Projected Outturn 2019/20</b>
<b>PROPERTY COSTS</b>	<b>26,190</b>	<b>22,000</b>	<b>7,300</b>	<b>22,980</b>	<b>29,000</b>
Repairs & Maintenance	6,260	9,000	3,000	340	9,000
Rates	18,690	12,000	4,000	22,640	20,000
Property Insurance	1,240	1,000	300		0
<b>ADMINISTRATION COSTS</b>	<b>15,690</b>	<b>7,700</b>	<b>4,500</b>	<b>790</b>	<b>7,700</b>
Sundries	9,490	1,500	500	790	1,500
Commercial Rent Management Recharge	2,200	2,200	0		2,200
Recharge for Accountancy	4,000	4,000	4,000		4,000
<b>OTHER EXPENDITURE</b>	<b>64,940</b>	<b>79,100</b>	<b>44,400</b>	<b>43,140</b>	<b>74,100</b>
Christmas Lights Switch On	10,500	10,500	0		10,500
Gourock Highland Games	29,400	29,400	29,400	29,400	29,400
Armistice Service	6,930	8,300	0	440	8,300
Comet Festival	13,300	13,300	13,300	13,300	13,300
Fireworks	450	12,600	0		12,600
Society of the Innocents Rent Rebate	3,820	5,000	1,700	0	0
Bad Debt Provision	540				0
<b>INCOME</b>	<b>(125,960)</b>	<b>(135,440)</b>	<b>(45,200)</b>	<b>(37,570)</b>	<b>(159,400)</b>
Property Rental	(168,950)	(168,950)	(56,300)	(47,590)	(168,950)
Void Rents	43,140	34,010	11,300	10,020	45,050
Internal Resources Interest	(150)	(500)	(200)		(500)
Disposal of Land					(35,000)
<b>NET ANNUAL EXPENDITURE</b>	<b>(19,140)</b>	<b>(26,640)</b>	<b>11,000</b>	<b>29,340</b>	<b>(48,600)</b>
<b>EARMARKED FUNDS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL NET EXPENDITURE</b>	<b>(19,140)</b>	<b>(26,640)</b>	<b>11,000</b>	<b>29,340</b>	<b>(48,600)</b>

Fund Balance as at 31st March 2019

26,530

Projected Fund Balance as at 31st March 2020

75,130**Notes:****1 Rates (Empty Properties)**

Rates are currently being paid on empty properties, projection reflects current Rates levels however all historic Rates costs are being examined to ensure all appropriate empty property relief has been obtained. Any subsequent credit will be included in future reports.

**2 Current Empty Properties are:**Vacant since:

12 Bay St  
6 John Wood Street  
10 John Wood Street  
15 John Wood Street  
17 John Wood Street  
74 Port Glasgow Road

April 2015, currently being marketed  
January 2019  
August 2018  
June 2017, currently being marketed  
March 2014, currently being marketed  
September 2012

POLICY AND RESOURCES COMMITTEE

VIREMENT REQUESTS

<b>Budget Heading</b>		<b>Increase Budget</b>	<b>(Decrease) Budget</b>
		£	£
Legal Expenses - Sheriff Officer		43,000	
Legal Fees Income			(43,000)
<b>Total</b>		<b>43,000</b>	<b>(43,000)</b>

**Note**

**Reason for virement:**

£43,000 to be vired with the Revenues & Benefits Services to realign budgets with expenditure and income.