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<b>Report To:</b>	<b>The Inverclyde Council</b>	<b>Date:</b> 9 <sup>th</sup> February 2012
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b> FIN/11/12/AP/LM
<b>Contact Officer:</b>	<b>Alan Puckrin</b>	<b>Contact No:</b> 01475 712223
<b>Subject:</b>	<b>2012/13 Revenue Budget, 2011/15 Capital Programme and 2012/13 Common Good Budget.</b>	

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## **1.0 PURPOSE**

- 1.1 The purpose of this report is to ask the Council to agree the 2012/13 Revenue Budget, 2011/15 Capital Programme and 2012/13 Common Good Budget and thereafter to agree the level of Band D Council Tax for the financial year 2012/13

## **2.0 SUMMARY**

- 2.1 The Council agreed a two year Revenue Budget covering the period 2011/13 on 10<sup>th</sup> February 2011. The Revenue Budget for 2012/13 has been adjusted to reflect confirmed Government Grant Contributions, updated Service Budgets and updated Saving Workstreams Targets.
- 2.2 Engagement with political groupings has taken place and an all Members Briefing on the budget took place on the 19<sup>th</sup> December 2011.
- 2.3 The Policy & Resources Committee received a detailed update in respect of the budget at its meeting of the 7<sup>th</sup> February 2012 and that report is attached as appendix 1. There are however a number of decisions now required by the Council and these are detailed in the recommendations below.
- 2.4 Subject to the Council agreeing to the budget today it would be intended that Council Tax bills for the period 2012/13 would be issued prior to the end of March 2012.

## **3.0 RECOMMENDATIONS**

- 3.1 It is recommended the Council agree to accept the conditions set out in the letter from the Cabinet Minister of Finance, Employment and Sustainable Growth dated 8<sup>th</sup> December 2011 (Appendix 2 of the 7<sup>th</sup> February Policy & Resources Committee Budget report), and agree that the Council Leader respond by the deadline of the 11<sup>th</sup> March 2012.
- 3.2 It is recommended that the Council confirm the 2012/13 General Fund Revenue Budget detailed in Appendix 3 of the Policy & Resources Committee Budget report dated the 7<sup>th</sup> February 2012.
- 3.3 It is recommended that the Council agree the 2011/15 Capital Programme.
- 3.4 It is recommended that the Council agree the use of any unallocated General Fund Reserves as at 31<sup>st</sup> March 2013.
- 3.5 It is recommended that the Council agree the 2012/13 Common Good Fund Budget as set out in Appendix 9 of the Policy & Resources report.
- 3.6 It is recommended that the Council agrees the formal resolution in respect of the Council Tax level for 2012/13.

Alan Puckrin  
Chief Financial Officer

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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b> 7 <sup>th</sup> February 2012
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b> FIN/02/12/AP/LM
<b>Contact Officer:</b>	<b>Alan Puckrin</b>	<b>Contact No:</b> 01475 712223
<b>Subject:</b>	<b>2012/13 Revenue Budget, 2011/15 Capital Programme and 2012/13 Common Good Budget</b>	

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## **1.0 PURPOSE**

1.1 The purpose of this report is to provide Committee with the latest position in respect of the previously agreed 2012/13 Revenue Budget, 2011/15 Capital Programme and 2012/13 Common Good Budget in advance of the Special Council on the 9<sup>th</sup> February 2012.

## **2.0 SUMMARY**

2.1 The Council approved a balanced 2011/13 Revenue Budget on 10 February 2011. At the same time the Council approved a Capital Programme covering the period 2011/14 and a Common Good Budget covering the period 2011/13.

2.2 The Scottish Government announced a three year "Flat Cash" settlement for Local Authorities in December 2011 however Inverclyde Council is due to receive a year on year reduction in Revenue Grant for each of the next three financial years.

2.3 With a reduction in Government support and a Council Tax freeze in place then the Council faces having to meet increased demands for Services with reducing funding for the foreseeable future.

2.4 The Government requires written confirmation that the Council accepts a number of conditions before it will formally confirm the level of Grant for 2012/13. Failure to accept these conditions would see the Council Grant being reduced by a further 4-5%. A decision on this matter requires to be taken at the Special Council Meeting on 9<sup>th</sup> February 2012.

2.5 The 2012/13 Revenue Budget shows a surplus of £4.053 million. It is recommended that this surplus be retained to offset future years' projected budget shortfalls.

2.6 Based on the latest information the 2012/15 Revenue Funding Gap is £15.6 million which is a reduction of £4.1 million from the position reported in the last Financial Strategy update.

2.7 The Capital Programme has been updated to reflect the confirmed Government Grant levels and shows a shortfall in resources of £6.125 million. It is recommended by the Corporate Management Team that £4.0 million of the unallocated General Fund Reserve be used to close the funding shortfall to just over £2 million.

2.8 Latest projections show that the unallocated General Fund Reserves total £8.8 million (as at 31<sup>st</sup> March 2013). The use of the unallocated General Fund Reserves will be considered by the Special Council Meeting on 9<sup>th</sup> February 2012.

2.9 The Common Good budget for 2012/13 shows a small contingency of £20,000 which it is proposed remain unallocated at this time.

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### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Committee note the updated position in respect of the 2012/13 Revenue Budget, 2011/15 Capital Programme and 2012/13 Common Good Budget.
- 3.2 It is recommended that the Committee note that specific decisions in respect of the budget will be considered at the Special Council Meeting on the 9<sup>th</sup> February 2012.

Alan Puckrin  
Chief Financial Officer

#### **4.0 BACKGROUND**

- 4.1 The Council approved a balanced 2011/13 Revenue Budget on 10 February 2011. At the same time the Council approved a Capital Programme covering the period 2011/14 and a Common Good Budget covering the period 2011/13.
- 4.2 It was noted at the time that the Government Revenue Grant figures for the period 2012/13 and Capital Grant figures for the period 2012/14 were not confirmed and as such this aspect of the budget would change and was expected to be clarified by December 2011.
- 4.3 There is a statutory requirement for the Council to confirm the level of Council Tax prior to each financial year. It is intended that this will be done at a Special Council meeting on the 9<sup>th</sup> February 2012.

#### **5.0 THE FINANCIAL SETTLEMENT**

- 5.1 The Government announced 3 year Revenue and Capital Grant figures covering the period 2012/13 to 2014/15 in December 2011.
- 5.2 Whilst the Scottish Government announced that the settlement for Local Government will provide a "Flat Cash" settlement it should be noted that Inverclyde Council is due to receive a cash reduction for each of the next 3 financial years. This reduction is largely due to the updating of indicators which distribute grant and which are predominantly related to demographics. In addition the Government has chosen to fund the Council Tax freeze by removing grant from areas where Inverclyde Council received a higher share of the national grant. This latter action reduces the Council's share of overall grant by approximately £400,000 in 2012/13 increasing on a compound basis to £1.2 million by 2014/15.
- 5.3 It should be noted that the Council's Revenue reduction would have been even greater had the "Floor" arrangement not been in place. The Floor arrangement ensures every Council is guaranteed a minimum level of grant. In practical terms this means that for the next 3 years Inverclyde Council is receiving a small amount of funding from other Local Authorities to minimise the grant reduction impact.
- 5.4 Even had the Council received a Flat Cash Settlement from the Government the pressure on Council budgets as a result of global inflationary pressures and specific sectoral pressures in Social Care and Environmental Services makes the balancing of the overall Revenue Budget extremely challenging. By receiving a cash grant reduction then this further increases the challenges faced by the Council in future years.
- 5.5 Appendix 1 shows the Revenue Grant movement over the period 2011/12 to 2014/15. It can be seen that over the period there is a cash reduction of approximately £2.6 million or 1.5%.
- 5.6 In addition, it is a condition of the Council receiving this grant settlement that it accepts various conditions as outlined in the letter from the Cabinet Secretary for Finance, Employment and Sustainable Growth in Appendix 2. Were the Council not to agree to these conditions then the Government has indicated that it would reduce the Council's 2012/13 Grant allocation by approximately £9 million.
- 5.7 The Council Leader had to send an initial response to the Government accepting these conditions by 20 December 2011 however a formal decision on whether to accept these conditions will require to be taken by the Council on the 9<sup>th</sup> February 2012. Once this decision is taken a final response has to be sent to the Government no later than 11<sup>th</sup> March 2012.

## **6.0 2012/13 REVENUE BUDGET**

6.1 Appendix 3 shows the latest position of the previously approved 2012/13 Revenue Budget. Committee will note that there is a significant surplus of £4.053 million in 2012/13.

6.2 This positive position has arisen from 3 main factors as follows:

- a) Loans Charge Savings – The Budget for loans charges has been reduced by £1.5 million (net) in line with the 2011/12 projection. The main reasons for this have been the improved investment returns achieved by the Council, improved cashflow, capital slippage, continued low interest rates making any borrowing cheaper than previously budgeted and the impact of the removal of supported borrowing by the Government and replacing this with Capital Grant.
- b) Earlier delivery and increases in Workstream Savings – A separate report on the agenda shows the latest position in respect of workstream savings and compares this with the position when the 2011/13 Revenue Budget was approved in February 2011. It can be seen that there is a £1.54 million increase in savings achieved from that approved in February 2011.
- c) Grant Income -The approved Financial Strategy took a prudent approach in terms of the amount of Government Grant the Council was expecting to receive in 2012/15. For 2012/13 the actual grant awarded is approximately £1.46 million more than built into the Financial Strategy.

6.3 Whilst the surplus on the 2012/13 Revenue Budget is welcome and confirms that no further savings are required in order to balance the 2012/13 Revenue Budget, Committee is asked to note that this surplus equates to less than 50% of the anticipated Revenue Funding Gap in 2013/14. As such it is important that this surplus is retained to offset future pressures which will have to be addressed as part of the 2013/15 Revenue Budget.

## **7.0 MEDIUM TERM REVENUE POSITION**

7.1 Now that the grant settlement figures for the Council have largely been confirmed for the period 2012/15 it is appropriate that the Medium Term Revenue Budget which forms part of the Financial Strategy is updated and reported to Committee. Appendix 4 shows the latest position on the basis of the latest government grant figures and the 2012/13 Budget figures. From this Committee will note that the anticipated funding gap over the period 2012/15 has reduced from £19.7 million to £15.6 million.

7.2 On the basis that the Council achieves the Workstream Savings of £4.2 million over the next 2 financial years then this leaves an estimated funding gap of £11.4 million which will require to be addressed as part of the 2013/15 Budget. This will require budget reductions of approximately 5% over the period 2013/15 and result in some difficult decisions in terms of Service prioritisation to be taken by the new Council after May's election.

## **8.0 2012/15 CAPITAL PROGRAMME**

8.1 The current Capital Programme covers the period 2011/14 and had a funding shortfall of approximately £1.6 million at the November Policy & Resources Committee. This is within acceptable parameters.

8.2 Given that the Government has now announced firm Capital Grant figures covering the period 2012/13 to 2014/15 it is recommended that the Council agrees to extend the current Capital Programme to encompass the financial year 2014/15.

- 8.3 Following the Finance Settlement it is apparent that the cuts to Inverclyde Council Capital Funding are greater than factored into the existing Capital Programme. This is due to 2 specific factors namely
- a) The Government rephasing £220 million of Capital Grant from 2012/14 to 2014/16.
  - b) The Scottish Government removing Flooding Capital Grant from individual Local Authority Settlements.
- 8.4 Appendix 5 shows the position of the 2011/15 Capital Programme following inclusion of the Government's announced grant figures and rolling forward the General Capital allocations for Property, ICT, Roads, School Estates, Scheme of Assistance and Police Grant for a further year. In addition a sum of £1 million has been added in respect of the Watt Museum refurbishment programme.
- 8.5 It can be seen from Appendix 5 that there is a projected current shortfall in resources of £6.125 million. The advice of the Chief Financial Officer and supported by the Corporate Management Team is that such a shortfall in resources is too large and it would be prudent to reduce this shortfall to nearer £2 million.
- 8.6 This shortfall in resources could be reduced by reducing spend on projects or increasing resources allocated to the Capital Programme from reserves. As part of the overall consideration of the use of the General Fund Reserves it is recommended by the Corporate Management Team that £4 million be added to the Capital Programme resources from the General Fund Reserves for the period 2012/15.
- 8.7 Whilst this action will largely address the shortfall in Capital Programme resources for the period 2012/15 it is clear that the Council will need to seriously consider how it balances Capital Programme expenditure against resources after this period. Appendix 6 clearly shows that the current recurring programme spend is well in excess of future projected resources and the Financial Strategy has over the last number of years stressed the need for spend to match resources in the medium to longer term. This matter will require to be addressed as part of the Budget in February 2013.

## **9.0 GENERAL FUND RESERVES**

- 9.1 Appendix 7 shows the latest position in respect of the General Fund Reserves taking into account the 2011/12 Period 8 projection reported elsewhere on the agenda.
- 9.2 From the appendix and after setting aside £4.2 million as the recommended level of unallocated General Fund Reserve in line with the recommendation of the Chief Financial Officer, then it can be seen that the Council could elect to spend £8.8 million on one off items.
- 9.3 In deciding how to utilise the free reserves Members are asked to avoid projects which will result in ongoing revenue expenditure. This advice is given in order to avoid increasing the already significant financial pressures which the Council faces from 2013/14 onwards.
- 9.4 The Corporate Management Team have considered possible usages of the Unallocated Reserves and would recommend that Members set aside £4.3 million for the issues identified in Appendix 8. If Members were to agree to this then this would leave approximately £4.5 million for utilisation on Policy priorities.
- 9.5 Final decisions on the allocation of the General Fund Unallocated Reserves will be taken at the Special Council Meeting on 9 February 2012.

## **10.0 COMMON GOOD BUDGET 2012/13**

- 10.1 Appendix 9 shows the adjusted Common Good Budget 2012/13 after taking into account the latest projections for 2011/12. From this it can be seen that the Common Good Budget for 2012/13 has a small contingency of £20,000. It is recommended that this be retained meantime.
- 10.2 The projected fund balance as at 31 March 2013 is £123,640 and it is recommended that the balance be maintained at at least this level given the current economic climate and the reliance which the Common Good Budget has on shop rental income from Port Glasgow Town Centre plus the short term nature of one of its rental streams.

## **11.0 IMPLICATIONS**

- 11.1 The Financial Implications are outlined in the body of the report and the associated appendices. The approval of 2 year budgets and a rolling 3 year Capital Programme helps the Council with its medium term financial planning and allows projects and savings to be delivered in a managed fashion.
- 11.2 HR Implications – There are no new decisions required as part of this budget which will have direct implications for either employee numbers, terms and conditions or pay.
- 11.3 Legal Implications – There are no direct legal implications arising as a result of this report.
- 11.4 Equalities – The Council carried out a full equality impact assessment when approving the 2011/13 Revenue Budget therefore no further equality impact assessment is required as a result of this report.

## **12.0 CONCLUSIONS**

- 12.1 The Council's 2012/13 Revenue Budget is showing a surplus of £4.053 million which represents just under 2% of turnover. This encouraging position gives the Council a head start in addressing the significant financial pressures which it will face over the next 2 year budget covering the period 2013/15.
- 12.2 The Strategy of setting 2 year budgets has proven extremely successful in terms of both financial and workforce planning.
- 12.3 The Council's Capital Programme is under increasing pressure and it is recommended that the 2011/15 Capital Programme be supplemented by significant contribution from the General Fund Reserves. The longer term sustainability of the overall Capital Programme will require to be addressed as part of the next budget round.
- 12.4 The Common Good Budget has a small contingency which it is recommended be retained.

## **13.0 CONSULTATIONS**

- 13.1 The report has been produced in full consultation with the Corporate Management Team who have endorsed its contents.
- 13.2 Throughout the budget process the Trades Unions have been fully involved in the development of the budget via the Joint Budget Group. The Trade Unions have no issues with any of the proposals contained in this report.

Revenue Grant Movement

	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Revenue Grant	173.438	172.246	171.190	170.118
Year on Year Reduction £	-	(1.192)	(1.056)	(1.072)
Year on Year Reduction%	-	(0.68%)	(0.6%)	(0.6%)
PPP Funding Agreement		0.683	0.683	0.683
Total Grant		<u>172.929</u>	<u>171.873</u>	<u>170.801</u>

Notes

- 1/ Reduction in Annual Grant between 2011/12 and 2014/15 is £2.637 million (1.52%).
- 2/ PPP Grant is paid with the General Revenue Grant but forms part of a separate legal agreement with the Government and is used in full to pay the PPP Unitary Charge.

AP/LM  
16/1/2012



Cabinet Secretary for Finance, Employment and Sustainable  
Growth  
John Swinney MSP



The Scottish  
Government

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To: The Leaders of all Scottish local authorities



Our ref: B5233291  
08 December 2011

Dear Council Leader

#### **LOCAL GOVERNMENT FINANCE SETTLEMENT 2012-15 – ADVICE FOR LOCAL AUTHORITIES ON SIGN-OFF ARRANGEMENTS**

Further to my letter to Councillor Keenan of 21 September 2011, this letter sets out the Scottish Government's position on a timetable for the next steps for sign-off to the terms of the settlement to be provided to local government for the period 2012-13 following the 2011 Spending Review.

The arrangements will mirror the two stage process established for the 2011-12 settlement and I envisage this will be an annual process to be repeated in 2013-14 and 2014-15 to reaffirm councils' continuing support to the terms of the agreement. My expectations are set out below.

It will not be possible for local authorities to select elements of the package, including elements of the funding on offer. I am therefore asking each local authority Leader to write to me, by 20 December 2011, to indicate whether or not you agree to the full package on these terms. If you do not, your council will not receive its needs based share of the overall average distributable revenue increase of 0.3%, but instead your allocation will be reduced by your needs based share of an average decrease of 5.2% (which is a package of resources worth in total £579 million across the whole of local government in each year of the three year settlement). This package of resources to be removed is made up of each councils needs based share of:

- £70 million to deliver a Council Tax freeze;
- £39 million which represents the £24 million added to the 2012-13 settlement for teachers pay and the £15 million added as part of the negotiations on the SNCT Teachers agreement in the 2011-12 settlement; and

- £470 million which is local authorities' 49% share of the flat cash funding to be made available as a contribution to Police Boards to allow them to maintain the number of police officers on our streets.

**On 8 December 2011:** the Scottish Government will issue a Local Government Finance Circular to accompany the announcement of the provisional allocations of the local government settlement to councils. The Circular will assume that all councils will sign up to the package covering the period 2012-13 and therefore that the **full** amount on offer (which in resource terms is £10,915.7 billion) will be issued. The allocation will be done in the usual way based on the distribution methodology agreed by COSLA Leaders at their meeting on 18 November 2011. The Circular will also show (as a final column in the tables in the Circular which sets out the allocation to councils in each of the years) only at this stage the amount which the Scottish Government plans to holdback in relation to the Council Tax freeze, set out on a council by council basis. Councils, through COSLA, will be invited to comment on these provisional allocations, again as is the usual practice, by early January 2012.

**By 20 December 2011:** Council Leaders are asked to write to me to say whether their Council agrees in principle to the terms set out in the 21 September letter. If any Council Leader replies to say that their Council does not so agree, the total amount of that council's needs based share of the £579 million will be withdrawn from the overall local government settlement and redeployed by Scottish Ministers in the Budget Bill which will be laid before Parliament in January 2011.

**In early February 2012,** it is envisaged that the Budget Bill will complete its stages and be approved by Parliament. Very shortly after that, the Government will table the Local Government Finance (Scotland) Order 2012 setting out the formal allocations of the funding settlement for 2012-13, less the amount of holdback for the Council Tax freeze monies, and for those councils who have indicated they do not agree to the terms of the package their relative share of the total resources to be removed from the settlement (equivalent to £579 million for the whole of local government).

**By no later than 11 March 2012, but preferably by the end of February,** (and ideally as soon as possible after they have set their budgets and announced their council tax rates for 2012-13), Council Leaders are asked to write again to me to provide a formal assurance that the budget approved by their Council includes provision to deliver across all of the specified commitments in my 21 September 2011 offer letter.

**In mid-March 2012,** the Government will table an amendment Order (to the Local Government Finance (Scotland) Order 2012) to seek approval to pay out the full amount of the council tax holdback monies to all those councils whose Leaders have provided the assurance sought in the preceding paragraphs. For those councils in which their Leaders have not provided the required assurances, the amendment Order will not allocate the council tax holdback monies, and will remove the needs based shares of the remaining sanction monies for Teachers (£39 million) and Police funding (£470 million).

The package of measures on the detail of the settlement remains as set out in my letter of 21 September to Councillor Keenan (copy appended to this letter) and includes, in addition to the Joint Priorities listed, certain specific commitments local authorities will be required to deliver in return for the settlement:

- **Maintain a council tax freeze** in each of the three years of the Spending Review;
- **Maintain teacher numbers in line with pupil numbers and secure places for all probationers** who require one under the teacher induction scheme. Failure to deliver sufficient FTE teachers as reported in the annual census may invoke collective and/or individual sanctions in the shape of corresponding reductions in the local government settlement for future years. Scottish Government and COSLA will agree these numbers in the context of on-going discussions on the effective delivery of school education;
- Individual local authorities to **pass on their full flat cash share of funding to Police Boards** in line with the existing agreed level for 2011-12 as a contribution to maintaining the number of police officers at least at 17,234 throughout the Spending Review period 2012-15.

The total funding, including provision for the council tax freeze, the support for teacher employment and the additional resources to ensure each council receives at least 85% of the adjusted average revenue per capita allocation in each year of the settlement, which the Scottish Government will provide to local government is as follows:

Year	£m
2012-13	11,478.7
2013-14	11,442.9
2014-15	11,703.1

This total includes the Government's estimate of non domestic rate income over the period. Within this total, revenue funding will amount to £10,915.7m/£10,925.6m/£10,943.4m, including the funding to deliver a council tax freeze, and capital £563m/£517.3m/£759.7m over the period. This takes into account the re-profiling of -£120m/-£100m/+£120m/+£100m in capital budgets and comes with a commitment that £100m will be added to Local Government's capital share in the next Spending Review for 2015-16.

I hope that this further information is useful to Council Leaders in their consideration of the package of measures recommended by the Scottish Government and agreed in principle by COSLA Leaders.

**JOHN SWINNEY**

REVENUE BUDGET 2012/13

Committee: All  
 Corporate Director: All  
 Service: All  
 Division: All

OBJECTIVE SUMMARY	2012/13 Base Budget	2012/13 Adjustment	2012/13 Inflation	2012/13 Base Est.	Post Est Adjustment	Post Est Inflation	Savings	Budget 2012/13
Chief Executive Services	578,760	(3,210)	-	575,550	-	-	-	575,550
Organisation, Improvement & Resources Directorate	7,793,580	(110,500)	5,000	7,688,080	-	-	-	7,688,080
Regeneration & Environment Directorate	25,310,330	(316,900)	66,170	25,059,600	-	-	-	25,059,600
Education & Communities Directorate	86,265,740	(747,490)	-	85,518,250	-	-	-	85,518,250
Health & Social Care Directorate	48,442,920	106,640	-	48,549,560	-	-	-	48,549,560
<b>Directorate Sub-Total</b>	<b>168,391,330</b>	<b>(1,071,460)</b>	<b>71,170</b>	<b>167,391,040</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>167,391,040</b>
Joint Boards	16,379,150	(357,000)	-	16,022,150	-	-	-	16,022,150
Miscellaneous	5,354,640	(747,790)	(71,170)	4,535,680	0	0	0	4,535,680
Unallocated Savings	(2,240,000) a)	1,020,000	0	(1,220,000)				(1,220,000)
Loan Charges	16,693,840	(2,000,000)		14,693,840				14,693,840
Contribution to Reserves from Loan Charges	-	500,000		500,000				500,000
Recharge to Trading Operations	(96,960)			(96,960)				(96,960)
<b>Total Expenditure</b>	<b>204,482,000</b>	<b>(2,656,250)</b>	<b>-</b>	<b>201,825,750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>201,825,750</b>
Financed By:								
General Revenue Grant/ Non Domestic Rates	(171,532,000)	(1,397,000)		(172,929,000)				(172,929,000)
Council Tax	(32,950,000)			(32,950,000)				(32,950,000)
<b>Net Expenditure</b>	<b>-</b>	<b>(4,053,250)</b>	<b>-</b>	<b>(4,053,250)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,053,250)</b>

<p><b>Notes:</b></p> <p>a) Workstream saving a) senior manager restructure</p> <p>Topslice - Travel &amp; Subsistence</p> <p>workstream saving i) 35/37 hr</p> <p>workstream saving a) other savings (Note 1)</p> <p>Workstream Saving - Review of Committees (Phasing Review)</p> <p>Workstream saving - Utilities (Phasing Review)</p> <p>Workstream saving - Procurement (Phasing Review)</p> <p>Workstream saving - Commissioning (Phasing Review)</p> <p>Workstream saving - Topslice</p>	<p>(160,000)</p> <p>(50,000)</p> <p>(800,000)</p> <p>(50,000)</p> <p>10,000</p> <p>(13,000)</p> <p>(203,000)</p> <p>50,000</p> <p>(4,000)</p> <p><u>(1,220,000)</u></p>	<p>b) Over recovery of workstream saving - Inflation</p> <p>Over recovery of workstream saving - Procurement</p> <p>Over recovery of workstream saving - Topslice</p> <p>Over recovery of workstream saving - Other Savings</p> <p>AMP Workstream Saving</p> <p>Early achievement of Utility Workstream Saving (CEEF)</p> <p>Review of Phasing - Workstream saving Committees</p> <p>Over recovery of workstream saving - Transformation Prog</p> <p>Review of Phasing - Workstream saving 37 hr week</p> <p>Review of Phasing - Workstream saving Commissioning</p> <p>CACI Solution Migration Saving</p> <p>HB TFA Pressure</p> <p>Cap General Contingency</p> <p>Loans Charges saving</p> <p>AMP Funding from Loans Charges</p> <p>Fund Building Service Shortfall</p> <p>Fund Industrial &amp; Commercial Rents</p> <p>Waterloo Road Income</p> <p>Procurement Posts per restructure</p> <p>Over estimate of BRG Funding Cut</p> <p>Remove 50% hostels grant (to be awarded later)</p> <p>Total</p>	<p>(850,000)</p> <p>(463,910)</p> <p>(26,000)</p> <p>(88,430)</p> <p>(200,000)</p> <p>(49,740)</p> <p>10,000</p> <p>(21,000)</p> <p>100,000</p> <p>50,000</p> <p>(2,940)</p> <p>(100,000)</p> <p>(215,230)</p> <p>(1,700,000)</p> <p>500,000</p> <p>128,000</p> <p>90,000</p> <p>(60,000)</p> <p>80,000</p> <p>(1,464,000)</p> <p>230,000</p> <p><u>(4,053,250)</u></p>
<p>Note 1</p> <p>Original Workstream Target</p> <p>Anticipated over recovery</p>	<p>(130,000)</p> <p>(88,430)</p> <p><u>(218,430)</u></p>		
<p><i>Workstreams Achieved and Applied:</i></p> <p>Housing Benefit Admin Subsidy</p> <p>Education Data Line Saving</p> <p>Insurance Saving</p> <p>Tonnage Saving</p>	<p>33,430</p> <p>15,000</p> <p>60,000</p> <p>60,000</p> <p><u>(50,000)</u></p>		
<p><i>Workstreams Saving to be Applied:</i></p> <p>Teachers refresh over recovery</p> <p>Over achievement of Workstream Saving</p>	<p>50,000</p> <p><u>0</u></p>		

Finance Strategy  
Projected Budget Position (Post December 2011 Announcement)

	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Base Budget for Prior Year	208.382	206.388	205.879	204.823
<u>UPLIFTS FROM PRIOR YEAR</u>				
<u>Inflation (Note 1)</u>				
Pay Inflation (3.0% from 2013/14)	-	-	3.300	3.300
Other Inflation	1.378	1.600	1.860	1.860
Income	-0.253	-0.153	-0.150	-0.150
Joint Boards (2.0% from 2013/14)	-	-	0.330	0.330
	<u>1.125</u>	<u>1.447</u>	<u>5.340</u>	<u>5.340</u>
<u>Council Priorities (Note 2)</u>				
School Estate- Unitary Charge Grant	3.827	0.692	-	-
Capital Programme Impact	0.200	0.200	0.100	0.100
	<u>4.027</u>	<u>0.892</u>	<u>0.100</u>	<u>0.100</u>
<u>Pressures (Note 3)</u>				
Corporate Pressures (movement)	1.466	0.634	2.700	2.000
Loan Charges	0.369	-0.390	0.200	0.200
	<u>1.835</u>	<u>0.244</u>	<u>2.900</u>	<u>2.200</u>
Savings/Adjustments Applied (Feb 2011)	-10.447	-5.689		
Adjustments Applied (Dec 2011)		0.084		
Approved Budget (Note 4)	<u>204.922</u>	<u>203.366</u>	<u>214.219</u>	<u>212.463</u>
<u>Funded by: (Note 5)</u>				
Revenue Grant/NDR Income	173.438	172.929	171.873	170.801
Council Tax Income	32.950	32.950	32.950	32.950
	<u>206.388</u>	<u>205.879</u>	<u>204.823</u>	<u>203.751</u>
Annual Budget (Surplus/Deficit)	<u>-1.466</u>	<u>-2.513</u>	<u>9.396</u>	<u>8.712</u>
Cumulative Savings Needed	<u>-</u>	<u>-2.513</u>	<u>6.883</u>	<u>15.595</u>
<u>Workstream Savings 2012/13 &amp; On (Note 6)</u>	<u>-</u>	<u>-1.540</u>	<u>-2.609</u>	<u>-0.05</u>

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**Finance Strategy Notes – December 2011**

**Note 1 Inflation**

(a) **Pay**

	<u>11/12</u>	<u>12/13</u>	<u>13/14</u>	<u>14/15</u>
Teaching	-	-	1100 (3.0%)	1100 (3.0%)
Others	-	-	2200 (3.0%)	2200 (3.0%)
	-	-	3300	3300

(b) **Other Inflation**

Utilities	319	400	400	400
Landfill Tax	257	260	260	260
Contracts etc.	802	940	1200	1200
	1,378	1,600	1,860	1,860

(c) Income – Based on 2011/12 is estimated to be £150K (2.5%)

(d) **Joint Boards**

	<u>2011/12</u>
Police	7.911
Fire	6.222
SPT	1.666
RVJB	0.567
	<u>16.366</u>

Assume a 2.0% uplift = £330k

## Finance Strategy Notes – December 2011

### Note 2 Council Priorities

- a) School Estate - 2012/13 is the final year of increased Government Grant to fund the SEMP.
- b) Capital Programme Impact – Reflects a General Allowance for increased running costs arising from the Council's Capital Programme.

### Note 3 Pressures

- a) Corporate Pressures – 2011/13 figures reflect approvals from December 2010. 2013/15 are a General Allowance with an extra £0.7 million in 2013/14 to reflect cut in Council Tax Benefit.
- b) Loan Charges Movement – 2012/15 figures reflect latest figures resulting from October 2011 review.

### Note 4 Approved Budget

- a) Reflects the recurring Approved budget ie: Before any contributions to or from Reserves.

### Note 5 Funded By

- a) Reflects 2012/15 Finance Settlement Announced December 2011.

### Note 6 Workstreams

- a) This figure reflects Workstream savings not built into approved annual budgets and reflects latest review in December 2011.



Capital Programme - 2011/12 - 2014/15Available Resources (General Fund)

	2011/12	2012/13	2013/14	2014/15	Total
	£000	£000	£000	£000	£000
Government Capital Support	7,889	6,071	5,307	7,771	27,038
Less: Allocation to School Estate	(4,800)	(4,500)	(4,800)	(4,800)	(18,900)
Capital Receipts (Note 1)	568	566	900	3,870	5,904
Capital Grants (Note 2)	477	93	860	125	1,555
Prudential Funded Projects (Note 3)	11,421	7,662	20,598	7,530	47,211
Balance B/F From 10/11 (Exc School Estate)	5,484	-	-	-	5,484
Capital Funded from Current Revenue (Note 4)	3,115	2,149	2,414	50	7,728
Transfer to Capital Fund	-	-	-	-	-
School Estate Management Plan Funding	11,694	32,878	28,338	3,340	76,250
	<u>35,848</u>	<u>44,919</u>	<u>53,617</u>	<u>17,886</u>	<u>152,270</u>
<u>Total Expenditure (see following page for details)</u>	<u>32,299</u>	<u>48,305</u>	<u>59,100</u>	<u>18,691</u>	<u>158,395</u>

**(Shortfall)/Under Utilisation of Resources****(6,125)**

**Capital Programme - 2011/12 - 2014/15****Approved Programme (General Fund)**

	2011/12	2012/13	2013/14	2014/15	Total
	£000	£000	£000	£000	£000
<b>Policy &amp; Resources</b>					
Completion of Existing Programme	689	357	229	-	1,275
Annual Allocation (ICT)	-	320	811	570	1,701
Upgrade to Data Centre	-	140	190	-	330
Operating Model	30	100	398	-	528
General Police Grant	300	242	222	326	1,090
Common Good/Trust Projects	21	102	-	-	123
<b>Policy &amp; Resources Total</b>	<b>1,040</b>	<b>1,261</b>	<b>1,850</b>	<b>896</b>	<b>5,047</b>
<b>Safe, Sustainable Communities</b>					
Completion of Existing Programme (Roads)	1,810	93	180	125	2,208
Annual Allocation (Roads)	-	1,400	1,400	1,400	4,200
Flooding Works	207	226	250	-	683
Additional Fund For Road Improvements	600	400	-	-	1,000
Scheme of Assistance/Aids & Adaptations	1,304	1,343	1,583	500	4,730
Vehicle Replacement Programme	1,188	250	383	950	2,771
Play Areas	539	360	100	-	999
Annual Allocation (Zero Waste Fund)	162	80	80	80	402
Completion of Existing Programme (Environmental & Planning)	86	29	50	-	165
<b>Safe, Sustainable Communities Total</b>	<b>5,896</b>	<b>4,181</b>	<b>4,026</b>	<b>3,055</b>	<b>17,158</b>
<b>Regeneration</b>					
Completion of Existing Programme	1,403	436	10	-	1,849
Annual Allocation (Property Services)	-	800	1,200	1,000	3,000
Central Gourock Development	4	100	2,104	2,500	4,708
Regeneration of Port Glasgow Town Centre	-	150	850	-	1,000
Leisure & Pitches Strategy	5,819	3,063	2,017	2,350	13,249
Inverkip Community Facility	-	200	700	50	950
Contribution to Watt Complex Refurbishment	-	100	1,150	2,750	4,000
Contribution to Greenock Arts Guild	1,706	586	-	-	2,292
Asset Management Plan - Offices	2,657	1,525	6,800	650	11,632
Asset Management Plan - Depots	450	2,100	9,850	2,100	14,500
<b>Regeneration Total</b>	<b>12,039</b>	<b>9,060</b>	<b>24,681</b>	<b>11,400</b>	<b>57,180</b>
<b>Education &amp; Lifelong Learning (Exc School Estate)</b>					
Binnie St Nursery	620	620	70	-	1,310
School Estate Management Plan	11,694	32,878	28,338	3,340	76,250
<b>Education &amp; Lifelong Learning (Exc School Estate) Total</b>	<b>12,314</b>	<b>33,498</b>	<b>28,408</b>	<b>3,340</b>	<b>77,560</b>
<b>CHCP</b>					
Wellpark Centre	60	-	-	-	60
SWIFT Finance Module	-	35	35	-	70
Replacement Childrens Centre	950	270	100	-	1,320
<b>CHCP Total</b>	<b>1,010</b>	<b>305</b>	<b>135</b>	<b>-</b>	<b>1,450</b>
<b>Total Expenditure</b>	<b>32,299</b>	<b>48,305</b>	<b>59,100</b>	<b>18,691</b>	<b>158,395</b>

## Note:

\* 2014/15 Scheme of Assistance budget does not include any allocation from Revenue.

Council Capital Programme - Recurring Requirements

	<u>£million</u>	
SEMP	4.800	
Property	1.000	(Based on 2013/14)
Roads	1.400	(Based on 2013/14)
ICT	0.390	* (Post November P&R)
Police	0.270	**
Scheme of Assistance	0.500	(Based on 2013/14)
Zero Waste Fund	0.080	
	<u>8.440</u>	

\* Exclude £180k which is Prudentially Funded

\*\* Estimate based on 10% Capital Reduction

Estimated Capital Grant            7.280        (Based on smoothed 2013/14 figure)

Annually recurring shortfall/amount to be funded from elsewhere £1.16 million

AP/CM  
16/1/12

General Fund Reserves  
Estimated "Free Reserves" 31 March 2013

	£000	£000
Balance 31/3/11		7169
Projected Surplus 2011/12 (Period 8)	2688	
Budgeted Contribution to Reserves 2011/12	1466	
Approved Use of Reserves - Feb 2011	(4386)	
Sept 2011	(1132)	
Workstream Over-recovery - 2011/12	1005	(359)
Projected Balance 31/3/12		7169
Projected Surplus 2012/13	4053	
Workstream Over-recovery - 2012/13	Inc above	
One off saving in loan charges 2012/13	500	
Write Back Earmarked Reserves (Note 1)	1332	
Write Back from Insurance Fund (Note 2)	300	6185
Projected Reserves 31/3/13		12995

Note 1

SEMP (Approved September 2011)  
Single Status Back Pay

£000

1000

332

1332

Note 2

Last actuarial review indicated that the Council could afford to reduce its Insurance fund balance by £1 - 1.5 million. Part of this reduction was approved as part of the 2011/13 Revenue budget, this write back completes the exercise.

Summary

Projected Reserves 31.3.13  
less: Minimum Balance  
: CMT Recommendations  
Available Free Reserves

£000

12995

(4200)

(4300)

4495

AP/CM  
13/1/2012

CMT Recommendations - General Fund Reserves

	<u>£million</u>	
Inverkip Community Facility (Approved P&R September 2011)	0.3	(Note 1)
Watt Complex Refurbishment	1	(Note 2)
2012/15 Capital Programme Deficit Reduction	3	(Note 3)
	<u>4.3</u>	

Note 1 - Contribution in lieu of Developers second tranche of funding which now may not materialise.

Note 2 - Approved project required £4.0 million Council contribution. Currently £3.0 million in Capital Programme. This contribution closes the gap.

Note 3 - Contribution to current £6.13 million deficit on the 2012/15 Capital Programme. When allied with Note 2 this reduces the deficit to £2.13 million.

AP/CM  
13/01/2012

**COMMON GOOD FUND  
REVENUE BUDGET 2012/13**

	2011/12 Budget	2011/12 Projection	2012/13 Budget	Adjustment 2012/13	Inflation	2012/13 Budget
<b>PROPERTY COSTS</b>						
Repairs & Maintenance	2,000	4,100	2,000	A. 1,000	0	3,000
Property Insurance	1,000	3,100	1,000	1,000		2,000
	1,000	1,000	1,000			1,000
<b>ADMINISTRATION COSTS</b>						
Sundries	8,500	8,500	8,500	0	0	8,500
Management Allocation	300	300	300			300
Recharge for Accountancy	2,200	2,200	2,200	0		2,200
	6,000	6,000	6,000			6,000
<b>OTHER EXPENDITURE</b>						
Christmas Lights Switch On	161,200	133,400	161,200	D. (14,500)	2,800	149,500
Christmas Dinners/Parcels	10,200	10,200	10,200		300	10,500
Christmas Decorations	18,000	18,000	18,000		0	18,000
Gourock Highland Games	35,400	35,400	35,400		900	36,300
Armistice Service	28,700	28,700	28,700		700	29,400
Comet Festival	6,100	6,100	6,100		200	6,300
Fireworks	13,000	13,000	13,000		300	13,300
Rent Relief (Society of the Innocents)	12,300	12,300	12,300		300	12,600
Contingency for future Community Events	3,000	3,000	3,000		100	3,100
	34,500	6,700	34,500	(14,500)		20,000
<b>INCOME</b>						
Gross Rent	(171,700)	(161,000)	(171,700)	C. 10,700	0	(161,000)
Void Rents	(193,200)	(193,200)	(193,200)			(193,200)
Internal Resources Interest	25,000	35,700	25,000	10,700		35,700
	(3,500)	(3,500)	(3,500)			(3,500)
<b>NET EXPENDITURE</b>	0	(15,000)	0	(2,800)	2,800	0
<b>EARMARKED FUNDS</b>						
Replacement of SV Comet	264,400	163,200	101,200	0	0	101,200
Contribution to 2011 Tall Ships Event	102,400	1,200	101,200			101,200
	162,000	162,000				0
<b>TOTAL NET EXPENDITURE</b>	264,400	148,200	101,200	(2,800)	2,800	101,200

Projected Fund Balance as at 31st March 2012

5224,840

Projected Fund Balance as at 31st March 2013

5123,640

Notes:

**A. Property Costs**

Increase in Repairs & Maintenance based on previous years outturn.  
Additional repairs are being incurred in an attempt to bring vacant properties to a more marketable condition.

1,000  
1,000

**B. Other Expenditure**

Decrease in available contingency to bring annual budget to break-even.

(14,500)  
(14,500)

**C. Income**

Increase in Void Rents based on current occupancy levels.

10,700  
10,700

**D. Future Income**

The lease on the former Petrol Station at 74 Port Glasgow Road is due to expire in November 2014 & it is unlikely that this property would be re-let. Rental Income will therefore decrease by £21,000 per annum from November 2014.