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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>11 August 2015</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/57/15/AE/AP</b>
<b>Contact Officer:</b>	<b>Angela Edmiston</b>	<b>Contact No:</b>	<b>01475 712143</b>
<b>Subject:</b>	<b>Revenue Budget Outturn 2014/15 - Unaudited</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of the report is to advise Committee of the unaudited outturn of Service Committee Budgets for the year ending 31 March 2015 and to highlight any significant variances between revised budgets and outturn plus Period 11 projections and outturn.

## 2.0 SUMMARY

- 2.1 Committees receive regular budget monitoring reports throughout the year and are required to remain within budget, the same applies to Budget Holders. Throughout the year the Policy & Resources Committee manage the overall Revenue Budget and take decisions to increase or decrease budgets and centralise any windfall cost reductions with a view to either spending these on one off items or retaining for future years savings.

- 2.2 Appendix 1 details the outturn (excluding earmarked reserves) per the unaudited accounts for 2014/15 and the variance between the outturn and the projection presented to the Policy & Resources Committee at Period 11 (May 2015) for all Service Committees.

- 2.3 The outturn per the unaudited accounts shows a positive variance for 2014/15 of £4,395,000 (Appendix 1) for all Service Committees, this represents a variance of 2.61% against 2014/15 revised budget of £168,689,000. The main areas relate to:

- Early achievement of planned savings £380,000.
- Additional turnover savings achieved across the Council of £1,480,000.
- Release of contingencies not required throughout 2014/15 £1,579,000.
- Additional Internal Resources Income earned of £222,000.
- Net over recovery of Benefit Subsidy of £115,000.
- One off saving of £407,000 relating to the Children & Young People Act (six hundred hours free nursery provision).
- Net underspend within Mental Health Services due to a reduction in care package costs of £135,000.
- Non-utilisation of utility budgets of £139,000.
- Over recovery of prior years' Council Tax collection income of £204,000.

Further positive variances below £50,000 were incurred across all Services. These were partly offset by increased costs for Older People Services, Homelessness costs and a shortfall in planning income received.

- 2.4 Appendix 1 shows an increase in the underspend reported to the last Policy & Resources Committee (Period 11) of £727,000. Appendix 2 provides the material variances for individual Committees and further explanations for the variances during the year and movement from Period 11 Policy & Resources Committee Report.

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- 2.5 Both the level of ultimate underspend (£4.395m v £1.329m) and the movement from Period 11 (£0.727m v £0.409m) are higher than experienced in 2013/14. Whilst this is a matter which requires to be improved upon in 2015/16, many of the areas of underspend were addressed when preparing the 2015/17 budget. It should also be noted that the movement between Period 11 and Outturn represented just 0.43% of the overall budget.
- 2.6 Overall, the unaudited accounts position reflects a free reserves position of £5.008m which is £1.0 million more than the recommended level. Committee has already agreed that Officers will develop proposals via the Members Budget Working Group and report back to September Committee seeking decisions.

### **3.0 RECOMMENDATIONS**

- 3.1 The Committee note the out turn per the unaudited accounts for 2014/15 of £4,395,000 and the reasons for the material variances from budget and Period 11 projection.

Alan Puckrin  
Chief Financial Officer

## **4.0 BACKGROUND**

- 4.1 The purpose of this report is to advise Committee of the outturn position per the unaudited accounts for 2014/15 and to highlight the main issues contributing to the positive variance of £4,395,000. The report also informs the Committee of the movement since the last report to Committee and the main issues contributing to the movement.
- 4.2 Committees receive regular budget monitoring reports throughout the year and are required to remain within budget, the same applies to Budget Holders. Throughout the year the Policy & Resources Committee manage the overall Revenue Budget and take decisions to increase or decrease budgets and centralise any windfall cost reductions with a view to either spending these on one off items or retaining for future years savings.

## **5.0 2014/15 UNAUDITED OUTTURN**

- 5.1 It can be seen from Appendix 1 that the outturn per the unaudited accounts for 2014/15 is a positive variance of £4,395,000 for all Service Committees. The outturn comprises an underspend of £2,710,000 within Policy & Resources Committee, £109,000 within Environment & Regeneration Committee, £1,294,000 within Education & Communities and £282,000 within Health & Social Care. Within the 3 main Service Committees this represented a variance of 1.1% against budget.
- 5.2 The Council approved the 2014/16 budget in February 2014, and at this time approved savings of £2,660,000 across all Directorates for 2014/15. Due to the early achievement of future savings, the Council achieved savings of £3,040,000 for the year, over achieving by £380,000. Other areas contributing to the out-turn relate to additional turnover savings achieved, the release of inflation contingencies not required, additional Internal Resources Income earned and a one-off saving due to a delay on the implementation of Children & Young Peoples Act. Appendix 2 provides more detailed material variances and reasons behind these on a Committee by Committee basis.
- 5.3 It can be seen in Appendix 1, that the underspend (per the unaudited accounts) of £4,395,000 is a movement of £727,000 since the last report to the Policy & Resources Committee in May 2015. Appendix 1 details the movement per Service Committee. Appendix 2 provides more details regarding the material variances since Period 11 Policy & Resources Committee report and the reasons for these movements.
- 5.4 Further details on the 2014/15 outturn will be submitted to individual Committees with the first Revenue Monitoring Report for 2015/16 in the next Committee cycle.
- 5.5 The unaudited accounts position reflects free reserves of £5,008,000 at 31<sup>st</sup> March 2015. This is £1.0 million greater than the minimum level of reserves recommended. Committee has already agreed that Officers will develop proposals via the Members Budget Working Group and report back to September Committee seeking decisions.

## **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 2014/15 has increased which is mainly due to the reduced requirement for inflationary uplifts, an increase in turnover and the one off underspend for the implementation of 600 hour free nursery placements. Excluding these areas, the percentage variance in year equates to 0.55%. The following shows the variance for the last 3 years and the percentage against revised revenue budget for the relevant year.

<b>Year</b>	<b>Variance</b>	<b>Percentage Variance</b>
2012/13	(£2.835m)	1.60%
2013/14	(£1.329m)	0.81%
2014/15	(£4.395m)	2.61%

6.2 It is important given the Council's financial position that the Council sets accurate budgets and, as part of the 2015/17 budget, many of the areas of variance were largely addressed.

## **7.0 IMPLICATIONS**

### **7.1 FINANCE**

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

One off Costs

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

Annually Recurring Costs / (Savings)

<b>Cost Centre</b>	<b>Budget Heading</b>	<b>Budget Years</b>	<b>Proposed Spend this Report £000</b>	<b>Virement From</b>	<b>Other Comments</b>
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**

There are no equality issues arising from this report.

### **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**

Appendix 1

**REVENUE BUDGET PROJECTED POSITION AT PERIOD 11 TO PROVISIONAL OUTTURN**

2013/14 Actual £000	OBJECTIVE ANALYSIS	Approved Budget 2014/15 £000	P11 Revised Budget 2014/15 £000	P 11 Projected Out-turn 2014/15 £000	P11 Projected Over/(Under) Spend 2014/15 £000	Final Over/(Under) Spend 2014/15 £000	Movement from P11 Outturn £000	Movement as % of Period 11 Projection	Variance as % of Revised Budget
13,120	Policy & Resources	18,045	17,302	15,030	(2,272)	(2,710)	(438)	19.28%	-15.66%
78,212	Education & Communities	87,698	81,555	80,474	(1,081)	(1,294)	(213)	19.70%	-1.59%
18,670	Environment & Regeneration	23,022	20,751	20,600	(151)	(109)	42	-27.81%	-0.53%
47,932	Health & Social Care	49,064	49,081	48,917	(164)	(282)	(118)	71.95%	-0.57%
157,934	<b>COMMITTEE NET EXPENDITURE EXCLUDING EARMARKED RESERVES</b>	<b>177,829</b>	<b>168,689</b>	<b>165,021</b>	<b>(3,668)</b>	<b>(4,395)</b>	<b>(727)</b>	<b>19.82%</b>	<b>-2.61%</b>

**Reasons: Final Outturn**

**POLICY & RESOURCES**

Additional Turnover Savings Achieved	(260)
Inflation Contingencies not used	(1,579)
Over Recovery of prior year council tax	(200)
IRI over recovery	(222)
Revenues Water SLA Income	(82)
Over recovery of benefit subsidy	(115)
Various underspends all under £50k.	(252)
	<b>(2,710)</b>

**EDUCATION & COMMUNITIES**

Additional Turnover Savings Achieved	(214)
Early Achievement of Planned Savings	(160)
C&YPB delay on 600 hours	(407)
Education - Utility budgets not used	(83)
Education - Over recovery of school meal income	(78)
Various underspends all under £50k.	(352)
	<b>(1,294)</b>

**HEALTH & SOCIAL CARE**

Additional Turnover Savings Achieved	(932)
Strategy - Additional Income	(73)
Older People - overspend on homecare, residential & nursing care	724
Learning Disability - overspend on transport costs	67
Learning Disability - shortfall in income	60
Mental Health - Reduction in care package costs	(135)
Physical & Sensory - overspend on equipment costs	130
Physical & Sensory - additional income achieved	(167)
Homelessness - underspend due to reduced usage	(123)
Homelessness - shortfall in income due to reduced usage	289
Various underspends all under £50k.	(122)
	<b>(282)</b>

**ENVIRONMENT & REGENERATION**

Additional Turnover Savings Achieved	(74)
Early Achievement of Planned Savings	(220)
Under recovery of Planning Income	101
Overspend on agency worker costs	99
Reduction in refuse transfer residual waste costs	(54)
Various under/overspends all under £50k.	39
	<b>(109)</b>

**Reasons: Movement P11 to Outturn**

**POLICY & RESOURCES**

Inflation Contingencies returned to Reserves	(79)
Further increase in IRI income	(222)
Various minor variances all under £50k.	(137)
	<b>(438)</b>

**EDUCATION & COMMUNITIES**

Education - Over recovery of school meal income	(78)
Education - Various utility variances	96
Various minor variances all under £50k.	(231)
	<b>(213)</b>

**HEALTH & SOCIAL CARE**

Older People - Changes in care packages	(61)
Older People - additional income for care costs/ charging orders	(90)
Various minor variances all under £50k.	33
	<b>(118)</b>

**ENVIRONMENT & REGENERATION**

Futher overspend on agency worker costs	34
Various minor variances all under £50k.	8
	<b>42</b>

**MATERIAL VARIANCES FROM BUDGET (OVER £50,000)**

**POLICY & RESOURCES COMMITTEE**

1. **Contingencies – Outturn Underspend £1,579,000 (49.90%), Movement Underspend £79,000**

Due to a lower than anticipated requirement for inflationary pressures around utilities, fuel, Social Care, PPP and waste contracts, the Council projected to underspend contingencies by £1,500,000. A further saving of £79,000 has been generated since the Period 11 report for non-pay Inflation contingencies.

2. **Internal Resources Income – Outturn Over Recovery £222,000 (98.23%), Movement Over Recovery £222,000**

Due to increased positive cashflow, Internal Resources Interest received was £222,000 more than budgeted in 2014/15.

3. **Housing Benefit Subsidy – Outturn Underspend £115,000 (0.32%), Movement Underspend £13,000**

The final Benefit Subsidy Claim produced in April 2015 reflected an actual underspend of £115,000 for 2014/15 mainly due to a lower than anticipated uptake within homelessness units. £102,000 of this was reported as part of the Period 11 report.

4. **Council Tax Prior Years Income – Outturn Over Recovery £204,000 (204%), Movement Over Recovery £4,000**

Due to improved collection rates, the Council over recovered prior years Council Tax Income by £204,000. This is an increase in income of £4,000 since the Period 11 report.

**ENVIRONMENT & REGENERATION COMMITTEE**

1. **Turnover Savings – Outturn Over Recovery £74,000 (0.41%), Movement Increase £5,000**

The Services within the Environment & Regeneration Committee achieved additional Turnover Savings of £74,000 in 2014/15. This is an increase of £5,000 in the position reported to the last Committee.

**2. Achievement of Planned Savings – Outturn Over Recovery £220,000 (1.21%), Movement £3,000**

Through early implementation of planned savings, the Directorate over achieved their savings target by £220,000.

**3. Planning Income – Outturn Under Recovery £101,000 (17.2%), Movement Under Recovery £11,000**

The Committee under recovered in planning income as a result of fewer than anticipated planning applications being received. This is an increase in the under recovery reported to the last Committee of £11,000.

**4. Agency Worker Costs – Outturn Overspend £99,000 (215%), Movement Overspend £34,000**

The Committee overspent on agency worker costs of £99,000 due to employing agency workers within Property Services, Vehicle Maintenance, Refuse Collection and Building Services Unit. This was mainly due to vacancies, recruitment difficulties and increased fee income. The increased costs are mainly offset by additional turnover savings achieved and increased income.

## **EDUCATION & COMMUNITIES**

**1. Turnover Savings – Outturn Over Recovery £214,000 (0.25%), Movement Increase £43,000**

The Committee achieved additional Turnover Savings of £214,000 which is a movement of £43,000 since the last report to Committee.

**2. Achievement of Savings – Outturn Over Recovery £160,000 (8.95%), Movement £0**

Through early implementation of planned savings, the Directorate over achieved their savings target by £160,000 for 2014/15.

**3. Various Utility Budget Lines – Outturn Underspend £83,000 (4.60%), Movement Overspend £81,000.**

The Committee saved against budget in gas, electricity, heating oil and biomass costs during 2014/15 of £197,000. This has been partially offset by an increase in water charges of £114,000 mainly due to increased consumption costs, drainage costs and a water leak at St Ninians Primary School. This is an increase in the level of spend reported to the last Committee of £81,000 primarily due to water drainage costs.



**4. Children & Young People Bill 600 hours Free Nursery Provision – Outturn Under Spend £407,000 (38.80%), Movement Underspend £7,000**

Due to delays in implementing aspects of the new Children & Young People Bill, the Council underspent on a one off basis by £407,000. It is not anticipated that this will be repeated in future years.

**HEALTH & SOCIAL CARE COMMITTEE**

**1. Turnover Savings – Outturn Over Recovery £932,000 (3.56%), Movement Reduction £110,000**

The Committee produced additional turnover savings for 2014/15 of £932,000 this is a reduction of £110,000 since the last report. A high level of vacancies within homecare resulted in an increase of purchased external homecare included in Older People Services (see below).

**2. Client Commitments Older People Services – Outturn Overspend £724,000 (4.52%), Movement Underspend £61,000.**

Client Commitments overspent by £724,000 during 2014/15, which is a movement of £61,000 since last report to Committee. Increased costs resulted from an increase in homecare and residential & nursing care costs linked to the increase in turnover (above).

**3. Client Commitments Mental Health Services – Outturn Underspend £135,000 (6.20%), Movement £0**

Due to a reduction of care package costs the Directorate underspent by £135,000. This reflects the cost of purchase care packages per the client profile in 2014/15. This was reported in full to the last Committee.

**4. Homelessness Accommodation – Outturn Overspend £166,000 (42.92%), Movement Overspend £8,000**

Due to reduced usage of both Inverclyde Centre and Temporary Furnished Accommodation, there was a net overspend of £166,000 for 2014/15. The Shortfall in income recovery exceeded the underspend achieved in property costs.