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| Report To: | Policy & Resources Committee | Date: 22 September 2015 |
| Report By: | Chief Financial Officer | Report No: FIN/83/15/AP/AE |
| Contact Officer: | Alan Puckrin | Contact No: 01475 712223 |
| Subject: | 2015/16 General Fund Revenue Budget as at 31 July 2015 | |

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 31st July 2015 and to update Committee in respect of the position of the General Fund Reserves and Earmarked Reserves.

2.0 SUMMARY

- 2.1 The Council approved a two year budget in February 2015. 2015/16 is the first year of this budget and incorporated a planned contribution to the General Fund Reserve of £2.588 million.
- 2.2 It can be seen from Appendix 1 that as at 31st July 2015 the General Fund is projecting a £2.400 million underspend which represents 1.22% of the net Revenue Budget. This is mainly due to:
- Projected significant under utilisation of pay and non-pay inflation allowance in line with the approved 2016/18 Budget Strategy.
 - A one off underspend within pressures contingency.
 - Projected over recovery of housing benefit subsidy in line with the mid-year estimate.
 - Projected saving in utility costs in line with prior years outturn.
 - One off saving in Council contribution to council tax reduction scheme.
 - Partially offset by increased client package costs in homecare and purchased residential accommodation placements within secure children units.
- 2.3 From Appendix 1 it can be seen that 3 Service Committees are currently projecting underspends. The Health and Social Care Committee is projecting an overspend primarily due to increased client package costs within homecare and purchased residential accommodation placements within children and families.
- 2.4 Appendix 2 shows the latest position in respect of Earmarked Reserves, excluding those relating to Asset Plans and Strategic Funds. It can be seen that as at 31st July 2015 expenditure totalled £0.620 million which equates to 7.66% of the projected spend in 2015/16. It can also be seen from Appendix 2 that at 31st July 2015 actual expenditure is 0.64% behind phased budget.
- 2.5 Appendix 3 shows the latest position in respect of the General Fund Reserves and shows that the projected balance at 31st March 2016 is £7.408 million which is £3.408 million greater than the minimum recommended balance of £4 million. A report is included elsewhere on the agenda providing more detail on the potential use of surplus reserves.
- 2.6 It is anticipated that there will be a multi-year Spending Review announced by the new UK Government and that this will take place in the autumn. Thereafter, it is anticipated that the Scottish Government will announce its funding plans for 2016/17 in January 2016.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee note the latest position of the 2015/16 Revenue Budget and General Fund Reserves.
- 3.2 It is recommended that the Committee note that the use of free reserves arising since the 19th February 2015 budget meeting is subject to a separate report at this Committee.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

4.1 The Council set a two year General Fund Revenue Budget in February 2015. 2015/16 is the first year of this budget and in the process the Council agreed a contribution to the General Fund Reserve of £2.588 million.

5.0 POSITION AS AT 31 JULY 2015

5.1 It can be seen from Appendix 1 that as at 31st July 2015 the General Fund is projecting an underspend of £2.400 million which equates to 1.22% of the net General Revenue Fund Budget.

5.2 It is projected that approximately £1.7 million of pay and non-pay inflation will not be required in 2015/16. This has largely come about due to lower than anticipated inflationary pressures around utilities, fuel, PPP contract indexation, SPT and Waste Contracts. The amount required in 2015/16 has continued to follow the same level as 2014/15. It is anticipated that contracts and costs are likely to increase in future years due to global inflationary pressures and the impact of the increase in the living wage.

5.3 A one off underspend of £200,000 is projected in relation to pressures contingency. An underspend of £330,000 is projected for the impact of the Council Tax Reduction Scheme due to a reduction in caseload figures within Inverclyde. This is in line with the rest of Scotland and was reported to the May Policy & Resources Committee.

5.4 It can be seen from Appendix 1 that 3 Service Committees are currently projecting underspends, the Health and Social Care Committee is currently projecting an overspend.

5.5 In summary the main issues relating to the four Service Committees are as follows:-

Policy & Resources Committee – Projected underspend of £1,994,000 (11.02%) mainly due to the significant projected under utilisation of the pay and non-pay inflation contingency, one off saving projected within the pressures contingency, a projected over recovery of benefit subsidy and prior year Council Tax income.

Environment & Regeneration – Projected underspend of £36,000 (0.18%) mainly due to excess turnover savings projected due to early achievement of planned savings, a projected underspend in Vehicle Maintenance Fuel costs offset by a shortfall in special catering income.

Education & Communities - £306,000 (0.37%) projected underspend mainly due to a reduction in utility costs, an underspend in Education Early Years due to vacancies and a projected over recovery of school meal income. This has been partially offset by a projected overspend for Teachers due to increased roll and placing requests.

Health & Social Care – Projected overspend of £459,000 (0.94%) mainly due to increased client package costs within homecare and purchased residential accommodation placements within children and families.

5.6 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 will not be amended during the year and should provide 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 Strategic Funds.

5.7 It can be seen that as at 31st July 2015 the Council has spent £0.620 million against a phased budget target of £0.624 million. This represents slippage of 0.64% against target and spend equates to 7.66% of the projected spend for 2015/16. Performance in respect of Earmarked Reserves is reviewed by the Corporate Management Team and reported in detail to each Service Committee.

5.8 Appendix 3 shows the projected General Fund Reserves position as at 31st March 2016. The projected balance at this date is shown as £7.408 million which is £3.408 million greater than the minimum reserve balance of £4 million recommended and approved via the Reserves Strategy.

5.9 The overall increase in the Free Reserves since the 2015/17 Budget and potential uses has been reviewed by the Members Budget Working Group and a report on the potential use of Free Reserves is included elsewhere on this agenda.

6.0 OTHER FINANCIAL MATTERS

6.1 It was approved at the full Council Meeting on 19th February 2015 that the Members Budget Working Group will continue to meet throughout 2015/16 to develop proposals to balance the 2016/17 budget with the stated aim of eliminating the use of reserves. A report elsewhere on the agenda provides an update on progress.

6.2 It is anticipated that there will be a multi-year Spending Review announced by the new UK Government and that this will take place in the autumn. Thereafter, it is anticipated that the Scottish Government will announce its funding plans for 2016/17 in January 2016.

7.0 CONSULTATION

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

8.0 IMPLICATIONS

8.1 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 |

8.2 Legal

None

8.3 Human Resources

None

8.4 **Equalities**

None

8.5 **Repopulation**

None

9.0 **BACKGROUND PAPERS**

9.1 None

Policy & Resources Committee
Revenue Budget Monitoring Report
Position as at 31st July 2015

| Committee | Approved Budget 2015/2016 | Revised Budget 2015/2016 | Projected Out-turn 2015/2016 | Projected Over/(Under) Spend | Percentage Variance |
|--|------------------------------|-----------------------------|---------------------------------|---------------------------------|------------------------|
| | £,000's | £,000's | £,000's | £,000's | |
| Policy & Resources | 18,835 | 18,099 | 16,105 | (1,994) | (11.02%) |
| Environment & Regeneration | 22,196 | 20,328 | 20,292 | (36) | (0.18%) |
| Education & Communities (Note 1) | 89,665 | 83,412 | 83,106 | (306) | (0.37%) |
| Health & Social Care | 48,767 | 48,767 | 49,226 | 459 | 0.94% |
| Committee Sub-Total | 179,463 | 170,606 | 168,729 | (1,877) | (1.10%) |
| Loan Charges (Including SEMP) | 13,935 | 18,463 | 18,463 | 0 | 0.00% |
| Unallocated Savings | 0 | 0 | 0 | 0 | 0.00% |
| Contribution to General Fund Reserve | 2,588 | 2,588 | 2,588 | 0 | 0.00% |
| One off contribution to Reserves (Note 2) | 0 | 330 | 0 | (330) | (100.00%) |
| Contribution to / (from) Statutory Funds | (240) | (240) | (240) | 0 | 0.00% |
| Post Budget Adjustments (Note 3) | 109 | 109 | 109 | 0 | 0.00% |
| Earmarked Reserves | 0 | 4,695 | 4,695 | 0 | 0.00% |
| Total Expenditure | 195,855 | 196,551 | 194,344 | (2,207) | (1.12%) |
| Financed By: | | | | | |
| General Revenue Grant/Non Domestic Rates | (169,201) | (169,897) | (169,897) | 0 | 0.00% |
| Council Tax | (33,347) | (33,347) | (33,347) | 0 | 0.00% |
| Council Tax Reduction Scheme | 6,693 | 6,693 | 6,500 | (193) | (2.88%) |
| Net Expenditure | 0 | 0 | (2,400) | (2,400) | |

Note 1 - Reduction reflects loans charges and earmarked reserves.

Note 2 - Council contribution to Council Tax Reduction Scheme.

Note 3 - Increase in band d equivalents factored into free reserves 2015/16.

Earmarked Reserves Position Statement

Appendix 2

Summary

| <u>Committee</u> | <u>Total Funding 2015/16</u> | <u>Phased Budget to 31 July 15</u> | <u>Actual Spend To 31 July 15</u> | <u>Variance Actual to Phased Budget</u> | <u>Projected Spend 2015/16</u> | <u>Earmarked 2016/17 & Beyond</u> | <u>2015/16 %age Spend Against Projected</u> | <u>2015/16 %age Over/(Under) Spend Against Phased Budget</u> |
|----------------------------|------------------------------|------------------------------------|-----------------------------------|---|--------------------------------|---------------------------------------|---|--|
| | £000 | £000 | £000 | £000 | £000 | £000 | | |
| Education & Communities | 6,179 | 67 | 67 | 0 | 3,668 | 2,511 | 1.83% | 0.00% |
| Health & Social Care | 2,510 | 305 | 305 | 0 | 2,442 | 68 | 12.49% | 0.00% |
| Regeneration & Environment | 2,643 | 144 | 144 | 0 | 1,396 | 1,247 | 10.32% | 0.00% |
| Policy & Resources | 1,631 | 108 | 104 | (4) | 593 | 1,038 | 17.54% | (3.70%) |
| | 12,963 | 624 | 620 | (4) | 8,099 | 4,864 | 7.66% | (0.64%) |

Actual Spend v Phased Budget

(£4k)

(0.64%)

Appendix 3

GENERAL FUND RESERVE POSITION
Position as at 31/07/15

| | <u>£000</u> | <u>£000</u> |
|---|---------------|--------------------|
| Projected Balance 31/03/15 | | 12168 |
| Projected Surplus/(Deficit) 2015/16 | 2400 | |
| Contribution to General Fund Reserve 2015/16 | 2588 | |
| CFCR Transfer from Capital Programme 2015/16 | 1260 | |
| Use of Reserves approved February 2014 (See Undernote) | (5703) | |
| Use of Reserves approved February 2015 (See Undernote) | <u>(5305)</u> | (4760) |
| | | |
| Projected Unallocated Balance 31/03/16 | | <u><u>7408</u></u> |

Minimum Reserve required is £4million

Excludes approved temporary use of Reserves in 2016/17 of £3.298m.

Approved Usage February 2014:

| | | |
|--|---------------|--------|
| Increased expenditure on Roads Defects and Drainage over 14/16 | (500) | |
| Increased Funding for Regeneration Projects: | | |
| Lower Port Glasgow | (500) | |
| East Central Greenock | (500) | |
| Central Gourock | (150) | |
| Employability | (400) | |
| Commonwealth Flotilla Event | (250) | |
| Play Area Investment | (150) | |
| Birkmyre Park, Kilmacolm, Rugby Pitch / Drainage improvements | (100) | |
| Broomberry Drive Walled Gardens - provision of modular toilet | (40) | |
| Further investment in I Zone (Port Glasgow & Gourock) | (213) | |
| Ravenscraig Sports Barn | (600) | |
| SEMP - increase investment in MUGAs within Primary School Estate | (1100) | |
| Create Loan Charge EMR to meet spike in Loan Charges from 16/17 | <u>(1200)</u> | (5703) |

Approved Usage February 2015:

| | | |
|---|---------------|--------|
| Increase to Voluntary Severance/ Early Retiral Reserve | (1250) | |
| Increased allocation to Birkmyre Park Drainage Project | (150) | |
| Funding for Equipment - Adults with Learning Difficulties | (40) | |
| 2 Year Extension to 2 x Specialist Posts | (167) | |
| Scottish Wide Area Network - One off Costs | (323) | |
| Part Year Costs - Ravenscraig Sports Barn | (40) | |
| Flooding - Next Phase | (950) | |
| Rankin Park Cycle Track | (150) | |
| Substitute Funding - Riverside Inverclyde | (250) | |
| Substitute Funding - Common Good | (35) | |
| Beacon Contract and Core Funding | <u>(1950)</u> | (5305) |