
Report To:	Policy & Resources Committee	Date: 2 February 2016
Report By:	Chief Financial Officer	Report No: FIN/17/16/AP/AE
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Subject:	2015/16 General Fund Revenue Budget as at 30 November 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 30th November 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 30th November 2015, the General Fund is projecting a £3.935 million underspend which represents 2.0% of the net Revenue Budget and is a movement of £572,000 since the last report. 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.
 - Projected underspend with the Education Early Years' Service which has been addressed as part of the 2016/18 budget.
 - Partially offset by increased client package costs in homecare.
 - Grant Redeterminations from the Scottish Government.
- 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 a small overspend primarily due to increased client package costs within external homecare and an under occupancy of the temporary furnished flats within the homelessness service.
- 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 30th November 2015 expenditure totalled £1.683 million which equates to 20.36% of the projected spend in 2015/16. It can also be seen from Appendix 2 that at 30th November 2015 actual expenditure is 46.91% behind phased budget. This was due to the delay in a major payment which was made in Period 9.
- 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 £5.968 million which is £1.968 million greater than the minimum recommended balance of £4 million. Appendix 3 reflects the decisions on the use of free reserves taken at the Policy & Resources Committee on 22nd September 2015 and 17th November 2015.

2.6 The Scottish Government announced its funding plans for 2016/17 in December 2015. The announcement resulted in a significant funding reduction from that anticipated. There is a report elsewhere on the Agenda updating Committee on the 2016/18 Budget.

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.

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 30 NOVEMBER 2015

5.1 It can be seen from Appendix 1 that as at 30th November 2015, the General Fund is projecting an underspend of £3.935 million which equates to 2.0% of the net General Revenue Fund Budget and is an increase of £572,000 since the last report.

5.2 It is projected that approximately £1.9 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 within the Council Tax Reduction Scheme is projected 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 a small overspend.

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

Policy & Resources Committee – Projected underspend of £2,475,000 (15.28%) 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, prior year Council Tax income, over recovery of IRI income and statutory additions income. All these issues are factored into the 2016/18 draft budget.

Environment & Regeneration – Projected underspend of £154,000 (0.75%) mainly due to excess turnover savings projected due to early achievement of planned savings, an underspend in roads client electrical power, an underspend within residual waste contract due to a reduction in waste tonnage treated offset by a shortfall in property physical assets rental income and Roads Client sales, fees and charges.

Education & Communities - £626,000 (0.74%) projected underspend mainly due to an underspend in Education Early Years due to vacancies, additional turnover savings and a projected over recovery of school meal income and income from Other Local Authorities. This has been partially offset by a projected overspend for Teachers due to increased roll and placing requests.

Health & Social Care – Projected overspend of £137,000 (0.28%) mainly due to increased client package costs within external homecare and an overspend within the homelessness service due to under occupancy of temporary furnished accommodation. Costs have been partially offset by vacancies within internal homecare and an underspend within residential and nursing due to a change in client profiles.

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 30th November 2015 the Council has spent £1.683 million against a phased budget target of £3.170 million. This represents slippage of 46.91% and spend equates to 20.36% of the projected spend for 2015/16. The slippage is a result of a delay in a single payment which has now been made and this brings spend back on target. 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 £5.968 million which is £1.968 million greater than the minimum reserve balance of £4 million recommended and approved via the Reserves Strategy.
- 5.9 Appendix 3 reflects decisions taken at Policy & Resources Committee on 22nd September 2015 and 17th November 2015 on use of free reserves.

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 2016/18 budget with the aim of eliminating the use of reserves in 2016/17. A report elsewhere on the agenda provides an update on progress.
- 6.2 The Scottish Government announced its funding plans for 2016/17 in December 2015. The announced resulted in a significant funding reduction which was considerably worse than anticipated. The Council is scheduled to meet to approve the 2016/17 budget on 18th February 2016.

7.0 CONSULTATION

- 7.1 This report reflects 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 30th November 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	16,197	13,722	(2,475)	(15.28%)
Environment & Regeneration	22,196	20,638	20,484	(154)	(0.75%)
Education & Communities (Note 1)	89,665	84,885	84,259	(626)	(0.74%)
Health & Social Care	48,767	49,642	49,779	137	0.28%
Committee Sub-Total	179,463	171,362	168,244	(3,118)	(1.82%)
Loan Charges (Including SEMP)	13,935	17,825	17,825	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	298	0	(298)	(100.00%)
Contribution to / (from) Statutory Funds	(240)	(285)	(285)	0	0.00%
Post Budget Adjustments (Note 3)	109	109	109	0	0.00%
Earmarked Reserves	0	4,856	4,856	0	0.00%
Total Expenditure	195,855	196,753	193,337	(3,416)	(1.74%)
Financed By:					
General Revenue Grant/Non Domestic Rates	(169,201)	(170,019)	(170,345)	(326)	0.19%
Council Tax	(33,347)	(33,427)	(33,427)	0	0.00%
Council Tax Reduction Scheme	6,693	6,693	6,500	(193)	(2.88%)
Net Expenditure	0	0	(3,935)	(3,935)	

Note 1 - Reduction reflects loans charges and earmarked reserves.

Note 2 - Council contribution to Council Tax Reduction Scheme offset by Former Tied Houses.

Note 3 - Increase in band d equivalent 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 30 November 15</u>	<u>Actual Spend To 30 November 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 Against Projected</u>	<u>2015/16 %age Over/(Under) Spend Against Phased Budget</u>
	£000	£000	£000	£000	£000	£000		
Education & Communities	6,113	1,723	290	(1,433)	4,146	1,967	6.99%	(83.17%)
Health & Social Care	2,600	852	808	(44)	2,305	295	35.05%	(5.16%)
Regeneration & Environment	2,643	332	310	(22)	1,293	1,350	23.98%	(6.63%)
Policy & Resources	1,581	263	275	12	523	1,058	52.58%	4.56%
	12,937	3,170	1,683	(1,487)	8,267	4,670	20.36%	(46.91%)

Actual Spend v Phased Budget Underspend = (£1,487k) (46.91%)

Appendix 3

GENERAL FUND RESERVE POSITION
Position as at 30/11/15

	<u>£000</u>	<u>£000</u>
Balance 31/03/15		12148
Projected Surplus/(Deficit) 2015/16	3935	
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>	(3225)
<i>Use of Reserves Approved P&R September 2015:</i>		
Developing Young Persons Workforce	(87)	
Removal Contaminated Waste former Greenock Academy Site	(420)	
Increased Funding Inverkip Community Facility	(100)	
Bakers Brae Realignment (subject to successful RCGF bid)	(1000)	
Port Glasgow/Broomhill (subject to successful RCGF bid)	(1000)	
Birkmyre Park Drainage (subject to contribution from St Columbas)	<u>(100)</u>	(2707)
<i>Use of Reserves Approved P&R November 2015:</i>		
Former Tied Houses		(248)
Projected Unallocated Balance 31/03/16		<u><u>5968</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 Gourrock	(150)	
Employability	(400)	
Commonwealth Flotilla Event	(250)	
Play Area Investment	(150)	
Birkmyre Park, Kilmacollm, Rugby Pitch / Drainage improvements	(100)	
Broomberry Drive Walled Gardens - provision of modular toilet	(40)	
Further investment in I Zone (Port Glasgow & Gourrock)	(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)