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|-------------------------|--|--------------------|------------------------|
| Report To: | Policy & Resources Committee | Date: | 17 May 2016 |
| Report By: | Chief Executive, Corporate Director Environment, Regeneration & Resources, Corporate Director Education, Communities & Organisational Development and Chief Financial Officer | Report No: | FIN/57/16/AP/AE |
| Contact Officer: | Angela Edmiston | Contact No: | 01475712143 |
| Subject: | Policy & Resources Committee 2015/16 Revenue Budget – Period 11 to 29th February 2016 | | |

1.0 PURPOSE

- 1.1 To advise Committee of the 2015/16 projected out-turn for the Policy & Resources Committee as at period 11, 29 February 2016.

2.0 SUMMARY

- 2.1 The total revised Committee budget for 2015/16 is £16,824,000. This excludes Earmarked Reserves of £1,617,000.
- 2.2 The latest projection, excluding Earmarked Reserves, is an underspend of £3,098,000 which is an increase in underspend of £270,000 since period 10 report to Committee.
- 2.3 The main reasons for this underspend are:
- £2,346,000 projected underspend due to a significant reduction in call on Pay and Non Pay Inflation Contingency which has been factored into the approved 2016/18 Budget.
 - One-off £232,000 underspend projected due to no significant calls being anticipated on the Pressures Contingency until 2016/17.
 - £100,000 over-recovery of Benefit subsidy in line with mid-year estimate.
 - £90,000 over-recovery of prior year Council Tax income collection which is in line with 2014/15 out-turn.
 - A £138,000 projected underspend within Finance Services employee costs mainly due to additional turnover savings and a one-off delay in filling vacancies within the Customer Service Centre.
 - A £136,000 projected over-recovery of Internal Resource Interest income based on previous year out-turn.
- 2.4 The Earmarked Reserves for 2015/16 total £1,617,000 of which £454,000 is projected to be spent in the current financial year. As at 29 February 2016, expenditure of £349,000 (76.87%) has been incurred which is £96,000 under the phased budgeted spend to date. It is to be noted that Earmarked Reserves reported in appendix 4 exclude Earmarked Reserves for Asset Plans and Strategic Funds.
- 2.5 The Common Good Fund is projecting a surplus fund balance at 31 March 2016 of £34,560. This is below the minimum level of reserves of £100,000 recommended. Rates costs are being examined to ensure all appropriate relief has been obtained. It is important that the Common Good budget operates on a sustainable basis and proposals to address this were approved as

part of the 2016/18 budget.

3.0 RECOMMENDATIONS

- 3.1 That the Committee note the projected underspend of £3,098,000 for the Policy and Resources Committee as at Period 11, 29th February 2016.
- 3.2 That the Committee note the projected fund balance of £34,560 for the Common Good Fund and that this was addressed as part of the 2016/18 budget.

John Mundell
Chief Executive

Alan Puckrin
Chief Financial Officer

Wilma Bain
Corporate Director
Education, Communities
& Organisational Development

Aubrey Fawcett
Corporate Director
Environment, Regeneration &
Resources

4.0 BACKGROUND

4.1 The purpose of this report is to advise Committee of the current position of the 2015/16 budget and to highlight the main issues contributing to the projected underspend of £3,098,000

5.0 2015/16 CURRENT POSITION

5.1 The current projection is an underspend of £3,098,000. The following are the material variances:

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

Finance - £438,000 underspend

Employee Costs: £138,000 projected underspend which is an increase in underspend of £17,000 since period 10 report to Committee mainly due to additional turnover savings being achieved.

Administration Costs: £66,000 projected underspend, an increase in underspend of £15,000 since period 10 report to Committee mainly due to a projected £10,000 expenditure for Legal expenses now estimated to be incurred in 2016/17.

Other Expenditure: In period 10 underspend of £103,000 mainly within benefit subsidy was reported. There has been no change since.

Payments to Other Bodies: An underspend of £24,000 is being projected which is an increase in underspend of £5,000 since last reported to Committee. The increase in underspend is within Discretionary Relief budget and is based on current expenditure profile to date and projected to year end.

Income: £104,000 projected over-recovery of income which is a £2,000 minor decrease in income since period 10 report to Committee.

Legal & Property - £45,000 overspend

Employee Costs: An overspend of £45,000 was projected in period 10 due to turnover target not being met. This has not changed since the last report.

Administration Costs: A £20,000 underspend is being projected, an increase in spend of £3,000 since last reported to Period 10 Committee.

Payments to Other Bodies: An underspend of £9,000 is being projected since period 10 report to Committee and is based on four Community Councils being disbanded and money being refunded.

Income: An under-recovery of £27,000 is being projected which is a £9,000 increase in under-recovery since last reported to Committee mainly due to a reduction in income rechargeable to Capital.

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

Organisational Development, H.R. & Communications - £19,000 overspend

Employee Costs: £28,000 overspend is being projected mainly due to turnover target not being met. This is a decrease in spend of £1,000 since last reported to Committee.

Other Expenditure: £11,000 underspend projected which is an increase in spend of £10,000

since last reported to Committee mainly due to previous underspends projected within Workforce Development not materialising.

5.4 The following material variances relate to the Miscellaneous budget.

Miscellaneous – 2,735,000 underspend

Inflation Contingency: £2,346,000 underspend is being projected due to projected reduction in calls on non-pay inflation contingency. This is a further increase in underspend of £196,000 since period 10 report to Committee.

Pressures Contingency: As no significant calls are expected, a one off £232,000 underspend is being projected for the pressures contingency until 2016/17. This is a £32,000 increase in underspend since last reported to Committee.

Internal Resource Interest: In period 8 an over-recovery of £100,000 was projected. The current projection is an over-recovery of £136,000 which is an increase of £36,000 since period 10 report to Committee.

Audit Fee: An underspend of £16,000 was projected in period 10 based on fee confirmation received from Audit Scotland which still remains.

6.0 VIREMENT

6.1 There are no virements to report in period 11.

7.0 EARMARKED RESERVES

7.1 Appendix 4 gives a detailed breakdown of the current earmarked reserves position. Total funding is £1,617,000 of which £454,000 is projected to be spent in 2015/16 and the remaining balance of £1,163,000 to be carried forward to 2016/17 and beyond. It can be seen that expenditure of £349,000 has been achieved which is £96,000 under the phased budgeted spend to date and represents 76.87% of the annual projected spend.

8.0 COMMON GOOD FUND

8.1 Appendix 5 shows a projected overspend of £47,250 in the Common Good Fund as at 29th February 2016. This results in a projected available fund balance at 31st March 2016 of £34,560. This is below the minimum level of reserves of £100,000 recommended. Rates costs are being examined to ensure all appropriate relief has been obtained.

8.2 It is important that the Common Good budget operates on a sustainable basis and this was addressed as part of the 2016/18 budget.

9.0 IMPLICATIONS

9.1 **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 | | | | | |

9.2 Legal

There are no specific legal implications arising from this report.

9.3 Human Resources

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

9.4 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.

9.5 Repopulation

There are no repopulation issues arising from this report.

10.0 CONSULTATIONS

10.1 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.

11.0 CONCLUSIONS

11.1 The Committee note the 2015/16 projected underspend of £3,098,000 for the Policy and Resources Committee as at Period 11, 29th February 2016.

12.0 BACKGROUND PAPERS

12.1 There are no background papers for this report.

Policy & Resources Budget Movement - 2015/16**Period 11: 1st April - 29th February 2016**

| Service | Approved Budget | | Movements | | | Revised Budget |
|---|-----------------|-------------------|------------------|----------------------------------|-------------------------------|-----------------|
| | 2015/16 £000 | Inflation £000 | Virement £000 | Supplementary Budgets £000 | Transferred to EMR £000 | 2015/16 £000 |
| Finance | 7,585 | 98 | (311) | 633 | | 8,005 |
| Legal & Property | 1,507 | 17 | 2 | | | 1,526 |
| Organisational Development, HR & Communications | 1,669 | 21 | (4) | | | 1,686 |
| Corporate Policy | 180 | 2 | | | | 182 |
| Chief Exec | 398 | 6 | | | | 404 |
| Miscellaneous | 7,496 | (2,469) | (6) | | | 5,021 |
| Totals | <u>18,835</u> | <u>(2,325)</u> | <u>(319)</u> | <u>633</u> | <u>0</u> | <u>16,824</u> |

Supplementary Budget Detail

£000

External Resources

DHP Redetermination

633

Internal ResourcesFinanceLegalOrganisational Development, HR & CommunicationsCorporate PolicyChief ExecMiscSavings/Reductions633

REVENUE BUDGET MONITORING REPORT

CURRENT POSITION

PERIOD 11: 1st April 2015- 29th February 2016

| Service | Approved Budget 2015/16 £000 | Revised Budget 2015/16 £000 | Projected Out-turn 2015/16 £000 | Projected Over/(Under) Spend £000 |
|--|------------------------------------|-----------------------------------|---------------------------------------|---|
| Finance | 7,585 | 8,005 | 7,567 | (438) |
| Legal & Property Services | 1,507 | 1,526 | 1,571 | 45 |
| Total Net Expenditure Environment, Regeneration & Resources | 9,092 | 9,531 | 9,138 | (393) |
| Organisational Development, Human Resources & Communications | 1,669 | 1,686 | 1705 | 19 |
| Corporate Policy | 180 | 182 | 186 | 4 |
| Total Net Expenditure Education, Communities & Organisational Development | 1,849 | 1,868 | 1,891 | 23 |
| Chief Executive | 398 | 404 | 411 | 7 |
| Miscellaneous | 7,496 | 5,021 | 2,286 | (2,735) |
| TOTAL NET EXPENDITURE | 18,835 | 16,824 | 13,726 | (3,098) |
| Earmarked reserves | | | | |
| Total Net Expenditure excluding Earmarked Reserves | 18,835 | 16,824 | 13,726 | (3,098) |

POLICY & RESOURCES**REVENUE BUDGET MONITORING REPORT****MATERIAL VARIANCES (EXCLUDING EARMARKED RESERVES)****PERIOD 11: 1st April 2015 - 29th February 2016**

| Outturn 2014/15 £000 | Budget Heading | Budget 2015/16 £000 | Proportion of Budget £000 | Actual to 29/02/16 £000 | Projection 2015/2016 £000 | Over/(Under) Budget £000 |
|----------------------------|--|---------------------------|---------------------------------|-------------------------------|---------------------------------|--------------------------------|
| | <u>Finance/ICT</u> | | | | | |
| 5,391 | Employee Costs | 5,398 | 4,673 | 4,566 | 5,260 | (138) |
| 35,720 | Benefit Subsidy | 36,486 | 33,446 | 33,472 | 36,386 | (100) |
| 861 | Admin Costs | 917 | 841 | 726 | 851 | (66) |
| 160 | Computer Hardware/Software | 155 | 142 | 213 | 140 | (15) |
| 97 | Discretionary Relief-PTOB | 113 | 104 | (5) | 93 | (20) |
| 0 | Income - Universal Credit | 0 | 0 | (22) | (25) | (25) |
| (304) | Council tax income Prior Year | (223) | (186) | 0 | (313) | (90) |
| (99) | ICT - Income | (65) | (60) | (41) | (49) | 16 |
| 66 | Line Rental costs | 124 | 114 | 56 | 74 | (50) |
| 0 | Unallocated Savings | (16) | (15) | 0 | 0 | 16 |
| | <u>Organisational Development, HR & Communications & Events</u> | | | | | |
| 1,525 | Employee Costs | 1,380 | 1,194 | 1,216 | 1,406 | 26 |
| 73 | Advertising Costs | 73 | 67 | 78 | 91 | 18 |
| 91 | Consultants costs | 100 | 83 | 70 | 90 | (10) |
| | <u>Miscellaneous</u> | | | | | |
| 553 | Inflation Contingency | 4,678 | 4,288 | 2,301 | 2,332 | (2,346) |
| 262 | Audit Fee | 273 | 250 | 167 | 257 | (16) |
| 0 | Pressures Contingency | 232 | 213 | 0 | 0 | (232) |
| (334) | Internal Resource Interest | (226) | (207) | 0 | (362) | (136) |
| | <u>Legal & Property Services</u> | | | | | |
| 1,850 | Employee Costs | 1,145 | 991 | 1,421 | 1,190 | 45 |
| 31 | Postages/Printing/Training -Admin | 96 | 88 | 81 | 83 | (13) |
| (56) | Income recharges | (71) | (65) | (33) | (44) | 27 |
| 45,887 | TOTAL MATERIAL VARIANCES | 50,569 | 45,961 | 44,266 | 47,460 | (3,109) |

EARMARKED RESERVES POSITION STATEMENT

COMMITTEE: Policy & Resources

| <u>Project</u> | <u>Lead Officer/ Responsible Manager</u> | <u>Total Funding 2015/16</u> | <u>Phased Budget To Period 11 2015/16</u> | <u>Actual To Period 11 2015/16</u> | <u>Projected Spend 2015/16</u> | <u>Amount to be Earmarked for 2016/17 & Beyond</u> | <u>Lead Officer Update</u> |
|---------------------------------|--|--------------------------------------|---|--|------------------------------------|--|---|
| | | <u>£000</u> | <u>£000</u> | <u>£000</u> | <u>£000</u> | <u>£000</u> | |
| Modernisation Fund | Alan Puckrin | 308 | 152 | 119 | 130 | 178 | Business case approved for HR EDRMS project. Unallocated balance now £65k. |
| Procurement Development Fund | Alan Puckrin | 4 | 0 | 0 | 0 | 4 | £18k vired to fund Procurement Apprentice. £4k balance to be written back at 31/03/2016. |
| Welfare Reforms - Operational | Alan Puckrin | 380 | 40 | 43 | 57 | 323 | Unallocated balance now £155k, of which £36k is to be written back to reserves at 31/03/2016. |
| Budget Development | Alan Puckrin | 260 | 130 | 75 | 125 | 135 | £65k written back to reserves. Total funding now available for 2015/16 is £260k of which revised commitments for spend is £215k. This includes additional £20k of commitment for Social Transport and £16k for PPP review. Of these commitments £125k is projected to be spent in 2015/16 with the balance of £86k and £34k of un-committed funds being carried forward for spend in future years. |
| Protection of Vulnerable Groups | S McNab | 48 | 48 | 33 | 48 | 0 | Full spend expected to be incurred by year end. |
| 2013/16 Revenue Contingency | Alan Puckrin | 212 | 75 | 79 | 94 | 118 | Nepal earthquake, Waverly Enterprise, Kelburn Park and Corlic Farm legal representation fully spent. Full spend of £9k incurred for Inverclyde Leisure playschemes with £3k balance to be returned to uncommitted reserves. The Event fee for Powerboat Grand Prix is expected to be spent by Mar 2016. Future spend will consist of £5k for Toll Boys, £65k for Powerboat Grand Prix, £10k for Gourrock Games and £38k uncommitted reserves. |

| <u>Project</u> | <u>Lead Officer/ Responsible Manager</u> | <u>Total Funding 2015/16</u> | <u>Phased Budget To Period 11 2015/16</u> | <u>Actual To Period 11 2015/16</u> | <u>Projected Spend 2015/16</u> | <u>Amount to be Earmarked for 2016/17 & Beyond</u> | <u>Lead Officer Update</u> |
|--|--|--------------------------------------|---|--|------------------------------------|--|--|
| | | £000 | £000 | £000 | £000 | £000 | |
| Discretionary Housing Payments / Welfare Reform - Policy | Alan Puckrin | 405 | 0 | 0 | 0 | 405 | Proposals totalling £558k approved at P&R Committee in February 2016, based on a projected balance of £748k at 31/03/16. |
| Total Category C to E | | 1,617 | 445 | 349 | 454 | 1,163 | |

REVENUE BUDGET MONITORING REPORT 2015/16PERIOD 8 : 1st April 2015 to 28th February 2016

| | | Final Outturn 2014/15 | Approved Budget 2015/16 | Budget to Date 2015/16 | Actual to Date 2015/16 | Projected Outturn 2015/16 |
|--------------------------------------|---|--------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|--------------------------------------|
| <u>PROPERTY COSTS</u> | | 28,400 | 10,000 | 9,200 | 25,350 | 28,060 |
| Repairs & Maintenance | 1 | 19,650 | 9,000 | 8,300 | 9,000 | 9,000 |
| Rates | 2 | 11,140 | | 0 | 18,060 | 18,060 |
| Property Insurance | | (2,390) | 1,000 | 900 | (1,710) | 1,000 |
| <u>ADMINISTRATION COSTS</u> | | 21,670 | 8,700 | 3,400 | 5,390 | 9,700 |
| Sundries | 3 | 14,470 | 1,500 | 1,400 | 3,190 | 2,500 |
| Commercial Rent Management Recharge | | 2,200 | 2,200 | 2,000 | 2,200 | 2,200 |
| Recharge for Accountancy | | 5,000 | 5,000 | 0 | | 5,000 |
| <u>OTHER EXPENDITURE</u> | | 145,650 | 98,800 | 98,500 | 99,110 | 99,400 |
| Christmas Lights Switch On | | 10,500 | 10,500 | 10,500 | 10,500 | 10,500 |
| Christmas Dinners/Parcels | | 18,000 | 21,600 | 21,600 | 21,600 | 21,600 |
| Christmas Decorations | | 35,400 | 0 | | | 0 |
| Gourock Highland Games | | 29,400 | 29,400 | 29,400 | 29,400 | 29,400 |
| Armistice Service | | 6,930 | 8,300 | 8,300 | 6,710 | 7,000 |
| Comet Festival | | 13,300 | 13,300 | 13,300 | 13,300 | 13,300 |
| Fireworks | | 12,600 | 12,600 | 12,600 | 12,600 | 12,600 |
| Society of the Innocents Rent Rebate | | 7,620 | 3,100 | 2,800 | 5,000 | 5,000 |
| World War 1 Centenary | 4 | 600 | | | | 0 |
| Bad Debt Provision | | 11,300 | | | | 0 |
| <u>INCOME</u> | | (145,880) | (149,300) | (136,800) | (113,370) | (121,710) |
| Property Rental | | (164,150) | (181,100) | (166,000) | (112,860) | (183,000) |
| Void Rents | 5 | 19,340 | 33,800 | 31,000 | | 61,800 |
| Internal Resources Interest | | (1,070) | (2,000) | (1,800) | (510) | (510) |
| Disposal of Land | 6 | 0 | | | | 0 |
| <u>NET ANNUAL EXPENDITURE</u> | | 49,840 | (31,800) | (25,700) | 16,480 | 15,450 |
| <u>EARMARKED FUNDS</u> | 7 | 76,580 | 49,170 | 0 | 38,150 | 49,170 |
| John Wood St/Bay St Shop Improvemnts | | 76,576 | 18,420 | | 18,420 | 18,420 |
| World War 1 Centenary | 4 | | 3,750 | | 3,570 | 3,750 |
| Port Glasgow Road - Demolition | | | 15,000 | | 8,340 | 15,000 |
| Repairs & Renewals Fund | | | 12,000 | | 7,820 | 12,000 |
| <u>TOTAL NET EXPENDITURE</u> | | 126,420 | 17,370 | (25,700) | 54,630 | 64,620 |

Fund Balance as at 31st March 2015

99,180

Projected Fund Balance as at 31st March 2016

34,560**Notes:****1 Repairs & Maintenance**

Additional Repairs costs are due to be incurred in respect of 12 Bay St to bring this property to an adequate condition to allow the property to be let out. These costs are estimated to be £16,000 and will be funded from a combination of the ongoing repairs & Maintenance budget and the Repairs & Renewals Fund.

2 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.

3 Sundries

Additional Legal Fees of £12,400 were incurred in 2014/15 in respect of a dispute over unpaid rent. The dispute is ongoing and may result in further additional costs and/or a write-off of bad debt. A provision has previously been made for bad debt which will partly offset any write-off. Should the dispute be resolved in the Common Good's favour these costs may be recoverable.

4 World War 1 Centenary

World War 1 Centenary includes purchase of commemorative benches and attendance at Drumhead Service. The benches were not delivered until 2015/16 and as a result the budget was set aside for carry forward and is included in the Earmarked Funds section.

5 Current Empty Properties are:

12 Bay St
4 John Wood Street
17 John Wood Street
74 Port Glasgow Road

Vacant since:

April 2015
May 2010
March 2014
September 2012

6 Land at Port Glasgow Road

Following a marketing exercise of the site at Port Glasgow Road, Greenock, no satisfactory offers were received. The site will now be re-marketed and the remaining buildings demolished to make the site more marketable.

7 Approved Projects

In addition to the annual budget highlighted above committee have previously approved funding for Improvements to Shops in Bay St/John Wood St, Port Glasgow. As noted an allowance for the World War 1 commemorative benches has also now been included here.

In addition allowance has been made for the clearance of the site at 74 Port Glasgow Road and a Repairs & Renewals Fund was set up as part of the 2015/16 budget process.