

---

<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b> 17 May 2016
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b> FIN/58/16/AP/AE
<b>Contact Officer:</b>	<b>Alan Puckrin</b>	<b>Contact No:</b> 01475 712223
<b>Subject:</b>	<b>2015/16 General Fund Revenue Budget as at 29 February 2016</b>	

---

## 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 29<sup>th</sup> February 2016 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 the 29<sup>th</sup> February 2016 the General Fund is projecting a £6.072 million underspend which represents 3.08% of the net Revenue Budget and is an increase in underspend of £901,000 since the last report. The overall underspend is mainly due to:
- Projected significant underutilisation 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.
  - Saving in Council contribution to council tax reduction scheme.
  - Projected underspend in the Education Early Years' Service which has been addressed as part of the 2016/18 budget.
  - Additional turnover savings achieved across all Directorates.
  - Grant Redeterminations from the Scottish Government.
  - Release of pressure funding with Learning Disability Services due to delays in moving clients.
  - Underutilisation of new funding provided under Children & Young People Act due to delays in establishing projects.
  - Increased client package costs in homecare.
- 2.3 From Appendix 1 it can be seen that all Service Committees are currently projecting underspends. Overall, this is an improvement since the last report to Committee of £836,000.
- 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 29<sup>th</sup> February 2016 expenditure totalled £5.583 million which equates to 82.67% of the projected spend in 2015/16. It can also be seen from Appendix 2 that at the 29<sup>th</sup> February 2016 actual expenditure is 9.72% behind phased budget. There are some large year end payments which will increase spend in 2015/16.

- 
- 2.5 Appendix 3 shows the latest position in respect of the General Fund Reserves and shows that the projected balance at 31<sup>st</sup> March 2016 is £8.749 million which is £4.749 million greater than the minimum recommended balance of £4 million. Appendix 3 reflects the decisions on the use of free reserves taken at Policy & Resources Committee on 22<sup>nd</sup> September 2015, 17<sup>th</sup> November 2015 and 2<sup>nd</sup> February 2016.
- 2.6 The Council agreed the 2016/17 Revenue Budget on 10<sup>th</sup> March 2016. At this meeting, the Council approved £4.966 million use of free reserves as well as the temporary use of reserves to balance the 2017/18 Revenue 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.
- 3.2 It is recommended that the Committee note the decision of the Council on 10<sup>th</sup> March, 2016 that any remaining Free Reserves remain unallocated and that consideration of potential uses be delayed until after the finalisation of the 2015/16 accounts in September 2016.

**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 29 FEBRUARY 2016

5.1 It can be seen from Appendix 1 that as at 29<sup>th</sup> February 2016 the General Fund is projecting an underspend of £6.072 million which equates to 3.08% of the net General Revenue Fund Budget and is an increase in underspend of £901,000 since the last report.

5.2 It is projected that approximately £2.3 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 pay inflation, utilities, fuel, PPP contract indexation, SPT and Waste Contracts. The amount required in 2015/16 has continued to follow the same pattern 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 £232,000 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 Additional grant redetermination funding of £762,000 has been received and is being projected to be underspent. Funding is mainly around maintaining teacher numbers and probationer funding which was already built into the Council's budget.

5.5 It can be seen from Appendix 1 that all Service Committees are currently projecting underspends, this is an improvement since the last report of £836,000.

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

Policy & Resources Committee – Projected underspend of £3,098,000 (18.41%) 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 were factored into the 2016/18 budget.

Environment & Regeneration – Projected underspend of £137,000 (0.68%) mainly due to excess turnover savings projected due to early achievement of planned savings, an underspend in roads client electrical power, an underspend on client services fuel costs offset in part by an overspend within residual waste contract due to an increase in waste tonnage treated and an under recovery of property physical assets rental income.

Education & Communities - £1,439,000 (1.72%) 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, income from Other Local Authorities and Wraparound income. There is a projected underspend within waivers for pitches and hall lets and support to community facilities due to delays within completion of various community halls.

Health & Social Care – Projected underspend of £145,000 (0.29%) mainly due to an underspend on new funding provided under the Children & Young People Act, release of pressure funding within Learning Disability Services and additional turnover achieved across the Directorate. This has been partly offset by increased client package costs within external homecare and an overspend within the homelessness service due to under occupancy of temporary furnished accommodation.

- 5.7 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.
- 5.8 It can be seen that as at 29<sup>th</sup> February 2016 the Council has spent £5.583 million against a phased budget target of £6.184 million. This represents slippage of 9.72% and spend equates to 82.67% 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.
- 5.9 Appendix 3 shows the projected General Fund Reserves position as at 31<sup>st</sup> March 2016. The projected balance at this date is shown as £8.749 million which is £4.749 million greater than the minimum reserve balance of £4 million recommended and approved via the Reserves Strategy. Appendix 3 reflects decisions taken at Policy & Resources Committee on 22<sup>nd</sup> September 2015, 17<sup>th</sup> November 2015 and 2<sup>nd</sup> February 2016 on use of free reserves.
- 5.10 The Council approved the 2016/17 Revenue Budget on the 10<sup>th</sup> March 2016. At this meeting, the Council approved £4.966 million use of free reserves as well as the temporary use of reserves to balance the 2017/18 Revenue Budget. It was also agreed at this time that any remaining balance of Free Reserves be retained until the conclusion of the 2015/16 Accounts closure exercise.

## 6.0 OTHER FINANCIAL MATTERS

- 6.1 It was approved at the full Council Meeting on 19<sup>th</sup> 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. This has been achieved via the recent Budget decision.
- 6.2 It was approved at the full Council Meeting on 10<sup>th</sup> March 2016 that the Members Budget Working Group will continue in their role in relation to finalising the 2017/18 Budget.

## 7.0 CONSULTATION

- 7.1 This report reflects the detailed budget reports to each Committee and has been agreed by the Corporate Management Team.

## 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

<b>Cost Centre</b>	<b>Budget Heading</b>	<b>With Effect from</b>	<b>Annual Net Impact £000</b>	<b>Virement From (if Applicable)</b>	<b>Other Comments</b>
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 29th February 2016**

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	16,825	13,727	(3,098)	(18.41%)
Environment & Regeneration	22,196	20,150	20,013	(137)	(0.68%)
Education & Communities <b>(Note 1)</b>	89,665	83,874	82,435	(1,439)	(1.72%)
Health & Social Care	48,767	49,774	49,629	(145)	(0.29%)
<b>Committee Sub-Total</b>	<b>179,463</b>	<b>170,623</b>	<b>165,804</b>	<b>(4,819)</b>	<b>(2.82%)</b>
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 <b>(Note 2)</b>	0	298	0	(298)	(100.00%)
Contribution to / (from) Statutory Funds	(240)	(285)	(285)	0	0.00%
Post Budget Adjustments <b>(Note 3)</b>	109	109	109	0	0.00%
Earmarked Reserves	0	5,667	5,667	0	0.00%
<b>Total Expenditure</b>	<b>195,855</b>	<b>196,825</b>	<b>191,708</b>	<b>(5,117)</b>	<b>(2.60%)</b>
<b>Financed By:</b>					
General Revenue Grant/Non Domestic Rates	(169,201)	(170,091)	(170,853)	(762)	0.45%
Council Tax	(33,347)	(33,427)	(33,427)	0	0.00%
Council Tax Reduction Scheme	6,693	6,693	6,500	(193)	(2.88%)
<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>(6,072)</b>	<b>(6,072)</b>	

**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 29 February 16</u>	<u>Actual Spend To 29 February 16</u>	<u>Variance Actual to Phased Budget</u>	<u>Projected Spend 2015/16</u>	<u>Earmarked 2016/17 &amp; Beyond</u>	<u>2015/16 %age Spend Against Projected</u>	<u>2015/16 %age Over/(Under) Spend Against Phased Budget</u>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		
Education & Communities	6,313	2,948	3,173	225	3,570	2,743	88.88%	7.63%
Health & Social Care	2,966	1,730	1,537	(193)	1,821	1,145	84.40%	(11.16%)
Regeneration & Environment	2,523	1,061	524	(537)	908	1,615	57.71%	(50.61%)
Policy & Resources	1,617	445	349	(96)	454	1,163	76.87%	(21.57%)
	13,419	6,184	5,583	(601)	6,753	6,666	82.67%	(9.72%)

**Actual Spend v Phased Budget      Underspend = (£601k)      (9.72%)**

**Appendix 3**

**GENERAL FUND RESERVE POSITION**  
**Position as at 29/02/16**

	<u>£000</u>	<u>£000</u>
Balance 31/03/15		12148
Projected Surplus/(Deficit) 2015/16	6072	
Contribution to General Fund Reserve 2015/16	2588	
CFCR Transfer from Capital Programme 2015/16	1260	
Write back from Earmarked Reserves	724	
Use of Reserves approved February 2014 ( <b>See Undernote</b> )	(5703)	
Use of Reserves approved February 2015 ( <b>See Undernote</b> )	<u>(5305)</u>	(364)
<i>Use of Reserves Approved P&amp;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&amp;R November 2015:</i>		
Former Tied Houses		(248)
<i>Use of Reserves Approved P&amp;R February 2016:</i>		
Corporate Complaints Post 2 Year		(80)
Projected Unallocated Balance 31/03/16		<u><b>8749</b></u>

**Minimum Reserve required is £4million**

**Excludes use of Reserves approved March 2016 as part of the budget setting for 2016/17.**

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)