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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b> 20 September 2016
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b> FIN/91/16/AP/AE
<b>Contact Officer:</b>	<b>Alan Puckrin</b>	<b>Contact No:</b> 01475 712223
<b>Subject:</b>	<b>2016/17 General Fund Revenue Budget as at 31 July 2016</b>	

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## 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 31<sup>st</sup> July 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 the 2016/17 Revenue Budget in March 2016 and at this meeting the Council also provisionally approved the 2017/18 Revenue Budget. The Council set a balanced budget for 2016/17 without the use of Revenue Reserves.
- 2.2 It can be seen from Appendix 1 that as at 31<sup>st</sup> July 2016 the General Fund is projecting a £0.427 million underspend which represents 0.22% of the net Revenue Budget. This is mainly due to:
- Continued projected underspend of Council Tax Reduction due to the Council Tax Freeze.
  - Additional turnover savings across all Directorates.
  - Projected underspend within externally provided ASN Transport.
  - Reduced Internal Resources Interest due to the Bank Rate cut to 0.25%.
- 2.3 From Appendix 1 it can be seen that 3 Service Committees are currently projecting underspends. The Policy and Resources Committee is projecting an overspend primarily due to an under recovery of Internal Resources Interest largely offset by additional turnover savings achieved.
- 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 31<sup>st</sup> July 2016 expenditure totalled £0.796 million which equates to 11.92% of the projected spend in 2016/17. It can also be seen from Appendix 2 that at 31<sup>st</sup> July 2016 actual expenditure is 8.82% behind phased budget.
- 2.5 It can be seen from Appendix 2 that the Health and Social Care Committee has £2.584 million of Earmarked Reserves for 2016/17. This excludes those reserves relating to Asset Plans and Strategic Funds which, when included, increases the Earmarked Reserves balance to £3.382 million. As strategic delivery of these services now lies with the IJB it is recommended that the Council transfer these Earmarked Reserves to the Integrated Joint Board.
- 2.6 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 2017 is £4.335 million which is £0.535 million greater than the minimum recommended balance of £3.8 million. Reports included elsewhere on the agenda provide more detail on the potential use of surplus reserves.

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2.7 The Scottish Government has indicated that the Spending Review will be announced in December 2016 and will be for 2017/18 only, more information on the approach to the 2017/20 Budget is included in a report elsewhere on the agenda.

### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Committee note the latest position of the 2016/17 Revenue Budget and General Fund Reserves.
- 3.2 It is recommended that the Committee note that at the meeting on 10<sup>th</sup> March 2016, consideration of the use of free reserves arising since the budget meeting was deferred until the 2015/16 Accounts are finalised. There is a report elsewhere on the agenda that provides further update on the reserves position and Budget Strategy.
- 3.3 It is recommended that the Committee approve the formal transfer of the Health and Social Care Earmarked Reserves to the Integrated Joint Board.

Alan Puckrin  
Chief Financial Officer

## 4.0 BACKGROUND

- 4.1 The Council approved the 2016/17 Revenue Budget in March 2016 and at this meeting the Council also provisionally approved the 2017/18 Revenue Budget. The Council set a balanced budget for 2016/17 without the use of Revenue Reserves.

## 5.0 POSITION AS AT 31 JULY 2016

- 5.1 It can be seen from Appendix 1 that as at 31<sup>st</sup> July 2016 the General Fund is projecting an underspend of £0.427 million which equates to 0.22% of the net General Revenue Fund Budget.

- 5.2 It can be seen from Appendix 1 that 3 Service Committees are currently projecting underspends, the Policy and Resources Committee is currently projecting an overspend.

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

Policy & Resources Committee – Projected overspend of £20,000 (0.14%) mainly due to a projected under recovery of Internal Resources Interest due to low interest rates which has been offset in part by additional turnover savings achieved.

Environment & Regeneration – Projected underspend of £40,000 (0.21%) mainly due to excess turnover savings projected offset in part by an overspend within residual waste contract due to an increase in tonnages treated and an under recovery within Physical Assets rental income.

Education & Communities - £151,000 (0.18%) projected underspend mainly due to additional turnover savings projected, a projected underspend within externally provided ASN transport and a projected underspend for Biomass fuel. This has been offset in part by a projected overspend for Waivers within Sports and Leisure.

Health & Social Care – Projected underspend of £6,000 (0.01%).

- 5.4 In addition there is a projected underspend in the costs of the Council Tax Reduction scheme in line with prior years. The reasons for this are the freezing of Council Tax and reduction in uptake associated with the move to Universal Credit. Officers are closely monitoring Council Tax collection levels in light of this development.

- 5.5 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.

- 5.6 It can be seen that as at 31<sup>st</sup> July 2016 the Council has spent £0.796 million against a phased budget target of £0.873 million. This represents slippage of 8.82% against target and spend equates to 11.92% of the projected spend for 2016/17. Performance in respect of Earmarked Reserves is reviewed by the Corporate Management Team and reported in detail to each Service Committee.

- 5.7 The Earmarked Reserves includes £2.584 million for the Health and Social Care Committee and a further £0.798 million for Strategic Funds. As strategic delivery of these services has transferred to the IJB it is recommended that the Council approve the transfer of Health and Social Care Earmarked Reserves to the Integrated Joint Board.

- 5.8 Appendix 3 shows the projected General Fund Reserves position as at 31<sup>st</sup> March 2017.

The projected balance at this date is shown as £4.335 million which is £0.535 million greater than the minimum reserve balance of £3.8 million recommended and approved via the Reserves Strategy. Further proposals regarding the use of Reserves is subject to a report elsewhere on the agenda.

## 6.0 OTHER FINANCIAL MATTERS

6.1 Since the 2016/17 Revenue Budget was approved by Council on 10<sup>th</sup> March 2016, the Scottish Government has indicated that there will be a one year Spending Review expected to be announced December 2016. This will mean a one year Grant Settlement for 2017/18 only will be available to the Council for the upcoming Budget exercise.

## 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 2016**

Committee	Approved Budget 2016/2017	Revised Budget 2016/2017	Projected Out-turn 2016/2017	Projected Over/(Under) Spend	Percentage Variance
	£,000's	£,000's	£,000's	£,000's	
Policy & Resources	14,852	14,239	14,259	20	0.14%
Environment & Regeneration	21,386	19,237	19,197	(40)	(0.21%)
Education & Communities <b>(Note 1)</b>	90,930	83,408	83,257	(151)	(0.18%)
Health & Social Care	48,815	48,816	48,810	(6)	(0.01%)
<b>Committee Sub-Total</b>	<b>175,983</b>	<b>165,700</b>	<b>165,523</b>	<b>(177)</b>	<b>(0.11%)</b>
Loan Charges (Including SEMP)	14,395	18,561	18,561	0	0.00%
Contribution to General Fund Reserve	260	405	405	0	0.00%
Contribution to / (from) Statutory Funds	(240)	(240)	(240)	0	0.00%
Earmarked Reserves	0	6,417	6,417	0	0.00%
<b>Total Expenditure</b>	<b>190,398</b>	<b>190,843</b>	<b>190,666</b>	<b>(177)</b>	<b>(0.09%)</b>
<b>Financed By:</b>					
General Revenue Grant/Non Domestic Rates	(163,552)	(163,997)	(163,997)	0	0.00%
Council Tax	(26,846)	(26,846)	(27,096)	(250)	0.93%
<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>(427)</b>	<b>(427)</b>	

**Note 1 - Reduction reflects loans charges and earmarked reserves.**

**Earmarked Reserves Position Statement**

**Appendix 2**

**Summary**

<u>Committee</u>	<u>Total Funding 2016/17</u>	<u>Phased Budget to 31 Jul 2016</u>	<u>Actual Spend To 31 Jul 2016</u>	<u>Variance Actual to Phased Budget</u>	<u>Projected Spend 2016/17</u>	<u>Earmarked 2017/18 &amp; Beyond</u>	<u>2016/17 %age Spend Against Projected</u>	<u>2016/17 %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	4,346	271	271	0	2,215	2,131	12.23%	0.00%
Health & Social Care	2,584	431	335	(96)	2,469	115	13.57%	(22.27%)
Regeneration & Environment	2,962	51	57	6	1,332	1,630	4.28%	11.76%
Policy & Resources	1,766	120	133	13	662	1,104	20.09%	10.83%
	<b>11,658</b>	<b>873</b>	<b>796</b>	<b>(77)</b>	<b>6,678</b>	<b>4,980</b>	<b>11.92%</b>	<b>(8.82%)</b>

**Actual Spend v Phased Budget      Underspend = (£77k)                      (8.82%)**

**Appendix 3**

**GENERAL FUND RESERVE POSITION**  
**Position as at 31/07/16**

	<u>£000</u>	<u>£000</u>
Projected Balance 31/03/16		8783
Projected Surplus/(Deficit) 2016/17	427	
Contribution to General Fund Reserve 2016/17 <b>(Note 1)</b>	<u>405</u>	
		832
Proposals contained in the Budget Strategy Report (Subject to Approval):		
- One off use of reserves for 2017/19 Budget		(5100)
- Funding for I-Zones to 31/03/18		(180)
Projected Unallocated Balance 31/03/17		<u><u>4335</u></u>

**Minimum Reserve required is £3.8 million**

**Note 1 (One off Savings)**

SEMP Loans Charges not required 2016/17	260
Housing Benefit Subsidy (2017/18 £600k Saving Target)	100
Clyde Muirshiel Contribution (2017/18 £600k Saving Target)	28
UC Delivery Partnership Income (2017/18 £600k Saving Target)	17
	<u><u>405</u></u>