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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>8th August 2017</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/55/17/AE/AP</b>
<b>Contact Officer:</b>	<b>Angela Edmiston</b>	<b>Contact No:</b>	<b>01475 712143</b>
<b>Subject:</b>	<b>Revenue Budget Outturn 2016/17 - Unaudited</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of the report is to advise Committee of the unaudited outturn of Service Committee Budgets for the year ending 31 March 2017 and to highlight any significant variances between revised budgets, provisional outturn and outturn per the 2016/17 Unaudited Accounts.

## 2.0 SUMMARY

- 2.1 Appendix 1 details the outturn (excluding earmarked reserves) per the unaudited accounts for 2016/17 and the variance between the outturn and the provisional outturn presented to the Policy & Resources Committee for all Service Committees on 20 June 2017.
- 2.2 The outturn per the unaudited accounts shows an underspend for 2016/17 of £2,243,000 (Appendix 1) for all Service Committees. This represents an underspend of 1.38% against the 2016/17 revised budget of £162,867,000. The main areas of underspend relate to:
- Additional turnover savings achieved across the Council of £1,657,000.
  - Release of contingencies not required throughout 2016/17 £373,000.
  - Net over recovery of Benefit Subsidy and Statutory Additions Income of £88,000.
  - Underspend on cleaning budgets within Education Services of £97,000.
  - Over recovery of income for school meals of £65,000.
  - Over recovery of income for non-routine vehicle maintenance, crematorium and refuse transfer station of £223,000.
  - Over recovery of prior years' Council Tax collection income of £106,000.
- 2.3 Appendix 1 shows a small increase in the underspend reported to the last Policy & Resources Committee (Provisional Outturn) of £193,000 (0.12% against revised budget). It should be noted that as the final monitoring was later than usual a smaller variance is not surprising. Appendix 2 provides the material variances for individual Committees and further explanations for the significant variances during the year. Appendix 2 also shows two significant Funding variances , the largest of which relates to increases in Council Tax income.
- 2.4 Many of the areas of underspend were addressed when preparing the 2017/18 budget or are being reviewed as part of the 2018/20 budget process. As part of the 2017/18 budget turnover targets were increased for Teachers and Non Teachers, underspends were reviewed and budgets reduced where possible and income budgets adjusted in areas where income levels were not being met or over recovery of income was achieved. Appendix 2 highlights those areas that were adjusted during 2017/18 budget process including a £690,000 increase in Council Tax income.
- 2.5 The Council currently utilises smoothing earmarked reserves to deal with pressures arising from demand led services. During the 2017/18 budget process, a decision was taken to establish smoothing earmarked reserves for ASN related expenditure and residential and nursing care beds to deal with the fluctuating demand of these service areas. This approach helps smooth out budget pressures over a number of years.

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- 2.6 Overall, the unaudited accounts position reflects a free reserves position of £5.775m which is an increase of £1.975m since the budget was set in February 2017 and £0.229m greater than the position reported to the Policy & Resources Committee in June 2017. This excludes the Health & Social Care underspend as this will be retained by the IJB. The Committee has already agreed that any decision on the use of remaining free reserves will be deferred until the consideration of the 2018/20 Budget.

### **3.0 RECOMMENDATIONS**

- 3.1 That the Committee notes the underspend per the unaudited accounts for 2016/17 of £2,243,000, the reasons for the material variances from budget and the 0.12% movement from Provisional Outturn to Final Outturn.
- 3.2 That the Committee notes that officers will identify any opportunities to adjust budgets from 2018/20 and include proposals in future Budget Reports.

**Alan Puckrin**  
**Chief Financial Officer**

#### 4.0 BACKGROUND

4.1 The purpose of this report is to advise the Committee of the outturn position per the unaudited accounts for 2016/17 and to highlight the main issues contributing to the underspend of £2,243,000. The report also informs the Committee of the movement since the last report to Committee and the main issues contributing to the movement.

#### 5.0 2016/17 UNAUDITED OUTTURN

5.1 It can be seen from Appendix 1 that the outturn per the unaudited accounts for 2016/17 is an underspend of £2,243,000 for all Service Committees. The outturn comprises an underspend of £837,000 within Policy & Resources Committee, £272,000 within Environment & Regeneration Committee, £855,000 within Education & Communities and £279,000 within Health & Social Care. It should be noted that the underspend within Health & Social Care will be retained by the IJB and not form part of the Council's reserves.

5.2 Main areas of underspend relate to additional turnover savings achieved, the release of inflation contingencies not required, an over-recovery in prior years Council Tax collection, an over recovery of income for non-routine vehicle maintenance, refuse transfer station and crematorium charges and a net over recovery of benefit subsidy income. Appendix 2 provides more detailed material variances and reasons behind the underspend on a Committee by Committee basis.

5.3 Further underspends below £50,000 were incurred across all Services. The underspend in year has been partly offset by increased costs for Residential & Nursing Care placements, client package costs within Social Care Services and a shortfall in Internal Resources Interest earned.

5.4 It can be seen in Appendix 1, that the outturn (per the unaudited accounts) of £2,243,000 is a small movement of £193,000 since the last report to the Policy & Resources Committee in June 2017. Appendix 1 details the movement in underspend per Service Committee. Appendix 2 provides more details regarding the material variances since the Provisional Outturn Policy & Resources Committee report and the reasons for these movements.

5.5 Further details on the 2016/17 outturn will be submitted to individual Committees with the first Revenue Monitoring Report for 2017/18 in the next Committee cycle.

5.6 The unaudited accounts position reflects free reserves of £5,775,000 at 31<sup>st</sup> March 2017. This is an increase in the reserves position of £1,975,000 since the budget was set in February 2017 and £229,000 greater than the position reported at the Policy & Resources Committee in June 2017. The free reserves position excludes the Health & Social Care underspend as this will be retained by the IJB. The Committee has already agreed that decisions on the use of remaining free reserves will be deferred until the consideration of the 2018/20 Revenue Budget.

#### 6.0 OTHER INFORMATION

6.1 The accuracy of budgeting and projections is an important measure of the Council's Financial Management performance. The percentage variance for 2016/17 has reduced significantly since 2015/16 which reflects decisions taken at the annual budget setting therefore reducing the flexibility within budgets. The following shows the variance for the last 4 years and the percentage against revised revenue budget for the relevant year.

Year	Variance	Percentage Variance
2013/14	Underspend £1.329m	0.81%
2014/15	Underspend £4.395m	2.61%
2015/16	Underspend £5.814m	3.41%
2016/17	Underspend £2.243m	1.38%

- 6.2 The very small movement between the Probable Out-turn figures and the Unaudited Accounts is not surprising given the later than usual Committee cycle caused by the Local Government election.
- 6.3 As part of the 2017/18 budget process, decisions were taken to address underspends. Turnover targets have been increased for teachers and non-teachers, income budgets , including Council Tax have increased where an over recovery of income has been achieved and two new smoothing earmarked reserves were approved to assist with the demand led pressure of service provision within ASN related expenditure and residential & nursing care beds.
- 6.4 Officers will however use this latest information to identify further potential budget adjustments in order to reduce the funding gap over 2018/20.

## 7.0 IMPLICATIONS

### 7.1 FINANCE

All financial implications are discussed in detail within the report and presented in attached appendices.

#### 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	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

### 7.2 LEGAL

There are no specific legal implications arising from this report.

### 7.3 HUMAN RESOURCES

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

### 7.4 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.

## **7.5 REPOPULATION**

There are no repopulation issues arising from this report.

## **8.0 CONSULTATIONS**

8.1 The Corporate Management Team has been consulted in the preparation of this report.

## **9.0 BACKGROUND PAPERS**

9.1 There are no background papers for this report.

POLICY & RESOURCESREVENUE BUDGET PROJECTED POSITION AT PROBABLE OUTTURN TO FINAL OUTTURN

2015/16 Actual £000	OBJECTIVE ANALYSIS	Probable Outturn Revised Budget 2016/17 £000	Probable Outturn Projection 2016/17 £000	Probable Outturn Projected Over/(Under) Spend 2016/17 £000	Final Over/(Under) Spend 2016/17 £000	Movement from Probable Outturn £000	Variance as % of Revised Budget
13,366	Policy & Resources	13,389	12,771	(618)	(837)	(219)	-6.25%
82,124	Education & Communities	81,838	80,995	(843)	(855)	(12)	-1.04%
19,257	Environment & Regeneration	19,233	18,921	(312)	(272)	40	-1.41%
49,336	Health & Social Care	48,407	48,130	(277)	(279)	(2)	-0.58%
<b>164,083</b>	<b>COMMITTEE NET EXPENDITURE EXCLUDING EARMARKED RESERVES</b>	<b>162,867</b>	<b>160,817</b>	<b>(2,050)</b>	<b>(2,243)</b>	<b>(193)</b>	<b>-1.38%</b>

**POLICY & RESOURCES****REVENUE BUDGET PROJECTED POSITION AT PROBABLE OUTTURN TO FINAL OUTTURN****Reasons: Final Outturn****POLICY & RESOURCES**

Additional Turnover Savings achieved	(155)
Inflation Contingencies not used	(373)
Internal Resources Interest Under Recovery	120
Improved collection for prior years council tax	(106)
Over Recovery of Benefit Subsidy/ Statutory Additions	(88)
Various underspend all under £50k	(235)

**(837)****EDUCATION & COMMUNITIES**

Additional Turnover Savings achieved	(687)
Bad Debt provision for Lets	151
Underspend Waivers	(53)
Underspend Community Facilities/ Hub Resources	(67)
Early Achievement of Cleaning Saving	(97)
Over Recovery of School Meal Income	(65)
Various underspend all under £50k	(37)

**(855)****Reasons: Movement Probable Outturn to Final Outturn****POLICY & RESOURCES**

Inflation Contingencies returned to reserves	(184)
Various underspends all under £50k	(35)

**(219)****EDUCATION & COMMUNITIES**

Various underspends all under £50k	(12)
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**(12)**

POLICY & RESOURCESREVENUE BUDGET PROJECTED POSITION AT PROBABLE OUTTURN TO FINAL OUTTURNHEALTH & SOCIAL CARE

Additional Turnover Savings achieved	(475)
Overspend in client package costs across all Services	190
Net Overspend in Residential & Nursing Care	181
Over Recovery of Income across all Services	(76)
Various underspends all under £50k	(99)

**(279)**HEALTH & SOCIAL CARE

Various underspends all under £50k	(2)
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**(2)**ENVIRONMENT & REGENERATION

Additional Turnover Savings achieved	(340)
Under Recovery of Physical Assets Income	84
Under Recovery of Industrial Commercial Rent	80
Surplus European Income - Employability Projects	(68)
Over Recovery of Non Routine Vehicle Maintenance Income	(113)
Over Recovery of Refuse Transfer Station & Crematorium Income	(110)
Overspend in Vehicle Maintenance Subcontractor Costs & Materials	66
Various overspends all under £50k	129

**(272)**ENVIRONMENT & REGENERATION

Various overspends all under £50k	40
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**40**



**MATERIAL VARIANCES FROM BUDGET (OVER £50,000)****POLICY & RESOURCES COMMITTEE****1. Contingencies – Outturn Underspend £373,000 (67%)**

Due to a lower than anticipated requirement for inflationary pressures around utilities, fuel, PPP and waste contracts, the Council underspent by £373,000. The unallocated pressures contingency of £142,000 was released as part of the 2017/19 budget process.

**2. Internal Resources Income – Outturn Under Recovery £120,000 (37%)**

Due to cuts in interest rates, Internal Resources Interest received was £120,000 less than budgeted in 2016/17. A review of interest rates was undertaken during the 2017/18 budget process and income budget has been reduced by £176,000 for 2017/18.

**3. Turnover Savings – Outturn Underspend £155,000 (1.88%)**

Turnover savings of £155,000 was achieved by the Committee for 2016/17. An increase in turnover target was considered during the 2017/19 budget process and as a result turnover targets have been increased by 20% (£67,000) for 2017/18. A further review of turnover targets will be undertaken during 2018/20 budget process

**4. Council Tax Prior Years Income – Outturn Over Recovery £106,000 (34%)**

Due to improved collection rates, the Council over recovered prior years Council Tax Income for debts 2011/12 or earlier by £106,000 which was reported in full to the last Committee. The budget is being reviewed as part of the 2018/20 budget process.

**ENVIRONMENT & REGENERATION COMMITTEE****1. Turnover Savings – Outturn Over Recovery £340,000 (3.92%)**

The Services within the Environment & Regeneration Committee achieved additional Turnover Savings of £340,000 in 2016/17. An increase in turnover target was considered during the 2017/19 budget process and as a result turnover targets have been increased by 20% (£40,000) for 2017/18. A further review of turnover targets will be undertaken during 2018/20 budget process

**2. Non-Routine Vehicle Maintenance Income – Outturn Over Recovery £113,000 (39.2%)**

The Committee reported to over recovery on income for Non-Routine Vehicle Maintenance by £113,000 in line with increased costs. This results in an increased charge to client budgets.

**3. Refuse Transfer Station Recharge Income – Outturn Over Recovery £59,000 (22.1%)**

An over recovery of income was achieved due to additional chargeable waste disposed of at the Transfer Station. A review of income will be undertaken during 2018/20 budget process.

**4. Physical Assets Rental Income – Outturn Under Recovery £84,000 (48.84%)**

An under recovery of physical assets income of £84,000 in line with prior years outturn. This budget has been reviewed as part of the 2017/19 budget process and as result the income budget has been reduced by £62,000 for 2017/18.

**5. Vehicle Maintenance Subcontractor costs and Materials – Outturn Overspend £66,000 (24.26%)**

Due to an increase in non-routine maintenance there is an overspend of £66,000 against budget, this has been offset by an over recovery of income above.

**6. Commercial and Industrial Rent – Outturn Under Recovery £80,000 (11.46%)**

Due to a higher than budgeted level of voids, there is an under recovery of income for Commercial and Industrial Rent of £80,000. This was reported in full to the last Committee and represents an ongoing budget pressure.

## **EDUCATION & COMMUNITIES**

### **1. Turnover Savings – Outturn Over Recovery £687,000 (1.18%)**

The Committee achieved additional Turnover Savings of £687,000. It was agreed during the 2017/19 budget process to increase the turnover target for teachers in 2017/18 by £239,000. In addition to this, the turnover target for non-teachers was increased by 20% (£74,000) in 2017/18 and will be subject to review during the 2018/20 budget process.

### **2. Cleaning Charges – Outturn Underspend £97,000 (7.2%)**

The Committee saved against budget within contract cleaning of £97,000 due to early implementation of an efficiency saving. This underspend has been reflected in the 2017/19 budget decisions and as a result a saving of £100,000 was removed from the 2017/18 budget.

### **3. Income from School Meals – Outturn Over Recovery £65,000 (7.1%)**

The Committee over recovered in income from School Meals in 2016/17 by £65,000. A virement request will be submitted to Education & Communities Committee to increase School Meals Income budget by £69,000 to fund pressures elsewhere in the Committee.

## **HEALTH & SOCIAL CARE COMMITTEE**

### **1. Turnover Savings – Outturn Over Recovery £475,000 (1.82%)**

The Committee produced additional turnover savings for 2016/17 of £475,000. An increase in turnover target was considered during the 2017/19 budget process and as a result turnover targets have been increased by 20% (£114,000) for 2017/18. A further review of turnover targets will be undertaken during 2018/20 budget process.

### **2. Client Commitments – Outturn Overspend £190,000 (1.78%)**

Client Commitments overspent by £190,000 during 2016/17. Increased costs were incurred due to increased client packages mainly within learning disability and physical disability services. This represents a budget pressure.

### **3. Residential and Nursing Care – Outturn Overspend £181,000 (1.32%)**

Due to an increase in numbers of bed in use earlier in the financial year, the Committee overspent by £181,000 net of income charges and bad debt provision. It was agreed during the 2017/19 budget process that a smoothing earmarked reserve would be set up to deal with the demand led pressures on the Residential and Nursing Care budget.

**GENERAL FUND****1. Council Tax Income Account – Outturn Over Recovery of £1,041,000 (3.88%)**

Due to an increase in Council Tax base within Inverclyde, Council tax income was over recovered by £490,000. A reduction in demand for support from the Council Tax Reduction Scheme resulted in additional income of £467,000. An over recovery of £84,000 was achieved as a result of the premiums charged to second homes and long term empty properties. The Council Tax Income budget was increased by £690,000 during the 2017/19 budget process, a further review will be undertaken as part of the 2018/20 budget process.

**2. General Revenue Grant – Over Recovery of £244,000 (0.15%)**

Due to additional grant redeterminations from the Scottish Government as part of the December funding announcement, £244,000 of funding received was not required by Services in 2016/17. This additional funding has been either addressed during the 2017/19 budget process or was received on a one off basis.