
Report To:	Policy & Resources Committee	Date:	20 September 2022
Report By:	Interim Director Finance & Corporate Governance, Corporate Director Education, Communities & Organisational Development and Chief Executive	Report No:	FIN/54/22/AP/AB
Contact Officer:	Alan Puckrin	Contact No:	01475 712090
Subject:	2022/23 Policy & Resources Committee and General Fund Revenue Budget Update as at 31 July, 2022		

1.0 PURPOSE AND SUMMARY

1.1 For Decision For Information/Noting

1.2 The purpose of this report is to advise Committee of the 2021/22 Policy & Resources Revenue Budget final out turn, the 2022/23 Committee Revenue Budget projected position at 31 July 2022 and the overall General Fund Revenue Budget projection after the first cycle of 2022/23 Budget reports. The report also highlights the position of the General Fund Reserve.

1.3 The revised 2022/23 Revenue Budget for the Policy & Resources Committee is £21,239,000 excluding Earmarked Reserves. The latest projection is an overspend of £2,796,000 (13.2%) and is almost entirely down to projected pay and non-pay inflation pressures which are being held centrally. Section 3 of the report contains more detail on the position and the assumptions around the 2022/23 pay award.

1.4 Due to these inflationary pressures the General Fund is projecting an overspend of £2.944million after the one-off use of £4million of Reserves which was agreed by the Council in February when Members approved the 2022/23 Revenue Budget. Based on these figures the Council's unallocated Reserves are currently projected to fall below the minimum recommended level of £4.0million by 31 March, 2023. This will require to be addressed as part of the 2023/26 Budget.

1.5 There report outline a remit from the Education & Communities Committee for the Committee to consider relating to an increase in funding of £278,000 for Inverclyde Leisure in 2022/23 due to the unavoidable increase in utility costs.

2.0 RECOMMENDATIONS

2.1 It is recommended that the Committee note the final out turn for 2021/22 and the current projected overspend for 2022/23 of £2,796,000 as at 31 July 2022 within the Committee's Budget.

- 2.2 It is recommended that the Committee note that the Interim Director Finance & Corporate Governance and Heads of Service will review areas where non-essential spend can be reduced in order to bring the corporate service element of the budget back on track.
- 2.3 It is recommended that the Committee notes the projected 2022/23 surplus of £18,040 for the Common Good Budget.
- 2.4 It is recommended that the Committee notes the projected overspend of £2,940,000 for the General Fund and that action will need to be taken as part of the 2023/26 Revenue Budget to bring the unallocated Reserves back to the minimum recommended level of £4.0million and address the underlying budget shortfall.
- 2.5 It is recommended that the Committee agree to allocate £278,000 from the Covid Recovery Contingency to increase the sum paid to Inverclyde Leisure in 2022/23 due to the significant increase in utility costs and note that this matter will form part of the review of Inverclyde Leisure funding due to be considered as part of the 2023/26 Budget.

Alan Puckrin
Interim Director
Finance & Corporate Governance

Louise Long
Chief Executive

Ruth Binks
Corporate Director
Education, Communities
& Organisational Development

3.0 BACKGROUND AND CONTEXT

3.1 The revised 2022/23 Revenue Budget for the Policy & Resources Committee is £21,239,000 excluding Earmarked Reserves. This is a decrease of £454,000 from the approved budget largely due to allocations from the inflation contingency. Appendix 1 gives more details of this budget movement.

3.2 2021/22 Committee Out-turn (£726,000 Underspend)

The main variations from budget and movements from the projected outturn position at Period 10 for 2021/22 were as follows:

	Revised Budget 2021/22	Out Turn 2021/22	Variance to Budget	P10 Projected Variance	Movement Since Period 10
Finance	7,051	6,998	(53)	35	(88)
Legal	1,877	1,835	(42)	18	(60)
Organisational Development, Policy & Communications	2,101	2,079	(22)	29	(51)
Chief Executive	323	331	8	14	(6)
Miscellaneous	7,654	7,037	(617)	(250)	(367)
TOTAL NET EXPENDITURE	19,006	18,280	(726)	(154)	(572)

3.3 The major variances making up the underspend were as follows:

- (a) Inflation Contingency underspend £587,000. This was mainly due to lower than anticipated requirement for non-pay inflationary pressures. The non-pay inflation contingency is under considerable pressure in 2022/23 due to the current economic climate
- (b) Internal Resources Income under-recovery £97,000, due to continuing low interest rates.
- (c) ICT Computer Software Maintenance overspend £95,000. A one-off overspend due to the timing of the Microsoft Cloud software contract.
- (d) Additional Turnover savings £75,000.

3.4 2022/23 Projected Outturn (£2,796,000 Overspend 13.2%)

The main projected variances contributing to the net overspend are listed below –

- (a) Projected underspend of £45,000 for Finance/ICT Employee costs due to exceeding turnover targets.
- (b) ICT Computer Software Maintenance projected overspend £54,000.
- (c) Previous Years Council Tax under-recovery of £40,000 in line with last year

- (d) Projected overspend of £56,000 for Legal Employee costs due to turnover target not yet met.
- (e) Projected overspend of £1,200,000 for the Non-Pay Inflation Contingency largely due to rising utility and fuel costs and contracts linked to rates of RPI.
- (f) Projected shortfall of £1,500,000 in the Pay Inflation allowance based on the latest offer agreed by Cosla Leaders and after netting off an estimated share of extra recurring funding from the Scottish Government. The projection assumes the IJB will receive a share of the £140million Scottish Government funding. It should be noted that the pay offer has not been accepted and there is the possibility that the projected overspend will increase further.

More details are shown in Appendices 2 and 3

3.5 Earmarked Reserves

Appendix 4 gives an update on the operational Earmarked Reserves, ie excluding strategic funding models. Spend to date is currently £3,856,000 largely due to the delivery of the Council Cost of Living payments. Appendix 7 gives a summary breakdown of the current earmarked reserves position. It can be seen that expenditure at 31 July was £4,519,000 which is £181,000 (3.8%) less than the phased budget.

3.6 Common Good Fund

The Common Good Fund is projecting a surplus fund balance of £18,040 as shown in Appendix 5 and which results in projected surplus fund balance of £123,700 at 31 March 2023.

3.7 General Fund Budget & Reserves Position

Based on the significant over spend projected within this Committee's Budget it is no surprise to see from Appendix 6 that as at 31 July 2022 the General Fund is projecting a £2,940,000 overspend (excluding Health & Social Care Directorate) which represents 1.3% of the net Revenue Budget.

- 3.8 Appendix 8 shows the latest position in respect of the General Fund Reserves and shows that the projected balance at 31 March, 2023 is £2.497 million which is £1.5million below the minimum recommended balance of £4 million. This is the lowest the unallocated Reserves have been for many years and is before the consideration of further pressures.

3.9 Remit from Education & Communities Committee

Following increases in utility costs on a similar scale to those experienced by the Council, Inverclyde Leisure (IL) have approached the Council requesting an increase in funding during 2022/23. The requested increase of £278,000 is after IL have taken actions to reduce the impact of the increases by over £140,000. Committee are reminded that the Council is already allocating £798,000 one off increased funding to IL in 2022/23 as part of assisting IL recover from the loss of income resulting from Covid.

- 3.10 The Education & Communities Committee considered the matter on 30 August and agreed to remit the matter to this Committee for consideration.

4.0 PROPOSALS

- 4.1 In respect of the projected overspend of £82,000 within the 3 Corporate Services, the Interim Director and Heads of Service will ensure that steps are taken to reduce expenditure where this will not have a direct impact on service delivery.
- 4.2 In relation to the General Fund overspend the Committee are asked to note that similar action is being taken by the Corporate Director of Education, Communities and OD and Interim Director Environment & Regeneration to bring their 2 Committees back within their approved budgets.
- 4.3 However it must be recognised that even if this is achieved, a net overspend of £2.3million would remain and decisions will need to be approved as part of the 2023/26 Budget to bring unallocated Reserves back to their minimum recommended level and address the underlying budget shortfall.
- 4.4 Officers are liaising with the IL Chief Executive to get updated estimated Budgets for 2023/25 and this will form part of the review of Inverclyde Leisure future funding and service delivery levels due to be considered as part of the 2023/26 Budget. In light of this, Officers would recommend that the request for a further £278,000 funding in 2022/23 be approved and that it be funded from the unallocated balance in the Covid Recovery Reserve.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendations are agreed:

SUBJECT	YES	NO	N/A
Financial	x		
Legal/Risk	x		
Human Resources		x	
Strategic (LOIP/Corporate Plan)		x	
Equalities & Fairer Scotland Duty			x
Children & Young People's Rights & Wellbeing			x
Environmental & Sustainability			x
Data Protection			x

5.2 Finance

As has been previously reported the Council is facing financial challenges it has not faced before and decisive action will need to be taken in coming months to ensure the Council's Budget, service delivery requirements and priorities remain affordable in the medium term.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
Covid Reserve	Contingency	22/23	£278,000		Contingency balance is currently £0.75million

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

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5.3 **Legal/Risk**

The approved Governance Documents set out the roles and responsibilities of Committees and officers in ensuring budgets are not overspent and the process to be followed in the event approved limits are projected to be breached.

5.4 **Human Resources**

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

5.5 **Strategic**

The current and projected financial position will require to be borne in mind when developing the forthcoming strategic plans for the Council.

6.0 **CONSULTATION**

6.1 The Chief Executive and Corporate Director Education, Communities and OD have been consulted in the preparation of this report.

7.0 **BACKGROUND PAPERS**

7.1 There are no background papers.

Policy & Resources Budget Movement - 2022/23**Period 4: 1 April 2022 - 31 July 2022**

Service	Approved Budget	Movements			Transferred to	Revised Budget
	2022/23 £000	Inflation £000	Virement £000	Supplementary Budgets £000	EMR £000	2022/23 £000
Finance	7,555	0	40	0	0	7,595
Legal	1,961	(7)	0	0	0	1,954
Organisational Development, Policy & Communications	2,116	33	0	0	0	2,149
Chief Exec	331	0	0	0	0	331
Miscellaneous	9,730	(520)	0	0	0	9,210
Totals	21,693	(494)	40	0	0	21,239

Supplementary Budget Detail

£000

Inflation

Legal: HOS Overbudgeted, back to Inflation Contingency
 HR - Occupational Health contract increase
 Miscellaneous - Non Pay Inflation allocated out

(7)
 33
 (520)
 (494)

Virements

Finance (ICT): New Ways of Working

40
 40

Total Inflation & Virements**(454)**

REVENUE BUDGET MONITORING REPORT**CURRENT POSITION****Period 4: 1 April 2022 - 31 July 2022**

2021/22 Actual £000	SUBJECTIVE ANALYSIS	Approved Budget 2022/23 £000	Revised Budget 2022/23 £000	Projected Out-turn 2022/23 £000	Projected Over/(Under) Spend £000	Percentage Over/(Under)
8,144	Employee Costs	8,367	8,363	8,389	26	0.3%
487	Property Costs	569	569	569	0	-
905	Supplies & Services	888	889	927	38	4.3%
1	Transport & Plant	4	4	4	0	-
1,253	Administration Costs	1,309	1,305	1,158	(147)	(11.3%)
29,661	Payments to Other Bodies	39,852	39,402	42,100	2,698	6.8%
(26,838)	Income	(29,296)	(29,293)	(29,112)	181	(0.6%)
13,612	TOTAL NET EXPENDITURE	21,693	21,239	24,035	2,796	13.2%
	Earmarked reserves				0	
13,612	Total Net Expenditure excluding Earmarked Reserves	21,693	21,239	24,035	2,796	

2021/22 Actual £000	OBJECTIVE ANALYSIS	Approved Budget 2022/23 £000	Revised Budget 2022/23 £000	Projected Out-turn 2022/23 £000	Projected Over/(Under) Spend £000	Percentage Over/(Under)
7,487	Finance	7,555	7,595	7,578	(17)	(0.2%)
1,353	Legal Services	1,961	1,954	2,043	89	4.6%
8,840	Total Net Expenditure Environment, Regeneration & Resources	9,516	9,549	9,621	72	0.8%
2,117	Organisational Development, Policy & Communications	2,116	2,149	2,159	10	0.5%
2,117	Total Net Expenditure Education, Communities & Organisational Development	2,116	2,149	2,159	10	0.5%
337	Chief Executive	331	331	345	14	4.2%
2,318	Miscellaneous	9,730	9,210	11,910	2,700	29.3%
13,612	TOTAL NET EXPENDITURE	21,693	21,239	24,035	2,796	13.2%
	Earmarked reserves					
13,612	Total Net Expenditure excluding Earmarked Reserves	21,693	21,239	24,035	2,796	

REVENUE BUDGET MONITORING REPORT

MATERIAL VARIANCES (EXCLUDING EARMARKED RESERVES)

Period 4: 1 April 2022 - 31 July 2022

Outturn 2021/22 £000	Budget Heading	Budget 2022/23 £000	Proportion of Budget £000	Actual to 31/07/22 £000	Projection 2022/23 £000	Over/(Under) Budget £000
	<u>Finance/ICT Services</u>					
4,753	Employee Costs	4,879	1,484	1,451	4,834	(45)
782	Supplies & Services - Computer Software Maint	780	768	654	834	54
318	Admin Costs - Legal Expenses/Other Rechargeable Costs	329	119	53	214	(115)
24,407	Benefits & Allowances - DHP Expenditure Budget Overstated	27,747	9,269	8,964	27,722	(25)
(316)	Income - Legal Expenses/Other Rechargeable Costs - Recoveries	(327)	(118)	(63)	(212)	115
(303)	Income - Council Tax Income Previous Years	(356)	(119)	(86)	(316)	40
	<u>Legal Services</u>					
1,321	Employee Costs	1,371	493	503	1,427	56
	<u>Miscellaneous Services</u>					
1,014	Non Pay Inflation	2,927	773	773	4,127	1,200
2,816	Pay Inflation	2,876	0	0	4,376	1,500
34,792	TOTAL MATERIAL VARIANCES	40,226	12,669	12,249	43,006	2,780

EARMARKED RESERVES POSITION STATEMENT

COMMITTEE: Policy & Resources

C a t e g o r y	Project	Lead Officer/ Responsible Manager	Total Funding	Phased Budget P4	Actual P4	Projected Spend	Amount to be Earmarked for 2023/24 & Beyond	Lead Officer Update
			2022/23	2022/23	2022/23	2022/23		
			£000	£000	£000	£000		
B	Early Retiral/Voluntary Severance Reserve	Alan Puckrin	1,473	0	0	1,473	0	Significant call expected on the reserve due to 23/25 Budget gap. High likelihood that more funding will be needed.
C	Equal Pay	Steven McNab	200	0	0	0	200	Balance for equal pay which is under review on an annual basis.
C	Digital Strategy	Alan Puckrin	160	0	13	57	103	Project officer £88k over 2 years starting 01/10/21. £60k uncommitted. All needed for new ways of working project
C	Welfare Reform - Operational	Alan Puckrin	153	0	26	81	72	£72k unallocated balance which will be used from 22/23.
C	Anti-Poverty Fund	Ruth Binks	1,072	200	226	1,072	0	£763k relates to c/f of the recurring element of the Anti Poverty fund. It is anticipated that this will be fully spent this financial year. The remainder will be used for holiday meals/child payments.
C	Community Facilities Digital Inclusion	Alan Puckrin	116	0	1	1	115	Budget holders have confirmed that the project is largely delivered and the unused balance will be written back to General Fund Reserves
C	GDPR	Iain Strachan	35	0	0	18	17	Information governance system contract (Workpro) awarded (2yr+1yr+1yr). Spend committed - £10k per year. Continued corporate training programme being organised.
C	Local Government Elections	Iain Strachan	110	108	108	110	0	Cost for May 2022 Local election. Overspend of £15k being reported as part of Legal Services overspend.
C	Contribution from the SG Omicron Funding - £350 Payment	Alan Puckrin	500	500	500	500	0	Complete.

EARMARKED RESERVES POSITION STATEMENT

COMMITTEE: Policy & Resources

C a t e g o r y	<u>Project</u>	<u>Lead Officer/ Responsible Manager</u>	<u>Total</u>	<u>Phased Budget</u>	<u>Actual</u>	<u>Projected</u>	<u>Amount to be</u>	<u>Lead Officer Update</u>
			<u>Funding</u>	<u>P4</u>	<u>P4</u>	<u>Spend</u>	<u>Earmarked for</u>	
			<u>2022/23</u>	<u>2022/23</u>	<u>2022/23</u>	<u>2022/23</u>	<u>2023/24</u>	
			<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>& Beyond</u>	
C	New Ways of Working	Steven McNab	286	14	14	142	144	Ongoing to the summer of 2023. Project requires 150k employee costs alongside 150k non employee other costs. The non-employee costs relate to expenditure in rationalising office estate with regards to hybrid working that will see office refurbishments, relocation of staff and IT Costs that improve digital capabilities.
C	Contribution to IJB budget 2022/23	Alan Puckrin	550	0	0	550	0	Budget transferred to IJB March 2023
C	Support with Energy Bill Costs - £350 Payment	Alan Puckrin	3,000	3,000	2,960	3,000	0	All to be used /written back by 30.9.22
Total Category C to E			6,210	3,830	3,856	5,559	651	

REVENUE BUDGET MONITORING REPORT 2021/22

Period 4: 1 April 2022 - 31 July 2022

	Final Outturn 2021/22	Approved Budget 2022/23	Budget to Date 2022/23	Actual to Date 2022/23	Projected Outturn 2022/23
PROPERTY COSTS	72,380	29,000	9,300	21,160	33,660
Repairs & Maintenance	47,450	9,000	3,000	0	9,000
Rates 1	21,720	19,000	6,300	21,160	21,160
Property Insurance	3,210	1,000	0	0	3,500
ADMINISTRATION COSTS	15,050	7,700	500	1,610	9,700
Sundries	8,850	1,500	500	1,610	3,500
Commercial Rent Management Recharge	2,200	2,200	0	0	2,200
Recharge for Accountancy	4,000	4,000	0	0	4,000
OTHER EXPENDITURE	26,000	61,500	0	0	61,500
Christmas Lights Switch On	10,500	10,500	0	0	10,500
Gourock Highland Games	0	29,400	0	0	29,400
Armistice Service	6,530	8,300	0	0	8,300
Comet Festival	0	13,300	0	0	13,300
Bad Debt Provision	8,970	0	0	0	0
INCOME	(118,620)	(109,800)	(36,400)	(63,000)	(122,900)
Property Rental	(158,050)	(159,000)	(53,000)	(90,420)	(159,000)
Void Rents 2	39,690	49,700	16,600	27,420	36,600
Internal Resources Interest	(260)	(500)	0	0	(500)
NET ANNUAL EXPENDITURE	(5,190)	(11,600)	(26,600)	(40,230)	(18,040)
EARMARKED FUNDS	0	0	0	0	0
TOTAL NET EXPENDITURE	(5,190)	(11,600)	(26,600)	(40,230)	(18,040)

Fund Balance as at 31st March 2022 **105,668**

Projected Fund Balance as at 31st March 2023

123,708

Notes:

1 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.

2 Current Empty Properties are:Vacant since:

12 Bay St
6 John Wood Street
10 John Wood Street
15 John Wood Street

April 2015, currently being marketed
January 2019, currently being marketed
August 2018
June 2017

Policy & Resources CommitteeRevenue Budget Monitoring ReportPosition as at 31st July 2022

Committee	Approved Budget 2022/2023	Revised Budget 2022/2023	Projected Out-turn 2022/2023	Projected Over/(Under) Spend	Percentage Variance
	£,000's	£,000's	£,000's	£,000's	
Policy & Resources	21,692	21,015	23,811	2,796	13.30%
Environment & Regeneration	21,424	21,253	21,536	283	1.33%
Education & Communities (Note 1)	99,748	95,969	96,178	209	0.22%
Health & Social Care	65,522	65,522	64,547	(975)	(1.49%)
Committee Sub-Total	208,386	203,759	206,072	2,313	1.14%
Loan Charges (Including SEMP) (Note 1)	11,977	16,633	16,633	0	0.00%
Identified Savings (Note 2)	39	39	(9)	(48)	0.00%
Saving Approved yet to be Allocated (Note 3)	(30)	(30)	(30)	0	0.00%
Transfer to Earmarked Reserves	0	565	565	0	0.00%
Total Expenditure	220,372	220,966	223,231	2,265	1.03%
Financed By:					
General Revenue Grant/Non Domestic Rates	(185,285)	(185,879)	(185,879)	0	0.00%
Contribution from General Reserves	(4,000)	(4,000)	(4,000)	0	100.00%
Contribution to Reserves (SG Grant)	1,858	1,858	1,858	0	100.00%
Council Tax (Note 4)	(32,945)	(32,945)	(33,245)	(300)	0.91%
Integration Joint Board - Contribution to Reserves	0	0	975	975	100.00%
Net Expenditure	0	0	2,940	2,940	

Note 1 - Reduction reflects transfer of SEMP loans charges

Note 2 - Identified savings to be allocated

Note 3 - Approved savings yet to be allocated (New Ways of Working)

Note 4 - Council Tax base is 250 Band D equivalents higher than used when setting the 2022/23 budget, resulting in £300k additional income

Transfer to Earmarked Reserves

DMR	300
City Deal	265
Contribution to General Earmarked Reserves	565

Earmarked Reserves Position Statement

Appendix 7

Summary

<u>Committee</u>	<u>Total Funding 2022/23</u>	<u>Phased Budget to</u>	<u>Actual Spend To 31 July 2022</u>	<u>Variance Actual to Phased Budget</u>	<u>Projected Spend 2022/23</u>	<u>Earmarked 2023/24 & Beyond</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Education & Communities	2,224	512	510	(2)	1,887	337
Health & Social Care	3,199	234	42	(192)	1,534	1,665
Regeneration & Environment	4,194	124	111	(13)	1,776	2,418
Policy & Resources	6,210	3,830	3,856	26	5,559	651
	15,827	4,700	4,519	(181)	10,756	5,071

<u>2022/23 %age Spend Against Projected</u>	<u>2022/23 %age Over/(Under) Spend Against Phased Budget</u>
27.03%	(0.39%)
2.74%	(82.02%)
6.25%	(10.48%)
69.36%	0.68%
42.01%	(3.84%)

Actual Spend v Phased Budget Behind Phasing = (£181k) (3.84%)

Appendix 8

GENERAL FUND RESERVE POSITION
Position as at 31/07/22

	<u>£000</u>	<u>£000</u>
Projected Usable Balance 31/3/22 (Subject to Audit)		3719
<u>Available Funding:</u>		
Share of Scottish Government £120m funding 2022/23	<u>1858</u>	1858
Projected Surplus/(Deficit) 2022/23	<u>(2940)</u>	(2940)
<u>Use of Balances:</u>		
Local Elections (Approved April 2022)	<u>(140)</u>	(140)
Projected Reserve Balance 31/03/23		<u><u>2497</u></u>

Minimum Reserve required is £4 million