

Report To: Policy & Resources Committee **Date:** 16 November 2010
Report By: Chief Financial Officer **Report No:** FIN/72/10/AP/GJ
Contact Officer: Alan Puckrin **Contact No:** 01475 712223
Subject: General Fund Revenue Budget 2010/11 – Period 6

1.0 PURPOSE

- 1.1 The purpose of the report is to advise Committee of the position of the 2010/11 General Fund Revenue Budget as at 30 September 2010 and to update Committee in respect of the position relating to Earmarked Reserves, the General Fund Reserve and the Savings Work Streams.

2.0 SUMMARY

- 2.1 Appendix 1 shows that at 30 September 2010 the Council is projecting a £690,000 underspend. This is an improvement of £354,000 since the last report to Committee and is after the application of the mid-year savings approved by the Policy & Resources Committee on 17 August 2010.
- 2.2 Committee should note that overall Service Committees are projecting an underspend of £190,000 which represents just over 0.1% of the revised Service Committee Budget of £179 million.
- 2.3 Appendix 2 contains the latest position in respect of Earmarked Reserves. It can be seen that expenditure as at 30 September 2010 is 28.8% of the projected expenditure in 2010/11. The position in respect of Earmarked Reserves is reported to Service Committees each cycle and to the Corporate Management Team on a monthly basis.
- 2.4 Appendix 3 shows the latest position in respect of the General Fund Reserves. It can be seen that the projected surplus as at 31 March 2011 is a balance of £4.9 million.
- 2.5 Appendix 4 contains an update from the Corporate Management Team and other Officers in respect of progress relating to the previously approved Saving Work Streams. Appendix 5 shows the actual Work Stream Savings achieved as at 30 September 2010. As previously advised this position will be updated each quarter and reported to Committee.
- 2.6 Section 9 of the report highlights ongoing issues impacting on the overall financial position not fully reflected in the reported financial figures. The main issues highlighted are around the Comprehensive Spending Review and the imminent announcements in respect of the Scottish Budget.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee note the information contained in the report and the various Appendices.
- 3.2 It is recommended that the Committee note that the Scottish Parliament will debate the Scottish Budget on 17 or 18 November.

4.0 BACKGROUND

- 4.1 The Council made a number of amendments to the previously approved 2009/11 Revenue Budget in February 2010.
- 4.2 The Council also agreed that any excess surplus over and above that reported in February 2010 would be allocated to the Voluntary Severance Earmarked Reserve along with any savings arising from Employee and Other Inflation Contingencies during the course of the 2010/11 financial year.
- 4.3 On 17 August 2010 the Policy & Resources Committee approved a mid year savings package for 2010/11 which reduced the General Fund Budget by £2.2 million over the first full year of their implementation. The money saved in this regard will be set aside in the 2010/11 Accounts to meet an anticipated reduction in Government Grant during 2011/12.

5.0 2010/11 CURRENT POSITION

- 5.1 It can be seen from Appendix 1 that the General Fund is projecting an underspend as at Period 6 of £690,000. This is an increase in the level of underspend of £354,000 and is after the application of the mid year savings.
- 5.2 From the Appendix it can be seen that this saving largely arises from projected savings in Loans Charges, an increase in the amount to be collected from Council Tax and an overall Service Committee underspend of £190,000 including a £300,000 underspend in the General Contingency.
- 5.3 The Committee should note that there are currently three Service Committees projecting overspends. The relevant Corporate Directors have given reassurances to their Service Committees that action will be taken to reduce and eliminate these overspends by the end of the financial year.

6.0 EARMARKED RESERVES

- 6.1 Appendix 2 shows the latest summary position in respect of Earmarked Reserves. This position has previously been reported to the relevant Service Committees.
- 6.2 Overall it can be seen that expenditure to date is £5.98 million which represents 28.8% of the projected 2010/11 Earmarked Reserves Expenditure.
- 6.3 The Corporate Management Team monitor performance against the projected expenditure on a monthly basis and have confirmed that the phasings and projections supplied to the Policy & Resources Committee reflect their best estimates.

7.0 GENERAL FUND RESERVE

- 7.1 Appendix 3 shows the latest position in respect of the General Fund Reserve. It can be seen the latest projected balance as at 31 March 2011 is £4.9 million. The Committee are reminded that the minimum level of balance advised by the Chief Financial Officer is 2% of turnover which equates to approximately £4.2 million.

8.0 SAVING WORK STREAMS PROGRESS

- 8.1 Appendix 4 gives an update in respect of progress relating to each of the Saving Work Streams approved by the Policy & Resources Committee in February 2010.

8.2 Committee are reminded that the overall savings target from these Work Streams in the period to 2013/14 is £23.25 million after the removal of the Income Saving Work Stream which has now been added to the overall 2011/13 budget gap to be addressed as part of the 2011/13 budget. The overall figure and its phasing is reviewed by the Corporate Management Team on a monthly basis.

8.3 It can be seen from Appendix 5 that the Council has achieved £11.8 million of the savings target by 30 September 2010. The achieved savings figure is formally reviewed on a quarterly basis and will be reported to Committee as required.

9.0 FINANCIAL STRATEGY

9.1 Each Policy & Resources Committee highlights other issues not included in the projections which may impact on future Revenue monitoring reports either in 2010/11 or future years. Issues to highlight in this report are as follows:

Pay Awards

The imposed Pay Award for Non Teaching Staff is now reflected throughout the Monitoring Reports and will be paid to employees during November. The response by the Unions in respect of the Pay Award has not yet been formalised.

Comprehensive Spending Review

Details are emerging of the impact of the Chancellor's announcement on 20th October 2010. It is clear that the Welfare Reforms will have significant direct financial impacts which will need to be factored into future years budgets.

In addition the decision to add 0.9% onto all borrowing rates charged by PWLB will over time impact on the affordability of capital investment.

The Committee has previously been advised that it is the intention of the Chief Financial Officer to review the Financial Strategy once the Council's detailed figures are received from the Scottish Government in early December.

10.0 CONSULTATION

10.1 This report has been approved by the Corporate Management Team.

Policy & Resources Committee

Revenue Budget Monitoring Report

Period 6: 1st April 2010 - 30th September 2010

Committee	Approved Budget 2010/2011	Revised Budget 2010/2011	Projected Out-turn 2010/2011	Projected Over/(Under) Spend	Percentage Variance
	£,000's	£,000's	£,000's	£,000's	
Policy & Resources	32,669	30,097	29,497	(600)	(1.99%)
Safe, Sustainable Communities	17,880	16,989	17,028	39	0.23%
Regeneration & Resources	15,923	14,114	14,172	58	0.41%
Education & Life Long Learning	76,089	68,592	68,520	(72)	(0.10%)
Health & Social Care	49,560	49,532	49,917	385	0.78%
Committee Sub-Total	192,121	179,324	179,134	(190)	(0.11%)
Loan Charges	15,515	15,212	14,812	(400)	(2.63%)
Contribution to General Fund Reserve	907	907	907	0	0.00%
Recharge to Trading Operations	(161)	(161)	(161)	0	0.00%
1 Earmarked Reserves	0	9,819	9,819	0	0.00%
Mid Year Savings	0	1,709	1,709	0	0.00%
2 Workstreams Savings Achieved in 2010/11	0	2,185	2,185	0	0.00%
Total Expenditure	208,382	208,995	208,405	(590)	(0.28%)
Financed By:					
Revenue Support Grant	(143,137)	(143,750)	(143,750)	0	0.00%
Council Tax	(32,900)	(32,900)	(33,000)	(100)	0.30%
Community Charge	(20)	(20)	(20)	0	0.00%
Non Domestic Rates	(32,325)	(32,325)	(32,325)	0	0.00%
Net Expenditure	0	0	(690)	(690)	

Notes: This represents 2010/11 funding which is to be carried forward to future years.

1 Landfill Penalty Tax	927
Riverside Inverclyde	322
Modern Apprenticeship	47
Asset Management Plan	800
Backfill Posts CSC	30
Single Status	246
RVJB	13
SEMP	3,934
Contribution to VST	3,500
	<u>9,819</u>
2 Gas/Electricity Saving	392
Non pay inflation saving	500
Pay inflation contingency	1,293
	<u>2,185</u>

Earmarked Reserves Position Statement

Appendix 2

Summary

<u>Committee</u>	<u>c/f Funding 2009/10</u> £000	<u>New Funding 2010/11</u> £000	<u>Total Funding 2010/11</u> £000	<u>Actual Spend To 30 September 10</u> £000	<u>Projected Spend 2010/11</u> £000	<u>Earmarked 2011/12 & Beyond</u> £000	<u>2010/11 %age Spend</u>
Education & Lifelong Learning	4,063	3,934	7,997	1,646	6,089	1,908	27.03%
Safe Sustainable Communities	6,495	2,255	8,750	2,398	4,509	4,241	53.18%
Health & Social Care	668	170	838	241	794	44	30.39%
Regeneration	3,759	3,225	6,984	1,088	4,677	2,307	23.26%
Policy & Resources	2,472	6,042	8,514	616	4,945	3,569	12.46%
	<u>17,457</u>	<u>15,626</u>	<u>33,083</u>	<u>5,989</u>	<u>21,014</u>	<u>12,089</u>	<u>28.50%</u>

APPENDIX 3

GENERAL FUND RESERVE POSITION
Position as at 30/09/2010

	<u>£000</u>	<u>£000</u>
Balance 31/03/10		4200
Add write back of earmarked reserves	10	
Projected Surplus/(Deficit) 2010/11	690	
Contribution to General Fund Reserve 2010/11	907	
	<hr/>	1607
Transfer to VST Earmarked Reserve: 2010/11 budgeted surplus		(907)
Projected Balance 31/03/11		<hr/> <u>4900</u>

Minimum Reserve required is £4.2million

Workstream Updates as at: 28/10/10

Lead Officer: John Mundell

<u>Workstream Saving</u>	<u>Update</u>	<u>Target £000</u>
1a Senior Management Restructure	Savings fully achieved and reflected in 2010/11 budget.	400 Now £438k
1b 3rd/4th Tier Restructures	A number of officers released as part of approved 3 rd /4 th Tier restructure. Balance to be achieved from CHCP structure savings.	600
1c Review Committees	This will be developed in advance of the Council Elections in 2011/2012 but will not be considered formally until the new Council is established in June 2012. In the interim consideration is being given to proposals for the joint governance of the CHCP.	50
10a National Policies	Await impact of SR2010 which will require Government to review affordability of a number of flagship policies.	0
10b Concordat Commitments	Saving achieved in 2010/11 budget.	400
10c Policy Areas 2004 Onwards	Significant progress achieved in 2010/11 budget. Remaining balance of £29k to be added to Service/Reduction withdrawal target.	500 Now £471k
10d Policy Priorities Allowance 2011/14	Proposal to be developed as part of 2011/13 budget.	450

Workstream Updates as at: 28/10/10
Lead Officer: Paul Wallace

<u>Workstream Saving</u>	<u>Update</u>	<u>Target £000</u>
2a Transformation Programme	<p>Positive progress is being made with the next phase of the Operating Model with detailed design work being finalised for Business Support – discussions are ongoing with services and the trade unions regarding the transition of agreed functions to the Customer Service Centre.</p> <p>It has been agreed by CMT that the savings scored against the Operating Model should be rephrased to reflect the likely timescale for the introduction of Business Support and subsequent adjustments to the remaining administrative support within services.</p>	3124
2b Systems - E-minutes E-Procurement	<p>No discussion has taken place yet with regard to possible savings generated by having agendas, reports and minutes on line.</p> <p>Corporate Procurement Manager to undertake option appraisal to identify appropriate e-procurement solution – will be taken forward as part of future phase of Operating Model.</p>	0
6a Commissioning	<p>An initial series of workshops have been held to review and revise the scope and specification of services that will be addressed through the commissioning approach including those previously funded through FSF as well as other associated activity. Further engagement will take place with services and partners to finalise the specifications and available resources by the end of November.</p> <p>The phasing remains 2011/12 £200k, 2012/13 £400k, 2013/14 £400k.</p>	1000

6b	Shared Services	<p>Council continues to engage in those workstreams approved by members following the Clyde Valley Review.</p> <p>It has been anticipated that Outline Business Cases for Waste Management, Shared Support Services and Social Transport will be submitted to Leaders for consideration by the end of November 2010.</p>	0
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Workstream Updates as at: 28/10/10

Lead Officer: Aubrey Fawcett

Workstream Saving		Update	Target £000
3a	FM/Cleaning Savings	<p>Proposals being developed include:-</p> <ul style="list-style-type: none"> • Review of 'Demand Led' overtime payment to FM staff. Report to P&R Committee in November 2010. • Review of 'periodic cleans' in education properties currently undertaken outwith term time. Potential savings identified (£58,000 for full year) Head of Service reviewing implementation. • Consider reducing 5 day cleaning schedule to 3 day - where appropriate. Proposals being developed. • Review 'cleaning and training' days requirement in Catering section. Savings identified (£22,000 for full year) Head of Service reviewing implementation. 	300 By 2013/14
3b	Utility Cost Reductions/Energy Management	<p>Proposals being developed include:-</p> <ul style="list-style-type: none"> • Improved water 'leak detection' procedures. Ongoing. • Maximise water rates abatement for properties where surface water drainage avoids SW infrastructure. Ongoing – awaiting information from Scottish Water. • Utilities consumption - improve monitoring/ management/ intervention. Carbor Reduction Officer post being readvertised. Appointment now expected February 2011 • Greenock Municipal Buildings. Draft utilities survey received from consultant. Being reviewed by Service. • Investigations commenced with Scottish Water on rationalizing 	200 By 2013/14

		incoming supply and fitting water meter. (Estimated saving £25,000 for full year).	
7b	Planning	Initial savings realised - further review underway with a view to achieving full saving. Proposals to be presented to Corporate Director.	100 £59k in 2010/11 already saved £41k in 2011/12
7c	Street Scene	Report approved by SSCC 31 st August 2010. the term Streetscene to be dropped and replaced by Neighbourhood Management. Initial saving of at least £30k to be achieved by savings in overtime following the introduction of revised shift patterns in street sweeping. Further savings will be achieved by a significant reduction in management overtime following revisions to shift patterns and work practices service wide. Consultation with unions is ongoing.	100 In years 11/12 £46k 12/13 £15k 13/14 £39k
9d	FSF Funding Reduction	Implemented, fully achieved and included in 2010/11 budget.	1000

Workstream Updates as at: 28/10/10

Lead Officer: Alan Puckrin

<u>Workstream Saving</u>	<u>Update</u>	<u>Target £000</u>
4a Category A&B Spend	<p>Gas & Electricity savings arising from new contract finalised £392k. Saving to be applied to service budgets.</p> <p>Business Stream contract for water agreed. Full year saving £24k from September 2010. Yet to be applied.</p> <p>Roads Materials – Potential savings from new contract being investigated.</p> <p>Telephone Line Rentals – Potential savings from move to National Contract being investigated.</p> <p>Several other Excel contracts reporting savings (Education Books, Catering Contracts), impact on Council being assessed.</p>	<p>200</p> <p>New Target £500k</p>
4b Commodity Review/Local Contracts	<p>Unlikely that many savings will be achieved before 2011/12. Working on contracts Database and tendering timetable.</p>	200
8a New Income Sources	<p>Participating in Clyde Valley income project. Currently carrying out benchmarking. Some income generation proposals included in Directorate Savings and as such removed from Work stream target as now a budget policy decision.</p>	<p>200</p> <p>Now 0</p>
8b Increased Charges	<p>As 8a.</p>	<p>200</p> <p>Now 0</p>

8c	Council Tax Increase	Agreed to remove from workstreams as setting Council Tax levels is a purely Political matter.	3000 Now 0
9a	Inflation Review (Pay)	Leaders have agreed to impose a 3 year pay award of 0.65%, 0%, 0%. In addition projections now show a pay freeze for all other groups for 2011/13. Union response not formalised. Financial Strategy and savings target adjusted to reflect the above.	3000 Now projecting £5713k
9b	Inflation Review (Other)	2010/11 unallocated balance = £0.7million. Allocations made to Heating Oil and Fuel and NDR. One area to be determined in 2010/11 is Secure Accommodation (Children). Projecting £500k surplus in 2010/11 which will go into the VST Earmarked Reserve.	1800
9c	Top Slice/1% Efficiency	Proposals to achieve £2.15 million by end of 2011/12 approved by P&R Committee 17.8.10. Now reflected in Monitoring Reports.	3600
9f	Other Savings	Achieved some of this target in 2010/11 budget process. Other ad hoc savings will be reported as/when they arise.	1000
3c	SEMP Model	Continuing turbulence in financial markets & shortfall in receipts make it unlikely any savings will be achieved until 2013/14 at the earliest. Will review loan charges as part of budget process to see if possible savings can be taken.	500

Workstream Updates as at: 28/10/10

Lead Officer: Alasdair Moore

<u>Workstream Saving</u>	<u>Update</u>	<u>Target £000</u>
5a 37 hr Working Week Impact.	Work is currently underway to identify the most effective way to deliver this saving with proposals to be submitted to CMT in November 2010. The bulk of this saving would need to be phased for 2012/2013 or 2013/2014 after protection arrangements come to an end.	700
5b Sick Pay Policy	In line with previous discussions with the SLF, consideration will be given to changes to existing Absence Management Policy although this may also require wider policy changes.	0

Workstream Updates as at: 28/10/10

Lead Officer: Rab Murphy

<u>Workstream Saving</u>	<u>Update</u>	<u>Target</u> <u>£000</u>
6a Home Care	<p>Steering group for the review established anticipating that workgroup can align with the proposed fuller Home Care review. It will be important that the full extent of savings take account of the redesign opportunities which might arise. The overall target of £300k is acknowledged.</p> <p>Meetings with the external review team for Homecare have been clearly briefed that the saving associated here is over and above any other saving secured.</p> <p>Report due back by mid November.</p>	<p>300</p> <p>Target for this year still set at £50k though pushing towards £75k. Target for next year is a further £150k completing the last year.</p>

Workstream Updates as at: 28/10/10

Lead Officer: Albert Henderson

<u>Workstream Saving</u>		<u>Update</u>	<u>Target £000</u>
7d	Early Years	Paper presented to CMT on 02 September 2010. Paper will now be presented to the Education & Lifelong Learning Committee on 02 November 2010.	200
9e	Roll Reduction 2011/14	Due to commence August 2011.	500

Savings Workstreams
Savings Achieved / Implemented to 30th September 2010

<u>Workstream</u>	<u>Specific Saving</u>	<u>Annual Recurring Saving £000</u>	<u>Total £000</u>
1/ Organisational Structure	Chief Officer Restructure (Nov 09)	422	949
	Regrading Heads of Service (April 10)	16	
	3rd/4th Tier Restructure (Feb 10)	511	
2/ Operating Model	Voluntary Severance Trawl (Feb 10)	230	230
3/ Asset Management Planning	Gas/Electricity (April 10)	392	-
	Water (Sept 10)	24	
4/ Procurement	New Postage Contract (Feb 10)	18	434
5/ HR Policies	_____	-	-
6/ Service Delivery Models	_____	-	-
7/ Service Reviews	Planning - Voluntary Severance (Feb 10)	59	59
8/ Income	Non-teaching pay award (2010/11)	1,303	
	Pay Freeze (2011/13)	4,400	
9/ Corporate Budget Savings	Councillors Remuneration Frozen (2010/11)	10	9,271
	FSF Funding Reduction (Feb 10)	1,000	
	Various Savings - Feb 2010 Budget	383	
	Mid-Year Savings (Aug 2010)	2175	
10/ National / Local Policies	Education Concordat - Review of Policies	400	871
	Policy Priorities Review - Feb 2010 Budget	471	
Totals		11,814	11,814

A Puckrin
22/10/10

Notes

1/ Savings target to 31.3.14 = £23.246 million