
Report To:	Policy & Resources Committee	Date:	8 February 2011
Report By:	Chief Financial Officer	Report No:	FIN/06/11/AP/GJ
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Subject:	The General Fund Revenue Budget 2010/11 – Period 8		

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 November 2010 and to update Committee in respect of the position relating to Earmarked Reserves and the General Fund Reserves.

2.0 SUMMARY

- 2.1 Appendix 1 shows that as at 30 November 2010 the Council is projecting a £1.407 million underspend. This is an improvement of £717,000 since the last report and is largely due to a significant improvement to the Health & Social Care Budgetary position and the elimination of the balance of the inflation contingency within Policy & Resources.
- 2.2 Committee should note that overall Service Committees are projecting an underspend of £497,000 which represents approximately 0.3% of the revised Service Committee Budget.
- 2.3 Appendix 2 contains the latest summary position in respect of Earmarked Reserves. It can be seen that expenditure as at 30 November 2010 is 39.6% of projected expenditure. The position in respect of Earmarked Reserves is reported in detail 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. Based on the latest projected surplus and applying the surplus arising from the mid-year savings exercise then the overall projected balance in the General Fund Reserve as at 31 March 2011 is £7.336 million. This is £3.136 million greater than the minimum recommended level of reserve and proposals in respect of the use of this excess balance will be considered as part of the 2011/13 Revenue Budget.
- 2.5 Section 8 of the report highlights ongoing Strategic Financial matters which the Committee needs to be aware of.

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 consider this information when approving the 2011/13 Revenue Budget on 10 February 2011.

Alan Puckrin
Chief Financial Officer

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 in the Base Budget 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 which reduced the General Fund Budget by £1.7 million in 2010/11 with a full year effect of £2.15 million. The money saved was intended to be set aside to meet a one-off 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 8 of £1.407 million. This is an increase in the level of underspend of £717,000 and largely arises from a significant improvement in the projected position of the Health & Social Care Budget allied to the elimination of the balance of the inflation contingency in 2010/11.
- 5.2 This projected underspend will be added to the General Fund Reserves at the end of 2010/11 and could be available for one-off utilisation as part of the 2011/13 Revenue Budget.
- 5.3 The Committee should note that there are currently three Service Committees projecting very minor overspends. The relevant Corporate Directors will continue to take action within their remits to ensure that all Service Committees come back in on budget 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 £7.5 million which represents 39.6% 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 RESERVES

- 7.1 Appendix 3 shows the latest position in respect of the General Fund Reserve. It can be seen that the latest projected balance as at 31 March 2011 is £7.336 million. This is £3.136 million in excess of the minimum level of reserve.
- 7.2 The excess General Fund Reserves has arisen due to two factors, firstly the projected 2010/11 underspend of £1.407 million and secondly the savings arising from the mid year savings exercise in 2010/11 which are no longer being utilised to balance the 2011/13 Revenue Budget and are thus now available for use on a one-off basis.

- 7.3 Proposals in respect of the General Fund Reserves should be considered by Members as part of the 2011/13 Revenue Budget on 10 February 2011.

8.0 STRATEGIC FINANCE MATTERS

- 8.1 Each Policy & Resources Committee highlights other issues not included in the projections which may impact on future Revenue Budget Reports. Issues to highlight in this report are as follows:

Government Budget

It has been confirmed that the budget debate will take place within Holyrood week commencing 7 February 2011. Whilst it is not known whether the current budget proposals will be agreed, the reports presented to Members are prepared on the basis that previously issued Grant figures for Inverclyde Council will be approved.

The Government has provided high level indicative figures for Local Government for the years 2012/13 to 2014/15. The figures announced are very much in line with the assumptions made in the Financial Strategy however it must be borne in mind that these are high level indicative figures and could change significantly depending on the outcome of this year's Scottish Parliamentary Elections.

Inflationary Pressures

Whilst it is not anticipated there will be the need to budget for inflationary pressures in the balance of 2010/11 all the indications are that there will be significant inflationary pressures in 2011/12. These pressures are arising from increase in prices of raw materials and increases in wages in other parts of the world. The Council holds an inflation contingency to meet these pressures and will report to Committee on its status throughout 2011/12.

9.0 CONSULTATION

- 9.1 This report has been approved by the Corporate Management Team.

Policy & Resources CommitteeRevenue Budget Monitoring ReportPeriod 8: 1st April 2010 - 30th November 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	29,868	29,095	(773)	(2.59%)
Safe, Sustainable Communities	17,880	16,816	16,825	9	0.05%
Regeneration & Resources	15,923	14,340	14,345	5	0.03%
Education & Life Long Learning	76,089	68,639	68,470	(169)	(0.25%)
Health & Social Care	49,560	49,779	49,800	21	0.04%
Committee Sub-Total	192,121	179,442	178,535	(907)	(0.51%)
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%
Earmarked Reserves	0	6,427	6,427	0	0.00%
1 Contribution to Voluntary Severance Trawl	0	5,708	5,708	0	0.00%
Total Expenditure	208,382	207,535	206,228	(1,307)	(0.63%)
Financed By:					
Revenue Support Grant	(143,137)	(144,019)	(144,019)	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	(1,729)	(3,136)	(1,407)	

Notes: This represents 2010/11 funding which is to be carried forward to the VST Earmarked Reserve and utilised in future years.

1 Contribution to VST Earmarked Reserve:

SEMP	3,500
Pay Award	1,293
Procurement	415
Inflation Review	500
	<u>5,708</u>

Appendix 2

Earmarked Reserves Position Statement

Summary

<u>Committee</u>	<u>c/f Funding 2009/10</u> <u>£000</u>	<u>New Funding 2010/11</u> <u>£000</u>	<u>Total Funding 2010/11</u> <u>£000</u>	<u>Actual Spend To 30 November 10</u> <u>£000</u>	<u>Projected Spend 2010/11</u> <u>£000</u>	<u>Earmarked 2011/12 & Beyond</u> <u>£000</u>	<u>2010/11 %age Spend</u>
Education & Lifelong Learning	4,063	3,934	7,997	2,100	6,089	1,908	34.49%
Safe Sustainable Communities	6,488	2,255	8,743	2,825	4,506	4,237	62.69%
Health & Social Care	668	170	838	301	683	155	44.09%
Regeneration	3,759	3,225	6,984	1,376	4,376	2,608	31.44%
Policy & Resources	2,472	8,250	10,722	897	3,307	7,415	27.12%
	<u>17,450</u>	<u>17,834</u>	<u>35,284</u>	<u>7,499</u>	<u>18,961</u>	<u>16,323</u>	<u>39.55%</u>

APPENDIX 3

GENERAL FUND RESERVE POSITION
Position as at 30/11/2010

	<u>£000</u>	<u>£000</u>
Balance 31/03/10		4200
Projected Surplus/(Deficit) 2010/11	1407	
Contribution to General Fund Reserve 2010/11	907	
Surplus from Mid Year Savings Exercise	<u>1729</u>	4043
Transfer to VST Earmarked Reserve: 2010/11 budgeted surplus		(907)
Projected Balance 31/03/11		<u><u>7336</u></u>

Minimum Reserve required is £4.2million