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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>20 September 2011</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/79/11/AP/GJ</b>
<b>Contact Officer:</b>	<b>Alan Puckrin</b>	<b>Contact No:</b>	<b>01475 712223</b>
<b>Subject:</b>	<b>General Fund Revenue Budget 2011/12 – 31 July 2011</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of the report is to advise Committee of the projected position of the 2011/12 General Fund Revenue Budget as at period 4 (31 July 2011).

## 2.0 SUMMARY

- 2.1 Appendix 1 shows that as at 31 July 2011 the Council is projecting a £0.382 million underspend on the 2011/12 Revenue Budget. This underspend is due to a combination of £0.75 million saving in Loans Charges partially offset by a projected overspend of £0.368 million in Service Committee Budgets.
- 2.2 Specific action is being taken by the relevant Corporate Directors and their Committees where there is a projected overspend.
- 2.3 Appendix 2 shows the latest summary position in respect of Earmarked Reserves. It can be seen that expenditure to date is 16.8% of the 2011/12 projected spend and Committee is asked to note that two large areas of spend namely Loans Charges and Voluntary Severance payments are processed at the year end. The Corporate Management Team have reviewed project phasings which have also been reported to individual Service Committees.
- 2.4 Appendix 3 shows the latest position in respect of the General Fund Reserves and it can be seen that the projected balance as at 31 March 2012 is £5.357 million. The Committee had previously agreed that any decision in respect of utilising any excess General Fund Reserve over the minimum recommended balance of £4.2 million be deferred until the September Policy & Resources Committee. The Corporate Management Team have considered this matter and their recommendations are included in Section 7.
- 2.5 Appendix 4 gives the latest update in respect of Workstream Savings and Appendix 5 shows the actual savings of £1.556 million in 2011/12 achieved against the projection of £1.579 million (98.5%).
- 2.6 The Scottish Government will be announcing the 2012/15 Spending Review figures on 21<sup>st</sup> September 2011.

## 3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee note the latest projection for the 2011/12 General Fund Revenue Budget and the information contained in the various Appendices.

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- 3.2 It is recommended that the Committee consider the recommendations regarding the surplus General Fund Reserves contained in Section 7 of the report.

Alan Puckrin  
Chief Financial Officer

#### **4.0 BACKGROUND**

- 4.1 The Council agreed a 2011/13 Revenue Budget on 11 February 2011.
- 4.2 The Policy & Resources Committee previously agreed that any decision regarding the utilisation of any General Fund Reserve over and above the £4.2 million recommended minimum balance should be deferred until after the closure of the year end accounts.

#### **5.0 2011/12 CURRENT POSITION**

- 5.1 It can be seen from Appendix 1 that the General Fund is projecting an underspend as at 31 March 2011 of £0.382 million. This is made up of a projected underspend in Loans Charges of £750,000 due to slippage in the prior years Capital Programme added to improved investment returns. This underspend is partially offset by a projected overspend of £0.368 million in Service Committees.
- 5.2 The Corporate Director egeneration & Environment and the Corporate Director Community Health & Care Partnership are both examining ways to bring their projected Committee overspends back in line with budget.

#### **6.0 EARMARKED RESERVES**

- 6.1 Appendix 2 shows the latest Summary Position in respect of Earmarked Reserves. The detailed position was previously reported to the relevant Service Committee.
- 6.2 Overall it can be seen that expenditure to date is £3.651 million which represents 16.8% of projected spend in 2011/12. It should be noted that expenditure is relatively low in the early part of the year due to the fact that two major areas of expenditure namely Loans Charges and Voluntary Severance Payments are not incurred until the end of the financial year.
- 6.3 The relevant Corporate Directors and Lead Officers have reviewed the phasings incorporated within this update.

#### **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 £5.357 million which is £1.157 million more than the minimum recommended level of General Fund Reserves.
- 7.2 It had previously been agreed that any consideration on the use of surplus General Fund Reserves be deferred until after the accounts closure process. The accounts are now closed and have been audited and therefore the Committee could decide to utilise some or all of the £1.157 million on one-off areas of expenditure.
- 7.3 The Corporate Management Team have considered this matter and they have identified two possible areas of one-off expenditure namely investment in the Council's Roads Infrastructure and a provision for an increased contribution to the Tall Ships event largely due to a shortfall in the anticipated Park & Ride income.

- 7.4 On the basis that Riverside Inverclyde will contribute 50% of any increased deficit then it is envisaged that up to £100,000 will need to be set aside for the Tall Ships expenditure leaving approximately £1 million for investment in the Roads Infrastructure. The CMT advice would be that the investment in roads, if approved, should be phased over 2011/12 and 2012/13 to reflect the timing of the investment decision and the best time to address the impact of the forthcoming winter. A report elsewhere on the agenda covers this investment in more detail.
- 7.5 Finally, given the likely timescale of the investment in the Inverkip Community Facility, it is recommended that the £300,000 referred to in the remit from Regeneration be referred to the 2012/13 budget process.

## **8.0 WORKSTREAM SAVINGS**

- 8.1 Appendix 4 gives the latest update in respect of the outstanding saving workstreams. Overall it can be seen that excellent progress is being made against the 2011/12 savings target of £1.579 million with £1.556 million already achieved to date.

## **9.0 STRATEGIC FINANCE MATTERS**

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

(a) Government Spending Review

The Scottish Government has previously provided high level indicative figures for Local Government for the years 2012/13 to 2014/15. Following the May Scottish Government Elections there have been initial discussions regarding the format of the next Budget round and it has been confirmed that the Spending Review announcement will take place on 21<sup>st</sup> September 2011. Indications are that there will be one year firm announcement at a Council level with indicative Local Government Planning Assumption for 2013/15. Once the figures for 2012/13 are issued in early December, this will require an update of the Council's 2012/13 approved budget.

(b) School Estate Management Plan

The School Estate Management Plan Financial Model is in the process of being reviewed and is due to be reported to the next Education & Lifelong Learning Committee. Any strategic financial implications of this will be reported in the next revision of the Finance Strategy which is due to be reported to the Inverclyde Council in December 2011.

## **10.0 CONSULTATION**

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

Policy & Resources CommitteeRevenue Budget Monitoring ReportPeriod 4: 1st April 2011 - 31st July 2011

Committee	Approved Budget 2011/2012	Revised Budget 2011/2012	Projected Out-turn 2011/2012	Projected Over/(Under) Spend	Percentage Variance
	£,000's	£,000's	£,000's	£,000's	
Policy & Resources	30,134	29,316	29,139	(177)	(0.60%)
Safe, Sustainable Communities	18,116	17,069	17,087	18	0.11%
Regeneration	14,761	13,760	14,011	251	1.82%
Education & Life Long Learning	78,052	77,783	77,733	(50)	(0.06%)
Health & Social Care	48,522	48,459	48,785	326	0.67%
<b>Committee Sub-Total</b>	<b>189,585</b>	<b>186,387</b>	<b>186,755</b>	<b>368</b>	<b>0.20%</b>
Loan Charges	15,884	15,884	15,134	(750)	(4.72%)
Unallocated Savings (Note 1)	(450)	(143)	(143)	0	0.00%
Contribution to General Fund Reserve	1,466	1,466	1,466	0	0.00%
Recharge to Trading Operations	(97)	(97)	(97)	0	0.00%
Earmarked Reserves	0	2,217	2,217	0	0.00%
<b>Total Expenditure</b>	<b>206,388</b>	<b>205,714</b>	<b>205,332</b>	<b>(382)</b>	<b>(0.19%)</b>
<b>Financed By:</b>					
Revenue Support Grant/Non Domestic Rates	(173,438)	(173,496)	(173,496)	0	0.00%
Council Tax	(32,950)	(32,950)	(32,950)	0	0.00%
<b>Net Expenditure</b>	<b>0</b>	<b>(732)</b>	<b>(1,114)</b>	<b>(382)</b>	

Note 1 - Relates to Workstream Savings identified but still to be allocated to Service budgets.

Appendix 2

Earmarked Reserves Position Statement

Summary

<u>Committee</u>	<u>c/f Funding</u> <u>2010/11</u> <u>£000</u>	<u>New</u> <u>Funding</u> <u>2011/12</u> <u>£000</u>	<u>Total</u> <u>Funding</u> <u>2011/12</u> <u>£000</u>	<u>Actual Spend</u> <u>To 31 July 11</u> <u>£000</u>	<u>Projected</u> <u>Spend</u> <u>2011/12</u> <u>£000</u>	<u>Earmarked</u> <u>2012/13 &amp;</u> <u>Beyond</u> <u>£000</u>	<u>2011/12</u> <u>%age</u> <u>Spend</u>
Education & Lifelong Learning	2,022	11,913	13,935	2,470	12,046	1,889	20.50%
Safe Sustainable Communities	5,439	2,617	8,056	325	2,545	5,511	12.77%
Health & Social Care	298	0	298	67	194	104	34.30%
Regeneration	2,727	4,640	7,367	718	3,911	3,456	18.36%
Policy & Resources	9,250	471	9,721	71	2,989	6,732	2.38%
	<u>19,736</u>	<u>19,641</u>	<u>39,377</u>	<u>3,651</u>	<u>21,685</u>	<u>17,692</u>	<u>16.83%</u>

**APPENDIX 3**

**GENERAL FUND RESERVE POSITION**  
**Position as at 31/07/2011**

	<u>£000</u>	<u>£000</u>
Projected Balance 31/03/11		7163
Projected Surplus/(Deficit) 2011/12	382	
Contribution to General Fund Reserve 2011/12	1466	
Use of Reserves approved February 2011 (See Undernote)	<u>(4386)</u>	(2538)
Workstream Savings Over Recovery		732
Projected Balance 31/03/12		<u><u>5357</u></u>

Minimum Reserve required is £4.2million

**Approved Usage:**

Increased Tall Ships Contribution 2011/12	(100)	
Protection of Vulnerable Groups 2013/14	(76)	
Contribution to Capital Programme	(860)	
Regeneration of Port Glasgow Town Centre	(1000)	
Redevelopment of Central Gourock	(300)	
Renewal of Clune Park Area	(500)	
Phase 2 of Flooding Works	(500)	
Additional Funding for Play Areas	(300)	
Additional Funding for Community Facilities	(450)	
Aids and Adaptations 2011/13	<u>(300)</u>	
		<u><u>(4386)</u></u>

Workstream Updates as at: 19/08/11

Lead Officer: John Mundell

<u>Workstream Saving</u>	<u>Update</u>	<u>Target</u> (2011/14) <u>£000</u>
1a Senior Management Restructure	Proposals to be developed by end of 2011. Target date for P&R report is November 2011.	160k  To be achieved: 12/13 £160k
1c Review Committees	This will be developed in advance of the Council Elections in 2012 but will not be considered formally until the new Council is established in June 2012. Target date for P&R report is March 2012.	50k  To be achieved: 12/13 £30k 13/14 £20k



Workstream Updates as at: 19/08/11

Lead Officer: Aubrey Fawcett

Workstream Saving	Update	Target (2011/14) £000
3a FM/Cleaning Savings	<p>Proposals being developed include:-</p> <ul style="list-style-type: none"> <li>• Review of 'periodic cleans' in education properties currently undertaken outwith term time. Potential savings identified (£31,000 for full year) HR and Service have had initial discussions with Unions. Union reaction not favourable. Proposals agreed by CMT and SLF. Held in Abeyance following discussions at Joint Budget Group. Further discussions with Unions required.</li> <li>• Sick Cover reduced.</li> <li>• Consider reducing 5 day cleaning schedule to 3 day - where appropriate. Being implemented by non filling vacancies.</li> <li>• Review 'cleaning and training' days' requirement in Catering section. Savings identified (£17,600 for full year). To be implemented, HR and Service have had initial discussions with Unions. Union reaction not favourable. Proposals agreed by CMT and SLF. Held in abeyance following discussions at Joint Budget Group. Further discussions with Unions required.</li> <li>• Some savings from catering anticipated following school rationalisation.</li> </ul>	<p>320k</p> <p>To be achieved: 12/13 £70k 13/14 £50k</p>
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. All four themes have now been</p>	<p>1000k</p> <p>To be achieved: 12/13 £400k</p>

**Appendix 4**  
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		tendered and evaluated. Following the Policy & Resources Executive Sub-Committee awards of contract are being made.	13/14 £400k
7b	Planning Service Review	Option under VST taken full saving achieved.	41k
7c	Local Environmental Teams	<p>Savings to be achieved by a significant reduction in management overtime following revisions to shift patterns and work practices service wide.</p> <p>Meetings with Unions and workforce have been concluded resulting in a revised compensation payment being offered to workforce.</p> <p>Expenditure has been agreed at CMT and P&amp;R Committee 16<sup>th</sup> August.</p> <p>Revised offer letters have been issued to workforce submitted with a return date of 26<sup>th</sup> August.</p> <p>Target to implement new working practices, Sept 2011.</p>	<p>100k</p> <p>To be achieved: 12/13 £61k 13/14 £39k</p>

Workstream Updates as at: 19/08/11

Lead Officer: Alan Puckrin

	<u>Update</u>	<u>Target (2011/14)</u> <u>£000</u>
2a Operating Model	<p>Revised savings being progressed. Review of Operating Model ongoing and proposals thereafter taken to Committee.</p> <p>To date £192k of the 2011/12 target has been achieved; and there is a clear understanding of how to achieve the £8k balance in 2011/12.</p> <p>Finalised Civica report received 15<sup>th</sup> August 2011 and to be incorporated in Chief Executives report to members.</p> <p>Modernisation EIG meetings ongoing.</p>	<p>250k</p> <p>To be achieved: 11/12 £8k 12/13 £50k</p>
4a Procurement	<p>Savings continue to be identified and applied via Category A&amp;B contracts.</p> <p>Further contract savings are being assessed with an estimated annual saving of up to £70k.</p> <p>Target for Procurement has been increased by £300k to £1.0million and in light of ongoing savings is under review for a further increase.</p>	<p>573k</p> <p>To be achieved: 11/12 £33k 12/13 £42k</p>
9c Top Slice/1% Efficiency	<p>Proposals approved at P&amp;R Committee on 24<sup>th</sup> May which will lead to savings of £0.95 million by 2012/13.</p> <p>Specific discussions needed with Unions around Mileage proposals. Report due back to CMT later in 2011.</p>	<p>1917k</p> <p>To be achieved: 12/13 £50k 13/14 £500k</p>

**Appendix 4**  
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9f	Other Savings/Adjustments	Ad-hoc savings will be identified and applied.	1311k  To be achieved: 12/13 £130k 13/14 £217k
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Workstream Updates as at: 19/08/11

Lead Officer: Alasdair Moore

<u>Workstream Saving</u>	<u>Update</u>	<u>Target (2011/14)</u> <u>£000</u>
5a 37 hr Working Week Impact.	CMT met in May to consider proposals for service specific targets. CMT agreed that all Directorates would work towards the allocated savings target of £900k. Follow up meetings with OD, HR and Performance and Directorate Teams to continue with regular updates to the Finance CMT's.	900k  To be achieved: 12/13 £900k

Workstream Updates as at: 19/08/11

Lead Officer: Rab Murphy

	<u>Update</u>	<u>Target (2011/14)</u> <u>£000</u>
7a 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.</p> <p>External review team for Homecare have been clearly briefed that the saving associated here is over and above any other saving secured.</p> <p>Proposals considered by CMT 10<sup>th</sup> June 2011. Follow up report to CMT and Health &amp; Social Care Committee August 2011 for approval to proceed with staffing restructure and mobile working procurement solution. The procurement exercise will take place within a framework agreement.</p>	<p>300k</p> <p>To be achieved: 12/13 £150k 13/14 £100k</p>

Workstream Updates as at: 19/08/11

Lead Officer: Albert Henderson

<u>Workstream Saving</u>	<u>Update</u>	<u>Target (2011/14) £000</u>
9e Roll Reduction 2011/14	Due to commence August 2012.	612k  To be achieved: 12/13 £132k 13/14 £200k

Workstream Savings Targets

<u>Area</u>	2011/12 £000	2012/13 £000	Achieved to 31/7/11 2011/12 £000	2012/13 £000
1 Senior Management Restructure	0	160	0	0
2 Review of Committee	0	30	0	0
3 Operating Model	200	50	192	0
4 FM - Cleaning	160	110	160	40
5 Procurement	288	158	273	151
6 37 Hour Working Week	0	900	0	0
7 Commissioning	200	400	200	0
8 Home Care Service Review	50	150	50	0
9 Planning Service Review	41	0	41	0
10 Local Environmental Teams	0	61	0	0
11 Top Slice/Efficiencies	640	311	640	261
12 Roll Reduction	0	132	0	0
13 Other Savings	0	130	0	0
	<b>1,579</b>	<b>2,592</b>	<b>1,556</b>	<b>452</b>