
Report To:	Policy & Resources Committee	Date:	27 March 2012
Report By:	Chief Financial Officer	Report No:	FIN/21/12/AP/CM
Contact Officer:	Alan Puckrin	Contact No:	01475 712223
Subject:	General Fund Revenue Budget 2011/12 – 31st January 2012		

1.0 PURPOSE

- 1.1 The purpose of the report is to advise the Committee of the projected position of the 2011/12 General Fund Revenue budget as at Period 10 (31st January 2012).

2.0 SUMMARY

- 2.1 Appendix 1 shows that at 31st December 2011 the 2011/12 Revenue Budget is projecting a £3.78 million underspend, an increase in underspend of £1.1 million since the Period 8 report. This is due to increases in Service Committee projected underspends with more details supplied in Section 5.
- 2.2 The one Committee that continues to project an overspend is the Regeneration Committee. This is due to the Building Services income shortfall arising from a significant reduction in external income. Proposals to address this matter have been considered and approved by the Regeneration Committee and approved as part of the overall 2012/13 Revenue Budget
- 2.3 Appendix 2 shows the latest position in respect of Earmarked Reserves. It can be seen that expenditure to date is 59% of the 2011/12 projected spend. The Corporate Management Team has reviewed projected phasings and these have also been reported to individual Service Committees.
- 2.4 Appendix 3 shows the latest position in respect of the General Fund Reserves and reflects the decisions taken as part of the 2012/13 Revenue Budget in February 2012. Based on the latest projections there is balance of £1.0 million over and above the minimum recommended balance of £4.2 million.
- 2.5 It is proposed that the Committee approve the creation of two new earmarked reserves from 1st April 2012. The first is a Winter Maintenance earmarked reserve which would help smooth out future years Winter Maintenance spend. The second is the creation of an Independent Living earmarked reserve which was agreed in principle by the CHCP Sub-Committee as a vehicle to fund developments which keep service users in their homes for as long as is practical. If approved, these two earmarked reserves will utilise £550,000 of the £1.0 million extra underspend.
- 2.6 It is recommended that any decisions on the projected remaining surplus Reserves be delayed until after the 2011/12 Accounts have been closed and relevant Provisions and Contingencies reviewed.
- 2.7 Appendix 4 gives the latest position in respect of the approved workstream savings and Appendix 5 shows the actual savings achieved against targets for both 2011/12 and 2012/13. From this it can be seen that all 2011/12 workstream savings have now been realised and 77% of the 2012/13 workstream savings have also been achieved.

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- 2.8 This is the final report covering the 2011/12 Revenue Budget for the Council and the next report to the Committee will reflect the 2012/13 Revenue Budget.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee note the latest position in respect of the 2011/12 Revenue Budget, General Fund Reserves, Earmarked Reserves and Savings Workstreams.
- 3.2 It is recommended that the Committee approve the creation of a Winter Maintenance earmarked reserve and an Independent Living earmarked reserve from 1st April 2012.
- 3.3 It is recommended that any decision on the utilisation of any remaining surplus Reserves be delayed until after the closure of the 2011/12 Year End Accounts.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The Council agreed a 2011/13 Revenue Budget on 11th February 2011.
- 4.2 The Policy and Resources Committee previously agreed that any decision regarding utilisation of the General Fund Reserve over and above the £4.2 million recommended minimum balance should be deferred until after closure of the year end accounts.
- 4.3 On 20th September the Committee agreed to allocate £1.13 million of the General Fund Reserves to specific matters including £1.0 million for Roads/Footway maintenance and £100,000 towards the Tall Ships deficit.
- 4.4 Further decisions in respect of the General Fund Reserves were taken as part of the review of 2012/13 Revenue Budget on the 9th February 2012.

5.0 2011/12 CURRENT POSITION

- 5.1 It can be seen from Appendix 1 that the General Fund is projecting an underspend of £3.78 million as at 31st March 2012. This is made of a projected underspend in loan charges of £1.15 million and Service Committee underspend of £2.64 million which has been reported in detail to individual Service Committees.
- 5.2 There are 3 main reasons for the increase in Service Committee underspends as follows:

- a) Strike Payroll Deductions

The strike on 30th November resulted in a payroll deduction of £221,000. This deduction is shown as part of the Policy & Resources Committee underspend.

- b) Winter Maintenance

Due to the very mild winter a projected saving of £100,000 is anticipated for this budget. A proposal is made elsewhere in this report to carry this forward as an earmarked reserve.

- c) Residential/Home Care

As in the past, a winter contingency was held back by CHCP management. This winter there was limited call on the contingency and hence an underspend is now shown. A proposal elsewhere in this report requests that £450,000 of the Social Care underspend is carried forward as an Independent Living earmarked reserve.

- 5.3 The Regeneration Committee continues to project a minor overspend in 2012/13 which arises due to a shortfall in Building Services surplus following a significant reduction in the volume of external income during 2011/12. Proposals to address this shortfall in future years have been agreed by the Regeneration Committee and approved as part of the 2012/13 Revenue Budget. In addition, following the summer a new 3 year Business Plan for the Building Services unit will be presented to the Regeneration Committee.

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.

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- 6.2 Overall it can be seen that expenditure to date is £10.09 million which represents 59% of the projected spend in 2011/12.
 - 6.3 The relevant Corporate Directors and Lead Officers have reviewed the phasings and incorporated these within this update.
 - 6.4 There will be the usual annual review of Earmarked Reserves as part of the 2011/12 Accounts closure process and any Earmarked Reserves no longer required will be written back to the General Fund Reserve.
 - 6.5 It is proposed that the Committee approve the creation of two new earmarked reserves from 1st April 2012. The first is a Winter Maintenance earmarked reserve which would help smooth out future years Winter Maintenance spend. The second is the creation of an Independent Living earmarked reserve which was agreed in principle by the CHCP Sub-Committee as a vehicle to fund developments which keep service users in their homes for as long as is practical. If approved, these two earmarked reserves will utilise £550,000 of the projected underspend.
 - 6.6 It should be noted that the Independent Living earmarked reserve will increase by a further £300,000 in 2012/13 due to an allocation from the Pressures Contingency approved in February 2011.

7.0 GENERAL FUND RESERVE

- 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 31st March 2012 is £7.9 million which is £3.7 million more than the minimum recommended level of General Fund Reserves.
- 7.2 Decisions in respect of the £2.7 million surplus General Fund Reserves were taken as part of the 2012/13 Budget Review in February 2012.
- 7.3 A further update in respect of the General Fund Reserves will be provided to Committee following closure of the 2011/12 Accounts. Until then it is recommended that no further useage of projected surplus Reserves is approved.

8.0 WORKSTREAM SAVINGS

- 8.1 Appendix 4 gives the latest narrative update in respect of the outstanding savings workstreams. Overall it can be seen from Appendix 5 that all of 2011/12 savings workstreams have been achieved and in addition £1.5 million of the £2.03 million target for the 2012/13 has also been achieved.
- 8.2 As previously advised to the Committee a comprehensive review of the savings workstreams will be undertaken during 2012/13 and will result in new workstreams being added and targets being reviewed as part of the overall 2013/15 Revenue Budget.

9.0 STRATEGIC FINANCE MATTERS

- 9.1 Each Policy and Resources Committee highlights other issues not included in the projections which may impact on future revenue monitoring reports. Issues highlighted in this report are as followings:

a) Welfare Reform

A significant amount of uncertainty remains over the financial impact on the Council in respect of the Government's Welfare Reform proposals. Specifically the impacts arising from proposed changes to council tax benefit, funding for homelessness and housing benefit could have material impacts on future years budgets. Regular updates will be continue to be given to the appropriate Committees by the Corporate Director CHCP.

b) Creation of Single Police Force, Single Fire and Rescue Service

The Government has confirmed its intention to create a single Police Force and a single Fire and Rescue service with effect from April 2013. Theoretically this should be on a cost neutral basis to Councils however details as to how this is going to be achieved are awaited. Specifically issues around reserves and assets require to be clarified.

c) Update of the Council's Financial Strategy

The next scheduled update of the Council's Financial Strategy will take place after the Local Government Elections in June 2012. This Financial Strategy will cover the period 2012-2019.

10.0 CONSULTATION

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

Policy & Resources Committee**Revenue Budget Monitoring Report****Period 10: 1st April 2011 - 31st January 2012**

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	29,026	27,468	(1,558)	(5.37%)
Safe, Sustainable Communities	18,116	16,842	16,586	(256)	(1.52%)
Regeneration	14,761	12,322	12,342	20	0.16%
Education & Life Long Learning	78,052	78,233	78,068	(165)	(0.21%)
Health & Social Care	48,522	48,480	47,803	(677)	(1.40%)
Committee Sub-Total	189,585	184,903	182,267	(2,636)	(1.43%)
Loan Charges	15,884	15,884	14,734	(1,150)	(7.24%)
Unallocated Savings (Note 1)	(450)	(13)	(13)	0	0.00%
Contribution to General Fund Reserve	1,466	1,466	1,466	0	0.00%
Contribution from General Fund Reserve	0	(100)	(100)	0	0.00%
Workstream Savings Over Achieved	0	1,004	1,004	0	0.00%
Recharge to Trading Operations	(97)	(97)	(97)	0	0.00%
Earmarked Reserves	0	3,847	3,847	0	0.00%
Total Expenditure	206,388	206,894	203,108	(3,786)	(1.83%)
Financed By:					
General Revenue Grant/Non Domestic Rates	(173,438)	(173,944)	(173,944)	0	0.00%
Council Tax	(32,950)	(32,950)	(32,950)	0	0.00%
Net Expenditure	0	0	(3,786)	(3,786)	

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

Earmarked Reserves Position StatementSummary

<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 Jan 12</u> <u>£000</u>	<u>Projected</u> <u>Spend</u> <u>2011/12</u> <u>£000</u>	<u>Earmarked</u> <u>2012/13 &</u> <u>Beyond</u> <u>£000</u>	<u>2011/12</u> <u>%age</u> <u>Spend</u>
Education & Lifelong Learning	2,022	12,165	14,187	7,729	11,715	2,472	65.98%
Safe Sustainable Communities	4,488	2,390	6,878	167	867	6,011	19.26%
Health & Social Care	298	21	319	82	93	226	88.49%
Regeneration	2,727	4,740	7,467	1,588	2,330	5,137	68.15%
Policy & Resources	9,250	471	9,721	526	2,229	7,492	23.58%
	18,785	19,787	38,572	10,092	17,234	21,338	58.56%

APPENDIX 3

GENERAL FUND RESERVE POSITION

Position as at 31/01/2012

	<u>£000</u>	<u>£000</u>
Balance 31/03/11		7169
Projected Surplus/(Deficit) 2011/12	3786	
Contribution to General Fund Reserve 2011/12	1466	
Use of Reserves approved February 2011 (See Undernote)	<u>(4386)</u>	866
Workstream Savings Over Recovery		1004
<u>Contributions from General Fund Reserves:</u>		
Roads & Footways 2011/13 - CFCR		(1000)
Tall Ships Races		(100)
Winter Maintenance - CFCR		(32)
Projected Balance 31/03/12	1	<u>7907</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>(4386)</u>

Note

- ¹ Decisions were taken to write £2.688 million of this balance as part of the 2012/13 Revenue Budget

Workstream Updates as at: **23/02/12**

Lead Officer: **John Mundell**

<u>Workstream Saving</u>	<u>Update</u>	<u>Target</u> (2011/14) <u>£000</u>
1a Senior Management Restructure	Proposals agreed by CMT. Due to go to Council in March 2012. Proposals significantly exceed target.	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.	30k To be achieved: 12/13 £20k 13/14 £10k
9c Policy Areas	Rephrasing of Council contribution to Riverside Inverclyde resulted in a £300k recurring saving from 2013/14 whilst maintaining overall £24 million contribution.	300k

Appendix 4
(Page 2 of 8)

Workstream Updates as at: **23/02/12**

Lead Officer: **Aubrey Fawcett**

<u>Workstream Saving</u>		<u>Update</u>	<u>Target</u> (2011/14) £000
3a	FM/Cleaning Savings	<p>Proposals being developed include:-</p> <ul style="list-style-type: none"> • Review of 'periodic cleans' in education properties currently undertaken outwith term time. Proposals agreed by CMT and SLF. Now proceeding on a voluntary basis. 17 Staff have taken up the offer and new starts are being given contracts for term time only. Saving is therefore less than anticipated but will be made up for by over achievement in other areas. • Sick Cover reduced. • Review 'cleaning and training' days' requirement in Catering section. Savings identified (£20,000 for full year). Proposals agreed by CMT and SLF. Now proceeding on a voluntary basis. Letters issued to affected staff. Virtually no uptake however new starts are employed on a term time basis. Saving is therefore less than anticipated but will be made up for by over achievement in other areas. • Savings have been identified from catering anticipated following school rationalisation. Allocation between Workstream Savings and SEMP savings agreed with Chief Financial Officer. Saving allocated to Workstream is £20,000. • Further £36,000 Janitorial savings achieved in 2011/12 and will be scored against 2012/13 savings target. • Report to CMT in November 2011 outlined how balance of saving is to be achieved. 	<p>320k</p> <p>To be achieved: 12/13 £34k 13/14 £50k</p>

Appendix 4
(Page 3 of 8)

3b	Utility Cost Reduction	Proposals agreed by CMT in November 2011 and now being progressed by Head of Property Assets and Facilities Management.	200k To be achieved: 12/13 £13k 13/14 £100k 14/15 £50k
6a	Commissioning	Commissioning Working Group has identified £100k saving in Supported Living tender from 2012/13 plus £200k reduction in Regeneration Fund from 2012/13 (funded by Earmarked Reserve for one year). £50k in 2012/13 and £250k 2013/14 to be identified.	800k To be achieved: 12/13 £50k 13/14 £250k
7c	Local Environmental Teams	Savings to be achieved by a significant reduction in management overtime following revisions to shift patterns and work practices service wide. Meetings with Unions and workforce have been concluded resulting in a revised compensation payment being offered to workforce. New working practises now implemented. Proposals on how the balance of (£39k) which requires to be achieved in the financial period 13/14 will be presented to the CMT in September 2012 for implementation on 1 st April 2013.	100k To be achieved: 13/14 £39k

Appendix 4
(Page 4 of 8)

Workstream Updates as at: **23/02/12**

Lead Officer: **Alan Puckrin**

<u>Workstream Saving</u>		<u>Update</u>	<u>Target (2011/14)</u> <u>£000</u>
2a	Operating Model	<p>The 2011/12 target has been achieved with £11k which related to the development of the CSC transferred to 2012/13. Specifics of how to achieve the 2012/13 original target of £50k have now been identified and will be applied to budgets in April 2012.</p> <p>Ol&R Directorate savings totalling an extra £217k were approved at November P&R Committee and have resulted in an increase in the 2011/14 target to £467k</p> <p>Proposals arising from the Civica Report are to be developed over 2012 and form part of the 2013/15 budget proposals.</p>	<p>467k</p> <p>To be achieved: 12/13 £82k 13/14 £196k</p>
3c	SEMP Funding	Target revised December 2011. 2012/13 saving applied to SEMP Loan Charges.	100k
4a	Procurement	<p>Savings continue to be identified and applied.</p> <p>Target for Procurement was increased by £300k to £1.0million in July 2011 and now agreed to increase this by a further £400k over the period 2012/14 linked to increased resources for the section.</p>	<p>973k</p> <p>To be achieved: 12/13 £144k 13/14 £196k</p>
8b	Inflation Allowance (Non-Pay)	Target increased by £450k in December 2011 taking into account latest information. All bar 2013/14 target now applied to budgets.	<p>2250k</p> <p>To be achieved:</p>

Appendix 4
(Page 5 of 8)

			13/14 £500k
9c	Top Slice/1% Efficiency	Proposals approved at P&R Committee on 24 th May which will lead to savings of £0.95 million by 2012/13. £50k mileage/travel saving to be applied from April 2012 supported by HR Guidance note.	1667k To be achieved: 13/14 £250k
9f	Other Savings/Adjustments	Ad-hoc savings will be identified during 2012/13 and applied to 2013/15 budget process.	1374k To be achieved: 13/14 £119k

Workstream Updates as at: **23/02/12**

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.	The savings target of £900k has been over achieved by £33k. Employee offers for reduced hours issued and all returns completed. Report submitted to the CMT advising of current position and phasing of savings over the 2 financial years. Budgets will be reduced from April 2012.	900k

Workstream Updates as at: **23/02/12**

Lead Officer: **Rab Murphy**

<u>Workstream Saving</u>		<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>Procurement of electronic management system underway – contract now awarded. The Homecare Steering Group reported progress to CMT on 9 February 2012 with confirmed savings proposal for the next 3 financial years. The workstream savings target will be achieved and subject to continued monitoring, the target may be reviewed in future.</p>	<p>300k</p> <p>To be achieved: 12/13 £150k 13/14 £100k</p>

Workstream Updates as at: 23/02/12

Lead Officer: Albert Henderson

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

Workstream Targets - Outstanding Targets

<u>Area</u>	2011/12	2012/13	Achieved to	Achieved to
	£000	£000	29/2/12 2011/12 £000	29/2/12 2012/13 £000
1/ Senior Management Restructure	0	160	0	0
2/ Review of Committees	0	30	0	0
3/ Operating Model	189	82	189	0
4/ FM - Cleaning/Janitors	160	110	160	76
5/ Procurement	301	349	301	205
6/ 37 Hour Working Week	0	862	0	862
7/ Commissioning	200	350	200	300
8/ Home Care Service Review	50	150	50	0
9/ Planning Service Review	41	0	41	0
10/ Local Environmental Teams	0	61	0	61
11/ Top Slice/Efficiencies	640	311	640	311
12/ Roll Reduction	0	132	0	0
13/ Other Savings	0	219	0	219
	1,581	2,816	1,581	2,034