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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>23 September 2014</b>
<b>Report By:</b>	<b>Chief Executive, Acting Corporate Director Environment, Regeneration &amp; Resources, Corporate Director Education Communities &amp; Organisational Development and Head of Finance</b>	<b>Report No:</b>	<b>FIN/49/14/JB/AE</b>
<b>Contact Officer:</b>	<b>Angela Edmiston</b>	<b>Contact No:</b>	<b>01475 712143</b>
<b>Subject:</b>	<b>Policy &amp; Resources Committee 2014/15 Revenue Budget – Period 4 to 31 July 2014</b>		

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## **1.0 PURPOSE**

- 1.1 To advise Committee of the 2013/14 Revenue Budget out-turn and the 2014/15 projected out-turn for the Policy & Resources Committee as at Period 4 (31 July 2014).

## **2.0 SUMMARY**

- 2.1 In 2013/14 the underspend was £734,000, 4.95% of the total 2013/14 budget, details of which are shown in Section 5 of the report.
- 2.2 The major variances making up this underspend are as follows:
- a) Early achievement of savings £28,000
  - b) Additional turnover savings £30,000
  - c) Inflation contingency underspend returned to reserves £184,000
  - d) Over-recovery of benefit subsidy £121,000
  - e) Over-recovery of prior year Council Tax £58,000
  - f) IRI Over-recovery £104,000
  - g) Various underspend totalling £209,000 all of which are under £50,000.
- 2.3 The total revised Committee budget for 2014/15 is £17,439,000. This excludes Earmarked Reserves of £2,391,000.
- 2.4 The latest projection, excluding Earmarked Reserves, is an underspend of £1,331,000.
- 2.5 The main reasons for this underspend are:
- a) A one-off £1,000,000 underspend due to a significant reduction in calls on the non-pay inflation contingency.
  - b) Projected underspend of £168,000 within Finance Employee costs mainly due to turnover savings.
  - c) A £60,000 underspend within Benefit Subsidy based on mid-year return produced in August 2014.
  - d) £33,000 projected underspend within Organisational Development, HR & Communications due to additional turnover savings.

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- 2.6 The Earmarked Reserves for 2014/15 totals £2,391,000 of which £812,000 is projected to be spent in the current financial year. To date expenditure of £228,000 (28%) has been incurred which is £54,000 over the phased budgeted spend to date. It is to be noted that Earmarked Reserves reported in appendix 3 excludes Earmarked Reserves for Asset Plans and Strategic Funds.
- 2.7 The Common Good Fund is projecting a deficit fund balance at 31 March 2015 of £21,910. This reflects the potential that a receipt from the sale of the former filling station at Port Glasgow Road will not be realised. It is proposed that £150,000 of planned Common Good spend be met from the General Fund Reserve.

### **3.0 RECOMMENDATIONS**

- 3.1 The Committee note the 2013/14 Revenue Budget out-turn and the 2014/15 projected underspend of £1,331,000 for the Policy & Resources Committee as at Period 4 (31 July 2013).
- 3.2 The Committee note the projected deficit fund balance of £21,910 for the Common Good Fund and approve usage of underspend detailed in this report to replace the £150,000 contribution from the Common Good for the Port Glasgow Regeneration projects.

John Mundell  
Chief Executive

Jan Buchanan  
Head of Finance

Patricia Cassidy  
Corporate Director  
Education, Communities &  
Organisational Development

Alan Puckrin  
Acting Corporate Director  
Environment, Regeneration &  
Resources

## 4.0 BACKGROUND

- 4.1 The purpose of this report is to advise Committee of the current position of the 2014/15 budget as well as the 2013/14 outturn and to highlight the main issues contributing to the underspend of £734,000 in 2013/14 and projected underspend of £1,331,000 in 2014/15.

## 5.0 2013/14 OUTTURN

- 5.1 The main variations from budget in 2013/14 were:

	Revised Budget 2013/14	Out-turn 2013/14	Variance to Budget	Variance to Budget	Movement since P11 Projection
	£000	£000	£000	%	£000
Finance	4,805	4,587	(218)	(4.54)	(27)
ICT	2,177	2,080	(97)	(4.46)	(37)
Legal & Democratic Services	1,741	1,680	(61)	(3.5)	(40)
<b>Total Net Expenditure Environment, Regeneration &amp; Resources</b>	<b>8,723</b>	<b>8,347</b>	<b>(376)</b>	<b>(4.31)</b>	<b>(104)</b>
Organisational Development, Human Resources & Communications	1,914	1,879	(35)	(1.83)	(8)
Corporate Policy	179	178	(1)	(0.56)	(1)
<b>Total Net Expenditure Education, Communities &amp; Organisational Development</b>	<b>2,093</b>	<b>2,057</b>	<b>(36)</b>	<b>(2.75)</b>	<b>(9)</b>
Chief Executive	368	365	(3)	(0.82)	(5)
Miscellaneous	3,629	3,310	(319)	(8.79)	(117)
<b>Total Net Expenditure (Excluding Earmarked Reserves)</b>	<b>14,813</b>	<b>14,079</b>	<b>(734)</b>	<b>(4.95)</b>	<b>(235)</b>

- 5.2 The following material variances relate to the Environment, Regeneration & Resources Directorate:

### **Finance - £218,000 Underspend, increase in underspend £27,000**

Employee Costs: An underspend of £35,000, a minor decrease in spend of £8,000 since last reported to Committee.

Property Costs: Out-turn is an underspend of £19,000 mainly due to a reduction in Office Accommodation charges at year end.

Other Expenditure: Out-turn is an overspend of £57,000 an increase in spend of £61,000 since period 11 report to Committee mainly due to an increase in Bad Debt provision of £69,000.

Income: An over-recovery of £237,000 which is an increase in income of £58,000 since last reported to Committee mainly due to a £51,000 over-recovery within Benefits Subsidy.

### **ICT – £97,000 Underspend, increase in underspend £37,000**

Employee Costs: An underspend of £10,000 within employee costs which is an increase of £6,000 since the last Committee due to additional turnover savings being achieved.

Property Costs: Out-turn is an underspend of £11,000 mainly due to a reduction in Office Accommodation charges at year end.

Supplies and Services: An underspend of £29,000 which is an increase in underspend of £17,000 since last reported to Committee. This additional underspend is mainly due to reduction in costs over various budget lines.

Income: Final out-turn is an over-recovery of £43,000 which is a minor increase in recovery of £7,000 since last reported to Committee.

### **Legal & Democratic Service – £61,000 Underspend, increase in Underspend £40,000**

Property Costs: Out-turn is an underspend of £20,000 mainly due to a reduction in Office Accommodation charges at year end.

Administration Costs: Final out-turn is an underspend of £49,000 which is a £12,000 further decrease in cost since period 11 report to Committee. This additional underspend has been mainly due to minor underspends over various budget lines.

- 5.3 The following material variances relate to the Education, Communities & Organisational Development Directorate:

### **Organisational Development, Human Resources & Communications - £35,000 Underspend, increase in underspend of £8,000**

Employee Costs: An underspend of £19,000 mainly due to additional turnover savings and savings within other employee costs. This is an increase in underspend of £1,000 since last reported to Committee.

Payments to Other Bodies: An underspend of £13,000 for Occupational Health costs which is an increase in the underspend reported to the last Committee of £3,000.

### **5.4 Miscellaneous - £319,000 Underspend, increase in underspend £117,000**

Inflation Contingency: After all inflationary pressures were addressed in 2013/14; a saving of £184,000 was achieved which was returned to reserves.

Internal Resources Interest: Internal Resources Interest out-turned at an under-recovery of £84,000 since last reported to Committee.

Bad Debt Provision: Out-turned at £20,000 underspend due to spend being incurred against BVACOP.

## **6.0 2014/15 CURRENT POSITION**

- 6.1 The current projection is an underspend of £1,331,000. The following are the material variances:

- 6.2 The following material variances relate to the Environment, Regeneration & Resources Directorate:

**Finance - £230,000 Underspend**

Employee Costs: Projected underspend of £168,000 mainly due to turnover savings. A review is being carried out to move temporary employees funded from earmarked reserves to core budget which will reduce this underspend. This will be reported in the next Committee report.

Income: Current projection is an over-recovery of £60,000 within Benefit Subsidy based on the mid-year return produced in August 2014.

**ICT - £32,000 Underspend**

Supplies & Services: Projected underspend of £23,000 mainly due to a £14,000 projected underspend within Computer Software maintenance resulting from a change in contract and a £7,000 underspend within White Board maintenance based on prior year out-turn.

**Legal & Democratic Service – £12,000 Underspend**

Employee Costs: An underspend of £10,000 is projected mainly due to additional turnover savings being achieved.

- 6.3 The following material variance relate to the Education & Communities Directorate:

**Organisational Development, HR & Communications – £49,000 Underspend**

Employee Costs: Projected underspend of £33,000 mainly due to additional turnover savings.

- 6.4 The following material variance relates to the Miscellaneous budget:

**Miscellaneous – £1,000,000 Underspend**

Inflation Contingency: A £1,000,000 projected reduction in spend due to a significant reduction in calls on the non-pay inflation contingency.

**7.0 VIREMENT**

- 7.1 There are no virements to report in period 4.

**8.0 EARMARKED RESERVES**

- 8.1 Appendix 3 gives a detailed breakdown of the current earmarked reserves position. Total funding is £2,391,000 of which £812,000 is projected to be spent in 2014/15 and the remaining balance of £1,579,000 to be carried forward to 2015/16 and beyond. It can be seen that expenditure of £228,000 has been achieved which is £54,000 over the phased budgeted spend to date and represents 28.08% of the annual projected spend.

**9.0 COMMON GOOD FUND**

- 9.1 Appendix 3 shows a projected overspend of £1,500 in the Common Good Fund as at 31 July 2014. This results in a projected available fund balance at 31 March 2015 of £223,090 however with the commitments to fund the Shop Front improvements and one off Regeneration projects within Port Glasgow totalling £245,000 the available fund moves to a deficit balance of £21,910.

- 9.2 The £150,000 Port Glasgow Town Centre regeneration investment was intended to be funded from the sale of the former filling station at 74 Port Glasgow Road. The Environment, Regeneration & Resources Committee has recently agreed to re-advertise the site for a second time and there is the potential that a receipt of £150,000 will not be realised.

- 9.3 It is therefore proposed that the £150,000 Port Glasgow Town Centre revenue be met from the proposed 2014/15 underspend detailed in this report.

## **10.0 IMPLICATIONS**

### **10.1 FINANCE**

All financial implications are discussed in detail within the report above.

One off Costs:

Cost Centre	Budget Heading	Budget Years	Proposed Spend this report £'000	Virement From	Other Comments

### **10.2 LEGAL**

There are no specific legal implications arising from this report.

### **10.3 HUMAN RESOURCES**

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

### **10.4 EQUALITIES**

There are no equality issues arising from this report.

### **10.5 REPOPULATION IMPLICATIONS**

There are no repopulation issues arising from this report.

## **11.0 CONSULTATIONS**

- 11.1 The Acting Corporate Director Environment, Regeneration & Resources, Corporate Director Education, Communities & Organisational Development and the Head of Finance have been consulted in the preparation of this report.

## **12.0 BACKGROUND PAPERS**

- 12.1 There are no background papers for this report.

**POLICY & RESOURCES**

Appendix 1

**REVENUE BUDGET MONITORING REPORT**

**CURRENT POSITION**

**PERIOD 4: 1st April 2014- 31st Jul 2014**

Service	Approved Budget 2014/15 £000	Revised Budget 2014/15 £000	Projected Out-turn 2014/15 £000	Projected Over/(Under) Spend £000
Finance	6,054	6,054	5,824	(230)
ICT	2,206	2,166	2,134	(32)
Legal & Democratic Services	1,731	1,719	1,707	(12)
<b>Total Net Expenditure Environment, Regeneration &amp; Resources</b>	<b>9,991</b>	<b>9,939</b>	<b>9,665</b>	<b>(274)</b>
Organisational Development, Human Resources & Communications	1,877	1,877	1828	(49)
Corporate Policy	183	183	175	(8)
<b>Total Net Expenditure Education, Communities &amp; Organisational Development</b>	<b>2,060</b>	<b>2,060</b>	<b>2,003</b>	<b>(57)</b>
Chief Executive	356	356	356	0
Miscellaneous	5,638	5,084	4,084	(1,000)
<b>TOTAL NET EXPENDITURE</b>	<b>18,045</b>	<b>17,439</b>	<b>16,108</b>	<b>(1,331)</b>
Earmarked reserves				
<b>Total Net Expenditure excluding Earmarked Reserves</b>	<b>18,045</b>	<b>17,439</b>	<b>16,108</b>	<b>(1,331)</b>

**POLICY & RESOURCES****REVENUE BUDGET MONITORING REPORT****MATERIAL VARIANCES (EXCLUDING EARMARKED RESERVES)****PERIOD 4: 1st April 2014 - 31st Jul 2014**

Outturn 2013/14 £000	Budget Heading	Budget 2014/15 £000	Proportion of Budget £000	Actual to 31/07/14 £000	Projection 2014/2015 £000	Over/(Under) Budget £000
	<b><u>Finance</u></b>					
3,897	Employee Costs	3,877	1,285	1,263	3,709	(168)
(36,088)	Income	(35,969)	(11,990)	(11,990)	(36,029)	(60)
	<b><u>Organisational Development, HR &amp; Communications &amp; Events</u></b>					
1,574	Employee Costs	1,547	513	496	1,514	(33)
	<b><u>Miscellaneous</u></b>					
2,677	Inflation Contingency	3,164	1,055	554	2,164	(1,000)
	<b><u>ICT</u></b>					
448	Supplies & Services -computer software maintenance	462	153	287	415	(47)
	<b><u>Legal &amp; Democratic Services</u></b>					
1,692	Employee Costs	1,270	421	474	1,260	(10)
<b>(29,697)</b>	<b>TOTAL MATERIAL VARIANCES</b>	<b>(29,526)</b>	<b>(9,848)</b>	<b>(10,179)</b>	<b>(30,676)</b>	<b>(1,318)</b>

# EARMARKED RESERVES POSITION STATEMENT

Appendix 3

COMMITTEE: Policy & Resources

# EARMARKED RESERVES POSITION STATEMENT

COMMITTEE: Policy & Resources

<u>Project</u>	<u>Lead Officer/ Responsible Manager</u>	<u>Total Funding 2014/15</u>	<u>Phased Budget To Period 4 2014/15</u>	<u>Actual To Period 4 2014/15</u>	<u>Projected Spend 2014/15</u>	<u>Amount to be Earmarked for 2015/16 &amp; Beyond</u>	<u>Lead Officer Update</u>
		£000	£000	£000	£000	£000	
Modernisation Fund	Alan Puckrin	514	45	64	153	361	Largely funding extra staff for development and backscanning. £302k unallocated.
Procurement Development Fund	Jan Buchanan	79	16	16	47	32	Funding additional Procurement Officer until March 2015.
Workforce Development Fund	S McNab	20	2	6	14	6	Sum set aside for Finance Development Capacity Plan courses £5k and setting up the new Port Glasgow Training suite £15k. £14k spend expected to be incurred by year end.
Welfare Reforms - Operational	Jan Buchanan	336	44	35	209	127	Approved by Committee to carry forward operational impact of Welfare Reform.
Implementation of Saving Workstreams	Alan Puckrin	79	0	0	30	49	Proposed to use this fund to assist in the development and delivery of the 2015/18 Budget. Subject to P&R Committee approval. No spend incurred to date.
Protection of Vulnerable Groups	S McNab	146	24	7	72	74	PVG expenditure is phased over 3 years starting from November 2012. Spend expected to be incurred throughout the year. A Grade C 18.5 hrs post and a Grade C 25 hrs post is being funded through this budget.

<u>Project</u>	<u>Lead Officer/ Responsible Manager</u>	<u>Total Funding 2014/15</u>	<u>Phased Budget To Period 4 2014/15</u>	<u>Actual To Period 4 2014/15</u>	<u>Projected Spend 2014/15</u>	<u>Amount to be Earmarked for 2015/16 &amp; Beyond</u>	<u>Lead Officer Update</u>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	
2013/16 Revenue Contingency	Alan Puckrin	528	25	65	173	355	Sum set aside for unforeseen items over the 3 year budget 2013/16. 2013/14 commitments totalled £167,000 of which £22k was spent as at 31/03/14 and £51k has been spent in 2014/15 to date. 2014/15 commitments made up of £5k for the Toll Boys Memorial, £14k for the Queens Baton Relay, £10k for Race 2 the Games, £17k for new polling booths and an additional £7k for City Deal. The Queen's Baton Relay of £14k has been fully spent. £330k unallocated.
Increased Officer Capacity - Equalities Officer	Wilma Bain	41	8	8	41	0	Equalities Officer currently working 0.6fte will revert to 1.0fte from 1/8/14. As a result of saving of £25k being removed in Feb 2014 there is now a funding shortfall of £9k. Service is currently working towards identifying alternative funding for shortfall in 2015/16.
Increased Officer Capacity - Communications Assistant	S McNab	34	10	9	26	8	New Grade F post for 2 year period to support Communications Officer (Media). Post started 28 May 2013.
Discretionary Housing Payments / Welfare Reform - Policy	Jan Buchanan	613	0	18	46	567	Funding to support Policy impacts arising from Welfare Reform changes.
Civica Hospitality (Inverclyde Music Festival)	Gerard Malone	1	0	0	1	0	Spend expected by summer 2014.
<b>Total Category C to E</b>		<b>2,391</b>	<b>174</b>	<b>228</b>	<b>812</b>	<b>1,579</b>	

**COMMON GOOD FUND**

**APPENDIX 4**

**REVENUE BUDGET MONITORING REPORT 2014/15**

**PERIOD 4 : 1st April 2014 to 31st July 2014**

	<b>Final Outturn 2013/14</b>	<b>Approved Budget 2014/15</b>	<b>Budget to Date 2014/15</b>	<b>Actual to Date 2014/15</b>	<b>Projected Outturn 2014/15</b>
<b><u>PROPERTY COSTS</u></b>	<b>16,560</b>	<b>5,000</b>	<b>1,600</b>	<b>7,850</b>	<b>5,000</b>
Repairs & Maintenance	530	4,000	1,300	420	4,000
Rates	12,210			9,820	0
Property Insurance	2,900	1,000	300	(2,390)	1,000
Marketing Costs	920				
<b><u>ADMINISTRATION COSTS</u></b>	<b>11,200</b>	<b>8,500</b>	<b>100</b>	<b>1,980</b>	<b>10,700</b>
Sundries	3,000	300	100	1,980	2,500
Commercial Rent Management Recharge	2,200	2,200	0		2,200
Recharge for Accountancy	6,000	6,000	0		6,000
<b><u>OTHER EXPENDITURE</u></b>	<b>113,390</b>	<b>133,000</b>	<b>43,700</b>	<b>1,710</b>	<b>131,600</b>
Christmas Lights Switch On	10,130	10,500	0		10,500
Christmas Dinners/Parcels	17,990	18,000	0		18,000
Christmas Decorations	35,400	35,400	0		35,400
Gourock Highland Games	29,400	29,400	29,400		29,400
Armistice Service	7,990	8,300	0	360	8,300
Comet Festival	13,300	13,300	13,300		13,300
Fireworks	12,600	12,600	0		12,600
Contingency for future Community Events		2,400	0	600	1,000
Society of the Innocents Rent Rebate	3,000	3,100	1,000	750	3,100
Bad Debt Provision	(16,420)	0	0		0
<b><u>INCOME</u></b>	<b>(117,950)</b>	<b>(146,500)</b>	<b>(48,100)</b>	<b>(54,170)</b>	<b>(145,800)</b>
Property Rental	(116,650)	(164,150)	(54,700)	(54,130)	(164,150)
Void Rents		19,650	6,600		19,650
Internal Resources Interest	(1,300)	(2,000)	0	(40)	(1,300)
<b><u>NET ANNUAL EXPENDITURE</u></b>	<b>23,200</b>	<b>0</b>	<b>(2,700)</b>	<b>(42,630)</b>	<b>1,500</b>
<b><u>EARMARKED FUNDS</u></b>	<b>0</b>	<b>245,000</b>	<b>0</b>	<b>0</b>	<b>245,000</b>
John Wood St/Bay St Shop Improvemnts		95,000			95,000
Contribution to Regeneration Projects, Lower Port Glasgow		150,000			150,000
<b><u>TOTAL NET EXPENDITURE</u></b>	<b>23,200</b>	<b>245,000</b>	<b>(2,700)</b>	<b>(42,630)</b>	<b>246,500</b>

Fund Balance as at 31st March 2014

224,590

Projected Fund Balance as at 31st March 2015

(21,910)

**Notes:**

**1 Rates (Empty Properties)**

Rates are currently being paid on empty properties, the Assessor has been contacted with a view to obtaining empty Property relief on these properties, it is hoped that 100% relief will be obtained but this is yet to be confirmed and there may be some cost to the Common Good.

**2 Current Empty Properties are:**

Vacant since:

15 John Wood Street  
74 Port Glasgow Road

December 2012  
September 2012

**3 Contribution to Regeneration Projects, Lower Port Glasgow**

On 20th February 2014 Council agreed a contribution of £150,000 from the Common Good to part fund £500,000 of Regeneration projects within Lower Port Glasgow.