
Report To:	Policy & Resources Committee	Date: 19 May 2015
Report By:	Chief Financial Officer	Report No: FIN/39/15/AP/AE
Contact Officer:	Alan Puckrin	Contact No: 01475 712223
Subject:	2014/15 General Fund Revenue Budget as at 28 February 2015	

1.0 PURPOSE

- 1.1 The purpose of this report is to advise the Committee of the position of the General Fund Revenue Budget as at 28th February 2015 and to update Committee in respect of the position of the General Fund Reserves and Earmarked Reserves.

2.0 SUMMARY

- 2.1 The Council approved a three year Revenue Budget in February 2013 and confirmed the 2014/15 budget in February 2014. The budget incorporated a planned contribution to the General Fund Reserve of £1.777 million.
- 2.2 It can be seen from Appendix 1 that as at the 28th February 2015 the General Fund is projecting a £4.469 million underspend which represents 2.3% of the net Revenue Budget. This is an increase of £1.245m and is due to:
- Additional underspends in Service budgets of £795,000 mainly due to an underspend relating to implementation of 600 hours free nursery places, further release of non-pay inflation contingency and increased prior years Council Tax income.
 - A projected underspend of £450,000 within Council Tax Reduction Scheme due to a reduction in caseload explained in more detail in a report elsewhere on the Agenda.
- 2.3 From Appendix 1 it can be seen that all 4 Service Committees are currently projecting underspends. Overall, this is an improvement since last report to Committee of £795,000.
- 2.4 Appendix 2 shows the latest position in respect of Earmarked Reserves, excluding those relating to Asset Plans and Strategic Funds, it can be seen that as at 28th February 2015 expenditure totalled £5.536 million which equates to 85.27% of the projected spend in 2014/15. It can also be seen from Appendix 2 that at 28th February 2015 actual expenditure is 14.88% behind phased budget.
- 2.5 Appendix 3 shows the latest position in respect of the General Fund Reserves and shows that the projected balance at 31st March 2015 is £7.246 million which is £3.446 million greater than the minimum recommended balance of £3.8 million. The projected reserves balance includes a projected increase in current years surplus of £1.245 million, the write back of earmarked reserves approved in February 2015 of £3.439 million and the approved use of reserves agreed in February 2015 of £5.305 million.
- 2.6 The overall increase in Free Reserves since the 2015/17 budget was agreed is projected to be £2.224 million. It is proposed that the Officers develop proposals via the Members Budget Working Group for the use of these Reserves and report back to the September meeting of the Committee seeking decisions.

3.0 OTHER FINANCIAL MATTERS

- 3.1 To support the Members Budget Working Group, a Budget Work Plan has been developed by the CMT and it is estimated that a further £200,000 will be required to procure increased resources to develop and deliver the actions contained in the Plan. It is requested that Committee agree to the allocation of £200,000 from the Free Reserves for the delivery of the Budget Plan.
- 3.2 It is anticipated that there will be a multi-year Spending Review announced by the new UK Government and that this will take place in the autumn. Thereafter, the Scottish Government will require to announce its funding plans for 2016/17 by December 2015 as a minimum.

4.0 RECOMMENDATIONS

- 4.1 It is recommended that the Committee note the latest position of the 2014/15 Revenue Budget and General Fund Reserves.
- 4.2 It is recommended that the Committee note that the increase in General Fund Reserves arising since the 19th February 2015 budget meeting will be considered by the Members Budget Working Group and reported to Committee in September.
- 4.3 It is recommended that the Committee agree to the allocation of a further £200,000 from the Council's Reserves to the Budget Development Earmarked Reserve to fund the delivery of the 2015/17 Budget Work Plan.

Alan Puckrin
Chief Financial Officer

5.0 BACKGROUND

- 5.1 The Council confirmed the 2014/15 General Fund Revenue Budget in February 2014. In the process the Council agreed a contribution to the General Fund Reserve of £1.777 million.

6.0 POSITION AS AT 28 FEBRUARY 2015

- 6.1 It can be seen from Appendix 1 that as at 28th February 2015 the General Fund is projecting an underspend of £4.469 million which equates to 2.3% of the net General Revenue Fund Budget. This represents an increase in underspend of £1,245,000 since the previous report and an increase of £2,224,000 in free reserves from the position reported to the 19th February 2015 Council meeting.
- 6.2 It is projected that approximately £1.5 million of the £2.13 million allowance for non-pay inflation will not be required in 2014/15 this is an increase of £0.1 million since last reported. This has largely come about due to lower than anticipated inflationary pressures around utilities, fuel, PPP contract indexation, Social Care and Waste Contracts. The amount required in 2014/15 is the lowest for many years. Whilst officers have reduced the non-pay inflation allowance for future years, pressures are building and the signs are that contracts and costs are increasing.
- 6.3 A one off underspend of £400,000 is projected in relation to Early Years due to the implementation of the 600 hours free nursery provision from August 2014 due to delays recruiting some staff and a change to the intake timetable. An underspend of £450,000 is projected for the impact of Council Tax Reduction Scheme due to a reduction in caseload figures within Inverclyde. This is in line with the rest of Scotland.
- 6.4 In addition there are additional employee turnover savings across all Directorates, early achievement of planned savings, over recovery of prior year Council Tax income and additional monies received through the redetermination of the GRG announced in December 2014.
- 6.5 It can be seen from Appendix 1 that all 4 Service Committees are currently projecting underspends in line with the last report to Committee. In line with previous years, there is a possibility that the underspend could increase once the 2014/15 final accounts are closed.
- 6.6 In summary the main issues relating to the four Service Committees are as follows:-

Policy & Resources Committee – Projected underspend of £2,272,000 (13.13%) mainly due to the significant projected under utilisation of the non-pay inflation contingency plus additional employee cost turnover savings in Finance Services and Organisational Development & Human Resources, over recovery of benefit subsidy, prior year Council Tax income and Water SLA income.

Environment & Regeneration – Projected underspend of £151,000 (0.73%) mainly due to excess turnover savings projected due to early achievement of planned savings and the partial recharge of the Corporate Director's salary from Riverside Inverclyde, a projected underspend in Roads Client lighting maintenance offset by a shortfall in special catering income and planning income. A one off cost to create an earmarked reserve to cover the costs of the City Deal project management office for a 3 year period has been included in projected underspend.

Education & Communities - £1,081,000 (1.32%) projected underspend mainly due to increased turnover savings, early achievement of planned savings, reduction in Early Years costs due to nurseries not running at capacity and reduction in Utility costs, transport costs and ASN placements. A one off underspend in relation to the implementation of 600 hours free nursery placements has increased underspend significantly since the report presented to the last Committee.

Health & Social Care – Projected underspend of £164,000 (0.33%) mainly due to a reduction in costs relating to Adult care packages.

- 6.7 Appendix 2 shows the latest position in respect of the Earmarked Reserves and provides information on performance against phased budget. The Committee is asked to note that the phasing has not been amended during the year and should provide a useful benchmark for Officers and Members to monitor performance against originally envisaged targets. The Earmarked Reserve statement excludes those funds that relate to Assets Plans or Strategic Funds.
- 6.8 It can be seen that as at 28th February 2015 the Council has spent £5.536 million against a phased budget target of £6.504 million. This represents slippage of 14.88% against target and 85.27% of the projected spend of £6.492 million for the year. Performance in respect of Earmarked Reserves is reviewed on a monthly basis by the Corporate Management Team and reported in detail to each Service Committee.
- 6.9 Appendix 3 shows the projected General Fund Reserves position as at 31st March 2015. The projected balance at this date is shown as £7.246 million which is £3.446 million greater than the minimum reserve balance of £3.8 million recommended and approved via the Reserves Strategy.
- 6.10 Proposals in respect of the use of the excess General Fund Reserves were agreed by full Council on 19th February 2015. The Council decided to allocate part of the General Fund Reserves balance as interim funding to balance the 2016/17 budget pending clarification of a number of key issues such as the 2016/17 grant settlement and pay awards. Decisions taken at the meeting on 19th February 2015 impacting on the 2015/16 reserves position have been reflected in Appendix 3. The write back of earmarked reserves of £3.439 million and the proposed use of reserves of £5.305 million have both been adjusted for in Appendix 3.
- 6.11 The overall increase in the Free Reserves since the 2015/17 Budget was agreed is projected to be £2.224 million. It is proposed that Officers develop proposals via the Members Budget Working Group for the use of these Reserves and report back to the September meeting of the Committee seeking decisions.

7.0 OTHER FINANCIAL MATTERS

- 7.1 It was approved at the full Council Meeting on 19th February 2015 that the Members Budget Working Group will continue to meet throughout 2015/16 to develop proposals to balance the 2016/17 budget with the stated aim of eliminating the use of reserves.
- 7.2 To support the Members Budget Working Group, a Budget Work Plan has been developed by the CMT and it is estimated that a further £200,000 will be required to procure increased resources to develop and deliver the actions contained in the Plan. It is requested that Committee agree to the allocation of £200,000 from the Free Reserves for the delivery of the Budget Plan.
- 7.3 It is anticipated that there will be a multi-year Spending Review announced by the new UK Government and that this will take place in the autumn. Thereafter, the Scottish Government will require to announce its funding plans for 2016/17 by December 2015 as a minimum.

8.0 CONSULTATION

- 8.1 This report has been produced utilising the detailed budget reports to each Committee.

9.0 IMPLICATIONS

9.1 Finance

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
Reserves	General Fund	2014/15	(1,245)	N/A	Increase in Reserves since last report.

Annually Recurring Costs

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
N/A	N/A	N/A	N/A	N/A	N/A

9.2 Legal

None

9.3 Human Resources

None

9.4 Equalities

None

9.5 Repopulation

None

10.0 BACKGROUND PAPERS

10.1 None

Policy & Resources Committee
Revenue Budget Monitoring Report
Position as at 28th February 2015

Committee	Approved Budget 2014/2015	Revised Budget 2014/2015	Projected Out-turn 2014/2015	Projected Over/(Under) Spend	Percentage Variance
	£,000's	£,000's	£,000's	£,000's	
Policy & Resources	18,045	17,302	15,030	(2,272)	(13.13%)
Environment & Regeneration	23,022	20,751	20,600	(151)	(0.73%)
Education & Communities (Note 1)	87,698	81,556	80,475	(1,081)	(1.33%)
Health & Social Care	49,062	49,081	48,917	(164)	(0.33%)
Committee Sub-Total	177,827	168,690	165,022	(3,668)	(2.17%)
Loan Charges (Including SEMP)	13,346	17,756	17,756	0	0.00%
Unallocated Savings	(34)	0	0	0	0.00%
Contribution to General Fund Reserve	1,777	1,777	1,777	0	0.00%
One off contribution to Reserves (Note 2)	0	114	0	(114)	0.00%
Earmarked Reserves	0	5,488	5,488	0	0.00%
Total Expenditure	192,916	193,825	190,043	(3,782)	(1.95%)
Financed By:					
General Revenue Grant/Non Domestic Rates	(165,173)	(167,880)	(168,067)	(187)	0.11%
Council Tax	(33,138)	(33,138)	(33,188)	(50)	0.15%
Council Tax Reduction Scheme	5,395	7,193	6,743	(450)	(6.26%)
Net Expenditure	0	0	(4,469)	(4,469)	

Note 1 - Reduction reflects loans charges and earmarked reserves.

Note 2 - Relates to one off early achievement of planned savings

Earmarked Reserves Position Statement

Appendix 2

Summary

<u>Committee</u>	<u>Total Funding 2014/15</u>	<u>Phased Budget to 28 February 15</u>	<u>Actual Spend To 28 February 15</u>	<u>Variance Actual to Phased Budget</u>	<u>Projected Spend 2014/15</u>	<u>Earmarked 2015/16 & Beyond</u>	<u>Confirmed Accruals / Year End Charges</u>	<u>2014/15 %age Spend Against Projected</u>	<u>2014/15 %age Over/(Under) Spend Against Phased Budget</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>			
Education & Communities	4,000	1,073	1,118	45	1,264	2,736	0	88.45%	4.19%
Health & Social Care	2,831	1,912	1,694	(218)	1,897	934	0	89.30%	(11.40%)
Regeneration & Environment	4,032	2,936	2,034	(902)	2,578	1,454	0	78.90%	(30.72%)
Policy & Resources	2,010	583	690	107	753	1,257	0	91.63%	18.35%
	12,873	6,504	5,536	(968)	6,492	6,381	0	85.27%	(14.88%)

Actual Spend v Phased Budget

(£968k)

(14.88%)

Appendix 3

GENERAL FUND RESERVE POSITION
Position as at 28/02/15

	<u>£000</u>	<u>£000</u>
Balance 31/03/14		20211
Projected Surplus/(Deficit) 2014/15	4469	
Contribution to General Fund Reserve 2014/15	1777	
Contribution to Common Good Approved P&R 23 Sept 2014	(150)	
Earmarked Reserves Write Back - Approved February 2015	3439	
Use of Reserves approved February 2013 (See Undernote)	(9992)	
Use of Reserves approved September 2013 (See Undernote)	(1500)	
Use of Reserves approved February 2014 (See Undernote)	(5703)	
Use of Reserves approved February 2015 (See Undernote)	<u>(5305)</u>	(12965)
Projected Unallocated Balance 31/03/15		<u><u>7246</u></u>

Minimum Reserve required is £3.8million

**Excludes budgeted surplus for 2015/16 and the approved temporary use
of Reserves in 2016/17 of £3.298m**

Appendix 3

GENERAL FUND RESERVE POSITION
Position as at 28/02/15

Approved Usage February 2013:

Roads Asset Management Plan (2013/16)	(5900)	
Repopulating/Promoting Inverclyde	(1000)	
Community Facilities - Capital Investment	(750)	
Community Grants	(52)	
Play Areas/MUGA's	(300)	
Blaes Football Park Replacement	(830)	
Employment Support	(330)	
Broomhill Area	(250)	
PG Town Centre	(250)	
Creative Scotland - Match Funding	(250)	
Greenock Town Centre - Extra Police	(80)	
		(9992)

Approved Usage September 2013:

Joint Equipment Store	(50)	
Support for Young Carers	(65)	
Extend Hillend Respite Provision	(80)	
Employability Initiatives	(150)	
Grnk Municipal Bldgs Tourism Initiative	(150)	
Play Areas	(200)	
Improvement in Parks & cemeteries	(100)	
Shopfront Improvement Grants	(50)	
Aids and Adaptations	(100)	
Contribution to Match Funding for Second I Youth Zone	(75)	
Expansion of Summer Playschemes	(30)	
Regeneration of Clune Park Area	(200)	
Discretionary Housing Payments / Welfare Reform	(250)	
		(1500)

Approved Usage February 2014:

Increased expenditure on Roads Defects and Drainage over 14/16	(500)	
Increased Funding for Regeneration Projects:		
Lower Port Glasgow	(500)	
East Central Greenock	(500)	
Central Gourock	(150)	
Employability	(400)	
Commonwealth Flotilla Event	(250)	
Play Area Investment	(150)	
Birkmyre Park, Kilmacolm, Rugby Pitch / Drainage improvements	(100)	
Broomberry Drive Walled Gardens - provision of modular toilet	(40)	
Further investment in I Zone (Port Glasgow & Gourock)	(213)	
Ravenscraig Sports Barn	(600)	
SEMP - increase investment in MUGAs within Primary School Estate	(1100)	
Create Loan Charge EMR to meet spike in Loan Charges from 16/17	(1200)	
		(5703)

Appendix 3

GENERAL FUND RESERVE POSITION **Position as at 28/02/15**

Approved Usage February 2015:

Increase to Voluntary Severance/ Early Retiral Reserve	(1250)	
Increased allocation to Birkmyre Park Drainage Project	(150)	
Funding for Equipment - Adults with Learning Difficulties	(40)	
2 Year Extension to 2 x Specialist Posts	(167)	
Scottish Wide Area Network - One off Costs	(323)	
Part Year Costs - Ravenscraig Sports Barn	(40)	
Flooding - Next Phase	(950)	
Rankin Park Cycle Track	(150)	
Substitute Funding - Riverside Inverclyde	(250)	
Substitute Funding - Common Good	(35)	
Beacon Contract and Core Funding	<u>(1950)</u>	
		(5305)