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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>20 September 2016</b>
<b>Report By:</b>	<b>Chief Executive, Corporate Director Environment, Regeneration &amp; Resources, Corporate Director Education, Communities &amp; Organisational Development and Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/92/16/AP/AE</b>
<b>Contact Officer:</b>	<b>Angela Edmiston</b>	<b>Contact No:</b>	<b>01475712143</b>
<b>Subject:</b>	<b>Policy &amp; Resources Committee 2016/17 Revenue Budget – Period 4 to 31st July 2016</b>		

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## 1.0 PURPOSE

- 1.1 To advise Committee of the 2015/16 revenue Budget out-turn and the 2016/17 projected out-turn for the Policy & Resources Committee as at period 4, 31<sup>st</sup> July 2016.

## 2.0 SUMMARY

- 2.1 In 2015/16 the underspend was £3,459,000, 20.56% of the total 2015/16 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) IRI over-recovery £136,000.
  - b) Inflation & Pressures contingencies underspend returned to reserves £2,690,000.
  - c) Reallocation of Election costs £60,000.
  - d) Benefit Subsidy underspend of £121,000.
  - e) £162,000 over-recovery of prior year's Council Tax.

Committee is asked to note that all these matters were addressed or are being addressed in future years budgets.

- 2.3 The total revised Committee budget for 2016/17 is £14,239,740. This excludes Earmarked Reserves of £1,766,000.
- 2.4 The latest projection, excluding Earmarked Reserves, is an overspend of £20,000.
- 2.5 The main reasons for this overspend are:
- a) £75,000 projected underspend due to additional turnover savings being achieved.
  - b) £100,000 under-recovery on Internal Resource Interest income due to a reduction in interest rates.
- 2.6 The Earmarked Reserves for 2016/17 totals £1,766,000 of which £662,000 is projected to be spent in the current financial year. To date expenditure of £133,000 (20.09%) has been incurred which is £13,000 over the phased budgeted spend to date. It is to be noted that Earmarked Reserves reported in appendix 4 excludes Earmarked Reserves for Asset Plans and Strategic Funds.

2.7 The Common Good Fund is projecting an adverse variance of £5,700 against budget which would result in a surplus fund balance at 31 March 2017 of £17,130. This is below the minimum level of reserves of £100,000 recommended but action was agreed as part of the budget to address this in the medium term.

### **3.0 RECOMMENDATIONS**

3.1 The Committee note the 2015/16 Revenue Budget out-turn and the 2016/17 projected overspend of £20,000 for the Policy and Resources Committee as at Period 4, 31<sup>st</sup> July 2016.

3.2 The Committee note the projected fund balance of £17,130 for the Common Good Fund at 31<sup>st</sup> March 2017.

John Mundell  
Chief Executive

Alan Puckrin  
Chief Financial Officer

Wilma Bain  
Corporate Director  
Education, Communities  
& Organisational Development

Aubrey Fawcett  
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 2016/17 budget as well as the 2015/16 out-turn and to highlight the main issues contributing to the underspend of £3,459,000 in 2015/16 and projected overspend of £20,000 in 2016/17.

#### 5.0 2015/16 OUT-TURN

5.1 The main variations from budget in 2015/16 were:

	Revised Budget 2015/16	Out-turn 2015/16	Variance to Budget	Variance to Budget	Movement since P11 Projection
	£000	£000	£000	%	£000
Finance	7,877	7,234	(643)	(8.16)	(113)
Legal & Property Services	1,516	1,538	22	1.45	(23)
<b>Total Net Expenditure Environment, Regeneration &amp; Resources</b>	<b>9,393</b>	<b>8,772</b>	<b>(621)</b>	<b>(6.66)</b>	<b>(136)</b>
Organisational Development, Human Resources & Communications	1,714	1,736	22	1.28	3
Corporate Policy	183	184	1	0.54	(3)
<b>Total Net Expenditure Education, Communities &amp; Organisational Development</b>	<b>1,897</b>	<b>1,920</b>	<b>23</b>	<b>1.21</b>	<b>0</b>
Chief Executive	402	408	6	1.49	(3)
Miscellaneous	5,133	2,266	(2,867)	(55.59)	(132)
<b>Total Net Expenditure (Excluding Earmarked Reserves)</b>	<b>16,825</b>	<b>13,366</b>	<b>(3,459)</b>	<b>(20.56)</b>	<b>(271)</b>

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

##### **Finance - £643,0000 underspend**

Employee Costs: An underspend of £138,000 was projected in period 11, final out-turn being £132,000 underspend an increase in spend of £6,000 mainly due to minor increase in spends for holiday pay and redundancy.

Administration Costs: Actual out-turn is an underspend of £62,000 an increase in spend of £4,000 since period 11 report to Committee mainly due to increase in Sheriff Officer expenses offset by an increase in income.

Other Expenditure: In period 11 underspend of £103,000 mainly within benefit subsidy was reported. Final out-turn is an underspend of £140,000 mainly due to an increase in underspend within Benefit Subsidy of £21,000.

Payments to Other Bodies: Final out-turn is an underspend of £65,000 mainly due to NDR Discretionary relief, an increase in underspend of £41,000 since period 11 report to Committee.

Income: In period 11 an over-recovery of £104,000 was projected. Final out-turn is an over-recovery of £237,000 an increase of £133,000 mainly due to a £72,000 over-recovery in prior year Council tax.

### **Legal & Property - £22,000 overspend**

Employee Costs: An overspend of £45,000 was projected in period 11 due to turnover target not being met. There has been no change since.

Other Expenditure: An underspend of £60,000 since period 11 report to Committee mainly due to write off of historic election account balances.

Income: An under-recovery of £27,000 was projected in period 11, the final out-turn being £50,000 an increase of £23,000 mainly due to a reduction in income from liquor licensing due to a fall in demand.

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

### **Organisational Development, H.R. & Communications - £22,000 underspend**

Employee Costs: Final out-turn £27,000 overspend mainly due to turnover target not being met. This is a decrease in spend of £1,000 since last reported to Committee.

- 5.4 The following material variances relate to the Miscellaneous budget.

### **Miscellaneous – £2,867,000 underspend**

Inflation Contingency: Final out-turn is £2,458,000 underspend due to reduction in calls on non-pay inflation contingency. This is a further increase in underspend of £112,000 since period 11 report to Committee.

Pressures Contingency: Due to no significant calls a one off £232,000 underspend resulted within the pressures contingency for 2015/16. This was reported to Committee in period 11.

Internal Resource Interest: As reported in period 11 an over-recovery of £136,000 was achieved within Internal Resource Interest.

## **6.0 2016/17 CURRENT POSITION**

- 6.1 The current projection is an overspend of £20,000. The following are the material variances:

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

### **Finance - £94,000 underspend**

Employee Costs: £83,000 projected underspend mainly due to difficulties in recruiting Finance employees leading to additional turnover savings.

Supplies & Services: £44,000 projected overspend mainly due to a projected £31,000 increase in cost for Software maintenance and hardware purchases. Officers are examining potential virement to address this issue.

Payments to Other Bodies: Current projection is an underspend of £26,000 mainly due to a combination of reduction in Renfrewshire Valuation Joint Board charges and a projected reduction in discretionary relief claims.

Income: An over-recovery of £23,000 is being projected mainly due to £22,000 additional Government grants being received for Fraud and Error Reduction Incentive Scheme the cost for which is being contained within existing budgets.

### **Legal & Property - £24,000 overspend**

Employee Costs: An overspend of £24,000 is being projected due to turnover target not being met.

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

### **Organisational Development, H.R. & Communications - £36,000 overspend**

There are no areas over £20,000 contributing to this overspend but minor overspends in Advertising and employee costs plus a projected shortfall in income.

- 6.4 The following material variances relate to the Miscellaneous budget.

### **Miscellaneous – £78,000 overspend**

Inflation Contingency: Projecting an underspend of £22,000 based on current estimated calls on inflation contingency.

Internal Resource Interest: Projecting an under-recovery of £100,000 due to a reduction in Bank Base rates.

- 6.5 The following material variances relate to the Chief Executive Budget budget.

### **Chief Executive – £28,000 underspend**

Employee Cost: Projecting an underspend of £28,000 mainly due to additional turnover savings.

## **7.0 VIREMENT**

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

## **8.0 EARMARKED RESERVES**

- 8.1 Appendix 4 gives a detailed breakdown of the current earmarked reserves position. Total funding is £1,766,000 of which £662,000 is projected to be spent in 2016/17 and the remaining balance of £1,104,000 to be carried forward to 2017/18 and beyond. It can be seen that expenditure of £133,000 has been achieved which is £13,000 over the phased budgeted spend to date and represents 20.09% of the annual projected spend.

## **9.0 COMMON GOOD FUND**

- 9.1 Appendix 5 shows a projected overspend of £5,700 in the Common Good Fund as at 31<sup>st</sup> July 2016. This results in a projected available fund balance at 31 March 2017 of £17,130. This is below the minimum level of reserves of £100,000 recommended. Rates costs are also being examined to ensure all appropriate relief has been obtained.
- 9.2 Action was approved as part of the March 2016 Budget which should result in a gradual increase in the Common Good balance in future years.

## **10.0 IMPLICATIONS**

- 10.1 **Finance**

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

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

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**

Has an Equality Impact Assessment been carried out?

Yes See attached appendix

No This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

10.5 **Repopulation**

There are no repopulation issues arising from this report.

11.0 **CONSULTATIONS**

11.1 The Chief Executive, Corporate Director Environment, Regeneration & Resources, Corporate Director Education, Communities & Organisational Development and the Chief Financial Officer have been consulted in the preparation of this report.

12.0 **CONCLUSIONS**

12.1 The Committee note the 2015/16 Revenue Budget out-turn and the 2016/17 projected overspend of £20,000 for the Policy and Resources Committee as at Period 4, 31st July 2016.

13.0 **BACKGROUND PAPERS**

13.1 There are no background papers for this report.

**Policy & Resources Budget Movement - 2016/17****Period 4: 1st April - 31st July 2016**

Service	Approved Budget		Movements			Revised Budget
	2016/17 £000	Inflation £000	Virement £000	Supplementary Budgets £000	Transferred to EMR £000	2016/17 £000
Finance	7,897	3	(118)		(100)	7,682
Legal & Property	1,496					1,496
Organisational Development, HR & Communications	1,642					1,642
Corporate Policy	190					190
Chief Exec	414					414
Miscellaneous	3,213	(370)	(28)			2,815
Totals	<u>14,852</u>	<u>(367)</u>	<u>(146)</u>	<u>0</u>	<u>(100)</u>	<u>14,239</u>

**Supplementary Budget Detail**

£000

External Resources  
DHP Redetermination

Internal Resources  
Finance

Legal

Organisational Development, HR & Communications

Corporate Policy

Chief Exec

Misc

Savings/Reductions

0

**REVENUE BUDGET MONITORING REPORT**

**CURRENT POSITION**

**PERIOD 4: 1st April 2016- 31st July 2016**

Service	Approved Budget 2016/17 £000	Revised Budget 2016/17 £000	Projected Out-turn 2016/17 £000	Projected Over/(Under) Spend £000
Finance	7,897	7,782	7,688	(94)
Legal & Property Services	1,496	1,496	1,520	24
<b>Total Net Expenditure Environment, Regeneration &amp; Resources</b>	<b>9,393</b>	<b>9,278</b>	<b>9,208</b>	<b>(70)</b>
Organisational Development, Human Resources & Communications	1,642	1,642	1,678	36
Corporate Policy	190	190	194	4
<b>Total Net Expenditure Education, Communities &amp; Organisational Development</b>	<b>1,832</b>	<b>1,832</b>	<b>1,872</b>	<b>40</b>
Chief Executive	414	414	386	(28)
Miscellaneous	3,213	2,815	2,893	78
<b>TOTAL NET EXPENDITURE</b>	<b>14,852</b>	<b>14,339</b>	<b>14,359</b>	<b>20</b>
Earmarked reserves		(100)	(100)	
<b>Total Net Expenditure excluding Earmarked Reserves</b>	<b>14,852</b>	<b>14,239</b>	<b>14,259</b>	<b>20</b>



**POLICY & RESOURCES****REVENUE BUDGET MONITORING REPORT****MATERIAL VARIANCES (EXCLUDING EARMARKED RESERVES)****PERIOD 4: 1st April 2016 - 31st July 2016**

Outturn 2015/16 £000	Budget Heading	Budget 2016/17 £000	Proportion of Budget £000	Actual to 31/07/16 £000	Projection 2016/2017 £000	Over/(Under) Budget £000
	<b><u>Finance/ICT</u></b>					
5,179	FIN - Employee Costs	5,434	1,757	1,688	5,351	(83)
378	ICT - Computer Hardware Purchase & Software Maintenance	417	104	398	448	31
(338)	Rev's - Government Grants	(232)	(58)	(49)	(255)	(23)
	<b><u>Legal &amp; Property Services</u></b>					
1,597	Audit & legal- Employee Costs	1,076	348	369	1,100	24
	<b><u>Miscellaneous</u></b>					
2,219	Inflation Contingency	650	502	502	628	(22)
(362)	Internal Resource Interest	(326)	0	0	(226)	100
	<b><u>Chief Executive</u></b>					
369	Employee Costs	371	120	115	343	(28)
<b>9,042</b>	<b>TOTAL MATERIAL VARIANCES</b>	<b>7,390</b>	<b>2,773</b>	<b>3,023</b>	<b>7,389</b>	<b>(1)</b>

## EARMARKED RESERVES POSITION STATEMENT

COMMITTEE: Policy &amp; Resources

<u>Project</u>	<u>Lead Officer/ Responsible Manager</u>	<u>Total Funding 2016/17</u>	<u>Phased Budget To period 4 2016/17</u>	<u>Actual To period 4 2016/17</u>	<u>Projected Spend 2016/17</u>	<u>Amount to be Earmarked for 2017/18 &amp; Beyond</u>	<u>Lead Officer Update</u>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Modernisation Fund	Alan Puckrin	323	23	18	97	226	DAG overseeing developments including Schools On Line payments , EDRMS and Customer Service developments.
Welfare Reforms - Operational	Alan Puckrin	234	24	39	113	121	Funding temporary Posts.
Budget Development	Alan Puckrin	137	16	16	95	42	Uncommitted £50k. Assuming 50% of uncommitted funds to be utilised in 2016/17 along with £34k spend for temporary Grade G Greenock Town Centre post, £16k for PPP review and £20k for Social transport.
2013/16 Revenue Contingency	Alan Puckrin	318	27	28	209	109	Total uncommitted funds £132k. Spend for 2016/17 includes £65k for Grand Prix Boats, £40k for Chief Exec post advertisement, £20k for play schemes, £5k for Toll Boys and £6k for Gourock Highland Games. The balance of the £73k spend assumes part of the uncommitted funds to be spent during the year. A further £49k is committed for play scheme spend in 2017/18.
Welfare Reform - Policy	Alan Puckrin	503	0	0	0	503	£325k allocated to HSCP / Finance in 2016/17. A further £313k allocated from the £503k balance in 2017/18.
Corporate Complaints Improvements		80	0	0	22	58	Post for 2 years - Grade I expected to be filled Mid - Sept 2016 and continue to Mid Sept 2018.
HR Temporary Resources	Steven McNab	80	11	11	41	39	Two posts being funded from EMR for 2016/17. 1 PT Grade H and 1 Grade D post for 2 years.
Specialist Post - Equalities Officer to 31/03/17	Ruth Binks	46	10	10	40	6	Projected spend on Employee Costs up to 31/03/17 is £40k with £6k of EMR not required and can be written back to General Reserves at Year End.
Specialist Post - Information Governance to 31/03/17	Helen Watson	45	9	11	45	0	The spend relates to the Council's Information Governance Officer.
<b>Total Category C to E</b>		<b>1,766</b>	<b>120</b>	<b>133</b>	<b>662</b>	<b>1,104</b>	

REVENUE BUDGET MONITORING REPORT 2016/17PERIOD 4 : 1st April 2016 to 31st July 2016

	Final Outturn 2015/16	Approved Budget 2016/17	Budget to Date 2016/17	Actual to Date 2016/17	Projected Outturn 2016/17
<b><u>PROPERTY COSTS</u></b>	<b>38,790</b>	<b>21,000</b>	<b>7,000</b>	<b>12,350</b>	<b>21,000</b>
Repairs & Maintenance 1	19,700	9,000	3,000	1,570	9,000
Rates 2	20,810	11,000	3,700	12,510	11,000
Property Insurance	(1,720)	1,000	300	(1,730)	1,000
Marketing Costs					
<b><u>ADMINISTRATION COSTS</u></b>	<b>17,370</b>	<b>8,700</b>	<b>2,700</b>	<b>4,290</b>	<b>9,400</b>
Sundries	10,170	1,500	500	2,090	2,200
Commercial Rent Management Recharge	2,200	2,200	2,200	2,200	2,200
Recharge for Accountancy	5,000	5,000	0		5,000
<b><u>OTHER EXPENDITURE</u></b>	<b>101,230</b>	<b>100,700</b>	<b>44,400</b>	<b>2,820</b>	<b>100,700</b>
Christmas Lights Switch On	10,500	10,500	0		10,500
Christmas Dinners/Parcels	21,600	21,600	0		21,600
Gourock Highland Games	29,400	29,400	29,400		29,400
Armistice Service	6,710	8,300	0	1,570	8,300
Comet Festival	13,300	13,300	13,300		13,300
Fireworks	12,600	12,600	0		12,600
Society of the Innocents Rent Rebate	5,000	5,000	1,700	1,250	5,000
Bad Debt Provision	2,120				0
<b><u>INCOME</u></b>	<b>(114,870)</b>	<b>(139,010)</b>	<b>(46,400)</b>	<b>(42,170)</b>	<b>(134,010)</b>
Property Rental	(183,000)	(187,470)	(62,500)	(42,130)	(187,470)
Void Rents 3	68,640	50,460	16,800		55,460
Internal Resources Interest	(510)	(2,000)	(700)	(40)	(2,000)
Donations	0				0
Lease Premium	0				0
Disposal of Land					
<b><u>NET ANNUAL EXPENDITURE</u></b>	<b>42,520</b>	<b>(8,610)</b>	<b>7,700</b>	<b>(22,710)</b>	<b>(2,910)</b>
<b><u>EARMARKED FUNDS</u></b>	<b>42,440</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
John Wood St/Bay St Shop Improvemnts	18,420				0
World War 1 Centenary	3,570				0
Port Glasgow Road - Demolition	8,450				0
Repairs & Renewals Fund	12,000				0
<b><u>TOTAL NET EXPENDITURE</u></b>	<b>84,960</b>	<b>(8,610)</b>	<b>7,700</b>	<b>(22,710)</b>	<b>(2,910)</b>

Fund Balance as at 31st March 2016

14,220

Projected Fund Balance as at 31st March 2017

17,130

Notes:

**1 Repairs & Maintenance**

Significant repairs costs continue to be incurred in respect of vacant properties to bring them to an adequate condition to allow the property to be let out. An estimate of the repairs costs is currently being prepared and will be reported to future Committee. Should this estimate be in excess of existing Repairs & Maintenance budgets Officers will consider and recommend how any shortfall should be addressed.

**2 Rates (Empty Properties)**

Rates are currently being paid on empty properties, projection reflects current Rates levels however all historic Rates costs are being examined to ensure all appropriate empty property relief has been obtained. Any subsequent credit will be included in future reports.

**3 Current Empty Properties are:**Vacant since:

12 Bay St	April 2015
14 Bay St	March 2015
4 John Wood Street	May 2010
17 John Wood Street	March 2014
74 Port Glasgow Road	September 2012 (Under Offer)