

**REVENUE BUDGET MONITORING – FOR THE YEAR 2014-15
CORPORATE OVERVIEW**

1. EXECUTIVE SUMMARY

- 1.1 The main purpose of this report is to advise Members of the revenue budget position of the Council as at the end of financial year 2014-15. The report also summarises the movement in the General Fund reserve.
- 1.2 Overall, the performance against budget was an underspend of £2.125m (0.85%) for financial year 2014-15.
- 1.3 There was a net overspend of £0.997m in relation to departmental expenditure. There was a net underspend of £2.240m in relation to other central/non-departmental costs. The remainder of the underspend of £0.882m is in relation to the funding and the over-recovery of Council Tax income. Included within the overall underspend against budget are a number of one-off budget underspends which are unlikely to be recurring in future years.
- 1.4 The General Fund Balance has moved from £44.041m at the end of financial year 2013-14 to £46.120m at the end of 2014-15. The movement is an increase of £2.079m which is due to a planned budgeted contribution to reserves and the favourable year-end underspend position.
- 1.5 The accompanying report on earmarked reserves outlines proposals to earmark a total of £30.193m from the general fund balance, leaving £15.927m not committed. Of this £3.658m is required to be held as the general fund contingency, leaving £12.269m available to be directed towards the delivery of the SOA, as previously agreed by Council.

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2. INTRODUCTION

- 2.1 This report summarises the revenue budget position of the Council as at the end of the financial year 2014-15. The main points for attention are identified below. The overall revenue budget monitoring statement for the Council is attached as Appendix 1.

3. RECOMMENDATION

- 3.1 Members to note the revenue budget monitoring position, as at the end of the financial year 2014-15 and the updated position on the General Fund balance.
- 3.2 Members approve the transfer of the balance collected from the double charge on Council Tax from empty homes to be transferred into the General Fund. A total of £0.506m was collected during 2014-15 with £0.150m already allocated, a total of £0.356m would be re-allocated to the General Fund balance.
- 3.3 Members to note the updated balance available in the General Fund to be directed towards the delivery of the Single Outcome Agreement, as at 31 March 2015 is £12.269m.

4. DETAIL**4.1 FINAL OUTTURN VARIANCE (Un-audited)**

The performance against budget is an overall underspend of £2.125m (0.85%) for financial year 2014-15. A summary of the final outturn position is in the table below:

Final Outturn Variance (Un-audited)				
2014-15				
Department	Actuals	Budget	Variance	
		Adjusted for Earmarking	(Overspend) Underspend	% age
		£	£	£
Chief Executive's Unit	2,107,863	2,117,724	9,861	0.47%
Community Services	137,627,716	137,493,290	(134,426)	-0.10%
Customer Services	37,197,977	38,189,782	991,805	2.60%
Development and Infrastructure Services	32,772,094	30,907,501	(1,864,593)	-6.03%
Total Dept Controllable Expenditure	209,705,650	208,708,297	(997,353)	-0.48%
Joint Boards	1,347,296	1,376,166	28,870	2.10%
Severance and Unfunded Pension Costs	2,224,701	1,522,249	(702,452)	-46.15%
Loans Charges	27,573,888	28,272,424	698,536	2.47%
Other	6,319,160	8,535,005	2,215,845	25.96%
Total Central/Non Dept Expenditure	37,465,045	39,705,844	2,240,799	5.64%
Total Expenditure	247,170,695	248,414,141	1,243,446	0.50%
Total Funding	254,214,442	253,332,844	881,598	0.35%
UNDERSPEND			2,125,044	

4.2 Departmental Budget Outturn

The performance against budget shows departmental controllable expenditure being £0.997m (0.48%) over budget. Included in this outturn position is an adjustment to update the 2014-15 budget to reflect the new amounts earmarked by departments at the year-end, these new earmarkings total £2.873m.

The main reasons for the £0.997m overspend are:

- Development and Infrastructure Services is overspent by £1.865m which is mainly in relation to winter maintenance, coastal protection costs and emergency road works. These have been partly offset by additional vacancy savings
- Community Services is overspent by £0.134m which is as a result of an overspend in the Education Service which is partly offset by an underspend within Adult Care
- Customer Services are reporting an underspend of £0.991m which is mainly due to procurement savings in School and Public Transport and the over-recovery of vacancy savings

More details on individual departmental outturns are given in Appendix 2.

4.3 Central/Non-Departmental Budget Outturn

The performance against budget for central/non-departmental costs was a net underspend of £2.240m.

- 4.3.1 Joint Board payments were £0.029m (2.10%) below budget, this will be a non-recurring saving in 2015-16 as the budget has been right-sized to reflect the required requisition level.
- 4.3.2 The Council is required to meet the cost of severance as a result of posts being removed through the service reviews and other budget savings. The costs are accounted for when the Council is demonstrably committed to make the payments, regardless of the timing of the savings being removed from budgets. All redundancy or retirement packages agreed by 31 March 2015 have been accounted for in the 2014-15 outturn, even if the employee is planned to leave in a future year. The budget for severance and unfunded pensions was £1.522m and the costs in 2014-15 were £2.225m, resulting in an overspend of £0.703m (46.15%). There was no provision in the revenue budget for 2014-15 to accommodate severance costs over and above the ongoing historic unfunded pension costs for employees that have previously left the organisation. This budget position will be reviewed as part of the ongoing Service Choices process.
- 4.3.3 Loans charges were £0.699m (2.47%) below budget. The provision for Loans Charges in the 2015-16 budget has been reviewed and the budget right-sized, therefore this underspend will be non-recurring in future years.
- 4.3.4 Other costs were £2.216m (25.96%) below budget. The main reasons for this are:
- A year-end underspend in all utility type costs across the Council of £1.237m, this is due to efficiencies being made in terms of billing and usage and also any one-off credits received due to discrepancies with previous year billing. Around £0.500m of this underspend is non-recurring and relates to previously held provisions for utility costs that are no longer required, the 2015-16 utility budgets have been re-aligned across services and the overall budget was reduced by £0.300m for 2015-16 as a baseline adjustment and no inflationary increase was applied to the budget. The underspend in the utility budget position was forecast and reported in January 2015.
 - There was £0.093m of backdated VAT income received as a result of claims being made under the "Fleming" case law principle.
 - A reduction to the provision held for Equal Pay claims of £0.218m, this was due to the provision for estimated claims being overstated in 2013-14. The level of provisions are reviewed as part of the year-end process and therefore this adjustment was not included in the forecast outturn position.
 - Overall underspend in the Elected Members budget of £0.140m, this is due to underspends across budget headings including members allowances and travel, printing and postages and training. During 2015-16 £24k has been transferred to Governance and Law to fund the cost of printing and postages for Committees. The remaining budget will be reviewed as part of the Service Choices process.
 - The Council collected a total of £0.506m from the double Council Tax charge on empty homes. This balance was agreed to be earmarked for allocation by Area Committees. As part of Service Choices and the overall budget strategy

there is a recommendation not to earmark this balance and instead credit any additional income collected to the General Fund. Of the £0.506m collected in 2014-15, £0.150m has already been allocated to a project in Campbeltown with £0.119m of this balance remaining unspent and required to be earmarked and carried forward into 2015-16. Therefore for 2014-15 there would be a total of £0.356m collected which would not be earmarked.

4.4 Funding Budget Outturn

The performance against budget for Funding was a net underspend/over-recovery of income of £0.882m.

- 4.4.1 There is a year-end favourable position in relation to Council Tax of £0.744m (1.74%) where collections have exceeded the budget. This is mainly in relation to increased collections on older years of Council Tax so may not be recurring in future years, the increased collections were forecast in the 2014-15 budget monitoring process. In addition to this a review of the bad debt provision was undertaken at the year-end and this has been reduced in line with collection rates, meaning a higher level of Council Tax income in the 2014-15 financial year and there were also reductions to Council Tax Benefit for previous years.
- 4.4.2 There is an over-recovery of income in relation to Scottish Government funding of £0.138m. This is in relation to the Scottish Government allocation of additional monies to fund the Council Tax Reduction Scheme. The total cost of applying the discount was expected to be £5.665m with an expectation the Scottish Government would not fully fund this, therefore the budget assumptions for 2014-15 estimated that we would receive 95% of the total funding, i.e. £5.382m. In total the Council received an allocation of £5.520m, an additional £0.138m. This may not be a recurring increase in funding for 2015-16 as to date only 80% of the funding has been allocated by the Scottish Government.

4.5 Impact on the General Fund

- 4.5.1 The General Fund balance movement in year is an increase of £2.079m, this is partly due to the 2014-15 underspend against budget, the budgeted contribution to reserves and the withdrawals and contributions to earmarked balances by services. There were £5.925m of general fund earmarked reserves which were released to services and spent during the year. In addition there were £4.919m of new earmarked reserves contributed from service budget underspends. There were also supplementary estimates of £0.060m approved during the year. The amount that was approved in February 2014 to be contributed to the General Fund reserve in 2014-15 was £1.020m, this planned contribution to reserves was due to the delivery of the 1% savings in 2014-15. The overall performance against budget is an underspend of £2.125m (0.85%). All of these factors contribute to the increase to the General Fund balance.

4.5.2 The overall movement in the General Fund is summarises in the table below:

	£m
Balance on General Fund 31 March 2014	44.041
Released sums earmarked to service budgets 2014-15	(5.925)
Contributions to earmarked reserves 2014-15	4.919
Supplementary Estimates agreed during 2014-15	(0.060)
Budgeted contribution to General Fund 2014-15	1.020
Overall budget underspend as above	2.125
Balance on General Fund 31 March 2015	46.120

4.5.3 The closing balance on the General Fund is £46.120m, a decision has been taken to earmark the surplus balance over the contingency to be directed towards the delivery of the Single Outcome Agreement. The balance available is summarised in the table below:

	£m
Balance on General Fund 31 March 2015	46.120
Earmarked Balances at 31 March 2015 (as per Earmarked Reserves report)	30.193
Contingency Balance at 1.5% of net expenditure	3.658
Unallocated balance as at 31 March 2015	12.269

5. CONCLUSION

5.1 The overall performance against budget was an underspend of £2.125m (0.85%) for financial year 2014-15. The movement in the General Fund is an increase of £2.079m due to the year-end underspend position and the budgeted contribution to reserves in 2014-15.

6. IMPLICATIONS

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|-----|--------------------|---|
| 6.1 | Policy – | None. |
| 6.2 | Financial - | Report notes the underspend against budget during 2014-15 and the movement in the General Fund Balance. |
| 6.3 | Legal - | None. |
| 6.4 | HR - | None. |
| 6.5 | Equalities - | None. |
| 6.6 | Risk - | None. |
| 6.7 | Customer Service - | None. |

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APPENDICES

Appendix 1 - Overall Revenue Budget Monitoring Statement 2014-15

Appendix 2 - Departmental 2014-15 Outturn Summaries

ARGYLL AND BUTE COUNCIL - SUMMARY OF ACTUAL AND BUDGET COMPARISON 2014-15

Department	Actual 2014-15	Budget 2014-15	Adjustment for Funds Earmarked in General Fund Reserve								Adjusted Budget 2014-15	"Real Variance" (Over)/unders pend
			Income from council tax on 2nd homes	Unspent Grant monies carried forward to 2015-16	Third Party Contributio ns carried forward to 2015-16	CHORD	Existing Legal Commitme nts	DMR School Carry Forwards	Previous Council Decision	NEW Unspent Budget Proposals		
	£	£	£	£	£	£	£	£	£	£	£	£
Expenditure												
Chief Executive's Unit	2,107,863	2,117,724									2,117,724	9,861
Community Services	137,627,716	138,716,824		217,116	6,953			737,225	1,006	261,234	137,493,290	(134,426)
Customer Services	37,197,977	39,542,038		75,487					1,234,319	42,450	38,189,782	991,805
Development and Infrastructure Services	32,772,094	31,204,501							115,000	182,000	30,907,501	(1,864,593)
Total Departmental Expenditure	209,705,650	211,581,087	0	292,603	6,953	0	0	737,225	1,350,325	485,684	208,708,297	(997,353)
Joint Boards	1,347,296	1,376,166									1,376,166	28,870
Loans Charges	27,573,888	28,272,424									28,272,424	698,536
Severance and Unfunded Pension Costs	2,224,701	1,522,249									1,522,249	(702,452)
Other	6,319,160	8,653,924							118,919		8,535,005	2,215,845
Total Expenditure	247,170,695	251,405,850	0	292,603	6,953	0	0	737,225	1,469,244	485,684	248,414,141	1,243,446
Funding												
AEF & NDR Income	205,879,000	205,741,072									205,741,072	137,928
Council Tax	43,370,664	40,700,000	1,926,994								42,626,994	743,670
Budgeted/withdrawn from Earmarked Reserves	5,925,241	5,925,241									5,925,241	0
Supplementary Estimates Approved	59,698	59,698									59,698	0
Budgeted Contribution to General Fund Balance	(1,020,161)	(1,020,161)									(1,020,161)	0
Total Funding	254,214,442	251,405,850	1,926,994	0	0	0	0	0	0	0	253,332,844	881,598
Under/(Overspend)	7,043,747	0	1,926,994	292,603	6,953	0	0	737,225	1,469,244	485,684	4,918,703	2,125,044

REVENUE BUDGET MONITORING 2014-15 - DEPARTMENTAL OUTTURN SUMMARIES

Department	Service	Actuals 2014-15	Budget 2014-15	Unspent Grant monies carried forward to 2015-16	Third Party Contributions carried forward to 2015-16	DMR School Carry Forwards	Previous Council Decision	Unspent Budget Proposals	Adjusted Budget	(Over)/Underspend	Variance %age	Comments/Explanation
Chief Executive's Unit	Chief Executive	264,256	246,243						246,243	(18,013)	-7.3%	Outwith reporting criteria
Chief Executive's Unit	Head of Strategic Finance	1,843,607	1,871,481						1,871,481	27,874	1.5%	Outwith reporting criteria
Chief Executive's Unit Total		2,107,863	2,117,724	0	0	0	0	0	2,117,724	9,861		

REVENUE BUDGET MONITORING 2014-15 - DEPARTMENTAL OUTTURN SUMMARIES

Department	Service	Actuals 2014-15	Budget 2014-15	Unspent Grant monies carried forward to 2015-16	Third Party Contributions carried forward to 2015-16	DMR School Carry Forwards	Previous Council Decision	Unspent Budget Proposals	Adjusted Budget	(Over)/Underspend	Variance %age	Comments/Explanation
Community Services	Executive Director of Community Services	744,478	692,124						692,124	(52,354)	-7.6%	The main variance relates to the charging of the Department's contribution towards the Council's bad debt provision due to the level of outstanding debt across the Department.
Community Services	Head of Adult Care	43,191,869	43,373,373	8,984					43,364,389	172,520	0.4%	The main variances contributing to the overall underspend are the overspend on homecare (£1,335k) due to increased service demand offset by the Change Fund disinvestment fund (£442k), the over recovery of surplus direct payment funds (£84k) and underspends across the service resulting from a combination of client turnover, reductions in service demand, lower cost provision and a saving from the service review in Learning Disability Day Services as follows: Older People Respite (£31k), Learning Disability Supported Living (£118k), Learning Disability Day Services (£506k), Physical Disability Respite (£15k), Learning Disability Residential Placements (£39k), Learning Disability Respite (£42k), Mental Health Supported Living (£127k), Mental Health Community Support (£76k) and Mental Health Residential Placements (£34k). Notwithstanding the above, please note that the service outturn also takes account of £68k in additional un-budgeted holiday pay expenditure due to the new holiday pay arrangements.
Community Services	Head of Children and Families	17,032,563	17,147,884					30,000	17,117,884	85,321	0.5%	The main variances contributing to the overall underspend are the underspend in Early Years (£159k) as a result of the lower than expected uptake of new day care services for 2 year olds from workless families, introduced as part of the Children and Young People Act, and an overspend in the Children Houses (£72k) produced by a delay in implementing new staffing rotas in the units. The service outturn also includes £25k of additional un-budgeted holiday pay expenditure due to the new holiday pay arrangements.
Community Services	Head of Community and Culture	11,931,999	11,910,432	58,000			1,006		11,851,426	(80,573)	-0.7%	The main variances contributing to the overall overspend are the write off of bad debt in the Homelessness Service (£31k) and the balance of the Central Repairs Account overspend which the service was unable to offset from within its budget (£50k). The service outturn also includes £12k of additional un-budgeted holiday pay expenditure due to the new holiday pay arrangements.
Community Services	Head of Education	64,726,806	65,593,011	150,132	6,953	737,225		231,234	64,467,467	(259,339)	-0.4%	The main variances contributing towards the overall overspend are the overspend in Music Instruction (£133k) produced by a delay in agreeing a revised structure for the delivery of the service, an overspend in Speech and Language Therapy (£136k) stemming from a dispute with NHS Highland and Greater Glasgow and Clyde Health Board regarding the implementation of efficiency savings and an underspend in Specialist Equipment (£13k) due to a reduction in demand for the provision of specialist equipment for disabled children in schools. The service outturn also includes £25k of additional un-budgeted holiday pay expenditure due to the new holiday pay arrangements.
Community Services Total		137,627,715	138,716,824	217,116	6,953	737,225	1,006	261,234	137,493,290	(134,425)		

REVENUE BUDGET MONITORING 2014-15 - DEPARTMENTAL OUTTURN SUMMARIES

Department	Service	Actuals 2014-15	Budget 2014-15	Unspent Grant monies carried forward to 2015-16	Third Party Contributions carried forward to 2015-16	DMR School Carry Forwards	Previous Council Decision	Unspent Budget Proposals	Adjusted Budget	(Over)/Underspend	Variance %age	Comments/Explanation
Customer Services	Executive Director of Customer Services	12,388,438	13,692,534				1,095,951		12,596,583	208,145	1.7%	Year-end underspend is mainly in relation to the over-recovery of vacancy savings across the Department. This was forecast during 2014-15 as part of the routine budget monitoring process. It is not expected that the savings will continue at this level in future years as there were a number of posts that were vacant for a period of time.
Customer Services	Head of Customer and Support Services	7,794,517	8,085,947	45,487			138,368		7,902,092	107,575	1.4%	Underspend relates to Housing Benefits and the reversal of a creditor balance which was no longer required. This was a one-off credit to the service which will be non-recurring. Other than this adjustment the service outturn would have been in line with budget.
Customer Services	Head of Facility Services	11,556,485	12,196,529						12,196,529	640,044	5.2%	The underspend is mainly in relation to School and Public Transport (£446k) where there has been a reduction in demand on the budget due to procurement savings, the transfer of some routes to in-house provision and lower inflation increases. In addition there was an underspend of £60k in relation to external catering and cleaning contracts and an underspend of £20k in Pool Cars due to fuel costs and consumption. These were forecast through the routine budget monitoring process. In addition to these forecast underspends there was an underspend of £40k in the Estates Service as a result of the ongoing review of the service delivery and an additional underspend in the cleaning service due to vacancy savings and cover requirements.
Customer Services	Head of Governance and Law	1,945,925	2,002,816	30,000					1,972,816	26,891	1.4%	Outwith reporting criteria
Customer Services	Head of Improvement and HR	3,512,611	3,564,212					42,450	3,521,762	9,151	0.3%	Outwith reporting criteria
Customer Services Total		37,197,976	39,542,038	75,487	0	0	1,234,319	42,450	38,189,782	991,806		

REVENUE BUDGET MONITORING 2014-15 - DEPARTMENTAL OUTTURN SUMMARIES

Department	Service	Actuals 2014-15	Budget 2014-15	Unspent Grant monies carried forward to 2015-16	Third Party Contributions carried forward to 2015-16	DMR School Carry Forwards	Previous Council Decision	Unspent Budget Proposals	Adjusted Budget	(Over)/Underspend	Variance %age	Comments/Explanation
Development and Infrastructure Services	Executive Director of Development and Infrastructure Services	1,469,587	1,649,173						1,649,173	179,586	10.9%	Variance is due mainly to vacancy savings exceeding target by £66k, provision for bad debt rebate of £73k and training underspend of £26k.
Development and Infrastructure Services	Head of Economic Development	4,322,570	4,472,614				115,000	50,000	4,307,614	(14,956)	-0.3%	Outwith reporting criteria
Development and Infrastructure Services	Head of Planning and Regulatory Services	3,208,647	3,291,191						3,291,191	82,544	2.5%	The main contributing factors are income from Private Landlord Registration, Shellfish Programme and Planning Fees being greater than anticipated. This is offset by an under-recovery in Building Standard fees.
Development and Infrastructure Services	Head of Roads and Amenity Services	23,771,290	21,791,523					132,000	21,659,523	(2,111,767)	-9.7%	The main contributing factors are overspends on Winter Maintenance £1,367k, Coastal Protection £270k, Roads Emergency Works £306k. Under recovery of Income Roads Client £71k, DPE £74k and Car Parking £32k.
Development and Infrastructure Services Total		32,772,094	31,204,501	0	0	0	115,000	182,000	30,907,501	(1,864,593)		
Grand Total		209,705,648	211,581,087	292,603	6,953	737,225	1,350,325	485,684	208,708,297	(997,351)		