

**REVENUE BUDGET MONITORING – FOR THE YEAR 2015-16
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 2015-16. The report also summarises the movement in the General Fund balance.
- 1.2 The performance against budget for financial year 2015-16 was an overall underspend of £1.384m (0.55%).
- 1.3 There was a net overspend of £0.074m in relation to departmental expenditure and a net underspend of £0.975m in relation to other central/non-departmental costs. The remainder of the underspend of £0.483m is in relation to funding and the over-recovery of Council Tax income. Included within the overall underspend 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 £46.067m at the end of financial year 2014-15 to £52.189m at the end of 2015-16. The movement represents an increase of £6.122m which is due to a small planned budgeted contribution to reserves, the contributions to and from earmarked reserves and the favourable year-end underspend position.
- 1.5 There is a separate report that details the earmarked reserves; it outlines proposals to earmark a total of £43.272m from the General Fund balance, leaving £8.917m unallocated. Of this £4.743m is required to be held as the General Fund contingency, leaving £4.174m available to be directed towards the delivery of the Single Outcome Agreement (SOA), as previously agreed by Members.

REVENUE BUDGET MONITORING – FOR THE YEAR 2015-16

CORPORATE OVERVIEW

2. INTRODUCTION

2.1 This report summarises the revenue budget position of the Council as at the end of the financial year 2015-16. The overall revenue budget monitoring statement for the Council is attached as Appendix 1 and departmental outturn summaries are attached as Appendix 2.

3. RECOMMENDATION

3.1 Members to note the revenue budget monitoring position as at the end of financial year 2015-16.

3.2 Members to note that the unallocated balance within the General Fund as at 31 March 2016, after taking into the account the contingency, amounts to £4.174m.

4. DETAIL

4.1 Final Outturn Variance (Un-audited)

The performance against budget for the financial year 2015-16 was an overall underspend of £1.384m (0.55%). A summary of the final outturn position is noted within the table below:

| Final Outturn Variance (Un-audited) | | | | |
|--|--------------------|-------------------------|------------------------|---------------|
| 2015-16 | | | | |
| Department | Actuals | Budget | Variance | |
| | | Adjusted for Earmarking | (Overspend) Underspend | % age |
| | £ | £ | £ | |
| Chief Executive's Unit | 2,166,866 | 2,169,953 | 3,087 | 0.14% |
| Community Services | 84,255,041 | 84,692,627 | 437,586 | 0.52% |
| Customer Services | 37,895,604 | 38,110,876 | 215,272 | 0.56% |
| Development and Infrastructure Services | 33,220,057 | 33,253,215 | 33,159 | 0.10% |
| Integration Services | 57,769,324 | 57,005,844 | (763,480) | -1.34% |
| Total Dept Controllable Expenditure | 215,306,892 | 215,232,515 | (74,377) | -0.03% |
| Joint Boards | 1,345,998 | 1,351,980 | 5,982 | 0.44% |
| Loans Charges | 20,001,921 | 21,373,436 | 1,371,515 | 6.42% |
| Pension Costs | 2,983,857 | 1,904,249 | (1,079,608) | -56.69% |
| Other | 1,924,036 | 2,601,450 | 677,414 | 26.04% |
| Total Central/Non Dept Expenditure | 26,255,812 | 27,231,115 | 975,304 | 3.58% |
| Total Expenditure | 241,562,703 | 242,463,630 | 900,927 | 0.37% |
| Total Funding | 254,088,300 | 253,605,550 | 482,750 | 0.19% |
| UNDERSPEND | | | 1,383,677 | |

4.2 Departmental Budget Outturn

- 4.2.1 The performance against budget shows departmental controllable expenditure being £0.074m (0.03%) over budget. Included in this outturn position is an adjustment to update the 2015-16 budget to reflect the new amounts earmarked by departments at the year-end, these new earmarkings total £5.398m.
- 4.2.2 The main reasons giving rise to the departmental overspend of £0.074m are noted below and further detail is provided within the departmental outturn reports in Appendix 2.
- Community Services was underspent by £0.438m mainly as a result of underspends in school meals and savings generated as a result of a restructuring process within Education Services which was concentrated on Primary Schools. The restructuring process looked at the utilisation of teachers and class sizes.
 - Customer Services was underspent by of £0.215m mainly in relation to increased recoveries in housing benefits, over recovery of vacancy savings and procurement savings within school and public transport. These have been offset by overspends in HR resources to support Service Choices (previously agreed by P&R 20 August 2015), Castle Toward security and election costs.
 - Integration Services was overspent by £0.763m resulting from an increase in demand for adult care services offset by one-off underspends within Children and Families Service.
 - Development and Infrastructure Services was underspent by £0.033m mainly in relation to over recovery of vacancy savings due to recruitment freeze and post savings in advance of service choices, underspends in street sweeping and street lighting and increased income in car parking and crematorium. These have been partly offset by overspends in winter maintenance and piers and harbours.

4.3 Central/Non-Departmental Budget Outturn

- 4.3.1 The performance against budget for central/non-departmental expenditure was a net underspend of £0.975m. Included in this outturn position is an adjustment to update the 2015-16 budget to reflect the new amounts earmarked at the year-end, these new earmarkings total £3.752m.
- 4.3.2 Joint Board payments were £0.006m (0.44%) 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.
- 4.3.3 The Council is required to meet the cost of severance as a result of posts being removed as a result of Service Choices. 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 2016 have been accounted for in the 2015-16 outturn, even if the employee is planned to leave in a future year. The Council made a provision of £3.500m for severance costs as part of its budget in February 2016 and the majority of this overspend will be the first call on this provision.

4.3.4 Loans charges were £1.372m (6.42%) below budget. The Treasury Management function continually reviews borrowing requirements and due to large internal balances borrowing decisions have been deferred resulting in savings on interest payments. Loan charges are budgeted in line with the capital financing requirement and will be impacted by any delays in capital projects or changes in legislation. Due to the change from lease finance to borrowing for the financing of vehicle purchases there was a one-off saving in principal repayments in 2015-16. The provision for Loans Charges have been reviewed and the budget updated for 2016-17.

4.3.4 There were other underspends amounting to £0.677m, the main variances are as noted below:

- Underspend in utility type costs across the Council. This is mainly as a result of favourable market prices in respect of electricity and heating oil, increased monitoring of usage to ensure efficiency savings were obtained and a one off reversal of a previously held provision for utility costs that are no longer required.
- Superannuation costs were expected to rise due to changes in legislation regarding earnings that should be used to calculate pension scheme costs. Due to the level vacancy savings achieved, which directly impacted the potential costs, there was an underspend. This has already been adjusted for within the 2016-17 base budget.
- The pay award for 2015-16 was 0.5% less than budgeted which resulted in a underspend.
- The Council collected additional income from the double Council Tax charge on empty homes.
- A saving within Elected Members cost centre of £0.130m.

4.4 Funding Budget Outturn

4.4.1 The performance against budget for Funding was a net underspend/over-recovery of income of £0.483m. Included in this outturn position is an adjustment to update the 2015-16 budget to reflect the new amounts earmarked at the year-end, these new earmarkings total £1.992m and relate solely to the Strategic Housing Fund.

4.4.2 There is a year-end favourable position in relation to Council Tax of £0.483m where collections have exceeded the budget. Part of the variance relates to a review of the bad debt provision at the year-end which has been reduced in line with collection rates, in addition to increased collection. The budget for 2016-17 has been increased and this over recovery in 2015-16 gives re-assurance that the budget for 2016-17 is achievable.

4.5 Impact on the General Fund

4.5.1 The movement in the General Fund balance is different to the underspend as noted above as it also takes into consideration the earmarked reserve withdrawals and contributions. The General Fund balance at 31 March 2015 was £46.067m and has increased to £52.189m as at 31 March 2016, representing an increase of £6.122m.

4.5.2 There were £6.518m of earmarked reserves released to services and spent during 2015-16 and supplementary estimates of £0.039m drawn down for the Waverley and Hebridean Air Services. The contributions to earmarked reserves amount to £11.141m and there was a budgeted contribution of £0.154m agreed as part of the 2015-16 budget. As noted above the overall underspend amounts to £1.384m for the year. All these factors contribute to the increase in the General Fund balance as summarised within the table below:

| | £m |
|--|---------------|
| Balance on General Fund 31 March 2015 | 46.067 |
| Released sums earmarked to service budgets 2015-16 | (6.518) |
| Supplementary Estimates agreed during 2015-16 | (0.039) |
| Contributions to earmarked reserves 2015-16 | 11.141 |
| Budgeted contribution to General Fund 2015-16 | 0.154 |
| Overall budget underspend as above | 1.384 |
| Balance on General Fund 31 March 2016 | 52.189 |

4.5.3 The closing balance on the General Fund as at 31 March 2016 is £52.189m. A decision was previously taken by Members to direct the unallocated balance over the contingency towards the delivery of the Single Outcome Agreement. The revised unallocated balance is summarised in the table below:

| | £m |
|--|--------------|
| Balance on General Fund 31 March 2016 | 52.189 |
| Earmarked Balances at 31 March 2016 (as per Earmarked Reserves report) | (43.272) |
| Contingency Balance increased 2.0% of net expenditure | (4.743) |
| Unallocated balance as at 31 March 2016 | 4.174 |

5. CONCLUSION

5.1 The performance against budget for financial year 2015-16 was an overall underspend of £1.384m (0.55%). The General Fund balance has increased by £6.122m which reflects a small planned budgeted contribution to reserves, the contributions to and from earmarked reserves and the favourable year-end underspend position.

6. IMPLICATIONS

- | | | |
|-----|--------------------|---|
| 6.1 | Policy – | None. |
| 6.2 | Financial - | Report notes the underspend against budget during 2015-16 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. |

Councillor Dick Walsh, Council Leader - Policy Lead Strategic Finance

Kirsty Flanagan
Head of Strategic Finance
20 June 2016

APPENDICES

Appendix 1 - Overall Revenue Budget Monitoring Statement 2015-16

Appendix 2 - Departmental 2015-16 Outturn Summaries

ARGYLL AND BUTE COUNCIL - SUMMARY OF ACTUAL AND BUDGET COMPARISON 2015-16

Appendix 1

| Department | Actual 2015-16 | Budget 2015-16 | Adjustment for Funds Earmarked in General Fund Reserve | | | | | | | | | | Adjusted Budget 2015-16 | "Real Variance" (Over)/und erspend |
|---|--------------------|--------------------|--|--|---|----------|---------------------------------|---------------------------------|--------------------------------|-------------------------------|------------------|------------------------------------|-------------------------------|---|
| | | | Income from council tax on 2nd homes | Unspent Grant monies carried forward to 2016-17 | Third Party Contributio ns carried forward to 2016-17 | CHORD | DMR School Carry Forwards | Previous Council Decision | Energy Reinvestment Fund | Existing Legal Commitments | NPDO | NEW Unspent Budget Proposals | | |
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Expenditure | | | | | | | | | | | | | | |
| Chief Executive's Unit | 2,166,866 | 2,228,383 | | | | | | | | | | 58,430 | 2,169,953 | 3,087 |
| Community Services | 84,255,041 | 87,205,863 | | 344,428 | 9,251 | | 1,209,616 | 9,942 | | | 500,000 | 440,000 | 84,692,627 | 437,586 |
| Customer Services | 37,895,604 | 39,938,994 | | 126,835 | | | | 174,283 | | 792,250 | 540,000 | 194,750 | 38,110,876 | 215,272 |
| Development and Infrastructure Services | 33,220,057 | 34,135,715 | | | | | | 481,000 | | 250,000 | | 151,500 | 33,253,215 | 33,159 |
| Integration Services | 57,769,324 | 57,122,015 | | | 116,171 | | | | | | | | 57,005,844 | (763,480) |
| Total Departmental Expenditure | 215,306,892 | 220,630,970 | 0 | 471,263 | 125,422 | 0 | 1,209,616 | 665,225 | 0 | 1,042,250 | 1,040,000 | 844,680 | 215,232,515 | (74,377) |
| Joint Boards | 1,345,998 | 1,351,980 | | | | | | | | | | | 1,351,980 | 5,982 |
| Loans Charges | 20,001,921 | 21,373,436 | | | | | | | | | | | 21,373,436 | 1,371,515 |
| Severance and Unfunded Pension Costs | 2,983,857 | 1,904,249 | | | | | | | | | | | 1,904,249 | (1,079,608) |
| Other | 1,924,036 | 6,352,997 | | | | | | 300,000 | 175,247 | | 1,650,000 | 1,626,300 | 2,601,450 | 677,414 |
| Total Non-Departmental Expenditure | 26,255,812 | 30,982,662 | 0 | 0 | 0 | 0 | 0 | 300,000 | 175,247 | 0 | 1,650,000 | 1,626,300 | 27,231,115 | 975,304 |
| Total Expenditure | 241,562,703 | 251,613,633 | 0 | 471,263 | 125,422 | 0 | 1,209,616 | 965,225 | 175,247 | 1,042,250 | 2,690,000 | 2,470,980 | 242,463,630 | 900,927 |
| Funding | | | | | | | | | | | | | | |
| AEF & NDR Income | 204,313,000 | 204,310,927 | | | | | | | | | | | 204,310,927 | 2,073 |
| Council Tax | 43,372,595 | 40,900,000 | 1,991,918 | | | | | | | | | | 42,891,918 | 480,677 |
| Budgeted/withdrawn from Earmarked Reserves | 6,517,967 | 6,517,967 | | | | | | | | | | | 6,517,967 | 0 |
| Supplementary Estimates Approved | 38,275 | 38,275 | | | | | | | | | | | 38,275 | 0 |
| Budgeted Contribution to General Fund Balance | (153,537) | (153,537) | | | | | | | | | | | (153,537) | 0 |
| Total Funding | 254,088,300 | 251,613,632 | 1,991,918 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 253,605,550 | 482,750 |
| Under/(Overspend) | 12,525,597 | 0 | 1,991,918 | 471,263 | 125,422 | 0 | 1,209,616 | 965,225 | 175,247 | 1,042,250 | 2,690,000 | 2,470,980 | 11,141,920 | 1,383,677 |

REVENUE BUDGET MONITORING 2015-16 - DEPARTMENTAL OUTTURN SUMMARIES

| Department | Service | Actuals 2015-16 | Budget 2015-16 | Unspent Grant monies carried forward to 2016-17 | Third Party Contributions carried forward to 2016-17 | Existing Legal Commitments | DMR School Carry Forwards | Previous Council Decision | Revenue Contribution to Capital - NPDO/ESA 10/Helenburgh Office | Unspent Budget Proposals | Adjusted Budget | (Over)/Underspend | Variance %age | Comments/Explanation |
|-------------------------------------|---------------------------|------------------|------------------|---|--|----------------------------|---------------------------|---------------------------|---|--------------------------|------------------|-------------------|---------------|-----------------------------|
| Chief Executive's Unit | Chief Executive | 302,735 | 307,333 | | | | | | | | 307,333 | 4,598 | 1.5% | Outwith Reporting Criteria. |
| Chief Executive's Unit | Head of Strategic Finance | 1,864,130 | 1,921,050 | | | | | | | 58,430 | 1,862,620 | (1,510) | -0.1% | Outwith Reporting Criteria. |
| Chief Executive's Unit Total | | 2,166,866 | 2,228,383 | 0 | 0 | 0 | 0 | 0 | 0 | 58,430 | 2,169,953 | 3,087 | | |

REVENUE BUDGET MONITORING 2015-16 - DEPARTMENTAL OUTTURN SUMMARIES

| Department | Service | Actuals 2015-16 | Budget 2015-16 | Unspent Grant monies carried forward to 2016-17 | Third Party Contributions carried forward to 2016-17 | Existing Legal Commitments | DMR School Carry Forwards | Previous Council Decision | Revenue Contribution to Capital - NPDO/ESA 10/Helenburgh Office | Unspent Budget Proposals | Adjusted Budget | (Over)/Underspend | Variance %age | Comments/Explanation |
|---------------------------------|--|-------------------|-------------------|---|--|----------------------------|---------------------------|---------------------------|---|--------------------------|-------------------|-------------------|---------------|---|
| Community Services | Executive Director of Community Services | 368,084 | 306,564 | | | | | | | | 306,564 | (61,520) | -20.1% | The overspend arises as a result of a year-end adjustment for the provision of Community Services debt. |
| Community Services | Head of Community and Culture | 12,713,580 | 12,927,367 | 137,871 | 9,251 | | | 9,942 | | 30,000 | 12,740,303 | 26,724 | 0.2% | Outwith Reporting Criteria. |
| Community Services | Head of Education | 71,173,378 | 73,971,932 | 206,557 | | | 1,209,616 | | 500,000 | 410,000 | 71,645,760 | 472,382 | 0.7% | The underspend arises as a result of an in-year review of budgets across the Education service. This included a review of school staffing entitlements and an underspend in prepared meals. |
| Community Services Total | | 84,255,041 | 87,205,863 | 344,428 | 9,251 | | 1,209,616 | 9,942 | 500,000 | 440,000 | 84,692,627 | 437,586 | | |

REVENUE BUDGET MONITORING 2015-16 - DEPARTMENTAL OUTTURN SUMMARIES

| Department | Service | Actuals 2015-16 | Budget 2015-16 | Unspent Grant monies carried forward to 2016-17 | Third Party Contributions carried forward to 2016-17 | Existing Legal Commitments | DMR School Carry Forwards | Previous Council Decision | Revenue Contribution to Capital - NPDO/ESA 10/Helenburgh Office | Unspent Budget Proposals | Adjusted Budget | (Over)/Underspend | Variance %age | Comments/Explanation |
|--------------------------------|---|-------------------|-------------------|---|--|----------------------------|---------------------------|---------------------------|---|--------------------------|-------------------|-------------------|---------------|--|
| Customer Services | Executive Director of Customer Services | 12,706,215 | 13,960,946 | | | 750,000 | | | 540,000 | 134,750 | 12,536,196 | (170,019) | -1.4% | Year-end underspend in NPDO was previously agreed to be earmarked for the new school projects. The over-recovery of vacancy savings and other year-end underspends have been earmarked for an expected legal challenge. The overall overspend is as a result of this earmarking, which is being accommodated from within the overall favourable departmental outturn position. |
| Customer Services | Head of Customer and Support Services | 7,686,846 | 7,951,939 | 96,835 | | | | | | | 7,855,104 | 168,258 | 2.1% | Relatively small underspends across the service partly due to additional vacancy savings and reductions in printing and postages in advance of service choices. Additional favourable outturn position in Housing Benefits mainly due to the recovery of overpayments. |
| Customer Services | Head of Facility Services | 12,080,538 | 12,667,414 | | | 42,250 | | | | 60,000 | 12,565,164 | 484,627 | 3.9% | Underspend in relation to School and Public Transport due to a reduction in demand on this budget due to procurement savings, the transfer of some routes to in-house provision and lower inflationary increases on contracts. This position was projected and the budget has been reduced in line with this for 2016-17 as part of the service choices process. |
| Customer Services | Head of Governance and Law | 2,013,347 | 2,015,929 | 30,000 | | | | 25,000 | | | 1,960,929 | (52,418) | -2.7% | Overspend in relation to Elections and the funding of by-election costs. |
| Customer Services | Head of Improvement and HR | 3,408,657 | 3,342,765 | | | | | 149,283 | | | 3,193,482 | (215,175) | -6.7% | Anticipated overspend of £194k in relation to the service choices team for HR, the balance of previously approved funding for this will be earmarked. The remaining overspend is due to unplanned legal fees. |
| Customer Services Total | | 37,895,604 | 39,938,994 | 126,835 | 0 | 792,250 | 0 | 174,283 | 540,000 | 194,750 | 38,110,876 | 215,272 | | |

REVENUE BUDGET MONITORING 2015-16 - DEPARTMENTAL OUTTURN SUMMARIES

| Department | Service | Actuals 2015-16 | Budget 2015-16 | Unspent Grant monies carried forward to 2016-17 | Third Party Contributions carried forward to 2016-17 | Existing Legal Commitments | DMR School Carry Forwards | Previous Council Decision | Revenue Contribution to Capital - NPDO/ESA 10/Helenburgh Office | Unspent Budget Proposals | Adjusted Budget | (Over)/Underspend | Variance %age | Comments/Explanation |
|--|---|--------------------|--------------------|---|--|----------------------------|---------------------------|---------------------------|---|--------------------------|--------------------|-------------------|---------------|---|
| Development and Infrastructure Services | Executive Director of Development and Infrastructure Services | 1,246,921 | 1,822,505 | | | 250,000 | | 456,000 | | | 1,116,505 | (130,415) | -11.7% | An over recovery of vacancy savings has been utilised to fund earmarkings relating to a previous council decision and a legal commitment. The net overspend has been accommodated within the overall underspend for the department. |
| Development and Infrastructure Services | Head of Economic Development | 4,304,941 | 4,375,320 | | | | | 25,000 | | | 4,350,320 | 45,379 | 1.0% | This relates to an underspend on staff costs not taken as vacancy savings |
| Development and Infrastructure Services | Head of Planning and Regulatory Services | 3,149,414 | 3,168,879 | | | | | | | 21,500 | 3,147,379 | (2,035) | -0.1% | Outwith Reporting Criteria. |
| Development and Infrastructure Services | Head of Roads and Amenity Services | 24,518,780 | 24,769,011 | | | | | | | 130,000 | 24,639,011 | 120,230 | 0.5% | This variance relates to a variety of over and underspends as follows; Additional income from Car parking/DPE £248k plus Cemeteries & Crematorium £126k; Underspends in Waste Collection £134k, Street Lighting Electricity £95k plus Street Sweeping £ 73k. These are partially offset by overspends in Piers & Harbours £263k plus Winter Maintenance £136k |
| Development and Infrastructure Services Total | | 33,220,057 | 34,135,715 | 0 | 0 | 250,000 | 0 | 481,000 | | 151,500 | 33,253,215 | 33,159 | | |
| Integration Services | Chief Officer Integration | 553,321 | 536,299 | | | | | | | | 536,299 | (17,023) | -3.2% | The overspend arises due to higher than expected spend on the Social Work Central Repairs Account and the purchase of computer software licenses. These are partially offset by underspend on relocation costs, equipment leasing costs, postage costs and telephone call charges. |
| Integration Services | Head of Adult Care | 43,856,731 | 42,852,408 | | 66,171 | | | | | | 42,786,237 | (1,070,494) | -2.5% | The overspend arises due to a number of over and underspends across Adult Services. The most significant are overspends on homecare and care home placements for older people and supported living services for people with physical and learning disabilities arising from increased service demand and complexity. These are partially offset by underspends on addictions services, day services and care home placements for people with learning disabilities and supported living and community support services for people with mental health difficulties where service demand was lower than expected. |
| Integration Services | Head of Children and Families | 13,359,272 | 13,733,308 | | 50,000 | | | | | | 13,683,308 | 324,036 | 2.4% | The underspend arises due to a number of under and overspends across Children and Families. The most significant are underspends in relation to Kinship Care allowances and services supporting young people leaving care and children affected by disability, arising from a combination of lower than expected service demand and delays in the implementation of Kinship Care Orders and a new, Scottish Government lead, allowance regime for Kinship Carers. These underspends are partially offset by an overspend in the Children's Houses arising mainly from increased staffing provision required to support several extremely vulnerable young people. |
| Integration Services Total | | 57,769,324 | 57,122,015 | 0 | 116,171 | 0 | 0 | 0 | 0 | 0 | 57,005,844 | (763,480) | -1.3% | |
| Grand Total | | 215,306,892 | 220,630,970 | 471,263 | 125,422 | 1,042,250 | 1,209,616 | 665,225 | 1,040,000 | 844,680 | 215,232,515 | (74,377) | | |