

**REVENUE BUDGET MONITORING – FOR THE YEAR 2018-19**

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**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 2018-19. The report also summarises the movement in the General Fund balance.
- 1.2 The performance against budget for financial year 2018-19 was an overall overspend of £1.118m (0.45%).
- 1.3 There was a net underspend of £1.037m in relation to Council services departmental expenditure, a net underspend of £0.863m in relation to other central costs and an over recovery of Council Tax income of £0.109m. These underspends were offset by an overspend on Social Work, managed by the Health and Social Care Partnership of £3.127m. Included within the overall position are a number of budget underspends which are likely to be one-off in nature or have been adjusted for in the 2019-20 budget process.
- 1.4 The General Fund Balance has moved from £50.342m at the end of financial year 2017-18 to £49.480m at the end of 2018-19. The movement represents a decrease of £0.862m which is due to the contributions to and from earmarked reserves and the adverse year-end overspend position.
- 1.5 There is a separate report that details the earmarked reserves; it outlines proposals to earmark a total of £42.936m from the General Fund balance, leaving £6.544m unallocated. Of this £4.838m is required to be held as the General Fund contingency, leaving an unallocated balance of £1.706m.

REVENUE BUDGET MONITORING – FOR THE YEAR 2018-19

2. INTRODUCTION

2.1 This report summarises the revenue budget position of the Council as at the end of the financial year 2018-19. The overall revenue budget monitoring statement for the Council is attached as Appendix 1 and departmental outturn summaries are attached as Appendix 2.

3. RECOMMENDATIONS

3.1 Members to consider the revenue budget monitoring position as at the end of financial year 2018-19.

3.2 Members to note that the unallocated balance within the General Fund as at 31 March 2019, after taking into account the contingency, amounts to £1.107m.

4. DETAIL

4.1 Final Outturn Variance (Un-audited)

4.1.1 The performance against budget for the financial year 2018-19 was an overall overspend of £1.118m (0.45%). A summary of the final outturn position is noted within the table below.

Final Outturn Variance (Un-audited)				
2018/19				
Department	Actuals	Budget	Variance	% age
		Adjusted for Earmarkings	(Overspend) Underspend	
Chief Executive's Unit	2,374,168	2,499,267	125,099	5.01%
Education	76,207,424	75,974,435	(232,988)	(0.31%)
Customer Services	44,772,047	45,612,195	840,148	1.84%
Development and Infrastructure Services	33,597,708	33,902,900	305,191	0.90%
<b>Total Departmental Expenditure</b>	<b>156,951,346</b>	<b>157,988,797</b>	<b>1,037,451</b>	<b>0.66%</b>
Joint Boards	1,371,168	1,374,371	3,203	0.23%
Loans Charges	15,563,145	16,163,145	600,000	3.71%
Pension Costs	3,789,277	2,792,062	(997,215)	(35.72%)
Other	6,023,750	7,280,857	1,257,108	17.27%
<b>Total Central Expenditure</b>	<b>26,747,339</b>	<b>27,610,436</b>	<b>863,097</b>	<b>3.13%</b>
Social Work	59,343,530	56,216,333	(3,127,197)	(5.56%)
<b>Total Social Work Expenditure</b>	<b>59,343,530</b>	<b>56,216,333</b>	<b>(3,127,197)</b>	<b>(5.56%)</b>
<b>Total Expenditure</b>	<b>243,042,215</b>	<b>241,815,565</b>	<b>(1,226,650)</b>	<b>(0.51%)</b>
Total Funding	246,508,995	246,400,256	108,739	0.04%
<b>OVERSPEND</b>			<b>(1,117,911)</b>	

## **4.2 Council Departmental Budget Outturn**

4.2.1 The performance against budget shows departmental controllable expenditure being £1.037m (0.66%) under budget. Included in this outturn position is an adjustment to update the 2018-19 budget to reflect the new automatic earmarking at the year-end, these new earmarkings total £4.585m.

4.2.2 The main reasons giving rise to the Council departmental underspend of £1.037m are noted below and further detail is provided within the departmental outturn reports in Appendix 2.

- Underspends within Customer Services include lower than expected insurance and utility cost savings arising as a result of the annual renegotiation of insurance costs which forms part of the contract management arrangements which are in place for the NPDO, additional income collected by the One Council Property Team, lower than expected expenditure on school transport and increased licensing income.
- Underspends within Development and Infrastructure Services include an over-recovery of income from building warrants, planning fees, car parking, road permits, crematorium and private landlord registration fees. There was also an underspend on the fleet budget as a decision was made to delay the replacement of vehicles and higher than expected vacancy savings.
- Offsetting overspends arising from the impact of the severe weather over the winter on the roads winter maintenance budget within Development and Infrastructure, increased demand for additional support needs within Education and the impact of the higher than budgeted pay award for staff across all departments.

## **4.3 Central Budget Outturn**

4.3.1 The performance against budget for central/non-departmental expenditure was a net underspend of £0.863m (3.13%). The main reasons giving rise to this underspend are noted below:

- There is an underspend of £0.600m on loans charges. The underspend has arisen due to slippage in the capital programme leading to reduced principal and interest payments and also the use of internal cash balances to fund borrowing, thereby saving on interest costs. The underspend was planned to be used for special repayments of principal thereby reducing loans charges in the future, however, due to the low level of General Fund balance and the risk that Social Work could overspend again in 2019-20, the special repayments have been deferred allowing the £0.600m underspend to be transferred into the General Fund.
- There is a net expenditure within Severance and Unfunded Pensions of £0.997m due to the costs absorbed in-year of redundancies linked to the

delivery of the Council's savings programme. The earmarked reserves set aside for Severance has now been fully utilised.

- There is an underspend in other services of £1.257m due to lower than anticipated spend on utilities and apprenticeship levy and a one-off refund of overpaid VAT.

#### **4.4 Social Work Outturn**

4.4.1 Social Work Services managed by the Integrated Joint Board (IJB), were overspent by £3.127m (5.56%). In accordance with the IJB's Scheme of Integration, and as Social Work and Health related services within the Partnership were both overspent with no funds available within the IJB to meet or reduce the overspend, the Council is required to make an additional payment to fund the overspend. The additional funding provided by the Council will be recovered through reductions in the funding provided to the IJB for Social Work services over the three year period from 2020-21 to 2022-23 as agreed at the Policy and Resources Committee on 16 May 2019.

4.4.2 The largest overspend in Social Work was the closing balance against unidentified savings of £1.473m. A further overspend arose due to slippage on the delivery of agreed savings. Overall, there were 13 savings options which were not delivered which produced an overall overspend of £2.257m. These overspend areas were offset by other underspends across the service, the most significant being within external home placements and vacancy savings.

#### **4.5 Funding Budget Outturn**

4.5.1 The performance against budget for Funding was a net underspend/over-recovery of income of £0.109m. Included in this outturn position is an adjustment to update the 2018-19 budget to reflect the new automatic earmarking at the year-end, these new earmarkings total £2.085m and relate solely to the Strategic Housing Fund.

4.5.2 There is a year-end favourable position in relation to Council Tax of £0.109m where collections have exceeded the budget. This is due to better than expected collection and growth in the tax base.

#### **4.6 Impact on the General Fund**

4.6.1 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 2018 was £50.342m and has decreased to £48.880m as at 31 March 2019, representing a decrease of £1.462m. The movement in the balance is summarised in the table below.

	£000
Balance on General Fund 31 March 2018	50,342
Budgeted surplus 2018-19 (directed to capital)	2,408

Supplementary Estimate Agreed November 2018 for Kintyre Recycling	(32)
Released sums earmarked to service budgets 2018-19	(6,705)
Contributions to earmarked reserves 2018-19	4,585
Overall budget overspend as above	(1,118)
<b>Balance on General Fund 31 March 2019</b>	<b>49,480</b>

4.6.2 The closing balance on the General Fund as at 31 March 2019 is £49.480m. Of this, £42.936m is earmarked for specific purposes and £4.838m is required to be held as the General Fund contingency, leaving an unallocated balance of £1.706m as shown in the table below.

	£000
Balance on General Fund 31 March 2019	49,480
Earmarked balances at 31 March 2019 (as per Earmarked Reserves report)	(42,936)
Contingency balance 2% of net expenditure	(4,838)
<b>Unallocated balance as at 31 March 2019</b>	<b>1,706</b>

4.6.3 The unallocated balance as at 31 March 2019 is similar to the position at the 31 March 2018, despite the Social Work overspend of £3.127m. This is due to savings on Council services, some one-off in nature or taken into consideration as part of the 2019-20 budget setting process and therefore not likely to recur in future years. It is vital that there are robust budget monitoring arrangements in place during 2019-20, particularly within Social Work, where there has been an overspend in the last two years in order to maintain a positive unallocated General Fund balance.

## 5. CONCLUSION

5.1 The performance against budget for financial year 2018-19 was an overall overspend of £1.118m (0.45%). The General Fund balance has decreased by £0.862m which reflects the contributions to and from earmarked reserves and the adverse year-end overspend position.

## 6. IMPLICATIONS

- |     |                        |   |
|-----|------------------------|---|
| 6.1 | Policy -               | Automatic earmarking as per the policy have been taken into consideration with the final reported outturn position. |
| 6.2 | Financial -            | Report notes the overspend against budget during 2018-19 and the movement in the General Fund balance               |
| 6.3 | Legal -                | None.   |
| 6.4 | HR -                   | None.   |
| 6.5 | Fairer Scotland Duty - | None.   |
| 6.6 | Risk -                 | None.   |
| 6.7 | Customer Services -    | None.   |

**Kirsty Flanagan**  
**Head of Financial Services**  
**11 June 2019**

**Councillor Gary Mulvaney, Depute Council Leader - Policy Lead Strategic  
Finance and Capital Regeneration Projects**

**APPENDICES**

Appendix 1 – Overall Revenue Budget Monitoring Statement 2018-19  
Appendix 2 – Department 2018-19 Outturn Summaries.

ARGYLL AND BUTE COUNCIL - SUMMARY OF ACTUAL AND BUDGET COMPARISON 2018/19

Appendix 1

Department	Actual 2018/19	Budget 2018/19	Adjustment for Funds Earmarked in General Fund Reserve										Adjusted Budget 2018/19	"Real Variance" (Over)/under spend	
			Income from council tax on 2nd homes	Unspent Grant monies carried forward to 2019-20	Third Party Contributions carried forward to 2019-20	CHORD	DMR School Carry Forwards	Previous Council Decision	Energy Reinvestment Fund	Existing Legal Commitments	Scottish Government Initiatives carried forward to 2019/20	Piers and Harbours Surplus (New)			NEW Unspent Budget Proposals
<b>Expenditure</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	
Chief Executive's Unit	2,374,168	2,526,916			19,301			8,348						2,499,267	125,099
Education	76,207,424	77,709,354		1,163,379			571,540							75,974,435	(232,988)
Customer Services	44,772,047	46,114,262		98,953				403,114						45,612,195	840,148
Development and Infrastructure Services	33,597,708	34,137,956				72,006					30,000	133,050		33,902,900	305,191
<b>Total Departmental Expenditure</b>	<b>156,951,346</b>	<b>160,488,488</b>	<b>0</b>	<b>1,262,332</b>	<b>19,301</b>	<b>72,006</b>	<b>571,540</b>	<b>411,462</b>	<b>0</b>	<b>0</b>	<b>30,000</b>	<b>133,050</b>	<b>0</b>	<b>157,988,797</b>	<b>1,037,451</b>
Joint Boards	1,371,168	1,374,371												1,374,371	3,203
Loans Charges	15,563,145	16,163,145												16,163,145	600,000
Severance and Unfunded Pension Costs	3,789,277	2,792,062												2,792,062	(997,215)
Other	6,023,750	7,280,857												7,280,857	1,257,108
<b>Total Central Expenditure</b>	<b>26,747,339</b>	<b>27,610,436</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27,610,436</b>	<b>863,097</b>
Social Work	59,343,530	56,216,333												56,216,333	(3,127,197)
<b>Total Social Work Expenditure</b>	<b>59,343,530</b>	<b>56,216,333</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>56,216,333</b>	<b>-3,127,197</b>
<b>Total Expenditure</b>	<b>243,042,215</b>	<b>244,315,256</b>	<b>0</b>	<b>1,262,332</b>	<b>19,301</b>	<b>72,006</b>	<b>571,540</b>	<b>411,462</b>	<b>0</b>	<b>0</b>	<b>30,000</b>	<b>133,050</b>	<b>0</b>	<b>241,815,565</b>	<b>-1,226,650</b>
<b>Funding</b>															
AEF & NDR Income	192,312,000	192,312,201	2,085,000											192,312,201	(201)
Council Tax	49,867,940	47,674,000												49,759,000	108,940
Budgeted/withdrawn from Earmarked Reserves	6,705,055	6,705,055												6,705,055	0
Supplementary Estimates Approved	32,000	32,000												32,000	0
Budgeted Contribution to General Fund Balance	(2,408,000)	(2,408,000)												-2,408,000	0
<b>Total Funding</b>	<b>246,508,995</b>	<b>244,315,256</b>	<b>2,085,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>246,400,256</b>	<b>108,739</b>
<b>Under/(Overspend)</b>	<b>3,466,780</b>	<b>0</b>	<b>2,085,000</b>	<b>1,262,332</b>	<b>19,301</b>	<b>72,006</b>	<b>571,540</b>	<b>411,462</b>	<b>0</b>	<b>0</b>	<b>30,000</b>	<b>133,050</b>	<b>0</b>	<b>4,584,691</b>	<b>(1,117,911)</b>

## REVENUE BUDGET MONITORING 2018-19 - DEPARTMENTAL OUTTURN SUMMARIES (including Social Work)

Department	Service	Actuals 2018-19	Budget 2018-19	Funds Carried Forward to 2019-20								Adjusted Budget	(Over) / Underspend	Variance %age	Comments/Explanation
				Unspent Grant Monies	Third Party Contributions	CHORD Funding	DMR School Carry Forward	Previous Council Decision	Scottish Government Initiatives	Piers and Harbours Investment Fund	Unspent Budget Proposals				
Chief Executive's Unit	Chief Executive	765,106	871,634		19,301			8,348				843,985	78,879	9.35%	The underspend is due to not filling of posts within Strategic Finance due to the restructuring. Most posts have now been recruited to.
Chief Executive's Unit	Head of Strategic Finance	1,609,062	1,655,282									1,655,282	46,220	2.79%	Outwith reporting criteria
<b>Chief Executive's Unit Total</b>		<b>2,374,168</b>	<b>2,526,916</b>	<b>0</b>	<b>19,301</b>	<b>0</b>	<b>0</b>	<b>8,348</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,499,267</b>	<b>125,099</b>	<b>5.01%</b>	
Education	Head of Education	76,207,424	77,709,354	1,163,379			571,540					75,974,435	(232,988)	(0.31%)	The overspend has arisen as a result of the increased demand within Additional Support Needs. This is expected to be an ongoing pressure and the 2019-20 budget has been adjusted accordingly.
<b>Education Total</b>		<b>76,207,424</b>	<b>77,709,354</b>	<b>1,163,379</b>	<b>0</b>	<b>0</b>	<b>571,540</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>75,974,435</b>	<b>(232,988)</b>	<b>(0.31%)</b>	
Customer Services	Executive Director of Customer Services	18,379,243	19,516,468					181,445				19,335,023	955,780	4.94%	The underspend is due to deductions and delay on the Hub Schools contract amounting to £459k, deductions and insurance savings in the NPDO Schools contract amounting to £391k. There was also an underspend of £62k on utilities in the Surplus Properties account and additional rental income was collected by the One Council Property Team amounting to £83k.
Customer Services	Head of Customer and Support Services	8,646,450	8,819,349	69,453				221,669				8,528,227	(118,223)	(1.39%)	ICT produced an underspend before earmarking of £173k. After earmarking for the Microsoft licensing agreement and £69k for unspent housing benefit grant there is an adjusted overspend variance of £118k.
Customer Services	Head of Facility Services	12,937,328	12,842,067									12,842,067	(95,261)	(0.74%)	There was an overspend in Catering and Cleaning Services of £204k, this was due to additional costs coming through in relation to the pay award and living wages increases. This was offset by an underspend in public transport of £83k and an underspend in Property Services and Live Argyll of £25k.
Customer Services	Head of Governance and Law	1,814,294	1,917,502	29,500								1,888,002	73,708	3.90%	The underspend in Governance and Law after the CCTV earmarking is in relation to savings in staff costs and increased licensing income.
Customer Services	Head of Improvement and HR	2,994,731	3,018,876									3,018,876	24,145	0.80%	Outwith reporting criteria
<b>Customer Services Total</b>		<b>44,772,047</b>	<b>46,114,262</b>	<b>98,953</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>403,114</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45,612,195</b>	<b>840,148</b>	<b>1.84%</b>	
Development and Infrastructure Services	Executive Director of Development and Infrastructure Services	427,362	643,163									643,163	215,800	33.55%	The underspend is due to an overrecovery of vacancy savings within Development & Infrastructure.
Development and Infrastructure Services	Head of Economic Development	4,319,106	4,569,704			72,006						4,497,698	178,592	3.97%	The underspend is due to savings on the payment to Scottish Fire & Rescue in respect of cover at the airports plus an underspend on CHORD salary costs which are covered by capital budgets.
Development and Infrastructure Services	Head of Planning and Regulatory Services	7,034,275	7,436,805						30,000			7,406,805	372,531	5.03%	Increase in income from appraisal of Private Water Supplies and Private Landlord registration and Building Standards plus underspends in Housing Services.
Development and Infrastructure Services	Head of Roads and Amenity Services	21,816,965	21,488,284							133,050		21,355,234	(461,731)	(2.16%)	Overspends in Winter Maintenance, Street Lighting, Roads Maintenance and Ferries partially offset by underspends in Piers and Harbours and Waste PPP.
<b>Development and Infrastructure Services Total</b>		<b>33,597,708</b>	<b>34,137,956</b>	<b>0</b>	<b>0</b>	<b>72,006</b>	<b>0</b>	<b>0</b>	<b>30,000</b>	<b>133,050</b>	<b>0</b>	<b>33,902,900</b>	<b>305,191</b>	<b>0.90%</b>	
<b>Total Departmental Expenditure</b>		<b>156,951,346</b>	<b>160,488,488</b>	<b>1,262,332</b>	<b>19,301</b>	<b>72,006</b>	<b>571,540</b>	<b>411,462</b>	<b>30,000</b>	<b>133,050</b>	<b>0</b>	<b>157,988,797</b>	<b>1,037,450</b>	<b>0.66%</b>	

## REVENUE BUDGET MONITORING 2018-19 - DEPARTMENTAL OUTTURN SUMMARIES (including Social Work)

Department	Service	Actuals 2018-19	Budget 2018-19	Funds Carried Forward to 2019-20								Adjusted Budget	(Over) / Underspend	Variance %age	Comments/Explanation
				Unspent Grant Monies	Third Party Contributions	CHORD Funding	DMR School Carry Forward	Previous Council Decision	Scottish Government Initiatives	Piers and Harbours Investment Fund	Unspent Budget Proposals				
Social Work	Chief Officer Integration	839,306	(232,411)									(232,411)	(1,071,717)	461.13%	The overspend is a combination of the unidentified savings total, slippage on agreed savings and a higher than expected bad debt provision charge. These are partially offset by underspends arising from higher than budgeted vacancy savings, slippage on the Community Services Investment Fund expenditure and the recognition that additional funding provided for superannuation costs related to auto-enrolment exceeded the actual cost.
Social Work	Head of Adult Services	44,207,441	42,557,714									42,557,714	(1,649,727)	(3.88%)	The overspend arises mainly due to higher than budgeted demand for service and/or slippage on the delivery of agreed savings on: supported living services for people with learning and physical disabilities, residential care services for people with learning disabilities, home care services for older people and increased costs within the partnership's older people's care homes. These are partially offset by underspends on: externally purchased care home services and progressive care for older people, assessment and care management, respite and day services for people with learning disabilities and supported living, assessment and care management, externally purchased care home placements and community support services for people with mental health needs.
Social Work	Head of Children and Families	13,911,581	13,508,489									13,508,489	(403,092)	(2.98%)	The overspend arises mainly due to higher demand and slippage on the delivery of agreed savings on external care home placements for looked after children and increased costs within the adoption and care and reviewing officer services. These are partially offset by underspends on criminal justice, children with a disability and contact and welfare services.
Social Work	Head of Strategic Planning and Performance	385,202	382,541									382,541	(2,661)	(0.70%)	Outwith reporting criteria
<b>Social Work Total</b>		<b>59,343,530</b>	<b>56,216,333</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>56,216,333</b>	<b>(3,127,197)</b>	<b>(5.56%)</b>	
<b>Total</b>		<b>216,294,876</b>	<b>216,704,820</b>	<b>1,262,332</b>	<b>19,301</b>	<b>72,006</b>	<b>571,540</b>	<b>411,462</b>	<b>30,000</b>	<b>133,050</b>	<b>0</b>	<b>214,205,129</b>	<b>(2,089,747)</b>	<b>(0.98%)</b>	

Reporting Criteria: +/- £50k OR +/- 10%