

**REVENUE BUDGET MONITORING – FOR THE YEAR 2019-20**

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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 2019-20. The report also summarises the movement in the General Fund balance.
- 1.2 The performance against budget for financial year 2019-20 was an overall underspend of £0.502m (0.20%).
- 1.3 After accounting for automatic and proposed earmarked reserve proposals, there is a net underspend of £0.626m in relation to Council services departmental expenditure, a net underspend of £0.975m in relation to other central costs and a net over recovery of income of £0.042m. Social Work, managed by the Health and Social Care Partnership were also overspent by £1.141m.
- 1.4 The General Fund Balance has moved from £49.480m at the end of financial year 2018-19 to £49.670m at the end of 2019-20. The movement represents an increase of £0.190m which is due to 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 £43.375m from the General Fund balance, leaving £6.295m unallocated. Of this £4.929m is required to be held as the General Fund contingency, leaving an unallocated balance of £1.366m.

REVENUE BUDGET MONITORING – FOR THE YEAR 2019-20

2. INTRODUCTION

2.1 This report summarises the revenue budget position of the Council as at the end of the financial year 2019-20. 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 2019-20.

3.2 Members to note that the unallocated balance within the General Fund as at 31 March 2020, after taking into account the contingency, amounts to £1.366m.

4. DETAIL

4.1 Final Outturn Variance (Un-audited)

4.1.1 The performance against budget for the financial year 2019-20 was an overall underspend of £0.502m (0.20%). A summary of the final outturn position is noted within the table below.

Final Outturn Variance (Un-audited)				
2019/20				
Department	Actuals	Budget	Variance	Percentage
		Adjusted for Earmarkings	(Overspend) Underspend	
	£000	£000	£000	%
Chief Executive's Unit	5,013	5,006	(7)	(0.14%)
Executive Director (Douglas Hendry)	106,851	107,475	625	0.58%
Executive Director (Kirsty Flanagan)	46,466	46,474	8	0.02%
<b>Total Departmental Expenditure</b>	<b>158,330</b>	<b>158,955</b>	<b>626</b>	<b>0.39%</b>
Joint Boards	1,465	1,456	(9)	(0.62%)
Loans Charges	18,325	20,693	2,368	11.44%
Pension Costs	2,462	1,555	(907)	(58.33%)
Other	7,936	7,459	(477)	(6.40%)
<b>Total Central Expenditure</b>	<b>30,188</b>	<b>31,163</b>	<b>975</b>	<b>3.13%</b>
Social Work	59,946	58,805	(1,141)	(1.94%)
<b>Total Social Work Expenditure</b>	<b>59,946</b>	<b>58,805</b>	<b>(1,141)</b>	<b>(1.94%)</b>
<b>Total Expenditure</b>	<b>248,464</b>	<b>248,923</b>	<b>460</b>	<b>0.19%</b>
Total Funding	261,983	261,941	42	0.02%
<b>UNDERSPEND</b>			<b>502</b>	

## **4.2 Council Departmental Budget Outturn**

4.2.1 The performance against budget shows departmental controllable expenditure being £0.626m (0.39%) under budget. Included in this outturn position is an adjustment to update the 2019-20 budget to reflect the new earmarking at the year-end, these new earmarkings total £6.671m.

4.2.2 There are a number of over and underspends across Council services that have resulted in an overall adjusted underspend of £0.626m on departmental expenditure, this is after earmarking has been taken into consideration. The main underspend that has not been utilised towards earmarking is in relation to contract efficiencies and savings in both the NPDO and Hub DBFM contracts. The team continue to be successful in bringing these annual payments in under budget through contract management during the year.

## **4.3 Central Budget Outturn**

4.3.1 The performance against budget for central/non-departmental expenditure was a net underspend of £0.975m (3.13%). Included in this outturn position is an adjustment to update the 2019-20 budget to reflect the new earmarking at the year-end, these new earmarkings total £4.211m. The main reasons giving rise to this underspend are noted below:

- There is an underspend of £2.367m on the loans fund, as previously reported to Council. This underspend has arisen due to the Loans Fund review that was approved by Council on 27 February 2020 and gave rise to savings within 2019-20 and future years.
- There is a net expenditure within Severance and Unfunded Pensions of £0.907m due to the costs absorbed in-year of redundancies linked to the delivery of the Council's savings programme.
- There is an overspend in other services of £0.477m due to unachieved procurement savings, a provision for a VAT misdeclaration, VAT advisor fees, insurance and bank charges which are offset by underspends in NDR budgets.

## **4.4 Social Work Outturn**

4.4.1 Social Work Services managed by the Integrated Joint Board (IJB), were overspent by £1.141m (1.94%). 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 in future years with the repayment timescale agreed between the Council and IJB.

4.4.2 The main areas of overspend were in Learning Disability, Physical Disability, Looked After Children, Older People and Children and Families Management arising from a combination of slippage on the delivery of planned savings and increased demand for services. These overspends are partially offset by underspends against the Chief Officer, Child Protection, Mental Health, Criminal Justice, Children with a Disability and Adult Services Management arising from a combination of higher than expected vacancy savings, lower than expected demand for services, lower transport related costs and higher than expected income.

#### 4.5 Funding Budget Outturn

4.5.1 The performance against budget for funding was a net underspend/over-recovery of income of £0.042m. Included in this outturn position is an adjustment to update the 2019-20 budget to reflect the new automatic earmarking at the year-end, these new earmarkings total £2.136m and relate solely to the Strategic Housing Fund.

4.5.2 There is a year-end favourable position in relation to NDR income that the Council is able to retain through the Business Rates Incentive Scheme (BRIS) due to the buoyancy target set by the government being exceeded, it is measured by the increase in the local NDR tax base in the year.

4.5.3 There is a year-end adverse position in relation to Council Tax of £0.060m where collections have been lower than the budget. During the year an under-recovery was anticipated but despite still coming in lower than budget the year-end outturn was better than anticipated.

#### 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 reflects earmarked reserve withdrawals and contributions. The General Fund balance at 31 March 2019 was £49.480m and has increased by £0.190m to £49.670m as at 31 March 2020. The movement in the balance is summarised in the table below.

	£m
Balance on General Fund 31 March 2019	49.480
Budgeted surplus	0.212
Part Repayment of Social Work overspend 2017/18	0.100
Supplementary estimates June 19	(0.094)
Released sums earmarked to service budgets 2019-20	(13.548)
Contributions to earmarked reserves 2019-20	13.018
Overall budget underspend as above	0.502
<b>Balance on General Fund 31 March 2020</b>	<b>49.670</b>

4.6.2 The closing balance on the General Fund as at 31 March 2020 is £49.670m. Of this, £43.375m is earmarked for specific purposes and £4.929m is required to

be held as the General Fund contingency, leaving an unallocated balance of £1.366m as shown in the table below.

	£m
Balance on General Fund 31 March 2020	49.670
Earmarked balances at 31 March 2020 (as per Earmarked Reserves report)	(43.375)
Contingency balance (2.0% of net expenditure)	(4.929)
<b>Unallocated balance as at 31 March 2020</b>	<b>1.366</b>

4.6.3 The £1.366m unallocated balance as at 31 March 2020 is a decrease of £0.340m from the £1.706m unallocated balance as at 31 March 2019, but an increase on the anticipated balance following the Council's budget setting in February this year. The balance takes account of a further year's overspend on Social Work services that will require to be repaid in future years.

4.6.4 The Council continue to have robust financial management arrangements and it is vital that these continue to be in place, particularly as the Council are facing financial challenges around the recovery and how services may need to be adapted as a result of the COVID-19 pandemic. This unallocated balance is relatively small when considering the possible financial implications in respect of the recovery from COVID-19 and the uncertainty as to whether any further funding will be forthcoming from the Government.

## 5. CONCLUSION

5.1 The performance against budget for financial year 2019-20 was an overall underspend of £0.502m (0.20%). The General Fund balance has increased by £0.190m which reflects the contributions to and from earmarked reserves and the favourable year-end underspend 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 2019-20 and the movement in the General Fund balance
6.3	Legal	None
6.4	HR	None
6.5	Fairer Scotland Duty	None
6.5.1	Equalities	None
6.5.2	Socio-Economic Duty	None
6.5.3	Islands Duty	None
6.6	Risk	None
6.7	Customer Services	None

**Kirsty Flanagan**  
**Section 95 Officer**  
**3 June 2020**

**Councillor Gary Mulvaney, Policy Lead for Financial Services and Major Projects**

**APPENDICES**

Appendix 1 – Overall Revenue Budget Monitoring Statement 2019-20

Appendix 2 – Department 2019-20 Outturn Summaries.

Department	Actual 2019/20	Budget 2019/20	Adjustment for Funds Earmarked in General Fund Reserve											Adjusted Budget 2019/20	"Real Variance" (Over)/underspend	Comment		
			Income from council tax on 2nd homes	Unspent Grant monies carried forward to 2020/21	Third Party Contributions carried forward to 2020/21	CHORD	DMR School Carry Forwards	Previous Council Decision	Energy Reinvestment Fund	Existing Legal Commitments	Scottish Government Initiatives carried forward to 2020/21	Piers and Harbours Surplus	Loans Fund Review Gain				NEW Unspent Budget Proposals	
Expenditure	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£		
Chief Executive's Unit	5,013,464	5,291,662		61,678	10,936			3,162							209,644	5,006,242	(7,222)	There has been an over-recovery of vacancy savings of £0.116m. Within Community Planning and Development, there was an underspend relating to a potential restructure which cannot go ahead so alternative spend to support the work of the team will be taken forward in 20/21. Within Financial Services, Non Domestic Rates Relief spend was below budget due to a reduction in rateable value of properties in receipt of discretionary relief and therefore a reduction in the cost of relief that the Council has to pay. There is a net overspend at year end because there is an earmarked reserve set aside to support information management which has been allocated to the Chief Executive.
Executive Director (Douglas Hendry)	106,850,604	112,155,570		2,388,209			849,030		81,634		505,000			856,398	107,475,299	624,695	Within Legal and Regulatory Support, a £0.541m underspend from previously reported one-off contract efficiencies and savings in NPDO and Hub DBFM contracts. Also staff underspends due to difficulties recruiting staff and agency workers. Within Education £0.059m underspend from Community Learning, where vacant posts were not filled on temporary basis due to posts forming part of the savings plan for 2020/21.	
Executive Director (Kirsty Flanagan)	46,465,710	48,179,660		489,060		71,388		263,857				367,750		513,513	46,474,092	8,382	A number of balancing variances within the department.	
<b>Total Departmental Expenditure</b>	<b>158,329,778</b>	<b>165,626,892</b>	<b>0</b>	<b>2,938,947</b>	<b>10,936</b>	<b>71,388</b>	<b>849,030</b>	<b>267,019</b>	<b>81,634</b>	<b>0</b>	<b>505,000</b>	<b>367,750</b>	<b>0</b>	<b>1,579,555</b>	<b>158,955,633</b>	<b>625,855</b>		
Joint Boards	1,465,007	1,456,371												1,456,371		(8,636)	Valuation Joint Board actual costs greater than budget.	
Loans Fund	18,325,247	24,611,090											2,700,000	1,218,172	20,692,918	2,367,671	£2.367m saving offered up as part of Loans Fund Review plus additional further savings of £1.174m due better investment returns than budgeted and lower costs of borrowing.	
Redundancy Costs	2,461,565	1,554,768												1,554,768		(906,797)	2019-20 redundancies packages beyond provision set up and 2020-21 redundancies already planned that have to be accounted in 2019-20. These are absorbed within the council's overall outturn position	
Other	7,936,258	7,751,331									62,500	0	0	230,000	7,468,831	(477,427)	Overspends due to unachieved procurement savings, provision for VAT misdeclaration, VAT advisor fees, insurance and bank charges which are offset by savings in NDR.	
<b>Total Central Expenditure</b>	<b>30,188,077</b>	<b>35,373,561</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>62,500</b>	<b>0</b>	<b>2,700,000</b>	<b>1,448,172</b>	<b>31,162,889</b>	<b>974,812</b>		
Social Work	59,945,741	58,804,993												58,804,993		(1,140,748)	Overspend as a result of unachieved efficiency savings and higher than budgeted demand across Learning Disability, Physical Disability and Children's External Residential placements. This is partially offset by underspends spread across other activities most significantly due to the impact of high levels of staffing vacancies during the year.	
<b>Total Social Work Expenditure</b>	<b>59,945,741</b>	<b>58,804,993</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>58,804,993</b>	<b>(1,140,748)</b>			
<b>Total Expenditure</b>	<b>248,463,596</b>	<b>259,805,446</b>	<b>0</b>	<b>2,938,947</b>	<b>10,936</b>	<b>71,388</b>	<b>849,030</b>	<b>267,019</b>	<b>81,634</b>	<b>0</b>	<b>567,500</b>	<b>367,750</b>	<b>2,700,000</b>	<b>3,027,727</b>	<b>248,923,515</b>	<b>459,919</b>		
<b>Funding</b>																		
AEF & NDR Income	196,118,333	196,017,078												196,017,078		101,255	NDR income the Council is able to retain through the Business Rates Incentive Scheme (BRIS). This relates to the buoyancy target set by the government being exceeded, measured by the increase in the local NDR tax base in the year.	
Council Tax	52,533,331	50,457,000	2,136,000											52,593,000		(59,669)	Council tax was projecting an overspend of £0.140m so the actual outturn is slightly better than expected.	
Budgeted/withdrawn from Earmarked Reserves	13,549,206	13,549,206												13,549,206		0		
Supplementary Estimates Approved	0	0												0		0		
Budgeted Contribution to General Fund Balance	(217,838)	(217,838)												-217,838		0		
<b>Total Funding</b>	<b>261,983,032</b>	<b>259,805,446</b>	<b>2,136,000</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>261,941,446</b>	<b>41,586</b>			
<b>Under/(Overspend)</b>	<b>13,519,436</b>	<b>0</b>	<b>2,136,000</b>	<b>2,938,947</b>	<b>10,936</b>	<b>71,388</b>	<b>849,030</b>	<b>267,019</b>	<b>81,634</b>	<b>0</b>	<b>567,500</b>	<b>367,750</b>	<b>2,700,000</b>	<b>3,027,727</b>	<b>13,017,931</b>	<b>501,505</b>		

Department	Service	Actual 2019/20	Budget 2019/20	Funds carried forward to 2020/21										Adjusted Budget 2019/20	(Over)/ Underspend	Variance %age	Comment	
				Income from council tax on 2nd homes	Unspent Grant monies carried forward to 2020/21	Third Party Contributions carried forward to 2020/21	CHORD	DMR School Carry Forwards	Previous Council Decision	Energy Reinvestment Fund	Scottish Government Initiatives carried forward to 2020/21	Piers and Harbours Surplus	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>	<b>£</b>		
Chief Executive's Unit	Chief Executive	916,068	983,078			10,936				3,162				209,644	759,336	(156,732)	-20.64%	Within Community Planning and Development, there was an underspend relating to a potential restructure which cannot go ahead so alternative spend to support the work of the team will be taken forward in 20/21. There is a net overspend at year end because there is ...
Chief Executive's Unit	Head of Financial Services	4,097,396	4,308,584		61,678										4,246,906	149,510	3.52%	Over-recovery of vacancy savings for the Chief Executive's Unit as a whole (£0.116m). Non Domestic Rates Relief spend was below budget due to a reduction in rateable value of properties in receipt of discretionary relief and therefore a reduction in the cost of relief that the Council has to pay
<b>Chief Executive's Unit Total</b>		<b>5,013,464</b>	<b>5,291,662</b>	<b>0</b>	<b>61,678</b>	<b>10,936</b>	<b>0</b>	<b>0</b>	<b>3,162</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>209,644</b>	<b>5,006,242</b>	<b>(7,222)</b>	<b>-0.14%</b>		
Executive Director (Douglas Hendry)	Executive Director (Douglas Hendry)	317,077	340,974											340,974	23,897	7.01%	Outwith reporting criteria	
Executive Director (Douglas Hendry)	Head of Commercial Services	8,257,025	8,964,784							81,634				626,073	8,257,077	52	0.00%	Outwith reporting criteria
Executive Director (Douglas Hendry)	Head of Education	80,322,791	84,095,025		2,358,709					849,030					80,382,286	59,495	0.07%	Community Learning-vacant posts not filled on temporary basis as posts form part of savings plan for 2020-21.
Executive Director (Douglas Hendry)	Head of Legal and Regulatory Support	17,953,711	18,754,786		29,500									230,325	18,494,961	541,251	2.93%	Previously reported one off contract efficiencies and savings in NPDO and hub DBFM contracts and staff underspend due to difficulties recruiting staff & agency workers.
<b>Executive Director (Douglas Hendry) Total</b>		<b>106,850,604</b>	<b>112,155,570</b>	<b>0</b>	<b>2,388,209</b>	<b>0</b>	<b>0</b>	<b>849,030</b>	<b>0</b>	<b>81,634</b>	<b>505,000</b>	<b>0</b>	<b>856,398</b>	<b>107,475,299</b>	<b>624,695</b>	<b>0.58%</b>		
Executive Director (Kirsty Flanagan)	Executive Director (Kirsty Flanagan)	614,297	534,201											534,201	(80,097)	-14.99%	Increase in provision for bad debts partially offset by an over recovery of vacancy savings	
Executive Director (Kirsty Flanagan)	Head of Customer Support Services	7,505,431	7,797,060		12,287					263,857					7,520,916	15,485	0.21%	Outwith reporting criteria
Executive Director (Kirsty Flanagan)	Head of Development and Economic Growth	9,412,789	10,183,729		226,909		71,388							76,818	9,808,614	395,825	4.04%	Additional income received in environmental health for appraisal of water supplies, Building standards and Development Management plus payments to Scottish Fire and rescue less than previous year's accrual.
Executive Director (Kirsty Flanagan)	Head of Roads and Infrastructure Services	28,933,193	29,664,671		249,864								367,750	436,695	28,610,362	(322,831)	-1.13%	There are a number of balancing variances within the service, the most significant relates to increased maintenance costs of fleet and loss of car parking income.
<b>Executive Director (Kirsty Flanagan) Total</b>		<b>46,465,710</b>	<b>48,179,660</b>	<b>0</b>	<b>489,060</b>	<b>0</b>	<b>71,388</b>	<b>0</b>	<b>263,857</b>	<b>0</b>	<b>0</b>	<b>367,750</b>	<b>513,513</b>	<b>46,474,092</b>	<b>8,382</b>	<b>0.02%</b>		
<b>Total Departmental Expenditure</b>		<b>158,329,778</b>	<b>165,626,892</b>	<b>0</b>	<b>2,938,947</b>	<b>10,936</b>	<b>71,388</b>	<b>849,030</b>	<b>267,019</b>	<b>81,634</b>	<b>505,000</b>	<b>367,750</b>	<b>1,579,555</b>	<b>158,955,833</b>	<b>625,855</b>	<b>0.39%</b>		
Social Work	Chief Officer Integration	800,027	1,504,175											1,504,175	704,148	46.81%	Underspend arises due to higher than budgeted vacancy savings and surplus funding from the Frank's Law allocation to Argyll and Bute partially offset by slippage on the delivery of savings and higher than budgeted spending on bad debt provision, central repairs, recruitment and computer software costs.	
Social Work	Head of Adult Services	45,091,989	43,332,504												43,332,504	(1,759,485)	-4.06%	Overspend arises due to a combination of higher than budgeted demand for services and slippage on the delivery of savings in Learning Disability, Older People and Physical Disability services partially offset by an underspend on Mental Health services and Adult Services Management.
Social Work	Head of Children and Families and Community Justice	13,643,062	13,554,532												13,554,532	(88,530)	-0.65%	Overspend arises due to a combination of higher than budgeted demand for services and slippage on the delivery of savings in Looked After Children and Children and Families Management offset by underspends in Child Protection, Criminal Justice and Children with a Disability.
Social Work	Head of Strategic Planning and Performance	410,663	413,782												413,782	3,119	0.75%	Outwith reporting criteria
<b>Total Social Work Expenditure</b>		<b>59,945,741</b>	<b>58,804,993</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>58,804,993</b>	<b>(1,140,748)</b>	<b>-1.94%</b>		
<b>Total Expenditure</b>		<b>218,275,519</b>	<b>224,431,885</b>	<b>0</b>	<b>2,938,947</b>	<b>10,936</b>	<b>71,388</b>	<b>849,030</b>	<b>267,019</b>	<b>81,634</b>	<b>505,000</b>	<b>367,750</b>	<b>1,579,555</b>	<b>217,760,626</b>	<b>(514,893)</b>	<b>-0.24%</b>		