

## EAST AYRSHIRE COUNCIL

CABINET 26 JANUARY 2011

### 2010/2011 REVIEW OF DEPARTMENTAL BALANCES

#### Report by the Executive Director of Finance and Corporate Support

#### 1. PURPOSE OF REPORT

- 1.1 To allow Members to review departmental balances following the completion of the audit of the 2009/2010 Statement of Accounts.

#### 2. BACKGROUND

- 2.1 The Council's Reserves and Balances Strategy approved at Cabinet on 10 February 2010 allows departmental bottom line underspends arising from managed savings to be carried forward for use in future periods on non-recurring or fixed term projects or to assist in aligning services with resources available over the three year budget period. In addition departments require to carry forward sums earmarked against specific initiatives or liabilities.
- 2.2 Departments should hold no more than 4% of revenue expenditure in uncommitted balances. The Strategy requires the Cabinet to review balances on an annual basis following the conclusion of the audit of accounts.
- 2.3 The 2009/2010 audited Statement of Accounts highlights Council Reserves of £54.071m, of which earmarked balances and commitments totalled £17.616m and a General Fund uncommitted balance of £8.987m at 31 March 2010 as shown in the table below.

Reserve	Balance per Statement of Accounts £m
Renewals & Repairs	7.310
Capital Fund	16.279
Housing Revenue Account	3.879
General Fund Uncommitted	8.987
General Fund Committed	17.616
<b>Total</b>	<b>54.071</b>

- 2.4 Balances earmarked for specific initiatives are drawn down as they are completed. The actual position changes on an ongoing basis therefore and the current position as at period 9 (12 December 2010) is shown in the table below.

Department	Balance per Statement of Accounts £m	2010/11 Reallocated Balances £m	Utilised in 2010/11 £m	Current Balance £m
Education and Social Services	1.939	(0.114)	(0.566)	1.259
Neighbourhood Services	3.940	0.000	(0.571)	3.369
Finance and Corporate Support	5.331	0.000	(2.074)	3.257
Other Central Balances	6.406	0.114	(0.789)	5.731
<b>Total</b>	<b>17.616</b>	<b>0.000</b>	<b>(4.000)</b>	<b>13.616</b>

### 3. STRATEGY

- 3.1 Funding for local government has reduced significantly in 2011/12 and this is expected to continue over the next few years. The impact on the Council will be a reduction in grant currently estimates in cash terms of £14m by 2013/14. To achieve such a reduction in costs whilst continuing to provide services and address key priorities will require extensive service re-design. This will involve major change and will result in potentially significant one-off costs to the Council for example, severance payments and bridging finance to maintain services during the period of implementation. These initial costs would allow the necessary changes to take place and generate significant recurring savings in future years. The source of this funding would be the Council's General Fund Uncommitted balance.
- 3.2 In reviewing balances this has been borne in mind and efforts have been made to maximise the uncommitted balance.

### 4. PROPOSALS

- 4.1 A detailed examination of balances held and the continuing need for them was undertaken by each Executive Director in consultation with the Chief Executive and Head of Finance. The resulting proposals are presented for consideration by the Cabinet.
- 4.2 The review has resulted in £1.384m of balances being identified for transfer to the General Fund Uncommitted balance as these funds are either no longer required or the original commitment has been met from other departmental resources.

4.3 The table below summarises the proposed position with further details of specific balances held by each department in Appendix 1.

Department	Current Balance £m	Released to General Fund £m	Revised Balance £m	Earmarked £m	Uncommitted £m	Total £m
Education and Social Services	1.259	(0.859)	0.400	0.400	0.000	0.400
Neighbourhood Services	3.369	(0.153)	3.216	3.216	0.000	3.216
Finance and Corporate Support	3.257	(0.295)	2.962	2.962	0.000	2.962
Other Central Balances	5.731	(0.077)	5.654	5.654	0.000	5.654
<b>Total</b>	<b>13.616</b>	<b>(1.384)</b>	<b>12.232</b>	<b>12.232</b>	<b>0.000</b>	<b>12.232</b>

4.4 It is proposed that the previously uncommitted Neighbourhood Services balance of £0.247m is reallocated within Neighbourhood Services to increase the Winter Maintenance Contingency. This is in addition to the £0.500m approved by Cabinet on 16 June 2010.

4.5 It is proposed that previously uncommitted and de-committed balances within Finance and Corporate Support are retained to fund a number of specific activities:

- Creating a temporary HR Organisational Change Support Team;
- Provision for Council Election costs;
- Procurement and Implementation of integrated HR / Payroll solution.

## 5. GENERAL FUND UNCOMMITTED BALANCE

5.1 The General Fund Uncommitted balance at 31 March 2010 amounted to £8.987m and during the current financial year commitments of £0.308m have been approved by Council, leaving the General Fund Uncommitted total at £8.679m.

5.2 When added to the reallocated funding of £1.384m identified above, the balance is £10.063m. This equates to 3.0% and is within the range specified in the Council's Reserve Strategy which sets an optimum level of between 2% and 4% of net budgeted expenditure (between £6.788m and £13.575m).

5.3 The 2010/11 in-year projected surplus of £2.649m at period 9 has the potential to increase the General Fund Uncommitted balance to £12.712m, which equates to 3.8% and remains within the specified range.

5.4 The draft budget agreed by Cabinet on 1 December 2010 for consultation indicated the potential of up to 220 severances. At current average prices this would cost the Council approximately £8.8m, and if met in-year would significantly reduce the General Fund Uncommitted Balance to £3.912m or 1.17% which is below the threshold set as part of the Reserves Strategy.

## **6. RECOMMENDATIONS**

6.1 It is recommended that Members

- (i) approve the transfers detailed at paragraph 4.3 totalling £1.384m;
- (ii) approve the reallocation of balances at paragraph 4.4 and 4.5 and;
- (v) otherwise note the contents of the report.

**Alex McPhee**  
**Executive Director of Finance and Corporate Support**  
**19 January 2011**

### **LIST OF BACKGROUND PAPERS**

Any person wishing further information should contact Craig McArthur  
Head of Finance (Tel 01563 576300).

<b>EDUCATIONAL AND SOCIAL SERVICES – REVIEW OF DEPARTMENTAL BALANCES</b>
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BALANCE DETAILS	CABINET	BALANCE AT REVIEW £	COMMENTS	PROPOSED REALLOCATION £	REVISED BALANCE £
1.School Carry Forward	17/06/2009	400,000	Balance retained by Department	-	400,000
2.CC Adults- Kilmaurs Ind Living – refurbish respite house	17/06/2009	65,540	Balance released to General Fund Uncommitted balance. Alternative arrangements to be made at Ross Court. Property to be returned to letting pool.	(65,540)	-
3.School Carry Forward (09/10)	16/06/2010	490,420	Balance released to General Fund Uncommitted balance	(490,420)	-
<b>Total Earmarked</b>		<b>955,960</b>		<b>(555,960)</b>	<b>400,000</b>
4.Uncommitted Balance		302,665		(302,665)	-
<b>Total</b>		<b>1,258,625</b>		<b>(858,625)</b>	<b>400,000</b>

## NEIGHBOURHOOD SERVICES – REVIEW OF DEPARTMENTAL BALANCES

BALANCE DETAILS	CABINET	BALANCE AT REVIEW £	COMMENTS	PROPOSED REALLOCATION £	REVISED BALANCE £
5 Streetsport Cages	19/11/2008	100,000	Part balance retained for maintenance of Multi Use Games Areas (MUGAs) Required for maintenance and repair of Streetsport cages and provision of playpark at Gargieston as per Cabinet of 17 June 2009.	(15,000)	85,000
6 Leisure Facilities - PPP schools	19/11/2008	51,000	Balance released to General Fund Uncommitted balance	(51,000)	-
7 Roads Asset Management Costing System	19/11/2008	60,000	The Roads Costing system (both in terms of its software and the computer it uses) is over 15 years old. The software is too old to install on a newer server so it must remain on the current one. North Ayrshire Council is presently appraising a new system and if it proves successful Roads Service will also procure it. Balance retained.	-	60,000
8 Museums– Unsigned Unlimited Youth Music Project	17/06/2009	3,012	Balance of external funding retained for multi annual project. If unspent this balance would be returned to funder. Balance retained.	-	3,012
9 Private Sector Housing Grant	16/06/2010	323,836	Balance held to fund loans to applicants under new Scheme of Assistance. However Scottish Government guidance yet to be published. Balance retained	-	323,836
10 Supporting People	19/11/2008	33,812	Funding to be used to support new Throughcare and Aftercare accommodation provision being developed jointly with Social Work. Balance released to General Fund Uncommitted balance.	(33,812)	-
11 Private Landlord Registration	19/11/2008	20,000	Balance held to offset costs incurred in 3 year renewal requirements for mandatory private landlord registration scheme. Balance released to General Fund Uncommitted balance	(20,000)	-
12 Zero Waste Fund 2009-10 (E)	16/06/2010	225,108	Balance required to fund anticipated roll-out of Food / Plastic waste collection scheme across East Ayrshire. Balance retained.	-	225,108
13 Kilmaurs Hostel - Fire alarm alterations & warden call service(FP)	16/06/2010	9,500	Earmarked balance required in respect of alterations to hostel to address health and safety concerns. Work is currently being undertaken. Balance retained.	-	9,500

## NEIGHBOURHOOD SERVICES – REVIEW OF DEPARTMENTAL BALANCES

BALANCE DETAILS	CABINET	BALANCE AT REVIEW £	COMMENTS	PROPOSED REALLOCATION £	REVISED BALANCE £
14 Roads -SCOOT System transfer to Strand Street (FP)	16/06/2010	20,000	Scoot system will be transferred to Strand Street when Roads and Transportation move in February 2011. Balance retained.	-	20,000
15 Roads - Essential Repairs to Salt Domes at Gauchalland and Underwood Depots (FP)	16/06/2010	20,000	Essential repairs required completion before start of winter. 85% complete. Balance retained.	-	20,000
16 Roads - Safety Barriers for Bridge Working (FP)	16/06/2010	10,600	Special barriers required for safety of workforce and motorists at bridge repair sites. . Balance retained	-	10,600
17 Roads - Weather Station Camera Upgrade (FP)	16/06/2010	10,000	Cameras upgraded prior to start of winter to improve winter maintenance management. . Balance retained	-	10,000
18 Roads - Bays to Separate Waste Material (FP)	16/06/2010	16,000	Work on bays to meet waste management regulations. Completed prior to commencement of construction of new depot facilities. . Balance retained	-	16,000
19 Roads - Traffic Mgt Health & Safety Training (FP)	16/06/2010	16,000	Essential health and safety training for workforce 95% completed. . Balance retained	-	16,000
20 Roads - Variable Sign Messages (FP)	16/06/2010	16,000	Signs procured to improve information to public on road closures and emergency incidents. . Balance retained	-	16,000
21 Winter Maintenance Contingency	16/06/2010	500,000	Balance required in the event of extreme winter conditions. Uncommitted departmental balances used to supplement original amount. .	246,730	746,730
22 Fairer Scotland Funds - CARS	17/06/2009	41,820	Balance fully committed as match funding for the Kilmarnock Conservation Area Regeneration Scheme and must be spent by 31 March 2011. Contribution committed to Strand Street bonded warehouse grant. . Balance retained	-	41,820
23 Scottish Enterprise Contribution towards "Kilmarnock Building our Future" -CARS/THI	17/06/2009	199,195	Balance fully committed as match funding for Kilmarnock Conservation Area Regeneration Scheme and Townscape Heritage Initiative. [Scottish Enterprise Contribution towards "Kilmarnock Building our Future".] Contribution towards a variety of projects in particular Opera House site. . Balance retained	-	199,195
24 Cumnock CARS Bid - Council contribution	19/11/2008	251,570	Balances retained as match funding for the Cumnock CARS grant award from Historic Scotland (5 year programme commenced March 2009). Details in Cumnock CARS December 2010 Cabinet report. . Balance retained	-	251,570

## NEIGHBOURHOOD SERVICES – REVIEW OF DEPARTMENTAL BALANCES

BALANCE DETAILS	CABINET	BALANCE AT REVIEW £	COMMENTS	PROPOSED REALLOCATION £	REVISED BALANCE £
25 Cumnock Regeneration	19/11/2008	80,000	Balance required as contingency for Cumnock Town Centre Regeneration. Previously allocated for office development, but scope has now been widened. . Balance retained	-	80,000
26 Fairer Scotland Funds - Restoring Communities	17/06/2009	36,095	Fully committed to activities in 2009/10 under the Restoring Communities Programme including NW Kilmarnock footpath, extension to Galston TCRF contract. Must be spent by 31 March 2011. . Balance retained	-	36,095
27 Auchinleck Community Gardening Initiative	19/11/2008	30,000	Balance retained to contribute towards installation and operating costs of Auchinleck Community Development Initiative including the Trim Trail under the Restoring Communities Programme. Already paid out £25,000. . Balance retained	-	30,000
28 Newmilns Townscheme (Cabinet 2/07/08 & 22/04/09)	17/06/2009	21,847	£8,000 committed as grant to a property owner with remainder committed as match funding for Historic Scotland bid. Remaining balance proposed as contingency for Daldorch Footbridge. . Balance retained	-	21,847
29 Catrine Heritage Project	19/11/2008	59,150	This balance was retained for Catrine Heritage project HLF bid. Funds now required for new phase of Catrine CEHP - agreed at Cabinet 15 September 2010. . Balance retained	-	59,150
30 Daldorch Footbridge (Cabinet 2/07/08 and 22/04/09)	17/06/2009	50,000	Purchase of replacement footbridge complete. Full amount required to fund the procurement and removal of original footbridge. . Balance retained	-	50,000
31 Business Grants	17/06/2009	68,485	Balance held as contingency for additional Business Grants demand. Business Development and Tourism Manager has indicated that these funds will be fully committed by 31 March 2011. . Balance retained	-	68,485
32 Dangerous Buildings	17/06/2009	103,902	Balance committed to statutory direct actions where full recovery will not be realised. . Balance retained	-	103,902
33 Local Plan - Public Local Inquiry (PLI)	17/06/2009	33,140	PLI now complete; judicial review may be required. Balance required for printing and distributing Local Plan (approx £10k); remaining balance may also be required for judicial review of Local Plan. Balance released to the General Fund.	(33,140)	-

## NEIGHBOURHOOD SERVICES – REVIEW OF DEPARTMENTAL BALANCES

BALANCE DETAILS	CABINET	BALANCE AT REVIEW £	COMMENTS	PROPOSED REALLOCATION £	REVISED BALANCE £
34 P&ED: FSF - Restoring Communities (E)	16/06/2010	51,865	Contribution to NW Kilmarnock footpath, Catrine Community Trust, and CARS staff costs. Balance retained	-	51,865
35 P&ED: Galston TCRF (Cabinet 20 May 2009) (E)	16/06/2010	85,000	Committed at Cabinet 20 May 2009. Funds have now been fully spent and a balance drawdown is required. . Balance retained	-	85,000
36 P&ED: Committed Awards (Tourism Grants; Match Fund Awards) (E)	16/06/2010	10,100	Balance to be utilised for marketing East Ayrshire. Fully committed, awaiting claims. Balance retained.	-	10,100
37 P&ED: Committed Awards/Orders/MatchFunding (regeneration) (E)	16/06/2010	87,719	£80k relates to Private Sector Housing Grant committed as match funding to Kilmarnock THI scheme.(Balti House, Paper Roses). Remainder spent on works being carried out by Housing Asset Services. Balance retained.	-	87,719
38 P&ED: Regeneration/tourism (FP)	16/06/2010	177,663	£99k relates to 2009-10 allocation of Scottish Enterprise Regeneration Funds to be utilised for 'Make It Kilmarnock' Initiative. £44k represents the balance of a challenge fund award for Tourism which will be spent by March 2011. £29k has been committed to the ongoing costs of the Kilmarnock CARS / THI office. The balance represents Council funding committed to the Irvine Valley Regeneration Partnership. . Balance retained	-	177,663
39 P&ED: e-planning and related equipment (FP)	16/06/2010	40,000	Order made to IDOX for Online Development Planning Systems. Orders currently being made for equipment required for move to Strand Offices. Balance retained	-	40,000
40 P&ED: Match funding - Employability (FP)	16/06/2010	259,995	Funds committed to match funding ongoing EU award. Essential to retain this funding as in the event of under spend match funding must be utilised first. . Balance retained	-	259,995
<b>Total Committed</b>		<b>3,122,414</b>		<b>93,778</b>	<b>3,216,192</b>
41.Uncommitted Balance	16/06/2010	246,730	Reallocated To Winter Maintenance	(246,730)	-
<b>Total</b>		<b>3,369,144</b>		<b>(152,952)</b>	<b>3,216,192</b>

## FINANCE AND CORPORATE SUPPORT – REVIEW OF DEPARTMENTAL BALANCES

BALANCE DETAILS	CABINET	BALANCE AT REVIEW £	COMMENTS	PROPOSED REALLOCATION £	REVISED BALANCE £
42. Corporate Performance and Asset Management Systems	19/11/2008	300,000	Project substantially complete. Release funding.	(300,000)	-
43. Asset Management / Surplus Property / 10%'s	19/11/2008	322,299	Balance retained for work in relation to Council's Surplus Property. In Year funding not available due to dwindling income from property disposal.	-	322,299
44. Financial Guardianships	19/11/2008	15,000	Retain £5,000 pending final outsourcing. Remainder to be released.	(10,000)	5,000
45. Emergency Repairs(H&S) / Spend to Save / Efficiency	19/08/2008	256,965	Reduce balance to facilitate minor projects only.	(231,965)	25,000
46. DIP / HR Manager	19/08/2008	168,000	Release – now part of HR/ Payroll implementation.	(168,000)	-
47. Corporate Office Accommodation Strategy	17/06/2009	339,103	Retain balance to assist with kit-out and other one-off costs in respect of office accommodation strategy.	60,897	400,000
48. Property Rental - Burns Mall	17/06/2009	50,000	Balance retained for utilisation in future years to cover reduced rental income.	-	50,000
49. Fuel Poverty Funding Income	17/06/2009	7,590	Balance to be retained.	-	7,590
50. Finance - Document Imaging Commitment (FP)	16/06/2010	25,000	No longer required. Available for release/ redistribution.	(25,000)	-
51. Asset Management - Property Rental Income (FP)	16/06/2010	65,218	Balance retained for utilisation in future years to cover reduced rental income.	(15,218)	50,000
52. Directorate Secretary	19/11/2008	3,393	No longer required. Available for release/ redistribution.	(3,393)	-
53. Community Councils	17/06/2009	12,000	Retain full amount for Data Protection Costs relating to and review of Community Councils. Required to fund Capacity Buildings Initiatives as reported to Council.	-	12,000
54. Democratic - Promotion of Democratic Process	19/11/2008	24,590	Retain full amount. Dedicated funding provided by Scottish Government for electoral activities.	-	24,590
55. IT /Data Centre / Meeting Room	19/11/2008	750,000	Retain £0.190m in relation to potential finalisation works and minor equipment requirements identified by IT&AM.	(560,000)	190,000
56. Organisational Development training and facilities upgrade	17/06/2009	7,570	Retain full balance. Expenditure has been incurred as part of Occupational Health Service's move to Hill St and drawdown will be required in 2010/11.	-	7,570
57. HR - National Recruitment & Absence Management	19/11/2008	38,500	Release, planned activity covered by other balances.	(38,500)	-

## FINANCE AND CORPORATE SUPPORT – REVIEW OF DEPARTMENTAL BALANCES

BALANCE DETAILS	CABINET	BALANCE AT REVIEW £	COMMENTS	PROPOSED REALLOCATION £	REVISED BALANCE £
58.MGF(Ring-fenced 06/07)	19/11/2008	8,700	No longer required. Available for release/ redistribution.	(8,700)	-
59.Contaminated Land (Cabinet 5/3/08)	17/06/2009	6,683	Retain full amount. Expenditure incurred assuming balance drawdown – Bonnet Court study commissioned.	-	6,683
60.Legal Services - Trainee Scheme	19/11/2008	8,260	Retain full amount. Employee costs incurred and current departmental projections assuming balance drawdown.	-	8,260
61.Liquor Licensing Income - re Licensing (Scotland) Act 2005	16/06/2010	321,000	Retain full amount. Balance committed to future Licensing Board costs in line with Scottish Government requirements when future income generated no longer covers costs.	-	321,000
62.Night Noise Unit; equipment replacement policy (FP)	16/06/2010	8,000	No longer required. Available for release/ redistribution	(8,000)	-
63.Community Planning; contribution to development fund (FP)	16/06/2010	51,280	Retain full amount. Required to fund Residents Survey and future Community Planning activity.	-	51,280
64.HR -Management Development Contract; Job Evaluation staffing(E)	16/06/2010	68,680	Retain part balance to fund committed Management Development activity. .	(3,781)	64,899
65.HR-Occupational Health Contract/Further Education (FP)	16/06/2010	48,280	No longer required. Available for release/ redistribution.	(48,280)	-
66.Democratic Services-Community Councils/Local Grants	16/06/2010	28,095	Retain full amount to fund commitments made in 2009/10.	-	28,095
67.Democratic Services -BVSr non-recurring costs(FP)	16/06/2010	81,000	Release given severance costs can be met from General Fund Balance.	(81,000)	-
68.Customer Care Development (FP)	16/06/2010	120,000	Retain full amount for cross service work in relation to customer care - £0.025m committed by Democratic Services	-	120,000
69.Consolidated Integrated/ Payroll Project Balance		-	Utilise released funds to create budget for implementation of Payroll/HR system (3 years project).	768,000	768,000
70.Council Elections 2012		-	Retain sum to fund elections – no recurring budget.	180,000	180,000
71.HR – Organisational Change		-	Retain balance to cover costs of temporary HR staff to assist with Council-wide organisational change (3 year contracts).	320,000	320,000
<b>Total Committed</b>		<b>3,135,206</b>		<b>(172,940)</b>	<b>2,962,266</b>
72.Uncommitted Balance		121,719	Release uncommitted balance.	(121,719)	-
<b>Total Balance</b>		<b>3,256,925</b>		<b>(294,659)</b>	<b>2,962,266</b>

## CENTRAL SERVICES – REVIEW OF DEPARTMENTAL BALANCES

BALANCE DETAILS	CABINET	BALANCE AT REVIEW £	COMMENTS	PROPOSED REALLOCATION £	REVISED BALANCE £
73.Single Status	19/11/2008	50,000	Balance released - no longer required.	(50,000)	-
74.Schools PPP	19/11/2008	1,423,294	Balance retained as fully committed to scheme over life cycle.	-	1,423,294
75.Efficiency & Reform	19/11/2008	100,000	Balance retained as possible funding for SRRB.	-	100,000
76.CARS / THI	19/11/2008	973,570	Balance retained as fully committed to scheme.	-	973,570
77.Leaders commitments	19/11/2008	520,160	Balance retained to deliver projects.	-	520,160
78.HB/CT Benefit / CT Target Arrears Collection	19/11/2008	379,932	Balance retained for potential impact of Subsidy Claim balances and targeting Council Tax collection.	-	379,932
79.Chief Executive	19/11/2008	27,950	Balance released as no commitment identified.	(27,950)	-
80.Energy - Contract Prices	17/06/2009	405,820	Balance retained to smooth the effect of future price fluctuations.	-	405,820
81.Automated Meter Readers – Spend to Save (FP)	16/06/2010	300,000	Retain full balance. Required for ongoing work programme implementing readers in Council facilities.	-	300,000
82.Icelandic Banks	17/06/2009	1,550,860	Balance retained for future use.	-	1,550,860
<b>Total</b>		<b>5,731,586</b>		<b>(77,950)</b>	<b>5,653,636</b>