

EAST AYRSHIRE COUNCIL

CABINET – 9 NOVEMBER 2011

2011/12 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 2010/11 Statement of Accounts.

2. BACKGROUND

- 2.1 The Reserves and Balances Strategy approved by Council on 10 February 2011 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 2010/11 audited Financial Statements highlights Council Reserves of £56.288m, of which earmarked balances and commitments totalled £17.148m and a General Fund Uncommitted balance of £11.350m at 31 March 2011 as shown in the table below.

Reserve	Balance per Financial Statements 31/3/11 £m
Renewals & Repairs	9.800
Capital Fund	16.299
Capital Grants Unapplied	0.294
Housing Revenue Account	1.397
General Fund Uncommitted	11.350
General Fund Committed	17.148
Total	56.288

- 2.4 Balances earmarked for specific initiatives are drawn down as they are required. The actual position changes on an ongoing basis therefore and the current position as at period 6 (18 September 2011) is shown in the table below.

Department	Balance per Statement of Accounts £m	2011/12 Reallocated Balances £m	Utilised in 2011/12 £m	Current Balance £m
Educational and Social Services	2.158	0.000	(1.420)	0.738
Neighbourhood Services	4.283	0.000	(0.180)	4.103
Finance and Corporate Support	4.750	0.000	(1.867)	2.883
Other Central Balances	5.957	0.250	(0.139)	6.068
Total	17.148	0.250	(3.606)	13.792

3. STRATEGY

- 3.1 Funding for local government has reduced significantly in 2011/12 and while reductions are expected to flat-line in 2012/13 this is set against a backdrop where growth in specific service areas continues. In addition CPI and other inflationary indices have risen sharply in-year and these will lead to budget pressures for 2012/13 and beyond.
- 3.2 The continuing real-term reductions in funding will require major changes to the future operating model of the Council. This has already commenced with service redesigns and management reviews identifying appropriate structures for future service delivery.
- 3.3 The previously agreed programme of management reviews is due to be completed by December 2011. This may result in potential one-off costs in relation to severance costs and bridging finance to maintain services during a period of significant change.
- 3.4 In view of this, 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 and approval by the Cabinet.

- 4.2 The review has resulted in £1.956m 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 detailed at Appendix 1.

Department	Released to					Total £m
	Current Balance £m	General Fund £m	Revised Balance £m	Earmarked £m	Uncommitted £m	
Educational and Social Services	0.738	(0.175)	0.563	0.563	0.000	0.563
Neighbourhood Services	4.103	(0.547)	3.556	3.556	0.000	3.556
Finance and Corporate Support	2.883	(0.362)	2.521	2.521	0.000	2.521
Other Central Balances	6.068	(0.872)	5.196	5.196	0.000	5.196
Total	13.792	(1.956)	11.836	11.836	0.000	11.836

5. GENERAL FUND UNCOMMITTED BALANCE

- 5.1 The General Fund Uncommitted balance at 31 March 2011 amounted to £11.350m and commitments of £0.250m have previously been approved by Council, reducing the total to £11.100m.
- 5.2 When added to the reallocated funding of £1.956m identified above, the balance is £13.056m. This equates to 3.88% and is close to the upper limit specified in the Council's Reserve Strategy which sets an optimum level of between 2% and 4% of net budgeted expenditure (between £6.7m and £13.5m).

6. RECOMMENDATIONS

- 6.1 It is recommended that Members
- (i) approve the transfers detailed at paragraph 4.3 totalling £1.956m;
 - (ii) otherwise note the contents of the report.

Alex McPhee
Executive Director of Finance and Corporate Support
26 October 2011

LIST OF BACKGROUND PAPERS
NIL

Any person wishing further information should contact Craig McArthur, Head of Finance (Tel 01563 576513).

APPENDIX 1

DETAILS OF DEPARTMENTAL BALANCES

EAST AYRSHIRE COUNCIL

EDUCATIONAL AND SOCIAL SERVICES – DETAILS OF DEPARTMENTAL BALANCES

BALANCE DETAILS	CABINET	BALANCE AT REVIEW £	COMMENTS	PROPOSED REALLOCATION £	REVISED BALANCE £
School Carry Forwards 10/11	15/6/11	495,000	Balances to be retained for drawdown later in year.	-	495,000
CLAD - Literacies Partnership	15/6/11	74,180	Balance previously retained to offset potential redundancy costs. No longer required.	(74,180)	-
Dilapidation Works at Social Services Rental Properties and accommodation moves	15/6/11	85,024	Retain £0.015m for Dunoon Avenue, release remaining balance.	(70,024)	15,000
Child Protection – specific case reviews	15/6/11	9,600	Retain balance, work has been commissioned.	-	9,600
Community Planning Child Protection Challenge Fund	15/6/11	5,334	Retain balance, training to be undertaken Oct – Dec 2011. Balance to be fully utilised 2011/12	-	5,334
Children & Families Service re-design training	15/6/11	18,000	Retain balance. Additional training for para-professional posts within Children and Families redesign.	-	18,000
Criminal Justice Grant	15/6/11	7,218	Retain balance. Awaiting completion of External Audit of South West Scotland Criminal Justice Partnership Accounts. East Ayrshire audit completed September 2011. Full drawdown anticipated following the completion of audit.	-	7,218
Rapid Response Pan-Ayrshire Project	15/6/11	500	Retain balance, will be fully utilised in 2011/12	-	500
Property Upgrades – work in progress 31/3/11	15/6/11	12,290	Works completed / ongoing – full drawdown anticipated in 2011/12.	-	12,290
Total Committed		707,146		(144,204)	562,942
Uncommitted Balance		30,826		(30,826)	-
Total Balance		737,972		(175,030)	562,942

EAST AYRSHIRE COUNCIL
NEIGHBOURHOOD SERVICES – DETAILS OF DEPARTMENTAL BALANCES

BALANCE DETAILS	CABINET	BALANCE AT REVIEW £	COMMENTS	PROPOSED REALLOCATION £	REVISED BALANCE £
Streetsport Cages	19/11/2008	85,000	Retain balance for maintenance and repair of Streetsport cages and provision of playpark at Gargieston per Cabinet 17 June 2009.	-	85,000
Roads Asset Management Costing System	19/11/2008	60,000	Retain for new system. Decision on system deferred pending outcome of All Ayrshire Roads Service.	-	60,000
Private Sector Housing Grant	16/06/2010	323,836	Retain balance. Private Sector Housing Grant must be spent in line with conditions of grant.	-	323,836
Zero Waste Fund 2009-10	16/06/2010	151,628	Balance required to fund anticipated roll-out of Food / Plastic waste collection scheme across East Ayrshire. This balance is not ring-fenced although a letter was received from the minister urging councils to spend the funding on zero-waste fund related activities.	-	151,628
Kilmaurs Hostel - Fire alarm alterations & warden call service	16/06/2010	9,500	Balance required to fund works in hostel to address health and safety concerns.	-	9,500
Roads -SCOOT System transfer to Strand Street	16/06/2010	20,000	Transfer complete. Balance will be drawn down in 2011/12.	-	20,000
Roads - Safety Barriers for Bridge Working	16/06/2010	10,600	Purchased from revenue budget in 2010/11.	(10,600)	-
Roads - Variable Sign Messages	16/06/2010	16,000	Purchased from revenue budget in 2010/11.	(16,000)	-
Roads – Salt Storage Facility	16/6/2011	250,000	Salt storage facility complete, final costs to be confirmed, estimated £0.050m. Salt dome could not be accommodated within existing depots so alternative storage facility was built. Balance will be drawn down in 2011/12.	(200,000)	50,000
Roads – Disabled Persons Parking Places	16/6/2011	90,000	On street works complete, remainder of balance to be carried forward to off-street works	-	90,000
Winter Maintenance Contingency	26/01/2011	926,730	To be retained and utilised should winter budget be exceeded due to severe weather.	-	926,730
BALANCE DETAILS	CABINET	BALANCE AT REVIEW £	COMMENTS	PROPOSED REALLOCATION £	REVISED BALANCE £

EAST AYRSHIRE COUNCIL

NEIGHBOURHOOD SERVICES – DETAILS OF DEPARTMENTAL BALANCES

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".]	-	199,195
Cumnock CARS Bid - Council contribution	19/11/2008	251,570	Multi annual project until 2012/13. Details in Cumnock CARS December 2010 Cabinet report.	-	251,570
Cumnock Regeneration	19/11/2008	80,000	£0.020m required for compensation claim. Balance required as contingency for Cumnock Town Centre Regeneration.	-	80,000
Newmilns Townscheme (Cabinet 2/07/08 & 22/04/09)	17/06/2009	13,924	Balance will be spent in current financial year – 2 grants currently being processed which will fully utilise this balance, service anticipate spend by 31 March 2012.	-	13,924
Catrine Heritage Project	19/11/2008	29,150	Funds now required for new phase of Catrine Environmental Heritage Project - agreed at Cabinet 15 September 2010.	-	29,150
Daldorch Footbridge (Cabinet 2/07/08 and 22/04/09)	17/06/2009	21,450	Footbridge purchased, additional works to be designed and undertaken by Roads Service. Retain balance to fund removal of old bridge, diversion of sewer and upgrade bearings.	-	21,450
Dangerous Buildings	17/06/2009	103,902	To be retained due to high value Dangerous Buildings currently ongoing (Laigh Milton Mill, property adjacent to Opera House, West George St, and others)	-	103,902
P&ED: Committed Awards/Orders/Match Funding (regeneration)	16/06/2010	87,719	£0.080m relates to PSHG contribution to CARS/THI which is a multi annual project running until 2013/14. The remainder is no longer required.	(7,719)	80,000
P&ED: Regeneration/tourism	16/06/2010	162,093	£0.099m relates to 2009/10 allocation of Scottish Enterprise Regeneration Funds to be utilised in the pursuit of "Delivering Community Regeneration" strategy (Cabinet 20 th May 2009). £0.041m represents the balance of a challenge fund award for Tourism. Service anticipate full spend by March 2012. Balance of £0.022m has been committed to the ongoing costs of the Kilmarnock CARS / THI office.	-	162,093

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BALANCE DETAILS	CABINET	BALANCE AT REVIEW £	COMMENTS	PROPOSED REALLOCATION £	REVISED BALANCE £
P&ED: e-planning and related equipment	16/06/2010	15,000	Balance to be utilised on the purchase of equipment in relation to the move to Johnnie Walker Bond.	-	15,000
P&ED: Match funding - Employability	16/06/2010	259,995	Funds committed to match ongoing EU award. Essential to retain this funding as in the event of an underspend match funding must be utilised before EU funding.	-	259,995
Dean Castle Backdated weekend enhancements	15/6/2011	2,642	Release balance, weekend enhancements have been paid from within existing resources.	(2,642)	-
Kilmaurs Hostel Refurbishment	15/6/2011	71,103	Funds required to finish alterations at Kilmaurs Hostel.	-	71,103
Committed Awards–Economic Development/ Tourism	15/6/2011	104,651	£0.050m committed as business grants, £0.015m required for Match Fund (mainly for Scottish Dark Sky Observatory). The balance is no longer required.	(39,610)	65,041
Committed Funds to multi annual projects	15/6/2011	251,638	Balance relates to Kilmarnock CARS / THI and Cumnock CARS which are multi annual projects. A further element relates to Restoring Communities Programme which will be spent in the current financial year.	-	251,638
Committed Match funding - Employability	15/6/2011	85,000	Funds committed to match ongoing EU award. Essential to retain this funding as in the event of an underspend match funding must be utilised before EU funding.	-	85,000
Regeneration – Scottish Enterprise Budget transfer	15/6/2011	217,000	This balance can be released.	(217,000)	-
Employability Contingency	15/6/2011	48,517	Required as contingency for EU funded multi annual project.	(8,517)	40,000
Ongoing Legal Actions	15/6/2011	70,000	Retain £0.055m which relates to Threepwood Public Inquiry. The balance is no longer required.	(15,000)	55,000
Ardbeg Centre Demolition	22/06/2011	55,000	Funds required towards the demolition of Ardbeg Community Centre as per Cabinet report 22/06/11	-	55,000
Total Committed		4,072,843		(517,088)	3,555,755
Uncommitted Balance	22/06/2011	29,735		(29,735)	-
Total		4,102,578		(546,823)	3,555,755

EAST AYRSHIRE COUNCIL

FINANCE AND CORPORATE SUPPORT – DETAILS OF DEPARTMENTAL BALANCES

BALANCE DETAILS	CABINET	BALANCE AT REVIEW £	COMMENTS	PROPOSED REALLOCATION £	REVISED BALANCE £
Asset Management / Surplus Property / 10%'s	19/11/2008	345,712	Retain balance for demolition costs, security, etc of surplus property. The available in year budget is based entirely on property sales (10%) - no sales means no in year budget. 11/12 projected income is currently only £0.083m. Last year income was £0. Council Asset Strategy is likely to increase costs in this area (Carrick View, Lugar Offices), with limited income.	-	345,712
Financial Guardianships	19/11/2008	5,000	Release, balance no longer required.	(5,000)	-
Emergency Repairs (H&S) / Spend to Save / Efficiency	19/08/2008	25,000	Release, balance no longer required.	(25,000)	-
Corporate Office Accommodation Strategy	17/06/2009	438,255	Retain part balance, required for corporate office moves in respect of non-capital kit out costs and inevitable issues that arise that are uncertain until staff moves are complete. The availability of this budget allows coverage in any single year for these issues, allowing recurring amendments to be made in future year budgets when more accurate costs are known.	(38,255)	400,000
Data Centre / Meeting Room	19/11/2008	190,000	Retain part balance. £0.040m of this relates to Members IT costs following 2012 Council election. Head of Democratic Services has confirmed this needs to be retained. The balance is retained for residual IT/ Asset Management work at London Road.	(50,000)	140,000
Liquor Licensing Income - re Licensing (Scotland) Act 2005	15/06/2011	296,295	Retain the balance, this is ring-fenced funding that must be retained for future years activity of the Licensing Board.	-	296,295
Community Planning – contribution to Development Fund	16/06/2010	51,280	Retain balance. Required to cover costs of the Residents Survey.	-	51,280

EAST AYRSHIRE COUNCIL

FINANCE AND CORPORATE SUPPORT – DETAILS OF DEPARTMENTAL BALANCES

BALANCE DETAILS	CABINET	BALANCE AT REVIEW £	COMMENTS	PROPOSED REALLOCATION £	REVISED BALANCE £
HR -Management Development Contract; Job Evaluation staffing	16/06/2010	64,900	Retain £0.050m. This is required for the Temporary OD Officer. Current Years costs for the officer funded from balance already drawn. Balance is required to fund until June 2013.	(14,900)	50,000
Customer Care Development	16/06/2010	120,000	Retain balance. This balance was set aside for development of Customer Care. The Head of Democratic Service has indicated he is putting a paper regarding implementation of a Customer Complaints management information system and will require all the funding for this and related issues.	-	120,000
Consolidated / Integrated Payroll Project Balance	26/1/2011	568,900	Retain balance. This includes the funding of 4 staff posts, the purchase of the system, and 3 year implementation and running costs.	-	568,900
HR Organisational Change	26/1/2011	290,000	Retain balance. Balance required to fund three temp posts over the next 3 years. Staff are in place on 1 year contracts, but likely to extend.	-	290,000
IT Contracts	15/6/2011	58,717	Retain balance. Needed to fund IT Contracts that run over multiple years. Balance required to fund contract costs in 2012/13.	-	58,717
Finance – Benefits Software	15/6/2011	18,000	Release, balance no longer required.	(18,000)	-

EAST AYRSHIRE COUNCIL

FINANCE AND CORPORATE SUPPORT – DETAILS OF DEPARTMENTAL BALANCES

BALANCE DETAILS	CABINET	BALANCE AT REVIEW £	COMMENTS	PROPOSED REALLOCATION £	REVISED BALANCE £
Council Election 2012	26/1/2011	180,000	Retain balance. Funding for Council Election 2012. Costs for Council election 2007 were approx. £0.144m, and this shared some costs with the Scottish Parliament election at the time.	-	180,000
Democratic Services - Promotion of Democratic Process	19/11/2008	24,590	Release, balance no longer required.	(24,590)	-
Democratic Services – Committed Local Area Grants	15/6/2011	16,600	Release, balance no longer required.	(16,600)	-
Democratic Services – Community Councils	15/6/2011	15,023	Retain balance. Required for development of Community Council arrangements.	-	15,023
Democratic Services – PC Upgrades	15/6/2011	5,000	Retain balance. Purchases made and equipment now received.	-	5,000
Total Committed		2,713,272		(192,345)	2,520,927
Uncommitted Balance	15/6/2011	170,010	No additional departmental commitments identified.	(170,010)	-
Total Balance		2,883,282		(362,355)	2,520,927

**EAST AYRSHIRE COUNCIL
CENTRALLY HELD BALANCES**

BALANCE DETAILS	CABINET	BALANCE AT REVIEW £	COMMENTS	PROPOSED REALLOCATION £	REVISED BALANCE £
Schools PPP	15/06/2011	2,662,294	Balance retained as fully committed to scheme over life cycle.	-	2,662,294
Efficiency & Reform	19/11/2008	100,000	Balance previously retained as possible funding for SRRB. All costs have been met directly within service budgets.	(100,000)	-
CARS / THI	19/11/2008	973,570	Balance retained as fully committed to scheme.	-	973,570
Leaders Commitments	19/11/2008	462,832	Balance retained for floral clock and Taiglum Burn. Other projects completed under-budget.	(239,000)	223,832
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
Energy - Contract Prices	17/06/2009	405,820	Balance required to smooth the effect of future price fluctuations. Will be utilised in 2011/12.	-	405,820
Icelandic Banks	17/06/2009	457,605	Impairment loss has now been accounted for. Recoveries now anticipated to be better than previously anticipated.	(457,605)	-
European Match Funding - Employability	16/06/2010	184,260	Retain as required as Match Funding from 2010/11 for Planning and Economic Development Employability Initiatives.	-	184,260
Automated Meter Readers – Spend to Save	16/06/2010	216,070	Retain as required to complete programme of installation of Automated Meter Readers.	-	216,070
Chief Executive's Office	15/06/2011	15,496	Release balance, not required.	(15,496)	-
Flood Risk Management Funding	15/06/2011	60,000	Release balance, not required.	(60,000)	-
Make It Kilmarnock (Council approval)	11/02/2010	100,000	Year 3 (2012/13) of Council approved funding	-	100,000
Shared services Development Fund	17/08/2011	50,000	Approved at Cabinet 17 August 2011 for joint working in Ayrshire.	-	50,000
Total		6,067,879		(872,101)	5,195,778