

## **EAST AYRSHIRE COUNCIL**

### **GOVERNANCE AND SCRUTINY COMMITTEE– 24 SEPTEMBER 2010**

#### **FINANCE AND SERVICE STRATEGY REPORT**

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

#### **PURPOSE OF REPORT**

- 1.1 To advise Members of the projected financial position for the year based on expenditure to period 4 and information provided by Executive Directors. Members should refer to the detailed information contained within the Finance and Service Strategy Report booklet issued as part of the Cabinet agenda on 1 September 2010.

#### **2 GENERAL SERVICES**

- 2.1 The overall projected outturn for the year to 31 March 2011 is an uncommitted surplus of £1.131m.
- 2.2 It is anticipated that the department of Educational and Social Services will outturn £0.883m over budget at 31 March 2011. The projection includes additional expenditure anticipated for Outwith Placements of £0.839m and £0.105m additional staff costs due to the Gargieston decant.
- 2.3 The Executive Director of Neighbourhood Services anticipates a favourable variance of £0.633m mainly due to savings in employee costs and landfill partially offset by additional transport costs and reduced Planning and Building Standards income principally due to external economic factors.
- 2.4 The Executive Director of Finance and Corporate Support anticipates a favourable variance of £0.339m at March 2011 predominantly arising from employee cost savings and additional income from the Department of Work and Pensions. This is partially offset by severance costs within the I.T. and Asset Management Service.
- 2.5 There is a favourable variance in respect of Housing and Council Tax Benefit income of £0.186m due to the effective overpayment recovery process. This is partially offset by an adverse variance of £0.033m on Non Domestic Rates income due to increased discretionary reliefs.
- 2.6 The number of staff on the Redeployment Register fluctuates as individuals are added and redeployment opportunities identified. There are six staff on the Register as at 31 July and the cost of maintaining them is £0.027m.

- 2.7 The Efficiency Strategy approved by Cabinet on 19 May 2010 required an examination of individual budget lines on a service by service basis to establish the nature, purpose and relevance of expenditure. A detailed examination of Supplies and Services, Third Party Payments and Transfer Payments was undertaken by each Executive Director and Head of Service in consultation with the Chief Executive and Executive Director of Finance and Corporate Support. The work so far has resulted in in-year savings of £0.891m which would be transferred to the General Fund uncommitted balance as shown in the following table.

	Projected Variance at Period 4 £m	SRRB2 – Line by Line savings proposed for transfer £m	Remaining Departmental Balance to be carried forward to 2011/12
Educational & Social Services	0.883	0.055	<b>0.938</b>
Neighbourhood Services	(0.633)	0.744	<b>0.111</b>
Finance & Corporate Support	(0.339)	0.092	<b>(0.247)</b>
	<b>(0.089)</b>	<b>0.891</b>	<b>0.802</b>

- 2.8 Pupils at Gargieston Primary School have been decanted to four other school locations since 23 August 2010 following the unexpected advice of engineers to vacate the site, after initial survey work revealed a series of shallow mine workings in the vicinity of the proposed new school. It is anticipated that costs of £0.357m associated with the transport and decant costs will be incurred and met from centrally held funds. Any additional education related costs will be met from the Educational and Social Services budget.

### **3 HOUSING REVENUE ACCOUNT (HRA)**

- 3.1 The Executive Director of Neighbourhood Services currently anticipates a favourable variance of £0.188m within Housing Asset Services relating principally to vacancy savings.

### **4 CAPITAL PROGRAMME**

- 4.1 The re-roofing works at Muirkirk Primary School have been subject to a number of design developments identified during the construction which has required on-site variations and additional works, including additional rot repairs and asbestos removal and replacement of some façade elements which were beyond economic repair. As a result of the additional works being instructed, the original contract figure of £0.194m has been exceeded by £0.040m. Members are asked to note that the original contract has been exceeded by more than the 10% allowable under the Standing Orders for Contracts.

- 4.2 Cabinet on the 24 February approved an allocation of £0.500m to procure prefabricated re-locatable buildings for the Gauchalland Depot site to provide much needed improvements in staff welfare facilities, and to allow the centralisation of all Roads Maintenance staff in the one location. The buildings will be installed in November 2010 and the initial proposals were for these to be located at the Gauchalland site on a short term basis, with the option for them to be relocated and integrated with any proposed new depot facility.
- 4.3 Following an option appraisal exercise, it has been proposed that Gauchalland Depot be retained in the long term as a Roads Depot. In order to ensure that the site meets the future needs of the service, provides facilities that are “fit for purpose” and meets requirements for a permanent facility, improvement works are required to be carried out, including upgrading site services and security, and additional measures to meet SEPA requirements. It is currently estimated that this will cost up to an additional £0.700m, of which it is proposed to meet £0.500m from the existing capital funding allocation of £5.600m in relation to the Depot Improvements Programme with any remaining funding from the Roads Capital Depot Improvements budget.
- 4.4 The project to provide a new sports pavilion at Knockentiber has been hampered by the discovery of mine workings on the site. Following an assessment of options to minimise costs whilst providing an optimal solution, it is proposed to make safe the mineworkings and to locate the facility on the site of the Playbarn which is in a poor state of repair. Discussions will be undertaken with the Kilmarnock Sports Acrobatics Club with a view to identifying more appropriate premises from which to operate. This change will require further consultation and a new planning application. The original planned spend of £0.340m will require to be increased to £0.578m to accommodate the additional works. This can be met from the overall allocation for Sports Pavilions and approval for this expenditure is sought.

## **5 GENERAL FUND UNCOMMITTED BALANCE**

- 5.1 The Financial Reserves Strategy sets the level of the Uncommitted General Fund Balance at between 2% and 4% of Annual Budgeted Expenditure. During the current financial year commitments of £0.308m have been approved by Council and Cabinet and have reduced the balance to £8.679m which equates to 2.6% of the annual budgeted expenditure for 2010/11. This has the potential to increase to £9.570m (2.8%) following Cabinet approval of the transfer highlighted at paragraph 2.7. This excludes the forecast surplus for the year.

## **6 RECOMMENDATIONS TO CABINET**

6.1 It was recommended that Members:

- (i) Approve the budget transfer noted at paragraph 2.7;
- (ii) Agree that the additional transport related costs relating to the decant of Gargieston Primary be met from central funding as indicated in paragraph 2.8;
- (iii) Note that the contract figure exceeded the accepted tender value by more than 10% in respect of the Muirkirk Primary School project as noted at paragraph 4.1;
- (iv) Approve the additional costs associated with the proposals for the Gauchalland Depot site at paragraph 4.3;
- (v) Approve expenditure of £0.578m on the sports pavilion at Knockentiber to be funded from the Sports Pavilions capital allocation at paragraph 4.4;
- (vi) otherwise note the contents of this report.

## **7 RECOMMENDATIONS**

7.1 It is recommended that Members:

- (i) note the recommendations to Cabinet on 1 September 2010 as at paragraph 6; and
- (ii) otherwise note the contents of the report.

Alex McPhee  
Executive Director of Finance and Corporate Support  
6 September 2010

### **LIST OF BACKGROUND PAPERS - NIL**

Members wishing further information should contact  
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