

## **EAST AYRSHIRE COUNCIL**

### **GOVERNANCE AND SCRUTINY COMMITTEE– 18 JUNE 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 unaudited financial position for the year ended 31 March 2010 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 16 June 2010 Cabinet agenda.

#### **2 GENERAL SERVICES**

- 2.1 The draft outturn for the year to 31 March 2010 is an uncommitted surplus of £0.375m after funding in-year severance costs of £0.946m from the current years General Fund balance. Earmarked and departmental balances of £6.039m will be carried forward, details of which are included in the attached report.
- 2.2 The cumulative uncommitted surplus is £8.987m which remains within the range specified in the Financial Reserves Strategy (between £6.868m and £13.736m). Departmental balances will be reviewed by the Cabinet following completion of the audit process in line with the Reserves Strategy.
- 2.3 The Cabinet on 11 February 2009 approved the transfer of £1.000m from the Capital Fund to smooth the anticipated impact on the revenue budget of the accelerated capital programme. Due to the timing of payments within the capital programme the transfer has not been required in 2009/10.
- 2.4 Debt charges are under budget by £0.964m partly due to slippage on the capital programme, a favourable cash profile and additional investment income in the year. Cabinet previously approved the utilisation of £0.200m of this balance to fund essential repair works across the Council's property portfolio. It is proposed that this and the remaining £0.764m be transferred to the Renewal and Repairs Fund for use on future asset related expenditure.
- 2.5 As a result of changes to the classification of capital grants and the associated accounting treatment, it is not possible to capitalise expenditure on the testing of land to establish whether it is contaminated. Members are requested to approve the transfer of £0.151m from the Debt Charges budget to Corporate Support to accommodate the revenue costs incurred during 2009/10 in testing potential contaminated land sites.

- 2.6 The Housing and Council Tax Benefit caseload increased this year by over 6% with the net cost being over budget by £0.089m. This is offset by additional income recovered of £0.308m, resulting in a net favourable variance of £0.219m.
- 2.7 Although the in-year collection rate for Council Tax held up at 94.1% there is an adverse variance of £1.318m relating primarily to the collection of arrears.
- 2.8 The former Building and Works unit shows a surplus of £1.177m to the General Fund at year end with a similar sum also being available to the Housing Revenue Account.
- 2.9 The tables below provide a reconciliation of the 2009/10 increase in balances as shown in the report and the Financial Statements together with a reconciliation of the departmental balances.

	Uncommitted Balance £m	Departmental Balances & Commitments £m	HRA Balances & Commitments £m	Total £m
Balance Brought Forward	6.601	20.408	2.226	29.235
2009/10 Utilisation of Balances	(0.770)	(6.050)	-	(6.820)
2009/10 Reallocation	2.781	(2.781)	-	-
<b>Sub Total</b>	<b>8.612</b>	<b>11.577</b>	<b>2.226</b>	<b>22.415</b>
2009/10 Additions	0.375	6.039	1.653	8.067
<b>Outturn Position 2009/10</b>	<b>8.987</b>	<b>17.616</b>	<b>3.879</b>	<b>30.482</b>

	Balance B/f £m	Utilisation of Balances £m	Reallocated at Cabinet (2/12/09) £m	2009/10 Proposed Earmarked £m	Balance as at 31/3/10 £m
Educational & Social Services	1.683	(1.009)	(0.195)	1.461	1.939
Neighbourhood Services	2.363	(0.610)	(1.085)	1.328	1.996
Corporate Support	3.922	(1.444)	(0.168)	1.474	3.784
Finance & Asset Management	3.517	(0.999)	(0.408)	1.381	3.491
Central	8.923	(1.988)	(0.925)	0.395	6.405
<b>Outturn Position 2009/10</b>	<b>20.408</b>	<b>(6.050)</b>	<b>(2.781)</b>	<b>6.039</b>	<b>17.616</b>

- 2.10 Members are asked to agree that departments retain the Essential balances as indicated below and utilise these in accordance with the Reserves Strategy and to note that the Financial Planning and Uncommitted amounts will be considered by Cabinet as part of the Balances Review after the audit process is concluded.

## 2.11

	<b>ESSENTIAL Committed £m</b>	<b>DESIRABLE Financial Planning £m</b>	<b>DESIRABLE Uncommitted £m</b>	<b>Total £m</b>
Educational & Social Services	1.119	0.039	0.303	<b>1.461</b>
Neighbourhood Services	0.463	0.618	0.247	<b>1.328</b>
Corporate Support	0.516	0.836	0.122	<b>1.474</b>
Finance & Asset Management	1.281	0.100	-	<b>1.381</b>
Central	0.067	0.300	0.028	<b>0.395</b>
<b>Outturn Position 2009/10</b>	<b>3.446</b>	<b>1.893</b>	<b>0.700</b>	<b>6.039</b>

2.12 The Bellwin Scheme gives specific financial assistance to local authorities faced with a financial liability arising from large scale emergencies. The Council, along with other local authorities, made an application for assistance to meet the additional cost pressures caused by the damage to the local roads network following the severe winter weather. The Scottish Government decided not to activate the scheme and instead distributed £5.000m equitably between authorities to support the repair of potholes, the Council's share being £0.107m. Members will also recall at Council on 11 February 2010 £2.000m was allocated from the Renewal and Repairs Fund specifically for this purpose.

2.13 The latest advice from the administration of the Icelandic banking subsidiaries Heritable Bank and Kaupthing, Singer and Friedlander (KSF) is that dividends are likely to be around £0.600m higher than forecast at this time last year. It is proposed to retain the balance previously earmarked however until matters become more certain.

## 3 HOUSING REVENUE ACCOUNT (HRA)

3.1 There is a favourable variance of £1.653m on the Housing Revenue Account which is principally due to the timing of filling vacancies, reduced debt charges, lower than budgeted tenant participation costs and savings in repair and maintenance expenditure. These are offset by increased planned maintenance spending previously approved by Cabinet to offset reduced capital receipts from house sales and lower than budgeted rent income due to demolitions.

3.2 £0.896m of the balance requires to be earmarked against outstanding repairs and IT server costs.

## **4 2010/11 COMMENTARY**

- 4.1 The report to Cabinet on 13 January 2010 highlighted an indicative budget gap for the Council of £25.2m for the three years 2010/11 to 2012/13. Recent advice from the Scottish Government's Chief Economic Adviser suggests further public spending reductions in subsequent years.
- 4.2 The new UK government has indicated that an emergency budget will take place in June 2010 and the resulting comprehensive spending review covering the three years commencing 2011/12 will be published thereafter.
- 4.3 Cabinet on 19 May approved the Council's Efficiency Strategy (SRRB2) which will examine Council expenditure through a series of stands with an overall aim to close the spending gap over the three years to 2013/14.

## **5 2010/11 SERVICE PRESSURES**

### **5.1 Educational and Social Services**

The Executive Director of Educational and Social Services has not flagged up any significant issues at this time although there continues to be demand pressures in relation to elements of Social Services and budgets in respect of children with additional support needs.

### **5.2 Neighbourhood Services**

The Executive Director has highlighted a significant shortfall in planning income which will require management action throughout the year to ensure that the budget outturns on target.

### **5.3 Finance and Corporate Support**

The Executive Director of Finance and Corporate Support has indicated that there are no significant issues to report at this time.

### **5.4 Central Services**

The Central Purchasing Unit has been in place on a temporary basis for three years funded by earmarked balances. Given the importance attached to effective and efficient procurement for all services, it is proposed that the team be made permanent funded from part of the savings achieved in the new energy contracts. To this end £0.140m would be transferred to the Finance and Corporate Support budget.

### **5.5 Housing Revenue Account**

The Executive Director of Neighbourhood Services has indicated that there are no significant variances to report in respect of the HRA at this time.

## **7 RECOMMENDATIONS TO CABINET**

7.1 It was recommended that Members:

- (i) Approve the transfer of £0.964m detailed in paragraph 2.4;
- (ii) Approve the budget virement for contaminated land indicated in paragraph 2.5;
- (iii) Approve departmental earmarked balances as noted at paragraph 2.10 and 3.2 and note that balances will be reviewed following external audit;
- (iv) Note that the earmarked balance in respect of Icelandic Banks as indicated at paragraph 2.13 be retained;
- (v) Approve the budget virement for the Central Purchasing Unit indicated in paragraph 5.4; and
- (vi) otherwise note the contents of this report.

## **8 RECOMMENDATIONS**

8.1 It is recommended that Members:

- (i) note the recommendations to Cabinet on 16 June 2010 as at paragraph 7; and
- (ii) otherwise note the contents of the report.

Alex McPhee  
Executive Director of Finance and Corporate Support  
11 June 2010

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

Members wishing further information should contact  
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