

EAST AYRSHIRE COUNCIL

GOVERNANCE AND SCRUTINY COMMITTEE– 17 JUNE 2011

FINANCE AND SERVICE STRATEGY REPORT

Report by Executive Director of Finance and Corporate Support

1 PURPOSE OF REPORT

- 1.1 To advise Members of the unaudited financial position for the year ended 31 March 2011 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 15 June 2011.

2 GENERAL SERVICES

- 2.1 The draft outturn for the year to 31 March 2011 is an uncommitted surplus of £1.162m. This will increase the General Fund Uncommitted balance to £11.425m at the year end. Earmarked and departmental balances of £6.964m are proposed to be carried forward.
- 2.2 The cumulative uncommitted surplus is £11.425m which remains within the range specified in the Financial Reserves Strategy (between £6.788m and £13.575m). Departmental balances will be reviewed by Cabinet following completion of the audit process in line with the Reserves Strategy.
- 2.3 All departments have spent less than budget. Much of this is a timing issue however, with orders placed or commitments made but not completed at 31 March, but a proportion of the underspend arises from early management action to reduce spending in advance of the new financial year when it was known that budgets would be reduced.

Within Central Services, members will recall that in-year departmental savings of £0.943m were identified and transferred here following a detailed line by line budget review carried out by the Chief Executive and Executive Director of Finance and Corporate Support. There is no doubt that this has encouraged services to continue to undertake close scrutiny of all areas of expenditure over the year. It is proposed that an in-year budget review, on a service by service basis will again be carried out with a view to ensuring that savings identified are banked in advance of the 2012/13 budget process.

- 2.4 Debt charges are under budget by £0.871m partly due to the profiling of the capital programme, a favourable cash flow position and additional investment income in the year. Cabinet on 9 February 2011 approved any in year underspend arising from slippage in the capital programme be transferred to the Capital Fund to smooth the impact on the revenue budget arising from the profile of future capital expenditure. The Capital Fund balance has been used to enable acceleration of capital spending, and most recently to provide match funding for Moorfield Business Park. To ensure that sufficient headroom exists to take advantage of future opportunities Cabinet were asked to approve the transfer of £1.500m to the Fund.
- 2.5 The Housing and Council Tax Benefit caseload has increased by 8.7% over the past three years, with the net cost being under budget by £0.208m. Additional income recovered was £0.527m, resulting in an overall variance of £0.735m.
- 2.6 There is a favourable variance of £0.143m in respect of Council Tax due to effective overpayment recovery processes. In addition the collection rate for Council Tax increased to 94.2%.
- 2.7 The Council currently has £2.145m set aside for Icelandic Bank losses. This was based on information provided by the Administrators, and has been subject to subsequent review in light of updates provided by the Administrators. The Council now expects to recover more than was previously forecast, and as a result £0.600m has been released from this earmarked balance. The anticipated loss is now estimated at £0.912m and this has been charged to the accounts in the 2010/11 financial year. The remaining balance of £0.633m will be retained as earmarked, and will be reviewed as the Banks' winding up continues.
- 2.8 The Repairs and Renewals Fund retains funds to meet the cost of future repairs to Council assets. Commitments of £3.464m have already been made against the Fund to meet the costs of repairs to roads following the impact of the last two adverse winters and it was proposed to Cabinet that £3.000m be transferred to the Fund in order to replenish the balance.
- 2.9 The tables to follow provide a reconciliation of the 2010/11 balances as noted in this report to the Financial Statements together with details of the departmental balances.

	Uncommitted Balance £m	Departmental Balances & Commitments £m	HRA Balances & Commitments £m	Total £m
Balance Brought Forward	8.987	17.616	3.879	30.482
2010/11 Utilisation of Balances	(0.108)	(6.048)	(0.419)	(6.575)
2010/11 Reallocation	1.384	(1.384)	-	-
Sub Total	10.263	10.184	3.460	23.907
2010/11 Balance added	1.162	6.964	(2.063)	6.063
Outturn Position 2010/11	11.425	17.148	1.397	29.970

	Balance B/f £m	Utilisation of Balances £m	Reallocated at Cabinet (26/1/11) £m	2010/11 Proposed Earmarked £m	Balance as at 31/3/11 £m
Educational & Social Services	1.825	(0.566)	(0.858)	1.758	2.159
Neighbourhood Services	3.940	(1.050)	(0.153)	1.546	4.283
Finance & Corporate Support	5.331	(2.245)	(0.295)	1.958	4.749
Central	6.520	(2.187)	(0.078)	1.702	5.957
Outturn Position 2010/11	17.616	(6.048)	(1.384)	6.964	17.148

- 2.10 Cabinet were asked to agree that departments retain the Essential balances as detailed below and utilise these in accordance with the Reserves Strategy. Members should 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.

	ESSENTIAL Committed £m	DESIRABLE Financial Planning £m	DESIRABLE Uncommitted £m	Total £m
Educational & Social Services	1.265	0.463	0.030	1.758
Neighbourhood Services	1.183	0.278	0.085	1.546
Finance & Corporate Support	1.723	0.136	0.099	1.958
Central	1.702	0.000	0.000	1.702
Outturn Position 2010/11	5.873	0.877	0.214	6.964

3 HOUSING REVENUE ACCOUNT (HRA)

- 3.1 There is an adverse variance on the Housing Revenue Account of £2.063m which principally relates to the provision for the buy out of cash conservation payments of £1.371m for craft operatives as a result of changes to their employment terms and conditions. This is partly offset by £0.166m released from earmarked balances in respect of amounts held for the impairment of Icelandic banks as indicated in paragraph 2.7 above. In addition a further provision has been recognised in relation to a potential legal settlement.

4 2011/12 COMMENTARY

- 4.1 The UK Spending Review on 20 October 2010 announced a real terms reduction in total UK managed expenditure for the period 2011/12 to 2014/15. Clearly the position for Scotland and for Scottish local government will mirror this and financial planning in all sectors over the next few years will present a significant challenge.

- 4.2 On 24 January 2011 the Cabinet Secretary for Finance, Employment and Sustainable Growth provided illustrative budgets for 2012/13 - 2014/15 indicating that the cash allocations to local authorities will be maintained at current 2011/12 levels. While this would suggest that there should be no further reductions in the revenue allocations inflationary pressures will result in a real terms reduction in available revenue resources.

5 2011/12 SERVICE PRESSURES

5.1 Educational and Social Services

The Executive Director has indicated that the savings in respect of the review of day services is unlikely to be realised in 2011/12 and work is underway to ensure that the budget outturns within the overall departmental resource allocation. In addition, there continues to be demand pressures in relation to outwith placements and children and families costs.

5.2 Neighbourhood Services

The Executive Director has highlighted a significant anticipated 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 has indicated that the saving in respect of security costs associated with surplus property is unlikely to be achieved as a result of the revised timing of corporate office changes. The department will take action to ensure that the budget outturns within the resource allocation.

5.4 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.

6 CAPITAL PROGRAMME

- 6.1 The outturn for the year to 31 March 2011 on the Council's General Services Capital Programme is £27.906m as against a budget of £34.007m. The variance largely occurs in the Neighbourhood Services Capital Programme where the largest items of slippage were in respect of Cumnock Town Centre Regeneration, Regeneration and Efficiency, Stewarton Park and Ride and Bridges and Structures, primarily related to year-end timing issues.

6.2 The outturn capital expenditure in the Housing Revenue Account is £15.491m against a budget of £14.391m. Of this, the expenditure on the Housing Investment Programme is £13.288m as against a budget of £12.574m. Further analysis is shown in the Capital Summary on Page 6 of this report. The remaining expenditure is in respect of Council House building and the acquisition of vehicles and equipment.

7 RECOMMENDATIONS TO CABINET

7.1 It was recommended that Members:

- (i) Note that there are no Education recommendations;
- (ii) Note that in line with 2010/11 arrangements, the Chief Executive and Executive Director of Finance and Corporate Support will undertake an in-year service by service review to ensure that savings identified are banked in advance of the 2012/13 budget process as highlighted at paragraph 2.3;
- (iii) Approve the transfer of £1.500m detailed in paragraph 2.4;
- (iv) Approve the transfer of £0.600m detailed in paragraph 2.7 and note that the revised earmarked balance in respect of Icelandic Banks be retained;
- (v) Approve the transfer of £3.000m detailed in paragraph 2.8;
- (vi) Agree the proposed treatment of earmarked balances described at paragraph 2.10;
- (vii) Otherwise note the contents of this report.

8 RECOMMENDATIONS

8.1 It is recommended that Members:

- (i) note the recommendations to Cabinet on 15 June 2011 as at paragraph 7; and
- (ii) otherwise note the contents of the report

Alex McPhee
Executive Director of Finance and Corporate Support
9 June 2011

LIST OF BACKGROUND PAPERS - NIL

Members wishing further information should contact:
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