

EAST AYRSHIRE COUNCIL

POLICY AND RESOURCES COMMITTEE – 12 APRIL 2005

**BUDGETARY CONTROL STATEMENT
GENERAL FUND SERVICES**

Report by Executive Head of Finance

1 PURPOSE OF REPORT

- 1.1 To advise Members of the projected financial position for Revenue Services and the General Services Capital programmes based on information provided by Executive Directors.

2 OVERALL POSITION

REVENUE

- 2.1 The budgetary position summarised at Period 12 is shown in Appendix 1. The budget for 2004/05 is a break-even position. The currently projected outturn for the year to 31 March 2005 is a surplus of £3.297m.
- 2.2 As members are aware, the Policy and Resources Committee of 3 October 2002 agreed that in order to promote better long term planning departmental balances generated by managed savings should be carried forward for future use by the department concerned. The External Auditor has highlighted the fact that revenue balances should not be used to fund recurring expenditure. Conversely departments overspending their allocation would carry this forward as a first charge against next year's budget.
- 2.3 Members will note that at period 12, with the exception of Educational Services, all Executive Directors are forecasting significant underspends within departmental budgets and £2.180m of departmental variances are anticipated to be carried forward. Following discussions with Executive Directors it is clear that the three year budget process which has highlighted the need to reduce expenditure in each of the next three years has led to a culture of savings in the current year with a view to retaining these resources for use in future years.
- 2.4 The Council Tax yield is projected to outturn £0.495m better than budget principally due to better than anticipated collection performance for current and previous years.

3 SPECIFIC DEPARTMENTAL ISSUES

3.1 Education

There is an adverse variance of £0.051m projected at 31 March 2005. This is a reduction of £0.155m from the last period principally due to an anticipated reduction in Premises Costs and payments to external bodies in respect of outwith placements. The Executive Director of Educational and Social Services has confirmed that he will continue to take opportunities as they arise to bring total expenditure into line with the departmental resource allocation without cutting across existing Council policies and he is confident that he can do so.

Members should note that £0.097m expenditure has been incurred in respect of ground condition surveys for sites involved within the PPP Project. These costs are not presently included within the Educational Services projected variance. Having sought clarification on the most advantageous accounting treatment of this expenditure, the preferred option is for the Council to fund this necessary expenditure to save considerable sums over the thirty year lifespan of the PPP contract. Subsequently, the Executive Director of Educational and Social Services has prepared a separate report for this Committee to seek formal approval for funding this expenditure from the Council's uncommitted balances.

3.2 Social Services

The Director of Educational and Social Services has indicated that the Social Services Department will outturn £0.485m under budget at 31 March 2005. This takes account of a provision for obligations arising in 2005/06 from planned hospital discharge programmes.

As previously reported the projected variance is principally due to unavoidable delays in hospital discharge programmes for clients with learning disabilities and complex mental health needs as well as slippage in relation to additional funding allocated for increased care home running costs. These budgets are anticipated to be fully utilised in future financial years as discharges are completed and care packages put in place. There have been no further secure accommodation placements since the last report and this has reduced the provision for the remainder of the financial year.

The unpredictable nature of these budget headings means that there is no guarantee that the same level of savings will be achievable in future financial years.

3.3 Neighbourhood Services

The Executive Director of Neighbourhood Services anticipates a favourable variance of £0.755m at 31 March 2005. This is made up of a number of variances throughout the Department, the most significant being in respect of savings in Waste Management due to the success of the Strategic Waste Fund and an underspend due to the timing of the commencement of the Anti-Social Behaviour Initiative.

3.4 Development and Property Services

The favourable variance projected at 31 March 2005 of £0.627m is principally due to additional fee income offset by additional expenditure on Supplies and Services and Third Party Payments.

East Ayrshire Woodlands Project continues to be closely monitored to ensure that all anticipated income is received and a balanced budget is delivered in 2004/05. In respect of the cumulative deficit brought forward further work is being undertaken by the Head of Economic Development to ensure the £0.135m deficit is recovered.

During the 2003/04 year end closure of the Abstract of Accounts £0.025m was earmarked within the 2003/04 General Fund surplus as East Ayrshire Council's share of the East Ayrshire Woodlands cumulative deficit. It is now requested that Members formally approve the transfer of this £0.025m to the Woodlands Project.

3.5 Corporate Support

The projected underspend to 31 March 2005 of £0.615m is principally due to management action in respect of the timing of filling of vacancies throughout the Department as well as the receipt of additional grant income.

3.6 Central Services

Central Services is anticipated to outturn £0.915m under budget at 31 March 2005. £0.337m of this arises within Miscellaneous Services principally from Strathclyde Pension fund payments being lower than anticipated and the successful conclusion of negotiations between Finance Service and Land Securities to recover previous years VAT. There is a further £0.578m favourable variance within Housing Benefit Subsidy due to anticipated additional income including incentives receivable from the Department for Work and Pensions in respect of successful fraud work, including prosecutions and for previous years claims.

It is anticipated that savings arising from increased investment returns which arise from positive cash flows in respect of revenue and capital budgets, together with savings arising from the rescheduling of the debt portfolio during the year will result in a reduction in anticipated debt charges of £0.500m in respect of General Services.

3.7 Trading Services

Building and Works is anticipated to outturn £1.351m better than budget at £1.951m surplus. This has been contributed to by work done to earn additional income without incurring additional fixed costs. Street Cleansing is anticipated to outturn £0.072m better than budget at £0.092m principally due to additional work in respect of the Better Neighbourhoods Scheme. There are no other material variances to report in respect of individual trading services.

3.8 Renewals and Repairs Fund

The Policy and Resources Committee of 3 October 2002 agreed that Trading Operations should be able to transfer sums to be ringfenced within the renewal and repairs fund for use in future years. Sums available for transfer would be limited to the lower of £0.100m or 50% of any surplus in excess of the budgeted surplus. Accordingly as at period 12 £0.187m can be identified as being the maximum amount available for transfer.

The Executive Director of Educational and Social Services has indicated a requirement to utilise funds appropriated in this way in 2003/04 and has requested the amount indicated below be transferred to the respective trading unit.

Trading Operation	Intended Use of Fund	Transfer required £
Onsite Services	To replace catering equipment in order to progress departmental Health and Safety initiatives.	29,100
Total to be transferred from R&R		29,100

4 CAPITAL

4.1.1 The programmed expenditure of £18.148m includes an anticipated reduction of £8.078m which arises principally from unavoidable delays on Galston Primary School Scheme (£1.735m), Care Homes (£0.550m), Dalsalloch Replacement (£0.625m) and the A70 Welltrees Bridge Project (£0.380m). In addition to this the Crookedholm Flood Prevention Scheme is anticipated to be completed £1.300m under budget.

The Executive Director of Neighbourhood Services has confirmed that the projected underspend of £1.701m will be incurred in 2004/05 in respect of Public Sector Improvement Grants and that the Scottish Executive has approved the carry forward of this grant.

The only costs anticipated in 2004/05 in relation to the CCTV centre will be in respect of the London Road Emergency Generator and this will result in £0.778m slippage.

The funding for all of these projects will be reprogrammed in line with the requirements of the Prudential Code.

SERVICE	Revised Budget 2004/05	Actual Expenditure to Date	Projected Expenditure 2004/05	Variance Actual / Revised Budget
	£	£	£	£
Education	6,386,000	2,425,454	4,141,000	-2,245,000
Social Services	1,545,000	121,655	361,000	-1,184,000
Neighbourhood Services	4,579,000	1,339,765	2,838,000	-1,741,000
Development & Property Services	11,336,056	7,053,766	9,203,056	-2,133,000
Corporate Support & Council Issues	2,380,000	940,473	1,605,000	-775,000
Total Capital Expenditure	26,226,056	11,881,113	18,148,056	-8,078,000
Funded By				
SPECIFIC GRANTS				
Education School Fund	1,877,000	0	1,877,000	0
New Opportunities Fund - Education	9,000	0	9,000	0
Roads & Transportation Grants	2,186,056	43,820	2,156,056	30,000
Public Sector Improvement Grants	2,401,000	306,544	700,000	1,701,000
Cultural Services Grants	1,058,000	197,057	1,058,000	0
Flood Prevention Grant	2,550,000	0	1,900,000	650,000
Other - Corporate	0	1,579,977	0	0
SPEND TO SAVE PROJECTS				
Roads & Transportation	360,000	0	360,000	0
Education	50,000	0	50,000	0
Council Issues	900,000	0	122,000	778,000
	11,391,056	2,127,398	8,232,056	3,159,000
Required Borrowing	14,835,000	9,753,715	9,916,000	-4,919,000

5 RECOMMENDATIONS

5.1 It is recommended that Members:

- (i) agree to transfer £0.025m for East Ayrshire Woodlands from the Council's earmarked surplus to Development and Property Services as proposed in paragraph 3.4 above;
- (ii) agree to the transfer from the Renewal and Repairs Fund as proposed in paragraph 3.8 above;
- (iii) otherwise note the contents of this report.

Alex McPhee
Executive Head of Finance

JJ/JP
23 March 2005
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**LIST OF BACKGROUND PAPERS
NIL**

Members wishing further information should contact Julie Jamieson, Strategic and Operational Accountant, Tel: (01563) 576336.

**EAST AYRSHIRE COUNCIL
POLICY AND RESOURCES COMMITTEE - 12 APRIL 2005**

**GENERAL SERVICES REVENUE ACCOUNT SUMMARY 2004/2005
TO 6 MARCH 2005 (PERIOD 12)**

Actual Expenditure to Period 12 £	Act Exp to P12 as % of Ann Est		Annual Estimate 2004/05 £	Projected Actual 2004/05 £	Movement Proj. Actual / Annual Estimate £
80,510,773	89.4%	Education	90,010,860	90,061,700	50,840
30,197,327	77.8%	Social Services	38,794,170	38,309,425	(484,745)
39,354,528	84.2%	Neighbourhood Services	46,755,980	46,001,290	(754,690)
14,940,977	86.5%	Development & Property Services	17,281,290	16,654,790	(626,500)
8,945,049	99.4%	Corporate Support	8,998,260	8,383,260	(615,000)
-	-	Central Services - Debt Charges	13,000,000	12,500,000	(500,000)
4,746,127	69.7%	Central Services - Other	6,810,500	5,895,960	(914,540)
-	-	Insurance Fund	2,569,960	2,569,960	-
-	-	Contingency Fund	650,000	650,000	-
(134,315)	-	Leisure Management	(12,000)	(20,000)	(8,000)
50,164	-	Roads	(30,000)	(52,000)	(22,000)
(39,849)	-	Street Lighting	-	(20,000)	(20,000)
349,190	-	Refuse Collection	(25,000)	(34,000)	(9,000)
122,587	-	Street Cleansing	(20,000)	(92,000)	(72,000)
(467,696)	-	Outdoor Amenities	(29,000)	(46,000)	(17,000)
(445,119)	-	OnSite Services	(268,630)	(268,630)	-
(1,858,512)	-	Building and Works	(600,230)	(1,951,000)	(1,350,770)
(45,504)	-	Vehicle Maintenance	(10,000)	(35,000)	(25,000)
-	-	Trading Services Capital Adjustment	(32,980)	(32,980)	-
-	-				
-	-	Transfer to Repairs and Renewals	-	186,500	186,500
-	-	Departmental underspend Carried Forward	-	2,180,095	2,180,095
176,225,727	78.7%	NET EXPENDITURE	223,843,180	220,841,370	(3,001,810)
-	-	Use of Balances Brought Forward	(291,560)	(291,560)	-
-	-	Building and Works earmarked Commitment	(200,000)	-	200,000
176,225,727	78.9%	TOTAL EXPENDITURE	223,351,620	220,549,810	(2,801,810)
		Funded By			
36,342,108	91.8%	Council Tax	39,600,000	40,095,000	(495,000)
149,883,549	89.5%	Aggregated External Finance (AEF)	167,468,550	167,468,550	-
3,419,335	21.0%	Specific Grants	16,283,070	16,283,070	-
189,644,992	84.9%	TOTAL INCOME	223,351,620	223,846,620	(495,000)
(13,419,265)		SURPLUS FOR YEAR	-	(3,296,810)	(3,296,810)