

EAST AYRSHIRE COUNCIL

POLICY AND RESOURCES COMMITTEE – 8 FEBRUARY 2006

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 9 is shown in Appendix 1. The currently projected position against budget for the year to 31 March 2006 is a favourable variance of £3.430m. The decision of the Emergency Powers Committee of 17 January 2006 in relation to equal pay commits £8.200m for compensation payments and the projected outturn is therefore a deficit for the year of £3.925m. This would reduce the cumulative uncommitted balance to £5.585m.
- 2.2 The Financial Reserves Strategy approved by this Committee on 31 May 2005 sets the optimum level of uncommitted General Fund Balances at between 2% and 4% of budgeted gross annual expenditure or between £5.560m and £11.120m.
- 2.3 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 could be carried forward for future use on non-recurring expenditure by the departments. Conversely departments overspending their allocation would carry this forward as a first charge against next year's budget. At period 9 a net amount of £0.276m of departmental variances would be carried forward.
- 2.4 The departmental budgets include specific amounts for grant income which was unspent in 2004/05 and in line with accounting practice deferred and brought forward into 2005/06. In addition some of the Service Departments have utilised previous years balances and earmarked funds.
- 2.5 There is a projected favourable variance of £0.600m in respect of Debt Charges which arises principally from a favourable cash flow profile resulting in additional investment income. Further savings are anticipated in respect of slippage on the Capital Programme and it may be prudent to transfer these unspent resources to the Capital Fund at 31 March 2006 for utilisation to meet associated debt financing costs in future financial years.

- 2.6 It is anticipated that there will be a favourable variance of £0.556m on Council Tax Yield, partly due to higher than anticipated income being recovered on former Community Charge debtors and partly due to income received from penalties imposed for late payments, net of commission.
- 2.7 There is a projected favourable variance of £0.126m in respect of Housing Benefit Subsidy income due to effective overpayment recovery arrangements

1 ENERGY EFFICIENCY MEASURES

- 3.1 The Executive Directors of Neighbourhood Services and Development and Property Services have indicated that whilst they will reduce energy usage as far as possible if the energy savings cannot be achieved in 2005/06 they remain confident that they can live within the departmental allocations. The Executive Director of Educational and Social Services has advised that due to good housekeeping measures a 5% contribution to the savings target has been achieved to date.
- 3.2 A forecast provided by the Executive Director of Development and Property Services indicates that based on the various energy efficiency saving measures being implemented throughout the Council, savings of £0.231m are currently anticipated to be achieved in the current financial year, leaving an unachieved balance of £0.614m. Works are ongoing to enable energy usage to be reduced to target levels.

4 SPECIFIC DEPARTMENTAL ISSUES

4.1 Education

The Executive Director of Educational and Social Services anticipates that there will be an adverse variance within the Education Service of £0.900m at 31 March 2006. This includes £0.396m in respect of as yet unidentified savings in energy costs and £0.504m elsewhere within the Education budget, the most material being in respect of as yet unidentified savings pending Best Value Service Reviews and additional costs associated with the termination of a pupil transport contract following health and safety concerns. SPT has confirmed that the estimated additional costs arising from this for 2005/06 will amount to £0.226m and in light of the significant and uncontrollable nature of the circumstances it is proposed that this be funded from Contingency with any final adjustments either up or down being similarly addressed. The Executive Director has confirmed that he will continue to take opportunities as they arise to bring total Education expenditure into line with the departmental resource allocation without cutting across existing Council policies.

4.2 Social Services

The Director of Educational and Social Services has indicated that the Social Work Service will outturn on budget at 31 March 2006. However, this projected break-even position has been achieved partly through utilisation of non-recurring funding in excess of £2.000m. This includes earmarked balances brought-forward from previous financial years, as well as non-recurring savings in the current year.

As in previous financial years, savings in staffing costs continue to be achieved due to the current national shortage of qualified Social Work staff, as well as one-off savings from phased implementation of earmarked funding initiatives in the current year. These savings include slippage in relation to hospital discharge programmes and the Best Value review of older people's residential services to meet registration requirements. It is anticipated that these commitments will be realised in the next financial year.

The non-recurring nature of a significant element of financial resources available to offset these unallocated savings is a matter of concern for future financial years and the Executive Director has confirmed that he is currently working to address this.

There are a number of efficiency measures which are still under review. In addition, the department continues to face significant challenges in addressing unmet need in terms of continuing and growing demand for a range of statutory services. These include the requirement for foster care placements through the independent sector, an increased demand for children and families services, resulting in a higher risk in the community and a significant increase in persistent offenders. In addition an anticipated future shortfall in resources for care packages for clients with learning disabilities has been identified, as well as a growing demand for home care services. It will be necessary to closely monitor and review the re-aligned budget over the course of the financial year to ensure that all service pressures can be addressed.

4.3 Neighbourhood Services

The Executive Director of Neighbourhood Services anticipates a favourable variance of £0.080m at 31 March 2006. This is due to anticipated underspends within Central Management Support, Waste Management, Licensing and Emergency Planning, partially offset by additional expenditure within Environmental Service. All other services are anticipated to out-turn on budget.

4.4 Development and Property Services

The Executive Director of Development and Property Services anticipates a favourable variance of £1.059m at 31 March 2006. This is principally due to additional income in respect of Technical Services and Planning fees and reduced Employee Costs due to the timing of filling of vacancies throughout the Department.

4.5 Corporate Support

The projected underspend to 31 March 2006 of £0.672m is principally due to reduced Employee Costs as a result of the timing of filling of vacancies within Corporate Development and Communication and Finance, additional income from Scottish Water for improved collection rates and additional income from the Department of Work and Pensions arising from success in the area of fraud prosecution.

A shortfall in income is anticipated at the end of the year against Property Enquiries as a result of private sector competition. At this time the variance can be contained within Administration and Legal Services by offsetting underspends on Employee Costs and Supplies & Services.

Additional expenditure is anticipated in relation to essential health and safety issues surrounding the housing of the IT Telephony unit and also equipment for an Emergency Planning Unit.

4.6 Central Services

There is a favourable variance of £0.288m projected to 31 March 2006 principally due to Unfunded Pensions Costs and less than anticipated expenditure on Supplies and Services.

4.7 Trading Services

Building and Works is anticipated to outturn £1.360m better than budget due to additional work being awarded.

The projected surpluses for Trading Services include an estimate for the FRS17 Pension Accounting entries which are required to be included in the Council's year end Financial Statements. Whilst there is no overall effect for the Council there is an impact on individual Trading Services.

4.8 Renewals and Repairs Fund

The Policy and Resources Committee of 3 October 2002 allowed Trading Operations to transfer sums to be ringfenced within the renewal and repairs fund for use in future years. Sums available for transfer are limited to the lower of £0.100m or 50% of any surplus in excess of the budgeted surplus. Accordingly as at period 9 £0.161m can be identified as being the maximum amount available for transfer.

5 CAPITAL

- 5.1 The 2005/06 programme has been revised to incorporate schemes brought forward from the previous financial year. The programmed expenditure of £22.259m in the table below includes an anticipated reduction of £15.001m which arises principally due to slippage on Galston Primary School Scheme (£1.733m), Social Services Care/Children's Homes (£1.891m), Dalsalloch Replacement (£0.595m), Galston Flood Prevention (£5.900m) and the CCTV Monitoring Station (£1.941m). The balance (£2.941m) is made up of other minor schemes throughout departments.
- 1.0 Members are asked to approve the transfer of £0.013m from the Contingency set aside for Capital for the payment of a final invoices for work done at Cumnock Registrar's Office which dates back to 1996.

Service	2005/06 Allocation	Budget Revisions / Adjustments	Revised Budget 2005/06	Actual Expenditure to Date	Projected Expenditure 2005/06	Variance Projected / Revised Budget
Educational Services	5,216,000	3,807,649	9,023,649	1,610,503	6,576,989	(2,446,660)
Social Services	1,915,000	1,296,494	3,211,494	381,337	640,460	(2,571,034)
Neighbourhood Services	3,583,000	2,645,671	6,228,671	1,611,312	3,347,493	(2,881,178)
Development & Property Services	12,650,571	2,287,585	14,938,156	2,875,012	7,835,641	(7,102,515)
Corporate Support & Council Issues	3,096,000	762,632	3,858,632	1,592,056	3,858,632	0
Total Capital Expenditure	26,460,571	10,800,031	37,260,602	8,070,220	22,259,215	(15,001,387)

Source	2005/06 Allocation	Budget Revisions / Adjustments	Revised Budget 2005/06	Actual Funding to Date	Projected Funding 2005/06	Variance Projected / Revised Budget
Specific Grants						
Education School Fund	2,366,000	0	2,366,000	583,437	2,366,000	0
Roads & Transportation Grants	1,562,000	400,392	1,962,392	92,461	1,762,392	(200,000)
Public Sector Improvement Grants	470,000	1,382,000	1,852,000	376,508	1,852,000	0
Cultural Services Grants	490,000	317,000	807,000	0	497,000	(310,000)
Flood Prevention Grant	4,860,000	650,000	5,510,000	992,321	770,000	(4,740,000)
Other Income	2,596,000	1,625,412	4,221,412	2,461,907	4,221,412	0
Total External Funding	12,344,000	4,374,804	16,718,804	4,461,634	11,468,804	(5,250,000)
Spend to Save Projects						
Roads & Transportation Grants	210,000	0	210,000	0	210,000	0
Education Water Efficiency	0	34,784	34,784	0	34,784	0
Neighbourhood Services CCTV Monitoring Station	1,128,000	819,000	1,947,000	0	5,822	(1,941,178)
Borrowing (excl Spend to Save)	12,778,571	5,571,443	18,350,014	3,608,586	10,539,805	(7,810,209)
Total Borrowing Requirement	14,116,571	6,425,227	20,541,798	3,608,586	10,790,411	(9,751,387)

6 REGENERATION & EFFICIENCY FUND

- 1.0 The General Services Capital Programme for 2005/06 to 2007/08 includes annual provision of £2.000m, the purpose of which is to provide capital funding in respect of key regeneration and efficiency improvement objectives identified by the Council.
- 2.0 The Executive Director of Development & Property Services has at this time identified slippage within the current financial year of approximately £0.500m due to the phasing of expenditure beyond the year end.

7 RECOMMENDATIONS

- 7.1 It is recommended that Members agree to the transfers proposed in paragraph 4.1 and 5.2 above and otherwise note the contents of this report.

Alex McPhee

Executive Head of Finance

JJ/JP

16 January 2006

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LIST OF BACKGROUND PAPERS NIL

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

POLICY AND RESOURCES COMMITTEE - 8 FEBRUARY 2006

GENERAL SERVICES REVENUE ACCOUNT SUMMARY 2005/06 TO 11 DECEMBER 2005

Actual Exp. To 11/12/05 £	Actual Exp. To P9 as % of Annual Estimate		Annual Estimate 2005/06 £	Projected Actual to 31/3/06 £	Variance (Favourable) / Adverse £
60,337,666	64.0%	Educational Services	94,334,370	95,234,000	899,630
26,822,147	64.8%	Social Services	41,382,110	41,382,110	0
38,164,184	67.9%	Neighbourhood Services	56,200,630	56,120,630	(80,000)
11,741,879	64.1%	Development & Property Services	18,310,910	17,251,910	(1,059,000)
6,911,227	76.4%	Corporate Support	9,043,550	8,371,550	(672,000)
-	-	Central Services - Debt Charges	13,982,020	13,382,020	(600,000)
33,378,923	70.3%	Central Services - Other	47,504,270	47,216,270	(288,000)
-	-	Insurance Fund	2,829,960	2,829,960	0
-	-	Contingency Fund	650,000	650,000	0
(271,933)	-	On-Site Services	(168,630)	(103,470)	65,160
239,209	-	Refuse Collection	(25,000)	(14,570)	10,430
127,892	-	Street Cleansing	(20,000)	(5,755)	14,245
(73,577)	-	Leisure Management	(12,000)	(24,680)	(12,680)
(334,034)	-	Outdoor Amenities	(29,000)	(26,930)	2,070
(1,743,580)	-	Building & Works	(690,230)	(2,050,430)	(1,360,200)
26,105	-	Roads	(40,000)	(33,560)	6,440
(93,138)	-	Vehicle Maintenance	(10,000)	(22,230)	(12,230)
(21,752)	-	Street Lighting	(10,000)	(26,915)	(16,915)
-	-	FRS17 Pension Adjustment	0	(282,170)	(282,170)
175,211,218		NET EXPENDITURE	283,232,960	279,847,740	(3,385,220)
		Funded By			
(42,220,099)	101.0%	Council Tax	(41,800,000)	(42,356,000)	(556,000)
(134,386,276)	69.2%	Aggregated External Finance	(194,113,510)	(194,113,510)	0
(34,352,814)	72.0%	Other Income (Supporting People & Housing/Council Tax Benefit)	(47,737,000)	(47,863,000)	(126,000)
(176,606,375)		TOTAL INCOME	(283,650,510)	(284,332,510)	(682,000)
(1,395,157)		SURPLUS FOR YEAR	(417,550)	(4,484,770)	(4,067,220)
-	-	Utilisation of Previous Years Balances	(227,780)	(227,780)	0
-	-	Departmental Underspend / (Overspend) Carried Forward	0	276,370	276,370
-	-	Transfer to Repairs & Renewals	0	160,800	160,800
-	-	Building & Works Earmarked Commitment	(200,000)	0	200,000
(1,395,157)		2005/06 SURPLUS BEFORE EQUAL PAY COMPENSATION	(845,330)	(4,275,380)	(3,430,050)
-	-	Equal Pay Compensation Commitment	0	8,200,000	8,200,000
(1,395,157)		2005/06 DEFICIT	(845,330)	3,924,620	4,769,950