

EAST AYRSHIRE COUNCIL

POLICY AND RESOURCES COMMITTEE – 15 NOVEMBER 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 6 is shown in Appendix 1. The currently projected outturn for the year to 31 March 2006 is a surplus in excess of budget of £1.541m.
- 2.2 The audit of the 2004/05 Accounts has now been completed. During the audit a number of adjustments were agreed which resulted in a final cumulative balance of £16.846m of which £7.336m is earmarked and £9.510m is uncommitted.

Component	2003/04 £m	2004/05 £m	Total £m
Total Uncommitted Balance brought forward			4.333
Total Uncommitted Balance 2004/05			5.177
Total Uncommitted Balance			9.510
Departmental Balances Carried Forward	2.500	2.580	5.080
Departmental Commitments	0.582	1.674	2.256
Total Committed Balance	3.082	4.254	7.336
General Fund Surplus (2004/05) per Annual Accounts			16.846

- 2.3 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.
- 2.4 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 6, £0.144m of departmental variances would be carried forward.

- 2.5 There is a projected favourable variance of £0.300m in respect of Debt Charges which arises principally from a favourable cash flow profile resulting in additional investment income. There is significant slippage in the Capital Programme however and work is ongoing to assess the impact of this on debt charges for this and future years.
- 2.6 Members will recall that the Council's insurance portfolio was due for renewal from 1 October 2005 for the next year. This process has now been concluded and the terms offered can be contained within the existing budget provision, with existing levels of policy excess being preserved.

3 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 he is concerned over the timing of efficiency works to achieve the target and may not be able to absorb the savings elsewhere if energy usage is not reduced.

4 SPECIFIC DEPARTMENTAL ISSUES

4.1 Education

The Executive Director of Educational and Social Services anticipates that there will be an adverse variance of £0.891m at 31 March 2006. This includes £0.463m in respect of as yet unidentified savings in energy costs and £0.428m elsewhere within the Education budget, the most material being in respect of additional costs associated with the termination of a pupil transport contract following health and safety concerns and as yet unidentified savings pending Best Value Service Reviews. 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 Services Department 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 £2m. 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.

In total, the level of savings to be identified on a recurring basis to offset efficiency allocations stands at £2.020m. 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 £0.120m at 31 March 2006. This is due to anticipated underspends within Central Management Support, Waste Management, Chemist & Analyst 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 £0.482m at 31 March 2006. This is principally due to additional income in respect of Technical Services, savings on Supplies and Services costs 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 £0.375m 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 has been received from Scottish water for improved collection rates and from the Department of Work and Pensions through fraud incentive income.

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 of an Emergency Planning Unit.

4.6 **Central Services**

There is a favourable variance of £0.125m projected to 31 March 2006 principally due to Unfunded Pensions Costs. The favourable variance of £0.170m reported at period 4 due to the non-utilisation of previous years provisions was declared as part of the Council's 2004/05 surplus at the conclusion of the year end audit.

4.7 **Building and Works**

Building and Works is anticipated to outturn £1.098m better than budget due to additional work being awarded.

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 6 £0.188m can be identified as being the maximum amount available for transfer.

The Executive Director of Neighbourhood Services has indicated a requirement to utilise funds appropriated in this way in 2004/05 and has requested the amount indicated below be transferred to the trading operation.

Trading Operation	Intended use of Fund	Transfer Required £
Outdoor Amenities	To carry out essential health and safety repairs to a culvert at Dean Castle	12,500
Total to be Transferred from R & R		12,500

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 £23.158m in the table below includes an anticipated reduction of £13.846m which arises principally due to slippage on Galston Primary School Scheme (£1.733m), Social Services Care/Children's Homes (£1.916m), Dalsalloch Replacement (£0.595m), Galston Flood Prevention (£5.900m) and the CCTV Monitoring Station (£1.944m). The balance (£1.758m) is made up of other minor schemes throughout departments.

5.2 The Prudential Code introduces greater flexibility in the financing of assets procured by the Council. This includes the ability to replace leases with outright purchases where this delivers better value for money. All decisions on borrowing, investment or financing are delegated to the Executive Head of Finance and an option appraisal process is now in place.

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	3,753,991	8,969,991	770,456	6,842,689	(2,127,302)
Social Services	1,915,000	1,296,494	3,211,494	288,843	700,460	(2,511,034)
Neighbourhood Services	2,455,000	1,919,455	4,374,455	773,168	3,884,455	(490,000)
Development & Property Services	12,650,571	1,933,085	14,583,656	1,680,672	7,810,091	(6,773,565)
Corporate Support & Council Issues	4,224,000	1,640,348	5,864,348	726,860	3,920,208	(1,944,140)
Total Capital Expenditure	26,460,571	10,543,373	37,003,944	4,239,999	23,157,903	(13,846,041)

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	0	2,366,000	0
Roads & Transportation Grants	1,562,000	400,392	1,962,392	92,461	1,962,392	0
Public Sector Improvement Grants	470,000	1,342,000	1,812,000	376,508	1,812,000	0
Cultural Services Grants	490,000	463,000	953,000	0	463,000	(490,000)
Flood Prevention Grant	4,860,000	650,000	5,510,000	964,594	770,000	(4,740,000)
Other Income	2,596,000	1,262,754	3,858,754	276,761	3,858,754	0
Total External Funding	12,344,000	4,118,146	16,462,146	1,710,324	11,232,146	(5,230,000)
Spend to Save Projects						
Roads & Transportation Grants	210,000	0	210,000	0	210,000	0
Education School Fund	0	34,784	34,784	0	34,784	0
Council Issues	1,128,000	819,000	1,947,000	0	2,860	(1,944,140)
Borrowing (excl Spend to Save)	12,778,571	5,571,443	18,350,014	2,529,675	11,678,113	(6,671,901)
Total Borrowing Requirement	14,116,571	6,425,227	20,541,798	2,529,675	11,925,757	(8,616,041)

6 REGENERATION & EFFICIENCY FUND

- 6.1 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.
- 6.2 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 transfer proposed in paragraph 4.8 above and otherwise note the contents of this report.

Alex McPhee
Executive Head of Finance

JJ/JP
 28 October 2005
 ENC (1)

LIST OF BACKGROUND PAPERS NIL

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

**EAST AYRSHIRE COUNCIL
POLICY AND RESOURCES COMMITTEE - 15 NOVEMBER 2005**

APPENDIX 1

**GENERAL SERVICES REVENUE ACCOUNT SUMMARY 2005/2006
TO 18 SEPTEMBER 2005**

Actual Exp. To 18/09/05 £	Actual Exp. To P6 as % of Annual Estimate		Annual Estimate 2005/06 £	Projected Actual to 31/3/06 £	Variance (Favourable) / Adverse £
39,069,890	41.8%	Educational Services	93,452,580	94,343,290	890,710
15,551,405	38.3%	Social Services	40,638,900	40,638,900	0
23,108,132	46.5%	Neighbourhood Services	49,746,380	49,626,380	(120,000)
7,366,707	41.6%	Development & Property Services	17,716,240	17,234,240	(482,000)
4,266,394	47.9%	Corporate Support	8,906,550	8,531,550	(375,000)
-	-	Central Services - Debt Charges	13,982,020	13,682,020	(300,000)
1,827,319	38.1%	Central Services - Other	4,799,270	4,674,270	(125,000)
-	-	Insurance Fund	2,829,960	2,829,960	0
-	-	Contingency Fund	650,000	650,000	0
(29,506)	-	Leisure Management	(6,700)	(6,700)	0
(11,810)	-	Roads	(18,840)	(18,840)	0
26,565	-	Street Lighting	(7,530)	(7,530)	0
94,095	-	Refuse Collection	(7,870)	(42,870)	(35,000)
41,465	-	Street Cleansing	(8,600)	(108,600)	(100,000)
(279,342)	-	Outdoor Amenities	(2,300)	(27,300)	(25,000)
(191,192)	-	On-Site Services	(116,500)	(116,500)	0
(1,044,670)	-	Building & Works	(606,990)	(1,705,410)	(1,098,420)
(93,717)	-	Vehicle Maintenance	(3,780)	(18,780)	(15,000)
0	-	FRS17 Pension Adjustment	(225,750)	(225,750)	0
89,701,735		NET EXPENDITURE	231,717,040	229,932,330	(1,784,710)
		Funded By			
(20,302,260)	48.6%	Council Tax	(41,800,000)	(41,800,000)	0
(87,951,863)	46.2%	Aggregated External Finance	(190,562,370)	(190,562,370)	0
(108,254,123)		TOTAL INCOME	(232,362,370)	(232,362,370)	0
(18,552,388)		SURPLUS FOR YEAR	(645,330)	(2,430,040)	(1,784,710)
-	-	Departmental Underspend / (Overspend) Carried Forward	0	(143,710)	(143,710)
-	-	Transfer to Repairs & Renewals	0	187,500	187,500
-	-	Building & Works Earmarked Commitment	(200,000)	0	200,000
(18,552,388)		2005/06 SURPLUS	(845,330)	(2,386,250)	(1,540,920)