

EAST AYRSHIRE COUNCIL

POLICY AND RESOURCES COMMITTEE – 14 NOVEMBER 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 programme based on information provided by Executive Directors.

2 OVERALL POSITION

2.1 REVENUE

2.1.1 The budgetary position summarised at Period 6 is shown in the table below. The currently projected outturn for the year to 31 March 2007 is a surplus in excess of budget of £2.547m.

2.1.2 As Members are aware, this Committee on 3 October 2002 agreed that departmental balances generated by managed savings could be carried forward for future use on non-recurring expenditure. Conversely departments overspending their allocation would carry this forward as a first charge against next year's budget. At period 6 £1.558m of departmental variances would be carried forward. This includes the deficit balances currently projected for Educational and Social Services.

Actual Exp. To 17/9/06 £	Actual Exp. To P6 as % of Annual Estimate		Annual Estimate 2006/07 £	Projected Actual to 31/3/07 £	Variance (Favourable) / Adverse £
40,521,061	41.5%	Educational Services	97,725,410	99,136,620	1,411,210
21,744,462	49.7%	Social Services	43,756,710	44,969,070	1,212,360
26,588,586	46.1%	Neighbourhood Services	57,656,460	57,552,800	(103,660)
5,993,366	37.6%	Development & Property Services	15,949,240	15,296,338	(652,902)
4,099,365	43.8%	Corporate Support	9,351,430	8,973,430	(378,000)
24,886,924	47.6%	Central Services - Other	52,260,350	51,785,710	(474,640)
-	-	Central Services - Debt Charges	13,500,000	13,100,000	(400,000)
-	-	Insurance Fund	3,211,040	3,211,040	0
(1,027,240)	-	Building & Works	(1,765,000)	(2,065,930)	(300,930)
(112,009)	-	Roads	(40,000)	(40,000)	0
(99,449)	-	Vehicle Maintenance	(10,000)	(15,000)	(5,000)
142,434	-	Street Lighting	(10,000)	(10,000)	0
122,737,500		NET EXPENDITURE	291,585,640	291,894,078	308,438
		Funded By			
(45,198,560)	102.1%	Council Tax	(44,249,370)	(45,249,370)	(1,000,000)
(90,900,032)	46.2%	Aggregated External Finance	(196,950,070)	(196,950,070)	0
(26,656,237)	52.9%	Other Income (Supporting People & Housing/Council Tax Benefit)	(50,386,200)	(50,786,200)	(400,000)
(162,754,829)		TOTAL INCOME	(291,585,640)	(292,985,640)	(1,400,000)
(40,017,329)		SURPLUS FOR YEAR	0	(1,091,562)	(1,091,562)
-	-	Departmental Underspend / (Overspend) Carried Forward	0	(1,557,898)	(1,557,898)
-	-	Transfer to Repairs & Renewals	0	102,500	102,500
(40,017,329)		2006/07 SURPLUS	0	(2,546,960)	(2,546,960)
-	-	Contribution from Pension Reserve	(332,000)	(332,000)	0
(40,017,329)		2006/07 SURPLUS	(332,000)	(2,878,960)	(2,546,960)

2.2 CAPITAL

2.2.1 The projected expenditure of £26.411m includes an anticipated reduction of £0.902m which arises principally from variances in respect of Kay Park and the Risk Management Centre.

2.2.2 Members are asked to note that detailed work is in process to determine the anticipated physical and financial outturn of the Capital Programme and any further underspends identified for 2006/07 will be retained by departments to allow projects to be completed. Any variations will be required to be contained within the three year budget allocations.

Service	2006/07 Allocation	Budget Revisions / Adjustments	Revised Budget 2006/07	Actual Expenditure to Date	Projected Expenditure 2006/07	Variance Projected / Revised Budget
Educational Services	7,050,000	(518,679)	6,531,321	1,778,346	6,352,606	(178,715)
Social Services	1,735,000	(1,005,296)	729,704	37,422	631,980	(97,724)
Neighbourhood Services	6,021,000	(2,900,620)	3,120,380	185,340	2,580,003	(540,377)
Development & Property Services	5,758,000	7,335,968	13,093,968	1,403,303	13,008,968	(85,000)
Corporate Support & Council Issues	2,386,967	1,450,136	3,837,103	2,155,285	3,837,103	0
Total Capital Expenditure	22,950,967	4,361,509	27,312,476	5,559,696	26,410,660	(901,816)

Source	2006/07 Allocation	Budget Revisions / Adjustments	Revised Budget 2006/07	Actual Funding to Date	Projected Funding 2006/07	Variance Projected / Revised Budget
Specific Grants						
Education School Fund	2,480,000	734,000	3,214,000	0	3,214,000	0
Roads & Transportation Grants	473,000	985,039	1,458,039	63,074	1,458,039	0
Public Sector Improvement Grants	972,000	(972,000)	0	0	0	0
Cultural Services Grants	2,154,000	(986,000)	1,168,000	0	770,764	(397,236)
Flood Prevention Grant	0	2,920,000	2,920,000	0	2,920,000	0
Other Income	960,000	584,565	1,544,565	1,235,565	1,544,565	0
Total External Funding	7,039,000	3,265,604	10,304,604	1,298,639	9,907,368	(397,236)
Spend to Save Projects						
Roads & Transportation Grants	210,000	0	210,000	0	125,000	(85,000)
Borrowing (excl Spend to Save)	15,701,967	1,095,905	16,797,872	4,261,057	16,378,292	(419,580)
Total Borrowing Requirement	15,911,967	1,095,905	17,007,872	4,261,057	16,503,292	(504,580)

3 SPECIFIC DEPARTMENTAL ISSUES

3.1 Education

3.1.1 The Executive Director of Educational and Social Services anticipates that based on current spending patterns, there will be an adverse variance within the Educational Services revenue budget of £1.411m at 31 March 2007 and confirms that he will be taking appropriate action to deal with this. £1.099m relates to savings which require to be identified to cover increased Transport and Energy Costs and the withdrawal of Scottish Executive funding for Quality Improvement Officers, Educational Psychologists, additional support staff and exam fees. Higher Special Education Transport Costs of £0.352m have arisen due to the failure of Swift to fulfill the contract with East Ayrshire and the need to employ alternative contractors. In addition there is £0.207m adverse variance anticipated for Special Education outwith placements, additional PPP professional fee charges and a balance of unachieved savings within Community Learning and Development. These costs are partially offset by favourable variances of £0.247m in Employee Costs, Water Charges and additional income.

3.1.2 The Special Policy and Resources Committee of 16 October 2006 allocated an additional £0.600m to Educational Services to address some of the issues noted above. This will be reflected within the Education budget once the utilisation of the funds has been determined by the Executive Director in consultation with the Chair of the Education Committee.

3.1.3 In respect of the Educational Services Capital Programme, this is anticipated to outturn £0.179m under budget principally due to the timing of Muirkirk Primary window replacement, Dunlop Primary extension and the Netherthird Community Campus schemes.

3.2 Social Services

3.2.1 The Director of Educational and Social Services has indicated that based on current trends, Social Services will outturn £1.212m in excess of budget at 31 March 2007. The projected adverse variance includes a number of long-standing budget pressures, as well as an outstanding balance of savings to be achieved of £0.369m in the current financial year. The main budget pressures are within Children and Families including Residential Schools and Secure Accommodation placements, Foster Care costs and Transport Costs. The projection does not include anticipated savings from the ongoing review of older people's services which are currently forecast to result in an annual cost reduction of £1.000m from 2007/08.

3.2.2 The Special Policy and Resources Committee of 16 October 2006 allocated an additional £1.200m to Social Services to address some of the issues noted above. This will be reflected within the Social Services budget once the use of the additional resources has been determined by the Executive Director in consultation with the Chair of the Social Work Committee.

3.2.3 The Social Services Capital Programme is anticipated to outturn £0.097m under budget at 31 March 2007 mainly due to the timing of the Children's Home schemes. This is forecast to be partially offset by additional expenditure in relation to Older People's Services.

3.3 Neighbourhood Services

3.3.1 The Executive Director of Neighbourhood Services anticipates a favourable variance on the Neighbourhood Services revenue budget of £0.104m at 31 March 2007. This is mainly due to reduced costs in Waste Management arising from higher than anticipated recycling rates.

3.3.2 As previously reported, private sector improvement grants can no longer be charged to capital and £0.300m, along with £0.056m previously set aside for contingency, has been reallocated by the Executive Director of Neighbourhood Services at the Community Services Committee of 8 November 2006.

3.3.3 £0.100m has been allocated from Capital Contingency to contribute to the installation of a lift at the Grand Hall to ensure DDA compliance.

3.3.4 Work on the Kay Park and Risk Management Centre is anticipated to commence in the winter and be completed in 2007/08.

3.4 Development and Property Services

- 3.4.1** It is anticipated that the Development and Property Services budget will outturn £0.653m under budget at 31 March 2007. This is principally due to additional income in respect of Technical Services and Planning fees and favourable variances within the Corporate Office Accommodation budget.
- 3.4.2** In respect of the Development and Property Services Capital Programme, it is anticipated that £0.085m will be carried forward to fund the Cumnock parking strategy.
- 3.4.3** Changes to accounting regulations on the classification of capital expenditure now mean that expenditure on Planning improvement grants can no longer be charged to capital. To ensure that this does not impact on current service delivery it is proposed to vire £0.220m from Roads revenue to Planning, with a corresponding virement being made from Planning capital to Roads capital. There will be no impact on planned projects.

3.5 Corporate Support

- 3.5.1** The projected underspend to 31 March 2007 of £0.378m is principally due to reduced Employee Costs as a result of the timing of filling of vacancies within Chief Executive office, Corporate Development and Communication, Finance and Legal and Administration. In addition there is a favourable variance on income arising from Scottish Water for improved collection rates and from the Department of Work and Pensions for benefits fraud prosecution. Delay in the implementation of e-Procurement is also anticipated to generate reduced costs in the current financial year.

3.6 Central Services

- 3.6.1** There is a favourable variance of £0.475m projected to 31 March 2007 principally due to the pay award being settled at 2.5% rather than the 3% budgeted and unfunded Pensions Cost savings. This is partially offset by consultancy and training costs and a provision for unsettled Equal Pay claims.
- 3.6.2** It is anticipated that there will be a favourable variance of £1.000m on Council Tax partly due to higher than anticipated income being recovered on accounts for previous year and partly due to income received from penalties imposed for late payments, net of commission.
- 3.6.3** There is a projected favourable variance of £0.400m in respect of Housing Benefit Subsidy due to higher than anticipated subsidy income including more effective overpayment recovery arrangements.
- 3.6.4** There is a projected favourable variance of £0.400m in respect of Debt Charges principally due to a favourable cashflow profile, including the reprofiling of the capital programme, resulting in additional investment income.

3.7 Trading Services

3.7.1 Building and Works is anticipated to outturn £0.301m in excess of budget, mainly due to increased income and lower than anticipated Labour Costs, partially offset by additional; Other Direct Costs.

4 UTILISATION OF BALANCES

4.1 Within the General Fund Earmarked Surplus, there is £0.100m set aside from previous years for the North West Area Centre. Members are now requested to approve the transfer of this funding to meet current year expenditure on this Project.

5 RECOMMENDATIONS

5.1 It is recommended that Members:-

- (i) approve the budget virements identified in Paragraph 3.4.3;
- (ii) approve the utilisation of departmental balances identified in section 4 above and;
- (iii) otherwise note the contents of the Report.

Alex McPhee
Executive Head of Finance
JJ/JP
23 October 2006

LIST OF BACKGROUND PAPERS NIL

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