

## **EAST AYRSHIRE COUNCIL**

### **BUDGET SCRUTINY GROUP**

#### **NOTE OF MEETING HELD ON WEDNESDAY 14 JUNE 2006 AT 1000 HOURS IN THE CHIEF EXECUTIVE'S CONFERENCE ROOM, COUNCIL HEADQUARTERS, LONDON ROAD, KILMARNOCK**

**PRESENT:** Councillors Drew McIntyre, Douglas Reid, Stuart Finlayson, Neil McGhee, Elaine Dinwoodie; Fiona Lees, Chief Executive; and Alex McPhee, Executive Head of Finance.

**ATTENDING:** Elizabeth Morton, Depute Chief Executive/Executive Director of Corporate Support; Joseph McLachlan, Corporate Accounting Manager; Julie Jamieson, Chief Accountant; and Sharon McHarg, Administrative Officer.

**APOLOGY:** Councillors Willie Coffey and John Knapp.

**CHAIR:** Councillor Drew McIntyre.

#### **BUDGETARY SCRUTINY GROUP HELD ON 15 MARCH 2006**

1. There was submitted and noted a report of the meeting held on 15 March 2006 (circulated).

#### **2005/06 DRAFT OUT-TURN REPORT FOR YEAR ENDED 31 MARCH 2006**

2. There was submitted a report dated 8 June 2006 (circulated) by the Executive Head of Finance which advised of the draft out-turn position for Revenue Services and Capital Programmes for the year ended 31 March 2006 and commented on specific issues for 2006/2007 which had arisen since the budget was set on 9 February 2006 based on information provided by Executive Directors.

### **OVERALL POSITION**

#### **3.1 GENERAL SERVICES REVENUE ACCOUNT**

The Group noted that:

- (i) the draft out-turn for 2005/06 per the report showed that the cumulative uncommitted balance had reduced by £1.164m from £9.510m to £8.346m following the requirement for Equal Pay Compensation Payments of £7.457m offset by a range of favourable variances including a higher than budgeted Building and Works surplus, increased Council Tax Yield, improved Benefit Subsidy recovery and reduced debt charges;
- (ii) after taking account of changes to earmarked and departmental balances, the Financial Statements would show a surplus for 2005/06 of £0.041m and when added to the 2004/05 balance brought forward would show a cumulative surplus for the Council of £16.887m. £8.541m of this is earmarked for use by departments in terms of the Council's budgetary arrangements; and
- (iii) the Financial Reserves Strategy highlighted the need to build up the Insurance Fund to a level that would enable the extent of external insurance cover to be reduced and the aim is to have an established balance of £5.000m. £1.743m is proposed to be transferred to the Insurance Fund this year.

### **3.2 TRADING SERVICES**

The Group noted that:

- (i) all of the Trading Services made an operational surplus in 2005/06 with Building and Works out-turn position being £2.370m better than budget; and
- (ii) accounting guidance required the cost of the Equal Pay Compensation attributable to Catering and Cleaning staff to be shown against the appropriate Trading Service and this meant that the Council's Financial Statements show these services in a deficit position.

### **3.3 HOUSING REVENUE ACCOUNT**

The Group noted a favourable variance of £0.381m on the Housing Revenue Account mainly due to favourable variances on Debt Charges and Supplies and Services which were partially offset by additional expenditure on Housing Repairs.

### **3.4 GENERAL SERVICES CAPITAL**

The Group noted that the Capital Programme out-turned £18.536m under budget principally due to slippage in a number of schemes.

The Chief Executive further advised that discussions would take place with the Executive Director of Development and Property Services with a view to progressing the programme.

### **3.5 HOUSING CAPITAL**

The Group noted that expenditure on the Housing Capital Programme was £0.036m under budget and that capital receipts were £2.504m higher than anticipated.

## **2006/2007 COMMENTARY**

4. The Executive Head of Finance informed the Group that:

- (i) the Executive Director of Educational and Social Services had indicated that Energy Efficiency targeted savings continued to present challenges and he was concerned about the scope to contain these within the net Education resource allocation;
- (ii) the Executive Director had indicated that the unpredictability of secure accommodation requirements, increased adult and homecare package costs, fostering payments and unanticipated significant costs in relation to the next taxi contract are likely to impact on the Social Services 2006/07 budget; and
- (iii) in respect of other services there were no other material variances to report.

## **SERVICE SUMMARIES - OVERVIEW POSITION**

### **5.1 NEIGHBOURHOOD SERVICES**

The Executive Director of Neighbourhood Services joined the meeting and confirmed that:-

- (i) the efficiency savings target for 2006/07 had been achieved but some areas including Libraries faced additional budget pressures;

- (ii) £0.090m of departmental balances had been allocated for Street Sweeping and other initiatives to improve standards and increase library stock were in hand;
- (iii) Council house demolitions planned for 2006/07 were part of a wider regeneration initiative and involved working in partnership with Communities Scotland;
- (iv) the Building and Works surplus for 2006/07 would be lower than the exceptional outturn for 2005/06; and
- (v) with reference to capital programme expenditure, the Housing Investment Programme for 2006/07 had been approved at the Housing Committee of 17 May 2006 and in respect of General Services, the Risk Management Centre project would commence in October 2006 and the Burns Monument later in the year.

The Executive Director of Neighbourhood Services left the meeting.

## **5.2 EDUCATIONAL AND SOCIAL SERVICES**

The Executive Director of Educational and Social Services and the Senior Manager, Community Care joined the meeting and confirmed that:

### **5.2.1 Educational Service**

- (i) the reason the underspend had not been predicted earlier was because it arose principally from school underspends and from slippage in specific funded initiatives which could not have been anticipated;
- (ii) the energy savings target continued to be a challenge and was being taken forward with colleagues in Technical Services;
- (iii) the efficiency target for 2006/07 of £2.833m had been allocated across the Education Service and all savings were realisable in the current year;
- (iv) the contract in respect of SEN school transport was up for renewal and in respect of other transport contracts the Procurement Section had been consulted to ensure that controls in relation to sustainability and affordability are strengthened; and
- (v) with reference to capital programme expenditure, there were areas of slippage within the Educational Services capital programme and that monitoring arrangements were in place with colleagues within the department and other departments.

### **5.2.2 Social Services**

- (i) the sustainability plan was a high priority and would be progressed as a matter of urgency;
- (ii) an action plan for taxi contracts had been submitted to Internal Audit and progress would be checked throughout the year. All new taxis have to be authorised by senior managers within Social Services. The use of volunteer drivers had been reintroduced following discussions with Legal Services;
- (iii) in respect of the latest advice on free personal care and the future impact on the provision of meals, Social Services are working with Legal Services to

establish the costs and risks to the Council especially in relation to backdating. The change in advice could result in an estimated loss of income of £0.400m on the Social Services revenue budget;

- (iv) significant work had been done on the budget to allow Onsite to become a budget line within Education; and
- (v) with reference to capital programme expenditure, there was significant slippage in the capital programme but progress had been made in respect of Carrick View and the children's unit and land at Auchinleck had recently transferred to Social Services. A site has still to be identified in the north of the Council for a children's unit and staff are liaising with Technical Services in relation to older people's services at Rosebank.

Councillor McIntyre requested that a full update on the capital programme be submitted to the next meeting.

The Executive Director of Educational and Social Services and Senior Manager, Community Care left the meeting.

#### **5.4 DEVELOPMENT AND PROPERTY SERVICES**

The Executive Director of Development and Property Services joined the meeting and confirmed that:

- (i) Street Lightning electricity consumption, energy management and Technical Services and Planning fee income were 2006/07 budget pressures;
- (ii) he would report anticipated 2006/07 energy efficiency savings within the next 10 days. Councillor McIntyre requested a full update for the next meeting of the Group; and
- (iii) the Top of the Town development had been procured and may require a draw in 2006/07 on the Regeneration and Efficiency Fund. Cumnock Town Centre arrangements were also being progressed and may also lead to a draw on the Fund.

It was noted that there was significant slippage on the capital programme and the Executive Director of Development and Property Services highlighted that with reference to capital programme expenditure:

- (i) there are issues surrounding the need to identify schemes early enough in order to allow the requirements on Technical Services to be identified at an earlier stage; and
- (ii) there were some strains on Quantity Surveyors within Technical Services but there was a framework contract arrangement in place although this had now lapsed and the Executive Director indicated that he intended asking Committee to extend the framework contract.

Councillor McIntyre stressed that when approval was given for example from Scottish Executive in respect of the Galston Flood Prevention Scheme, the Council should be in a position to commence the work at the earliest possible opportunity. Cllr Finlayson asked if the process would be shortened given that the Council had already received expressions of interest in respect of Galston Flood Prevention Scheme. The Executive Director explained that the Council was still required to give tenderers 4 weeks notice to allow them to price the bill of quantities.

The Executive Director of Development and Property Services left the meeting.

## **5.5 CORPORATE SUPPORT**

The Executive Director of Corporate Support confirmed that:

- (i) there was no slippage in capital programme expenditure;
- (ii) IT faced pressure in respect of the dataroom, data storage and joint working initiatives in 2006/07;
- (iii) Best Value Service Reviews and the utilisation of departmental balances would enable the Department to achieve it's 2006/07 efficiency targets;
- (iv) the Council-wide consolidation of IT budgets will allow the Head of IT to refresh systems, increase capacity and reduce costs. In-sourcing of specific functions was also anticipated to generate significant savings; and
- (v) departmental balances would be utilised for the Shopmobility Project, Customer First commitment, refreshing the financial management system, upgrading office accommodation and IT projects principally relating to the schools network. In addition there is an urgent need for additional accommodation for IT equipment at London Road with consequential effects on the main meeting room which would also be met from the departmental balances.

The Executive Head of Finance advised that significant slippage on the capital programme would result in an underspend on debt charges for the year.

The meeting terminated at 1130 hrs.