

EAST AYRSHIRE COUNCIL

POLICY AND RESOURCES COMMITTEE – 19 SEPTEMBER 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

2.1 REVENUE

2.1.1 The budgetary position summarised at Period 4 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 £1.966m.

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 4 £1.644m of departmental variances would be carried forward. This includes the deficit balances currently projected for Educational and Social Services.

Actual Exp. To 23/7/06 £m	Actual Exp. To P4 as % of Annual Estimate		Annual Estimate 2006/07 £m	Projected Actual to 31/3/07 £m	Variance (Favourable) / Adverse £m
30.632	31.3%	Educational Services	97.720	99.208	1.488
13.861	31.7%	Social Services	43.667	44.623	0.956
18.051	31.5%	Neighbourhood Services	57.357	57.239	(0.118)
4.280	26.8%	Development & Property Services	15.949	15.431	(0.518)
3.590	38.4%	Corporate Support	9.351	9.121	(0.230)
21.113	40.4%	Central Services - Other	52.260	51.497	(0.763)
-	-	Central Services - Debt Charges	13.500	13.500	0
-	-	Insurance Fund	3.211	3.211	0
(0.634)	-	Building & Works	(1.765)	(1.765)	0
(0.086)	-	Roads	(0.040)	(0.040)	0
(0.050)	-	Vehicle Maintenance	(0.010)	(0.010)	0
0.093	-	Street Lighting	(0.010)	(0.010)	0
90.850		NET EXPENDITURE	291.190	292.005	0.815
		Funded By			
(45.042)	101.8%	Council Tax	(44.249)	(45.049)	(0.800)
(60.478)	30.8%	Aggregated External Finance	(196.555)	(196.555)	0
(15.504)	30.8%	Other Income (Supporting People & Housing/Council Tax Benefit)	(50.386)	(50.723)	(0.337)
(121.024)	-	TOTAL INCOME	(291.190)	(292.327)	(1.137)
(30.174)	-	SURPLUS FOR YEAR	0	(0.322)	(0.322)
-	-	Departmental Underspend / (Overspend) Carried Forward	0	(1.644)	(1.644)
(30.174)	-	2006/07 SURPLUS	0	(1.966)	(1.966)
-	-	Contribution from Pension Reserve	(0.332)	(0.332)	0
(30.174)	-	2006/07 SURPLUS	(0.332)	(2.298)	(1.966)

2.2 CAPITAL

2.2.1 During the first quarter of 2006/07 a number of schemes in the General Services Capital Programme have been identified which, although approved by committee had not progressed within the original timescale identified for a variety of operational reasons. At the Emergency Powers Committee of 19 July 2006 Members approved the re-profiling of £17.704m capital expenditure to 2007/08.

Service	2006/07 Allocation £m	Budget Revisions / Adjustments £m	Revised Budget 2006/07 £m	Actual Expenditure to Date £m	Projected Expenditure 2006/07 £m	Variance Projected / Revised Budget £m
Educational Services	7.050	(1.403)	5.647	0.459	5.647	0
Social Services	1.735	(1.005)	0.730	0.023	0.730	0
Neighbourhood Services	6.021	(2.229)	3.792	0.397	3.792	0
Development & Property Services	5.758	7.469	13.227	0.621	13.227	0
Corporate Support & Council Issues	2.387	0.315	2.702	1.760	2.702	0
Total Capital Expenditure	22.951	3.147	26.098	3.260	26.098	0

Source	2006/07 Allocation £m	Budget Revisions / Adjustments £m	Revised Budget 2006/07 £m	Actual Funding to Date £m	Projected Funding 2006/07 £m	Variance Projected / Revised Budget £m
Specific Grants						
Education School Fund	2.480	0	2.480	0	2.480	0
Roads & Transportation Grants	0.473	0.588	1.061	0.052	1.061	0
Private Sector Improvement Grants	0.972	0	0.972	0.246	0.972	0
Cultural Services Grants	2.154	(0.986)	1.168	0	1.168	0
Flood Prevention Grant	0	2.920	2.920	0	2.920	0
Other Income	0.960	1.377	2.337	1.359	2.337	0
Total External Funding	7.039	3.899	10.938	1.657	10.938	0
Spend to Save Projects						
Roads & Transportation Grants	0.210	0	0.210	0	0.210	0
Neighbourhood Services CCTV Monitoring Station	0	0.470	0.470	0	0.470	0
Borrowing (excl Spend to Save)	15.702	(1.222)	14.480	1.603	14.480	0
Total Borrowing Requirement	15.912	(0.752)	15.160	1.603	15.160	0

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 £1.488m at 31 March 2007 and confirms that he will be taking appropriate action to deal with this. £1.054m 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. In addition £0.171m unachieved savings within Services to the Community have been brought forward from 2005/06. 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. These costs are partially offset by favourable variances of £0.089m in Employee Costs and additional income.

3.1.2 The Executive Director has confirmed that he will continue to make every effort to bring total Education expenditure into line with the departmental resource allocation without cutting across existing Council policies.

3.1.3 In respect of the Educational Services Capital Programme, the Council's Roads Contract Division have won the roads contract relating to the new Galston Primary School following a tendering exercise and this work will commence in the near future. The cost will be £0.250m and although budgeted expenditure for 2006/07 is £0.100m, this is a timing issue and the balance will be met from within the existing overall allocation for this project. It is proposed therefore to reprofile £0.150m from 2007/08 for this project.

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 £0.956m 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 £0.413m 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. In addition the cost to the Council arising from changes to the charging regime for Personal Care will be £0.380m (£0.450m is in a full year).

3.2.2 The Executive Director has confirmed that he will continue to make every effort to bring total Social Services expenditure into line with the departmental resource allocation without cutting across existing Council policies.

3.3 Neighbourhood Services

3.3.1 The Executive Director of Neighbourhood Services anticipates a favourable variance on the Neighbourhood Services revenue budget of £0.118m at 31 March 2007. This is mainly due to reduced costs in Waste Management arising from higher than anticipated recycling rates.

3.3.2 Changes to accounting regulations on the classification of capital expenditure now mean that expenditure on private sector improvement grants can no longer be charged to capital. Whilst grant received from the Scottish Executive (£0.972m) can continue to be used for this purpose the capital allocation of £0.400m, including £0.200m brought forward from 2005/06, can not. It is proposed that £0.100m of this be re-allocated to installation of a lift to properly address DDA issues at the Grand Hall as indicated below and that proposals for the use of the remaining £0.300m be brought forward by the Executive Director of Neighbourhood Services to the appropriate committee.

3.3.3 With regard to the Grand Hall refurbishment project a need for a lift has been identified in order to improve access at a cost of £0.200m. It is proposed that in addition to the sum identified in the previous paragraph, the remaining £0.100m be allocated from Capital Contingency.

3.4 Development and Property Services

3.4.1 The Executive Director of Development and Property Services anticipates a favourable variance of £0.518m 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, a revised allocation of £1.485m for the Welltrees Bridge Project was approved by the Emergency Powers Committee of 19 July 2006. Scottish Coal have agreed to contribute £0.600m to the project over the next six years. The Development Services capital programme for 2007/08 and 2008/09 will be managed and re-profiled where necessary to release the funds required for this Project.

3.5 Corporate Support

3.5.1 The projected underspend to 31 March 2007 of £0.230m is principally due to reduced Employee Costs as a result of the timing of filling of vacancies within 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.

3.6 Central Services

3.6.1 There is a favourable variance of £0.763m projected to 31 March 2007 principally due to the pay award being settled at 2.5% rather than the 3% budgeted, unfunded Pensions Cost savings and less than anticipated expenditure on Supplies and Services.

3.6.2 It is anticipated that there will be a favourable variance of £0.800m 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 £0.337m in respect of Housing Benefit Subsidy due to higher than anticipated subsidy income including more effective overpayment recovery arrangements.

3.7 Trading Services

3.7.1 The Local Government in Scotland Act 2003 repealed the legislation covering Compulsory Competitive Tendering and gave the Council the opportunity to review the services provided in line with Best Value arrangements. This process has been completed for Neighbourhood Services and Educational and Social Services. Consequently Refuse Collection, Street Cleansing, Outdoor Amenities, Leisure Management and Onsite Services have been integrated into the respective departmental budgets. Trading Services within Development and Property Services are under review.

3.7.2 There are no variances anticipated at this time within the remaining Trading Services. Their projected surpluses include an estimate for the FRS17 Pension Accounting entries which are required to be included in the Council's year-end Financial Statements. While there is an impact on the individual Trading Services there is no effect on the Council overall.

4 **RECOMMENDATIONS**

4.1 It is recommended that Members approve the budget transfers indicated in paragraphs 3.1.3, 3.3.2 and 3.3.3 above and otherwise note the contents of this report.

Alex McPhee
Executive Head of Finance

JJ/JP
 28 August 2006

LIST OF BACKGROUND PAPERS **NIL**

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