

BUDGET SCRUTINY GROUP

REPORT OF MEETING HELD ON TUESDAY 30 AUGUST 2005 AT 1000 HRS IN THE CHIEF EXECUTIVE'S CONFERENCE ROOM, COUNCIL HEADQUARTERS, LONDON ROAD, KILMARNOCK

PRESENT: Councillors Drew McIntyre, Douglas Reid, John Knapp, Stuart Finlayson, Neil McGhee and Elaine Dinwoodie; and Fiona Lees, Chief Executive.

ATTENDING: Elizabeth Morton, Depute Chief Executive/Executive Director of Corporate Support; Robin Baker, Financial Controller; Joseph McLachlan, Corporate Accounting Manager; Julie Jamieson, Strategic and Operational Accountant; and Gillian Hamilton, Administrative Officer.

APOLOGY: Alex McPhee, Executive Head of Finance.

CHAIR: Councillor Drew McIntyre, Chair.

BUDGET SCRUTINY GROUP MEETING HELD ON 16 JUNE 2005

1. There was submitted and noted a report of the meeting held on 16 June 2005 (circulated).

2005/06 REVENUE SERVICES AND CAPITAL PROGRAMME

2. There was submitted a report dated August 2005 (circulated) by the Executive Head of Finance which advised Members of the projected financial position for Revenue Services and Capital Programmes based on expenditure to 24 July 2005 (Period 4) and information provided by Executive Directors.

2.1 GENERAL SERVICES REVENUE ACCOUNT

The Group noted that:

- (i) the currently projected out-turn for the year was a surplus in excess of budget of £1.178m;
- (ii) the Executive Director of Educational and Social Services anticipated an adverse variance of £0.641m as at 31 March 2006 in respect of Education. £0.453m of this was attributed to as yet unidentified savings in Energy Costs;
- (iii) the projected out-turn for Social Work Services was breakeven, which took account of a significant level of non-recurring savings and utilisation previous years' balances. The Group would receive a long-term sustainability plan for Social Services, to coincide with the budget process. Meantime, an update would be submitted to the next meeting;
- (iv) £0.300m of savings was anticipated on debt financing costs;
- (v) £0.200m earmarked from the 04/05 general surplus brought forward for Building and Works would not be required; and
- (vi) it was anticipated that annual renewal of the Council's Insurance Portfolio would be contained within existing budgetary provision. The outcome of discussions with Insurers would be reported to the next meeting.

2.2 ENERGY EFFICIENCY

The Group noted that there was ongoing work by Development and Property Services to assist Departments in reducing energy usage to meet the required target of £0.845m. Members expressed concern that the efficiency target set for 2005/06 might not be achieved. The Chief Executive outlined the arrangements in place to monitor progress.

2.3 TRADING SERVICES

The Group noted that Building and Works was anticipated to out-turn £0.782m above budget with no material variances anticipated on the other Trading Services. As at Period 4, £0.125m was anticipated to be transferred to the Renewal and Repairs Fund for use in future years.

2.4 GENERAL SERVICES CAPITAL

The Group noted that:

- (i) programmed expenditure of £29.382m included an anticipated reduction of £4.475m, principally due to slippage on Galston Flood Prevention Scheme, Dalsalloch Replacement and the CCTV Monitoring Station which was anticipated to start on site in the new financial year;
- (ii) the decision to retrospectively increase the level of grant support for the Crookedholm Flood Scheme from 50% to 80%, on expenditure incurred after 1 April 2004, resulted in additional grant support of approximately £0.650m being received; and
- (iii) as a result of the increase in grant support, there was an opportunity to accelerate the planning, design and installation of safety barriers along the A71 dual carriageway within the current financial year, without impacting on either the affordability or deliverability of the Development Services Capital Programme. The Policy and Resources Committee would consider transfer of funding within the Departmental Capital Programme.

2.5 HOUSING REVENUE ACCOUNT

The Group noted that the Housing Revenue Account was anticipated to out-turn £0.150m under budget, arising from savings in debt charges due to a favourable cash flow profile resulting in additional investment income.

2.6 HOUSING CAPITAL

The Group noted that whilst there were variances anticipated within individual schemes in the Capital Programme, at this point there was no variance anticipated on the overall Programme allocation.

2.7 EDUCATIONAL SERVICES - REVENUE

The Group noted:

- (i) the total projected adverse variance for Educational Services of £0.641m, which included £0.453m in respect of as yet unidentified savings in energy costs and £0.118m elsewhere within the Education budget;

- (ii) the projected adverse variance of £0.401m within Central Administration related to a saving arising from vacancies, potential overspend on energy costs, and a projected income deficit, offset by refunds from Scottish Water to schools, and management action opportunities as they arose during the financial year;
- (iii) a current variance to date of £0.118m for Primary School Teachers payroll, which was anticipated to be offset during the financial year by a reduction in Primary School Rolls in the new academic year;
- (iv) a projected adverse variance of £0.067m in Secondary Schools, arising from additional staff costs for St Joseph's Academy during the transitional period, following closure of the Cumnock Campus and integration at Kilmarnock;
- (v) a projected adverse variance of £0.052m in Other Education, related to proposed expenditure reduction for Outdoor Education. A Business Plan was being drawn up to realise an increase in income to achieve the target, however, the benefits were not expected to accrue in the current financial year;
- (vi) a projected favourable variance of £0.018m in Psychological Services employee costs, due to vacancies arising from late project commencement; and
- (vii) an adverse variance projected of £0.157m in Community Learning and Development principally due to expenditure reductions not identified to date but which will continue to be offset by management action during the year.

2.8 EDUCATIONAL SERVICES - CAPITAL PROGRAMME

The Group noted:

- (i) due to delays in the Galston Flood Prevention Scheme, that the proposed Galston Primary new build was unlikely to incur significant expenditure in the current financial year;
- (ii) there would be little or no expenditure on the Dunlop Primary School extension, or the Netherthird Community Campus new build during 05/06; and
- (iii) an adjustment of £0.120m under PPP projects, for traffic management works for Grange Academy at Beech Avenue.

Councillor Reid asked about progress in respect of the schools window replacement programme. It was noted that the majority of the work carried out during the summer was in respect of the 2004/05 capital schemes and that at this time the 2005/06 replacement programme was anticipated to be completed on time, but continued to be closely monitored.

2.9 SOCIAL SERVICES - REVENUE

The Group noted:

- (i) that whilst the projected out-turn for Social Services was a break even position this was being achieved partly through utilisation of non-recurring funding, in excess of £2m, savings in staffing costs and secure accommodation costs. There was no guarantee that the same savings were achievable in future financial years. One-off savings had also been achieved from phased

implementation of earmarked funding initiatives in the current year. The Executive Director of Educational and Social Services was working to address concerns for future years about the significant element of non-recurring financial resources;

- (ii) a favourable variance of £0.078m in Performance and Development, due to unavoidable delays in filling vacant posts and Child Protection funding brought forward from the previous financial year;
- (iii) an adverse variance of £0.007m in Children and Families/Criminal Justice, due to savings from unavoidable delays in filling vacant posts, an overspend in additional Outwith Residential Schools Placement costs, as well as a higher than budgeted increase in the cost of placements at NCH, partly offset by an anticipated saving on Secure Accommodation costs, and additional expenditure related to increased costs of foster care;
- (iv) a projected adverse variance of £0.139m in Community Care due to increased Home Care and Transport costs. These are offset by projected underspends in Catering costs at Ross Court, Community Meals and a projected saving due to the timing of hospital retractions; and
- (v) a favourable variance of £0.061m in Resource Support due to unavoidable delays in filling vacant posts, offset by additional expenditure on increased equipment and postage costs.

2.10 SOCIAL SERVICES - CAPITAL

The Group noted that:

- (i) £0.100m of Care Homes – (Adult) funding would be carried forward and used to augment the Capital Programme in 06/07;
- (ii) the Ross Court project was likely to overspend by up to £0.100m but it was anticipated that this variance would be contained within Social Services; and
- (iii) £0.030m of the Dalsalloch Replacement funding would be used for the refurbishment of Affleck House in the current year with the remaining work being carried out in 06/07.

2.11 NEIGHBOURHOOD SERVICES - REVENUE

The Group noted that:

- (i) there were no significant variances reported for Neighbourhood Services Revenue. The projected out-turn at 31 March 2006 was a favourable variance of £0.100m due to anticipated underspend within Central Management Support, Waste Management, Chemist and Analyst and Emergency Planning, partially offset by additional expenditure within Environmental Services. All other Services were anticipated to out-turn on budget; and
- (ii) with regard to additional water charges at Western Road Depot and other establishments, the Executive Director of Neighbourhood Services would confirm water meter monitoring arrangements. Councillor Finlayson raised an issue regarding the water main located within the Western Road complex and sought assurance that the water meter was checked on a regular basis. The

Executive Director of Neighbourhood Services would also confirm the status of unused/surplus properties with regard to water monitoring.

2.12 NEIGHBOURHOOD SERVICES - CAPITAL

The Group noted that confirmation had been sought from Communities Scotland that unspent private sector grant funding from 04/05 could be used in 05/06. It was hoped that approval would be forthcoming during the next few weeks.

2.13 HOUSING REVENUE ACCOUNT

The Group noted that:

- (i) there was a favourable variance of £0.150m within the Housing Revenue Account, principally due to currently projected savings in debt charges due to a favourable cash flow profile. Rent income was projected to out-turn £100,000 under budget, offset by a corresponding reduction in void rent loss of £0.100m as a result of accelerated demolition programme.

2.14 STREET CLEANSING TRADING OPERATION

The Group noted a favourable variance of £0.041m principally due to savings on employee costs within BNSF and Quality of Life funded schemes.

2.15 BUILDING AND WORKS TRADING OPERATION

The Group noted a total reported favourable variance of £0.782m. It was anticipated that income would out-turn £1.642m above budget due to additional income from Technical Services and Housing subject to the benchmarking exercise by APSE, the impact of which would be reported back to the next Budget Scrutiny Group.

2.16 DEVELOPMENT AND PROPERTY SERVICES - REVENUE

The Group noted:

- (i) the Department of Development and Property Services was projected to out-turn £0.444m under budget at the year end. The projected underspend related primarily to additional income secured by the Department, savings on supplies and services costs within the corporate office and anticipated savings on employee costs as a result of vacant posts and staff turnover;
- (ii) a projected favourable variance of £0.045m within Planning and Building Control, which related to vacant posts and staff turnover and Building Warrant and Planning fee income in excess of expectations;
- (iii) a projected adverse variance of £0.035m within Property, related to anticipated under-recovery on rent income as the result of the disposal of a number of rental properties by the Council. The affects of such disposals will be highlighted during the 06/07 budget process;
- (iv) the projected favourable variance of £0.134m in corporate office accommodation, related primarily to unallocated resources of £0.200m added to the budget in 05/06 to fund the implementation of the Corporate Office Strategy, partially offset by efficiency savings of £0.066m not yet achieved;
- (v) the projected favourable variance of £0.300m in Technical Services in respect of fee recharges, based on estimated volume of work completed; and

- (vi) with regard to £0.647m allocated to the Property Division for Environmental Improvement Schemes, it was anticipated that all funds would be committed by the year end. Councillor Knapp requested details of committed Environmental Projects.

2.18 DEVELOPMENT AND PROPERTY SERVICES - CAPITAL

The Group noted that there was one outstanding objection to the Galston Flood Prevention Scheme. If this resulted in a Public Inquiry, the project could be delayed by up to six months.

2.19 DEVELOPMENT AND PROPERTY SERVICES - TRADING OPERATIONS

The Group noted a favourable variance of £0.010m within Vehicle Maintenance, related to higher than expected recoveries from non-routine repairs.

2.20 CORPORATE SUPPORT - REVENUE

The Group noted the projected year end favourable variance of £0.410m which was mainly due to anticipated savings within Employee Costs throughout the Department and additional income. These variances are partially offset by a shortfall in Property Enquiry income as a result of private sector competition which will be taken account of in the 2006/07 budget process as an identified service pressure.

2.21 CORPORATE SUPPORT - CAPITAL

The Group noted:

- (i) the favourable variance of £1.747m related to the CCTV Monitoring Station project, which was at the design/planning stage. No start date had been scheduled and very little expenditure was likely to be incurred in the current year; and
- (ii) the Contingency Fund had been reduced to reflect an allocation of £120,000 for a Traffic Management Scheme in relation to the proposed PPP project as approved at Policy and Resources Committee on 31 May 2005.

2.22 CENTRAL SERVICES - REVENUE

The Group noted:

- (i) the projected favourable variance of £0.170m within Miscellaneous Services, which arose from the non-utilisation of previous year's provisions; and
- (ii) the projected favourable variance in debt charges of £0.300m principally due to a favourable cash flow profile, including significant slippages in the Capital Programme, resulting in additional investment income.

The meeting terminated at 1050 hrs.