

## **EAST AYRSHIRE COUNCIL**

### **BUDGET SCRUTINY GROUP**

#### **REPORT OF MEETING HELD ON WEDNESDAY 30 OCTOBER 2002 AT 1005 HRS IN THE CHIEF EXECUTIVE'S CONFERENCE ROOM, COUNCIL HEADQUARTERS, LONDON ROAD, KILMARNOCK**

**PRESENT:** Councillors Drew McIntyre, Douglas Reid, Harry Wilson, John Knapp, Finlay MacLean and Elaine Dinwoodie; and David Montgomery, Chief Executive.

**ATTENDING:** Tom McHugh, Head of Accounting Services; Ian Arnott, Corporate Accounting Manager; Julie Jamieson, Financial Services Manager (Corporate Accounting); and Jennifer Morrison, Administrative Officer.

**APOLOGIES:** Councillor Eric Jackson and Alex McPhee, Director of Finance.

**CHAIR:** Councillor Drew McIntyre, Chair.

#### **REPORT OF BUDGET SCRUTINY GROUP MEETING HELD ON 4 SEPTEMBER 2002**

1. There was submitted and noted report of meeting held on 4 September 2002 (circulated).

#### **MATTERS ARISING**

##### **2.1 SAP FINANCIAL MANAGEMENT SYSTEM**

The Head of Accounting Services updated the Group on the ongoing implementation of the Purchase and Commitments Module within the SAP ledger system. SAP consultants had completed their work and were now off-site. It was still hoped that the system could be rolled out to the non-schools part of the Education Department before the year end.

##### **2.2 INSURANCE PREMIUMS**

The Head of Accounting Services reported that negotiations with Zurich Municipal had been completed with the agreement reached being accommodated within the budget and an element of the Contingency Fund set aside previously.

The Group noted that as part of the above agreement, Zurich Municipal had offered the Council a discount of £100,000 on its premiums conditional on the money being used to address risk management issues relative to Property Fire and Security. This, the Group viewed positively, making more money available for investment in the Council's properties.

#### **BUDGETARY CONTROL SUMMARY STATEMENT - FINANCIAL MONITORING REPORT TO 22 SEPTEMBER 2002 (PERIOD 6)**

3. There was submitted a report dated 17 October 2002 (circulated) by the Director of Finance which advised Members of the current budgetary control position of the General Services Revenue Account, Trading Services Account, General Services Capital Programme, Housing Revenue Account and Housing Capital Programme for the period ended 22 September 2002 (Period 6).

It was noted that a copy of the Trading Services Operating Statement had been made available to Members for one hour before and also at the meeting.

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

The Group noted:

- (i) that the 2001/02 surplus balance brought forward figure of £1.164m had been agreed upon following conclusion of the audit process. £0.5m of the balance had been utilised as previously planned as part of this year's budget;
- (ii) the transfer approved by the Policy and Resources Committee on 3 October 2002 of £0.1m to Social Work and £0.1m to the Contingency Fund in respect of work under the Central Repairs Account arising from water testing; and
- (iii) the budgeted out-turn position at 31 March 2003 of a break-even position after taking into account the £0.7m above; with the current forecast surplus of £0.341m.

### **3.2 TRADING SERVICES**

The Group noted:

- (i) the position with regard to the Development Services DSOs where the surplus projected at present of £13,000 was less than the budget target of £30,000. The Head of Accounting Services reported, however, that the Director of Development Services was confident that the Roads DSO would remain in surplus by the year-end;
- (ii) that Building and Works had improved its financial position still further, the projected surplus being £63,000 better than reported at Period 4;

### **3.3 GENERAL SERVICES CAPITAL PROGRAMME**

The Group noted:

- (i) the budget was currently running at £250,000 over anticipated funding. However, this was reduced from £306,000 as at Period 4, and the Head of Accounting reported that the budget would continue to be managed to comply with the Section 94 constraints at year-end;
- (ii) that the Director of Development Services had assured the Director of Finance that capital receipts targets could be achieved, while noting that a number of sales were still to be confirmed. With regard to the new Galston Primary School it was reported that in relation to the current planning consents timetable only £260,000 could be spent in this financial year and that the spend profile would be amended and carried forward into subsequent financial years accordingly.

### **3.4 HOUSING REVENUE ACCOUNT**

The Group noted:

- (i) the projected out-turn was anticipated at £488,000 over budget. It was indicated that this was less than the Period 4 reported project of £681,000 over. The main reason for the overspend arose from security costs for void properties;

- (ii) The Director of Homes and Technical Services would be asked to confirm that all possible steps were taken to ensure that overall expenditure was contained within budget.

### **3.5 HOUSING CAPITAL PROGRAMME**

The Group noted an over-commitment of £120,000 which the Head of Accounting Services reported the Director of Homes and Technical Services was confident could be managed.

### **3.6 GENERAL SERVICES REVENUE ACCOUNT**

It was highlighted that a number of high level variances were being reported within the Education budget. For example, there had been a demand led increase in outwith area placements, teacher absence cover was costing less than had been budgeted for, and some funding allocations for Government initiatives remained to be allocated in detail in relation to line-by-line spend. The Director of Educational and Social Services had given the Director of Finance the assurance that he would manage the budget to ensure that it out-turned on target and also that he would carry out a full re-alignment of the budget to reflect the up-to-date position regarding the distribution of funding among budget lines.

The Director of Educational and Social Services and the Educational and Social Services Departmental Financial Manager joined the meeting for discussion of the Educational and Social Services budget.

The Group referred to the Education budget and noted that there were a number of high level variances in both directions. Whilst noting that this could be the nature of a demand-led budget, the Group sought further assurance from the Director of Educational and Social Services regarding the out-turn position and a commitment to revise the budget in line with current spending patterns to facilitate monitoring.

The Director of Educational and Social Services confirmed that he would be liaising with the Finance Department in order that the re-alignment of the Education budget be achieved as promptly as possible. It was noted that progress in this regard would be reported to the next meeting of the Group.

The Director of Educational and Social Services explained that the current variance in respect of teacher absence cover arose in relation to the costs of long term absence covered by centrally deployed supply teachers and not in respect of school level absence budgets where savings could be redirected by head teachers. The Director of Educational and Social Services further reported his view that the current absence cover which took account of historic trends should be adequate in all foreseeable normal circumstances, leaving the central saving secure.

The Director of Educational and Social Services further assured the Group that he would manage the Education budget to ensure that it out-turned on target at the year end.

The Director of Educational and Social Services and the Educational and Social Services Department Manager left the meeting.

The Head of Accounting Services reported that in relation to the issue of possible strike action by the Fire Brigades Union in the near future, some Departments would

require to put on extra cover, and where such instances arose, these would not have been included within budgets.

The Group stressed that where such instances arose, Directors must ensure that a record of all additional expenditure incurred be maintained in order that it may be separately identified such that full reimbursement could be sought in due course.

Councillor Wilson left the meeting at this point.

The Director of Homes and Technical Services joined the meeting.

### **3.7 HOUSING REVENUE ACCOUNT**

The Director of Homes and Technical Services confirmed his confidence that the Housing Revenue Account projected deficit could be eliminated by the year-end.

The Group noted that a report would be submitted to Housing Committee on the number of void houses.

### **3.8 HOUSING CAPITAL PROGRAMME**

The Director of Homes and Technical Services assured the Group that management action was being taken to reverse the current over-commitment of £120,000 by 31 March 2003.

In relation to the volume of Right-To-Buy sales the Director of Homes and Technical Services confirmed that he was liaising with Legal Services on a weekly basis and that he did not anticipate any problems with this issue.

The Director of Homes and Technical Services left the meeting.

There were no further issues or variances of note in respect of Community Services, Development Services, Central Services, Finance, Housing Benefit Subsidy, Better Neighbourhood Services Fund or Corporate Resources.

The meeting terminated at 1050 hrs.