

Memo

To: Scrutiny Committee Members

From: Head of Strategy and
Customer Services

Extension: 2013

E-Mail:

Our Ref:

Your Ref:

Date: 14 October 2010

Subject: Scrutiny Committee 21/10/10 - Budget Monitoring August 2010

Agenda item 6 – Budget Monitoring August 2010

Report by the Accounting and Budgeting Manager

The attached document relates to agenda item 6 marked “copy to follow” on the Scrutiny Committee agenda dated 13 October 2010. The report to be considered at the meeting on 21 October 2010.

Elaine McPherson

Head of Strategy and Customer Services

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Report to Scrutiny Committee

Date of Meeting: 21 October 2010

Subject: Budget Monitoring August 2010

Report by: Accounting and Budgeting Manager

1.0 Purpose

1.1 This paper details General Fund revenue spend for the current financial year 2010/11 as at end of August 2010 together with a forecast spend for the year.

1.2 The paper reflects recent improvements made to the arrangements for preparing and presenting financial monitoring information to elected members and senior officers of the Council. These improvements are contained within an improvement plan which is the subject of a separate report to this Committee. The key changes implemented in preparing this paper are:

- review and amendment of the phasing of budgeted expenditure
- a more risk based and proportionate approach to the review of variances within each service area and across the council as a whole. This allows for a more efficient use of available resources and focuses activity on the areas most urgently requiring discussion and/or attention
- the preparation of a clear and concise corporate picture for reporting to elected members and senior management
- more effective and challenging engagement at service and corporate levels of material variances from budgeted expenditure
- introduces a clearer focus on securing appropriate remedial action for both elected members and senior officers.

This is the first step in making these improvements and further activity is planned for the future. It is intended that Capital and HRA monitoring reports prepared on the same basis will be available to the next Scrutiny Committee.

1.3 Appendix 1 to this paper sets out the revised estimate for each service area. This summary reflects the reconfiguration of service structures implemented since the start of the year. Budgeted and actual spend for the five months to 31st August are shown together with projected outturns for the full year which have been prepared following discussions with managers within each Service area.

2.0 Recommendations

- 2.1. The Committee is asked to note the current financial position and related forecast for the year
- 2.2. The Committee is invited to comment on the changes to the reporting arrangements implemented so far.

3.0 Considerations

- 3.1 Overall the Council's actual expenditure incurred to the end of August is recording a favourable position of £496k compared to where we would expect to be at that stage in the year.
- 3.2 This position is in contrast to a projected net underspend of £18K on service expenditure by the end of the year.
- 3.3 Adverse expenditure and income forecasts on non service items such as Interest on Revenue Balances, Loan Charges and Council Tax income contribute a further £206k to the overall position resulting in a total predicted budget overspend of £188k by the year end.
- 3.4 There are varying reasons for this and broadly each Service can be categorised under three headings:
 - Services which are currently recording a favourable position and this position continues and improves for the remainder of the year, for instance Support Services
 - Services which currently record a favourable position, and it is anticipated that this will be maintained (ie remain an underspend by year-end), for instance Strategy & Customer Services, Facilities Management and Community & Regulatory
 - Services which are currently recording an adverse position, and little change is expected before the year end, for instance Social Policy and Education, although these areas remain a priority focus for management action.
- 3.5 The following table provides an overview of the position within each Service area.

| Service | Actual to 31.8.10 (under)/over | Projected 31.3.11 (under)/over | Commentary |
|--------------------------------|--------------------------------|--------------------------------|--|
| Support Services | (£15k) | (£120k) | Current savings mainly attributable to vacancy management in excess of the budgetary target. This position is expected to continue. |
| Strategy and Customer Services | (£231k) | (£185k) | Current savings are mainly attributable to vacancy management in excess of the budgetary target which are expected to continue for the remainder of the year. The balance of the underspend relates to payments that have been approved but not processed to date. |

| Service | Actual to 31.8.10 (under)/over | Projected 31.3.11 (under)/over | Commentary |
|--------------------------|---------------------------------------|---------------------------------------|---|
| Facilities Management | (£217k) | (£24k) | <p>The current underspend position is largely attributable to the Waste Service, where £150k of expected contractor invoices have yet to be received and paid, and efficiency savings have been realised due to the reorganisation of operational front line services.</p> <p>Once the outstanding contractor invoices are settled, the underspend will be reduced by that sum. This, together with fleet costs in respect of tyres, maintenance, and diesel exceeding available budget have resulted in the predicted reduced year-end underspend position.</p> |
| Social Policy | £260k | £277k | <p>The current overspend is largely attributable to fostering costs which are overspent by £296k.</p> <p>The fostering costs are expected to continue to exceed budget for the rest of the year based on present children placements, resulting in full year overspend of £492k. This overspend is likely to be off-set by savings within Adult Care which will reduce the overspend to £244k.</p> |
| Education | £297k | £384k | <p>The current overspend is attributable to the costs of probationers which are not reimbursed from grant income until later in the financial year. Therefore this will be cost neutral by the end of the year.</p> <p>The projected overspend is largely due to managing pay costs. Teachers terms and conditions are fixed at national level making it difficult to deliver pay bill within budget. Cosla are reviewing this nationally</p> |
| Community and Regulatory | (£676k) | (£651k) | <p>There are two main areas contributing to the current underspend. Homelessness costs are £371k less than budget due to both reductions in premises and furniture costs. Planned expenditure under the Public Sector Housing Grant(PSHG) is running behind schedule resulting in an underspend of £236k.</p> <p>PSHG is expected to be fully spent by the end of the year other than a saving of £70k on planned spend on Telecare and Town centre works. A reduction in one contract under supporting people care provision should generate further savings of £150k by the year-end.</p> |
| Non Distributed Costs | £102k | £245k | <p>These costs are mainly for payments to the pension fund for individuals who have retired in the past and have been provided with enhanced packages (eg added years).</p> <p>These costs are currently exceeding the budget provision by £102k, and this position will continue for the remainder of the year resulting in an overspend of £245k.</p> |

4.0 Management actions

- 4.1 The following key management actions have been agreed to reduce the anticipated year end overspend of £188K:
- 4.2 **Social Policy:** This overspend is likely to continue to be off-set by savings within Adult Care and through a greater focus on recruiting foster carers, and vacancy management. In addition the reablement work being implemented will ensure clients have early intensive support reducing the requirement for long term care packages.
- 4.3 **Education:** In education services all areas of cost are being examined and work is ongoing to explore alternative service models which would both enhance service and reduce costs. Greater cross working between secondary schools, an examination of transport costs and the inclusion of education based administrative staff into the council wide business support model are examples of areas being pursued.
- 4.4 **Community and Regulatory:** A review of the PSHG spend is being undertaken to assess expenditure which can be classified as capital and supported by the General Government capital grant.
- 4.5 In other areas the strict adherence to non-filling of vacancies, the cascade of the management restructuring and a consolidation of staff into fewer buildings will also help ensure services can be delivered on budget. This effort is not at the expense of quality and our pursuit of continuous improvement which is being supported by the ongoing roll out of the Clackmannanshire Improvement model.

5.0 Sustainability Implications

- 5.1 None

6.0 Resource Implications

6.1 *Financial Details*

- 6.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes
- 6.3 Finance have been consulted and have agreed the financial implications as set out in the report. Yes

6.4 *Staffing*

7.0 Exempt Reports

- 7.1 Is this report exempt? Yes (please detail the reasons for exemption below) No

8.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities 2008 - 2011** (Please double click on the check box)

- | | |
|--|-------------------------------------|
| The area has a positive image and attracts people and businesses | <input type="checkbox"/> |
| Our communities are more cohesive and inclusive | <input type="checkbox"/> |
| People are better skilled, trained and ready for learning and employment | <input type="checkbox"/> |
| Our communities are safer | <input type="checkbox"/> |
| Vulnerable people and families are supported | <input type="checkbox"/> |
| Substance misuse and its effects are reduced | <input type="checkbox"/> |
| Health is improving and health inequalities are reducing | <input type="checkbox"/> |
| The environment is protected and enhanced for all | <input type="checkbox"/> |
| The Council is effective, efficient and recognised for excellence | <input checked="" type="checkbox"/> |

(2) **Council Policies** (Please detail)

9.0 Equalities Impact

9.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes No

10.0 Legality

10.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

11.0 Appendices

11.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Council summary of expenditure

12.0 Background Papers

12.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes (please list the documents below) No

Author(s)

| NAME | DESIGNATION | TEL NO / EXTENSION |
|-----------------|-----------------------------------|---------------------------|
| Martin Dunsmore | Accounting & Budgeting Manager | 2041 |

Approved by

| NAME | DESIGNATION | SIGNATURE |
|--------------|---|--------------------|
| Nikki Bridle | Director of Finance and Corporate Services | (Signed: N Bridle) |
| | | |

Clackmannanshire Council Summary

Appendix 1

| | Annual Budget 2010/11 | Budget To 31/08/10 | Actual To 31/08/10 | Projected Outturn to 31/03/11 | Variance Outturn v Budget | Variance Actual To Date v Bud To Date | Movement on Variance |
|---|-----------------------------|-----------------------|-----------------------|-------------------------------------|---------------------------------|---|----------------------------|
| Service | | | | | | | |
| Support Services | 4,884 | 2,014 | 2,000 | 4,764 | (120) | (15) | (105) |
| Strategy and Customer Services | 9,441 | 3,648 | 3,417 | 9,256 | (185) | (231) | 46 |
| | 14,325 | 5,662 | 5,416 | 14,020 | (305) | (246) | |
| Less Allocated to Non General Fund Services | (1,180) | (482) | (473) | (1,149) | 31 | 9 | |
| | 13,145 | 5,180 | 4,943 | 12,871 | (274) | (237) | |
| Facilities Management | 20,476 | 6,296 | 6,079 | 20,452 | (24) | (217) | 193 |
| Social Policy | 24,392 | 10,239 | 10,499 | 24,669 | 277 | 260 | 17 |
| Education | 35,539 | 14,313 | 14,610 | 35,923 | 384 | 297 | 87 |
| Community and Regulatory STO | 9,630 | 3,614 | 2,938 | 8,979 | (651) | (676) | 25 |
| | (1,539) | (416) | (441) | (1,514) | 25 | (25) | 50 |
| | 101,643 | 39,226 | 38,629 | 101,380 | (265) | (597) | |
| Single Status - Contribution to Reserves | 1,435 | | | 1,435 | 0 | | |
| Misc Services - Non Distributed Costs | 876 | 365 | 467 | 1,121 | 245 | 102 | 143 |
| Service Expenditure | 103,954 | 39,591 | 39,095 | 103,936 | (18) | (496) | 478 |
| Add Requisitions from Joint Boards | | | | | | | |
| Central Scotland Police | 3,936 | 1,640 | 1,640 | 3,936 | 0 | 0 | |
| Central Scotland Fire | 2,997 | 1,250 | 1,250 | 2,997 | 0 | 0 | |
| Central Scotland Valuation | 431 | 180 | 180 | 431 | 0 | 0 | |
| | 111,318 | 42,661 | 42,165 | 111,300 | (18) | (496) | |
| Add / (Deduct) | | | | | | | |
| Interest on Revenue Balances | (253) | | | (189) | 64 | 0 | |
| Loan Charges | 9,393 | | | 9,464 | 71 | 0 | |
| Contribution to Bad Debt Provision | 100 | | | 100 | 0 | 0 | |
| Sum Raised for Secondary School PPP | 643 | | | 643 | 0 | 0 | |
| Replacement of Schools Fund Financing PPP | 700 | | | 700 | 0 | 0 | |
| | 121,901 | 42,661 | 42,165 | 122,018 | 117 | (496) | |
| Sources of funding | | | | | | | |
| General Fund Revenue | (97,264) | | | (97,193) | 71 | 0 | |
| Council Tax | (21,638) | | | (21,638) | 0 | 0 | |
| Contribution from DMR | (235) | | | (235) | 0 | 0 | |
| Single Status - contribution from Reserves | (1,769) | | | (1,769) | 0 | 0 | |
| PPP - Contribution from Reserves | (995) | | | (995) | 0 | 0 | |
| | (121,901) | 0 | 0 | (121,830) | 71 | 0 | |
| Projected (Surplus) / Shortfall | 0 | | | 188 | 188 | | |

Favourable Variance and improving position

Favourable Variance and declining position

Adverse Variance and no material change