
Report to Scrutiny Committee

Date of Meeting: 13 January 2011

Subject: Budget Monitoring October 2010

Report by: Accountancy Manager

1.0 Purpose

- 1.1 This paper details General Fund revenue spend for the current financial year 2010/11 as at end of October 2010 together with a forecast spend for the year. It also provides an update on General Fund capital spend for the current year.
- 1.2 The paper is presented in a similar format to the report considered by the Committee at its October meeting which reflected the improvements made to the arrangements for preparing and presenting financial monitoring information to elected members and senior officers of the Council.
- 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 seven months to 31st October 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 asked to agree the management action
- 2.3. The Committee is invited to comment on the further changes to the reporting arrangements and level of analysis provided.

3.0 Considerations
Revenue Expenditure

- 3.1 The Council is projecting a net underspend of £0.563m on service expenditure in the current year. This is an improvement on the position reported at the October Committee of a small underspend of £18k.

- 3.2 Adverse expenditure and income forecasts on non service items such as Interest on Revenue Balances, Loan Charges and Council Tax income reduce the service underspends by £273k resulting in a total predicted budget underspend of £0.290m by the year end.
- 3.3 It will be noted that the Council's actual cash positive variance as at the end of October is recorded at £1.945m. There are varying reasons for the movement in current October position to the forecast at the year-end. These are explained within the table below, but it is worth highlighting that the costs of the current severe winter are now estimated at c£600k taking account of overtime working, cost of salt, additional energy costs and anticipated emergency repairs to roads and footpaths. Each Service has been categorised under one of four headings:
- Services which are currently recording a favourable position and this position continues and improves for the remainder of the year, for instance Strategy and Customer Services.
 - Services which currently record a favourable position, but it is anticipated that this will decline although remaining favourable, for instance Facilities Management.
 - Services which are currently recording an adverse position, but are expected to improve before the year end, for instance Social Policy.
 - Services which record an adverse position and are not expected to make much improvement, for instance Education.

3.4 The following table provides an overview of the position within each Service area.

| Service | Projected 31.03.11 (under)/over | Actual to 31.10.10 (under)/over | Commentary |
|--------------------------------|---------------------------------|---------------------------------|---|
| Support Services | (£92k) | £7k | There is no significant variance at present. Savings at year-end mainly attributable to vacancy management and restructuring. |
| Strategy and Customer Services | (£292k) | (£131k) | 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. |
| Facilities Management | (£80k) | (£969k) | Savings to date are mainly within two areas: Waste (£418k) due to greater efficiency following reorganisation of front line services including vacancies. Disposal costs and reductions in tonnage also generating savings. Property Costs (£475k). Saving includes reductions in rateable values for secondary schools and rates budgeted for in respect of the Leisure Bowl which is not required. There has also been less expenditure incurred in repairs to date than would be expected, although this is anticipated to pick up considerably during the winter which is reflected in the reduction in underspend by the year end. |

| Service | Projected 31.03.11 (under)/over | Actual to 31.10.10 (under)/over | Commentary |
|--------------------------|---------------------------------------|---------------------------------------|--|
| | | | Severe winter maintenance expenditure totalling around £600k has been factored in to the year-end forecast. Which will further reduce the current favourable cash position. |
| Social Policy | (£30k) | £293k | <p>The current overspend is largely attributable to external fostering costs which are overspent by £370k. The fostering costs are expected to continue to exceed budget for the rest of the year at around this level based on present children placements.</p> <p>This overspend is eliminated due to residential school spend decreasing over the rest of the year.</p> |
| Education | £132k | £48k | <p>The current adverse position is mostly attributable to overspends on long term supply cover and vacancy management targets still to be achieved.</p> <p>This position is expected to continue for the remainder of the year with supply cover forecast to be overspent by £183k</p> |
| Community and Regulatory | (£667k) | (£1,343k) | <p>There are several main areas contributing to the current underspend. Homelessness costs are £554k less than budget due to both reductions in premises and furniture costs and timing of contribution to Homeless Assessment centre. Planned expenditure under the Public Sector Housing Grant (PSHG) is running behind schedule resulting in an underspend of £286k. Housing Benefit payments are £373k less than expected due to additional income recovered from overpayments</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. Housing benefit savings are expected to diminish by the year end due to increased costs from B&B and changes to the Housing Benefit thresholds .</p> |
| Non Distributed Costs | £190k | £165k | <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 £190k.</p> |

Capital Expenditure

- 3.5 It has been recognised that the Council's level of borrowing whilst within its approved prudential limits stands at a relatively high level compared to Scottish average. The current five year programme approved in February last

year recognised the need to reduce borrowing and was designed to achieve that over the medium term. However the current reductions in public sector spending emphasises the need to re-focus out attention on borrowing given that our loan charges are currently estimated at costing us £9.464m in the current year representing almost 8% of our revenue budget.

- 3.6 The capital budget in the current year, after allowing for commitments brought forward from 2009/10 amounted to £11.624m. The sum currently estimated to be spent this year over all the projects within the programme amounts to £6.631m. Savings of £0.676m have been achieved which do not impact on service delivery, leaving a sum of £4.317m which falls into 2011/12. The anticipated spend of £6.631m will be partially funded by government capital grant of £2.770m leaving £3.861m to be met from borrowing. This new borrowing is less than the projected repayments of debt in 2010/11 of £4.744m and will thus make small inroads in reducing overall debt level by the year-end.
- 3.7 There are genuine reasons for this variance in spend this year, some of which is down to having to re-tender works; projects where design works have been more protracted than expected; and delays due to severe weather. Officers have also recognised that this provides an opportunity to review the current five year programme to tackle levels of borrowing and thus reduce ongoing revenue debt charges in advance of the next Council budget meeting.
- 3.8 Therefore officers will bring forward a revised five year capital programme to the February Special Council Budget meeting which will provide full details on individual project progress together with recommendations to reduce the programme overall in order to achieve savings in new borrowing and reduce the Council's debt levels.

4.0 Management actions

- 4.1 The following key management actions have been agreed to secure the savings forecast to date and improve on them if possible to help with the budgetary challenge faced in 2011/12:
- 4.2 **Social Policy:** The Service will continue its efforts on recruiting foster carers to reduce the overspends in this area
- 4.3 **Education:** In education services, it remains the case that 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 has still to be concluded to assess expenditure which can be classified as capital and supported by the General Government capital grant. This will be completed by the end of January.

- 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 at lower costs.
- 4.6 **Capital Expenditure:** With significant savings required in revenue budgets in the coming years it is imperative that loan charge costs are reduced to support our savings targets. A strategy has been developed through our Investment Strategy to ensure that new borrowing in support of our capital investment does not exceed current annual repayments of debt and where possible is considerably less. This will address the Council's current high levels of debt and determine the affordable size of the capital programme for future years.
- 4.7 Management will therefore bring forward a revised capital programme to address these economic pressures as part of the current budget planning which will reduce costs and delete projects where appropriate, but remain focused on delivering the key priorities of the Council

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
- Our communities are more cohesive and inclusive
- People are better skilled, trained and ready for learning and employment

- Our communities are safer
- Vulnerable people and families are supported
- Substance misuse and its effects are reduced
- Health is improving and health inequalities are reducing
- The environment is protected and enhanced for all
- The Council is effective, efficient and recognised for excellence

(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 |
| Angela Leitch | Chief Executive | Signed: A Leitch |

Clackmannanshire Council Summary

| Service | Annual Budget 2010/11 | Budget To 31/10/10 | Actual To 31/10/10 | Projected Outturn to 31/03/11 | Variance Outturn v Budget | Variance Actual To Date v Bud To Date |
|---|-----------------------|--------------------|--------------------|-------------------------------|---------------------------|---------------------------------------|
| Support Services | 5,280 | 2,962 | 2,969 | 5,189 | (92) | 7 |
| Strategy and Customer Services | 9,056 | 4,866 | 4,736 | 8,765 | (292) | (131) |
| | 14,337 | 7,828 | 7,704 | 13,953 | (383) | (124) |
| Less Allocated to Non General Fund Services | (1,180) | (644) | (634) | (1,148) | 32 | 10 |
| | 13,157 | 7,184 | 7,070 | 12,805 | (352) | (114) |
| Facilities Management | 20,890 | 12,819 | 11,850 | 20,810 | (80) | (969) |
| Social Policy | 24,405 | 13,490 | 13,783 | 24,375 | (30) | 293 |
| Education | 35,518 | 20,458 | 20,507 | 35,650 | 132 | 48 |
| Community and Regulatory | 9,266 | 4,792 | 3,449 | 8,599 | (667) | (1,343) |
| STO | (1,539) | (416) | (441) | (1,514) | 25 | (25) |
| Corporate Adjustments | (54) | 0 | 0 | 165 | 219 | 0 |
| Single Status - Contribution to Reserves | 1,435 | 0 | 0 | 1,435 | 0 | 0 |
| Misc Services - Non Distributed Costs | 876 | 511 | 676 | 1,066 | 190 | 165 |
| Service Expenditure | 103,954 | 58,838 | 56,893 | 103,391 | (563) | (1,945) |
| 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 | 61,908 | 59,963 | 110,755 | (563) | (1,945) |
| Add / (Deduct) | | | | | | |
| Interest on Revenue Balances | (253) | | | (152) | 101 | 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 | 61,908 | 59,963 | 121,510 | (391) | (1,945) |
| Sources of funding | | | | | | |
| General Fund Revenue | (97,264) | | | (97,264) | 0 | 0 |
| Council Tax | (21,638) | | | (21,537) | 101 | 0 |
| Contribution from DMR | (235) | | | (235) | 0 | |
| Single Status - contribution from Reserves | (1,769) | | | (1,769) | 0 | |
| PPP - Contribution from reserves | (995) | | | (995) | 0 | 0 |
| | (121,901) | 0 | 0 | (121,800) | 101 | 0 |
| Projected (Surplus) / Shortfall | 0 | | | (290) | (290) | |

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| Favourable and Improving position |
| Favourable variance and declining position |
| Adverse Variance and no material change |
| Adverse variance but improving position |

