
Report to Scrutiny Committee

Date of Meeting: 20 October 2011

Subject: General Fund Budget Monitoring

Report by: Accountancy Manager

1.0 Purpose

- 1.1. This paper details General Fund revenue spend for the current financial year, 2011/12, up to the end of August 2011. The projected outturn for each service up to March 2012 is also set out in the report.
- 1.2. The budget outturn position reflected in this report is based on a rigorous review of service spending activity which was undertaken through budget challenge sessions conducted by the Directors Group in early October.
- 1.3. More detailed work is required for some services and there is more information on this in the body of the report. It is the intention that ongoing challenge activity will be conducted by the Accountancy team in preparing budget outturn summaries. This ongoing scrutiny will be based on the outturn templates used in the Director's Group budget challenge sessions.
- 1.4. Appendix 1 to this paper sets out the revised estimate for each service area. This summary reflects as far as possible service reconfiguration 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 and subsequent review at budget challenge sessions.

2.0 Recommendations

- 2.1. The Committee is asked to comment on and challenge the current financial position and related forecast for the year.
- 2.2. The Committee is asked to note the ongoing work to realign budgets and the significant impact that the timing of the council's ongoing service redesign process has on budget monitoring processes and the delivery of the council's approved savings.
- 2.3. The Committee is invited to comment on the management actions.

3.0 Considerations

- 3.1. Overall the Council's actual expenditure incurred to the end of August is recording a favourable position of £1.232m compared to where we would expect to be at that stage in the year. This favourable position is forecast to continue for the rest of the year and translates to a projected net underspend of £2.328m by the end of the year. The main reasons for this favourable position is the early delivery of planned savings for 2012/13 and additional cash savings generated through proactive vacancy management.
- 3.2. Service expenditure is predicting a favourable outturn compared to budget of £1.770m. The 2011/12 budget incorporated savings of c£8m across all Services through a combination of budget challenge savings, management actions and specific Council decisions. At this mid-point in the year we are able to report that 80% of these savings have been secured totalling £6.482m. In addition to securing this level of planned savings to date, a further £2.958m savings are planned to be secured during the year. Table 1 below sets this position out for each council service portfolio and further explanation of this position is provided in the following paragraphs.

Table 1:2011/12 savings

Department	Savings Projected full year 11-12 £	Early Savings 12-13 £	Other Budget Savings £	One Off Savings (Cash Only) £	Total £
Support Services	251,840	0	82,200	241,800	575,840
Strategy and Customer	927,794	65,300	267,397	188,880	1,449,371
Facilities Management	1,243,300	95,500	26,090	235,000	1,599,890
Social Policy	1,265,832	186,566	200,000	318,000	1,970,398
Education	1,155,540	144,010	69,000	754,520	2,123,070
Community and Regulatory	982,798	63,290	0	20,200	1,066,288
Joint Boards	655,000	0	0	0	655,000
	6,482,104	554,666	644,687	1,758,400	9,439,857

- 3.3 The October challenge process has highlighted a number of significant issues with regards the budget monitoring process and the delivery of approved council savings, including the following :

- In a number of cases, services have been able to implement savings earlier than anticipated. This has tended to be the case where services have completed service restructuring activities ahead of schedule and secured the full saving from April 2011. Original savings estimates were based on a phasing of the saving over two years for many services. In addition, work has already been largely completed to review and realign the budget in line with service need and managerial accountability and responsibility.
- Where services have not yet restructured, savings have still been delivered through proactive vacancy management. These are reported as (additional) cash savings for the year. Planned savings will still aim to be implemented following the completion of the planned restructuring and many of these may now be delivered during 2012/13. However, in the intervening period, there remain some issues of budget alignment, making

detailed scrutiny of outturn variances more complex than usual. The two services mainly affected by this position are Education and Community & Regulatory.

- A number of additional opportunities to secure savings during the year have arisen and these are also reported. These include savings for instance arising from Adult Care spend to save initiatives, budget realignment following review of base budget requirements for instance in respect of Culture Services and additional savings from employee superannuation costs.

3.4 The Budget Strategy Update paper presented to Council last month highlighted the indicative funding gap over the next three years at £12.825m. With continuing uncertainty and unpredictability of funding levels and expenditure pressures over the medium term the reported additional savings that have been identified in the current year is a positive outcome in assisting the Council with its detailed budget planning in the coming year.

3.5 Table 2 below provides an overview of the Council's outturn position within each service expenditure area. The commentary aims to flag the key reasons for material variances from the approved budget.

Service	Actual to 31.8.11 (under)/over	Projected 31.3.12 (under)/over	Commentary
Support Services	(£301k)	(£376k)	One-off Cash Savings as vacancies have been prolonged whilst restructures are being implemented
Strategy and Customer Services	(£458k)	(£444k)	One-Off cash savings as vacancies have been prolonged while restructures are being implemented in addition to savings secured from planned restructuring. Restructuring now complete.
Facilities Management	(£301k)	(£1k)	Service working within overall budget. Planned maintenance scheduled for the end of the year as a contingency in case of a severe winter.
Social Policy	(£947k)	(£488k)	Vacancy management savings of £292K achieved as part of ongoing restructuring. Residential school savings of £150K in excess of budget saving arising from reduction in high costs placements from 14 to 11.
Education	(£310k)	(£314k)	Restructuring on-going. Budgets currently being reviewed and where appropriate re-aligned to reflect actual / historical spend.
Community and Regulatory	(£255k)	£182k	Increased demand for B&B accommodation is continuing to put a strain on the housing service. The outturns assume that £130K will be required from this years budget to fund the Hallpark Annexe. Service carrying out review to re-align budgets. A detailed funding plan for the Clackmannanshire Works project has still to be fully verified.
STO	£1.280k	0	Phasings currently being reviewed. Service confident that outturn position will be within budget.
Corporate Adjustments	0	(£289k)	Capturing of salary budgets removed when VS agreements approved. This will be a budget saving for the 12/13 financial year.
Non Distributed	0	(£39k)	£220K rebate of VAT off-set by additional estimated severance costs.

Service	Actual to 31.8.11 (under)/over	Projected 31.3.12 (under)/over	Commentary
Costs			

- 3.6 Movements on non service items such as Interest on Revenue Balances, Loan Charges, contributions to bad debts and Council Tax income collectively contribute a further £557k to the overall favourable outturn.
- 3.7 In particular, capital financing costs are showing a predicted saving of £623k this year on the budgeted loan charges. The Investment Strategy approved by Council in December 2010 set out to reduce overall levels of debt. With no new borrowing undertaken in 2010/11 or forecast to be drawn down in 2011/12, we are now beginning to see the benefits of this strategy in stabilising the capital financing costs to be funded from revenue. The combination of this strategy on external borrowing together with reductions in levels of capital borrowing requirements have contributed to the saving of £623k recorded.

4.0 Management Actions

- 4.1 The following key management actions have been agreed following the budget challenge sessions with Services:
- Realign Education budgets where appropriate by end of October to improve accuracy of forecasting
 - Complete review and realignment of Homeless budgets
 - Verify detailed funding plan for Clackmannanshire Works project
 - Consider the potential outturn implications of a further period of severe winter weather in 2011/12 above that budgeted for
 - ensure that budget profiles consistently reflect the profile of demand and incidence of costs for all council services
 - complete the review of STOs as part of the budget preparation for 2012/13
 - reflect the impact of the soon to be concluded Single Status appeals process on the Council's pay bill.

5.0 Conclusions

- 5.1 In setting the 2011/12 General Services Revenue Budget, Council set challenging savings targets for services. Good progress is being made in delivering the level of planned savings required.
- 5.2 In addition to those savings planned for 2011/12, many savings targets were also set for 2012/13, particularly as part of planned service redesign and restructuring activity. Managers have delivered significant progress in respect of many of these plans, delivering many 2012/13 savings early.

- 5.3 In addition to the early delivery of 2012/13 savings, managers have also identified many cash and other budget saving. Taken together this position represents a significant contribution to meeting the indicative savings requirement for 2012/13.
- 5.4 This position may be improved upon as further work is commenced to take forward those proposals not yet initiated. Service accountants will continue to challenge services in the routine outturn monitoring processes and future budget monitoring reports will ensure that elected members are kept apprised of developments.

6.0 Sustainability Implications

- 6.1 None

7.0 Resource Implications

7.1 Financial Details

- 7.2 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 ☒

- 7.3 Finance have been consulted and have agreed the financial implications as set out in the report. Yes ☒

7.4 Staffing

8.0 Exempt Reports

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

9.0 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)

10.0 Equalities Impact

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

Yes ☐ No ☒

11.0 Legality

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

12.0 Appendices

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

Council summary of expenditure

13.0 Background Papers

13.1 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)

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Approved by

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Nikki Bridle	Director of Finance and Corporate Services	
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Clackmannanshire Council Summary
August 2011
Appendix 1

	Annual Budget 2011/12	Budget To 31/08/11	Actual To 31/08/11	Projected Outturn to 31/03/12	Variance Outturn v Budget	Variance Actual To Date v Bud To Date
Service						
Support Services	5,792	2,477	2,175	5,416	(376)	(301)
Strategy and Customer Services	6,537	2,782	2,324	6,092	(444)	(458)
	12,329	5,259	4,500	11,508	(821)	(759)
Less Allocated to Non General Fund Services	(1,663)	0	0	(1,663)	0	0
	10,666	5,259	4,500	9,845	(821)	(759)
Facilities Management	22,570	9,974	9,674	22,569	(1)	(301)
Social Policy	25,761	10,929	9,981	25,274	(488)	(947)
Education	33,630	13,762	13,452	33,316	(314)	(310)
Community and Regulatory	8,331	3,276	3,021	8,512	182	(255)
STO	(1,110)	(453)	827	(1,110)	(0)	1,280
Corporate Adjustments	344	0	0	55	(289)	0
Misc Services - Non Distributed Costs	1,145	0	0	1,106	(39)	0
Service Expenditure	101,338	42,746	41,455	99,567	(1,770)	(1,292)
Add Requisitions from Joint Boards						
Central Scotland Police	4,021	0	0	4,021	0	0
Central Scotland Fire	2,658	0	0	2,658	0	0
Central Scotland Valuation	412	0	0	412	0	0
	108,429	42,746	41,455	106,658	(1,770)	(1,292)
Add / (Deduct)						
Interest on Revenue Balances	(200)	0	0	(171)	29	0
Loan Charges	10,034	0	0	9,411	(623)	0
Contribution to Bad Debt Provision	100	0	0	210	110	0
Contribution to Spend to Save Fund	500	0	0	500	0	0
	118,863	42,746	41,455	116,608	(2,254)	(1,292)
Sources of funding						
General Revenue Funding/Non-Domestic Rates	(95,033)	(38,248)	(38,248)	(95,033)	0	0
Council Tax	(21,473)	(12,947)	(12,887)	(21,546)	(73)	60
Contribution From Reserves - budget amendments	(252)	0	0	(252)	0	0
Contribution From Reserves - C/F Adult Care	(370)	0	0	(370)	0	0
Single Status - contribution from Reserves	(543)	0	0	(543)	0	0
PPP - Contribution from reserves	(1,192)	0	0	(1,192)	0	0
	(118,863)	(51,195)	(51,135)	(118,936)	(73)	60
Projected (Surplus) / Shortfall	(0)			(2,328)	(2,327)	(1,232)

