

CLACKMANNANSHIRE COUNCIL

Report to Scrutiny Committee of 9th October 2008

Subject: General Fund Revenue Budget Monitoring 2008/09

Prepared by: Martin Dunsmore, Accounting and Budgeting Manager

1.0 SUMMARY

- 1.1. This paper details General Fund revenue spend for the current financial year 2008/09 based on current actual spend and detailed discussions with Service Managers on likely forecasts for the year.
- 1.2. The revised estimate column on the attached *Summary of General Fund Revenue Expenditure* incorporates the utilisation of a substantial part of the earmarked portion of reserves as at 31st March which are now built into Service budgets in the expectation that these will be spent this year.
- 1.3. Based on our current assessment of projected expenditure, we are heading for an overspend of £1,008k beyond approved budget. The element of reserves brought forward from last year that were un-earmarked stood at £417k, and an additional £651k was added to reserves as part of the current years budget. However, a level of overspend of the current magnitude will effectively eliminate the accumulated un-earmarked reserve.
- 1.4. Net cost of Services are recording an expected overspend of £1.560m this year. This overspend is spread across all Council Services and section 3 below explains the main reasons for the overspends within each area. A saving in anticipated capital financing costs of £487k has helped to reduce the overall deficit in the year.
- 1.5. Past experience has shown that improvements are normally made in rectifying early projected overspends as the year progresses. However, given the seriousness of the current position, the Corporate Management Team is actively working on actions to bring net expenditure closer to budget.

2.0 RECOMMENDATIONS

- 2.1. The Committee is asked to note the current forecast position, and that Chief Officers have been tasked to reduce costs back in line with budget figures.

3.0 BACKGROUND

3.1 Expenditure

The attached summary of expenditure indicates that the Council spend for the year will amount to £111.617m, which is £1.010m more than the revised estimate for the year. This represents an overspend of 0.9% on spending plans.

3.2 Chief Executive Services (adverse variance £41k)

There are a number of variances spread throughout this Service. The most notable is £25k in respect of CCTV due to repairs costs and increase in share of operating costs.

3.3 Corporate Development Services (adverse variance £223k)

The main overspends within this Service are as follows:

- unbudgeted Job Evaluation costs of £200k, which are however being covered from the accumulated provision of £2m for Single Status.
- unbudgeted agency staff costs within Accounting & Budgeting of £28k to cover long term sickness.
- additional premises related costs of £85k within Council Offices (maintenance , utilities and insurance).
- additional computer software costs of £35k.
- expenditure on Cap's staff (including relief) is £26k in excess of budget provision.
- increased costs of £23k within Benefits (software support, reduction in administration subsidy and supplies expenditure)

3.4 Services to People (adverse variance £1.208m)

This Service is responsible for more than half the overall Council adverse position currently being forecast. The undernoted paragraphs breaks down this overspend over the constituent parts of the Service.

3.4.1 Education and Community Services (adverse variance £806k)

The figures forecast within this Service are based on the current position during the summer months. These may not fully reflect all the changes that will take place in the new academic year which will be more accurately be

established by the time of our next report. The major overspends identified at this stage are:

- Supervisory assistants are likely to be overspent by £63k.
- There is a £102k overspend in salary costs associated with those staff previously funded through CCSF.
- A major overspend of £142k is predicted in relation to SQA fees. Last year there was an overspend of £44k, and this year there is extra costs of the S3's sitting their standard grades early in two of the Academies.
- Within other areas of Secondary Education there are various cost centres where overspends are anticipated at this time of year. These are Music Instructors £30k, ICT Technicians £15k, Click Learning Centre £23k and Assistance to Pupils £55k.
- Children and Youth work employee costs are overspent by approximately £40k although partly offset by underspend in rents of £18k.
- Detached Youth Work has been forecast to have a cost of £74k for which there is no budget.
- Zones was offered as a saving this year but there are current unbudgeted costs in this area of £86k.
- Devon Equestrian Centre and Firpark continue to cost money with an overspends of £28k and £21k respectively. Savings were anticipated at budget time which have not been realised.
- School Sports record an overspend of £23k on salaries.
- A spend on Xmas lights of £26k is forecast for which there is no budget.
- An overspend of £57k is predicted in costs relating to the Dalmore Centre. This is in relation to a saving that was declared this year but not yet made.
- Within Leisure Services there are also overspends of £23k in repairs and maintenance and £17k in energy costs.

3.4.2 Residential Schools (adverse variance £395k)

This is an area where the Council suffered serious overspending last year. This was addressed during the budget process by the inclusion of a further £1m for this Service in the current financial year. In spite of this increase the costs of Special Education & Childcare are again anticipating to be £399k in excess of the new budget provision.

3.4.3 Social Services (adverse variance £299k)

The main cause of this variance is within Child Care where Kinship Care payments are recording an anticipated overspend of £331k .

3.4.4 General Fund Housing (favourable variance £292k)

This favourable position can be attributed to higher rent collection together with additional rental charges within Homeless and Specialised Accommodation resulting in additional income of £322k.

3.5 Development and Environmental Services (adverse variance £71k)

There are several compensating areas contributing to the variance within this Service:

- planning fee income is significantly reduced from anticipated level by £210k reflecting the downturn in construction and development sectors. This is being offset by a saving of £30k at present from vacant posts.
- roads street lighting energy costs are expected to exceed budget by £104k.
- the waste management operation is recording an overspend of £92k. Transport charges (maintenance, management and short term hire) are particularly high.
- catering contract is currently forecasting an overspend on budget of £70k. In particular, an additional £40k of external income was built into the budget as part of the savings package, but in reality a shortfall of £46k is anticipated.
- cleaning contract service is projected to outturn with a deficit of £37k. Primary cause of this is the transfer of High Schools to PPP management, as the service loses the ability to recover not only it's direct associated costs but also the indirect costs of the service provision.
- a contribution to capital of £400k to support the introduction of the new wheeled bins is no longer required as the capital programme can fund the full cost.

3.6 Loan Charges (favourable variance £487k)

Since the budget was approved, the internal loans pool interest rate has reduced as we continue to access favourable loan facilities.

4.0 INCOME

Expenditure is funded from two sources – Aggregate External Finance from the Scottish Executive together with Council Tax income.

4.1 Aggregate External Finance (favourable variance £97k)

Since the funding settlement was announced and built into the budget there have been some adjustments to our anticipated grant funding this year.

4.1 Council Tax (adverse variance £94k)

In preparing the budget, the council tax base was adjusted to take account of the estimated effect on our income from the considerable house building in the county. It would appear we may not achieve the increase in the tax base we predicted which again may be a reflection of the current economic climate.

5.0 RESERVE POSITION

Based on the current probable outturn spend for the year, the anticipated reserve position at the year end will be as follows:

• General Fund Reserve at 1 st April (unearmarked element)	£0.417m
• Contribution to un-earmarked reserves in current year	£0.651m
• Projected deficit for current year per summary	<u>(£1.008m)</u>
Estimated Revenue Reserve 31st March 2009	£0.060m

Despite building in a contribution to reserves of £651k within the current years budget proposals the present expenditure trends indicate that the Council's reserves will be almost extinguished if the current forecast deficit for 2008/09 is not addressed.

6.0 CONCLUSIONS

6.1 This report has explained the current expenditure position within the General Fund. It has highlighted overspends occurring throughout most of the Council services.

6.2 The impact of the deficit is to place the Council in a serious financial position which will need to be addressed immediately to minimise the effect before the year end, and is also likely to require a further contribution to reserves over the next few financial years to build up funds to a reasonable working balance.

7.0 IMPLICATIONS FOR THE COUNCIL

7.1 As noted in the report.

7.2. Declarations

(1) The recommendations contained within this report support or implement Corporate Priorities, Council Policies and/or the Community Plan:

- **Corporate Priorities (Key Themes)** (Please tick)

Achieving Potential

Maximising Quality of Life

Securing Prosperity

Enhancing the Environment

Maintaining an Effective Organisation

- **Council Policies** (Please detail)

- **Community Plan (Themes)** (Please tick)

Community Safety

Economic Development

Environment and Sustainability

Health Improvement

(2) In adopting the recommendations contained in this report, the Council is acting within its legal powers. (Please tick)

(3) The full financial implications of the recommendations contained in this report are set out in the report. This includes a reference to full life cycle costs where appropriate. (Please tick)

Head of Finance

Director of Corporate Development

Report to Scrutiny Committee

To accompany all Reports to Council

To: Head of Administration And Legal Services

Author: Martin Dunsmore	Date: 17 September 2008
Service: Corporate Development - Finance	
Date of Meeting: 9th October 2008	
Title of Report: General Fund Revenue Budget Monitoring 2008/09	

Recommendation that the attached report be:

1. Given unrestricted circulation

(tick appropriate box)

2. Taken in private

By virtue of paragraph ____ of schedule 7A, Local Government (Scotland) Act 1973.

Appendices attached to this report (if none, state "none")

1. Summary of General Fund Revenue Expenditure
- 2.
- 3.
- 4.

List of Background Papers (if none, state "none")

1. Council's Revenue Budget 2008/09 - report to Special meeting of Council on 21st February 2008

Note: All documents specified must be kept available by the author for public inspection for four years from the date of the meeting at which the report is considered.

SUMMARY OF GENERAL FUND REVENUE EXPENDITURE

<u>SERVICE</u>	Revised Estimate 2008/09 £	Projection 2008/09 £	Variance 2008/09 £
Chief Executive Services	157,236	198,207	40,971
Corporate Development Services	768,411	991,314	222,903
Services to People:			
Education and Community Services	37,145,270	37,951,449	806,179
Education Devolved	23,272,230	23,272,230	0
Residential Schools etc	2,792,260	3,187,660	395,400
Social Services	21,475,035	21,773,717	298,682
General Fund Housing	4,485,757	4,193,779	(291,978)
	89,170,552	90,378,835	1,208,283
Development and Environmental Services	13,320,220	13,391,298	71,078
Corporate and Democratic Core	1,785,489	1,785,489	0
Unapportionable Central overheads	16,000	33,000	17,000
Central Services to the Public	830,790	830,790	0
Other Operating Income & Expenditure	477,498	477,498	0
Single Status	2,000,000	2,000,000	0
	108,526,196	110,086,431	1,560,235
Add Requisitions from Joint Boards			
Central Scotland Police	4,349,000	4,349,000	0
Central Scotland Fire	2,998,000	2,998,000	0
Central Scotland Valuation	407,000	407,000	0
Net Cost of Services	116,280,196	117,840,431	1,560,235
Add/Deduct			
Interest on Revenue Balances	(1,424,000)	(1,398,804)	25,196
Contribution to Bad Debt Provision	130,000	90,000	(40,000)
Contribution from Trading Operations	(305,000)	(365,030)	(60,030)
Adjustment for Capital Charges			
Loan Charges	8,459,000	7,972,391	(486,609)
less asset rentals included in Service estimates	(12,532,990)	(12,521,520)	11,470
	110,607,206	111,617,468	1,010,262
Financed By			
Aggregate External Finance	86,306,000	86,402,555	96,555
Council Tax	21,154,000	21,059,522	(94,478)
Contribution to reserves	(651,000)	(651,000)	0
Use of earmarked reserves brought forward	3,798,206	3,798,206	0
Revenue deficit for year		1,008,185	1,008,185
	110,607,206	111,617,468	1,010,262

