

FALKIRK COUNCIL

Subject : FINANCIAL POSITION 2013/14
Meeting : EXECUTIVE
Date: 19 August 2014
Author : CHIEF FINANCE OFFICER

1. INTRODUCTION

- 1.1 This report presents the final revenue outturn for 2013/14 subject to audit review. A separate report on this agenda deals with the capital position.

2. GENERAL FUND

- 2.1 Appendix 1, sets out both General Fund net expenditure by Service and how it is financed. Movements between budget and projected outturn are expressed in monetary and percentage terms.

In my report to Executive in January, I advised that net expenditure was forecast to be £2.172m (0.7%) lower than planned. This has moved marginally to £1.973m. The reasons for significant overall deviations from budget are described below.

- 2.2 Education Services (under budget by £0.374m; 0.2%)

The underspend of £0.374m is marginally below the amount forecast in January. Savings in employee costs, transport costs and residential schools have offset higher operating costs, including expenditure on energy and repairs. Although residential expenditure can be volatile, in 2013/14 there has been a reduction in demand and alternative service delivery methods have both helped to bring expenditure below budget.

Social Work Services (over budget by £0.607m; 0.7%)

The Service experienced significant pressures arising from demand in purchasing childrens' residential care, adult community care and the costs of pensions auto-enrolment. These costs were partly offset by savings arising from staff vacancies and increased income from residential care charges and contributions from the NHS. The demand for purchasing of care can be highly volatile and the resulting pressure on the budget, particularly in respect of high cost care packages, can be difficult to predict and this is the main reason for the movement from the previously reported position.

Development Services (under budget by £0.818m; 2.1%)

Savings in rental costs as a result of the Spend to Save initiatives to buy out a number of leases at Central Park Larbert contributed to the underspend. The budget for subsequent years will consequently be adjusted. In addition planned expenditure on flood prevention, roads and public realm works which was originally forecast to be spent before March, will now be completed during 2014/15. This has been reflected with an adjustment to the Repairs and Renewals Fund.

Corporate & Neighbourhood Services (under budget by £1.261m; 8.2%)

The underspend is attributable to reduced overtime, spot hires and other transport costs within refuse collection, reduced rates, utilities and composting costs within waste disposal, a reduction in overtime within street cleansing arising from new rotas which have been introduced and reduced bed and breakfast costs. There are also underspends in private sector housing and homelessness which have arisen due to the timing of expenditure which will now be incurred in the new financial year. This, and additional savings in transport costs are the main reasons for the movement from the previously reported position.

Miscellaneous Services (under budget by £0.847m; 6.8%)

This is a result of a number of savings across a range of headings including the Scottish Welfare Fund which, in common with a number of Local Authority areas, had a slower level of uptake in the early months. A number of measures have been put in place with the aim of ensuring uptake is maximised as far as possible and the underspend will be added to the available budget for 2014/15.

Central Support Services (under budget by £0.782m; 3.4%)

An underspend in staffing costs and savings in the running costs of buildings resulted in the overall costs of Central Support Services to the General Fund being £0.782m less than budget. Higher savings arising from staff vacancies and additional savings in property costs are the main reasons for the movement from the previously reported position.

Compensatory Lump Sums (£0.289m)

Compensatory lump sums totalling £0.289m have been paid to individuals who have left the Council under Voluntary Severance arrangements during 2013/14. Related savings will accrue in future years.

Capital Financing Costs (over budget by £0.854m; 4.5%)

The difference in the main relates to the transfer of £0.8m from the Economic Development reserve to the Spend to Save reserve, see para 4.3 below.

3. TRADING ACCOUNTS

- 3.1 The overall surplus for Building Maintenance was close to budget.

4. GENERAL FUND RESERVES UPDATE

- 4.1 The following paragraphs provide an update on the expenditure and transfers in respect of the Council's reserves and earmarked funds. A summary of the transactions and balances is included at Appendix 2.

4.2 Repairs and Renewals Fund

The balance on the fund is higher than anticipated due to a combination of lower spend and the transfer of additional sums into the fund. The movements on the fund are detailed as follows:

Printworks

It is planned to build up the fund to replace the current 4 colour press in 2018/19. An additional £0.100m was transferred into the fund.

Roads

The balance of £0.055m was earmarked for improvements to Earls Roads Depot. Committed sums to purchase vehicles has been carried forward to match expenditure in 2014/15.

Waste Strategy

The Fund is required to support the purchase of recycling bins, undertake recycling centre maintenance and to upgrade and assist with expanding the recycling provision. The expenditure in 2013/14 was £0.249m and the balance will be committed in subsequent years.

Flood Prevention

Expenditure on flood prevention, initially anticipated to be completed by March 2014, has been carried forward into 2014/15. This includes flooding works at the Glensburgh pumping station and the purchase of an Aquawhale.

Birkhill Claymine Demolition

Final works to conclude the mine abandonment process will now be undertaken in 2014/15.

Pavilion Improvement

Funds for commissioning works to upgrade local pavilions and other projects of community benefit will be undertaken in 2014/15.

Public Realm – Bo'ness and Muirhouses

A sum of £0.045m has been earmarked to complete public realm works at Bo'ness and Muirhouses.

Planning Enquiry

Funds earmarked for planning enquiry.

Social Work Services Properties

Spend in 2013/14 was £0.021m and an additional £0.200m was also added to the fund. It is anticipated that £0.550m of spend will be incurred early in 2014/15 to enable critical work to be undertaken across a range of care facilities and other premises. Condition surveys have been undertaken and the remaining balance of £0.783m will be deployed to facilitate the highest priority work emerging from these surveys.

Vehicles

A sum of £0.300m has been transferred to augment funding for the vehicle replacement programme and £0.080m has also been provided for installation of vehicle tracking equipment.

General Fund Housing

As highlighted in my previous report to the Executive on 8 October 2013, it is proposed to use the reserve in two primary ways. Firstly, the reserve will be used to help augment Scheme of Assistance funds and secondly to mitigate the impacts arising from changes to HRA accounting treatment and in particular the allocation of costs between HRA and General Fund Housing.

Enterprise Subscription Agreement

The sum of £0.123m has been provided to pay the first annual instalment of a major software agreement. Provision has been made in the revenue budget to meet future instalments.

Drummond House Dilapidations

A sum of £0.053m was set aside to fund the Council's share of the estimated cost of dilapidation works at Drummond House. The sum of £0.033m was paid in 2013/14 which leaves a balance of £0.020m available to pay any residual costs which might arise.

4.3 **Earmarked Reserves**

Overall the balance on these funds is marginally higher than the position reported in January. The movements are detailed as follows:

Devolved Schools Management

The balance on the fund of £5.7m is in line with the position reported in January. Included in the balance is a total of £3.1m which reflects timing differences between the academic and financial years mainly in respect of balances held at individual school level use by headteachers. The remaining balance of £2.6m will be used to support ongoing school capacity improvement work and act as a buffer if issues arise which affect the full achievement of planned budget savings.

Economic Development

The fund assists with the delivery of economic projects where the Council has a significant property related interest. The balance on the fund is £1.5m. The reserve was primarily utilised to fund lease buyouts (i.e. the £0.8m at Central Park) under spend to save. The remaining balances will be used to support the following:

- Tourism Signs - £0.131m
- Business Support - £0.429m
- Property maintenance/upgrade (using dilapidation income from outgoing tenants) - £0.255m
- TIF – Implementation works - £0.083m
- Street Lighting - £0.070m
- Landscape Initiatives - £0.239m
- Falkirk Townscape Heritage Initiative - £0.200m

Central Energy Efficiency Fund

The fund is utilised to support energy management projects. Anticipated savings from projects are used to replenish the fund. The balance on the fund was £0.439m.

Insurance Fund

The position on the Insurance Fund following the actuarial valuation has previously been reported to Committee and in particular the uncertain future liability from MMI entering administration was highlighted. The balance on the fund at 31 March 2014 was £4.568m (£4.355m 12/13).

Spend to Save

The Council agreed to set up an earmarked reserve to fund the front end costs associated with Spend to Save proposals. The balance on the fund is £3.597m after spending £1.788m to terminate two leases at Central Business Park, £0.243m to fund the voluntary costs associated with a “Refreshing the Profession” initiative in Education Services and £0.172m on street lighting. Further approved initiatives, include £1m for a new health and fitness suite at Stenhousemuir and £1.829m towards the Rehab Group’s proposals for a vacant factory unit at the Central Business Park. The total anticipated annual budget savings from all the Spend to Save initiatives is circa £2m.

The balance on the fund after accounting for all the approved schemes will be circa £0.430m. While a number of factors (see 4.4) have to be considered in deploying the General Fund, the need to reduce budgets is significant in the context of the scale of the projected cuts in public sector funding. Therefore to enable significant schemes with short payback periods to continue to be considered it is recommended a further sum of £0.570m is deployed in 2014/15 to bring the Fund up to £1m.

4.4 **General Fund Balance**

Appendix 1 shows a projected revenue balance at 31/03/14 of £12.309m. This, however, needs to be adjusted to reflect the £1.5m deployed by Council in February when setting the Revenue Budget for 2014/15. There are also earmarked carry forward figures identified in this report, which remove a further £0.530m. The decision to allocate further funds to Spend to Save per para 4.3 would reduce the balance by a further £0.570m. This takes the net balance to £9.709m, which is within the Revenues Strategy range of £7-£10m. The application of reserves to 15/16 and subsequent budgets, together with the costs of severance are expected to take the balance down to the strategy floor within the next couple of years. There will inevitably be additional factors that will emerge and impact on the balance.

4.5 Capital Reserves

Capital Receipts Reserve

As noted in previous reports, this Reserve comprises proceeds from the sale of Council Assets. The movement on this Reserve is as detailed below:

	GF £'m	HRA £'m	TOTAL £'m
Balance at 1 April 2013	2.582	1.846	4.428
Receipts in Year	3.464	3.927	7.391
Applied to Capital Programmes	(3.228)	(3.536)	(6.764)
Balance at 31 March 2014	2.818	2.237	5.055

It should be noted that the General Fund Balance at 31 March 2014, includes £1.4m of Business Property Re-investment receipts.

The balance on the Capital Receipts Reserve includes £0.780m which will be used to fund capital expenditure in 2014/17. Further application of the Capital Receipts Reserve will be reviewed as part of the budget process for the roll forward of the Capital Programmes.

Capital Grants Unapplied Accounts

As noted in previous reports, this Reserve comprises Section 75 contributions from developers as well as capital grants/contributions for which conditions often apply. The movement on this Reserve is as detailed below:

	GF £'m	HRA £'m	TOTAL £'m
Balance at 1 April 2013	4.419	1.082	5.501
Receipts in Year	0.292	-	0.292
Applied to Capital Programmes	(1.420)	-	(1.420)
Balance at 31 March 2014	3.291	1.082	4.373

The balance on the Capital Grants Unapplied Accounts includes £0.372m which will be used to fund capital expenditure in 2014/17. Further application of the Capital Grants Unapplied Account will be reviewed as part of the budget process for the roll forward of the Capital Programmes.

5. HOUSING REVENUE ACCOUNT

- 5.1 Overall, the HRA was in line with budget. There were savings in support services, staff costs and Supplies and Services. The sums freed up from these savings were used in a number of areas including providing additional Capital Funded from Current Revenue [CFCR] to augment the resources available to undertake housing investment and improvement.
- 5.2 The balance brought forward at 31 March 2013 was £7.631m, of which £2.538m is being utilised to limit the rent rise in the current year. The HRA reserve will be maintained over the longer term in order to ensure that there are sufficient funds available to meet future income and expenditure plans including funding the HRA capital investment programme.

6. CONCLUSION

- 6.1 Net General Fund expenditure is £1.973m (0.6%) lower than assumed in setting the 2013/14 Budget. The varied factors which have had a material impact on spending levels are explained in Section 2 above with the majority having been reported throughout the financial year.
- 6.2 Para 4.4 has outlined the position with the General Fund Balance and the projected pressures it will face.
- 6.3 Spending within the Housing Revenue Account was in line with budget, leading to year-end reserves of £5.093m which will be deployed in a planned manner over time.
- 6.4 Finally, it should be noted that the above figures are subject to any adjustments that may arise from the audit process.

7. RECOMMENDATIONS

Members are invited to:-

- (i) note the Council's year-end financial position for 2013/14
- (ii) note transfers to the Repairs & Renewals Fund and Earmarked Reserves as outlined at Appendix 2
- (iii) approve a further sum of £0.570m to be set aside within the Revenue Balance to fund future Spend to Save projects.

Chief Finance Officer

Date : 10 July 2014

LIST OF BACKGROUND PAPERS

1. Financial Monitoring Statements 2013/14

Any person wishing to inspect the above background papers should telephone Falkirk (01324) 506388 and ask for Danny Cairney/Bryan Smail.

FALKIRK COUNCIL

GENERAL FUND

PROJECTED REVENUE OUTTURN STATEMENT 2013/14 AS AT 31/03/2014

	<u>Budget</u>	<u>Projected</u>	<u>(Fav)/ Adv</u>		<u>Previous</u>
	<u>£'000</u>	<u>Outturn</u>	<u>Variance</u>		<u>Projection</u>
		<u>£'000</u>	<u>£'000</u>	<u>%</u>	<u>£'000</u>
Education Services	178,962	178,588	(374)	(0.2)	167,628
Social Work Services	88,138	88,745	607	0.7	87,945
Development Services	39,462	38,644	(818)	(2.1)	36,229
Corporate & Neighbourhood Services	15,293	14,032	(1,261)	(8.2)	14,919
Miscellaneous Services	12,441	11,594	(847)	(6.8)	11,047
Central Support Services	23,051	22,269	(782)	(3.4)	22,704
Less: Central Support Recharges	(23,051)	(23,051)	-	-	(23,078)
Trading Accounts	(766)	(721)	45	(5.9)	(803)
Sub - Total	333,530	330,100	(3,430)	(1.0)	316,591
Falkirk Community Trust	12,139	12,139	-	-	12,015
Valuation	1,256	1,256	-	-	1,255
Capital Financed from Current Revenue	500	500	-	-	500
Compensatory Lump Sums	-	289	289	-	185
Transfers to/(from) Earmarked Funds	(500)	(194)	306	(61.2)	(250)
Adj. for Capital Financing Costs / Capital Charges	(19,098)	(18,244)	854	(4.5)	(4,670)
NET EXPENDITURE	327,827	325,846	(1,981)	(0.6)	325,626
Financed By :					
General Revenue Funding	205,812	205,804	8	0.0	205,783
Non-Domestic Rates	68,291	68,291	-	-	68,291
Council Tax / Council Tax Reduction Scheme	51,443	51,443	-	-	51,443
NET INCOME	325,546	325,538	8	0.0	325,517
SURPLUS/(DEFICIT)	(2,281)	(308)	(1,973)	(0.6)	(109)
Less: Transfer to Spend to Save		(1,500)			
Add : General Fund Surplus as at 1 April 2013		14,117			
General Fund Balance as at 31 March 2014		12,309			

ANALYSIS OF REPAIRS & RENEWALS FUND

Service	Description	Balance 01/04/13 £'000	Spend £'000	Transfers £'000	Interest £'000	Balance 31/03/14 £'000
Chief Executive	Printworks	106	-	100	-	206
Development	Roads	55	-	100	-	155
	Waste Strategy	863	(249)	-	5	619
	Flood Prevention	1	-	415	-	416
	Birkhill Mine Demolition	35	-	-	-	35
	Pavilion Improvement	50	-	-	-	50
	Public Realm Bo'ness/Muirhouses	-	-	45	-	45
	Planning Enquiry	-	-	92	-	92
Social Work	Older People's Accommodation	1,148	(21)	200	6	1,333
Corp & N'Hood	Property & Plant Upgrade & Maintenance	72	(72)	-	-	-
	Vehicle Tracking Systems	-	-	80	-	80
	Vehicle Replacement Programme	-	-	300	-	300
	General Fund Housing	892	-	-	5	897
	Enterprise Subscription Agreement	-	-	123	-	123
Other	Drummond House Dilapidations	53	(33)	-	-	20
TOTAL		3,275	(375)	1,455	16	4,371

ANALYSIS OF EARMARKED RESERVES

Description	Balance 01/04/13 £'000	Spend £'000	Transfers £'000	Balance 31/03/14 £'000
Devolved Schools Management	7,531	(4,126)	2,251	5,656
Economic Development	2,151	(1,182)	438	1,407
Central Energy Efficiency	410	(2)	31	439
Insurance	4,355	(29)	242	4,568
Spend to Save	3,500	(2,203)	2,300	3,597
TOTAL	17,947	(7,542)	5,262	15,667

Appendix 3

<p align="center">FALKIRK COUNCIL</p> <p align="center">HOUSING REVENUE ACCOUNT</p> <p align="center">PROJECTED REVENUE OUTTURN STATEMENT 2013/14 AS AT 31/03/2014</p>

	Budget £'000	Projected Outturn £'000	(Fav)/ Adv Variance £'000	%	Previous Projection £'000
Employee Expenses	6,890	6,384	(506)	(7.3)	6,740
Property Expenses	24,715	24,722	7	0.0	25,715
Transport Expenses	32	13	(19)	(59.4)	32
Supplies and Services	4,021	3,501	(520)	(12.9)	4,121
Third Party Payments	1,283	1,158	(125)	(9.7)	1,283
Support Services	4,105	3,821	(284)	(6.9)	3,905
Capital Charges	14,041	15,356	1,315	9.4	13,865
Compensatory Lump Sums			-	-	-
Gross Expenditure	<u>55,087</u>	<u>54,955</u>	<u>(132)</u>	<u>(0.2)</u>	<u>55,661</u>
Income	52,549	52,417	132	0.3	53,123
Surplus/(Deficit)	<u>(2,538)</u>	<u>(2,538)</u>	<u>-</u>	<u>-</u>	<u>(2,538)</u>
Add: Surplus brought forward at 1 April 2013		7,631			
Projected Surplus at 31 March 2014		<u>5,093</u>			