

FALKIRK COUNCIL

Subject: FINANCIAL POSITION 2014/15
Meeting: EXECUTIVE
Date: 21 October 2014
Author: CHIEF FINANCE OFFICER

1. INTRODUCTION

- 1.1 This report presents the financial position of the Council for 2014/15 based on the position as at September 2014. The opportunity is also taken to update Members on the position with the Reserves consistent with the reporting regime agreed by the former Policy & Resources Committee in September 2012.

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.

Net expenditure is currently forecast to be £3.137m above the approved budget and as will be evident from the narrative below, this is primarily attributable to the position with the Council's two largest Services – Education and Social Work.

The reasons for significant overall deviations from budget are described below:-

- 2.2 Education Services (over budget by £1.333m; 0.8%)
 Expenditure on residential schools is projected to be higher than last financial year primarily due to an increase in the provision of secure placements. This pressure is mirrored below in Social Work Services. Employee costs are also higher than anticipated with a rise in primary school rolls of 3% contributing to an increase in teaching costs.

Social Work (over budget by £2.685m; 3%)

The pressures facing Social Work were set out in a report by the director presented to the September meeting of the Executive. Significant pressure of demand on Children's' residential schools (£0.530m), Children's' Residential Care (£0.790m), Adult 24 hour care (£2.7m) and Adult Care purchasing (£2.3m) are partially offset by savings in staff costs arising from vacancies (£2.1m), higher levels of income from Adult Residential Care (£1.6m), contributions from Health (£0.500m) and government grants and re-imbursements (£0.320m). The higher levels of income are largely as a result of the higher volumes of care purchasing and increases in the number of people requiring care. The number of children who are looked after away from home has increased by 11% over the last year. The number of people assessed for community care services increased by 8% over the same period which led to:

- a 4% increase in the number of people over 65 receiving home care services and a 12% increase in the number of hours of care purchased
- an 18% increase in the people over 65 requiring home care during evenings and weekends

- a 6% increase in the number of hours of home care hours provided for all age groups
- a 6% increase in the number of care home placements purchased.

Demand for care services can be volatile and unpredictable and early data suggests that there is the potential for the overspend to increase as the Year progresses.

Development Services (over budget by £0.340m; 1%)

The projected overspend of £0.340m is primarily due to the costs of the Free After Three Parking and savings from the lease buy-out and car parking charges at the Municipal Buildings not being fully realised in the current financial year.

Corporate & Neighbourhood Services (under budget by £0.220m; 1.5%)

The underspend is largely as a result of reduced overtime costs in a number of areas and reduced spot hires and other transport costs in Refuse Collection.

Miscellaneous Services

Miscellaneous Services is forecast to be in alignment with budget.

Central Support Services (under budget by £0.495m; 2.1%)

An underspend on staffing costs is likely to reduce the overall costs of Central Support Services to the General Fund by £0.495m.

3. TRADING ACCOUNT

- 3.1 The projected overall surplus of Building Maintenance is very close to budget.

4. HOUSING REVENUE ACCOUNT

- 4.1 Overall, the HRA (Appendix 2) is projected to be broadly in line with budget. Savings in support services, staff costs and supplies & services are anticipated, together with additional rental income from commercial properties. These savings will be utilised in a number of areas across the Housing Revenue Account, including Estates improvement work and also to provide additional CFCR to augment the resources available to undertake housing investment.
- 4.2 The balance brought forward at 31 March 2014 was £5.093m. 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.

5. GENERAL FUND RESERVES UPDATE

- 5.1 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 3.

5.2 **Repairs and Renewals 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.

Roads

A sum of £0.055m has been earmarked for improvements to Earls Roads Depot and £0.100m will be utilised to purchase vehicles 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.

Flood Prevention

The expenditure to be undertaken in 2014/15 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 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 was used to complete public realm works at Bo’ness and Muirhouses.

Planning Enquiry

Funds earmarked for planning enquiry will be spent in the current financial year.

Social Work Services Properties

Estimated spend to 31 March 2015 is £633k and this will be deployed to enable critical work to be undertaken across a range of care facilities and other premises. This work will enable registered services to meet Health and Safety requirements and will enable essential refurbishment of office premises, as identified by condition surveying. Condition surveys of all properties have now been undertaken and are currently being analysed and the remaining balance of £700k 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 in future years 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 £0.020m is available to pay any residual costs which might arise following the dilapidation works at Drummond House

5.3 **Earmarked Reserves**

Proposed spend can be detailed as follows:

Devolved Schools Management

The balance on the fund of at 31/03/14 was £5.7m. 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. These sums are subsequently spent during the period April to June and are replenished to around their original level by setting aside a similar level of reserves during the course of the year. To date £2.3m has been utilised, although it is anticipated that this will be replenished by £1.4m as a result of timing differences.

The remaining balance of £2.6m is being 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. At this stage it is anticipated that £1.9m will require to be utilised.

Taking the above factors into account, it is anticipated that that balance at 31/03/15 will be £2.9m.

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 at 31/03/14 was £1.4m and will be used to support the following:

- Tourism Signs - £0.214m (2014/15)
- Business Support - £0.429m (part utilised in 2014/15)
- Property maintenance/upgrade (using dilapidation income from outgoing tenants) - £0.255m
- Street Lighting - £0.070m (2014/15)
- Landscape Initiatives - £0.239m (2014/15)
- 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 is £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. The movement on the Fund is reported at the year end once the final position is known in terms of the value of the claim made and insurance settlements received.

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 current balance on the fund is £4.1m after approving an additional £0.57m in August. After accounting for the approved schemes, including £1m for a new health and fitness suite at Stenhousemuir and £1.8m towards the Rehab Group's proposals for a vacant factory unit at the Central Business Park, the available balance for further schemes is circa £1m.

5.4 **General Fund Balance**

Appendix 1 shows that the projected overspend will take the balance down to £7.102m at 31/03/15. This is just above the bottom end of the Revenues Strategy range of £7-£10m. The application of reserves to 2015/16 and subsequent budgets, together with the costs of severance are expected to take the balance significantly below the strategy floor within the next couple of years. There will inevitably be additional factors that will emerge and impact on the balance. The position will need to be carefully monitored and it is anticipated that a review of the Reserves Strategy will be contained in the January report to Members.

5.5 **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 2014	2.818	2.237	5.055
To be applied to 14/15 Capital Programmes	(0.720)	-	(0.720)
Projected Balance at 31 March 2015	2.098	2.237	4.335

It should be noted that the projected General Fund Balance at 31 March 2015, includes £1.2m of Business Property Re-investment receipts.

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 2014	3.291	1.082	4.373
To be applied to 14/15 Capital Programmes	(0.060)	-	(0.060)
Balance at 31 March 2015	3.231	1.082	4.313

It should be noted that the projected General Fund Balance at 31 March 2015 includes £0.504m of Business Property Re-investment receipts in relation to ERDF grants for the historical Alcan project.

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.

6. CONCLUSION

- 6.1 Net General Fund expenditure is £3.137m (0.9%) higher than assumed in setting the 2014/15 Budget. The varied factors which have had a material impact on spending levels are explained in Section 2 above.
- 6.2 Para 5.4 has outlined the position with the General Fund Balance and the projected pressures it will face.
- 6.3 Spending within the Housing Revenue Account is in line with budget, leading to year-end reserves of £5.093m which will be deployed in a planned manner over time.

7. RECOMMENDATIONS

Members are invited to:-

- (i) note the Council's projected year-end financial position for 2014/15;
- (ii) note transfers to the Repairs & Renewals Fund and Earmarked Reserves as outlined at Appendix 3; and
- (iii) note the position on the General Fund Reserve per para 5.4.

Chief Finance Officer

Date : 25 September 2014

LIST OF BACKGROUND PAPERS

1. Financial Monitoring Statements 2014/15

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 2014/15 AS AT 30/09/14

	<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>£'000</u>	<u>%</u>	<u>£'000</u>
Education Services	170,483	171,816	1,333	0.8	-
Social Work Services	89,707	92,392	2,685	3.0	-
Development Services	34,662	35,002	340	1.0	-
Corporate & Neighbourhood Services	14,839	14,619	(220)	(1.5)	-
Miscellaneous Services	12,374	12,359	(15)	(0.1)	-
Central Support Services	23,354	22,859	(495)	(2.1)	-
Less: Central Support Recharges	(23,354)	(23,354)	-	-	-
Trading Accounts	(831)	(772)	59	(7.1)	-
Sub - Total	321,234	324,921	3,687	1.1	-
Falkirk Community Trust	13,238	13,238	-	-	-
Valuation	1,251	1,251	-	-	-
Capital Financed from Current Revenue	500	500	-	-	-
Compensatory Lump Sums	-	113	113	-	-
Transfers to/(from) Earmarked Funds	(189)	(852)	(663)	350.8	-
Adj. for Capital Financing Costs / Capital Charges	(5,190)	(5,190)	-	-	-
NET EXPENDITURE	330,844	333,981	3,137	0.9	-
Financed By :					
General Revenue Funding	202,765	202,765	-	-	-
Non-Domestic Rates	74,307	74,307	-	-	-
Council Tax / Council Tax Reduction Scheme	52,272	52,272	-	-	-
NET INCOME	329,344	329,344	-	-	-
SURPLUS/(DEFICIT)	(1,500)	(4,637)	3,137	0.9	-
Less: Transfer to Spend to Save		(570)			
Add : General Fund Surplus as at 1 April 2014		12,309			
General Fund Balance as at 31 March 2015		7,102			

Appendix 2

<p align="center">FALKIRK COUNCIL</p> <p align="center">HOUSING REVENUE ACCOUNT</p> <p align="center">PROJECTED REVENUE OUTTURN STATEMENT 2014/15 AS AT 30/09/2014</p>

	Budget £'000	Projected Outturn £'000	(Fav)/ Adv Variance £'000	%	Previous Projection £'000
Employee Expenses	6,425	6,225	(200)	(3.1)	-
Property Expenses	25,765	25,707	(58)	(0.2)	-
Transport Expenses	32	12	(20)	(62.5)	-
Supplies and Services	4,041	3,769	(272)	(6.7)	-
Third Party Payments	1,964	2,015	51	2.6	-
Support Services	3,900	3,700	(200)	(5.1)	-
Capital Charges	12,307	13,411	1,104	9.0	-
Compensatory Lump Sums	-	-	-	-	-
Gross Expenditure	<u>54,434</u>	<u>54,839</u>	<u>405</u>	<u>0.7</u>	<u>-</u>
Income	54,434	54,839	(405)	(0.7)	-
Surplus/(Deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Add: Surplus brought forward at 1 April 2014		5,093			
Projected Surplus at 31 March 2015		<u>5,093</u>			

ANALYSIS OF REPAIRS & RENEWALS FUND

Service	Description	Balance 01/04/14 £'000	Spend £'000	Transfers £'000	Balance 31/03/15 £'000
Chief Executive	Printworks	206	-	-	206
Development	Roads	155	(155)	-	-
	Waste Strategy	619	(200)	-	419
	Flood Prevention	416	(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	1,333	(633)	-	700
Corp & N'Hood	Vehicle Tracking Systems	80	(80)	-	-
	Vehicle Replacement Programme	300	-	-	300
	General Fund Housing	897	-	-	897
	Enterprise Subscription Agreement	123	(123)	-	-
Other	Drummond House Dilapidations	20	-	-	20
TOTAL		4,371	(1,879)	-	2,542

ANALYSIS OF EARMARKED RESERVES

Description	Balance 01/04/14 £'000	Spend £'000	Transfers £'000	Balance 31/03/15 £'000
Devolved Schools Management	5,656	(4,200)	1,400	2,856
Economic Development	1,407	(673)	-	734
Central Energy Efficiency	439	-	-	439
Insurance	4,568	-	-	4,568
Spend to Save	3,597	(1,560)	570	2,607
TOTAL	15,667	(6,433)	1,970	11,204