

The background of the slide features a large, light blue watermark of the Coat of Arms of the Isle of Man. The crest includes a crown with four fleurs-de-lis, a shield divided into four quarters (top-left: a cross, top-right: a castle tower, bottom-left: a ship, bottom-right: a bird), and a ribbon at the bottom with the motto 'ANE FOR A'.

AGENDA ITEM

10

**FINANCIAL OUTTURN
2015/16**

FALKIRK COUNCIL

Subject: FINANCIAL OUTTURN 2015/16
Meeting: EXECUTIVE
Date: 7 June 2016
Author: DIRECTOR OF CORPORATE & HOUSING SERVICES

1. INTRODUCTION

- 1.1 This report presents the financial position of the Council for 2015/16 and reflects the situation as at 31 March 2016. The final accounts process is underway and the figures will be subject to final audit review. Any further adjustment to these figures will be reported back to Members.

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 at the year end is forecast to be £337.5m which is £2.3m (0.7%) below the resources available. This is a favourable movement of £0.3m (0.1%) from the previously reported position in January. The main reason for the movement since January is due to lower than anticipated expenditure, particularly within Children's Services (Social Work) which reduces the overspend in that area and increased Council Tax income. These were offset by the additional cost of compensatory lump sum payments.

The reasons for significant overall deviations from budget are described below and in large measure reflect what has previously been reported to Members during the course of the year:-

- 2.2 Children's Services – (under budget by £0.990m; 0.5%)

- (i) Education (under budget by £1.906m; 1.3%)

The Education Division of the Service was £1.906m under budget, which was broadly in line with the position reported in January. Additional operational costs of £0.350m was offset by savings of £0.890m within teaching and other employee costs and also property cost savings of £0.260m. This outturn also reflects an additional £0.400m gain from both probationers funding and from the redistribution of funds which flowed to those Councils like Falkirk that demonstrated that they had met their commitment to maintain teacher numbers and their prescribed pupil:teacher ratio at September 2015 in line with the agreement made with the Scottish Government.

The outturn also reflects one-of budget savings of £0.700m in the Early Years sector as only part year costs for the new Early Years Campuses were incurred in 2015/16, with the full year costs not arising until 2016/17. Further savings were also made in this sector due to lower than expect demand for 2 year olds provision, which mirrors a similar position throughout Scotland.

(ii) Social Work – Children & Families (over budget by £0.916m; 4.3%)

Costs are £0.529m less than the figure previously reported in January and in comparison with the previous financial year the overspend is circa £1.8m lower. The number of children in residential schools and residential care fell during the year with costs no longer being incurred for a number of children, who were placed in expensive residential accommodation, reaching the age of eighteen. A reduction in the rates paid with a number of providers has also helped the overall position reflecting more focussed and stringent management arrangements that are being developed and embraced throughout the new Children's Services. Overall fostering and residential placements remains a highly volatile area. A series of actions being taken to manage expenditure is detailed in a separate report to the Scrutiny Committee, which includes an ongoing review of existing contracts to deliver efficiencies and consideration of new and innovative approaches as to how services can be delivered in a way that demonstrates best value.

Social Work Adult Services (over budget by £1.373m; 2.0%)

There are significant demand pressures on service provision, in particular Adult 24 hour care and Adult Home Care purchasing. However, there has been no significant movement in the projected overspend from January. A series of actions aimed at addressing the situation and reducing the overspend has been reported to the Scrutiny Committee but their impact on the overspend remains to be seen and hopefully, will be evidenced in the new financial year.

Development Services (under budget by £0.071m; 0.2%)

The Service is broadly in line with budget with lower income due from commercial rents of £0.290m and car parking charges of £0.175m, largely offset by higher than anticipated income from building warrants of £0.140m and crematorium and burials of £0.380m. The increased income for the crematorium is principally due to the delay in closing the facility for refurbishment, which was initially expected to happen during 2015/16.

As previously reported in January the current arrangements for processing and recycling materials collected via the blue bins has incurred increased costs paid by the Council. As anticipated these additional costs were accommodated within the Service's overall budget.

Corporate & Housing Services (under budget by £0.489m; 10.1%)

The underspend is a result of lower than anticipated staff and property costs within General Fund Housing. The elements of the Service relating to central support are presented in the next section.

Central Support Services (under budget by £0.700m; 2.5%)

An underspend on staffing costs across all central support services has reduced the overall costs of Central Support Services to the General Fund by £0.700m.

Miscellaneous Services (under budget by £0.206m; 2.1%)

There are various underspends across several areas of Miscellaneous Services which are partly offset by the deficit within Printworks.

Compensatory Lump Sums (£2.147m)

The cost of compensatory lump sums paid as a result of employees leaving through voluntary severance stands at £2.147m. Savings from staff leaving will accrue in future years.

Council Tax (over budget by £1.678m; 3.2%)

The welcome increase in the council tax yield follows on from the previous financial year. A combination of factors, such as new properties, the reduced cost of the council tax reduction scheme and an ongoing improvement in the collection rate has improved the yield.

3. WORKFORCE CHANGES

3.1 Members will be aware of the requirement for Services to reduce staff numbers by c100 FTE in 2015/16 and c231 FTE in 2016/17. In order to manage this Services must follow a framework which includes:-

- non-filling of vacancies where possible;
- a review of all temporary employees and agency workers, ending contracts where possible;
- any other options to achieve savings through voluntary means;
- severance.

3.2 To date, progress with employees seeking redeployment and leaving through voluntary severance is as follows

	No of Posts	
	2015/16	2016/17
Seeking Redeployment	95	65
Severance	164	57

Overall, from March 2015 to March 2016, headcount and FTE have reduced as follows:

	Mar 2015	Mar 2016
Headcount	7,436	7,123
FTE	6,268	5,922

4. TRADING ACCOUNT

4.1 The projected overall surplus of Building Maintenance is marginally less than budgeted.

5. HOUSING REVENUE ACCOUNT

5.1 Overall, HRA spending of £56.5m (Appendix 2) is in line with budget. There are savings in staff costs and operational expenditure, together with additional rental income from commercial properties. These savings were utilised in a number of areas across the Housing Revenue Account, including Estates improvement work and provision of additional Capital Financed from Current Revenue [CFCR] to augment the resources available to undertake housing investment.

5.2 The reserve balance brought forward at 1 April 2015 was £5.093m and no application from reserves was planned for 2015/16, with the current projected level of reserves considered to be prudent to meet future revenue and capital investment requirements. This level is in line with the Scottish average of c10% of annual expenditure.

6. GENERAL FUND RESERVES

- 6.1 The Council policy on its Reserves Strategy was reviewed and approved by the Executive on 13 January 2015. In respect of the Council's Uncommitted General Fund, the policy provides for 2% of annual revenue expenditure (giving a range of £6.6m - £10m) to be held as a contingency against unforeseen events and emergencies. The Reserves Strategy also states that the purpose of each earmarked Reserve must be clearly understood and highlights the requirement for an agreed protocol for use which accords with the Council's priorities and can enable the use of these Reserves to better feed into the budget process. Any sums deemed surplus, should properly be returned to the Uncommitted General Fund.
- 6.2 In the light of the additional financial pressures facing the Council arising from the 2016/17 Settlement, Members will recall that it was agreed to deploy £1.450m from the General Fund plus £0.750m from the Devolved Schools Management Fund to achieve a balanced budget in 2016/17.
- 6.3 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.
- 6.4 **Repairs and Renewals Fund**

The significant balances and movements on the fund are detailed as follows:

Printworks (£0.203m)

It is planned to build up the fund to replace the current 4 colour press in 2018/19.

Roads (£0.080m)

It is intended that the balance will be used to fund improvements to the Earls Road Depot, including upgrading the CCTV.

Waste Strategy (£0.118m)

In 2015/16 £0.500m was utilised to support the purchase of recycling bins, undertake recycling centre maintenance and to upgrade and assist with expanding the recycling provision.

Flood Prevention (£0.130m)

Flood prevention initiatives included £0.265m for the purchase of a Vactor Unit, a vehicle with high pressure cleaning equipment for clearing drains and culverts. The balance of £0.130m will be used as a contribution towards the costs associated with on-going ecology and ornithology work for the Grangemouth Flood Protection Scheme.

Social Work Services Properties (£1.159m)

The Fund 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 premises, as identified by condition surveys. The surveys of all properties have been undertaken with £0.921m committed to facilitate the highest priority work (£0.185m in 2015/16), with the balance of £0.423 still to be deployed.

Vehicle Replacement (£0.533m)

A sum of £0.879m has been transferred to augment funding for the vehicle replacement programme with £0.350m spent in the financial year. A further £0.200m will be spent in 2016/17 and the balance of £0.333m in 2017/18. This application of reserves is necessary to help fund the replacement of refuse collection vehicles in 2017-19.

General Fund Housing (£0.904m)

It is proposed to use the fund to deliver efficiencies and savings in the current and future financial years e.g. to fund upgrading work to hostel accommodation to help reduce future accommodation and support costs. It is anticipated that the fund will be utilised by 2017/18.

Mobile & Flexible Working (£0.339m)

In December 2014 a report was presented to the Executive detailing a project on Mobile and Flexible working. An additional sum of £0.172m has been provided to help cover the additional revenue resources required to undertake the project with most of the funding due to be spent in 2016/17.

Crematorium (£0.200m)

The funding will supplement the approved refurbishment works being undertaken at the crematorium.

Citizens Advice Bureau (£0.111m)

In February 2015 an Executive report outlined a proposal to relocate Falkirk's Citizen Advice Bureau to premises in Meeks Road. Funding of £0.111m to facilitate this move has been incorporated within the fund.

Miscellaneous Repairs & Maintenance (£0.106m)

Funding of £0.106m has been added to offset the cost of repairs within the Travelling Peoples Site and to the lift within the Municipal Buildings.

6.5 **Earmarked Reserves**

The position with each of the five funds is as follows:

Devolved Schools Management (£3.890m)

The balance on the fund at 31 March 2016 is £3.890m, which incorporates the appropriation of £0.750m back to the General Fund. Included in the total is a sum of £1.895m, which is mainly in respect of balances held at individual school level for use by headteachers. The remaining balance of £1.995m is principally and prudently earmarked to help manage the expected growth and expansion in early years provision arising from increased demand for places from qualifying 2 year olds and for the potential increased cost of maintaining teaching numbers in light of increased roll numbers. A sum has also been earmarked to act as a contingency if issues arise which affect the full achievement of the planned budget savings in 2016/17.

Economic Development (£1.003m)

The fund assists with the delivery of economic projects where the Council has a significant property related interest. The balance on the fund at 31/03/16 was £1.003m. After taking into account that circa £0.2m was used to balance the budget in 2015/16 as agreed by Members in February, the remaining balance will be used to support the following:

- Property maintenance/dilapidations works at Meeks Road, Almond Court and Victoria Mills (Bo'ness) - £0.284m
- Business Support/Landscape Initiatives including delivery of tourism signage works - £0.219m

- Falkirk Townscape Heritage Initiative, has increased by £0.120m to £0.500m with the funding to be used in 2017/18.

Energy Efficiency Loan Fund (£0.500m)

The fund was initially established in 2004 with money provided by the Scottish Government to enable energy management projects. The Council has provisionally been awarded another £0.500m of grant funding from Salix, a government funded company which provides grants and loans to public organisations across the UK. It is anticipated that a range of proposals will be developed during 2016/17, aimed at improving energy efficiency and reducing costs.

Insurance Fund (£5.180m)

The Insurance Fund balance has increased from £4.826m at 31 March 2015 to £5.18m at 31 March 2016. As previously advised to Members, the Insurance Fund was actuarially valued during 2015, the results of which were reported to Members at the Executive on 15 March 2016. The valuation was carried out by Milliman LLP and they advised that a Fund surplus of £0.6m exists. They stressed that although the Fund is broadly healthy, they did not recommend the release of the surplus due to the uncertainty that the Fund faces i.e. MMI claims. We have now been advised that the MMI levy to cover future claims has increased from 15% to 25% which further reinforces the advice not to release the surplus within the Fund.

Spend to Save (£3.136m)

A significant part of this balance is to help to cover the cost of voluntary severance, with the funding available increasing from £1.6m to £2.3m. This is largely a result of a change in accounting practice which recognised known future severance liabilities at the end of March 2015. The remaining balance of c£0.8m is to fund the front end costs associated with Spend to Save proposals, including the Rehab Group proposals for the factory unit at Central Business Park, refreshing the teaching profession and enabling Social Work staff to be trained as Mental Health Officers.

6.6 General Fund Balance

The approved reserves strategy suggests a range of £6.6m - £10m for the General Fund. Appendix 1 shows a balance of £11.462m at March 2016, which incorporates the agreed transfer of £0.750m from the Devolved School Management Fund. After accounting for the application of £2.200m towards the 2016/17 budget, the opening balance from April 2016 will be £9.262m, however this is before applying the sum agreed by Council for equal pay.

6.7 Capital Reserves

Capital Receipts Reserves

As noted in previous reports, this Reserve comprises proceeds from the sale of Council Assets. As part of the 2015/16 Revenue budget process, Members approved the potential to deploy capital receipts to meet the costs of voluntary severance. The movement on this Reserve is as detailed below:

	GF £'m	HRA £'m	TOTAL £'m
Balance at 1 April 2015	3.354	2.424	5.778
Received During 2015/16	0.718	3.587	4.305
Applied to Fund 2015/16 Capital Programme	-	(3.585)	(3.585)
Earmarked for Voluntary Severance	(1.903)	-	(1.903)
Balance at 31 March 2016	2.169	2.426	4.595

It should be noted that the projected General Fund Balance at 31 March 2016, includes £0.919m of Business Property Re-investment receipts.

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 2015	2.787	1.082	3.869
Received During 2015/16	0.006	-	0.006
Applied to Fund 2015/16 Capital Programme	(0.249)	-	(0.249)
Balance at 31 March 2016	2.544	1.082	3.107

It should be noted that the projected General Fund Balance at 31 March 2016, includes £0.504m of Business Property Re-investment receipts. The balance also includes £1.3m of receipts which have been earmarked for the 2016/19 Capital Programme.

7. CONCLUSION

- 7.1 Net expenditure on the General Fund is now forecast to be £337.5m creating a net General Fund surplus for 2015/16 of £2.343m (0.7%).
- 7.2 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.
- 7.3 It should be noted that the above figures are subject to any adjustments that may arise from the audit process.

8. RECOMMENDATIONS

Members are invited to:-

- (i) Note the Council's year-end financial position for 2015/16
- (ii) Note the transfers to the Repairs and Renewals Fund and Earmarked Reserves as outlined at Appendix 3

Director of Corporate & Housing Services
Date: 26 May 2016
Ref: AAB070616 – Financial Outturn 2015/16
Contact: Danny Cairney ext 6388

LIST OF BACKGROUND PAPERS

1. Financial Monitoring Statements 2015/16

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

FALKIRK COUNCIL

GENERAL FUND

PROJECTED REVENUE OUTTURN STATEMENT 2015/16 AS AT 31/03/16

	Budget	Projected	(Fav)/ Adv		Previous
	£'000	Outturn	Variance		Projection
		£'000	£'000	%	
Childrens Services	185,620	184,630	(990)	(0.5)	185,300
Social Work - Adult Services	69,475	70,848	1,373	2.0	70,894
Development Services	34,263	34,192	(71)	(0.2)	34,282
Corporate & Housing Services	4,865	4,376	(489)	(10.1)	4,534
Miscellaneous Services	9,692	9,486	(206)	(2.1)	9,450
Central Support Services	28,542	27,842	(700)	(2.5)	27,946
Less: Central Support Recharges	(28,542)	(28,542)	-	-	(28,542)
Trading Accounts	(707)	(704)	3	(0.4)	(721)
Provision for Budget Pressures	2,000	-	(2,000)	(100.0)	-
Sub - Total	305,208	302,128	(3,080)	(1.0)	303,143
Falkirk Community Trust	12,660	12,660	-	-	12,660
Valuation	1,119	1,119	-	-	1,119
Compensatory Lump Sums	-	2,147	2,147	-	1,470
Transfers to/(from) Earmarked Funds	(490)	(490)	-	-	(490)
Adj. for Capital Financing Costs / Capital Charges	19,685	19,953	268	(1.4)	19,685
NET EXPENDITURE	338,182	337,517	(665)	(0.2)	337,587
Financed By :					
General Revenue Funding	223,140	223,140	-	-	223,140
Non-Domestic Rates	62,336	62,336	-	-	62,336
Council Tax / Council Tax Reduction Scheme	52,706	54,384	(1,678)	(3.2)	54,166
NET INCOME	338,182	339,860	(1,678)	(0.5)	339,642
SURPLUS/(DEFICIT)	-	2,343	(2,343)	(0.7)	2,055
Add : General Fund Surplus as at 1 April 2015		8,369			
Appropriation from Devolved Schools Management		750			
Projected General Fund Balance as at 31 March 2016		11,462			

* To be applied to 2016/17 budget and meeting equal pay claims

Appendix 2

FALKIRK COUNCIL					
HOUSING REVENUE ACCOUNT					
PROJECTED REVENUE OUTTURN STATEMENT 2015/16 AS AT 31/03/2016					

	<u>Budget</u> £'000	<u>Projected</u> <u>Outturn</u> £'000	<u>(Fav)/ Adv</u> <u>Variance</u> £'000	%	<u>Previous</u> <u>Projection</u>
Employee Expenses	7,070	6,618	(452)	(6.4)	6,618
Property Expenses	25,704	25,739	35	0.1	25,739
Transport Expenses	8	8	-	-	8
Supplies and Services	4,348	3,850	(498)	(11.5)	3,850
Third Party Payments	1,835	1,540	(295)	(16.1)	1,540
Support Services	4,007	3,907	(100)	(2.5)	3,907
Capital Charges	13,498	14,870	1,372	10.2	14,870
Compensatory Lump Sums	-	-	-	-	-
Gross Expenditure	56,470	56,532	62	0.1	56,532
Income	56,470	56,532	(62)	(0.1)	56,532
Surplus/(Deficit)	-	-	-	-	-
Add: Surplus brought forward at 1 April 2015		5,093			
Projected Surplus at 31 March 2016		5,093			

ANALYSIS OF REPAIRS & RENEWALS FUND

Service		Balance 01/04/2015 £'000	Spend £'000	Transfers £'000	Balance 31/03/2016 £'000
Chief Executive	Printworks	206	(5)	2	203
Development	Roads	80			80
	Waste Strategy	619	(501)		118
	Flood Prevention	395	(265)		130
	Crematorium			200	200
	Birkhill Mine Demolition	27		24	51
	Pavilion Improvement	50			50
	Planning Enquiry	32	(32)		0
Social Work	Older People's Accommodation	1,335	(185)	9	1,159
Corp & Housing	Vehicle Replacement Programme	879	(350)	4	533
	General Fund Housing	897		7	904
	Citizens Advice Bureau			111	111
	Travelling Peoples Site			73	73
	Municipal Buildings Lift Repair			33	33
	Mobile & Flexible Working	167		172	339
Other	Drummond House Dilapidations	20	(20)		0
	Mariner Centre	37			37
TOTAL		4,744	(1,358)	635	4,021

ANALYSIS OF EARMARKED RESERVES

Description	Balance 01/04/2015 £'000	Spend £'000	Transfers £'000	Balance 31/03/2016 £'000
Devolved Schools Management	4,898	(2,292)	1,284	3,890
Economic Development	1,083	(200)	120	1,003
Central Energy Efficiency	456	(24)	68	500
Insurance	4,826		354	5,180
Spend to Save	2,614	(78)	600	3,136
TOTAL	13,877	(2,594)	2,426	13,709