

**FALKIRK COUNCIL**

**Subject : FINANCIAL POSITION 2008/09**  
**Meeting : POLICY & RESOURCES COMMITTEE**  
**Date: 18 November 2008**  
**Author : DIRECTOR OF FINANCE**

**1. INTRODUCTION**

- 1.1 This report presents the latest update on the Council's financial position and reflects the information recorded for the 6 months to 30 September 2008.

**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 October of this year, I advised Members that expenditure was forecast to exceed income by around £1.7m or 0.54% of approved net expenditure. I am now projecting that the overspend will reduce to c£1.3m, equivalent to 0.41% of the overall budget.

- 2.2 The most significant deviations from budget are described below:-

Education (+ £0.35m; 0.2%)

The cost of residential schools remains a significant cost pressure, being £0.6m above budget. Higher spending on staff costs is mitigated by additional income, with savings in rates (£0.2m) and additional income from childcare fees (£0.1m) reducing the overspend to £0.35m or 0.2% of budget.

Social Work Services (+ £3.606m; 5.5%)

The forecast overspend is virtually unchanged since last month. Whilst the demand pressures on the budgets for childrens residential care and 24 hour packages for community care have stabilised at this point, it has to be borne in mind that these are volatile budgets which can be subject to significant change.

General Fund Housing Services (+ £1.552m; 13.0%)

The change in the projected overspend is due to an increase in the cost of Housing Benefit net of subsidy, together with a reduction in the anticipated contribution Housing Benefit makes to the cost of the Council's Homeless service.

Miscellaneous Services (- £1.335m; 19.1%)

Interest earned in revenue account balances remains buoyant and is forecast to be around £1.1m above the budgeted level.

Capital Financing Costs (- £1.073m; 18.0%)

Loan Charges are now forecast to be a further £0.3m lower as a result of lower interest rates. The total underspend is therefore almost £1.1m when taken together with changes to the debt profile referred to in previous reports.

**3. TRADING ACCOUNTS**

Surpluses are currently forecast to be £0.148m above budget, arising mainly from increased income within the Building Maintenance Division. All other trading accounts are operating close to the planned levels.

The Building Maintenance and Roads Statutory Trading activities are therefore well placed to meet their financial objective.

**4. HOUSING REVENUE ACCOUNT**

Forecast spending within the HRA is now c£0.36m below budget. This arises from the combined impact of savings in loan charges and void properties which are partially offset by higher costs of providing services to the homeless. In addition, income remains higher than originally envisaged as a result of the significant slowdown in house sales.

**5. CONCLUSION**

At the mid-point of the financial year, net General Fund spending is forecast to be £1.289m above the approved level. There are significant overspends within the Social Work budget (+£3.6m) and General Fund Housing (+£1.6m) which are considerably higher than the additional resources of £1.6m approved by Council in February of this year.

Reserves are forecast to fall to £4.5m by the year-end, which is well below the minimum level of £5.5m contained within the Reserves Strategy approved in August 2006. In addition, the final impact of equal pay claims cannot yet be quantified with any degree of certainty. Directors are well aware of the need to bring spending more in line with the approved budget.

Spending within the HRA is forecast to be £0.36m below budget, with year-end reserves estimated to be £6.115m.

**6. RECOMMENDATIONS**

**Members are invited to note the projected financial position as at 30 September 2008 and instruct Directors to incur only expenditure which is essential in order to bring expenditure more into line with the approved budget.**

### **LIST OF BACKGROUND PAPERS**

1. Financial Monitoring Statements 2008/09

Any person wishing to inspect the above background papers should telephone Falkirk (01324) and 506300 ask for Mr Jannetta.