

FALKIRK COUNCIL

Subject : FINANCIAL POSITION 2009/10
Meeting : POLICY & RESOURCES COMMITTEE
Date: 9 March 2010
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 ten months to January 2010.

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 this Committee in January, I advised that net expenditure was forecast to be £1.972m higher than planned. This latest forecast indicates that the overspend will reduce significantly to £0.656m.

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

Education (+£0.393m; 0.3%)

Expenditure is £0.393m or 0.3% higher than budgeted. A number of overspends on areas such as Support for Learning Assistants, Teachers and Residential Schools, are being managed through utilising underspends in other budgets and the School Reserve.

Social Work Services (+£3.713m; 4.7%)

The forecast deficit has shown a welcome reduction, primarily as a result of lower levels of childrens' residential care than previously anticipated and a slight reduction in adult 24 hour care. These reductions are partly offset by increased demand for childrens' crisis care and home care for the elderly. Demand for services can be volatile and all spending within the Service is subject to rigorous scrutiny.

General Fund Housing Services (-£0.101m; 2.5%)

The overspending on bed and breakfast has reduced with overall net expenditure now forecast to be c£0.1m below budget.

Development Services (+£0.249m; 1%)

The prolonged period of severe weather has resulted in a projected overspend in winter emergency costs of £0.48m, whilst reduced income from planning applications and building warrants has been offset by other additional income and savings in landfill costs and landfill tax. In response to the adverse weather the Scottish Government has announced that it will be making an additional £5m available to Councils to help defray the abnormal level of expenditure incurred. However, it is not yet known how this sum will be apportioned to Councils. The service expenditure reflects a transfer of £0.882m from the Repairs & Renewals Fund to meet the costs of equipment required to further implement the waste strategy. This expenditure is being financed from government grant received previously. In addition, an element of the existing waste budget of £0.33m is being used to purchase capital assets and therefore requires to be treated as Capital Finance from Current Revenue (CFCR).

Miscellaneous Services (-£1.490m; 19.6%)

Net expenditure for these services is now expected to be £1.490m under budget, with the net windfall income from VAT recoveries being the main contributory factor.

Corporate & Neighbourhood Services (-£0.143m; 1.3%)

Savings in Refuse Collection and Public Conveniences are offset by an under recovery of income in the Sign Factory.

Central Support Services (-£0.28m; 1.2%)

The overall underspend on these Services has increased and is now forecast to be £0.75m of which £0.28m accrues to the General Fund.

Capital Financing Costs (-£1.136m; 36.0%)

Loan charges are now forecast to be £1.136m below budget as a consequence of low interest rates and a lower overall debt level.

Council Tax (-£0.250m; 0.4%)

Collection of income due to the Council continues to prove challenging due to the ongoing impact of the recession, however, additional income of £0.25m is forecast.

3. TRADING ACCOUNTS

The Council's two Statutory Trading Accounts (Building Maintenance and Roads) are expected to generate additional surpluses of £0.079m mainly due to increased income within Building Maintenance.

4. HOUSING REVENUE ACCOUNT

Net expenditure is still forecast to be very close to budget, with a variation of £0.055m which equates to 0.1% of budgeted gross expenditure. Variations in property expenses and non-manageable voids continue to be mitigated by significant savings in staff costs and savings in supplies and services.

5. CORRECTIVE ACTIONS

In previous reports, I detailed a number of corrective actions being taken to reduce the overspending. In particular, progress is continuing in relation to progressing voluntary severance applications and management of vacancies within the overall objective of protecting front line services and avoiding compulsory redundancies. It is acknowledged that Services have been initiating a range of actions to bring spending more into line with the approved budget.

6. EQUAL PAY

In November 2009, I received Committee approval to lodge an application for consent to borrow for equal pay costs. I am pleased to advise Members that I have now received consent to borrow £5.633m, repayable over 10 years. This represents around 90% of the amount requested. Settlement negotiations are still ongoing and the final liability for the Council remains uncertain.

7. CONCLUSION

After ten months of the financial year, net General Fund expenditure is forecast to be £0.656m or 0.2% above the level approved in February 2009. By far the most significant deviation from budget is the projected level of spending within Social Work which is now forecast to be some £3.7m higher than planned. This and other more minor overspends are mitigated by favourable variances with the most significant being savings in loans charges of c£1.1m and windfall value added tax savings of around £1.4m. Directors are continuing to take remedial action to minimise any overspend. Accordingly General Fund Reserves are currently forecast to be just below £5m at the year end. The recently received consent to borrow for equal pay while welcome does not constitute additional resources but does allow potential future liabilities to be financed over a ten year period.

Spending within the Housing Revenue Account remains, in overall terms, close to the approved level.

8. RECOMMENDATIONS

Members are invited to:-

- (i) note the latest projection on the Council's financial position for 2009/10 and the corrective actions being taken**
- (ii) approve the transfer of £0.882m from the Repairs & Renewals Fund to finance expenditure associated with the development of the waste strategy**
- (iii) approve that CFCR of £0.33m be used to develop the waste strategy**
- (iv) re-affirm that Directors continue to take all reasonable measures during the remainder of the financial year to control expenditure**

Director of Finance

Date : 24 February 2010

LIST OF BACKGROUND PAPERS

1. Financial Monitoring Statements 2009/10

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