

FALKIRK COUNCIL

Subject: FINANCIAL POSITION 2010/11
Meeting: POLICY & RESOURCES COMMITTEE
Date: 10 August 2010
Author: DIRECTOR OF FINANCE

1. INTRODUCTION

- 1.1 This report presents the first update on the financial position of the Council for 2010/11 and reflects my assessment of the projected year end outturn after the first quarter of the year.

2. GENERAL FUND

- 2.1 Appendix 1 sets out both General Fund expenditure and how it is financed. Movements between budget and projected outturn are expressed in both monetary and percentage terms.
- 2.2 In overall terms net expenditure is currently forecast to be only £0.109m below the approved budget of £340.441m. There are however a number of deviations from budget and the most significant are described below:-

Social Work Services (over budget by £2.940m; 3.6%)

The pressures behind the 2009/10 overspend arising from the cost of purchasing residential care for children, community care and adult 24 hour care are continuing. These pressures are mitigated to an extent by savings in staff costs. Members will also note the approved budget included additional resources of c£2.8m to reflect the increasing demands on Social Work and other Service budgets.

Corporate & Neighbourhood Services (over budget by £0.172m; 1.5%)

The overspend arises from reduced income within Refuse Collection and the Sign Factory.

Miscellaneous Services (under budget by £0.290m; 3.6%)

The underspend relates wholly to a further VAT recovery received from HMRC as reported previously to Members.

Loan Charges (under budget by £0.200m; 7.4%)

The saving arises from the impact of a reduction in the level of borrowing in the last financial year.

3. TRADING ACCOUNTS

The Council's two statutory trading accounts of Building Maintenance and Roads are forecast to generate surpluses of £1.330m which is around 3% lower than planned.

4. HOUSING REVENUE ACCOUNT

Net expenditure is currently forecast to be very close to the planned level, with modest additional costs on empty properties more than offset by higher commercial rents.

5. REVENUE BUDGETS 2011/12 - 2013/14

- 5.1 In view of the significant challenges facing Councils, this Report also provides an update on preparatory work being undertaken in respect of the next three year budgets. In recognition of the challenging environment facing the public sector, Cosla has been developing a strategic approach to the forthcoming spending review based on a planning assumption that funding will fall by c12% in real terms over the next three year period. Work is being undertaken on a partnership basis with Cosla and the Scottish Government and is overseen by a senior officer group called the Strategic Funding Review Group (SFRG) with input from the Improvement Service.
- 5.2 The key component of the SFRG work is the development of a model which seeks to quantify the expenditure gap in future years. Based on this model, Falkirk Council's planned spending could grow by c£6.2m in the next financial year while government funding could fall by c£7m producing a gap next year of over £13m. The figures also suggest this could equate to having to find savings of c£45m over the three year period 2011/12 – 2013/14. It is emphasised however that the precise impact of the government's recent emergency budget in Scotland (proposed savings of £332m for the current year have been deferred) will not be known until the UK spending review is published in October. Detailed grant figures for Scottish Councils will not be known until around December.
- 5.3 In recognition of the above, Services are in the process of prioritising the services provided to identify potential areas of savings. This includes taking into account the results of the recent customer survey which asked for the public's views on areas which could relieve budget pressures. Over 700 responses have now been received and Services will now consider the suggestions from the survey.

6. CONCLUSION

- 6.1 At this early stage in the financial year net General Fund expenditure is forecast to be only marginally below the level approved in February of this year. The overspend within Social Work Services of some £2.9m is neutralised by the provision for expenditure pressures of c£2.8m added into the budget. Although this additional resource was not exclusively for the benefit of Social Work spending it was recognised that a significant element would require to be directed to that Service. General Fund reserves are projected to be £6.884m at the year-end.
- 6.2 Spending within the HRA is also very close to budget with year-end reserves projected to be £4.880m.

7. RECOMMENDATIONS

7.1 Members are invited to:-

- (i) Note this first projection of spending in the current year, and**
- (ii) Note the update relating to the preparatory work being undertaken for 2011/12 to 2013/14.**

Director of Finance

Date: 26 July 2010

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LIST OF BACKGROUND PAPERS

- 1. Financial Monitoring Statements 2010/11**

Any person wishing to inspect the background papers listed above should telephone Falkirk 01324 506300 and ask for Alex Jannetta.