

FALKIRK COUNCIL

Subject : FINANCIAL POSITION 2010/11
Meeting : POLICY & RESOURCES COMMITTEE
Date: 31 May 2011
Author : CHIEF FINANCE OFFICER

1. INTRODUCTION

- 1.1 This report presents the latest update on the financial position of the Council for 2010/11. The final accounts process is not yet complete and is subject to final adjustments and audit review, and therefore the figures represent the best information available at this time.

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 March, I advised that net expenditure after ten months was forecast to be £2.562m lower than planned. This latest forecast indicates that net expenditure has further reduced by £1.832m.

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

Education (under budget by £0.992m; 0.6%)

Significant savings in property costs, particularly from energy and rates, have contributed to the overall underspend, along with lower than anticipated staffing costs and reduced expenditure within residential schools.

Social Work Services (under budget by £0.990m; 1.2%)

Throughout the year there has been consistent pressure on community care purchasing and adult 24 hour care and whilst the number of children in jointly funded residential school placements and their associated costs have reduced, this is partly offset by specific cases where Social Work have assumed sole financial responsibility for alternative placements. These cost pressures have been more than offset by savings in staff costs and additional income from residential homes and the NHS. The service expenditure reflects a transfer of £0.490m to the Repairs and Renewals Fund to fund future essential repairs to our older peoples' accommodation and day centres.

The demand for a range of Services is extremely unpredictable and whilst the demand for childrens' residential care and adult community care in the final quarter of the year did not rise to the levels which would have been expected given previous years' trends, an early examination of the first two months of the current financial year has shown that there are very significant increases in these areas which means that the savings experienced in 2010/11 are not expected to be repeated in 2011/12.

General Fund Housing (under budget by £0.107m; 2.7%)

Expenditure on homelessness was overspent by £0.278m, with bed and breakfast costs being the most significant item. These pressures are offset by reduced staff costs, reduced property costs and reduced provision for bad debt write-offs in Housing Benefit. The service expenditure reflects a transfer of £0.100m to the Repairs and Renewals Fund to fund future purchase of furniture packages.

Development Services (under budget by £0.004m; -%)

The severe winter weather resulted in additional expenditure of £2.24m on winter maintenance and roads maintenance. This was substantially offset by savings in waste strategy/disposal, vacancy management and additional government grant of £0.318m. The service expenditure reflects a transfer of £0.117m from the Repairs and Renewals Fund to fund replacement of wheeled bins.

Community Services (under budget by £0.341m; 1.8%)

A reduction in staffing costs plus energy and rates savings have helped offset lower fees and charges from Cremations, Burials and Sport. The service expenditure reflects a transfer of £0.150m to the Repairs & Renewals Fund to provide for the demolition of the derelict mine buildings at Birkhill Clay Mine, along with a sum of £0.050m to fund maintenance work within sports and parks facilities. The projected outturn for the Service also contains provision for a reserve of £330,000 for the new Community Trust. This reflects the Service's share of the Council's General Fund and is in line with the Council's reserve policy.

Corporate & Neighbourhood Services (over budget by £0.169m; 1.4%)

The overspend mainly arises from a drop in Trade Waste Income and increased transport costs within Refuse Collection totalling £0.379m. This was partially offset by savings in Environmental Initiatives of £0.133m primarily through vacancies and savings in Grounds Maintenance of £0.070m through additional income.

Miscellaneous Services (over budget by £0.003m; -%)

There were non-recurring VAT recoveries of £0.3m, offset by reduced interest earned on internal balances and the service expenditure also reflects a transfer of £0.5m to the Insurance Fund to reflect claims history and the actuarial valuation of the fund.

Central Support Services (under budget by £0.466m; 2.1%)

Underspends in staffing and property costs account for the majority of the saving which is £1.326m in total. Of that sum, £0.466m will accrue to the General Fund.

Fire & Rescue (under budget by £0.753m; 8.6%)

This statement reflects the impact of the decision by the Fire and Rescue Board to refund an element of the current year's requisition to constituent authorities.

Capital Financing Costs (under budget by £1.063m; 48%)

As reported previously, savings have accrued as a result of very low interest rates continuing for longer than was originally anticipated, and lower borrowing in the last financial year due to the impact of the severe weather on capital spend.

Council Tax (£0.210m; 0.4%)

Income from Council Tax is marginally above budget as a consequence of higher growth in the tax base and a lower contribution for doubtful debts.

3. TRADING ACCOUNTS

Despite increases in income, both Statutory Trading Organisations achieved less than budgeted surpluses as a result of increased costs. Both Building Maintenance and Roads will meet their statutory objective .

4. HOUSING REVENUE ACCOUNT

Expenditure was £1.542m below budget. There are significant underspends in employee costs, support services, and loans charges. In addition, there is increased income from commercial properties. The service expenditure also reflects a transfer of £0.160m to the Insurance Fund to reflect claims history and the actuarial valuation of the Fund.

5. CONCLUSION

5.1 Net General Fund expenditure is likely to be around £4.3m lower than assumed in setting the 2010/11 Budget. The varied factors which have had a material impact on spending levels are explained in Section 2 above and have been reported throughout the financial year. This positive variation from budget is fractionally over 1% of net expenditure.

5.2 The HRA is projected to have a surplus of £0.4m which is 3% of gross expenditure.

5.3 Finally, it should be noted that the above figures are subject to any further adjustments that may arise from completing the final accounts by the deadline of 30 June 2011 and the subsequent audit.

6. RECOMMENDATIONS

Members are invited to:-

- (i) note the Council's anticipated year-end financial position for 2010/11
- (ii) approve transfers to the Repairs and Renewals Fund and Insurance Fund as noted above
- (iii) approve the creation of a reserve of £330,000 for the new Community Trust

Acting Chief Finance Officer

Date : 18 May 2011

LIST OF BACKGROUND PAPERS

1. Financial Monitoring Statements 2010/11

Any person wishing to inspect the above background papers should telephone Falkirk (01324) and 506353 ask for Dougie McGregor.