

**FALKIRK COUNCIL**

**Subject: FINANCIAL POSITION 2013/14**  
**Meeting: EXECUTIVE COMMITTEE**  
**Date: 14 January 2014**  
**Author: CHIEF FINANCE OFFICER**

**1. INTRODUCTION**

- 1.1 This report presents the second update on the financial position of the Council for 2013/14 and reflects the situation as at 30 November 2013. The opportunity is also taken to update Members on the position with Reserves consistent with the approved reporting regime.

**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 is currently forecast to be £2.172m (0.7%) below the approved budget.

The most significant deviations from budget are described below:-

- 2.2 Education Services (under budget by £0.448m; 0.3%)

The Service is continuing to project below budget with expected savings in employee costs, transport costs and residential schools offsetting higher operational costs, including expenditure on repairs and energy.

Social Work (over budget by £0.298m; 0.3%)

Pressures on purchasing childrens' residential care and adult residential care and the costs of penions auto-enrolment are partly offset by savings in staff costs and additional income from residential care. It should be noted, however, that the Social Work Budget remains highly volatile with any increase in demand, particularly in relation to high cost care packages, having the potential to alter this position significantly.

Development Services (under budget by £0.444m; 1.2%)

The projected underspend primarily reflects savings in rental costs as a result of the Spend to Save initiatives to buy out a number of leases at Central Park Larbert. This will be adjusted in the Service's budget in 2014/15 but in the interim will be credited to the General Fund Reserve.

Corporate & Neighbourhood Services (under budget by £0.643m; 4.1%)

The underspend is attributable to a reduction in spot hires within refuse collection, a reduction in rates and utilities within waste disposal, a reduction in overtime within street cleansing arising from new rotas that have been introduced and reduced bed and breakfast costs. There are also underspends in private sector housing and homelessness which have arisen due to the timing of new initiatives which will be fully operational in the new financial year.

Miscellaneous Services (under budget by £0.648m; 5.5%)

This is as a result of a number of savings across a range of headings, including the Scottish Welfare Fund which, in common with much of the other Local Authority areas, had a slower level of uptake in the early months. A number of measures have been put in place with the aim of ensuring uptake is maximised as far as possible.

Central Support Services (under budget by £0.374m; 1.6%)

An underspend on staffing costs is likely to reduce the overall costs of Central Support Services to the General Fund by £0.374m.

Capital Financing Costs (under budget by £0.325m; 7.5%)

The prolonged period of very low interest rates and slippage from the previous year's capital programme are the main contributory factors leading to the underspend.

### 3. TRADING ACCOUNT

- 3.1 The overall surplus of Building Maintenance is very close to budget.

### 4. TRANSFERS TO/FROM EARMARKED FUNDS

- 4.1 Members will recall a sum of £0.500m in respect of the Devolved Schools Management Reserve was used to help balance the 2013/14 budget. Given the spending position within Education Services, it is proposed that only £0.250m of this sum is required.

### 5. HOUSING REVENUE ACCOUNT

- 5.1 Overall, the HRA is projected to be in line with budget. Savings in Support Services, Capital Charges and Staff Costs are anticipated, together with additional rental income from commercial properties. As advised in my previous report to the Executive on 8 October, these savings are being utilised in a number of areas across the Housing Revenue Account. These include Estates improvement work; recruitment of staff, training and specialist housing support to meet the demands arising from welfare reform and also to provide additional CFCR to augment the resources available to undertake housing investment, improvement and provision of additional affordable homes.

### 6. RESERVES STRATEGY UPDATE

- 6.1 The following paragraphs provide an update on the proposed spend and transfers in respect of the Council's reserves and earmarked funds.

6.2 Earmarked Reserves

|                                       | Devolved<br>Schools<br>Management<br>£'000 | Economic<br>Development<br>£'000 | Central<br>Energy<br>Efficiency<br>Fund<br>£'000 | Insurance<br>Fund<br>£'000 |
|---------------------------------------|--|----------------------------------|--|----------------------------|
| Balance at 1 April 2013               | 7,531                                      | 2,151                            | 410  | 4,355                      |
| Proposed Spend (see below)            | (4,126)                                    | (1,433)                          | (50)   | -                          |
| Proposed Transfers In (see below)     | 2,184                                      | 200                              | -  | -                          |
| Proposed Sums Returned to Gen<br>Fund | -  | -                                | -  | -                          |
| Estimated Balance at 31/03/14         | 5,589                                      | 918                              | 360  | 4,355                      |

Proposed spend and transfers are detailed as follows

#### Devolved Schools Management

**£'000**

Balance at 1 April 2013:

7,531

Included in this balance is a total of £3.163m which reflects timing differences between the academic and financial years mainly in respect of balances held at individual school level for use by headteachers. These sums are subsequently spent during the period of April to June and are replenished to around their original level by setting aside a similar level of reserves during the course of the year.

Proposed Spend:

|   |                |
|---|----------------|
| Spend related to timing differences as noted above            | (2,469)        |
| Usage of DSM Reserve to help balance budget                   | (500)          |
| Delivery of entitlement to 25 hour primary class contact time | (259)          |
| Budget Savings 2013/14  | <u>(898)</u>   |
|   | <u>(4,126)</u> |

Proposed Transfers In:

|  |              |
|--|--------------|
| Replenishment related to timing differences as noted above           | 1,934        |
| Transfer from Education Services to assist future spending proposals | <u>250</u>   |
|  | <u>2,184</u> |

Estimated balance at 31 March 2014

5,589

Proposals for utilisation during 2014/15 are as follows:

|  |                |
|--|----------------|
| Ongoing capital and school capacity improvement work; this will be managed at detail level via the Capital Programme | (648)          |
| Budget Savings 2014/15   | (189)          |
| Provision for timing differences as noted above  | <u>(2,471)</u> |
|  | <u>2,281</u>   |

The balance of £2.281m has increased by £0.886m from the position reported in October. This is primarily due to timing differences and utilising less than anticipated for budget savings in the current financial year. Going forward, the balance will continue to be used as a buffer if issues arise which affect the full achievement of planned budget savings.

#### Economic Development

Fund maintained to assist with the delivery of economic development projects where the Council has a significant property related interest. The estimated balance at 31 March remains largely unchanged. The transfers into the Fund includes a £100k contribution towards the Falkirk Townscape Heritage Initiative. The Reserve has been used to fund lease buyouts (e.g. £800k at Central Park) under spend to save and other joint ventures with development partners. The remaining balances will be used to support the following:

- Tourism Signs – £150k (2013/14)
- Business Support £320k (2013/14) & £159k (2014/15)
- Property maintenance/upgrade (using dilapidation income from outgoing tenants) - £107k (2014/15).
- TIF – advance implementation works £83k – (2014/15)
- Landscape Initiatives - £163k (2013/14) & £35k (2014/15)
- Falkirk Townscape Heritage Initiative - £100k (2014/15)

#### Central Energy Efficiency Fund

Anticipated spend of £50k related to boiler replacement works at the Mariner Centre, with balance (£360k) to be committed in 2014/15.

#### Insurance Fund

The position on the Insurance Fund following the actuarial valuation has previously been reported to Committee and in particular the uncertain future liability from MMI entering administration was highlighted.

### 6.3 **Repairs and Renewals Fund**

Please see Appendix 3 where the overall position showing all relevant Services is set out.

Proposed spend can be detailed as follows

#### Printworks

It is proposed to build up the Fund until 2018/19 when c£170k will be required to replace the current 4 colour press.

#### Roads

Earmarked for improvements to Earls Road depot. It is expected that the monies will be spent this year.

#### Waste Strategy

Fund required to support purchase of recycling bins; recycling centre maintenance and upgrade and assist with expansion of recycling provision. £350k will be committed during 2013/14 and the remainder committed over the next two years.

#### Birkhill Claymine Demolition

Above ground building demolition works completed. Further works planned to conclude mine abandonment process, with likely full spend against the remaining budget of £35k in 2013/14..

#### Pavilion Improvement

Fund for commissioning of works to upgrade local pavilions and other projects of community benefit involving delivery of training via ETU, Falkirk Community Trust and other agencies. Spend anticipated £25k (2013/14) & £25k (2014/15)

#### Social Work Services Properties

Estimated spend to 31 March 2014 is £255k and, in addition to this, £453k will be incurred early in 2014/15 as a result of work already out to tender and this 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 office premises, as identified via condition surveying. In addition, £160k will be used as part of the Service's current year budget savings.

Condition surveys of all properties have now been undertaken and are currently being analysed and the remaining balance of £280k will be deployed to facilitate the highest priority work emerging from these surveys.

### BMD – Plant & Equipment

The full reserve balance of £72k will be utilised in 2013/14 and will be used to purchase a range of tools and equipment e.g. power tools; lifting equipment and equipment for working at heights, to support Building Maintenance operational delivery. Equipment purchase will reduce the reliance on hired equipment and improve operational efficiency.

### General Fund Housing

As highlighted in my previous report to the Executive on 8 October, it is proposed to use the reserve in two primary ways. Firstly, the reserve will be used to help augment Scheme of Assistance funds and secondly to mitigate the impacts arising from changes to HRA accounting treatment and in particular the allocation of costs between HRA and General Fund Housing.

#### **1. Scheme of Assistance**

The Scheme of Assistance helps deliver the Council's private sector housing strategy, the aims of which include improving private sector housing conditions and enabling more disabled people to live independently. It is proposed to use c£500k over the next two financial years to support a range of measures including continuing electrical works under the small repairs service beyond the current pilot; providing access to loans for homeowners to undertake work, as part of Council improvement projects e.g. energy efficiency and door entry work and also providing additional disabled adaptation grants.

#### **2. HRA Accounting Changes**

It is anticipated that changes to HRA accounting will result in additional costs being borne by General Fund Housing, due to a reallocation of costs between HRA and General Fund e.g. maintenance costs of communal open space areas, currently charged to HRA. Pending more detailed work on the impacts, it is proposed that c£400k of the reserve is earmarked to mitigate these costs going forward.

### Drummond House Dilapidations

A sum of £53k was set aside in 2012/13 to fund the Council's share of estimated cost of dilapidation works at Drummond House. This sum will be paid in 2013/14.

## **6.4 Uncommitted General Fund**

The opening balance on the Fund is £11.836m, reflecting a credit of £0.754m from the Police and Fire Boards dissolution and the application of £2.281m to the 2013/14 Budget. The current 3 year budget assumption shows that £4.7m would be deployed to help balance the budgets in these years, which would take us down to the bottom end of the approved strategy range of £7-10m. The position on the General Reserve can of course move due to a range of factors e.g.:-

- Annual outturn under/over spend
- Decisions on Spend to Save
- Unexpected "shocks"

## **6.5 Housing Revenue Account (HRA)**

The balance brought forward at 31 March 2013 was £7.631m, of which £2.538m is being utilised to limit the rent rise in the current year. The HRA reserve will be maintained over the longer term in order to ensure that there are sufficient funds available to meet future income and expenditure plans including the HRA investment programme.

## 6.6 **Capital Reserves**

### **Capital Receipts Reserve**

As noted in previous reports, this Reserve comprises proceeds from the sale of Council assets. The balance as at 1 April 2013 is £4.428m and funds will be taken from this reserve as they are applied in order to finance the Capital Programme. It is anticipated that £0.384m will be utilised from this reserve to fund capital expenditure in the current year with further application to be determined as part of the budget process as the Capital Programme is rolled forward.

### **Capital Grants Unapplied Accounts**

As noted in previous reports, this Reserve comprises Section 75 contributions from developers as well as capital grants for which either no conditions apply, or they do apply and had not been met. The balance on this reserve as at 1 April 2013 is £5.501m and it is anticipated that £1.5m will be utilised to fund capital expenditure in the current financial year with further application to be determined as part of the budget process as the Capital Programme is rolled forward.

## 6.7 **Spend to Save**

The Council has previously earmarked a total of £3.5m from reserves for Spend to Save initiatives. Following decision taken by Members at the Executive on 6 August 2013 the balance has reduced to £1m.

## 7. **CONCLUSION**

### 7.1 **Financial Position**

7.1.1 The latest assessment of the financial position for 2013/14 based on information received from Services indicates an underspend in General Fund of £2.172m (0.7%) compared to budget with year-end reserves forecast to be £14.008m as at 31 March 2014. Budget application of this Reserve could take the balance down to the approved strategy floor over the next few years.

7.1.2 Spending within HRA is forecast to be £55.087m, in line with budget, with year-end reserves projected to be £5.093m.

### 7.2 **Reserves Strategy**

7.2.1 It is evident that the Council has a range of specific reserves beyond the uncommitted General Fund and HRA Reserves. It is clearly important that these specific reserves are managed in a manner consistent with the climate of austerity and with regard to priorities.

## 8. **RECOMMENDATIONS**

**Members are invited to**

**8.1 note the latest projection of revenue account spending for 2013/14.**

**8.2 note the position with reserves and approve the transfer and spending plans as detailed in the report.**

**Chief Finance Officer**

**Date: 9 December 2013**

### **LIST OF BACKGROUND PAPERS**

1. Financial Monitoring Statements 2013/14.

Any person wishing to inspect the background papers listed above should telephone Falkirk 01324 506371 and ask for John Flannigan.