

The background of the slide features a large, light blue watermark of the City of Vancouver's coat of arms. The crest is a shield divided into four quadrants. The top-left quadrant shows a sailing ship on wavy lines representing water. The top-right quadrant shows a stag's head with large antlers. The bottom-left quadrant shows a beaver. The bottom-right quadrant shows a grizzly bear. Above the shield is a crown with four points, each topped with a flower. A banner at the bottom of the shield contains the motto "A NE FOR A".

Agenda Item 12

Projected Financial Position 2018/19

Falkirk Council

Title: Projected Financial Position 2018/19
Meeting: Executive
Date: 15 January 2019
Submitted By: Director of Corporate & Housing Services

1. Purpose of Report

- 1.1 This report presents an update on the financial position of the Council for 2018/19. It also provides an update on the position with Reserves consistent with the policy approved by the Executive in January 2015.

2. Recommendations

2.1 The Executive is invited to note:

- (1) the Council's projected year-end financial position for 2018/19;**
- (2) the position with respect to Reserves; and**
- (3) Instruct Service Directors to take appropriate actions to maintain their costs within the approved budget.**

The Executive is invited to agree:

- (4) the transfer of the Supporting People budget from Social Work Adult Services to Corporate & Housing Services;**

3. Background

- 3.1 Following the Council's approved 2018/19 budget in February 2018 and the update reports to Executive in August and October 2018, this report provides details of progress with meeting the budgeted financial targets.

4. Considerations

4.1 General Fund

- 4.1.1 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.

- 4.1.2 Net expenditure at the 31 March 2019 is now forecast to be £344.2m which is £1,177m (0.3%) above the resources available. This is an improvement of £0.789m from the October overspend of £1.966m and is primarily due to a further reduction in spend within Children's Services.

Members should note that pay awards for the current financial year have still not been settled. Any unfunded awards over the amount budgeted will increase the projected overspend. There is a separate report on the agenda of this Executive dealing with payment of the Living Wage.

- 4.1.3 The reasons for significant overall deviations from budget are described below:-

Children's Services – (over budget by £1.495; 0.8%)

The Service have continued to take actions which have helped to reduce the overspend by c£0.775m from the position reported in October. The overall position will continue to be monitored closely during the remainder of the financial year. The Service will continue to identify and take further actions throughout the year as appropriate, albeit the remaining time for such action is clearly limited.

As detailed in section 4.5.5 it should also be noted that £0.795m has been transferred from the DSM Reserve to help partially, but significantly, mitigate the current projected overspend.

(i) Education (under budget by £0.564m)

The Education Division of the Service is projecting an underspend of £0.564m at this stage of the financial year. In terms of significant variations, employee costs have been lower due to vacancies and an underspend is now projected within catering and cleaning services. This has been slightly offset by higher property costs for rates and refuse collection.

(ii) Social Work – Children & Families (over budget by £2.059m)

The overspend has reduced by £0.832m from the position reported in October 2018 mainly due to reducing numbers of children being looked after in care settings, along with a realignment of budgets related to the support of young people and a reduction in expenditure on the carbon reduction scheme. The overspend has shifted from being due to the costs associated with providing external residential care/foster care packages for children looked after away from home to providing Continuing Care (internal; and external) and After Care. The impact of young people remaining longer in placement (Continuing Care) resulting from new duties stemming from the Children and Young People Act is impacting significantly on expenditure.

The work which underpins the Closer To Home Strategy is well underway and there are numerous examples where creative relationship based practice and Self-Directed Support packages have supported children to remain safely at home or to return home. The Strategy has been developed to lead Children's Services through transformational change to

ensure that care experienced children and young people and those on the edges of care are afforded the right support at the right time.

Developing options for young people to move from residential/foster care placements to supported accommodation are on track and will create another significant step in budget management and is expected to deliver further overspend reducing results in 2019/20. The transformational change process will also enable resources to be invested within family support, community based support and partnership working areas and is an integral part of the "Closer To Home" strategy aimed at providing appropriate and affordable support to vulnerable children.

(iii) Criminal Justice (on budget)

The majority of Criminal Justice expenditure is funded by ring fenced Section 27 grant and this division is projected to come in on budget.

Development Services (on budget)

The Service is currently shown to be on budget. It should be noted that there are significant compensating variances within this current projection. The main reasons for this include an overspend in Waste of £1.401m which is mainly due to additional costs associated with the collection and disposal of waste. A separate report on the agenda of this Executive recommends the implementation of a new waste charter compliant recycling service which, if agreed, will be rolled out by quarter three of 2019/20. Grounds Maintenance also have an anticipated overspend of £0.145m. There is an anticipated under recovery of income of £0.178m within Car Parking due to income continuing to be lower than the budgeted target. These overspends are offset by various savings, mainly in employee budgets across the Service of £1.037m, underspends within Bereavement Services £0.158m, additional income from Planning Fees and Building Warrants of £0.139m, energy savings on street lighting of £0.190m and reduced transportation contract costs of £0.200m.

Corporate & Housing Services (under budget by £0.834m; 3.0%)

(i) General Fund Housing (under budget by £0.179m)

This underspend is primarily due to staff savings within Private Sector Housing and Homelessness.

(ii) Central Support Services (under budget by £0.566m)

An anticipated underspend on staffing costs across all central support services (£1.262m) is the most significant factor contributing to the projection. This saving, along with an underspend in property costs, is partially offset by increased ICT costs and a reduced recharge of costs to non-general fund services of £0.278m. The overall effect is to reduce the projected costs of Central Support Services to the General Fund by £0.566m.

(iii) Miscellaneous Services (under budget £0.090m)

Miscellaneous Services is currently projected to underspend by £0.090m due to an underspend within general supplies & services. Within

Miscellaneous Services there is the Change Fund of £0.700m, which was approved as part of the budget proposals for 2018/19. This funding was to ensure the programme of change projects agreed by Council under Council of the Future could be successfully delivered. To date there have been 2 successful bids, Children's Service's, Closer to Home £0.228m and Bereavement Services £0.120m. Other bids are currently being assessed and it is anticipated that the fund will be fully committed in 2018/19.

Adult Services Infrastructure & Support (over budget by £0.039m; 0.7%)

This budget is in large part made up of property and transport costs for Social Work Adult Services that have remained with the Council. It also includes an area of direct social work provision, the Mental Health Officer service. The budget has been rebased in 2018/19 and is currently projecting a small overspend by £0.039m due to the shortfall in telephony budget.

The Housing element of the supporting people budget has historically been within Social Work Services but managed by Corporate & Housing Services. It is more appropriate for this budget of c£1.37m to be transferred to Corporate & Housing Services and, in compliance with financial regulations, the report recommends this virement takes place.

Integration Joint Board [IJB]

For 2018/19, a net sum of £62.453m (£60.712m from General Fund) has been passed to the IJB. This sum will be delegated back to the Council. It is for the IJB to manage its expenditure within the resources provided. Members should be aware that although the delegated Council Services are projected to be on budget, the outturn is dependent on the full delivery of approved savings. The net sum includes £0.325m approved Spend to Save funding to support the service in the savings and transformational changes.

There is continued financial pressure on the costs of home care provision, however these cost pressures are anticipated to be offset by various underspends across Adult Social care. The Council's Housing contribution to IJB is projecting a £0.1m overspend due to increased referrals for disabled adaptations. IJB is exploring options to bring this back to budget. It is worth

noting that IJB's Health arm budget is reporting a projected overspend by over £2m.

Employee Related Liabilities £0.075m

The actual cost of compensatory lump sums paid as a result of employees leaving through voluntary severance is £0.075m. Although there has been very little movement on Voluntary Severance to date this will continue to be monitored and updated accordingly.

Capital Financing Costs (under budget £0.600m)

As previously advised to Members, there was slippage in the 2017/18 General Services capital programme resulting in an anticipated underspend of £0.6m in the 2018/19 loan charges.

Council Tax (on budget)

In the first 7 months of the year the volume of new properties added to valuation list remains slightly behind forecast. The yield is also be affected by a larger than expected uptake (c. £50k additional relief) of new care leavers exemption. However improved collection rates on historical debt, in excess of relevant target (97.5% to 98% depending on year), should allow achievement of budgeted income.

General Revenue Grant (under budget by £1.004m)

The 2018/19 Local Government Financial Settlement included a payment of £1.004m received in March 2018. Scottish Government indicated that this funding be included in the 2017/18 accounts and Audit Scotland advice is also that this should be recognised as income in 2017/18. This funding was carried forward in the General Fund reserve balance and will be utilised in 2018/19.

4.2 Trading Account

- 4.2.1 The overall surplus of Building Maintenance is £0.510m, which is slightly higher than the budgeted position.

4.3 Workforce Changes

- 4.3.1 The Budget report presented in February noted the actions required to balance the budget would see reductions in the workforce but noted that the Council must continue to plan for savings required in future years. As a result, officers will continue to use the following options to achieve savings:-

- non-filling of vacancies where possible;
- a review of all temporary employees and agency workers, ending contracts where possible;
- any other options to achieve savings through voluntary means; and
- voluntary severance.

- 4.3.2 To date, progress with employees seeking redeployment and leaving through voluntary severance is as follows:-

	No of Posts			
	2015/16	2016/17	2017/18	2018/19
Seeking Redeployment	95	16	9	8
Voluntary Severance	163	137	28	8

Overall, from October 2015 to October 2018, headcount and FTE have moved as follows:

	October 2015	October 2016	October 2017	October 2018
Headcount	7,203	7,091	6,980	7,042
FTE	6,051	5,965	5,886	5,931

- 4.3.3 To date, progress with employees seeking redeployment and leaving through voluntary severance is as follows:-

	No of Posts			
	2015/16	2016/17	2017/18	2018/19
Seeking Redeployment	95	16	9	8
Voluntary Severance	163	137	28	8

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	October 2015	October 2016	October 2017	October 2018
Headcount	7,203	7,091	6,980	7,042
FTE	6,051	5,965	5,886	5,931

4.4 Housing Revenue Account (HRA)

- 4.4.1 Overall, the HRA spending of £62.8m (Appendix 2) is in line with budget. Projected savings in staff costs and central support costs will provide additional Capital Financed from Current Revenue [CFCR] to augment the resources available to undertake housing investment. The figure for the HRA incorporates a payment of £1.414m to the IJB for in scope services e.g. garden aid and adaptation expenditure. As noted earlier in the report this latter budget is under pressure.
- 4.4.2 The reserve balance brought forward at 1 April 2018 was £5.093m and no application from reserves is currently planned for 2018/19. The current projected level of reserves is considered to be prudent to meet future revenue and capital investment requirements. This level is in line with the Scottish average of c10% of annual expenditure.

4.5 General Fund Reserves

- 4.5.1 The Council policy on its Reserves Strategy was reviewed and approved by the Executive on 13 January 2015. In respect of the Council's Uncommitted General Fund, the policy provides for 2% of annual revenue expenditure (giving a range of £6.5m - £11m) to be held as a contingency against unforeseen events and emergencies. The Reserves Strategy also states that the purpose of each earmarked Reserve must be clearly understood and highlights the requirement for an agreed protocol for use which accords with the Council's priorities and can enable the use of these Reserves to better feed into the budget process. Any sums deemed surplus, should properly be returned to the Uncommitted General Fund.
- 4.5.2 Appendix 1 shows a projected balance of £10.625 at March 2019. This is an improvement of £0.819m from the position reported in October, primarily due to the reduction in the projected overspend. Members should note that the evolving positions on historic child abuse and equal pay claims may well result in future calls on the Council's reserve, and quite possibly, of a significant sum. The uncertainty over pay claims has also been flagged in this report.

4.5.3 The following paragraphs provide an update on the expenditure and transfers in respect of the Council's reserves and earmarked funds. A summary of the transactions and balances is included at Appendix 3.

4.5.4 **Repairs and Renewals Fund**

The significant balances over £0.100m and the anticipated movements on the fund are detailed below. The balances below £100,000 will be reviewed to determine whether they are still required for the intended purpose or can be returned to the General Fund.

Roads Signage (£0.100m)

The Executive agreed on 27 September 2016 that the Council would pursue Decriminalised Parking Enforcement (DPE) in response to Police Scotland withdrawing its traffic warden service. This required the Council to formally apply to the Scottish Government seeking a Designation Order in accordance with the Road Traffic Act 1991.

As part of this process Falkirk Council was required to undertake a review of existing waiting restrictions to ensure that DPE could be properly enforced. The outcome of the review required remedial works to existing traffic signs and road markings. To complete the remaining works, the full balance on this fund was applied.

Strategic Property Review (£0.750m)

The Council is undertaking a comprehensive review of its property assets including its leased portfolio. This is anticipated to result in withdrawal from a number of existing properties with provision for investment in assets retained and dilapidation costs for buildings being vacated. As a consequence a sum of £0.750m is earmarked to assist these works and reports are being supplied to the Executive advising of investment plans for these assets.

Older People's Accommodation (£0.105m)

The balance of £0.105m has been retained for repairs on Social Work properties with £0.015m already committed to be utilised in 2018/19. The remaining balance has been earmarked to fund a list of jobs identified in the condition survey and work will start in 2019/20.

Procurement (£0.102m)

Additional unbudgeted income of £0.102m was generated by the Procurement division through the adoption of volume rebate clauses within a range of tenders. £0.072m income will be utilised in 2018/19 to support the delivery of a number of procurement improvement workstreams. The balance of £0.030m will be returned to the General Fund.

General Fund Housing (£0.267m)

£0.067m will be utilised in 2018/19 to upgrade the Council's hostel accommodation to help reduce future accommodation and support costs. £0.200m will be returned to the General Fund.

Citizens Advice Bureau (£0.111m)

In February 2015 the Executive agreed to relocate Falkirk's Citizen Advice Bureau to premises in Meeks Road. Funding of £0.203m was identified to meet the estimated fit out costs, including the contribution of £0.111m from Repairs and Renewals Fund. This work is now complete with these funds fully utilised in 2018/19.

Mobile & Flexible Working (£0.247m)

In December 2014 the Executive approved a project on Mobile and Flexible working. Funding has been provided to help cover the additional revenue costs required to undertake the project. It is anticipated that £0.080m of this balance will be utilised in the current year with the balance carried forward and utilised over the next 2 years.

Falkirk Community Trust ICT (£0.183m)

Within the Council's capital programme there is an approved budget of £0.273m for Falkirk Community Trust to undertake ICT improvements. In 2017/18 funding of £0.183m to undertake the work was switched to revenue (with a compensating adjustment to the capital programme). A further £0.090m has been switched in the current year. The funding will be paid to the Trust on completion of the works through the service payment arrangements.

4.5.5 Earmarked Reserves

The position with each of the funds is as follows:

Devolved Schools Management (£2.142m)

The balance on the fund at 1 April 2018 is £2.142m. £0.834m reflects the year end carry forward balances held at individual schools for use by headteachers and ring fenced external funding monies that cover periods beyond the financial year end. To help mitigate the current overspend projected within Children's Services a sum of £0.795m has been transferred to the General Fund. The remaining balance of £0.513m has been earmarked to help proactively manage demographic pupil roll growth pressures and in year capacity expansion within the school sector. It also allows for places and support to be provided for eligible two year olds should demand from those qualifying families increase.

Economic Development (£0.369m)

The fund has £0.284m for property maintenance/dilapidations works to the Council's industrial and commercial estate and £0.85m for business support/landscape initiatives including delivery of Falkirk THI. It is anticipated the £0.85m will be fully utilised in the current year and that £0.029m will be spent in 2018/19 relating to dilapidation works leaving a balance of £0.255m to be carried forward to 2019/20.

Central Energy Efficiency Fund - CEEF (£0.522m)

Further funding balances have recently been received which will allow £1.140m of identified energy efficiency upgrade works to be completed in 2018/19. The projects are effectively self funding as savings generated allow

for a pay-back into the fund in order to maintain an on-going balance for delivery of future projects.

Insurance Fund (£5.515m)

The Fund is actuarially valued every three years and as previously advised to Members was due to be valued in 2018. Consequently an independent actuarial valuation was carried out in October 2018 by Aon Insurance Limited. The valuation has confirmed that the Fund is broadly healthy and that although there is uncertainty over the value and timing of any potential Abuse claims, the continuing level of Service contributions and Fund balance should be sufficient to meet any resultant costs over the next three years.

Revenue Grants (£3.269m)

The Revenue Grants reserve consists of the carry forward of grant funding not yet utilised. The largest of these are within Children's Services for the Pupil Equity Fund, which is allocated directly to schools, and the early years expansion programme to increase the provision of nursery hours from 600 to 1,140 by August 2020. This funding has been credited back to Services to appropriately match expenditure and will not affect the Council's overall position.

Spend to Save (£2.870m)

The Executive previously agreed to fund the following projects

SWIS Project Manager

A project manager has been recruited on a temporary basis to lead on the procurement, implementation and development contract of a new ICT system for Social Work Services. This system will replace the current limited in-house system and will offer improvements and efficiencies in business processes, data and information sharing (with Health and other partner agencies), information management, internal accounting and will augment the Council's move to promote flexible and mobile working. The estimated cost of this for a 23 month period is £0.080m, with £0.040m used in 2017/18 and the remaining £0.040m being used in the current financial year.

Health & Social Care Partnership

£0.325m was provided to support Social Work Adult Service in delivering the savings approved and transformational changes. The Reablement Project team has been fully established and it is expected that the full amount of £0.325m will be utilised in 2018/19.

Programme Management Co-ordinators

It was agreed that funding would be provided for 3 Programme Management Co-ordinators to ensure delivery of end to end key change programmes/projects within each Service. £0.191m will be fully utilised in 2018/19.

Of the remaining balance, funding of c£1.9m is earmarked to help cover the costs of voluntary severance, with a further c£0.6m to fund the Rehab Group

proposals for the factory unit at Central Business Park and enabling Social Work staff to be trained as Mental Health Officers.

5. Consultation

- 5.1 There is no requirement to carry out a consultation based on the report proposals.

6. Implications

Financial

- 6.1 The financial implications are detailed within the report. Overall the General Fund expenditure is £1.177 (0.3%) above the resources available and the Housing Revenue Account is on budget.

Resources

- 6.2 There are no resource implications arising from the report recommendations.

Legal

- 6.3 There are no legal implications arising from the report recommendations.

Risk

- 6.4 The report has flagged risk to the final outturn position e.g. with respect to pay awards.

Equalities

- 6.5 EPIAs, as appropriate, were carried out as part of the Budget process which led to these Budget figures.

Sustainability/Environmental Impact

- 6.6 A sustainability assessment was not required.

7. Conclusions

- 7.1 Net expenditure on the General Fund is now forecast to be £344.2m which is £1.177m (0.3%) above the resources available. The projected General Fund balance for 2018/19 is £10.625m.

- 7.2 Spending within the Housing Revenue Account is in line with budget, leading to projected year-end reserves of £5.093m which will be deployed in a planned manner over time.

Director of Corporate & Housing

**Author – Bryan Smail, Chief Finance Officer – 01324 506300,
bryan.smail@falkirk.gov.uk
Margaret Smith, Accountancy Services Manager – 01324 506366,
margaret.smith@falkirk.gov.uk**

Date: 18 December 2018

APPENDICES

Appendix 1 – General Fund Projected Outturn Statement 2018/19
Appendix 2 – Housing Revenue Account Projected Outturn Statement 2018/19
Appendix 3 – Repairs & Renewals Fund and Other Earmarked Reserves

List of Background Papers:

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act 1973:

- **Budget Working Papers**

FALKIRK COUNCIL

GENERAL FUND

PROJECTED REVENUE OUTTURN STATEMENT 2018/19 AS AT 31/08/2018

					<u>Restated</u> <u>Previous</u>
	<u>Budget</u>	<u>Projected</u>	<u>(Fav)/ Adv</u>		<u>(Fav)/ Adv</u>
	<u>£'000</u>	<u>Outturn</u>	<u>Variance</u>		<u>Variance</u>
		<u>£'000</u>	<u>£'000</u>	<u>%</u>	<u>£'000</u>
Childrens Services	192,886	194,381	1,495	0.8	2,270
Social Work - Adult Services	5,402	5,441	39	0.7	34
Development Services	29,472	29,472	-	-	-
Corporate & Housing Services	27,597	26,763	(834)	(3.0)	(762)
Trading Accounts	(508)	(510)	(2)	0.4	(2)
Sub - Total	254,849	255,547	698	0.3	1,540
Falkirk Community Trust	11,001	11,001	-	-	-
Valuation Board	1,245	1,245	-	-	-
Integration Joint Board	60,712	60,712	-	-	-
Employee Related Liabilities	-	75	75	-	22
Capital Financing Costs	16,259	15,659	(600)	(3.7)	(600)
NET EXPENDITURE	344,066	344,239	173	0.1	962
Financed By :					
Revenue Support Grant	206,429	205,425	1,004	0.5	1,004
Non-Domestic Rates	65,958	65,958	-	-	-
Council Tax	63,704	63,704	-	-	-
Earmarked Funds (Appendix 3)	5,675	5,675	-	-	-
NET INCOME	341,766	340,762	1,004	0.3	1,004
SURPLUS/(DEFICIT)	(2,300)	(3,477)	1,177	0.3	1,966
Add : General Fund Surplus as at 1 April 2018		13,077			
Transfers (to)/from Earmarked Funds (Appendix 3)		1,025			
General Fund Balance as at 31 March 2018		10,625			
Reserves Strategy Policy - Range	6,500 - 11,000				

FALKIRK COUNCIL

HOUSING REVENUE ACCOUNT

PROJECTED REVENUE OUTTURN STATEMENT 2018/19

	<u>Budget</u> £'000	<u>Projected</u> <u>Outturn</u> £'000	<u>(Fav)/ Adv</u> <u>Variance</u> £'000	%	<u>Previous</u> <u>Variance</u> £'000
Employee Expenses	7,401	6,283	(1,118)	(15.1)	(1,341)
Property Expenses	22,852	23,794	942	4.1	12
Transport Expenses	17	17	-	-	-
Supplies and Services	3,644	3,644	-	-	-
Third Party Payments	1,923	1,917	(6)	(0.3)	-
Support Services	4,777	4,477	(300)	(6.3)	(300)
Capital Charges	20,747	21,241	494	2.4	1,600
Sub-Total	61,361	61,373	12	0.0	(29)
Integration Joint Board	1,414	1,414	-	-	-
Compensatory Lump Sums	-	-	-	-	-
Gross Expenditure	62,775	62,787	12	0.0	(29)
Income	62,775	62,787	12	0.0	(29)
Surplus/(Deficit)	-	-	-		-
Add: Surplus brought forward at 1 April 2017		5,093			
Projected Surplus at 31 March 2018		5,093			

ANALYSIS OF REPAIRS & RENEWALS FUND

Service		Balance 01/04/2018 £'000	Spend £'000	Transfers £'000	Balance 31/03/2019 £'000
Development	Roads	80	-	-	80
	Roads - Signage	100	(100)	-	-
	Strategic Property Review	750	-	-	750
	Crematorium	76	-	-	76
	Birkhill Mine Demolition	38	-	-	38
	Pavilion Improvement	5	-	-	5
Social Work	Older People's Accommodation	105	(15)	-	90
FCT	ICT	183	(20)	-	163
Corp & Housing	Printworks	44	-	-	44
	Procurement	102	(72)	(30)	-
	General Fund Housing	267	(67)	(200)	-
	Citizens Advice Bureau	111	(111)	-	-
	Mobile & Flexible Working	247	(80)	-	167
TOTAL		2,151	(465)	(230)	1,456

ANALYSIS OF INSURANCE FUND

Description	Balance 01/04/2018 £'000	Spend £'000	Transfers £'000	Balance 31/03/2019 £'000
Insurance	5,515	-		5,515

ANALYSIS OF GENERAL FUND EARMARKED RESERVES

Description	Balance 01/04/2018 £'000	Spend £'000	Transfers £'000	Balance 31/03/2019 £'000
Devolved Schools Management	2,142	(834)	(795)	513
Economic Development	369	(29)	-	340
Central Energy Efficiency	522	(522)	-	-
Revenue Grants	3,269	(3,269)	-	-
Spend to Save	2,870	(556)	-	2,314
TOTAL	9,172	(5,210)	(795)	3,167

OVERALL TOTAL	16,838	(5,675)	(1,025)	10,138
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OVERALL NET MOVEMENT

(6,700)