

The background of the slide features a large, light blue outline of the Coat of Arms of the Government of Nunavut. The crest is a shield divided into four quadrants. The top-left quadrant shows a stylized yellow sun with rays. The top-right quadrant shows a yellow caribou head with antlers. The bottom-left quadrant shows a yellow sailing ship on wavy lines representing water. The bottom-right quadrant shows a yellow eagle with spread wings. Above the shield is a crown with four yellow maple leaves. A banner at the bottom of the shield contains the text "ANE FOR A'".

Agenda Item 10

Provisional Financial Position 2018/19

Falkirk Council

Title: Provisional Financial Position 2018/19
Meeting: Executive
Date: 18 June 2019
Submitted By: Director of Corporate & Housing Services

1. Purpose of Report

- 1.1 This report presents the closing financial position of the Council for 2018/19. The final accounts process is underway and the figures will be subject to final audit review. Any further adjustments to these figures will be reported back to Members.

2. Recommendations

2.1 Executive is invited to note:

- (1) the Council's year-end financial position subject to Audit for 2018/19; and
- (2) the transfers to the repairs & Renewals Fund and Earmarked Reserves as outlined at Appendix 3.

3. Background

- 3.1 Following the Council's approved 2018/19 budget in February 2018 and the update reports to Executive in August, October and January, this report provides an outturn comparison with budget.

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 was £341.7m which was £0.831m (0.2%) above the resources available. This is an improvement of £0.346m (0.1%) from the January overspend of £1.177m.
- 4.1.3 The reasons for significant overall deviations from budget are described below:-

Children's Services – (over budget by £1.951m ; 1.0%)

Children's Services finished the year with an overspend of £1.951m. However, as detailed in section 4.5.5 it should also be noted that £0.795m was transferred from the DSM Reserve to help partially, but significantly, mitigate the overspend.

(i) Education (over budget by £0.089m)

The Education Division of the Service was overspent by £0.089m at the end of the financial year. In terms of significant variations, there were underspends within employee costs, mainly due to vacancies and additional probationer teacher funding income. This was offset by higher property and energy costs and a non budgeted payment to the Trust for Outdoor Activities.

The NPDO contract for insurance allows for a share of any savings or costs when there is a difference between the actual insurance premiums and the sum provided in the Contract. Normally the Council receives a significant rebate (estimated at c£200k for 2018/19), however a change in the method of calculating this rebate by our NPDO provider's insurance broker has significantly reduced the Council's share of the anticipated savings. While we are optimistic the matter will be resolved, we have prudently not accounted for receipt of the rebate in the 2018/19 accounts.

(ii) Social Work – Children & Families (over budget by £1.904m)

The overspend has reduced by £0.155m from the position reported in January 2019, mainly due to reducing numbers of children being looked after in care settings. 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 placements and external) and After Care provision.

The impact of young people remaining longer in placement (Continuing Care) resulting from new duties stemming from the Children and Young People (Scotland) Act is impacting significantly on expenditure. Financial support now extends from age 18 to 26; this is having a significant impact on the Children & Families budget, which used to conclude support when a young person reached 18 years of age.

Numerous workstreams underpinning the Closer To Home Strategy are well underway and there are many 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.

Appropriate and attractive options for young people to move from residential/foster care placements to locally based supported accommodation are due to come on-stream and will create a significant step in budget management and is expected to deliver further overspend reducing results in 2019/20. The transformational change process

enables 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 sustainable support to vulnerable children.

(iii) Criminal Justice (under budget by £0.042m)

The majority of Criminal Justice expenditure is funded by ring-fenced Section 27 grant and this division is slightly under budget for the year.

Development Services (over budget by £0.300m: 1.0%)

The Service is over budget by £0.300m. It should be noted that there are significant compensating variances within this balance. The main reasons for this include an overspend in Waste due to additional costs associated with the collection and disposal of waste. The new waste charter compliant recycling option, which will be introduced in late 2019/20, is anticipated to significantly reduce this ongoing overspend in 2019/20 and should eliminate it by 2020/21. There were also overspends in both Roads and Grounds Maintenance resulting from income being lower than budget and increased fleet hire costs. These were partly offset by savings in employee costs, reduced transportation contract costs and increased income within Bereavement Services and Building Standards.

Corporate & Housing Services (under budget by £1.774m; 6.5%)

(i) General Fund Housing (under budget by £0.521m)

This underspend is primarily due to staff savings within Private Sector Housing and Homelessness along with savings within third party payments. As per the decision at the January Executive, the Supporting People budget was transferred from Social Work Adult Services to General Fund Housing.

(ii) Central Support Services (under budget by £1.061m)

Savings within staffing costs across all central support services (£1.262m) is the most significant factor contributing to the underspend. This, along with an underspend in property costs and a lower than anticipated bad debt provision within Housing Benefit, is partially offset by increased ICT costs and a reduced recharge of costs to non-general fund services of £0.140m. The overall effect is to reduce the projected costs of Central Support Services to the General Fund by £1.061m.

(iii) Miscellaneous Services (under budget £0.192m)

There were various underspends across Miscellaneous Services mainly within general supplies & services and pensions costs.

Adult Services Infrastructure & Support (under budget by £0.086m; 2.4%)

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 favourable outturn is contributed by savings related to procurement recharge.

Employee Related Liabilities £0.128m

The actual cost of compensatory lump sums paid as a result of employees leaving through voluntary severance was £0.128m.

Capital Financing Costs (underspend £0.601m: 3.5%)

Members were previously advised that because of slippage in the 2017/18 Capital Programme that there was likely to be an underspend of £0.6m in the 2018/19 Loan Charges. It should also be noted that the outturn figure for Loan Charges includes an additional voluntary debt repayment of £1m. As part of the Council's 5 year Business Plans which were reported to Members at the May Executive, Treasury Management activities were highlighted as an area which would be reviewed and restructured to secure future Revenue Budget savings. The additional £1m General Fund debt repayment is an integral part of this review and restructure. This is also reported in the Capital Programmes Outturn 2018/19 and the Treasury Management Annual Review 2018/19, which are separate agenda items at this meeting.

Council Tax (on budget)

The volume of new properties added to Valuation List was below original forecast which, combined with a higher than expected cost of new care leavers relief, created a potential shortfall. However this was offset by a modest increase in yield following a periodic review of exemptions and discounts and a very healthy collection rate for historical debts, which reduced the bad debt provision that was required.

General Revenue Grant (under budget by £1.004m: 0.5%)

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 has been utilised in 2018/19.

4.1.4 Integration Joint Board [IJB]

For 2018/19, a net sum of £62.517m (£60.776m from General Fund) was passed to the IJB. It is for the IJB to manage its expenditure within the resources provided. Members should be aware that this delegated budget reported a small underspend by £0.128m, mainly due to low expenditure in several earmarked funding schemes.

Throughout the year, the Service faced sustained pressure on the costs of home care provision. This financial pressure was alleviated with various non-recurring savings available to the IJB. A working group was tasked with reviewing the home care service to improve efficiency in order to meet rising demand. This work is anticipated to improve the financial pressures in 2019/20, albeit demand remains a challenge.

4.2 Trading Account

- 4.2.1 The overall surplus of Building Maintenance was £0.731m, which was £0.06m higher than budget. This was due to operational efficiencies arising from the BMD redesign project.

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	13
Voluntary Severance	163	137	28	17

Overall, from March 2015 to March 2019, headcount and FTE have moved as follows:

	March 2015	March 2016	March 2017	March 2018	March 2019
Headcount	7,436	7,123	7,022	7,002	7,039
FTE	6,267	6,012	5,906	5,905	5,943

4.4 Housing Revenue Account (HRA)

- 4.4.1 Overall, the HRA spending of £67.971m (Appendix 2) is in line with budget. Savings in staff costs and central support costs 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.

- 4.4.2 The reserve balance brought forward at 1 April 2018 was £5.093m and no reserves were applied 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 £7.5m - £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 £11.342m at March 2019 prior to applying £1m to fund the Falkirk Community Trust 2019/20 budget gap. The projected balance reported to Members in January was £10.625m. 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, a significant sum.

4.5.3 The following paragraphs provide details 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

Strategic Property Review (£0.729m)

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 was earmarked to assist these works and reports are being supplied to the Executive advising of investment plans for these assets. £0.021m was spent during 2018/19 on developing the project with the balance carried forward to be utilised in 2019/20.

Social Work Services Properties (£0.071m)

As at 1 April 2018 a balance of £0.105m was retained for major repairs on social work properties. In 2018/19, £0.034m was spent to fund a list of jobs identified in the condition survey. The balance has been committed for the work that is scheduled in the new financial year.

Falkirk Community Trust ICT (£0.138m)

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. A sum of £0.135m was paid to the Trust, through the service payment arrangements, for works completed

to date with the balance being carried forward to be paid to the Trust on completion of the remainder of the works.

General Fund Housing (£0.032m)

From the balance of £0.267m as at 1 April 2018, £0.035m was utilised to upgrade the Council's hostel accommodation to help reduce future accommodation and support costs and £0.200m was returned to the General Fund with the remaining balance carried forward to be utilised in 2019/20.

Mobile & Flexible Working (£0.214m)

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. £0.033m of this balance was used in the current year with the balance carried forward to be utilised over the next 2 years.

Payroll (£0.100m)

A sum of £0.100m has been earmarked for the upgrade of payroll systems which will be utilised in 2019/20.

Building Maintenance (£0.245m)

A Repairs & Renewals reserve of £245k was created from the BMD trading surplus. This reserve will be used in 2019/20 to complete improvements to the Inchyra Road Depot, Grangemouth as part of the BMD redesign phase 2 Council of the Future Project.

4.5.5 Earmarked Reserves

The position with each of the funds is as follows:

Insurance Fund (£5.803m)

The Fund is actuarially valued every three years and as previously advised to Members, was subject to an independent actuarial valuation 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. The Fund balance has increase by £0.288m in 2018/19.

Devolved Schools Management (£1.149m)

The balance at 31 March 2019 was £1.149m. To help partially mitigate the overspend within Children's Services a sum of £0.795m was transferred to the General Fund. This included £0.245m for Outdoor Activities.

Of this £1.149m balance, £0.426m reflects the schools 2018/19 carry forward and ring fenced external monies that cover periods beyond the financial year end. The remaining balance of £0.723m has been earmarked to help proactively manage demographic pupil roll growth pressures and in year capacity expansion within the schools sectors. It also allows for places and support to be provided for eligible two year olds should demand from those qualifying families increase.

Economic Development (£0.279m)

The fund had a balance of £0.369m at the start of the year. £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. £0.29m was spent in relation to the dilapidation works and £0.061m was spent on the completion of the THI project with the balance of £0.279m carried forward to be utilised in future years.

Central Energy Efficiency Fund - CEEF (£0.282m)

Additional Salix funding was received to allow up to £1.140m of identified energy efficiency upgrade works to be completed. Under the terms of the funding, energy savings generated are required to pay-back into the fund in order to maintain an on-going balance for delivery of future projects. During 2018/19, £0.870m of capital projects were completed. After allowing for some minor adjustments (£0.017m), a fund balance of £0.282m was left at the year end. This will be used in 2019/20 on further energy efficiency projects.

Change Fund (£0.602m)

Members agreed as part of the 2018/19 budget process to earmark £0.700m to ensure that the programme of change projects agreed by Council under Council of the Future could be successfully delivered. £0.659m of the fund has been committed to projects with £0.098m spent in 2018/19 and the balance carried forward to be fully utilised in 2019/20.

Revenue Grants (£4.969m)

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 will be credited back to Services to appropriately match expenditure and will not affect the Council's overall position in 2019/20.

TIF Reserve (£0.710m)

TIF spend in 2018/19 was £0.679m which was substantially lower than the 2018/19 NDR income of £1.490m. This £0.811m surplus NDR income was applied to finance the 2018/19 loan charges and an additional voluntary debt repayment equating to £0.101m in total. The additional debt repayment essentially means that all TIF loans fund debt has now been repaid. The remaining £0.710m of surplus NDR income has been transferred to the TIF Reserve which will be applied to fund future capital spend and loan charges.

Spend to Save (£2.314m)

Executive previously agreed to fund the following projects

SWIS Project Manager

£0.080m was earmarked for the recruitment of a project manager 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. This funding was fully spent, £0.040m in 2017/18 and a further £0.040m in 2018/19

Health & Social Care Partnership

£0.325m was provided to support Social Work Adult Service delivering the Savings approved and transformational changes. The full amount of £0.325m was 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 was fully utilised in 2018/19.

Mental Health Officer Training

A balance of £0.033m remains to enable Social Work staff to be trained as Mental Health Officers. It is anticipated that this will be fully utilised in 2019/20.

Voluntary Severance

The remaining balance of £2.281m will be carried forward to 2019/20 and is earmarked to help cover the costs of voluntary severance reflected in the five year business plan.

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 £0.831m (0.2%) 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 reserve position e.g. with respect to historic child abuse claims.

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 £341.7m which is £0.831m (0.2%) above the resources available. The projected General Fund balance for 2018/19 is £10.342m.
- 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

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Date: 6 June 2019

APPENDICES

Appendix 1 – General Fund Outturn Statement 2018/19

Appendix 2 – Housing Revenue Account 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 31/03/2019

	Budget	Projected	(Fav)/ Adv		Previous
	£'000	Outturn	Variance		(Fav)/ Adv
		£'000	£'000	%	Variance
					£'000
Childrens Services	190,284	192,235	1,951	1.0	1,495
Social Work - Adult Services	3,569	3,483	(86)	(2.4)	39
Development Services	28,643	28,943	300	1.0	-
Corporate & Housing Services	27,134	25,360	(1,774)	(6.5)	(834)
Trading Accounts	(670)	(731)	(61)	9.1	(2)
Sub - Total	248,960	249,290	330	0.1	698
Falkirk Community Trust	11,086	11,086	-	-	-
Valuation Board	1,245	1,215	(30)	(2.4)	-
Integration Joint Board	60,776	60,776	-	-	-
Employee Related Liabilities	-	128	128	-	75
Capital Financing Costs	15,860	15,259	(601)	(3.8)	(600)
Earmarked Funds (Appendix 3)	2,453	2,453	-	-	-
NET EXPENDITURE	340,380	340,207	(173)	(0.1)	173
Financed By :					
Revenue Support Grant	208,418	207,414	1,004	0.5	1,004
Non-Domestic Rates	65,958	65,958	-	-	-
Council Tax	63,704	63,704	-	-	-
Earmarked Funds (Appendix 3)	-	-	-	-	-
NET INCOME	338,080	337,076	1,004	0.3	1,004
SURPLUS/(DEFICIT)	(2,300)	(3,131)	831	0.2	1,177
Add : General Fund Surplus as at 1 April 2018		13,077			
Transfers (to)/from Earmarked Funds (Appendix 3)		1,396			
General Fund Balance as at 31 March 2019		11,342			
Applied Reserves to 2019/20 Budget - FCT		1,000			
General Fund Balance as at 1 April 2019		10,342			

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	5,781	4,694	(1,087)	(18.8)	(1,341)
Property Expenses	22,852	24,418	1,566	6.9	12
Transport Expenses	17	16	(1)	(5.9)	-
Supplies and Services	5,246	5,517	271	5.2	-
Third Party Payments	1,923	2,002	79	4.1	-
Support Services	4,777	4,460	(317)	(6.6)	(300)
Capital Charges	20,765	25,450	4,685	22.6	1,600
Sub-Total	61,361	66,557	5,196	8.5	(29)
Integration Joint Board	1,414	1,414	-	-	-
Compensatory Lump Sums	-	-	-	-	-
Gross Expenditure	62,775	67,971	5,196	8.3	(29)
Income	62,775	67,971	5,196	8.3	(29)
Surplus/(Deficit)	-	-	-		-
Add: Surplus brought forward at 1 April 2018		5,093			
Projected Surplus at 31 March 2019		5,093			

ANALYSIS OF REPAIRS & RENEWALS FUND

Service		Balance 01/04/2018 £'000	Transfers In £'000	Spend £'000	Transfers Out £'000	Balance 31/03/2019 £'000
Development	Roads	80	-	(53)	-	27
	Roads - Signage	100	-	(100)	-	-
	Strategic Property Review	750	-	(21)	-	729
	Crematorium	76	-	(27)	-	49
	Birkhill Mine Demolition	38	-	-	-	38
	Pavilion Improvement	5	-	-	-	5
Social Work	Older People's Accommodation	105	-	(34)	-	71
FCT	ICT	183	90	(135)	-	138
Corp & Housing	Printworks	44	-	(5)	-	39
	Procurement	102	-	-	(102)	-
	General Fund Housing	267	-	-	(235)	32
	Citizens Advice Bureau	111	-	(111)	-	-
	Mobile & Flexible Working	247	-	-	(33)	214
	Payroll	-	100	-	-	100
Building Maintenance		-	245	-	-	245
TOTAL		2,108	435	(486)	(370)	1,687

ANALYSIS OF INSURANCE FUND

Description	Balance 01/04/2018 £'000	Transfers In £'000	Spend £'000	Transfers Out £'000	Balance 31/03/2019 £'000
Insurance	5,515	288	-	-	5,803

ANALYSIS OF GENERAL FUND EARMARKED RESERVES

Description	Balance 01/04/2018 £'000	Transfers In £'000	Spend £'000	Transfers Out £'000	Balance 31/03/2019 £'000
Devolved Schools Management	2,142	-	(198)	(795)	1,149
Economic Development	369	-	(90)	-	279
Central Energy Efficiency	522	613	(853)	-	282
Change Fund	-	700	(98)	-	602
Revenue Grants	3,212	7,947	(6,190)	-	4,969
Spend to Save	2,870	-	(325)	(231)	2,314
TIF	-	710	-	-	710
TOTAL	9,115	9,970	(7,754)	(1,026)	10,305

OVERALL TOTAL	16,738	10,693	(8,240)	(1,396)	17,795
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OVERALL NET MOVEMENT

1,057