

**FALKIRK COUNCIL**

**Subject :** FINANCIAL POSITION 2009/10  
**Meeting :** POLICY & RESOURCES COMMITTEE  
**Date:** 11 August 2009  
**Author :** DIRECTOR OF FINANCE

**1. INTRODUCTION**

- 1.1 This report presents the first update on the financial position of the Council for 2009/10 and reflects my assessment of the situation after the first quarter of the year.

**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.

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

Education (+£0.482m; 0.3%)

Increased spending on residential schools represents the majority of the excess over budget.

Social Work Services (+£3.251m; 4.1%)

The pressure areas behind the 2008/09 overspend of Residential Care for Children, Community Care Purchasing and Adult 24 Hour Care are continuing and are some £4.3m above budget. While there is some beneficial impact arising from additional income and savings in staff costs, the overall projected overspend is still £3.25m. The Service is fully aware of the critical need to take all reasonable steps to reduce the projected overspend.

General Fund Housing Services (+£0.360m; 10.4%)

Higher than anticipated expenditure on bed and breakfast accommodation is again the main reason for the projected overspend although the measures previously agreed by Housing and Social Work Services Committee are having a positive effect in accommodating the homeless.

Development Services (+£0.150m; 0.6%)

The excess over budget is wholly attributable to expenditure associated with the Local Plan Inquiry for which budgetary provision was originally made in 2008/09.

Miscellaneous Services (+£0.188m; 2.3%)

Income from interest on internal balances is now expected to be below budget due to the continuation of very low interest rates.

Central Support Services (+£0.200m; 0.9%)

Although overall spending on support service functions is expected to be 0.4% below budget, a higher proportion of these costs are expected to be recharged to the General Fund.

Capital Financing Costs (-£1.395m; 30.4%)

I am forecasting a significant reduction of almost £1.4m due to the combined impact of very low interest rates and a lower debt level at the start of the year.

Council Tax (+£0.250m; 0.4%)

While attaining high collection levels during the recession will be challenging, I anticipate that overall income from Council Tax will be around £0.25m higher than assumed in setting the budget.

**3. TRADING ACCOUNTS**

The Council's two Statutory Trading Accounts of Building Maintenance and Roads are expected to generate additional surpluses of £0.160m, due largely to additional income within Building Maintenance.

**4. HOUSING REVENUE ACCOUNT**

Net expenditure is forecast to be £0.229m higher than planned, as a result of cost increases in repairs and void properties, mitigated to an extent by savings from staff vacancies.

**5. CONCLUSION**

Net General Fund expenditure at this early stage in the financial year is estimated to be £2.860m more than assumed in setting the Budget in February of this year. The projected overspend in Social Work services of £3.251m is, by far, the most significant factor. The Council began the year with reserves of £5.648m and this is projected to fall to £2.788m by March 2010. Consequently, all Directors should be instructed to take appropriate action to bring spending more into line with approved budgets. Members will be aware of the protracted issue of equal pay claims and the potential financial liability which could be around £6m. Any additional liability over and above the existing provision of £5m or from the ongoing Single Status appeals process will further reduce the Council's reserves.

Spending on services to council tenants within the HRA is estimated to be £0.229m above budget.

## **6. RECOMMENDATIONS**

Members are invited to:-

- (i) note this first projection of the amount of expenditure which is likely to be incurred in 2009/10 and,
- (ii) instruct Directors to take appropriate action to bring spending into line with the approved budget.

**Director of Finance**

**Date : 27 July 2009**

### **LIST OF BACKGROUND PAPERS**

1. Financial Monitoring Statements 2009/10

Any person wishing to inspect the above background papers should telephone Falkirk (01324) and 506300 ask for Mr Jannetta.