

FALKIRK COUNCIL

Subject: RESERVES STRATEGY UPDATE
Meeting: FALKIRK COUNCIL
Date: 5 December 2012
Author: CHIEF FINANCE OFFICER

1. INTRODUCTION

- 1.1 Following a report submitted to Policy and Resources Committee on 4 September 2012, the meeting of Falkirk Council on 26 September 2012 agreed inter alia that a report would be prepared detailing for each of the Council's Earmarked Reserves and the elements within the Repairs and Renewals Fund:
- the opening balance on the Reserve as at 1 April 2012
 - proposed spend
 - anticipated transfers in
 - any sums recommended for return to the Council's Uncommitted General Fund
 - estimated balance as at 31 March 2013
- 1.2 This report details the above and seeks approval for the proposed spend, transfers and sums returned to the Uncommitted General Fund.
- 1.3 Furthermore the report also proposes the use of Reserves to fund the up front costs required to deliver a range of Spend to Save initiatives.

2. PROPOSED USAGE**2.1 Earmarked Reserves**

	Devolved Schools Management £'000	Economic Development £'000	Central Energy Efficiency Fund £'000	Insurance Fund £'000
Balance at 1 April 2012	7,390	1,205	370	3,896
Proposed Spend (see below)	(3,166)	-	(100)	-
Proposed Transfers In	1,500	-	100	-
Proposed Sums Returned to Gen Fund	-	-	-	-
Estimated Balance at 31/03/13	5,724	1,205	370	3,896

Proposed spend is detailed as follows

Devolved Schools Management

Included in the opening balance of £7.390m is a sum of £2.212m representing the sum total of balances held at individual schools level for use by headteachers. An estimated sum of £1.5m therein is reflective of timing differences between the financial and academic years. This sum has now been spent by schools during the period April to June 2012 and schools will use their allocations for 2012/13 to build up a similar sum for carry forward into 2013/14.

In addition spend to date on completed project amounts to £340k and includes a modular classroom and the provision of nursery parking and drop off area. Funding of £1.255m has been earmarked for major projects including capacity easing works and car park improvements and a sum of £71k has been earmarked for Determined to Succeed/Positive Transitions.

Of the estimated balance of £5.724m at 31 March 2013, a sum of £541k is proposed to be carried forward as a result of timing differences between the receipt and payment of NPDO sums along with £2.212m representing the sum of the balances held at individual schools level for use by headteachers (of which an estimated £1.5m will again be spent between April – June 2013). In addition, £771k has been earmarked for possible projects in next financial year, £1m for budget savings with the balance being used as a potential buffer should timing differences affect the full achievement of planned budget savings.

Central Energy Efficiency Fund

£'000

Anticipated Spend to 31/03/13:

100

Includes installation of Heating Systems at Burnbrae OP Home

Economic Development

This fund is maintained to assist with delivery of economic development projects where the Council has a significant property related interest. Although no spend is earmarked at this stage, there is the prospect to utilise part of this Reserve to fund lease buyouts (e.g. at Central Park) under spend to save and other joint ventures with development partners.

2.2 **Repairs & Renewals Fund**

Please see Appendix 1 where the overall position showing all relevant services is set out.

Proposed spend can be detailed as follows

Printworks

£'000

Anticipated Spend to 31/03/13: Guillotine

22

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

The proposed transfer in of £7k represents the estimated surplus within Printworks for the current year.

Roads

£'000

Anticipated Spend to 31/03/13: Pothole Repairs

55

Waste Strategy

£'000

Estimated Spend to 31/03/2013

• Recycling Centre Maintenance/Upgrade	350
• Expansion of Recycling Provision	200
• Purchase of Recycling Bins	150
	<u>700</u>

It is proposed that the remaining balance of £440k as at 31 March 2013 is spent to continue the expansion of works as detailed above without impacting other service budgets.

Flood Prevention – Grangemouth & Bo’ness

£’000

Spend to date – payment to Scottish Water to facilitate the development of an integrated catchment model and study

200

Birkhill Mine Demolition

£’000

Spend to date – Approximately

75

It should be noted that this contract is currently in dispute with the contractor who is claiming in the region of £160k. It is therefore possible that the whole amount in the fund (£109k) will be utilised. Whilst Falkirk Community Trust are responsible for the operating budget for the mine, responsibility for demolition rests with the Council.

Pavilion Improvements

Estimated spend to 31 March 2013 – contribution to a joint initiative with the ETU and Community Justice Service for a series of refurbishments/restoration of football pavilions

50

Older Peoples Accommodation

Estimated spend to 31 March 2013 is £487k and has been earmarked for a variety of projects including boiler replacement, roof repairs, kitchen upgrades and purchase of assisted baths

A sum of £133k is proposed to be used as a budget saving within Social Work for 2013/14.

It is proposed that the remaining balance of £473k is used for further boiler replacements and projects including ventilation upgrades, a toilet extension, and a car park extension with disabled access.

Property and Plant Upgrade/Maintenance

Estimated spend to 31 March 2013 is £80k of which £40k has already been incurred re the demolition of the buildings at Seabegs Road. The balance of anticipated spend comprises an upgrade to the Joinery Manufacturing Unit and and purchase of Plant for the Building Maintenance Division.

General Fund Housing Furniture

The purpose of this element of the Repairs & Renewals Fund is to purchase and replace furniture packs in Private Sector Landlord and temporary accommodation. Work is currently being undertaken to establish an agreed cycle for the purchase and replacement of this furniture and Members will be kept informed of progress.

2.3 Uncommitted General Fund

The Financial Position report included elsewhere on the Agenda indicates that the Uncommitted General Fund is anticipated to be c£15m by the year-end however once account is taken of the recent decision to use Reserves to fund the continuation of certain bus routes then the figure should be closer to £14.5m. The use of Reserves as part of the 2013/14 budget process along with the potential application to spend to save initiatives as outlined at Section 3 will further reduce this balance and bring us closer to the strategy range.

2.4 **Housing Revenue Account (HRA)**

The Financial Position report included elsewhere on the Agenda indicates that the HRA balance is anticipated to be £5.8m by the year-end. Members did however note at the Council meeting of 8 February 2012 the use of Reserves as part of the 2013/14 budget. A final decision on the use of Reserves will however be taken by Council at the budget setting meeting early next year.

2.5 **Capital Reserves**

Capital Receipts Reserve

As noted in my previous report, this Reserve comprises proceeds from the sale of Council assets and the balance in this Reserve at 1 April 2012 was £5.172m. Monies are then transferred from this Reserve as they are applied in order to finance the Capital Programme. It is anticipated that £0.967m from this Reserve 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.

Capital Grants Unapplied Account

As noted in my previous report this Reserve comprises Section 75 contributions from developers as well as capital grants for which either no conditions apply, or they do apply and have not been met. The balance in this Reserve at 1 April 2012 was £4.737m and it is anticipated that £0.517m 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.

3. **SPEND TO SAVE INITIATIVES**

- 3.1 Consistent with best value and mindful of the financial pressures the Council will continue to face, Services have been encouraged to identify initiatives which will save the Council money over time. Examples of potential schemes are “refreshing the profession” in education, energy saving/carbon reduction and buying out commercial leases. Business Cases for these schemes are being worked up and will be brought before Members in due course. They will then be able to be assessed against appropriate criteria. This would include alignment with Council priorities, level of outlay relative to savings and the result payback period.
- 3.2 To facilitate the progression of these spend to save initiatives, it will be necessary to identify front-end resources. In consequence, it is proposed that a sum of £2m is transferred from the Council’s general fund reserve and earmarked for this purpose. This will represent a prudent deployment of reserves.

4. **OTHER MATTERS**

- 4.1 Members should note that Falkirk Community Trust has recently approved its own Reserves Strategy including the reasons for having Reserves, an approved range for the Unrestricted Reserve and suggested usage.
- 4.2 As part of the ongoing budget strategy a Medium Term Financial Plan has been developed which has resulted in the estimation of budget gaps for future years and this was reported to Policy and Resources Committee on 9 October 2012.

The plan contains certain assumptions for example

- Pay increases of 1% for 2013/14 and 2014/15, and 2% for 2015/16 and 2016/17
- Energy inflation of 6% from 2013/14 to 2016/17
- The same level of Grant Funding for 2015/16 and 2016/17 as has been agreed for 2014/15 (this is subject to review)
- Employers Pension increases of 0.5% pa throughout the plan
- Increase of £250k pa throughout the plan for Social Work demographics

4.3 Given the ability of movement in any of these assumptions and the resultant effect on the estimated budget gap, the plan should therefore be viewed as being robust but fluid.

4.4 In addition, the impact of certain variables such as Welfare Reform could have a significant impact.

5. CONCLUSION

5.1 As Members will note plans are in place for usage of the majority of these Funds and Reserves and spend is planned to take place either this year or next year.

5.2 An updated position on the Reserves will be reported to P&R Committee in January ahead of the budget.

6. RECOMMENDATIONS

Members are invited to:

6.1 **Note the position with Reserves and approve the spending plans as detailed in the report.**

6.2 **Agree that £2m be transferred from general fund reserves to fund spend to save initiatives, with specific proposals to be brought before Members in due course**

Chief Finance Officer

Date: 15 October 2012

Contact Officer: John Flannigan

LIST OF BACKGROUND PAPERS

NIL

ANALYSIS OF SUMS HELD IN REPAIRS & RENEWALS FUND

Service	Chief Executive	Corporate & Neighbourhood		Development					Social Work	
	Print -works	Property & Plant Upgrade & Maint	Gen Fund Housing Furniture	Roads	Waste Strategy	Flood Prevention G'mth Bo'ness	Birkhill Mine Demolition	Pavilion Improvement	Older People's Accommodation	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance 01/04/2012	153	111	639	55	1140	200	109	50	1,093	3,550
Proposed Spend *	(22)	(80)	-	(55)	(700)	(200)	(109)	(50)	(487)	(1,703)
Proposed Transfers In	7	-	-	-	-	-	-	-	-	7
Proposed Sums Returned to General Fund	-	-	-	-	-	-	-	-	-	-
Estimated Balance 31/03/13	138	31	639	-	440	-	-	-	606	1,854

* As set out in para 2.2 of report