

**FALKIRK COUNCIL**

**Subject :** FINANCIAL POSITION 2012/13  
**Meeting :** FALKIRK COUNCIL  
**Date:** 5 December 2012  
**Author :** CHIEF FINANCE OFFICER

**1. INTRODUCTION**

This report presents an update on the financial position of the Council for 2012/13 and reflects the situation as at 30 September 2012, the mid-point of the financial year.

**2. GENERAL FUND**

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.

In October I advised the Policy and Resources Committee that expenditure was forecast to be £2.399m or 0.7% below the budgeted level.

Following updated information received from Services net expenditure is now forecast to be £2.844m or 0.8% below the approved budget.

The most significant deviations from budget are described below:-

Education Services (under budget by £0.978m; 0.6%)

The forecast underspend is virtually unchanged, with savings of £0.4m in teaching costs, primarily due to turnover, with £0.2m savings in other staff costs, including overtime and travel expenses. As a result of ongoing improvements in the school estate through capital investment, it is expected that £0.4m of property budgets, specifically earmarked for building alternations and adaptations, will not be used. Spending on residential schools is also expected to be below budget, however as previously noted, this area is particularly volatile and there is an ongoing risk that costs could increase.

Social Work (under budget by £0.110m; 0.1%)

The Service continues to experience significant pressures arising from demand in purchasing childrens' residential care, adult residential care for older people and people with disabilities and adult home care. These pressures are offset by savings arising from staff vacancies, reduced expenditure on residential schools, and additional income from residential care charges and the NHS. The forecast underspend is a result of a backdated credit for a non-domestic rates appeal in respect of the Brockville building.

Corporate & Neighbourhood Services (under budget by £0.447m; 3.0%)

The majority of the underspend is expected to accrue from a lower bad debt requirement for Housing Benefit overpayments and savings in the cost of purchasing bed and breakfast places. There are also a number of small compensating variances across the other divisions of the service.

Miscellaneous Services (under budget by £0.440m; 3.8%)

Additional income from interest earned on internal balances is anticipated, with lower costs within the local tax collection and Registration functions.

Central Support Services (under budget by £0.378m; 1.7%)

The cost of both the Chief Executive Office and the corporate activities element of Corporate and Neighbourhood Services is forecast to be below budget, with savings from vacant posts the most significant factor. Savings are also anticipated in the operating cost of administrative buildings through lower rates, water and maintenance charges. The overall cost of support services recharged to the General Fund is estimated to be around £0.4m lower than the approved budget.

Capital Financing Costs (under budget by £0.343m; 6.9%)

The prolonged period of very low interest rates is the main contributory factor leading to the underspend.

Council Tax Income (£0.287m; 0.5% over budget)

Income from Council Tax is projected to be around 0.5% above budget as a consequence of incremental growth in the tax base.

General Revenue Funding (£0.148m, 0.1% over budget)

Additional Government Grant of £0.148m has been received in respect of the de-coupling of the Scottish Parliamentary and Council elections.

Non-Domestic Rates

Members will be aware that councils collect rates on non-domestic subjects on behalf of the Scottish Government. The aggregate value of rates collected is pooled nationally and redistributed to councils along with Government Grant. The monies redistributed are guaranteed by the Scottish Government who bear the risk of the aggregate value falling short of the national target. Following discussions with COSLA the Government introduced a "Business Rates Incentivisation Scheme" from April 2012 with a target for each council. Falkirk's target is £63.696m. Any council which exceeds their target is allowed to retain 50% of the excess. At the present time there are still a number of appeals with a significant value arising from the 2010 revaluation to be determined with any losses through the appeal process covering the three financial years from 2010/11. Based on the information I have received from the Assessor and having regard to the transactions which have arisen in the seven months since April 2012, I estimate at this stage that we will not meet or exceed the target referred to above, and therefore will not be eligible to receive any incentive payment. The situation will be monitored carefully and Members will be kept apprised should matters change.

### **3. TRADING ACCOUNTS**

The overall level of surpluses for both the statutory trading accounts (Building Maintenance and Roads) is forecast to be very close to budget. Additional spending on sub-contractors and employee costs is matched by additional income.

### **4. HOUSING REVENUE ACCOUNT**

Additional rental income from commercial properties, reduced costs in respect of Central Support, staff vacancies and Capital Charges are partly offset by increased property costs to give a forecast underspend of £0.718m. An insurance claim has been compiled in respect of costs arising from the severe winter weather at the beginning of 2012 and this could yield a significant sum if successful. Negotiations with our insurers are ongoing.

## **5. CONCLUSION**

This latest assessment of the financial position for 2012/13 indicates an underspend in General Fund of c£2.8m compared to budget with year-end reserves now forecast to be c£15.0m as at 31 March 2013. Account however needs to be taken of the recent decisions to use Reserves to fund the continuation of certain bus routes and the lease buy out at 5 Central Park which will result in the overall level of Reserves being reduced. In addition, proposals are being presented to Members elsewhere on the agenda for deploying some of those reserves on spend to save initiatives.

Spending within the HRA is forecast to be c£0.7m below the planned level, with year-end reserves projected to be c£5.8m.

## **6. RECOMMENDATION**

**Members are invited to note the latest projection of revenue account spending for 2012/13.**

**Chief Finance Officer**

**Date : 25 October 2012**

### **LIST OF BACKGROUND PAPERS**

1. Financial Monitoring Statements 2012/13

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