

FALKIRK COUNCIL

Subject : FINANCIAL POSITION 2012/13 - PROVISIONAL OUTTURN
Meeting : EXECUTIVE
Date: 18 June 2013
Author : CHIEF FINANCE OFFICER

1. INTRODUCTION

- 1.1 This report presents the provisional outturn on the financial position of the Council for 2012/13. The draft accounts process is almost complete and the figures are subject to final audit review. Any further adjustment to these figures will be reported back to the Executive.

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.

In my report to Policy & Resources Committee in January, I advised that net expenditure after eight months was forecast to be £2.704m lower than planned. This final forecast indicates that net expenditure has further reduced by £1.992m primarily in Social Work, Corporate & Neighbourhood and Miscellaneous Services. The main reasons for this movement are explained in the Service analysis below, along with the reasons for significant overall deviations from budget:-

- 2.2 Education Services (under budget by £0.944m, 0.6%)

The forecast is largely unchanged with reduced employee costs, particularly teachers, primarily contributing to the Service's overall underspend. There were further savings in operational costs including transport costs and residential schools. Although residential school expenditure can be volatile, a combination of reduced demand and alternative service delivery methods have both helped to bring expenditure below budget.

Social Work Services (under budget by £0.969m; 1.1%)

Throughout the year the Service experienced significant pressures arising from demand in purchasing childrens' residential care and adult home care. These pressures were offset by savings arising from staff vacancies, reduced expenditure on residential schools, non-domestic rates and additional income from residential care charges and the NHS. The movement from month eight is primarily a result of the demand for purchasing adult residential care being less than anticipated. It should be noted that this element of the budget is highly volatile and in previous years has contributed to significant overspends.

Development Services (over budget by £0.138m; 0.3%)

The overspend of £0.138m is primarily a result of the decision to procure replacement bus services until 31 March 2013 to be funded from Reserves.

Corporate & Neighbourhood Services (under budget by £1.491m; 9.1%)

There were significant savings in the cost of purchasing bed and breakfast places, together with a range of savings in employee costs, administration of housing benefit, property costs and transport expenses. The movement from month eight is a result of savings in several areas including staff costs, transport costs and property costs across a number of headings and administration of housing benefit.

Miscellaneous Services (under budget by £0.808m; 7.2%)

There was additional income from interest received from revenue balances and lower costs within the local tax collection and Registration functions. Savings of £110k in the Fairer Falkirk Fund are being carried forward into 2013/14 as agreed in the report on Welfare Reform Update to Council of 6 March 2013. In addition, the replacement for the CRM system which was originally forecast to be spent will now be procured in 2013/14.

Central Support Services (under budget by £0.612m; 2.7%)

The cost of both the Chief Executive Office and the corporate activities of Corporate and Neighbourhood Services were below budget, with savings in vacant posts being the most significant factor. There were also savings in the running costs of buildings and a lower external audit fee.

Capital Financing Costs (under budget by £0.346m; 1.4%)

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

Compensatory Lump Sums (£0.440m)

Compensatory lump sums totalling £0.440m have been paid to individuals who have left the Council under Voluntary Severance arrangements during 2012/13. Related savings will accrue in future years.

Council Tax (under budget by £0.346m)

This is as a result of higher than anticipated growth in the tax base.

Revenue Support Grant (under budget by £0.365m)

My report to Policy & Resources Committee in January explained that £0.172m was primarily a result of the de-coupling of the Scottish Parliament and Council elections. Since then, a further £0.193m has been received to cover set up costs associated with the introduction of the Scottish Welfare Fund and Council Tax Reduction Scheme. These costs will be incurred in 2013/14.

Insurance Fund

A report on the Actuarial Review of the fund is contained elsewhere on the agenda. A transfer to the fund of £0.550m is recommended to help mitigate the impact of future claims from the MMI liability and deal with the shortfall on the fund.

3. TRADING ACCOUNTS

- 3.1 The level of surpluses from the two statutory trading accounts is slightly below the approved budget. Increased expenditure on employee, transport, materials and sub-contractor costs is almost matched by additional income. Both Building Maintenance & Roads will meet their statutory objective.

As from financial year 2013/14, it is proposed to change the status of the Roads Trading Account to a recharge account by merging the costs with the Client function to form an individual Service Unit. The principal reason for this change in accounting practice is that the Client and Contractor are within the same Service thus creating an unnecessary level of bureaucracy to maintain a system where the Service is effectively charging itself. This approach is therefore in keeping with the efficiency agenda.

Discontinuance of trading accounts has been replicated across Scotland, with Audit Scotland over the years reporting an increasing number of Councils taking similar decisions. In respect of the Roads Service, fifteen have already taken such a decision, with a number of other Councils indicating that they are reviewing their current arrangements.

The measures to ensure the Service continues to demonstrate best value will remain in place, including benchmarking, competitive tendering, service review and production of key performance indicators.

4. REPAIRS & RENEWALS FUND AND EARMARKED RESERVES

- 4.1 A summary of the transactions and balances on the Repairs & Renewals Fund and Earmarked Reserves is included at Appendix 2.

5. RESERVES

- 5.1 The Council decided on 5 December 2012 to transfer a sum of £2m from the Uncommitted General Fund to an earmarked reserve specifically set up to fund the front end costs associated with Spend to Save initiatives. Decisions have now been taken to terminate 2 leases at Central Business Park totalling £1.8m and to fund the voluntary severance costs associated with a “Refreshing the Profession” initiative in Education Services costing £0.4m. Although funds from the Economic Development Reserve will help offset part of the costs associated with the lease buyouts, it will be necessary to deploy a further sum to the Spend to Save Reserve should the Council wish to fund the various additional projects which are currently being evaluated. A sum of £1.5m is recommended for this purpose.
- 5.2 In my report to Policy & Resources Committee in January, I mentioned that following the dissolution of the existing Police and Fire Joint Board from 31 March 2013, Reserve balances would be returned to constituent Councils. Following completion of this exercise and subject to audit, sums of £0.5m will be returned for Fire and £0.1m for Police. This is in line with previously reported expectations.

6. HOUSING REVENUE ACCOUNT

- 6.1 Spend within the Housing Revenue Account was £2.050m below the approved budget due to additional income from commercial properties, lower central support charges, savings in staff costs and lower capital costs, partly offset by increased property costs. An insurance settlement of £0.5m in respect of the severe winter weather at the start of 2012 has also been credited to the Housing Revenue Account. The HRA surplus at 31 March 2013 is £8.373m, including the insurance settlement and government grant carried forward and Members should note that £2.5m of this has been utilised to limit the rent rise in 2013/14. It is also planned to use the £0.742m government grant carried forward to fund improvements to our hostel accommodation in line with the purpose of the grant. In addition, work is planned to upgrade commercial properties held on the HRA and to fund continued improvements to our Estates and properties.

7. CONCLUSION

- 7.1 Net General Fund expenditure is £4.7m lower than assumed in setting the 2012/13 Budget. The varied factors which have had a material impact on spending levels are explained in Section 2 above with the majority having been reported throughout the financial year. This positive variation from budget is 1.4% of net expenditure and 0.9% of gross. Although the Revenue Balance at 31 March amounts to £14.0m, a sum of £2.3m was deployed in setting the Revenue Budget for 2013/14, leaving an available balance at 1 April 2013 of £11.7m.
- 7.2 Whilst this sum is above the guidance threshold in the Council's Reserves Strategy, this is a positive position to be in given the expected significant cuts in public funding over the next three years and the range of "shocks" such as the end to contracting out status which can materially impact on the Council's finances.
- 7.3 Spending within the Housing Revenue Account was £2.050m below budget, leading to year-end reserves of £8.373m after taking account of the additional £0.500m insurance receipt and £0.742m Government Grant carried forward.
- 7.4 Finally, it should be noted that the above figures are subject to any further adjustments that may arise from the audit process.

8. RECOMMENDATIONS

Members are invited to:-

- (i) note the Council's year-end financial position for 2012/13
- (ii) approve transfers (receipts) to the Repairs & Renewals Fund and Earmarked Reserves as noted at Appendix 2
- (iii) approve a further sum of £1.5m to be set aside within the Revenue Balance to fund future Spend to Save projects.
- (iv) Approve the discontinuation of the Statutory Trading Account for Roads.

Chief Finance Officer

Date : 17 May 2013

LIST OF BACKGROUND PAPERS

1. Financial Monitoring Statements 2012/13

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