

FALKIRK COUNCIL

Subject : SPEND TO SAVE PROPOSALS
Meeting : EXECUTIVE
Date: 6 August 2013
Author : CHIEF FINANCE OFFICER

1. INTRODUCTION

- 1.1 This report lists various Spend to Save projects proposed by Services and Falkirk Community Trust for consideration by Members.

2. BACKGROUND

- 2.1 Members will recall that at the meeting of Falkirk Council on 5 December 2012, it was agreed that a sum of £2m be transferred from general fund reserves to fund spend to save initiatives. At the Executive meeting on 18 June 2013, it was agreed to set aside a further sum of £1.5m for the same purpose.
- 2.2 In my Reserves Strategy Updates to Council on 5 December 2012 and to Policy and Resources Committee on 12 February 2013, it was noted that there was the prospect of using a large part of the Economic Development Reserve to fund lease buy outs (e.g. at Central Park). The balance on this Reserve at 31 March 2013 is £2.151m.

3. PROJECTS APPROVED TO DATE

- 3.1 Several schemes have already been approved by Members as noted below:

<u>Scheme</u>	<u>Funding £'000</u>	<u>Annual Budget Saving £'000</u>	<u>Payback Period</u>	<u>Approved by</u>
Refreshing the Teaching Profession I	300	300	1	Council 13/02/13
Municipal Buildings Alarm	160	42	4	Council 13/02/13 Executive 18/06/13
9 Central Park Lease Buy Out *	1,500	461	3.25	Council 06/03/2013
5 Central Park – Lease Buy Out *	300	80	3.75	P&R 13/11/12
	2,260	883		

* Members should note that lease buyout payments have now been made.

- 3.2 Taking the transfers to the fund totalling £3.5m and deducting from that sum, the cost of what has been approved to date (£2.26m), this would leave a sum of £1.24m available for use prior to any usage of the Economic Development Fund.

- 3.3 Given that £1.8m of cost has been incurred on lease buyouts and that this Reserve was established to cover the risk on these lease deals, it is recommended that a sum of £0.800m is used from the Economic Development Reserve to assist in financing this cost. If so agreed, this would provide an amount available to fund future projects at £2.040m.

4. PROPOSED SCHEMES

- 4.1 The following schemes have been costed and proposed by Services and are summarised below.

<u>Funding</u>	<u>Annual</u>	<u>Payback</u>
<u>Requested</u>	<u>Saving</u>	<u>Period</u>
<u>£'000</u>	<u>£'000</u>	

4.2 Falkirk Community Trust – Health & Fitness Facility

The Trust is requesting a sum of £1m to allow it to develop a health and fitness suite located in either a vacant retail unit in Stenhousemuir or at Falkirk Community Stadium (preferred option). The proposal demonstrates the Trust's commitment to delivering quality services to the community, supporting and improving their general health and well being, whilst generating additional income to meet their longer term objective of protecting community services, a key benefit anticipated by the establishment of the Trust.

An initial business case identifying a gap in the market has been produced by the Trust with assistance from three commercial companies. It is attached as an appendix to this report but is exempt from publication on the basis that it contains information relating to the financial and business affairs of an arms length company. Development Services (who were not initially approached due to time constraints) think the costs may be a bit 'light' however the Trust do not wish to commission further works until a decision in principle is made by the Council on funding.

Estimated surpluses are around £350,000 per annum after the first year. Further dialogue will need to be entered with the Trust to determine the appropriate manner in which the surpluses will be dealt with between the Council and the Trust. This could include looking at a combination of reduced service payments and earmarking surpluses for much needed reinvestment in the assets utilised by the Trust.

1,000	350	3
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The Trust is keen to pursue this development and is considering alternative financing arrangements if the request for funding is not accepted by the Council.

	<u>Funding Requested £'000</u>	<u>Annual Saving £'000</u>	<u>Payback Period</u>
4.3 <u>Central Park – Lease Buyout</u> The company wishes to buy the property at Central Park which requires the Council to buy out the existing head lease. The cost of the buy-out is £0.690m, saving the Council the annual rental of £0.230m, giving a 3 year payback. A separate report is included on today's agenda which gives further details of this proposal and the decision on this proposal will fall to be taken when that report is considered.	690	230	3
4.4 <u>Refreshing the Teaching Profession II</u> Following the successful implementation of Phase I as approved by Council as part of the 2013/14 Revenue Budget which resulted in 36 offers of severance being made, a proposal has now been made to make offers under Phase II to a further 20 staff. Although the level of these savings from the 20 staff will be lower than that achieved under Phase I they nonetheless will deliver a good return on the initial investment of £0.125m	125	125	1
4.5 <u>Street Lighting</u> The largest saving in the lighting energy budget can be achieved by reducing the wattage in our highest rated lamps from 250 watts to 150 watts on main traffic routes. The lighting levels will still comply with BS 5489 albeit at a lower level. With regards to road safety and potential insurance claims against the Council, this proposal is compliant with BS5489 in relation to the required lighting levels for the classification of road. The cost of converting/replacing the lanterns is £225k achieving savings of £0.097m.	225	97	3
Total costs and savings	2,040	802	
4.6 If all these schemes were approved by Members, the full amount of the Spend to Save Reserve would be utilised as follows:			
<u>Funds</u>	<u>£'000</u>		
Spend to Save Reserve	3,500		
Transfer from Economic Development Reserve	800		
	<u>4,300</u>		
<u>Projects</u>			
Previously approved	2,260		
Proposed in this paper	2,040		
	<u>4,300</u>		
Balance	-		

5. CONCLUSION

- 5.1 The schemes listed in Section 4 above are all worthy of consideration having a payback period of 4 years or under. If approved they will make a significant budget savings contribution for future years. Were Members to accept all the proposals in section 4, officers would bring forward proposals to replenish the Reserve once a further round of Spend to Save projects were identified.

6. RECOMMENDATION

Members are invited to:-

- (i) consider the proposed Spend to Save schemes listed at Section 4 and in particular:-
 - a) Determine if the Trust proposal (4.2) should be approved in principle
 - b) Note that the Lease buyout (4.3) will be determined later in this agenda
 - c) Determine whether the Refreshing the Profession (4.4) and Street Lighting (4.5) projects should be approved.
- (ii) note that should Members approve the Trust proposal in principle, further engagement will be necessary to determine the location, confirmation of estimated costs and the treatment of the projected surplus.

Chief Finance Officer

Date : 9 July 2013

LIST OF BACKGROUND PAPERS

Appendix to this Report Not for publication by virtue of Paragraph 9 of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973.