

Financial Monitoring 2015/16 – General Fund Revenue

Report by Gary Fairley, Head of Finance and Integrated Service Support

1 Purpose of Report

The purpose of this report is to provide Council with information on performance against revenue budget in 2015/16 and details of the material variances.

2 Background

2.1 Budget Performance

The detailed budget performance figures shown in appendix 1 result in a net underspend of £0.270 million which is 0.14% of the revised budget for the year.

Performance against budget has improved by £1.328 million from that reported in February for quarter 3. The most significant movements between quarters 3 and 4 are:

Pressures

- An increased cost of £0.279 million for Waste Disposal due to higher than projected tonnage collected and changing market conditions for recycle. A detailed report on this was presented to Council in February;
- An increase cost of £0.299 million for insurance due to an unusually high volume of small claims over the winter period combined with 3 new higher value employer liability claims.

Favourable Movements

- A reduction in spend allocated by the Community Care Resource Panel of £0.696 million. The budget in this area is in excess of £28 million, is demand led and can be very volatile due to individual packages of care exceeding £0.100 million in some cases;
- A reduced cost of £0.391 million for routine and weather related costs for the roads network due to weather conditions;
- One off contract costs of £0.226 million for PPP funded schools due to contract variations for insurance costs and for malicious damage;
- A reduced cost of £0.194 million relating to running schools. Budgets in this area exceed £50 million;

- Further achievement of the Employee Performance factor of £0.185 million due to vacancies being held longer than anticipated at quarter 3;
- An improvement of £0.171 million in Planning and Building Standards fee income due to an increased volume of work.

Detailed information on material variances is contained in appendix 2 which identifies each variance, explains why it happened, outlines what action is being taken to control variances and details the impact of that action.

2.2 Council Transformation Programme

Council approved utilisation of £5.868 million of General Fund Reserve to fund costs associated with the ongoing transformation programme.

At the report date £2.950 million of this has been applied with future commitments of £0.715 million identified for 2016/17 and 2017/18. This leaves £2.203 million as uncommitted.

2.3 General Fund Reserve

The balance on the General Fund as at 31 March 2016 is as follows:

	£ million	£ million
Reserve as at 1 April 2015		21.315
Less earmarked reserves utilised in 2015/16		(5.851)
General Reserve at 1 April 2015		15.464
<i>Planned movements in reserves</i>		
Planned Enhancement	2.764	
Supplementary Estimates	(0.315)	
Scottish Government Grant funding previously earmarked for specific purposes	1.339	
Council Transformation Programme Costs	(0.368)	
One-off costs of VSER	(0.376)	
Workforce Reduction Savings from VSER	0.056	
Financial Discipline	0.416	
Earmarked Budgets carried forward to 2015/16	5.579	
Borders Rail	(0.181)	
Other	(0.023)	
		8.891
Underspend per appendix 1		0.270
General Fund Balance at 31 March 2016		24.625

An element of the General Fund is earmarked for specific purposes and this is shown below:

	£ million
General Fund Balance at 31 March 2016	24.625
<i>Earmarked for specific purposes</i>	
Budgets carried forward from 2015/16 to 2016/17	(5.579)
Budgets earmarked for Council Transformation	(2.203)
Borders Rail Economic Development Opportunities	(0.069)
General Reserve at 31 March 2016	16.774

Budgets carried forward from 2015/16 to 2016/17 include ring-fenced funding from partner organisations for clearly defined pieces of work of £2.811 million, budgets provided for specific purposes where spend has slipped into 2016/17 of £1.747 million and earmarked budgets for schools in accordance with the Devolved School Management Scheme of £1.020 million.

The uncommitted General Fund Reserve at 31 March 2016 is £16.774 million. A prudent level of uncommitted reserves is seen to be between 2% and 4% of net expenditure which equates to between approximately £4 million and £8 million. The General Reserve held exceeds this level. However there may be additional one-off costs associated with service transformation and workforce reduction and the reserve may also be required as a buffer to offset any further slippage in the achievement of planned savings.

3 Report Implications

3.1 Resource

Whilst this report deals with financial issues there are no financial implications arising directly from it.

3.2 Risk

Section 95 of the Local Government (Scotland) Act 1973 requires all Local Authorities in Scotland to have adequate systems and controls in place to ensure the proper administration of their financial affairs.

The assessment of performance against budgets by services is underpinned by comprehensive financial management and budgetary control arrangements. These arrangements are central to the mitigation of financial risk.

Ensuring that adequate systems and controls are in place minimises the risk of significant variances arising, and where they do arise they help to ensure that they are identified and reported on and that appropriate remedial action is taken where possible. The primary purpose of this report is to provide information on historic performance, however the material variances detailed in appendix 2 highlight that the financial management and budgetary control arrangements require continual review and enhancement if financial risk is to be effectively mitigated.

3.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- ☐ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☒ Business transformation and Best Value

☐ None of the above

3.4 Impact on Performance and Outcomes

The decisions taken to balance the budget will have fundamental implications for service performance and outcomes. The Council's Transformation Programme aims to minimise the impact on priority services.

3.5 Adopting a Preventative Approach

The proposals in this report do not directly impact on the adoption of a preventative approach.

3.6 Involving Communities and Other Stakeholders

No consultation was required.

3.7 Ensuring Equalities

There are no equality implications arising directly from this report.

3.8 Supporting Sustainable Development

There are no sustainability issues arising from this report.

3.9 IT Issues

There are no IT implications arising from this report.

4 Recommendations

It is recommended that Council note the contents of this report and consider the financial position in the context of the Financial Strategy for 2016/17 to 2021/22.

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Background Papers: