

Financial Monitoring 2014/15 – 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 2014/15 and details of the material variances.

2 Background

2.1 Budget Performance

The detailed budget performance figures shown in appendix 1 result in a projected net underspend of £0.344 million which is 0.18% of the revised budget for the year.

Performance against budget has improved by £0.710 million from that reported for quarter 1. The most significant developments are:

Pressures

- Demand led pressures of £0.525 million for secure placements for children and on the Community Care Resource Panel;
- An increase in the projected shortfall on Council Transformation savings targets for procurement, maximising attendance and Integrated Service Support of £0.360 million;
- An anticipated high value employers liability claim which results in a projected overspend of £0.197 million.

Favourable Movements

- A projected underspend of £0.392 million for teachers, primarily due to a lower than budgeted average salary per teacher;
- Slippage in the General Services Capital Plan provides an opportunity to delay long term external borrowing which generates revenue savings of £0.470 million;
- One-off underspends, mainly in relation to PPP contracts, of £0.312 million;
- Following a further review of budgets carried forward from 2013/14 it is anticipated that £0.397 million is not now needed in 2014/15.

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 £2.193 million of this has been applied with future commitments of £1.108 million identified for the remainder of 2014/15 through to 2016/17. This leaves £2.567 million as uncommitted.

2.3 Voluntary Severance and Early Retiral

Council in September were provided with an update on the impact of the time limited enhanced VSER scheme. The one-off costs associated with approved applications have subsequently been updated to £5.450 million. 2014/15 revenue budget savings have been updated to £0.765 million.

2.4 General Fund Reserve

The projected balance on the General Fund as at 31 March 2015 is as follows:

	£ million	£ million
Reserve as at 1 April 2014		20.511
Less earmarked reserves utilised in 2014/15		(4.791)
General Reserve at 1 April 2014		15.720
<i>Planned movements in reserves</i>		
Planned Enhancement	0.034	
Supplementary Estimates	(0.242)	
Council Transformation Programme Costs	(0.400)	
One-off costs of Management Review / VSER	(5.728)	
Workforce Reduction Savings from VSER	0.765	
Financial Discipline	0.571	
		10.720
Underspend per appendix 1		0.344
General Fund Balance at 31 March 2015		11.064

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

	£ million
General Fund Balance at 31 March 2015	11.064
<i>Earmarked for specific purposes</i>	
Further one-off costs associated with VSER	(1.000)
Budgets earmarked for Council Transformation	(2.567)
General Reserve at 31 March 2015	7.497

The uncommitted General Fund Reserve at 31 March 2015 is projected to be £7.497 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 shown is within 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:

- a) Note the contents of this report.

2nd December 2014

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Background Papers: