

Financial Monitoring 2016/17 – 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 2016/17 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 overspend of £1.771 million which is 0.88% of the revised budget for the year. This is a deterioration of £0.275 million on the quarter 2 position reported to Council on 8th November.

The main areas of variance are outlined below:

Pressures

- Demand led pressures in Adult Social Care, particularly the Community Care Resource Panel and in Home Care packages. They are currently projected to overspend by £1.646 million which is £0.081 million less than reported at quarter 2. Projections of spend in this area can be very volatile given the fluidity of demand and potential high value of individual packages of care;
- Running costs for Care Homes for Older people of £0.180 million;
- Slippage in the opening of Pentland House which has put additional pressure on Bed and Breakfast budgets for Homeless clients. An overspend of £0.411 million is currently projected;
- Loan charges are currently projected to be £0.264 million over budget due to less slippage in the General Services Capital Plan than anticipated;
- Achievement of Council Transformation Targets for procurement savings and for tactical reductions in contracted hours has slipped and is projected to overspend by £0.400 million.

Favourable Movements

- Demand for Residential and Day Care placements for children is lower than budgeted and some high value placements are now being provided in a different way. Spend in this area is now projected to be £0.956 million less than the budget of £3.900 million but is very volatile in its nature;
- A continued growth of properties in Midlothian will generate an improvement on budget of £0.600 million for Council Tax Income.

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 £7.718 million of General Fund Reserve to fund costs associated with the ongoing transformation programme.

At the report date £3.287 million of this has been applied with future commitments of £0.593 million identified for 2017/18 and 2018/19. This leaves £3.838 million as uncommitted.

2.3 General Fund Reserve

The projected balance on the General Fund as at 31 March 2017 is as follows:

| | £ million | £ million |
|--|-----------|---------------|
| Reserve as at 1 April 2016 | | 24.625 |
| Less earmarked reserves utilised in 2016/17 | | (5.947) |
| General Reserve at 1 April 2016 | | 18.678 |
| <i>Planned movements in reserves</i> | | |
| Planned Utilisation | (2.668) | |
| Supplementary Estimates | (0.605) | |
| Council Transformation Programme Costs | (0.337) | |
| One-off costs of VSER | (0.042) | |
| Other | (0.012) | |
| | | (3.664) |
| Overspend per appendix 1 | | (1.771) |
| General Fund Balance at 31 March 2017 | | 13.243 |

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

| | £ million |
|--|---------------|
| General Fund Balance at 31 March 2017 | 13.243 |
| <i>Earmarked for specific purposes</i> | |
| Approved contingency level of General Fund Reserve | (8.000) |
| Budgets earmarked for Council Transformation | (3.838) |
| Borders Rail Economic Development Opportunities | (0.027) |
| Available General Reserve at 31 March 2017 | 1.378 |

The uncommitted General Fund Reserve at 31 March 2017 is £9.378 million of which £8 million is earmarked as a contingency in the context of the continuing challenging financial outlook, the uncertainty associated with future years grant settlements, pay awards, the economic impact of Brexit and also the potential costs to come from the historic child abuse enquiry. This leaves the remaining £1.378 million as uncommitted.

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 2017/18 to 2021/22.

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Background Papers: