

Financial Monitoring 2013/14 – 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 the projected performance against revenue budget in 2013/14 and details of the material variances that are projected.

2 Background**2.1 Budget Performance**

The detailed budget performance figures shown in appendix 1 result in a projected net underspend of £1.264 million which is 0.65% of net expenditure.

Performance against budget has improved compared to the quarter 2 position. The main reasons are:

- A reduction in net operating costs for the Waste Service of £0.200 million;
- Further control of demand for placements of children reducing costs by £0.150 million;
- Reduced costs of planned contaminated land works of £0.132m;
- A further increase in projected income from Development Management and Building Standards fees of £0.080 million,
- A further increase in Council Tax Income as a result of continued household growth of £0.090 million; and offset by
- An increase in the net cost of Housing Benefits of £0.145m.

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 General Fund Reserve

The projected balance on the General Fund as at 31 March 2014 is as follows:

	£ million	£ million
Reserve as at 1 April 2013		14.083
Less earmarked reserves utilised in 2013/14		(5.762)
General Reserve at 1 April 2013		8.321
<i>Planned movements in reserves</i>		
Planned Utilisation/Enhancement of Reserves	(0.009)	
Supplementary Estimates	(0.471)	
Business Transformation Costs	(0.714)	
One-off costs of Staff Release	(0.326)	
Other	0.267	
		(1.253)
Underspend per appendix 1		1.264
General Fund Balance at 31 March 2014		8.332

The General Fund Reserve at 31 March 2014 is projected to be £8.332 million of which £0.734 million is earmarked for further Business Transformation work leaving the uncommitted reserve at £7.598 million. This is an improvement of £0.059 million compared to quarter 2.

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 comfortably within this level. However there will be further one-off costs associated with the Business Transformation programme which would reduce the general reserve and it may also be required as a buffer to offset any 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 endorse the contents of this report.

16th January 2014

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Background Papers:

Declaration Box

Instructions: *This box must be completed by the author of the report. The box will be copied and saved by the Council Secretariat who will delete it from the report prior to photocopying the agenda.*

Title of Report: *Financial Monitoring 2013/14 – General Fund Revenue*

Meeting Presented to: *Midlothian Council*

Author of Report: *Gary Fairley, Head of Finance and Integrated Service Support*

I confirm that I have undertaken the following actions before submitting this report to the Council Secretariat (Check boxes to confirm):-

- ☒ *All resource implications have been addressed. Any financial and HR implications have been approved by the Head of Finance and Human Resources.*
- ☒ *All risk implications have been addressed.*
- ☒ *All other report implications have been addressed.*
- ☒ *My Director has endorsed the report for submission to the Council Secretariat.*

For Cabinet reports, please advise the Council Secretariat if the report has an education interest. This will allow the report to be located on the Cabinet agenda among the items in which the Religious Representatives are entitled to participate.

Likewise, please advise the Council Secretariat if any report for Midlothian Council has an education interest. The Religious Representatives are currently entitled to attend meetings of the Council in a non-voting observer capacity, but with the right to speak (but not vote) on any education matter under consideration, subject always to observing the authority of the Chair.