

Revenue Budget 2014/15**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 a final update on the Revenue Budget for 2014/15 and present the final budget for approval.

2 Scottish Government Grant Settlement

There are no changes since Local Government Finance circular No 6/2013 was published on 11 December 2013. The recent announcement by the Scottish Government to provide free school meals for children in primaries 1 - 3 from January 2015 will incur additional costs which the Scottish Government have committed to fully fund. Details of the funding package are unknown at present and therefore it is not anticipated that this will be included in the Local Government Finance (Scotland) Order 2014 which is being presented to the Scottish Parliament in February 2014.

3 Cost of Services at Existing Levels

Table 1 below sets out the final projection of the cost of providing services at existing levels and is based on a number of assumptions on costs and income as previously detailed in the report to Council on 17 December 2013.

The final budget shortfall reflecting the revenue grant allocations and the completion of the base budget is:-

Table 1: Budget Shortfall 2014/15 – 4 February 2015

	2014/15
	£m
Cost of Services	191.987
Less:	
Scottish Government	150.6
Council Tax	38.8
Budget Shortfall	<u>2.587</u>

4 Fees and Charges

A report on Fees and Charges is on today's agenda and the recommendations if agreed would contribute to £0.060 million to the budget shortfall.

5 Bridging the Budget Shortfall

On 17 December 2013 Council noted that further operational savings of £0.039 million had been identified and approved a package of saving proposals totalling £0.527 million.

These together with the impact of the Business Transformation Programme are as follows:-

Table 2: Savings – 4 February 2014

	2014/15 £m	£m
Business Transformation		
- Service Reviews	0.381	
- Partnership Working	0.089	
- EWiM	0.165	
- Procurement	0.455	
- Integrated Service Support/Review of Structures	0.750	
- Maximising Attendance	<u>0.155</u>	
		1.995
Operational Savings		0.039
Service Savings		<u>0.527</u>
		<u>2.561</u>

6 Service Reviews

The additional savings which can be delivered in 2014/15 from the Service Review Programme is £0.381 million as detailed in table 3.

Table 3: Service Review – Additional Savings 2014/15

	2014/15 £m
Secondary Management Review	0.088
Janitorial & Facilities Management	0.055
Sport & Leisure	0.088
Cowan Court	<u>0.150</u>
	<u>0.381</u>

6.1 Finalised 2013/14 Budget

After incorporating the savings described at sections 4, 5 and 6, there is a net a reinstatement of reserve of £0.044 million.

Table 4: Final Budget Position - 4 February 2014

	2014/15 £m
Base Budget Shortfall	2.587
Less:	
Fees & Charges on today's agenda	0.060
Business Transformation	1.995
Financial Operational Savings	0.039
Service Savings	0.527
Reinstatement of Reserves	<u>(0.034)</u>

7 Reserves

The position and recommendation in respect of reserves are set out in the Financial Strategy 2015/16 to 2016/17 report on today's agenda.

8 Report Implications

8.1 Resources

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

8.2 Risk

Within any financial year's budget there are a number of inherent assumptions in arriving at figures and budget provisions, and therefore risks that may be faced if costs change or new pressures emerge. The following key risks and issues are highlighted in the context of the budget:

- Impact of economic climate on range of factors including: inflation, interest rates, employment, tax and income levels, service demands;
- Outstanding pay award settlements;
- Decision by Scottish Government on future years grant settlements and grant distribution;
- Extreme weather events (or other unforeseen events) and provision for immediate response as well as longer-term implications;
- Cost pressures exceeding budget estimates;
- Non-delivery or late delivery of planned savings, including those arising from reductions in the staffing establishment;

- Impact of Welfare Reform and Pension changes;
- The Replacement of Newbattle Community High School.
- The costs and funding provided for government policy changes such as the provision of free school meals.

The Budget process, the Council Transformation Programme and the Mi Future programme mitigates a number of these risks by improving forward planning, and the early identification of future saving proposals and increasing flexibility across the workforce.

8.3 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

8.4 Impact on Performance and Outcomes

The decisions taken to balance the budget have fundamental implications for service performance and outcomes. The Council will have available £189.3 million for the provision of services and the pursuit of the priorities set out in the Single Midlothian Plan.

8.5 Adopting a Preventative Approach

Whilst the proposals in this report do not directly impact on the adoption of a preventative approach, effective budget planning will in turn allow resources to be prioritised to support prevention.

8.6 Involving Communities and Other Stakeholders

The proposed changes in the staffing establishment will be subject to consultation in accordance with the Council's Human Resources policies.

8.7 Ensuring Equalities

There are no equality implications arising directly from this report. Each of the savings proposals was individually assessed and an overarching EQIA is prepared.

8.8 Supporting Sustainable Development

There are no sustainability issues arising from this report.

8.9 IT Issues

There are no IT implications arising from this report.

9 Summary

The final budget for 2014/15 is detailed in appendix 1 and results in a small reinstatement of reserves of £0.044 million.

10 Recommendation

It is recommended that Council approve the 2014/15 budget as summarised in appendix 1.

23 January 2013

Report Contact:

Gary Fairley, Head of Finance and Human Resources

Tel No: 0131 271 3110

gary.fairley@midlothian.gov.uk

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: *Revenue Budget 2014/15*

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.

MIDLOTHIAN COUNCIL

REVENUE BUDGET 2014/15 SUMMARY

	Budget 2014/15 £
SERVICE FUNCTION	
Management and Members	1,201,399
Resources	
Commercial Operations	15,124,338
Customer Services	11,523,741
Finance & Human Resources	5,185,030
Property & Facilities Management	13,491,889
Health and Social Care	
Adult and Community Care	38,162,522
Business Transformation	413,631
Housing and Community Safety	4,560,587
Education, Communities and Economy	
Children and Families	15,109,529
Communities and Support	5,497,763
Education	71,983,600
Planning & Development	1,827,427
Lothian Valuation Joint Board	555,551
Non Distributable Costs	2,628,036
GENERAL FUND SERVICES NET EXPENDITURE	187,265,043
Loans Charges	8,226,996
Investment Income	(701,706)
Business Transformation Targeted Savings	(1,685,000)
Centrally Held Budget Provisions	1,037,898
Allocations to Housing Revenue Account, Capital Account etc	(4,807,430)
NET EXPENDITURE	<u>189,335,801</u>
Utilisation / (Enhancement) of Reserves	(33,775)
Council Tax	38,815,576
Scottish Government Grant	150,554,000
TOTAL FUNDING	<u>189,335,801</u>