

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 projected net overspend of £1.363 million which is 0.69% of the revised budget for the year.

Performance against budget has deteriorated by £0.480 million from that reported at quarter 1. 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.

The main areas of variance are outlined below.

Pressures

- Demand led pressures in Children's Services;
- Expenditure pressures in Residential Care Homes for older people;
- Demand led pressures for the Community Care Resource Panel;
- Capacity issues with some external providers for Adult Social Care;
- Waste collection and disposal costs;
- Slippage in planned Transformation Savings.

Favourable Movements

- Council Tax income received;
- Borrowing Costs associated with the General Services Capital Plan and Treasury Management savings;
- Energy costs; and
- Savings in employee costs with vacant posts being held pending service reviews.

2.2 Council Transformation Programme Funding

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

At the report date £2.697 million of this has been applied with future commitments of £0.911 million identified for the remainder of 2015/16 through to 2017/18. This leaves £2.260 million as uncommitted.

2.3 General Fund Reserve

The projected 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		(5.907)
General Reserve at 1 April 2015		15.408
<i>Planned movements in reserves</i>		
Planned Enhancement	2.764	
Supplementary Estimates	(0.122)	
Council Transformation Programme Costs	(0.539)	
One-off costs of VSER	(0.274)	
Workforce Reduction Savings from VSER	0.056	
Financial Discipline	0.416	
Borders Rail	(0.250)	
Other	0.025	
		17.484
Overspend per appendix 1		(1.363)
General Fund Balance at 31 March 2016		16.121

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

	£ million
General Fund Balance at 31 March 2016	16.121
<i>Earmarked for specific purposes</i>	
Further one-off costs associated with VSER	(0.500)
Budgets earmarked for Council Transformation	(2.260)
General Reserve at 31 March 2016	13.361

The uncommitted General Fund Reserve at 31 March 2016 is projected to be £13.361 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 comfortably within this level. However there may be substantial one-off costs associated with further Early Release schemes and the reserve 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 Digital Issues

There are no digital implications arising from this report.

4 Recommendations

It is recommended that Council note the contents of this report.

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Background Papers: