

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 £1.430 million which is 0.72% of the revised budget for the year.

Performance against budget has improved by £1.096 million from that reported in December for quarter 2. The most significant developments are:

Pressures

- The mix of permanent, newly qualified and temporary teachers has increased the projected cost of teaching staff by £0.375 million;
- Demand led pressures of £0.153 million for the Community Care Resource Panel;
- An increase to the potential settlement value of a high value employers liability claim of £0.082 million.

Favourable Movements

- Additional Scottish Government Grant which covers policy initiatives already budgeted for of £0.565 million;
- The cost of benefits paid under the Council Tax Reduction Scheme is £0.245 million less than budgeted;
- Anticipated recoveries from clients that have been overpaid Housing Benefit of £0.201 million;
- Slippage in the General Services Capital Plan provides an opportunity to delay long term external borrowing which generates further revenue savings of £0.153 million;
- Additional income at Midlothian Snowsports Centre of £0.150 million;
- An increase in the dividend received from the Councils shareholding in Lothian Buses of £0.110 million;
- A further increase in Council Tax income as a consequence of the continued increase in chargeable dwellings of £0.100 million;

- A higher than expected contribution from clients to the cost of their care packages of £0.098 million;
- A reduction in the cost of absenteeism at Newbyres Village of £0.063 million. Detailed work is ongoing to reduce this further.

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 £2.203 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 £2.557 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 £5.582 million. 2014/15 revenue budget savings have been updated to £0.681 million.

2.4 City Deal Proposal

A report on the City Deal proposal was presented to Council in December outlining the potential benefits arising from investment across the Edinburgh City region which would complement opportunities already present from the Borders Railway development.

At this stage the cost of developing a proposal is estimated to be approximately £0.500 million which will be shared amongst partners. Midlothian's share of this is anticipated to be £0.025 million which will need to be funded by a supplementary estimate. Given the estimated General Fund Reserve position shown below and the potential long-term benefits that are envisaged from this investment Council is recommended to approve funding. A further detailed report on the proposal will be presented to Council in the near future.

The table in section 2.5 overleaf assumes Council will approve funding as requested.

2.5 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	(0.267)	
Council Transformation Programme Costs	(0.400)	
One-off costs of Management Review / VSER	(5.860)	
Workforce Reduction Savings from VSER	0.681	
Financial Discipline	0.571	
		10.479
Underspend per appendix 1		1.430
General Fund Balance at 31 March 2015		11.909

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

	£ million
General Fund Balance at 31 March 2015	11.909
<i>Earmarked for specific purposes</i>	
Further one-off costs associated with VSER	(1.000)
Budgets earmarked for Council Transformation	(2.557)
Borders Rail Economic Development Opportunities	(0.250)
General Reserve at 31 March 2015	8.102

The uncommitted General Fund Reserve at 31 March 2015 is projected to be £8.102 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 at the prudent end of 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) Approve a supplementary estimate of £0.025 million for the Councils contribution to the City Deal Proposal as outlined in section 2.4; and otherwise
- b) Note the contents of this report.

2nd February 2015

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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 201415 – 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.