

**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 £0.558 million which is 0.28% of the revised budget for the year.

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 £0.751 million but this can be volatile given the fluidity of demand and potential high value of individual packages of care;
- Running costs for Care Homes for Older people of £0.228 million;
- Slippage in the opening of Pentland House which has put additional pressure on Bed and Breakfast budgets for Homeless clients. An overspend of £0.229 million is currently projected;
- Loan charges are currently projected to be £0.283 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 £0.300 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 £0.912 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 £0.452 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 £5.868 million of General Fund Reserve to fund costs associated with the ongoing transformation programme.

At the report date £3.265 million of this has been applied with future commitments of £0.453 million identified for 2017/18 and 2018/19. This leaves £2.150 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)
<b>General Reserve at 1 April 2016</b>		<b>18.678</b>
<i>Planned movements in reserves</i>		
Planned Utilisation	(2.668)	
Supplementary Estimates	(0.273)	
Council Transformation Programme Costs	(0.315)	
One-off costs of VSER	(0.042)	
Other	(0.012)	
		(3.310)
Overspend per appendix 1		(0.558)
<b>General Fund Balance at 31 March 2017</b>		<b>14.810</b>

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

	£ million
<b>General Fund Balance at 31 March 2017</b>	<b>14.810</b>
<i>Earmarked for specific purposes</i>	
Budgets earmarked for Council Transformation	(2.150)
Borders Rail Economic Development Opportunities	(0.027)
<b>General Reserve at 31 March 2017</b>	<b>12.633</b>

The uncommitted General Fund Reserve at 31 March 2017 is £12.633 million. A separate report on the Reserves strategy is included on today's agenda. 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 held exceeds 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 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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**Report Contact:**

**David Gladwin Tel No 0131 271 3113**

**E mail [david.gladwin@midlothian.gov.uk](mailto:david.gladwin@midlothian.gov.uk)**

**Background Papers:**

