

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 performance against revenue budget in 2013/14 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 underspend of £5.320 million which is 2.84% of the revised budget for the year.

Performance against budget improved by £4.056 million from that shown in quarter 3 reported to Council in February. The following movement is a one-off for 2013/14:

- Housing Benefit overpayment recoveries not previously provided for of £0.811 million.

The other main movements are:

- A reduction in employee costs across the Council reflecting rigorous vacancy control and management of £0.724 million;
- A reduction in spend allocated by the Community Care Resource Panel of £0.471 million;
- A reduction in spend on Council Tax Benefit paid to claimants of £0.338 million;
- An increase in income from leisure activities at Lasswade High School Centre and at Midlothian Snowsports Centre of £0.277 million;
- A reduction in reactive repairs costs of £0.218 million;
- A reduction in IT maintenance costs and general slippage of £0.212 million;
- Additional income from Social Work clients who contribute towards the cost of their care packages of £0.185 million;

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.

Given the level of underspend being reported it is crucial that some further financial discipline work is carried out to assess which budgets can be reduced or in some cases simply removed. Financial Services will progress this through CMT with the outcomes subsequently incorporated into the Quarter 1 Financial Monitoring Report for 2014/15 due to be presented to Council in September.

The projected budget gap for 2015/16 to 2016/17 will be also be refined to reflect issues identified in the 2013/14 closedown process.

2.2 Equal Pay

The provision at 31 March 2014 for outstanding claims reduced to £2.078 million which results in an enhancement to the General Fund Reserve of £0.447 million.

2.3 Council Transformation Programme

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

At 31 March 2014 £2.112 million of this has been applied with future commitments of £1.144m identified for 2014/15 to 2016/17. This leaves £2.612 million as uncommitted.

2.4 General Fund Reserve

The 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 of Reserves	(0.009)	
Supplementary Estimates	(0.329)	
Council Transformation Costs	(0.596)	
One-off costs of Staff Release	(0.562)	
Transfer from Capital Fund to repay debt	2.500	
Earmarked Budgets carried forward to 2014/15	4.791	
Equal Pay – reduction in estimated liability	0.447	
Other	0.628	
		6.870
Underspend per appendix 1		5.320
General Fund Balance at 31 March 2014		20.511

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

	£ million
General Fund Balance at 31 March 2014	20.511
<i>Earmarked for specific purposes</i>	
Budgets carried forward from 2013/14 to 2014/15	(4.791)
Budgets earmarked for Council Transformation	(3.756)
General Reserve at 31 March 2014	11.964

The uncommitted General Fund Reserve at 31 March 2014 is £11.964 million which is £4.366 million more than last reported.

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 comfortably exceeds this level. However there will be substantial one-off costs associated with the current Early Release Scheme 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 IT Issues

There are no IT implications arising from this report.

4 Recommendations

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

4th June 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.