

Financial Monitoring 2012/13 – General Fund Revenue

Report by Gary Fairley, Head of Finance and Human Resources

1 Purpose of Report

The purpose of this report is to provide the Committee with information on performance against revenue budget in 2012/13 and details of material variances.

2 Background

2.1 Budget Performance

The detailed budget performance figures shown in appendix 1 result in a net overspend of £1.254 million which is 0.66% of net expenditure.

Performance against budget has improved by £1.300 million on that reported to Council in February. The most significant movements between quarters 3 and 4 are as follows:

Adverse Movements

- Winter Maintenance - £0.282 million;
- Insurance - known claims to be settled - £0.297 million;

Favourable Movements

- Teachers Average Salaries - £0.234 million;
- Rates rebates from successful appeals - £0.287 million;
- Payments to PPP contractors - £0.145 million;
- Income from clients and external contributions for Adult and Community Care - £0.239 million;
- Employee costs across Customer Services - £0.215 million;
- Subsidy on Housing and Council Tax Benefits overpayments - £0.196 million;
- Waste Disposal costs - £0.163 million;
- Employee costs in Communities and Support - £0.128 million;
- Council Tax income - £0.091 million.

Appendix 2 identifies each variance, explains why it happened, outlines what action is being taken to control variances and details the impact of that action. Financial services will lead a review into the detail behind material variances and also into reasons for movements in projections within the year to ensure that any forecasting issues are resolved and that any budgets requiring amendment or correction are dealt with as part of 2013/14 Financial Monitoring and future years budget setting.

2.2 Equal Pay

Equal pay settlements in the year amounted to £0.013 million. The provision at 31 March 2013 for outstanding claims increased to £2.624 million which results in an increase to the amounts charged to the General Fund in the year of £0.422 million.

2.3 Business Transformation

The Council earmarked £2 million of reserves to fund costs associated with business transformation.

At 31 March 2013 £1.508 million of this has been utilised with future commitments of £1.360 million identified. To meet the estimated commitments and to deliver transformational change it is therefore recommended that a further £0.868 million is earmarked.

2.4 Police and Fire Reform

National Police and Fire Reform will see some useable reserves currently held by the Lothian and Borders Police Board and the Lothian and Borders Fire and Rescue Board being returned to constituent Councils. An estimate totalling £0.486 million has been provided and is reflected in the reserve position for 2012/13. However, there remains a risk this figure will change during audit of the 2012/13 Joint Board accounts and there are also some issues to be clarified with the Scottish Government surrounding Police Reserves.

2.5 General Fund Reserve

The balance on the General Fund as at 31 March 2013 is as follows:

	£ million	
Reserve as at 1 April 2012		14.220
Less earmarked reserves utilised in 2012/13		(5.009)
General Reserve at 1 April 2012		9.211
Supplementary Estimates	(1.124)	
Business Transformation costs	(0.876)	
Early Release one-off costs	(1.255)	
Earmarked budgets carried forward to 2013/14	6.321	
Disbursement of useable Police and Fire reserves	0.486	
Equal Pay – increase in estimated liability	0.422	
Other	0.152	4.126
Overspend per appendix 1		(1.254)
Approved transfer from Capital Fund		2.000
General Fund Balance at 31 March 2013		14.083

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

	£ million
General Fund Balance at 31 March 2013	14.083
<i>Earmarked for specific purposes</i>	
Budgets carried forward from 2012/13 to 2013/14	(6.321)
Budgets earmarked for Business Transformation	(1.360)
General Reserve at 31 March 2013	<u>6.402</u>

The General Reserve at 31 March 2013 is £6.402 million which is £1.360 million more than last reported.

A prudent level of uncommitted reserves is seen to be 2% of net expenditure which equates to approximately £4 million. The general reserve shown above is £2.402 million more than this. However there will be further one-off costs associated with the Business Transformation programme which would reduce the general reserve and it 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 Summary

The summarised financial performance for 2012/13 is:

- Expenditure on General Fund services is £1.254 million more than budgeted; and
- There is a General Fund balance at 31 March 2013 of £14.083 million of which £7.681 million is earmarked for specific purposes.

5 Recommendations

The Committee note that on 25 June 2013, the Council will be recommended to :

- a) Earmark a further £0.868 million of General Fund Reserve to support Business Transformation; and
- b) Endorse the contents of this report.

4th June 2013

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Background Papers:

Appendix 1 General Fund Overview 2012/13

Appendix 2 Material Variances

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 2012/13 – General Fund Revenue

Meeting Presented to: Midlothian Council

Author of Report: Gary Fairley, Head of Finance and Human Resources

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.