

**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 £1.058 million which is 0.54% of the revised budget for the year.

Performance against budget has improved by £0.305 million from that reported at quarter 2. 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;
- Homeless accommodation;
- Waste collection and disposal costs; and
- 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;
- Customer Income and Running costs at Midlothian Snowsports Centre; 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

During 2014/15 and as part of 2015/16 budget setting monies distributed by the Scottish Government were set aside for potential costs associated with new areas of service provision for young people, particularly free school meals for primary 1 to 3, the increase to 600 hours per year free childcare for 3 and 4 year olds and the extension of 600 hours free childcare to eligible 2 year olds. Service provision is now established in these areas at a significantly lower cost than funding distributed mainly due to Midlothian being well equipped to deal with service expansion in dining halls and in pre-school capacity. It is now timely to return excess funding of £1.770 million to reserves. Any service pressures that may arise in these areas in future years will be considered as part of the ongoing financial strategy.

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)
<b>General Reserve at 1 April 2015</b>		<b>15.408</b>
<i>Planned movements in reserves</i>		
Planned Enhancement	2.764	
Scottish Government Grant funding previously earmarked for specific purposes	1.770	
Supplementary Estimates	(0.329)	
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	(0.300)	
Other	0.203	
		19.175
Overspend per appendix 1		(1.058)
<b>General Fund Balance at 31 March 2016</b>		<b>18.117</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 2016</b>	<b>18.117</b>
<i>Earmarked for specific purposes</i>	
Further one-off costs associated with VSER	(0.500)
Budgets earmarked for Council Transformation	(2.260)
<b>General Reserve at 31 March 2016</b>	<b>15.357</b>

The uncommitted General Fund Reserve at 31 March 2016 is projected to be £15.357 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, financial pressures currently facing the council may require utilisation of reserves to balance budgets in the short term and to allow investment in areas where longer-term savings can be achieved. There may also 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:**