

EXECUTIVE SUMMARY**FINANCIAL REPORT MONITORING PACK – DECEMBER 2015**

1. INTRODUCTION

1.1 This report provides a summary of the financial monitoring reports as at the end of December 2015. There are five detailed reports summarised in this Executive Summary:

- Revenue Budget Monitoring Report as at 31 December 2015
- Monitoring of Financial Risks
- Reserves and Balances
- Capital Plan Monitoring Report as at 31 December 2015
- Treasury Monitoring Report as at 31 December 2015

The web link to the detailed reports is as follows:

<http://www.argyll-bute.gov.uk/financial-monitoring>

2. DETAIL**2.1 Revenue Budget Monitoring Report**

2.1.1 This report provides a summary of the current revenue budget monitoring position to ensure net expenditure is contained within budget. It provides corporate and departmental information with comparisons on a forecast outturn and a year to date basis.

2.1.2 The current forecast outturn position is a projected underspend of £0.869m, of this £0.130m will require to be earmarked at the year-end to fund the Waste Model resulting in a reduced forecast underspend of £0.739m. This compares to an underspend reported at 31 October 2015 of £0.864m, a decrease in the forecast underspend of £0.125m.

2.1.3 The current underspend includes balances that are non-recurring underspends totalling £1.464m. These specifically include

- £0.514m for the excess pay award – when the 2015-16 budget was prepared the pay award was estimated at 2%, however, was subsequently settled at 1.5% resulting in an underspend equivalent to 0.5%
- £0.500m council tax empty homes income
- £.0450m for loans charges.

2.1.4 The changes from the position reported at October 2015, contributing to the revised underspend as at 31 December 2015, are noted as:

- Community Services: A £400k underspend is now forecast within

Education Service as a result of a review of budgets across the service.

- Integration: Increase in the forecasted overspend of £396k. This relates mainly to the continued increase in demand for homecare and supported living services within Adult Care offset by a reduction in the underspend within Children and Families.
- Development and Infrastructure: An overall decrease to the forecasted underspend of £449k resulting in an overall forecast overspend. This includes increased vacancy savings, an underspend in street sweeping and increased crematorium income. These underspends are offset by reduction in berthing dues at Rothesay Harbour due to planned maintenance at Wemyss Bay, additional expenditure in respect of Dangerous Buildings and a projected overspend in relation to Winter Maintenance.
- Other Corporate Budgets: A £450k underspend is forecasted due to reduced loan charges.

2.2 Monitoring of Financial Risks

2.2.1 This report outlines the process and approach developed in carrying out a financial risks analysis and provides an update on the current assessment of financial risks.

2.2.2 There are a number of Council wide risks identified. All have been assessed as remote or unlikely with the exception of the auto enrolment into the pension scheme which impacts on employers superannuation. The majority of staff will not be auto enrolled until 2017 and the estimated worst case financial impact has been built into the medium term budget outlook.

2.2.3 There are currently 62 departmental risks totalling £8.397. Only 9 of the risks are categorised as likely, with a potential impact of £2.373m, and no risks have been categorised as almost certain. These will continue to be monitored and action taken to mitigate or manage these risks.

2.2.6 The top 3 risks in terms of their likely financial impact are noted in the table below.

SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	LIKELIHOOD	FINANCIAL IMPACT £000
Adult Care	Increased complexity of care packages - Older People, Physical Disability, Learning Disability and Mental Health	Level of service demand remains at current commitment or increases due to needs becoming more complex.	3	950
Adult Care	Growth in Older People population	Growth in elderly population exceeds expectation reflected in Demand Pressure thereby putting increased demand on services.	3	700
Roads and Amenity Services	Winter Maintenance	Adverse weather conditions which require greater than budgeted number of gritting runs.	4	700

2.3 Reserves and Balances

2.3.1 This report summarises the overall level of reserves and balances and monitors the spending of the earmarked reserves, providing detailed information on the unspent budget earmarked balances.

2.3.2 The Council has usable reserves of £50.478m. Most of these are earmarked for specific purposes. The General Fund contingency level remains at 1.5% of net expenditure. There is currently an estimated surplus over contingency and this is being directed towards the delivery of the Single Outcome Agreement.

2.3.3 The total surplus over contingency is now £12.458m which represents a decrease of £0.681m compared to the surplus reported at the end of October of £13.139m. The reason for this decrease is the change to the forecast outturn for 2015-16 offset by the funding agreed by Council in respect of the Innovation Fund and the Employability Team.

2.4 Capital Plan Monitoring Report

2.4.1 Capital Plan Monitoring Report – this report provides a summary of the current capital plan monitoring position. Information is provided in terms of monitoring year to date budget, current full year budget, future years total budget and funding and non-financial in terms of project performance.

2.4.2 Actual net expenditure to date is £17.543m compared to a budget for the year to date of £17.100m giving rise to an overspend for the year to date of £0.443m. The forecast outturn for the year is forecast underspend of £6.036m.

2.4.3 The £0.443m year to date overspend is made up of an overspend with fleet , projects funded by external grant income which has yet to be received and a number of small non-material variances within a number of projects.

2.4.4 The forecast underspend for the year of £6.036m. The main variances are summarised below:

- £4.955m of net underspends in respect of the replacement of Campbeltown and Oban High Schools due to ESA10 arrangement delays.
- Net underspends of £0.319m within Education projects.
- £1.282m of underspend in respect of the CHORD projects for Helensburgh and Campbeltown with a proposal to slip funds into 2016-17.
- Forecasted underspend of £0.403m in the Kintyre Renewables Hub project, due to decreased expenditure and additional grant funding received.
- £0.428m, relates to underspends in the Oban Airport Business Park, Pier Upgrades, Bridge Strengthening, Kilmory Biomass and Health and Safety projects.
- Overspends of £0.223m in fleet management, work where expenditure is as per approved business cases, and £0.107m on the Mid Argyll Office Rationalisation and Rothesay Library projects.

- The remaining balance of £0.383m overspend is made up of non-material variances less than £0.050m each.

2.4.5 The total Capital Plan forecast overspend of £0.709m is again largely made up of the £0.547m of overspends in previous years carried forward. £0.184m relates to the Rothesay CHORD funding gap, £0.223m relates to expenditure on fleet management, £0.054m for the Mid Argyll Office Rationalisation and again, the projected underspends of £0.646m within Education, Kintyre Renewables Hub and Health and Safety projects are also taken into account. The remaining balance of £0.347m overspend is made up of non-material variances less than £0.050m each.

2.5 Treasury Monitoring Report

2.5.1 This report provides information on the current levels and recent transactions in relation to the capital financing limit, total borrowing, temporary borrowing and long term borrowing and investments.

2.5.2 In December £9.5m of new borrowing was taken at 2.96% from the PWLB using the Project Rate which the Council had applied for access to in May 2015. External Loans have been repaid in the period to 1 November 2015 to 31 December 2015 amounting to £11.293m.

2.5.3 Borrowing is estimated to be £13.296m below the capital financing requirement for the period to 31 March 2016. This reflects the approach taken to minimise surplus cash on deposit in order to avoid overdue exposure to investment/credit worthiness risks. However, if it becomes clear that longer term interest rates are likely to increase significantly the position will be reviewed to ensure the Council locks in funding at low interest rates.

2.5.4 Investments at 31 December 2015 were £53.2m with a return for the last quarter of 0.717% compared to the average 7 day rate of 0.359%.

3. RECOMMENDATIONS

3.1 Members to note the revenue budget monitoring report as at 31 December 2015.

3.2 Members to note the current assessment of the Council's financial risks.

3.3 Members to note the overall level of reserves and balances and note the monitoring of the earmarked reserves.

3.4 Members to note the capital plan monitoring report as at 31 December 2015.

3.5 Members to note the treasury monitoring report as at 31 December 2015.

4. IMPLICATIONS

4.1 Policy – None.

4.2	Financial -	Outlines the revenue and capital monitoring for 2015-16 as at 31 December 2015.
4.3	Legal -	None.
4.4	HR -	None.
4.5	Equalities -	None.
4.6	Risk -	Details of financial risks are included within the report.
4.7	Customer Service -	None.

Policy Lead for Finance: Councillor Dick Walsh

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26 January 2016**

