

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

1. INTRODUCTION

1.1 This report provides a summary of the financial monitoring reports as at the end of August 2015. As agreed at Policy and Resources Committee on 14 May 2015, the individual reports are noted as web links should Members wish to read the detail. There are five detailed reports summarised in this Executive Summary:

- Revenue Budget Monitoring Report as at 31 August 2015
- Monitoring of Financial Risks
- Reserves and Balances
- Capital Plan Monitoring Report as at 31 August 2015
- Treasury Monitoring Report as at 31 August 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 projected year end outturn at 31 August 2015 is an overall underspend of £0.930m. This compares to an underspend reported as at 30 June 2015 of £0.950m, a reduction in the forecast underspend of £0.020m.

2.1.3 At the end of June 2014, the underspend was in relation to School and Public Transport (£450k) due to procurement savings and lower inflation increases and Council Tax Empty Home income (£500k) that will now be transferred back into the General Fund. These new variances contributing to the revised underspend as at 31 August 2015 are noted as:

- Small underspend of £5k within Integration Services. This relates to underspend within Children and Families as a result of lower than expected uptake of kinship care orders, offset by overspend due to increased demand for Homecare and Supported Living Services and small overspend in relation to increased CareFirst system maintenance.

- Overspend of £25k in relation to building warrant fees being less than anticipated.

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 63 departmental risks totalling £9.292m. This compares to 58 departmental risks totalling £7.944m as at the end of June 2015 and relates to 5 new risks totalling £1.348m.

2.2.4 The new risks are noted below:

- Education – New risk in respect of additional requirements on Councils as a result of the Education (Scotland) Bill due to commence in 2016. The financial risk has been quantified as £50k at this stage.
- Education – New risks in respect of a duty on the Council to consult and plan on delivery of early learning and childcare with service users as a result of the Children and Young People (Scotland) Act. The financial risk has been quantified as £50k at this stage.
- Education – New risk added, however, has been an ongoing risk that there could be a financial penalty if teacher numbers for 2015-16 are not maintained at 2014-15 levels. The financial risk is £895k with a likelihood of possible.
- Facility Services – New risk in respect of provide meals in an early years setting to entitled children where sessions span over lunchtime. The total funding may not be sufficient depending on update and additional costs to support the meal provision in partner provider settings. The financial risk has been quantified as £100k at this stage.
- Economic Development – New risk in respect of potential loss of income at Rothesay Harbour as a result of CMAL maintenance work at Wemyss Bay and the reduction in ferry berthings throughout these works. The financial risk has been quantified as £253k at this stage.

2.2.5 Only 12 of the risks are categorised as likely, with a potential impact of £2.700m, 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
Education	Non-compliance with Scottish Government Requirement to Maintain Teacher Numbers	Financial penalty if Teacher numbers for 2015-16 are not maintained at 2014-15 levels.	3	895
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 of £12.952m and this is being directed towards the delivery of the Single Outcome Agreement.
- 2.3.3 The total surplus over contingency is now £13.205m which represents a reduction of £0.073m compared to the surplus reported at the end of June of £13.278m. The reason for this reduction is the change to the forecast outturn for 2015-16 and an adjustment as part of the audit.

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 £9.001m compared to a budget for the year to date of £9.093m giving rise to an underspend for the year to date of £0.092m. The forecast outturn for the year is forecast to be overspent by £0.937m. There is only 1 project classified as off track and this relates to the Kintyre Renewables Hub – there is no financial net increase in cost to the Council.
- 2.4.3 The £0.092m year to date underspend is made up of small non-material variances within a number of projects. This differs little from the year to date underspend reported at the end of June of £0.082m.
- 2.4.4 The forecast overspend for the year of £0.937m is largely made up of £0.443 of overspends in previous years carried forward. These will be

funded through virements from underspends to be identified elsewhere within the Service and contingency amounts. £0.150m relates to Roads Reconstruction work to C48 Carsaig which is now taking place a year earlier than planned therefore budget will be accelerated to reflect this. There are £0.117m of projected underspends within Education which will be used to fund overspends elsewhere within the Service. The remaining balance of £0.461m overspend is made up of non-material variances less than £0.050m each.

This varies significantly with the £9.216m underspend reported at the end of June largely due to the budget for Strategic Change Projects now being correctly phased over the life of the projects.

- 2.4.5 The total Capital Plan forecast overspend of £0.952m is again largely made up of the £0.443m of overspends in previous years carried forward. £0.172m relates to the Rothesay CHORD funding gap and again, the £0.117m of projected underspends within Education are also taken into account. The remaining balance of £0.454m overspend is made up of non-material variances less than £0.050m each.

This varies to the £2.194m underspend reported at the end of June largely due to the capital requirements for new schools at Campbeltown and Oban being underestimated at the end of June. In addition the report is now prepared on a net basis therefore taking account of any external funding instead of looking at expenditure only.

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 There have been no new borrowings in the period to 1 July 2015 to 31 August 2015. External Loans have been repaid in the period to 1 July 2015 to 31 August 2015 amounting to £2.959m.
- 2.5.3 Borrowing is estimated to be around £24.6m 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 August 2015 were £58.9m with a return for the last quarter of 0.654% compared to the average 7 day rate of 0.361%.

3. RECOMMENDATIONS

- 3.1 Members to note the revenue budget monitoring report as at 31 August 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 August 2015
- 3.5 Members to note the treasury monitoring report as at 31 August 2015.

4. IMPLICATIONS

- 4.1 Policy – None.
- 4.2 Financial - Outlines the revenue and capital monitoring for 2015-16 as at 31 August 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.

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16 October 2015**