

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

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**1. INTRODUCTION**

1.1 This report provides a summary of the financial monitoring reports as at the end of October 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 October 2015
- Monitoring of Financial Risks
- Reserves and Balances
- Capital Plan Monitoring Report as at 31 October 2015
- Treasury Monitoring Report as at 31 October 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 October 2015 is an overall underspend of £0.864m. This compares to an underspend reported as at 31 August 2015 of £0.930m, a reduction in the forecast underspend of £0.066m.

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

- Integration Services: A shift from a forecast underspend of £5k to a forecast overspend of £536k. This relates mainly to increased demand for homecare and supported living services within Adult Care.
- Customer Services: A reduction in the forecast underspend of £450k to a forecast underspend of £256k. This reduction reflects the additional resources approved for HR to support the Service Choices process (P&R 20 August 2015).
- Development and Infrastructure Services: A shift from a forecast overspend of £25k to a forecast underspend of £130k with the full

amount relating to waste management.

- Other Corporate Budgets: An increase in the forecast underspend of £500k to a forecast underspend of £1.014m. This increase reflects the excess pay award within the budget (0.5% excess) which has been collected from departments into a central code. This excess is required in 2016-17 as the budgetary outlook in respect of the pay award was adjusted to reflect the excess that could be carried forward from 2015-16.

## 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. 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
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 and this is being directed towards the delivery of the Single Outcome

Agreement.

- 2.3.3 The total surplus over contingency is now £13.139m which represents a reduction of £0.066m compared to the surplus reported at the end of August of £13.205m. The reason for this reduction is the change to the forecast outturn for 2015-16.

## **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 £15.401m compared to a budget for the year to date of £14.826m giving rise to an overspend for the year to date of £0.575m. The forecast outturn for the year is forecast to be overspent by £0.554m. 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 £0.575m year to date overspend is made up of a number of small non-material variances within a number of projects plus year to date expenditure on projects funded by external grant income which has yet to be received.
- 2.4.4 The forecast overspend for the year of £0.554m is largely made up of £0.511 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. £0.217m relates to an overspend on fleet management work where expenditure is as per approved business cases. There has been slippage in the CHORD Dunoon expenditure with £0.190m now expected to be incurred within 2016-17 and there are £0.120m of projected underspends within Education which will be used to fund overspends elsewhere within the Service. The remaining balance of £0.214m overspend is made up of non-material variances less than £0.050m each.
- 2.4.5 The total Capital Plan forecast overspend of £1.111m is again largely made up of the £0.511m of overspends in previous years carried forward. £0.184m relates to the Rothesay CHORD funding gap, £0.217 relates to expenditure on fleet management and again, the £0.120m of projected underspends within Education are also taken into account. The remaining balance of £0.263m 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 There have been no significant new borrowings in the period to 1 September 2015 to 31 October 2015. External Loans have been repaid in the period to 1 September 2015 to 31 October 2015 amounting to £1.609m.

2.5.3 Borrowing is estimated to be around £20m 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 October 2015 were £58.4m with a return for the last quarter of 0.651% 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 October 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 October 2015

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

### **4. IMPLICATIONS**

4.1 Policy – None.

4.2 Financial - Outlines the revenue and capital monitoring for 2015-16 as at 31 October 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**

**Kirsty Flanagan  
Head of Strategic Finance  
17 November 2015**