

EXECUTIVE SUMMARY**FINANCIAL REPORT MONITORING PACK – JANUARY 2016**

1. INTRODUCTION

1.1 This report provides a summary of the financial monitoring reports as at the end of January 2016. There are five detailed reports summarised in this Executive Summary:

- Revenue Budget Monitoring Report as at 31 January 2016
- Monitoring of Financial Risks
- Reserves and Balances
- Capital Plan Monitoring Report as at 31 January 2016
- Treasury Monitoring Report as at 31 January 2016

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 £1.036m, of this £0.130m will require to be earmarked at the year-end to fund the Waste Model resulting a reduced forecast underspend of £0.906m. This compares to an underspend reported at 31 December 2015 of £0.739m, an increase in the forecast underspend of £0.167m.

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 31 December 2015, contributing to the revised underspend as at 31 January 2016, are noted as:

- Integration: Decrease in the forecasted overspend of £0.144m. This relates mainly to a reduced forecast in demand for homecare and supported living services within Adult Care. In addition, the forecasted expenditure for Central Management and Criminal Justice has reduced.
- Development and Infrastructure: Decrease to the forecasted overspend of £0.023m. This is mainly due to car parking and DPE income being better than forecast and increased vacancy savings. These are offset by a further reduction in berthing dues at Rothesay Harbour due to maintenance work at Wemyss Bay an increase to the projected overspend in relation to Winter Maintenance.

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, none of which have been classed as likely or almost certain. The risk in respect of Auto Enrolment has been classed as possible; however, 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 £8.397m. 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.

2.2.4 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 £12.625m which represents an increase of £0.167m compared to the surplus reported at the end of December of £12.458m. The reason for this decrease 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 £18.556m compared to a budget for the year to date of £18.204m giving rise to an overspend for the year to date of £0.352m. The forecast outturn for the year is a forecasted underspend of £1.758m.
- 2.4.3 The £0.352m 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 is £1.758m. The main reasons are summarised below:
- £0.319m of net overspends within Education projects.
 - £0.223m overspends 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
 - £0.690m of underspend in respect of the TIF projects for Lorn/Kirk road and the North Pier extension with a proposal to slip funds into 2016-17.
 - £0.158m of net underspend in respect of the CHORD projects for Campbeltown, Dunoon and Oban with a proposal to slip funds into 2016-17.
 - £0.508m underspend in the A83 South of Muasdale project, due to final payments being withheld until snagging issues are resolved.
 - £0.492m underspend in the Kintyre Renewables Hub project, due to

- decreased expenditure and additional grant funding received.
- £0.554m, relates to underspends in the Bridge Strengthening, Health and Safety, IT archiving, Kilmory Castle, Kilmory Biomass and Manse Brae Office projects.
 - £0.250m underspend in the Riverside Leisure Centre project due to delays in the tendering process and it is proposed to slip these funds into 2016-17.
 - The remaining balance of £0.215m 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 No new borrowings were taken out nor repaid in January.
- 2.5.3 Borrowing is estimated to be 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 January 2016 were £54.4m with a return for the last quarter of 0.711% 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 January 2016.
- 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 January 2016.
- 3.5 Members to note the treasury monitoring report as at 31 January 2016.

4. IMPLICATIONS

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| 4.1 | Policy – | None. |
| 4.2 | Financial - | Outlines the revenue and capital monitoring for 2015-16 as at 31 January 2016. |
| 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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16 February 2016**

