

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

1. INTRODUCTION

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

- Revenue Budget Monitoring Report as at 30 June 2016
- Monitoring of Service Choices Savings
- Monitoring of Financial Risks
- Capital Plan Monitoring Report as at 30 June 2016
- Treasury Monitoring Report as at 30 June 2016
- Reserves and Balances

The web link to the detailed reports is as follows:

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

1.2 The Argyll and Bute Integrated Joint Board (IJB) with responsibility for Social Work and a range of Health services was established and came into effect on 1 April 2016. The IJB will be responsible for financial and strategic oversight of these services. Financial reporting in respect of Integration Services will now be submitted to the IJB via the IJB's Chief Financial Officer and it is expected that the Chief Financial Officer of the IJB will also keep the Council up to date on the financial position. The Scheme of Integration notes at paragraph 8.2.17 that "Any potential deviation from the planned outturn should be reported to Argyll and Bute Integration Joint Board, the Council and NHS Highland at the earliest opportunity".

1.3 The reports contained in the Council's monitoring pack herewith, will no longer have the same level of detail on Integration Services.

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 There is a year to date surplus of £9,003k against the year to date budgeted expenditure. Of this, £5,000k relates to the accounting of a grant for the Helensburgh Waterfront project – this amount will be earmarked as a contribution to capital and will be adjusted in the July period.

2.1.3 At this stage it is forecast that the year-end outturn will be in line with budget.

2.2 Monitoring of Service Choices Savings

2.2.1 This report provides an update on the implementation and delivery of the Service Choices policy savings options agreed by Council in February 2016. The savings options will be reported as being delivered, on track to be delivered, still to be implemented, being developed or delayed.

2.2.2 Of the 125 savings options, 35 have already been delivered, 59 are on track to be delivered, 14 have still to be implemented, 14 have still to be developed and 3 are delayed.

2.2.3 The three options delayed are noted below and further information is contained within the report:

- Creation of a Charitable Leisure Trust – initial timeframe not feasible, delay of around 6 months.
- Removal of school crossing patrollers - the original proposal to remove school crossing patrollers (SCP) was amended to remove lunch time element of service. Original completion date was for implementation by school summer holidays.
- Three weekly rubbish collection - Slight delay to original June implementation date due to complexity of the Service Choice, amendments to routes, negotiations with staff, Trade Unions, Third Sector Groups and contractors. On track for an August to October implementation.

2.3 Monitoring of Financial Risks

2.3.1 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.

2.3.2 There are a number of Council wide risks identified. In respect of revenue all have been assessed as remote or unlikely with the exception of two risks that have been assessed as likely as noted below:

- Auto enrolment into the pension scheme which impacts on employers superannuation. The majority of staff will not be auto enrolled until 2017 and the impact of this has been reflected within the medium term budgetary outlook.
- The risk that the Integrated Joint Board (IJB) refer back to the Council for additional funding in the event that there is an overspend and where a recovery plan has proved to be unsuccessful.

2.3.3 There are currently 44 departmental risks totalling £4.156m. Only 3 of the

risks are categorised as likely, with a potential impact of £0.830m, and no risks have been categorised as almost certain. These will continue to be monitored and action taken to mitigate or manage these risks.

2.3.4 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
Roads and Amenity Services	Winter Maintenance	Adverse weather conditions which require greater than budgeted number of gritting runs.	4	700
Facility Services	Surplus Properties	Ongoing market difficulties lead to increased numbers of surplus properties, there are residual running costs associated with surplus properties.	3	250
Roads and Amenity Services	Roads Maintenance	Adverse weather conditions result in deterioration of the road network necessitating greater spend on repair of defects.	3	230

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 £4.069m compared to a budget for the year to date of £3.938m giving rise to an overspend for the year to date of £0.131m. The forecast outturn for the year is a forecasted underspend of £3.055m.

2.4.3 The £0.131m year to date overspend consists of an overspend within Early Learning and Childcare £0.065m which will be funded from the additional works budget in addition to other small variances.

2.4.4 The forecast underspend for the year is £3.055m. The main reasons are in relation to delays in projects with a proposal to slip budget to 2017-18, projects included Clyde Cottage Nursery, Campbeltown Schools Development, CHORD Dunoon, CHORD Rothesay. This is offset by a planned overspend in relation to Roads Reconstruction where it is proposed to accelerate £1.500m of budget from future years to deliver a £2m surface dressing element in 2016-17.

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 Long term borrowing was taken out during the period 1 April 2016 to 30 June

2016 of £15m from the PWLB: as interest rates fell considerably during the period and a decision was taken to reduce the Council's refinancing risk.

- 2.5.3 Borrowing is estimated to be below the capital financing requirement for the period to 31 March 2017. 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 30 June 2016 were £72.6m with a return for the last quarter of 0.764% compared to the average 7 day rate of 0.361%.

2.6 Reserves and Balances

- 2.6.1 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.
- 2.6.2 The Council has a total of £146.204m unusable reserves that are not backed with resources. They are required purely for accounting purposes.
- 2.6.3 The Council has a total of £56.887m usable reserves as at the end of 31 March 2016. Of this balance, £0.671m relates to Repairs and Renewals Fund, £4.027m relates to Capital Funds and the remainder is held in the General Fund, with £43.272m of the balance earmarked for specific purposes.
- 2.6.4 The General Fund contingency is set at 2% of net expenditure for 2016-17. There is currently an estimated surplus over contingency of £4.212m and this is being directed towards the delivery of the Single Outcome Agreement.

3. RECOMMENDATIONS

- 3.1 Members to note the revenue budget monitoring report as at 30 June 2016.
- 3.2 Members to note the progress of the service choices policy saving options as at the end of June 2016.
- 3.3 Members to note the current assessment of the Council's financial risks.
- 3.4 Members to note the capital plan monitoring report as at 30 June 2016.
- 3.5 Members to note the treasury monitoring report as at 30 June 2016.
- 3.6 Members to note the overall level of reserves and balances and note the monitoring of the earmarked reserves.

4. IMPLICATIONS

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| 4.1 | Policy – | None. |
| 4.2 | Financial - | Outlines the revenue and capital monitoring for 2016-17 as at 30 June 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. |

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19 July 2016**