

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

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**1. INTRODUCTION**

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

- Revenue Budget Monitoring Report as at 31 October 2016
- Monitoring of Service Choices Savings
- Monitoring of Financial Risks
- Capital Plan Monitoring Report as at 31 October 2016
- Treasury Monitoring Report as at 31 October 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 will no longer have the same level of detail on Integration Services, however, the latest budget monitoring for the IJB as at the end of October 2016 is attached as Appendix 2 to the Monitoring of Financial Risks report.

**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 forecast outturn is an underspend of £0.922m. The underspend mainly relates to an underspend in utility costs (£0.500m), a forecast saving in loans interest payments (£0.500m), additional anticipated income from berthing, car and passenger dues since the introduction of RET (£0.200m), offset by a shortfall in planning fees (£0.080m) and the shortfall in savings due to the delay in implementing two service choices savings options (£0.349m).
- 2.1.3 There is a year to date surplus of £306k against the year to date budgeted expenditure which is due to profiling of costs.

## **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, 55 have already been delivered, 42 are on track to be delivered, 14 have still to be implemented, 5 have still to be developed and 9 are delayed.
- 2.2.3 There are 9 savings options reported as delayed. The changes to the delayed savings reported to P&R on 27 October 2016 for the period end of August 2016 are noted below.

### Development and Infrastructure

- The financial impact in 2016-17 of the delay in implementing the three weekly rubbish collection has increased from £137k to £321k.
  - The financial impact in 2016-17 of the delay in implementing the removal of school crossing patrollers has increased from £18k to £29k.
- 2.2.4 The 9 options delayed are noted below and further information is contained within the report.

### Community Services:

- Creation of a Charitable Leisure Trust – initial timeframe not feasible, delay of around 6 months with a financial implication in 2017-18 of £0.429m. The business case suggests full year NDR and VAT savings of £0.636m offset by recurring costs of £0.095m resulting in a net saving of £0.541m full year (original estimate £0.700m). This has been reflected within the updated budgetary outlook.
- ASN Efficiencies - as a result of the annual exercise to consider the individual needs of our young people there has been a greater need identified than previously forecast with a financial delay implication of £0.090m within 2016-17. The service are working to ensure that the cost of this delay is met from existing resources.
- The increase to fees for non-statutory music tuition by 50% - not fully achievable in 2016-17 due to the implementation date being pushed back until August for legal reasons. Although non-statutory music tuition fees were increased by 50% it should be noted that:

- In schools in Argyll and Bute, Music Education as a subject is part of the expressive Arts curriculum area for Curriculum for Excellence. It is taught by GTCS registered teachers to young people from primary one and throughout the Broad General Education
  - In addition, Education Services contribute to the delivery of the Youth Music Initiative, a Scottish Government programme administered by Creative Scotland – the national agency for the arts, screen and creative industries. This allows for additional music experiences for pupils with one year of free tuition provided,
  - There are no charges for Argyll and Bute pupils who are provided with instrumental music provision relating to learners' SQA course work in music examinations.
- Instrumental Instructor provision reduced by 20% - this equates to a 2.6 FTE reduction however this will not be fully achieved as instructors are on teacher's terms and conditions and on which there is currently a no redundancy policy. The financial implication of the two music related savings amounts to £0.018m in 2016-17. The service are working to ensure that the cost of this delay is met from existing resources.

#### Customer Services:

- Catering and Cleaning redesign (3 options) - Catering and Cleaning Business Case outlines total savings of £0.777m expected by 2020-21 with £0.331m deliverable by 2018-19. Comparing to the original savings estimated there is a shortfall reflected within the budgetary outlook of £0.040m in 2017-18 and £0.524m in 2018-19 as shown in the table below:

	2017-18 £000	2018-19 £000	2019-20 £000
FS01A-C - Long term redesign of catering service.	0	560	560
FS01D - Build up and develop catering service for events and functions.	40	40	40
FS02A-B - Long term redesign of cleaning service.	0	255	255
<b>Total Original Estimate of Savings:</b>	<b>40</b>	<b>855</b>	<b>855</b>
Revised Estimate of Savings	0	331	331
<b>Shortfall / Delayed Saving</b>	<b>(40)</b>	<b>(524)</b>	<b>(524)</b>

#### Development and Infrastructure:

- 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. The financial implication of this delay amounts to £0.028m in 2016-17 and although this was originally forecast as an overspend position, the department have now identified additional income to offset this overspend.
- 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 implementation from October. The financial implication of this delay amounts to £0.321m in 2016-17 and although this was originally forecast as an overspend position, the department have now identified additional income to offset the majority of this overspend.

## 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 October 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 43 departmental risks totalling £3.643m. Only 3 of the risks are categorised as likely, with a potential impact of £0.700m, and no risks have been categorised as almost certain. These will continue to be monitored and action taken to mitigate or manage these risks.

2.3.4 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	570
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 £13.029m compared to a budget for the year to date of £12.921m giving rise to an overspend for the year to date of £0.108m. The forecast outturn for the year is a forecasted underspend of £3.008m.
- 2.4.3 The £0.108m year to date overspend consists of an overspend within Capital Property works which will be covered from elsewhere within the service, in addition to other small variances.
- 2.4.4 The forecast underspend for the year is £3.008m. This is largely due to £2.321m of slippage within the Dunoon CHORD project to reflect that the main contractor will not commence work until December 2016. The projects are still working to planned timescales, the expenditure is simply being re-profiled to when it is likely to be incurred.

## **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 long term borrowing was taken out during the period 1 September 2016 to 31 October 2016.
- 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 31 October 2016 were £77.9m with a return achieved of 0.598% which compares favourably with the target of 7 day LIBID which was 0.124%.

## **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 £57.115m 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 £5.370m 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 31 October 2016.

3.2 Members to note the progress of the service choices policy saving options as at the end of October 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 31 October 2016 and note the over project cost changes, the project slippages and accelerations and the updated capital plan reflecting these changes.

3.5 Members note the treasury monitoring report as at 31 October 2016.

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

### **4. IMPLICATIONS**

4.1 Policy – None.

4.2 Financial - Outlines the revenue and capital monitoring for 2016-17 as at 31 October 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**

**Kirsty Flanagan  
Head of Strategic Finance  
14 November 2016**