

**EXECUTIVE SUMMARY****FINANCIAL REPORT MONITORING PACK – JUNE 2017**

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**1. INTRODUCTION**

1.1 This report provides a summary of the financial monitoring reports as at the end of June 2017. There are six detailed reports summarised in this Executive Summary:

- Revenue Budget Monitoring Report as at 30 June 2017
- Monitoring of Service Choices Savings as at 30 June 2017
- Monitoring of Financial Risks as at 30 June 2017
- Capital Plan Monitoring Report as at 30 June 2017
- Treasury Monitoring Report as at 30 June 2017
- Reserves and Balances as at 30 June 2017

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, when available, the latest budget monitoring for the IJB will be an Appendix 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 revenue budget as at 30 June 2017 has forecasted outturn overspend of £0.354m. Community Services have forecasted an overspend mainly due to increased demand within ASN Support and Residential School placements. The Service are actively monitoring demand levels and looking to mitigate this overspend utilising other resources. In addition, there is a potential shortfall in the Service Choices saving options relating to the transfer of Campbeltown museum to Community ownership.
- 2.1.3 There is a year to date surplus of £7.982m against the year to date budgeted expenditure of £55.183m. This relates mainly to profiling variances, the processing of NPDO third party payments and the timing of capital financing 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, potential shortfall or delayed.
- 2.2.2 Of the 125 savings options, 96 have already been delivered, 22 are on track to be delivered, 3 have still to be implemented, 1 has still to be developed, 3 have a potential shortfall and none are delayed.
- 2.2.3 There are 3 savings options reported as having a potential shortfall and they are noted below with further information contained within the report.

### Community Services – 2017-18

- ASN Efficiencies - ASN Support is a demand driven service and the needs of our young people will vary periodically due to changes in circumstances, complexity of the support package and the number of young people requiring support. The annual review of ASN support has identified a greater need than previously forecast which will potentially reduce the savings achievable in 2017-18 by £0.150m. The Service will monitor the variability of demand regularly and update this position during the year as individual support packages are reviewed.
- Residential Schools – The service provided is for children and young people with complex support needs and each support package is expensive. The service is demand driven and will vary periodically due to changes in circumstance, complexity of the support package and the number of young people requiring a residential placement. After a recent review of residential placements a greater need than previously forecasted has been identified which will potentially reduce the savings achievable in 2017-18 by £0.074m.

In addition to the potential shortfall in savings, there is a further demand pressure of £0.093m, therefore there is a potential total forecasted

overspend of £0.167m relating to Residential Schools. The Service will monitor the variability of demand regularly and update this position during the year as individual support packages are reviewed.

- Campbeltown Museum – It was proposed that this museum be transferred to Community ownership and this would generate a recurring saving of £0.037m. However, there has been lower than expected interest from Community Groups regarding this opportunity. In addition, there are additional regulatory costs that would be incurred should the transfers go ahead.

## **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 possible as noted below:

### **Possible**

- Auto enrolment will require the Council to automatically enrol all staff into the pension scheme by October 2017 (although staff may wish to opt out) and this will create an additional cost to the Council in respect of employer superannuation contributions. The budget for 2017-18 has been based on the assumption that 60% of the staff auto enrolled will remain in the scheme. There is a risk that all staff could choose to remain in the scheme and the risk has been quantified at £0.136m should this be the case. The actual position will be known post October 2017.
- 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. If an additional payment is required from the Council this will be deducted from future years funding/payments, as set down within the Scheme of Integration. As at 30 June 2017, the overspend apportioned to service provided by the Council is £2.966m.

2.3.3 There are currently 38 departmental risks totalling £3.586m. Only 3 of the risks are categorised as likely, with a potential impact of £0.180m, 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.	3	525
Roads and Amenity Services	Roads Maintenance – Bridges, Culverts & Sea Defences	Extreme localised weather may result in loss of bridge, culvert, road or sea defence.	3	300
Roads and Amenity Services	Roads Maintenance – Road Network	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 £5.035m compared to a budget for the year to date of £4.892m giving rise to an overspend for the year to date of £0.143m. The forecast outturn for the year is a forecasted underspend of £1.114m.

2.4.3 The £0.143m year to date overspend consists of small variances across the capital programme.

2.4.4 The forecast underspend for the year is £1.114m. This is largely due to slippages in the Dunoon CHORD project of £0.852m. In addition, there is also a slippage in Helensburgh Waterfront project of £0.332m. Both of these have been partially offset by several small forecasted overspends £0.070m.

## 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 The net movement in external borrowing in the period was a decrease of £4.7m.

- 2.5.3 Borrowing is estimated to be below the capital financing requirement for the period to 30 June 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 2017 were £72.8m with a return achieved of 0.54% which compares favourably with the target of 7 day LIBID which was 0.112%.

## **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 £92.755m unusable reserves that are not backed with resources. They are required purely for accounting purposes.
- 2.6.3 The Council has a total of £58.449m usable reserves as at the end of 31 March 2017. Of this balance, £0.896m relates to Repairs and Renewals Fund, £4.064m relates to Capital Funds and the remainder is held in the General Fund, with £41.519m of the balance earmarked for specific purposes.
- 2.6.4 The General Fund contingency is set at 2% of net expenditure for 2017-18. There is currently an estimated surplus over contingency of £3.138m.

## **3. RECOMMENDATIONS**

- 3.1 It is recommended that the Policy and Resources Committee:
- a) Consider the revenue budget monitoring report as at 30 June 2017.
  - b) Note the progress of the service choices policy saving options as at 30 June 2017.
  - c) Note the current assessment of the Council's financial risks.
  - d) Consider the capital plan monitoring report as at 30 June 2017 and approve the over project cost changes, the project slippages and accelerations noted within Appendix 7 of the capital plan monitoring report.
  - e) Note the treasury monitoring report as at 30 June 2017.
  - f) Consider the reserves and balances report as at 30 June 2017.

#### **4. IMPLICATIONS**

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| 4.1 | Policy –           | None.   |
| 4.2 | Financial -        | Outlines the revenue and capital monitoring for 2017-18 as at 30 June 2017. |
| 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 Strategic Finance and Capital Regeneration Projects -  
Councillor Gary Mulvaney**

**Kirsty Flanagan  
Head of Strategic Finance  
7 August 2017**