ARGYLL AND BUTE COUNCIL **POLICY AND RESOURCES COMMITTEE**

STRATEGIC FINANCE **8 DECEMBER 2017**

EXECUTIVE SUMMARY

FINANCIAL REPORT MONITORING PACK – OCTOBER 2017

1. INTRODUCTION

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

- Revenue Budget Monitoring Report as at 31 October 2017
- Monitoring of Service Choices Savings as at 31 October 2017
- Monitoring of Financial Risks as at 31 October 2017
- Capital Plan Monitoring Report as at 31 October 2017
- Treasury Monitoring Report as at 31 October 2017
- Reserves and Balances as at 31 October 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, 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 There is a forecast underspend of £0.735m as at the end of October 2017. The underspend is in respect of the following:

- Underspend of £0.245m relating to a provision for superannuation costs that is no longer required.
- Apprenticeship levy estimated to be £0.090m below budget.
- Over recovery of vacancy savings within Development and Infrastructure of £0.103m.
- Grant income in Development and Infrastructure relating to expenditure in the previous year £0.097m.
- Over recovery of Council Tax income amounting to £0.600m.
- Increased demand within ASN support and residential schools placement estimated overspend of £0.200m (reduced from £0.317m since reported in August).
- Under recovery of planning fee income estimated to be £0.200m (increase by £0.050m since reported in August).

2.1.3 There is a year to date surplus of £15.857m against the year to date budgeted expenditure of £128.473m. The majority of this variance is within Integration Services and relates to profiling. The funds transfer from NHS to Social Work has taken place and the budget profile requires to match when the income was received –this will be corrected in the November monitoring period.

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, 101 have already been delivered, 22 are on track to be delivered and 2 have a potential shortfall. Overall the delivery of service choices savings has been successful.

2.2.3 There are 2 savings options reported as having a potential shortfall, both are within Community Services and are summarised below:

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 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. In addition, it is anticipated that this will continue into next year due to increased demand for the service therefore £0.268m of the saving in 2018-19 will be unable to be met.

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. The previous monitoring position reported that the service choices saving of £0.074m for 2017-18 was not achievable and in addition there was a further demand of £0.093m. This forecast has now reduced to a shortfall of £0.050m in the service choices saving with no further demand pressures.

The Service will monitor the variability of demand regularly and update this position during the year as individual support packages are reviewed.

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:

- 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. This position is currently being assessed and will be reported in due course.

- 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. The forecast overspend for 2017-18 as at the end of October 2017 is reported as £3.415m and the share of this apportioned to Argyll and Bute Council is £1.914m.

2.3.3 There are currently 35 departmental risks totalling £3.481m. Only 2 of the risks are categorised as likely, with a potential impact of £0.080m, 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	700
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

2.3.5 The changes to the departmental risks since the last report to Policy and Resources Committee on 19 October 2017 for the period to the end of August are noted below:

Risk Removed:

- Customer and Support Services – Procurement Legal Challenge - The Officer Indemnity policy covers procurement, therefore, this risk is not required.

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 £19.183m compared to a budget for the year to date of £19.507m giving rise to an underspend for the year to date of £0.324m. The forecast outturn for the year is a forecasted underspend of £0.067m.

2.4.3 The £0.324m year to date underspend relates to a number of projects where the year to date spend is ahead of the year to date profile, it is not an indication of the outturn position.

2.4.4 The £0.067m forecast underspend for the year is largely due to forecasted overspend of £0.155m for fleet management which has been offset by a forecasted underspend of £0.071m in the NPDO Solar Panel Installation project and £0.168m relating to flood prevention work.

2.4.5 In respect of total project performance, there are 201 projects within the capital plan, 171 are complete or on target and 30 are off target and recoverable. There are no projects off target and a problem.

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 external borrowing of the Council increased by £6.7m during the period, due to the need for short term temporary borrowing of £10m for cash flow purposes offset by the repayment of £3.3m of long term loans.

2.5.3 Borrowing is estimated to be below the capital financing requirement for the period to 31 October 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 The levels of investments were £78.9m at 31 October 2017. The rate of return achieved was 0.515% which compares favourably with the target of 7 day LIBID which was 0.120%.

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 £93.115m 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 Of the earmarked balance of £41.519:

- £25.256m is invested or committed for major initiatives.
- £2.839m has already been drawn down.
- £5.770m is still to be drawn down in 2017-18 and
- £7.654m is planned to spend in future years.

2.6.5 The General Fund contingency is set at 2% of net expenditure for 2017-18. £4m has also been set aside for budget smoothing. Over and above this there is an estimated surplus of £3.239m as shown in the table below.

	£000
Unallocated General Fund Balance as at 31 March 2017	3,299
Budgeted surplus for 2017-18	193
Balance no longer required	0
Revised Unallocated General Fund Balance	**3,492**
2017-18 Pay Award funding agreed Council 28 September 2017	(123)
Acquisition of land agreed Council 28 September 2017	(265)
Current Forecast Outturn for 2017-18 as at 31 August 2017	135
Estimated Unallocated General Fund Balance as at 31 March 2018	**3,239**

3. RECOMMENDATIONS

3.1 It is recommended that the Policy and Resources Committee:

a) Consider the revenue budget monitoring report as at 31 October 2017.

b) Note the progress of the service choices policy saving options as at 31 October 2017.

c) Note the current assessment of the Council's financial risks.

d) Consider the capital plan monitoring report as at 31 October 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 31 October 2017.

f) Consider the reserves and balances report as at 31 October 2017.

4. IMPLICATIONS

4.1	Policy –	None.
4.2	Financial -	Outlines the revenue and capital monitoring for 2017-18 as at 31 October 2017.
4.3	Legal -	None.
4.4	HR -	None.
4.5	Equalities -	None.
4.6	Risk -	Risks are included in financial risks report.
4.7	Customer Service -	None.

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8 November 2017

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