

RESERVES AND BALANCES – UPDATED FOR BUDGET PACK 2018-19

1 EXECUTIVE SUMMARY

- 1.1 The main purpose of this report is to advise Members of the overall level of reserves held by the Council as well as providing detail on the monitoring of the earmarked balances held within the General Fund.
- 1.2 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 the 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.
- 1.3 The Council has a total of £93.115m unusable reserves that are not backed with resources. They are required purely for accounting purposes.
- 1.4 The General Fund contingency level remains at 2% of net expenditure. This monetary level has been adjusted to take account of the revised net revenue expenditure proposed for 2018-19, and a top up of £0.045m is required towards the contingency. The revised contingency at 2% of net expenditure amounts to £4.716m.
- 1.5 On 31 January 2018, Councils received a copy of letter sent to COSLA from the Cabinet Secretary for Finance and the Constitution. Subject to Parliamentary approval in the final stages of the Budget Bill and Local Government Finance (Scotland) Order 2018, it outlined that he intends to propose to allocate additional resource funding to support local government services. The additional resource was indicated at £159.5m (£2.884m for Argyll and Bute Council) and is to be added to the sums previously confirmed in the provisional offer. The funding is to be paid in two tranches, with the first tranche of £34.5m paid as a redetermination to the General Revenue Grant in the final week of 2017-18 and the remaining £125m over the course of 2018-19. The tranche that will be paid in 2017-18 amounts to £0.624m and, if approved, this will be transferred to the General Fund balance.
- 1.6 There is currently an estimated surplus over contingency of £3.549m. If the additional funding is approved, the surplus over contingency will be £4.173m. In addition, the forecast underspend for 2017-18 is currently estimated to be £1.000m underspent which could increase the balance as at 31 March 2018 to £5.173m, however, this is an estimated position and is subject to change.
- 1.7 As part of the budget agreed by Council on 23 February 2017, £4m of the unallocated General Fund balance was set aside to be used towards budget smoothing in the year 2019-20, to assist in securing the savings target. This £4m is not included within the unallocated General Fund balance as noted above.
- 1.8 Assessing the adequacy of reserves should take account of the strategic, operational and financial risks facing the Council and should consider both internal

and external factors. There are 18 categories included in the risk analysis and 7 have been assessed as low, 4 low/medium, 6 medium and 1 medium/high. All categories are the same as last year. There medium/high risk is in respect of the council wide cost risks, principally pay inflation. The medium risks relate to cost and demand pressures, funding, inflation, strategic risks, operational risks and general financial climate.

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2. INTRODUCTION

2.1 This report outlines current balances on all of the Council's reserves, both usable and unusable. It also provides detail on the monitoring of the earmarked balances within the General Fund.

3. DETAIL

3.1 Types of Reserves

3.1.1 Usable Reserves - Councils have powers to establish certain resource backed reserves which can be used to fund expenditure. The powers of councils to establish reserves are laid out in Schedule 3 of the Local Government (Scotland) Act 1975. These allow councils to establish a Renewal and Repairs Fund, Insurance Fund and Capital Fund. Councils can also establish a Useable Capital Receipts Reserve. The Council must also maintain a General Fund and can earmark balances for specific purposes within the General Fund.

3.1.2 Unusable Reserves – Councils are also required to establish certain reserves that are not backed by resources. They are required purely for accounting purposes and do not represent resources available for councils to utilise. The Pensions Reserve, Revaluation Reserve, Capital Adjustment Account, Financial Instruments Adjustment Account and Accumulated Absences Account fall into this latter category of accounting reserves.

3.2 Reserve Balances At 31 March 2017

3.2.1 The balances on each type of reserve at 31 March 2016 are set out in the table below.

Reserve	£000
Unusable Reserves	
Revaluation Reserve	56,033
Capital Adjustment Account	195,007
Financial Instruments Adjustment Account	(3,836)
Pensions Reserve	(149,777)
Accumulated Absences Account	(4,312)
Total Unusable Reserves	93,115
Usable Reserves.....on next page	

Reserve	£000
Usable Reserves	
Repairs and Renewals Fund	896
Capital Fund	1,282
Usable Capital Receipts Reserve	2,782
General Fund	53,489
Total Usable Reserves	58,449
Total Reserves	151,564

- 3.2.2 The Revaluation Reserve represents the unrealised gains in the valuation of fixed asset. The Capital Adjustment Account represents the difference between depreciation based on proper accounting practice and statutory charges for financing capital expenditure. The Financial Instruments Adjustment Account represents the difference between gains and losses on borrowing and statutory capital financing charges. The Pensions Reserve represents the difference between pension costs based on proper accounting practice and payments made for pension costs. The Accumulated Absences Account represents the costed difference between holiday pay entitlement and actual holidays taken at 31 March.
- 3.2.3 The Repairs and Renewals Fund was established to support funding of renewal and replacement of school equipment. Schools can only draw on the Repairs and Renewals Fund to the extent they have previously paid into the Fund and contributions must be contained within schools devolved budgets.
- 3.2.4 The Capital Fund was established to receive all capital receipts generated by the Council and can be used to support the capital plan or meet the principal repayments on loan charges. The Council decides as part of the budget process each year how it wishes to draw funding from the Capital Fund.
- 3.2.5 The Usable Capital Receipts Reserve relates to the accumulated unspent capital receipts from sale of council houses prior to transfer of the housing stock. The reserve forms part of the Council's Strategic Housing Fund and can only be used for investment in social housing. The reserve will be used in accordance with the approach to investing in housing agreed by the Council in August 2012.

3.3 General Fund

- 3.3.1 The General Fund balance at 31 March 2017 can be analysed as follows:

	Balance 31/03/17 £000
Balance on General Fund as at 31 March 2016	52,417
Increase to General Fund balance at end of 2016-17	1,072
Earmarked Balances	(41,519)
Contingency allowance at 2% of net expenditure	(4,671)
Budget smoothing 2019-20	(4,000)
Unallocated balance as at 31 March 2017	3,299

3.3.2 The General Fund includes balances that the Council has agreed to earmark for specific purposes. Some of these earmarked balances will be spent during the current financial year and some of them will be held over and spent in later years. The table below shows the balance at 31 March 2017, the amounts that are currently invested or set aside for major initiatives, the amount already spent and planned to be spent in the current year, the amount to be spent in future years and any sums no longer required to be earmarked. Appendix 1 provides further details on the breakdown of unspent budget. Officers have reviewed and updated the spending profiles.

Earmarking Category	Balance 31/03/17	Invested or committed for major initiatives	Drawn-down to 2017-18 Budget as at 31/12/17	Still to be drawn-down in 2017-18	Planned Spend Future Years	Balance no Longer Required
	£000	£000	£000	£000	£000	£000
Strategic Housing Fund	6,175	4,990	1,185	0	0	0
Investment in Affordable Housing	5,000	5,000	0	0	0	0
NPDO	2,805	2,805	0	0	0	0
Helensburgh Waterfront	5,579	5,579	0	0	0	0
ALIRI	4,453	4,367	86	0	0	0
Asset Management Investment	2,492	2,492	0	0	0	0
Severance	2,322	0	0	0	2,322	0
Scottish Government Initiatives	674	0	320	259	95	0
Transformation	83	0	0	0	83	0
CHORD	240	0	0	0	240	0
DMR – Schools	1,034	0	611	423	0	0
Energy Efficiency Fund	137	0	0	0	137	0
Existing Legal Commitments	919	0	0	0	919	0
Unspent Grant	666	0	213	83	370	0
Unspent Third Party Contributions	292	0	88	18	186	0
Other Previous Council Decisions	929	0	110	-113	497	435
Unspent Budget	7,719	0	1,328	3,811	2,580	0
Total	41,519	25,233	3,941	4,481	7,429	435

3.3.3 There is one balance no longer required that can be released back to the General Fund and this relates to employability. In order to meet the Employability Team's ongoing contractual obligations until the end of 2017-18

the Council approved an earmarking of £456,000 in November 2015. Some of the earmarking was drawn down during 2016-17, however, the year-end position for 2017-18 is forecast to be a surplus of £113,626. This will result in a forecast balance within earmarking of £435,164 which is no longer required and can be released back to the General Fund. This figure will be finalised at the conclusion of 2017-18.

3.4 Unallocated General Fund Balance

3.4.1 The budget agreed by Council on 23 February 2017 produced a surplus of £0.193m and this has been transferred to the unallocated General Fund balance.

3.4.2 During 2017-18 a number of supplementary estimates have been agreed, funded from the unallocated General Fund balance:

- The amount required to supplement the budgeted pay award for 2017-18 following the pay settlement agreed - £0.123m. This was agreed by Council on 28 September 2018.
- The acquisition of land at Helensburgh. This was agreed by Council on 28 September 2017 and reserves up to £0.265m were approved. Only £0.110m was required.
- Contribution to Dunoon BIDS of £0.100m in total over the next 5 years. This was agreed by Council on 30 November 2017.

3.4.3 A General Fund contingency balance of £4.671m is held equivalent to the 2% of the Council budget for 2017-18. This contingency is held to provide a working balance to help cushion the impact of uneven cash flows and cushion the impact of unexpected events. It is up to authorities to make their own judgement on the level of reserves taking local circumstances into account, for example, previous call on contingency and amount of unallocated reserves held. The contingency needs to be updated to reflect the updated budget for 2018-19. The budgeted expenditure based on the proposed budget contained within the revenue budget overview report is £235.762m. 2% of this balance amounts to £4.716m. There is currently a contingency of £4.671m, therefore £0.045m will required to be moved from the unallocated General Fund balance to supplement the contingency.

3.4.4 On 31 January 2018, Councils received a copy of letter sent to COSLA from the Cabinet Secretary for Finance and the Constitution. Subject to Parliamentary approval in the final stages of the Budget Bill and Local Government Finance (Scotland) Order 2018, it outlined that he intends to propose to allocate additional resource funding to support local government services. The additional resource was indicated at £159.5m (£2.884m for Argyll and Bute Council) and is to be added to the sums previously confirmed in the provisional offer. The funding is to be paid in two tranches, with the first tranche of £34.5m paid as a redetermination to the General Revenue Grant in the final week of 2017-18 and the remaining £125m over the course of 2018-19. The tranche that will be paid in 2017-18 amounts to £0.624m and, if approved, this will be transferred to the General Fund balance.

3.4.5 The revenue budget overview report contains details of the proposed revenue

budget for 2018-19. If Members agree to all the changes noted within the report, this would produce a budget for 2018-19 with a surplus £0.689m or £2.949m if the additional settlement funds indicated by the Cabinet Secretary for Finance and the Constitution are agreed by Parliament. There are also a number of policy options that were out to public consultation and acceptance of any of these options could also increase the surplus in 2018-19. The estimated surplus or acceptance of the policy options has not been taken into consideration when calculating the unallocated General Fund balance.

3.4.6 The revenue budget as at 31 December 2017 is estimated to be £1.000m underspent. It should be noted that the estimated overspend for winter maintenance was calculated at the end of December, however, due to the snow in January, this overspend is likely to increase and a further estimate will be calculated. The estimated underspend of £1.000m is subject to change.

3.4.7 The table below summarises the position of the unallocated General Fund balance taking into consideration provisions noted above.

	£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 – use of reserves up to £265k was approved, however, only £110k was required	(110)
Dunoon BIDS agreed Council 30 November 2017	(100)
Estimated Release of employability earmarking agreed P&R 8 December 2017	435
Transfer to contingency to maintain 2% level	(45)
Revised Unallocated General Fund Balance	3,549
Proposed Additional Funding 2017-18	624
Revised Unallocated General Fund Balance (post additional funding)	4,173
Current Forecast Outturn for 2017-18 as at 31 December 2017	1,000
Estimated Unallocated General Fund Balance as at 31 March 2018	5,173

3.4.8 As part of the budget agreed by Council on 23 February 2017, £4m of the unallocated General Fund balance was set aside to be used towards budget smoothing in the year 2019-20, to assist in securing the savings target. This £4m is not included within the unallocated General Fund balance as noted above.

3.5 Review and Risk Assessment

3.5.1 Assessing the adequacy of reserves should take account of the strategic, operational and financial risks facing the Council and should consider both

internal and external factors. Appendix 2 to this report identifies the range of issues in terms of budget assumptions and financial standing and management that should be considered in assessing the level of reserves. It relates only to consideration of the contingency to be held in the General Fund balance. A separate financial risk analysis report has been prepared looking at the overall financial risks relating mainly to the revenue budget but notes a couple of risks in respect of the capital budget also.

3.5.2 There are 18 categories included in the risk analysis and 7 have been assessed as low, 4 low/medium, 6 medium and 1 medium/high. All categories are the same as last year. There medium/high risk is in respect of the council wide cost risks, principally pay inflation. The medium risks relate to cost and demand pressures, funding, inflation, strategic risks, operational risks and general financial climate.

3.5.3 Based on the above and taking cognisance of the level of unallocated general fund balance that remains, it is recommended that the contingency for the General Fund balance should be retained at 2%.

4. CONCLUSION

4.1 The report outlines the overall reserves and balances for the Council covering the purpose and level of each reserve. It also provides detail as to expenditure against earmarked balances held within the General Fund. There is currently an estimated surplus over contingency of £5.173m, if additional funding is confirmed, after adjusting for the forecast underspend for 2017-18.

5. IMPLICATIONS

5.1 Policy - Earmarked funds and funds set aside for delivery of Single Outcome Agreement are available to support Council Policy.

5.2 Financial - Outlines the balances held with the Council's usable and unusable reserves.

5.3 Legal – None.

5.4 HR – None.

5.5 Equalities – None.

5.6 Risk - A contingency of £4.716m equivalent to 2% of net expenditure has been set aside as part of the general fund. This has been subject to a risk assessment.

5.7 Customer Service – None.

**Policy Lead for Strategic Finance and Capital Regeneration Projects:
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Kirsty Flanagan
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2 February 2018

APPENDICES

Appendix 1 – Earmarked Reserves breakdown of unspent budget
Appendix 2 - Risk Assessment for Review of Reserves

APPENDIX 1

Earmarked Reserves - Unspent Budget
As at 31 December 2017

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	Remaining Balance	Still to be drawdown in 17/18	No fixed drawdown plan	Planned to spend in Future years	Plans for Use/Justification for Amounts to be Earmarked	Amount Planned to be Spent in 2017/18	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent from 2019/20 onwards
001	Chief Executive Unit	Strategic Finance	CIPFA student fees, VAT training and equipment	33,500			33,500	20,167	0	13,333	To fund the professional training costs for two staff undertaking the CIPFA professional accountancy qualification, VAT training for staff in Strategic Finance as well as key staff in procurement and creditors and fund the replacement/upgrade of IT equipment necessary to ensure the efficient delivery of service.	20,167	6,667	6,666
002	Community Services	Formerly Community and Culture	Queen's Hall Soft Play	75,000			75,000	0	0	75,000	To fund the provision of a soft play area required as part of the CHORD redevelopment of the Queen's Hall.	0	75,000	0
003	Community Services	Community and Culture	Consultancy	40,000	40,000		0	0	0	0	Specialist consultancy required for the implementation of the Leisure and Libraries Trust.	40,000	0	0
004	Customer Services	Customer Services	Estates - NDR Revaluation Appeals	150,000			150,000	150,000	0	0	To meet the cost of appealing NDR revaluations which will be imposed from 1st April 2017.	150,000	0	0
005	Customer Services	Customer Services	New Schools Project - Additional Monitoring	250,000			250,000	80,000	0	170,000	As a result of the Edinburgh Schools Inquiry, the Cole report has been issued addressing issues in relation to the monitoring of construction projects. Earmarking will provide resource to enable the Council to review monitoring arrangements across a number of projects to ensure compliance.	80,000	85,000	85,000
006	Customer Services	Customer and Support Services	Replacement of IR5 system	30,000	18,000		12,000	12,000	0	0	Replacement of unreliable and insecure IR5 system for room/resource bookings with modern system.	30,000	0	0
007	Customer Services	Facility Services	Management of Asbestos	270,000			270,000	90,000	0	180,000	Providing asbestos management on an ongoing basis by employing 2.5 FTE to ensure compliance with all regulatory requirements.	90,000	90,000	90,000
008	Customer Services	Customer and Support Services	WSUS Servers	50,000	14,204		35,796	35,796	0	0	To fund the introduction of local Windows Services Update Servers (WSUS) to assist the Council with ensuring that essential updates are installed across the desktop and laptop estate much more quickly, thereby increasing IT security and with less adverse impact on bandwidth and user performance.	50,000	0	0
009	Customer Services	Improvement and HR	Training Centre Improvements	16,700			16,700	16,700	0	0	To fund the improvement of the Council's training facilities, including the purchase of new IT equipment which would increase the Council's training offering, allowing access to online, remote and multiple location webinar based learning.	16,700	0	0
010	Development & Infrastructure Services	Development & Infrastructure Services	Hermitage Park Pavilion	100,000			100,000	100,000	0	0	Funding to meet the unexpected additional cost associated with the construction of a new pavilion at Hermitage Park in Helensburgh.	100,000	0	0
011	Development & Infrastructure Services	Economic Development	Inveraray Avenue Screen	100,000			100,000	0	0	100,000	Essential maintenance work to be required out on the Arches in Inveraray.	0	100,000	0
012	Other	Other	Underwriting development of Rothesay Pavilion	1,000,000			1,000,000	1,000,000	0	0	Funding to meet additional costs identified as necessary for the refurbishment of Rothesay Pavilion.	1,000,000	0	0
013	Other	Other	New schools additional costs	750,000			750,000	750,000	0	0	Funding to meet additional costs identified as necessary to complete the refurbishment of Dunoon Primary School.	750,000	0	0

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037	Chief Executive Unit	Strategic Finance	AAT Training programme, Audit plan resource and a Converting to Digital records project	42,000			42,000	8,000	0	34,000	AAT Programme - This is part of the Strategic Finance medium to long term plan to "Grow your own" to plan for succession and ensure the quality of service provided. Audit plan resource - Completion of the Audit plan is Strategically important, on a Corporate level, due to the reliance the external auditors place on the internal audit function. Due to long term sickness, the Audit team requires funding to delay the release of a member of staff who has been accepted for voluntary redundancy. This will ensure the Audit plan is successfully completed. Converting to Digital Records project - This project has been created to covert all the Income Maximisation finance files (Homecare/Adult care etc) to digital. This will be done by employing a temporary admin assistant. Once complete the efficiencies of information flow and access will generate savings	8,000	26,000	8,000
038	Integration Services	Adult Care	Autism Strategy	9,930	1,862		8,068	8,068	0	0	Carry forward on monies received late in 2012-13 to fund the development of an autism strategy for both adults and children. Report to Community Services Committee 8th May 2014 noting The Health and Social Care Strategic Partnership are leading work in Argyll and Bute to develop services for clients with an Autism Spectrum Disorder (ASD). Work is underway and remainder of funding will be utilised in 2017-18 on planned training.	9,930	0	0
039	Integration Services	Children and Families	Early Intervention (Early Years Change Fund)	40,435	40,435		0	0	0	0	Fund established in 2012/13 to be spent over more than one year. Expenditure plan has been prepared.	40,435	0	0
040	Community Services	Education	Developing Scotland's Young Workforce	10,250	10,250		0	0	0	0	Developing an Argyll & Bute foundational apprenticeship scheme, developing support for vulnerable young people to access training, developing key group knowledge of the local labour market in relation to post-school opportunities and delivering a prevocational programme for unemployed young people.	10,250	0	0
041	Community Services	Education	Youth Employment Opportunities Fund	65,118	30,000		35,118	0	0	35,118	Fund established in 2012/13 to be spent over more than one year. Monies will mainly be used for Modern Apprenticeship scheme.	30,000	35,118	0
042	Community Services	Education	School Campus Proposals - Dunoon and Campbeltown	159,982	119,987		39,995	0	0	39,995	Additional revenue costs associated with development of new schools. Draw down as Schools project progresses and project costs are incurred.	119,987	39,995	0
043	Community Services	Community and Culture	Written in the Landscape Project	20,000			20,000	10,000	0	10,000	Written in the Landscape Project 2016-2018: A Project to Catalogue Argyll's Family and Estate Archives. The project will run until December 2018 and two Project Archivists will be employed to undertake the principal task of cataloguing and conservation. Funding for the project has come from a Heritage Lottery Fund (HLF) grant of £100,000 and the Council is required to commit a £30,000 contribution as match funding to the HLF grant for the duration of the project (£10K for each of the next three financial years).	10,000	10,000	0
044	Customer Services	Improvement and HR	Resourcelink Review	79,284	27,401		51,883	51,883	0	0	Fund the Resourcelink Project, which is improving efficiency and functionality in the Council's HR and payroll database. The RL5 Project is underway and I deliver improved and remote clocking, health and safety records, learning and development records and functionality that supports the delivery of savings in HR0D through automation and the removal of paper processes.	79,284	0	0
045	Customer Services	Improvement and HR	Argyll and Bute Manager Programme	31,183	20,789		10,394	0	0	10,394	Fund the Argyll and Bute Manager training programme which has been extended. Over 200 managers have been trained and the funding is being used to roll this out across all managers, with a further 3 cohorts having been enrolled in 2016/17 for training to take place in 2017/18. Once full coverage has been achieved the training will become part of business as usual for Learning and Development	20,789	10,394	0
046	Customer Services	Improvement and HR	Learning and Development	91,638	42,421		49,217	18,671	0	30,546	Training identified via PRDs, develop further E-Learning modules and the provision of Social Work degree and HNC qualifications. Original earmarked balance was to be spent over a 5 year period.	61,092	30,546	0

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047	Customer Services	Improvement and HR	Growing our Own and Modern Apprentices	203,819	32,138		171,681	-10,029	0	181,710	Develop a comprehensive programme to support and attract young people into jobs and careers in the council. Includes funding for a temporary Growing Our Own development officer, who has been in post since September 2016 to co-ordinate the programme.	22,109	181,710	0
048	Customer Services	Improvement and HR	Leadership Development	32,282			32,282	21,522	0	10,760	Support a programme of enhanced leadership development for both senior and team leaders, building on the skills that they already have and ensuring that they are prepared and able to meet the challenges of transformation that that council is facing.	21,522	10,760	0
049	Customer Services	Improvement and HR	Service Choices HR Team	55,380	22,756		32,624	32,624	0	0	Fund a Service Choices team in HR to manage the HR process of redundancy, redeployment, retirement, contractual change and service re-design. This was agreed by Policy and Resources Committee on 20 August 2015. The Service Choices Programme is in its final year of implementation and the team are continuing to deal with redeployment, revised contracts and redundancy related to Year 3 implementation. The team will also pick up any employee related changes emerging from transformation or other service change.	55,380	0	0
050	Customer Services	Customer and Support Services	Pathfinder North - Scottish Wide Area Network Implementation	100,000			100,000	100,000	0	0	One-off costs to cover additional costs associated with the delay in the implementation of the new Scottish Wide Area Network (SWAN) connections under the new contract with Capita. Implementation was due to complete 21 September 2016 but is now expected to complete July 2017.	100,000	0	0
051	Customer Services	Customer and Support Services	Discretionary Housing Payments	19,918			19,918	19,918	0	0	Additional funding from the Scottish Government for the 2014-15 allocation for Discretionary Housing Payments, agreed that this underspend can be carried forward to supplement monies available for DHPs in 2015-16 as it is expected that the allocation will reduce and this will allow for current priority levels to be maintained. This was reviewed by Policy and Resources Committee meeting on 16 March 2017 and recommended that the remaining balance be carried forward into 2017-18 to allow current priorities to be maintained.	19,918	0	0
052	Customer Services	Customer and Support Services	Scottish Government Funding - Welfare Reform/Discretionary Housing Payments (agreed at Council February 2014)	52,809	34,214		18,595	18,595	0	0	The Council was allocated additional funding of £550k from the Scottish Government late in 2013-14 to provide additional Discretionary Housing Payments. The Council agreed to carry forward the balance of funding to support a range of welfare reform interventions. An updated spending plan for the funding was agreed by the Policy and Resources Committee in March 2017.	52,809	0	0
053	Customer Services	Facility Services	Campbeltown Office Rationalisation	4,500			4,500	4,500	0	0	The Campbeltown Office Rationalisation has seen around 100 staff displaced from Witchburn Road to Kintyre House. The balance of the funding is to fund the move for the Assessors equipment and materials from Witchburn Road.	4,500	0	0
054	Customer Services	Facility Services	Asbestos Management	88,844	72,144		16,700	16,700	0	0	Asbestos survey to be carried out for all of the Council properties. Reserves were approved to fund a 3 year programme of asbestos works, the original amount earmarked was £513k. The remaining monies will be spent during 2016-17.	88,844	0	0
055	Customer Services	Governance & Law	WWI Commemoration Event	25,000	25,000		0	0	0	0	It was previously agreed at Council on 24 September 2015 to earmark monies to partly fund the WWI commemoration event, to be accommodated from within the Customer Services outturn position.	25,000	0	0
056	Customer Services	Governance & Law	Local Government Elections	273,429	222,384		51,045	51,045	0	0	The Scottish Local Government Elections will take place on Thursday 4th May 2017, the Council has a statutory duty to meet the costs of the election.	273,429	0	0
057	Customer Services	Customer and Support Services	Digital Transformation	172,000	30,945		141,055	141,055	0	0	To fund the development of 11 digital transformation options and to support the work of the Transformation Board. Options were approved by the Administration on 3rd December for a series of spend to save activities. This option was agreed by Council in February 2017.	172,000	0	0

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	Remaining Balance	Still to be drawdown in 17/18	No fixed drawdown plan	Planned to spend in Future years	Plans for Use/Justification for Amounts to be Earmarked	Amount Planned to be Spent in 2017/18	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent from 2019/20 onwards
058	Customer Services	Customer and Support Services	Customer Contact Centre Replacement	32,316			32,316	32,316	0	0	Policy and Resources Committee Decision of 19 March 2015. Revenue budget approved to fund the additional one-off revenue requirements to replace the Customer Contact systems. The balance is required to meet one off service choices saving in 2017-18 on system maintenance costs.	32,316	0	0
059	Development & Infrastructure Services	Executive Director of Development & Infrastructure Services	Transformational Change	94,001	94,001		0	0	0	0	This project seeks to accelerate the delivery of transformational changes in service delivery and operational efficiency. The fund will cover the costs of project management support. The potential savings achieved through changes to service delivery and operational efficiencies will exceed the costs incurred and deliver long term benefits to the Council and its customers.	94,001	0	0
060	Development & Infrastructure Services	Roads and Amenity Services	Street Lighting Survey	132,000	30,844		101,156	4,156	0	97,000	In order to ensure that the inventory is sufficiently robust to inform both an energy model and a lighting business case it is necessary to carry out an asset survey which will provide a high degree of inventory accuracy. As part of this process a robust protocol will be established that ensures that the inventory is monitored and kept up to date.	35,000	85,000	12,000
061	Development & Infrastructure Services	Roads and Amenity Services	Amenity Services introduction of management information system	115,500	34,483		81,017	0	0	81,017	To introduce WDM/TOTAL to provide accurate management information on the operation of Amenity Services. Funding was available in the 2013-14 budget for this project, which was agreed as part of the service review. Because of delays with progressing budget savings options this delayed the implementation of this project. Work is progressing with a pilot phase. ELM is currently live with two teams in the Helensburgh and Lomond area, with colleagues in IT in the process of testing the results	34,483	81,017	0
062	Development & Infrastructure Services	Roads and Amenity Services	Waste Management	130,000			130,000	0	0	130,000	Will be used towards long term waste management model, including but not limited to scoping work for the creating of a waste transfer station at Blackhill.	0	130,000	0
063	Development & Infrastructure Services	Roads and Amenity Services	3G pitches	750,000			750,000	353,000	0	397,000	Maintenance of 3G Pitches across Argyll & Bute. Subject to a report to April Council	353,000	397,000	0
064	Development & Infrastructure Services	Economic Development	Scottish Submarine Museum	40,000			40,000	40,000	0	0	Commonwealth Submarine Pavilion; proposal to create a new Naval Submarine Museum in Helensburgh as a visitor attraction and celebrate the town's links with HM Faslane Naval Base. This was agreed as part of the 2014/15 Budget as a demand pressure by Council on 13 February 2014. The balance of the fund will be spent in 2017-18.	40,000	0	0
065	Development & Infrastructure Services	Economic Development	Hermitage Park HLF	245,000	100,000		145,000	145,000	0	0	The aims of the scheme focus around the objectives of protecting the quality of the heritage of Hermitage Park thereby improving the quality of the experience, increase public engagement and the use of the park. The overall objective is to enhance the quality of the area as a place to live and work and in turn improve the overall quality of life in our communities This will be achieved through the following : 1 Restoration of the historic fabric including walled memorial garden, pond and gates, old mill remains, Hermitage Well and the Millig Burn paths, bridges and walls, 2 Restoration/reinterpretation of historic planting, including open up lines of site to improve safety of visitors, 3 Celebration of heritage through interpretation and community involvement – and upgrading of the paths and drainage to increase access to the Park, 4 Reconsideration of the recreational elements which include the children's play park, bowling green, tennis courts, putting green and recreational pavilion, shelter and toilets.	245,000	0	0
066	Development & Infrastructure Services	Economic Development	Rothesay Pavilion Essential repairs	306,400			306,400	306,400	0	0	Essential repairs to deal with potential health and safety risks and to avoid further deterioration. Budget provision was approved by the Policy and Resources Committee on 21 August 2014.	306,400	0	0

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	Remaining Balance	Still to be drawdown in 17/18	No fixed drawdown plan	Planned to spend in Future years	Plans for Use/Justification for Amounts to be Earmarked	Amount Planned to be Spent in 2017/18	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent from 2019/20 onwards
067	Development & Infrastructure Services	Economic Development	Oban TIF (Tax Incremental Financing)	1,218,487	229,387		989,100	102,613	0	886,487	Revenue budget approved to fund the Lorn Arc Incremental Financing (TIF) programme management. This balance will fund the programme office until 2019-20, any unspent amounts have been approved to be automatically carried forward at the year-end as agreed by Council on 22 January 2015.	332,000	886,487	0
068	Development & Infrastructure Services	Economic Development	Amberg-Sulzbach	10,000	3,557		6,443	6,443	0	0	One off funding to be set aside for the celebration of the 50th anniversary of the twinning arrangement between Argyll and Bute and Amberg-Sulzbach	10,000	0	0
069	Development & Infrastructure Services	Planning and Regulatory Services	Advice Services	30,540	30,540		0	0	0	0	To provide certainty to existing providers while a review of advice services within Argyll and Bute is completed. Budget provision was approved by Council on 12 February 2015.	30,540	0	0
070	Development & Infrastructure Services	Planning and Regulatory Services	Development Policy	19,910			19,910	10,000	0	9,910	To be used for the Marine Related Infrastructure Requirements Study which was mentioned in the Oban Strategic Development Framework and the Main Issue report (FQ4 2017/18). Remainder will be used for publicity and printing for the proposed LDP & associated documents.	10,000	9,910	0
071	Development & Infrastructure Services	Roads and Amenity Services	Waste Management	64,361			64,361	64,361	0	0	Will be used towards Waste Management longer term model. Delay in introduction of comingled collection due to legal issues that remain to be resolved, however monies will be required for waste management longer term model.	64,361	0	0
072	HQ Non Dept	n/a	Community Resilience Fund	88,327			88,327	0	88,327	0	Fund established in 2012/13 to be spent over more than one year. Fund reduced at the Council meeting on 11 February 2016	0	Contingency balance - no spending plan	88,327
				7,719,843	1,327,742	0	6,392,101	3,811,504	88,327	2,492,270		5,139,246	2,290,604	289,993

APPENDIX 2

Risk Assessment for Review of Reserves		
Factor	Comment	Assessment
Cost and Demand Pressures	As part of maintaining the medium term budgetary outlook, cost and demand pressures for 2018-19 and beyond have been kept under review. The cost and demand pressures for 2018-19 amount to £1.805m for Council Services. A general allowance for unidentified cost and demand pressures has been built into the budget outlook for 2019-20 and 2020-21: £0.250m per annum in the mid-range scenario and £0.500m per annum in the worst case scenario.	Medium (2017-18 Medium)
Service Income	Service income levels have been reviewed as part of constructing the budget. In addition fees and charges have been reviewed.	Low (2017-18 Low)
Council Wide Cost Risks	The financial risk analysis identified 5 council wide cost risks – Council Tax income, shortfall on savings options, IJB refer to Council for additional funding to deliver integration services, pay inflation, and utility costs. The most significant risk relates to the pay inflation and as this could have a significant financial impact, the risk has been moved into the Medium/High category. Although the IJB shortfall is a risk, any additional payment would require to be paid back to the Council from future payments.	Medium/High (2017-18 Medium)
Funding Risks	The financial settlement announced on 14 December 2017 advises of the provisional funding for 2018-19. This was subsequently amended on 15 January 2018 and 23 January 2018. It is likely that the Council could be allocated additional money as part of the budget that is accepted through Parliament on 21 February 2018. There are also some elements of funding for 2018-19 that have still to be distributed.	Medium (2017-18 Medium)

Risk Assessment for Review of Reserves		
Factor	Comment	Assessment
	The other element of funding is Council Tax. There is a proposed increase to Council Tax of 3%. The Council has made a prudent estimate of Council Tax income and has a sound history of achieving collection targets.	
Savings Risks	The Council agreed to implement 125 Service Choice Savings options with a saving by 2018-19 of £9.011m. Of this, £1.301m relates to the saving target for 2018-19. The Council have a good track record on delivering savings options and as this is the third year of the savings, the options are well developed.	Low/Medium (2017-18 Medium)
Inflation Rates	The Bank of England Inflation Reports during 2017 have clearly flagged up that they expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. Inflation actually came in at 2.9% in August, (this data was released on 12 September), and so the Bank revised its forecast for the peak to over 3% at the 14 September Monetary Policy Committee meeting. Even although there is an expectation that CPI will begin to fall over the next two years, it would be prudent to consider a level of inflation over and the unavoidable/inescapable provision and a general 1% inflation has been included within the worst case scenario for 2019-20 and 2020-21. For 2018-19, the inflation estimates are considered to be sufficient.	Medium (2017-18 Medium)

Risk Assessment for Review of Reserves		
Factor	Comment	Assessment
Interest Rates	<p>The Council has a large proportion of its borrowing secured at fixed rates which reduces the risk to increases in interest rates. Borrowing is being managed to reduce where possible surplus cash available for investment subject to working capital/cash flow requirements.</p> <p>Surplus funds are invested and the rates of interest earned reflect current market conditions. This reduces risk exposure on surplus funds. Current forecasts of interest rates are based on advice from our treasury advisors. Current investment rates are so low there is little scope for them to reduce any further.</p>	Low (2017-18 Low)
Financial risks	The Council has managed surplus funds invested to reduce exposure to risks associated with money market deposits. It retains a working balance of £10m to meet cash flow needs. Investments are managed based on the credit worthiness of agreed counterparties based on credit scores of recognised agencies. This should avoid having to borrow in an unplanned way from the money markets.	Low (2017-18 Low)
Strategic risks	The strategic risk register was updated during 2017-18. Grant Thornton, undertook a review on the way in which the strategic and operational risks are managed by the Council and the level of assurance given was Substantial.	Medium (2017-18 Medium)
Operational risks	Operational risk registers are held in Pyramid and are formally reviewed each quarter. The Strategic Management Team have undergone a review of this process in January and an updated process will be rolled out during 2018-19 which will enhance the identification and monitoring of the operational risks.	Medium (2017-18 Medium)
Impact of BREXIT	Following the EU referendum result there are potential uncertainties and risks	Low/Medium (2017-18)

Risk Assessment for Review of Reserves		
Factor	Comment	Assessment
	arising from BREXIT. It is too early, in the BREXIT process, to quantify the potential impact on the Council, however, this will be closely monitored and reported as the BREXIT process progresses.	Low/Medium)
General financial climate	<p>The finance settlement covers 2018-19. A prudent approach to estimating income from council tax has been taken. Risks arising from inflation, interest rates, cost pressures and demand led pressures have been outlined above.</p> <p>The fiscal responsibilities of the Scottish Parliament are expanding rapidly, with new powers over taxation and welfare. Around 40% of devolved expenditure will now be funded by tax revenues collected in Scotland – a figure that will rise to 50% once VAT revenues are assigned. In future, in addition to the block grant, the resources available to the Scottish Government will depend on a complex interaction between the revenues from taxes transferred to the Scottish Government and the revenues from the equivalent taxes in the rest of the UK. These new fiscal powers come at a time when the Scottish economy remains fragile. Growth in Scotland has been much weaker than for the UK economy for most of the last two years.</p> <p>It would be prudent to keep this risk as medium.</p>	Medium (2017-18 Medium)
Availability of contingency funds	The Council currently has sufficient contingency funds to meet its target.	Low (2017-18 Low)
Overall financial standing	The Council has managed to achieve its contingency target in previous years. Actual costs are normally contained within budget. Borrowing costs are largely fixed and exposure to changes in investment rates for surplus cash are	Low (2017-18 Low)

Risk Assessment for Review of Reserves		
Factor	Comment	Assessment
	<p>minimised. In addition to the contingency there are significant earmarked funds. Cost and demand pressures are identified and provided for if necessary. Significant savings are required to balance, however, around £6m of savings measures for 2018-19 were identified and agreed prior to the budget meeting. The Council have a Transformation Board who have a programme of work that will achieve savings in future years. Overall the financial standing of the Council continues to be one of low risk.</p>	
Track record in budget management	<p>The Council has a good track record of containing expenditure within budget. Again the Council is on track to contain costs within budget for 2017-18. The potential change to the current forecast outturn is in respect of winter maintenance, however, there are still sufficient underspends to meet any un-forecast rise in cost.</p>	Low (2017-18 Low)
Financial information and reporting arrangements	<p>Revenue and capital budgets are monitored on a monthly basis with budget allocated to responsible managers. A risk based approach is taken to budget monitoring and the budget monitoring process is continually being reviewed to identify ongoing improvements.</p>	Low/Medium (2017-18 Low/Medium)
Insurance cover	<p>The Council has adequate insurance cover.</p>	Low (2017-18 Low)
Internal controls	<p>The statement of internal controls identifies a generally adequate control framework although there are areas for improvement. An audit plan is approved and delivered each year to monitor internal controls. The Council's Audit and Scrutiny Committee continues to actively develop and adopt good practice.</p>	Low/Medium (2017-18 Low/Medium)