

EXECUTIVE SUMMARY**FINANCIAL REPORT MONITORING PACK – JUNE 2018**

1. INTRODUCTION

1.1 This report provides a summary of the financial monitoring reports as at the end of June 2018. There are six detailed reports summarised in this Executive Summary:

- Revenue Budget Monitoring Report as at 30 June 2018
- Monitoring of Service Package Policy Options as at 30 June 2018
- Monitoring of Financial Risks as at 30 June 2018
- Capital Plan Monitoring Report as at 30 June 2018
- Treasury Monitoring Report as at 30 June 2018
- Reserves and Balances as at 30 June 2018

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 As a result of the accounting treatment recommended by Audit Scotland for the Health and Social Care Partnership (HSCP) overspend, the Council's forecast outturn position will now include any forecast overspend for Social Work (managed by the HSCP). As per the Scheme of Integration, the Integrated Joint Board may retain any underspend and, therefore, only a forecast overspend position will be reported. In the event that the health services managed by NHS Highland are forecasting an underspend, the forecast overspend for Social Work services will be reduced by this amount.

2.1.3 There is a forecast overspend of £2.801m as at the end of June 2018. The overspend is in respect of the following:

- Overspend of £2.389m in Social Work due to unidentified IJB savings allocated to Social Work.
- Overspend of £0.350m in relation to Education ASN due to a significant increase in demand
- Overspend of £0.083m in relation to a shortfall in savings for the Catering and Cleaning project.
- Underspend of £0.021m in relation to the Valuation Joint Board payment

being less than budget.

2.1.4 There is a year to date underspend of £1.555m. More focus is on the forecast outturn position, hence why sometimes the year to date position is not updated. There is a variance within Education that relates to an underspend in staffing, however, under the Scheme of Devolved School Management schools are permitted flexibility at year end, therefore no forecast variance has been processed in relation to this. There is also an underspend in relation to the HUB schools due to invoicing delay. Any year to date variances that may impact on the likely outturn position have been reported.

2.2 Monitoring of Service Package Policy Options

2.2.1 This report provides an update on the implementation and delivery of the Service Package Policy Options agreed by Council in February 2018. 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 28 savings options, 12 have already been delivered, 10 are on track to be delivered as per their timescale and 6 have still to be implemented. There are none that have been categorised as potential shortfall or delayed at this stage.

Category	No of Options	2018-19 £000	2019-20 £000	2020-21 £000
Delivered	12	395.0	598.2	698.2
On Track to be Delivered	10	942.0	1,556.5	2,250.5
Still to be Implemented	6	-49.0	284.1	776.1
Being Developed	0	0.0	0.0	0.0
Potential Shortfall	0	0.0	0.0	0.0
Delayed	0	0.0	0.0	0.0
Total	28	1,288.0	2,438.8	3724.8

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 7 Council wide revenue risks identified for 2018-19 amounting to £4.896m. Only 2 have been assessed as possible in relation to Social Work overspend and higher than anticipated pay award.

2.3.3 There are currently 45 departmental risks totalling £4.566m. Only 4 of the 45 departmental risks are categorised as likely with no risks 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.

TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	LIKELIHOOD	FINANCIAL IMPACT £000
ASN Support	Demand for ASN support continues to increase which is something that cannot be controlled by the Service.	Continue to review the ASN allocations and monitor vacancies elsewhere within the Service where unspent budget could be used to contribute towards these costs.	4	350
Property - Central Repairs	Increased demands on central as a result of the decrease in capital funding available and increases in supplier/contractor charges.	Joint strategy with procurement colleagues to reduce potential impact of supplier/contractor charges. Close monitoring of central repairs budgets and commitments and instructing only essential repairs.	3	500
Winter Maintenance	Adverse weather conditions which require greater than budgeted number of gritting runs.	Monitor weather conditions and apply gritting policy to minimise costs.	3	700

2.3.5 The changes to the departmental risks since the financial risks report included within the budget pack in February 2018 are noted below:

- ELC 1,140 hours – Funding has now been confirmed so the value of this risk has been reduced from £2.000m to £0.100m.
- ASN Demand – A new risk has been included amounting to £0.350m and the department are actively trying to mitigate this risk.
- Non-Domestic Rates Relief - Likelihood reduced as most changes from Barclay Review increasing reliefs have been implemented and future changes still planned are more likely to restrict relief.
- Microsoft Effective Licensing Position (ELP) - Microsoft audit concluded and settled in March 2018 at a cost of £40k. No further audit for 12 months. However possibility of Oracle audit remains. Currently ULA agreement through Scottish Government is being dissolved and some additional costs might result from this.
- Property - Central Repairs – Increased financial impact of central repairs.

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 £6.086m compared to a budget for the year to date of £5.902m giving rise to an overspend for the year to date of £0.184m (3.1%). This overspend mainly relates to spend on fleet being ahead of profiled budget.

The forecast outturn for the year is a forecasted underspend of £1.324m (2.9%).

2.4.3 The forecast outturn for 2018-19 is a forecasted overspend of £1.342m (2.9%). There are two variances over £50k that contribute to this balance and they are in respect of a timing issue in respect of fleet and an overspend in bridge strengthening.

2.4.4 The forecast total net projects costs on the capital plan are £282.079m compared to a total budget for all projects of £280.862m giving rise to a forecast overspend for the overall capital plan of £1.217m. Consideration will be given as to how this forecast overspend can be brought back into balance.

2.4.5 In respect of total project performance, there are 189 projects within the capital plan, 179 are on track and 10 are off target and recoverable.

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 decreased by £0.889m during the period, due to the repayment of the Public Work Loans Board borrowing.

2.5.3 Borrowing is below the Capital Financing Requirement for the period to 30 June 2018. 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 £82.7m at 30 June 2018. The rate of return achieved was 0.760% which compares favourably with the target of 7 day LIBID which was 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 £229.053m unusable reserves that are not

backed with resources. They are required purely for accounting purposes.

- 2.6.3 The Council has a total of £56.152m usable reserves as at the end of 31 March 2018. Of this balance, £1.515m relates to the Repairs and Renewals Fund, £4.326m relates to Capital Funds and the remainder is held in the General Fund, with £43.717m of the balance earmarked for specific purposes.
- 2.6.4 Of the earmarked balance of £43.717m:
- £23.327m is invested or committed for major initiatives
 - £0.071m has already been drawn down as at the end of June.
 - £15.437m is still to be drawn down in 2018-19
 - £4.882m is planned to be spent in future years.
- 2.6.5 The General Fund contingency is set at 2% of net expenditure for 2018-19 and amounts to £4.726m. At the beginning of the financial year there was £1.868m of unallocated General Fund Balance (over and above contingency). After taking into consideration the forecast outturn for 2018-19 and if the forecast outturn remains by the year end, the Council will be using £0.933m of its contingency balance.

	£000
Unallocated balance as at 31 March 2018	1,868
Current Forecast Outturn for 2018-19 as at 30 June 2018	(2,801)
Estimated Unallocated balance as at 31 March 2019	(933)

- 2.6.6 The forecast outturn position needs to be closely monitored, particularly the forecast outturn for Social Work. If there is no improvement in the forecast outturn then consideration will need to be given to putting in place a recovery plan.

3. RECOMMENDATIONS

- 3.1 It is recommended that the Policy and Resources Committee:
- a) Consider the revenue budget monitoring report as at 30 June 2018.
 - b) Note the progress of the service package policy saving options as at 30 June 2018.
 - c) Note the current assessment of the Council's financial risks.
 - d) Consider the capital plan monitoring report as at 30 June 2018.
 - e) Note the treasury monitoring report as at 30 June 2018.
 - f) Consider the reserves and balances report as at 30 June 2018.

4. IMPLICATIONS

- | | | |
|-----|--------------------|---|
| 4.1 | Policy – | None. |
| 4.2 | Financial - | Outlines the revenue and capital monitoring for 2018-19 as at 30 June 2018. |
| 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. |

Kirsty Flanagan, Head of Strategic Finance

18 July 2018

**Policy Lead for Strategic Finance and Capital Regeneration Projects -
Councillor Gary Mulvaney**

Overall Position:

- There is a forecast overspend for 2018-19 of £2.801m as at the end of June 2018. The main overspend is in relation to Social Work, where there is an overspend of £2.389m due to unidentified IJB savings allocated to Social Work. There is also an overspend within of £0.350m in relation to Education ASN due to a significant increase in demand and an overspend of £0.083m in relation to a shortfall in savings for the Catering and Cleaning project. These are offset by a small underspend in relation to the Valuation Joint Board payment.
- There is a year to date underspend of £1.555m. More focus is on the forecast outturn position, hence why sometimes the year to date position is not updated. There is a variance within Education that relates to an underspend in staffing, however, under the Scheme of Devolved School Management schools are permitted flexibility at year end, therefore no forecast variance has been processed in relation to this. There is also an underspend in relation to the HUB schools due to invoicing delay. Any year to date variances that may impact on the likely outturn position have been reported.

Key Highlights as at June 2018:

This is the first quarterly report and the forecast outturn is an overspend of £2.801m. Steps will be taken to mitigate against this level of overspend continuing throughout the year.

Key Financial Successes:

The performance against budget for the financial year 2017-18 was an overall underspend of £2.567m (1.03%). There were some one-off factors contributing to this underspend, however, good budget control and financial management have ensured that the Council did not overspend.

Key Financial Challenges:

Achieving a favourable year-end balanced position and achieving savings targets in light of council wide risks to expenditure.

Monitoring the expenditure within Social Work and more widely the IJB position as any overspend will transfer back to partner bodies, in the first instance.

Identifying further savings and delivering services more efficiently with less resources.

Maintaining or improving the level of service income recovered, for example planning, building standards and car parking.

Managing spend in service areas which are demand led and, to some extent, outwith service control, for example Winter Maintenance.

Ongoing requirement to fund unavoidable increases in areas like employee costs, utility costs etc.

Proposed Actions to address Financial Challenges:

Robust monitoring of the financial position to ensure that any budget issues are fed back into the budget monitoring process.

Work more closely with the CFO of the IJB to ensure that early indication of financial outturn is known and corrective action is agreed as appropriate to reduce the risk to the Council.
Review of Scheme of Integration, particularly risk sharing arrangements to reduce any risk to the Council.

Continually refine/develop systems to accurately calculate forecast outturns and the future budget outlook.

Actively monitor income recovery and ensure Council fees and charges policies are reviewed.

Use risk based approach to budget monitoring to focus additional attention to these areas.

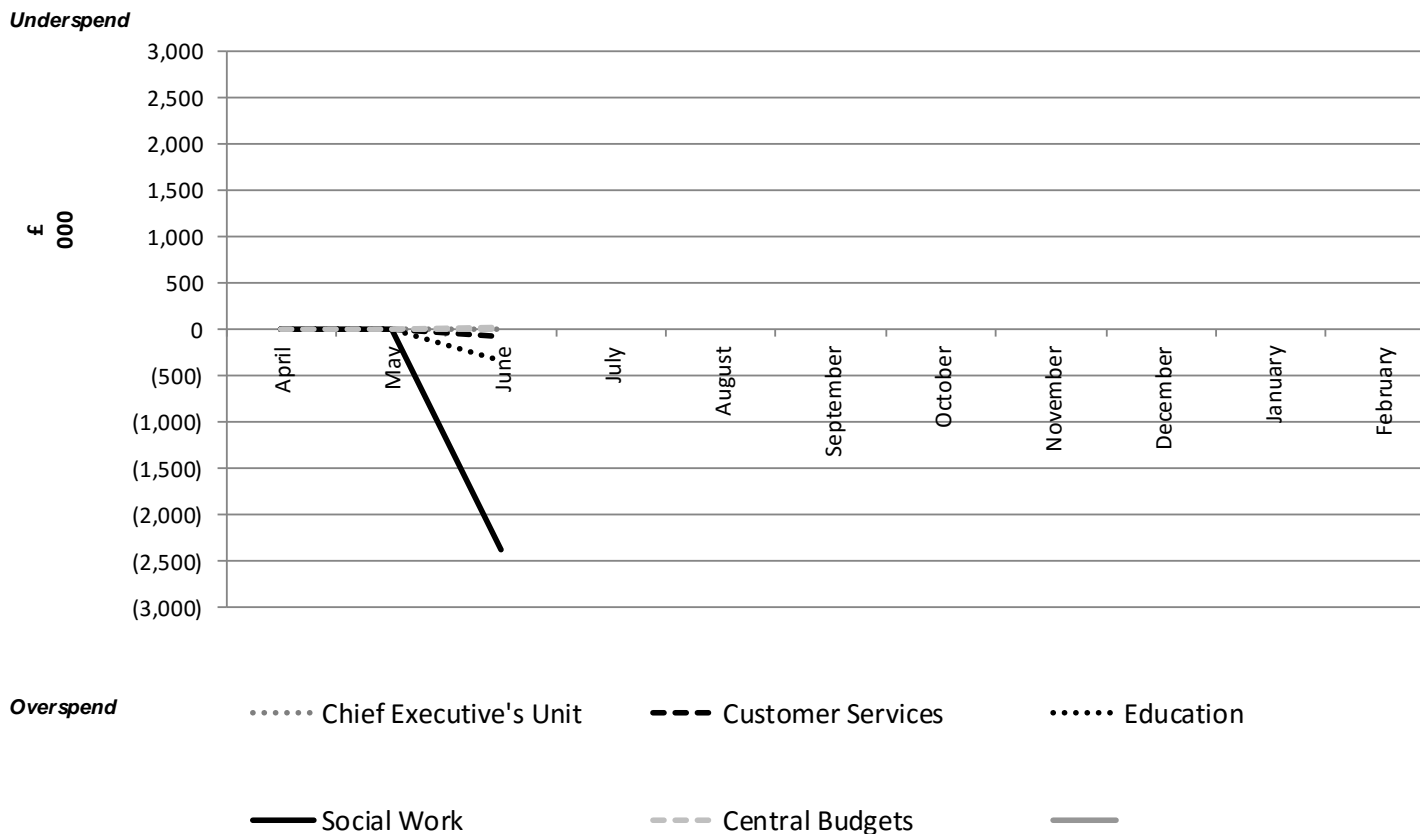
Ensure emerging issues are highlighted as soon as possible so that the financial impact can be reported through the budget monitoring and preparation processes.

Forecast Outturn Position

There is a forecast overspend for 2018-19 of £2.801m as at the end of June 2018.

Current Forecast Outturn Variance with change from previous month						
Department	Annual Budget £'000	Forecast Outturn £'000	Current Forecast Variance £'000	Previous Forecast Variance £000	Change £000	Explanation
Chief Executive's Unit	2,457	2,457	0	0	0	<p>Customer Services: The overspend relates to the anticipated shortfall in savings re Catering and Cleaning Innovation project - distribution hub £48k construction costs and payback and drinks provision £35k lower than recommended charge rate for milk creating shortfall.</p> <p>Education: The overspend relates to ASN assistants due to significant increase in demand which cannot be avoided. This is a very early estimate at this stage and will be monitored closely going forward with every effort being made to mitigate this overspend.</p> <p>Social Work: The overspend is across a number of services within Social Work but in the main relates to unidentified savings for the year. Work is ongoing to identify additional savings / underspends to cover off the unidentified savings figure of £2.345m.</p> <p>Central Budgets: The underspend relates to the requisition for the Valuation Joint Board less than anticipated.</p>
Customer Services	45,565	45,648	(83)	0	(83)	
Development and Infrastructure Services	32,123	32,123	0	0	0	
Education	75,301	75,651	(350)	0	(350)	
Social Work	56,380	58,769	(2,389)	0	(2,389)	
Central Budgets	25,215	25,194	21	0	21	
Total	237,041	239,842	(2,801)	0	(2,801)	

Movement in the forecast outturn position for each Department from the start of the financial year

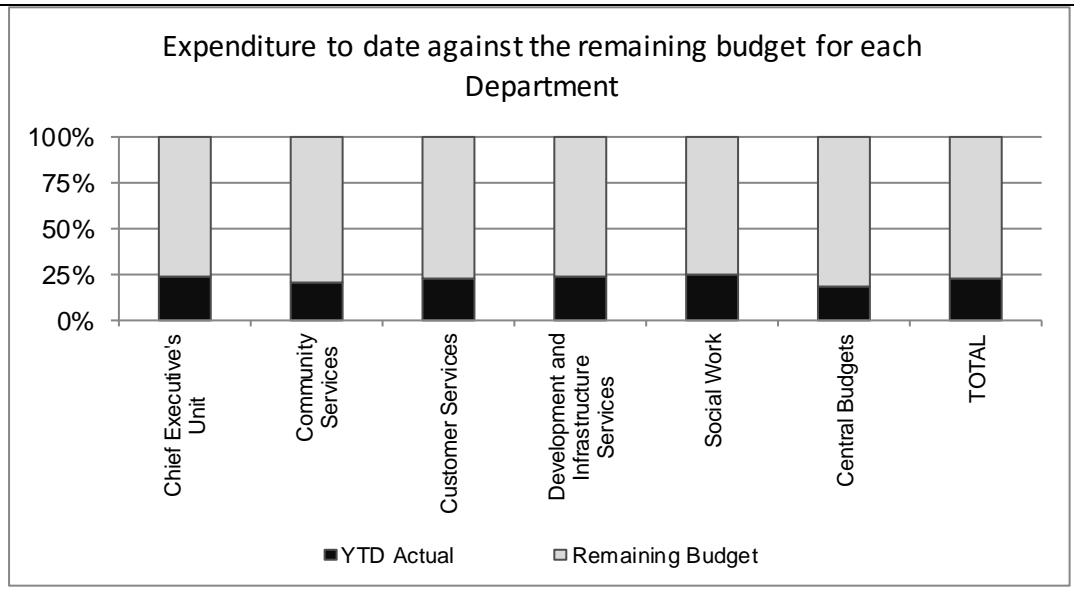


Further information on the departmental forecast variances is included later on in the report.

Year to Date Position

The year to date position as at the end of June 2018 is a deficit of £1.555m (2.9%) and the main variances are noted below.

The current year to date variance position for each Department:				
Department	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000	Explanation
Chief Executive's Unit	594	620	26	Small variances, mainly profile related.
Community Services	15,473	16,475	1,002	The variance is predominantly in relation to schools to which vacancies in staffing contribute largely towards. Under the Scheme of Devolved School Management schools are permitted flexibility at year end, therefore no forecast variance has been processed in relation to this. There is a further underspend in Pupil Equity Funds which is due to the profiling of funding received at the end of the June period and not a true reflection of the position.
Customer Services	10,320	11,740	1,420	The underspend is mainly in respect of the HUB schools invoicing delay and NPDO insurance and contract management invoice offset by the timing of the management fee payment to Live Argyll.
Development and Infrastructure Services	7,819	7,078	(741)	There are a number of profiling variances that contribute to this overall year to date overspend. There are none that give cause for concern or give rise to a forecast outturn position.
Social Work	14,139	14,156	17	Small variance.
Central Budgets	4,715	4,546	(169)	Profile related and will be refined for the next budget monitoring period.
Total Net Expenditure	53,060	54,615	1,555	



Further information on the departmental year to date variances is included later on in the report.

OBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AT 30 JUNE 2018

	YEAR TO DATE POSITION				CURRENT PROJECTED FINAL OUTTURN			
	YTD Actual	YTD Budget	YTD Variance	Variance	Annual Budget	Forecast Outturn	Forecast Variance	Variance
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
<u>Departmental Budgets</u>								
Chief Executive's Unit	594	620	26	4.2%	2,457	2,457	0	0.0%
Customer Services	10,320	11,740	1,420	12.1%	45,565	45,648	(83)	(0.2%)
Development and Infrastructure Services	7,819	7,078	(741)	(10.5%)	32,123	32,123	0	0.0%
Education	15,473	16,475	1,002	6.1%	75,301	75,651	(350)	(0.5%)
Social Work	14,139	14,156	17	0.1%	56,380	58,769	(2,389)	(4.2%)
Total Departmental Budgets	48,345	50,069	1,724	3.4%	211,826	214,648	(2,822)	(1.3%)
<u>Central Budgets</u>								
Other Operating Income and Expenditure	174	665	491	73.8%	4,033	4,033	0	0.0%
Joint Boards	320	343	23	6.7%	1,374	1,353	21	1.5%
Non-Controllable Costs	4,221	3,538	(683)	(19.3%)	19,808	19,808	0	0.0%
Total Central Budgets	4,715	4,546	(169)	(3.7%)	25,215	25,194	21	0.1%
TOTAL NET EXPENDITURE	53,060	54,615	1,555	2.9%	237,041	239,842	(2,801)	(1.2%)
<u>Financed By</u>								
Aggregate External Finance	(38,869)	(38,869)	0	0.0%	(191,704)	(191,704)	0	0.0%
Local Tax Requirement	(15,111)	(15,111)	0	0.0%	(47,674)	(47,674)	0	0.0%
Contributions to General Fund	0	0	0	0.0%	2,408	2,408	0	0.0%
Supplementary Estimates	0	0	0	0.0%	0	0	0	0.0%
Earmarked Reserves	0	0	0	0.0%	(71)	(71)	0	0.0%
Total Funding	(53,980)	(53,980)	0	0.0%	(237,041)	(237,041)	0	0.0%
Deficit/(Surplus) for Period	(920)	635	1,555		0	2,801	(2,801)	

SUBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AS AT 30 JUNE 2018

	YEAR TO DATE POSITION				CURRENT PROJECTED FINAL OUTTURN			
	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000	Variance %	Annual Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Variance %
Subjective Category								
Employee Expenses	29,437	30,067	630	2.1%	138,961	138,866	95	0.1%
Premises Related Expenditure	5,473	2,118	(3,355)	(158.4%)	14,769	14,775	(6)	(0.0%)
Supplies and Services	5,076	4,178	(898)	(21.5%)	13,343	17,665	(4,322)	(32.4%)
Transport Related Expenditure	2,745	2,634	(111)	(4.2%)	17,033	16,989	44	0.3%
Third Party Payments	29,479	34,749	5,270	15.2%	144,506	143,899	607	0.4%
Capital Financing	(1)	3,705	3,706	100.0%	14,918	14,918	0	0.0%
TOTAL EXPENDITURE	72,209	77,451	5,242	6.8%	343,530	347,112	(3,582)	(1.0%)
Income	(73,129)	(76,816)	(3,687)	4.8%	(343,530)	(344,311)	781	(0.2%)
Deficit/(Surplus) for Period	(920)	635	1,555		0	2,801	(2,801)	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.

Forecast Outturn is the estimate now of what expenditure or income will be for the whole of the financial year.

The Variance is the difference between budget and actual or forecast outturn.

A positive variance is when actual or forecast expenditure is less than budget or actual or forecast income is more than budget.

A negative variance is shown in brackets and is when actual or forecast expenditure is more than budget or actual or forecast income is less than budget.

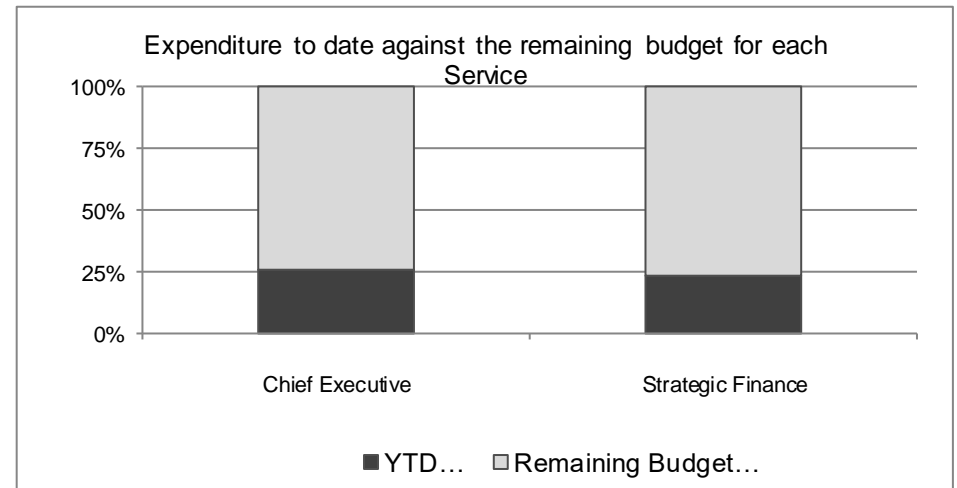
CHIEF EXECUTIVE'S UNIT HIGHLIGHTS – AS AT 30 JUNE 2018

- The department is currently forecasting spend to be in line with budget.
- The department has a year to date underspend of £0.026m (4.2%) which is mainly profile related.

Forecast Outturn Position

Current Forecast Outturn Variance with change from previous month					
Service	Annual Budget	Forecast Outturn	Current Forecast Variance	Previous Forecast Variance	Change
	£000	£000	£000	£000	£000
Chief Executive	813	813	0	0	0
Strategic Finance	1,643	1,643	0	0	0
Totals	2,456	2,456	0	0	0

Year to Date Position



Key Financial Successes:

The department are currently forecasting that spend will be in line with budget for 2018-19. All Service Choices savings options have been delivered. The department outturn position at the end of 2017-18 was an underspend of £0.070m due to effective management and monitoring of the budget.

Key Financial Challenges:

To continue to deliver high quality support service function during a time of continued budget cuts, particularly as the majority of the costs within Chief Executive's Unit are employee costs.

Proposed Actions to address Financial Challenges:

To ensure that the team are operating as efficiently and effectively as possible to enable continued support to departments with reduced resources.

CHIEF EXECUTIVE'S UNIT – OBJECTIVE SUMMARY AS AT 30 JUNE 2018

Business Outcome	Service Area	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Central/Management Costs	Central/Management Costs	61	62	1	1.6%	295	295	0	0.0%	Outwith reporting criteria
BO15 - Argyll and Bute is open for business	Community Planning	11	28	17	60.7%	124	124	0	0.0%	Small variance that is linked to the profile of the budget versus when actual spend is incurred.
BO33 - Information and support are available for our communities	Community Development and Grants to Third Sector	141	138	(3)	(2.2%)	394	394	0	0.0%	Outwith reporting criteria
Chief Executive Total		213	228	15	6.6%	813	813	0	0.0%	
BO28 - Our processes and business procedures are efficient, cost effective and compliant	Departmental Support, Corporate Accounting, Treasury & Internal Audit	381	392	11	2.8%	1,643	1,643	0	0.0%	Outwith reporting criteria
Strategic Finance Total		381	392	11	2.8%	1,643	1,643	0	0.0%	
GRAND TOTAL		594	620	26	4.2%	2,456	2,456	0	0.0%	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.

Forecast Outturn is the estimate now of what expenditure or income will be for the whole of the financial year.

The Variance is the difference between budget and actual or forecast outturn.

A positive variance is when actual or forecast expenditure is less than budget or actual or forecast income is more than budget.

A negative variance is shown in brackets and is when actual or forecast expenditure is more than budget or actual or forecast income is less than budget.

An explanation is given for any variance which exceeds £50,000 or 10%.

CHIEF EXECUTIVE'S UNIT – SUBJECTIVE SUMMARY AS AT 30 JUNE 2018

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	477	504	27	5.4%	2,333	2,333	0	0.0%	Outwith reporting criteria
Premises	0	0	0	0.0%	0	0	0	0.0%	Outwith reporting criteria
Supplies and Services	28	20	(9)	(45.0%)	56	56	0	0.0%	The variance relates to supplies in Strategic Finance where there is a mismatch between actuals and profiled budget - this will be reviewed.
Transport	6	8	3	37.5%	31	31	0	0.0%	Small variance.
Third Party	111	95	(16)	(16.8%)	188	188	0	0.0%	Small year to date overspend due to profiling within grants to third sector organisations.
Capital Financing	0	0	0	0.0%	0	0	0	0.0%	Outwith reporting criteria
Income	(28)	(7)	21	(300.0%)	(152)	(152)	0	0.0%	Higher than anticipated income as debtor account raised in respect of CPP to NHS in first quarter and income budget is spread across the year, this profile will be updated.
Totals	594	620	26	4.2%	2,456	2,456	0	0.0%	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.

Forecast Outturn is the estimate now of what expenditure or income will be for the whole of the financial year.

The Variance is the difference between budget and actual or forecast outturn.

A positive variance is when actual or forecast expenditure is less than budget or actual or forecast income is more than budget.

A negative variance is shown in brackets and is when actual or forecast expenditure is more than budget or actual or forecast income is less than budget.

An explanation is given for any variance which exceeds £50,000 or 10%.

CHIEF EXECUTIVE'S UNIT – RED VARIANCES AS AT 30 JUNE 2018

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	

A red variance is a forecast variance which is greater than +/- £50,000.

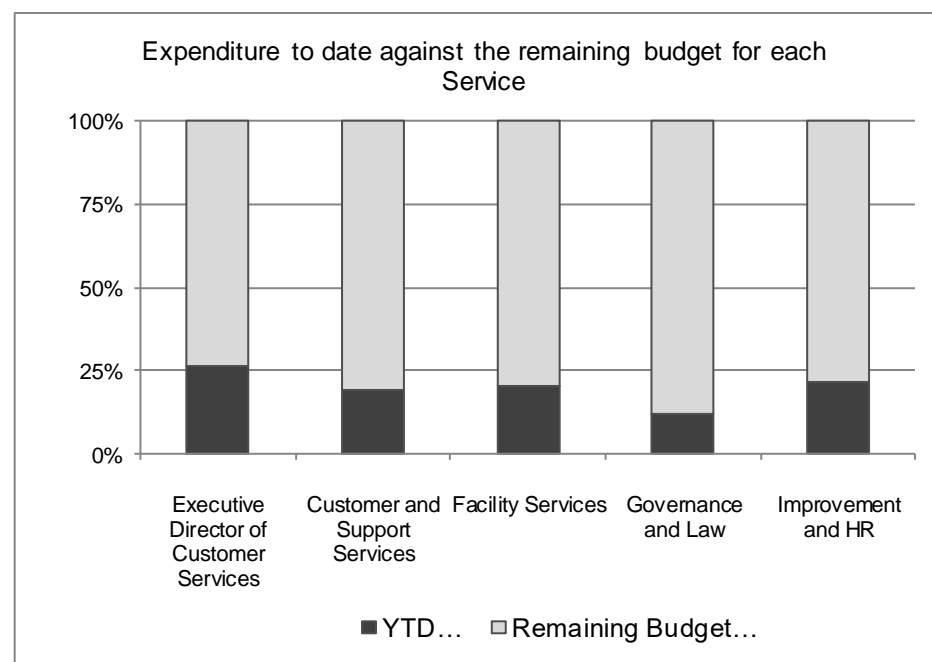
CUSTOMER SERVICES – AS AT 30 JUNE 2018

- The department is currently forecasting an overspend of £0.083m. This is in relation to an anticipated shortfall in savings re the Catering and Cleaning Innovation project, distribution hub £0.043m due to construction costs and payback and drinks provision where there was £0.035m due to lower than recommended charge rate for milk creating the shortfall.
- The department has a year to date underspend of £1.420m (12.1%). There are a number of variances contributing to this underspend including underspend of £0.873m Hub schools due to Hubco behind with invoicing, £0.484m NPDO due to insurance contract management savings and timing of water billing within the contract. Timing of property expenditure compared to budget.

Forecast Outturn Position

Current Forecast Outturn Variance with change from previous month					
Service	Annual Budget	Forecast Outturn	Current Forecast Variance	Previous Forecast Variance	Change
	£000	£000	£000	£000	£000
Executive Director of Customer Services	19,342	19,342	0	0	0
Customer and Support Services	8,683	8,683	0	0	0
Facility Services	12,796	12,879	(83)	0	(83)
Governance and Law	1,945	1,945	0	0	0
Improvement and HR	2,802	2,802	0	0	0
Totals	45,568	45,651	(83)	0	(83)

Year to Date Position



Key Financial Successes:

The 2017-18 year-end outturn position was an underspend of £1.306m. This was mainly as a result of over-recovery of vacancy savings, lower than expected insurance and utility cost savings arising as a result of the annual renegotiation of insurance costs which forms part of the contract management arrangements which are in place for the NPDO, lower than planned expenditure on the Catering Innovation Project which was delayed and lower than expected expenditure on school transport due to reduced contract and fuel costs.

A number of the service choices savings have also been secured to date.

Key Financial Challenges:	Proposed Actions to address Financial Challenges:
Impact of Welfare reforms.	Input ongoing to multi agency working group to ensure robust arrangements are put in place.
Delivering the proposed Facility Services budget reductions identified in the Transformation programme.	Provide the Transformation Board with robust information upon which decisions can be made and develop any savings proposals as necessary.
Impact of numbers/uptake in demand led service areas like transport, benefits and licensing.	Continually refine/develop systems to accurately calculate forecast outturns and the impact on the future financial outlook.
Support longer term service re-design project for Catering and Cleaning services to ensure efficiencies and financial savings are secured for the Council. Success dependant on buy-in from Argyll & Bute Health and Social Care Partnership.	Effective working with consultants and support with implementation of preferred service delivery method.
New legislative/policy requirements not fully funded by Scottish Government which put additional burdens on the Council. For example, additional demands from IJB, requirement to register all property in land register by 2019, new education arrangements know on impact for all support services.	Analysis of new obligations and whether they incur additional costs not met through increased grant.

CUSTOMER SERVICES – OBJECTIVE SUMMARY AS AT 30 JUNE 2018

Business Outcome	Service Area	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Central/Management Costs	Central/Management Costs, NPDO, Special Projects & Estates	5,164	6,320	1,155	18.3%	19,342	19,342	0	0.0%	NPDO - YTD underspend £484k, pending water costs from Anglian Water circa £100k and insurance/contract management. HUB Schools - YTD underspend £873k Hubco behind with invoicing, profile will catch up by yearend
Executive Director of Customer Services Total		5,164	6,320	1,155	18.3%	19,342	19,342	0	0.0%	
Central/Management Costs	Central/Management Costs	81	81	0	0.0%	352	352	0	0.0%	Outwith reporting criteria
BO04 - Benefits are paid promptly and accurately	Benefits, SWF & Welfare Reform	499	474	(25)	(5.3%)	1,616	1,616	0	0.0%	Outwith reporting criteria
BO23 - Economic Growth is supported	NDR Disc Relief, Creditors & Procurement	208	205	(3)	(1.5%)	1,155	1,155	0	0.0%	Outwith reporting criteria
BO27 - Infrastructure and assets are fit for purpose	ICT Applications & Infrastructure	527	589	62	10.5%	3,690	3,690	0	0.0%	HQ Reprographics - YTD underspend equipment leasing £7k and postages £25k. ICT Infrastructure YTD underspend £18k, mainly Gamma costs network line charges credit £13k and £5k employee costs underspend
BO28 - Our processes and business procedures are efficient, cost effective and compliant	Local Tax, Debtors, Debt Recovery, Customer Service Centres & Registrars	345	379	34	9.0%	1,870	1,870	0	0.0%	Outwith reporting criteria
Customer and Support Services Total		1,660	1,728	68	3.9%	8,683	8,683	0	0.0%	
BO09 - Our assets are safe, efficient and fit for purpose	Shared Offices, Property, Pool Cars, Public Transport and Cleaning.	2,721	2,990	269	9.0%	12,307	12,307	0	0.0%	Property design £87k underspend Ytd - employee costs and spend/income budget profile. Live Argyll Premises budget profile £31k. Public Transport £66k underspend YTD - mainly school operator payments. Shared office accommodation £29k - central repairs timing
BO18 - Improved lifestyle choices are available	School Meals	(120)	(192)	(73)	38.0%	206	289	(83)	(40.3%)	£83k forecast overspend anticipated due to shortfall in savings re Catering and Cleaning Innovation project - distribution hub £48k construction costs and payback and drinks provision £35k lower than recommended charge rate for milk creating shortfall. Ytd timing of school meal recharge.
Central/Management Costs	Central/Management Costs	46	57	11	19.3%	283	283	0	0.0%	Property services admin support employee costs ytd underspend
Facility Services Total		2,647	2,855	207	7.3%	12,796	12,879	(83)	(0.6%)	

BO10 - Quality of life is improved by managing risk	Civil Contingencies & Anti Social Behaviour	26	24	(2)	(8.3%)	128	128	0	0.0%	Outwith reporting criteria
BO17 - The support needs of children and their families are met	Childrens Panel	0	2	2	100.0%	34	34	0	0.0%	Small underspend due to budget profiling - children's panel expenses
BO23 - Economic Growth is supported	Licensing	(138)	(119)	19	(16.0%)	(116)	(116)	0	0.0%	YTD underspend Civic Government Income £16k
BO28 - Our processes and business procedures are efficient, cost effective and compliant	Democratic Serives, Governance & Legal Services	312	308	(5)	(1.6%)	1,701	1,701	0	0.0%	Outwith reporting criteria
Central/Management Costs	Central/Management Costs	39	40	1	2.5%	198	198	0	0.0%	Outwith reporting criteria
Governance and Law Total		239	255	15	5.9%	1,945	1,945	0	0.0%	
BO06 - Quality culture, archives, libraries and museums are provided to promote wellbeing	Gaelic Language Plan	4	0	(4)	#DIV/0!	0	0	0	0.0%	Outwith reporting criteria
BO28 - Our processes and business procedures are efficient, cost effective and compliant	HR Services	146	145	(1)	(0.7%)	695	695	0	0.0%	Outwith reporting criteria
BO29 - Health and safety is managed effectively	Health & Safety	58	61	4	6.6%	294	294	0	0.0%	Outwith reporting criteria
BO30 - We engage with our customers, staff and partners	Communications	37	44	7	15.9%	271	271	0	0.0%	Small underspend due to budget profiling - communications
BO31 - We have a culture of continuous improvement	Service Improvements	189	158	(30)	(19.0%)	736	736	0	0.0%	Resource link review £14k earmarking to be drawdown, HR development team £6k, Systems Development £5k - underspend employee costs offset by overspend in purchase of software licences
BO32 - Our workforce is supported to realise its potential	Learning & Development	120	119	(2)	(1.7%)	535	535	0	0.0%	Outwith reporting criteria
Central/Management Costs	Central/Management Costs	56	58	1	1.7%	271	271	0	0.0%	Outwith reporting criteria
Improvement and HR Total		610	585	(25)	(4.3%)	2,802	2,802	0	0.0%	
GRAND TOTAL		10,320	11,743	1,420	12.1%	45,568	45,651	(83)	(0.2%)	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.

Forecast Outturn is the estimate now of what expenditure or income will be for the whole of the financial year.

The Variance is the difference between budget and actual or forecast outturn.

A positive variance is when actual or forecast expenditure is less than budget or actual or forecast income is more than budget.

A negative variance is shown in brackets and is when actual or forecast expenditure is more than budget or actual or forecast income is less than budget.

An explanation is given for any variance which exceeds £50,000 or 10%.

CUSTOMER SERVICES – SUBJECTIVE SUMMARY AS AT 30 JUNE 2018

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	4,058	4,098	40	1.0%	19,844	19,844	0	0.0%	Outwith Reporting Criteria
Premises	244	337	93	27.6%	2,311	2,311	0	0.0%	Central repairs timing £75k and Other property costs £22k
Supplies and Services	603	701	98	14.0%	4,666	4,749	(83)	(1.8%)	Profile of catering purchases budget £95k
Transport	205	294	89	30.3%	6,421	6,421	0	0.0%	Internal transport £45k, Staff travel and tolls £12k, Fuel Ex Tranman £10k, Fleet Retained £8k
Third Party	12,650	14,343	1,692	11.8%	56,797	56,797	0	0.0%	Benefit Afforded £461k offset by income below, Payment to other bodies £1,422k (Hub Schools £873k - Hubco invoicing delay, NPDO £482k - insurance and contract management) and -£298k LiveArgyll Management Fee (July Payment issued in June)
Capital Financing	0	0	0	0.0%	0	0	0	0.0%	Outwith Reporting Criteria
Income	(7,441)	(8,032)	(591)	7.4%	(44,474)	(44,474)	0	0.0%	HB Subsidy £465k - offset by Third party payments, Catering Variable Bid £104k timing of charge, Charged to Clients £32k, debtor account pending
Totals	10,319	11,741	1,421	12.1%	45,565	45,648	(83)	(0.2%)	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.

Forecast Outturn is the estimate now of what expenditure or income will be for the whole of the financial year.

The Variance is the difference between budget and actual or forecast outturn.

A positive variance is when actual or forecast expenditure is less than budget or actual or forecast income is more than budget.

A negative variance is shown in brackets and is when actual or forecast expenditure is more than budget or actual or forecast income is less than budget.

An explanation is given for any variance which exceeds £50,000 or 10%.

CUSTOMER SERVICES – RED VARIANCES AS AT 30 JUNE 2018

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
School Meals	206	289	(83)	(40.3%)	£83k forecast overspend anticipated due to shortfall in savings re Catering and Cleaning Innovation project - distribution hub £48k construction costs and payback and drinks provision £35k lower than recommended charge rate for milk creating shortfall.
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	

A red variance is a forecast variance which is greater than +/- £50,000.

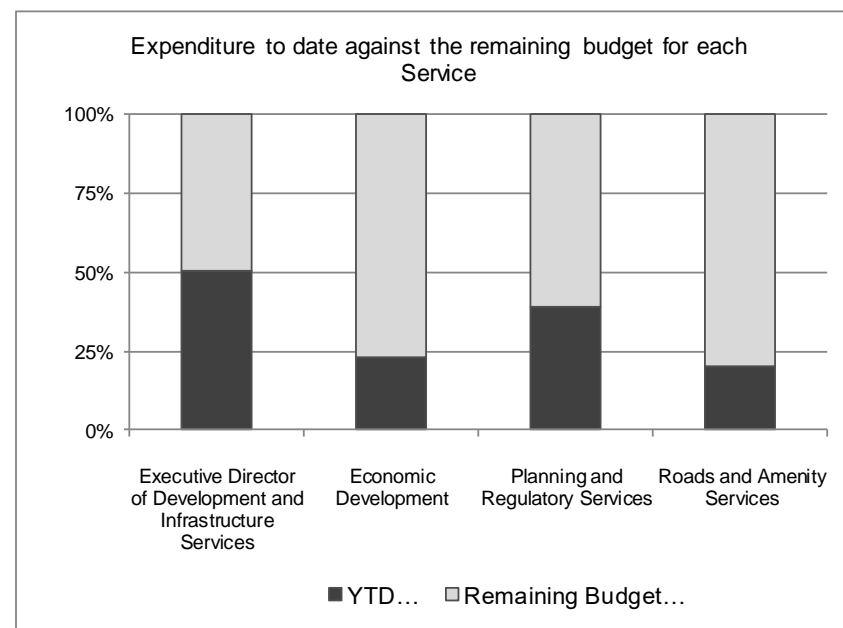
DEVELOPMENT AND INFRASTRUCTURE HIGHLIGHTS – AS AT 30 JUNE 2018

- The department is currently forecasting spend to be in line with budget.
- The department has a year to date overspend of £0.741m (10.5%) against budget.

Forecast Outturn Position

Current Forecast Outturn Variance with change from previous month					
Service	Annual Budget	Forecast Outturn	Current Forecast Variance	Previous Forecast Variance	Change
	£000	£000	£000	£000	£000
Executive Director of Development and Infrastructure Services	199	199	0	0	0
Economic Development	4,232	4,232	0	0	0
Planning and Regulatory Services	5,888	5,888	0	0	0
Roads and Amenity Services	21,804	21,804	0	0	0
Totals	32,123	32,123	0	0	0

Year to Date Position



Key Financial Successes:

The department is not currently predicting any variance against budget but this will continue to be reviewed on a monthly basis. All Service Packages Policy Options are on track to be delivered and again this will be closely monitored over the coming months. The Department's outturn for 2017-18 was an overspend of £0.087m and this was due a variety of factors including a severe winter period which was partially offset by an over recovery on vacancy savings.

Key Financial Challenges:

Department / Service ongoing ability to meet future savings / efficiency requirements.

Proposed Actions to address Financial Challenges:

Monitoring of trend / expenditure levels / service configuration and the Service Packages Policy Options savings process.

<p>Potential shortfall in income within building standards, planning, Car Parking, Planning and Decriminalised Parking Enforcement (DPE).</p>	<p>Closely monitoring of income levels, regular performance management reviews and reporting of the financial implications through budget monitoring process.</p>
<p>Dangerous buildings, there is no budget for this expenditure and the council have no control over the demand for the service.</p>	<p>Building Standards, Legal Services and Strategic Finance are working closely to manage debt recovery and to consider other options to minimise corporate risk exposure.</p>
<p>Due to the nature of the various components of Waste Management there are ongoing challenges with:</p> <ul style="list-style-type: none"> • Island haulage costs • Uncertainty with recycling income/ gate fee costs due to the volatility of the market • Challenges in the legislative changes around the disposal of Biodegradable Municipal Waste 	<p>To closely monitor all service components of Waste Management and review Waste Strategy in conjunction with our contractual partner Renewi (previously Shanks).</p>
<p>Winter Maintenance costs are difficult to estimate as they are very much dependant on the weather.</p>	<p>Close monitoring of Winter Maintenance and reporting of the financial implications through budget monitoring process. The Council agreed the winter policy, setting out the intervention level and locations to be treated. The numbers of treatments are determined by weather conditions. The current budget provision provides for 58 full equivalent runs. There is a sophisticated weather monitoring system in place consisting of several weather stations, this is supported by a forecasting and metrological service which is collaboratively procured by West of Scotland local authorities.</p>

DEVELOPMENT AND INFRASTRUCTURE – OBJECTIVE SUMMARY AS AT 30 JUNE 2018

Business Outcome	Service Area	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Central/Management Costs	Central/Management Costs	100	117	17	14.5%	199	199	0	0.0%	Vacancy savings plus spend on training behind profile
Executive Director of Development and Infrastructure Total		100	117	17	14.5%	199	199	0	0.0%	
BO06 - Quality culture, archives, libraries and museums are provided to promote wellbeing	Events and Festivals	33	49	16	32.7%	226	226	0	0.0%	Expenditure incurred according to timing of individual events and festivals whereas budget has been split evenly over the year.
BO15 - Argyll and Bute is open for business	Airports & Strategic Transportation	478	516	38	7.4%	2,288	2,288	0	0.0%	Outwith reporting criteria
BO22 - Adults are supported to realise their potential	Business Gateway	132	69	(63)	(91.3%)	325	325	0	0.0%	Business Grants are paid out according to applications the timing of which is unpredictable.
BO23 - Economic growth is supported	Projects, TIF & European Team	230	230	0	0.0%	960	960	0	0.0%	Outwith reporting criteria
BO27 - Infrastructure and assets are fit for purpose	Economic Development Intelligence	39	27	(12)	(44.4%)	135	135	0	0.0%	Expenditure does not follow a set pattern and is dependant on external factors.
Central/Management Costs	Central/Management Costs	58	67	9	13.4%	298	298	0	0.0%	Budget profiling requires to be reviewed
Economic Development Total		970	958	(12)	(1.3%)	4,232	4,232	0	0.0%	

BO01 - The health of our people is protected through effective partnership working	Private Water Supplies	38	(5)	(43)	860.0%	3	3	0	0.0%	Grant claim still to be submitted for 1st quarter but budget profile assumes it is claimed evenly across whole year.
BO03 - Prevention and support reduces homelessness	Homelessness and Housing Support Services	479	433	(45)	(10.4%)	2,184	2,184	0	0.0%	Temporary accomodation ahead of profile - this will be closely monitored in coming months
BO05 - Information and support are available for everyone	Trading Standards	94	102	7	6.9%	505	505	0	0.0%	Outwith reporting criteria
BO12 - High standards of Public health and health protection are promoted	Environmental Health	169	187	17	9.1%	1,064	1,064	0	0.0%	Outwith reporting criteria
BO13 - Our built environment is safe and improved	Building Standards & Environmental Safety	(26)	(8)	19	(237.5%)	92	92	0	0.0%	Building standards income behind profile. This will be closely monitored in the coming months.
BO15 - Argyll and Bute is open for business	Development Policy	78	92	14	15.2%	456	456	0	0.0%	Vacancy savings.
BO23 - Economic growth is supported	Development Management	(28)	13	40	307.7%	275	275	0	0.0%	Planning income ahead of profile and this is closely monitored on a monthly basis. It is not anticipated
BO25 - Access to and enjoyment of the natural and built environments is improved	Corepath Plan	11	11	0	0.0%	56	56	0	0.0%	Outwith reporting criteria
BO26 - People have a choice of suitable housing options	Housing	1,144	1,053	(91)	(8.6%)	687	687	0	0.0%	HEEPS grant still to be received
BO27 - Infrastructure and assets are fit for purpose	Marine & Coastal	10	19	9	47.4%	92	92	0	0.0%	Vacancy savings.
BO31 - We have a culture of continuous improvement	Strategic Housing Fund	248	0	(248)	#DIV/0!	0	0	0	0.0%	Strategic Housing fund earmarking still to be drawn down.
Central/Management Costs	Central/Management Costs	86	91	5	5.5%	474	474	0	0.0%	Outwith reporting criteria
Planning and Regulatory Total		2,303	1,988	(316)	(15.9%)	5,888	5,888	0	0.0%	

BO14 - Our transport infrastructure is safe and fit for purpose	Road & Lighting, Roads Design, Network & Environment & Marine Services	1,691	1,305	(386)	(29.6%)	6,351	6,351	0	0.0%	BO14 - The main contributing factor to the YTD variance is the Roads & Lighting Operational Holding Account which relates to budget profiling due to its unpredictable nature caused by many factors e.g. weather, reactive v planned works, timing of capital works and timing of contractors invoices. The budget profiling for winter and street lighting electricity also needs to be reviewed.
BO15 - Argyll and Bute is open for business	Marine Management	37	36	(1)	(2.8%)	170	170	0	0.0%	Outwith reporting criteria
BO24 - Waste is disposed of sustainably	Waste Management	1,926	2,306	379	16.4%	12,377	12,377	0	0.0%	Budget profiling requires to be reviewed.
BO25 - Access to and enjoyment of the natural and built environments is improved	Amenity Services	913	717	(196)	(27.3%)	3,771	3,771	0	0.0%	Income due back from insurance as a result of fire at Millpark Oban plus budget profiling needs reviewed.
BO27 - Infrastructure and assets are fit for purpose	Fleet	(137)	(332)	(195)	58.7%	(1,052)	(1,052)	0	0.0%	This has been caused by timing differences between expenditure and income and will be closely monitored in the coming months.
Central/Management Costs	Central/Management Costs	14	(17)	(31)	182.4%	187	187	0	0.0%	Budget profiling requires to be reviewed.
Roads and Amenity Total		4,444	4,015	(430)	(10.7%)	21,804	21,804	0	0.0%	
GRAND TOTAL		7,817	7,078	(741)	(10.5%)	32,123	32,123	0	0.0%	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.

Forecast Outturn is the estimate now of what expenditure or income will be for the whole of the financial year.

The Variance is the difference between budget and actual or forecast outturn.

A positive variance is when actual or forecast expenditure is less than budget or actual or forecast income is more than budget.

A negative variance is shown in brackets and is when actual or forecast expenditure is more than budget or actual or forecast income is less than budget.

An explanation is given for any variance which exceeds £50,000 or 10%.

DEVELOPMENT AND INFRASTRUCTURE – SUBJECTIVE SUMMARY AS AT 30 JUNE 2018

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	4,827	4,979	152	3.1%	24,280	24,280	0	0.0%	Vacancies within Roads plus an accrual for backdated standby payments which have still to be settled.
Premises	511	564	53	9.4%	3,067	3,067	0	0.0%	Street lighting electricity behind profile
Supplies and Services	2,527	1,374	(1,153)	(83.9%)	5,333	5,333	0	0.0%	Supplies and services are ahead of profile due to quarry purchases within the Roads & Lighting holding account as a result of additional capital work. This will be offset by additional income in the coming months.
Transport	2,259	2,066	(193)	(9.3%)	9,079	9,079	0	0.0%	Fuel costs ahead of profile.
Third Party	6,226	6,567	341	5.2%	28,415	28,415	0	0.0%	Payments to contractors behind profile.
Capital Financing	0	167	167	100.0%	670	670	0	0.0%	Capital charges only get put through at year end and this requires to be reprofiled.
Income	(8,531)	(8,639)	(108)	1.3%	(38,720)	(38,720)	0	0.0%	Income behind profile
Totals	7,819	7,078	(741)	(10.5%)	32,124	32,124	0	0.0%	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.

Forecast Outturn is the estimate now of what expenditure or income will be for the whole of the financial year.

The Variance is the difference between budget and actual or forecast outturn.

A positive variance is when actual or forecast expenditure is less than budget or actual or forecast income is more than budget.

A negative variance is shown in brackets and is when actual or forecast expenditure is more than budget or actual or forecast income is less than budget.

An explanation is given for any variance which exceeds £50,000 or 10%.

DEVELOPMENT AND INFRASTRUCTURE – RED VARIANCES AS AT 30 JUNE 2018

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	

A red variance is a forecast variance which is greater than +/- £50,000.

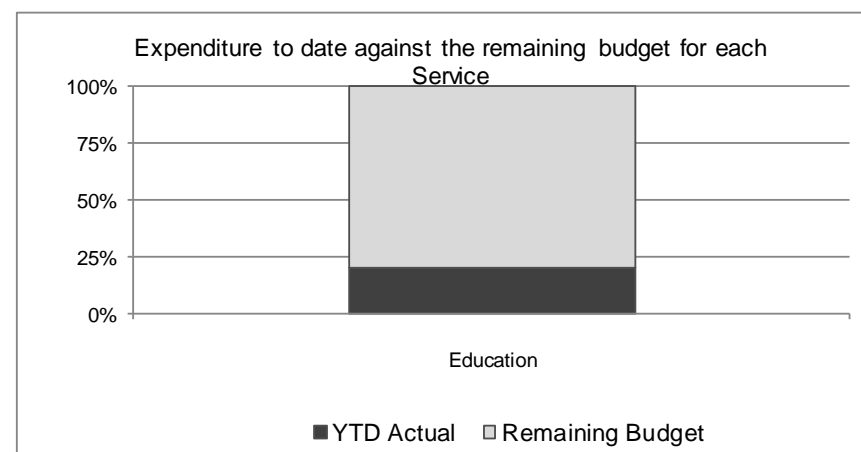
EDUCATION HIGHLIGHTS – AS AT 30 JUNE 2018

- The department is currently forecasting an overspend of £0.350m in relation to a significant increase in demand within ASN support. This is a very early estimate at this time of year and will be monitored closely going forward with every effort being made to mitigate this spend.
- The department has a year to date underspend of £1.002m (6.1%) against budget. This predominately relates to underspends within schools. Under the scheme of devolved school management (DSM) schools are permitted flexibility at year end therefore no forecast variance is required to be processed. This variance will reduce going forward.

Forecast Outturn Position

Current Forecast Outturn Variance with change from previous month					
Service	Annual Budget	Forecast Outturn	Current Forecast Variance	Previous Forecast Variance	Change
	£000	£000	£000	£000	£000
Education	75,302	75,652	(350)	0	(350)
Totals	75,302	75,652	(350)	0	(350)

Year to Date Position



Key Financial Successes:

The department have delivered all their service choices savings, with the exception of demand led services in relation to ASN support and residential schools placement and the Psychological Services associated with these.

The 2017-18 year-end outturn position for Education, excluding earmarkings to be carried forward and the Bad Debt Provision Adjustment in relation to Housing moving to DIS, was an overspend of £0.199m which was exactly the figure projected as a forecast variance in the months prior to year end. This accuracy was due to the effective management and monitoring of the budget position.

Key Financial Challenges:

Ensuring the Education service can continue to contribute to Council saving programmes whilst adhering to Scottish Government national

Proposed Actions to address Financial Challenges:

Ongoing robust financial monitoring and forecasting with the provision of supporting management information to ensure deliverable saving options are presented.

initiatives (i.e. maintaining Pupil Teacher ratio across the Education service).	
Evaluating and managing the financial impact of new legislation (i.e. Children and Young People Act, Education (Scotland) Bill).	Full participation in consultation process to assist in the identification of potential cost pressures as early as possible.
Impact of the Education Governance Review, particularly in relation to the Fair Funding consultation, and how this informs potential changes to funding arrangements for the Education Service.	Respond to Fair Funding consultation, engage with SG through COSLA and ensure implications for resources and financial management arrangements are clearly identified.
Continued increased demand on the Service for ASN Support.	Continue to review the ASN allocations and monitor vacancies elsewhere within the Service where unspent budget could be used to contribute towards these unavoidable costs.
Delivery plan of 1140 hours expansion in ELC due to a change in the timing of the distribution of funding. While the level of funding remains at what was expected, the period in which the funding will be received has been altered.	Spend will be re-profiled in accordance with the timing of funding allocations and hence the phasing in element of the delivery plan will need to be adapted accordingly.

EDUCATION – OBJECTIVE SUMMARY AS AT 30 JUNE 2018

Business Outcome	Service Area	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Central/Management Costs	Central/Management Costs	74	71	(3)	(4.2%)	366	366	0	0.0%	Outwith reporting criteria.
BO16 - We wholly embrace our Corporate Parenting responsibilities	Additional Support Needs (ASN)	1,834	1,850	16	0.9%	8,860	9,210	(350)	(4.0%)	Overspend forecast within ASN assistants due to significant increase in demand which cannot be avoided. This is a very early estimate at this stage and will be monitored closely going forward with every effort being made to mitigate this overspend.
BO17 - The support needs of children and their families are met	Early Years	1,444	1,441	(3)	(0.2%)	6,775	6,775	0	0.0%	Outwith reporting criteria.
BO19 - All children and young people are supported to realise their potential	Primary & Secondary Education	10,693	12,153	1,460	12.0%	53,942	53,942	0	0.0%	The variance is predominantly in relation to schools to which vacancies in staffing contribute largely towards. Under the Scheme of Devolved School Management schools are permitted flexibility at year end, therefore no forecast variance has been processed in relation to this. There is a further underspend in Pupil Equity Funds which is due to the profiling of funding received at the end of the June period and not a true reflection of the position.
BO21 - Our young people participate in post-16 learning, training or work	Youth Services	142	123	(18)	(14.6%)	653	653	0	0.0%	Youth Employment Opportunities are funded by an Earmarked Reserve which has not yet been drawn down as they were only approved at the end of June therefore not a true reflection of the financial position.
BO22 - Adults are supported to realise their potential	Adult Learning	104	128	24	18.8%	605	605	0	0.0%	Various immaterial underspends contribute to the small variance.
BO30 - We engage with our customers, staff and partners	Support for Parents	0	0	0	0.0%	21	21	0	0.0%	Outwith reporting criteria.
BO31 - We have a culture of continuous improvement	Edducation Initiatives (GIRFEC, SEEMIS, Languages 1+2, Music) Education Support Team, Quality Improvement Team, Schools Development Team	1,183	709	(474)	(66.9%)	4,063	4,063	0	0.0%	This variance is largely due to overspends within teacher cover. The allocation process has not taken place for 18/19 as yet and will be distributed in July, at which point the variance will reduce significantly.
BO32 - Our workforce is supported to realise its potential	Leadership & Professional Learning	1	1	0	0.0%	17	17	0	0.0%	Outwith reporting criteria.
Education Total		15,475	16,476	1,002	6.1%	75,302	75,652	(350)	(0.5%)	
GRAND TOTAL		15,475	16,476	1,002	6.1%	75,302	75,652	(350)	(0.5%)	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.

Forecast Outturn is the estimate now of what expenditure or income will be for the whole of the financial year.

The Variance is the difference between budget and actual or forecast outturn.

A positive variance is when actual or forecast expenditure is less than budget or actual or forecast income is more than budget.

A negative variance is shown in brackets and is when actual or forecast expenditure is more than budget or actual or forecast income is less than budget.

An explanation is given for any variance which exceeds £50,000 or 10%.

EDUCATION – SUBJECTIVE SUMMARY AS AT 30 JUNE 2018

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	14,376	14,441	65	0.5%	61,687	62,037	(350)	(0.6%)	The YTD variance largely relates to vacancies within schools. Under the scheme of devolved school management (DSM) schools are permitted flexibility at the year-end, within the agreed limits, therefore no forecast variance is required to be processed. The forecast overspend relates to an increased demand for ASN support.
Premises	349	1,012	662	65.4%	3,054	3,054	0	0.0%	The budget for the Cleaning Trading Account requires to be realigned in July to reflect anticipated charges. This will reduce the underspend significantly.
Supplies and Services	1,677	1,539	(139)	(9.0%)	6,952	6,952	0	0.0%	Various small overspends contribute to this including Education Equipment and repair costs which will be covered by underspends elsewhere within the Service.
Transport	71	45	(25)	(55.6%)	227	227	0	0.0%	Fleet Year End adjustments creating a YTD variance. This will be reprofiled in July to reduce this variance.
Third Party	991	1,104	113	10.2%	8,554	8,554	0	0.0%	Timing of exam fees paid by schools has created this variance which will level out in following months.
Capital Financing	0	0	0	0.0%	0	0	0	0.0%	Outwith reporting criteria.
Income	(1,991)	(1,666)	325	(19.5%)	(5,173)	(5,173)	0	0.0%	Receipt of Pupil Equity Fund Grant at the very end of June has created a timing difference which will level out in future months.
Totals	15,473	16,475	1,001	6.1%	75,301	75,651	(350)	(0.5%)	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.

Forecast Outturn is the estimate now of what expenditure or income will be for the whole of the financial year.

The Variance is the difference between budget and actual or forecast outturn.

A positive variance is when actual or forecast expenditure is less than budget or actual or forecast income is more than budget.

A negative variance is shown in brackets and is when actual or forecast expenditure is more than budget or actual or forecast income is less than budget.

An explanation is given for any variance which exceeds £50,000 or 10%.

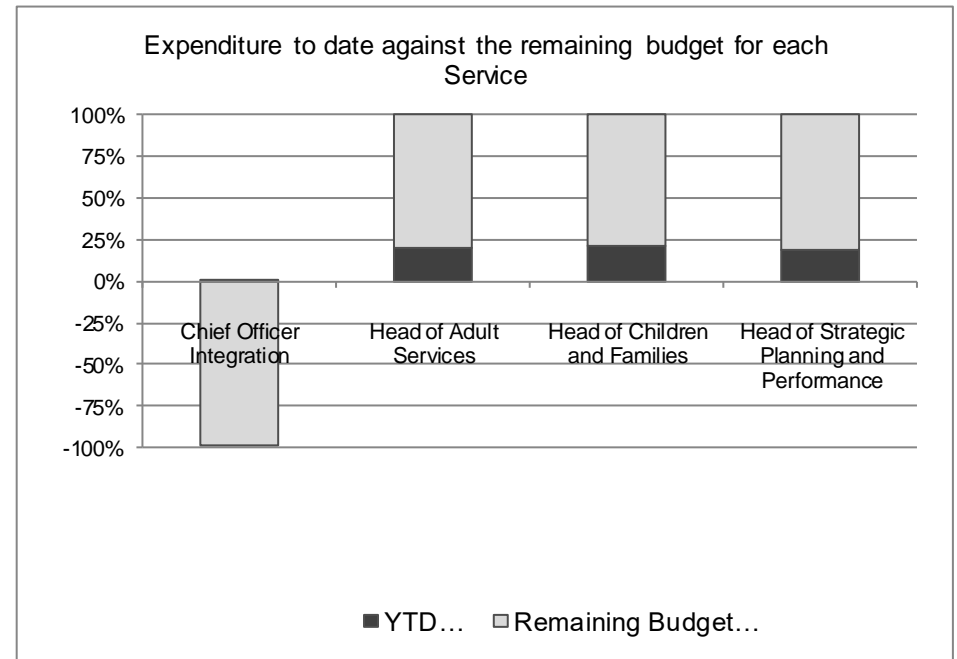
SOCIAL WORK – AS AT 30 JUNE 2018

- The service is currently forecasting an overspend of £2.388m which is mainly due to an unidentified savings figure of £2.345m included in the budget.
- The service has a year to date underspend of £0.018m (0.1%) against budget.

Forecast Outturn Position

Current Forecast Outturn Variance with change from previous month					
Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Chief Officer Integration	(13,023)	(11,347)	(1,676)	0	(1,676)
Head of Adult Services	55,361	55,510	(149)	0	(149)
Head of Children and Families	13,647	14,211	(564)	0	(564)
Head of Strategic Planning and Performance	396	395	1	0	1
Totals	56,381	58,769	(2,388)	0	(2,388)

Year to Date Position



Key Financial Successes:

Identified approximately £0.500m towards a total of £1.6m in unidentified savings towards the end of 2017/18. Whilst the service were still overspent the overspend was reduced.

Key Financial Challenges:

Address the £2.345m unidentified savings figure included in the 2018/19 budget.

Proposed Actions to address Financial Challenges:

Completion of a budget challenge exercise to identify underspends which can be used to reduce unidentified savings figure and ongoing work between management, operational and finance staff to identify opportunities for additional deliverable savings.

Successful delivery of £3.672m of identified savings by the end of 2018/19.	Implementation of a robust performance management mechanism to track the delivery of the savings options.
Development and delivery of future service redesigns which will be necessary to contain service expenditure within the allocated resource.	Support from finance to assist strategic managers to look beyond the short term to identify and plan the changes which will be needed to address the expected ongoing budget challenge over the next 3 to 5 years.

SOCIAL WORK – OBJECTIVE SUMMARY AS AT 30 JUNE 2018

Service	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Chief Officer Integration	169	(2,618)	(2,786)	106.4%	(13,023)	(11,347)	(1,676)	12.9%	The YTD variance arises due to a profiling issue in relation to the timing of the transfer of funds from NHS Highland to the Council. The forecast variance is a combination of the unidentified savings total and estimated slippage on identified efficiency savings partially offset by estimated additional vacancy savings and slippage on the Community Services Investment Fund expenditure.
Head of Adult Services	11,027	13,666	2,640	19.3%	55,361	55,510	(149)	(0.3%)	The YTD variance reflects lower than budgeted activity in homecare and care home placements for older people and a combination of budget profiling and the timing of receipt/ payment of supplier invoices across the service. The forecast variance reflects a combination lower than budgeted demand in homecare and care home placements for older people offset by overspends in supported living and estimated slippage on the delivery of efficiency savings.
Head of Children and Families	2,870	3,031	162	5.3%	13,647	14,211	(564)	(4.1%)	The YTD variance is a combination of a number of over and underspends across the service. The main underspends relate to lower than expected demand for support at Ardlui Respite Centre, underspends in the two Education Hostels, budget profiling issues with 3rd Sector Grants and office rent payments and an outstanding accrual from 2017/18 and lower than expected spend against Service Strategy and Regulation. The forecast overspend is mainly related to demand pressure and estimated slippage on efficiency savings against external residential placements and the costs associated with engaging agency staff in the Area and CARO Teams. These overspends are partially offset by a forecast underspend against Criminal Justice.
Head of Strategic Planning and Performance	74	76	2	2.6%	396	395	1	0.3%	Outwith reporting criteria
GRAND TOTAL	14,140	14,155	18	0.1%	56,381	58,769	(2,388)	(4.2%)	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.

Forecast Outturn is the estimate now of what expenditure or income will be for the whole of the financial year.

The Variance is the difference between budget and actual or forecast outturn.

A positive variance is when actual or forecast expenditure is less than budget or actual or forecast income is more than budget.

A negative variance is shown in brackets and is when actual or forecast expenditure is more than budget or actual or forecast income is less than budget.

An explanation is given for any variance which exceeds £50,000 or 10%.

SOCIAL WORK – SUBJECTIVE SUMMARY AS AT 30 JUNE 2018

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	5,198	5,582	384	6.9%	27,455	27,010	445	1.6%	The YTD underspend arises due to a number of staffing underspends across the service. The most significant relate to home care for older people, Mull Progressive Care Centre, Lorn Resource Centre, Criminal Justice and the Education Hostels. The forecast underspend relates to the latest estimated outturn for vacancy savings across the service.
Premises	145	205	60	29.3%	1,014	1,021	(6)	(0.6%)	The YTD underspend arises mainly due to profiling issues in relation to the timing of office rental and cleaning charges. The forecast variance is outwith reporting criteria.
Supplies & Services	378	371	(7)	(1.9%)	(4,445)	(206)	(4,239)	95.4%	The YTD variance is outwith reporting criteria. The forecast variance relates to unidentified savings and estimated slippage on the delivery of identified savings. Work is ongoing with the service to identify additional savings/underspends which could be used to cover the unidentified savings figure of £2.345m. Additionally, Finance staff are working closely with management to track the progress of the delivery of identified efficiency savings and update the estimated impact on the forecast outturn.

Transport	185	203	18	8.9%	984	941	44	4.5%	Outwith reporting criteria
Third Party	9,060	12,100	3,040	25.1%	48,589	48,002	587	1.2%	The YTD underspend reflects a combination of lower than budgeted demand for home care and care home placements for older people and budget profiling and invoice receipt/payment timing differences across the service. The forecast underspend reflects lower than budgeted demand for home care and care home placements for older people and slippage on the Community Investment Fund expenditure offset by forecast overspends due to demand on supported living and residential care services for people with learning and physical disabilities.
Capital Financing	0	0	0	0.0%	0	0	0	0.0%	The YTD variance relates mainly to budget profiling and payment timing issues across the service, the most significant of which relates to the transfer of funds from NHS Highland to the Council which have yet to be finalised. The forecast variance reflects the expected over-recovery of income from non-residential care charging, fees and charge in the Council's older people's care homes and from new secured debt linked to interim funding arrangements for older people who own their own homes entering long term residential and nursing care.
Income	(827)	(4,305)	(3,478)	80.8%	(17,217)	(17,998)	781	(4.5%)	
Totals	14,139	14,156	17	0.1%	56,380	58,770	(2,388)	(4.2%)	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.

Forecast Outturn is the estimate now of what expenditure or income will be for the whole of the financial year.

The Variance is the difference between budget and actual or forecast outturn.

A positive variance is when actual or forecast expenditure is less than budget or actual or forecast income is more than budget.

A negative variance is shown in brackets and is when actual or forecast expenditure is more than budget or actual or forecast income is less than budget.

An explanation is given for any variance which exceeds £50,000 or 10%.

SOCIAL WORK – RED VARIANCES AS AT 30 JUNE 2018

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Chief Officer	(13,023,273)	(11,346,916)	(1,676,357)	12.9%	Unidentified savings figure partially offset by estimated slippage on the Community Services Investment Fund and a forecast over-recovery on vacancy savings. Work is ongoing to identify additional savings / underspends to cover off the unidentified savings figure of £2.345m.
Looked After Children	6,856,770	7,219,079	(362,309)	(5.3%)	Overspend arises mainly due to the high cost of meeting demand for expensive external care home placements and estimated slippage on efficiency savings designed to reduce this cost. This is currently partially offset by a forecast underspend on foster care although this underspend could potentially be used to reduce the central unidentified savings figure.
Child Protection	3,330,910	3,537,769	(206,859)	(6.2%)	Overspend arises mainly due to the engagement of agency staff to cover vacant posts, sickness absence and maternity leave.
Criminal Justice	96,772	3,671	93,101	96.2%	Underspend arises mainly due to vacant posts and estimated lower than budgeted spend on external services.
Children and Families Central Management Costs	2,605,803	2,698,188	(92,385)	(3.6%)	Overspend arises due to estimated slippage on the delivery of efficiency savings. Finance staff are working closely with service management to monitor progress and assess the potential impact of delays in savings delivery.
Older People	35,733,026	34,492,473	1,240,553	3.5%	Underspend arises mainly due to lower than budgeted demand for home care and care home placement services, the latter mainly due to high attrition levels during early 2018. It is planned to use this underspend to reduce the central unidentified savings figure.
Physical Disability	2,013,282	2,572,827	(559,545)	(27.8%)	Overspend arises mainly due to higher than budgeted demand for supported living services.
Learning Disability	14,120,512	15,185,025	(1,064,513)	(7.5%)	Overspend arises due to a combination of higher than budgeted demand for supported living and care home services and estimated slippage on savings developed to reduce both of these commitments.

A red variance is a forecast variance which is greater than +/- £50,000.

MONITORING OF SERVICE PACKAGE POLICY OPTIONS – JUNE 2018

1. EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide Members with an update on the implementation and delivery of the Service Package Policy Options agreed by Council in February 2018.
- 1.2 The savings options will be reported as being delivered, on track to be delivered, still to be implemented, being developed, potential shortfall or delayed.
- 1.3 Of the 28 savings options, 12 have already been delivered, 10 are on track to be delivered as per their timescale and 6 have still to be implemented. There are none that have been categorised as potential shortfall or delayed at this stage.

MONITORING OF SERVICE PACKAGE POLICY OPTIONS – JUNE 2018**2. INTRODUCTION**

- 2.1 The purpose of this report is to provide Members with an update on the implementation and delivery of the Service Package Policy Options agreed by Council in February 2018.
- 2.2 The savings options will be reported as being delivered, on track to be delivered, still to be implemented, being developed, potential shortfall or delayed.

3. DETAIL

- 3.1 New policy savings options were identified for the three year period 2018-19 to 2020-21 and these were reported to Council on 26 October 2017 and were subject to the Council's budget consultation exercise. Council agreed to policy savings of £1.288m in 2018-19 rising to £3.725m by 2020-21.
- 3.2 The savings for 2018-19 have been removed from departmental budgets, however, it is important to monitor whether the saving has actually been delivered to ensure that costs are not continuing resulting in an overspend by the end of the year. It is also important to ensure that any preparatory work required to deliver savings in future years is on track.
- 3.3 Savings have been categorised as follows:

Category	Explanation
Delivered	Savings already delivered in full.
On track to be Delivered	Saving is in line with profile however the full saving cannot be guaranteed until later in the year.
Still to be implemented	Planned date of implementation is in the future. Should the implementation date move backwards then this would be classified as delayed.
Being Developed	Further redesign required before option can be implemented.

Potential Shortfall	There is a risk that the original saving will not be achieved in full. Departments are asked to provide further information for any savings within this category.
Delayed	The full saving will not be achieved in line with the original estimated timescale. Departments are asked to provide further information for any savings within this category.

3.4 The table below outlines the progress as at 30 June 2018. Further detail is included within Appendix 1.

Category	No of Options	2018-19 £000	2019-20 £000	2020-21 £000
Delivered	12	395.0	598.2	698.2
On Track to be Delivered	10	942.0	1,556.5	2,250.5
Still to be Implemented	6	-49.0	284.1	776.1
Being Developed	0	0.0	0.0	0.0
Potential Shortfall	0	0.0	0.0	0.0
Delayed	0	0.0	0.0	0.0
Total	28	1,288.0	2,438.8	3724.8

4. CONCLUSION

4.1 This report outlines the progress of the Service Package Policy Options as at 30 June 2018.

4.2 Of the 28 savings options, 12 have already been delivered, 10 are on track to be delivered as per their timescale and 6 have still to be implemented. There are none that have been categorised as potential shortfall or delayed at this stage.

5. IMPLICATIONS

- 5.1 Policy Individual options have policy implications – all have been approved by Members.
- 5.2 Financial Summarises the delivery of the service package policy options.
- 5.3 Legal None.
- 5.4 HR Individual options have HR implications – all have been approved by Members.
- 5.5 Equalities EQIAs have already been carried out on the options prior to Member approval.
- 5.6 Risk The monitoring process outlined within this report will minimise the risk that the service package policy options are not delivered.

5.7 Customer Services None.

Kirsty Flanagan
Head of Strategic Finance
18 July 2018

Policy Lead for Strategic Finance and Capital Regeneration Projects – Councillor Gary Mulvaney

APPENDICES:

Appendix 1 – Monitoring of Service Package Policy Options Agreed February 2018

MONITORING OF SERVICE PACKAGE POLICY OPTIONS AGREED FEBRUARY 2018
SUMMARY

Appendix 1

POSITION AS AT 30 JUNE 2018

Category	No. of Options	2018-19 £000	2018-19 FTE	2019-20 £000	2019-20 FTE	2020-21 £000	2020-21 FTE
Delivered	12	395.0	1.6	598.2	3.6	698.2	3.6
On Track to be Delivered	10	942.0	5.0	1,556.5	3.0	2,250.5	5.0
Still to be Implemented	6	-49.0	1.0	284.1	4.0	776.1	9.0
Being Developed	0	0.0	0.0	0.0	0.0	0.0	0.0
Potential Shortfall	0	0.0	0.0	0.0	0.0	0.0	0.0
Delayed	0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	28	1,288.0	7.6	2,438.8	10.6	3,724.8	17.6

**MONITORING OF SERVICE PACKAGE POLICY OPTIONS AGREED FEBRUARY 2018
DETAIL**

Appendix 1

POSITION AS AT 30 JUNE 2018

Ref	Service area	Saving	2018-19	2018-19	2019-20	2019-20	2020-21	2020-21	Status of Implementation	Additional Comment (if required)
			£000	FTE	£000	FTE	£000	FTE		
TB01-1	Development and Infrastructure (roads and amenity, planning, economic development)	Review central support to D&I Services	112.5	4.0	150.0	4.0	150.0	4.0	On Track to be Delivered	One member of staff left prior to year end and remaining staff are due to leave over the coming months.
TB03-1	Environmental Health and Animal Health	Raise environmental/animal health fees to match other councils	140.0	0.0	140.0	0.0	140.0	0.0	On Track to be Delivered	
TB04-2	Regulatory Services	Trading Standards re-design	27.5	0.6	80.1	1.6	80.1	1.6	Delivered	
TB04-4	Regulatory Services	Advice Services remodelling	0.0	0.0	57.1	1.0	105.1	2.0	Still to be Implemented	
TB06-1	Planning/Other Planning Services	Introduce charges for non-statutory pre-application services for all scales of development.	55.0	0.0	60.0	0.0	65.0	0.0	Delivered	We will continue to monitor the income closely over the coming months
TB06-2	Planning/Other Planning Services	Planning applications displayed online and not in post offices	5.0	0.0	5.0	0.0	5.0	0.0	Delivered	
TB06-4	Planning/Other Planning Services	Reduce planning team leadership posts	0.0	0.0	52.0	1.0	52.0	1.0	Still to be Implemented	
TB06-5	Planning/Other Planning Services	Planning technician team reduction	35.0	1.0	88.0	2.0	88.0	2.0	Delivered	
TB06-9	Planning/Other Planning Services	3% increase in charges for street names/numbering	13.0	0.0	21.6	0.0	31.6	0.0	Delivered	
TB07	Depots	Create one main depot in key areas to reduce costs	16.5	0.0	115.5	0.0	172.5	0.0	On Track to be Delivered	
TB08	Parking	Increase parking charges and introduce additional parking charges, to places currently not charging, to keep traffic moving, manage demand for parking, and contribute to maintenance of roads infrastructure.	180.0	-1.0	345.0	-3.0	527.0	-3.0	On Track to be Delivered	We will continue to monitor the income closely over the coming months
TB09	Public Conveniences	Progress sustainable models including turnstiles and franchising; establish simpler asset transfer process	10.0	0.0	24.0	0.0	24.0	0.0	Still to be Implemented	
TB10	Ferries	Ferry service management and cost recovery	55.0	-1.0	85.0	-1.0	110.0	-1.0	Delivered	
TB11	Piers and Harbours	Commercial approach to piers and harbours charging	284.0	0.0	404.0	0.0	524.0	0.0	On Track to be Delivered	
TB12a	Amenity Services	Provision of enhanced funeral and burial services	-10.0	-1.0	35.0	-1.0	50.0	-1.0	On Track to be Delivered	

MONITORING OF SERVICE PACKAGE POLICY OPTIONS AGREED FEBRUARY 2018
DETAIL

Appendix 1

POSITION AS AT 30 JUNE 2018

Ref	Service area	Saving	2018-19	2018-19	2019-20	2019-20	2020-21	2020-21	Status of Implementation	Additional Comment (if required)
			£000	FTE	£000	FTE	£000	FTE		
TB12b	Amenity Services	Review charges for stadiums to enable improvement work	10.0	0.0	20.0	0.0	30.0	0.0	Delivered	We will continue to monitor the income closely over the coming months
TB13b	Roads and Infrastructure	Roads & Amenity Services charging (non-statutory services)	10.0	0.0	50.0	0.0	150.0	0.0	On Track to be Delivered	We will continue to monitor the income closely over the coming months
TB13c & T	Roads and Infrastructure	Combine Roads and Amenity teams into one team and review the services provided.	82.0	2.0	82.0	2.0	164.0	4.0	On Track to be Delivered	
TB14	Waste	Waste services - increase commercial income; reduce costs of collection and disposal	-130.0	0.0	13.0	0.0	286.0	1.0	Still to be Implemented	
TB15	Airports	Review existing air service contracts and pursue more commercial opportunities	80.0	-1.0	160.0	-1.0	298.0	-1.0	On Track to be Delivered	
TB16-10	Economic Development - Economic Growth	Redesign Economic Development Service to focus on higher impact activities	0.0	0.0	57.0	1.0	218.0	4.0	Still to be Implemented	
TB16-12	Economic Development - Economic Growth	Remove direct funding for Visit Scotland following their shift in delivery model	91.0	0.0	91.0	0.0	91.0	0.0	Delivered	
TB16-14	Economic Development - projects and regeneration	Remove renewable energy budget	30.0	0.0	30.0	0.0	30.0	0.0	Delivered	
TB16-19	Economic Development - economic growth	Stop membership of CPMR (Conference of Peripheral Maritime Regions)	10.0	0.0	10.0	0.0	10.0	0.0	Delivered	
TB17	Property Services	Identify opportunities for office rationalisation and raising income	27.5	0.0	71.5	0.0	121.5	0.0	Delivered	
TB19	Transport	Transport redesign and cost reduction	71.0	1.0	81.0	1.0	91.0	1.0	Still to be Implemented	
TB21-1	Design and Project Management Teams	Cross-departmental review and restructure of design and project management teams	36.0	1.0	36.0	1.0	36.0	1.0	Delivered	
TB23	Education - other	Adjust janitorial staffing deployment following roll reductions in 8 schools	47.0	2.0	75.0	2.0	75.0	2.0	On Track to be Delivered	
TOTAL			1,288.0	7.6	2,438.8	10.6	3,724.8	17.6		

FINANCIAL RISKS ANALYSIS 2018-19

1 EXECUTIVE SUMMARY

- 1.1 The main purpose of this report is to provide a summary of the key financial risks facing the Council.
- 1.2 A number of Council wide risks, both revenue and capital have been identified along with risks for each department and service of the Council. For each departmental risk the financial impact has been quantified and the likelihood assessed based on the standard risk matrix.
- 1.3 There are 7 Council wide revenue risks identified for 2018-19 amounting to £4.896m. Only 2 have been assessed as possible in relation to Social Work overspend and higher than anticipated pay award.
- 1.4 There are currently 45 departmental risks totalling £4.566m. Only 4 of the 45 departmental risks are categorised as likely with no risks categorised as almost certain.
- 1.5 The financial risks are monitored routinely and actions put in place to continue to mitigate the risks.

FINANCIAL RISKS ANALYSIS 2018-19

2. INTRODUCTION

2.1 This report outlines the process and approach developed in carrying out a financial risks analysis and provides a note of the current assessment of financial risks for 2018-19.

3 DETAIL

3.1 Introduction

3.1.1 The Council is currently in a period of significant financial challenge. In developing its budget to address both restricted resources and cost and demand pressures there are a number of financial risks the Council needs to consider and manage.

3.1.2 There are a number of risks that affect the income or expenditure across the whole council and these have been identified. Financial risks have been considered by each department and service of the Council.

3.1.3 For each risk, the financial impact has been quantified and the likelihood assessed based on the standard risk matrix as follows:

- 1 – Remote
- 2 – Unlikely
- 3 – Possible
- 4 – Likely
- 5 – Almost Certain

3.1.4 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. It will be the responsibility of the IJB to consider the individual financial risks associated with Integration Services and they are therefore not contained within this report. A Council wide risk has been included in respect of the IJB being unable to deliver the social care service within the budget allocated.

3.2 Council Wide Risks

Revenue

3.2.1 The estimated level of council tax income is based on current and forecast Band D equivalents and non-payment rates. This reflects our most recent experience in terms of the council tax base and likely collection rates. A 1% variation in council tax income amounts to approximately £0.477m.

- 3.2.2 As part of the budget for 2018-19 the Council agreed to implement 28 Service Package policy option with a saving of £1.288m in 2018-19. The Council has a good track record of delivering savings, however, a 10% shortfall in savings would amount to £0.128m.
- 3.2.3 In respect of the Health and Social Care Partnership, it is the responsibility of the Chief Officer and Chief Financial Officer to manage the HSCP financial position. If an overspend is forecast, a budget recovery plan will be prepared submitted to the IJB, the Council and NHS Highland. Where recovery plans are unsuccessful and an overspend occurs at the financial year end, and there are insufficient reserves to meet the overspend, then the partners will be required to make additional payments to the HSCP. Whilst any additional payments by the Council and NHS Highland will be deducted from future years funding, there is still a financial risk that the Council may have to pay out additional monies. The overspend on the HSCP as at 30 June 2018 is £4.4m and £2.389m relates to Social Work services. A copy of the monitoring report is attached as Appendix 2.
- 3.2.4 They pay award for 2018-19 has still to be agreed and there is a risk that the pay award could be greater than the provision within the budget. The budget is based on the public sector pay commitment: 3% for those earning less than £36,500, 2% for those above this level capped at £1,600. If the pay award is 0.5% above budget, then this would cost the Council an additional £0.540m. This is an area that will be kept under close review.
- 3.2.5 The Council wide risks noted above, in addition to other Council wide risks, are noted within the table below. The financial impact noted in the previous report has now been compared to the potential financial that could still materialise before now and the year end.

Description	Likelihood	Assessed Financial Impact £000
1% variation in Council Tax Income	2	477
10% shortfall on Savings Options	2	128
IJB refer to Council for additional funding to deliver social work services	3	2,389
0.5% pay award over and above estimate	3	540
Energy costs increase by 10% greater than anticipated	2	412
Repairs and Maintenance costs increase, due to unforeseen emergencies, by 10%	2	200
1% variation of General Inflation Risk	2	750
Total		4,896

Capital

- 3.2.6 The finance settlement announcement on 14 December 2017 provided details of the Local Government funding for 2018-19 and we are therefore certain what our funding is in respect of General Capital Grant and the specific capital grants which have been distributed.
- 3.2.7 The capital plan includes an estimate of £3.1m of capital receipts in 2018-19. The estimated level of receipts will be kept under review as market conditions will change, as will values following due diligence undertaken by prospective purchasers on the condition of assets. A 10% shortfall in capital receipts would amount to £0.310m.
- 3.2.8 In respect of TIF, the Scottish Futures Trust (SFT) acknowledge that the information presented by the council regarding current and potential scale and makeup of the office and retail market along with the current external market conditions was unlikely to generate the required increase in NDR. Officers are reviewing the financial model and the council and SFT are exploring potential alternative financial model to augment TIF. £1.395m has been expended to date and additional approved expenditure will be minimised until a viable alternative model has been agreed upon.

3.3 Departmental/Service Risks

- 3.3.1 The detail of each departmental financial risk is included within Appendix 1. The following table provides a summary of the number of risks within each department and likelihood category with the financial impact.

Department	1 - Remote		2 - Unlikely		3 - Possible		4 - Likely		5 - Almost Certain		Total	
	No.	£000	No.	£000	No.	£000	No.	£000	No.	£000	No.	£000
Education	0	0	2	150	3	150	4	350	0	0	9	650
Customer Services	2	20	7	570	12	1,429	0	0	0	0	21	2,019
Development & Infrastructure	2	120	1	10	12	1,767	0	0	0	0	15	1,897
Total	4	140	10	730	27	3,346	4	350	0	0	45	4,566

- 3.3.2 The current top three risks in terms of the financial impact are noted in the table below.

TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	LIKELIHOOD	FINANCIAL IMPACT £000
ASN Support	Demand for ASN support continues to increase which is something that cannot be controlled by the Service.	Continue to review the ASN allocations and monitor vacancies elsewhere within the Service where unspent budget could be used to contribute towards these costs.	4	350
Property - Central Repairs	Increased demands on central as a result of the decrease in capital funding available and increases in supplier/contractor charges.	Joint strategy with procurement colleagues to reduce potential impact of supplier/contractor charges. Close monitoring of central repairs budgets and commitments and instructing only essential repairs.	3	500
Winter Maintenance	Adverse weather conditions which require greater than budgeted number of gritting runs.	Monitor weather conditions and apply gritting policy to minimise costs.	3	700

3.3.3 The current top four risks in terms of the likely impact are noted in the table below.

TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	LIKELIHOOD	FINANCIAL IMPACT £000
Legislative Requirements: New Education Bill 2018	This includes a statutory requirement to prepare and publish an annual education plan and performance report which creates additional resource pressures.	Planning to incorporate within work pattern for schools and officers. However the full effect of the new bill is yet known.	4	Unable to quantify at this stage
Regional Collaboratives	The implementation of regional collaboratives would result in additional work associated with the delivery of the Regional Improvement Plan.	Planning to incorporate within work pattern for schools and officers. The full impact of the contribution to Regional Collaboratives and the time allocation required by each authority is yet unknown.	4	Unable to quantify at this stage
Enhanced Inspections	The announcement of enhanced inspections by Education Scotland will add pressure to the existing workload for Education Services, both in supporting schools and during the inspection process. There will be further pressure for Education in responding to and following up on inspections.	Currently looking at remit of central education officers in supporting schools with the new process for inspections.	4	Unable to quantify at this stage
ASN Support	Demand for ASN support continues to increase which is something that cannot be controlled by the Service.	Continue to review the ASN allocations and monitor vacancies elsewhere within the Service where unspent budget could be used to contribute towards these costs.	4	350

3.4 Changes to Financial Risks since February Budget meeting

3.4.1 The changes to the departmental risks since the financial risks report included within the budget pack in February 2018 are noted below:

- ELC 1,140 hours – Funding has now been confirmed so the value of this risk has been reduced from £2.000m to £0.100m.
- ASN Demand – A new risk has been included amounting to £0.350m and the department are actively trying to mitigate this risk.
- Non-Domestic Rates Relief - Likelihood reduced as most changes from Barclay Review increasing reliefs have been implemented and future changes still planned are more likely to restrict relief.

- Microsoft Effective Licensing Position (ELP) - Microsoft audit concluded and settled in March 2018 at a cost of £40k. No further audit for 12 months. However possibility of Oracle audit remains. Currently ULA agreement through Scottish Government is being dissolved and some additional costs might result from this.
- Property - Central Repairs – Increased financial impact of central repairs.

3.5 Monitoring of Financial Risks

- 3.5.1 Financial risks will be reviewed and monitored on a two monthly basis and will be included in the pack of financial reports submitted to Policy and Resources Committee.

4 CONCLUSION

- 4.1 This report summarises the key financial risks facing the Council. There are a number of Council wide risks and there are 45 departmental risks identified. Only 4 of the 45 departmental risks are categorised as likely with no risks categorised as almost certain. The financial risks are monitored routinely and actions put in place to continue to mitigate the risks.

5 IMPLICATIONS

- | | | |
|-----|--------------------|---|
| 5.1 | Policy - | None. |
| 5.2 | Financial - | The financial value of each risk is included within the appendix. |
| 5.3 | Legal - | None. |
| 5.4 | HR - | None. |
| 5.5 | Equalities - | None. |
| 5.6 | Risk - | Financial risks are detailed within the appendix. |
| 5.7 | Customer Service - | None. |

**Policy Lead for Strategic Finance and Capital Regeneration Projects -
Councillor Gary Mulvaney**

**Kirsty Flanagan
Head of Strategic Finance
18 July 2018**

APPENDICES

Appendix 1 – Detail of Department/Service financial risks.

Appendix 2 – IJB Budget Monitoring Report as at 30 June 2018

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 30 JUNE 2018

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at February 2018 (Budget Setting)		As at 30 June 2018	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Education	Education	Pre-Five Units - number of providers	Failure in commissioning pre-five partner provider units together with reducing budgetary support for partners resulting in an increased pressure on the Council of providing the service.	Annual financial appraisal; Support network; Short-term cash injections.	3	50	3	50
Education	Education	Central Repairs	Previously agreed savings result in budget only available for statutory and emergency repairs.	Regular liaison with Property Services re prioritisation and commitment of in-year spend.	3	50	3	50
Education	Education	Legislative Requirements - Education (Scotland) Act	Education (Scotland) Act 2000 was enacted March 2016. This places additional requirements on Councils in terms of Gaelic Education.	Monitoring developments of the implementation of the Act and statutory guidance produced. This will include responding to any consultations.	3	50	3	50
Education	Education	Legislative Requirements - Children and Young People (Scotland) Act	Children and Young People (Scotland) Act places a duty on the Council to consult and plan on delivery of early learning and childcare with service users. This may result in demands for changes in the way the service is delivered to adopt a more flexible tailored approach.	Ongoing monitoring of additional funding provided to implement the Act and the financial capacity to implement any changes in the approach to service delivery.	2	50	2	50
Education	Education	Legislative Requirements - Children and Young People (Scotland) Act - ELC 1,140 hours	The Council has a requirement to deliver 1,140 hours of early learning and childcare by 2021. Scottish Government have committed to funding this, however, the profile of the funding is different to what was returned in our template which may impact the delivery plan.	The timeline of the delivery plan has been revised in line with the confirmed funding. The risk has been reduced to £0.100m as funding has now been confirmed for 2018-19, however, a risk remains that actual spend is higher than estimate.	2	2,000	2	100
Education	Education	Legislative Requirements: New Education Bill 2018	This includes a statutory requirement to prepare and publish an annual education plan and performance report which creates additional resource pressures.	Planning to incorporate within work pattern for schools and officers. However the full effect of the new bill is yet known.	4	Unable to quantify at this stage	4	Unable to quantify at this stage

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 30 JUNE 2018

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at February 2018 (Budget Setting)		As at 30 June 2018	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Education	Education	Regional Collaboratives	The implementation of regional collaboratives would result in additional work associated with the delivery of the Regional Improvement Plan.	Planning to incorporate within work pattern for schools and officers. The full impact of the contribution to Regional Collaboratives and the time allocation required by each authority is yet unknown.	4	Unable to quantify at this stage	4	Unable to quantify at this stage
Education	Education	Enhanced Inspections	The announcement of enhanced inspections by Education Scotland will add pressure to the existing workload for Education Services, both in supporting schools and during the inspection process. There will be further pressure for Education in responding to and following up on inspections.	Currently looking at remit of central education officers in supporting schools with the new process for inspections.	4	Unable to quantify at this stage	4	Unable to quantify at this stage
Education	Education	ASN Support	Demand for ASN support continues to increase which is something that cannot be controlled by the Service.	Continue to review the ASN allocations and monitor vacancies elsewhere within the Service where unspent budget could be used to contribute towards these costs.			4	350
Customer Services	Customer and Support Services	Housing Benefit Subsidy	Loss of Housing Benefit Subsidy due to exceeding LA error threshold.	Processes in place for handling of claims accurately and efficiently.	2	125	3	125
Customer Services	Customer and Support Services	Sundry Debt Recovery	Recovery of debt becomes more difficult to pursue in the current economic climate.	Robust monitoring of arrangements with debt collection agency. Joint working with Legal Services to assist services with the recovery of aged debt.	3	85	3	85
Customer Services	Customer and Support Services	Council Tax Debt Collection Recovery	Recovery of debt becomes more difficult to pursue in the current economic climate.	Robust monitoring of arrangements with debt collection agency and performance against target collection rates.	3	100	3	100
Customer Services	Customer and Support Services	Non-Domestic Rates Relief	Risk of demand changing due to legislative changes outwith our control or new charitable businesses.	Outwith direct management control.	4	30	3	30

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 30 JUNE 2018

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at February 2018 (Budget Setting)		As at 30 June 2018	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Customer Services	Customer and Support Services	Microsoft Effective Licensing Positon (ELP)	Audit findings of Measurement of effective use against registered entitlement. Entitlement has been measured against effective use and currently suggests underlicensed position	Negotiations with Ernst and Young and challenge of finding following audit of Microsoft Licences. Extrapolation of scanned network data being investigated, perpetual licencing and remote desktop service also being challenged. Prior to submission to Microsoft.	4	250	2	40
Customer Services	Facility Services	Property - Central Repairs	Increased demands on central as a result of the decrease in capital funding available and increases in supplier/contractor charges.	Joint strategy with procurement colleagues to reduce potential impact of supplier/contractor charges. Close monitoring of central repairs budgets and commitments and instructing only essential repairs.	3	200	3	500
Customer Services	Facility Services	Energy Costs	Increase in energy costs and consumption. The Council are required to participate in the CRC (Carbon Reduction Commitment) Energy Efficiency Scheme, there is a risk that the required carbon emission reductions are not met and the cost of the allowances could increase.	Energy Management Team actions to reduce energy consumption and efficiency and ensure more accurate billing by energy providers. Regular monitoring of energy budgets to ensure any issues are raised and resolved as soon as possible.	3	200	3	200
Customer Services	Facility Services	Catering Costs - Provision of Meals to Early Years Children	The Children and Young People (Scotland) Act places duties on Councils to provide meals in an Early Years setting to entitled children where sessions span over lunch time. The total quantum of funding of £1.2m may not be sufficient to fund the additional costs depending on uptake and the additional costs to support the meal provision in partner provider settings.	Joint strategy with Education colleagues to implement requirements and closely monitor financial implications. Responding to consultations by COSLA on the distribution and allocation of additional funding.	3	100	3	100

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 30 JUNE 2018

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at February 2018 (Budget Setting)		As at 30 June 2018	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Customer Services	Facility Services	School and Public Transport - provider charges	Increased provider charges	Joint strategy with procurement colleagues to reduce potential impact.	3	150	3	150
Customer Services	Facility Services	Catering Purchases	Increased supplier charges.	Joint strategy with procurement colleagues to reduce potential impact. Control food wastage/portion controls.	2	60	2	60
Customer Services	Governance and Law	Elections	More than 1 by-election required outwith standard election cycle.	Outwith direct management control.	3	34	3	34
Customer Services	Governance and Law	Licensing	Reduced numbers of licensing applications leading to reduced income.	Monitoring of trends.	3	30	3	30
Customer Services	Governance and Law	Children's Panel	Increased number of referrals.	Liaise with Community Services colleagues to maximise council facilities/resources in the first instance.	1	10	1	10
Customer Services	Governance and Law	Legal Services	Failure to minimise Council wide use of external legal advice.	Ensure legal services are gateway to access all legal advice.	1	10	1	10
Customer Services	Hub Schools	Contract RPI	Increase in RPI.	Monitoring annual alteration to contract RPI rate and mitigation through financial forecasting and review of existing budget.	2	150	2	150
Customer Services	NPDO	Contract RPI	Increase in RPI.	Monitoring annual alteration to contract RPI rate and mitigation through financial forecasting and existing budget.	2	150	2	150
Customer Services	Special Projects	Surplus Properties	Ongoing market difficulties lead to increased numbers of surplus properties, there are residual running costs associated with surplus properties.	Asset Management Strategy and more proactive work to market the Councils property portfolio.	3	50	3	50

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 30 JUNE 2018

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at February 2018 (Budget Setting)		As at 30 June 2018	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Customer Services	Special Projects	Rental Income from Properties	Due to current economic climate there may be reduced ability to recover rental income from leased properties or place suitable tenants in properties as leases come to an end.	Management of leasehold properties by Estates team, any issues with debt recovery being dealt with in line with Council debt recovery policy.	2	20	2	20
Customer Services	Special Projects	Leisure Trust - Management Fee	Increase in RPI - inflation on Employee Costs.	Monitoring annual alteration to contract RPI rate and mitigation through financial forecasting and review of existing budget.	2	50	2	50
Customer Services	Special Projects	LiveArgyll - Company 2.	LiveArgyll overspend or under recover anticipated income outwith Management Fee which is fixed for first 3 years.	Ongoing monitoring net spend against profile. Strategic Finance liaise with SPT and Live Argyll to ensure accurate and timely reporting with action taken to mitigate when identified.	2	100	2	100
Customer Services	Special Projects	Leisure Service Level Agreements	Increase in RPI - requests for additional funding.	Monitoring annual alteration to contract RPI rate and mitigation through financial forecasting and review of existing budget.	3	25	3	25
Development & Infrastructure	Economic Development	Airfields and Air Services - fuel costs	Increased fuel costs on PSO flights being passed onto the Council.	Scrutinise all claims for increased costs to ensure that they are in accordance with the contract.	3	30	3	30
Development & Infrastructure	Economic Development	Airfields and Air Services - usage	Reduced number of aircraft using the airports.	Monitor usage and market the facilities.	2	10	2	10
Development & Infrastructure	Planning and Regulatory Services	Homelessness Temporary Accommodation Income	Introduction of Universal Credit has an impact on the level and method of benefits recovered for temporarily accommodated individuals.	Provision of Housing Options information and advice service to minimise number of applicants proceeding to full homeless application.	3	25	3	25
Development & Infrastructure	Planning and Regulatory Services	Dangerous Buildings interventions	Deal in Building Standards with an increasing level of dangerous building work which has significant financial implications for Council	Monitor activity and seek to recover costs from the owner.	3	100	3	100
Development & Infrastructure	Planning and Regulatory Services	Planning fees reduced by Scottish Government	Planning revenue budgets negatively affected by Better Regulation Bill. Scottish Government reducing planning fees due to poor performance by the Planning Authority.	Maintain high levels of performance as articulated by performance markers detailed in Planning Performance Framework annual report.	1	100	1	100

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 30 JUNE 2018

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at February 2018 (Budget Setting)		As at 30 June 2018	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Development & Infrastructure	Planning and Regulatory Services	Planning fee shortfalls	Due to downturn in economic / building activity, in particular renewable energy development and other major developments could lead to planning fee income shortfalls leading to revenue budget pressures.	Continue to monitor Development Management income and expenditure tightly and investigate further income generation streams. Lobby Scottish Ministers through professional organisations to increase planning fees to a sustainable level.	3	100	3	100
Development & Infrastructure	Planning and Regulatory Services	Building Warrant fee shortfalls	Due to downturn in economic / building activity, building warrant fee income shortfalls leading to revenue budget pressures.	Continue to monitor Building Standards income and expenditure tightly and investigate further income generation streams.	3	75	3	75
Development & Infrastructure	Planning and Regulatory Services	Animal Health	Carrying out livestock seizure to protect welfare of the animals	Monitor activity and seek to recover costs from the disposal of the animals.	1	20	1	20
Development & Infrastructure	Roads and Amenity Services	Ferry Services - income	Changes to ferry services resulting in reduced passenger income.	Ensure that ferry operators are charged for the correct number of passengers	3	40	3	40
Development & Infrastructure	Roads and Amenity Services	Piers and Harbours	Reduced fishing fleet resulting in lower number of fish landings.	Monitor fish landings and ensure that all income is collected.	3	40	3	40
Development & Infrastructure	Roads and Amenity Services	Roads Maintenance - Roads Network	Adverse weather conditions result in deterioration of the road network necessitating greater spend on repair of defects.	Manage maintenance budgets to ensure that spend is prioritised to deal with safety defects.	3	230	3	230
Development & Infrastructure	Roads and Amenity Services	Street Lighting	Age of lighting stock requires greater maintenance as health and safety becomes a consideration.	Manage maintenance budgets to ensure that spend is prioritised to deal with safety defects.	3	100	3	100
Development & Infrastructure	Roads and Amenity Services	Roads Maintenance - Bridges, Culverts & Sea Defences	Extreme localised weather may result in loss of bridge, culvert , road or sea defence.	Routine inspections to deal with potential weak areas - based on a stitch in time repair regime.	3	300	3	300
Development & Infrastructure	Roads and Amenity Services	Winter Maintenance	Adverse weather conditions which require greater than budgeted number of gritting runs.	Monitor weather conditions and apply gritting policy to minimise costs.	3	700	3	700
Development & Infrastructure	Roads and Amenity Services	Waste Disposal	Re-tender for island haulage and potential for increased prices	Competitive tendering process may assist in minimising the impact of increased prices	3	27	3	27
Total					44	6,026	45	4,566



Argyll & Bute Health & Social Care Partnership

Integration Joint Board

Agenda item: X

Date of Meeting: 1 August 2018

Title of Report: Budget Monitoring Report

Prepared by: George Morrison, Head of Finance
David Forshaw, Principal Accountant

The Integration Joint Board is asked to note:

- Funding offers from NHS Highland and Argyll & Bute Council have yet to be accepted for 2018/19
- Budgets have been set based on the funding offers made
- Planned expenditure exceeds the funding offers by £12.2m
- A savings plan of £10.6m is in place and is being risk assessed, however schemes for the balance of £1.6m remain to be confirmed
- There is concern around the pace of delivery of the savings programme and focus of the organisation
- The year-end forecast outturn is currently a £4.4m overspend. This is not acceptable and all efforts must be focused on significantly improving this forecast position

1. EXECUTIVE SUMMARY

The Argyll & Bute HSCP budget for 2018/19 is currently £265m. This is based on funding offers from Argyll & Bute Council and NHS Highland plus several in-year allocations from Scottish Government that have been passed through by NHS Highland.

Planned expenditure exceeds the available budget by £12.2m. There is therefore a requirement to achieve recurring savings of £12.2m to achieve a balanced budget. Savings plans identified to date total £10.6m. There is a remaining budget gap of £1.6m with underdeveloped schemes to address.

This is a significant financial risk to the IJB, and Council and Health Board partners. The scale of savings planned to be delivered and the shortfall in identified savings presents a high level of risk in delivering financial balance for the partnership in 2018/19.

2. INTRODUCTION

This report provides information on financial performance for 2018/19, progress on implementing measures to achieve savings, and a projected forecast outturn position for the financial year.

3. DETAIL OF REPORT

3.1 Argyll & Bute HSCP Funding 2018/19

Funding offers from NHS Highland and Argyll & Bute Council have yet to be formally accepted. However, to ensure effective financial monitoring is in place, budgets have been set reflecting funding offers made.

In addition, beyond the base funding offers, a number of health in-year allocations have been provided. It is common practice for large numbers of in-year allocations to be provided by the Scottish Government Health Department. These are initially allocated to NHS Boards and then shares of the allocations are passed through to HSCPs and operating units.

Table 1 below summarises the funding position of Argyll & Bute HSPC as at 30th June 2018.

<u>Table 1: Argyll & Bute HSCP Funding 2018/19</u>		
	<u>£ '000</u>	<u>£ '000</u>
Funding offer from Argyll & Bute Council		56,389
Funding offer from NHS Highland		<u>206,689</u>
		263,078
<u>In-year allocations passed through by NHS Highland</u>		
Primary Care Improvement Fund	706	
New medicines	638	
Waiting Times	465	
Mental Health Strategy	204	
CAMHS & Psychological Therapies	128	
GP Out Of Hours	93	
Other miscellaneous allocations	82	
Contribution to CHAS	(112)	
Dentists, Chemists, Opticians funding adjustment	(254)	1,950
Total Funding as at 30 June 2018		<u><u>265,028</u></u>

As at 30th June 2018, operating budgets for Argyll & Bute HSCP total £265,028,000.

3.2 Year to Date Position

For the three months ended 30 June 2018, Argyll & Bute HSCP recorded an overspend of £288,000. This is summarised in table 2 below.

	Annual	Year to Date		
	Budget	Budget	Actual	Variance
<u>Budget</u>	<u>£ '000</u>	<u>£ '000</u>	<u>£ '000</u>	<u>£ '000</u>
Adult Services	131,451	32,579	30,689	1,890
Children's Services	20,014	4,657	4,348	309
Primary Care Services	28,247	7,153	7,135	18
NHS commissioned services (mainly GG&C)	63,196	15,808	16,095	(287)
All other budgets	22,120	1,777	3,995	(2,218)
	<u>265,028</u>	<u>61,974</u>	<u>62,262</u>	<u>(288)</u>

The main pressure on budgets is from savings not being achieved. There are also a few emerging cost pressures and these are commented on further in section 3.5 below.

In considering the year to date variance, members should note that the figure can be significantly affected by contractual payment terms and delays in the submission, processing and/or payment of invoices for purchased social care services. Subsequently, members are advised to use the forecast outturn variance as a means of assessing the financial situation of the partnership

3.3 Forecast Outturn Projection

The year-end forecast outturn position for 2018/19 is a **projected overspend of £4.4m.**

This forecast is produced by analysing and projecting trends, taking account of expected progress on achieving savings and other factors including receipt of in-year allocations and predicted slippage on spending plans. There are a considerable number of variables to consider when assessing the year-end forecast outturn.

The forecast of a £4.4m overspend therefore takes account of emerging cost pressures and savings not being achieved, offset to an extent by non-recurring benefits from vacancies and slippage on expenditure plans.

By far the biggest factor affecting the forecast overspend is confidence in the level of recurring savings likely to be achieved. As noted earlier, there is a savings plan of

£10.6m in place. However it is likely that there will be a significant shortfall against the savings plan. Beyond this there is a further £1.6m budget gap with underdeveloped plans in place to address it. This is also influencing the forecast year-end outturn.

It is anticipated that the forecast year-end overspend will reduce in the months ahead in response to action taken by managers. Certainly there is an expectation that newly appointed Service Improvement Officers will have an impact on this. However it does look extremely unlikely at this stage that sufficient improvement could be made to enable a year-end break even position to be achieved.

3.4 Savings Plan

The HSCP is currently pursuing delivery of a £10.6m savings plan. Limited progress has been achieved to date in terms of declaring recurring savings. In fact, only £540,000 has been declared . This is summarised in table 3 below.

Savings targets identified	<u>£ 10.60m</u>
Savings declared to date	<u>£ 0.54m</u>
Savings still to be achieved	<u>£ 10.06m</u>

In addition, it must be remembered that there is a £1.6m additional risk referred to above.

It is acknowledged that this is very significant level of savings to be delivered and that confidence in full delivery is low given the current level of achievement. It is imperative therefore, the reporting and monitoring of this programme is done in a very open and transparent manner with clear lines of accountability.

In terms of governance, progress on delivering savings will be monitored by both the Quality and Finance Plan Programme Board and the newly established Service Transformation Board. There are certainly effective measures in place to oversee and monitor the progress of transforming services and delivering savings. However that doesn't necessarily guarantee success in the delivery of savings and robust forecasting will be required.

To address the forecast 18/19 overspend, and underlying recurring deficit, there is a requirement to achieve faster delivery of recurring savings.

3.5 Financial Risks

As noted in section 3, the forecast year-end outturn is currently for a £4.4m overspend. Various risks and pressures are contributing to this forecast and the main ones worth highlighting are;

- A remaining budget gap of £1.6m. A review of budgets is currently underway to identify further options for savings to address this gap.
- An expectation that there will be a significant shortfall against the existing recurring savings plan of £10.6m.
- The savings plan contains a target saving of £1.2m against the SLA with NHS Greater Glasgow & Clyde for patients' services. However, NHS Greater Glasgow & Clyde has indicated an intention to *increase* the SLA charge by £768,000. There is therefore an almost £2m gap between our respective positions.
- Ongoing reliance on locum psychiatrists. Currently 4 posts are being covered by locums. This has caused a £202,000 overspend on the psychiatry medical staffing budget at month 3.
- Higher than expected demand for services across the whole client group supported by social work is likely to result in increased costs.
- Social care independent service provider failure requiring the HSCP to provide more expensive replacement services to ensure safe service continuity.
- Failure within social work to achieve expected income levels from clients due to changes in operational arrangements.
- Referrals to private sector healthcare providers, Huntercombe and the Priory. We have a small budget for referrals but currently there are 4 patients in these 2 establishments. This is higher than usual and although small numbers, it does generate high costs. This budget is overspent by £131,000 at month 3.
- Ongoing reliance on locum GPs on Mull.
- Ongoing use of agency nurses in Oban and Lochgilphead hospitals. Expenditure for the first 3 months was £128,412.
- Recruitment difficulties/staff absence in social work resulting in increased use of higher cost agency staffing.

This is not a comprehensive or prioritised list of all financial risks facing the HSCP but it does highlight those that are considered to be the highest risks affecting financial performance.

4. CONTRIBUTION TO STRATEGIC PRIORITIES

The Integration Joint Board has a responsibility to set a budget which is aligned to the delivery of the Strategic Plan and to ensure that financial decisions are in line with priorities and promote quality of service delivery. The Quality and Finance Plan 2018/19 has been developed in line with delivering these strategic objectives.

5. GOVERNANCE IMPLICATIONS

5.1 Financial Impact

The year-end forecast outturn position for 2018/19 is a **projected overspend of £4.4m**. This includes the budget gap of £1.6m, due to the shortfall in identified savings, and reflects the risk associated with the scale and pace of change required to deliver savings identified in the Quality and Finance Plan. This is a significant financial risk to the IJB, and Council and Health Board partners. The financial position is very challenging and will require to be closely monitored during the financial year.

5.2 Staff Governance

The appropriate HR processes will require to be followed where there is an impact on staff as a result of any service changes in the Quality and Finance Plan.

5.3 Clinical Governance

None

6. EQUALITY & DIVERSITY IMPLICATIONS

Equality Impact Assessments will be carried out where required.

7. RISK ASSESSMENT

Financial risks are noted in the report.

8. PUBLIC & USER INVOLVEMENT & ENGAGEMENT

Where required as part of the development and delivery of the proposed Quality and Finance Plan local stakeholder and community engagement will be carried out as appropriate in line with the re-design of service provision.

9. CONCLUSIONS

The IJB approved the Quality and Finance Plan for 2018/19 in March 2018. At that point there was a budget gap of £2.4m. This position has subsequently improved to a remaining gap of £1.6m. This is due to agreement to delay repayment of 2017/18 overspends by NHS Highland and Argyll and Bute Council.

It has not been possible to identify further savings in the timescale required which would be in line with the Strategic Plan and deliverable in the 2018/19 financial year. Instead an approach to financial recovery is proposed.

This may be perceived to be a high risk approach in terms of delivering financial balance in 2018/19 but through tight financial management including focused monitoring and reporting of the financial position and support to budget managers benefits from cost control will go some way towards offsetting the savings shortfall.

Governance arrangements are in place for the development and delivery of service changes. The delivery of approved savings requires to be the main focus. It is clear that if there continue to be delays with delivery of service changes planned to deliver £10.6m of savings during 2018/19, then financial balance will be unlikely to be achieved.

The Integration Joint Board will be kept fully informed of the financial position during the year, including progress with the delivery of the Quality and Finance Plan, the forecast year-end outturn position and plans being progressed to develop the budget for future years.

CAPITAL BUDGET MONITORING REPORT – 30 June 2018

1 EXECUTIVE SUMMARY

1.1 This provides an update on the position of the capital budget as at 30 June 2018. The report provides information on the financial position in respect of the capital plan and also the performance in terms of delivery of capital plan projects.

1.2 Financial Position:

- **Current Year to Date** – actual net expenditure to date is £6,086k compared to a budget for the year to date of £5,902k giving rise to an overspend for the year to date of £184k (3.1%).
- **Forecast Outturn for 2018-19** – forecast net expenditure for the full financial year is £47,144k compared to an annual budget of £45,820k giving rise to a forecast overspend for the year of £1,324k (2.9%).
- **Total Capital Plan** – the forecast total net project costs on the total capital plan are £282,079k compared to a total budget for all projects of £280,862k giving rise to a forecast overspend for the overall capital plan of £1,217k (0.4%).

1.3 Project Delivery:

- **Asset Sustainability** – Out of 129 projects there are 122 projects (95%) on track and 7 projects (5%) off track but recoverable.
- **Service Development** - Out of 24 projects there are 24 projects (100%) on track and 0 projects (0%) off track but recoverable.
- **Strategic Change** – Out of 36 projects there are 33 projects (92%) on track, 3 projects (8%) off track but recoverable.

1.4 The Council has received £87k of capital receipts up to 30 June 2018 against a budget of £3,100k (3%).

CAPITAL BUDGET MONITORING REPORT – 30 June 2018

2 INTRODUCTION

2.1 This provides an update on the position of the capital budget as at 30 June 2018. The report provides information on the financial position in respect of the capital plan and also the performance in terms of delivery of capital plan projects.

2.2 Financial Position:

- **Current Year to Date** – actual net expenditure to date is £6,086k compared to a budget for the year to date of £5,902k giving rise to an overspend for the year to date of £184k (3.1%).
- **Forecast Outturn for 2018-19** – forecast net expenditure for the full financial year is £47,144k compared to an annual budget of £45,820k giving rise to a forecast overspend for the year of £1,324k (2.9%).
- **Total Capital Plan** – the forecast total net project costs on the total capital plan are £282,079k compared to a total budget for all projects of £280,862k giving rise to a forecast overspend for the overall capital plan of £1,217k (0.4%).

2.3 Project Delivery:

- **Asset Sustainability** – Out of 129 projects there are 122 projects (95%) on track and 7 projects (5%) off track but recoverable.
- **Service Development** - Out of 24 projects there are 24 projects (100%) on track and 0 projects (0%) off track but recoverable.
- **Strategic Change** – Out of 36 projects there are 33 projects (92%) on track, 3 projects (8%) off track but recoverable.

2.4 The Council has received £87k of capital receipts up to 30 June 2018 against a budget of £3,100k (3%).

3 RECOMMENDATIONS

3.1 Note the contents of this financial summary, specifically noting or approving the following:

- Update to 2018-19 Capital Plan in Appendix 9.

4 CURRENT YEAR TO DATE FINANCIAL POSITION**4.1 Overall Position**

Actual net expenditure to date is £6,086k compared to a budget for the year to date of £5,902k giving rise to an overspend for the year to date of £184k (3.1%).

4.2 Project/Department Position

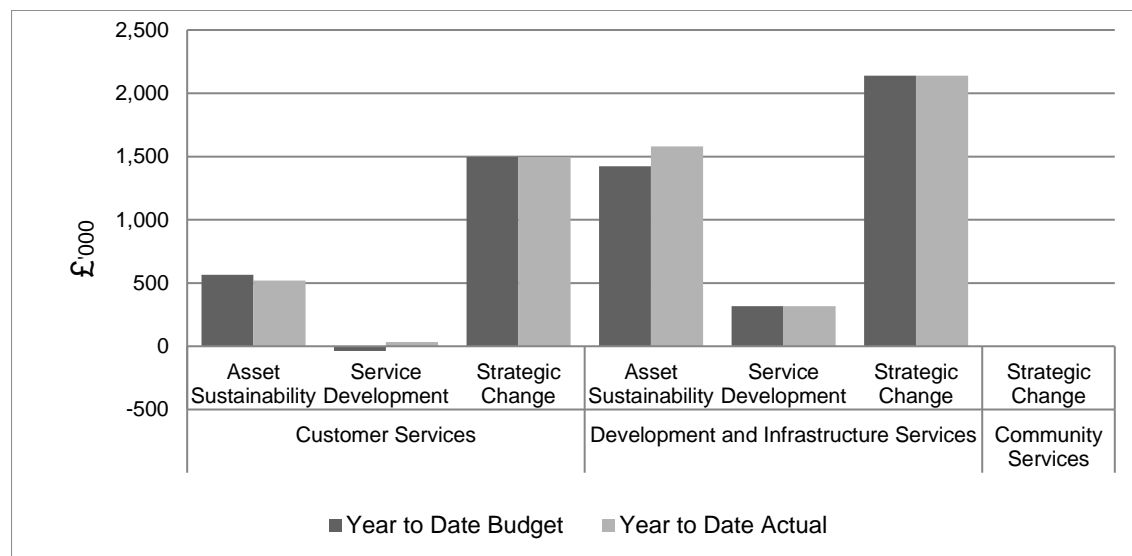
The table below shows the year to date net expenditure against the year to date budget by project type and department:

Project Type:	Year to Date Budget £'000	Year to Date Actual £'000	Variance £'000
Asset Sustainability	1,986	2,099	(113)
Service Development	279	350	(71)
Strategic Change	3,637	3,637	0
Total	5,902	6,086	(184)
Department:			
Customer Services	2,023	2,050	(27)
Development and Infrastructure Services	3,879	4,036	(157)
Community Services	0	0	0
Total	5,902	6,086	(184)

Material variances are explained in Appendix 1 and there are a number of small variances contributing to the year to date overspend.

4.3 Chart of YTD Variances

The graph below compares the year to date actual net expenditure against the year to date budget for departments by project type (Asset Sustainability, Service Development and Strategic Change):



5 FORECAST OUTTURN 2018-19

5.1 Overall Position

Forecast net expenditure for the full financial year is £47,144k compared to an annual budget of £45,820k giving rise to a forecast overspend for the year of £1,324k (2.9%).

5.2 Project/Department Position

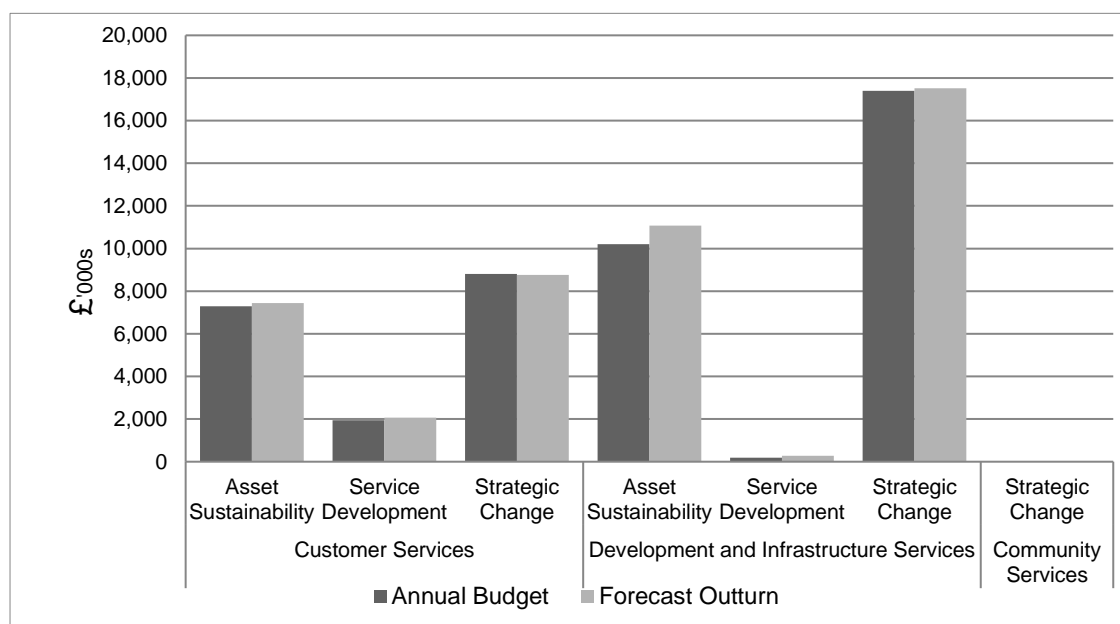
The table shows the forecast expenditure and budget for the year by project type and department:

Project Type:	Annual Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Asset Sustainability	17,485	18,516	(1,031)
Service Development	2,134	2,343	(209)
Strategic Change	26,201	26,285	(84)
Total	45,820	47,144	(1,324)
Department:			
Customer Services	18,030	18,277	(247)
Development and Infrastructure Services	27,790	28,867	(1,077)
Community Services	0	0	0
Total	45,820	47,144	(1,324)

Material variances are explained in Appendix 2 and there are a number of smaller variances contributing to the forecast overspend.

5.3 Chart of Forecast Outturn

The graph below shows the net forecast outturn position against the full year budget for departments by project type:



6 TOTAL PROJECT COSTS

6.1 Overall Position

The forecast total net project cost on the total capital plan is £282,079k compared to a total budget for all projects of £280,862k giving rise to a forecast overspend for the overall capital plan of £1,217k (0.4%).

6.2 Appendix 3 summarises the material variances contributing to the overspend position. Members are asked to give consideration to this overspend as part of the capital plan process for 2019-20.

6.3 Project/Department Position

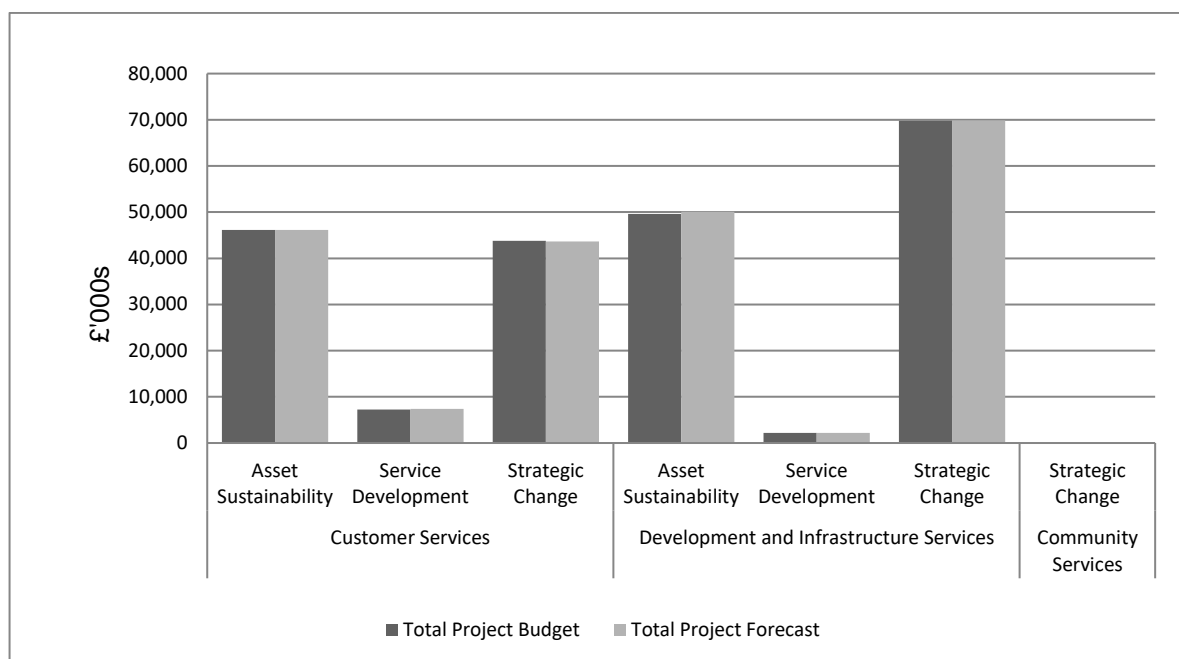
This table shows the net forecast total project cost and the budget for total project costs by project type and department:

	Capital Plan Budget £'000	Forecast Project Costs £'000	Capital Plan Variance £'000
Project Type:			
Asset Sustainability	98,936	99,844	(948)
Service Development	10,915	11,115	(200)
Strategic Change	171,011	171,080	(69)
Total	280,862	282,079	(1,217)
Department:			
Customer Services	94,209	94,468	(259)
Development and Infrastructure Services	186,653	187,611	(958)
Community Services	0	0	0
Total	280,862	282,079	(1,217)

Material variances are explained in Appendix 3 and there are a number of smaller variances leading to the forecast overspend.

6.4 Chart of Total Project Costs

The graph below shows the total net forecast position against full project budget for Departments by project type:



7 TOTAL PROJECT PERFORMANCE

7.1 Overall Position

There are 189 projects within the Capital Plan, 179 are Complete or On Target and 10 are Off Target and Recoverable.

7.2 Project Position

The table below shows the Performance Status of the Projects in the Capital Plan:

Project Type:	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Asset Sustainability	122	7	0	129
Service Development	24	0	0	24
Strategic Change	33	3	0	36
Total	179	10	0	189

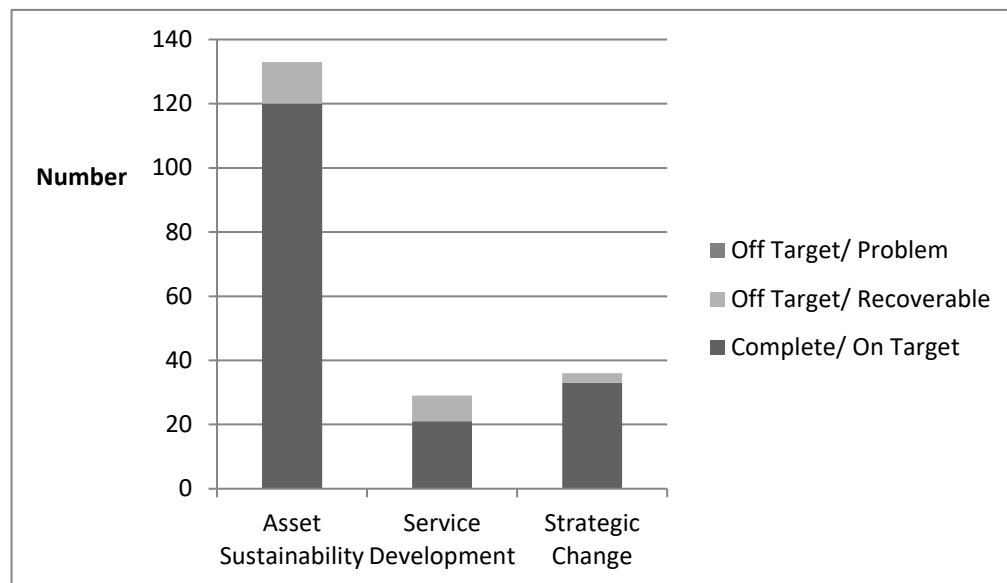
Department:

Customer Services	143	3	0	146
Development and Infrastructure Services	36	7	0	43
Total	179	10	0	189

Appendices 4, 5 and 6 show the Performance Status of the projects in further detail. Appendix 8 provides further information in relation to Strategic Change Projects.

7.3 Chart of Performance Status

The graph provides a view of the Performance Status of the Projects included in the Capital Plan:



8 OFF TRACK PROJECTS

8.1 There are no projects off track and not recoverable.

9 CHANGES TO CAPITAL PLAN

9.1 There are no proposed changes to the Capital Plan.

10 STRATEGIC CHANGE PROJECTS

10.1 Appendix 8 gives detailed information in respect of the Strategic Change Projects within the Capital Plan. The appendix gives details of the forecast cost of the project against the approved budget, the start and anticipated completion date of the project and an assessment of the risks of the project and if these are not green gives an explanation of the problem.

11 CAPITAL RECEIPTS

11.1 The Council has received £87k of capital receipts up to 30 June 2018 against a budget of £3,100k (3%).

12 APPENDICES

- **Appendix 1** - Year to date finance variance explanations
- **Appendix 2** - Forecast Outturn variance explanations
- **Appendix 3** - Total Project finance variance explanations
- **Appendix 4** - Project Performance - Asset Sustainability
- **Appendix 5** - Project Performance - Service Development
- **Appendix 6** - Project Performance - Strategic Change
- **Appendix 7** - Financial Summary – Overall
Financial Summary – DIS
Financial Summary – Customer Services
- **Appendix 8** - Cumulative spend, completion dates and risks relating to significant capital projects.
- **Appendix 9** - Updated/Revised Capital Plan - Overall
 - Updated/Revised Capital Plan – Community Services
 - Updated/Revised Capital Plan – Customer Services
 - Updated/Revised Capital Plan – DIS

Kirsty Flanagan
Head of Strategic Finance

18th July 2018

Councillor Gary Mulvaney, Depute Council Leader – Policy Lead Strategic Finance and Capital Regeneration Projects

APPENDIX 2 – Forecast Outturn Variance Explanations

Listed below are the projects where the variance is +/- £50k.

Project	Annual Budget £'000	Forecast Outturn £'000	(Over)/Under Forecast Variance £'000	Explanation
Fleet	(533)	159	(692)	Several vehicles still to be sold before year end with the balance being met by prudential borrowing.
Bridge Strengthening	76	254	(178)	Additional budget to be allocated to this project.
Other Variances			(454)	Total value of non-material variances less than +/-£50k
Total			(1,324)	

APPENDIX 3 – Total Project Finance Variances

Listed below are the projects where the variance is +/- £50k.

Project	Capital Plan Budget £'000	Forecast Project Costs £'000	Capital Plan Variance £'000	Explanation
Fleet	6,217	6,909	(692)	Several vehicles still to be sold before year end with the balance being met by prudential borrowing.
Bridge Strengthening	2,610	2,688	(78)	Additional budget to be allocated to this project.
Other Variances			(447)	Total value of non-material variances less than +/-£50k
Total			(1,217)	

APPENDIX 4 – Asset Sustainability Project Performance

There are 129 Projects recognised as Asset Sustainability Projects, 122 are Complete or On Target and 7 are Off Target and Recoverable.

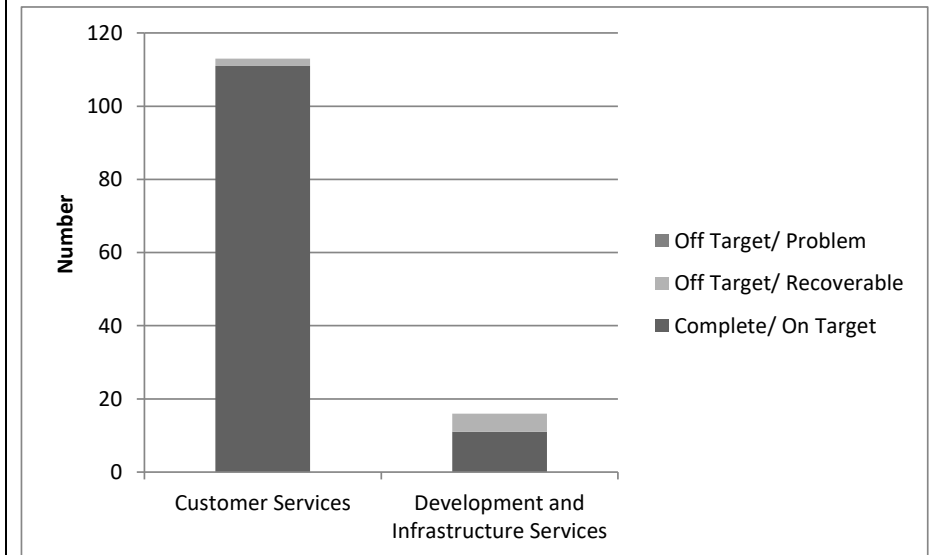
Department Position:

The table below shows the Performance Status of the Asset Sustainability Projects.

Asset Sustainability	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Customer Services	111	2	0	113
Development and Infrastructure Services	11	5	0	16
Total	122	7	0	129

Chart of Asset Sustainability Performance Status

The graph provides a view of the Performance Status of the Asset Sustainability Projects:



APPENDIX 5 – Service Development Project Performance

There are 24 Projects recognised as Service Development Projects, 24 are Complete or On Target and 0 are Off Target and Recoverable.

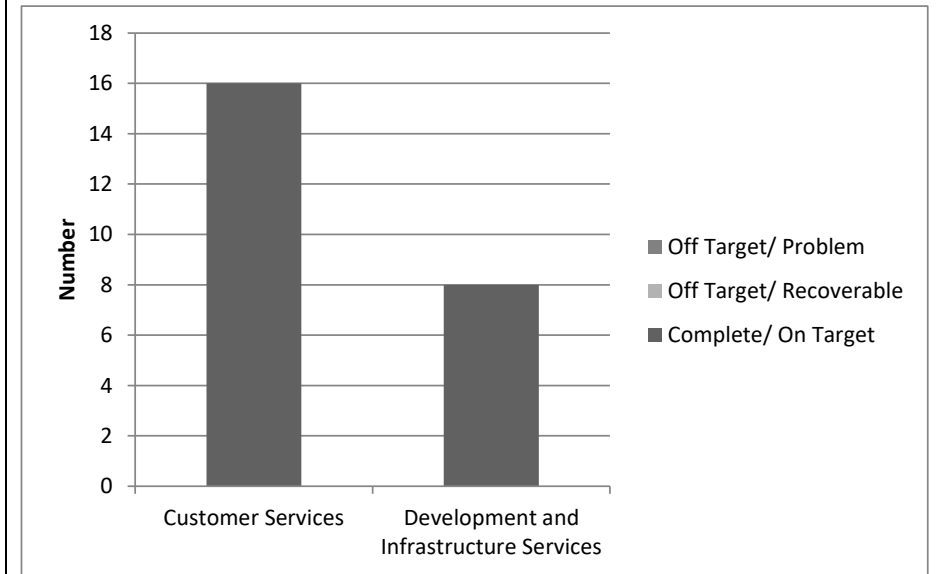
Department Position:

The table below shows the Performance Status of the Service Development Projects.

Service Development	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Customer Services	16	0	0	16
Development and Infrastructure Services	8	0	0	8
Total	24	0	0	24

Chart of Service Development Performance Status

The graph provides a view of the Performance Status of the Service Development Projects:



APPENDIX 6 – Strategic Change Project Performance

There are 36 Projects recognised as Strategic Change Projects. 33 are Complete or On Target and 3 are Off Target and Recoverable.

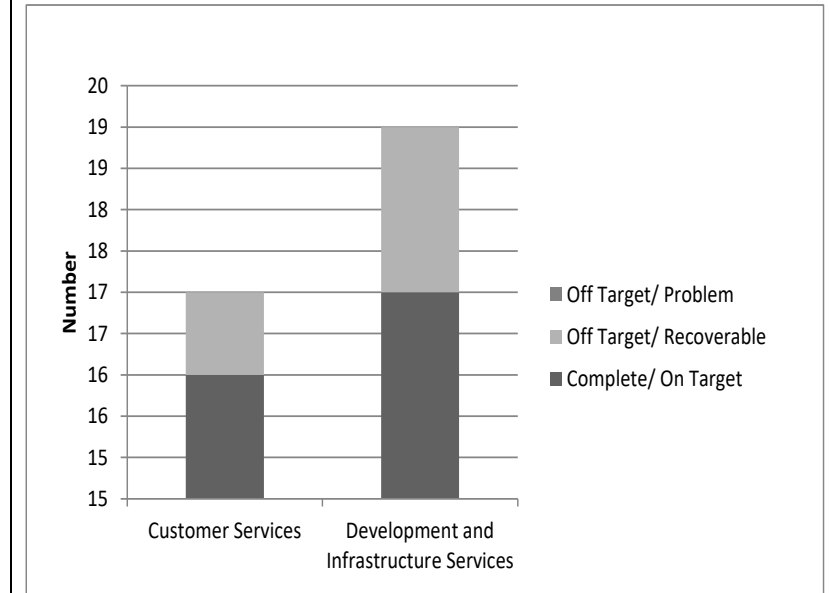
Department Position:

The table below shows the Performance Status of the Strategic Change Projects.

Strategic Change	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Customer Services	16	1	0	17
Development and Infrastructure Services	17	2	0	19
Total	33	3	0	36

Chart of Strategic Change Performance Status

The graph provides a view of the Performance Status of the Strategic Change Projects:



ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT - OVERALL COUNCIL

Appendix 7

FINANCIAL SUMMARY - NET EXPENDITURE

30 June 2018

	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Budget £000s	Actual £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s
EXPENDITURE									
Area Committee Expenditure - Asset Sustainability	44	0	44	44	0	44	69	25	44
Asset Sustainability Projects									
Customer Services	520	520	0	7,241	7,440	(199)	40,725	40,936	(211)
Development & Infrastructure Services	1,694	1,853	(159)	10,472	11,348	(876)	59,571	60,347	(776)
Asset Sustainability Total	2,214	2,373	(159)	17,713	18,788	(1,075)	100,296	101,283	(987)
Service Development Projects									
Customer Services	(38)	33	(71)	1,942	2,072	(130)	9,214	9,344	(130)
Development & Infrastructure Services	272	272	0	743	742	1	7,100	7,090	10
Service Development Total	234	305	(71)	2,685	2,814	(129)	16,314	16,434	(120)
Strategic Change Projects									
Campbeltown Schools Redevelopment	8	8	0	202	202	0	1,845	1,845	0
Dunoon Primary	1,312	1,312	0	4,582	4,582	0	10,699	10,699	0
Replacement of Oban High	158	158	0	423	423	0	3,225	3,225	0
Kilm Primary School	0	0	0	565	565	0	10,429	10,429	0
Carbon Management - Non Education	0	0	0	36	36	0	50	50	0
Carbon Management Business Cases	0	0	0	60	60	0	261	261	0
NPDO Schools Solar PV Panel Installations	0	0	0	183	183	0	944	944	0
Non NPDO Schools Solar PV Panel Installations	0	0	0	88	88	0	488	488	0
Carbon Management Fuel Conversions	0	0	0	38	0	38	145	107	38
Carbon Management Capital Property Works 2016/17	0	0	0	20	20	0	39	39	0
Carbon Management - Group Heating Conversion Project	18	18	0	125	125	0	2,016	2,016	0
Kilmory Biomass Carbon Management	0	0	0	43	43	0	999	999	0
Oil to Gas Heating Conversions	0	0	0	27	27	0	209	209	0
Campbeltown Office Rationalisation	0	0	0	1	1	0	596	596	0
Helensburgh Office Rationalisation	1	1	0	400	400	0	11,838	11,838	0
Tiree Shared Offices	0	0	0	10	10	0	10	10	0
Asset Management Fund	0	0	0	2,000	2,000	0	2,000	2,000	0
Kintyre Renewables Hub	0	0	0	732	383	349	12,115	11,766	349
Campbeltown Flood Scheme	19	19	0	(4)	100	(104)	80	184	(104)
Street Lighting LED Replacement	101	101	0	1,211	1,211	0	3,900	3,900	0
Pier Upgrades	0	0	0	290	290	0	300	300	0
Harbour Investment Programme	0	0	0	5,310	5,310	0	55,684	55,684	0
CHORD - Helensburgh	3	3	0	764	765	(1)	7,230	7,230	0
CHORD - Campbeltown	0	0	0	1,326	1,326	0	4,786	4,786	0
CHORD - Dunoon	1,382	1,382	0	2,136	2,136	0	11,921	11,921	0
CHORD - Oban	115	115	0	975	975	0	7,957	7,957	0
CHORD - Rothesay	716	716	0	10,753	10,753	0	13,770	13,770	0
Helensburgh Waterfront Development	106	106	0	286	296	(10)	18,387	18,397	(10)
TIF - Lorn/Kirk Road	15	15	0	(498)	(498)	0	238	238	0
TIF - North Pier Extension	0	0	0	346	346	0	560	560	0
TIF - Oban Airport Business Park	0	0	0	145	145	0	590	590	0
OBC for Dunoon Pier	0	0	0	(14)	0	(14)	2,830	2,844	(14)
Dunoon CARS	0	0	0	500	500	0	500	500	0
Rothesay THI	0	0	0	200	200	0	200	200	0
Hermitage Park	0	0	0	0	0	0	211	211	0
Glengorm Wind Turbine	0	0	0	29	22	7	437	430	7
Strategic Change Total	3,954	3,954	0	33,290	33,025	265	187,489	187,223	266
Total Expenditure	6,446	6,632	(186)	53,732	54,627	(895)	304,168	304,965	(797)
INCOME									
Asset Sustainability									
Customer Services	0	0	0	0	0	0	(118)	(118)	0
Development & Infrastructure Services	(272)	(274)	2	(272)	(272)	0	(1,311)	(1,306)	(5)
Asset Sustainability Total	(272)	(274)	2	(272)	(272)	0	(1,429)	(1,424)	(5)
Service Development Projects									
Customer Services	0	0	0	0	0	0	(988)	(988)	0
Development & Infrastructure Services	45	45	0	(551)	(471)	(80)	(4,411)	(4,331)	(80)
Service Development Total	45	45	0	-551	-471	(80)	-5,399	-5,319	(80)
Strategic Change Projects									
Helensburgh Office Rationalisation	0	0	0	0	0	0	(349)	(349)	0
Dunoon Primary	0	0	0	0	0	0	(137)	(137)	0
Kintyre Renewables Hub	0	0	0	(299)	50	(349)	(3,748)	(3,399)	(349)
CHORD - Helensburgh	0	0	0	0	0	0	(570)	(569)	(1)
Helensburgh Waterfront Development	0	0	0	0	0	0	(695)	(695)	0
CHORD - Campbeltown	0	0	0	0	0	0	(120)	(135)	15
CHORD - Rothesay	(317)	(317)	0	(6,790)	(6,790)	0	(9,081)	(9,081)	0
CHORD - Oban	0	0	0	0	0	0	(1,620)	(1,620)	0
Hermitage Park	0	0	0	0	0	0	(158)	(158)	0
Strategic Change Total	(317)	(317)	0	(7,089)	(6,740)	(349)	(16,478)	(16,143)	(335)
Total Income	(544)	(546)	2	(7,912)	(7,483)	(429)	(23,306)	(22,886)	(420)
Net Total	5,902	6,086	(184)	45,820	47,144	(1,324)	280,862	282,079	(1,217)

FINANCIAL SUMMARY NET EXPENDITURE - DEVELOPMENT AND INFRASTRUCTURE SERVICES

30 June 2018

	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Budget £000s	Actual £000s	(Over)/Under Variance £000s	Budget £000s	Year End Actual £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s
EXPENDITURE									
Asset Sustainability Projects									
Flood Prevention	2	2	0	171	189	(18)	533	551	(18)
Bridge Strengthening	20	20	0	76	254	(178)	2,610	2,688	(78)
Traffic Management	0	0	0	2	2	0	368	368	0
Roads Reconstruction	1,570	1,570	0	8,734	8,734	0	39,529	39,529	0
Lighting	0	0	0	307	307	0	1,703	1,703	0
Furnace Coastal Protection	0	0	0	19	0	19	144	125	19
Fleet	0	159	(159)	(533)	159	(692)	6,217	6,909	(692)
Horizontal Balers	8	8	0	0	8	(8)	0	8	(8)
Footpath Improvements	70	70	0	569	569	0	1,000	1,000	0
Environmental	19	19	0	379	379	0	784	784	0
Roads	0	0	0	0	0	0	0	0	0
Waste	0	0	0	106	106	0	200	200	0
Recreation and Sport	1	1	0	115	114	1	920	919	1
Crematoria and Burial Grounds	4	4	0	14	14	0	50	50	0
Pier	0	0	0	0	0	0	0	0	0
Block Allocation	0	0	0	513	513	0	5,513	5,513	0
Asset Sustainability Total	1,694	1,853	(159)	10,472	11,348	(876)	59,571	60,347	(776)
Service Development Projects									
A849 Pennyghael Bridge Mull	0	0	0	4	3	1	131	130	1
Preliminary design for Regional Transport projects	2	2	0	18	18	0	221	221	0
Campbelltown Old Quay	0	0	0	48	48	0	1,424	1,424	0
Helensburgh Cycleways	4	4	0	329	329	0	2,622	2,622	0
Safe Streets, Walking and Cycling	254	254	0	60	60	0	640	631	9
SPIT	12	12	0	34	34	0	1,412	1,412	0
Kilmartin House	0	0	0	0	0	0	400	400	0
NVA	0	0	0	250	250	0	250	250	0
Service Development Total	272	272	0	743	742	1	7,100	7,090	10
Strategic Change Projects									
Kintyre Renewables Hub	0	0	0	732	383	349	12,115	11,766	349
Campbelltown Flood Scheme	19	19	0	(4)	100	(104)	80	184	(104)
Street Lighting LED Replacement	101	101	0	1,211	1,211	0	3,900	3,900	0
Pier Upgrades	0	0	0	290	290	0	300	300	0
Harbour Investment Programme	0	0	0	5,310	5,310	0	55,684	55,684	0
CHORD - Helensburgh	3	3	0	764	765	(1)	7,230	7,230	0
CHORD - Campbelltown	0	0	0	1,326	1,326	0	4,786	4,786	0
CHORD - Dunoon	1,382	1,382	0	2,136	2,136	0	11,921	11,921	0
CHORD - Oban	115	115	0	975	975	0	7,957	7,957	0
CHORD - Rothesay	716	716	0	10,753	10,753	0	13,770	13,770	0
Helensburgh Waterfront Development	106	106	0	286	296	(10)	18,387	18,397	(10)
TIF - Lorn/Kirk Road	15	15	0	(498)	(498)	0	238	238	0
TIF - North Pier Extension	0	0	0	346	346	0	560	560	0
TIF - Oban Airport Business Park	0	0	0	145	145	0	590	590	0
OBC For Dunoon Pier	0	0	0	(14)	0	(14)	2,830	2,844	(14)
Dunoon CARS	0	0	0	500	500	0	500	500	0
Rothesay THI	0	0	0	200	200	0	200	200	0
Hermitage Park	0	0	0	0	0	0	211	211	0
Glengorm Wind Turbine	0	0	0	29	22	7	437	430	7
Strategic Change Total	2,457	2,457	0	24,487	24,260	227	141,696	141,468	228
Total Expenditure	4,423	4,582	(159)	35,702	36,350	(648)	208,367	208,905	(538)
INCOME									
Asset Sustainability									
Roads Reconstruction	-272	-271	(1)	-272	-272	0	(763)	(763)	0
Furnace Coastal Protection	0	0	0	0	0	0	(122)	(122)	0
Flood Prevention	0	0	0	0	0	0	(9)	(9)	0
Environmental Projects	0	0	0	0	0	0	(9)	(4)	(5)
Fleet	0	(3)	3	0	0	0	(408)	(408)	0
Asset Sustainability Total	(272)	(274)	2	(272)	(272)	0	(1,311)	(1,306)	(5)
Service Development Projects									
Helensburgh Cycleways	0	0	0	(350)	(270)	(80)	(2,774)	(2,694)	(80)
Safe Streets, Walking and Cycling	45	45	0	(119)	(119)	0	(224)	(224)	0
SPIT	0	0	0	(82)	(82)	0	(1,312)	(1,312)	0
CWSS - Footway Letter Dail	0	0	0	0	0	0	(101)	(101)	0
Service Development Total	45	45	0	(551)	(471)	(80)	(4,411)	(4,331)	(80)
Strategic Change Projects									
Kintyre Renewables Hub	0	0	0	(299)	50	(349)	(3,748)	(3,399)	(349)
CHORD - Helensburgh	0	0	0	0	0	0	(570)	(569)	(1)
Helensburgh Waterfront Development	0	0	0	0	0	0	(695)	(695)	0
CHORD - Campbelltown	0	0	0	0	0	0	(120)	(135)	15
CHORD - Rothesay	(317)	(317)	0	(6,790)	(6,790)	0	(9,081)	(9,081)	0
CHORD - Oban	0	0	0	0	0	0	(1,620)	(1,620)	0
Hermitage Park	0	0	0	0	0	0	(158)	(158)	0
Strategic Change Total	(317)	(317)	0	(7,089)	(6,740)	(349)	(15,992)	(15,657)	(335)
Total Income	(544)	(546)	2	(7,912)	(7,483)	(429)	(21,714)	(21,294)	(420)
Net Departmental Total	3,879	4,036	(157)	27,790	28,867	(1,077)	186,653	187,611	(958)

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING
FINANCIAL SUMMARY NET EXPENDITURE - CUSTOMER SERVICES

Appendix 7
30 June 2018

	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Budget £000s	Actual £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s
EXPENDITURE									
Area Committees - Asset Sustainability	44	0	44	44	0	44	69	25	44
Asset Sustainability									
Education	201	201	0	2,717	2,883	(166)	21,595	21,769	(174)
Community and Culture	0	0	0	1,015	1,016	(1)	3,212	3,213	(1)
Adult Care	0	0	0	361	361	0	2,112	2,112	0
Children and Families	0	0	0	430	430	0	595	598	(3)
Facility Services	63	63	0	1,522	1,554	(32)	4,523	4,556	(33)
Customer and Support Services	256	256	0	1,196	1,196	0	8,688	8,688	0
Asset Sustainability Total	520	520	0	7,241	7,440	(199)	40,725	40,936	(211)
Service Development Projects									
Graham Williamson IT Centre	0	0	0	0	0	0	0	0	0
Property Management System	0	0	0	0	0	0	89	89	0
Applications Projects	(20)	(20)	0	107	107	0	1,303	1,303	0
Bowmore Primary School - Pre 5 Unit	(2)	0	(2)	(2)	4	(6)	28	34	(6)
Clyde Cottage - 600 hour provision	(52)	3	(55)	(52)	40	(92)	413	505	(92)
Craignish Primary School - Pre 5 Extension	0	0	0	35	35	0	417	417	0
Iona Primary School - Pre 5 Unit	14	14	0	40	40	0	474	474	0
Islay High and Rosneath Primary School Pitches	2	2	0	675	675	0	700	700	0
Lochgoilhead Primary School - Pre 5 Unit	1	1	0	23	23	0	388	388	0
Park Primary Extension/Pre Fives Unit	0	0	0	5	5	0	346	346	0
Tarbert High School - Biomass enabling work	0	0	0	20	20	0	20	20	0
Sandbank Gaelic Pre Five Unit	(14)	0	(14)	(14)	18	(32)	464	496	(32)
Bunessan Primary School - Gaelic Medium Improvements	0	0	0	28	28	0	30	30	0
Early Learning and Childcare	3	3	0	421	421	0	1,478	1,478	0
Archives - Wee Manse Brae	0	0	0	72	72	0	128	128	0
Dunoon Boxing Club	0	0	0	100	100	0	100	100	0
Riverside Leisure Centre Refurbishment	29	29	0	423	423	0	1,536	1,536	0
Dunclutha Childrens Home	1	1	0	61	61	0	1,300	1,300	0
Service Development Total	(38)	33	(71)	1,942	2,072	(130)	9,214	9,344	(130)
Strategic Change Projects									
Campbeltown Schools Redevelopment	8	8	0	202	202	0	1,845	1,845	0
Dunoon Primary	1,312	1,312	0	4,582	4,582	0	10,699	10,699	0
Replacement of Oban High	158	158	0	423	423	0	3,225	3,225	0
Kim Primary School	0	0	0	565	565	0	10,429	10,429	0
Carbon Management - Non Education	0	0	0	36	36	0	50	50	0
Carbon Management Business Cases	0	0	0	60	60	0	261	261	0
NPDO Schools Solar PV Panel Installations	0	0	0	183	183	0	944	944	0
Non NPDO Schools Solar PV Panel Installations	0	0	0	88	88	0	488	488	0
Carbon Management Fuel Conversions	0	0	0	38	0	38	145	107	38
Carbon Management Capital Property Works 2016/17	0	0	0	20	20	0	39	39	0
Carbon Management - Group Heating Conversion Project	18	18	0	125	125	0	2,016	2,016	0
Kilmory Biomass Carbon Management	0	0	0	43	43	0	999	999	0
Oil to Gas Heating Conversions	0	0	0	27	27	0	209	209	0
Campbeltown Office Rationalisation	0	0	0	1	1	0	596	596	0
Helensburgh Office Rationalisation	1	1	0	400	400	0	11,838	11,838	0
Tiree Shared Offices	0	0	0	10	10	0	10	10	0
Asset Management Fund	0	0	0	2,000	2,000	0	2,000	2,000	0
Strategic Change Total	1,497	1,497	0	8,803	8,765	38	45,793	45,755	38
Total Expenditure	2,023	2,050	(27)	18,030	18,277	(247)	95,801	96,060	(259)
INCOME									
Asset Sustainability									
Facility Services	0	0	0	0	0	0	(60)	(60)	0
Education	0	0	0	0	0	0	0	0	0
Community and Culture	0	0	0	0	0	0	(58)	(58)	0
Asset Sustainability Total	0	0	0	0	0	0	(118)	(118)	0
Service Development Projects									
Sandbank Gaelic Pre Five Unit	0	0	0	0	0	0	(464)	(464)	0
Bunessan Primary School - Gaelic Medium Improvements	0	0	0	0	0	0	(30)	(30)	0
Early Learning and Childcare	0	0	0	0	0	0	(494)	(494)	0
Service Development Total	0	0	0	0	0	0	(988)	(988)	0
Strategic Change									
Helensburgh Office Rationalisation	0	0	0	0	0	0	(349)	(349)	0
Dunoon Primary School	0	0	0	0	0	0	(137)	(137)	0
Strategic Change Total	0	0	0	0	0	0	(486)	(486)	0
Total Income	0	0	0	0	0	0	(1,592)	(1,592)	0
Net Departmental Total	2,023	2,050	(27)	18,030	18,277	(247)	94,209	94,468	(259)

Strategic Change Projects	Capital Expenditure					Dates		Risks	
	Prior Years Spend £'000	Current Year Forecast £'000	Future Years Forecast £'000	Total Project Forecast £'000	Total Project Budget £'000	Project Start Date	Estimated Completion Date	Project Risks Identified	Explanation if not Green
Campbeltown Schools Redevelopment	1,623	202	20	1,845	1,845	16/02/2012	30/11/2018	Green	
Dunoon Primary	3,175	4,582	2,942	10,699	10,699	18/12/2014	30/04/2019	Green	
Replacement of Oban High	2,282	423	520	3,225	3,225	24/04/2014	31/01/2019	Green	
Kim Primary School	9,864	565	0	10,429	10,429	24/04/2014	31/10/2017	Green	
Carbon Management Business Cases	201	60	0	261	261	01/02/2014	31/03/2022	Green	
NPDO Schools Solar PV Panel Installations	761	183	0	944	944	26/06/2014	TBC	Green	
Non NPDO Schools Solar PV Panel Installations	400	88	0	488	488	20/03/2014	31/03/2017	Green	
Carbon Management Fuel Conversions	107	0	0	107	145	01/02/2014	31/03/2017	Green	
Carbon Management Capital Property Works 2016/17	19	20	0	39	39	01/02/2016	31/03/2017	Green	
Carbon Management - Group Heating Conversion Project	1,891	125	0	2,016	2,016	01/02/2016	31/08/2018	Green	
Kilmory Biomass Carbon Management	956	43	0	999	999	20/09/2012	19/10/2016	Green	
Oil to Gas Heating Conversions	182	27	0	209	209	01/02/2012	31/03/2017	Green	
Campbeltown Office Rationalisation	595	1	0	596	596	01/02/2015	31/03/2017	Green	
Helensburgh Office Rationalisation	11,438	400	0	11,838	11,838	25/04/2013	03/07/2016	Amber	Temporary Certificate of Occupation has been extended to 29th March 2018. Details of loss and expense claim received March 2017 and being considered. Final costs still to be established - Final expenditure now anticipated 18/19.
Tiree Shared Offices	0	10	0	10	10	01/02/2013	TBC	Green	
Asset Management Fund	0	2,000	0	2,000	2,000	2018/19	TBC	Green	
Kintyre Renewables Hub	11,383	383	0	11,766	11,698	01/05/2009	30/04/2017	Amber	Project projected to come in under budget. Until final grant/audit position is clear, any apparently (at this time) surplus budget should not be reallocated. Forecast expenditure in 2017-18 has been calculated to show the same net project expenditure as net budget (ie expenditure less income). Still awaiting close off of contractual obligations with BAM Nuttall.
Campbeltown Flood Scheme	84	100	0	184	80	01/08/2016	31/03/2023	Amber	Council has yet to allocate its (20%) share of funding for this project. The final figure of the 20% could approach £2m over next 6 years. Currently the Council has allocated only £80k to this project out of the £603k it has received for this project (not ring fenced) from the Scottish Government. The project is expected to spend circa £100k this financial year, however budget needs to be allocated for this to happen. There is a high risk that the Council would need to reimburse the Scottish Government with any monies not spent on Campbeltown.
Street Lighting LED Replacement	2,501	1,211	188	3,900	3,900	01/08/2016	16/12/2016	Green	
Pier Upgrades	0	290	10	300	300	01/12/2016	31/03/2017	Green	
CHORD - Helensburgh	6,465	765	0	7,230	7,229	29/09/2011	30/04/2015	Green	
CHORD - Campbeltown	3,460	1,326	0	4,786	4,801	25/06/2014	10/11/2015	Green	
CHORD - Dunoon	9,504	2,136	281	11,921	11,921	03/02/2012	09/03/2018	Green	
CHORD - Oban	6,982	975	0	7,957	8,282	27/10/2016	31/07/2017	Green	
CHORD - Rothesay	3,017	10,753	0	13,770	21,966	01/04/2015	01/12/2018	Green	
Helensburgh Waterfront Development	738	296	17,363	18,397	18,387	01/04/2017	30/09/2020	Green	
TIF - Lorn/Kirk Road	736	-498	0	238	238	22/01/2015	TBC	Green	
TIF - North Pier Extension	214	346	0	560	560	06/12/2017	06/12/2018	Green	
TIF - Oban Airport Business Park	445	145	0	590	590	22/01/2015	31/12/2017	Green	
OBC for Dunoon Pier	2,844	0	0	2,844	2,830	03/02/2012	26/02/2016	Green	
Dunoon CARS	0	500	0	500	500	01/04/2017	31/03/2022	Green	
Rothesay THI	0	200	0	200	200	2017/18	TBC	Green	
Hermitage Park	211	0	0	211	211	2016/17	TBC	Green	
Glengorm Wind Turbine	408	22	0	430	437	28/04/2016	30/11/2016	Green	
Strategic Change Total	82,500	27,715	21,324	131,539	139,923				

Project Risk Classifications:

Green - Risks can be managed and are viewed as stable or reducing.

Amber - Risks are increasing but are still manageable.

Red - Risks are increasing or have increased to such an extent they may affect delivery of the project.

CAPITAL PLAN 2018-19
SUMMARY

APPENDIX 9

Department	Head of Service	Previous	Future				Total £000s
		Years £000s	2018-19 £000s	2019-20 £000's	2020-21 £000s	Years £000s	
Health and Social Care Partnership	Adult Care	1,743	361	8	0	0	2,112
	Children and Families	1,404	491	0	0	0	1,895
Health and Social Care Partnership Total		3,147	852	8	0	0	4,007
Community Services	Community and Culture	0	121	0	0	0	121
	Education	37,636	9,668	4,807	440	0	52,551
Community Services Total		37,636	9,789	4,807	440	0	52,672
Customer Services	Customer and Support Services	7,815	1,303	962	0	0	10,080
	Facility Services	18,285	4,561	1,290	1	0	24,137
Customer Services Total		26,100	5,864	2,252	1	0	34,217
Development and Infrastructure	Economic Development	36,974	17,292	3,169	14,884	0	72,319
	Roads and Amenity Services	58,663	18,410	18,050	8,750	32,175	136,048
Development and Infrastructure Total		95,637	35,702	21,219	23,634	32,175	208,367
Live Argyll	Live Argyll	3,346	1,525	34	0	0	4,905
Live Argyll Total		3,346	1,525	34	0	0	4,905
Grand Total		165,866	53,732	28,320	24,075	32,175	304,168

Category	Head of Service	Project	Previous				Future		Total
			Years £000's	2018-19 £000's	2019-20 £000's	2021-22 £000s	Years £000s	£000s	
Asset Sustainability	Adult Care	Ardfenaig	0	20	0	0	0	0	20
		Eadar Glinn	246	67	3	0	0	0	316
		Health and Safety	1,045	60	0	0	0	0	1,105
		Legionella Control Works	15	5	0	0	0	0	20
		Lochgilphead Resource Centre	163	61	0	0	0	0	224
		Lorn Resource Centre	76	9	0	0	0	0	85
		Struan Lodge Boiler	25	15	0	0	0	0	40
		Thomson Home Rothesay	173	124	5	0	0	0	302
	Adult Care Total			1,743	361	8	0	0	2,112
	Children and Families	Capital Property Works	0	305	0	0	0	0	305
		Glencruitten Hostel	119	72	0	0	0	0	191
		Health and Safety	23	20	0	0	0	0	43
		Shellach View	23	33	0	0	0	0	56
		Children and Families Total			165	430	0	0	0
Asset Sustainability Total			1,908	791	8	0	0	2,707	
Service Development	Children and Families	Dunclutha Childrens Home	1,239	61	0	0	0	1,300	
	Children and Families Total		1,239	61	0	0	0	1,300	
Service Development Total			1,239	61	0	0	0	1,300	
Overall Total			3,147	852	8	0	0	4,007	

Category	Head of Service	Project	Previous				Future	
			Years £000's	2018-19 £000's	2019-20 £000's	2021-22 £000s	Years £000s	Total £000s
Asset Sustainability	Community and Culture	Inveraray CARS	0	21	0	0	0	21
	Community and Culture Total		0	21	0	0	0	21
Asset Sustainability Total			0	21	0	0	0	21
Service Development	Community and Culture	Dunoon Boxing Club	0	100	0	0	0	100
	Community and Culture Total		0	100	0	0	0	100
Service Development Total			0	100	0	0	0	100
Overall Total			0	121	0	0	0	121

Category	Head of Service	Project	Previous				Future	
			Years £000's	2018-19 £000's	2019-20 £000's	2021-22 £000s	Years £000s	Total £000s
Asset Sustainability	Education	Achaleven Primary School	99	70	3	0	0	172
		Ardchattan Primary School	0	2	0	0	0	2
		Ardrishaig Primary School	269	-3	50	0	0	316
		Arinagour Primary School	85	40	2	0	0	127
		Arrochar Primary School	0	30	60	0	0	90
		Asbestos Control/Removal Works	78	7	0	0	0	85
		Block Allocation	0	30	160	0	0	190
		Bunessan Primary School	296	38	0	0	0	334
		Capital Property Works	835	-1	75	0	0	909
		Cardross Primary School	788	15	0	0	0	803
		Carradale Primary School	107	3	4	0	0	114
		Castlehill Primary School	499	161	154	0	0	814
		Clachan Primary	178	44	0	0	0	222
		Colgrain Primary School	958	48	2	0	0	1,008
		Dalintober Primary School	280	97	3	0	0	380
		Dalmally Primary School	78	162	123	0	0	363
		Dervaig Primary School	69	0	0	0	0	69
		Drumlemble Primary School	402	-6	0	0	0	396
		Dunbeg Primary School	450	227	157	0	0	834
		Easdale Primary School	0	10	25	0	0	35
		Education Properties Water Quality	0	0	0	0	0	0
		Ferry Houses - Housing Quality Standard	72	0	0	0	0	72
		Free School Meals	534	16	0	0	0	550
		Furnace Primary School	140	44	0	0	0	184
		Garelochhead Primary School	313	46	113	0	0	472
		Glenbarr Primary School	225	13	0	0	0	238
		Hermitage Primary School	188	1	0	0	0	189
		Homeless Houses - Housing Quality Standard	12	38	2	0	0	52
		Internal Refurbishment Budget	97	103	0	0	0	200
		Islay High School	4,101	139	65	0	0	4,305
		John Logie Baird Primary School	764	93	103	0	0	960
		Keills Primary School	0	35	0	0	0	35
Kilchattan Primary School	241	29	2	0	0	272		
Kilchrenan Primary School	29	6	0	0	0	35		
Kilcreggan Primary School	494	115	4	0	0	613		

Category	Head of Service	Project	Previous				Future	
			Years £000's	2018-19 £000's	2019-20 £000's	2021-22 £000s	Years £000s	Total £000s
Asset Sustainability	Education	Kilmartin Primary School	17	99	4	0	0	120
		Kilmodan Primary School	233	1	0	0	0	234
		Legionella Control Works	220	-110	0	0	0	110
		Lismore Primary School	61	19	1	0	0	81
		Lochgoilhead Primary School	177	68	53	0	0	298
		Parklands School	161	7	310	0	0	478
		Property Works - Contingency	250	38	0	0	0	288
		Rhunahaorine Primary	181	-28	0	0	0	153
		Rosneath Primary School	658	24	1	0	0	683
		School Houses - Housing Quality Standard	409	67	2	0	0	478
		Southend Primary School	26	4	0	0	0	30
		St Joseph's Primary School	496	73	2	0	0	571
		St Mun's Primary School	299	450	100	0	0	849
		Tarbert High School	19	1	0	0	0	20
		Tiree Primary School	225	242	8	0	0	475
		Tobermory High School	867	0	150	0	0	1,017
		Toward Primary School	83	96	1	0	0	180
		Ulva Primary School	74	14	2	0	0	90
	Education Total		17,137	2,717	1,741	0	0	21,595
Asset Sustainability Total			17,137	2,717	1,741	0	0	21,595
Service Development	Education	Bowmore Primary School - Pre Five Unit	30	-2	0	0	0	28
		Bunessan Primary School - Gaelic Medium Improvements	2	28	0	0	0	30
		Clyde Cottage - 600 hours provision	465	-52	0	0	0	413
		Craignish Primary School - Pre Five Extension (600 hours funding)	382	35	0	0	0	417
		Early Learning and Childcare	1,057	421	0	0	0	1,478
		Iona Primary School - Pre Five Unit (600 hours funding)	434	40	0	0	0	474
		Islay High & Rosneath PS Pitches	1	675	24	0	0	700
		Lochgoilhead Primary School - Pre Five Unit (600 hours funding)	365	23	0	0	0	388
		Park Primary Extension and Pre Fives Unit	341	5	0	0	0	346
		Sandbank Gaelic Pre Five Unit	478	-14	0	0	0	464
		Tarbert High School - Biomass enabling work	0	20	0	0	0	20
			Education Total		3,555	1,179	24	0
Service Development Total			3,555	1,179	24	0	0	4,758
Strategic Change	Education	Campbeltown Schools Redevelopment	1,623	202	20	0	0	1,845

Category	Head of Service	Project	Previous Years				Future Years		Total
			2018-19 £000's	2019-20 £000's	2021-22 £000s	2021-22 £000s	£000s	£000s	
Strategic Change	Education	Dunoon Primary School	3,175	4,582	2,502	0	0	10,699	
		Kirn Primary School	9,864	565	0	0	0	10,429	
		Replacement of Oban High School	2,282	423	520	0	0	3,225	
	Education Total	16,944	5,772	3,042	0	0	26,198		
Strategic Change Total			16,944	5,772	3,042	0	0	26,198	
Overall Total			37,636	9,668	4,807	0	0	52,551	

Category	Head of Service	Project	Previous	2018-19	2019-20	2021-22	Future	Total
			Years	£000's	£000's	£000s	Years	£000s
Asset Sustainability	Customer and Support Services	Block Allocation	0	0	945	0	0	945
		Computer Network Security	642	60	0	0	0	702
		Corporate GIS Portal Rollout	133	7	17	0	0	157
		MS Exchange & Doc Sharing	381	35	0	0	0	416
		PC Replacement	3,197	482	0	0	0	3,679
		Server Sustainability	310	434	0	0	0	744
		Telecomms Network	1,121	178	0	0	0	1,299
		Unified Communications and Video Conferencing	746	0	0	0	0	746
	Customer and Support Services Total		6,530	1,196	962	0	0	8,688
Asset Sustainability Total			6,530	1,196	962	0	0	8,688
Service Development	Customer and Support Services	Applications Projects	1,196	107	0	0	0	1,303
		Property Management System	89	0	0	0	0	89
	Customer and Support Services Total		1,285	107	0	0	0	1,392
Service Development Total			1,285	107	0	0	0	1,392
Overall Total			7,815	1,303	962	0	0	10,080

Category	Head of Service	Project	Previous	2018-19	2019-20	2021-22	Future	Total
			Years £000's	£000's	£000's	£000s	Years £000s	£000s
Asset Sustainability	Facility Services	Argyll House, Dunoon	77	285	6	0	0	368
		Asbestos Capital Property Works	72	17	0	0	0	89
		Block Allocation	0	468	525	0	0	993
		Burnett Building	74	0	0	0	0	74
		Capital Property Works 16/17	70	10	0	0	0	80
		Castle House, Dunoon	46	0	0	0	0	46
		Dunoon Office Rationalisation	3	7	220	0	0	230
		Eglesham House, Rothesay	63	0	0	0	0	63
		Fire Risk Assessment Works 16/17	0	50	0	0	0	50
		Hill Street Dunoon Rewire	2	0	32	0	0	35
		Joint Valuation Board	0	39	0	0	0	39
		Kilarrow House	123	0	0	0	0	123
		Kilmory Castle	280	111	5	0	0	396
		Kilmory Castle 2012-13	142	0	0	0	0	142
		Legionella Capital Works 16/17	8	0	0	0	0	8
		Legionella Control Works	0	500	500	0	0	1,000
		Lorn House, Oban	96	0	0	0	0	96
		Manse Brae District Office	32	31	2	0	0	65
		Manse Brae Roads Office	35	2	0	0	0	37
		Mill Park Depot	84	-11	0	0	0	73
		Oban Municipal Buildings	250	0	0	0	0	250
		Oban Office Rationalisation	0	0	0	0	0	0
		Old Quay Head Offices, Campbeltown	32	0	0	0	0	32
		Tobermory Area Office	96	13	0	0	0	109
		Union Street, Rothesay	76	0	0	0	0	76
		Whitegates Office, Lochgilphead	30	0	0	0	0	30
Willowview Oban	19	0	0	0	0	19		
Facility Services Total			1,710	1,522	1,290	0	0	4,523
Asset Sustainability Total			1,710	1,522	1,290	0	0	4,523
Strategic Change	Facility Services	Asset Management Fund	0	2,000	0	0	0	2,000
		Campbeltown Office Rationalisation	595	1	0	0	0	596
		Carbon Management - Group Heating Conversion Project (Prudential Borrowing)	1,891	125	0	0	0	2,016
		Carbon Management Business Cases (FPB)	201	60	0	0	0	261
		Carbon Management Capital Property Works 16/17	19	20	0	0	0	39
		Carbon Management Fuel Conversions (FPB)	107	38	0	0	0	145

Category	Head of Service	Project	Previous				Future	
			Years £000's	2018-19 £000's	2019-20 £000's	2021-22 £000s	Years £000s	Total £000s
Strategic Change	Facility Services	Helensburgh Office Rationalisation (FPB,REC)	11,438	400	0	0	0	11,838
		Kilmory Biomass Project OBC (FPB,REV)	956	43	0	0	0	999
		Non-NPDO Schools PV Panel Installations	400	88	0	0	0	488
		NPDO Schools Solar PV Panel Installations	761	183	0	0	0	944
		Oil to Gas Heating Conversions (FPB)	182	27	0	0	0	209
		Tiree Shared Offices	0	10	0	0	0	10
	Facility Services Total		16,550	2,995	0	0	19,545	
Strategic Change Total			16,550	2,995	0	0	19,545	
Area Committee	Facility Services	Area Committee	25	44	0	0	69	
	Facility Services Total		25	44	0	0	69	
Area Committee Total			25	44	0	0	69	
Overall Total			18,285	4,561	1,290	0	24,137	

Category	Head of Service	Project	Previous	2018-19	2019-20	2021-22	Future	
			Years				Years	Total
			£000's	£000's	£000's	£000s	£000s	£000s
Service Development	Economic Development	Kilmartin House	0	0	200	0	0	400
		NVA	0	250	0	0	250	
		Safe Streets, Walking and Cycling (CWSS)	571	60	9	0	640	
		SPT	1,378	34	0	0	1,412	
		Economic Development Total	1,949	344	209	0	2,702	
Service Development Total			1,949	344	209	0	0	2,702
Strategic Change	Economic Development	01 TIF - Lorn/Kirk Road	736	-498	0	0	0	238
		05 TIF - North Pier Extension	214	346	0	0	560	
		09 TIF - Oban Airport Business Park	445	145	0	0	590	
		CHORD - Campbeltown	3,460	1,326	0	0	4,786	
		CHORD - Dunoon	9,504	2,136	281	0	11,921	
		CHORD - Helensburgh -Public Realm Imprv	6,466	764	0	0	7,230	
		CHORD - Oban	6,982	975	0	0	7,957	
		CHORD - Rothesay	3,017	10,753	0	0	13,770	
		Dunoon CARS	0	500	0	0	500	
		Glengorm Wind Turbine	408	29	0	0	437	
		Helensburgh Waterfront Development	738	286	2,679	0	18,387	
		Hermitage Park	211	0	0	0	211	
		OBC for Dunoon Pier	2,844	-14	0	0	2,830	
		Rothesay THI	0	200	0	0	200	
		Economic Development Total	35,025	16,948	2,960	0	69,617	
Strategic Change Total			35,025	16,948	2,960	0	0	69,617
Overall Total			36,974	17,292	3,169	0	0	72,319

Category	Head of Service	Project	Previous	2018-19			Future		Total
			Years	2018-19	2019-20	2021-22	Years	£000s	
			£000's	£000's	£000's	£000s	£000s	£000s	
Asset Sustainability	Roads and Amenity Services	Astro Pitch Repairs	316	50	384	0	0	750	
		Block Allocation	0	513	5,000	0	0	5,513	
		Bridge Strengthening	2,284	76	250	0	0	2,610	
		Cemetery Houses	36	14	0	0	0	50	
		DISR - Horizontal Balers	94	106	0	0	0	200	
		Environmental Projects	405	313	0	0	0	718	
		Fleet Management	6,750	-533	0	0	0	6,217	
		Flood Prevention	324	171	38	0	0	533	
		Footpath Improvements	0	0	0	0	0	0	
		Furnace Coastal Protection	125	19	0	0	0	144	
		Glengorm - Capping	181	569	250	0	0	1,000	
		Lighting	1,396	307	0	0	0	1,703	
		Public Convenience Upgrades	0	66	0	0	0	66	
		Roads Reconstruction	27,995	8,734	2,800	0	0	39,529	
		Tarbert All Weather Sports Pitch	105	65	0	0	0	170	
Traffic Management	366	2	0	0	0	368			
	Roads and Amenity Services Total		40,377	10,472	8,722	0	0	59,571	
Asset Sustainability Total			40,377	10,472	8,722	0	0	59,571	
Service Development	Roads and Amenity Services	A849 Pennyghael Bridge Mull	127	4	0	0	0	131	
		Campbeltown Old Quay	1,376	48	0	0	0	1,424	
		Cycleways - H&L (FSPT)	2,293	329	0	0	0	2,622	
		Preliminary design for Regional Transport projects (tif)	203	18	0	0	0	221	
	Roads and Amenity Services Total		3,999	399	0	0	0	4,398	
Service Development Total			3,999	399	0	0	0	4,398	
Strategic Change	Roads and Amenity Services	Campbeltown Flood Scheme	84	-4	0	0	0	80	
		Harbour Investment Programme	319	5,310	9,130	11,300	32,175	55,684	
		Kintyre Renewables Hub (FGPB)	11,383	732	0	0	0	12,115	
		Pier Upgrades	0	290	10	0	0	300	
		Street Lighting LED Replacement	2,501	1,211	188	0	0	3,900	
	Roads and Amenity Services Total		14,287	7,539	9,328	11,300	32,175	72,079	
Strategic Change Total			14,287	7,539	9,328	11,300	32,175	72,079	
Overall Total			58,663	18,410	18,050	11,300	32,175	136,048	

Category	Head of Service	Project	Previous	2018-19	2019-20	2021-22	Future	
			Years				Years	Total
			£000's	£000's	£000's	£000s	£000s	£000s
Asset Sustainability	Live Argyll	Aqualibrium	179	185	6	0	0	370
		Bute Community Education Centre	43	112	5	0	0	160
		Campbeltown Museum - Burnet Bldg	81	24	1	0	0	106
		Capital Property Works	108	2	0	0	0	110
		Community Centres General - Options Appraisal	16	-1	0	0	0	15
		Corran Halls, Oban	529	1	0	0	0	530
		Dunoon Community Education Centre	192	50	0	0	0	242
		Lochgilphead Community Ed Centre	33	192	6	0	0	231
		Moat Centre	13	84	3	0	0	100
		Oban Library (Leased Property)	6	52	2	0	0	60
		Rothesay Swimming Pool	138	200	7	0	0	345
		Victoria Hall, Campbeltown	594	44	2	0	0	640
		Victoria Halls, Helensburgh	231	49	2	0	0	282
	Live Argyll Total		2,163	994	34	0	0	3,191
Asset Sustainability Total			2,163	994	34	0	0	3,191
Service Development	Live Argyll	Archives - Wee Manse Brae	56	72	0	0	0	128
		Riverside Leisure Centre Refurbishment	1,113	423	0	0	0	1,536
	Live Argyll Total		1,169	495	0	0	0	1,664
Service Development Total			1,169	495	0	0	0	1,664
Strategic Change	Live Argyll	Carbon Management	14	36	0	0	0	50
	Live Argyll Total		14	36	0	0	0	50
Strategic Change Total			14	36	0	0	0	50
Overall Total			3,346	1,525	34	0	0	4,905

TREASURY MANAGEMENT MONITORING REPORT 30th June 2018

1. EXECUTIVE SUMMARY

- 1.1 This report sets out the Council's treasury management position for the period 1 April 2018 to 30 June 2018 and includes information on:
- Overall Borrowing Position
 - Borrowing Activity
 - Investment Activity
 - Economic Background
 - Interest Rate Forecast
 - Prudential Indicators.
- 1.2 Borrowing is below the Capital Financing Requirement for the period to 30th June 2018, however, there are substantial internal balances, of which £82.7m is currently invested.
- 1.3 The net movement in external borrowing in the period was a decrease of £0.8m.
- 1.4 The levels of investments were £82.7m at 30 June 2018. The rate of return achieved was 0.760% which compares favourably with the target of 7 day LIBID which was 0.361%.
- 1.5 As part of the preparation for the introduction of the Markets in Financial Instruments Directive II on 3 January 2018 the Council has exercised its option to opt up to Professional Status to allow the treasury management function to continue to access Money Market Funds and other financial instruments.

TREASURY MANAGEMENT MONITORING REPORT 30 JUNE 2018

2. INTRODUCTION

2.1 This report sets out the Council's treasury management position for the period 1 April 2018 to 30 June 2018 and includes information on:

- Overall Borrowing Position
- Borrowing Activity
- Investment Activity
- Economic Background
- Interest Rate Forecast
- Prudential Indicators.

3. DETAIL**Overall Borrowing Position**

3.1 The table below details the estimated capital financing requirement (CFR) and compares this with the estimated level of external debt at 31 March 2019. The CFR represents the underlying need for the Council to borrow to fund its fixed assets and accumulated capital expenditure.

	Forecast 2018/19 £000's	Budget 2018/19 £000's	Forecast 2019/20 £000's	Forecast 2020/21 £000's
CFR at 1 April	318,341	318,341	336,094	336,912
Net Capital Expenditure	27,826	27,826	10,891	(1,922)
Less Loans Fund Principal Repayments	(7,956)	(7,956)	(7,956)	(7,956)
Less: NPDO Repayment	(2,117)	(2,117)	(2,117)	(2,268)
Estimated CFR 31 March	336,094	336,094	336,912	324,766
Less Funded by NPDO	(180,059)	(180,059)	(176,059)	(173,934)
Estimated Net CFR 31 March	156,035	156,035	160,853	150,832
Estimated External Borrowing at 31 March	153,490	153,490	147,990	141,490
Gap	2,545	2,545	12,863	9,342

3.2 Borrowing is below the CFR for the period to 31 March 2019. Additional borrowing was taken in March 2018 to take advantage of the low PWLB rates prevailing at that time. This has resulted in the under borrowed position being less than in previous years.

3.3 The Council's estimated net capital financing requirement at the 30th June 2018 is £156.035m. The table below shows how this has been financed. Whilst borrowing is less than the CFR there are substantial internal balances (mainly the General Fund) of which £82.7m is currently invested.

	Position at 31/03/2018 £000's	Position at 30/06/18 £000's
Loans	178,488	177,598
Internal Balances	47,463	61,105
Less Investments & Deposits	(69,916)	(82,668)
Total	156,035	156,035

Borrowing Activity

	Actual £000's
External Loans Repaid 1st April 2018 to 30th June 2018	(912)
Borrowing undertaken 1st April 2018 to 30th June 2018	23
Net Movement in External Borrowing	(889)

3.5 The external borrowing of the Council decreased by £0.889m during the period, due to the repayment of Public Works Loans Board borrowing of £0.912m.

3.6 The table below summarises the movement in level and rate of temporary borrowing at the start and end of the period.

	£000s	% Rate
Temp borrowing at 31st March 2018	576	0.05%
Temp borrowing at 30th June 2018	560	0.35%

Investment Activity

3.7 The average rate of return achieved on the Council's investments to 30 June 2018 was 0.760% compared to the average LIBID rate for the same period of 0.361% which demonstrates that the Council is achieving a reasonable rate of return on its cash investments. At 30 June 2018 the Council had £82.7m of short term investments at an average rate of 0.760%. The table below details the counterparties that the investments were placed with, the maturity date, the interest rate and the credit rating applicable for each of the counterparties.

Counterparty	Maturity	Amount £000s	Interest Rate	Rating S&P
Clydesdale Bank Instant	Instant Access	668	0.50%	Short Term A-2, Long Term BBB+
Goldman Sachs	95 Day	5,000	0.78%	Short Term A-1, Long Term A+
Goldman Sachs	95 Day	2,500	0.88%	Short Term A-1, Long Term A+
Commonwealth Bank of Australia	07/08/2018	2,500	0.52%	Short Term A-1+, long Term AA-
Helaba Landesbank	12/09/2018	5,000	0.54%	Short Term A-1, long Term A
Toronto Dominion	23/10/2018	5,000	0.70%	Short Term A-1+, Long Term AA-
Bank of Scotland	18/12/2018	2,500	0.85%	Short Term A-1, Long Term A+
Helaba Landesbank	04/01/2019	2,500	0.75%	Short Term A-1, long Term A
QNB	03/07/2018	2,500	0.94%	Short Term A-1, Long Term A
Close Brothers	19/10/2018	5,000	0.85%	Short Term A-1, Long Term A+
RBS (CD)	23/04/2018	5,000	1.04%	Short Term A-2, Long Term A-
DBS	24/04/2019	5,000	0.98%	Short Term A-1+, Long Term AA-
ANZ	12/11/2018	5,000	0.72%	Short Term A-1+, Long Term AA-
Bank of Scotland	29/05/2019	5,000	1.00%	Short Term A-1, Long Term A+
NATWEST (CD)	14/06/2019	5,000	0.93%	Short Term A-2, Long Term A-
ANZ	19/06/2019	2,500	0.92%	Short Term A-1+, Long Term AA-
QNB	28/09/2018	5,000	0.99%	Short Term A-1, Long Term A
MMF - BNP Paribas	Call	7,500	0.53%	AAA
MMF - Federated	Call	0	0.00%	AAA
MMF - Insight	Call	0	0.00%	AAA
MMF - Standard Life (formerly Ignis)	Call	2,000	0.53%	AAA
MMF - Invesco AIM	Call	0	0.00%	AAA
MMF - Legal and General	Call	0	0.00%	AAA
MMF - CCLA	Call	7,500	0.56%	AAA
ENH MMF - Federated Cash Plus (T+1)	T+1	0	0.00%	AAA
ENH MMF - Standard Life Short Duration (T+3)	T+3	0	0.00%	AAA
Total		82,668		

- 3.8 All investments and deposits are in accordance with the Council's approved list of counterparties and within the limits and parameters defined in the Treasury Management Practices. The counterparty list is constructed based on assessments by leading credit reference agencies adjusted for additional market information available in respect of counterparties.
- 3.9 The current market conditions have made investment decisions more difficult as the number of counterparties which meet the Council's parameters has reduced making it harder to achieve reasonable returns while limiting the exposure to any one institution.
- 3.10 As part of the preparation for the introduction of the Markets in Financial Instruments Directive II on 3 January 2018 the Council has exercised its option to opt up to Professional Status to allow the treasury management function to continue to access Money Market Funds and other financial instruments.

Economic and Interest Rate Forecasts

- 3.11 The latest economic background is shown in appendix 1 with the interest rate forecast in appendix 2.

Prudential Indicators

- 3.12 The prudential indicators for 2018-19 are attached in appendix 3.

4. CONCLUSION

- 4.1 The Council's borrowing decreased by £0.889m, it is below the Capital Financing Requirement for the period to 30 June 2018. There are substantial internal balances, of which £82.7m is currently invested. The investment returns were 0.760% which is above the target of 0.361%.

5. IMPLICATIONS

- 5.1 Policy – None.
- 5.2 Financial - None
- 5.3 Legal - None.
- 5.4 HR - None.
- 5.5 Equalities - None.
- 5.6 Risk - None.
- 5.7 Customer Service - None.

Kirsty Flanagan, Head of Strategic Finance
Gary Mulvaney, Policy Lead for Strategic Finance

For further information please contact Peter Cupples, Finance Manager – Corporate Support 01546-604183.

Appendix 1 – Economic Background
Appendix 2 – Interest Rate Forecast
Appendix 3 – Prudential Indicators

Economic Background

This section has been provided by Link Asset Services and therefore includes their views and opinions of future trends and events.

During the quarter ended 30 June 2018:

The economy showed signs of regaining momentum after the slowdown in Q1;

Employment growth rose strongly but wage growth softened;

Consumer price inflation eased further;

The MPC struck a more hawkish tone at its June meeting;

Public sector borrowing undershot the Office for Budget Responsibility' (OBR) forecasts;

Progress on Brexit negotiations stalled;

Equity markets were buffeted by increased global trade tensions.

GDP quarter 1 2018. The Quarterly National Accounts revealed that the economy expanded by an upwardly-revised 0.2% in the first quarter. The adverse weather appears to have played its part, with the construction sector knocking 0.1% off growth. However, the ongoing squeeze on households' real incomes also probably contributed to the softness. Note that household spending grew by just 0.2%. What's more, business investment contracted by 0.4%, after rising by 0.2% in Q4.

The 0.2% quarterly rise in real **household spending** was the weakest in nearly six years and almost entirely funded by a drop in the savings ratio to its second-lowest on record. Indeed, at 4.2%, it is well below its average of about 8%. This raises concerns about the sustainability of spending growth ahead, particularly if households rebuild savings in response to rising real incomes. However, there are signs that spending growth has picked up in Q2. Retail sales volumes expanded by more than 1% on the month in both April and May and consumer confidence has trended upwards this year.

The Markit/CIPS **all-sector PMI** points to quarterly GDP growth of around 0.4% in Q2 so far, suggesting that the economy has regained some momentum in the second quarter. Meanwhile, the PMI survey doesn't include retail activity which appears to have rebounded in Q2 suggesting that if anything the survey is understating the pickup in GDP growth. Admittedly, the official output data for April is mixed. Construction output grew by only 0.5% in April from the 2.3% drop in March and the run of manufacturing growth appears to have come to an end, with a sharp 1.4% monthly drop in April. But note that the dominant services sector output expanded by 0.3% in April, suggesting that the sector got off to a good start in Q2.

Meanwhile, the **labour market** has continued to show signs of strength. The unemployment rate stood at a multi-decade low, reaching 4.2% in April. Employment growth has also been impressive this year, rising by a quarterly 146,000 in the three months to April and by 1.4% on a year earlier. Such strong gains in employment have

been possible thanks to a surge in the number of people joining the workforce. The various measures of hiring intentions and surveys of employment that we follow suggest that this growth could be maintained, at least in the short term.

Headline total **pay growth** has softened over the past few months, dropping from 2.8% in January to 2.5% in April. But this is largely due to base effects and weakness in bonus payments. Indeed, headline regular pay growth has picked up to 2.8% in April, up from 2.4% in Q4 and surveys of pay settlement point to growth of around 3.0% by the end of the year. As a result, nominal earnings growth has now overtaken inflation for the first time in twelve months.

Indeed, **CPI inflation** has fallen back from 3.0% in Q4 to 2.4% in May, as the inflationary impact of sterling's past depreciation has eased. However, rising oil prices over the past few months, from around \$67pb at the start of April to a 3-year high of \$80 in May in response to concerns about supply disruptions, has put upward pressure on firms' costs. Indeed, producer input price inflation has risen from a low of 3.9% in February to 9.2% in May and producers have managed to pass on some of the rise in costs to consumers, with annual output price inflation edging up from 2.5% in April to 2.9%. What's more, the utility price hikes announced by the 'Big 6' energy firms will probably cause inflation to tick up temporarily in the coming months. But we still think that inflation will fall back this year given the offsetting downward pressure from easing food price and imported goods inflation.

A run of weak economic data, alongside comments from Governor Carney signalling that the Monetary Policy Committee (MPC) is in no rush to raise rates, saw investors push back their expectations for the next interest rate hike from May to November. Indeed, the **MPC's May meeting** revealed the Committee's desire to wait for confirmation that the slowdown in Q1 was temporary. The *May Inflation Report* also showed that the Bank expects inflation to return to the 2% target at the two-year horizon on the basis of just a 50bp increase in Bank Rate over the next two years.

However, the **MPC struck a more hawkish tone at the meeting in June**. Three members voted for an immediate rate rise, citing that the benefits of waiting for additional information were limited and that there may be some upside risks to the MPC's *May Inflation Report* forecasts for earnings growth. The minutes also revealed that the Committee placed more weight on the recent rebound in consumer spending and the survey indicators, than the weak production figures for April. The probability of an interest rate hike in August now stands at close to 70% up from around 30% a month ago.

Elsewhere, the **public finances** continued to undershoot the OBR's forecasts. Public sector net borrowing for 2017/18 came in £19bn below what the OBR predicted in March 2017 and the current budget, (based on day-to-day spending), recorded its first full-year surplus since 2001/02. Borrowing so far in 2018/19 is 25% lower than at this stage last year, largely due to weaker local authority spending growth, and VAT and income tax receipts have risen strongly. While it is still early days and the figures are subject to revisions, the promising start to the year eases the pressure on the Chancellor to find the money to deliver on the Government's promise of an additional

£5bn health expenditure by 2020/21. Note that even before the latest improvements, the OBR's forecast predicted that the Chancellor would have £15bn of headroom in meeting his target for a cyclically-adjusted deficit of 2% of GDP in 2020/21.

The Government managed to avoid giving Parliament the option to take over the **Brexit negotiations** in the event of a “no-deal Brexit”, but instead proposed an amendment to the EU Withdrawal Bill that gives the decision of how much influence Parliament has, to the Speaker of the House of Commons. Meanwhile, the European Council expressed concern about the lack of progress on the Withdrawal Agreement at the EU summit in June. The EU has dismissed the UK's proposal for the whole of the UK to remain within the EU's customs territory. As a result, for the UK government to keep its pledge to avoid any physical infrastructure on the border between the Republic of Ireland and Northern Ireland, and the need for checks on goods crossing the Irish Sea between Northern Ireland and the UK, it would need to “rub out” its red line of leaving the customs union entirely. Given the slow pace of progress on negotiations, the December European Council meeting is now being seen as the most likely date for the Withdrawal Agreement, and terms for the UK's future relationship with the EU, to be signed off.

Turning to **financial markets**, increased global trade tensions have buffeted equity markets over the past few months. Indeed, the EU retaliated with reciprocal measures to the US tariffs on imports of steel and aluminium and the US singled out China with import tariffs worth a total of \$250bn. Of the measures already announced, the UK would not be significantly affected, but clearly would be vulnerable in a scenario of a global trade war. The **FTSE** ended the quarter almost 8% higher, slightly outperforming the S&P 500 and other global equity indices, due to the boost from the rise in oil prices at the start of the quarter on equity valuations. The **trade-weighted sterling index** drifted 1% lower over the quarter, largely due to a depreciation against the dollar since mid-April, as relative interest rate expectations moved in favour of the US. **10-year gilt yields** also dropped by around 10bp, but this masks considerable movements during the quarter. Indeed, yields fell sharply due to a rise in safe haven demand as concerns about the new Italian government surfaced towards the end of May. This was accompanied with a downward revision to investors' interest rate expectations in the UK.

Internationally, the **US Federal Reserve** hiked interest for the seventh time in the tightening cycle, taking the Fed funds range to 1.50%-1.75%. The consensus among economists and Fed officials is now for two more 25bp rate hikes in 2018 and a further three 25bp hikes in 2019. On the activity front, the US economy lost some pace in the first quarter, but this appears to be mirrored across most developed economies. Indeed, all major European economies slowed and the **Eurozone** expanded by just 0.4% on the quarter, down from 0.7% in Q4 due to a large drag from net trade. Meanwhile, the **ECB's decision** to end its asset purchases by December was accompanied with a dovish stance on interest rates, noting that they are unlikely to raise rates until late 2019.

Appendix 2

Interest Rate Forecast:

Our treasury management advisers, Link Asset Services have provided us with the following update to their interest rate forecasts.

It should be noted that this forecast was provided prior to the Bank of England increasing the base rate by 0.25% to 0.75% on 2 August 2018.

	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
5yr PWLB Rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%
10yr PWLB View	2.40%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%
25yr PWLB View	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%

Link Asset Services undertook its last review of interest rate forecasts on 11 May after the quarterly Bank of England Inflation Report and MPC meeting at which the MPC kept Bank Rate unchanged at 0.50%. The MPC Minutes indicated they wanted to see whether the slowdown in growth in quarter 1 had been a temporary blip or a potential first sign of a prolonged period of weak growth

The overall balance of risks to economic recovery in the UK is probably even. However, given the uncertainties around Brexit in particular, but also other uncertainties, there is a wide diversity of possible outcomes for the strength of economic growth and inflation, and the corresponding speed with which Bank Rate could go up.

APPENDIX 3 : PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2018/19	2018/19	2019/20	2020-21
(1). EXTRACT FROM BUDGET				
	Forecast Outturn £'000	Original Estimate £'000	Forecast Outturn £'000	Forecast Outturn £'000
Capital Expenditure				
Non - HRA	27,826	57,710	7,784	(1,922)
TOTAL	27,826	57,710	7,784	(1,922)
Ratio of financing costs to net revenue stream				
Non - HRA	7.21%	7.21%	7.03%	6.61%
Net borrowing requirement				
brought forward 1 April *	318,341	257,324	336,094	336,912
carried forward 31 March *	336,094	304,627	336,912	324,766
in year borrowing requirement	17,753	47,303	818	(12,146)
In year Capital Financing Requirement				
Non - HRA	17,753	47,303	818	(12,146)
TOTAL	17,753	47,303	818	(12,146)
Capital Financing Requirement as at 31 March				
Non - HRA	336,094	304,627	336,912	324,766
TOTAL	336,094	304,627	336,912	324,766
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p
Increase in Council Tax (band D) per annum	128.26	15.72	16.34	(4.03)

PRUDENTIAL INDICATOR	2018/19	2019/20	2020/21
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£'M	£'M	£'M
Authorised limit for external debt -			
borrowing	208	208	199
other long term liabilities	133	133	133
TOTAL	341	341	332
Operational boundary for external debt -			
borrowing	203	203	194
other long term liabilities	130	130	130
TOTAL	333	333	324
Upper limit for fixed interest rate exposure			
Principal re fixed rate borrowing	190%	190%	190%
Upper limit for variable rate exposure			
Principal re variable rate borrowing	60%	60%	60%
Upper limit for total principal sums invested for over 364 days (per maturity date)	£20m	£20m	£20m

Maturity structure of new fixed rate borrowing during 2017/18	upper limit	lower limit
under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	40%	0%
10 years and above	80%	0%

RESERVES AND BALANCES – UPDATE AS AT 30 JUNE 2018

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 £229.053m unusable reserves that are not backed with resources. They are required purely for accounting purposes.
- 1.3 The Council has a total of £56.152m usable reserves as at the end of 31 March 2018. Of this balance, £1.515m relates to the Repairs and Renewals Fund, £4.326m relates to Capital Funds and the remainder is held in the General Fund, with £43.717m of the balance earmarked for specific purposes.
- 1.4 Of the earmarked balance of £43.717m:
- £23.327m is invested or committed for major initiatives
 - £0.071m has already been drawn down as at the end of June
 - £15.437m is still to be drawn down in 2018-19
 - £4.882m is planned to be spent in future years

Appendix 1 provides further information on the unspent budget earmarkings.

- 1.5 The General Fund contingency is set at 2% of net expenditure for 2018-19 and amounts to £4.726m. At the beginning of the financial year there was £1.868m of unallocated General Fund Balance (over and above contingency). After taking into consideration the forecast outturn for 2018-19 and if the forecast outturn remains by the year end, the Council will be using £0.933m of its contingency balance.

RESERVES AND BALANCES - UPDATE AS AT 30 JUNE 2018**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 2018

- 3.2.1 The balances on each type of reserve at 31 March 2018 are set out in the table below.

Reserve	£000
Unusable Reserves	
Revaluation Reserve	108,720
Capital Adjustment Account	196,126
Financial Instruments Adjustment Account	(3,506)
Pensions Reserve	(68,251)
Accumulated Absences Account	(4,036)
Total Unusable Reserves	229,053
Usable Reserves.....on next page	

Reserve	£000
Usable Reserves	
Repairs and Renewals Fund	1,515
Capital Fund and Usable Capital Receipts Reserve	4,326
General Fund	50,311
Total Usable Reserves	56,152
Total Reserves	285,205

3.2.2 The Revaluation Reserve represents the unrealised gains in the valuation of fixed assets. 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 2018 can be analysed as follows:

	Balance 31/03/17 £000
Balance on General Fund as at 31 March 2017	53,489
Decrease to General Fund balance at end of 2017-18	(3,178)
Earmarked Balances	(43,717)
Contingency allowance at 2% of net expenditure	(4,726)
Unallocated balance as at 31 March 2018	1,868

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 2018, 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 31/03/18	Invested or committed for major initiatives	Drawn-down to 2018-19 Budget as at 30/06/18	Still to be drawn-down in 2018-19	Planned Spend Future Years	Balance no Longer Required
	£000	£000	£000	£000	£000	£000
Strategic Housing Fund	5,900	5,900	0	0	0	0
Investment in Affordable Housing	5,000	5,000	0	0	0	0
Helensburgh Waterfront	5,579	5,579	0	0	0	0
Lochgilthead and Tarbert Regeneration	2,995	2,995	0	0	0	0
Inward Investment Fund	960	960	0	0	0	0
Rural Resettlement Fund	328	279	49	0	0	0
Asset Management Investment	2,507	2,507				
Piers and Harbours Investment Fund	107	107	0	0	0	0
Severance	1,238	0	0	0	1,238	0
Scottish Government Initiatives	566	0	0	561	5	0
Transformation	83	0	0	0	83	0
CHORD	333	0	0	237	96	0
DMR – Schools	751	0	0	751	0	0
Energy Efficiency Fund	136	0	0	0	136	0
Existing Legal Commitments	920	0	0	0	920	0
Unspent Grant	1,295	0	0	965	330	0
Unspent Third Party Contributions	170	0	0	36	134	0
Other Previous Council Decisions	9,350	0	22	8,871	457	0
Unspent Budget	5,499	0	0	4,016	1,483	0
Total	43,717	23,327	71	15,437	4,882	0

3.3.3 The General Fund contingency is set at 2% of net expenditure for 2018-19 and amounts to £4.726m. At the beginning of the financial year there was £1.868m of unallocated General Fund Balance (over and above contingency). After taking into consideration the forecast outturn for 2018-19 and if the forecast outturn remains by the year end, the Council will be using £0.933m of its contingency balance.

	£000
Unallocated balance as at 31 March 2018	1,868
Current Forecast Outturn for 2018-19 as at 30 June 2018	(2,801)
Estimated Unallocated balance as at 31 March 2019	(933)

3.3.4 The forecast outturn position needs to be closely monitored, particularly the forecast outturn for Social Work and departments will be actively pursuing options to reduce any forecast overspend. If there is no improvement in the forecast outturn then consideration will need to be given to putting in place a recovery plan.

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.

4.2 As at 30 June 2018 the estimated unallocated General Fund, after taking into consideration the forecast outturn for 2018-19 is a deficit of £0.933m.

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 £4.726m (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. |

Kirsty Flanagan
Head of Strategic Finance
18 July 2018

Policy Lead for Strategic Finance and Capital Regeneration Projects -
Councillor Gary Mulvaney

APPENDICES

Appendix 1 – Earmarked Reserves breakdown of unspent budget

APPENDIX 1

Earmarked Reserves - Unspent Budget
As at 30 June 2018

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	Remaining Balance	Still to be drawdown in 18/19	Planned to spend in future years	Plans for Use	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent in 2019/20	Amount Planned to be Spent from 2020/21 onwards
001	Chief Executive Unit	Strategic Finance	CIPFA and AAT student fees, equipment and the conversion of paper client records to the CIVICA Electronic Document Management System	54,919			54,919	40,253	14,666	CIPFA Training - To fund the professional training costs for three staff undertaking the CIPFA professional accountancy qualification. 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. 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 within the finance team.	40,253	14,666	0
002	Community Services	Education	Youth Employment Opportunities Fund	30,270			30,270	30,270	0	Fund established in 2012/13 to be spent over more than one year. Monies will mainly be used for Modern Apprenticeship scheme.	30,270	0	0
003	Community Services	Education	School Campus Proposals - Dunoon and Campbeltown	43,122			43,122	43,122	0	Additional revenue costs associated with development of new schools. Draw down as Schools project progresses and project costs are incurred.	43,122	0	0
004	Community Services	Formerly Community and Culture	Queen's Hall Soft Play	75,000			75,000	75,000	0	To fund the provision of a soft play area required as part of the CHORD redevelopment of the Queen's Hall.	75,000	0	0
005	Customer Services	Customer and Support Services	WSUS Servers	9,448			9,448	9,448	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.	9,448	0	0
006	Customer Services	Customer and Support Services	Discretionary Housing Payments	38,939			38,939	38,939	0	Residual funding from the Scottish Government allocation for Discretionary Housing Payments (DHPs) in 2014-15 not previously utilised on DHPs in 2017-18 as planned. This underspend should be carried forward to supplement monies available for 2018-19 to offset the reduction in the	38,939	0	0
007	Customer Services	Customer and Support Services	Scottish Government Funding - Welfare Reform/Discretionary Housing Payments (agreed at Council February 2014)	18,595			18,595	18,595	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.	18,595	0	0
008	Customer Services	Customer and Support Services	Digital Transformation	119,870			119,870	119,870	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.	119,870	0	0
009	Customer Services	Customer Services	Estates - NDR Revaluation Appeals	115,000			115,000	115,000	0	To meet the cost of appealing NDR revaluations which will be imposed from 1st April 2017.	115,000	0	0
010	Customer Services	Customer Services	New Schools Project - Additional Monitoring	170,000			170,000	85,000	85,000	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.	85,000	85,000	0
011	Customer Services	Facility Services	Management of Asbestos	236,961			236,961	146,961	90,000	Providing asbestos management on an ongoing basis by employing 2.5 FTE to ensure compliance with all regulatory requirements.	146,961	90,000	0
012	Customer Services	Improvement and HR	Training Centre Improvements	16,700			16,700	16,700	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
013	Customer Services	Improvement and HR	Resourcelink Review	40,827			40,827	40,827	0	Fund the Resourcelink Project, which is improving efficiency and functionality in the Council's HR and payroll database. The RLS 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 HROD through automation and the removal of paper processes.	40,827	0	0

APPENDIX 1

Earmarked Reserves - Unspent Budget
As at 30 June 2018

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	Remaining Balance	Still to be drawdown in 18/19	Planned to spend in future years	Plans for Use	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent in 2019/20	Amount Planned to be Spent from 2020/21 onwards
014	Customer Services	Improvement and HR	Argyll and Bute Manager Programme	6,354			6,354	6,354	0	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.	6,354	0	0
015	Customer Services	Improvement and HR	Learning and Development	44,147			44,147	44,147	0	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.	44,147	0	0
016	Customer Services	Improvement and HR	Growing our Own and Modern Apprentices	157,867			157,867	157,867	0	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.	157,867	0	0
017	Customer Services	Improvement and HR	Leadership Development	32,282			32,282	32,282	0	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.	32,282	0	0
018	Customer Services	Improvement and HR	Service Choices HR Team	32,624			32,624	32,624	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.	32,624	0	0
019	Development & Infrastructure Services	Development & Infrastructure Services	Hermitage Park Pavilion	100,000			100,000	100,000	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
020	Development & Infrastructure Services	Economic Development	Inveraray Avenue Screen	100,000			100,000	100,000	0	Essential maintenance work to be required out on the Arches in Inveraray.	100,000	0	0
021	Development & Infrastructure Services	Economic Development	Scottish Submarine Museum	40,000			40,000	40,000	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 Fasilane Naval Base. This was agreed as part of the 2014/15 Budget as a demand pressure by Council on 13 February 2014.	40,000	0	0
022	Development & Infrastructure Services	Economic Development	Hermitage Park HLF	45,000			45,000	45,000	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 Milling 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.	45,000	0	0
023	Development & Infrastructure Services	Economic Development	Rothsay Pavilion Essential repairs	306,400			306,400	306,400	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

APPENDIX 1

Earmarked Reserves - Unspent Budget
As at 30 June 2018

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	Remaining Balance	Still to be drawdown in 18/19	Planned to spend in future years	Plans for Use	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent in 2019/20	Amount Planned to be Spent from 2020/21 onwards
024	Development & Infrastructure Services	Economic Development	Oban TIF (Tax Incremental Financing)	1,005,171			1,005,171	1,005,171	0	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.	1,005,171	0	0
025	Development & Infrastructure Services	Planning and Regulatory Services	Development Policy	19,910			19,910	19,910	0	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.	19,910	0	0
026	Development & Infrastructure Services	Roads and Amenity Services	Street Lighting Survey	144,156			144,156	89,156	55,000	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. 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	89,156	55,000	0
027	Development & Infrastructure Services	Roads and Amenity Services	Amenity Services introduction of management information system	81,017			81,017	81,017	0	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	81,017	0	0
028	Development & Infrastructure Services	Roads and Amenity Services	Waste Management	194,361			194,361	194,361	0	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. 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.	194,361	0	0
029	Development & Infrastructure Services	Roads and Amenity Services	3G pitches	448,679			448,679	397,000	51,679	Maintenance of 3G Pitches across Argyll & Bute.	397,000	51,679	0
030	HQ Non Dept	n/a	Community Resilience Fund	82,256			82,256	0	82,256	Fund established in 2012/13 to be spent over more than one year. Fund reduced at the Council meeting on 11 February 2016	Contingency balance - no spending plan for earmarked balance.	0	82,256
031	Integration Services	Adult Care	Autism Strategy	8,068			8,068	8,068	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.	8,068	0	0
032	Other	Other	Underwriting development of Rothesay Pavilion	1,000,000			1,000,000	0	1,000,000	Funding to meet additional costs identified as necessary for the refurbishment of Rothesay Pavilion.	0	1,000,000	0
033	Customer Services	Facility Services	Car Parking at Kilmory including Equality Act 2010 Requirements	137,845			137,845	130,953	6,892	The parking capacity at Kilmory is proving to be insufficient, particularly taking account of the pending transfer of up to 40 NHS staff from Aros during 2018. The proposal is to increase car parking capacity making use of the area adjacent to the access road to the west of the Extension building. If approved, the project would also deliver safety enhancements and DDA compliance for users and pedestrians including upgraded lighting along the footpath.	130,953	6,892	0

APPENDIX 1

Earmarked Reserves - Unspent Budget
As at 30 June 2018

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	Remaining Balance	Still to be drawdown in 18/19	Planned to spend in future years	Plans for Use	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent in 2019/20	Amount Planned to be Spent from 2020/21 onwards
034	Customer Services	Improvement and HR	Living Wage Consolidation Team	94,108			94,108	62,739	31,369	This proposal relates to the first of a two stage project to review and update the Council's Pay and Grading model to incorporate the Scottish Local Government Living Wage arrangements. The first stage will involve the establishment of a project team to carry out an options appraisal and present a preferred and costed option to Council to agree the implementation of Living Wage consolidation and the required changes to the Pay and Grading model.	62,739	31,369	0
035	Customer Services	Improvement and HR	Transformation and Budget Reconstruction	49,774			49,774	33,183	16,591	This proposal seeks earmarked funding for temporary additional staff to support the effective delivery of employee change processes (increased requirements for redundancy quotes, retirement quotes, job evaluation, redeployment etc) involved in the Council's current Transformation Programme.	33,183	16,591	0
036	Customer Services	Improvement and HR	Business Development Training	77,250			77,250	38,625	38,625	This proposal is to invest in leadership development in support of transformational and culture change. The proposal involves a further programme of leadership development building on the outcomes of the Chief Officer's Leadership Development and Argyll and Bute Manager programmes.	38,625	38,625	0
037	Development & Infrastructure Services	Economic Development	Inveraray Arches Re-tender	50,000			50,000	50,000	0	The design team working on the essential maintenance work required on the Arches in Inveraray have provided updated advice on the likely cost of the project based on the reduction in scope of the works to the minimum (essential) elements and the costs which are likely to be submitted in response to a retender exercise. This earmarking reflects the anticipated increase in the cost of the works.	50,000	0	0
038	Development & Infrastructure Services	Roads and Amenity Services	Continuation of Transformation Project Managers	60,000			60,000	60,000	0	It is proposed to extend two existing transformation manager posts in roads to allow the rate of transformation that has been delivered through Roads and Amenity Services to be maintained. The work will focus on activities to improve service delivery by improving customer service and through a proactive approach to reducing complaints and service requests.	60,000	0	0
039	Development & Infrastructure Services	Planning, Housing and Regulatory Services	Housing Case Management System	24,000			24,000	24,000	0	It is proposed to earmark funds to meet the cost of the procurement of two additional modules for the CIVICA Housing Case Management System. Adding the Empty Homes and Home Energy Efficiency Programme modules will provide consistency of data collection across the Housing Service, an evidence base of actions taken, improve reporting on outcomes and provide performance monitoring functionality.	24,000	0	0
040	Development & Infrastructure Services	Roads and Amenity Services	Cardross Crematorium Essential DDA Works	103,000			103,000	103,000	0	There is currently an existing earmarked reserve of £94K to assist with the cost of upgrading the crematorium to meet health and safety and DDA requirements. These works were originally planned to be completed in conjunction with the installation of the new cremator. Unfortunately it was not possible to complete the design and procurement of these works in conjunction with the closures planned for the replacement of the cremator. In order to manage within the existing budget it would now be necessary to close the crematorium for a number of weeks causing significant disruption and a loss of income. This proposal requests an additional £103K earmarking of funds to cover the completion of the works largely out of opening hours.	103,000	0	0
041	Development & Infrastructure Services	Roads and Amenity Services	Dalninlongart Forestry Plan	11,000			11,000	0	11,000	In 2015 a Long Term Forest Plan for the forest was approved by the Forestry Commission to fell the remaining mature timber within the property. As part of the long term plan, the Council is obligated to restock this ground. It is proposed that the remaining income received for timber income from Tilhill Forestry Limited and annual rental income received from Northern Energy for be earmarked to fund the future work required to ensure that the Council fulfils its obligation to restock the site.	0	0	11,000
042	Development & Infrastructure Services	Economic Development	Oban Strategic Development Framework	75,000			75,000	75,000	0	As part of the Oban Strategic Development Framework, it is proposed to undertake a survey of road network usage and parking arrangements in Oban town centre.	75,000	0	0
				5,499,920	0	0	5,499,920	4,016,842	1,483,078		4,016,842	1,389,822	93,256