

RESERVES AND BALANCES – UPDATED FOR BUDGET PACK 2019-20

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 £56.183m 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.
- 1.3 The Council has a total of £240.962m unusable reserves that are not backed with resources. They are required purely for accounting purposes.
- 1.4 The General Fund contingency level remains at 2% of net expenditure. This monetary level has been adjusted to take account of the revised net revenue expenditure proposed for 2019-20, and a top up of £0.096m is required towards the contingency. The revised contingency at 2% of net expenditure amounts to £4.822m.
- 1.5 There is currently an estimated surplus over contingency, after accounting for the earmarked balance that can be released back to reserves is £3.040m. The forecast outturn for 2018-19 is currently estimated to be £2.041m overspent which could reduce the balance as at 31 March 2019 to £0.999m, however, this is an estimated position and is subject to change.
- 1.6 Assessing the adequacy of reserves should take account of the strategic, operational and financial risks facing the Council and should consider both internal and external factors. There are 19 categories included in the risk analysis and 7 have been assessed as low, 3 low/medium, 8 medium and 1 medium/high. There is a new category this year in respect of the Health and Social Care Partnership Financial Position. The medium/high risk is in respect of the council wide cost risks. The medium risks relate to cost and demand pressures, funding, inflation, strategic risks, operational risks, impact of BREXIT, general financial climate and Health and Social Care Partnership financial position.

RESERVES AND BALANCES – UPDATED FOR BUDGET PACK 2019-20

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	108,820
Capital Adjustment Account	196,126
Financial Instruments Adjustment Account	(3,506)
Pensions Reserve	(56,442)
Accumulated Absences Account	(4,036)
Total Unusable Reserves	240,962
Usable Reserves.....on next page	

Reserve	£000
Usable Reserves	
Repairs and Renewals Fund	1,515
Capital Fund and Useable Capital Receipts Reserve	4,326
General Fund	50,342
Total Usable Reserves	56,183
Total Reserves	297,145

3.2.2 The Revaluation Reserve represents the unrealised gains in the valuation of fixed asset. The Capital Adjustment Account represents the difference between depreciation based on proper accounting practice and statutory charges for financing capital expenditure. The Financial Instruments Adjustment Account represents the difference between gains and losses on borrowing and statutory capital financing charges. The Pensions Reserve represents the difference between pension costs based on proper accounting practice and payments made for pension costs. The Accumulated Absences Account represents the costed difference between holiday pay entitlement and actual holidays taken at 31 March.

3.2.3 The Repairs and Renewals Fund was established to support funding of renewal and replacement of school equipment. Schools can only draw on the Repairs and Renewals Fund to the extent they have previously paid into the Fund and contributions must be contained within schools devolved budgets.

3.2.4 The Capital Fund was established to receive all capital receipts generated by the Council and can be used to support the capital plan or meet the principal repayments on loan charges. The Council decides as part of the budget process each year how it wishes to draw funding from the Capital Fund.

3.2.5 The Usable Capital Receipts Reserve relates to the accumulated unspent capital receipts from sale of council houses prior to transfer of the housing stock. The reserve forms part of the Council's Strategic Housing Fund and can only be used for investment in social housing. The reserve will be used in accordance with the approach to investing in housing agreed by the Council in August 2012.

3.3 General Fund

3.3.1 The General Fund balance at 31 March 2018 can be analysed as follows:

	Balance 31/03/18 £000
Balance on General Fund as at 31 March 2017	53,489
Decrease to General Fund balance at end of 2017-18	(3,147)
Earmarked Balances	(43,717)
Contingency allowance at 2% of net expenditure	(4,726)
Unallocated balance as at 31 March 2018	1,899

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 /capital projects	Drawn-down to 2018-19 Budget as at 31/12/18	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	5,898	4,524	1,374	0	0	0
Investment in Affordable Housing	5,000	4,100	0	0	0	900
Capital Projects	5,579	5,579	0	0	0	0
Lochgilphead and Tarbert Regeneration	2,995	2,985	10	0	0	0
Inward Investment Fund	960	960	0	0	0	0
Rural Resettlement Fund	328	199	129	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	201	46	319	0
Transformation	83	0	15	0	68	0
CHORD	333	0	0	0	96	237
DMR – Schools	752	0	687	0	65	0
Energy Efficiency Fund	137	0	0	0	137	0
Existing Legal Commitments	920	0	88	0	832	0
Unspent Grant	1,295	0	888	89	318	0
Unspent Third Party Contributions	170	0	36	0	134	0
Other Previous Council Decisions	9,350	8,240	311	286	513	0
Unspent Budget	5,499	0	747	1,248	3,404	100
Total	43,717	29,201	4,486	1,669	7,124	1,237

3.3.3 There are three earmarked balances where a proportion can be released back to the General Fund.

- Investment in Affordable Housing £0.900m: this earmarked balance provides cash backed reserves for the loans to registered social landlords. As at 31 December 2018, the balance on the remaining loans is £4.1m, therefore £0.900m can be released back to the General Fund.
- CHORD £0.237m: this balance was remaining a number of years ago and there is no planned or commitment expenditure.
- Unspent Budget TIF Project Team £0.100m: money was allocated to fund

the project team in respect of the TIF project. Officers are currently considering current TIF arrangements, however, it is anticipated that a minimum of £0.100m can be returned to the General Fund balance.

3.4 Unallocated General Fund Balance

3.4.1 To date in 2018-19 no supplementary estimates have been agreed and therefore the level of unallocated General Fund balance at the beginning of the financial years remains at the same level.

3.4.2 A General Fund contingency balance of £4.726m is held equivalent to the 2% of the Council budget for 2018-19. This contingency is held to provide a working balance to help cushion the impact of uneven cash flows and cushion the impact of unexpected events. It is up to authorities to make their own judgement on the level of reserves taking local circumstances into account, for example, previous call on contingency and amount of unallocated reserves held. The contingency needs to be updated to reflect the updated budget for 2019-20. The budgeted expenditure based on the proposed budget contained within the revenue budget overview report is £241.098. 2% of this balance amounts to £4.822m. There is currently a contingency of £4.726m, therefore £0.096m will require to be moved from the unallocated General Fund balance to supplement the contingency.

3.4.3 The revenue budget as at 31 December 2018 is estimated to be £2.041m overspent, however, this is subject to change, particularly as the last three months of the financial year are the time of winter maintenance and the level of expenditure is difficult to predict.

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

	£000
Unallocated General Fund Balance as at 31 March 2018	1,899
Balance no longer required	1,237
Transfer to contingency to maintain 2% level	(96)
Revised Unallocated General Fund Balance	3,040
Current Forecast Outturn for 2018-19 as at 31 December 2018	(2,041)
Estimated Unallocated General Fund Balance as at 31 March 2019	999

3.5 Review and Risk Assessment

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

- 3.5.2 There are 19 categories included in the risk analysis and 7 have been assessed as low, 3 low/medium, 8 medium and 1 medium/high. There is a new category this year in respect of the Health and Social Care Partnership Financial Position. The medium/high risk is in respect of the council wide cost risks. The medium risks relate to cost and demand pressures, funding, inflation, strategic risks, operational risks, impact of BREXIT, general financial climate and Health and Social Care Partnership financial position.
- 3.5.3 Based on the above and taking cognisance of the level of unallocated general fund balance that remains, it is recommended that the contingency for the General Fund balance should be retained at 2%.

4. CONCLUSION

- 4.1 The report outlines the overall reserves and balances for the Council covering the purpose and level of each reserve. It also provides detail as to expenditure against earmarked balances held within the General Fund. There is currently an estimated surplus over contingency of £0.999m after adjusting for the forecast outturn for 2018-19.

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 Fairer Scotland Duty – None.
- 5.6 Risk - A contingency of £4.822m equivalent to 2% of net expenditure has been set aside as part of the general fund. This has been subject to a risk assessment.
- 5.7 Customer Service – None.

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

**Kirsty Flanagan
Head of Strategic Finance
6 February 2019**

APPENDICES

Appendix 1 – Earmarked Reserves breakdown of unspent budget as at 31 December 2018

Appendix 2 - Risk Assessment for Review of Reserves

APPENDIX 1

Earmarked Reserves - Unspent Budget
As at 31 December 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
				£000	£000	£000	£000	£000	£000		£000	£000	£000
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	7,662		47,257	32,591	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 convert 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	7,913		22,357	87	22,270	Fund established in 2012/13 to be spent over more than one year. Monies will mainly be used for Modern Apprenticeship scheme.	8,000	22,270	0
003	Community Services	Education	School Campus Proposals - Dunoon and Campbeltown	43,122	43,122		0	0	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	67,682		7,318	7,318	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 DHPs in 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	59,969		59,901	59,901	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	52,362		184,599	94,599	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		0	0	0	To fund the improvement of the Council's training facilities, including the purchase of new IT equipment which would increase the Council's training offering, allowing access to online, remote and multiple location webinar based learning.	16,700	0	0

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013	Customer Services	Improvement and HR	Resourcelink Review	40,827	32,265		8,562	8,562	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 HRSD through automation and the removal of paper processes.	40,827	0	0
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	35,167	8,980	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.	35,167	8,980	0
016	Customer Services	Improvement and HR	Growing our Own and Modern Apprentices	157,867	38,087		119,780	10,529	109,251	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.	48,616	109,251	0
017	Customer Services	Improvement and HR	Leadership Development	32,282	32,282		0	0	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	25,947		6,677	6,677	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		0	0	0	Funding to meet the unexpected additional cost associated with the construction of a new pavilion at Hermitage Park in Helensburgh. The contract has been let into and the works are currently being undertaken on the Pavilion with the final invoice expected in February 2019. All earmarked reserves will be drawn down this financial year.	100,000	0	0
020	Development & Infrastructure Services	Economic Development	Inveraray Avenue Screen Inveraray Arches Re-tender	150,000			150,000	0	150,000	Essential maintenance work to be required out on the Arches in Inveraray. The contract has now been let for this project with a pre contract meeting scheduled for 28th November and local members informed. Works are due to commence in January 2019 to minimise scaffolding customs with a completion date of July 2019.	0	150,000	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 Faslane Naval Base. This was agreed as part of the 2014/15 Budget as a demand pressure by Council on 13 February 2014. We have recently received information in terms of charity status, hours of operation and visitor numbers from the grantee and we are reviewing this in order to make the final grant payment which is anticipated before the end of the calendar year.	40,000	0	0

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022	Development & Infrastructure Services	Economic Development	Hermitage Park HLF	45,000	45,000		0	0	0	The aims of the scheme focus around the objectives of protecting the quality of the heritage of Hermitage Park thereby improving the quality of the experience, increase public engagement and the use of the park. The overall objective is to enhance the quality of the area as a place to live and work and in turn improve the overall quality of life in our communities This will be achieved through the following : 1 Restoration of the historic fabric including walled memorial garden, pond and gates, old mill remains, Hermitage Well and the Millig Burn paths, bridges and walls, 2 Restoration/reinterpretation of historic planting, including open up lines 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
024	Development & Infrastructure Services	Economic Development	Oban TIF (Tax Incremental Financing)	1,005,171	55,659	100,000	849,512	0	849,512	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.	55,659	849,512	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	32,018		112,138	0	112,138	Currently funding the LMS WDM Post within the WDM team at Manse Brae. Due to the imminent set up of the HUB as well as personnel moves this post will require to be retained for 2018/2019 and 2019/2020. The post is critical to ensuring continuity of service and is envisaged will support transformation within the HUB. This post will also support any move towards web hosted services and apps being introduced by WDM. The rest of the earmarked reserves will be utilised to introduce an apprentice electrician over a 4 year period.	32,018	53,159	58,979
027	Development & Infrastructure Services	Roads and Amenity Services	Amenity Services introduction of management information system	81,017	36,065		44,952	0	44,952	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 within the Helensburgh and Lomond area and Bute and Cowal areas. Currently being introduced in the mid argyll area.	36,065	44,952	0

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028	Development & Infrastructure Services	Roads and Amenity Services	Waste Management	194,361			194,361	0	194,361	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. Currently in discussion with Inverclyde and West Dunbartonshire Council about a shared transfer station. Proposed location - West Dunbartonshire area. Meetings are continuing and an update will be provided during November.	0	194,361	0
029	Development & Infrastructure Services	Roads and Amenity Services	3G pitches	448,679			448,679	50,000	398,679	Maintenance of 3G Pitches across Argyll & Bute.	50,000	398,679	0
030	HQ Non Dept	n/a	Community Resilience Fund	82,256	440		81,816	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	0	0	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, part	130,953	6,892	0
034	Customer Services	Improvement and HR	Living Wage Consolidation Team	94,108			94,108	42,905	51,203	This proposal relates to the first of a two stage project to review	42,905	51,203	0
035	Customer Services	Improvement and HR	Transformation and Budget Reconstruction	49,774			49,774	17,920	31,854	This proposal seeks earmarked funding for temporary addition	17,920	31,854	0
036	Customer Services	Improvement and HR	Business Development Training	77,250	13,927		63,323	24,698	38,625	This proposal is to invest in leadership development in support of	38,625	38,625	0
037	Development & Infrastructure Services	Roads and Amenity Services	Continuation of Transformation Project Managers	60,000	56,275		3,725	3,725	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
038	Development & Infrastructure Services	Planning, Housing and Regulatory Services	Housing Case Management System	24,000	24,000		0	0	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

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Ref	Department	Service	Description	Opening Balance £000	Budget Drawdown £000	Released back to General Fund £000	Remaining Balance £000	Still to be drawdown in 18/19 £000	Planned to spend in future years £000	Plans for Use	Amount Planned to be Spent in 2018/19 £000	Amount Planned to be Spent in 2019/20 £000	Amount Planned to be Spent from 2020/21 onwards £000
039	Development & Infrastructure Services	Roads and Amenity Services	Cardross Crematorium Essential DDA Works	103,000			103,000	0	103,000	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 crematorium. 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 crematorium. In order to manage within the existing budget it would now be necessary to reduce the level of service at the crematorium for a number of weeks causing disruption to services and a loss of income. Discussions are ongoing with property services to finalise the programme of works, thereafter roads and amenity services will discuss the Cremation Federation and Funeral Directors on a proposal to progress with cremations, however not permitting services. This proposal requests an additional £103K earmarking of funds to cover the completion of the works largely out of opening hours.	0	103,000	0
040	Development & Infrastructure Services	Roads and Amenity Services	Dalningart 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 fulfills its obligation to restock the site.	0	0	11,000
041	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	747,375	100,000	4,652,545	1,248,346	3,404,639		1,995,281	3,252,404	152,235

APPENDIX 2

Risk Assessment for Review of Reserves		
Factor	Comment	Assessment
Cost and Demand Pressures	As part of maintaining the medium term budgetary outlook, cost and demand pressures for 2019-20 and beyond have been kept under review. The cost and demand pressures for 2019-20 amount to £1.460m for Council Services. A general allowance for unidentified cost and demand pressures has been built into the budget outlook for 2020-21 and 2021-22: £0.250m per annum in the mid-range scenario and £0.500m per annum in the worst case scenario.	Medium (2018-19 Medium)
Service Income	Service income levels have been reviewed as part of constructing the budget. In addition fees and charges have been reviewed.	Low (2018-19 Low)
Council Wide Cost Risks	The financial risk analysis identified 6 council wide cost risks – Council Tax income, shortfall on savings options, IJB refer to Council for additional funding to deliver integration services, pay inflation, teachers pensions and utility costs. The pay inflation has been built into the 2019-20 budget based on the latest pay offer (multi-year offer 2018-19 to 2020-21). The teachers pension risk is reduced as there is a commitment from Scottish Government to pass on the consequentials. Whilst the negotiations are ongoing, building in the latest offer does reduce the risk. Although the IJB shortfall is a risk, any additional payment would require to be paid back to the Council from future payments although the HSCP continues to be faced with significant funding gaps. Due to the HSCP financial position, the overall risk for this factor will be left at Medium/High. A new risk has also been included for the Health and Social Care Partnership Financial Position.	Medium/High (2018-19 Medium/High)
Funding Risks	The Scottish Budget was announced on 12 December 2018 and finance circular with the local authority allocations issued on 17 December 2018.	Medium (2018-19 Medium)

Risk Assessment for Review of Reserves		
Factor	Comment	Assessment
	<p>The circular advises of the provisional funding from 2019-20. Further funding was announced on 31 January 2019.</p> <p>The other element of funding is Council Tax. There is a proposed increase to Council Tax of 4.79% (3% real terms increase). The Council has made a prudent estimate of Council Tax income and has a sound history of achieving collection targets.</p>	
Savings Risks	<p>The Council agreed to a number of management/operational and policy savings as part of the 2018-19 budget that would deliver an additional £1.450m of savings in 2019-20. There are also further savings proposals amounting to £3.963m for 2019-20. The Council have a good track record on delivering savings options and the risk remains and Low/Medium.</p>	<p>Low/Medium (2018-19 Low/Medium)</p>
Inflation Rates	<p>CPI inflation has been on a falling trend, reaching 2.3% in November. However, in the November Bank of England Inflation Report, the latest forecast for inflation over the two year time horizon was raised to being marginally above the Monetary Policy Committee's target of 2%, indicating a slight build up in inflationary pressures. Even although there is an expectation that CPI will begin to fall over the next two years, it would be prudent to consider a level of inflation over and the unavoidable/inescapable provision and a general 1% inflation has been included within the worst case scenario for 2021-21 and 2021-22. For 2019-20, the inflation estimates are considered to be sufficient.</p>	<p>Medium (2018-19 Medium)</p>
Interest Rates	<p>The Council has a large proportion of its borrowing secured at fixed rates which reduces the risk to increases in interest rates. Borrowing is being managed to reduce where possible surplus cash available for investment subject to working capital/cash flow requirements.</p>	<p>Low (2018-19 Low)</p>

Risk Assessment for Review of Reserves		
Factor	Comment	Assessment
	Surplus funds are invested and the rates of interest earned reflect current market conditions. This reduces risk exposure on surplus funds. Current forecasts of interest rates are based on advice from our treasury advisors. Current investment rates are fairly low and therefore there is little scope for them to reduce any further.	
Financial risks	The Council has managed surplus funds invested to reduce exposure to risks associated with money market deposits. It retains a working balance of £10m to meet cash flow needs. Investments are managed based on the credit worthiness of agreed counterparties based on credit scores of recognised agencies. This should avoid having to borrow in an unplanned way from the money markets.	Low (2018-19 Low)
Strategic risks	The strategic risk register is subject to a formal review by SMT bi-annually, and these reviews have already taken place in April and October of 2018. SMT have agreed the current actions to address the risks.	Medium (2018-19 Medium)
Operational risks	An updated process to reviewing operational risk registers was in place from the beginning of 2018-19. Operational risks are reviewed formally each quarter by Departmental Management Teams. Any operational risks that are identified as high are reported to the Strategic Management Team as part of the bi-annual review of the Strategic Risk Register.	Medium (2018-19 Medium)
Impact of BREXIT	In 2017 the Council established the Industry and Regional Development Sounding Board in response to both the EU Referendum and the subsequent UK Industrial Strategy. The board has been active in developing an initial understanding of risks and threats. The Chief Executive subsequently has established a tactical team to support preparedness for exit from EU and all relevant departments and the Health and Social Care	Medium (2018-19 Low/Medium)

Risk Assessment for Review of Reserves		
Factor	Comment	Assessment
	Partnership are representative on the tactical group. The group are active in preparing a "Preparedness Risk Register". SMT have also approved a new entry into the Strategic Risk Register with regards to Withdrawal from the EU. Although there is much work in relation to Brexit, there does remain a number of uncertainties and the risk assessment has been moved up to Medium.	
General financial climate	<p>The finance settlement covers 2019-20. A prudent approach to estimating income from council tax has been taken. Risks arising from inflation, interest rates, cost pressures and demand led pressures have been outlined above.</p> <p>The fiscal responsibilities of the Scottish Parliament are expanding rapidly, with new powers over taxation and welfare. Around 40% of devolved expenditure will now be funded by tax revenues collected in Scotland – a figure that will rise to 50% once VAT revenues are assigned. In future, in addition to the block grant, the resources available to the Scottish Government will depend on a complex interaction between the revenues from taxes transferred to the Scottish Government and the revenues from the equivalent taxes in the rest of the UK. The Scottish economy grew at a slightly faster rate than the UK as a whole during the spring months of 2018 according to official figures, however, there remains a risk.</p> <p>It would be prudent to keep this risk as medium.</p>	Medium (2018-19 Medium)
Availability of contingency funds	The Council currently has sufficient contingency funds to meet its target.	Low (2018-19 Low)
Overall financial standing	The Council has managed to achieve its contingency target in previous years. Actual costs are normally contained within budget. Borrowing costs	Low (2018-19 Low)

Risk Assessment for Review of Reserves		
Factor	Comment	Assessment
	are largely fixed and exposure to changes in investment rates for surplus cash are minimised. In addition to the contingency there are significant earmarked funds. Cost and demand pressures are identified and provided for if necessary. The Council have a Transformation Board who have identified further longer term options worthy of pursuit. Overall the financial standing of the Council continues to be one of low risk.	
Track record in budget management	The Council has a good track record of containing expenditure within budget. Again the Council is on track to contain costs within budget for 2018-19, however, the Social Work element of the Health and Social Care Partnership is overspent, which has an impact on the Council's General Fund.	Low (2018-19 Low)
Financial information and reporting arrangements	Revenue and capital budgets are monitored on a monthly basis with budget allocated to responsible managers. A risk based approach is taken to budget monitoring and the budget monitoring process is continually being reviewed to identify ongoing improvements.	Low/Medium (2018-19 Low/Medium)
Insurance cover	The Council has adequate insurance cover.	Low (2018-19 Low)
Internal controls	The statement of internal controls identifies a generally adequate control framework although there are areas for improvement. An audit plan is approved and delivered each year to monitor internal controls. The Council's Audit and Scrutiny Committee continues to actively develop and adopt good practice.	Low/Medium (2018-19 Low/Medium)
Health and Social	It is prudent to have a new factor in terms of the Health and Social Care	Medium

Risk Assessment for Review of Reserves

Factor	Comment	Assessment
Care Partnership Financial Position	<p>Partnership financial position. If there is an overspend on Social Work, that cannot be funded by IJB reserves or by an underspend by the other partner body, then the Council will require to give an additional payment. Any additional payment would require to be paid back to the Council in the future. There was an overspend on Social Work in 2017-18 of £1.155m. The current forecast position on Social Work for 2018-19 is £2.998m. If this is the final outturn in 2018-19 the Council will have advanced £4.153m to the HSCP. The risk is whether the HSCP will be able to repay this and when. The estimated budget gap for 2019-20 for the HSCP is £6.572m. Progress with savings options has been disappointing during 2018-19, however, there has recently been increased focus to gain grip and control of the financial position and a number of measures are being put in place for the foreseeable future. It is hoped that these measures in addition to more focus on delivery of savings will help the HSCP to achieve financial balance and reduce the risk to the partners. The risk factor has been assessed as Medium at this stage.</p>	(New for 2019-20)