
FINANCIAL REPORT MONITORING PACK – 31 DECEMBER 2019

1. INTRODUCTION

1.1 This report provides a summary of the financial monitoring reports as at the end of December 2019. There are six detailed reports summarised in this Executive Summary:

- Revenue Budget Monitoring Report as at 31 December 2019
- Monitoring of Policy Savings Options as at 31 December 2019
- Monitoring of Financial Risks as at 31 December 2019
- Capital Plan Monitoring Report as at 31 December 2019
- Treasury Monitoring Report as at 31 December 2019
- Reserves and Balances as at 31 December 2019.

2. DETAIL**2.1 Revenue Budget Monitoring Report**

2.1.1 This report provides a summary of the current revenue budget monitoring position to ensure net expenditure is contained within budget. It provides corporate and departmental information with comparisons on a forecast outturn and a year to date basis.

2.1.2 There is a forecast overspend of £2.490m as at the end of December 2019. The key variances per service are noted below and will continue to be monitored closely over the remainder of the financial year.

Social Work

- Overspend of £1.310m in Social Work due to forecast slippage on the delivery of agreed efficiency savings and also a high demand for services.

Executive Director Kirsty Flanagan

- Under-recovery of car parking income - £0.235m
- Overspend of £0.200m on Fleet maintenance as a result of ageing vehicles
- Overspend of £0.090m due to increased costs of essential repairs on vehicles within Roads and Infrastructure
- Overspend on Street Lighting Consultant £0.075m
- Overspend on Waste Collection H&L due to overtime £0.051m
- Under-recovery of income in Public Conveniences - £0.050m
- Additional income of £0.198m from Piers & Harbours

- Underspend of £0.150m from a planned reduction in roads maintenance to offset the overspends
- Additional income of £0.140m from commercial refuse
- Other small variances accumulated – net overspend £0.136m

Executive Director Douglas Hendry

- Underspend of £0.191m from an insurance saving on NPDO schools.

Central Budgets

- Overspend of £0.504m from Exit Packages
- Overspend of £0.200m from unachievable procurement savings
- Overspend of £0.172m relating to a potential VAT misdeclaration

Local Tax

- Within Council Tax, there is a shortfall of income of £0.146m against budget. A review of the overall council tax budget will be carried out to ensure the base budget is at the correct level for next year.

- 2.1.3 There is a year to date underspend of £1.831m. More focus is on the forecast outturn position, hence why sometimes the year to date position is not updated. The year to date variances mainly relate to the timing of income and expenditure and recharging of costs to capital.

Health and Social Care Partnership – Financial Update

- 2.1.4 I have been providing a regular update at each Policy and Resources Committee since October 2018 in relation to the Health and Social Care Partnership and I intend to continue to include an update in each financial monitoring pack.
- 2.1.5 The forecast outturn position at the end of the December is an estimated overspend of £1.310m for 2019-20 (£1.310m Social Work and £0.000m Health). This is an improvement on the October position of £1.780m (£1.480m for Social Work and £0.300m for Health).
- 2.1.6 A financial recovery plan was approved by the Integrated Joint Board (IJB) on 7 August 2019. It has since been reported to the IJB on 25 September 2019 that the recovery plan will be insufficient to achieve financial balance. Although the forecast outturn position has improved, further review of the agreed savings has shown that delivering 50% of most of the savings has been over optimistic. Further savings options have now been proposed in a new recovery plan and this was approved by the Board on 25 September 2019 with the exception of one saving in respect of care packages for older people (Option 1) which has to be brought back to the Board. On 19 December 2019, the Chief Officer of the HSCP wrote to the Council Chief Executive to provide written assurance to the Council that the HSCP has implemented emergency financial controls and that they continue to put in place appropriate measures to restrict spending and assist in the delivery of savings.

- 2.1.7 The forecast outturn for Social Work has seen an improvement over the last few months. The month end positions are noted in the table below:

Month End	Social Work Forecast Outturn
June	£2.307m overspend
July	£1.931m overspend
August	£1.712m overspend
September	£1.669m overspend
October	£1.480m overspend
November	£1.376m overspend
December	£1.310m overspend

This improvement month on month gives some assurance that actions by management and agreed within the recovery plan are making a difference and are bringing the outturn down. It remains to be seen as to what further reductions can be made to the forecast outturn but there are still outstanding actions to be delivered. I will continue to liaise closely with the IJB's Head of Finance and Transformation on this issue.

- 2.1.8 The comments above don't take into consideration the most significant risk affecting the forecast outturn position (on the Health side) and that is the SLA for Greater Glasgow and Clyde. A decision was taken at the IJB to reject the increase and the current forecast outturn reflects this position. If this position is not accepted by Greater Glasgow and Clyde then there is a risk that the outturn overspend could increase by up to £1.534m, impacting on Health.
- 2.1.9 There remains a significant estimated budget gap in future years and officers are currently developing options to reduce the gap, however, to date insufficient options have been identified to bridge the estimated gap.

2.2 Monitoring of Policy Savings 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 2019 and also those that were agreed in February 2018 and either not delivered in 2018-19 or have further increases in value in 2019-20. 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 41 savings options, 25 have already been delivered, 8 are on track to be delivered as per their timescale, 1 is being developed, 5 have a potential shortfall and 2 are delayed.
- 2.2.3 The table below outlines the progress as at 31 December 2019 for the new policy savings options agreed in February 2019.

Category	No of Options	2019-20 £000	2020-21 £000	2021-22 £000
Delivered	10	689.3	800.0	875.0
On Track to be Delivered	6	554.0	880.0	880.0
Still to be Implemented	0	0.0	0.0	0.0
Being Developed	0	0.0	0.0	0.0
Potential Shortfall	2	355.0	390.0	390.0
Delayed	0	0.0	0.0	0.0
Total	18	1,598.3	2,070.0	2,145.0

2.2.4 The table below outlines the progress as at 31 December 2019 for the policy savings options agreed in February 2018 but not achieved in 2018-19 or those that have further increase in value in 2019-20 onwards.

Category	No of Options	2018-19 £000	2019-20 £000	2020-21 £000
Delivered	15	1,002.0	1,592.8	2,191.8
On Track to be Delivered	2	37.5	121.5	271.5
Still to be Implemented	0	0.0	0.0	0.0
Being Developed	1	(10.0)	35.0	50.0
Potential Shortfall	3	200.0	389.0	581.0
Delayed	2	(113.5)	128.5	458.5
Total	23	1,116.0	2,266.8	3,552.8

2.2.5 There are five savings categorised as having a potential shortfall and two that are currently delayed as summarised below.

- Potential Shortfall – RAS15 Environmental Warden Service – Delays due to complications with the redundancy and selection process will result in the full 2019-20 savings not being achieved. These complications have now been resolved, there will be a saving of £0.095m to harvest for 2019-20 and full year savings will be made thereafter.
- Potential Shortfall – TB09 Public Conveniences – The approach now agreed by the EDI Committee December 2018 is being progressed. Alternatives to turnstiles are being progressed including gated options. With this unexpected change, unforeseen delays have been experienced.

- Potential Shortfall – TB12b Review charges for stadiums to enable improvement work - shortfall in achieving 2019-20 target due to charging issues.
- Potential Shortfall – TB08 Parking Increase parking charges and introduce additional parking charges – This saving will no longer be pursued following the decision at the Oban, Lorn and the Isles Area Committee on 11 September 2019 and the Policy and Resources Committee on 17 October 2019. The shortfall of £0.347m from 2020-21 onwards will now be reflected within the budget outlook report.
- Potential Shortfall – CSS08/09 Procurement Savings – with the exclusion of capital contracts and the HSCP, in addition to the contracts where there are price fluctuations both up and down, the savings have been difficult to achieve.
- Delayed – TB07 Create one main depot in key areas to reduce costs – It has become apparent that the operating costs of the single redeveloped site in each town will increase reducing the anticipated saving by around £0.050m in 2019-20 and furthermore, the savings package also set out that the depot rationalisation programme would run beyond the three year savings horizon.
- Delayed – TB14 Waste Services; increase commercial income and reduce costs of collection/disposal – A joint procurement exercise took place between West Dunbartonshire, Inverclyde and Argyll and Bute Councils. This had been designed to provide a compliant solution for the 2021 BMW Landfill Ban (now delayed until 2025). However, the tender return has not produced a viable option. Senior officers met with Scottish Government (SG) officials on 30 July to seek clarification on the implications and any mitigation measures from the BMW Landfill Ban. It was agreed that The Western Isles, The Highland Council and Argyll and Bute would work with SG with a view to pulling together a solution which would enable remote rural and authorities with islands to develop a solution. For the reasons stated above, the initial spend and save profile identified in 2018 has experienced variance. Whilst savings continue to be anticipated it is expected that the savings may be made from an alternative source than originally documented although the financial value is expected to be the same.

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 5 Council wide revenue risks identified for 2019-20 currently amounting to £3.176m. The risk in relation to the IJB referring to the Council for additional funding has been categorised as possible due to the outturn over the previous two years, however, a financial recovery plan is in

place to eliminate or reduce this risk. All other Council wide risks have been classified as unlikely.

2.3.3 There are currently 45 departmental risks totalling £4.926m. Only 2 of the 44 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.

SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	LIKELIHOOD	FINANCIAL IMPACT £000
Roads and Infrastructure Services	Ferry Services - Vessel replacement plan.	Ferry fleet vessels are all ageing and will require to be replaced in future years on a rolling basis and according to priorities.	4	620
Commercial Services	Property - Central Repairs	Increased demands on central repairs as a result of the decrease in capital funding available and increases in supplier/contractor charges.	3	500
Roads and Infrastructure Services	Roads Maintenance - Bridges, Culverts & Sea Defences	Extreme localised weather may result in loss of bridge, culvert, road or sea defence.	3	300

2.3.5 There have been two changes to the departmental risks since the financial risks report as at the end of October 2019 and reported to the Policy and Resources Committee in December, as follows:

- New risk added in relation to Waste Disposal – a potential change in price banding on the Waste PPP contract, partly dependent on whether or not glass is included as core waste. A possible risk with a £50k impact has been added.
- The risk relating to Planning fee shortfalls has been downgraded from possible to remote, as a result of income being received for two large applications.

2.3.6 The Council's Employability Team delivers the Employability Fund contract and is funded on a commercial basis with the intention being for it to operate on a self-funding basis. This is not currently being achieved and further work is required to identify whether the current overspend and estimated overspend within 20-21 can be managed using the Economic Growth departmental budget. A report will be brought to the Policy and Resources Committee in May 2020.

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 £14.625m compared to a budget for the year to date of £14.524m giving rise to an overspend for the year to date of £0.101m (0.7%). There are a number of small variances contributing to this year to date position.
- 2.4.3 The forecast outturn for 2019-20 is a forecast net expenditure of £17.375m compared to an annual budget of £23.295m giving rise to a forecast underspend for the year of £5.920m (25.4%). The largest projects contributing to this variance are: Town Centre Funds, Street Lighting LED project, Harbour Investment Programme, Primary Schools and Environmental Projects.
- 2.4.4 The forecast total net projects costs on the capital plan are £151.764m compared to a total budget for all projects of £151.942m giving rise to a forecast underspend for the overall capital plan of £0.178m (0.12%). This arises from an accumulation of non-material variances less than +/- £0.050m.
- 2.4.5 In respect of total project performance, there are 147 projects within the capital plan, 119 are complete or on target, 18 are off target and recoverable and 10 projects are off track.

2.5 Treasury Monitoring Report

- 2.5.1 This report provides information on the current levels and recent transactions in relation to the capital financing limit, total borrowing, temporary borrowing and long term borrowing and investments.
- 2.5.2 The net movement in external borrowing for the period 1 November 2019 to 31 December 2019 was a decrease of £0.009m.
- 2.5.3 Borrowing is above the Capital Financing Requirement for the period to 31 December 2019. For the first two quarters there were historically low PWLB rates until the decision was made by the Public Works Loans Board (PWLB) in October 2019 to increase the margin of PWLB loans by 1%. This has had the impact of decreasing new public sector borrowing in the third quarter of the year.
- 2.5.4 The levels of investments were £95.3m at 31 December 2019. The rate of return achieved was 0.981% which compares favourably with the target of 7 day LIBID which was 0.570%.

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 £187.139m unusable reserves that are not backed with resources. They are required purely for accounting purposes.
- 2.6.3 As 31 March 2019, the Council had a total of £55.528m of usable reserves. Of this:
- £1.696 relates to the Repairs and Renewals Fund
 - £4.352 relates to Capital Funds
 - £49.480 was held in the General Fund, with £42.936m of this balance earmarked for specific purposes.
- 2.6.4 Of the earmarked balance of £42.936m:
- £32.294m is invested or committed for major initiatives/capital projects
 - £3.752m has already been drawn down
 - £2.981m is still to be drawn down in 2019-20
 - £3.709m is planned to be spent in future years
 - £0.200m is no longer required and released back to the general fund
- 2.6.5 The General Fund contingency is set at 2% of net expenditure for 2019-20 and amounts to £4.838m. At the beginning of the financial year there was £1.706m of unallocated General Fund Balance (over and above contingency). After taking into consideration the balances no longer required, the agreed supplementary estimates, the current forecast outturn for 2019-20 and the loans fund review estimated savings, the Council is forecast to have a £1.822m contingency balance by the end of the year.

	£000
Unallocated balance as at 31 March 2019	1,706
Balance no longer required	200
Supplementary estimates agreed 27 th June 2019	(94)
Current Forecast Outturn for 2019-20 as at 31 December 2019	(2,490)
*Loans fund review estimated savings	2,500
Estimated Unallocated balance as at 31 March 2020	1,822

** As presented to the elected members at the elected member seminar on 27 January. This saving is subject to member approval.*

2.7. VIREMENTS OVER £0.200m (Revenue)

- 2.7.1 Virement is the process of transferring budget between cost centres, services or departments or between capital projects. The Council's constitution notes that virements over £0.200m require approval by Council.

This section of the report will be used to outline revenue virements in the period that require approval. Capital virements are included within the capital monitoring report.

- 2.7.2 For the periods November 2019 and December 2019, there is one virement over £0.200m requiring authorisation:
- £0.250m budget transferred from Executive Director Douglas Hendry to a central code. This is in respect of the Procurement Savings target being realigned within the structure.

3. RECOMMENDATIONS

- 3.1 It is recommended that the Policy and Resources Committee:
- a) Consider the revenue budget monitoring report as at 31 December 2019 and note the comments in respect of the Health and Social Care Partnership.
 - b) Note the progress with the policy savings options as at 31 December 2019
 - c) Note the financial risks for 2019-20.
 - d) Note the current financial position with the employability team and note that a report will be brought to the Policy and Resources Committee in May 2020.
 - e) Consider the capital plan monitoring report as at 31 December 2019 and approve the proposed changes to the capital plan as detailed in Appendix 4 to the report.
 - f) Note the treasury monitoring report as at 31 December 2019.
 - g) Consider the reserves and balances report as at 31 December 2019.
 - h) Recommend to Council that the revenue virements over £0.200m during November and December are approved.

4. IMPLICATIONS

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| 4.1 | Policy – | None. |
| 4.2 | Financial - | Outlines the revenue and capital monitoring for 2019-20 as at 31 December 2019. |
| 4.3 | Legal - | None. |
| 4.4 | HR - | None. |
| 4.5 | Fairer Scotland Duty - | None. |
| 4.6 | Risk - | Risks are included in financial risks report. |
| 4.7 | Customer Service - | None. |

**Kirsty Flanagan
Section 95 Officer
13 February 2020**

**Policy Lead for Financial Services and Major Projects - Councillor Gary
Mulvaney**