

Public Document Pack

Argyll and Bute Council
Comhairle Earra-Ghàidheal Agus Bhòid

Executive Director: Douglas Hendry



Kilmory, Lochgilphead, PA31 8RT
Tel: 01546 602127 Fax: 01546 604435
DX 599700 LOCHGILPHEAD

26 February 2020

SUPPLEMENTARY PACK 1

ARGYLL AND BUTE COUNCIL - COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD on
THURSDAY, 27 FEBRUARY 2020 at 11:00 AM

I enclose herewith **items 4(d)** which was marked to follow **and 6(a)** which was not included on the Agenda for the above meeting.

Douglas Hendry
Executive Director

ITEM TO FOLLOW and ADDITIONAL BUDGETING SUPPLEMENTARY PACK

4. MINUTES OF COMMITTEES

* (d) Policy and Resources Committee of 20 February 2020 (Pages 3 - 8)

6. (a) SUPPLEMENTARY BUDGETING PACK PAPER

Report by Section 95 Officer (Pages 9 - 22)

Argyll and Bute Council

Contact: Sandra Campbell Tel: 01546 604401

This page is intentionally left blank

**MINUTES of MEETING of POLICY AND RESOURCES COMMITTEE held in the COUNCIL
CHAMBER, KILMORY, LOCHGILPHEAD
on THURSDAY, 20 FEBRUARY 2020**

Present: Councillor Aileen Morton (Chair)

Councillor Rory Colville	Councillor Ellen Morton
Councillor Robin Currie	Councillor Gary Mulvaney
Councillor Lorna Douglas	Councillor Douglas Philand
Councillor Bobby Good	Councillor Alastair Redman
Councillor Kieron Green	Councillor Sandy Taylor
Councillor Yvonne McNeilly	Councillor Richard Trail

Also Present: Councillor Jim Findlay Councillor Jim Lynch
Councillor George Freeman Councillor Donald MacMillan

Attending: Pippa Milne, Chief Executive
Douglas Hendry, Executive Director
Kirsty Flanagan, Interim Executive Director
Jane Fowler, Head of Customer Support Services
Patricia O'Neill, Governance Manager
Laurence Slavin, Chief Internal Auditor/Interim Head of Financial Services
Anne MacDougall, Finance Manager

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Audrey Forrest, Elaine Robertson and Len Scoullar.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES

(a) Policy and Resources Committee held on 17 December 2019

The Minutes of the meeting of the Policy and Resources Committee held on 17 December 2019 were approved as a correct record.

(b) Sub-Committee of the Policy and Resources Committee held on 17 December 2019

The Minutes of the Meeting of the Sub-Committee of the Policy and Resources Committee held on 17 December 2019 were noted.

*** 4. FINANCIAL REPORT MONITORING PACK – 31 DECEMBER 2019**

The Committee gave consideration to a report providing a summary of the financial monitoring reports as at the end of December 2019. There were six detailed reports

summarised within the executive summary including the 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 and Reserves and Balances as at 31 December 2019.

Decision

The Policy and Resources Committee –

1. Noted the revenue budget monitoring report as at 31 December 2019 and note the comments in respect of the Health and Social Care Partnership.
2. Noted the progress with the policy savings options as at 31 December 2019.
3. Noted the financial risks for 2019-20.
4. Noted 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.
5. Noted the capital plan monitoring report as at 31 December 2019 and approved the proposed changes to the capital plan as detailed in Appendix 4 to the report.
6. Noted the treasury monitoring report as at 31 December 2019.
7. Noted the reserves and balances report as at 31 December 2019.
8. Agreed to recommend to Council that the revenue virements over £0.200m during November and December are approved.

(Reference: Report by Interim Head of Financial Services dated 13 February 2020, submitted)

Councillor Rory Colville joined the meeting during consideration of the following item of business.

* **5. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY**

The Committee gave consideration to a report which sought approval of the proposed Treasury Management Strategy Statement and Annual Investment Strategy which set out the Council's Strategy for borrowing and investment for the forthcoming year. The report also set out the policy for the repayment of loans fund advances for 2020-21.

Decision

The Policy and Resources Committee –

1. Noted the substantial amount of work undertaken by the Finance team in respect of the loan charges review and welcomed the positive impact of the work.

2. Agreed to refer to Council, at their meeting on 27 February 2020, to –

a) Approve the proposed Treasury Management Strategy Statement and Annual Investment Strategy and the indicators contained within.

b) Approve the use of the statutory method for the repayment of loan fund advances prior to 1 April 2019 in respect of existing capital expenditure using a 5.1% annuity interest rate over an average period of 32 years. For those loans fund advances outstanding at 1 April 2004 a repayment period of 14 years will be used.

c) Approve the use of the asset life method for the repayment of loan fund advances after 1st April 2019 using a 5.1% annuity interest rate, with the exception of spend to save schemes where the funding/income profile method could be used.

d) Approve the proposed asset repayment periods as detailed within section 2.6 of the Treasury Management Strategy Statement.

e) Approve the ability to continue to use countries with a sovereign rating of AA- and above, as recommended by Link Asset Services.

(Reference: Report by Section 95 Officer dated 13 February 2020, submitted)

* **6. BUDGETING PACK 2020-2021**

The Committee gave consideration to the full package of papers included in the Budget Pack 2020/21 in relation to the Revenue and Capital Budgets for 2020/21.

The Interim Head of Financial Services highlighted amendments to be made to the Budget Pack and advised that a supplementary pack would be issued before the Council budget meeting on 27 February 2020.

Decision

The Committee agreed to refer consideration of the Budget Pack 2020/21 to the Council meeting on 27 February 2020, without recommendation.

(Reference: Budgeting Pack 2020/21 dated 13 February 2020, submitted)

* **7. CHANGES TO CHIEF OFFICER RECRUITMENT**

The Committee gave consideration to a report that proposed changes to the protocol for appointing Chief Officers.

Decision

The Policy and Resources Committee agreed –

1. The following changes to the recruitment procedure for Chief Officers -

a) Head of Service assessment centres are conducted online rather than onsite.

- b) Panel sizes are amended for Executive Director and Head of Service interviews, membership comprising:
- Executive Director – 6 Elected Members plus Chief Executive as a voting member (4 from the Administration and 2 from the Opposition)
 - Head of Service – 3 Elected Members (2 from the Administration and 1 from the Opposition) plus Executive Director and Chief Executive as voting members
- c) Recruitment training is introduced to the elected members' induction programme, which will ensure that there is a cohort of trained members and enable up to 50% of any Appointment Panel's members to be trained.
- d) The approach taken to the HSCP (Health and Social Care Partnership) Integrated Chief Officer and Head of Service appointments be reviewed and put in place by NHS Highland and Argyll and Bute Council.
2. To recommend to the Council that the Council's Constitution is updated to reflect the agreed changes to the Appointments Panel as outlined.

(Reference: Report by Interim Executive Director with responsibility for Customer and Support Services dated 12 February 2020, submitted)

8. POLICY AND RESOURCES COMMITTEE WORKPLAN

The Policy and Resources Committee Workplan as at February 2020 was before the Committee for noting.

Decision

The Policy and Resources Committee noted the work plan as at February 2020.

(Reference: Policy and Resources Committee Workplan as February 2020, submitted)

The Committee resolved in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the press and public for the following item of business on the grounds that it was likely to involve the disclosure of exempt information as defined in Paragraphs 8&9 respectively of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

9. HELENSBURGH WATERFRONT DEVELOPMENT (HWD) - DEVELOPMENT FUNDING FOR ELECTRICAL POINT OF CONNECTION (POC), ENABLING WORKS AND FEES

The Committee gave consideration to a report requesting the approval of drawdown of development funding from the Helensburgh Waterfront Development projects' capital budget allocation to enable mitigation of risks associated with utility connections for the development site and to cover all fees through to the end of July 2020.

Decision

The Policy and Resources Committee –

1. Noted the contents of the report.
2. Approved a further drawdown from the approved budget to facilitate the delivery of the electrical point of connection, electrical enabling works contract, and professional fees.

(Reference: Report by Executive Director with responsibility for Commercial Services dated 28 January 2020, submitted)

This page is intentionally left blank

ARGYLL AND BUTE COUNCIL**COUNCIL****FINANCIAL SERVICES****27 FEBRUARY 2020**

SUPPLEMENTARY BUDGET PACK PAPER

1. EXECUTIVE SUMMARY

1.1 This report is a supplementary paper to the full package of papers included in the budget pack in relation to the Council's 2020-21 revenue and capital budgets.

1.2 It provides a revised version of the Budget Pack Introductory Report and Recommendations (Appendix 1) and highlights a small number of changes to the budget pack which it is appropriate to make Council aware of.

Revised Introductory Report and Recommendations

1.3 Appendix 1 to this report provides a revised version of the Budget Pack Introductory Report and Recommendations. This reflects changes required to the original version of the report included in the budget pack which was considered by the Policy and Resources Committee on 20 February 2020. In particular these changes are:

- Paragraph 1.9 now references the additional revenue funding provided for ferries.
- Paragraph 1.33 provides an updated calculation of the 2% contingency.
- Paragraphs 1.34 and 1.35 have been updated to refer to a 2019-20 loans fund review saving of £2.367m rather than £2.500m and an increase to the contingency transfer.
- Recommendation (h) now references the management operational savings, one-off fleet savings and reduction in loans fund advance repayments in 2020-21.
- Recommendation (i) now references the policy savings for Council approval.
- Recommendation (j) has been added to approve transfer of £0.500m of revenue funding to the capital programme to reflect the additional revenue funding provided by the Scottish Government to pay for the required replacement of MV Lismore. See paragraphs 1.4 - 1.6 for further details.
- Recommendation (l) has been updated to correct a minor arithmetical error in the table and allocate an additional £0.200m to the Significant Strategic Change Projects capital pressure and to reassign the £0.200m originally allocated to the Lismore Ferry to the Strategic Change Projects capital pressure.

Additional Funding Allocation for Ferries

1.4 On 24 February 2020 the Minister for Energy, Connectivity and the Islands wrote to the Council to confirm an allocation of additional funding of £0.954m. The letter confirmed that £0.500m of the funding was for the required replacement of the MV

Lismore to meet MCA requirements and £0.454m was to cover the net expenditure to the Council of providing ferry services. No funding has been confirmed beyond 2020-21.

- 1.5 The £0.454m is currently incorporated in the budget pack as a policy saving in the event that an agreement was reached for responsibility for ferry provision to be transferred from the Council to Transport Scotland. The allocation of the additional £0.454m means this policy saving is not up for consideration this financial year. The additional funding is matched by the removal of the policy saving meaning it has no impact on the projected 2020-21 surplus.
- 1.6 The £0.500m is expected to be received as revenue funding which increases the projected 2020-21 surplus from £1.570m (as reported on page 158 of the revenue budget overview) to £2.070m. However, as per paragraph 1.4, the £0.500m has been provided to cover the cost of the replacement MV Lismore so this would require to be transferred to the capital programme. Therefore the 2020-21 projected surplus would still be £1.570m. The cost pressure of £0.200m for progressing the procurement of the MV Lismore has been removed and the £0.200m has been reallocated to the Significant Strategic Change Projects in recommendation (l).

Other Changes

1.7 *Report 2d – Revenue Budget Overview*

The table at page 160 of the budget pack refers to total revenue pressures of £3.500m, Strategic Change Projects capital pressures of £4.613m and total capital pressures of £9.412m. The £3.500m was an arithmetical error. These figures should be £3.300m, £5.013m and £9.612m respectively. There is no impact on the bottom line of the table. The remaining one-off gain is still zero.

1.8 *Report 2e – Fees and Charges*

Paragraph 3.5.1 of page 233 of the budget pack refers to there being no inflationary increase for public conveniences. This charge is subject to a policy saving and should therefore be referenced at paragraph 3.2.5 on page 232.

The appendix at page 261 of the pack should reference an increase in the standard charge from 30p to 50p rather than there being no change.

1.9 *Report 2g – Reserves and Balances*

The table at paragraph 3.4.4 on page 305 of the pack should refer to a loans fund review saving of £2.367m in 2019-20 rather than £2.500m (which is the saving for future years). The table also refers to a transfer of contingency to maintain the Council's 2% level of £0.082m. The additional expenditure of £0.454m due to the removal of the policy saving relating to the Council retaining responsibility for the provision of ferry services means this transfer needs to be increased by £0.009m to £0.091m. This increases the contingency from £4.920m to £4.929m.

This means the estimated unallocated balance as at 31 March 2020 will be £1.598m rather than £1.740m.

1.10 *Report 3a – Capital Plan Summary*

Paragraph 1.8 on page 317 has a superfluous reference to a table and the £9.412m referenced in paragraph 1.8 and paragraph 3.7.2 on page 323 should be £9.612m due to a reallocation of £0.200m to the Significant Strategic Change Projects cost pressure.

The arithmetical error referenced at paragraph 1.7 of this report also impacts on the table on page 324 of the pack as does the reallocation of the Lismore Ferry £0.200m. This increases the total in the Significant Strategic Change Projects line from £4.613m to £5.013m and the overall gap shown at the foot of the table from £9.412m to £9.612m.

It should be noted that the overall provision in relation to the Significant Strategic Change projects is likely to be higher and any funding would not be released until it had been approved by Council.

Funding Requests

- 1.11 Fyne Futures have submitted a further funding request of £10,462 in 2020-21 in addition to their original request. Similarly Kintyre Recycling Limited have submitted a further funding request of £10,000 in 2020-21 in addition to their original request. The original requests are included as an exempt paper to the budget pack.

There will be a report on the funding request from Rothesay Pavilion Charity as a separate exempt agenda item.

2.0 IMPLICATIONS

- 2.1 Policy – There are policy implications associated with the new saving options and also previously agreed savings options which impact 2020-21 and beyond.
- 2.2 Financial – The report outlines the budget position over 2020-21 to 2022-23.
- 2.3 Legal – Any legal implications have and will be considered when developing the savings options.
- 2.4 HR – Any HR implications have and will be considered when developing savings options
- 2.5 Fairer Scotland Duty – See below
- 2.5.1 Equalities – Equality and Socio-Economic Impact Assessments have been carried out where appropriate for savings options already agreed or developed.
- 2.5.2 Socio Economic Duty – Equality and Socio-Economic Impact Assessments have been carried out where appropriate for savings options already agreed or developed.

- 2.5.3 Islands Duty - Equality and Socio-Economic Impact Assessments have been carried out where appropriate for savings options already agreed or developed. This includes consideration of Islands Duties.
- 2.6 Risk – There is a separate report assessing financial risks and there is also an overall assessment of risk included within the separate report on Reserves and Balances.
- 2.7 Customer Service – There may be some customer service implications arising from the new savings options. Future customer service implications will be considered when developing savings options.

Kirsty Flanagan
Section 95 Officer
26 February 2020

Policy Lead for Financial Services and Major Projects: Councillor Gary Mulvaney

Appendix 1

ARGYLL AND BUTE COUNCIL

COUNCIL

FINANCIAL SERVICES

27 FEBRUARY 2020

REVISED INTRODUCTORY REPORT AND RECOMMENDATIONS FOR BUDGET PAPERS

1. EXECUTIVE SUMMARY

- 1.1 This report introduces the full package of papers included in the budget packs in relation to the revenue and capital budget.

REVENUE PACK

Budget Consultation – Findings Report

- 1.2 This report summarises the feedback provided by local communities to the Council's budget planning consultation.

- 1.3 1,400 responses were received from across Argyll and Bute from residents aged 11-75+. In total there were over 2,300 comments received.

Service Plans 2020-23

- 1.4 This report presents the draft service plans for 2020-23 including the 2020-21 budget allocation. Service Plans are a core part of the Council's Performance and Improvement Framework. They set out the business outcomes that each service will work to deliver over the period of the plan. They include the resources, both revenue and personnel, that are available to deliver these outcomes.

- 1.5 There are 17 business outcomes which have been mapped to the Argyll and Bute Outcome Improvement Plan, the Corporate Plan and the Administration's Priorities. They reflect the structure of the Council and service delivery.

Assessing Equality and Socio Economic Impact

- 1.6 The Council as a public authority has a duty under the Equality Act 2010, the Public Sector Equality Duty 2011, the Fairer Scotland Duty (Part one of the Equality Act) and the Island (Scotland) Act (2018) to have due regard to their provisions when making strategic financial decisions. This is done through assessing the potential impact of the decision on equality through Equality and Socio-Economic Impact Assessments (EQSEIAs).

- 1.7 This report outlines for members the process that has been undertaken to ensure that due regard is given to equalities, islands and the Fairer Scotland duties in the decision making process on service choices and presents a strategic EQSEIA for

the Budget Reconstruction programme to advise on overall impact.

Revenue Budget Overview

- 1.8 This report summarises the overall revenue budget position covering funding, expenditure and savings. It also sets out the assumptions and proposals around non-pay inflation and the cost and demand pressures for inclusion in the revenue budget.
- 1.9 The funding excluding ring-fenced grants for 2020-21, as advised in the provisional settlement, is £195.364m. If you compare the settlement of £195.364m to the cash funding in 2019-2020 the funding reduction is £0.332m or 0.17%. If you take into account the funding that has been allocated this year for specific additional responsibilities that require us to incur more costs and the additional revenue funding provided for ferries the funding reduction is £2.271m or 1.16%.
- 1.10 The Council Tax budget for 2019-20 was set at £50.457m. This included a 4.79% increase and a 0.50% growth in the Council Tax base. This is the starting position for 2020-21. In terms of the growth in the Council tax base it had previously been assumed within the budget outlook that growth would be between 0.25% and 0.75% with a mid-range of 0.5%. As reported to the Policy and Resources Committee on 17 December 2019 this assumption was updated following a review of actual growth since 2015. The growth assumption has been updated to reduce the mid-range scenario to a 0.25% growth amounting to £0.126m.
- 1.11 The budget for 2019-20 has been rolled forward into 2020-21 and the main changes are as follows:
- Base budget adjustments amounting to £3.248m.
 - Increases to employee budgets in respect of pay inflation, increments, changes to the employee base and teachers' pensions amounting to £4.733m.
 - Non-pay inflation of £1.294m.
 - Cost and demand pressures of £0.435m.
 - Increase to Live Argyll management fee of £0.096m.
- 1.12 In respect of the payment to the Health and Social Care Partnership (HSCP), the Local Government Finance Circular 1/2020 advises of additional funding of £100m that is allocated for Health and Social Care and Mental Health services. In a letter issued by the Directorate of Health Finance and Governance on 6 February 2020 it was made clear that the funding should be additional to the 2019-20 budget and as a result the payment to the HSCP is effectively protected from any reduction to their base budget. Based on this letter, the payment to the HSCP for 2020-21 does not include the 1% reduction to the HSCP funding and passes over the share of the additional funding.
- 1.13 There are a number of measures to balance the budget that had previously been agreed, summarised as follows:
- Management operational savings reported to Council on 26 October 2017 with increased savings in 2020-21 of £0.326m.

- Management operational savings reported to Council on 21 February 2019 with decreased savings in 2020-21 of £0.452m.
- Policy saving options reported to Council on 22 February 2018 with increased savings in 2020-21 of £1.286m.
- Policy saving options reported to Council on 21 February 2019 with increased savings in 2020-21 of £0.472m.

1.14 There are a number of measures to balance the budget that are for Council approval, summarised as follows:

- Inflationary increases to fees and charges resulting in £0.309m of additional income.
- Increase Council Tax by 3.0% next year resulting in £1.517m of additional income.
- New management/operational savings reported to Council on 17 October 2019 amounting to £1.371m.
- New policy savings options within Council control reported to Council on 17 October 2019 and subsequently amended after officers developed them further, amounting to £2.050m.
- One off fleet savings of £0.278m.
- Loans fund savings of £2.500m.
- Note that the policy saving for ferries (RAIS01) has been removed.

1.15 If Members agreed to all the proposals noted within the report, this would produce a balanced budget in 2020-21 with a surplus of £1.570m.

1.16 The budget gap over 2021-22 and 2022-23 across each scenario is summarised in the table below.

Budget Gap	2021-22 £000	2022-23 £000	Total £000
Best Case	4,565	4,525	9,089
Mid-Range	8,241	7,919	16,160
Worst Case	12,768	12,381	25,149

1.17 In addition to approving the £2.500m of loans fund revenue savings highlighted at paragraph 1.14 Council are also asked to consider the most prudent use of the one-off re-profiling gain of £20.561m generated by the loans fund review. It is recommended that a provision is made for the increasing principal repayments over the next 10 years. Based on a recurring loans fund revenue saving of £2.5m a provision of £7.649m would be required. There are known liabilities/cost pressures that Council should give consideration to. These are noted within the table below and it is recommended that the one-off re-profiling gain is used to fund these.

	£000	£000
One-off re-profiling gain	20,561	
Provision for increased principal repayments	(7,649)	
Revised Gain		12,912

Revenue Pressures:		
Provision to Support Organisational Change	(500)	
Estimated cost of 2020-21 redundancies that are part of budget savings proposals	(1,200)	
Future Redundancies provision	(1,500)	
Spend to Save Route Optimisation	(100)	
		(3,300)
Capital Pressures:		
Funding Gap in Capital Programme	(2,619)	
Capital Programme Intolerable Red Risks	(574)	
Campbeltown Flood Protection Scheme	(1,406)	
Significant Strategic Change Projects	(5,013)	
		(9,612)
Remaining One-off Gain		0

1.18 In view of the future savings requirements officers will be look to identify savings for future years, through a structured programme of service redesign. This will take cognisance of the unique challenges faced by the Council and reflect on service redesign already delivered in previous years. In particular there will be a focus on greater digital transformation and commercialisation.

1.19 Four funding requests have been received from organisations where funding has previously been provided. The Council is asked to consider the funding requests.

Fees and Charges

1.20 This report sets out proposals for increases in fees and charges and the resulting impact on income included in the revenue budget.

1.21 The general increase to fees and charges is proposed at 3% for 2020-21 and further recommended increases over and above inflation. These increases are expected to generate additional income of £0.309m.

1.22 In addition to the inflationary increases there are also potential fee increases which are policy saving proposals which require member approval. Within the budget outlook, this additional income has been accounted for as part of the service package policy options.

1.23 The changes proposed to the Social Work fees and charges are noted within the report and have been the subject of a report to the Integrated Joint Board on 29 January 2020.

1.24 The 5% additional increase over and above general inflation on piers and harbours is estimated to generate additional income of £0.309m which is ring fenced to fund asset improvements.

1.25 Officers are to explore options with CMAL/CalMac about moving to a flat fee per facility for berthing at Craignure Pier rather than the current approach which applies the established fees and charges approved by Council and an additional charge

per passenger, vehicle, livestock, goods etc.

- 1.26 Officers are reviewing the charge for Export Certificates with a view to introducing a change to the small quantities level and information will be brought to a future EDI Committee.

Financial Risks Analysis 2020-21

- 1.27 This report set out the risks identified as part of preparing the revenue budget and makes an assessment of the potential financial impact of these. The financial risks are monitored routinely throughout the year and actions put in place to mitigate risks.
- 1.28 There are 5 Council wide revenue risks identified for 2020-21 currently amounting to £3.701m. 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 three years. All other Council wide risks have been classified as unlikely.
- 1.29 There are currently 40 departmental risks totalling £4.080m. Only 1 of the 40 departmental risks are categorised as likely with no risks categorised as almost certain.
- 1.30 Looking beyond 2020-21, there is a potential significant risk in relation to the ban on Biodegradable Municipal Waste (BMW) being disposed of via landfill from 2025. Solutions being rolled out nationally aren't suitable here as waste quantities make the facilities practically and financially unviable. Any solution requires waste to be transported out of the area, over long distances. This risk will need to be kept under review and it is recommended that a provision is made from the loans fund one-off re-profiling gain towards this and other significant capital projects.

Reserves and Balances

- 1.31 This report summarise the reserves and balances, sets out an analysis of risk around the adequacy of reserves and balances and proposes a level of contingency to be held in the General Fund Reserve.
- 1.32 The Council had a total of £55.528m usable reserves as at the end of 31 March 2019. Of this balance, £1.696m relates to the Repairs and Renewals Fund, £4.352m relates to Capital Funds and the remainder of £49.480m is held in the General Fund, with £42.936m of this balance earmarked for specific purposes.
- 1.33 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 2020-21. The revised contingency at 2% of net expenditure amounts to £4.929m.
- 1.34 The revenue budget as at 31 December 2019 is estimated to be £2.490m 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. Furthermore the recently completed review of the Council's Loans Fund is estimated to provide £2.367m in savings in 2019-20 subject to

member approval of the policy change.

- 1.35 The table below summarises the position of the unallocated General Fund balance.

	£000
Unallocated balance as at 31 March 2019	1,706
Balance no longer required	200
Supplementary estimates agreed 27 June 2019	(94)
Transfer of contingency to maintain 2% level	(91)
Revised Unallocated General Fund Balance	1,721
Current Forecast Outturn for 2019-20 as at 31 December 2019	(2,490)
Loans fund review savings	2,367
Estimated Unallocated balance as at 31 March 2020	1,598

CAPITAL PACK

Capital Plan Summary

- 1.36 This report details the revisions proposed to the capital plan approved in February 2019 for the period 2020-21 to 2021-22 and extends the capital plan out for a further year to 2022-23. The revisions are based on updated capital funding assumptions, phasing and cost changes.
- 1.37 The annual General Capital Grant for 2020-21 and 2021-22 was previously based on the 2019-20 settlement of £12.262m when the plan was agreed last year and further used as the basis for the 2022-23 block allocations. The settlement was announced on 6 February 2020 and the General Capital Grant for 2020-21 was £2.601m less than estimated at £9.661m.
- 1.38 In light of the significantly reduced settlement in 2020-21, consideration was given to the Capital Grant assumption for future years. An average over the last four years settlements has been assumed and this provides an estimated annual General Capital Grant of £12.278m. As this is significantly higher than the settlement in 2020-21, there is a risk that the actual settlement is lower and Members should give consideration as to the funding of the capital plan beyond 2021-22 should that be the case. This could be further impacted if there are any additional capital monies allocated later in the financial year.
- 1.39 The amount of capital resources allocated to Private Sector Housing Grant (PSHG) is £1.033m per annum, similar to previous years.
- 1.40 The additional Specific Grant monies must be spent on Cycling, Walking and Safer Streets and therefore an additional £0.142m will be built into the programme for this.
- 1.41 The restricted capital funding of £69.606m is noted within Appendix 2 of the Capital Plan Summary Report. This relates to income which is restricted to specific projects and this has been matched with expenditure against the project, thereby showing the gross cost of the project.

- 1.42 A comparison between the capital plan as at December 2019, including the new block allocation for 2022-23 has been compared to the estimated funding and there is gap up to 2022-23 of £2.619m.
- 1.43 As part of the Service Asset Management plans a number of intolerable red risks, amounting to £0.574m have been identified that require additional funding over and above the block allocation. The most significant of these is in relation to the replacement of three key business applications. It is recommended that these risks are funded by one off re-profiling savings as a result of the loans fund review.
- 1.44 There are two cost pressures identified in respect of significant strategic change projects and Campbeltown Flood Protection Scheme. Again, it is recommended that these risks are funded by one off re-profiling savings as a result of the loans fund review.

Corporate Asset Management Strategy

- 1.45 This report outlines the overall approach to managing the asset base of the Council.

Corporate Asset Management Plan

- 1.46 This report identifies key issues for this planning cycle in managing the asset base, the proposed actions and any red risk assets not addressed through the proposed Capital Plan. It includes the Group and Service Asset Management Plan summary templates.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Council:
- a) Note and give consideration to the findings from the Council's budget planning consultation.
 - b) Approve all service plans, subject to updating the budget figures in line with the budget agreed for 2020-21.
 - c) Note that through the EQSEIA process, we have paid due regard to our duties under the Equality Act 2010, our associated Fairer Scotland Duty and the Islands Act. Note that some of the savings proposals have an impact in some of areas, but this has been given due regard. There are no impacts identified through the EQSEIA process that show actual or potential unlawful discrimination.
 - d) Approve a base allocation to the Health and Social Care Partnership of £60.577m for 2020-21. Approve indicative allocations base for 2021-22 and 2022-23 to be £60.577m. The level of future years funding is subject to the level of Scottish Government funding and the Council's overall financial position in future years.

- e) Give consideration to the request made by the Health and Social Care Partnership to revise the current debt repayment for the overspend relating to 2017-18 and 2018-19 as outlined in the revenue budget pack on page 152 at paragraph 3.6.9 and note that a report will be brought to the Policy and Resources Committee at its May 2020 meeting once the 2019-20 overspend position is confirmed. Agrees that in the event of the HSCP creating reserves through underspends in 2020-21 or any future years, the Council will require earlier repayment, unless otherwise determined by the Policy and Resources Committee.
- f) Approve the adjustment to the Live Argyll Management Fee, resulting in a management fee in 2020-21 of £3.788m.
- g) Approve the revenue estimates for 2020-21 and that consequently the local tax requirement estimated at £52.100m is funded from Council Tax. Approve the following rates and charges for the year, 2020-21:
 - i. Council Tax to be paid in respect of a chargeable dwelling in Band "D" of £1,348.09 representing a 3.00% increase.
 - ii. Council Tax to be paid in respect of a chargeable dwelling in each of the other valuation bands in accordance with Section 74(1) of the Local Government Finance Act 1992 as amended.
 - iii. Business Rates as determined by Scottish Ministers.
- h) Notes the management/operational savings totalling £1.371m as outlined in Appendix 5 of the Revenue Budget Overview Report which were endorsed by Council in October 2019, and endorses the one-off fleet savings of £0.278m and loans fund savings of £2.500m.
- i) Approve the policy savings options outlined in Appendix 6 of the revenue budget overview report.
- j) Approve the transfer of £0.500m of revenue funding to the capital programme to reflect the additional revenue funding provided by the Scottish Government to pay for the required replacement of MV Lismore.
- k) Approve the revenue budget for 2020-21 as set out in the revenue budget overview report.
- l) Approve the use of the £20.561m one-off re-profiling gain from the loans fund review to create a £7.649m provision for the increasing principal repayments over the next 10 years, and approve that the remainder of the gain is used to fund the known liabilities/cost pressures set out below:

	£000	£000
One-off re-profiling gain	20,561	
Provision for increased principal repayments	(7,649)	
Revised Gain		12,912
Revenue Pressures:		
Provision to Support Organisational Change	(500)	
Estimated cost of 2020-21 redundancies that are part of budget savings proposals	(1,200)	
Future Redundancies provision	(1,500)	
Spend to Save Route Optimisation	(100)	
		(3,300)
Capital Pressures:		
Funding Gap in Capital Programme	(2,619)	
Capital Programme Intolerable Red Risks	(574)	
Campbeltown Flood Protection Scheme	(1,406)	
Significant Strategic Change Projects	(5,013)	
		(9,612)
Remaining One-off Gain		0

- m) Give consideration to funding requests in relation to the Argyll and Isles Tourism Co-operative, Kintyre Recycling Limited, Fyne Futures and the ask from Rothesay Pavilion Charity (RPC) as per the additional report provided by officers following the meeting with RPC on 14 February 2020.
- n) Approve the following in relation to fees and charges with effect from 1 April 2020 unless otherwise noted:
- i. Approve the proposals for the fees and charges inflationary increase of 3% and approve the charges that are over and above inflation. Note that this would generate additional income of £0.309m in total.
 - ii. Approve the changes proposed to the Social Work fees and charges.
 - iii. Approve all other charges as noted within the Fees and Charges Schedule.
 - iv. Note that officers are exploring moving to an annual flat fee model for CalMac ferry vessels berthing at Craignure Pier and agree that any revision to how the charge is levied is delegated to the Council's Executive Directors as long as this is of no financial detriment to the Council.
 - v. Note that officers are reviewing the charge for Export Certificates with a view to introducing a change to the small quantities level and further note that any proposal in relation to this would be reported to the Environment, Development and Infrastructure Committee in the first instance.
- o) Note the financial risks analysis.
- p) Approve the contingency level for the General Fund balance at a level of 2% of net expenditure, equivalent to £4.929m and note the report on reserves and

balances.

- q) Approve the capital plan as set out in Appendix 3 of the capital plan summary, noting that consideration needs to be given to how the capital programme will be funded in future years, should the funding settlement for 2021-22 and 2022-23 be less than estimated.
- r) Approve the Corporate Asset Management Strategy
- s) Note the Corporate Asset Management Plan and the Asset Group Summaries.

3. IMPLICATIONS

- 3.1 Policy – There are policy implications associated with proposals to balance the revenue budget as well as the policy options that have been subject to employee consultation.
- 3.2 Financial – The report outlines the revenue budget position over 2020-21 to 2022-23 and the funding and commitments for the capital plan 2020-23.
- 3.3 Legal – Any legal implications have and will be considered when developing the savings options required for the revenue budget. The funding for new capital expenditure may not address all the statutory and regulatory requirements in relation to health and safety.
- 3.4 HR – Any HR implications have and will be considered when developing savings options required for the revenue budget. There are risks that the capital funding available will have an impact on the sustainability of the property design team and the design team within Roads and Amenity Services.
- 3.5 Fairer Scotland Duty – Equality and Socio-Economic Impact Assessments have been carried out where appropriate for savings options already agreed or developed. Equality and Socio-Economic Impact Assessments will be a key consideration in developing future savings proposals.
- 3.6 Risk – There is a separate report assessing financial risks and there is also an overall assessment of risk included within the separate report on Reserves and Balances. In respect of the capital programme, there are risks around the level of capital receipts, future grant funding and there are a number of red risks highlighted within the corporate asset management plan.
- 3.7 Customer Service – There may be some customer service implications arising from previously agreed savings options and the new policy options. Future customer service implications will be considered when developing savings options.

Kirsty Flanagan, Section 95 Officer
26 February 2020

Policy Lead for Financial Services and Major Projects: Councillor Gary Mulvaney