

Argyll and Bute Council
Comhairle Earra-Ghàidheal Agus Bhòid

Executive Director: Douglas Hendry



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8 October 2020

NOTICE OF MEETING

A meeting of the **POLICY AND RESOURCES COMMITTEE** will be held **VIA SKYPE** on **THURSDAY, 15 OCTOBER 2020 at 10:30 AM**, which you are requested to attend.

Douglas Hendry
Executive Director

BUSINESS

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTEREST (IF ANY)**
3. **MINUTES**
 - (a) Policy and Resources Committee held on 20 February 2020 (Pages 3 - 8)
 - (b) Sub-Committee of the Policy and Resources Committee held on 24 September 2020 (Pages 9 - 10)
- * 4. **FINANCIAL REPORTS MONITORING PACK – 31 AUGUST 2020** (Pages 11 - 146)
Report by Section 95 Officer
5. **BUDGET OUTLOOK 2021-22 TO 2025-26** (Pages 147 - 168)
Report by Section 95 Officer
6. **UPDATE ON 2021/22 SAVINGS THEME REVIEWS** (Pages 169 - 172)
Report by Section 95 Officer
- * 7. **IMPLEMENTATION OF DOMESTIC ABUSE POLICY**
Report by Executive Director with responsibility for Customer Support Services (to follow)
8. **ARGYLL & BUTE HEALTH AND SOCIAL CARE PARTNERSHIP (HSCP) CULTURE SURVEY RESPONSE UPDATE** (Pages 173 - 186)
Report by Chief Officer – Health and Social Care Partnership

REPORTS FOR NOTING

9. COMMUNITY EMPOWERMENT (SCOTLAND) ACT 2015 - UPDATE - EXPRESSIONS OF INTEREST / ASSET TRANSFER REQUESTS/PARTICIPATION REQUESTS/ ANNUAL REPORTING REQUIREMENTS (Pages 187 - 200)

Report by Executive Director with responsibility for Commercial Services

10. POLICY AND RESOURCES COMMITTEE WORKPLAN (Pages 201 - 202)

Items marked with an “asterisk” are items, on the basis of information available at the time this Agenda is published, on which the Committee may not have delegated powers to act, and which may therefore require to be referred to the Council or another Committee, and that referral may depend on the decision reached at the meeting.

Policy and Resources Committee

Councillor Rory Colville	Councillor Robin Currie (Chair)
Councillor Lorna Douglas	Councillor Audrey Forrest
Councillor Bobby Good	Councillor Kieron Green
Councillor Yvonne McNeilly	Councillor Aileen Morton
Councillor Gary Mulvaney (Vice-Chair)	Councillor Douglas Philand
Councillor Alastair Redman	Councillor Elaine Robertson
Councillor Len Scoullar	Councillor Sandy Taylor
Councillor Richard Trail	

Contact: Hazel MacInnes Tel: 01546 604269

**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)

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**MINUTES of MEETING of SUB-COMMITTEE OF THE POLICY AND RESOURCES COMMITTEE
held VIA SKYPE
on THURSDAY, 24 SEPTEMBER 2020**

Present: Councillor Robin Currie (Chair)

Councillor Lorna Douglas
Councillor Audrey Forrest
Councillor Kieron Green

Councillor Aileen Morton
Councillor Elaine Robertson

Attending: David Allan, Estates and Property Development Manager
Patricia O'Neill, Governance Manager
Melissa Stewart, Area Governance Officer

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Yvonne McNeilly and Ellen Morton.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. COMMUNITY EMPOWERMENT (SCOTLAND) ACT 2015 - KILMORY WOODLANDS - PART OF KILMORY HOME FARM - REVIEW OF ASSET TRANSFER REQUEST - DECISION RECOMMENDATION

The Sub-Committee gave consideration to a report advising that Kilmory Woodlands had submitted an application for the review of the decision made on 17 December 2019 to refuse Kilmory Woodlands Asset Transfer Request for a 99 year lease of part of Kilmory Home Farm for £1 per annum.

Decision

The Asset Transfer Review Sub-Committee of the Policy and Resources Committee –

1. Noted the application for review.
2. Agreed that the review could be determined on the basis of the information supplied and that there was no requirement for further written submissions or a hearing.
3. Confirmed the original decision of the Asset Transfer Sub-Committee of Policy and Resources to refuse the Asset Transfer Request submitted by Kilmory Woodlands seeking a 99 year lease of part of Kilmory Home Farm for £1 per annum (in accordance with the recommendation of the Executive Director with responsibility for Commercial Services and the Asset Transfer Group).
4. Requested that Officers continue to work with Kilmory Woodlands to develop their proposals and options.

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

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ARGYLL AND BUTE COUNCIL**POLICY AND RESOURCES COMMITTEE****FINANCIAL SERVICES****15 OCTOBER 2020**

FINANCIAL REPORTS MONITORING PACK – 31 AUGUST 2020

1. INTRODUCTION

1.1 This report provides a summary of the financial monitoring reports as at the end of August 2020. There are six detailed reports summarised in this Executive Summary:

- Revenue Budget Monitoring Report as at 31 August 2020
- Monitoring of Policy Savings Options as at 31 August 2020
- Monitoring of Financial Risks as at 31 August 2020
- Capital Plan Monitoring Report as at 31 August 2020
- Treasury Monitoring Report as at 31 August 2020
- Reserves and Balances as at 31 August 2020.

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 £2.062m as at the end of August 2020. This projection results from Social Work and is due to a combination of forecast slippage on the delivery of agreed savings and a high demand for services. The HSCP has been required to contribute to a local mobilisation plan cost return on a regular basis, submitted to the Scottish Government via NHS Highland. Although the Scottish Government has “in principle” approved all mobilisation plans no individual lines within the plan have been approved. Therefore there is a risk that the HSCP could revert back to the Council to fund some of the additional costs. All other forecast variances at this time are as a result of the impact of COVID-19 therefore are currently reported separately and not processed through the ledger as forecast variances at this stage.

2.1.3 The impact of COVID is detailed in Appendix 1 however can be summarised as new additional costs of £11.209m for which £6.116m of Scottish Government Funding has been provided with an additional £0.616m of flexibility around existing funding. This leaves an estimated shortfall of £4.477m. There is an additional £2.204m of internal options however a decision is required whether these should be applied to fund the COVID shortfall. The Scottish Government are currently considering implementing a lost income scheme to provide funding to reimburse

Councils for lost income from sales, fees and charges. There is currently no clarity over the amount the Council may receive should the scheme be rolled out. The Council has established a short life working group to consider options to fund the COVID shortfall.

- 2.1.4 There is a year to date underspend of £1.279m. 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, recharging of costs to capital and the impact of COVID-19.

Health and Social Care Partnership (HSCP) – Financial Update

- 2.1.5 The forecast outturn position at the end of the August is an estimated overspend of £2.747m for 2020-21 (£2.062m Social Work and £0.685m Health).
- 2.1.6 Within Social Work, there is forecast slippage on savings of £2.794m which is reduced by underspends of £0.732m, the most significant being within care home placements, leaving the net forecast position a £2.062m overspend.
- 2.1.7 The overspend does not include any additional costs as a result of the COVID-19 pandemic. The HSCP has been required to contribute to a local mobilisation plan cost return on a regular basis, submitted to Scottish Government through NHS Highland. The return submitted mid-August totalled £14.492m for the Partnership of which £6.504m relates to Social Work Services. The Cabinet Secretary for Health and Sport has provided a commitment that all reasonable expenditure included within mobilisation plans will be funded. The HSCP have received a share of the £83m announced for social care of £1.755m based on cash flow expenditure including undelivered savings to the end of July (excluding accrued expenditure).
- 2.1.8 For previous projections the Chief Financial Officer of the HSCP had taken a prudent assumption for forecast purposes that the Scottish Government will fund all actual COVID-19 additional expenditure but may not fund the impact of COVID-19 on delivering savings or for loss of income. The Scottish Government has now announced funding and at this moment in time it does not include undelivered savings. This will be further considered in January 2021. The Chief Financial Officer of the HSCP has created a financial recovery plan which was approved by the IJB on 16 September 2020. This represents a significant financial risk to the Council.

2.2 Monitoring of Policy Savings Options

- 2.2.1 The purpose of this report is to provide Members with an update on the implementation and delivery of the Service Package Policy Options:
- agreed by Council in February 2020

- agreed in February 2019 that were either not delivered in 2019-20 or have further increases in value in 2020-21 onwards
- agreed in February 2018 with further increases in value in 2020-21 onwards.

2.2.2 The savings options will be reported as being delivered, on track to be delivered, still to be implemented, being developed, potential shortfall or delayed.

2.2.3 Of the 66 savings options, 50 have already been delivered, 5 are on track to be delivered as per their timescale, 2 are being developed, 4 have a potential shortfall and 5 are delayed.

2.2.4 The table below outlines the progress as at 31 August 2020 for the new policy savings options agreed in February 2020.

Category	No of Options	2020-21 £000	2021-22 £000	2022-23 £000
Delivered	20	1,226.0	1,374.8	1,374.8
On Track to be Delivered	2	47.1	85.4	85.4
Still to be Implemented	0	0.0	0.0	0.0
Being Developed	0	0.0	0.0	0.0
Potential Shortfall	1	79.0	79.0	79.0
Delayed	2	54.0	54.0	54.0
Total	25	1,406.1	1,593.2	1,593.2

2.2.5 For savings options agreed in February 2018 and February 2019, we are reporting on an exception basis. Those that are already delivered or on track to be delivered are not included in the analysis below.

Category	No of Options	2020-21 £000	2021-22 £000	2022-23 £000
Being Developed	2	111.0	111.0	111.0
Potential Shortfall	3	430.0	430.0	430.0
Delayed	3	482.5	482.5	482.5
Total	8	1,023.5	1,023.5	1,023.5

2.2.6 In total, there are four savings categorised as having a potential shortfall and five currently delayed. These are summarised in Section 3.8 of the Service Package Policy Options Report and further information is contained within Appendices 4a to 4h of that report.

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 also COVID-19 specific financial risks that have not been captured within the Financial Risks report. Appendix 1 of this pack outlines the financial impact for the Council due to additional costs as a result of the immediate reponse to the COVID-19 pandemic.
- 2.3.3 There are 5 Council wide revenue risks identified for 2020-21 currently amounting to £3.917m. 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, the IJB has a financial recovery plan in place to eliminate or reduce this risk. All other Council wide risks have been classified as unlikely.
- 2.3.4 There are currently 39 departmental risks totalling £3.440m. One of the 39 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.
- 2.3.5 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
Commercial Services	Property - Central Repairs	Increased demands on central as a result of the decrease in capital funding available and increases in supplier/contractor charges.	3	300
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
Roads and Infrastructure Services	Roads Maintenance - Roads Network	Adverse weather conditions result in deterioration of the road network necessitating greater spend on repair of defects.	3	230

- 2.3.6 There have been three changes to the departmental risks since the financial risks report as at the end of June 2020 and reported to the Business Continuity Committee on 13 August 2020, as follows:

- A risk that the cost of delivering 1140 hours of Early Learning and Childcare exceeds government funding has been reinstated as the service have committed to continue to deliver 1140 hours by 2020 despite the Scottish Government removing this requirement.
- A risk in relation to Strathclyde Partnership for Transport (SPT) has been input, recognising that SPT has highlighted a significant deficit is likely to accrue due to lack of income. As a partner organisation that normally contributes 1.18% of their running costs, there is a possibility that SPT will make an approach to the Council to fund up to £0.124m of the deficit.
- The financial impact of the risk in relation to Education Central Repairs has been increased from £0.100m to £0.200m to recognise that the current budget is under pressure due to significant statutory maintenance work and emergency repairs.

2.4 Capital Plan Monitoring Report

2.4.1 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 £0.603m compared to a budget for the year to date of £0.584m giving rise to an overspend for the year to date of £0.019m (3.3%). There are a number of small variances contributing to this year to date position.

2.4.3 The forecast outturn for 2020-21 is a forecast net expenditure of £25.740m compared to an annual budget of £24.872m giving rise to a forecast overspend for the year of £0.868m (3.5%).

2.4.4 There is an overspend of £1.398m within Rothesay Pavilion, £0.257m of which is specifically linked to the impact of the COVID-19. This is the current reported overspend but it is subject to review and may change. There are also £0.587m of underspends within other projects to offset this, notably Roads Reconstruction, as schemes have been delayed due to the pandemic.

2.4.5 The forecast total net projects costs on the capital plan are £204.945m compared to a total budget for all projects of £203.049m giving rise to a forecast overspend for the overall capital plan of £1.896m (0.93%). The largest projects contributing to this variance are:

- Rothesay Pavilion accounts for £1.398m of the Capital Plan overspend and the Service will prepare a paper regarding what actions will be taken to fund this overspend. £0.257m of the overspend relates to COVID-19 and is being reported to COSLA via the returns submitted to identify the requirement for extra funding in relation to the pandemic.

- Within Early Learning and Childcare there is a projected overspend of £0.441m. Project Managers are currently carrying out investigative work to ensure the accuracy of the position and in the meantime the Education Service are not progressing with any further jobs as there may be a requirement to alter specifications going forward.

2.4.6 In respect of total project performance, there are 144 projects within the capital plan, 136 are complete or on target, 6 are off target and recoverable and 2 projects are off track. Of the 6 projects that are off target and recoverable, 2 are specifically linked to delays due to the COVID-19 pandemic. Of the 2 projects that are off track, 1 is linked to overspends due to the COVID-19 pandemic along with other contributing factors.

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 July 2020 to 31 August 2020 was a decrease of £0.350m.

2.5.3 Borrowing is above the Capital Financing Requirement for the period to 31 August 2020. At this stage in the financial year capital expenditure is below target and due to delays as a result of the COVID-19 pandemic it is likely to continue to be below target for the remainder of the year.

2.5.4 The levels of investments were £121m at 31 August 2020. The rate of return achieved was 0.585% which compares favourably with the target 7 day LIBID rate which was -0.066%.

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 £270.479m unusable reserves that are not backed with resources. They are required purely for accounting purposes.

2.6.3 As 31 March 2020, the Council had a total of £55.892m of usable reserves. Of this:

- £1.843m relates to the Repairs and Renewals Fund
- £4.379m relates to Capital Funds
- £49.670m was held in the General Fund, with £43.375m of this balance earmarked for specific purposes.

2.6.4 Of the earmarked balance of £43.375m:

- £27.064m is invested or committed for major initiatives/capital projects
- £5.007m has already been drawn down
- £6.379m is still to be drawn down in 2020-21
- £4.925m is planned to be spent in future years

2.6.5 The General Fund contingency is set at 2% of net expenditure for 2020-21 and amounts to £4.969m. At the beginning of the financial year there was £1.326m of unallocated General Fund Balance (over and above contingency). After taking into consideration the agreed supplementary estimate and the current forecast outturn for 2020-21, the Council is forecast to have a £0.751m deficit by the end of the year which is caused by the forecast overspend on social work referenced at paragraph 2.1.5.

	£000
Unallocated balance as at 31 March 2020	1,326
Supplementary estimate agreed 13 August 2020	(15)
Current Forecast Outturn for 2020-21 as at 31 August 2020	(2,062)
Estimated Unallocated balance as at 31 March 2021	(751)

2.6.6 A budget working group has been established to consider the actions required to bring current year spending back in line with budget and officers will continue to monitor the projected forecast outturn on an ongoing basis.

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 July and August 2020, there are five virements over £0.200m requiring authorisation:

- £0.304m budget realigned between Roads Trading Account and Education in respect of the year end fleet budget
- £0.454m budget transferred between Funding and Ferries to recognise that the ferries funding was received as a specific grant rather than within general revenue grant.
- £0.227m within Social Work to transfer budget from Health and Social Care Partnership HQ to Adult Services HQ to process an achieved saving in relation to the suspension of step up/down care.
- £0.203m budget harvested within Social Work against the vacancy savings target for the period July.
- £0.359m budget transferred from Health and Social Care Partnership HQ to Adult Services (£0.358m) and Children & Families (£0.001m) to allocate the Resource Release and Funds Flow budgets from the NHS.

3. RECOMMENDATIONS

3.1 It is recommended that the Policy and Resources Committee:

- a) Consider the revenue budget monitoring report as at 31 August 2020 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 August 2020
- c) Note the financial risks for 2020-21.
- d) Consider the capital plan monitoring report as at 31 August 2020 and approve the proposed changes to the capital plan as detailed in Appendix 4 to the report.
- e) Note the treasury monitoring report as at 31 August 2020.
- f) Consider the reserves and balances report as at 31 August 2020.
- g) Recommend to Council that the revenue virements over £0.200m during July and August are approved.

4. IMPLICATIONS

- | | | |
|-----|------------------------|---|
| 4.1 | Policy – | None. |
| 4.2 | Financial - | Outlines the revenue and capital monitoring for 2020-21 as at 31 August 2020. |
| 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
01 October 2020

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

Appendix 1 – Impact of COVID-19

FINANCIAL IMPACT OF COVID-19**Appendix 1**

	£000	£000
Estimate of Additional Costs		
Mobilisation Costs	2,187	
Lost Income	6,872	
Savings Not Delivered	112	
General Fund Capital	1,087	
Recovery Costs	2,088	
Reduced Costs	(1,692)	
Loss of Council Tax Income	555	
Total NEW Additional Costs		11,209
Scottish Government Funding:		
Hardship Fund	895	
£155m Budget Consequentials	2,776	
Food Fund	440	
Additional Food Fund (equal to expenditure)	320	
£50m Budget Consequentials	878	
Registrars of Death	9	
Share of £50m for education staff	499	
Share of £30m for education staff	299	
Total Scottish Government Funding		6,116
Funding Flexibility		
Early Years	350	
PEF	266	
Total Funding Flexibility		616
Estimated shortfall before applying other options		4,477
Potential Alternative Options		
Crown Estate Funding	1,504	
Loans Fund Investment Income	300	
Saving on Severance Costs	400	
		2,204
Estimated shortfall after applying flexible and internal funding		2,273

Overall Position:

- There is a forecast overspend for 2020-21 of £2.062m as at the end of August 2020. The forecast relates entirely to Social Work and is due to a combination of forecast slippage on the delivery of agreed savings and a high demand for services. There are no other forecast variances reported at this stage to differentiate between the impact of COVID-19 and other reasons for potential variances in the revenue budget.
- There is a year to date underspend of £1.279m. More focus is on the forecast outturn position, hence why sometimes the year to date position is not updated. The year to date variances within the departments mainly relate to the timing of income and expenditure, the recharging of costs to capital and the year to date impact of COVID-19.

Key Highlights as at August 2020:

- The forecast outturn is an overspend £2.062m, this has reduced slightly from £2.065m as at July. We will continue to engage with the CFO of the IJB to ensure that early indication of financial outturn is known and report on progress.

Key Financial Successes:

Performance against budget for 2019-20 was an overall net favourable position of £0.502m underspend. This breaks down as:

- £0.626m net underspend in relation to Council service departmental expenditure
- £0.976m net underspend in relation to other central costs
- £0.101m additional income through the Business Rates Incentive Scheme (BRIS)
- £1.141m overspend within Social Work
- £0.060m under-recovery of Council Tax income.

Key Financial Challenges:

Recover from the significant financial challenges placed on the Council as a result of the COVID-19 pandemic.

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

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

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

Proposed Actions to address Financial Challenges:

The additional costs will be closely evaluated and monitored throughout the year and a working group has been established to consider the funding options available to mitigate the gap created by COVID-19.

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

Continue to work closely with the CFO of the IJB to ensure that early indication of financial outturn is known and corrective action is agreed as appropriate to reduce the risk to the Council.

The Council are currently in the process of identifying savings to address the 2021/22 estimated budget gap including a programme of service redesign and council wide 2% efficiency savings.

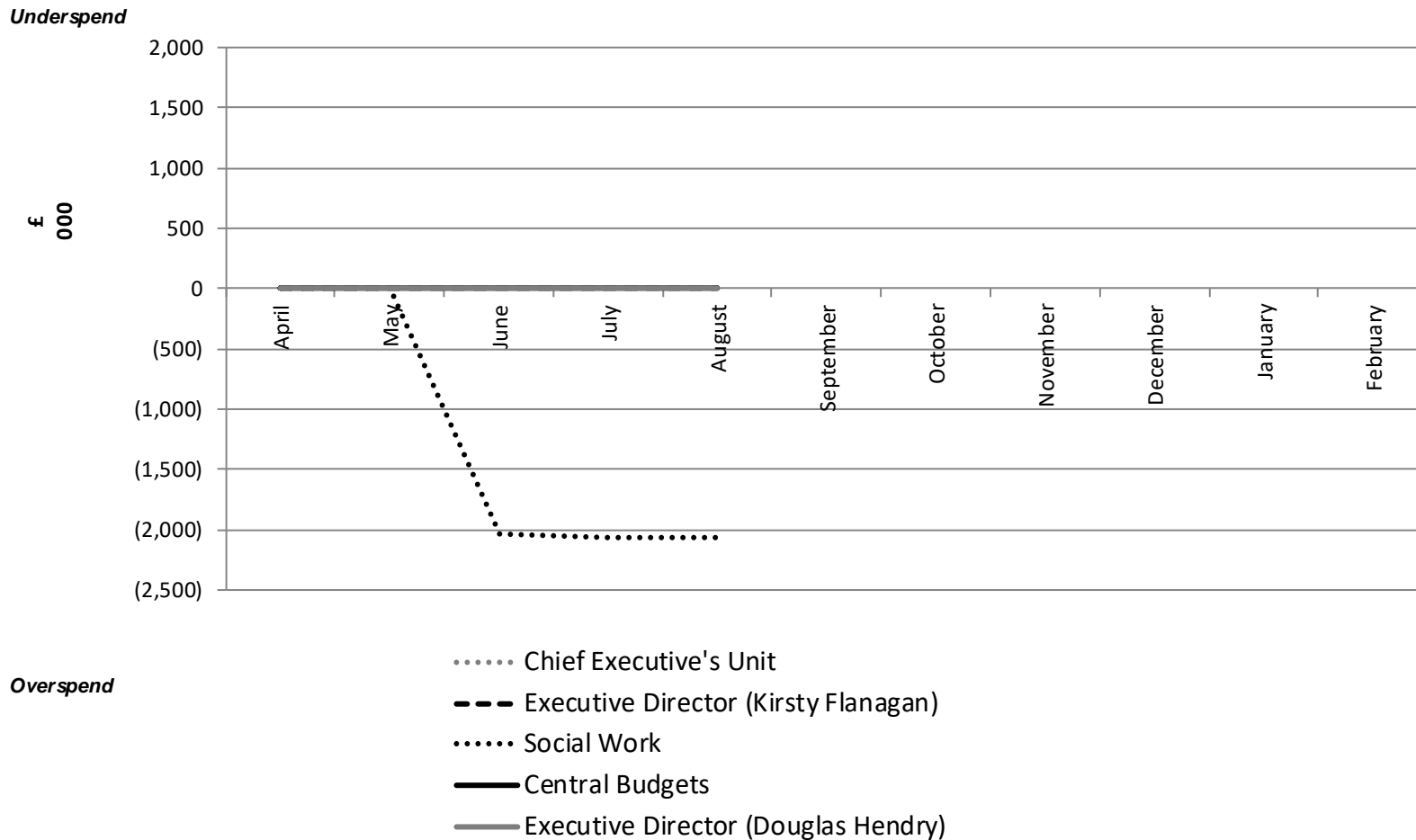
Maintaining or improving the level of service income recovered, for example planning, building standards and car parking.	Actively monitor income recovery and ensure Council fees and charges policies are reviewed.
Managing spend in service areas which are demand led and, to some extent, outwith service control, for example Winter Maintenance.	Use risk based approach to budget monitoring to focus additional attention to these areas.
Ongoing requirement to fund unavoidable increases in areas like employee costs, utility costs etc.	Ensure emerging issues are highlighted as soon as possible so that the financial impact can be reported through the budget monitoring and preparation processes.

Forecast Outturn Position

There is a forecast underspend for 2020-21 of £2.062m as at the end of August 2020 and the main variances are noted below.

Current Forecast Outturn Variance with change from previous month						
Department	Annual Budget £'000	Forecast Outturn £'000	Current Forecast Variance £'000	Previous Forecast Variance £000	Change £000	Explanation
Chief Executive's Unit	5,428	5,428	0	0	0	
Executive Director (Douglas Hendry)	117,627	117,627	0	0	0	
Executive Director (Kirsty Flanagan)	46,267	46,267	0	0	0	
Social Work	60,053	62,115	(2,062)	(2,065)	3	The forecast overspend is due to a combination of forecast slippage on the delivery of agreed savings and high demand for services.
Central Budgets	26,988	26,988	0	0	0	
Financed By	(256,363)	(256,363)	0	0	0	
Total	0	2,062	(2,062)	(2,065)	3	

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

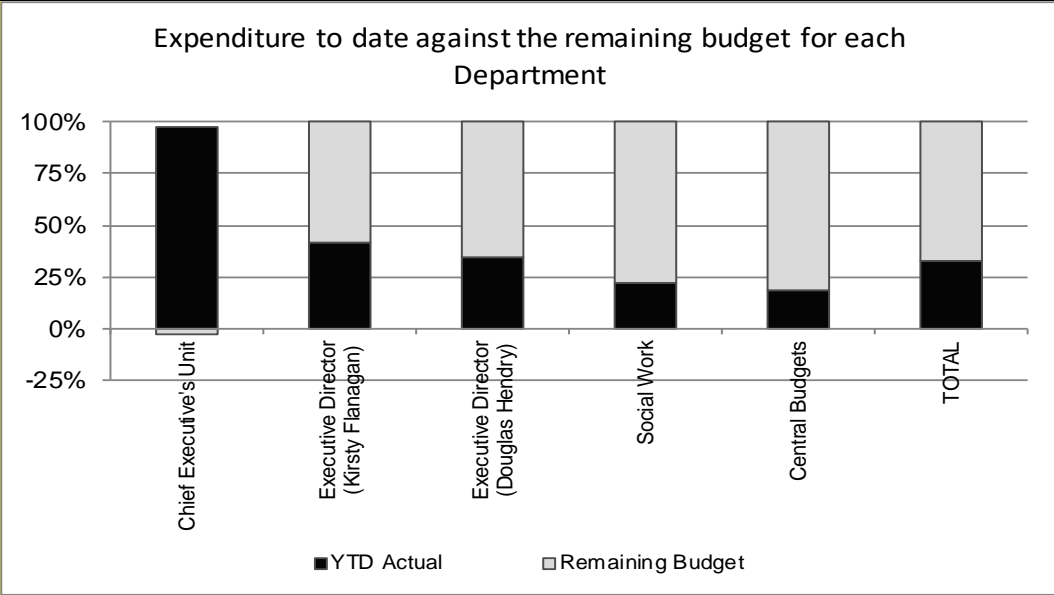


Further information on the departmental forecast variances is included later on in the report.

Year to Date Position

The year to date position as at the end of August 2020 is an underspend of £1.279m and the main variances are noted below.

Department	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000	Explanation
Chief Executive's Unit	5,570	5,339	(231)	The Money Skills Argyll project shows an overall overspend because of the substantial volatility in relation to the readiness and quality of claims for funding from the Big Lottery Fund and the lengthy and complex claim processing procedures involved.
Executive Director (Douglas Hendry)	40,596	40,445	(151)	The main variances are in relation to overspends within Commercial Services for the Community Food Project of £0.550m offset by savings in cleaning, shared and leisure facilities of £0.266m and a year to date underspend in Legal and Regulatory Support of £0.332m. Within the Education Service the year to date overspend of £0.080m is mainly due to overspends in teacher cover. This is due to a combination of the profile of teacher cover budgets as well as the impact of the additional teacher cover costs incurred due to the government's 'No Detriment in Pay' scheme, which has been recorded as a direct cost of COVID-19.
Executive Director (Kirsty Flanagan)	19,141	18,532	(609)	The year to date variance is an accumulation of various under and overspends across the service
Social Work	13,388	12,568	(820)	The most significant contributing factors are slippage on the delivery of agreed savings and a high demand for services. These are partially offset by a higher than expected recovery of vacancy savings at August
Central Budgets	4,972	8,062	3,090	There is an underspend resulting from additional income in relation to a historical VAT claim for the provision of sports related services, which net of VAT Advisor fees is £0.571m and other underspends from profiling in the Refugee Resettlement Programme, Audit Fee and NDR budgets. There is also an underspend in relation to the COVID-19 cost centres which is due to funding received that is currently being held centrally.
Total Net Expenditure	83,667	84,946	1,279	



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

OBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AT 31 AUGUST 2020

	YEAR TO DATE POSITION				CURRENT PROJECTED FINAL OUTTURN			
	YTD Actual	YTD Budget	YTD Variance	Variance	Annual Budget	Forecast Outturn	Forecast Variance	Variance
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Departmental Budgets								
Chief Executive's Unit	5,570	5,339	(231)	(4.3%)	5,428	5,428	0	0.0%
Executive Director (Kirsty Flanagan)	19,141	18,532	(609)	(3.3%)	46,267	46,267	0	0.0%
Executive Director (Douglas Hendry)	40,596	40,445	(151)	(0.4%)	117,627	117,627	0	0.0%
Social Work	13,388	12,568	(820)	(6.5%)	60,053	62,115	(2,062)	(3.4%)
Total Departmental Budgets	78,695	76,884	(1,811)	(2.4%)	229,375	231,437	(2,062)	(0.9%)
Central Budgets								
Other Operating Income and Expenditure	(967)	1,761	2,728	154.9%	5,477	5,477	0	0.0%
Joint Boards	700	700	0	0.0%	1,472	1,472	0	0.0%
Non-Controllable Costs	5,239	5,601	362	6.5%	20,039	20,039	0	0.0%
Total Central Budgets	4,972	8,062	3,090	38.3%	26,988	26,988	0	0.0%
TOTAL NET EXPENDITURE	83,667	84,946	1,279	1.5%	256,363	258,425	(2,062)	(0.8%)
Financed By								
Aggregate External Finance	(92,048)	(92,048)	0	0.0%	(201,533)	(201,533)	0	0.0%
Local Tax Requirement	(26,293)	(26,293)	0	0.0%	(52,859)	(52,859)	0	0.0%
Contributions to General Fund	0	0	0	0.0%	3,036	3,036	0	0.0%
Supplementary Estimates	0	0	0	0.0%	0	0	0	0.0%
Earmarked Reserves	0	0	0	0.0%	(5,007)	(5,007)	0	0.0%
Total Funding	(118,341)	(118,341)	0	0.0%	(256,363)	(256,363)	0	0.0%
Deficit/(Surplus) for Period	(34,674)	(33,395)	1,279		0	2,062	(2,062)	

SUBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AS AT 31 AUGUST 2020

	YEAR TO DATE POSITION				CURRENT PROJECTED FINAL OUTTURN			
	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000	Variance %	Annual Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Variance %
Subjective Category								
Employee Expenses	58,437	59,634	1,197	2.0%	156,049	155,317	732	0.5%
Premises Related Expenditure	6,054	6,869	815	11.9%	15,538	15,617	(79)	(0.5%)
Supplies and Services	7,149	8,260	1,111	13.5%	24,206	26,734	(2,528)	(10.4%)
Transport Related Expenditure	3,290	4,157	867	20.9%	16,947	16,851	96	0.6%
Third Party Payments	90,682	93,471	2,789	3.0%	191,518	192,263	(745)	(0.4%)
Capital Financing	0	0	0	0.0%	13,295	13,295	0	0.0%
TOTAL EXPENDITURE	165,612	172,391	6,779	3.9%	417,553	420,077	(2,524)	(0.6%)
Income	(200,286)	(205,786)	(5,500)	2.7%	(417,553)	(418,015)	462	(0.1%)
Deficit/(Surplus) for Period	(34,674)	(33,395)	1,279		0	2,062	(2,062)	

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

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

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

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

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

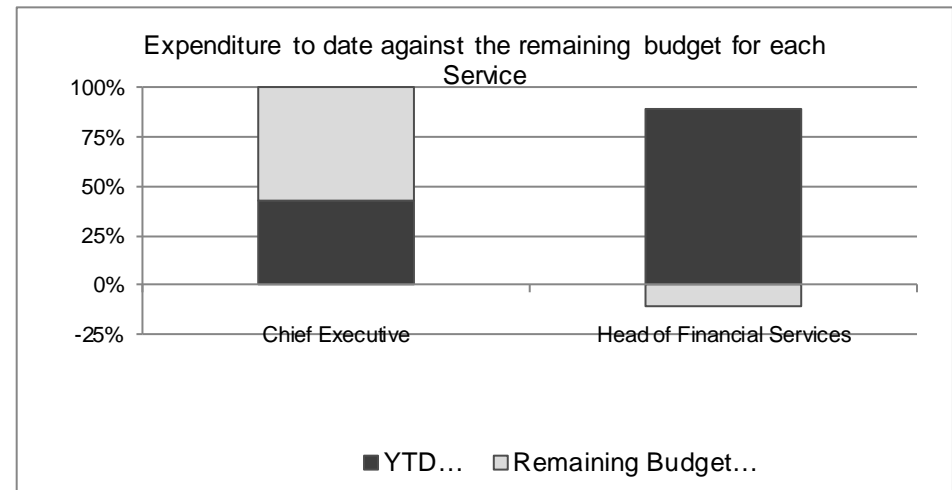
CHIEF EXECUTIVE'S UNIT – AS AT 31 AUGUST 2020

- The department is currently forecasting spend in line with budget.
- The department has a year to date overspend of £0.231m (4.3%) resulting from the Money Skills Argyll Project which is showing an overall overspend because of the substantial volatility in relation to the readiness and quality of claims for funding from the Big Lottery Fund and the lengthy and complex claim processing procedures involved.

Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Chief Executive	873	873	0	0	0
Head of Financial Services	4,555	4,555	0	0	0
Totals	5,428	5,428	0	0	0

Year to Date Position



Key Financial Successes:

The department are currently forecasting that spend will be in line with budget for 2020-21.

All savings options have been delivered.

The department outturn position at the end of 2019-20 was an overspend of £0.007m. This resulted from an underspend of £0.203m offset by reserves of £0.210m earmarked to support information management which are reported within the Chief Executive's Unit department.

Key Financial Challenges:

To continue to deliver high quality support service function during a time of continued budget cuts and significant financial challenges and resource pressure as a result of COVID-19.

Proposed Actions to address Financial Challenges:

Ensure team are operating as efficiently and effectively as possible to enable continued support to departments with reduced resources by building resilience and knowledge sharing across the team.

CHIEF EXECUTIVE'S UNIT – OBJECTIVE SUMMARY AS AT 31 AUGUST 2020

Business Outcome	Service Area	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Central/Management Costs	Central/Management Costs	109	109	0	0.0%	305	305	0	0.0%	Outwith reporting criteria
BO104 - Our communities are protected and supported	Community Development and Grants to Third Sector	200	201	1	0.5%	377	377	0	0.0%	Outwith reporting criteria
BO109 - All our adults are supported to realise their potential	Social Enterprise	16	16	0	0.0%	62	62	0	0.0%	Outwith reporting criteria
BO116 - We engage and work with our customers, staff and partners	Community Planning	46	48	2	4.2%	129	129	0	0.0%	Outwith reporting criteria
Chief Executive Total		371	374	3	0.8%	873	873	0	0.0%	
BO101 - We ensure information and support is available for everyone	Money Skills Argyll	246	0	(246)	0.0%	0	0	0	0.0%	Due to timing difference between expenditure and income
BO102 - We provide support, prevention and opportunities to help people make better lifestyle choices	Benefits including Scottish Welfare Fund	3,924	3,949	25	0.6%	1,884	1,884	0	0.0%	Outwith reporting criteria
BO110 - We support businesses, employment and development opportunities	Creditors and NDR relief	28	33	5	15.2%	355	355	0	0.0%	Slippage on travel and overtime budgets within creditors and over-recovery of rural rates relief income within NDR relief
BO115 - We are efficient and cost effective	Accounting and Budgeting and Revenues and Benefits	1,001	983	(18)	(1.8%)	2,316	2,316	0	0.0%	Outwith reporting criteria
Head of Financial Services Total		5,199	4,965	(234)	(4.7%)	4,555	4,555	0	0.0%	
GRAND TOTAL		5,570	5,339	(231)	(4.3%)	5,428	5,428	0	0.0%	

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

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

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

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

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

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

CHIEF EXECUTIVE'S UNIT – SUBJECTIVE SUMMARY AS AT 31 AUGUST 2020

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	1,664	1,600	(64)	(4.0%)	4,332	4,332	0	0.0%	There are adverse variances from Money Skills Argyll due to timing differences between income and expenditure and also within Local Tax due to extra hours to support the distribution of COVID19 Business Grants
Premises	0	0	0	0.0%	0	0	0	0.0%	Outwith reporting criteria
Supplies and Services	71	117	46	39.3%	510	510	0	0.0%	Budget profiling on postages and printing costs
Transport	8	19	11	57.9%	49	49	0	0.0%	Numerous accumulating variances on staff travel
Third Party	9,282	9,384	102	1.1%	25,057	25,057	0	0.0%	There is a favourable variance of £122k against Housing Benefits Private (contra with Income) offset by an overspend on Sheriff Officer fees in Council Tax due to paying Coronavirus related supplier relief.
Income	(5,455)	(5,781)	(326)	5.6%	(24,520)	(24,520)	0	0.0%	There are adverse variances against Housing Benefits Private (£116k - contra with Third Party Payments) and in Money Skills Argyll due to the timing difference between expenditure and income
Totals	5,570	5,339	(231)	(4.3%)	5,428	5,428	0	0.0%	

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

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

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

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

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

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

CHIEF EXECUTIVE'S UNIT – RED VARIANCES AS AT 31 AUGUST 2020

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

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

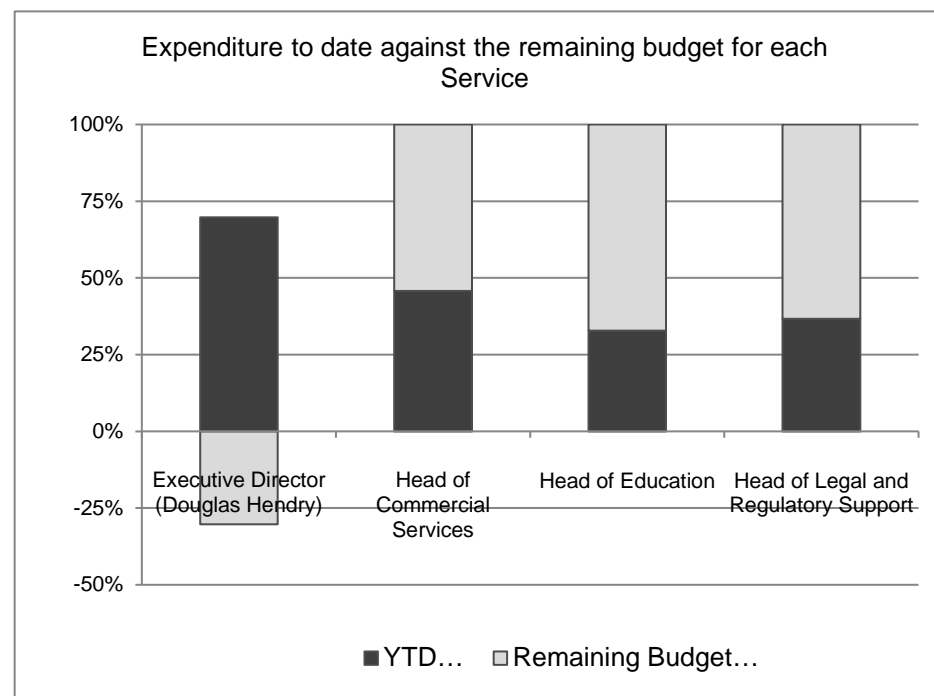
EXECUTIVE DIRECTOR (DOUGLAS HENDRY) – AS AT 31 AUGUST 2020

- The department is currently not forecasting any outturn variances at this stage of the year. This position does not reflect any forecast variances arising as a result of COVID-19 which will be reported separately.
- The department has a year to date overspend of £0.151m (0.4%). The main variances are in relation to overspends within Commercial Services for the Community Food Project of £0.550m offset by savings in cleaning, shared and leisure facilities of £0.266m and a year to date underspend in Legal and Regulatory Support of £0.332m. Within the Education Service the year to date overspend of £0.080m is mainly due to overspends in teacher cover. This is due to a combination of the profile of teacher cover budgets as well as the impact of the additional teacher cover costs incurred due to the government's 'No Detriment in Pay' scheme, which has been recorded as a direct cost of COVID-19.

Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Executive Director (Douglas Hendry)	69	69	0	0	0
Head of Commercial Services	9,291	9,291	0	0	0
Head of Education	89,356	89,356	0	0	0
Head of Legal and Regulatory Support	18,911	18,911	0	0	0
Totals	117,627	117,627	0	0	0

Year to Date Position



Key Financial Successes:

The 2019-20 year-end consolidated outturn position was an under spend of £0.625m. This was mainly due to deductions and delays in the Hub Schools contract and as a result lower than expected insurance and utility cost savings arising as a result of the annual renegotiation of insurance costs which forms part of the contract management arrangements which are in place for the NPDO. Additional rental income was collected by the One Council Property Team as well as savings on the Surplus Property Account. Additional unbudgeted income was received during the year from electricity feed in tariff schemes which had not been available to the department in previous years.

Key Financial Challenges:

The impact of COVID-19

Impact of numbers/uptake in demand led service areas like catering, design services and licensing.

Support longer term service re-design project for Catering and Cleaning services to ensure efficiencies and financial savings are secured for the Council as well as delivering the expansion of free school meals as part of the delivery of 1140 hours of Early Learning and Childcare. Success of the re-design project is dependent on buy-in from Argyll & Bute Health and Social Care Partnership.

New legislative/policy requirements not fully funded by Scottish Government which put additional burdens on the Council. For example, additional demands from IJB and unknown impact of new education arrangements on all support services.

Ensuring the Education service can continue to contribute to Council savings programmes whilst adhering to Scottish Government national initiatives (i.e. maintaining Pupil Teacher ratio across the service).

The Council has a requirement to deliver 1140 hours of Early Learning and Childcare by 2021. The deadline has been extended from 2020 due to the outbreak of COVID-19. The Scottish Government committed to funding this with additional resources based on individual implementation plans with funding confirmed to 2021-22. The current uncertainty around service delivery models and delays in building works due to the

Proposed Actions to address Financial Challenges:

Costs are being contained where possible. A cross party informal working group has been established to consider the council wide in year budget gap.

Continually refine/develop systems to accurately calculate forecast outturns and the impact on the future financial outlook.

Effective working with consultants and support with implementation of preferred service delivery method.

Analysis of new obligations and whether they incur additional costs not met through increased grant.

Provide the Transformation Board with robust financial information which allows informed decisions be made to ensure deliverable savings options are presented, developed and implemented.

Analysis of new obligations required around delivery models and potential costs of delays in building works due to the pandemic. Robust service costings, financial monitoring and timely reporting to ensure the service can deliver the project within the financial resources available.

pandemic have put further pressure on the project costs and implementation plan.

EXECUTIVE DIRECTOR (DOUGLAS HENDRY) – OBJECTIVE SUMMARY AS AT 31 AUGUST 2020

Business Outcome	Service Area	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Central/Management Costs	Central/Management Costs	122	119	(3)	(2.5%)	69	69	0	0.0%	Outwith reporting criteria
Executive Director (Douglas Hendry) Total		122	119	(3)	(2.5%)	69	69	0	0.0%	
Central/Management Costs	Central/Management Costs	90	94	4	4.3%	247	247	0	0.0%	Outwith reporting criteria
BO107 - The support and lifestyle needs of our children, young people, and their families are met	Catering and Cleaning	1,209	659	(550)	(83.5%)	1,115	1,115	0	0.0%	Expenditure relating to the Community Food Project and under recovery of school meal income due to School closures.
BO113 - Our infrastructure is safe and fit for the future	Catering and Cleaning, CHORD, Property and Leisure	1,185	1,232	47	3.8%	3,461	3,461	0	0.0%	Outwith reporting criteria
BO116 - We engage and work with our customers, staff and partners	Schools Support Development	1,763	1,862	99	5.3%	4,468	4,468	0	0.0%	Underspend within Leisure Development - Payments to Voluntary Organisations due to timing of spend/profiling
Head of Commercial Services Total		4,247	3,847	(400)	(10.4%)	9,291	9,291	0	0.0%	
BO106 - Our looked after young people are supported by effective corporate parenting	Education Psychologists and Residential Accommodation	624	634	10	1.6%	1,789	1,789	0	0.0%	Outwith reporting criteria
BO107 - The support and lifestyle needs of our children, young people, and their families are met	Early Years and Community Learning	(2,500)	(2,426)	74	(3.1%)	9,948	9,948	0	0.0%	The YTD underspend of £74k is due to the budget profile for teacher costs in ELC settings which will be resolved in September.

BO108 - All our children and young people are supported to realise their potential	Primary and Secondary Education	30,831	30,722	(109)	(0.4%)	77,225	77,225	0	0.0%	The main contributing factor in the YTD overspend is in teacher cover. This is partly due to the profile of the teacher cover budget as well as the additional cost of funding the 'No Detriment in Pay Scheme', which is a direct cost of COVID-19.
BO116 - We engage and work with our customers, staff and partners	Regional Improvement Collaborative	34	29	(5)	(17.2%)	53	53	0	0.0%	This variance is due to outstanding budget adjustments in the Northern Alliance cost centre. These adjustments will be processed in September.
BO117 - We encourage creativity and innovation to ensure our workforce is fit for the future	Education Support	188	137	(51)	(37.2%)	(15)	(15)	0	0.0%	The main contributing factors to the year to date over spend are: (1) The purchase of education licenses. Budget requires to be identified to fund these licenses (2) Costs have been incurred in supporting teachers through alternative routes. It is anticipated that funding will be provided to cover these costs, however, the distribution of funding does not take place until later in the financial year.
Central/Management Costs	Central/Management Costs	120	121	1	0.8%	356	356	0	0.0%	Outwith reporting criteria
Head of Education Total		29,297	29,217	(80)	(0.3%)	89,356	89,356	0	0.0%	
BO102 - We provide support, prevention and opportunities to help people make better lifestyle choices	Housing and Regulatory Services	130	126	(4)	(3.2%)	336	336	0	0.0%	Outwith reporting criteria
BO104 - Our communities are protected and supported	Civil Contingencies & Anti Social Behaviour	64	73	9	12.3%	182	182	0	0.0%	£9k net underspend Childrens Panel

BO110 - We support businesses, employment and development opportunities	Licensing, Procurement and Commissioning	338	227	(111)	(48.9%)	962	962	0	0.0%	£174k Licensing Income not received due to COVID19 - reported on COSLA return. Offset by a YTD underspend in employee costs in Procurement due to delay in filling vacancies arising from staff restructuring.
BO111 - We influence and engage with businesses and policy makers	Trading Standards	68	70	2	2.9%	230	230	0	0.0%	Outwith reporting criteria
BO113 - Our infrastructure is safe and fit for the future	NPDO and Hub Schools	5,650	6,016	366	6.1%	14,962	14,962	0	0.0%	YTD variance of £366k, £176k of this underspend is due to receipt of the Council's share of the insurance saving on the NPDO schools for 2020-21. There is also £157k still to be paid due to delays in invoicing utilities for this financial year and £10k for deductions offered.
BO115 - We are efficient and cost effective	Democratic Services, Governance & Legal Services	406	466	60	12.9%	1,468	1,468	0	0.0%	£16k underspend in Postages & Printing; £14k underspend within support to IJB, LGE13 & LGE7 not recruited yet; £8k underspend in employee costs - unspent training budget/awaiting invoices from Brodies & some costs funded by IJB monies; £21k various small variances.
BO116 - We engage and work with our customers, staff and partners	Members Services and Community Councils	193	194	1	0.5%	525	525	0	0.0%	Outwith reporting criteria
Central/Management Costs	Central/Management Costs	81	90	9	10.0%	246	246	0	0.0%	Majority of unspent budget lies within postages & advertising.

Head of Legal and Regulatory Support Total		6,930	7,262	332	4.6%	18,911	18,911	0	0.0%	
GRAND TOTAL		40,596	40,445	(151)	(0.4%)	117,627	117,627	0	0.0%	

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

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

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

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

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

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

EXECUTIVE DIRECTOR (DOUGLAS HENDRY) – SUBJECTIVE SUMMARY AS AT 31 AUGUST 2020

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	33,665	33,785	120	0.4%	86,757	86,757	0	0.0%	Non Education: YTD underspend of £40k, represented by a £33k underspend in Commercial Services, £21k underspend in LRS offset by £15k overspend in Directorate. The YTS underspends are mainly due to delays in filling staff vacancies, Education: YTD underspend of £80k is due to employee budgets within schools and learning centres. Under the scheme of Devolved School Management (DSM) schools are permitted flexibility at the end of the year so no Forecast Variance is required.
Premises	1,192	1,426	234	16.4%	5,925	5,925	0	0.0%	Non Education: £266k underspend in Commercial Services and mainly in relation to shared offices, surplus properties and Live Argyll facilities, reduced expenditure due to office/premises closures. Education: The YTD overspend of £29k is due to budget profile and pressure on repairs budget in Primary Schools.
Supplies and Services	4,097	3,943	(154)	(3.9%)	12,499	12,499	0	0.0%	Non Education: £118k YTD overspend in Commercial Services, overspend of £714k in the Community Food Project, offset by an underspend of £581k in catering purchases due to school/office closures. There is also £146k of grant being claimed for Free Schools meals during the summer holidays, this will reduce the overspend in Community Food further. Education: £86K YTD overspend is due to a £38k YTD overspend in Educational Licenses and the remaining £48k is profile related and will be rectified in September.
Transport	74	137	63	46.0%	481	481	0	0.0%	Non Education: YTD underspend of £45k due to reduction in travel as a consequence of COVID-19 Education: YTD underspend of £18k is due to travel reduction as a consequence of COVID19.
Third Party	15,309	15,745	436	2.8%	39,410	39,410	0	0.0%	Non Education: YTD underspend of £342k within NPDO schools contract, insurance saving of £176k and delays in utilities invoicing of £157k. Education: YTD overspend of £44k is profile related and will be rectified in September.
Income	(13,741)	(14,591)	(850)	5.8%	(27,445)	(27,445)	0	0.0%	Non Education: YTD overspend of £833k, £690k relates to Commercial Services, £266k property fee income not received and £445k due to loss of school meal variable bid income. £142k relates mainly to loss of licensing income within Legal and Regulatory Support. Education: YTD under recovery of income of £16k is due to under recovery of school house rental.
Totals	40,596	40,445	(151)	(0.4%)	117,627	117,627	0	0.0%	

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

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

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

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

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

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

EXECUTIVE DIRECTOR (DOUGLAS HENDRY) – RED VARIANCES AS AT 31 AUGUST 2020

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

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

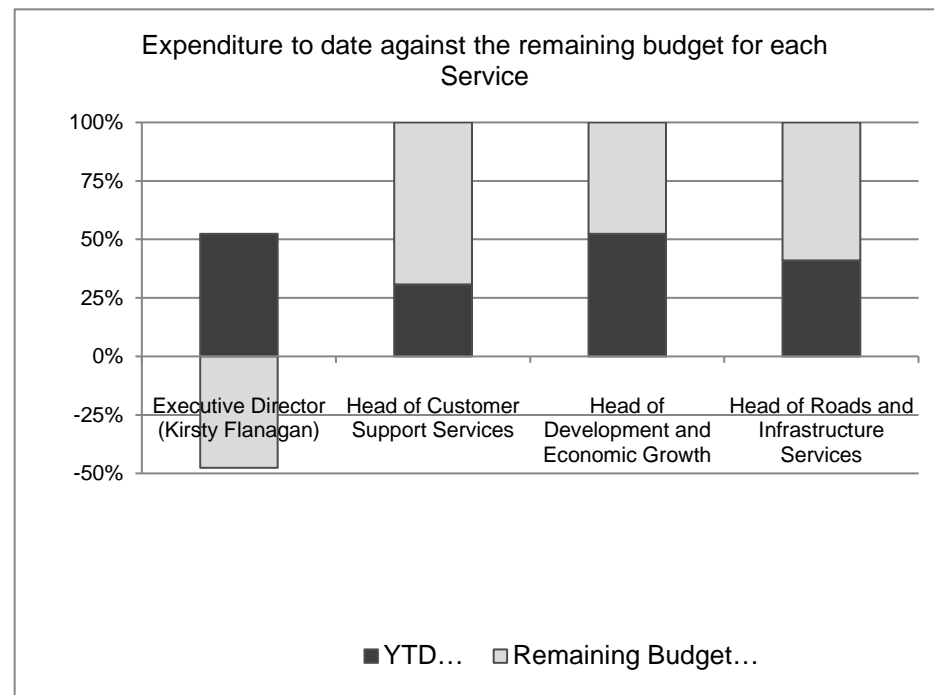
EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – AS AT 31 AUGUST 2020

- The department currently has no forecast variances in 2020-21 although there will be significant cost pressures as a result of COVID-19 which are reported separately.
- The department has a year to date overspend of £0.609m (3.3%) against budget.

Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Executive Director (Kirsty Flanagan)	8	8	0	0	0
Head of Customer Support Services	8,065	8,065	0	0	0
Head of Development and Economic Growth	8,006	8,006	0	0	0
Head of Roads and Infrastructure Services	30,188	30,188	0	0	0
Totals	46,267	46,267	0	0	0

Year to Date Position



Key Financial Successes:

At the end of financial year 2019-20 the department showed an overall underspend of £0.008m after taking into account all earmarkings. Although there were a number of areas of overspend e.g. increase in the provision for bad debts, fleet repairs and loss of car parking income, these were offset by additional vacancy savings and increased income in Building Standards, Private Water Supplies and Planning. There was also a one off underspend as the payment to Scottish Fire & Rescue was less than the amount previously accrued.

Key Financial Challenges:	Proposed Actions to address Financial Challenges:
The impact of COVID-19	Costs are being contained where possible. A cross party informal working group has been established to consider the council wide in year budget gap.
Department / Service ongoing ability to meet future savings / efficiency requirements.	Monitoring of trend / expenditure levels / service configuration and the Service Packages Policy Options savings process.
Dangerous buildings, there is no budget for this expenditure and the council have no control over the demand for the service.	Building Standards, Legal Services and Financial Services are working closely to manage debt recovery and to consider other options to minimise corporate risk exposure.
<p>Due to the nature of the various components of Waste Management there are ongoing challenges with:</p> <ul style="list-style-type: none"> • Island haulage costs • Uncertainty with recycling income/ gate fee costs due to the volatility of the market • Challenges in the legislative changes around the disposal of Biodegradable Municipal Waste 	To closely monitor all service components of Waste Management and review Waste Strategy in conjunction with our contractual partner Renewii (previously Shanks).
Winter Maintenance costs are difficult to estimate as they are very much dependant on the weather.	Close monitoring of Winter Maintenance and reporting of the financial implications through budget monitoring process. The Council agreed the winter policy, setting out the intervention level and locations to be treated. The numbers of treatments are determined by weather conditions. The current budget provision provides for 58 full equivalent runs. There is a sophisticated weather monitoring system in place consisting of several weather stations, this is supported by a forecasting and metrological service which is collaboratively procured by West of Scotland local authorities.

EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – OBJECTIVE SUMMARY AS AT 31 AUGUST 2020

Business Outcome	Service Area	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Central/Management Costs	Central/Management Costs	90	91	1	1.1%	8	8	0	0.0%	Outwith reporting criteria
Executive Director (Kirsty Flanagan) Total		90	91	1	1.1%	8	8	0	0.0%	
BO101 - We ensure information and support is available for everyone	Customer Service Centre, Registrars and HR Employee Relations	640	605	(35)	(5.8%)	1,707	1,707	0	0.0%	Loss of income due to COVID-18
BO112 - Argyll and Bute is promoted to everyone	Bord na Gaidhlig	12	12	0	0.0%	12	12	0	0.0%	Outwith reporting criteria
BO113 - Our infrastructure is safe and fit for the future	ICT	952	946	(6)	(0.6%)	3,849	3,849	0	0.0%	Outwith reporting criteria
BO115 - We are efficient and cost effective	HR operations, payroll and system development	383	386	3	0.8%	963	963	0	0.0%	Outwith reporting criteria
BO116 - We engage and work with our customers, staff and partners	Communications team and HR HSCP	109	119	10	8.4%	324	324	0	0.0%	Outwith reporting criteria
BO117 - We encourage creativity and innovation to ensure our workforce is fit for the future	HR project teams and improvement and organisational development	247	312	65	20.8%	893	893	0	0.0%	Training centre has received income ahead of profile plus 3rd party payments behind profile.
Central/Management Costs	Central/Management Costs	137	128	(9)	(7.0%)	317	317	0	0.0%	Outwith reporting criteria
Head of Customer Support Services Total		2,480	2,508	28	1.1%	8,065	8,065	0	0.0%	
BO102 - We provide support, prevention and opportunities to help people make better lifestyle choices	Private Water Supplies and Welfare Reform	46	72	26	36.1%	4	4	0	0.0%	Reduced testing due to COVID-18

BO103 - We enable a choice of suitable housing options	Homelessness and Housing Support Services	2,020	1,685	(335)	(19.9%)	2,710	2,710	0	0.0%	Increased costs for homeless accommodation due to COVID-19 plus and HEEPS grants still to be received partially offset by reduction in Private Housing Grants
BO104 - Our communities are protected and supported	Environmental Health	304	295	(9)	(3.1%)	1,094	1,094	0	0.0%	Reduction in income due to COVID-19
BO105 - Our natural and built environment is protected and respected	Building Standards	(4)	(83)	(79)	95.2%	(120)	(120)	0	0.0%	Reduction in income due to COVID-19
BO110 - We support businesses, employment and development opportunities	Development Policy, Development Management and Economic Development	848	658	(190)	(28.9%)	1,852	1,852	0	0.0%	Reduction in income due to COVID-19
BO111 - We influence and engage with businesses and policy makers	European Team and Economic Development Intelligence	90	77	(13)	(16.9%)	254	254	0	0.0%	Vacancy savings
BO112 - Argyll and Bute is promoted to everyone	T&L Regeneration, Town Centre Fund, Events and Festivals, CWSS and Timber Transport	219	178	(41)	(23.0%)	375	375	0	0.0%	Grant income still to be received
BO113 - Our infrastructure is safe and fit for the future	Projects, TIF and Airports	501	524	23	4.4%	1,326	1,326	0	0.0%	Outwith reporting criteria
Central/Management Costs	Central/Management Costs	167	187	20	10.7%	511	511	0	0.0%	Payments to 3rd parties behind profile.
Head of Development and Economic Growth Total		4,191	3,593	(598)	(16.6%)	8,006	8,006	0	0.0%	
BO104 - Our communities are protected and supported	Public Transport	3,076	3,324	248	7.5%	2,765	2,765	0	0.0%	Profiling of Public Transport expenditure

BO113 - Our infrastructure is safe and fit for the future	Road & Lighting, Roads Design, Network & Environment & Marine Services	2,473	2,818	345	12.2%	10,088	10,088	0	0.0%	Loss of income in Car Parking and Piers and Harbours as a result of COVID-19 offset by profiling variances in Roads Maintenance. Delay in expenditure on Roads Maintenance due to COVID-19 will be caught up on later in year. There will be a large variance caused by the delay on starting capital works due to covid-19.
BO114 - Our communities are cleaner and greener	Amenity Services & Waste Disposal	4,789	5,262	473	9.0%	14,672	14,672	0	0.0%	Profiling related to Waste Disposal PPP
BO115 - We are efficient and cost effective	Fleet & Waste Collection	991	(34)	(1,025)	3014.7%	254	254	0	0.0%	Loss of income in Commercial Refuse collection and Fleet external work caused by COVID-18
Central/Management Costs	Central/Management Costs	1,051	970	(81)	(8.4%)	2,409	2,409	0	0.0%	Insurance claim still outstanding for Mill Park Depot.
Head of Roads and Infrastructure Services Total		12,380	12,340	(40)	(0.3%)	30,188	30,188	0	0.0%	
GRAND TOTAL		19,141	18,532	(609)	(3.3%)	46,267	46,267	0	0.0%	

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

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

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

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

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

EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – SUBJECTIVE SUMMARY AS AT 31 AUGUST 2020

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	11,773	12,228	455	3.7%	32,617	32,617	0	0.0%	Vacancy savings caused by delays in filling posts as a result of COVID-19, reduction in overtime and training
Premises	351	530	179	33.8%	2,826	2,826	0	0.0%	Reduction in central repairs due to COVID-19
Supplies and Services	1,854	2,939	1,085	36.9%	8,374	8,374	0	0.0%	Reduction in the purchase of materials as a result of reduced work being carried out during the pandemic
Transport	3,014	3,721	707	19.0%	15,455	15,455	0	0.0%	Reduction in fuel and external hires as a result of the pandemic
Third Party	10,634	12,940	2,306	17.8%	36,707	36,707	0	0.0%	Payments to private contractors and internal trading accounts lower due to reduced work being carried out during the pandemic partially offset by increased payments in respect of Homelessness.
Capital Financing	0	0	0	0.0%	1,237	1,237	0	0.0%	Outwith reporting criteria
Income	(8,485)	(13,826)	(5,341)	38.6%	(50,949)	(50,949)	0	0.0%	Reduction in income across many services as a direct result of COVID-19.
Totals	19,141	18,532	(609)	(3.3%)	46,267	46,267	0	0.0%	

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

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

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

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

EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – RED VARIANCES AS AT 31 AUGUST 2020

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

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

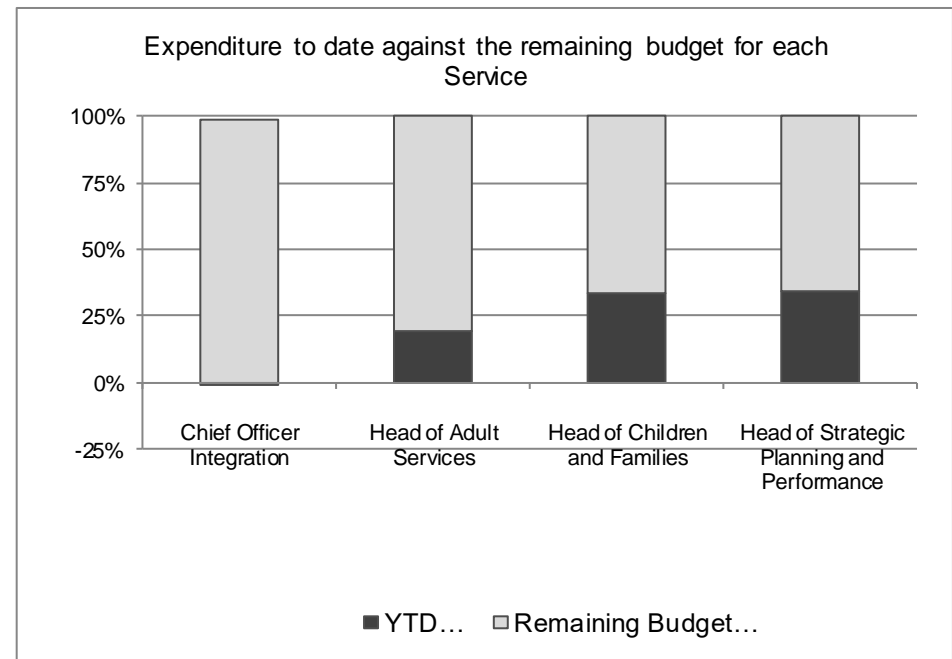
SOCIAL WORK – AS AT 31 AUGUST 2020

- The department is currently forecasting an overspend of £2.062m (3.4%) which is due to a combination of forecast slippage on the delivery of agreed savings and high demand for services partially offset by a forecast higher than budgeted recovery of vacancy savings.
- The department has a year to date overspend of £0.820m (6.5%) against budget due to a range of factors, the most significant are slippage on the delivery of agreed savings and a high demand for services. These are partially offset by a higher than expected recovery of vacancy savings at August.

Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Chief Officer Integration	2,120	374	1,746	0	1,746
Head of Adult Services	43,580	47,077	(3,497)	0	(3,497)
Head of Children and Families	13,952	14,248	(296)	0	(296)
Head of Strategic Planning and Performance	401	416	(15)	0	(15)
Totals	60,053	62,115	(2,062)	0	(2,062)

Year to Date Position



Key Financial Successes:

Reduced the deficit in 2019/20 to £1.141m compared to an outturn deficit in 2018/19 of £3.127m, an improvement of 63.5%.

Key Financial Challenges:	Proposed Actions to address Financial Challenges:
Fully deliver the £3.841m of agreed savings which remain outstanding as at June 2020.	Develop a close working relationship with the HSCP Service Improvement Team in order to effectively support the implementation of a robust performance management mechanism to track the delivery of the savings options.
Development and delivery of future service redesigns which will be necessary to contain service expenditure within the allocated resource in the medium to long term.	Support from finance to assist strategic managers to look beyond the short term to identify and plan the changes which will be needed to address the expected ongoing budget challenge over the next 3 to 5 years.
Support the HSCP through the COVID-19 pandemic. There are additional costs across the HSCP as a direct result as the partnership's response to COVID-19. These costs are captured and reported to the Scottish Government to via Mobilisation Plans.	Support from finance to assist the service in capturing all additional costs associated with the response to COVID-19 to ensure these are included on Scottish Government funding returns.

SOCIAL WORK – OBJECTIVE SUMMARY AS AT 31 AUGUST 2020

Business Outcome	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Integration HQ	(22)	399	421	105.5%	2,120	374	1,746	82.4%	The YTD variance is due to the over-recovery of agreed vacancy savings (£571k) partially offset by slippage on the delivery of agreed efficiency savings (£115k) and overspends on software licences and central repairs. The forecast underspend reflects unallocated demand pressures for Older People and Young Adults, underspends against centrally held contingency funding and over-recovery of vacancy savings (£795k) partially offset by provision for bad debts (£80k) and estimated slippage on the delivery of agreed savings (£218k).
Chief Officer Total	(22)	399	421	105.5%	2,120	374	1,746	82.4%	
Service Development	136	138	2	1.5%	401	416	(15)	(3.7%)	Outwith reporting criteria.
Head of Strategic Planning and Performance Total	136	138	2	1.5%	401	416	(15)	(3.7%)	
Older People	7,082	6,234	(848)	(13.6%)	29,632	30,513	(881)	(3.0%)	The YTD overspend is mainly due to slippage on the delivery of agreed savings (£675k) and higher than budgeted demand for Homecare (£258k YTD). This is offset by a YTD over recovery of income in the HSCP care homes and a YTD underspend across the CHP budgets due to the reduced admission volume as a result of covid-19. The full year forecasts for the external residential care budgets have been adjusted based on a gradual return to normal operations over the course of the year. The forecast overspend reflects higher than budgeted demand for homecare (£384k) and slippage on agreed savings (£1.3m). This is offset by higher than expected income from fees and charges in the HSCP care homes, underspends across the external residential care budgets due to the impact from Covid, and underspends on payments to other bodies within Telecare. The main contributors to the movement in forecast this month are reductions to forecast spend in homecare, external residential care and reductions in forecast staff costs due to vacancies across the assessment and care management teams.

Physical Disability	578	246	(332)	(135.0%)	1,733	2,470	(737)	(42.5%)	The YTD overspend is mainly due to demand driven overspends on third party payments in supported living, slippage on agreed savings (£12k) and lower than expected income from fees and charges. The forecast overspend reflects higher than budgeted demand for supported living (£682k), higher than budgeted purchasing in the integrated equipment service (£51k) and slippage on agreed savings (£24k) in supported living. This is offset slightly by a forecast underspend (14k) in the residential care budget and other minor underspends across the service.
Learning Disabilities	719	173	(546)	(315.6%)	9,864	11,651	(1,787)	(18.1%)	The YTD overspend is due to service demand in supported living and residential care as well as slippage on agreed savings (£435k) partially offset by YTD underspends on respite. The forecast overspend reflects higher than budgeted demand for services in supported living and residential placements as well as slippage on agreed savings (£854k). The forecast overspend has increased compared to the previous month forecast due to a new supported living service and revisions to existing residential services.
Mental Health	78	185	107	57.8%	1,961	1,985	(24)	(1.2%)	The YTD underspend within mental health is due to the timing of a quarterly payment within the integrated addiction service (£112k). The YTD budget includes two quarterly payments of the SLA however we have only been invoiced for one quarter YTD this will be rectified in September and will be reflected correctly in the next report. The forecast variance is outwith reporting criteria.
Central/Management Costs	98	68	(30)	(44.1%)	390	458	(68)	(17.4%)	The YTD overspend is due to the YTD slippage on agreed savings (£54k). Offset partially by various minor YTD underspends, specifically relating to the timing of third party payments in adult protection and adult services. The YTD savings slippage was £118k last month, this has reduced this month as YTD position no longer includes slippage on saving 1920-42 (227k) declared during August. The forecast overspend is mainly due to estimated slippage on the delivery of agreed savings (£86k) offset slightly by various minor underspends on payments to other bodies within the appropriate adult budget and other areas such as transport related expenditure and supplies and services.

Head of Adult Services Total	8,555	6,906	(1,649)	(23.9%)	43,580	47,077	(3,497)	(8.0%)	
Looked After Children	2,701	2,779	78	2.8%	7,119	7,748	(629)	(8.8%)	The YTD variance is due to underspends on payments to other bodies across supporting young people leaving care, over-recovery of income as a result of adhoc adoption charges and underspends across fostering as a result of service demand. This is partially offset by YTD overspends on payments to other bodies within external residential placements. The forecast overspend arises due to demand for external residential placements (£808k) and slippage on agreed savings (£59k) partially offset by underspends in fostering arising due to lower than budgeted service demand and adoption as a result of additional income for external placement.
Child Protection	862	1,195	333	27.9%	3,417	3,189	228	6.7%	The YTD underspend reflects lower than expected demand for contact and welfare services as well as underspends on staffing costs in area teams. The YTD position also includes an outstanding accrual from 2019-20 which has not yet been invoiced which is further skewing the YTD position. The forecast underspend arises mainly due to lower than anticipated service demand for contact and welfare services as well as staffing underspends in the area teams.
Children with a Disability	270	260	(10)	(3.9%)	817	812	5	0.6%	Outwith reporting criteria.
Criminal Justice	10	96	86	89.6%	154	48	106	68.8%	The YTD underspend reflects underspends on staffing, as well as minor underspends on payments to other bodies, printing & stationery, rent and staff travel costs. The forecast underspend arises due to staff vacancies and related reduced staff travel expenses as well as underspends on computer software, rent and utilities.
Central/Management Costs	876	795	(81)	(10.2%)	2,445	2,451	(6)	(0.2%)	The YTD overspend reflects slippage on the delivery of agreed efficiency savings (£101k) partially offset by underspends on printing & stationery, postages and staff travel. The forecast variance is outwith reporting criteria.
Head of Children and Families and Community Justice Total	4,719	5,125	406	7.9%	13,952	14,248	(296)	(2.1%)	
	13,388	12,568	(820)	(6.5%)	60,053	62,115	(2,062)	(3.4%)	

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

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

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

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

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

SOCIAL WORK – SUBJECTIVE SUMMARY AS AT 31 AUGUST 2020

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	10,236	11,018	782	7.1%	29,351	28,619	732	2.5%	The YTD underspend arises due to a number of over and underspends across the service. The most significant underspend relates to YTD over-recovery of vacancy savings (£571k), combined with underspends in mental health services, Children & Families area teams and Criminal Justice. The most significant overspends relate to Older People care homes and Looked After Children. The forecast underspend arises mainly due to the expected over-recovery of vacancy savings (£795k) combined with forecast underspends in the above noted areas partially offset by overspends in Older People and Looked After Children.
Premises	224	185	(39)	(21.1%)	1,050	1,130	(80)	(7.6%)	The YTD overspend arises mainly due to payments for rental costs and central repairs. The forecast overspend is mainly due to forecast overspends on central repairs, rental costs and solid fuel charges.
Supplies & Services	873	(620)	(1,493)	240.8%	(1,717)	811	(2,528)	147.2%	Both the YTD and forecast variances reflect the YTD and overall estimated slippage on the delivery of agreed savings as at August 2020.
Transport	188	252	64	25.4%	696	601	95	13.7%	The YTD underspend arises due to various travel underspends across the service which is to be expected due to the current restrictions on travel due to Covid-19. The forecast year end outturn reflects the continued reduction in travel across the service due to ongoing travel restrictions and an expectation that different ways of working will be adopted as part of the Covid-19 recovery over the longer term.
Third Party	17,343	17,032	(311)	(1.8%)	50,837	51,581	(744)	(1.5%)	The YTD overspend reflects higher than budgeted demand for services. The forecast overspend reflects the higher than budgeted demand for purchased care services in Children's and Adult Services.
Income	(15,476)	(15,299)	177	(1.2%)	(20,164)	(20,627)	463	(2.3%)	Both the YTD and forecast variances reflect an over recovery of income, mainly due to increased income from fees, charges and recharges, partially offset by a lower than budgeted income from new charging order debt.
Totals	13,388	12,568	(820)	(6.5%)	60,053	62,115	(2,062)	(3.4%)	

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

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

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

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

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

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

SOCIAL WORK – RED VARIANCES AS AT 31 AUGUST 2020

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Integration HQ	3,098	1,352	1,746	56.4%	The forecast underspend reflects unallocated demand pressures for Older People and Young Adults, underspends against centrally held contingency funding and over-recovery of vacancy savings (£795k) partially offset by provision for bad debts (£80k) and estimated slippage on the delivery of agreed savings (£218k).
Older People	35,464	36,344	(880)	(2.5%)	The forecast overspend reflects higher than budgeted demand for homecare (£384k) and slippage on agreed savings (£1.3m). This is offset by higher than expected income from fees and charges in the HSCP care homes, underspends across the external residential care budgets due to the impact from Covid, and underspends on payments to other bodies within Telecare. The main contributors to the movement in forecast this month are reductions to forecast spend in homecare, external residential care and reductions in forecast staff costs due to vacancies across the assessment and care management teams.
Physical Disability	2,410	3,147	(737)	(30.6%)	The forecast overspend reflects higher than budgeted demand for supported living (£682k), higher than budgeted purchasing in the integrated equipment service (£51k) and slippage on agreed savings (£24k) in supported living. This is offset slightly by a forecast underspend (14k) in the residential care budget and other minor underspends across the service.
Learning Disabilities	14,868	16,654	(1,786)	(12.0%)	The forecast overspend reflects higher than budgeted demand for services in supported living and residential placements as well as slippage on agreed savings (£854k). The forecast overspend has increased compared to the previous month forecast due to a new supported living service and revisions to existing residential services.
Central/Management Costs	452	520	(68)	(15.0%)	The forecast overspend is mainly due to estimated slippage on the delivery of agreed savings (£86k) offset slightly by various minor underspends on payments to other bodies within the appropriate adult budget and other areas such as transport related expenditure and supplies and services.
Looked After Children	7,130	7,759	(629)	(8.8%)	The forecast overspend arises due to demand for external residential placements (£808k) and slippage on agreed savings (£59k) partially offset by underspends in fostering arising due to lower than budgeted service demand and adoption as a result of additional income for external placement.
Child Protection	3,417	3,190	227	6.6%	The forecast underspend arises mainly due to lower than anticipated service demand for contact and welfare services as well as staffing underspends in the area teams.

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

MONITORING OF SERVICE PACKAGE POLICY OPTIONS – 31 AUGUST 2020

1. EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide Members with an update on the implementation and delivery of the Service Package Policy Options:
- agreed by Council in February 2020
 - agreed in February 2019 that were either not delivered in 2019-20 or have further increases in value in 2020-21 onwards
 - agreed in February 2018 with further increases in value in 2020-21 onwards.
- 1.2 The savings options will be reported as being delivered, on track to be delivered, still to be implemented, being developed, potential shortfall or delayed.
- 1.3 Of the 66 savings options, 50 have already been delivered, 5 are on track to be delivered as per their timescale, 2 are being developed, 4 have a potential shortfall and 5 are delayed.

MONITORING OF SERVICE PACKAGE POLICY OPTIONS – 31 AUGUST 2020**2. INTRODUCTION**

- 2.1 The purpose of this report is to provide Members with an update on the implementation and delivery of the Service Package Policy Options:
- agreed by Council in February 2020
 - agreed in February 2019 that were either not delivered in 2019-20 or have further increases in value in 2020-21 onwards
 - agreed in February 2018 that have either not been delivered yet or have further increases in value in 2020-21 onwards.
- 2.2 The savings options will be reported as being delivered, on track to be delivered, still to be implemented, being developed, potential shortfall or delayed.

3. DETAIL

- 3.1 New policy savings options were identified for the three year period 2020-21 to 2022-23 and these were agreed by Council in February 2020. Council agreed to policy savings of £1.406m in 2020-21 rising to £1.593m by 2022-23.
- 3.2 The policy savings options not achieved in 2019-20 or those that have further increase in value in 2020-21 onwards total £1.598m in 2019-20 rising to £2.145m by 2021-22.
- 3.3 The policy saving options not achieved in 2018-19 or those that have further increase in value in 2020-21 onwards total £1.116m in 2018-19 rising to £3.206m by 2020-21.
- 3.4 The savings relevant for 2020-21 have been removed from departmental budgets, however, it is important to monitor whether the saving has actually been delivered to ensure that costs are not continuing resulting in an overspend by the end of the year. It is also important to ensure that any preparatory work required to deliver savings in future years is on track.
- 3.5 Savings have been categorised as follows:

Category	Explanation
Delivered	Savings already delivered in full.
On track to be Delivered	Saving is in line with profile however the full saving cannot be guaranteed until later in the year.

Still to be implemented	Planned date of implementation is in the future. Should the implementation date move backwards then this would be classified as delayed.
Being Developed	Further redesign required before option can be implemented.
Potential Shortfall	There is a risk that the original saving will not be achieved in full. Departments are asked to provide further information for any savings within this category.
Delayed	The full saving will not be achieved in line with the original estimated timescale. Departments are asked to provide further information for any savings within this category.

- 3.6 The table below outlines the progress as at 30 June 2020 for the new policy savings options agreed in February 2020. Further detail is included within Appendix 1.

Category	No of Options	2020-21 £000	2021-22 £000	2022-23 £000
Delivered	20	1,226.0	1,374.8	1,374.8
On Track to be Delivered	2	47.1	85.4	85.4
Still to be Implemented	0	0.0	0.0	0.0
Being Developed	0	0.0	0.0	0.0
Potential Shortfall	1	79.0	79.0	79.0
Delayed	2	54.0	54.0	54.0
Total	25	1,406.1	1,593.2	1,593.2

- 3.7 For savings options agreed in February 2018 and February 2019, we are reporting on an exception basis. Those that are already delivered or on track to be delivered are not included in the analysis below. Full details of all the savings agreed can be found in Appendices 2 and 3.

Category	No of Options	2020-21 £000	2021-22 £000	2022-23 £000
Being Developed	2	111.0	111.0	111.0
Potential Shortfall	3	430.0	430.0	430.0
Delayed	3	482.5	482.5	482.5
Total	8	1,023.5	1,023.5	1,023.5

3.8 There are four savings categorised as having a potential shortfall and five currently delayed as summarised below. Further information is contained within Appendices 4a to 4h.

- Potential Shortfall – CS03 – Property Maintenance – delays due to complications with the redundancy and selection process will result in the full 2020-21 savings having a shortfall of £0.012m. The complications have been resolved so the full year savings can be made from 2021-22.
- Potential Shortfall – CSS08/09 Procurement Savings – this saving is dependent upon the number and type of contracts being tendered for which revenue savings can be achieved. The tendered contracts are funded by either revenue or capital. A number of the revenue based contracts are utilising ring fenced funding which means savings cannot be released for other purposes. The COVID-19 pandemic will also have an impact on the delivery of savings, however Procurement will continue to report on the savings/benefits achieved for each contract.
- Potential Shortfall – TB12b Review charges for stadiums to enable improvement work - shortfall in achieving 2020-21 target due to the closure of facilities due to COVID-19 with no clear indication when they can reopen.
- Potential Shortfall – TB13b Roads and Amenity Services charging (non-statutory services); The original proposal was to introduce charges for providing lighting design; and increase charges by 20% for road construction consents, skips, scaffolds, hoarding, permits and licences. Whilst some additional income has been generated there have been limited opportunities over the last six months and opportunities are expected to be limited over the foreseeable future down in part to the existing resource being fully committed delivering programmes of work in what is effectively a reduced timeframe
- Delayed – DEG05(a) – Building Standards – possible shortfall due to the impact of COVID-19 on the building industry and the number of warrants.
- Delayed (2 savings from same activity) – RAIS09 and TB09 Public Conveniences – The approach agreed by the EDI Committee December 2018 in relation to saving TB09 is being progressed alongside the further saving RAIS09 agreed at the February 2020 Council meeting. Alternatives to turnstiles are being progressed including gated options. With this unexpected change, unforeseen delays have been experienced and this has been further exacerbated by the impact of COVID-19 delaying installation of the door entry systems.
- Delayed – TB07 Depots - 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. COVID-19 has also had a detrimental effect on this savings option as construction works were halted at the site in Oban but have now resumed

and a cost pressure has been identified.

- Delayed – TB14 Waste Services; increase commercial income and reduce costs of collection/disposal – as a direct result of COVID-19, commercial trading reduced significantly which has resulted in a corresponding reduction in commercial refuse collection income. It is currently unclear how quickly and to what extent the economy will recover which has a direct link to the refuse collection income.

4. CONCLUSION

- 4.1 This report outlines the progress of the Service Package Policy Options as at 31 August 2020.
- 4.2 Of the 66 savings options, 50 have already been delivered, 5 are on track to be delivered as per their timescale, 2 are being developed, 4 have a potential shortfall and 5 are delayed.

5. IMPLICATIONS

- | | | |
|-----|----------------------|--|
| 5.1 | Policy | Individual options have policy implications – all have been approved by Members. |
| 5.2 | Financial | Summarises the delivery of the service package policy options. |
| 5.3 | Legal | None. |
| 5.4 | HR | Individual options have HR implications – all have been approved by Members. |
| 5.5 | Fairer Scotland Duty | EQIAs have already been carried out on the options prior to Member approval. |
| 5.6 | Risk | The monitoring process outlined within this report will minimise the risk that the service package policy options are not delivered. |
| 5.7 | Customer Services | None. |

Kirsty Flanagan
Section 95 Officer
11 September 2020

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

APPENDICES:

- Appendix 1 – Monitoring of Service Package Policy Options Agreed February 2020
Appendix 2 – Monitoring of Service Package Policy Options Agreed February 2019
Appendix 3 – Monitoring of Service Package Policy Options Agreed February 2018
Appendix 4a – Potential Shortfall – CS03 – Property Officer Team
Appendix 4b – Potential Shortfall – CSS08/09 – Procurement Savings

Appendix 4c – Potential Shortfall – TB12b – Stadiums

Appendix 4d - Potential Shortfall – TB13b Roads and Amenity Services charging

Appendix 4e – Delayed – DEG05(a) – Building Standards

Appendix 4f – Delayed – TB09 / RAIS09 – Public Conveniences

Appendix 4g – Delayed– TB07 - Depots

Appendix 4h – Delayed – TB14 - Waste Services

MONITORING OF SERVICE PACKAGE POLICY OPTIONS AGREED FEBRUARY 2020
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POSITION AS AT 31 AUGUST 2020

Template Ref	Department	Service	Service Delivery Area	Savings Option	2020-21	2020-21	2021-22	2021-22	Future Years	Future Years	Status of Implementation
					£000	FTE	£000	FTE	£000	FTE	
CE01(a)	Chief Executives Unit	Chief Executive	Community Development / Community Planning Partnership	Reduction in vacant administrative officer post by 0.4 FTE. Removal of funding to TSI to support Community Development. 10% reduction in funding to Fèisean nan Gàidheal	26.9	0.40	26.9	0.40	26.9	0.40	Delivered
FS01	Chief Executives Unit	Head of Financial Services	Revenues & Benefits Internal Audit Accounting & Budgeting	Removal of vacant 1FTE LGE5 Local Tax Assistant Post. Removal of vacant 0.5FTE LGE9 Internal Audit Post. Reduction in posts due to changing processes, efficiencies and reduction in support	183.0	5.10	189.0	5.10	189.0	5.10	Delivered
CS01	Executive Director (Douglas Hendry)	Head of Commercial Services	Estates & Property Development	Remodel Estates Staff Structure (removal of LGE11 post)	57.0	1.00	57.0	1.00	57.0	1.00	Delivered
CS02	Executive Director (Douglas Hendry)	Head of Commercial Services	Estates, Programme Management and Property Services	Remodel business support in Estates, Programme Management and Property Services	54.0	2.00	54.0	2.00	54.0	2.00	Delivered
CS03	Executive Director (Douglas Hendry)	Head of Commercial Services	Property Maintenance	Remodel Property officer team	79.0	2.00	79.0	2.00	79.0	2.00	Potential Shortfall
ED01	Executive Director (Douglas Hendry)	Head of Education	PE Facilities	Removal of centrally held PE budget which is devolved to schools annually	73.0	0.00	73.0	0.00	73.0	0.00	Delivered
ED02	Executive Director (Douglas Hendry)	Head of Education	Enterprise	Removal of budget devolved to schools to enhance teacher posts to PT grade to deliver enterprise. Removal of budget for PPE and equipment required in relation to service delivery by Argyll College	15.6	0.00	25.0	0.00	25.0	0.00	On Track to be Delivered
ED06	Executive Director (Douglas Hendry)	Head of Education	Quality Assurance and Moderation	Remove budget established to support schools in relation to moderation	27.1	1.00	43.5	1.00	43.5	1.00	Delivered
ED07	Executive Director (Douglas Hendry)	Head of Education	Admin and Finance assistants	Aligning all Area Finance Assistants to term time	11.7	3.00	15.6	3.00	15.6	3.00	Delivered
ED11	Executive Director (Douglas Hendry)	Head of Education	16+ Learning Choices	Removal of vacant 0.1 LGE14 post which was 0.9 grant funded previously (grant now ended)	6.1	0.10	6.1	0.10	6.1	0.10	Delivered
ED15	Executive Director (Douglas Hendry)	Head of Education	Additional Support Needs (activities)	Removal of Additional Support Needs (activities)	5.4	0.00	5.4	0.00	5.4	0.00	Delivered
ED16	Executive Director (Douglas Hendry)	Head of Education	Clerical Assistants (Learning Centres) Primary	Removal of separate clerical assistant budget within Oban Learning Centre (Primary and Secondary) to align with other learning centres.	10.4	0.89	16.7	0.89	16.7	0.89	Delivered
ED18	Executive Director (Douglas Hendry)	Head of Education	Reduction of Education Management Team	Reduction of 2 FTE from the Central Education Management Team	113.0	2.00	151.0	2.00	151.0	2.00	Delivered

**MONITORING OF SERVICE PACKAGE POLICY OPTIONS AGREED FEBRUARY 2020
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Appendix 1

POSITION AS AT 31 AUGUST 2020

Template Ref	Department	Service	Service Delivery Area	Savings Option	2020-21	2020-21	2021-22	2021-22	Future Years	Future Years	Status of Implementation
					£000	FTE	£000	FTE	£000	FTE	
ED19	Executive Director (Douglas Hendry)	Head of Education	Community Learning and Development	Further review of Community Learning and Development	184.3	7.00	246.0	7.00	246.0	7.00	Delivered
ED21	Executive Director (Douglas Hendry)	Head of Education	Early Years Provision	Third Sector Grant removal Review of Early Years staffing	31.5	0.40	60.4	0.40	60.4	0.40	On Track to be Delivered
L&R01	Executive Director (Douglas Hendry)	Head of Legal and Regulatory Support	Procurement	Realign Team	75.0	1.00	75.0	1.00	75.0	1.00	Delivered
CSS01	Executive Director (Kirsty Flanagan)	Head of Customer Support Services	Communications	Remove vacant Communications Apprentice post budget which has also provided corporate PR materials (banners etc)	16.2	0.60	16.2	0.60	16.2	0.60	Delivered
CSS02	Executive Director (Kirsty Flanagan)	Head of Customer Support Services	Customer Service Centre and Registration Services	Restructure Customer Service Centre Staffing to reflect increased digital customer engagement	35.5	2.00	49.0	2.00	49.0	2.00	Delivered
CSS03	Executive Director (Kirsty Flanagan)	Head of Customer Support Services	ICT	Remove 1 ICT Desktop Engineer post, providing cover from other areas	35.0	1.00	38.0	1.00	38.0	1.00	Delivered
DEG01(a)	Executive Director (Kirsty Flanagan)	Head of Development and Economic Growth	Economic Growth	Removal of LGE11 post in the European and External Policy Team	51.6	0.00	51.6	1.00	51.6	1.00	Delivered
DEG04	Executive Director (Kirsty Flanagan)	Head of Development and Economic Growth	Transformation Projects and Regeneration	Removal of an LGE11 development officer from the Transformation Projects and Regeneration Teams	51.6	1.00	51.6	1.00	51.6	1.00	Delivered
DEG05(a)	Executive Director (Kirsty Flanagan)	Head of Development and Economic Growth	Building Standards	Raise additional fees by adopting the current Building Cost Information Service (BCIS) guide for the cost of building work. Regular service users have been informed of this change.	50.0	0.00	50.0	0.00	50.0	0.00	Delayed
DEG07	Executive Director (Kirsty Flanagan)	Head of Development and Economic Growth	Development and Economic Growth	Removal of Building Standards Manager following 3rd tier management review in Development and Economic Growth	69.2	1.00	69.2	1.00	69.2	1.00	Delivered
RAIS03	Executive Director (Kirsty Flanagan)	Head of Roads and Infrastructure Services	Burials and Cremations	Increase burial charges by 20% and cremation fees by 15%	140.0	0.00	140.0	0.00	140.0	0.00	Delivered
RAIS09	Executive Director (Kirsty Flanagan)	Head of Roads and Infrastructure Services	Public Conveniences	Closure of up to 25 public conveniences subject to ongoing monitoring of use and demand, as per the Environmental, Development and Infrastructure Committee decision in December 2018.	4.0	0.00	4.0	0.00	4.0	0.00	Delayed
TOTAL					1,406.1	31.49	1,593.2	32.49	1,593.2	32.49	

**MONITORING OF SERVICE PACKAGE POLICY OPTIONS AGREED FEBRUARY 2019
DETAIL**

POSITION AS AT 31 AUGUST 2020

Ref	Dept	Service	Service Package	Description of Option	2019-20	2019-20	2020-21	2020-21	Future Years		Status of Implementation
					£000	FTE	£000	FTE	£000	FTE	
PHRS04/07/10	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Biodiversity & Local Development Plan Team & GIS	Reduction of 1 post			63.0	1.0	63.0	1.0	On Track to be Delivered
PHRS12/13	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Homelessness & Housing Strategy	Transfer £100k for staff costs to SHF	100.0	0.0	100.0	0.0	100.0	0.0	Delivered
PHRS14	Executive Director (Kirsty Flanagan)	Roads and Infrastructure	Marine and Coastal Development	Staffing redesign	46.0	1.0	46.0	1.0	46.0	1.0	Delivered
PHRS16	Executive Director (Douglas Hendry)	Legal and Regulatory Support	Trading Standards	Reduction of 0.5 post	11.3	0.5	15.0	0.5	15.0	0.5	Delivered
EDST02	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Business Gateway	23K reduction in grant funding 19/20 Reduction of 1.8 posts in 21/22	23.0	0.0	23.0	0.0	98.0	1.8	Delivered
EDST03	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Economic Growth (EDST MAN)	Reduction of 1 post	49.0	1.0	49.0	1.0	49.0	1.0	Delivered
EDST05	Executive Director (Kirsty Flanagan)	Roads and Infrastructure	Road Safety Unit	Removal of Service	74.0	1.7	99.0	1.7	99.0	1.7	Delivered
RAS09	Executive Director (Kirsty Flanagan)	Roads and Infrastructure	Roads Management	5% Reduction in staffing costs	39.0	1.0	39.0	1.0	39.0	1.0	Delivered
RAS12	Executive Director (Kirsty Flanagan)	Roads and Infrastructure	Street Lighting	11% reduction to controllable budget	50.0	0.0	50.0	0.0	50.0	0.0	Delivered
RAS15	Executive Director (Kirsty Flanagan)	Roads and Infrastructure	Environmental Warden Service	Reduction of 5 FTE. The service would focus on the income generation elements, including commercial waste agreements. This would be at the expense of the enforcement of dog fouling, littering, fly tipping etc.	105.0	5.0	140.0	5.0	140.0	5.0	Delivered
	Cross Cutting	Cross Cutting	Management/Structure Review	Cross cutting bottom up review of current service delivery arrangements to deliver efficiency and management cost reduction.	375.0	6.0	500.0	6.0	500.0	6.0	On Track to be Delivered
CSS03/05	Chief Executive's Unit	Financial Services	Admin of CT/HB, collection of CT and domestic Water and Sewerage charges and CT/NDR debt recovery Scottish Welfare Fund (SWF), the Welfare Reform Working Group (WRWG) and the Anti-Poverty Strategy,	Centralise Housing Benefit processing and re-structure teams	125.0	3.6	200.0	5.6	200.0	5.6	Delivered
CSS04	Chief Executive's Unit	Financial Services	NDR, Sundry Debt, BIDs and MACC billing and collection, and Cash Collection	Increase in income and re-structure team	11.0	1.0	21.0	1.0	21.0	1.0	Delivered

**MONITORING OF SERVICE PACKAGE POLICY OPTIONS AGREED FEBRUARY 2019
DETAIL**

POSITION AS AT 31 AUGUST 2020

Ref	Dept	Service	Service Package	Description of Option	2019-20	2019-20	2020-21	2020-21	Future Years	Future Years	Status of Implementation
CSS08/09	All Services	All Services	Procurement Savings	Increased focus by Procurement and Commissioning Team on contract and demand management by services. This will require a redesign of the PCT team but will not alter the overall number of FTE. Cashable savings coming from this new approach will be identified and removed from service budgets.	250.0	0.0	250.0	0.0	250.0	0.0	Potential Shortfall
CSS10	Chief Executive's Unit	Financial Services	Creditor Payments / Payment of Members and staff Expenses	Phased removal of posts due to increased use in electronic systems	16.0	1.0	35.0	1.8	35.0	1.8	Delivered
ED02	Executive Director (Douglas Hendry)	Education	Central/ Management Costs	Removal of vacant posts	49.0	1.5	49.0	1.5	49.0	1.5	Delivered
ED05	Executive Director (Douglas Hendry)	Education	Youth and Adult Learning	Review of Youth and Adult Learning Provision	248.0	10.1	330.0	17.1	330.0	17.1	Delivered
ED06	Executive Director (Douglas Hendry)	Education	Music Instruction	Review of Instrumental Music Provision	27.0	1.0	61.0	TBC	61.0	TBC	Being Developed
TOTAL					1,598.3	34.4	2,070.0	44.2	2,145.0	46.0	

MONITORING OF SERVICE PACKAGE POLICY OPTIONS AGREED FEBRUARY 2018

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POSITION AS AT 31 AUGUST 2020

Ref	Dept	Service	Saving	2018-19	2018-19	2019-20	2019-20	2020-21	2020-21	Status of Implementation
				£000	FTE	£000	FTE	£000	FTE	
TB01-1	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Review central support to D&I Services	112.5	4.0	150.0	4.0	150.0	4.0	Delivered
TB03-1	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Raise environmental/animal health fees to match other councils	140.0	0.0	140.0	0.0	140.0	0.0	Delivered
TB04-2	Executive Director (Douglas Hendry)	Legal and Regulatory Support	Trading Standards re-design	27.5	0.6	80.1	1.6	80.1	1.6	Delivered
TB04-4	Executive Director (Douglas Hendry)	Legal and Regulatory Support	Advice Services remodelling	0.0	0.0	57.1	1.0	105.1	2.0	Delivered
TB06-1	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Introduce charges for non-statutory pre-application services for all scales of development.	55.0	0.0	60.0	0.0	65.0	0.0	Delivered
TB06-4	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Reduce planning team leadership posts	0.0	0.0	52.0	1.0	52.0	1.0	Delivered
TB06-5	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Planning technician team reduction	35.0	1.0	88.0	2.0	88.0	2.0	Delivered
TB06-9	Executive Director (Kirsty Flanagan)	Development and Economic Growth	3% increase in charges for street names/numbering	13.0	0.0	21.6	0.0	31.6	0.0	Delivered
TB07	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Create one main depot in key areas to reduce costs	16.5	0.0	115.5	0.0	172.5	0.0	Delayed
TB08	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Increase parking charges and introduce additional parking charges, to places currently not charging, to keep traffic moving, manage demand for parking, and contribute to maintenance of roads infrastructure.	180.0	(1.0)	180.0	(1.0)	180.0	(1.0)	Delivered

MONITORING OF SERVICE PACKAGE POLICY OPTIONS AGREED FEBRUARY 2018

DETAIL

POSITION AS AT 31 AUGUST 2020

Ref	Dept	Service	Saving	2018-19	2018-19	2019-20	2019-20	2020-21	2020-21	Status of Implementation
				£000	FTE	£000	FTE	£000	FTE	
TB09	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Public Conveniences - Progress sustainable models including turnstiles and franchising; establish simpler asset transfer process	10.0	0.0	24.0	0.0	24.0	0.0	Delayed
TB10	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Ferry service management and cost recovery	55.0	(1.0)	85.0	(1.0)	110.0	(1.0)	Delivered
TB11	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Commercial approach to piers and harbours charging	284.0	0.0	404.0	0.0	524.0	0.0	Delivered
TB12a	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Provision of enhanced funeral and burial services	(10.0)	(1.0)	35.0	(1.0)	50.0	(1.0)	Being Developed
TB12b	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Review charges for stadiums to enable improvement work	10.0	0.0	20.0	0.0	30.0	0.0	Potential Shortfall
TB13b	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Roads & Amenity Services charging (non-statutory services)	10.0	0.0	50.0	0.0	150.0	0.0	Potential Shortfall
TB13c & T	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Combine Roads and Amenity teams into one team and review the services provided.	82.0	2.0	82.0	2.0	164.0	4.0	Delivered

MONITORING OF SERVICE PACKAGE POLICY OPTIONS AGREED FEBRUARY 2018

DETAIL

POSITION AS AT 31 AUGUST 2020

Ref	Dept	Service	Saving	2018-19	2018-19	2019-20	2019-20	2020-21	2020-21	Status of Implementation
				£000	FTE	£000	FTE	£000	FTE	
TB14	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Waste services - increase commercial income; reduce costs of collection and disposal	(130.0)	0.0	13.0	0.0	286.0	1.0	Delayed
TB15	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Review existing air service contracts and pursue more commercial opportunities	80.0	(1.0)	160.0	(1.0)	298.0	(1.0)	Delivered
TB16-10	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Redesign Economic Development Service to focus on higher impact activities	0.0	0.0	57.0	1.0	218.0	4.0	Delivered
TB17	Executive Director (Douglas Hendry)	Commercial Services	Identify opportunities for office rationalisation and raising income	27.5	0.0	71.5	0.0	121.5	0.0	On Track to be Delivered
TB19	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Transport redesign and cost reduction	71.0	1.0	81.0	1.0	91.0	1.0	Delivered
TB23	Executive Director (Douglas Hendry)	Education	Adjust janitorial staffing deployment following roll reductions in 8 schools	47.0	2.0	75.0	2.0	75.0	2.0	Delivered
TOTAL				1,116.0	6.6	2,101.8	11.6	3,205.8	18.6	

SERVICE PACKAGE SAVING MARKED AS HAVING A POTENTIAL SHORTFALL

Department:	Executive Director (Douglas Hendry)																			
Service:	Commercial Services																			
Service Package:	Property Services																			
Savings Reference:	CS03																			
Description of Option:	Remodel Property Officer Team																			
Saving:	<table border="1"> <thead> <tr> <th>Saving</th> <th>2020-21 £000</th> <th>2021-22 £000</th> <th>2023-21 £000</th> </tr> </thead> <tbody> <tr> <td>Saving approved</td> <td>79</td> <td>79</td> <td>79</td> </tr> <tr> <td>Saving Achievable</td> <td>67</td> <td>79</td> <td>79</td> </tr> <tr> <td>Shortfall</td> <td>12</td> <td>0</td> <td>0</td> </tr> </tbody> </table>	Saving	2020-21 £000	2021-22 £000	2023-21 £000	Saving approved	79	79	79	Saving Achievable	67	79	79	Shortfall	12	0	0			
	Saving	2020-21 £000	2021-22 £000	2023-21 £000																
	Saving approved	79	79	79																
	Saving Achievable	67	79	79																
Shortfall	12	0	0																	
Reason Why there is a Potential Shortfall in the Saving:	Delays due to complications with the redundancy and selection process will result in the full 2020-21 savings having a shortfall of around £12k.																			
What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:	These complications have now been resolved, there will be a saving to harvest for 2020-21 and full year savings will be made thereafter.																			

SERVICE PACKAGE SAVING MARKED AS POTENTIAL SHORTFALL

Department:	Cross Council														
Service:	All														
Service Package:	Procurement														
Savings Reference:	CSS08/09														
Description of Option:	Increased focus by Procurement and Commissioning Team on contract and demand management by services. This will require a redesign of the PCT team but will not alter the overall number of FTE. Cashable savings coming from this new approach will be identified and removed from service budgets.														
Saving:	<table border="1"> <thead> <tr> <th>Saving</th> <th>2019-20 £000</th> <th>2020-21 £000</th> </tr> </thead> <tbody> <tr> <td>Saving approved</td> <td>250</td> <td>250</td> </tr> <tr> <td>Saving Achievable</td> <td>50</td> <td>9</td> </tr> <tr> <td>Shortfall</td> <td>200</td> <td>241</td> </tr> </tbody> </table>			Saving	2019-20 £000	2020-21 £000	Saving approved	250	250	Saving Achievable	50	9	Shortfall	200	241
Saving	2019-20 £000	2020-21 £000													
Saving approved	250	250													
Saving Achievable	50	9													
Shortfall	200	241													
Reason Why there is a Potential Shortfall in the Saving:	This saving is dependent on the number and type of contracts being tendered for which have the potential to achieve revenue savings through the procurement process. The target was agreed in 2019-20 by the Council however it has proved harder to achieve than was first anticipated and this is likely to be exacerbated by the impact of COVID-19 with tenders not expected to come in below budget.														
What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:	SMT are giving further consideration as to how this saving can be delivered.														

SERVICE PACKAGE SAVING MARKED AS HAVING A POTENTIAL SHORTFALL

Department:	Executive Director (Kirsty Flanagan)																															
Service:	Roads and Amenity Services																															
Service Package:	Stadiums																															
Savings Reference:	TB12b																															
Description of Option:	Review charges for stadiums to enable improvement work																															
Saving:	<table border="1"> <thead> <tr> <th>Saving</th> <th>2018-19 £000</th> <th>2019-20 £000</th> <th>2020-21 £000</th> </tr> </thead> <tbody> <tr> <td>Saving approved</td> <td>10</td> <td>20</td> <td>30</td> </tr> <tr> <td>Saving Achievable</td> <td>10</td> <td>10</td> <td>10</td> </tr> <tr> <td>Shortfall/(Over recovery)</td> <td>0</td> <td>10</td> <td>20</td> </tr> <tr> <td>Split:-</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Due to under usage</td> <td></td> <td></td> <td>10</td> </tr> <tr> <td>Due to Covid</td> <td></td> <td></td> <td>10</td> </tr> </tbody> </table>	Saving	2018-19 £000	2019-20 £000	2020-21 £000	Saving approved	10	20	30	Saving Achievable	10	10	10	Shortfall/(Over recovery)	0	10	20	Split:-				Due to under usage			10	Due to Covid			10			
	Saving	2018-19 £000	2019-20 £000	2020-21 £000																												
	Saving approved	10	20	30																												
	Saving Achievable	10	10	10																												
	Shortfall/(Over recovery)	0	10	20																												
Split:-																																
Due to under usage			10																													
Due to Covid			10																													
Reason Why there is a Potential Shortfall in the Saving:	<p>Possible shortfall in achieving 2020-21 target due reduction in bookings and closure of facilities due to COVID-19.</p> <p>Reduction in usage is due to more clubs booking all weather pitches at high schools. There is a need for investment to refurbish the assets which should lead to attracting more users.</p> <p>A cost pressure has been identified due to COVID-19. At this point in time it is unclear when these facilities will be able to reopen.</p>																															
What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:	<p>All costs for events are being pursued to ensure targets are met.</p> <p>Discussions are ongoing with partners in the Oban and Lorn area with regards to Mossfield stadium, to create a sports HUB attract external funding to improve facilities and therefore attract additional events to the arena.</p>																															

SERVICE PACKAGE SAVING MARKED AS HAVING A POTENTIAL SHORTFALL

Department:	Executive Director (Kirsty Flanagan)																			
Service:	Roads and Infrastructure Services																			
Service Package:	Roads & Amenity Services charging (non-statutory services)																			
Savings Reference:	TB13b																			
Description of Option:	Introduce or increase charges for non-statutory services; carry out work for other organisations.																			
Saving:	<table border="1"> <thead> <tr> <th>Saving</th> <th>2018-19 £000</th> <th>2019-20 £000</th> <th>2020-21 £000</th> </tr> </thead> <tbody> <tr> <td>Saving approved</td> <td>10</td> <td>50</td> <td>150</td> </tr> <tr> <td>Saving Achievable</td> <td>10</td> <td>50</td> <td>50</td> </tr> <tr> <td>Shortfall/(Over recovery)</td> <td>0</td> <td>0</td> <td>100</td> </tr> </tbody> </table>	Saving	2018-19 £000	2019-20 £000	2020-21 £000	Saving approved	10	50	150	Saving Achievable	10	50	50	Shortfall/(Over recovery)	0	0	100			
	Saving	2018-19 £000	2019-20 £000	2020-21 £000																
	Saving approved	10	50	150																
	Saving Achievable	10	50	50																
	Shortfall/(Over recovery)	0	0	100																
Reason Why there is a Potential Shortfall in the Saving:	<p>The original proposal was to introduce charges for providing lighting design; and increase charges by 20% for road construction consents, skips, scaffolds, hoarding, permits and licences.</p> <p>Whilst some additional income has been generated through third party works there have been limited opportunities over the last six months and opportunities are expected to be limited over the foreseeable future down in part to the existing resource being fully committed delivering programmes of work in what is effectively a reduced timeframe (construction works only being given permission to commence from 15 July).</p>																			
What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:	We will continue to seek opportunities to carry out third party work to generate additional income. However, 2020/21 is unlikely to see the £100k 'profit' generated.																			

SERVICE PACKAGE SAVING MARKED AS DELAYED

Department:	Executive Director (Kirsty Flanagan)																		
Service:	Development and Economic Growth																		
Service Package:	Building Standards																		
Savings Reference:	DEG05(a)																		
Description of Option:	Raise additional fees by adopting the current Building Cost Information Service (BCIS) guide for the cost of building work.																		
Saving:	<table border="1"> <thead> <tr> <th>Saving</th> <th>2020-21 £000</th> <th>2021-22 £000</th> <th>2022-23 £000</th> </tr> </thead> <tbody> <tr> <td>Saving approved</td> <td>50</td> <td>50</td> <td>50</td> </tr> <tr> <td>Saving Achievable</td> <td>0</td> <td>50</td> <td>50</td> </tr> <tr> <td>Shortfall/(Over recovery)</td> <td>50</td> <td>0</td> <td>0</td> </tr> </tbody> </table>	Saving	2020-21 £000	2021-22 £000	2022-23 £000	Saving approved	50	50	50	Saving Achievable	0	50	50	Shortfall/(Over recovery)	50	0	0		
	Saving	2020-21 £000	2021-22 £000	2022-23 £000															
	Saving approved	50	50	50															
	Saving Achievable	0	50	50															
Shortfall/(Over recovery)	50	0	0																
Reason Why there is a Potential Shortfall in the Saving:	Possible shortfall in achieving 2020-21 target due to the impact of Corona Virus on the building industry and the number of warrants. Reservations that the type of applications we receive may not realise sufficient additional income using the BCIS guide. This will be kept under review through the budget monitoring process.																		
What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:	<p>COVID has impacted on warrant and income levels, and indeed the commercial work we were receiving from other local authorities. Economic recovery will take some time and is not fully within our full control. To combat the implications of this the following steps are proposed:</p> <ul style="list-style-type: none"> • There is little if any ability to get these savings back on track in 20-21 but we will continually monitor the situation through budget monitoring. • We will ensure that the BCIS fees are consistently applied • We have written to other local authorities offering our commercial services and seeking clarification on likely demand. This will be ongoing. • If income levels are not being achieved in 21/22, the only option will be to reduce our staffing compliment through not filling vacancies, although this will require careful consideration, or to increase our commercial work. • There is a drive for increased visits for warrants by Building Standards Division, Scottish Government which will create additional work. We are piloting virtual inspections using digital connectivity to find efficiencies to undertake this work, where a virtual inspection is appropriate. 																		

SERVICE PACKAGE SAVING MARKED AS DELAYED

Department:	Executive Director (Kirsty Flanagan)																		
Service:	Roads and Amenity Services																		
Service Package:	Public Conveniences																		
Savings Reference:	TB09 & RAIS09																		
Description of Option:	Progress sustainable models including turnstiles and franchising; establish simpler asset transfer process																		
Saving:	<table border="1"> <thead> <tr> <th>Saving</th> <th>2018-19 £000</th> <th>2019-20 £000</th> <th>2020-21 £000</th> </tr> </thead> <tbody> <tr> <td>Saving approved</td> <td>10</td> <td>24</td> <td>28</td> </tr> <tr> <td>Saving Achievable</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Shortfall</td> <td>10</td> <td>24</td> <td>28</td> </tr> </tbody> </table>			Saving	2018-19 £000	2019-20 £000	2020-21 £000	Saving approved	10	24	28	Saving Achievable	0	0	0	Shortfall	10	24	28
Saving	2018-19 £000	2019-20 £000	2020-21 £000																
Saving approved	10	24	28																
Saving Achievable	0	0	0																
Shortfall	10	24	28																
Reason Why there is a Potential Shortfall in the Saving:	<p>The approach now agreed by the EDI Committee December 2018 is being progressed. Alternatives are being progressed including 'non-turnstile' gated options. With this unexpected change, unforeseen delays have been experienced.</p> <p>A further £4k saving was agreed at the February 2020 budget setting meeting.</p> <p>Due to COVID-19 all the public conveniences have been closed and are only now starting to gradually re-open. However a cost pressure has been identified for the additional cleaning regime which is being put in place to allow this re-opening. The pandemic has also delayed work on installation of the door entry systems which are not expected to be operational until spring 2021, and as such little income generation anticipated until then.</p>																		
What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:	<p>The EDI Committee in December 2018 considered a report reviewing the public convenience asset group. This report has sub-divided that group according to the evidence available on footfall, and has presented members with individual options to consider. This agreed to adopt the principle of charging at high footfall facilities; install honesty boxes at medium footfall facilities; and actively pursue community ownership options at those facilities identified as low use.</p>																		

SERVICE PACKAGE SAVING MARKED AS DELAYED

Department:	Executive Director (Kirsty Flanagan)																			
Service:	Roads and Amenity Services																			
Service Package:	Depots																			
Savings Reference:	TB07																			
Description of Option:	Business cost reduction, income generation and maximisation, service redesign and self-funding																			
Saving:	<table border="1"> <thead> <tr> <th>Saving</th> <th>2018-19 £000</th> <th>2019-20 £000</th> <th>2020-21 £000</th> </tr> </thead> <tbody> <tr> <td>Saving approved</td> <td>25</td> <td>115.5</td> <td>172.5</td> </tr> <tr> <td>Saving Achievable</td> <td>25</td> <td>65</td> <td>65</td> </tr> <tr> <td>Shortfall</td> <td>0</td> <td>50.5</td> <td>107.5</td> </tr> </tbody> </table>	Saving	2018-19 £000	2019-20 £000	2020-21 £000	Saving approved	25	115.5	172.5	Saving Achievable	25	65	65	Shortfall	0	50.5	107.5			
Saving	2018-19 £000	2019-20 £000	2020-21 £000																	
Saving approved	25	115.5	172.5																	
Saving Achievable	25	65	65																	
Shortfall	0	50.5	107.5																	
Reason Why there is a Potential Shortfall in the Saving:	<p>When this service package was originally developed it was predicated on the total removal of the smaller depot budget in each area, and the remaining depot budget remaining the same. However, as the programme has developed it has become clear that the operating costs of the redeveloped site in each town will increase – greater electricity consumption, newer, larger facilities bringing with them greater NDR payments etc. That means that part of the ‘saving’ for the vacated depots will need to be reallocated against the single depots.</p> <p>The savings package TB07 also set out that the depot rationalisation programme would run beyond the three year savings horizon, and this remains the case.</p> <p>For the reasons stated above, the initial spend and save profile identified in 2018 has experienced variance.</p> <p>It should be noted that COVID-19 has had a detrimental effect on this savings option as construction works were halted at the site in Oban but have now resumed and a cost pressure has been identified.</p>																			
What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:	<p>At present the Oban depot consolidation is progressing well, with the redeveloped Jackson’s Quarry site set to open for all services by the end of this calendar year.</p> <p>Attention then turns to Lochgilphead which should be completed by the end of financial year 20/21 and start to realise savings.</p>																			

SERVICE PACKAGE SAVING MARKED AS DELAYED

Department:	Executive Director (Kirsty Flanagan)																			
Service:	Roads and Amenity Services																			
Service Package:	Waste																			
Savings Reference:	TB14																			
Description of Option:	Waste services - increase commercial income; reduce costs of collection and disposal																			
Saving:	<table border="1"> <thead> <tr> <th>Saving</th> <th>2018-19 £000</th> <th>2019-20 £000</th> <th>2020-21 £000</th> </tr> </thead> <tbody> <tr> <td>Saving approved</td> <td>-130</td> <td>13</td> <td>286</td> </tr> <tr> <td>Saving Achievable</td> <td>0</td> <td></td> <td></td> </tr> <tr> <td>Shortfall</td> <td>-130</td> <td>tbc</td> <td>tbc</td> </tr> </tbody> </table>	Saving	2018-19 £000	2019-20 £000	2020-21 £000	Saving approved	-130	13	286	Saving Achievable	0			Shortfall	-130	tbc	tbc			
	Saving	2018-19 £000	2019-20 £000	2020-21 £000																
	Saving approved	-130	13	286																
	Saving Achievable	0																		
Shortfall	-130	tbc	tbc																	
Reason Why there is a Potential Shortfall in the Saving:	<p>As a direct result of COVID-19 commercial trading reduced significantly which has resulted in a corresponding reduction in commercial refuse collection income.</p> <p>It is currently unclear how quickly and to what extent the economy will recover which has a direct link to our refuse collection income.</p>																			
What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:	We are continuing to engage with the business community and where possible commercial contracts are being re-established.																			

FINANCIAL RISKS ANALYSIS 2020-21

1 EXECUTIVE SUMMARY

- 1.1 The main purpose of this report is to provide a summary of the key financial risks facing the Council.
- 1.2 A number of Council wide risks, both revenue and capital have been identified along with risks for each department and service of the Council. For each departmental risk the financial impact has been quantified and the likelihood assessed based on the standard risk matrix.
- 1.3 The financial impact of COVID-19 has not been captured within this report as it has already been reported within Appendix 1 of the Financial Reports Monitoring Pack Report.
- 1.4 There are 5 Council wide revenue risks identified for 2020-21 currently amounting to £3.917m. 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, however, a financial recovery plan is in place to eliminate or reduce this risk. All other Council wide risks have been classified as unlikely.
- 1.5 There are currently 39 departmental risks totalling £3.540m. Of the 39 departmental risks, one is categorised as likely with no risks categorised as almost certain.
- 1.6 The financial risks are monitored routinely and actions put in place to continue to mitigate the risks.

FINANCIAL RISKS ANALYSIS 2020-21

2. INTRODUCTION

- 2.1 This report outlines the process and approach developed in carrying out a financial risks analysis and provides a note of the current assessment of financial risks for 2020-21.

3 DETAIL**3.1 Introduction**

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

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

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

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

- 3.1.4 The Argyll and Bute Integrated Joint Board (IJB) with responsibility for Social Work and a range of Health services was established and came into effect on 1 April 2016. The IJB is responsible for financial and strategic oversight of these services. It is the responsibility of the IJB to consider the individual financial risks associated with Integration Services and they are therefore not contained within this report. A Council wide risk has been included in respect of the IJB being unable to deliver the social care service within the budget allocated.

3.2 Council Wide Risks**Revenue**

- 3.2.1 The estimated level of council tax income is based on current and forecast Band D equivalents and non-payment rates. This reflects our most recent experience in terms of the council tax base and likely collection rates. A 1% variation in council tax income amounts to approximately £0.529m. Current collection rates have

been impacted by COVID-19 and an estimated £0.555m has been included as a financial impact within Appendix 1 of the Financial Reports Monitoring Pack.

- 3.2.2 At the budget meeting on 27 February 2020, the Council agreed 25 new policy savings options that would deliver savings over the period 2020-21 to 2022-23. The savings to be delivered in 2020-21 amount to £1.406m. Whilst the Council have a good track record in delivering savings, a 10% shortfall on this savings target would amount to £0.141m. COVID-19 has impacted on the delivery of savings options in 2020-21 and the impact of this has been included in the Council's COSLA returns and in Appendix 1 of the Financial Reports Monitoring Pack.
- 3.2.3 In respect of the Health and Social Care Partnership, it is the responsibility of the Chief Officer and Chief Financial Officer to manage the HSCP financial position. If an overspend is forecast, a budget recovery plan will be prepared and submitted to the IJB, the Council and NHS Highland. Where recovery plans are unsuccessful and an overspend occurs at the financial year end, and there are insufficient reserves to meet the overspend, then the partners will be required to make additional payments to the HSCP. Whilst any additional payments by the Council and NHS Highland will be deducted from future years funding, there is still a financial risk that the Council may have to pay out additional monies in year. At the end of 2019-20 the Social Work overspend was £1.141m. As at 31 August 2020, the Social Work outturn in 2020-21 is estimated to be a £2.062m overspend. There is a risk that should the HSCP will not be able to recover from this overspend and they would refer to the Council for additional funding.
- 3.2.4 Utility costs remain a volatile area and it is difficult to accurately predict how the prices for utilities could vary. The outturn in respect of utilities for 2019-20 was an underspend of £0.248m, however, the Council are coming to the end of some utilities contracts and therefore there is a risk that new contracts are more expensive due to rising prices. Due to the volatility of utilities pricing it is very difficult to predict any impact. The financial risk is based on a 10% variation in utility costs and amounts to £0.435m.
- 3.2.5 The Council wide risks are noted within the table below.

Description	Likelihood	Assessed Financial Impact £000
1% variation in Council Tax Income	2	529
10% shortfall on Savings Options	2	141
IJB refer to Council for additional funding to deliver social work services	3	2,062
Energy costs increase by 10% greater than anticipated	2	435
1% variation of General Inflation Risk	2	750
Total		3,917

Capital

- 3.2.6 The finance settlement announcement on 6 February 2020 provided details of the Local Government funding for 2020-21 and there is therefore certainty as to what our funding is in respect of General Capital Grant and the specific capital grants already distributed.
- 3.2.7 The capital plan for 2020-21 includes an estimate of £1.202m in respect of capital receipts. This is based on an assessment provided by the Special Projects Team in January 2020. A 10% variation equates to £0.120m and this would require to be managed across the capital programme. There are some known liabilities/risks to the capital programme, however, it was agreed at the budget meeting in February 2020 to use the one-off loans fund reprofiling gain to mitigate these risks.

3.3 Departmental/Service Risks

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

Department	1 - Remote		2 - Unlikely		3 - Possible		4 - Likely		5 - Almost Certain		Total	
	No	£000	No	£000	No	£000	No	£000	No	£000	No	£000
Chief Executive's Unit	0	0	1	125	3	215	0	0	0	0	4	340
Executive Director Douglas Hendry	2	20	6	364	8	755	1	200	0	0	17	1,339
Executive Director Kirsty Flanagan	2	120	4	364	12	1,377	0	0	0	0	18	1,861
Total	4	140	11	853	23	2,347	1	200	0	0	39	3,540

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

SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	LIKELIHOOD	FINANCIAL IMPACT £000
Commercial Services	Property - Central Repairs	Increased demands on central as a result of the decrease in capital funding available and increases in supplier/contractor charges.	3	300
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

Roads and Infrastructure Services	Roads Maintenance - Roads Network	Adverse weather conditions result in deterioration of the road network necessitating greater spend on repair of defects.	3	230
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3.3.3 The current top three risks in terms of the likelihood are noted in the table below.

SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	LIKELIHOOD	FINANCIAL IMPACT £000
Education	Central Repairs	Previously agreed savings result in budget for statutory and emergency repairs only.	4	200
Commercial Services	Property - Central Repairs	Increased demands on central as a result of the decrease in capital funding available and increases in supplier/contractor charges.	3	300
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

3.4 Changes to Financial Risks since Budget Pack

3.4.1 There have been three changes to the departmental risks since the financial risks report as at the end of June 2020 and reported to the Business Continuity Committee on 13 August 2020, as follows:

- A risk that the cost of delivering 1140 hours of Early Learning and Childcare exceeds government funding has been reinstated as the service have committed to continue to deliver 1140 hours by 2020 despite the Scottish Government removing this requirement.
- A risk in relation to Strathclyde Partnership for Transport (SPT) has been input, recognising that SPT has highlighted a significant deficit is likely to accrue due to lack of income. As a partner organisation that normally contributes 1.18% of their running costs, there is a possibility that SPT will make an approach to the Council to fund up to £0.124m of the deficit.
- The financial impact of the risk in relation to Education Central Repairs has been increased from £0.100m to £0.200m to recognise that the current budget is under pressure due to significant statutory maintenance work and emergency repairs.

3.5 Monitoring of Financial Risks

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

4 CONCLUSION

- 4.1 This report summarises the key financial risks facing the Council. There are a number of Council wide risks and 39 departmental risks identified; only 1 of the 39 departmental risks are categorised as likely with no risks categorised as almost certain. The financial risks are monitored routinely and actions put in place to continue to mitigate the risks.

5 IMPLICATIONS

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

Kirsty Flanagan
Section 95 Officer
11 September 2020

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

APPENDICES

Appendix 1 – Detail of Department/Service financial risks.

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 AUGUST 2020

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 August 2020	
					LIKELIHOOD	FINANCIAL IMPACT £000
Executive Director Douglas Hendry	Education	Pre-Five Units - retention of partner providers	Failure in the commissioning or retention of pre-five partner provider units to deliver 1140 hours would result in an increased pressure on the Council to deliver the service.	Annual financial appraisal; Support network; Short-term cash injections.	3	100
Executive Director Douglas Hendry	Education	Central Repairs	Previously agreed savings result in budget for statutory and emergency repairs only.	Regular liaison with Property Services re prioritisation and commitment of in-year spend.	4	200
Executive Director Douglas Hendry	Education	Legislative Requirements - Education (Scotland) Act	Education (Scotland) Act 2000 was enacted March 2016. This places additional requirements on Councils in terms of Gaelic Education.	Monitoring developments of the implementation of the Act and statutory guidance produced.	3	50
Executive Director Douglas Hendry	Education	Legislative Requirements - Children and Young People (Scotland) Act - ELC 1140 hours	The Council has a requirement to deliver 1140 hours of Early Learning and Childcare by 2021. The Scottish Government has committed to funding this and the Council has altered their implementation plan to align it to the Scottish Government funding profile. A risk remains that actual costs of delivery exceed the Government Grant in any given year. For example, if child numbers are higher than estimated, this may require additional staffing which has not been built into the staffing model funded by Scottish Government.	The timeline of the implementation plan has been revised to align with the Scottish Government funding profile. Continuous monitoring and review of the implementation plan and resources.	2	100

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 AUGUST 2020

						As at 31 August 2020	
DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	LIKELIHOOD	FINANCIAL IMPACT £000	
Executive Director Douglas Hendry	Education	ASN Support	Demand for ASN support continues to increase, resulting in an additional resource requirement.	Scottish Government has given additional funding for 'additional support needs priority for learning" and this has been built into the budget, this will help reduce the demand risk	3	100	
Chief Executive's Unit	Financial Services	Housing Benefit Subsidy	Loss of Housing Benefit Subsidy due to exceeding LA error threshold.	Processes in place for handling of claims accurately and efficiently.	2	125	
Chief Executive's Unit	Financial Services	Sundry Debt Recovery	Recovery of debt becomes more difficult to pursue in the current economic climate.	Robust monitoring of arrangements with debt collection agency. Joint working with Legal Services to assist services with the recovery of aged debt.	3	85	
Chief Executive's Unit	Financial Services	Council Tax Debt Collection Recovery	Recovery of debt becomes more difficult to pursue in the current economic climate.	Robust monitoring of arrangements with debt collection agency and performance against target collection rates.	3	100	
Chief Executive's Unit	Financial Services	Non-Domestic Rates Relief	Risk of demand changing due to legislative changes outwith our control or new charitable businesses.	Outwith direct management control.	3	30	
Executive Director Kirsty Flanagan	Customer Support Services	Software Licences	Potential risk of being underlicensed for software which will be identified via software audits.	ICT security and compliance officer in post and duties include review of systems to ensure fully licenced.	2	100	
Executive Director Douglas Hendry	Commercial Services	Property - Central Repairs	Increased demands on central as a result of the decrease in capital funding available and increases in supplier/contractor charges.	Joint strategy with procurement colleagues to reduce potential impact of supplier/contractor charges. Close monitoring of central repairs budgets and commitments and instructing only essential repairs.	3	300	

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 AUGUST 2020

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 August 2020	
					LIKELIHOOD	FINANCIAL IMPACT £000
Executive Director Douglas Hendry	Commercial Services	Catering Costs - Provision of Meals to Early Years Children	The Children and Young People (Scotland) Act places duties on Councils to provide meals in an Early Years setting to entitled children where sessions span over lunch time. The total quantum of funding of £1.2m may not be sufficient to fund the additional costs depending on uptake and the additional costs to support the meal provision in partner provider settings.	Joint strategy with Education colleagues to implement requirements and closely monitor financial implications. Costs likely to be contained within overall early years funding allocation.	3	100
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	School and Public Transport - provider charges	Increased provider charges	Joint strategy with procurement colleagues to reduce potential impact.	3	150
Executive Director Douglas Hendry	Commercial Services	Catering Purchases	Increased supplier charges. This estimate does not include the additional risk to food cost and uptake from the changes to food and drink standards in schools.	Joint strategy with procurement colleagues to reduce potential impact. Control food wastage/portion controls.	2	60
Executive Director Douglas Hendry	Legal and Regulatory Support	Elections	More than 1 by-election required outwith standard election cycle.	Outwith direct management control.	2	34
Executive Director Douglas Hendry	Legal and Regulatory Support	Licensing	Reduced numbers of licensing applications leading to reduced income.	Monitoring of trends.	3	30

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 AUGUST 2020

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 August 2020	
					LIKELIHOOD	FINANCIAL IMPACT £000
Executive Director Douglas Hendry	Legal and Regulatory Support	Children's Panel	Increased number of referrals.	Liaise with Community Services colleagues to maximise council facilities/resources in the first instance.	1	10
Executive Director Douglas Hendry	Legal and Regulatory Support	Legal Services	Failure to minimise Council wide use of external legal advice.	Ensure legal services are gateway to access all legal advice.	1	10
Executive Director Douglas Hendry	Legal and Regulatory Support	Contract RPI for NPDO and Hub Schools	Increase in RPI.	Monitoring annual alteration to contract RPI rate and mitigation through financial forecasting and review of existing budget.	2	100
Executive Director Douglas Hendry	Commercial Services	Surplus Properties	Ongoing market difficulties lead to increased numbers of surplus properties, there are residual running costs associated with surplus properties.	One Council property team now in place.	3	50
Executive Director Douglas Hendry	Commercial Services	Rental Income from Properties	Due to current economic climate there may be reduced ability to recover rental income from leased properties or place suitable tenants in properties as leases come to an end.	Management of leasehold properties by Estates team, any issues with debt recovery being dealt with in line with Council debt recovery policy.	2	20
Executive Director Douglas Hendry	Commercial Services	Leisure Trust - Management Fee	Increase in RPI - inflation on Employee Costs.	Monitoring annual alteration to contract RPI rate and mitigation through financial forecasting and review of existing budget.	2	50
Executive Director Douglas Hendry	Commercial Services	Leisure Service Level Agreements	Increase in RPI - requests for additional funding.	Monitoring annual alteration to contract RPI rate and mitigation through financial forecasting and review of existing budget.	3	25
Executive Director Kirsty Flanagan	Development and Economic Growth	Airfields and Air Services - fuel costs	Increased fuel costs on PSO flights being passed onto the Council.	Council have procured self provision fuel tank at Oban Airport and site works are underway. This will reduce external commercial fuel costs.	3	30

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 AUGUST 2020

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 August 2020	
					LIKELIHOOD	FINANCIAL IMPACT £000
Executive Director Kirsty Flanagan	Development and Economic Growth	Airfields and Air Services - usage	Reduced number of aircraft using the airports.	Monitor usage and market the facilities e.g. through website and Facebook, provision of marketing materials and regular awareness raising events. It is hoped that the supply of fuel at the facility will attract more customers.	2	10
Executive Director Kirsty Flanagan	Development and Economic Growth	Homelessness Temporary Accommodation Income	Introduction of Universal Credit has an impact on the level and method of benefits recovered for temporarily accommodated individuals.	Provision of Housing Options information and advice service to minimise number of applicants proceeding to full homeless application.	3	25
Executive Director Kirsty Flanagan	Development and Economic Growth	Dangerous Buildings interventions	Deal in Building Standards with an increasing level of dangerous building work which has significant financial implications for Council	Monitor activity and seek to recover costs from the owner.	3	100
Executive Director Kirsty Flanagan	Development and Economic Growth	Planning fees reduced by Scottish Government	Planning revenue budgets negatively affected by Better Regulation Bill. Scottish Government reducing planning fees due to poor performance by the Planning Authority.	Maintain high levels of performance as articulated by performance markers detailed in Planning Performance Framework annual report.	1	100
Executive Director Kirsty Flanagan	Development and Economic Growth	Planning fee shortfalls	Due to downturn in economic / building activity, in particular renewable energy development and other major developments could lead to planning fee income shortfalls leading to revenue budget pressures.	Continue to monitor Development Management income and expenditure tightly and investigate further income generation streams. Lobby Scottish Ministers through professional organisations to increase planning fees to a sustainable level.	3	100
Executive Director Kirsty Flanagan	Development and Economic Growth	Building Warrant fee shortfalls	Due to downturn in economic / building activity, building warrant fee income shortfalls leading to revenue budget pressures.	Continue to monitor Building Standards income and expenditure tightly and investigate further income generation streams.	3	75

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 AUGUST 2020

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 August 2020	
					LIKELIHOOD	FINANCIAL IMPACT £000
Executive Director Kirsty Flanagan	Development and Economic Growth	Animal Health	Carrying out livestock seizure to protect welfare of the animals	Monitor activity and seek to recover costs from the disposal of the animals.	1	20
Executive Director Kirsty Flanagan	Development and Economic Growth	Environmental Health- export certificates	Downturn in requests for export certificates as a result of UK withdrawal from EU, changes to international trading agreements or business economy	Monitor activity and continue to support businesses through approvals, food safety regulation engagement, and support at 3rd country audits.	2	130
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Ferry Services - income	Changes to ferry services resulting in reduced passenger income.	Ensure that ferry operators are charged for the correct number of passengers	3	40
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Roads Maintenance - Roads Network	Adverse weather conditions result in deterioration of the road network necessitating greater spend on repair of defects.	Manage maintenance budgets to ensure that spend is prioritised to deal with safety defects.	3	230
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Street Lighting	Age of lighting stock requires greater maintenance as health and safety becomes a consideration.	Manage maintenance budgets to ensure that spend is prioritised to deal with safety defects.	3	100
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Roads Maintenance - Bridges, Culverts & Sea Defences	Extreme localised weather may result in loss of bridge, culvert , road or sea defence.	Routine inspections to deal with potential weak areas - based on a stitch in time repair regime.	3	300
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Winter Maintenance	Adverse weather conditions which require greater than budgeted number of gritting runs.	Monitor weather conditions and apply gritting policy to minimise costs.	3	200
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Strathclyde Partnership for Transport (SPT)	SPT have highlighted a significant deficit likely to accrue under the current circumstances due to lack of income. As a partner organisation that normally contributes 1.18% of their running costs, there is a possibility that SPT will make an approach to Argyll and Bute Council to fund up to £124k of the deficit.	At this stage, SPT are making their approaches for assistance directly to Transport Scotland so there is no definite obligation at this time.	2	124

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 AUGUST 2020

					As at 31 August 2020	
DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	LIKELIHOOD	FINANCIAL IMPACT £000
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Waste Disposal	Re-tender for island haulage and potential for increased prices	Competitive tendering process may assist in minimising the impact of increased prices	3	27
					39	3,540

CAPITAL BUDGET MONITORING REPORT – 31 AUGUST 2020

1 EXECUTIVE SUMMARY

1.1 This provides an update on the position of the capital budget as at 31 August 2020. The report provides information on the financial position in respect of the capital plan and also the performance in terms of delivery of capital plan projects.

Variances in the financial position have been split to show the value relating to the impact of the COVID-19 pandemic.

1.2 Financial Position:

- **Current Year to Date** – actual net expenditure to date is £603k compared to a budget for the year to date of £584k giving rise to an overspend for the year to date of £19k (3.3%).
- **Forecast Outturn for 2020-21** – forecast net expenditure for the full financial year is £25,740k compared to an annual budget of £24,872k giving rise to a forecast overspend for the year of £868k (3.5%). Within the forecast variance of £868k there are £257k of overspends specifically as a result of the impact of COVID-19 and also £587k of underspends due to slippage also linked to the pandemic. Therefore the net impact of COVID-19 within the current year is an underspend, due to slippage, of £330k.
- **Total Capital Plan** – the forecast net project costs on the total capital plan are £204,945k compared to a total budget for all projects of £203,049k giving rise to a forecast overspend for the overall capital plan of £1,896k (0.93%). £257k is specifically linked to overspends as a result of the COVID-19 pandemic.

1.3 The largest projects contributing to the total capital plan variance of £1,896k are:

- £1,398k relates to Rothesay Pavilion and the Service will prepare a paper regarding what actions will be taken to fund this overspend. Furthermore £257k of the overspend within Rothesay Pavilion relates to COVID-19 and is being reported to COSLA via the returns submitted in order to identify the requirement for extra funding in relation to the pandemic.
- £441k relates to Early Learning and Childcare. Project Managers are currently carrying out investigative work to ensure the accuracy of the position and in the meantime the Education Service are not progressing with any further jobs as there may be a requirement to alter any specifications going forward.

1.4 Project Managers are working to identify underspends elsewhere within the capital programme to fund the remaining smaller overspends which should remove this element of the projection in future months.

1.5 **Project Delivery:**

- **Asset Sustainability** – Out of 89 projects there are 85 projects (96%) on track and 4 projects (4%) off track but recoverable.
- **Service Development** - Out of 27 projects there are 25 projects (92%) on track, 1 project (4%) off track but recoverable and 1 project off track (4%).
- **Strategic Change** – Out of 28 projects there are 26 projects (92%) on track, 1 project (4%) off track but recoverable and 1 project (4%) off track.

1.6 **Funding:**

The Capital Programme is funded by various income streams as detailed in Appendix 5. Changes during August relate to a minor reduction in STTS funding for Roads Reconstruction.

Due to the COVID-19 outbreak it is anticipated there will be a significant impact on the estimated capital receipts in 2020-21. It is hoped this will correct itself over the subsequent two years and therefore overall there would be no impact to the longer term capital programme. The position will continue to be monitored on an ongoing basis, however there is an estimated delay of £926k in capital receipts during 2020-21 as a result of this.

2 INTRODUCTION

- 2.1 This provides an update on the position of the capital budget as at 31 August 2020. The report provides information on the financial position in respect of the capital plan and also the performance in terms of delivery of capital plan projects.

Variances in the financial position have been split to show the value relating to the impact of the COVID-19 pandemic.

3 RECOMMENDATIONS

- 3.1 Note the contents of this report, the financial summaries as detailed in Appendix 8 and approve the proposed changes to the capital plan detailed in Appendix 4.

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

Actual net expenditure to date is £603k compared to a budget for the year to date of £584k giving rise to an overspend for the year to date of £19k (3.3%).

4.2 Project/Department Position

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

	Year to Date Budget £'000	Year to Date Actual £'000	Variance £'000
Project Type:			
Asset Sustainability	670	670	0
Service Development	(873)	(854)	(19)
Strategic Change	787	786	0
Total	584	603	(19)
Service:			
ICT	25	25	0
Education	(589)	(589)	0
Live Argyll	19	19	0
Health & Social Care Partnership	103	103	0
Shared Offices	46	46	0
Roads & Infrastructure	706	725	(19)
Development & Economic Growth	176	177	(1)
CHORD	98	97	1
Total	584	603	(19)

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

5 FORECAST OUTTURN 2020-21

5.1 Overall Position

Forecast net expenditure for the full financial year is £25,740k compared to an annual budget of £24,872k giving rise to a forecast overspend for the year of £868k (3.5%).

5.2 Project/Department Position

The table below shows the forecast expenditure and budget for the year by project type and service.

Within the forecast variance of £868k there are £257k of overspends specifically as a result of the impact of COVID-19 and also £587k of underspends due to slippage also linked to the pandemic. Therefore the net impact of COVID-19 within the current year is an underspend, due to slippage, of £330k

Project Type:	Annual Budget £'000	Forecast Outturn £'000	Forecast Variance COVID- 19 Related £'000	Forecast Variance Non COVID- 19 Related £'000	Forecast Variance £'000
Asset Sustainability	12,641	12,105	547	(11)	536
Service Development	667	673	40	(46)	(6)
Strategic Change	11,564	12,962	(257)	(1,141)	(1,398)
Total	24,872	25,740	330	(1,198)	(868)
Service:					
ICT	792	752	40	0	40
Education	4,624	4,629	0	(5)	(5)
Live Argyll	513	526	0	(13)	(13)
Health & Social Care Partnership	1,162	1,173	0	(11)	(11)
Shared Offices	2,960	2,960	0	0	0
Roads & Infrastructure	4,477	3,958	547	(28)	519
Development & Economic Growth	1,759	1,759	0	0	0
CHORD	8,585	9,983	(257)	(1,141)	(1,398)
Total	24,872	25,740	330	(1,198)	(868)

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

6 TOTAL PROJECT COSTS

6.1 Overall Position

The forecast total net project costs on the total capital plan are £204,945k compared to a total budget for all projects of £203,049k giving rise to a forecast overspend for the overall capital plan of £1,896k (0.93%).

The largest projects contributing to the this variance are:

- £1,398k relates to Rothesay Pavilion and the Service will prepare a paper regarding what actions will be taken to fund this overspend. Furthermore £257k of the overspend within Rothesay Pavilion relates to COVID-19 and is being reported to COSLA via the returns submitted in order to identify the requirement for extra funding in relation to the pandemic.
- £441k relates to Early Learning and Childcare. Project Managers are currently carrying out investigative work to ensure the accuracy of the position and in the meantime the Education Service are not progressing with any further jobs as there may be a requirement to alter any specifications going forward.

6.2 Project Managers are working to identify underspends elsewhere within the capital programme to fund the remaining smaller overspends which should remove this element of the projection in future months.

6.3 Project/Department Position

The table below shows the forecast expenditure and budget for the total capital plan by project type and service.

Capital Plan variance of £1,896k includes £257k which is specifically linked to overspends due to the COVID-19 pandemic.

Project Type:	Capital Plan Budget £'000	Forecast Project Costs £'000	Capital Plan Variance COVID-19 Related £'000	Capital Plan Variance Non COVID-19 Related £'000	Total Capital Plan Variance £'000
Asset Sustainability	40,541	40,552	0	(11)	(11)
Service Development	61,967	62,454	0	(487)	(487)
Strategic Change	100,541	101,939	(257)	(1,141)	(1,398)
Total	203,049	204,945	(257)	(1,639)	(1,896)
Service:					
ICT	4,872	4,872	0	0	0
Education	40,715	41,161	0	(446)	(446)
Live Argyll	2,944	2,957	0	(13)	(13)
Health & Social Care Partnership	3,508	3,519	0	(11)	(11)
Shared Offices	20,556	20,556	0	0	0
Roads & Infrastructure	27,044	27,072	0	(28)	(28)
Development & Economic Growth	51,891	51,891	0	0	0
CHORD	51,519	52,917	(257)	(1,141)	(1,398)
Total	203,049	204,945	(257)	(1,639)	(1,896)

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

7 TOTAL PROJECT PERFORMANCE

7.1 Overall Position

There are 144 projects within the Capital Plan, 136 are Complete or On Target, 6 are Off Target and Recoverable and 2 are Off Track.

7.2 Project Position

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

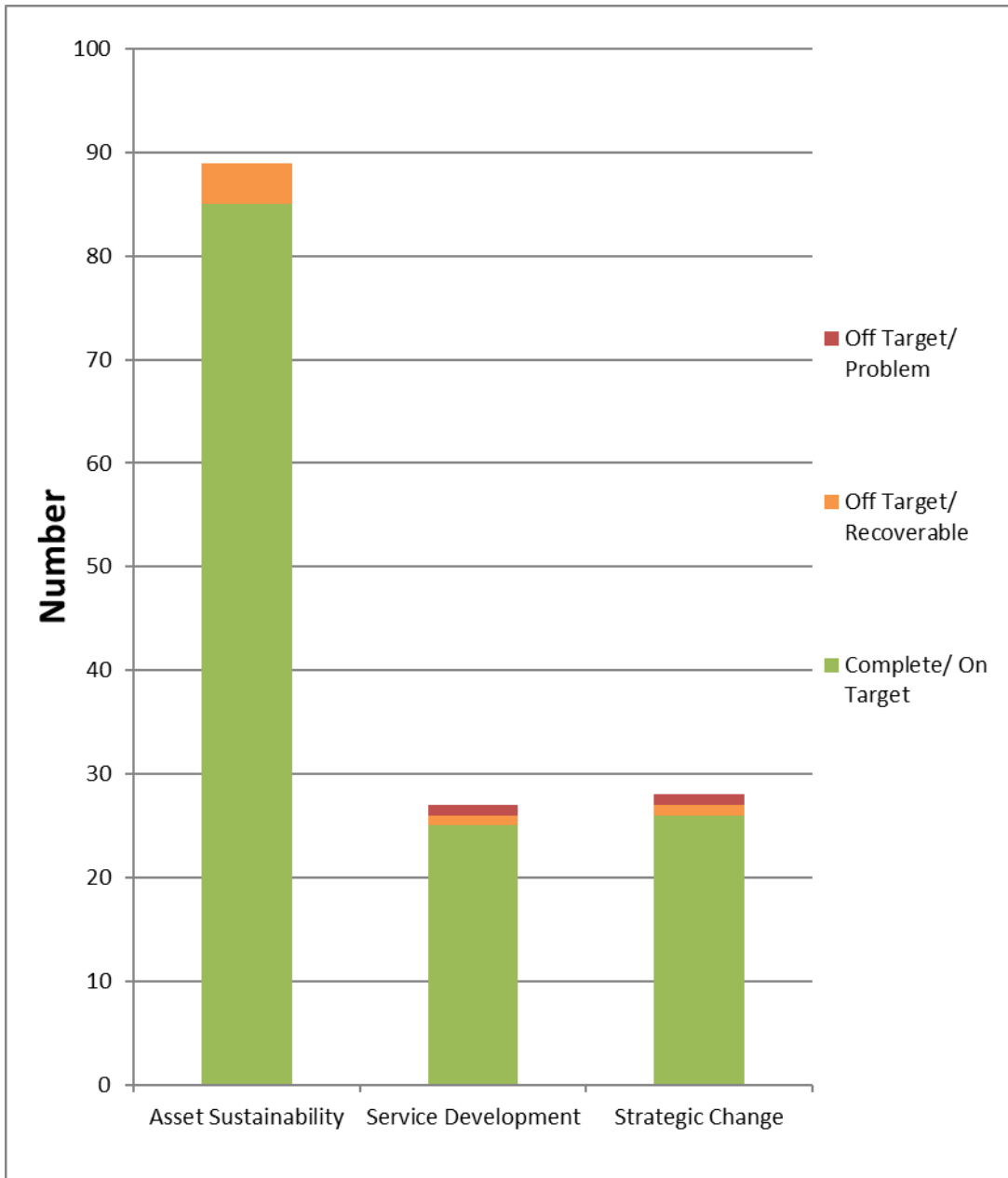
6 projects are off target but recoverable, 2 of which are specifically linked to delays due to the COVID-19 pandemic. 2 projects are off target and a problem, 1 of which is linked to overspends due to the COVID-19 pandemic along with other issues out-with.

Project Type:	Complete / On Target	Off Target/ Recoverable		Off Target/ Problem		Total
		COVID -19 Related	Non-COVID -19 Related	COVID -19 Related	Non-COVID -19 Related	
Asset Sustainability	85	1	3	0	0	89
Service Development	25	1	0	0	1	27
Strategic Change	26	0	1	1	0	28
Total	136	2	4	1	1	144
Service:						
ICT	6	1	0	0	0	7
Education	23	0	0	0	1	24
Live Argyll	19	0	0	0	0	19
Health & Social Care Partnership	16	0	1	0	0	17
Shared Offices	32	0	2	0	0	34
Roads & Infrastructure	28	1	0	0	0	29
Development & Economic Growth	8	0	0	0	0	8
CHORD	4	0	1	1	0	6
Total	136	2	4	1	1	144

Appendix 7 provides further information in relation to Strategic Change Projects.

7.3 Chart of Performance Status

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



8 OFF TRACK PROJECTS

- 8.1** The Off Track projects are noted in the table below and variance reports are included in Appendix 6.

Project Type	Project	What is Off Track?	Explanation
Strategic Change	CHORD Rothesay	Total Project Expenditure	Additional costs due to contractor going into administration and additional works due to asbestos as well as additional costs linked to the COVID-19 pandemic.
Service Development	Early Learning and Childcare	Total Project Expenditure	Acceptable solutions to Early Years requirements are proving more expensive than anticipated and may also include an element of increased cost due to the impact of Covid-19.

9 STRATEGIC CHANGE PROJECTS

- 9.1** Appendix 7 gives detailed information in respect of the Strategic Change Projects within the Capital Plan. The appendix gives details of the forecast cost of the project against the approved budget, the start and anticipated completion date of the project and an assessment of the risks of the project and if these are not green gives an explanation of the problem.

10 CHANGES TO CAPITAL PLAN

- 10.1 The table below shows proposed changes to the Capital Plan at summary level which include slippages and accelerations, virements and over/underspends. Explanations relating to the specific projects involved can be seen in Appendix 4.

The updated capital plan incorporating these proposed changes can be found in Appendix 9.

Department	Prev. Agreed Changes 2020-21 £'000	2020-21		2021-22	2022-23	Total Capital Plan
		COVID-19 Related	Non COVID-19 Related	£'000	£'000	£'000
Asset Sustainability	(4,432)	(547)	0	547	0	0
Service Development	(1,926)	(40)	0	40	0	0
Strategic Change	(2,895)	0	0	0	0	0
Total	(9,253)	(587)	0	587	0	0
Service:						
ICT	0	(40)	0	40	0	0
Education	(5,075)	0	0	0	0	0
Live Argyll	0	0	0	0	0	0
Health & Social Care Partnership	0	0	0	0	0	0
Shared Offices	0	0	0	0	0	0
Roads & Infrastructure	(3,904)	(547)	0	547	0	0
Development & Economic Growth	108	0	0	0	0	0
Major Projects	(382)	0	0	0	0	0
Total	(9,253)	(587)	0	587	0	0

11 FUNDING

- 11.1 The Capital Programme is funded by various income streams as detailed in Appendix 5. Changes during August relate to a minor reduction in STTS funding for Roads Reconstruction.
- 11.2 Due to the COVID-19 outbreak it is anticipated there will be a significant impact on the estimated capital receipts in 2020-21. It is hoped this will correct itself over the subsequent two years and therefore overall there would be no impact to the longer term capital programme. The position will continue to be monitored on an ongoing basis, however there is an estimated delay of £926k in capital receipts during 2020-21 as a result of this.

12 APPENDICES

- **Appendix 1** – Year to date finance variance explanations
- **Appendix 2** - Forecast Outturn variance explanations
- **Appendix 3** - Total Project finance variance explanations
- **Appendix 4** - Changes to Capital Plan and Financial Impact
- **Appendix 5** – Capital Funding
- **Appendix 6** - Off track project variance reports
- **Appendix 7** - Cumulative spend, completion dates and risks relating to significant capital projects.
- **Appendix 8** - Financial Summary – Overall
 - Financial Summary – Executive Director Kirsty Flanagan
 - Financial Summary – Executive Director Douglas Hendry
- **Appendix 9** - Updated/Revised Capital Plan

Kirsty Flanagan
Section 95 Officer
11 September 2020

**Councillor Gary Mulvaney, Depute Council Leader – Policy Lead for
Financial Services and Major Projects**

APPENDIX 1 – Year to Date Finance Variance Explanations

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

Project	YTD Budget £'000	YTD Actual £'000	(Over)/ Under Variance £'000	Explanation
Variances Less than £50k			(19)	Total value of non-material variances less than +/-£50k
Total			(19)	

APPENDIX 2 – Forecast Outturn Variance Explanations

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

Project	Annual Budget £'000	Outturn £'000	(Over)/ Under Forecast Variance COVID-19 Related £'000	(Over)/ Under Forecast Variance Non COVID-19 Related £'000	Total (Over)/ Under Forecast Variance £'000	Explanation
CHORD Rothesay	523	1,921	(257)	(1,141)	(1,398)	Additional costs due to contractor going into administration and additional works due to asbestos.
ICT Applications Projects	225	185	40	0	40	With other work pressures in the department due to COVID-19, there have been delays in the replacement of Resourcelink, budget to be slipped into 2020-21.
Roads Reconstruction	5,184	4,637	547	0	547	Schemes have been delayed due to COVID-19 and being unable to carry out works at the beginning of the financial year. Budget to be slipped and works carried out next year.
Variances Less than £50k			0	(57)	(57)	
Total			330	(1,198)	(868)	

APPENDIX 3 – Total Project Finance Variances

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

Project	Capital Plan Budget £'000	Forecast Project Costs £'000	Capital Plan Variance Related to COVID-19 £'000	Capital Plan Variance Non Related to COVID-19 £'000	Total Capital Plan Variance £'000	Explanation
CHORD Rothesay	13,845	15,243	(257)	(1,141)	(1,398)	Additional costs due to contractor going into administration and additional works due to asbestos.
Early Learning and Childcare	7,686	8,127	0	(441)	(441)	Acceptable solutions to Early Years requirements are proving more expensive than anticipated and may also include an element of increased cost due to the impact of Covid-19.
Other Variances			0	(57)	(57)	Total value of non-material variances less than +/-£50k
Total			(257)	(1,639)	(1,896)	

APPENDIX 4 – Changes to Capital Plan and Financial Impact
OVERALL COST CHANGES

Project	2019-20 £'000	2020-21 £'000	2021-22 £'000	Future Years £'000	Total Capital Plan £'000	Recommendation	Explanation
Ardfenaig	(98)	0	0	0	0	Vire budget to Lorn Resource Centre	Budget not required - can be used to fund additional works at Lorn Resource Centre.
Eadar Glinn	(68)	0	0	0	0	Vire budget to Lorn Resource Centre	Budget not required - can be used to fund additional works at Lorn Resource Centre.
Lorn Resource Centre	166	0	0	0	0	Vire budget to Lorn Resource Centre	Additional works requiring additional budget.
Total Cost Changes	0	0	0	0	0		

SLIPPAGES AND ACCELERATIONS

Project	2020-21 £'000	2021-22 £'000	2022-23 £'000	Future Years £'000	2020-21 Slippage Related to COVID-19 £'000	2020-21 Slippage Related to Non COVID-19 £'000	Total 2020-21 £'000	Recommendation	Explanation
ICT Applications Projects	(40)	40	0	0	(40)	0	(40)	Slip budget into 21-22	With other work pressures in the department due to COVID-19, there have been delays in the replacement of Resourcelink, budget to be slipped into 2020-21.
Roads Reconstruction	(547)	547	0	0	(547)	0	(547)	Slip budget into 21-22	Schemes have been delayed due to COVID-19 and being unable to carry out works at the beginning of the financial year. Budget to be slipped and works carried out next year.
Total Slippages and Accelerations	(587)	587	0	0	(587)	0	(587)		
Net Impact of Changes	(587)	587	0	0	(587)	0	(587)		

CAPITAL PROGRAMME FUNDING

Appendix 5

Funding	Current Year (2020-21)					2021-22				2022-23				Future Years
	Approved Capital Funding £'000	Carry Forwards from 19-20 £'000	Slippage / Acceleration £'000	Additional Funding £'000	Updated Capital Funding Available £'000	Estimated Capital Funding £'000	Slippage / Acceleration £'000	Additional Funding £'000	Updated Capital Funding Available £'000	Estimated Capital Funding £'000	Slippage / Acceleration £'000	Additional Funding £'000	Updated Capital Funding Available £'000	Slippage / Acceleration £'000
General Capital Grant	9,661	(980)	0	0	8,681	12,278	0		12,278	12,278			12,278	
Transfer to Revenue for Private Sector Housing Grant (PSHG)	(1,033)	0	0	0	(1,033)	(1,033)	0		(1,033)	(1,033)			(1,033)	
Capital Receipts	1,202	0	(667)	0	535	1,202	333		1,535	1,202	334		1,536	
Flooding Allocation	155	0	0	0	155	0	0		0	0			0	
Ring Fenced Capital Grant	0	2,080	0	0	2,080	0	0		0	0			0	
Restricted Funding/Ring Fenced Capital Grant	3,075	443	0	1,480	4,998	5,180	0		5,180	10	280		290	
Funded by Reserves	6,985	0	0	0	6,985	0	0		0	0			0	
Insurance	0	40	0	300	340	68	0		68	0			0	
Harbour Investment Programme	4,200	439	(1,299)	0	3,340	8,900	610		9,510	14,590			14,590	
Prudential Borrowing	15,650	2,039	(8,427)	0	9,262	1,252	8,145		9,397	8	282		290	
Loans Fund	0	0	0	0	0	0	0		0	0			0	
Loans Fund Review	5,048	0	0	0	5,048	2,217	0		2,217	461			461	
Capital Funding	44,943	4,061	(10,393)	1,780	40,391	30,064	9,088	0	39,152	27,516	896	0	28,412	0

BREAKDOWN OF ADDITIONAL FUNDING

Additional Funding		Funding Type	Month Reported
Roads STTS	1,227	Grant Funding	Jun-20
Oban Depot Development - Additional Insurance	300	Insurance	Jul-20
Oban Depot Development - Sale Proceeds	200	Capital Receipt	Jul-20
SPT Bus Infrastructure	55	Grant Funding	Jul-20
Roads STTS	-2	Grant Funding	Aug-20
Total	1,780		

OFF TRACK PROJECT

Appendix 6

Project Name: Early Learning and Childcare**Project Manager:** Brian Gray**Risk:** High**Initial Start Date:** 2017-18**Proposed End Date:** 2022-23**How was this project initially funded?** Grant Funded from SG**Please detail any additional funding.** n/a**Previously Reported Committee and Date:** n/a**Next Reported Committee and Date:** n/a**Why is the project classified as off target?**

Anticipated overspend of £441k.

What has caused the issue outlined above?

Acceptable solutions to Early Years requirements are proving more expensive than anticipated and in the future may also include an element of increased cost due to the impact of Covid-19. However this is not known at this stage therefore none of this overspend has been designated as COVID-19 related at this stage.

What action will be taken to rectify this issue?

Project Managers are currently carrying out investigative work to ensure the accuracy of the position and in the meantime the Education Service are not progressing with any further jobs as there may be a requirement to alter any specifications going forward.

What are the implications of the action proposed?

Possible reduction in revenue budget in order to support capital expenditure.

OFF TRACK PROJECT

Appendix 6

Project Name: Rothesay Pavilion	Project Manager: Jonathan M Miles	Risk: High
Initial Start Date: 29 th November 2017	Proposed End Date: June 2020 – due to COVID-19 will run beyond this date. Forecast: December 21.	
How this project was initially funded? 1. A&BC: £5,689,000 (inc. RPC Underwriting £268, 243); 2. HLF: £4,187,500 3. HLF Volunteer Time £50,900; 4. ERDF: £1,055,602; 5. HIE: £750,000; 6. HES: £750,000; 7. RCGF: £625,000; 8. CCF: £600,000 9. West Coast Foundation (Johnny Bute) £116,957; 10. Scottish Landfill Communities Fund: £20,000. Total Approved Budget: £13,844,959.	Please detail any additional funding. N/A	
Previously Reported Committee and Date: Business Continuity 11 th June 20. Area Committee Brief 3 rd September 20.	Next Reported Committee and Date: n/a	
Why is the project classified as off target? The project is classified as off track due to a projected overspend of £1,398k.		
What has caused the issue outlined above? Asbestos removal and reinstatement works in the Main Hall created delays in the project timeline as well as additional costs. The impact of COVID-19 has been significant as the Main Contractor undertaking the works has been placed into administration. This has resulted in additional consultant costs due to work being halted on site and being unable to engage a new contractor due to lockdown restrictions.		
What action will be taken to rectify this issue? The service are currently looking into how this project can be delivered taking into consideration the current remaining budget. In addition further guidance is being sought from the industry on the impact on productivity and therefore programme, following the introduction of measures as a result of COVID-19. The Service will present a paper regarding what actions will be taken to fund this overspend. Furthermore £257k of the overspend within Rothesay Pavilion relates to COVID-19 and is being reported to COSLA via the returns submitted in order to identify the requirement for extra funding in relation to the pandemic.		
What are the implications of the action proposed? The actions being considered will aim to mitigate further financial and time risks as far as possible.		

Strategic Change Projects	Capital Expenditure				Dates		Project Risks Identified	Risks
	Prior Years Spend £'000	Current Year Forecast £'000	Total Project Forecast £'000	Total Project Budget £'000	Project Start Date	Estimated Completion Date		Explanation if not Green
CHORD Rothesay	8,104	1,921	-1,398	15,243	01/04/2015	31/03/2021	Red	Additional costs due to contractor going into administration and additional works due to asbestos. There are also additional costs linked to the COVID-19 pandemic.
Street Lighting LED Replacement	2,700	430	0	0	01/08/2016	31/03/2021	Green	
Harbour Investment Programme	1,802	3,340	0	0	01/04/2017	31/03/2028	Green	
Dunoon Primary	7,170	301	0	10,869	18/12/2014	30/04/2020	Green	Project essentially complete - final minor snagging works outstanding
Replacement of Oban High	2,496	320	0	3,250	24/04/2014	31/01/2019	Green	Project essentially complete - final minor snagging works outstanding
Campbeltown Schools Redevelopment	1,649	479	0	2,130	16/02/2012	30/11/2018	Green	Project essentially complete - final minor snagging works outstanding
Kirn Primary School	9,878	236	0	10,119	24/04/2014	31/10/2017	Green	Project essentially complete - final minor snagging works outstanding
Campbeltown Flood Scheme	181	336	0	0	01/08/2016	31/03/2023	Green	
TIF - Oban Airport Business Park	447	141	0	0	22/01/2015	31/12/2021	Green	
TIF - Lorn/Kirk Road	1,959	32	0	0	22/01/2015	31/03/2021	Green	
CHORD Oban	7,129	738	0	7,905	27/10/2016	31/03/2021	Green	
Helensburgh Waterfront Deveopment	1,387	9,010	0	19,511	01/04/2017	31/03/2024	Green	
CHORD Dunoon	12,238	161	0	12,522	03/02/2012	09/03/2018	Green	Project essentially complete - final minor snagging works outstanding
Carbon Management - Group Heating Conversion Project	1,938	10	0	1,948	01/02/2016	31/03/2019	Green	Project is complete
CHORD - Helensburgh	6,483	70	0	6,557	29/09/2011	30/04/2015	Green	Project is complete
Helensburgh Office Rationalisation	11,500	338	0	11,838	25/04/2013	31/03/2021	Green	
Carbon Management - Non Education	14	36	0	50	01/04/2015	31/03/2022	Green	
Carbon Management Business Cases	201	60	0	261	01/02/2014	31/03/2022	Green	
NPDO Schools Solar PV Panel Installations	761	183	0	944	26/06/2014	31/03/2019	Green	Project is complete
Non NPDO Schools Solar PV Panel Installations	400	88	0	488	20/03/2014	31/03/2019	Green	Project is complete
Carbon Management Fuel Conversions	107	0	0	107	01/02/2014	31/03/2019	Green	Project is complete
Carbon Management Capital Property Works 2016/17	19	20	0	39	01/02/2016	31/03/2022	Green	
Kilmory Biomass Carbon Management	956	0	0	956	20/09/2012	31/03/2019	Green	Project is complete
Oil to Gas Heating Conversions	182	5	0	187	01/02/2012	31/03/2021	Green	
Campbeltown Office Rationalisation	595	1	0	596	01/02/2015	31/03/2019	Green	Project is complete
Rothesay Office Rationalisation	0	10	0	10	01/09/2018	31/03/2021	Green	
TIF - North Pier Extension	214	346	0	0	06/12/2017	06/12/2021	Green	
Dunoon Pier OBC	2,844	0	0	2,844	03/02/2012	26/02/2016	Green	Project is complete
Strategic Change Total	83,354	18,612	-1,398	108,374				

Project Risk Classifications:

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

Amber - Risks are increasing but are still manageable.

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

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

Appendix 8

FINANCIAL SUMMARY - NET EXPENDITURE

31 August 2020

	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Budget £000s	Actual £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s
EXPENDITURE									
Asset Sustainability Projects									
Executive Director Douglas Hendry	374	374	0	6,957	6,968	(11)	18,111	18,122	(11)
Executive Director Kirsty Flanagan	296	296	0	11,900	11,353	547	28,998	28,998	0
Asset Sustainability Total	670	670	0	18,857	18,321	536	47,109	47,120	(11)
Service Development Projects									
Executive Director Douglas Hendry	329	329	0	1,915	1,933	(18)	13,608	14,067	(459)
Executive Director Kirsty Flanagan	497	516	(19)	2,992	2,980	12	64,437	64,465	(28)
Service Development Total	826	845	(19)	4,907	4,913	(6)	78,045	78,532	(487)
Strategic Change Projects									
Campbeltown Schools Redevelopment	368	368	0	479	479	0	2,130	2,130	0
Dunoon Primary	17	17	0	301	301	0	10,869	10,869	0
Replacement of Oban High	170	170	0	320	320	0	3,250	3,250	0
Kirn Primary School	20	20	0	236	236	0	10,119	10,119	0
Carbon Management - Non Education	0	0	0	36	36	0	50	50	0
Carbon Management Business Cases	0	0	0	60	60	0	261	261	0
NPDO Schools Solar PV Panel Installations	0	0	0	183	183	0	944	944	0
Non NPDO Schools Solar PV Panel Installations	0	0	0	88	88	0	488	488	0
Carbon Management Fuel Conversions	0	0	0	0	0	0	107	107	0
Carbon Management Capital Property Works 2016/17	0	0	0	20	20	0	39	39	0
Carbon Management - Group Heating Conversion Project	0	0	0	10	10	0	1,948	1,948	0
Kilmory Biomass Carbon Management	0	0	0	0	0	0	956	956	0
Oil to Gas Heating Conversions	0	0	0	5	5	0	187	187	0
Campbeltown Office Rationalisation	0	0	0	1	1	0	596	596	0
Helensburgh Office Rationalisation	1	1	0	338	338	0	11,838	11,838	0
Rothesay Office Rationalisation	0	0	0	10	10	0	10	10	0
Campbeltown Flood Scheme	111	111	0	336	336	0	1,063	1,063	0
Street Lighting LED Replacement	2	2	0	430	430	0	3,900	3,900	0
Harbour Investment Programme	337	337	0	3,340	3,340	0	90,942	90,942	0
TIF - Lorn/Kirk Road	0	1	(1)	32	32	0	2,170	2,170	0
TIF - North Pier Extension	0	0	0	346	346	0	560	560	0
TIF - Oban Airport Business Park	0	0	0	141	141	0	590	590	0
CHORD - Helensburgh	0	0	0	70	70	0	6,557	6,557	0
CHORD Dunoon	0	0	0	161	161	0	12,522	12,522	0
CHORD Oban	36	36	0	738	738	0	7,905	7,905	0
CHORD Rothesay	87	87	0	523	1,921	(1,398)	13,845	15,243	(1,398)
Helensburgh Waterfront Development	220	220	0	9,010	9,010	0	19,511	19,511	0
Dunoon Pier OBC	0	0	0	0	0	0	2,844	2,844	0
Strategic Change Total	1,370	1,370	0	17,214	18,612	(1,398)	206,201	207,599	(1,398)
Total Expenditure	2,866	2,885	(19)	40,978	41,846	(868)	331,355	333,251	(1,896)
INCOME									
Asset Sustainability									
Executive Director Douglas Hendry	0	0	0	0	0	0	0	0	0
Executive Director Kirsty Flanagan	0	0	0	(6,216)	(6,216)	0	(6,568)	(6,568)	0
Asset Sustainability Total	0	0	0	(6,216)	(6,216)	0	(6,568)	(6,568)	0
Service Development Projects									
Executive Director Douglas Hendry	(1,700)	(1,700)	0	(1,700)	(1,700)	0	(7,302)	(7,302)	0
Executive Director Kirsty Flanagan	1	1	(0)	(2,540)	(2,540)	0	(8,776)	(8,776)	0
Service Development Total	-1,699	-1,699	(0)	-4,240	-4,240	0	-16,078	-16,078	0
Strategic Change Projects									
Helensburgh Office Rationalisation	0	0	0	0	0	0	(349)	(349)	0
Dunoon Primary	0	0	0	0	0	0	(137)	(137)	0
Campbeltown Flood	0	0	0	0	0	0	(270)	(270)	0
Harbour PB	(337)	(337)	0	(3,340)	(3,340)	0	(90,942)	(90,942)	0
01 TIF - Lorn/Kirk Road	0	0	0	(393)	(393)	0	(2,297)	(2,297)	0
H'burgh CHORD Public Realm Imprv	0	0	0	0	0	0	(570)	(570)	0
Helensburgh Waterfront Development	0	0	0	(297)	(297)	0	(1,305)	(1,305)	0
Rothesay CHORD	(246)	(246)	0	(1,620)	(1,620)	0	(8,156)	(8,156)	0
CHORD - Dunoon Waterfront	0	0	0	0	0	0	(10)	(10)	0
CHORD - Oban	0	0	0	0	0	0	(1,624)	(1,624)	0
Strategic Change Total	(583)	(583)	0	(5,650)	(5,650)	0	(105,660)	(105,660)	0
Total Income	(2,282)	(2,282)	(0)	(16,106)	(16,106)	0	(128,306)	(128,306)	0
Net Total	584	603	(19)	24,872	25,740	(868)	203,049	204,945	(1,896)

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN										Appendix 8	
FINANCIAL SUMMARY NET EXPENDITURE - EXECUTIVE DIRECTOR KIRSTY FLANAGAN										31 August 2020	
	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs				
	Budget £000s	Actual £000s	(Over)/Under Variance £000s	Budget £000s	Year End Forecast £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s		
EXPENDITURE											
Asset Sustainability Projects											
Flood Prevention	2	2	0	4	4	0	154	154	0		
Helensburgh Flood Mitigation	0	0	0	47	47	0	450	450	0		
Bridge Strengthening	19	19	0	483	483	0	1,683	1,683	0		
Roads Reconstruction	0	0	0	5,184	4,637	547	16,152	16,152	0		
Roads Reconstruction - Helensburgh CHORD	0	0	0	114	114	0	114	114	0		
Roads Reconstruction - Oban CHORD	0	0	0	52	52	0	52	52	0		
Helensburgh CHORD - Signage etc	0	0	0	10	10	0	10	10	0		
Lighting	0	0	0	264	264	0	514	514	0		
Astro Pitch Repairs	0	0	0	2	2	0	2	2	0		
Oban Play Park	2	2	0	15	15	0	560	560	0		
Environmental Projects	0	0	0	1	1	0	1	1	0		
Public Convenience Upgrades	0	0	0	82	82	0	82	82	0		
Cemetery Houses	0	0	0	25	25	0	25	25	0		
Fleet Management	232	232	0	4,670	4,670	0	6,022	6,022	0		
Footway Improvements	0	0	0	53	53	0	303	303	0		
Glengorm - Capping	17	17	0	85	85	0	85	85	0		
Eilean Dhiura Ferry Engine Replacement	0	0	0	100	100	0	100	100	0		
EV Quick Chargers	0	0	0	142	142	0	142	142	0		
Hermitage Park	0	0	0	0	0	0	0	0	0		
Block Allocation - RIS	0	0	0	0	0	0	0	0	0		
Server Sustainability	0	0	0	3	3	0	98	98	0		
PC Replacement	21	21	0	496	496	0	1,080	1,080	0		
Telecomms Network	0	0	0	49	49	0	339	339	0		
Computer Network Security	0	0	0	0	0	0	0	0	0		
MS Exchange & Doc Sharing	3	3	0	19	19	0	19	19	0		
Corporate GIS Portal Rollout	0	0	0	0	0	0	0	0	0		
Block Allocation - ICT	0	0	0	0	0	0	1,011	1,011	0		
Asset Sustainability Total	296	296	0	11,900	11,353	547	28,998	28,998	0		
Service Development Projects											
Preliminary design for Regional Transport projects	0	0	0	16	16	0	221	221	0		
Campbeltown Old Quay	0	0	0	43	43	0	1,424	1,424	0		
Lismore Ferry	0	0	0	100	100	0	500	500	0		
Millpark Depot Demolition	0	0	0	0	0	0	126	126	0		
Oban Depot Development Project	321	333	(12)	608	608	0	2,100	2,100	0		
Lochgilphead Depot Rationalisation	0	7	(7)	(12)	7	(19)	0	19	(19)		
Depot Rationalisation	0	0	0	0	0	0	50	50	0		
Witchburn Road Demolition	0	0	0	(9)	0	(9)	146	155	(9)		
Safe Streets, Walking and Cycling (CWSS)	3	3	0	590	590	0	2,220	2,220	0		
SPT - bus infrastructure	0	0	0	150	150	0	1,555	1,555	0		
Cycleways - H&L (FSPT)	5	5	0	20	20	0	2,426	2,426	0		
Helensburgh Public Realm - Arts Strategy Fund	0	0	0	53	53	0	53	53	0		
Town Centre Funds	167	167	0	1,208	1,208	0	1,291	1,291	0		
Rural Growth Deal	0	0	0	0	0	0	50,000	50,000	0		
Applications Projects	1	1	0	225	185	40	2,325	2,325	0		
Service Development Total	497	516	(19)	2,992	2,980	12	64,437	64,465	(28)		
Strategic Change Projects											
Campbeltown Flood Scheme	111	111	0	336	336	0	1,063	1,063	0		
Street Lighting LED Replacement	2	2	0	430	430	0	3,900	3,900	0		
Harbour Investment Programme	337	337	0	3,340	3,340	0	90,942	90,942	0		
TIF - Lorn/Kirk Road	0	1	(1)	32	32	0	2,170	2,170	0		
TIF - North Pier Extension	0	0	0	346	346	0	560	560	0		
TIF - Oban Airport Business Park	0	0	0	141	141	0	590	590	0		
Strategic Change Total	450	451	(1)	4,625	4,625	0	99,225	99,225	0		
Total Expenditure	1,243	1,263	(20)	19,517	18,958	559	192,660	192,688	(28)		
INCOME											
Asset Sustainability											
Fleet Management - PB	0	0	0	(4,670)	(4,670)	0	(5,022)	(5,022)	0		
EV Quick Chargers	0	0	0	(142)	(142)	0	(142)	(142)	0		
Roads Reconstruction	0	0	0	(1,225)	(1,225)	0	(1,225)	(1,225)	0		
Oban Play Park	0	0	0	(64)	(64)	0	(64)	(64)	0		
Hermitage Park	0	0	0	(115)	(115)	0	(115)	(115)	0		
Sale of Plant and Machinery	0	0	0	0	0	0	0	0	0		
Sale of Vehicles	0	0	0	0	0	0	0	0	0		
Asset Sustainability Total	0	0	0	(6,216)	(6,216)	0	(6,568)	(6,568)	0		
Service Development Projects											
Safe Streets, Walking and Cycling	0	0	0	(212)	(212)	0	(1,444)	(1,444)	0		
SPT	0	0	0	(155)	(155)	0	(1,398)	(1,398)	0		
Cycleways - H&L (FSPT)	1	1	(0)	(21)	(21)	0	(2,544)	(2,544)	0		
Town Centre Funds	0	0	0	0	0	0	(1,291)	(1,291)	0		
Millpark Depot Demolition Insurance	0	0	0	(52)	(52)	0	(53)	(53)	0		
Oban Depot Development Project	0	0	0	(1,650)	(1,650)	0	(1,650)	(1,650)	0		
Oban Depot Development Project - Appin Depot Sale	0	0	0	(200)	(200)	0	0	0	0		
Oban Depot Development Project Equipment	0	0	0	(250)	(250)	0	(250)	(250)	0		
Witchburn Road Demolition	0	0	0	0	0	0	(146)	(146)	0		
Service Development Total	1	1	(0)	(2,540)	(2,540)	0	(8,776)	(8,776)	0		
Strategic Change Projects											
Campbeltown Flood	0	0	0	0	0	0	(270)	(270)	0		
Harbour PB	(337)	(337)	0	(3,340)	(3,340)	0	(90,942)	(90,942)	0		
01 TIF - Lorn/Kirk Road	0	0	0	(393)	(393)	0	(2,297)	(2,297)	0		
Strategic Change Total	(337)	(337)	0	(3,733)	(3,733)	0	(93,509)	(93,509)	0		
Total Income	(336)	(336)	(0)	(12,489)	(12,489)	0	(108,853)	(108,853)	0		
Net Departmental Total	907	927	(20)	7,028	6,469	559	83,807	83,835	(28)		

MONITORING REPORT							Appendix 8		
FINANCIAL SUMMARY NET EXPENDITURE - EXECUTIVE DIRECTOR DOUGLAS HENDRY							31 August 2020		
	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Budget £000s	Actual £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s
EXPENDITURE									
Asset Sustainability									
Education	207	207	0	3,114	3,114	0	10,710	10,710	0
Live Argyll	19	19	0	490	490	0	1,662	1,662	0
Health and Social Care Partnership	103	103	0	1,108	1,119	(11)	2,208	2,219	(11)
Shared Offices	45	45	0	2,245	2,245	0	3,531	3,531	0
Asset Sustainability Total	374	374	0	6,957	6,968	(11)	18,111	18,122	(11)
Service Development Projects									
Ardrishaig Primary Pre 5 Unit	0	0	0	(2)	0	(2)	0	2	(2)
Bowmore Primary School - Pre 5 Unit	0	0	0	(3)	0	(3)	28	31	(3)
Clyde Cottage - 600 hour provision	0	0	0	40	40	0	505	505	0
Craignish Primary School - Pre 5 Extension	0	0	0	25	25	0	417	417	0
Iona Primary School - Pre 5 Unit	0	0	0	36	36	0	474	474	0
Islay High and Rosneath Primary School Pitches	0	0	0	9	9	0	700	700	0
Lochgoilhead Primary School - Pre 5 Unit	0	0	0	23	23	0	388	388	0
Park Primary Extension/Pre Fives Unit	0	0	0	5	5	0	346	346	0
Tarbert High School - Biomass enabling work	0	0	0	0	0	0	0	0	0
Sandbank Gaelic Pre Five Unit	0	0	0	16	16	0	507	507	0
Bunessan Primary School - Gaelic Medium Improvements	0	0	0	0	0	0	25	25	0
Early Learning and Childcare	329	329	0	1,725	1,725	0	7,686	8,127	(441)
Riverside Leisure Centre Refurbishment	0	0	0	(13)	0	(13)	1,232	1,245	(13)
Dunclutha Childrens Home	0	0	0	54	54	0	1,300	1,300	0
Service Development Total	329	329	0	1,915	1,933	(18)	13,608	14,067	(459)
Strategic Change Projects									
Campbeltown Schools Redevelopment	368	368	0	479	479	0	2,130	2,130	0
Dunoon Primary	17	17	0	301	301	0	10,869	10,869	0
Replacement of Oban High	170	170	0	320	320	0	3,250	3,250	0
Kirm Primary School	20	20	0	236	236	0	10,119	10,119	0
Carbon Management - Non Education	0	0	0	36	36	0	50	50	0
Carbon Management Business Cases	0	0	0	60	60	0	261	261	0
NPDO Schools Solar PV Panel Installations	0	0	0	183	183	0	944	944	0
Non NPDO Schools Solar PV Panel Installations	0	0	0	88	88	0	488	488	0
Carbon Management Fuel Conversions	0	0	0	0	0	0	107	107	0
Carbon Management Capital Property Works 2016/17	0	0	0	20	20	0	39	39	0
Carbon Management - Group Heating Conversion Project	0	0	0	10	10	0	1,948	1,948	0
Kilmory Biomass Carbon Management	0	0	0	0	0	0	956	956	0
Oil to Gas Heating Conversions	0	0	0	5	5	0	187	187	0
Campbeltown Office Rationalisation	0	0	0	1	1	0	596	596	0
Helensburgh Office Rationalisation	1	1	0	338	338	0	11,838	11,838	0
Rothesay Office Rationalisation	0	0	0	10	10	0	10	10	0
CHORD Oban	36	36	0	738	738	0	7,905	7,905	0
CHORD Rothesay	87	87	0	523	1,921	(1,398)	13,845	15,243	(1,398)
CHORD - Helensburgh	0	0	0	70	70	0	6,557	6,557	0
CHORD Dunoon	0	0	0	161	161	0	12,522	12,522	0
Helensburgh Waterfront Deveopment	220	220	0	9,010	9,010	0	19,511	19,511	0
Dunoon Pier OBC	0	0	0	0	0	0	2,844	2,844	0
Strategic Change Total	920	919	1	12,589	13,987	(1,398)	106,976	108,374	(1,398)
Total Expenditure	1,623	1,622	1	21,461	22,888	(1,427)	138,695	140,563	(1,868)
INCOME									
Asset Sustainability									
Education	0	0	0	0	0	0	0	0	0
Live Argyll	0	0	0	0	0	0	0	0	0
Health and Social Care Partnership	0	0	0	0	0	0	0	0	0
Shared Offices	0	0	0	0	0	0	0	0	0
Asset Sustainability Total	0	0	0	0	0	0	0	0	0
Service Development Projects									
Sandbank Gaelic Pre Five Unit	0	0	0	0	0	0	(478)	(478)	0
Bunessan Primary School - Gaelic Medium Improvements	0	0	0	0	0	0	(30)	(30)	0
Early Learning and Childcare	0	0	0	0	0	0	(494)	(494)	0
Early Years 1140 Hours	(1,700)	(1,700)	0	(1,700)	(1,700)	0	(6,300)	(6,300)	0
Service Development Total	(1,700)	(1,700)	0	(1,700)	(1,700)	0	(7,302)	(7,302)	0
Strategic Change									
Helensburgh Office Rationalisation	0	0	0	0	0	0	(349)	(349)	0
Dunoon Primary School	0	0	0	0	0	0	(137)	(137)	0
H'burgh CHORD Public Realm Imprv	0	0	0	0	0	0	(570)	(570)	0
Helensburgh Waterfront Development	0	0	0	(297)	(297)	0	(1,305)	(1,305)	0
Rothesay CHORD	(246)	(246)	0	(1,620)	(1,620)	0	(8,156)	(8,156)	0
CHORD - Dunoon Waterfront	0	0	0	0	0	0	(10)	(10)	0
CHORD - Oban	0	0	0	0	0	0	(1,624)	(1,624)	0
Strategic Change Total	(246)	(246)	0	(1,917)	(1,917)	0	(12,151)	(12,151)	0
Total Income	(1,946)	(1,946)	0	(3,617)	(3,617)	0	(19,453)	(19,453)	0
Net Departmental Total	(323)	(325)	1	17,844	19,271	(1,427)	119,242	121,110	(1,868)

Service	Previous Years £000's	2020-21 £000s	2021-22 £000's	2022-23 £000s	Future Years £000s	Total £000s
Education	30,781	6,324	8,001	3,023	0	17,348
Shared Offices	15,596	2,960	725	561	0	4,246
Major Projects	41,024	10,502	7,352	1,462	0	19,316
ICT	1,327	752	1,559	1,234	0	3,545
RIS	11,425	15,638	20,367	21,008	58,359	115,372
DEG	8,325	2,540	0	0	50,000	52,540
HSCP	1,246	1,162	539	561	0	2,262
Live Argyll	1,259	513	609	563	0	1,685
Overall Total	110,983	40,391	39,152	28,412	108,359	216,314

Education

Category	Service	Project	Previous				Future Years £000s	Total £000s
			Years £000's	2020-21 £000s	2021-22 £000's	2022-23 £000s		
Asset Sustainability	Education	Asbestos Control/Removal Works	0	7	0	0	0	7
		Block Allocation - Education	0	1,930	3,900	2,920	0	8,750
		Free School Meals	0	14	0	0	0	14
		Homeless Houses - Housing Quality Standard	0	1	0	0	0	1
		Internal Refurbishment Budget	0	17	0	0	0	17
		Pre-5's/Nurseries	0	1	0	0	0	1
		Primary Schools	0	878	750	23	0	1,651
		School Houses - Housing Quality Standard	0	2	0	0	0	2
		Secondary Schools	0	264	3	0	0	267
Asset Sustainability Total			0	3,114	4,653	2,943	0	10,710
Service Development	Education	Ardrishaig Primar School - Pre Five Extension	2	-2	0	0	0	-2
		Bowmore Primary School - Pre Five Unit	31	-3	0	0	0	-3
		Clyde Cottage - 600 hours provision	465	40	0	0	0	40
		Craignish Primary School - Pre Five Extension (600 hours funding)	392	25	0	0	0	25
		Early Learning and Childcare	3,347	1,725	2,534	80	0	4,339
		Iona Primary School - Pre Five Unit (600 hours funding)	438	36	0	0	0	36
		Islay High & Rosneath PS Pitches	691	9	0	0	0	9
		Lochgoilhead Primary School - Pre Five Unit (600 hours funding)	365	23	0	0	0	23
		Park Primary Extension and Pre Fives Unit	341	5	0	0	0	5
		Sandbank Gaelic Pre Five Unit	491	16	0	0	0	16
Service Development Total			6,563	1,874	2,534	80	0	4,488
Strategic Change	Education	Campbeltown Schools Redevelopment	1,651	479	0	0	0	479
		Dunoon Primary School	10,176	301	392	0	0	693
		Kirn Primary School	9,883	236	0	0	0	236
		Replacement of Oban High School	2,508	320	422	0	0	742
Strategic Change Total			24,218	1,336	814	0	0	2,150
Overall Total			30,781	6,324	8,001	3,023	0	17,348

Category	Service	Project	Previous				Future	Total
			Years	2020-21	2021-22	2022-23	Years	
			£000's	£000s	£000's	£000s	£000s	£000s
Asset Sustainability	Shared Offices	Argyll House, Dunoon	0	98	0	0	0	98
		Asbestos Capital Property Works	0	57	0	0	0	57
		Block Allocation	0	585	561	561	0	1,707
		Bowmore Area Office	0	73	3	0	0	76
		Burnett Building	0	136	3	0	0	139
		Capital Property Works	0	29	0	0	0	29
		Castle House, Dunoon	0	10	0	0	0	10
		Cleaner Energy	0	500	0	0	0	500
		Dolphin Hall	0	-49	0	0	0	-49
		Dunoon Office Rationalisation	0	220	7	0	0	227
		Fire Risk Assessment Works	0	60	0	0	0	60
		Hill Street Dunoon Rewire	0	32	1	0	0	33
		Joint Valuation Board	0	39	0	0	0	39
		Kilmory Castle	0	-50	0	0	0	-50
		Legionella Control Works	0	197	150	0	0	347
		Lorn House, Oban	0	22	0	0	0	22
		Manse Brae District Office	0	152	0	0	0	152
		Manse Brae Roads Office	0	2	0	0	0	2
		Oban Municipal Buildings	0	18	0	0	0	18
		Old Quay Offices, Campbeltown	0	15	0	0	0	15
Rothesay Office Rationalisation	0	30	0	0	0	30		
Tobermory Area Office	0	44	0	0	0	44		
Whitegates Office, Lochgilphead	0	25	0	0	0	25		
Asset Sustainability Total			0	2,245	725	561	0	3,531
Strategic Change	Shared Offices	Campbeltown Office Rationalisation	595	1	0	0	0	1
		Carbon Management - Group Heating Conversion Project (Prudentia)	1,938	10	0	0	0	10
		Carbon Management Business Cases (FPB)	201	60	0	0	0	60
		Carbon Management Capital Property Works 16/17	19	20	0	0	0	20
		Helensburgh Office Rationalisation (FPB,REC)	11,500	338	0	0	0	338
		Non-NPDO Schools PV Panel Installations	400	88	0	0	0	88
		NPDO Schools Solar PV Panel Installations	761	183	0	0	0	183
		Oil to Gas Heating Conversions (FPB)	182	5	0	0	0	5
		Rothesay Office Rationalisation	0	10	0	0	0	10
Strategic Change Total			15,596	715	0	0	0	715
Overall Total			15,596	2,960	725	561	0	4,246

Category	Service	Project	Previous	2020-21	2021-22	2022-23	Future	Total
			Years £000's	£000s	£000's	£000s	Years £000s	£000s
Strategic Change	Major Projects	CHORD - Dunoon	12,361	161	0	0	0	161
		CHORD - Helensburgh -Public Realm Imprv	6,487	70	0	0	0	70
		CHORD - Oban	7,167	738	0	0	0	738
		CHORD - Rothesay	13,322	523	0	0	0	523
		Helensburgh Waterfront Development	1,687	9,010	7,352	1,462	0	17,824
Strategic Change Total			41,024	10,502	7,352	1,462	0	19,316
Overall Total			41,024	10,502	7,352	1,462	0	19,316

Category	Service	Project	Previous	2020-21	2021-22	2022-23	Future	Total
			Years £000's	£000s	£000's	£000s	Years £000s	£000s
Asset Sustainability	ICT	Block Allocation - ICT	0	0	0	1,011	0	1,011
		MS Exchange & Doc Sharing	0	19	0	0	0	19
		PC Replacement	0	496	584	0	0	1,080
		Server Sustainability	0	3	95	0	0	98
		Telecomms Network	0	49	290	0	0	339
Asset Sustainability Total			0	567	969	1,011	0	2,547
Service Development	ICT	Applications Projects	1,327	185	590	223	0	998
Service Development Total			1,327	185	590	223	0	998
Overall Total			1,327	752	1,559	1,234	0	3,545

Category	Service	Project	Previous	2020-21	2021-22	2022-23	Future Years	Total
			Years £000's	£000s	£000's	£000s	£000s	£000s
Asset Sustainability	RIS	Astro Pitch Repairs	0	2	0	0	0	2
		Block Allocation	0	0	0	0	0	0
		Bridge Strengthening	0	483	700	500	0	1,683
		Cemetery Houses	0	25	0	0	0	25
		Eilean Dhiura Ferry Engine Replacement	0	100	0	0	0	100
		Environmental Projects	0	15	545	0	0	560
		EV Quick Chargers	0	142	0	0	0	142
		Fleet Management	0	4,670	352	1,000	0	6,022
		Flood Prevention	0	4	150	0	0	154
		Footway Improvements	0	53	0	250	0	303
		Glengorm - Capping	0	85	0	0	0	85
		Helensburgh CHORD - Signage etc	0	10	0	0	0	10
		Helensburgh Flood Mitigation	0	47	393	10	0	450
		Lighting	0	264	0	250	0	514
		Oban Play Park	0	1	0	0	0	1
		Public Convenience Upgrades	0	82	0	0	0	82
		Roads Reconstruction	0	4,637	7,387	4,128	0	16,152
Roads Reconstruction - Helensburgh CHORD	0	114	0	0	0	114		
Roads Reconstruction - Oban CHORD	0	52	0	0	0	52		
Asset Sustainability Total			0	10,786	9,527	6,138	0	26,451
Service Development	RIS	Campbeltown Old Quay	1,381	43	0	0	0	43
		Depot Rationalisation	0	0	50	0	0	50
		Lismore Ferry Replacement	0	100	400	0	0	500
		Lochgilphead Depot Rationalisation	12	-12	0	0	0	-12
		Oban Depot Development	1,424	608	68	0	0	676
		Preliminary design for Regional Transport projects (tif)	205	16	0	0	0	16
		Witchburn Road Demolition	155	-9	0	0	0	-9
Service Development Total			3,177	746	518	0	0	1,264
Strategic Change	RIS	Campbeltown Flood Scheme	315	336	412	0	0	748
		Harbour Investment Programme PB	4,863	3,340	9,510	14,870	58,359	86,079
		Street Lighting LED Replacement	3,070	430	400	0	0	830
Strategic Change Total			8,248	4,106	10,322	14,870	58,359	87,657
Overall Total			11,425	15,638	20,367	21,008	58,359	115,372

Category	Service	Project	Previous Years £000's	2020-21 £000s	2021-22 £000's	2022-23 £000s	Future Years £000s	Total £000s
Service Development	DEG	Cycleways - H&L (FSPT)	2,406	20	0	0	0	20
		Helensburgh Public Realm - Arts Strategy Fund	0	53	0	0	0	53
		Rural Growth Deal	0	0	0	0	50,000	50,000
		Safe Streets, Walking and Cycling (CWSS)	1,630	590	0	0	0	590
		SPT - bus infrastructure	1,405	150	0	0	0	150
		Town Centre Funds	83	1,208	0	0	0	1,208
Service Development Total			5,524	2,021	0	0	50,000	52,021
Strategic Change	DEG	01 TIF - Lorn/Kirk Road	2,138	32	0	0	0	32
		05 TIF - North Pier Extension	214	346	0	0	0	346
		09 TIF - Oban Airport Business Park	449	141	0	0	0	141
Strategic Change Total			2,801	519	0	0	0	519
Overall Total			8,325	2,540	0	0	50,000	52,540

Category	Service	Project	Previous	2020-21	2021-22	2022-23	Future	Total
			Years £000's	£000s	£000's	£000s	Years £000s	£000s
Asset Sustainability	HSCP	Ardfenaig	0	113	242	0	0	355
		Block Allocation	0	0	0	561	0	561
		Capital Property Works	0	17	142	0	0	159
		Digitalising telecare	0	100	0	0	0	100
		Eadar Glinn	0	151	40	0	0	191
		Glencruitten Hostel	0	38	0	0	0	38
		Gortonvogie	0	12	0	0	0	12
		Greenwood/Woodlands	0	-9	100	0	0	91
		Kilmory Castle Top Floor Toilet Refurb	0	4	0	0	0	4
		Lochgilphead Resource Centre	0	16	0	0	0	16
		Lorn Resource Centre	0	13	0	0	0	13
		Shellach View	0	-2	0	0	0	-2
		Struan Lodge Boiler	0	252	0	0	0	252
		Thomson Home Rothesay	0	109	6	0	0	115
		Tigh An Rudha HFE	0	294	9	0	0	303
Asset Sustainability Total			0	1,108	539	561	0	2,208
Service Development	HSCP	Dunclutha Childrens Home	1,246	54	0	0	0	54
Service Development Total			1,246	54	0	0	0	54
Overall Total			1,246	1,162	539	561	0	2,262

Category	Service	Project	Previous	2020-21	2021-22	2022-23	Future	Total
			Years £000's	£000s	£000's	£000s	Years £000s	£000s
Asset Sustainability	Live Argyll	Aqualibrium	0	29	0	0	0	29
		Campbeltown Community Centre - Fire Alarm and Door Upgrade	0	14	0	0	0	14
		Campbeltown Museum - Burnet Bldg	0	12	0	0	0	12
		Capital Property Works	0	227	561	561	0	1,349
		Dunoon Community Education Centre	0	0	48	2	0	50
		Helensburgh Swimming Pool - Roofing	0	9	0	0	0	9
		Inveraray CARS	0	21	0	0	0	21
		Moat Centre (Roofing)	0	5	0	0	0	5
		Riverside Leisure Centre - Cladding Upgrade	0	30	0	0	0	30
		Rothesay Swimming Pool	0	59	0	0	0	59
		Victoria Halls, Helensburgh	0	84	0	0	0	84
Asset Sustainability Total			0	490	609	563	0	1,662
Service Development	Live Argyll	Riverside Leisure Centre Refurbishment	1,245	-13	0	0	0	-13
Service Development Total			1,245	-13	0	0	0	-13
Strategic Change	Live Argyll	Carbon Management	14	36	0	0	0	36
Strategic Change Total			14	36	0	0	0	36
Overall Total			1,259	513	609	563	0	1,685

TREASURY MANAGEMENT MONITORING REPORT – AUGUST 2020

1. EXECUTIVE SUMMARY

1.1. This report sets out the Council's treasury management position for the period 1 July 2020 to 31 August 2020 and includes information on:

- Overall borrowing position
- Borrowing activity
- Investment activity
- Economic background
- Interest rate forecast
- Prudential Indicators

1.2. Estimated borrowing is above the Capital Financing Requirement for the period to 31 August 2020, at this stage in the financial year capital expenditure is below target. It is likely that due to delays caused by the COVID-19 pandemic capital expenditure will continue to be below target for the remainder of the year.

1.3. The net movement in external borrowing in the period 1 July 2020 to 31 August 2020 was a decrease of £0.350m.

1.4. The levels of investments were £121m at 31 August 2020. The rate of return achieved was 0.585% which compares favourably with the target 7 day LIBID rate which was -0.066%.

TREASURY MANAGEMENT MONITORING REPORT – AUGUST 2020

2. INTRODUCTION

2.1. This report sets out the Council's treasury management position for the period 1 July 2020 to 31 August 2020 and includes information on:

- Overall borrowing position
- Borrowing activity
- Investment activity
- Economic background
- Interest rate forecast
- Prudential Indicators

3. DETAIL**Overall Borrowing Position**

3.1. The table below details the estimated capital financing requirement (CFR) and compares this with the estimated level of external debt at 31 March 2020. The CFR represents the underlying need for the Council to borrow to fund its fixed assets and accumulated capital expenditure.

	Forecast 2020/21 £000's	Forecast 2021/22 £000's	Forecast 2022/23 £000's
CFR at 1 April	296,187	300,065	308,314
Net Capital Expenditure	14,057	19,348	14,880
Less Loans Fund Principal Repayments	(5,606)	(6,284)	(6,851)
Less: NPDO Repayment	(4,573)	(4,815)	(5,097)
Estimated CFR 31 March	300,065	308,314	311,246
Less Funded by NPDO	(119,542)	(114,727)	(109,630)
Estimated Net CFR 31 March	180,523	193,587	201,616
Estimated External Borrowing at 31 March	180,741	189,939	186,662
Gap	(218)	3,648	14,954

- 3.2. Borrowing is above the Capital Financing Requirement for the period to 31 August 2020. Whilst borrowing rates are still comparatively low the Council has significant cash balances which reduces the need to borrow in the short term.
- 3.3. The Council's Treasury Management Strategy states that any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates.
- 3.4. The Council's estimated net capital financing requirement at 31 August is £181m. The table below shows how this has been financed. £172m is funded by loans and there are substantial internal balances of £130m of which £121m are currently invested, as detailed in section 3.7, leaving an internal balance of £9m.

	Position at 30/06/20 £000	Position at 30/08/20 £000
Loans	171,940	171,590
Internal Balances	9,541	8,933
Total CFR	181,481	180,523

During the period from 1 July to 31 August 2020, £0.373m of loans were repaid and £0.023m of new borrowing was taken, the analysis of the movement in borrowing is shown in the table below:

	Actual £000's
External Loans Repaid 1st July 2020 to 31st August 2020	(373)
Borrowing undertaken 1st July 2020 to 31st August 2020	23
Net Movement in External Borrowing	(350)

- 3.5. The external borrowing of the Council decreased by £0.350m during the period from 1 July 2020 to 31 August 2020.
- 3.6. The table below summarises the movement in the level and rate of temporary borrowing at the start and end of the period.

	£000s	% Rate
Temp borrowing at 30th June 2020	562	0.00%
Temp borrowing at 31st August 2020	585	0.00%

Investment Activity

3.7 The average rate of return achieved in the Council's investments to 31 August 2020 was 0.585% compared to the average LIBID rate for the same period of -0.066% which demonstrates that the Council continues to achieve a reasonable rate of return on its cash investments in spite of the challenging investment market. At 31 August 2020 the Council had £121m of short term investments at an average rate of 0.585%. The table below details the counterparties that the investments were placed with, the maturity date, the interest rate and the credit rating applicable for each counterparty.

Counterparty	Maturity	Amount £000s	Interest Rate	Rating S&P
Clydesdale Bank	Instant Access	401	0.00%	Short Term A-2, Long Term BBB+
Handelsbanken	35 Day Notice	10,000	0.15%	Short Term A-1+, Long Term AA-
Goldman Sachs	185 Day Notice	2,500	1.04%	Short Term A-1, Long Term A+
Goldman Sachs	185 Day Notice	5,000	1.01%	Short Term A-1, Long Term A+
Santander	180 Day Notice	7,500	0.55%	Short Term A-1, Long Term A
Bank of Scotland	95 Day Notice	7,500	0.30%	Short Term A-1, Long Term A+
Qatar National Bank	04/09/2020	5,000	0.50%	Short Term A-1, Long Term A
Qatar National Bank	10/09/2020	2,500	0.50%	Short Term A-1, Long Term A
Qatar National Bank	09/09/2020	2,500	0.48%	Short Term A-1, Long Term A
First Abu Dhabi Bank	07/12/2020	5,000	0.45%	Short Term A-1+, Long Term AA-
Close Bros	14/10/2020	5,000	1.25%	Short Term A-1, Long Term A
Santander	08/12/2020	5,000	0.45%	Short Term A-1, Long Term A
Lancashire County Council	23/10/2020	5,000	1.00%	AA
Thurrock Borough Council	10/05/2021	5,000	1.05%	AA
Thurrock Borough Council	13/05/2021	5,000	1.05%	AA
Dudley Metropolitan Borough Council	21/04/2021	5,000	1.05%	AA
London Borough of Crydon	22/07/2022	5,000	1.65%	AA
London Borough of Crydon	22/08/2022	2,500	1.65%	AA
Fife Council	07/12/2020	5,000	0.45%	AA
MMF - BNP Paribas	Call	0	0.00%	AAA
MMF- Federated	Call	327	0.07%	AAA
MMF - Insight	Call	0	0.00%	AAA
MMF - AberdeenStandard	Call	5,371	0.11%	AAA
MMF - Invesco AIM	Call	0	0.00%	AAA
MMF - Legal and General	Call	0	0.00%	AAA
MMF - CCLA	Call	12,500	0.14%	AAA
MMF - Aviva	Call	12,500	0.15%	AAA
Total		121,099		

- 3.8. All investments and deposits are in accordance with the Council's approved list of counterparties and within the limits and parameters defined in the Treasury Management Practices. The counterparty list is constructed based on assessments by leading credit reference agencies adjusted for additional market information available in respect of counterparties.

Economic and Interest Rate Forecasts

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

Prudential Indicators

- 3.10. The prudential indicators for 2020-21 are attached in Appendix 3.

4. CONCLUSION

- 4.8. In the period from 1 July 2020 to 31 August 2020, the Council's borrowing decreased by £0.350m, it is currently above the Capital Financing Requirement. There are substantial internal balances, of which £121m is currently invested. The investment returns were 0.585% which is above the target of -0.066%.

5. IMPLICATIONS

- | | |
|------------------------------|------|
| 5.8. Policy - | None |
| 5.9. Financial - | None |
| 5.10. Legal - | None |
| 5.11. HR - | None |
| 5.12. Fairer Scotland Duty - | None |
| 5.13. Risk - | None |
| 5.14. Customer Service - | None |

Kirsty Flanagan
Section 95 Officer
11 September 2020

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

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

Appendix 1 – Economic Background (at 08-09-20)

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

As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 6th August. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:

- The fall in **GDP** in the first half of 2020 was revised from 28% to 23%. This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.
- The peak in the **unemployment rate** was revised down from 9% in Q2 to 7½% by Q4 2020.
- It forecast that there would be excess demand in the economy by Q3 2022 causing CPI **inflation** to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.

It also squashed any idea of using **negative interest rates**, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be “less effective as a tool to stimulate the economy” at this time when banks are worried about future loan losses. It also has “other instruments available”, including QE and the use of forward guidance.

The MPC still expects the £300bn of **quantitative easing** purchases announced between its March and June meetings to continue until the “turn of the year”. This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.

In conclusion, this would indicate that the Bank can now just *sit on its hands* as the economy is recovering better than expected. However, the MPC acknowledged that the “medium-term projections were a less informative guide than usual” and the minutes had multiple references to **downside risks**, which were judged to persist both in the short and medium term. One has only to look at the potential for a second wave of the virus to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down in the furlough scheme through to the end of October is another development that could cause the Bank to review the need for more support for the economy later in the year. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE. Overall, the pace of recovery is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. There will also be some painful longer term adjustments as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up

how vulnerable long-distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.

One key addition to **forward guidance** was a new phrase in the policy statement, namely that “it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably”. That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years’ time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate

The **Financial Policy Committee** (FPC) report on 6th August revised down their expected credit losses for the banking sector to “somewhat less than £80bn”. It stated that in its assessment “banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC’s central projection”. The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC’s projection, with unemployment rising to above 15%.

Overall, it is expected that there has been a strong pickup in economic growth during the back-end of quarter 2 of 2020. However, that pace is likely to fade as the furlough scheme ending in October will lead to many job losses during the second half of the year. Consumers will also probably remain cautious in spending and this will dampen growth. Uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind.

US. The incoming sets of data during the first week of August were almost universally stronger than expected. With the number of new daily coronavirus infections beginning to abate, recovery should continue over the coming months and employment growth should also pick up again. However, growth will be dampened by continuing outbreaks of the virus in some states leading to fresh localised restrictions. At its end of August meeting, the Fed tweaked its inflation target from 2% to maintaining an average of 2% over an unspecified time period i.e. following periods when inflation has been running persistently below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time. This change is aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary “trap” like Japan. It is to be noted that inflation has actually been under shooting the 2% target significantly for most of the last decade so financial markets took note that higher levels of inflation are likely to be in the pipeline; long term bond yields duly rose after the meeting. The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

EU. The economy was recovering well towards the end of Q2 after a sharp drop in GDP. However, there are growing fears of a second wave of the virus that could cause a significant slowdown in the pace of recovery, especially in countries more dependent on tourism. The fiscal support package, eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support and quickly enough to make an appreciable difference in weaker countries. The ECB has been struggling to get inflation up to its 2% target and it is therefore expected that it will have to provide more monetary policy

support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support.

China. After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and has enabled it to recover all of the contraction in Q1. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

Japan. There are some concerns that a second wave of the virus is gaining momentum and could damage economic growth further. It has been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. The resignation of Prime Minister Abe is not expected to result in any significant change in economic policy.

World growth. Latin America and India are currently hotspots for virus infections. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

Appendix 2 – Interest Rate Forecast (at 08-09-20)

The Council's treasury advisor, Link Asset Services, has provided the following forecast:

Link Group Interest Rate View		11.8.20									
	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 Month average earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-
6 Month LIBID	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-
12 Month LIBID	0.20	0.20	0.20	0.20	0.20	0.20	0.20	-	-	-	-
5yr PWLB Rate	1.90	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50

The above table is based on PWLB certainty rates – gilt yields plus 180bps.

- As LIBOR rates will cease from the end of 2021, there are no LIBID forecasts for 2022/23. Link will be continuing to look at market developments in this area and will monitor these with a view to communicating with clients when full financial market agreement is reached on how to replace LIBOR. This is likely to be an iteration of the overnight SONIA rate and the use of compounded rates and Overnight Index Swap (OIS) rates for forecasting purposes.
- Please note that we have made a slight change to our interest rate forecasts table above. Traditionally, we have used 3m LIBID forecasts, with the rate calculated using market convention of 1/8th (0.125%) taken off the LIBOR figure. Given that 3m LIBOR is currently running below 10bps, that would give a figure of around 0% to somewhere modestly into negative territory. However, the liquidity premium that is still in evidence at the short end of the curve means that 3m rates actually being achieved by local authority investors are still modestly in positive territory. While there are differences between counterparty offer rates, our analysis would suggest that an average rate of around 10bps should be achievable. *(Please note that the graph of investment rates in appendix 2 is based on market rates, i.e. actual LIBOR-related rates, not rates actually being achieved by local authorities.)*

The coronavirus outbreak has done huge economic damage to the UK and around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its last meeting on 6th August, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged.

GILT YIELDS / PWLB RATES. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields had therefore already been on a falling trend during the year up until the coronavirus crisis hit western economies. Since then, we have seen these yields fall sharply to unprecedented lows as investors panicked during March in selling shares in anticipation of impending recessions in western economies and moved cash into safe haven assets i.e. government bonds. However, major western central banks started massive quantitative easing purchases of government bonds and this has acted to maintain downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance, in "normal" times would have caused bond yields to rise sharply. At the close of the day on 28th August, all gilt yields from 1 to 4 years were in negative territory, while even 25-year yields were at only 0.97% and 50 year at 0.82%. Meanwhile, equity markets have enjoyed a rebound since the lows of March as confidence has started to return among investors that the worst is over and recovery is now on the way.

From the local authority borrowing perspective, HM Treasury imposed **two changes of margins over gilt yields for PWLB rates** in 2019-20 without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then at least partially reversed for some forms of borrowing on 11th March 2020, but not for mainstream General Fund capital schemes, at the same time as the Government announced in the Budget a programme of increased infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this was to end on 4th June, but that date was subsequently put back to 31st July. It is clear that the Treasury will no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the aim is solely to generate an income stream (assets for yield).

Following the changes on 11th March 2020 in margins over gilt yields, the current situation is as follows: -

- **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
- **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

It is possible that the non-HRA Certainty Rate will be subject to revision downwards after the conclusion of the PWLB consultation; however, the timing of such a change is currently an unknown, although it would be likely to be within the current financial year

As the interest forecast table for PWLB certainty rates, (gilts plus 180bps), above shows, there is likely to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably relatively even, but is subject to major uncertainty due to the virus.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **UK** - second nationwide wave of virus infections requiring a national lockdown
- **UK / EU trade negotiations** – if it were to cause significant economic disruption and a fresh major downturn in the rate of growth.
- **UK - Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**. The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for “weaker” countries. In addition, the EU recently agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next year or so. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries

who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.

- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- **Geopolitical risks**, for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.
- **US – the Presidential election in 2020:** this could have repercussions for the US economy and SINO-US trade relations.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **UK** - stronger than currently expected recovery in UK economy.
- **Post-Brexit** – if an agreement was reached that removed the majority of threats of economic disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

Appendix 3 – Prudential Indicators

PRUDENTIAL INDICATOR	2020-21	2020-21	2021-22	2022-23
(1). EXTRACT FROM BUDGET				
	Forecast Outturn £'000	Original Estimate £'000	Forecast Outturn £'000	Forecast Outturn £'000
Capital Expenditure				
Non - HRA	14,057	19,189	19,348	14,880
TOTAL	14,057	19,189	19,348	14,880
Ratio of financing costs to net revenue stream				
Non - HRA	5.83%	5.83%	5.84%	5.89%
Net borrowing requirement				
brought forward 1 April *	296,187	298,658	307,668	308,314
carried forward 31 March *	300,065	307,668	308,314	311,246
in year borrowing requirement	3,878	9,010	646	2,932
In year Capital Financing Requirement				
Non - HRA	3,878	9,010	646	2,932
TOTAL	3,878	9,010	646	2,932
Capital Financing Requirement as at 31 March				
Non - HRA	300,065	307,668	308,314	311,246
TOTAL	300,065	307,668	308,314	311,246

PRUDENTIAL INDICATOR	2020-21	2021-22	2022-23
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£'M	£'M	£'M
Authorised limit for external debt -			
borrowing	205	215	212
other long term liabilities	127	122	117
TOTAL	332	337	329
Operational boundary for external debt -			
borrowing	200	210	207
other long term liabilities	124	119	114
TOTAL	324	329	321
Upper limit for fixed interest rate exposure			
Principal re fixed rate borrowing	190%	190%	190%
Upper limit for variable rate exposure			
Principal re variable rate borrowing	60%	60%	60%
Upper limit for total principal sums invested for over 364 days (per maturity date)	£20m	£20m	£20m

Maturity structure of new fixed rate borrowing during 2020/21	upper limit	lower limit
under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	40%	0%
10 years and above	100%	0%

RESERVES AND BALANCES – UPDATE AS AT 31 AUGUST 2020

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 £270.479m unusable reserves that are not backed with resources. They are required purely for accounting purposes.
- 1.3 At 31 March 2020 the Council had a total of £55.892m of usable reserves. Of this:
- £1.843m relates to the Repairs and Renewals Fund
 - £4.379m relates to Capital Funds
 - £49.670m was held in the General Fund, with £43.375m of this balance earmarked for specific purposes.
- 1.4 Of the earmarked balance of £43.375m:
- £27.064m is invested or committed for major initiatives/capital projects
 - £5.007m has already been drawn down
 - £6.379m is still to be drawn down in 2020-21
 - £4.925m is planned to be spent in future years

Appendix 1 provides further information on the unspent budget earmarkings.

- 1.5 The Council's General Fund contingency level is set at 2% of net expenditure for 2020-21 which equates to £4.969m. At the beginning of the financial year there was £1.326m of unallocated General Fund Balance (over and above contingency). After taking into consideration the agreed supplementary estimate and the current forecast outturn for 2020-21, the Council is forecast to have a £0.751m deficit balance by the end of the year.

RESERVES AND BALANCES - UPDATE AS AT 31 AUGUST 2020

2. INTRODUCTION

- 2.1 This report outlines current balances on 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 are examples of unusable reserves.

3.2 Reserve Balances at 31 March 2020

- 3.2.1 The balances on each type of reserve at 31 March 2020 are set out in the two tables below, updated as per Unaudited Accounts for 2019-20.

Unusable Reserves	£000
Revaluation Reserve	126,560
Capital Adjustment Account	221,163
Financial Instruments Adjustment Account	(2,850)
Pensions Reserve	(67,346)
Accumulated Absences Account	(7,048)
Total Unusable Reserves	270,479

Usable Reserves	£000
Repairs and Renewals Fund	1,843
Capital Fund and Usable Capital Receipts Reserve	4,379
General Fund	49,670
Total Usable Reserves	55,892
Total Reserves	326,371

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

3.3 General Fund

- 3.3.1 The General Fund balance at 31 March 2020 can be analysed as follows:

	Balance 31/03/20 £000
Balance on General Fund as at 31 March 2019	49,480
Increase to General Fund balance at end of 2019-20	190
Earmarked Balances	(43,375)
Contingency allowance at 2% of net expenditure	(4,969)
Unallocated balance as at 31 March 2020	1,326

- 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 2020, 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 31/03/2020 £000	Invested or committed for major initiatives /capital projects £000	Drawn-down to 2020-21 Budget as at 31/08/20 £000	Still to be drawn-down in 2020-21 £000	Planned Spend Future Years £000	Balance No Longer Required £000
Strategic Housing Fund	7,500	7,268	232			
Investment in Affordable Housing	4,000	4,000				
Capital Projects	7,452	7,452				
Lochgilphead and Tarbert Regeneration	2,376	2,337	39			
Inward Investment Fund	883	883				
Rural Resettlement Fund	152	152				
Asset Management Investment	2,551	2,551				
Piers and Harbours Investment Fund	608	608				
Scottish Government Initiatives	951		806	18	127	
Transformation	73			73		
CHORD	213				213	
DMR Schools	917		904	13		
Energy Efficiency Fund	218			218		
Existing Legal Commitments	644		27	22	595	
Unspent Grant	3,281		2392	671	218	
Unspent Third Party Contribution	137			118	19	
Previous Council Decision - Other	2,967	1,813	9	471	674	
Redundancy Provision	2,100			600	1,500	
Supporting Organisational Change	500			250	250	
Spend to Save Route Optimisation	100			100		
Unspent Budget	5,752		598	3,825	1,329	
Totals	43,375	27,064	5,007	6,379	4,925	0

3.3.3 At the Council meeting on 27 February 2020, it was agreed that the one-off re-profiling gain of £20.561m generated by the loans fund review should be used partly to create a provision for the increasing principal repayments over the next 10 years (£7.649m) with the remainder of the gain (£12.912m) used to fund the known liabilities/cost pressures. The table below shows what has been drawn down against the one-off gain and the remaining balance.

	Agreed Allocation	Transferred to Earmarked Reserves 19-20	Drawn down to 20-21 Budget	Balance Remaining
	£000	£000	£000	£000
Provision for the increasing principal repayments	7,649			7,649
Provision to Support Organisational Change	500	(500)		0
Estimated Cost of 2020-21 redundancies that are part of budget savings proposals	600	(600)		0
Future Redundancies Provision	1,500	(1,500)		0
Spend to Save Route Optimisation	100	(100)		0
Funding Gap in Capital Programme	2,619			2,619
Capital Programme Intolerable Red Risks	574			574
Campbeltown Flood Prevention Scheme	1,406			1,406
Significant Strategic Change Projects	5,013			5,013
2020-21 Revenue Budget Contribution	600		(600)	0
	20,561	(2,700)	(600)	17,261

- 3.3.4 At the Business Continuity Committee meeting on 13 August, the following supplementary estimate was agreed which reduces the unallocated General Fund balance:

	£000
Export Health Certificates	15

- 3.3.5 The Council's General Fund contingency is set at 2% of net expenditure for 2020-21 and amounts to £4.969m. At the beginning of the financial year there was £1.326m 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 2020-21 and the estimated loans fund review savings, the Council is forecast to have a £0.751m deficit by the end of the year which is caused by the forecast £2.062m overspend on social work.

	£000
Unallocated balance as at 31 March 2020	1,326
Supplementary estimate agreed 13 August 2020	(15)
Current Forecast Outturn for 2020-21 as at 30 June 2020	(2,062)
Estimated Unallocated balance as at 31 March 2021	(751)

- 3.3.6 The estimated significant overspend on Social Work for 2020-21 is the main reason that the Council is forecasting that it will have used all of its unallocated balance and be using £0.751m of contingency. The HSCP has contributed to a

local mobilisation plan cost return and the Scottish Government has “in principle” approved all mobilisations plans and the reported overspend within Social Work is included within the mobilisation plan. If it becomes apparent that the Scottish Government will not cover the full costs within the mobilisation plan, the position on the unallocated General Fund balance will be reviewed to establish whether a recovery plan will be required to bring spending back in line with budget. Appendix 1 of the Financial Reports Monitoring Pack Report gives information on the forecast in-year deficit for the Council as a result of COVID-19.

Furthermore a budget working group has been established to consider the actions required to bring current year spending back in line with budget and officers will continue to monitor the projected forecast outturn on an ongoing basis.

4. CONCLUSION

- 4.1 The report outlines the overall reserves and balances for the Council covering the purpose and level of each reserve. It also provides detail as to expenditure against earmarked balances held within the General Fund.
- 4.2 As at 31 August 2020 the estimated unallocated General Fund, after taking into consideration the forecast outturn for 2020-21 is a £0.751m deficit. In the event that the HSCP are funded for the impact of COVID-19 on the delivery of savings (as outlined at 3.3.7 above) there would be no need to utilise the contingency and therefore no requirement to implement a recovery plan beyond the work outlined in the Budget Update 2020-21 report which was reported to the Policy and Resources Committee on 13 August 2020. A further update is being reported to Council on 24 September 2020. Officers will continue to monitor the projected forecast outturn on an ongoing basis to determine whether a recovery plan will be required to restore the Council’s contingency balance back up to 2%.

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 £4.969m (equivalent to 2% of net expenditure) has been set aside as part of the general fund. This has been subject to a risk assessment.
- 5.7 Customer Service - None.

Kirsty Flanagan
Section 95 Officer
01 October 2020

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

APPENDICES

Appendix 1 – Earmarked Reserves breakdown of unspent budget

APPENDIX 1

Earmarked Reserves - Unspent Budget
As at 31 August 2020

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	Remaining Balance	Still to be drawdown in 20/21	Planned to spend in future years	Plans for Use	Amount Planned to be Spent in 2020/21	Amount Planned to be Spent in 2021/22	Amount Planned to be Spent from 2022/23 onwards
001	Chief Executives Unit	Financial Services	CIPFA, equipment and the conversion of paper client records to the CIVICA Electronic Document Management System	40,817			40,817	40,817	0	CIPFA Training - To fund the professional training costs for staff undertaking the CIPFA professional accountancy qualification. 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.	40,817	0	0
002	Chief Executives Unit	Financial 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. This money was allocated to support the Community Learning and Development Team to provide courses to support Universal Credit claimants 2019/2020 to support the recruitment of casual tutors and the purchase and upgrade of laptops. The monies were not utilised however it will now be required to top up the Scottish Welfare Fund and DHP monies for 2020/2021 which will be under more pressure due to Covid-19.	18,595	0	0
003	Executive Director (Douglas Hendry)	Commercial Services	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
004	Executive Director (Douglas Hendry)	Commercial Services	Estates - NDR Revaluation Appeals	84,688			84,688	84,688	0	The Council agreed to make provision to meet the cost of appealing Non Domestic Rates (NDR) revaluations which will be imposed from 1st April 2017. It was agreed that £150,000 be earmarked from the favourable 2016-17 outturn position to fund these appeals. The balance of £84,688 is still required for 2020/21 as NDR valuation appeals have been lodged but have not been heard yet. We will not know the level of savings, and in turn the corresponding charge to us, until the appeals are concluded which should be later on this year.	84,688	0	0
005	Executive Director (Douglas Hendry)	Commercial Services	Management of Asbestos	78,156	23,575		54,581	54,581	0	Providing asbestos management on an ongoing basis by employing 2.5 FTE to ensure compliance with all regulatory requirements.	78,156	0	0
006	Executive Director (Douglas Hendry)	Commercial Services	Provision of Mobile Catering Vans	68,950			68,950	68,950	0	For the purchase of two mobile catering vans that can be used for the provision of school meals, lunches for council workers and refreshments at a range of community events. Due to the unique rural character of Argyll and Bute, the van will act as a means of effective travel between several locations. Income will be generated from using these vans and forms part of the Catering and Cleaning Innovations Project. The order for both mobile catering vans was placed with Vantastec on 26 February 2020 and the manufacture process is currently underway with payment due on receipt of the completed vans.	68,950	0	0
007	Executive Director (Douglas Hendry)	Commercial Services	Site Investigation Works	40,211	34,242		5,969	5,969	0	For Site Investigation works in relation to Tweeddale Street Car Park, Oban and Oban Airport Business Park to explore commercial opportunities to develop the sites and gain revenue income for Argyll and Bute Council. HUB North were instructed to procure contractors to undertake the site investigations and work commenced in March 2020. As the works will cross into 20/21, it is requested that the funds are earmarked so that payment can be made to the contractors on the satisfactory completion of the works.	40,211	0	0
008	Executive Director (Douglas Hendry)	Education	Change in Teachers Pension - Uplift in Employer Contribution	230,000	118,000		112,000	0	112,000	Reports to Policy and Resources Committee earlier in the year outlined the change in teachers pensions anticipated income and expenditure and also the delay in the implementing the new employer contribution rate within 2019. Due to the delay a surplus was created in 2019-20 and it was approved that this be used to help reduce the cost in future years. £0.118m was planned to be used in 2020-21 with the remaining £0.112 used in 2021-22 and this position remains.	118,000	112,000	0
009	Executive Director (Douglas Hendry)	Education	Skype for Business for Education	138,325	138,325		0	0	0	To fund the initial capital costs for the implementation of Skype for Business for Education. This will bring the Education service in line with other council departments and will improve staff collaboration and modernise school telephony to deliver the service more efficiently and cost effectively.	138,325	0	0

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	Remaining Balance	Still to be drawdown in 20/21	Planned to spend in future years	Plans for Use	Amount Planned to be Spent in 2020/21	Amount Planned to be Spent in 2021/22	Amount Planned to be Spent from 2022/23 onwards
010	Executive Director (Kirsty Flanagan)	Customer Support Services	Growing our Own and Modern Apprentices	109,150			109,150	109,150	0	Funding earmarked to support trainee development and Modern Apprenticeship Opportunities based on priority workforce risk areas. The money will be allocated for 20/21 following a review of the workforce planning risk matrix against updated workforce plans. Workforce planning conversations with 3rd tier managers are currently ongoing. This will identify the priority areas of spend for trainees/apprentices and training.	109,150	0	0
011	Executive Director (Kirsty Flanagan)	Customer Support Services	Business Development Training	57,939	22,816		35,123	35,123	0	This budget is funding ongoing leadership development, coaching, action learning sets and commissioned training including Priority Management.	57,939	0	0
012	Executive Director (Kirsty Flanagan)	Customer Support Services	Learning and Development	38,108			38,108	38,108	0	In order to maximise the opportunities and efficiencies of digital learning, this funding is being used for a temporary Digital Learning Officer who will develop new digital materials and systems to optimise and improve digital learning.	38,108	0	0
013	Executive Director (Kirsty Flanagan)	Customer Support Services	Transformation and Budget Reconstruction	31,705	15,444		16,261	16,261	0	Temporary additional staff to support the effective delivery of employee change processes (increased requirements for redundancy quotes, retirement quotes, job evaluation, redeployment etc) involved in the Council's current Transformation Programme. Due to delays in recruitment this money will not be drawn down until 2020-21 for 2 LGE 6 employees.	31,705	0	0
014	Executive Director (Kirsty Flanagan)	Customer Support Services	Living Wage Consolidation Team	2,345			2,345	2,345	0	Implementation of the living wage project due to start May/June 20 and be completed by April 2021. This will fund printing and postage and other non staffing costs.	2,345	0	0
015	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Rothsay Pavilion Charity	750,000			750,000	375,000	375,000	Agreed at Council meeting February 2020, £750k additional revenue support subject to conditions which seek to minimise the risk to the Council as far as is reasonably practicable including requirement for adequate business and financial management and regular reporting by RPC.	375,000	375,000	0
016	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Oban TIF (Tax Incremental Financing)	670,986	117,437		553,549	553,549	0	Currently we are reviewing this commitment. There is a need to deliver remaining Lorn Arc outcomes to secure £2.6m of potential income over the life of the TIF. Focus is currently on the development of the Oban Strategic Development Framework, the Half Way roundabout and Oban airport Business Park. A meeting is scheduled with the Scottish Futures Trust and the Scottish Government in the 1st quarter of 2020 to determine future direction.	670,986	0	0
017	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Royal National Mod	80,000			80,000	20,000	60,000	One off funding allocation for the Royal National Mod agreed as part of the budget setting process for 2019-20. Grant contract issued. Proposed payment of £20k per annum starting 2020/21 (2023/24 final payment of £20k)	20,000	20,000	40,000
018	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Kintyre Recycling Limited	66,000	66,000		0	0	0	Agreed at Council meeting February 2020, one off allocation to Kintyre Recycling Limited for 20/21.	66,000	0	0
019	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Fyne Futures	60,000			60,000	60,000	0	Agreed at Council meeting February 2020, one off allocation to Fyne Futures for 20/21.	60,000	0	0
020	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Argyll and the Isles Tourism Co-operative	30,000	15,000		15,000	15,000	0	Agreed at Council meeting February 2020, one off allocation to Argyll and the Isles Tourism Co-operative for 20/21.	30,000	0	0
021	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Development Policy	19,910			19,910	19,910	0	To be used in support of delivering the LDP in general: including developing IT and GIS capabilities required to support publishing the LDP.	19,910	0	0
022	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Oban Strategic Development Framework	12,979			12,979	12,979	0	The Destination and origin survey is underway for a contract price of £62.5k. Work will be complete by the end of the calendar year following analysis of results.	12,979	0	0
023	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	3G pitches / Tarbert Sports Pitches	592,218			592,218	80,420	511,798	In November 2018, the Council agreed to a maintenance funding package to be progressed for a number of 3G pitches including Tarbert. This funding will provide an estimated 6.5 years' worth of ongoing maintenance up to 2025-26.	80,420	80,420	431,378
024	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Waste Management	194,361			194,361	0	194,361	Will be used towards long term waste management strategy/model, including but not limited to scoping work for the creating of a waste transfer station.	0	194,361	0
025	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Replacement Parking Machines	121,695			121,695	121,695	0	Delivery of parking machines delayed due to Covid-19 lockdown therefore unspent budget required to be carried forward to cover cost when they are finally delivered.	121,695	0	0
026	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Amenity Services introduction of management information system	36,786			36,786	36,786	0	WDM project now progressing with new Team Leader in post. This earmarking will be utilised in year for development work within the WDM system and for tablets/devices for teams on the ground.	36,786	0	0
027	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Street Lighting Survey	31,815			31,815	31,815	0	This earmarking will be utilised to fund the introduction of an apprentice electrician over a 4 year period and the remainder will be utilised to fund training and support for the Trainee Street Lighting Engineer.	31,815	0	0

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	Remaining Balance	Still to be drawdown in 20/21	Planned to spend in future years	Plans for Use	Amount Planned to be Spent in 2020/21	Amount Planned to be Spent in 2021/22	Amount Planned to be Spent from 2022/23 onwards
028	Non Departmental / Chief Executive's Unit	Across Services / Chief Executive's Unit	Information Management (Balance of Funding)	209,844			209,844	209,844	0	To support a number of initiatives in respect of improving the Council's information management in line with the transformation agenda and increasing the pace of change as outlined in the BV Review. The planned initiatives include: Estates Survey work £122k, Digitalisation of Title Deeds £92k, document management and workflow system for Planning, Building Standards and Environmental Health £77k and a balance of funding to explore information management solutions in a strategic and coherent way £209k	209,844	0	0
029	Non Departmental / Executive Director (Douglas Hendry)	Across Services / Commercial Services	Information Management (Estates Survey Work)	121,538			121,538	121,538	0	To support a number of initiatives in respect of improving the Council's information management in line with the transformation agenda and increasing the pace of change as outlined in the BV Review. The planned initiatives include: Estates Survey work £122k, Digitalisation of Title Deeds £92k, document management and workflow system for Planning, Building Standards and Environmental Health £77k and a balance of funding to explore information management solutions in a strategic and coherent way £209k	121,538	0	0
030	Non Departmental / Executive Director (Douglas Hendry)	Across Services / Legal and Regulatory Services	Information Management (Digitilisation of Title Deeds)	92,000			92,000	92,000	0	To support a number of initiatives in respect of improving the Council's information management in line with the transformation agenda and increasing the pace of change as outlined in the BV Review. The planned initiatives include: Estates Survey work £122k, Digitalisation of Title Deeds £92k, document management and workflow system for Planning, Building Standards and Environmental Health £77k and a balance of funding to explore information management solutions in a strategic and coherent way £209k	92,000	0	0
031	Non Departmental / Executive Director (Kirsty Flanagan)	Across Services / Development and Economic Growth	Information Management (Document Management and Workflow for Planning, Building Standards and Environmental Health)	76,618	46,818		29,800	29,800	0	To support a number of initiatives in respect of improving the Council's information management in line with the transformation agenda and increasing the pace of change as outlined in the BV Review. The planned initiatives include: Estates Survey work £122k, Digitalisation of Title Deeds £92k, document management and workflow system for Planning, Building Standards and Environmental Health £77k and a balance of funding to explore information management solutions in a strategic and coherent way £209k	76,618	0	0
032	Non Departmental	Non Departmental	Underwriting development of Rothesay Pavilion	1,000,000			1,000,000	1,000,000	0	Funding to meet additional costs identified as necessary for the refurbishment of Rothesay Pavilion.	1,000,000		0
033	Non Departmental	Non Departmental	Roads Capital Investment	264,000			264,000	264,000	0	Agreed at Council meeting February 2020, a transfer of £264k to Administration priorities to support Roads Capital Investment	264,000	0	0
034	Non Departmental	Non Departmental	Community Resilience Fund	76,447			76,447	0	76,447	Fund established in 2012/13 to be spent over more than one year. Fund reduced at the Council meeting on 11 February 2016	0	0	76,447
				5,752,586	597,657	0	5,154,929	3,825,323	1,329,606		4,422,980	781,781	547,825

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ARGYLL AND BUTE COUNCIL**POLICY AND RESOURCES COMMITTEE****FINANCIAL SERVICES****15 OCTOBER 2020**

BUDGET OUTLOOK 2021-22 TO 2025-26

1. EXECUTIVE SUMMARY

1.1 This report provides an update to the budget outlook 2021-22 to 2025-26, reported to the Business Continuity Committee on 13 August 2020. The estimates within the report are based on the mid-range scenario with best and worst case scenarios noted in Appendix 1.

1.2 The assumptions in respect of future years Scottish Government funding remain unchanged from those reported on 13 August 2020. Those being a prudent estimate of a reduction in funding of 1.2% in the mid-range scenario (based on an average of the last three years settlements) with the best case and worst case variable being +/- 0.5% from the mid-range.

1.3 There are no changes to my previous assumptions around the growth in Council Tax. It has been assumed that the Council tax base will grow by 0.1% in the worst case scenario, 0.25% in the mid-range scenario and 0.4% in the best case.

1.4 There are no changes to the base budget since the report on 13 August 2020.

1.5 The assumptions in respect of employee costs for Council services were previously noted as follows:

- Pay award for 2021-22 to 2025-26 of between 2.7% and 3.5%, with mid-range 3%.
- Increments between £0.369m and £0.737m with mid-range £0.737m.

These remain unchanged.

1.6 A review of the unavoidable/inescapable non-pay inflation provision required in 2021-22 was carried out during September by finance staff in consultation with services. The non-pay inflation previously estimated within the budget outlook was £1.294m (equal to the 2020-21 non-pay inflation) and the updated estimate is £1.016m, a decrease of £0.278m. A further general inflationary increase of £0.750m has been built into the worst case scenario from 2021/22 onwards.

1.7 There are a number of cost and demand pressures for Council services built into each scenario. Changes to these pressures since the report on 13 August 2020 are:

- New – Food and drink standards in schools.
- New – Implementation of planning act

- New – Introduction of small quantities charge for export health certificates
- Amended – HB admin grant
- Amended – Waste model

1.8 In addition to the identified cost and demand pressures an annual allowance for unidentified cost and demand pressures has been included in the mid-range scenario of £0.250m with £0.500m included in the worst case scenario.

There are also unquantified cost pressures associated with the January 2025 ban of biodegradable municipal waste, the 2022 Deposit Return Scheme, and the potential longer term financial impact of COVID-19.

1.9 There is a political decision to be made as to the future allocation to the Health and Social Care Partnership (HSCP). As part of the budget agreed in February 2020, indicative allocations for 2021-22 and 2022-23 were agreed on the basis of a flat cash allocation. This indicative position has been included as the mid-range and worst case scenario with a 2% reduction to the adult social care portion of the HSCP budget in the best case scenario.

1.10 For Live Argyll, I have assumed the management fee will reduce by 1.9% in the best case scenario, in the mid-range scenario reduce by 1% and worst case would remain at a flat rate equal to the 2020-21 payment. These are only assumptions and it will be a matter for Council to consider as part of the budget process next year. Live Argyll have been asked to suggest proposals to deliver savings which will be brought back to Members as part of the 2021-22 budget setting process.

1.11 The budget gap in the mid-range scenario after allowing for the current base commitments, employee adjustment, non-pay inflation and cost and demand pressures and not factoring in any previous savings decisions or future potential options is an estimated gap over the five year period of £41.645 with a gap of £6.529m in 2021-22.

1.12 The measures to balance the budget over the next five years are as follows:

- inflationary increase on fees and charges of between 1% (worst case) and 5% (best case) with a mid-range of 3%
- previously agreed management/operational and policy savings options
- proposed increase to Council Tax (4.84% in best case, 3% in both mid-range and worst case scenario).

1.13 In the mid-range scenario, the budget gap estimated over the five year period 2021-22 to 2025-26 is £31.327m with a gap of £4.577m in 2021-22.

1.14 In contrast, the budget gap in the best case scenario over the five years is £9.464m with a gap of £0.032m in 2021-22 and in the worst case scenario, the budget gap over the five years is £46.386m with a gap of £7.094m in 2021-22. A summary of all three scenarios is included within Appendix 1.

- 1.15 It is recommended that the Policy and Resources Committee consider the current estimated budget outlook position for the period 2021-22 to 2025-26.

BUDGET OUTLOOK 2021-22 TO 2025-26**2. INTRODUCTION**

2.1 This report provides an update to the budget outlook 2021-22 to 2025-26, reported to the Business Continuity Committee on 13 August 2020.

2.2 The budget outlook has been prepared using three different scenarios, best case, worst case and mid-range. Relatively small variations in assumptions can lead to fairly significant changes in the outcome. In the paragraphs that follow, the mid-range outlook is shown, however, all three scenarios are detailed within Appendix 1.

3. RECOMMENDATIONS

3.1 It is recommended that the Policy and Resources Committee consider the current estimated budget outlook position for the period 2021-22 to 2025-26.

4. DETAIL**4.1 Funding****Scottish Government Finance Settlement**

4.1.1 There are no changes to my previous assumptions around the level of future Scottish Government funding. I consider a prudent assumption still to be within the range of a reduction of between 0.7% (best case) and 1.7% (worst case) with a mid-range of 1.2%.

The ongoing uncertainty over the impact of COVID-19 on future years funding means this is an assumption that needs to be kept under close review and I will continue to engage with other Directors of Finance and COSLA as to their view of future years funding and update the report throughout the year as necessary.

4.1.2 The table below summarises the mid-range scenario estimates expressed in percentage terms and monetary value.

	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000
% Change to Funding	-1.2%	-1.2%	-1.2%	-1.2%	-1.2%
Estimated SG Funding Reduction	(2,370)	(2,342)	(2,314)	(2,286)	(2,258)
Estimated SG Funding	195,149	192,807	190,493	188,207	185,949

Council Tax

4.1.3 There are no changes to my previous assumptions around the growth in Council Tax. It has been assumed that for the best case scenario this would be 0.4%, 0.1% for the worst case 0.25% for the mid-range. The Council tax increase is included within paragraph 4.9.3 of this report.

4.1.4 The table below summarises the estimated total funding in the mid-range scenario.

	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000
Estimated SG Funding	195,149	192,807	190,493	188,207	185,949
Earmarked Reserves for Teachers Pensions (as previously agreed)	112	0	0	0	0
Council Tax Base	52,859	52,859	52,859	52,859	52,859
Council Tax Growth	132	264	397	530	663
Total Estimated Funding	248,252	245,930	243,749	241,956	239,471

4.2 Base Budget

4.2.1 The starting point for the base budget for 2021-22 is the 2020-21 approved budget adjusted for any one-off items as well as any other items that have an impact on the base.

4.2.2 There are no changes to the base budget since the last Budget Outlook report on 13 August 2020. The adjustments required to the base budget are as follows:

	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000
Base Budget 2020-21	247,860	247,860	247,860	247,860	247,860
27 Feb 2020 Budget					
Technology to support remote learning	(400)	(400)	(400)	(400)	(400)
Community engagement for shared transport	(50)	(50)	(50)	(50)	(50)
Roads – climate change mitigation and maintenance	(500)	(500)	(500)	(500)	(500)
Green transport – cycle paths and footpaths	(400)	(400)	(400)	(400)	(400)
Re-profiling gain from loans fund	600	600	600	600	600
Other Adjustments					
21 Feb 2019 Budget - Local Plan Enquiry Cost	(22)	(22)	(22)	(22)	(22)
Planning fees – one off cost pressure in 2020/21	(60)	(60)	(60)	(60)	(60)

Consolidation of living wage project costs – one off cost in 2020/21	(50)	(50)	(50)	(50)	(50)
One off fleet savings in 2020/21	278	278	278	278	278
Counselling in Schools	166	166	166	166	166
Revised Base Budget	247,422	247,422	247,422	247,422	247,422

4.3 Employee Cost Changes

Pay Award

4.3.1 There are no changes to my previous assumptions in respect of employee costs for Council services which were:

- Pay award for 2021-22 to 2025-26 of between 2.7% and 3.5%, with mid-range 3%.
- Increments between £0.369m and £0.737m with mid-range £0.737m.

4.3.2 In terms of teachers, a pay deal was agreed covering the years 2018-19 to 2020-21. Future year assumptions are that teachers pay will increase in line with the SJC employee costs as outlined in paragraph 4.3.1. Furthermore there have been no changes to the costs in relation to the consolidation of the living wage which were reported to the Business Continuity Committee on 13 August 2020.

Increments

4.3.3 There are no changes to my previous assumption around the cost of employee increments. It has been assumed that, for future years, the best case is half of the previous year cost, for mid-range and worst case it will be equal to the 2020-21 cost (£0.737m).

4.3.4 The table below summarises the employee cost increases in the mid-range scenario for Council services. The assumed 3% pay award in the mid-range has been applied to the Living Wage costs. The employee cost increases relating to Social Work within the Health and Social Care Partnership are summarised within paragraph 4.6.2.

	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000
Pay Award	4,047	8,215	12,508	16,930	21,485
Living Wage Consolidation	576	524	525	498	495
Pay Award Applied to Living Wage	0	15	31	47	63
Increments	737	1,474	2,211	2,948	3,685
Total Employee Cost Changes	5,360	10,228	15,275	20,423	25,728

4.4 Non-Pay Inflation

- 4.4.1 A review of the unavoidable/inescapable non-pay inflation provision required in 2021-22 was carried out during September by finance staff in consultation with services. The non-pay inflation previously estimated within the budget outlook was £1.294m (equal to the 2020-21 non-pay inflation) and the updated estimate is £1.016m, a decrease of £0.278m. More detail is provided in appendix 2.
- 4.4.2 As with the previous estimate, the worst case scenario also includes a 1% general inflation over and above the unavoidable/inescapable inflation amount.
- 4.4.3 The non-pay inflation increases relating to Social Work within the Health and Social Care Partnership are summarised within paragraph 4.6.2.

4.5 Cost and Demand Pressures

- 4.5.1 Over the last few years, services have worked on the basis of having to contain any cost and demand pressures within current resources, however, there are a number of cost and demand pressures already identified for Council services (and reported as part of the budget in February 2020). Since the report to Business Continuity Committee on 13 August 2020 three cost and demand pressures have been added and two existing ones amended.
- 4.5.2
- New – Food and drink standards in schools.
 - New – Implementation of planning act
 - New – Introduction of small quantities charge for export health certificates
 - Amended – HB admin grant
 - Amended – Waste model
- 4.5.3 When creating a budget outlook beyond one year, there is a risk that unknown cost and demand pressures will emerge that have not been included within the outlook. It is suggested that no allowance is included within the best case scenario, £0.500m general allowance is included within the worst case and a £0.250m allowance included within the mid-range scenario each year.
- 4.5.4 The cost pressures are summarised in the table below and will be subject to review during the financial year.

	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000
Universal Credit – HB Admin Grant	40	80	120	160	200
Asbestos Management Plan	48	48	48	48	48
Office Enterprise Agreement	20	20	20	22	22
Maintenance of schools estate	225	225	225	225	225
ASN Support	72	145	219	294	370
Skype for Education	25	25	25	25	25
Waste	0	91	98	116	169

Local Development Plan	0	0	50	0	50
New HR System Project Team	0	0	200	0	0
Oracle/EBS Upgrade / Replacement Software Support	86	86	86	86	86
Oracle/EBS Upgrade / Replacement Project Team	100	0	0	0	0
Food and Drink Standards in Schools	65	65	65	65	65
Implementation of planning act	60	0	0	0	0
Small Quantities Charge for Export Health Certificates	30	30	30	30	30
Allowance for pressures in future years	250	500	750	1,000	1,250
Total Cost and Demand Pressures	1,021	1,315	1,936	2,071	2,540

Unquantified Cost Pressures

4.5.4 There is still a cost pressure relating to the ban of biodegradable municipal waste which is not quantified at this stage. The Biodegradable Municipal Waste ban comes into force across Scotland in 2025. The preferred approach of Argyll and Bute Council is a transition from landfill as the primary disposal method for residual waste in order to comply with the ban. However, to achieve landfill ban compliance it represents a significant and ongoing cost challenge to the Council. Officers have studied a number of options that have the potential to be compliant solutions. A cost model has been developed by officers to enable discussion and seek support from partners such as the Scottish Government. The cost model looks at all of the options open to the Council but due to an ever changing market and policy environment, there are still a number of variables, uncertainties and assumptions which are built in to the model. The model shows that the likely range of recurring revenue costs could be in the region of £0.800m to £3.500m (falling to £1.500m after the end of the Waste PPP in 2026).

4.5.5 In relation to COVID-19, officers have continued to work on identifying and monitoring its financial impact on the Council until the end of 2020-21 and we continue to report this where appropriate. A short term working group has been established to consider the Council's options for addressing any shortfall between the impact on the 2020-21 revenue budget and the funding made available by the Scottish Government.

It is likely that there will be a number of cost pressures that will continue into financial year 2021-22, however, at this stage, these additional pressures have not been built into the financial outlook. We intend to quantify the likely cost pressures and include them in the budget outlook that will be presented to the December meeting of the Policy and Resources Committee. It is hoped that by

December we will be clearer on the restrictions that are likely to continue into next year and also be clearer on any additional funding or funding flexibilities that may be available to the Council.

- 4.5.6 The cost and demand pressures relating to Social Work within the Health and Social Care Partnership are summarised within paragraph 4.6.2.

4.6 Health and Social Care Partnership

- 4.6.1 There are no changes to the previous assumption on the payment to the HSCP. In order to reflect different scenarios within the budget outlook, I have assumed flat cash allocations in the mid-range and worst case scenarios and a 2% reduction to the adult social care portion of the HSCP budget in the best case scenario. These are only assumptions and it will be a matter for Council to consider as part of the budget process next year.

- 4.6.2 Social Work services have already identified a number of cost pressures and these are summarised below and included within Appendix 3 for information purposes. Note that these only extend to three years rather than the five years within this Council budget outlook. Extending the outlook to five years is a decision for the HSCP to take and their Chief Financial Officer is currently of the view that a five year planning window is not appropriate at the current time due to the uncertainty caused by COVID-19.

	2021-22 £000	2022-23 £000	2023-24 £000
Pay Inflation	964	1,957	2,980
Pay Increments	82	164	246
Impact of Living Wage Consolidation	57	59	61
Non-Pay Inflation	1,640	3,223	4,858
Care Services for Older People (Growth)	367	740	1,119
Care Services for Younger Adults	355	710	1,065
Continuing Care for Looked After Children	250	500	750
Unknown Cost and Demand Pressures	500	1,000	1,500
Total Cost Increase Estimates for Social Work	4,215	8,353	12,579

4.7 Live Argyll

- 4.7.1 There are no changes to the previous assumption on the future payments to Live Argyll which are a reduction to the management fee of 1.9% in the best case scenario, 1% in the mid-range scenario and a flat cash position in the worst case scenario.

- 4.7.2 At the budget meeting on 27 February 2020, Council approved the management fee for 2020-21 and instructed officers to engage with Live Argyll with a view to

exploring a reduction in the management fee. This work is ongoing and Live Argyll have been asked to suggest proposals to deliver savings which will be brought back to Members as part of the 2021-22 budget setting process.

4.8 Estimated Budget Gap PRIOR to Measures to Balance the Budget

4.8.1 The budget gap in the mid-range scenario after allowing for the current base commitments, employee adjustment, non-pay inflation and cost and demand pressures is summarised in the table below. This is the budget gap prior to factoring in any previous savings decisions or potential options towards balancing the budget.

	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000
Revised Base Budget	247,422	247,422	247,422	247,422	247,422
Employee Cost Changes	5,360	10,228	15,275	20,423	25,728
Non-Pay Inflation	1,016	2,165	3,314	4,463	5,612
Cost and Demand Pressures	1,021	1,315	1,936	2,071	2,540
Increase/(Decrease) to HSCP allocation	0	0	0	0	0
Increase/(Decrease) to Live Argyll payment	(38)	(76)	(113)	(150)	(186)
Total Estimated Expenditure	254,781	261,054	267,834	274,229	281,116
Estimated Funding	248,252	245,930	243,749	241,596	239,471
Estimated Budget Surplus / (Gap) Cumulative	(6,529)	(15,124)	(24,085)	(32,633)	(41,645)

4.9 Measures to Balance the Budget

4.9.1 There is one change to previous assumptions on measures to balance the budget. The previous budget outlook reported on 13 August 2020 included a £172k revenue saving to be delivered through a transformation in the delivery of catering and cleaning services. The implementation of free school meals for early years children has changed the approach to shared services as this was not a national priority at the time the Council's shared service work initially commenced. This is anticipated to result in a growth in the region of 25% which is a significant expansion at a time when budgets are constrained. As a consequence it has been determined that the associated revenue saving cannot be delivered and has therefore been removed as a measure to balance the budget. However the delivery model will be subject to a revised review to identify and new saving options which can be considered as part of the 2021- 22 budget.

Other measures to balance the budget include:

- inflationary increase on fees and charges of between 1% (worst case) and 5% (best case) with a mid-range of 3%

- previously agreed management/operational and policy savings options (refer to paragraph 4.9.4)

4.9.2 As part of the work carried out by Financial Services in consultation with services to identify and monitor the financial impact of COVID-19 on the Council in 2020-21 they have identified savings options which may not be delivered in 2020-21. For now there is an assumption that these savings will be delivered from 2021-22 onwards however officers will keep this under review.

4.9.3 Councils have had the discretion to increase Council Tax by a maximum of 3% each year since 2017-18. Councils were given the flexibility to increase the Council Tax for 2020-21 by 3% in real terms which the Scottish Government confirmed as 4.84% in cash terms. It could be assumed that a similar increase would be permitted in future years, however, this has not been confirmed. For the budget outlook, I have assumed a 3% increase in the worst case scenario and mid-range scenario and a 4.84% increase in the best case scenario.

4.9.4 The table below summarises the proposed measures to balance the budget in the mid-range scenario.

	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000
Fees and Charges Increase	318	646	984	1,332	1,690
Management/Operational Savings February 2020	(240)	(240)	(240)	(240)	(240)
Management/Operational Savings February 2020	42	42	42	42	42
Policy Savings February 2019	75	75	75	75	75
Policy Savings February 2020	187	187	187	187	187
Council Tax Increase	1,590	3,239	4,950	6,724	8,564
Total Savings	1,972	3,949	5,998	8,120	10,318

4.10 Estimated Budget Gap AFTER Measures to Balance the Budget

4.10.1 The table below summarises the estimated budget gap in the mid-range scenario.

	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000
Estimated Budget Gap Prior to Measures to Balance Budget	(6,605)	(15,209)	(24,179)	(32,736)	(41,757)
Savings Measures	1,972	3,949	5,998	8,120	10,318
Estimated Budget	(4,577)	(11,175)	(18,087)	(24,513)	(31,327)

Surplus / (Gap) Cumulative					
Estimated Budget Surplus / (Gap) In Year	(4,577)	(6,618)	(6,912)	(6,426)	(6,814)

- 4.10.2 In the mid-range scenario, the budget gap estimated over the five year period 2021-22 to 2025-26 is £31.327m with a gap of £4.6557m in 2021-22.
- 4.10.3 In contrast, the budget gap in the best case scenario over the five years is £9.464m with a gap of £0.032m in 2021-22 and in the worst case scenario, the budget gap over the five years is £46.6386m with a gap of £7.094m in 2021-22. A summary of all three scenarios is included within Appendix 1.
- 4.10.4 The changes from the previous budget outlook reported to the Business Continuity Committee on 13 August 2020 are summarised in the table below

	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000
Previously reported budget surplus / (gap) Cumulative	(4,528)	(11,305)	(18,379)	(24,949)	(31,872)
New cost and demand pressure for food and drink standards	(65)	(65)	(65)	(65)	(65)
New cost and demand pressure for implementation of planning act	(60)	0	0	0	0
New cost and demand pressure for small quantities charges	(30)	(30)	(30)	(30)	(30)
Increased cost and demand pressure for waste model	0	(66)	(69)	(90)	(146)
Decreased cost and demand pressure for HB admin grant	20	40	60	80	100
Decrease in non-pay inflation estimate	278	423	568	713	858
Remove savings from catering and cleaning redesign	(172)	(172)	(172)	(172)	(172)
Revised Budget Surplus / (Gap) Cumulative	(4,577)	(11,175)	(18,087)	(24,513)	(31,327)

5. CONCLUSION

- 5.1 In the mid-range scenario, the budget gap estimated over the five year period 2021-22 to 2025-26 is £31.327m with a gap of £4.577m in 2021-22. Council officers are currently working on developing savings options that will bring forward proposals for balancing the budget in future years.

6. IMPLICATIONS

- | | | |
|-------|------------------------|--|
| 6.1 | Policy - | Sets out the budget outlook that provides the financial envelope for policy decisions. |
| 6.2 | Financial - | Sets best, worst and mid-range scenarios in respect of the budget outlook. The medium to longer term financial strategy is being updated and the Council are actively continuing to pursue opportunities to mitigate against future budget gaps. |
| 6.3 | Legal - | None directly from this report but Council will need to balance the budget. |
| 6.4 | HR - | None directly from this report but there is a strong link between HR and budgets. |
| 6.5 | Fairer Scotland Duty - | See below |
| 6.5.1 | Equalities | None directly from this report but any proposals to address the estimated budget gap will need to consider equality issues. |
| 6.5.2 | Socio Economic Duty | None directly from this report but any proposals to address the estimated budget gap will need to consider socio economic issues. |
| 6.5.3 | Islands Duty | None directly from this report but any proposals to address the estimated budget gap will need to consider any island specific issues. |
| 6.6 | Risk - | None directly from this report but any proposals to address the estimated budget gap will need to consider risk. |
| 6.7 | Customer Service - | None directly from this report but any proposals to address the estimated budget gap will need to consider customer service. |

Kirsty Flanagan
S95 Officer
17 September 2020

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

APPENDICES:

- Appendix 1 – Budget Outlook, Best, Worst and Mid-Range Scenarios
- Appendix 2 – Non-Pay Inflation
- Appendix 3 – Cost and Demand Pressures (Council Services)
- Appendix 4 – Cost and Demand Pressures (Social Work)

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	Best Case Scenario					Mid-Range Scenario					Worst Case Scenario				
	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000
Base Budget	247,860	247,860	247,860	247,860	247,860	247,860	247,860	247,860	247,860	247,860	247,860	247,860	247,860	247,860	247,860
Base Budget Adjustments	(438)	(438)	(438)	(438)	(438)	(438)	(438)	(438)	(438)	(438)	(438)	(438)	(438)	(438)	(438)
Revised Base Budget	247,422	247,422	247,422	247,422	247,422	247,422	247,422	247,422	247,422	247,422	247,422	247,422	247,422	247,422	247,422
Pay Award	3,642	7,383	11,225	15,170	19,222	4,047	8,215	12,508	16,930	21,485	4,721	9,608	14,666	19,901	25,319
Pay Increments	369	737	1,106	1,474	1,843	737	1,474	2,211	2,948	3,685	737	1,474	2,211	2,948	3,685
Living Wage Consolidation	503	517	531	545	560	503	518	534	550	566	503	521	539	558	577
Additional costs/savings to modernising employment deal	73	21	22	(5)	(8)	73	21	22	(5)	(8)	73	21	22	(5)	(8)
Change to employee base	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Employee Cost Changes (Council Services)	4,587	8,658	12,883	17,184	21,616	5,360	10,228	15,275	20,423	25,728	6,034	11,624	17,438	23,402	29,573
Non-Pay Inflation - Council Services	1,016	2,165	3,314	4,463	5,612	1,016	2,165	3,314	4,463	5,612	1,016	2,915	4,814	6,713	8,612
Previously Agreed - HB Admin Grant	40	80	120	160	200	40	80	120	160	200	40	80	120	160	200
Asbestos Management Plan	28	28	28	28	28	48	48	48	48	48	68	68	68	68	68
Microsoft Office Enterprise Agreement	20	20	20	22	22	20	20	20	22	22	20	20	20	22	22
Maintenance of school estate	200	200	200	200	200	225	225	225	225	225	250	250	250	250	250
ASN Support	0	0	0	0	0	72	145	219	294	370	144	292	444	601	763
Skype for Education	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25
Waste	0	91	98	116	169	0	91	98	116	169	0	91	98	116	169
Planning (Local Development Plan)	0	0	50	0	50	0	0	50	0	50	0	0	50	0	50
Software support for a new HR system & Backfill for project team.	0	0	150	0	0	0	0	200	0	0	0	0	250	0	0
Oracle EBS Upgrade/Replacement Project Team	50	0	0	0	0	100	0	0	0	0	200	0	0	0	0
Oracle EBS Upgrade/Replacement Software Support	35	35	36	37	38	86	86	86	86	86	99	99	99	99	99
Food and drink standards in schools	32	32	32	32	32	65	65	65	65	65	98	98	98	98	98
Implementation of planning act	30	0	0	0	0	60	0	0	0	0	90	0	0	0	0
Introduction of Small Quantities Charge for Export Health Certificates	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Allowance for Cost and Demand Pressures Future Years	0	0	0	0	0	250	500	750	1,000	1,250	500	1,000	1,500	2,000	2,500
Total Cost and Demand Pressures	490	541	789	650	794	1,021	1,315	1,936	2,071	2,540	1,564	2,053	3,052	3,469	4,274
Adjustment to Health and Social Care Partnership Payment	(930)	(1,842)	(2,735)	(3,611)	(3,539)	0	0	0	0	0	0	0	0	0	0
Adjustment to Live Argyll Management Fee	(72)	(143)	(212)	(280)	(347)	(38)	(76)	(113)	(150)	(186)	0	0	0	0	0
Total Estimated Expenditure PRIOR to measures to balance the budget	252,513	256,801	261,461	265,828	271,558	254,781	261,054	267,834	274,229	281,116	256,036	264,014	272,726	281,006	289,881
Scottish Government Grant	196,136	194,763	193,400	192,046	190,702	195,149	192,807	190,493	188,207	185,949	194,161	190,860	187,615	184,426	181,291
Additional Ferry Money	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Earmarked Reserves for Teachers Pensions	112	0	0	0	0	112	0	0	0	0	112	0	0	0	0
Council Tax	53,070	53,282	53,495	53,709	53,924	52,991	53,123	53,256	53,389	53,522	52,912	52,965	53,018	53,071	53,124
Total Funding	249,318	248,045	246,895	245,755	244,626	248,252	245,930	243,749	241,596	239,471	247,185	243,825	240,633	237,497	234,415
Budget Surplus / (Gap) PRIOR to measures to balance the budget	(3,195)	(8,756)	(14,566)	(20,073)	(26,932)	(6,529)	(15,124)	(24,085)	(32,633)	(41,645)	(8,851)	(20,189)	(32,093)	(43,509)	(55,466)
Measures to Balance the Budget:															
Fees and Charges	530	1,087	1,672	2,286	2,931	318	646	984	1,332	1,690	106	213	321	430	540

Management/Operational Savings Identified February 2020	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
Policy Savings Options agreed February 2019	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75
Policy Savings Options agreed February 2020	187	187	187	187	187	187	187	187	187	187	187	187	187	187	187
Management/Operational Savings Identified February 2019	(240)	(240)	(240)	(240)	(240)	(240)	(240)	(240)	(240)	(240)	(240)	(240)	(240)	(240)	(240)
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Council Tax Increase	2,569	5,282	8,147	11,172	14,364	1,590	3,235	4,938	6,700	8,523	1,587	3,225	4,915	6,659	8,459
Council Tax Increase (Growth element)	0	10	31	64	109	0	4	12	24	41	0	2	5	10	17
Total Measures to Balance the Budget	3,163	6,443	9,914	13,586	17,468	1,972	3,949	5,998	8,120	10,318	1,757	3,504	5,305	7,163	9,080
Budget Surplus / (Gap) Cumulative AFTER measures to balance the budget	(32)	(2,313)	(4,652)	(6,487)	(9,464)	(4,557)	(11,175)	(18,087)	(24,513)	(31,327)	(7,094)	(16,685)	(26,788)	(36,346)	(46,386)
Budget Surplus / (Gap) In Year AFTER measures to balance the budget	(32)	(2,281)	(2,339)	(1,835)	(2,977)	(4,557)	(6,618)	(6,912)	(6,426)	(6,814)	(7,094)	(9,591)	(10,103)	(9,558)	(10,041)

NON-PAY INFLATION

Appendix 2

POLICY AND RESOURCES COMMITTEE - 15 OCTOBER 2020

Service	Inflation Category	Basis of Inflation	2021-22 Inflation %	Inflation 2021-22 £000	Increase from 2020-21
Council Wide	Utilities - Electricity	Procurement Scotland have contracts in place and have agreed tariffs in line with current hence nil inflation assumed.	0.00%	0	(198)
Council Wide	Utilities - Gas	Procurement Scotland have contracts in place and have agreed tariffs in line with current hence nil inflation assumed.	0.00%	-	(9)
Council Wide	Utilities - Oil	This is a volatile area and it is difficult to predict the inflation. Figures based on Utility prices	5.00%	29	18
Council Wide	Utilities - Solid Fuel	This is a volatile area and it is difficult to predict the inflation. Figures based on utility prices. Budget to be realigned from oil hence high inflation percentage to reflect actual sum required. Actual inflation estimated @ 3%	45.00%	8	8
Council Wide	Utilities - Water	Procurement Scotland have contracts in place and have agreed tariffs in line with current hence nil inflation assumed.	0.00%	0	(10)
Council Wide	Non Domestic Rates	No NDR inflation in 2021/22 as budgets subject to savings review. 2022/23 inflated by (base 20/21 budget minus 2021/22 savings target) all multiplied by 3%	1.60%	0	(129)
Council Wide	Vehicle Fuel	Based on RPIX at July 2020	1.86%	24	(32)
Council Wide Total				61	(352)
Education	Pre-Primary Partner Provider Uplift	Inflationary increase agreed as per service choices. Budget will incrementally increase over the 2020-21 year as we fully phase in 1140 hours	3.00%	126	126
Education	Residential Schools	Scotland Excel negotiated contracts - no indications of uplift as yet so used SLW	3.00%	30	(17)
Commercial Services	Catering Purchases and Milk	10% increase predicted as a result of price volatility. Estimated 10% is based on national estimates regarding increase in food prices following EU exit.	10.00%	233	56
Legal and Regulatory Support	Community Pool Subsidies	For Atlantis Leisure element - Annual increases to payments is based on RPI (@ Sept) for preceeding year. September 2020 RPI not available yet so inflated by same amount as 2020/21 at current time.	3.00%	20	0
Legal and Regulatory Support	NPDO Schools	Actual inflation required is 2.12%. This rate has been reduced to reflect the ongoing base budget reduction of £120k to meet savings requirement.	1.35%	210	(13)
Legal and Regulatory Support	Hub Schools	Hub-DBFM Schools contracts are subject to inflation year on year. Inflation, per the contract pay mechanism, is applied to the payments only i.e. account code 44000 as the grant income is fixed for the term of the contract.	0.98%	51	0
Executive Director - Douglas Hendry - Total				670	152
Head of Customer Support Services	ICT	Inflationary increases re renewals for support and maintenance of hardware and software	15.00%	74	6
Fleet	School and Public Transport Contract Fuel Uplifts	Inflation to fuel element of transport contracts based on projected fuel price increases. Only the fuel element of the contracts would be affected by this uplift.		50	0
Roads and Infrastructure	Landfill Tax	Based on RPIX movement in year as at July 2020	1.86%	59	(36)
Roads and Infrastructure	Waste PPP Contract	85% of RPIX as at July 2020	1.58%	93	(42)
Roads and Infrastructure	Street Lighting Electricity	Based on RPIX movement in year as at July 2020. Requires to be inflated in line with funding model for LED replacement	1.86%	9	(6)
Executive Director - Kirsty Flanagan - Total				285	(78)
				1,016	(278)

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Appendix 3 - COUNCIL COST AND DEMAND PRESSURES 2021-22 to 2025-26

APPENDIX 3

Department	Service	Cost/Demand Pressure	Best Case					Mid Range Scenario					Worst Case				
			2021-22 £000	2022-23 £000	2023-24 £,000	2024-25 £,000	2025-26 £,000	2021-22 £000	2022-23 £000	2023-24 £,000	2024-25 £,000	2025-26 £,000	2021-22 £000	2022-23 £000	2023-24 £,000	2024-25 £,000	2025-26 £,000
Chief Executive's Unit	Financial Services	Universal Credit "Full" Service went live in Sept 2018, but managed migration has been deferred to 2021 and will not be completed until 2024. The DWP will reduce the Housing Benefit Administration Subsidy they pay to the Council as some claimants come off of Housing Benefit processed by Council staff and go onto Universal Credit processed by the DWP. The Council's caseload has reduced by 14% in the first year of Full Universal Credit but it is hard to predict just how quickly the rest of the working age caseload will migrate from Housing Benefit to Universal Credit between now and 2024. DWP announce funding allocations each December. For 2020/21 we are benefitting from transitional protection. These figures represent our best estimates at this time.	40	80	120	160	200	40	80	120	160	200	40	80	120	160	200
Executive Director - Douglas Hendry	Commercial Services	There is an ongoing need for the Council to manage the activities associated with delivery of the Asbestos Management Plan. An earmarked reserve equivalent to £90k per annum was agreed by the Council in FQ2 2017 which should allow the management arrangements to be funded until the end of FQ2 2020 on the understanding that this provision is the subject of ongoing review. From a budgetary perspective, the best case scenario is that funding of the anticipated staff resource will continue to be required beyond the end of FQ2 2020 with no emergent asbestos related issues. The worst case scenario includes an allowance to deal with non-funded emergent issues associated with the management of asbestos.	28	28	28	28	28	48	48	48	48	48	68	68	68	68	68
Executive Director - Douglas Hendry	Education	Microsoft are changing the terms of their Office Enterprise Agreement for Education from October 2020 and a new licence agreement will be required to replace the current licence. This requires devices be moved to Office 365. The cost of this will increase from £44.92 to £55.94 per licence, costing an additional £20k per annum.	20	20	20	22	22	20	20	20	22	22	20	20	20	22	22
Executive Director - Douglas Hendry	Education	There is an ongoing need for the Council to manage the maintenance/repair of Schools estate through the education central repairs budget. The demand on this budget has continued to increase due to the amount of statutory maintenance work and emergency repairs which no longer allows for any planned maintenance to be carried out. The cost of planned maintenance has fallen on the service which cannot be sustained. Failure to carry out planned maintenance will impact significantly on the cost of emergency repairs in the future.	200	200	200	200	200	225	225	225	225	225	250	250	250	250	250
Executive Director - Douglas Hendry	Education	The demand for ASN support in Argyll and Bute has continued to grow with a significant increase in, and early identification of children and young people presenting with complex additional support needs, including mental health difficulties. It is anticipated that growth continues over the next 5 years however the extent of this growth is difficult to determine. Scottish Government statistics show that the number of pupils identified with ASN has increased markedly since 2010 and there continue to be year on year increases. These increases are likely due to continued improvements in recording and the introduction of the additional need types 'Child plans' and 'Other' in 2011. Scottish Government statistical datasets show that the percentage of school roll in mainstream schools of pupils with ASN has increased by approximately 3% year on year. Within many authorities, this means increased numbers of children accessing specialist provision.	0	0	0	0	0	72	145	219	294	370	144	292	444	601	763
Executive Director - Douglas Hendry	Commercial Services	Significant changes to Food and Drink in Schools standards causing a negative impact on Secondary School income.	32	32	32	32	32	65	65	65	65	65	98	98	98	98	98

Appendix 3 - COUNCIL COST AND DEMAND PRESSURES 2021-22 to 2025-26

APPENDIX 3

Department	Service	Cost/Demand Pressure	Best Case					Mid Range Scenario					Worst Case				
			2021-22 £000	2022-23 £000	2023-24 £,000	2024-25 £,000	2025-26 £,000	2021-22 £000	2022-23 £000	2023-24 £,000	2024-25 £,000	2025-26 £,000	2021-22 £000	2022-23 £000	2023-24 £,000	2024-25 £,000	2025-26 £,000
Executive Director - Kirsty Flanagan	ICT	Further extend the roll out SKYPE for Business to Education - Cost of two senior engineers necessary for both implementation and ongoing support for an additional 70+sites and 1800 staff accounts.	25	25	25	25	25	25	25	25	25	25	25	25	25	25	
Executive Director - Kirsty Flanagan	Financial Services	Oracle EBS Upgrade/Replacement - Additional revenue costs of software support for Financial system. The range reflects a simple upgrade to a move to an Cloud based solution	35	35	36	37	38	86	86	86	86	86	99	99	99	99	
Executive Director - Kirsty Flanagan	Financial Services	Oracle EBS Upgrade/Replacement Backfilling project team resource during replacement Financial system planning, testing & implementation.	50					100					200				
Executive Director - Kirsty Flanagan	HR	Costs for a project team for a new HR system & Backfill . This is a total new system build unlike the financial system.			150					200					250		
Executive Director - Kirsty Flanagan	Waste	Additional costs derived from the current waste model. Note that the treatment of waste going forward has not been fully costed due to uncertainty as to how the council will deal with the Bio Municipal Waste ban and the Deposit Return Scheme. Pressure has increased due to an updated waste model.		91	98	116	169		91	98	116	169		91	98	116	169
Executive Director - Kirsty Flanagan	Planning	Local development plan will require to be done under the new Planning legislation which is a revised process from the current one and will have a 10 year life. The new process has 2 stages where there is likely to be a cost pressure - a gate check followed by an examination some time later.			50		50			50		50			50		50
Executive Director - Kirsty Flanagan	Planning	Implementation of the Planning Act and Planning Fees will not be until at least Q2 2020 (April to June 2020) and therefore there will be a delay in achieving the savings target of £125k set as a Management operational saving TB06-8	30	0	0	0	0	60	0	0	0	0	90	0	0	0	0
Executive Director - Kirsty Flanagan	Environmental Health	Introduction of Small Quantities Charge for Export Health Certificates creating a possible loss of income	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Council Wide	Council Wide	General provision for unidentified Cost and Demand Pressures	0	0	0	0	0	250	500	750	1,000	1,250	500	1,000	1,500	2000	2500
TOTAL			490	541	789	650	794	1,021	1,315	1,936	2,071	2,540	1,564	2,053	3,052	3,469	4,274

SOCIAL WORK COST AND DEMAND PRESSURES - 2021/22 to 2025-26

Appendix 4

Service	Cost/Demand Pressure	Best Case			Mid Range			Worst Case		
		2021-22 £000	2022-23 £000	2023-24 £000	2021-22 £000	2022-23 £000	2023-24 £000	2021-22 £000	2022-23 £000	2023-24 £000
All Social Work	Estimated Pay inflation reflecting a best case of 2.7%, mid range of 3% and worst case of 3.5%.	868	1,759	2,674	964	1,957	2,980	1,125	2,289	3,494
All Social Work	Estimated Pay increments, best case absorbed in current staff changes, mid-range, half of 2019-20 cost and worst case same as 2019-20 cost.	41	82	123	82	164	246	82	164	246
All Social Work	Estimated impact of the revision to the Council's pay and grading structure which has been adjusted to consolidate the Scottish Living Wage.	57	59	61	57	59	61	57	59	61
All Social Work	Non-pay inflation, best and worst case based on unavoidable/inescapable inflation and worst case.	1,277	2,553	3,864	1,512	3,039	4,616	1,804	3,646	5,562
All Social Work	Non-pay inflation impact of payroll inflation on NHS posts which are recharged to Social Work.	128	184	242	128	184	242	128	184	242
Adult Care	Older People Demand Growth: The number of older people is increasing and older people are living longer with significant health and support needs and significant expectations of the support they are entitled to receive. Demand pressure estimates 3% growth in homecare and care home placements, this increase is supported by the growth in clients and care requirements over a number of years although in some areas the service capacity is being fully utilised and service expansion is proving difficult. The best case assumes a 0% increase in spending reflecting the limited service capacity in the area, the mid-range reflects 1.5% growth and the worst case reflects 3% growth.	0	0	0	367	740	1,119	735	1,492	2,273
Adult Care	Younger Adults Demand Growth: There has been continuing increase in demand for care and support services for profoundly disabled younger adults (ie under 65) whose parents have historically provided care but are no longer able to. The best case assumes a 1% increase in spending reflecting the limited service capacity in the area, the mid-range reflects 2% growth and the worst case reflects 3% growth.	177	354	531	355	710	1,065	532	1,064	1,596
Children and Families	Continuing Care demand for Looked After young people who are cared for by the HSCP. The best case scenario assumes that demand can be contained within the existing funding allocation as those young people turning 21 during 2020/21 are transitioned to Throughcare support which is typically at a lower cost. However, more younger children may come into the system pushing costs up, reflected in the mid range at £250k per annum and worst case at £500k per annum.	0	0	0	250	500	750	500	1,000	1,500
All Social Work	Allowance for unknown cost and demand pressures which could arise. The best case assumes unknown pressures totalling £250k per annum, the mid range £500k per annum and the worst case £750k per annum.	250	500	750	500	1,000	1,500	750	1,500	2,250
TOTAL UNFUNDED COST AND DEMAND PRESSURES		2,798	5,491	8,245	4,215	8,353	12,579	5,713	11,398	17,224

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ARGYLL AND BUTE COUNCIL

POLICY AND RESOURCES COMMITTEE

FINANCIAL SERVICES

15 OCTOBER 2020

UPDATE ON 2021/22 SAVINGS THEME REVIEWS**1. INTRODUCTION**

- 1.1 This purpose of this report is to provide an update on the theme reviews identify saving options to be considered as part of the 2021/22 budget.

2. RECOMMENDATION

- 2.1 The Policy and Resources Committee is asked to note the update on the Council's approach to identifying savings options to be considered as part of the 2021/22 budget process.

3. DETAIL**Estimated Budget Gap**

- 3.1 The budget outlook report has been updated to reflect the most up to date assumptions and the in-year budget gap within the mid-range scenario over the next 5 years. The table below provides information on the budget gap prior to any measures to balance the budget, measures to balance the budget (which include previously agreed savings and estimated increase to fees and charges and Council tax) and the remaining estimated budget gap.

Year	Original Estimated Budget Gap (£000)	Measures to Balance Budget (£000)	Revised Estimated budget Gap £000
2021/22	6,529	1,972	4,557
2022/23	8,595	1,977	6,618
2023/24	8,961	2,049	6,912
2024/25	8,548	2,122	6,426
2025/26	9,012	2,198	6,814
Total Estimated Gap over 5 years	41,645	10,318	31,327

2021/22 Budget Process

- 3.2 A report to the Business Continuity Committee on 13 August 2020, highlighted the approach being adopted to bring forward proposals to balance the 2021/22 budget with this summarised as:

1. Detailed reviews on a themed basis for budgets that are classified as controllable.

2. Review of areas of non-controllable budgets where there may be an opportunity to realise some savings.
3. Identification of 2% efficiencies across all service areas.

3.3 For the controllable and non-controllable reviews a target range has been established such that, if each review delivers savings at the mid-point of the range the total quantum of savings, added to the 2% efficiencies will deliver the £4.6m savings required in 2021/22.

3.4 The themes, theme leads and target ranges are set out in the sections below

3.5 Controllable Themes

Theme	Focus	Target Range (£000)	Lead
Digital By Default	More digital working, asset rationalisation, travel and office costs	350-700	A Fleming
Amenity Services	Service redesign and reduction	270-540	K MacDonald
Leisure	Live Argyll and Community Learning Service	260-520	D MacVicar
Fleet	Purchasing and hiring vehicles and managing life cycle costs	290-580	J Blake
School and Public Transport	Service redesign including shared transportation	415-830	External Consultants
Property	Review of savings in Council's property portfolio	76-152	R McLaughlin

3.6 Non-Controllable Themes

Theme	Focus	Target Range (£000)	Lead
Vacancy Savings	Review to assess whether current target can be increased.	50-150	L Slavin
NDR Savings	Review of Council wide budgets for NDR on Council properties.	150-250	A Macdougall
Loans Fund	Review to determine if further savings from those taken in 2019/20 can be taken.	200-400	A Macdougall
NPDO / Hub Schools Contract	Assess potential to increase expected level of contract management efficiency.	100-300	D Logan

Utility Costs	Review to assess scope to reduce utility costs budget.	25-50	P Gillies
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3.7 2% Efficiency Targets

Service	Target (£)	Lead
Chief Executive	6,158	P Milne
Executive Director Douglas Hendry	6,336	D Hendry
Executive Director Kirsty Flanagan	5,718	K Flanagan
Community Planning	11,111	R Gold
Financial Services	85,717	L Slavin
Commercial Services	291,685	R McLaughlin
Education	387,393	A Paterson, L Connor
Legal and Regulatory Services	83,675	D Logan
Customer Support Services	160,429	J Fowler
Development and Economic Growth	149,823	F Murray
Roads and Infrastructure	367,409	J Smith
Staff and Elected Member Subsistence	36,936	J Fowler

Budget Working Group (BWG)

- 3.8 A cross party BWG has been established to engage with theme leads and provide a sounding board to assist in the development and identification of savings options. The BWG consists of six Members from the administration, three Members from the opposition and two Trade Union representatives.
- 3.9 The BWG does not have any decision making authority but can report to, and make recommendations, to either the Council or the Policy and Resources Committee. Its primary purpose is to assist process which will identify savings options to be considered as part of the 2021/22 budget process and provide a degree of scrutiny over options as they are being developed.
- 3.10 The BWG met for the first time on 30 September and further meetings are scheduled on 29 October and 24 November. Theme Leads attend the meetings to provide updates on progress and consult on emerging saving options. At the meeting on 30 September, officers presented preliminary ideas on options developed to date and on the direction of travel that the themes are taking. The BWG agreed that all the themes should be pursued further.

Timescales

- 3.11 The table below sets out the key dates for the development of savings options.

Date	Event	Purpose
30 September	Budget Working Group	Update and discussion on Themes being reviewed and potential options emerging. Theme Leads to attend for their specific areas

September/October	Engagement with service users and key stakeholders	Engagement will be different for each themed review but this engagement is to help inform identification of savings options.
15 October	Policy and Resources Committee	Update report on themed reviews
29 October	Budget Working Group	Further update and discussion on the development of proposals.
24 November	Budget Working Group	Further update and discussion on the development of proposals.
7 December	Members Seminar	To advise all Members of options brought forward
10 December	Policy and Resources Committee	Theme review budget options brought forward

4. IMPLICATIONS

- 4.1 Policy – None from this report but potential to have policy implications depending on options agreed to balance the budget.
- 4.2 Financial – None from this report but there will be financial implications based on the options agreed to balance the budget.
- 4.3 Legal – None at this stage.
- 4.4 HR – None at this stage.
- 4.5 Fairer Scotland Duty:
 - 4.5.1 Equalities – None at this stage.
 - 4.5.2 Socio-Economic Duty – None at this stage.
 - 4.5.3 Islands Duty – None at this stage.
- 4.6 Risk – None from this report but potential to have risk implications depending on options agreed to balance the budget.
- 4.7 Customer Service – None.

Kirsty Flanagan
Section 95 Officer
15 October 2020

Gary Mulvaney: Policy Lead for Financial Services and Major Projects

ARGYLL AND BUTE COUNCIL**Policy and Resources****Argyll & Bute Health and Social Care Partnership****15 October 2020**

**Argyll & Bute Health and Social Care Partnership (HSCP) Culture Survey
Response Update**

1.0 EXECUTIVE SUMMARY

NHS Highland published the results of the Argyll & Bute Culture Survey on 15 May 2020. This survey was carried out as part of a recommendation from the Sturrock Report into Cultural issues related to allegations of bullying and harassment in NHS Highland published in May 2019 (link in appendix 1) and as such was undertaken with NHS Highland staff in Argyll and Bute

Following the publication of the survey response on the 15 May 2020 and presentation to a public meeting of the Argyll & Bute Integration Joint Board (IJB) on the 27 May 2020 the HSCP put in place an initial 100 day action plan to address the key findings with subsequent actions identified in conjunction with staffside representation.

The NHS and Council as partners, are the employing bodies of staff who deliver services on behalf of the Health and Social Care Partnership led by the Chief officer Joanna Macdonald. The Integration Joint Board (IJB) is the governing body in place to monitor delegated services but the partners retain the employer responsibilities.

From the publication of the Sturrock Report, NHS Highland has provided updates to the IJB on the action taken to address the issues raised and in partnership with the Chief Officer of the HSCP since the publication of the

This paper sets out the approach that the IJB is taking to address the findings in the report, adopting a whole partnership approach, supporting both Council and NHS employees in the Health and Social Care Partnership and improve culture.

RECOMMENDATIONS

The Policy and Resources Committee is asked to consider:

- 1.1 The work being undertaken by the IJB to address the issues raised in the Engagement Exercise

- 1.2 The progress in delivery of the 100 day plan and the approach being taken that ensures both NHS and council employees benefit from cultural changes.
- 1.3 The establishment of the Argyll & Bute Culture group moving into the longer term phase of activity

**Argyll & Bute Health and Social Care Partnership (HSCP) Culture Survey
Response Update**

2.0 INTRODUCTION

- 2.1 The Chief Officer of the HSCP has taken a whole partnership approach to changes in culture for all health and social care staff whose care practice is integrated and work alongside each other.
- 2.2 NHS Highland and Argyll and Bute HSCP have offered a sincere apology to colleagues who indicated in the Culture Survey that they experienced bullying and harassment.
- 2.3 Communication, delivery, empathy and appropriate action have been identified as key actions in building relationships and trust with an integrated health and social care staff group. Argyll & Bute HSCP are working with its partners, including the joint trades unions, to ensure we are meeting our commitments to staff, building a strong partnership across a wide geographic area and improving culture.
- 2.4 Since the publication of the Sturrock report and the subsequent publication of the Argyll & Bute Culture, the IJB has received response planning and progress reports for the 100 day Plan from NHS Highland and latterly local reports from the Chief Officer. The latest version of the Culture Update is provided in Appendix 2.
- 2.5 The Health and Social Care Partnership benefits from an HR Shared Services approach led by Jane Fowler, Head of Customer Support Services, Improvement and HR. Jane locally manages both NHS and Council HR and OD teams. Working across the partnership HR aims to ensure that staff managing integrated teams are aware of each respective partner's policies and procedures. This provides a firm basis to support positive behaviours already supported by policies available from each partner and underpinned by legislation.
- 2.6 It is acknowledged that change will take time and the participation of health and social care staff is key to this.

- 2.7 The paper provides an update to members of the Policy and Resources Committee with assurance on culture change activity and monitoring of that activity through the IJB which impacts employees of the council.

3.0 RECOMMENDATIONS

The Policy and Resources Committee is asked to consider:

- 3.1 The work being undertaken by the IJB to address the issues raised in the Culture survey Engagement Exercise
- 3.2 The progress in delivery of the 100 day plan and the approach being taken that ensures both NHS and council employees benefit from cultural changes.
- 3.3 The establishment of the Argyll & Bute Culture group moving into the longer term phase of activity

4.0 DETAIL

- 4.1 The Argyll and Bute Culture Survey Engagement Exercise was carried out by NHS Highland as a follow up to the Sturrock Report. A reporting timeline is available in appendix 1. Following the publication of findings, a series of actions were put in place. These actions were taken forward both by NHS Highland Board and by the IJB, led by the Chief Officer of the HSCP. There was close liaison and joint working with the Joint Trades Unions, both NHS and Council. Whilst the action was led by NHS Highland, the nature of Integration means that culture change and improvement also affects Council employees.

- 4.2 As part of this Plan NHS Highland Board:

- Appointed an external culture advisor to review recruitment processes.
- Launched an independent 'Speak Up', Guardian Service which offers a 24/7 service for staff to independently discuss concerns.
- Appointed independent review panel members as part of the NHS Highland Healing Process.
- Implemented an Employee Assistance Programme

- 4.3 Locally in Argyll & Bute we:

- Carried out Chief Officer led engagement sessions with 341 employees sharing the findings of the survey
- Issued a full apology from the Chief Officer and the IJB
- Working with the Joint Trade Unions, developed and delivered the 100 day plan - with the exception of confidential contact officers
- Invited health and social care staff volunteers to join the Argyll and Bute Culture Group to help improve the culture within the organisation

- Over 30 staff volunteered for the Culture Group, which first met on 1 Sept co-chaired by the Deputy Chief Officer and Staffside Rep. The Culture Group will provide the drive and representation for future culture development.
- Developed and rolled out virtual training in Courageous Conversations training sessions - over 200 staff have participated so far.
- Initiated and established twice weekly virtual check in sessions with the Chief Officer to provide an opportunity for health and social care staff to ask questions and provide feedback.
- Identified staff Wellbeing Champions within health and social care to help communicate key messages about wellbeing and psychological support.
- Communicate weekly about Culture and wellbeing
- Issue a weekly Communication from the Chief Officer
- Established a process for external investigations of any bullying and harassment complaints

5.0 CONCLUSION

- 5.1 This paper outlines the activity undertaken in response to the Argyll & Bute Culture Survey published on 15 May and the subsequent basis for the creation of the Argyll & Bute Culture Group. It notes the 30 staff health and social care who have volunteered to support this and act as ambassadors across the partnership. The Culture Group has good representation from across the disciplines and provides a positive forum for enabling cultural change in integrated teams.
- 5.2 It seeks to provide an update to Council as to the support and engagement of health and social care staff delivering services for the partnership employed by the Local Authority partner.

6.0 IMPLICATIONS

6.1 Policy

The Culture of the organisation doesn't just address the need to change behaviours but informs our attitudes in the delivery of our services and our ability to transform.

Each partner as employing body provides policies and procedures as prescribed by legislation and good practice to meet their responsibility to the employee. No further policies and procedures are required at this point to support the ongoing cultural change as a framework to respond to the issues highlighted is available.

6.2 Financial

None for this paper

6.3 Legal

None for this paper

6.4 HR

Implementation of new management structures provides an opportunity to refresh an indication for manager in new posts and implement National NHS Once for Scotland policies supporting operational management.

Managers will be provided with an induction 'refresh' on all aspects of the responsibilities of the managers and on their leadership role on behaviour and culture.

6.5 Fairer Scotland Duty:

None for this paper

6.5.1 Equalities - protected characteristics

Seeks to embed good staff governance and support equality of treatment and opportunity for all health and social care staff.

6.5.2 Socio-economic Duty

None for this paper

6.5.3 Islands

Seek to ensure that health and social care staff in remote areas are equally supported and have equal opportunities to mainland staff.

6.6. Risk

Ensuring Argyll & Bute HSCP is a positive place to work will support recruitment and retention of staff.

6.7 Customer Service

None for this paper

Chief Officer – Health and Social Care Partnership, Joanna MacDonald

23 September 2020

For further information contact:

Head of Customer Support Services, Jane Fowler

Charlotte Craig, charlotte.craig@argyll-bute.gov.uk

APPENDICES

Appendix 1 Reporting timeline and links to reports

Appendix 2 NHS Highland Culture Programme update

Appendix 1 Reporting timeline and links to reports

Publication of the Sturrock Report 9 May 2019

<https://www.gov.scot/publications/report-cultural-issues-related-allegations-bullying-harassment-nhs-highland/>

29 May 2019 presented at IJB: Report to Cabinet Secretary for Health and Sport into Cultural Issues related to allegations of Bullying and Harassment in NHS Highland – John Sturrock QC

<https://www.nhshighland.scot.nhs.uk/Meetings/ArgyllBute/IJB%20briefing/IJB%20Papers%202019/A%20and%20B%20IJB%20May%202019%20reports%20v3.pdf>

7 August 2019

<https://www.nhshighland.scot.nhs.uk/Meetings/ArgyllBute/IJB%20briefing/IJB%20Meeting%207-8-19.pdf>

25 September 2019 Culture Fit for purpose action plan update

<https://www.nhshighland.scot.nhs.uk/Meetings/ArgyllBute/Documents/IJB%20-%20Agenda%20items%204%20-%205.6.pdf>

27 November 2019

<https://www.argyll-bute.gov.uk/moderngov/ieListDocuments.aspx?MId=8501&x=1>

39 January 2020

<https://www.argyll-bute.gov.uk/moderngov/ieListDocuments.aspx?MId=10563&x=1>

25 March 2020

<https://www.argyll-bute.gov.uk/moderngov/ieListDocuments.aspx?MId=10635&x=1>

15 May Publication of the Argyll & Bute Culture Survey

<https://www.nhshighland.scot.nhs.uk/News/Pages/NHSHighlandpublishesArgyllandButeHealthandSocialCarePartnershipculturesurvey.aspx>

27 May 2020

<https://www.argyll-bute.gov.uk/moderngov/ieListDocuments.aspx?MId=10692&x=1>

5 August 2020

<https://www.argyll-bute.gov.uk/moderngov/ieListDocuments.aspx?MId=13783&x=1>

Appendix 2

NHS Highland



Meeting:	Integrated Joint Board
Meeting date:	19th September 2020
Title:	Culture Programme update
Responsible Executive/Non-Executive:	Fiona Hogg, Director of HR & OD
Report Author:	Emma Pickard, Culture Advisor

1 Purpose

This is presented to the Board for:

- Discussion

This report relates to an:

- Emerging issue

This aligns to the following NHSScotland quality ambition(s):

- Person Centred

2 Report summary

2.1 Situation

The Culture Programme and Oversight Group have recently proposed changes to the programme structure and governance arrangements to improve delivery focus and facilitate staff involvement.

2.2 Background

The Culture Programme is moving to a new phase which requires wider colleague involvement and engagement; following successful conclusion of a number of centrally-led initiatives, including the design and launch of the Healing Process, EAP and Guardian Service.

To facilitate wider colleague involvement, a new programme structure has been proposed. The format and attendance of the Culture Oversight Group (formerly Culture Programme Board) has also been proposed for revision as part of this, to encourage outcome-focused discussion and progress management.

2.3 Assessment

The issues and recommendations are structured under 4 key themes:

1. Culture Programme structure and priorities
2. Progress update
3. Ongoing Concerns
4. Partnership Working review

1. Culture Programme Structure and priorities

A revised programme structure has been proposed in order to facilitate wider colleague engagement and greater rigour in planning and resource allocation. There are concerns from some Culture Board members that implementing a programme management approach increases the complexity of delivery as will require involvement from a greater number of colleagues. However, the NHS Highland Board and Staff Governance Committee support the proposed changes.

The purpose of the structure is indeed to increase participation, as culture change will require widespread involvement across the organisation. The intention is also to improve focus and prioritise action, but it is possible that the terminology used to date has confused people.

To address the feedback, a collaborative prioritisation exercise with members of the current Culture Board and the newly formed Argyll and Bute Culture Group is underway. This will co-produce a set of Culture priorities which is expected to be 4-6 key activities from the existing suite of proposed work. Plans and resources will then be structured around these activities, and language will be tested for resonance with members. The next meeting of the Culture Group on the 14th September will review the outcomes from this prioritisation exercise.

2. Progress update

Progress continues to be made in a number of key areas:

Recruitment Review: the External Culture Advisor has completed a review of current recruitment practices and processes, following engagement with recruitment teams, managers and candidates and a review of policies and systems. The report has made a set of draft recommendations to improve manager and candidate experience, which will be shared with a group of staffside, manager and HR colleagues for further discussion and prioritisation. The final recommendations will require resourcing and support if they are to be taken forwards.

People Processes: An “as-is” external review of our key people processes has commenced, with Creative Business Solutions being awarded the contract to carry this out, following a tender exercise using the national procurement framework. The scope of the work covers the processes of Discipline, Grievance, Bullying and Harassment as well as Redeployment.

This work will report out before the end of October. This will involve review of data and processes, and interviews with key stakeholders. This external review will precede a collaborative “to-be” design exercise to coproduce our future ways of working in these processes between Staff-side, Managers and HR.

Diagnostics and root-cause analysis: It has been agreed that further diagnostic activity is required to understand the root- cause(s) of the events that led up to the Sturrock Review, in order to ensure that the activity contained within the Culture Programme will indeed deliver the required cultural improvements.

The proposed terms of reference for this diagnostic work will be discussed at the Culture Group on the 14th September, having engaged with the group of Whistle blowers on the drafting of these.

Argyll & Bute 100 Day Plan: Good progress has been made with this. Engagement has significantly increased due to the efforts of the Chief Officer and SLT, particularly with regard to the Virtual Coffee Chats held twice weekly.

The first meeting of the Argyll & Bute Culture group met on 1st September. 30 people have expressed an interest in getting involved in the Culture activity in Argyll & Bute.

Over 300 colleagues have been trained in Courageous Conversations in Argyll & Bute in the first 100 days of the plan and the feedback has been really positive and the skills are being put into practice.

3. Ongoing Concerns

In order to better understand staffside concerns with regards to some cases of ongoing bullying and poor behaviour across NHS Highland, the Director and Deputy Director of HR met with all of the key unions on a 1:1 basis on Thursday 20th August. There was also a dedicated meeting of the Partnership Forum on Friday 21st August where understanding the concerns in these respects was the main agenda item. The NHS Highland Executive Directors Group also met on Thursday 27th August to review concerns and understand the situation and what action the organisation could take to address this.

The key issues raised involved situations where managers are not consistently addressing colleague concerns about behaviours and how they are feeling, when raised at an early stage. It is felt that the lack of effective action can be due to managers not seeing it as their role or not seeing it as important, or in some cases not having the skills to do so effectively.

This means that issues that could be quickly resolved escalate into complex cases and relationship breakdowns. There were also ongoing concerns about a small number of cases that aren't progressing in a timely manner, and the need to review the data and processes involved to improve these, which is the work of the people process review described above. There was also a desire to carry out ongoing collective lessons learned / case reviews to ensure any issues are addressed and understood, which will be taken forward.

Continued rollout of the Courageous Conversations training is critical to support progress in early resolution and addressing concerns. We are also exploring how pilots of the peer led "Civility Saves Lives" approach may complement this in the workplace. The main action needed is around progressing with our Values and Behaviours work, which will clearly set the standard for all colleague and managers.

4. Partnership Working review

The first of two workshops dedicated to improving partnership working has been held, and the second is scheduled for 18th September. In order to

facilitate maximum Staff-side input, input from all Staff-side members will be invited in advance of the workshop.

The outcomes of the second workshop will be:

- An agreed set of partnership priorities with resources required to deliver
- Clarity on the roles of Staff-side, HR and Managers
- Recommendations on changes to current governance arrangements and ways of working
- Recommendations on changes to Staffside resource allocation

2.3.1 Quality/ Patient Care

Successful delivery of the Culture Programme is critical to effective patient care.

2.3.2 Workforce

The Culture Programme will ensure colleagues are engaged, motivated, clear on their roles and priorities and working to our values.

2.3.3 Financial

Additional funding has been secured to deliver our Culture Programme. Improving our culture will realise reductions in sickness absence and staff turnover, and reduce time and effort spent on disciplinary and grievance processes.

2.3.4 Risk Assessment/Management

No additional risks have been identified.

2.3.5 Equality and Diversity, including health inequalities

Fairness, along with dignity and respect are core principles of our Culture Programme where our values will be embedded in all we do as an organisation.

2.3.6 Other impacts

None

2.3.7 Communication, involvement, engagement and consultation

To deliver the revised programme structure and governance arrangements, greater colleague involvement and engagement is planned. A suite of

communication approaches will be required to foster this involvement and a plan is under development.

2.3.8 Route to the Meeting

This has been previously considered by the following groups as part of its development. The groups have either supported the content, or their feedback has informed the development of the content presented in this report.

- Executive Directors Group: 24th August 2020

2.4 Recommendation

- **Discussion** – Examine and consider the implications of a matter.

3 List of appendices

Not applicable

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ARGYLL AND BUTE COUNCIL

POLICY AND RESOURCES
COMMITTEE

COMMERCIAL SERVICES

15 OCTOBER 2020

**COMMUNITY EMPOWERMENT (SCOTLAND) ACT 2015 – UPDATE – EXPRESSIONS
OF INTEREST / ASSET TRANSFER REQUESTS/PARTICIPATION REQUESTS/ ANNUAL
REPORTING REQUIREMENTS**

1. EXECUTIVE SUMMARY

1.1 The purpose of this report is to advise the Policy and Resources Committee on:

- The operation of the processes in regard to Asset Transfer Requests (ATR) and Participation Requests in terms of the Community Empowerment (Scotland) Act 2015;
- Current live Expressions of Interest (EOI's) which may become subject to a formal asset transfer request;
- Community group proposals which have been dealt with out-with the formal asset transfer process;
- The progress of the asset transfer request which has been submitted by Kilmory Woodlands (KW) seeking transfer of part of part of Kilmory Home Farm on a 99 year lease of the land at £1 per annum;
- An update on the asset transfer request and subsequent review which were submitted by Isle of Gigha Heritage Trust (IGHT) seeking transfer of ownership of the Isle of Gigha Ferry Terminal for £1;
- Current live ongoing or agreed Participation Requests received by the Council;
- The annual reporting requirements in respect of Asset Transfer Requests and Participation Requests set out in Section 95 and 32 of the Community Empowerment (Scotland) Act 2015 respectively;

RECOMMENDATIONS

It is recommended that:

1.2 The Policy and Resources Committee notes the report.

ARGYLL AND BUTE COUNCIL

POLICY AND RESOURCES
COMMITTEE

COMMERCIAL SERVICES

15 OCTOBER 2020

COMMUNITY EMPOWERMENT (SCOTLAND) ACT 2015 – UPDATE – EXPRESSIONS OF INTEREST / ASSET TRANSFER REQUESTS/PARTICIPATION REQUESTS/ ANNUAL REPORTING REQUIREMENTS

2. INTRODUCTION

2.1 The purpose of this report is to advise the Policy and Resources Committee on:

- The operation of the processes in regard to Asset Transfer Requests (ATR) and Participation Requests in terms of the Community Empowerment (Scotland) Act 2015;
- Current live Expressions of Interest (EOI's) which may become subject to a formal asset transfer request;
- Community group proposals which have been dealt with out-with the formal asset transfer process;
- The progress of the asset transfer request which has been submitted by Kilmory Woodlands (KW) seeking transfer of part of part of Kilmory Home Farm on a 99 year lease of the land at £1 per annum;
- An update on the asset transfer request and subsequent review which were submitted by Isle of Gigha Heritage Trust (IGHT) seeking transfer of ownership of the Isle of Gigha Ferry Terminal for £1;
- Current live ongoing or agreed Participation Requests received by the Council; and
- The annual reporting requirements in respect of Asset Transfer Requests and Participation Requests set out in Section 95 and 32 of the Community Empowerment (Scotland) Act 2015 respectively;

3. RECOMMENDATIONS

It is recommended that:

3.1 The Policy and Resources Committee notes the report.

4. DETAIL

4.1 The Council operates processes in compliance with parts 3, 5 and 9 of the Community Empowerment (Scotland) Act 2015 in regard to:

- Asset Transfer Requests (ATR's) (part 5 of the Act) which came into force on 23 January 2017. ATR's enable community bodies to make requests to all local authorities, Scottish Ministers and a range of public bodies for any land or

buildings they feel they could make better use of. They can request ownership, lease or other rights as they wish.

- Participation Requests (Part 3 of the Act) which came in to force on 1 April 2017. These are requests to public bodies which, if granted, enable communities to participate in decisions and processes which are aimed at improving outcomes.

EXPRESSIONS OF INTEREST IN POTENTIAL ASSET TRANSFER REQUESTS

- 4.2 There are currently sixteen (16) live Expressions of Interest (EOIs) relating to potential asset transfer requests (all active EOI's are listed in Appendix 1). It should be noted that the Council has continued to engage with community groups who have had EOI's active for a significant period of time and while they remain active the requesters have not taken steps to progress them further.
- 4.3 Not all EOI's will necessarily become subject to a formal asset transfer request. Some may be subsequently withdrawn, or dealt with in a way that delivers the outcome required by the community group out-with the asset transfer process.

PROPOSALS DEALT WITH OUT-WITH THE ASSET TRANSFER PROCESS

- 4.4 While there have been a number of proposals which were dealt with in a way that delivered the outcome required by the community group outside the formal asset transfer process, there were none during the reporting period.

ASSET TRANSFER REQUESTS

- 4.5 The Council has put in place information, advice and guidance to community bodies who are interested in making an ATR and further information on this can be found on the Council's website at this [LINK](#)

KILMORY WOODLANDS – PART OF KILMORY HOME FARM

- 4.6 On 25 March 2019, Kilmory Woodlands (KW) submitted an asset transfer request in respect of part of Kilmory Home Farm, Lochgilphead seeking a 99 year lease of the land at £1 per annum. The purpose of the ATR is to provide sports facilities including a rugby, pitch, running track, shooting targets and BMX tracks.
- 4.7 On 17 December 2019 the standing sub-committee of the Policy and Resources Committee (following a recommendation from the Council's Asset Transfer Group and the Executive Director of Commercial Services) refused KW's Asset Transfer Request (ATR). Where the Council refuse an asset transfer request the community transfer body may apply in writing to the Council for a review of that decision within 20 working days of the date of the decision notice.
- 4.8 On 13 January 2020, KW submitted a request for a review of that decision. There is an obligation on the Council to carry out such a review within 6 months of the date of the request for a review being received which under normal circumstances would 13 July 2020.
- 4.9 Due to the current Covid19 pandemic and the changes in the way the Council has had to work the Council agreed an extension with KW and the matter was considered by the Policy and Resources asset transfer sub-committee on 24

September 2020 who confirmed the original decision of the Asset Transfer Sub-Committee of Policy and Resources to refuse the Asset Transfer Request submitted by Kilmory Woodlands seeking a 99 year lease of part of Kilmory Home Farm for £1 per annum (in accordance with the recommendation of the Executive Director with responsibility for Commercial Services and the Asset Transfer Group). However, the sub-committee requested that Officers continue to work with Kilmory Woodlands to develop their proposals and options.

ISLE OF GIGHA HERITAGE TRUST – ASSET TRANSFER REQUEST AND REVIEW

- 4.10 On 18 October 2018, IGHT submitted an asset transfer request in respect of Isle of Gigha Ferry Terminal Car Park seeking ownership of the asset at £1 per annum. The original ATR was inter alia in the following terms: ownership of the car park at the Gigha ferry terminal to use it as their primary access to provide camping and motorhome facilities at Ardmish on the Isle of Gigha.
- 4.11 On 16 May 2019 the standing sub-committee of the Policy and Resources Committee (following a recommendation from the Council's Asset Transfer Group and the Executive Director of Commercial Services) refused the Asset Transfer Request (ATR). Where the Council refuse an asset transfer request the community transfer body may apply in writing to the Council for a review of that decision within 20 working days of the date of the decision notice.
- 4.12 On 12 June 2019, IGHT submitted a request for a mandatory review of the decision to refuse the request. The review was considered through the Council's review assessment process and after discussion with IGHT and Roads and Infrastructure Services which developed a common understanding of areas they could work together, the request for review was withdrawn by IGHT.

PARTICIPATION REQUESTS

- 4.13 Part 3 of the Community Empowerment (Scotland) Act 2015 provides a framework for the use of participation requests by community bodies, with the intention of enabling communities to have more influence over services and decisions which affect them. Part 3 of the Act came into force on the 1st April 2017.
- 4.14 In line with the requirements of the Act, the Council has put in place a procedure which allows consideration of any requests made community bodies. The procedure and further information can be found on the Council's website at this [LINK](#)
- 4.15 During the period 1 April 2019 to 31 March 2020, the Council received 1 participation requests as set out in appendix 2 of this report.

ASSET TRANSFER AND PARTICIPATION REQUESTS - ANNUAL REPORTING REQUIREMENTS

- 4.16 Sections 32 and 95 of the Act requires the Council to publish annual reports setting out the numbers of participation and asset transfer requests received and their outcomes. Annual reports cover each year from 1 April to 31 March and must be published by 30 June of each reporting year.

4.17 Asset Transfer Request Annual Reports are required to set out:

- The number of requests received;
- The number of requests agreed and refused;
- The number of requests which resulted in a transfer of land, a lease or other rights;
- The number of requests which resulted in a review or an appeal;
- Whether those reviews or appeal resulted in a decision being confirmed, modified or substituted for another decision;
- Any action being taken by the Council to promote the use of ATR's and support those making a request.

4.18 The Asset Transfer Request Annual Report for April 2019 – March 2020 is attached as appendix 3 of this report.

4.19 The Participation Request Annual Report is required to set out:

- The number of requests received;
- The number of requests agreed and refused;
- The number of requests which resulted in changes to a public service provided by, or on behalf of, the public service authority; and
- Any action taken by the public service authority to promote and support the use of participation requests.

4.20 The current Participation Request Annual Report is attached as appendix 4 of this report.

5. CONCLUSION

5.1 This report advises the Council on the operation, of the processes in regard to Asset Transfer Requests and Participation Requests in terms of the Community Empowerment Act 2015 and updates on ATR's, EOI's and Participation requests.

5.2 It is recommended that the Policy and Resources Committee notes the contents of the report.

6.0 IMPLICATIONS

6.1 Policy – In line with Council policy on Asset Transfer Requests

6.2 Financial – None;

6.3 Legal - In line with Community Empowerment (Scotland) Act 2015

6.4 HR - None

6.5 Fairer Scotland Duty: None

6.5.1 Equalities - protected characteristics – None

6.5.2 Socio-economic Duty: None

6.5.3 Islands –None

6.6. Risk – As above

6.7 Customer Service - None

Douglas Hendry - Executive Director with responsibility for Commercial Services
08 September 2020

Policy Lead Commercial Services: Aileen Morton

For further information contact:

Ross McLaughlin, Head of Commercial Services, 01436 658 914

David Allan, Estates and Property Development Manager, 01436 657 620

Michael Nicol, Solicitor, Legal and Regulatory Services, 01546 604 468

APPENDIX 1 – CURRENT EXPRESSIONS OF INTEREST

It should be noted that the Council has continued to engage with community groups who have had EOI's active for a significant period of time and while they remain active the requesters have not yet moved them on.

No	Date Received	Organisation	Asset	Summary of Expression of Interest	Current Status
1	01.03.17	Oban Lorne Rugby Club	Glencruitten Sports Field and clubhouse, Oban	Extend the footprint of club house lease to allow expansion and lease/ licence to manage the pitch.	Group have agreement for the footprint extension – working to progress agreement to manage the pitch outwith ATR process
2	05.09.17	Mull and Iona Community Trust	Public Toilets adjacent to Calgary Bay SSSI	Ultimate transfer of ownership needed to secure future of toilets including major upgrade of the toilets to ensure they are fit for purpose – arrangement short term to work with service to manage the asset.	Amenity Services have progressed a suitable lease agreement that is being signed off.
3	28.09.17	Argyll and Bute Third Sector Interface	Dunoon CEC Woodside Building	Lease of shared use of office space and community training workshop	Group working with Social Enterprise Officer /Estates – ongoing investigation to support request outwith ATR process.
4.	14.02.19	The Ardchattan Community Centre	Ardchattan Primary School	Transfer of ownership of the school buildings and ground – 90% of Market Value if the receive Land fund	Group has a successful Land Fund grant to purchase the asset papers are with legal services
5.	24.04.18	Argyll and Bute Third Sector Interface	Marriage Room, Inveraray	Lease of building as part of a rationalisation of buildings process	Group working with Social Enterprise Officer /Estates – ongoing investigation to support request outwith ATR

					process.
6.	15.09,19	Islay Development Initiative	Killarow stables, and the wider site, Islay	Transfer of ownership to build flats for key workers at affordable rents, develop community and young people centre	Estates liaising with group about progressing outwith ATR process
7.	12.11.18	Mid Argyll Rugby Club	Pony Park near High School Lochgilphead	Lease of land to lay new pitch develop facilities to promote and rugby – working to support outwith ATR Process	Group have supplied detailed plans that Estates are working with current lease holder to progress their request forward outwith ATR process
8.	26.11.18	Ganavan Sports Hub	Pitch and Land at Ganavan	Lease of asset as community use as an outdoor sports hub – no length of term or price indicated.	Group working with local businesses to develop their request working with Social Enterprise Officer /Estates to clarify their EOI
9.	20.11.19	Kirkmichael Community Development Group	Kirkmichael Park Changing Room	Lease of asset for £500 per year for community use as an outdoor sports hub – no length of term	Group working with Estates and Social Enterprise Team to support request for lease outwith ATR process
10.	27.01.20	Barbara's Wildlife Rescue	Land at Hafton Estate, Sandbank	Transfer of Ownership or lease to build and open a wildlife rescue centre – No Price Indicated	Group are unable to use the ATR process officers working with group to support their request through traditional channels
11.	10.02.20	Sandbank Community Council	Former Teachers Centre, Sandbank	Transfer of Ownership for use as community garden and meeting space – No Price Indicated	Group are unable to use the ATR process, Social Enterprise Officer /Estates are still trying to support their request through traditional channels

12.	16.02.20	Colintraive & Glendaruel Development Trust	Site 10, Land at Glendaruel	Transfer of Ownership - to develop multi-purpose hub for services currently absent from the rural community – such as café /bistro	Estates are supporting developing a lease for a nature trail, while the group work on developing a larger business plan for the area
13.	29.05.20	South Islay Development	Port Ellen School House	Requesting sale of asset to build a childcare facility to cater for children under 3 years	Traffic congestion and safe drop off issues have led the request for this venue to be withdrawn. Refocusing on using the Ramsay Hall as an alternative venue.
14.	29.05.20	South Islay Development	Public Toilets	Transfer the Toilet block and merge facilities with their campsite toilet block	Initial discussion no firm proposals to date
15.	28.08.20	Oban Men's Shed	Former toilets at Corran Halls Esplanade	To run Men's Shed programme from the space	Initial discussions, arrangements for viewing underway
16.	05.10.20	Rhu and Shandon Community Centre	Rhu Community Centre	Looking for formal lease to allow funding applications for upgrading facilities	Initial request received under investigation

APPENDIX 2 - PARTICIPATION REQUESTS – DURING THE PERIOD 1 APRIL 2019 TO 31 MARCH 2020

Received from	Request details	Outcome
Oban Community Council	An increase in the use of Council car parks and on-street bays. A decrease in inconsiderate parking around the town and a better flow of traffic as a result	Discussion are ongoing to facilitate further discussion on how the aims of the group might be achieved.

APPENDIX 3 – ASSET TRANSFER REQUEST ANNUAL REPORT



Section 95 - Community Empowerment (Scotland) Act 2015
Part 5 – Asset Transfer Requests
Annual Report 23 January 2019 – 31 March 2020

1. EXECUTIVE SUMMARY

- 1.1 Section 95 of the Community Empowerment (Scotland) Act 2015 requires the Council to publish an asset transfer report for each reporting year. This Annual Report covers the period from 1 April 2019 through to 31 March 2020.

2. ASSET TRANSFER REQUESTS

- 2.1 Between 1 April 2019 and 31 March 2020 the Council received one (1) validated Asset Transfer Request relating to the transfer of ownership of land and 17 informal Expressions of Interest.
- 2.2 The Council did not receive any asset transfer requests during the reporting period which resulted in:
- The transfer of ownership of land to a community transfer body;
 - A lease of land to a community transfer body; or
 - Rights in respect of that land being conferred on a community transfer body.

3. REVIEWS

- 3.1 There were 2 requests for a review in respect of a decision taken by the Council in relation to an asset transfer request during the reporting period.
- 3.2 One review was subsequently withdrawn and the other is still ongoing however due to the current Covid19 restrictions an extension to the deadline for making a decision has been agreed to 30 September 2020.

4. APPEALS

- 4.1 There were no appeals in respect of a decision taken by the Council in relation to an asset transfer request during the reporting period

5. PROMOTION OF THE USE OF ASSET TRANSFER REQUESTS

5.1 The Council's Social Enterprise Officer takes an active role in engaging and working pro-actively with community groups to ensure they receive the support that they need to overcome any challenges they face in submitting an asset transfer request.

5.2 The Council's Community Asset Transfer webpages promote the use of asset transfers online which are available here:

<https://www.argyll-bute.gov.uk/assettransfer-support>.

5.3 Moreover, in order to raise awareness of the Asset Transfer Request process within the community and to help the public access the information and support, SET participate in community meetings and events to present information, signposting to the website and / or provide advice on the Asset Transfer Request process to community groups considering making an asset transfer request, including:

- Community Right to buy event – 1st October 2019.

6. SUPPORT FOR COMMUNITY TRANSFER BODIES MAKING A REQUEST

6.1 The Councils Social Enterprise Officer provides ongoing support to any community transfer body making an asset transfer request, or considering making an asset transfer request.

6.2 This includes a pre-application stage where community groups are encouraged to discuss their proposals with the Council at an early stage, in order to help them understand how to make an effective asset transfer request, and provide guidance in relation to what is required in terms of the legislation.

6.3 The Council have developed Community Asset Transfer webpages which provide advice and guidance, a list of the Council's assets, contact details, the relevant forms and documents required to make a request, an Expression of Interest form (to facilitate early informal discussions between organisations and officers) and contact details for a single point of contact for enquiries.

6.4 The Councils Social Enterprise Officer is the single point of contact for any group who has submitted a formal Asset Transfer Request or the informal Expression of Interest enquiry. They ensure effective lines of communication are open throughout the assessment and determination of the asset transfer request, and advise community groups of the progress of any steps which require to be taken in order for a decision to be made.

APPENDIX 4 – PARTICIPATION REQUEST – ANNUAL REPORT

Section 32 - Community Empowerment (Scotland) Act 2015
 Part 3 – Participation Requests
 Annual Report 23 January 2019 – 31 March 2020

1.0 EXECUTIVE SUMMARY

1.1 Section 32 of the Community Empowerment (Scotland) Act 2015 requires the Council to publish an participation request report for each reporting year. This Annual Report covers the period from 1 April 2019 through to 31 March 2020.

2.0 INTRODUCTION

2.1 The Community Empowerment (Scotland) Act 2015 came into force on 1 April 2017 and part 3 of the Act provided a framework for the use of participation requests by community bodies, the intention being to enable communities to have more influence over services and decisions which affect them.

2.2 In line with the requirements of the Act, the Council has put in place a procedure which allows consideration of any requests made community bodies. The procedure and further information can be found on the Council's website at:

<https://www.argybute.gov.uk/find-out-more-about-participation-requests>

3.0 DETAIL

3.1 The Act requires the Council to publish an annual report setting out

- The number of requests received
- The number of requests agreed and refused
- The number of requests which resulted in changes to a public service provided by, or on behalf of, the public service authority
- Any action taken by the public service authority to promote and support the use of participation requests

3.2 During the period 1 April 2019 to 31 March 2020, the Council received 1 participation requests, all were agreed and details can be found on our website at the link detailed at 2.2

Received From	Request Details	Outcome
Oban Community Council	An increase in the use of Council car parks and on-street bays. A decrease in	Discussion are ongoing to facilitate further discussion on how the aims of the group might

	inconsiderate parking around the town and a better flow of traffic as a result	be achieved.
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4.0 PROMOTION AND SUPPORT

- 4.1 Promotion and Support - All information relating to participation requests is available on the Council's website <https://www.argyll-bute.gov.uk/find-out-more-about-participation-requests> and internal guidance was prepared for services who might receive requests, this is available on the HUB <http://intranet.argyll-bute.gov.uk/participation-requests>
- 4.2 In addition, the Scottish Community Development Centre have been commissioned by the Scottish Government to develop resources for communities around Participation Requests. They held the first of three focus groups in Oban on the 25th March – the others had to be rescheduled due to Covid-19 and will take place in July. Participants attended from Oban, Mull and Campbeltown. The next two sessions will take place online.

5.0 CONCLUSION

- 5.1 The Council has met its obligations in relation to the implementation of part 3 of the Act.

6.0 IMPLICATIONS

- 6.1 Policy – Statutory requirement to publish annual report
 6.2 Financial – None
 6.3 Legal – Statutory requirement to publish an annual report
 6.4 HR – None
 6.5 Equalities – None
 6.6 Risk – None
 6.7 Customer Service – None

Douglas Hendry Executive Director with responsibility for Commercial Services.

Policy Lead – Cllr Robin Currie

Date of report – 17 June 2020

For further information contact: Iain Jackson, Governance and Risk Manager 01546 604188

Policy and Resources Committee Work Plan 2020-21

This is an outline plan to facilitate forward planning of reports to the Policy and Resources Committee.					
Date	Report Title	Dept/Section	How Often?	Date Due	Comments
15 October 2020	Financial Monitoring Reports Pack	Financial Services	Every Meeting except May	15 September 2020	
	Budget Outlook	Financial Services	Every Meeting		
	Update on Saving Theme Reviews	Financial Services			
	Implementation of Domestic Abuse Policy	Customer and Support Services			
	Health and Social Care Partnership – Culture Update	HSCP			
	Community Empowerment (Scotland) Act 2015 – Expressions of Interest / Asset Transfer Requests Annual Report	Commercial Services	Annual		
Date	Report Title	Dept/Section	How Often?	Date Due	Comments
10 December 2020	Financial Monitoring Reports Pack	Financial Services	Every Meeting except May	10 November 2020 for SMT	
	Budget Outlook	Financial Services	Every Meeting		
	Performance Report FQ2		Quarterly		
	Service Planning	Customer and Support Services	Annual		
	Budget 2021-22 Savings Options	Financial Services	Annual		
	Procurement Strategy and Sustainable Procurement Policy	Legal and Regulatory Support	Annual		
Date	Report Title	Dept/Section	How Often?	Date Due	Comments
February 2021 (Budget)	Financial Report Monitoring Pack	Financial Services	Every meeting except May	19 January 2021 for SMT	

Policy and Resources Committee Work Plan 2020-21

	Budget Pack	Financial Services	Annual		
	Treasury Management and Investment Strategy	Financial Services	Annual		
	Six Monthly report on Cash Flow Support Loans	Financial Services	Annual		
Date	Report Title	Dept/Section	How Often?	Date Due	Comments
13 May 2021	Budget Outlook	Financial Services	Every Meeting	13 April 2021 for SMT	
	Performance Report FQ3 and FQ4		Quarterly		
Future Items – Date to be determined.					
	IHR Policies: <ul style="list-style-type: none"> Attendance Management Policy 	Customer and Support	As required	TBC	Date to be confirmed.
	ICT and Digital Strategy 2020/21	Customer and Support Services			