

**Argyll and Bute Council**  
**Comhairle Earra-Ghàidheal Agus Bhòid**

*Executive Director: Douglas Hendry*



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11 February 2021

**NOTICE OF MEETING**

A meeting of the **POLICY AND RESOURCES COMMITTEE** will be held **VIA SKYPE** on **THURSDAY, 18 FEBRUARY 2021** at **10:00 AM**, which you are requested to attend.

Douglas Hendry  
Executive Director

**BUSINESS**

- 1. APOLOGIES FOR ABSENCE**
- 2. DECLARATIONS OF INTEREST (IF ANY)**
- 3. MINUTES** (Pages 5 - 12)  
Policy and Resources Committee held on 10 December 2020
- \* **4. FINANCIAL REPORTS MONITORING PACK - 31 DECEMBER 2020**  
(Pages 13 - 156)  
Report by Section 95 Officer
- \* **5. BUDGETING PACK 2021-2022**
  1. Introductory Report and Recommendations
  2. Revenue Pack
    - a. Budget Consultation – Findings
    - b. Service Plans
    - c. Assessing Equality and Socio Economic Impact
    - d. Revenue Budget Overview (Appendix 9 is marked exempt **E1**)
    - e. Fees and Charges
    - f. Financial Risks Analysis
    - g. Reserves and Balances
  3. Capital Plan
    - a. Capital Plan Summary Report (Appendix 4 is marked exempt **E2**)
    - b. Corporate Asset Management Strategy
    - c. Corporate Asset Management Plan including Asset Group Summaries

Please note that the Budget Pack 2021/22 relative to the consideration of the foregoing matters has been published separately under a meeting entitled "Budget Pack", please ensure that you have downloaded this to your iPad before coming to the meeting.

Accessing the Budget Pack from your iPad -

To access this years' Budgeting Pack 2021/22 Members should log into the Modern.Gov App on their iPad and tap "Committees ..." on the top left hand side of the screen. From there subscribe to the meeting entitled "Budget Pack" by tapping on it and then tap done. This should now appear on your list of Committees. The budget pack will be stand alone and will be published here separately from the Policy and Resources Committee; and Council agendas. This will enable the same pack to be accessed at all meetings.

\* **6. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY (Pages 157 - 214)**

Report by Section 95 Officer

**7. CUSTOMER SUPPORT SERVICES PERFORMANCE REPORT FQ3 2020/21 (Pages 215 - 222)**

Report by Executive Director with responsibility for Customer Support Services

**8. STRATEGIC EVENTS AND FESTIVALS FUND - ROUND 3 UPDATE (Pages 223 - 228)**

Report by Executive Director with responsibility for Development and Economic Growth

**REPORTS FOR NOTING**

**9. POLICY AND RESOURCES COMMITTEE WORK PLAN (Pages 229 - 232)**

**EXEMPT REPORT FOR DECISION**

\* **E1 10. SCOTTISH CROWN ESTATE FUNDING PROPOSALS (TO FOLLOW)**

Report by Executive Director with responsibility for Development and Economic Growth

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.

The Committee will be asked to pass a resolution in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the public for items of business with an "E" on the grounds that it is likely to involve the disclosure of exempt information as defined in the appropriate paragraph of Part I of Schedule 7a to the Local Government (Scotland) Act 1973.

The appropriate paragraphs are:-

**E1 Paragraph 6** Information relating to the financial or business affairs of any particular person (other than the authority).

**E2 Paragraph 8** The amount of any expenditure proposed to be incurred by the authority under any particular contract for the acquisition of property or the supply of goods or services.

**Paragraph 9** Any terms proposed or to be proposed by or to the authority in the course of negotiations for a contract for the acquisition or disposal of property or the supply of goods or services.

## **Policy and Resources Committee**

Councillor Mary-Jean Devon	Councillor Rory Colville
Councillor Robin Currie (Chair)	Councillor Lorna Douglas
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 Sandy Taylor	Councillor Richard Trail
Councillor Jim Findlay	Councillor David Kinniburgh

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**MINUTES of MEETING of POLICY AND RESOURCES COMMITTEE held VIA SKYPE  
on THURSDAY, 10 DECEMBER 2020**

**Present:** Councillor Robin Currie (Chair)

Councillor Rory Colville	Councillor Gary Mulvaney
Councillor Mary-Jean Devon	Councillor Douglas Philand
Councillor Lorna Douglas	Councillor Alastair Redman
Councillor Jim Findlay	Councillor Elaine Robertson
Councillor Kieron Green	Councillor Sandy Taylor
Councillor David Kinniburgh	Councillor Richard Trail
Councillor Yvonne McNeilly	

**Also Present:** Councillor John Armour

**Attending:** Pippa Milne, Chief Executive  
Douglas Hendry, Executive Director  
Kirsty Flanagan, Executive Director  
Patricia O'Neill, Governance Manager  
Laurence Slavin, Interim Head of Financial Services  
Fergus Murray, Head of Economic and Development  
Jane Fowler, Head of Customer and Support Services

The Chair, on behalf of the Committee, welcomed Councillors Jim Findlay and David Kinniburgh to the Policy and Resources Committee.

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Aileen Morton.

**2. DECLARATIONS OF INTEREST**

Councillor Gary Mulvaney declared a financial interest in Item 13 (Scottish Government £30m Discretionary Fund to Support Businesses) of the Agenda due to his ownership of a business that could benefit from the funding, he left the meeting and took no part in the discussion of this item of business.

Councillor Jim Findlay declared a non-financial interest in Item 13 (Scottish Government £30m Discretionary Fund to Support Businesses) of the Agenda due to his membership of the Rothesay Pavilion board. He claimed the benefit of the dispensation contained at Section 5.16 of the Standard's Commission's Guidance and Dispensation Note to enable him to speak and vote.

**3. MINUTES**

The Minutes of the meeting of the Policy and Resources Committee held on 15 October 2020 were approved as a correct record.

**\* 4. FINANCIAL REPORTS MONITORING PACK – 31 OCTOBER 2020**

The Committee gave consideration to a report providing a summary of the financial monitoring reports as at the end of October 2020. There were six detailed reports summarised within the executive summary including the Revenue Budget Monitoring

Report as at 31 October 2020; Monitoring of Policy Savings Options as at 31 October 2020; Monitoring of Financial Risks as at 31 October 2020; Capital Plan Monitoring Report as at 31 October 2020; Treasury Monitoring Report as at 31 October 2020 and Reserves and Balances as at 31 October 2020.

### **Decision**

The Policy and Resources Committee –

1. Noted the revenue budget monitoring report as at 31 October 2020 and noted the comments in respect of the Health and Social Care Partnership.
2. Noted the progress with the policy savings options as at 31 October 2020
3. Noted the financial risks for 2020-21.
4. Noted the capital plan monitoring report as at 31 October 2020.
5. Noted the treasury monitoring report as at 31 October 2020.
6. Noted the reserves and balances report as at 31 October 2020.
7. Agreed to recommend to Council that the revenue virements over £0.200m during September and October are approved.

(Reference: Report by Section 95 Officer dated 27 November 2020, submitted)

### **5. BUDGET OUTLOOK 2021-22 TO 2025-26**

The Committee gave consideration to a report providing an update to the budget outlook 2021-22 to 2025-26 which had been reported to the Policy and Resources Committee on 15 October 2020. The estimates within the report were based on the mid-range scenario with best and worst case scenarios noted in Appendix 1 to the submitted report.

### **Decision**

The Policy and Resources Committee –

1. Noted the current estimated budget outlook position for the period 2021-22 to 2025-26.
2. Noted that the Scottish Government budget would be announced on 28 January 2020 and that once officers were aware of the Council's settlement a briefing note would be issued to Members to advise on the impact of the settlement on the Council's estimated budget gap.

(Reference: Report by Section 95 Officer dated 23 November 2020, submitted)

### **6. BUDGET PLANNING 2021/22**

The Committee gave consideration to a report providing information on savings options identified by officers for consideration for financial year 2021/22 and beyond.

**Decision**

The Policy and Resources Committee –

1. Noted the savings options identified by Officers and agreed by the Budget Working Group to be moved forward to the 2021/22 budget process and noted that further information on the options would be brought forward to Council as part of the 2021/22 budget papers.
2. Noted that the savings options developed were aimed at addressing the 2021/22 budget gap but significant savings would be required in future years to address continued significant funding gaps. This would be considered as part of the revision of the medium to long term financial strategy.
3. Noted that officers would continue to identify further savings over the coming months to bridge the gap.
4. Noted that the Head of Customer Support Services would take forward a statutory consultation process with the Trade Unions for those savings options that could have a direct impact on jobs.

(Reference: Report by Section 95 Officer dated 2 December 2020, submitted)

Councillor Lorna Douglas joined the Meeting at this point.

**7. FINANCIAL QUARTER 2 PERFORMANCE REPORT**

The Committee gave consideration to a report presenting the Financial Quarter 2 2020/21 Performance Report for Financial Services, Commercial Services, Legal and Regulatory Support and Customer Support Services in a revised simplified format commensurate with the Covid-19 situation.

**Decision**

The Policy and Resources Committee noted the Financial Quarter 2 2020/21 Performance reports as presented.

(Reference: Report by Executive Director with responsibility for Commercial Services and Legal and Regulatory Support and Executive Director with responsibility for Customer Support Services dated 9 November 2020, submitted)

\* **8. DRAFT SERVICE PLANS 2021/22**

The Committee gave consideration to a report presenting the Draft Service Plans 2021-22 prior to budget allocation.

**Decision**

The Policy and Resources Committee endorsed the Draft Service Plans 2021-22 (no finance) as presented prior to referral to the Policy and Resources Committee and Full Council for budget allocation as part of the 2021/22 Budget pack.

(Reference: Report by Chief Executive and Executive Directors with responsibility for Financial Services, Community Planning and Development, Customer Support

Services, Legal and Regulatory Support and Commercial Services dated 10 November 2020, submitted)

\* **9. PROCUREMENT STRATEGY 2021/22 AND SUSTAINABLE PROCUREMENT POLICY 2021/22 - FINAL DOCUMENTS AND CONSULTATION**

The Committee gave consideration to a report that sought approval of the final revised Procurement Strategy 2021/22 and Sustainable Procurement Policy 2021/22.

**Decision**

1. Noted the key changes, as detailed at Section 4.4 of the submitted report, to the Procurement Strategy 2021/22 and Section 4.6 of the submitted report, to the Sustainable Procurement Policy 2021/22; and the outcome of the consultation.
2. Agreed to recommend to Council, the revised final Procurement Strategy 2021/22 and Sustainable Procurement Policy 2021/22 to be published on the Council's website in April 2021.

(Reference: Report by Executive Director with responsibility for Legal and Regulatory Support dated 1 December 2020, submitted)

Councillor Dougie Philand joined the meeting at this point.

\* **10. ICT AND DIGITAL STRATEGY 2021-2024**

The Committee gave consideration to a report that sought approval of the ICT and Digital Strategy for 2021-24.

**Decision**

The Policy and Resources Committee agreed to recommend to Council, approval of the ICT and Digital Strategy for 2021-24 attached at Appendix 1 to the submitted report.

(Reference: Report by Executive Director with responsibility for Customer Support Services dated 16 November 2020, submitted)

\* **11. PENSION DISCRETIONS POLICY UNDER THE LOCAL GOVERNMENT PENSION SCHEME (SCOTLAND) REGULATIONS 2018**

The Committee gave consideration to a report that sought agreement to amendments to the Pensions Discretions Policy to ensure compliance with the Local Government Pension Scheme (Scotland) Regulations 2018.

**Decision**

The Policy and Resources Committee agreed to recommend to the Council approval of the proposed amendments to the Pensions Discretions Policy.

(Reference: Report by Executive Director with responsibility for Customer Support Services dated 21 September 2020, submitted)



\* **12. PROPOSED SPACE FLIGHT TRIALS COMPETITION AT MACHRIHANISH AIRBASE COMMUNITY COMPANY - REQUEST FOR FUNDING**

The Committee gave consideration to a report advising of a request for funding made by the Machrihanish Airbase Community Company Ltd (MACC) to support a new initiative “Mach-21; National Spaceflight Education Conference and CanSat Competition”.

**Decision**

The Policy and Resources Committee –

1. Noted the content of the report and the future economic possibilities for the Kintyre area.
2. Agreed to recommend to the Council approval of the funding request for £26,985 from the Rural Resettlement Fund as its contribution to this event.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated October 2020, submitted)

**13. SCOTTISH GOVERNMENT £30M DISCRETIONARY FUND TO SUPPORT BUSINESSES**

The Committee gave consideration to a report providing information on the new £30 million discretionary fund, setting out proposed key principles which would be applied when determining how the fund would be managed and a recommended approach to progress the determination of an eligibility criteria.

**Decision**

The Policy and Resources Committee –

1. Approved the key principles, as outlined in paragraphs 3.11 – 3.14 of the submitted report which would guide the creation of eligibility criteria to be applied when assessing fund applications.
2. Approved the creation of the eligibility criteria be delegated to the Executive Director with responsibility for Development and Economic Growth in consultation with the Leadership Group with the exception of the Depute Leader.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 4 December 2020, submitted)

**14. RURAL GROWTH DEAL - RESOURCING OF OUTLINE BUSINESS CASES**

The Committee gave consideration to a report seeking approval to commit financial resources for the development of Outline Business Cases and project feasibility, design and work required to secure consents as part of the Rural Growth Deal process.

**Decision**

The Policy and Resources Committee agreed -

1. That authority for approving the drawdown of money from the Inward Investment Fund is delegated to the Chief Executive and 2 Executive Directors of the Council up to a maximum value of £150k and subject to them being satisfied that the monies are for the purpose of delivering the Rural Growth Deal.
2. That any funding required in excess of £150k from the Inward Investment Fund would require further approval of the Policy and Resources Committee.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 2 November 2020, submitted)

\* **15. EU EXIT: CHARGING REGIME FOR EXPORT HEALTH CERTIFICATES**

The Committee gave consideration to a report which sought agreement of a charging regime for export health certificates.

**Decision**

The Policy and Resources Committee agreed to recommend that Council –

1. Note that the existing charging model for export health certificates in 4.5 of the submitted report would be applied to EU certification as of the 1st January 2021.
2. Approve a new fee for attestations either based on the national fee, or in its absence, a local charge of £100 per attestation, plus the full costs recovery for additional interventions or inspections.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 30 November 2020, submitted)

**16. COVID-19 RECOVERY ACTION PLAN**

The Committee gave consideration to a report that sought approval of the Argyll and Bute Recovery Plan that had been prepared in response to the Covid-19 pandemic.

**Decision**

The Policy and Resources Committee approved the Argyll and Bute Recovery Action Plan which was critical in providing a strong foundation for the future economic and social recovery of Argyll and Bute.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 9 November 2020, submitted)

**17. COSTS AND SAVINGS FROM EARLY DEPARTURES FROM COUNCIL EMPLOYMENT FOR YEAR 2019/20**

A report outlining the costs and savings associated with early retirements/redundancies that had taken place between 1 April 2019 and 30 June 2020 was before the Committee for noting.

**Decision**

The Policy and Resources Committee noted the content of the submitted report.

(Reference: Report by Executive Director with responsibility for Customer Support Services dated 14 September 2020, submitted)

**18. POLICY AND RESOURCES COMMITTEE WORKPLAN**

The Policy and Resources Committee workplan was before the Committee for noting.

**Decision**

The Policy and Resources Committee noted the content of the workplan.

(Reference: Policy and Resources Committee Workplan dated December 2020, submitted)

The Chair advised the Committee that the Appendix relating to the following item of business contained exempt information and that if Members wished to discuss the content of that Appendix they would be required to resolve 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 Paragraph 8 of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

**19. TARBERT AND LOCHGILPHEAD REGENERATION FUND - PROJECTS UPDATE**

The Committee gave consideration to a recommendation from the Mid Argyll, Kintyre and Islands Area Committee in respect of the Tarbert and Lochgilphead Regeneration Fund.

**Decision**

The Policy and Resources Committee agreed that Tarbert and Lochgilphead Regeneration Funding of £365,000 is reallocated to the Lochgilphead Front Green project (comprising £110,000 currently allocated to the Argyll Street project which is proposed to be delivered through another funding route and £255,000 underspend in relation to the Barmore Road junction improvement).

(Reference: Recommendation from the Mid Argyll, Kintyre and Islands Area Committee held on 2 December 2020 and report by Executive Director with responsibility for Development and Economic Growth dated 24 November 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 of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

\* **20. THIRD SECTOR RECYCLING**

The Committee gave consideration to a report in relation to the Council's contract for the provision of kerbside recycling services in Kintyre. The Executive Director with responsibility for Roads and Infrastructure Services provided an update on the report in respect of the financial position.

**Decision**

The Policy and Resources Committee agreed to recommend to Council, the recommendations contained within the tabled Motion.

(Reference: Report by Executive Director with responsibility for Roads and Infrastructure Services dated December 2020, submitted)

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**ARGYLL AND BUTE COUNCIL****POLICY AND RESOURCES COMMITTEE****FINANCIAL SERVICES****18 FEBRUARY 2021**

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**FINANCIAL REPORTS MONITORING PACK – 31 DECEMBER 2020**

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**1. INTRODUCTION**

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

- Revenue Budget Monitoring Report as at 31 December 2020
- Monitoring of Policy Savings Options as at 31 December 2020
- Monitoring of Financial Risks as at 31 December 2020
- Capital Plan Monitoring Report as at 31 December 2020
- Treasury Monitoring Report as at 31 December 2020
- Reserves and Balances as at 31 December 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 £5.124m as at the end of December 2020. There are two main factors contributing to this forecast:

- The additional pressures forecast in relation to COVID-19 as detailed in Appendix 1 of the Financial Reports Monitoring Pack Report. Officers have identified a number of options to bring current year spending back in line with budget including the funds made available via the national lost income scheme, use of financial flexibilities and the identification of in year savings.
- The estimated overspend within Social Work which is due to a combination of forecast slippage on the delivery of agreed savings and a high demand for services. The HSCP has contributed to a local mobilisation plan on a regular basis and it has now been confirmed that the Scottish Government will make funding available for the undelivered savings and as a result Social Work will no longer be overspent.

2.1.3 The impact of COVID is detailed in Appendix 1 however can be summarised as new additional costs of £11.142m for which £9.038m of Scottish Government Funding has been provided with an additional £0.616m of flexibility around existing funding and £0.875m of identified

underspends, the use of reserves and loans fund investment income. This leaves an estimated shortfall of £0.613m.

- 2.1.4 There is a year to date overspend of £0.397m. 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 December is an estimated overspend of £1.662m for 2020-21 (£1.879m overspend for Social Work and £0.217m underspend Health).
- 2.1.6 The Social Work overspend does not include any additional costs incurred as a result of COVID-19, due to there being an expectation that these will be covered by Scottish Government. The HSCP has contributed to a local mobilisation plan on a regular basis and it has now been confirmed that the Scottish Government will make funding available for the undelivered savings and as a result Social Work will no longer be overspent.

## **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, 55 have already been delivered, 1 is on track to be delivered as per their timescale, 4 have a potential shortfall and 6 are delayed.
- 2.2.4 The table below outlines the progress as at 31 December 2020 for the new policy savings options agreed in February 2020.

<b>Category</b>	<b>No of Options</b>	<b>2020-21 £000</b>	<b>2021-22 £000</b>	<b>2022-23 £000</b>
Delivered	22	1,273.1	1,460.2	1,460.2
On Track to be Delivered	0	0.0	0.0	0.0

Still to be Implemented	0	0.0	0.0	0.0
Being Developed	0	0.0	0.0	0.0
Potential Shortfall	0	0.0	0.0	0.0
Delayed	3	133.0	133.0	133.0
<b>Total</b>	<b>25</b>	<b>1,406.1</b>	<b>1,593.2</b>	<b>1,593.2</b>

- 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.

<b>Category</b>	<b>No of Options</b>	<b>2020-21 £000</b>	<b>2021-22 £000</b>	<b>2022-23 £000</b>
Potential Shortfall	4	602.5	602.5	602.5
Delayed	3	371.0	371.0	371.0
<b>Total</b>	<b>7</b>	<b>973.5</b>	<b>973.5</b>	<b>973.5</b>

- 2.2.6 In total, there are four savings categorised as having a potential shortfall and six 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 4i 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 response to the COVID-19 pandemic.
- 2.3.3 There are 5 Council wide revenue risks identified for 2020-21 currently amounting to £3.110m. The risk in relation to Council Tax has been categorised as Almost Certain because it has been included as an adverse projection in the monitoring and noted as a financial impact of COVID-19 within Appendix 1 of the Financial Reports Monitoring Pack. All other Council wide risks have been classified as unlikely. The risk in relation to the IJB referring to the Council for additional funding was previously categorised as possible due to the outturn over the previous three years, however, it has been confirmed that the mobilisation plan will be fully funded by the Scottish Government thus removing the risk of them reverting to the Council for any additional funding in 2020-21.
- 2.3.4 There are currently 39 departmental risks totalling £3.540m. 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 no changes to the departmental risks since the financial risks report as at the end of October 2020 which was reported to the Policy and Resources Committee on 10 December 2020

## 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 £10.380m compared to a budget for the year to date of £10.338m giving rise to an overspend for the year to date of £0.042m (0.4%). 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 £12.357m compared to an annual budget of £18.718m giving rise to a forecast underspend for the year of £6.361m (34.0%).

2.4.4 The forecast total net projects costs on the capital plan are £207.387m compared to a total budget for all projects of £204.824m giving rise to a



forecast overspend for the overall capital plan of £2.563m (1.25%). The largest projects contributing to this variance are:

- Rothesay Pavilion accounts for £2.175m of the Capital Plan overspend with £1.510m relating to COVID-19 and being reported to COSLA via the returns submitted to identify the requirement for extra funding in relation to the pandemic. Costs in relation to this project are being revised by the Project Manager and an updated position will be provided within the next monitoring period.
- Within Early Learning and Childcare there is a projected overspend of £0.330m, of which £0.238m relates to old Early Learning and Childcare projects and £0.092m relates to the current 1140 hours projects.

2.4.5 In respect of total project performance, there are 151 projects within the capital plan, 136 are complete or on target, 9 are off target and recoverable and 6 projects are off track. Of the 9 projects that are off target and recoverable, 5 are specifically linked to delays due to the COVID-19 pandemic. Of the 6 projects that are off track, 4 are 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 November 2020 to 31 December 2020 was an increase of £0.038m.

2.5.3 Borrowing is above the Capital Financing Requirement for the period to 31 December 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 £108.5m at 31 December 2020. The rate of return achieved was 0.494% which compares favourably with the target 7 day LIBID rate which was -0.090%.

## **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 £269.579m 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:

- £26.602m is invested or committed for major initiatives/capital projects
- £6.086m has already been drawn down
- £4.437m is still to be drawn down in 2020-21
- £5.826m is planned to be spent in future years
- £0.424m is no longer required and has been released back to the general fund

2.6.5 The table below summarises the estimated Unallocated General Fund Balance as at the end of the financial year:

Heading	Detail	£000	£000
Unallocated General Fund as at 31 March 2020	This is the balance that is unallocated over and above the 2% contingency which amounts to £4.969m		1,326
Earmarked Balances no longer required	Amounts previously earmarked that can be released back to general fund		424
Earmarked Balances no longer required	Per paragraph 3.3.3 – amounts previously earmarked that can be released back to general fund		424
Supplementary Estimate Agreed 13 August 2020	Agreed in relation to Export Health Certificates		(15)
<b>Sub Total</b>			<b>2,135</b>
Current Forecast Outturn for 2020-21 as at 31 December 2020	Two main factors: Council additional costs and lost income in relation to COVID that remain unfunded. Social Work estimated overspend	(5,124)	
Estimated Additional Income from Lost Income Scheme	Provisional figure for the distribution of the £90m Scottish Government lost income scheme	2,043	
Additional £110m Lost Income Scheme	Estimated share of additional £110m announced by Scottish Government for Lost Income Scheme	2,497	

Loans Fund estimated increased investment income		300	
Social Work Adjustment	Based on funding advised in respect of undelivered savings, Social Work will no longer be overspent	1,879	
<b>Net Forecast Outturn 2020-21</b>			<b>1,595</b>
<b>Estimated Unallocated General Fund Balance as at 31 March 2021</b>			<b>3,730</b>

## 2.7. VIREMENTS OVER £0.200m (Revenue)

2.7.1 Virement is the process of transferring budget between cost centres, services or departments or between capital projects. The Council's constitution notes that virements over £0.200m require approval by Council. This section of the report will be used to outline revenue virements in the period that require approval. Capital virements are included within the capital monitoring report.

2.7.2 For the periods November and December 2020, there is one virement over £0.200m requiring authorisation:

- £0.405m within Social Work from HQ to Adult Services to process an achieved saving in relation to reducing double up homecare visits through effective use of equipment, technology and training (£0.250m) and to process a partially achieved saving in relation to the management of day services (£0.155m).

## 3. RECOMMENDATIONS

3.1 It is recommended that the Policy and Resources Committee:

- Consider the revenue budget monitoring report as at 31 December 2020 and note the comments in respect of the Health and Social Care Partnership.
- Note the progress with the policy savings options as at 31 December 2020
- Note the financial risks for 2020-21
- Note the capital plan monitoring report as at 31 December 2020
- Note the treasury monitoring report as at 31 December 2020

- f) Consider the reserves and balances report as at 31 December 2020
- g) Recommend to Council that the revenue virements over £0.200m during November and December are approved.

**4. IMPLICATIONS**

- 4.1 Policy – None.
- 4.2 Financial - Outlines the revenue and capital monitoring for 2020-21 as at 31 December 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**  
**8 February 2021**

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

Appendix 1 – Impact of COVID-19

	February P&R Report (December Budget Monitoring)		December P&R Report (October Budget Monitoring)		Difference		Comment
	£000	£000	£000	£000	£000	£000	
<b>Estimate of Additional Costs</b>							
Mobilisation Costs	2,229		2,122		107		Increased costs relating to provision of Free School Meals
Lost Income	6,643		6,643		0		
Savings Not Delivered	112		112		0		
General Fund Capital - transfer to capital plan from revenue	600		600		0		
General Fund Capital - Capital Plan	257		257		0		
Recovery Costs	2,446		2,248		198		Recognition of additional logistics spends eg cleaning, PPE etc (+315) / Reduction in public conveniences cleaning estimates (-24), Removal of home to school transport (-93)
Reduced Costs	(1,757)		(1,722)		(35)		Reduction in estimates against recycling, landfill tax and amenity payroll. Increased estimates for catering costs and Waste PPP
Loss of Council Tax Income	612		720		(108)		Improved collections as at December
<b>Total NEW Additional Costs</b>		<b>11,142</b>		<b>10,980</b>		<b>162</b>	
<b>Scottish Government Funding:</b>							
Hardship Fund	895		895		0		
£155m Budget Consequentials	2,776		2,776		0		
Food Fund	440		440		0		
Additional Food Fund (equal to expenditure)	320		320		0		
£49m Budget Consequentials	877		877		0		
Registrars of Death	9		9		0		
Share of £50m for education staff	499		499		0		
Share of £30m for education staff	299		299		0		
Council Tax Reduction	490		0		490		Funding in relation to CTR relief
Additional costs of safe reopening and operation of schools	390		0		390		Funding in relation to logistics of reopening schools
Lost Income Scheme (provisional figure)	2,043				2,043		Notification from Cosla of provisional allocation received 17 December
<b>Total Scottish Government Funding</b>		<b>9,038</b>		<b>6,115</b>		<b>2,923</b>	
<b>Funding Flexibility</b>							
Early Years	350		350		0		
PEF	266		266		0		
<b>Total Funding Flexibility</b>		<b>616</b>		<b>616</b>		<b>0</b>	
<b>Other options to reduce shortfall</b>							
Forecast underspends identified to contribute to COVID costs	242		242		0		
Use of earmarked balances	333		324		9		Further spend identified within mobilisation costs that can be funded from earmarking
Loans Fund Investment Income	300		300		0		
		<b>875</b>		<b>866</b>		<b>9</b>	
<b>Estimated shortfall</b>		<b>613</b>		<b>3,383</b>		<b>(2,770)</b>	

**Overall Position:**

There is a forecast overspend of £5.124m which breaks down as follows:

- Remit of Kirsty Flanagan - £7.296m overspend
- Remit of Douglas Hendry - £1.164m overspend
- Social Work - £1.879m overspend
- Central Budgets - £5.337m predominantly due to COVID funding received that has not been allocated to a specific service and is sitting in the centre to offset COVID variances
- £0.122m under-recovery of Council Tax Income.

The Council overspend (excluding social work) is £3.245m of which

- £2.933m is directly attributable to COVID
- £0.312m is for non COVID reasons.

The net COVID related overspends are to be managed via financial flexibilities made available by the Scottish Government.

There is a year to date overspend of £0.397m - this relates mainly to budget profiling and the impact of COVID

**Key Highlights as at December 2020:**

- The forecast outturn is an overspend £5.124m. Appendix 1 presents a budget gap of approximately £0.613m due to the impact of COVID-19. The forecast variance in ledger can be reconciled to Appendix 1 as follows:

	<b>£000</b>
Revenue Forecast Variance in Ledger at 31 December 2020	5,124
Social Work variance	1,879
Council Variance	3,245
Year to Date overspend not related to COVID	(312)
Lost Income - ledger represents actual projected full year income versus budget while Appendix 1 reflects actual loss of income at quarter 2 in line with submission to COSLA for lost income scheme	(97)
Capital Programme COVID pressure	257
Lost Income Scheme provisional funding (not in ledger)	(2,043)
Loans Fund Investment Income (not in ledger)	(300)
Changes to projected financial impact of COVID (not in ledger)	(137)
<b>Reconciled to shortfall</b>	<b>613</b>

**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:****Proposed Actions to address Financial Challenges:**

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

The additional costs are being 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.

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

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

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

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.

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

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.

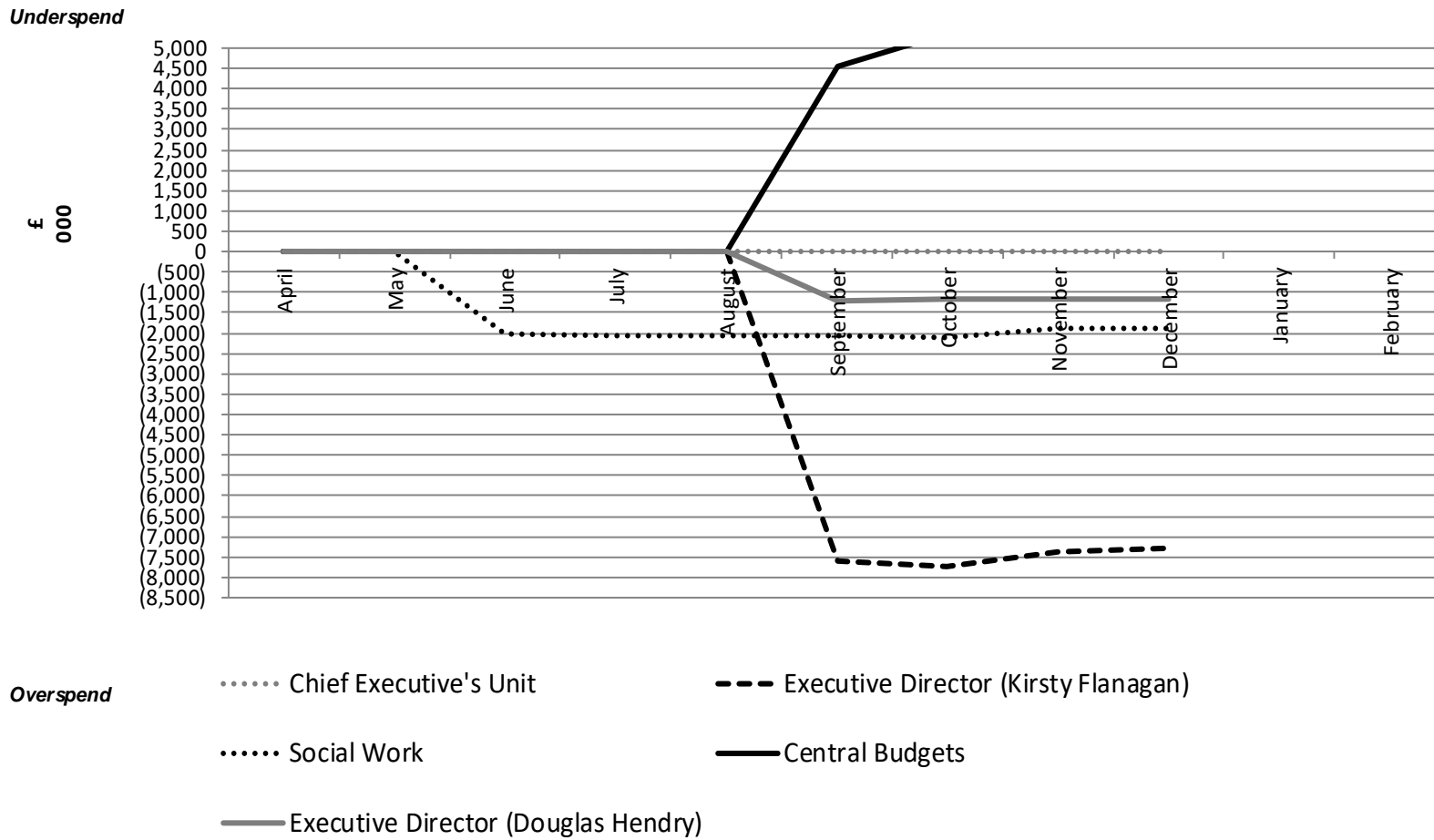
## Forecast Outturn Position

There is a forecast underspend for 2020-21 of £5.124m as at the end of December 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	5,403	5,403	0	0	0	A forecast underspend is projected for cost centres within Chief Executive's Unit but the forecast variance for this is covered via the 'underspends on travel due to COVID-19' variance through Central Budgets
Executive Director (Douglas Hendry)	118,111	119,275	(1,164)	(1,164)	0	Education are reporting a £0.500m overspend due to under recovery of income totalling £0.229m for School Meals and Music Tuition as a result of COVID-19 restrictions and an overspend in Residential Schools of £0.091m, Minor Repairs in Schools of £0.150m and £0.030m in School Clothing Grants. Commercial Services are reporting a £0.740m overspend due to COVID-19, made up of £0.372m overspend on Community Food, £0.255m loss of catering and rental income, £0.100m unbudgeted return from Lockdown costs and £0.012m slippage on Savings Target CS03 Property Maintenance. Legal and Regulatory Support are reporting a projected underspend of £0.076m which relates to the recognised saving of £0.176m on the NPDO schools insurances offset by £0.100m loss of licensing income due to COVID-19.
Executive Director (Kirsty Flanagan)	46,791	54,087	(7,296)	(7,396)	100	The forecast overspend is largely down to the effect of COVID-19 and its resulting cost pressures. These mainly result from loss of income due to the pandemic.
Social Work	60,041	61,920	(1,879)	(1,879)	0	The forecast overspend is due to a combination of forecast slippage on the delivery of agreed savings and high demand for services.
Central Budgets	27,600	22,263	5,337	5,337	0	The forecast variance recognises slippage on funding received in relation to COVID-19 that was not allocated for specific service areas and is therefore sitting at the centre to help offset the variances within the departmental budgets (£4.548m), underspends on staff travel due to COVID-19 (£0.500m) underspends on utility costs due to closures due to COVID-19 (£0.296m) and an overspend from costs of the COVID Caring for People team temporarily set up in response to the pandemic (£0.007m)
Financed By	(257,946)	(257,824)	(122)	(720)	598	Projected loss of Council Tax income because of lower collections as a result of COVID-19 - there has been improvement in collection rates during December and a notification of extra funding in relation to Council Tax reduction from the Government since last report.
<b>Total</b>	<b>0</b>	<b>5,124</b>	<b>(5,124)</b>	<b>(5,822)</b>	<b>698</b>	



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

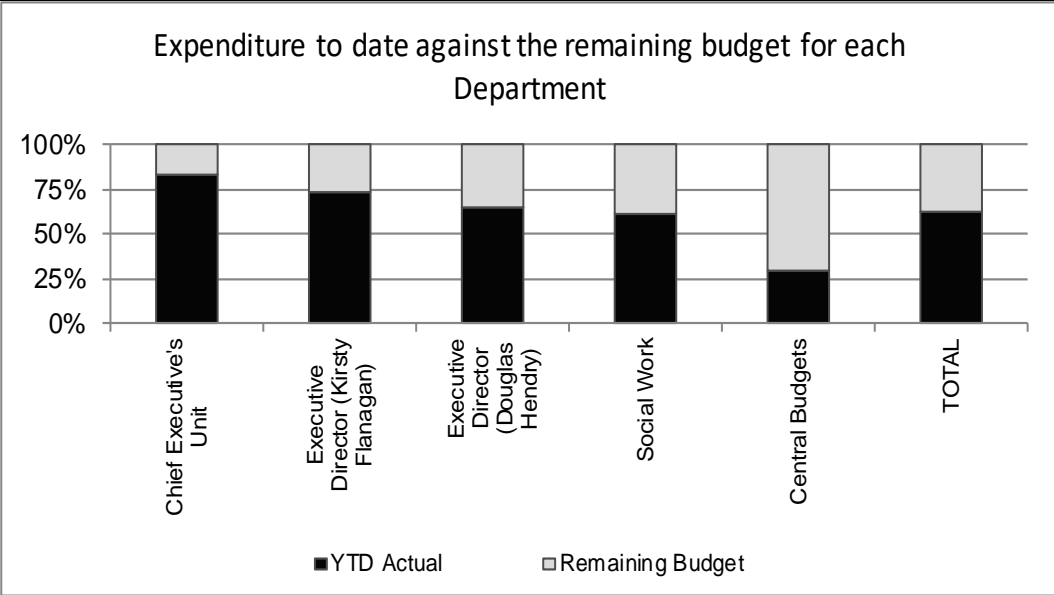


Further information on the departmental forecast variances is included later on in the report.

### Year to Date Position

The year to date position as at the end of December 2020 is an overspend of £0.397m and the main variances are noted below.

Department	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000	Explanation
Chief Executive's Unit	4,504	4,522	18	The YTD underspend is due to numerous offsetting under and overspends
Executive Director (Douglas Hendry)	76,697	77,777	1,080	The year to date underspend of £0.297m within Commercial Services relates to the over recovery of internal property fees of £0.255m and savings in in other property related costs of £0.225m this is offset by the additional costs for Community Food Project and the under recovery of income from school meals of £0.197m. There is a year to date underspend in Legal and Regulatory Support of £0.777m which is mainly due to savings and delays in the NPDO and Hub Schools contracts of 0.589m and £0.099m due mainly to delays in filling staff vacancies. Within the Education Service the year to date underspend of £0.013m is mainly due to underspends in Schools and Learning centres of £0.780m mainly offset by the overspends within Residential Schools, under recovery of Income for Music tuition, School Meals and costs associated with the safe return to Schools. Safe return to School costs will be offset from flexibility, reserves and logistics funding.
Executive Director (Kirsty Flanagan)	34,594	31,767	(2,827)	The year to date variance is an accumulation of various under and overspends across the service as a result of the pandemic.
Social Work	37,008	35,793	(1,215)	The year to date overspend is due to a range of factors but 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 December.
Central Budgets	8,349	10,896	2,547	The main underspend is in relation to the COVID-19 cost centres due to funding received that is currently being held centrally. There are other underspends from profiling in the Refugee Resettlement Programme and in NDR budgets.
<b>Total Net Expenditure</b>	<b>161,152</b>	<b>160,755</b>	<b>(397)</b>	



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

## OBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AT 31 DECEMBER 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	%
<b><u>Departmental Budgets</u></b>								
Chief Executive's Unit	4,504	4,522	18	0.4%	5,403	5,403	0	0.0%
Executive Director (Kirsty Flanagan)	34,594	31,767	(2,827)	(8.9%)	46,791	54,087	(7,296)	(15.6%)
Executive Director (Douglas Hendry)	76,697	77,777	1,080	1.4%	118,111	119,275	(1,164)	(1.0%)
Social Work	37,008	35,793	(1,215)	(3.4%)	60,041	61,920	(1,879)	(3.1%)
<b>Total Departmental Budgets</b>	<b>152,803</b>	<b>149,859</b>	<b>(2,944)</b>	<b>(2.0%)</b>	<b>230,346</b>	<b>240,685</b>	<b>(10,339)</b>	<b>(4.5%)</b>
<b><u>Central Budgets</u></b>								
Other Operating Income and Expenditure	1,234	3,464	2,230	64.4%	5,796	459	5,337	92.1%
Joint Boards	1,120	1,118	(2)	(0.2%)	1,472	1,472	0	0.0%
Non-Controllable Costs	5,995	6,314	319	5.1%	20,332	20,332	0	0.0%
<b>Total Central Budgets</b>	<b>8,349</b>	<b>10,896</b>	<b>2,547</b>	<b>23.4%</b>	<b>27,600</b>	<b>22,263</b>	<b>5,337</b>	<b>19.3%</b>
<b>TOTAL NET EXPENDITURE</b>	<b>161,152</b>	<b>160,755</b>	<b>(397)</b>	<b>(0.3%)</b>	<b>257,946</b>	<b>262,948</b>	<b>(5,002)</b>	<b>(1.9%)</b>
<b><u>Financed By</u></b>								
Aggregate External Finance	(143,691)	(143,691)	0	0.0%	(202,527)	(202,527)	0	0.0%
Local Tax Requirement	(47,671)	(47,671)	0	0.0%	(52,369)	(52,247)	(122)	0.2%
Contributions to General Fund	0	0	0	0.0%	3,036	3,036	0	0.0%
Earmarked Reserves	0	0	0	0.0%	(6,086)	(6,086)	0	0.0%
<b>Total Funding</b>	<b>(191,362)</b>	<b>(191,362)</b>	<b>0</b>	<b>0.0%</b>	<b>(257,946)</b>	<b>(257,824)</b>	<b>(122)</b>	<b>0.1%</b>
<b>(Deficit)/Surplus for Period</b>	<b>(30,210)</b>	<b>(30,607)</b>	<b>(397)</b>		<b>0</b>	<b>5,124</b>	<b>(5,124)</b>	

## SUBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AS AT 31 DECEMBER 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 %
<b>Subjective Category</b>								
Employee Expenses	109,026	111,811	2,785	2.5%	157,651	156,773	878	0.6%
Premises Related Expenditure	9,459	10,232	773	7.6%	15,539	15,500	39	0.3%
Supplies and Services	15,743	16,056	313	2.0%	25,777	24,151	1,626	6.3%
Transport Related Expenditure	7,535	8,173	638	7.8%	16,990	16,451	539	3.2%
Third Party Payments	140,063	138,051	(2,012)	(1.5%)	191,990	194,299	(2,309)	(1.2%)
Capital Financing	0	0	0	0.0%	13,895	13,895	0	0.0%
<b>TOTAL EXPENDITURE</b>	<b>281,826</b>	<b>284,323</b>	<b>2,497</b>	<b>0.9%</b>	<b>421,842</b>	<b>421,069</b>	<b>773</b>	<b>0.2%</b>
Income	(312,036)	(314,930)	(2,894)	0.9%	(421,842)	(415,347)	(6,495)	1.5%
<b>(Deficit)/Surplus for Period</b>	<b>(30,210)</b>	<b>(30,607)</b>	<b>(397)</b>		<b>0</b>	<b>5,722</b>	<b>(5,722)</b>	

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 DECEMBER 2020

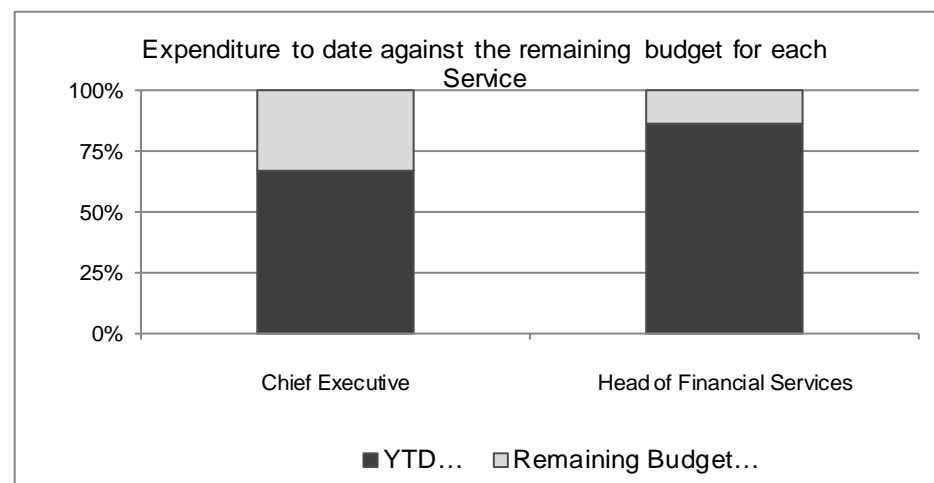
The detailed projections behind this report indicate an underspend of £0.043m for Chief Executive's Unit but due to the underspend on staff travel being processed as a forecast variance against a central budget line (see Corporate Overview Central Budgets) there are no forecast variances reported directly against the Chief Executive's Unit.

The department has a year to date underspend of £0.018m (0.4%) due to numerous offsetting under and over spends.

### Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Chief Executive	875	875	0	0	0
Head of Financial Services	4,528	4,528	0	0	0
<b>Totals</b>	<b>5,403</b>	<b>5,403</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 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 DECEMBER 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	204	205	1	0.5%	297	297	0	0.0%	Outwith reporting criteria
BO104 - Our communities are protected and supported	Community Development and Grants to Third Sector	278	287	9	3.1%	388	388	0	0.0%	Outwith reporting criteria
BO109 - All our adults are supported to realise their potential	Social Enterprise	29	49	20	40.8%	62	62	0	0.0%	Profiling difference on Payments to Other Bodies
BO116 - We engage and work with our customers, staff and partners	Community Planning	77	79	2	2.5%	128	128	0	0.0%	Outwith reporting criteria
<b>Chief Executive Total</b>		<b>588</b>	<b>620</b>	<b>32</b>	<b>5.2%</b>	<b>875</b>	<b>875</b>	<b>0</b>	<b>0.0%</b>	
BO101 - We ensure information and support is available for everyone	Money Skills Argyll	92	0	(92)	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	1,785	1,875	90	4.8%	1,844	1,844	0	0.0%	Benefits Admin has underspends coming from supplies and services and travel budgets and additional grant income. Within Scottish Welfare fund timing of spend/profiling.
BO110 - We support businesses, employment and development opportunities	Creditors and NDR relief	104	108	4	3.7%	355	355	0	0.0%	Outwith reporting criteria
BO115 - We are efficient and cost effective	Accounting and Budgeting and Revenues and Benefits	1,935	1,919	(16)	(0.8%)	2,329	2,329	0	0.0%	Outwith reporting criteria
<b>Head of Financial Services Total</b>		<b>3,916</b>	<b>3,902</b>	<b>(14)</b>	<b>(0.4%)</b>	<b>4,528</b>	<b>4,528</b>	<b>0</b>	<b>0.0%</b>	
<b>GRAND TOTAL</b>		<b>4,504</b>	<b>4,522</b>	<b>18</b>	<b>0.4%</b>	<b>5,403</b>	<b>5,403</b>	<b>0</b>	<b>0.0%</b>	

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 DECEMBER 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	3,147	3,041	(106)	(3.5%)	4,332	4,332	0	0.0%	There are adverse variances from Money Skills Argyll due to timing differences between income and expenditure and within Local Tax due to extra hours to support the distribution of COVID-19 Business Grants.
Premises	0	0	0	0.0%	0	0	0	0.0%	Outwith reporting criteria
Supplies and Services	191	238	47	19.8%	510	510	0	0.0%	Budget profiling on postages and printing costs
Transport	10	35	25	71.4%	50	50	0	0.0%	Numerous accumulating variances on staff travel
Third Party	15,756	16,273	517	3.2%	25,043	25,043	0	0.0%	There is a favourable variance of £478k against Housing Benefits Private (contra with Income) and against Scottish Welfare fund (due to profiling).
Income	(14,600)	(15,065)	(465)	3.1%	(24,532)	(24,532)	0	0.0%	There are adverse variances against Housing Benefits Private (£471k - contra with Third Party Payments) and in Money Skills Argyll due to the timing difference between expenditure and income
<b>Totals</b>	<b>4,504</b>	<b>4,522</b>	<b>18</b>	<b>0.4%</b>	<b>5,403</b>	<b>5,403</b>	<b>0</b>	<b>0.0%</b>	

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 DECEMBER 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 DECEMBER 2020

The department is forecasting a net overspend of £1.164m (1.0%) which breaks down as:

- £1.069m directly attributable to COVID
- £0.095m for non COVID reasons.

The net COVID related overspends that aren't already funded by Scottish Government grants are to be managed via financial flexibilities made available by the Scottish Government.

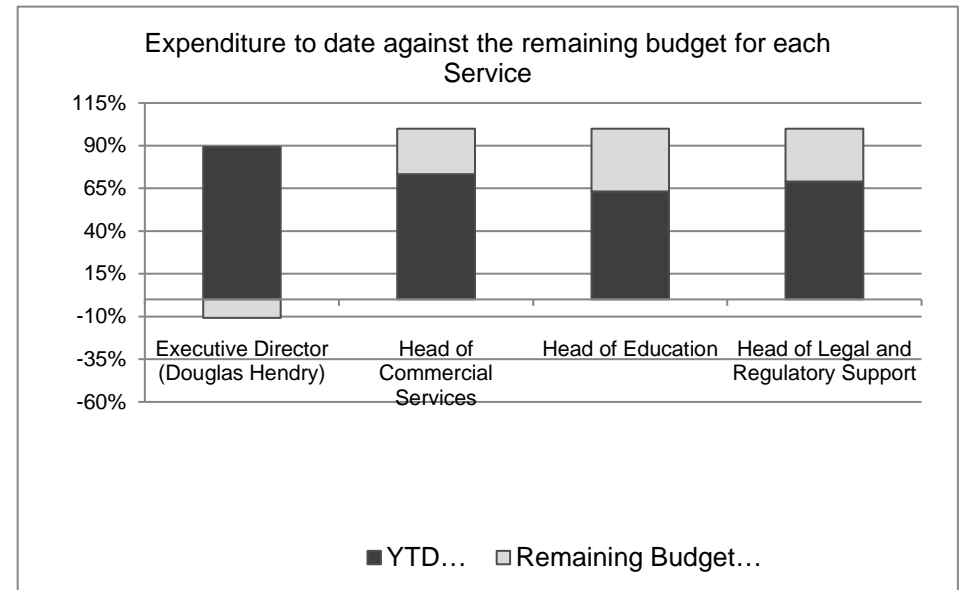
The areas of non COVID overspend relate to overspends on minor repairs, higher demand for residential placements and clothing grants offset by underspends through successful contract management in relation to insurance.

The department has a year to date underspend of £1.080m (1.4%) which is predominantly due to budget profiling.

### Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Executive Director (Douglas Hendry)	204	204	0	0	0
Head of Commercial Services	9,195	9,935	(740)	(740)	0
Head of Education	89,829	90,329	(500)	(500)	0
Head of Legal and Regulatory Support	18,883	18,807	76	76	0
<b>Totals</b>	<b>118,111</b>	<b>119,275</b>	<b>(1,164)</b>	<b>(1,164)</b>	<b>0</b>

### Year to Date Position



<b>Key Financial Successes:</b> 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.	
<b>Key Financial Challenges:</b>	<b>Proposed Actions to address Financial Challenges:</b>
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.
Impact of numbers/uptake in demand led service areas like catering, design services and licensing.	Continually refine/develop systems to accurately calculate forecast outturns and the impact on the future financial outlook.
Support longer term service re-design project for Catering and Cleaning services to ensure efficiencies and financial savings are secured for the Council 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.	Effective working with consultants and support with implementation of preferred service delivery method.
New legislative/policy requirements not fully funded by Scottish Government which put additional burdens on the Council. For example, additional demands from IJB and unknown impact of new education arrangements on all support services.	Analysis of new obligations and whether they incur additional costs not met through increased grant.
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).	Provide the Education Transformation Board with robust financial information which allows informed decisions be made to ensure deliverable savings options are presented, developed and implemented.
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 pandemic have put further pressure on the project costs and implementation plan.	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.

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

<b>Business Outcome</b>	<b>Service Area</b>	<b>YTD Actual £000</b>	<b>YTD Budget £000</b>	<b>YTD Variance £000</b>	<b>% Variance</b>	<b>Annual Budget £000</b>	<b>Forecast Outturn £000</b>	<b>Forecast Variance £000</b>	<b>% Variance</b>	<b>Explanation</b>
Central/Management Costs	Central/Management Costs	232	225	(7)	(3.1%)	204	204	0	0.0%	Outwith reporting criteria
<b>Executive Director (Douglas Hendry) Total</b>		<b>232</b>	<b>225</b>	<b>(7)</b>	<b>(3.1%)</b>	<b>204</b>	<b>204</b>	<b>0</b>	<b>0.0%</b>	
Central/Management Costs	Central/Management Costs	163	177	14	7.9%	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	1,011	814	(197)	(24.2%)	1,176	1,723	(547)	(46.5%)	YTD variance caused by 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	2,238	2,672	434	16.2%	3,304	3,497	(193)	(5.8%)	YTD Variance caused by budget profile of the Property - Internal Fees cost centre, a journal has now been processed to reduce this variance. Also underspends within Cleaning staff costs and the Asbestos cost centres are contributing to the underspend.
BO116 - We engage and work with our customers, staff and partners	Schools Support Development	3,328	3,374	46	1.4%	4,468	4,468	0	0.0%	Outwith reporting criteria
<b>Head of Commercial Services Total</b>		<b>6,740</b>	<b>7,037</b>	<b>297</b>	<b>4.2%</b>	<b>9,195</b>	<b>9,935</b>	<b>(740)</b>	<b>(8.0%)</b>	
BO106 - Our looked after young people are supported by effective corporate parenting	Education Psychologists and Residential Accommodation	1,280	1,186	(94)	(7.9%)	1,789	1,880	(91)	(5.1%)	YTD overspend within Residential Schools budget due to increased demand for service. Forecast variance has been processed to reflect estimated outturn position.
BO107 - The support and lifestyle needs of our children, young people, and their families are met	Early Years and Community Learning	1,433	1,549	116	7.5%	9,904	9,904	0	0.0%	The main contributing factors to the YTD underspend of £116k is within the Pre-five units where new staffing structures are not all

										fully in place. The budget profile will be rectified in January.
BO108 - All our children and young people are supported to realise their potential	Primary and Secondary Education	53,239	53,416	177	0.3%	77,356	77,765	(409)	(0.5%)	The main contributing factors to the YTD underspend are variances within employee and income budgets in schools. Part of the variance is due to budget profiling and outstanding budget adjustments which will be refined within the January period. Under the Scheme of Devolved School Management (DSM) schools are permitted flexibility at the end of the year. The above underspends are partially offset by loss of income from school meals and music tuition, overspends in school repairs, clothing grants and the cost of the 'No Detriment in Pay Scheme', which have all been reported as a forecast variance of £409k. Additionally, hardship payments have been made from Primary HQ and SG funding to cover has still to be received.
BO116 - We engage and work with our customers, staff and partners	Regional Improvement Collaborative	30	27	(3)	(11.1%)	53	53	0	0.0%	YTD overspend is due to budget profiling which will be rectified in January.
BO117 - We encourage creativity and innovation to ensure our workforce is fit for the future	Education Support	460	304	(156)	(51.3%)	377	377	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) Covid costs have been coded to Education HQ for PPE etc which will be offset from logistics money for the safe opening of schools.
Central/Management Costs	Central/Management Costs	265	238	(27)	(11.3%)	350	350	0	0.0%	The YTD overspend of £27k is due to legal fees.

<b>Head of Education Total</b>		<b>56,707</b>	<b>56,720</b>	<b>13</b>	<b>0.0%</b>	<b>89,829</b>	<b>90,329</b>	<b>(500)</b>	<b>(0.6%)</b>	
BO102 - We provide support, prevention and opportunities to help people make better lifestyle choices	Housing and Regulatory Services	225	242	17	7.0%	333	333	0	0.0%	Outwith reporting criteria
BO104 - Our communities are protected and supported	Civil Contingencies & Anti Social Behaviour	123	146	23	15.8%	198	198	0	0.0%	YTD £9k underspend in Supplies and Services offset by a £1k overspend in Employee costs. YTD £20k underspend in Transport costs offset against a YTD £6k overspend in Third Party Payments with the majority lying within Children's Panel.
BO110 - We support businesses, employment and development opportunities	Licensing, Procurement and Commissioning	398	432	34	7.9%	942	1,042	(100)	(10.6%)	£174k Licensing Income not received due to COVID19 - reported on COSLA return. Offset by a YTD underspend of £30k in employee costs (due to staff restructure and staff working suppressed hours), £7k underspend in supplies & services and £16k underspend in transport costs, there is a YTD under recovered position for income of £19k based on the projected profile, overall the majority of underspend lies within Procurement due to delay in filling vacancies arising from staff restructuring.
BO111 - We influence and engage with businesses and policy makers	Trading Standards	126	141	15	10.6%	213	213	0	0.0%	Calibration & Testing showing no spend to date giving a YTD £4k underspend. YTD underspend of £8k in Employee costs due to the LGE11 vacant post in Trading Standards. YTD underspend of £2k in travel costs.
BO113 - Our infrastructure is safe and fit for the future	NPDO and Hub Schools	10,724	11,313	589	5.2%	14,960	14,784	176	1.2%	YTD underspend variance on the NPDO schools of £435k. This is mainly due to receipt of the Council's share of the insurance saving on the NPDO schools for

										2020-21. We have already budgeted for £120k saving and the total received was actually £296k resulting in a one-off underspend of £176k. There is also £216k still to be paid due to delays in invoicing utilities for this financial year and £11k for contract management deductions offered and £7k for contract management withheld sums. There is also a YTD variance on the Hub-DBFM schools of £126k due to contract management deductions offered to date of £31k, £32k for contract management withheld sums and delays in invoicing of £35k.
BO115 - We are efficient and cost effective	Democratic Services, Governance & Legal Services	912	978	66	6.8%	1,464	1,464	0	0.0%	£14k underspend in Employee costs, of which £4k relates to unspent training budget and the remainder to staff vacancies. There are also underspends in Postages & Printing (£25k), transport costs YTD underspend of £10k. £26k underspend within support to IJB due to and LGE13 & LGE7 not recruited yet.
BO116 - We engage and work with our customers, staff and partners	Members Services and Community Councils	352	369	17	4.6%	528	528	0	0.0%	Outwith reporting criteria
Central/Management Costs	Central/Management Costs	158	174	16	9.2%	245	245	0	0.0%	Outwith reporting criteria
<b>Head of Legal and Regulatory Support Total</b>		<b>13,018</b>	<b>13,795</b>	<b>777</b>	<b>5.6%</b>	<b>18,883</b>	<b>18,807</b>	<b>76</b>	<b>0.4%</b>	
<b>GRAND TOTAL</b>		<b>76,697</b>	<b>77,777</b>	<b>1,080</b>	<b>1.4%</b>	<b>118,111</b>	<b>119,275</b>	<b>(1,164)</b>	<b>(1.0%)</b>	



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 DECEMBER 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	62,088	62,998	910	1.4%	88,109	88,203	(94)	(0.1%)	<p><b>Non Education:</b> YTD underspend of £117k, represented by a £103k underspend in Commercial Services, £42k underspend in LRS offset by £29k overspend in Directorate. The YTD underspends are mainly due to delays in filling staff vacancies.</p> <p><b>Education:</b> YTD underspend of £792k is due to £850k underspend in employee budgets within schools, Pre-5 Units 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. Offset by overspends in Primary PEF budgets of £52k and other small under and overspends which are profile related and will be rectified in January.</p>
Premises	3,256	3,561	305	8.6%	5,899	6,049	(150)	(2.5%)	<p><b>Non Education:</b> £284k underspend in Commercial Services which is mainly in relation to shared offices, surplus properties and Live Argyll facilities, reduced expenditure due to office/premises closures. <b>Education:</b> YTD underspend of £19k is mainly due to a reduction in refuse collection charges while schools were closed. This is offset by an overspend in school repairs of £54k. A forecast variance has been processed to recognise the pressure on the school repairs budget.</p>
Supplies and Services	8,001	7,410	(591)	(8.0%)	12,923	13,469	(546)	(4.2%)	<p><b>Non Education:</b> £115k YTD overspend in Commercial Services, this is made up of an overspend of £675k in the Community Food Project and £123K overspend in COVID return from lockdown costs offset by an underspend of £683k in catering purchases due to school/office closures and reductions in school meal uptake. Some of these costs will be offset by grant claims to the Scottish Government. Offset by a YTD underspends in both Legal and Regulatory Support of £58k and also £22k within Directorate.</p> <p><b>Education:</b> A YTD overspend of £556k is mainly due to Covid spend on PPE, IT Equip and Educational Equipment in preparation for blended learning/safe return to school and will be offset from logistics funding, flexibility or reserves as well as an YTD overspend on Educational Licenses</p>
Transport	137	269	132	49.1%	487	487	0	0.0%	<p><b>Non Education:</b> YTD underspend of £84k due to reduction in travel as a consequence of COVID-19.</p> <p><b>Education:</b> YTD underspend of £48k is due to travel reduction as a consequence of COVID19</p>
Third Party	25,785	26,306	521	2.0%	39,690	39,635	55	0.1%	<p><b>Non Education:</b> YTD underspend of £657k within NPDO/Hub-DBFM schools contracts (see Objective Summary explanation for NPDO and Hub Schools service area).</p> <p><b>Education:</b> The YTD overspend of £135k is due to an overspend in clothing grants of £23k and £40k in Schools Residential budget. A forecast variance has be processed to recognise these pressures. £24k is due to the payment of a transitional support grant to early years providers, the remainder of the grant will be paid out following a reconciliation in January/February. The further £48k is profile related and will be rectified in January.</p>
Income	(22,570)	(22,767)	(197)	0.9%	(28,997)	(28,568)	(429)	1.5%	<p><b>Non Education:</b> YTD overspend of £42k which relates to Commercial Services, £255k Property Services internal income processed over budget which offsets the, £580k due to loss of school meal variable bid income and non education catering income offset by £146k grant income for Free School Meals and £211k for Community Food, £53k due to loss of cleaning income and Civic Centre events and £15k recharges to capital not profiled.</p> <p><b>Education:</b> The YTD overspend of £155k is mainly due to YTD under recovery of Income for School House Rental £32k, £20k Milk Subsidy and Income for music tuition of £82k. The remaining £21k is made up of YTD under/over spends that are profile related and will be rectified in January.</p>
<b>Totals</b>	<b>76,697</b>	<b>77,777</b>	<b>1,080</b>	<b>1.4%</b>	<b>118,111</b>	<b>119,275</b>	<b>(1,164)</b>	<b>(1.0%)</b>	

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 DECEMBER 2020

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Head of Education - Primary and Secondary Education	76,877	77,167	(290)	(0.4%)	Under recovery of income within School Meals Budget of £110k as a direct consequence of COVID. Increased pressure on Schools Minor Repairs Budget of £150k, and £30k overspend in School Clothing Grants due to rise in those eligible to receive the grant.
Head of Education - Music Instructors	347	466	(119)	(34.3%)	Loss of income within the Music Tuition Budget of £119k due to tuition being suspended as a consequence of COVID 19
Head of Education - Schools Residential Accommodation	1,037	1,128	(91)	(8.8%)	Higher than anticipated demand for placements within Residential Schools.
Head of Commercial Services - Catering, Cleaning, Property, CHORD and Leisure	0	100	(100)	(100.0%)	Unbudgeted COVID 19 - Return from Lockdown Costs
Head of Commercial Services - Catering and Cleaning	440	812	(372)	(84.6%)	COVID 19 - Community Food Project overspend
Head of Commercial Services - Catering and Cleaning	618	792	(174)	(28.2%)	Loss of variable catering bid income and loss of catering income in other non-education establishments.
Head of Legal & Regulatory Support - Licensing and Procurement	(173)	(73)	(100)	57.8%	Loss of Licensing income due to COVID19
Head of Legal & Regulatory Support - NPDO & Hub Schools	13,120	12,945	175	1.3%	Unbudgeted saving on insurance for NPDO schools for 2020-21.

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

## EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – AS AT 31 DECEMBER 2020

The department is forecasting a net overspend of £7.296m (15.6%) which breaks down as:

- £7.079m directly attributable to COVID
- £0.217m for non COVID reasons.

The net COVID related overspends are to be managed via financial flexibilities made available by the Scottish Government.

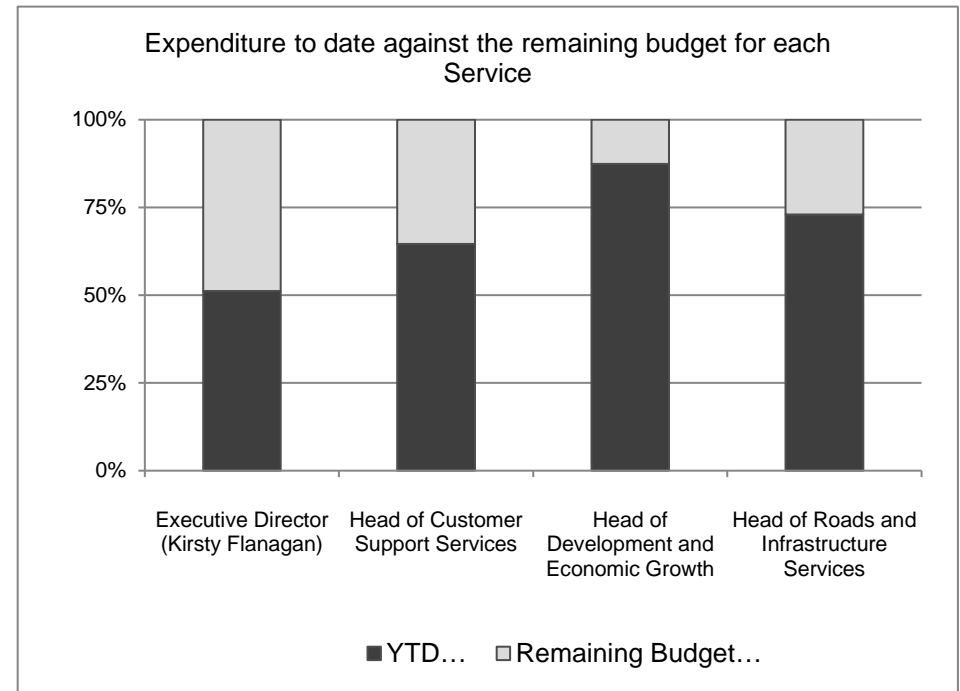
The areas of non COVID overspend relate to overspends in street lighting electricity, cemeteries, waste collection traffic management, glass collection and reduced income due to a reduction in the number of warden posts and under recovery of fish export certificates . These are partially offset by over-recovery of vacancy savings and an underspend on play equipment.

The department has a year to date overspend of £2.827m (8.9%) which is predominantly due to the impact of COVID.

### Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Executive Director (Kirsty Flanagan)	344	251	93	24	69
Head of Customer Support Services	7,957	8,168	(211)	(173)	(38)
Head of Development and Economic Growth	8,125	9,575	(1,450)	(1,486)	36
Head of Roads and Infrastructure Services	30,365	36,093	(5,728)	(5,761)	33
<b>Totals</b>	<b>46,791</b>	<b>54,087</b>	<b>(7,296)</b>	<b>(7,396)</b>	<b>100</b>

### 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:**

The impact of COVID-19

**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.

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.

Due to the nature of the various components of Waste Management there are ongoing challenges with:

- 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 DECEMBER 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	176	173	(3)	(1.7%)	344	251	93	27.0%	Outwith reporting criteria
<b>Executive Director (Kirsty Flanagan) Total</b>		<b>176</b>	<b>173</b>	<b>(3)</b>	<b>(1.7%)</b>	<b>344</b>	<b>251</b>	<b>93</b>	<b>27.0%</b>	
BO101 - We ensure information and support is available for everyone	Customer Service Centre, Registrars and HR Employee Relations	1,275	1,191	(84)	(7.1%)	1,693	1,869	(176)	(10.4%)	Loss of income due to COVID-19.
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	2,146	2,043	(103)	(5.0%)	3,785	3,785	0	0.0%	Payment for Forcepoint web security paid in advance. Prepayment will be processed at year end.
BO115 - We are efficient and cost effective	HR operations, payroll and system development	784	754	(30)	(4.0%)	972	1,007	(35)	(3.6%)	Outwith reporting criteria
BO116 - We engage and work with our customers, staff and partners	Communications team and HR HSCP	220	231	11	4.8%	333	333	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	475	558	83	14.9%	851	851	0	0.0%	Training centre has received income ahead of profile plus 3rd party payments behind profile.
Central/Management Costs	Central/Management Costs	226	224	(2)	(0.9%)	311	311	0	0.0%	Outwith reporting criteria
<b>Head of Customer Support Services Total</b>		<b>5,138</b>	<b>5,013</b>	<b>(125)</b>	<b>(2.5%)</b>	<b>7,957</b>	<b>8,168</b>	<b>(211)</b>	<b>(2.7%)</b>	
BO102 - We provide support, prevention and opportunities to help people make better lifestyle choices	Private Water Supplies and Welfare Reform	28	34	6	17.7%	4	4	0	0.0%	Reduced activity due to covid-19.

BO103 - We enable a choice of suitable housing options	Homelessness and Housing Support Services	3,456	2,750	(706)	(25.7%)	2,824	3,504	(680)	(24.1%)	Increased costs for homeless accommodation due to COVID-19 plus and HEEPS grants still to be received and SHF budget to be drawn down from earmarkings.
BO104 - Our communities are protected and supported	Environmental Health	611	625	14	2.2%	1,095	1,147	(52)	(4.7%)	Outwith reporting criteria
BO105 - Our natural and built environment is protected and respected	Building Standards	(62)	(169)	(107)	63.3%	(178)	(62)	(116)	65.2%	Loss of income due to COVID-19.
BO110 - We support businesses, employment and development opportunities	Development Policy, Development Management and Economic Development	1,612	1,240	(372)	(30.0%)	1,815	2,411	(596)	(32.8%)	Loss of income due to COVID-19.
BO111 - We influence and engage with businesses and policy makers	European Team and Economic Development Intelligence	223	195	(28)	(14.4%)	305	305	0	0.0%	Profiling
BO112 - Argyll and Bute is promoted to everyone	T&L Regeneration, Town Centre Fund, Events and Festivals, CWSS and Timber Transport	(44)	290	334	115.2%	423	397	26	6.1%	Income from Town Centre Fund ahead of expenditure.
BO113 - Our infrastructure is safe and fit for the future	Projects, TIF and Airports	954	956	2	0.2%	1,326	1,358	(32)	(2.4%)	Outwith reporting criteria
Central/Management Costs	Central/Management Costs	327	339	12	3.5%	511	511	0	0.0%	Outwith reporting criteria
<b>Head of Development and Economic Growth Total</b>		<b>7,105</b>	<b>6,260</b>	<b>(845)</b>	<b>(13.5%)</b>	<b>8,125</b>	<b>9,575</b>	<b>(1,450)</b>	<b>(17.8%)</b>	
BO104 - Our communities are protected and supported	Public Transport	5,495	5,877	382	6.5%	2,755	2,897	(142)	(5.2%)	Profiling of Public Transport expenditure



BO113 - Our infrastructure is safe and fit for the future	Road & Lighting, Roads Design, Network & Environment & Marine Services	4,770	3,206	(1,564)	(48.8%)	10,161	14,371	(4,210)	(41.4%)	Loss of income in Car Parking, Roads external work, Ferries and Piers and Harbours as a result of COVID-19. It is anticipated that there will be a large variance in the Operational Holding account caused by the delay on starting capital works due to covid-19 and therefore a loss of income from capital. Infrastructure Design is also anticipated to have a shortfall of income due to staff shortages. The saving in Depots of £100k will also not be achieved.
BO114 - Our communities are cleaner and greener	Amenity Services & Waste Disposal	9,415	10,058	643	6.4%	14,722	14,897	(175)	(1.2%)	Waste Disposal PPP underspend which we intend to utilise for works associated with the BMW Landfill Ban in future years.
BO115 - We are efficient and cost effective	Fleet & Waste Collection	577	(647)	(1,224)	189.2%	314	1,412	(1,098)	(349.7%)	Loss of income in Commercial Refuse collection due to covid-19 and Fleet service under recovery of costs plus a loss of external income in fleet..
Central/Management Costs	Central/Management Costs	1,918	1,827	(91)	(5.0%)	2,413	2,516	(103)	(4.3%)	Insurance claim still outstanding for Mill Park Depot.
<b>Head of Roads and Infrastructure Services Total</b>		<b>22,175</b>	<b>20,321</b>	<b>(1,854)</b>	<b>(9.1%)</b>	<b>30,365</b>	<b>36,093</b>	<b>(5,728)</b>	<b>(18.9%)</b>	
<b>GRAND TOTAL</b>		<b>34,594</b>	<b>31,767</b>	<b>(2,827)</b>	<b>(8.9%)</b>	<b>46,791</b>	<b>54,087</b>	<b>(7,296)</b>	<b>(15.6%)</b>	

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 (KIRSTY FLANAGAN) – SUBJECTIVE SUMMARY AS AT 31 DECEMBER 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	22,468	23,192	724	3.1%	32,973	33,083	(110)	(0.3%)	Vacancy savings caused by delays in filling posts as a result of COVID-19, reduction in overtime and training
Premises	1,323	1,386	63	4.6%	2,846	2,908	(62)	(2.2%)	Reduction in central repairs due to COVID-19 partially offset by an increase in street lighting electricity costs.
Supplies and Services	5,566	5,551	(15)	(0.3%)	8,480	8,498	(18)	(0.2%)	Outwith reporting criteria
Transport	7,044	7,322	278	3.8%	15,493	15,575	(82)	(0.5%)	Reduction in fuel costs partially offset by an increase in vehicle repairs.
Third Party	23,966	22,916	(1,050)	(4.6%)	36,873	37,582	(709)	(1.9%)	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	(25,773)	(28,600)	(2,827)	9.9%	(51,111)	(44,796)	(6,315)	12.4%	Reduction in income across many services as a direct result of COVID-19.
<b>Totals</b>	<b>34,594</b>	<b>31,767</b>	<b>(2,827)</b>	<b>(8.9%)</b>	<b>46,791</b>	<b>54,087</b>	<b>(7,296)</b>	<b>(15.6%)</b>	

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 (KIRSTY FLANAGAN) – RED VARIANCES AS AT 31 DECEMBER 2020**

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Registrars Income	(267)	(141)	(126)	47.2%	Loss of income due to COVID-19
Environmental Health Income	(347)	(267)	(80)	23.1%	Loss of income due to COVID-19
Building Standards Income	(1,110)	(994)	(116)	10.5%	Loss of income due to COVID-19
Planning Income	(1,283)	(692)	(591)	46.1%	Loss of income due to COVID-19
Parking & DPE Income	(1,239)	(674)	(565)	45.6%	Loss of income due to COVID-19
Roads external work	(122)	(22)	(100)	82.0%	Loss of income due to COVID-19
Roads & Lighting Operational holding account recovery of costs from capital	(14,459)	(13,859)	(600)	4.1%	As a result of the pandemic there has been a drop in capital works causing a loss of income to the internal holding account
Roads recovery of costs from capital	(258)	(208)	(50)	19.4%	As a result of the pandemic there is less capital work therefore the ability to recharge staff costs to capital has been reduced.
Ferries Income	(618)	(394)	(224)	36.2%	Loss of income due to COVID-19
Piers & Harbours Income	(7,244)	(4,692)	(2,552)	35.2%	Loss of income due to COVID-19
Commercial Waste Collection Income	(2,884)	(1,959)	(925)	32.1%	Loss of income due to COVID-19
Homeless Accommodation	202	867	(665)	(329.2%)	Increase in cost of homeless accommodation due to pandemic
Roads - Depots	(443)	(343)	(100)	22.6%	Delay in achieving saving TB07 depot rationalisation

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

## SOCIAL WORK – AS AT 31 DECEMBER 2020

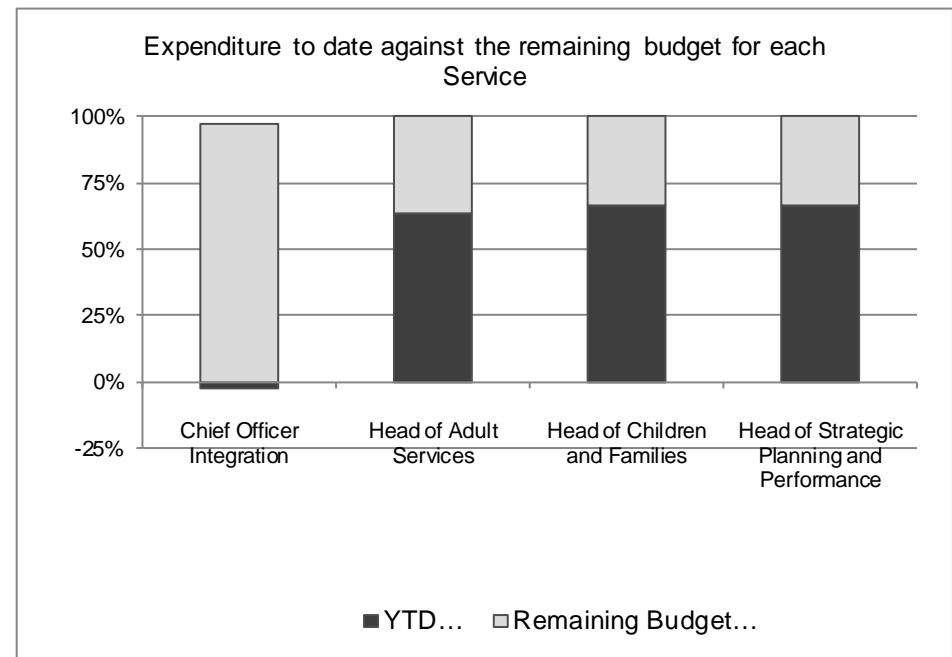
The department is currently forecasting an overspend of £1.879m (3.1%) which is due to a combination of forecast slippage on the delivery of agreed savings and high demand for services partially offset by a forecast higher than budgeted recovery of vacancy savings.

The department has a year to date overspend of £1.215m (3.4%) 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 December.

### Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Chief Officer Integration	2,132	220	1,912	1,912	0
Head of Adult Services	43,731	47,664	(3,933)	(3,933)	0
Head of Children and Families	13,784	13,650	134	134	0
Head of Strategic Planning and Performance	394	386	8	8	0
<b>Totals</b>	<b>60,041</b>	<b>61,920</b>	<b>(1,879)</b>	<b>(1,879)</b>	<b>0</b>

### 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%.

<b>Key Financial Challenges:</b>	<b>Proposed Actions to address Financial Challenges:</b>
Fully deliver the £2.374m of agreed savings which remain outstanding as at December 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 DECEMBER 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	(56)	746	802	107.5%	2,132	220	1,912	89.7%	The YTD variance is due to the over-recovery of agreed vacancy savings (£897k) and over-recovery of charges to clients (£160k) which is a Covid-19 adjustment from Scottish Government funding to offset income loss elsewhere in the service. This is partially offset by slippage on the delivery of agreed efficiency savings (£207k) and overspends on software licences. The forecast underspend reflects unallocated demand pressures for Young Adults, underspends against centrally held contingency funding and over-recovery of vacancy savings (£932k). It also includes forecast Covid-19 funding to adjust for lost income from clients as a result of changes to services during the on-going pandemic (offsetting under-recovery of income can be seen across other services). This is partially offset by provision for bad debts (£80k) and estimated slippage on the delivery of agreed savings (£277k).
<b>Chief Officer Total</b>	<b>(56)</b>	<b>746</b>	<b>802</b>	<b>107.5%</b>	<b>2,132</b>	<b>220</b>	<b>1,912</b>	<b>89.7%</b>	
Service Development	261	266	5	1.9%	394	386	8	2.0%	Outwith reporting criteria.
<b>Head of Strategic Planning and Performance Total</b>	<b>261</b>	<b>266</b>	<b>5</b>	<b>1.9%</b>	<b>394</b>	<b>386</b>	<b>8</b>	<b>2.0%</b>	
Older People	18,974	18,401	(573)	(3.1%)	29,784	30,600	(816)	(2.7%)	The YTD overspend is mainly due to slippage on the delivery of agreed savings (£861k) offset by a YTD underspend on transport related expenditure and YTD over recovery of income in the HSCP care homes. The forecast overspend reflects higher than budgeted demand for homecare and slippage on agreed savings (£1.072m). 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.

Physical Disability	1,586	1,002	(584)	(58.3%)	1,758	2,590	(832)	(47.3%)	The YTD overspend is mainly due to demand driven overspends on third party payments in supported living, YTD overspend on equipment purchase in the integrated equipment store and lower than expected income from fees and charges. The forecast overspend reflects higher than budgeted demand for supported living (£706k), higher than budgeted purchasing in the integrated equipment service (£111k) and slippage on agreed savings (£28k) in supported living. This is offset slightly by a forecast underspend (£9k) in the residential care budget, underspend in the sensory impairment service (£5k) and other minor underspends across the service.
Learning Disabilities	5,921	4,629	(1,292)	(27.9%)	9,839	12,044	(2,205)	(22.4%)	The YTD overspend is due to service demand in supported living and residential care as well as slippage on agreed savings (£618k) and YTD slippage on income from clients 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 (£861k) and under-recovery of income from charges to clients.
Mental Health	871	832	(39)	(4.7%)	1,919	1,938	(19)	(1.0%)	Outwith reporting criteria.
Central/Management Costs	339	297	(42)	(14.1%)	431	492	(61)	(14.2%)	The YTD overspend is mainly due to estimated slippage on the delivery of agreed savings (£65k) offset slightly by various minor underspends on payments to other bodies within the appropriate adult budget and transport related expenditure. The forecast overspend is mainly due to estimated slippage on the delivery of agreed savings (£87k) offset slightly by various minor underspends on payments to other bodies within the appropriate adult budget, transport related expenditure, supplies and services and a minor forecast over-recovery of income for staff costs recharged to Health.
<b>Head of Adult Services Total</b>	<b>27,691</b>	<b>25,161</b>	<b>(2,530)</b>	<b>(10.1%)</b>	<b>43,731</b>	<b>47,664</b>	<b>(3,933)</b>	<b>(9.0%)</b>	

Looked After Children	5,152	5,034	(118)	(2.3%)	6,973	7,379	(406)	(5.8%)	The YTD overspend is as a result of demand for residential placements (£457k) combined with slippage on savings (£17k) partially offset by YTD underspends on foster allowances and catering purchases in the hostels, as well as additional in year income for external adoption placements and from the Home Office for Unaccompanied Asylum Seeking Children. The forecast overspend arises due to demand for external residential placements (£828k) and slippage on agreed savings (£22k) partially offset by underspends in fostering and supporting young people leaving care arising due to lower than budgeted service demand as well as adoption from in year additional income for external placements (£86k).
Child Protection	1,746	2,115	369	17.5%	3,144	2,877	267	8.5%	The YTD underspend reflects lower than expected demand for contact and welfare services as well as underspends on staffing costs (salaries and travel) in area teams. The forecast underspend arises mainly due to lower than anticipated service demand for contact and welfare services as well as staffing and travel underspends in the area teams.
Children with a Disability	489	548	59	10.8%	816	801	15	1.8%	The YTD underspend reflects underspends on payments to other bodies due to changes to service provision as a result of Covid-19 partially offset by YTD overspends on direct payments. The forecast variance is outwith reporting criteria.
Criminal Justice	(16)	156	172	110.3%	154	(30)	184	119.5%	The YTD underspend reflects underspends on staffing as well as underspends on payments to other bodies, combined with small underspends in 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 payments to other bodies, computer software, rent and utilities.
Central/Management Costs	1,741	1,767	26	1.5%	2,697	2,623	74	2.7%	The YTD variance is outwith reporting criteria. The forecast underspend arises due to underspends on payments to other bodies within service strategy and regulation as well as underspends across supplies and services in the integrated care area teams.
<b>Head of Children and Families and Community Justice Total</b>	<b>9,112</b>	<b>9,620</b>	<b>508</b>	<b>5.3%</b>	<b>13,784</b>	<b>13,650</b>	<b>134</b>	<b>1.0%</b>	
	<b>37,008</b>	<b>35,793</b>	<b>(1,215)</b>	<b>(3.4%)</b>	<b>60,041</b>	<b>61,920</b>	<b>(1,879)</b>	<b>(3.1%)</b>	



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 DECEMBER 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	19,357	20,749	1,392	6.7%	29,244	28,154	1,090	3.7%	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 (£897k), combined with underspends in Mental Health services, Children & Families area teams and Criminal Justice. The most significant overspends relate to Older People Care Homes, Homecare and Looked After Children. The forecast underspend arises mainly due to the expected over-recovery of vacancy savings (£932k) combined with forecast underspends in the above noted areas partially offset by overspends in Older People and Looked After Children.
Premises	587	556	(31)	(5.6%)	1,057	1,102	(45)	(4.3%)	The YTD overspend arises mainly due to payments for rental costs and cleaning equipment. The forecast overspend is mainly due to forecast overspends on central repairs, rental costs, cleaning equipment and solid fuel charges.
Supplies & Services	1,325	(557)	(1,882)	337.9%	(687)	1,671	(2,358)	343.2%	Both the YTD and forecast variances reflect the YTD and overall estimated slippage on the delivery of agreed savings as at December 2020 and the YTD and forecast overspend on smalls tools and equipment in the Integrated Equipment Store.
Transport	331	494	163	33.0%	694	574	120	17.3%	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, with a contingency for travel expenditure to increase slightly if restrictions ease.
Third Party	34,860	33,594	(1,266)	(3.8%)	50,876	52,531	(1,655)	(3.3%)	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	(19,452)	(19,043)	409	(2.2%)	(21,143)	(22,112)	969	(4.6%)	Both the YTD and forecast variances reflect an over recovery of income, mainly due to increased income from fees, charges and recharges.
<b>Totals</b>	<b>37,008</b>	<b>35,793</b>	<b>(1,215)</b>	<b>(3.4%)</b>	<b>60,041</b>	<b>61,920</b>	<b>(1,879)</b>	<b>(3.1%)</b>	

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

## SOCIAL WORK – RED VARIANCES AS AT 31 DECEMBER 2020

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Integration HQ	2,132	220	1,912	89.7%	The forecast underspend reflects unallocated demand pressures for Young Adults, underspends against centrally held contingency funding and over-recovery of vacancy savings (£932k). It also includes Covid-19 funding to adjust for lost income from clients as a result of changes to services during the on-going pandemic (offsetting under-recovery of income can be seen across other services). This is partially offset by provision for bad debts (£80k) and estimated slippage on the delivery of agreed savings (£277k).
Older People	29,784	30,600	(816)	(2.7%)	The forecast overspend reflects higher than budgeted demand for homecare and slippage on agreed savings (£1.072m). 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.
Physical Disability	1,758	2,590	(832)	(47.3%)	The forecast overspend reflects higher than budgeted demand for supported living (£706k), higher than budgeted purchasing in the integrated equipment service (£111k) and slippage on agreed savings (£28k) in supported living. This is offset slightly by a forecast underspend (£9k) in the residential care budget, underspend in the sensory impairment service (£5k) and other minor underspends across the service.
Learning Disabilities	9,839	12,044	(2,205)	(22.4%)	The forecast overspend reflects higher than budgeted demand for services in supported living and residential placements as well as slippage on agreed savings (£861k) and under-recovery of income from charges to clients.
Central/Management Costs	431	492	(61)	(14.2%)	The forecast overspend is mainly due to estimated slippage on the delivery of agreed savings (£87k) offset slightly by various minor underspends on payments to other bodies within the appropriate adult budget, transport related expenditure, supplies and services and a minor forecast over-recovery of income for staff costs recharged to Health.
Looked After Children	6,973	7,379	(406)	(5.8%)	The forecast overspend arises due to demand for external residential placements (£828k) and slippage on agreed savings (£22k) partially offset by underspends in fostering and supporting young people leaving care arising due to lower than budgeted service demand as well as adoption from in year additional income for external placements (£86k).
Child Protection	3,144	2,877	267	8.5%	The forecast underspend arises mainly due to lower than anticipated service demand for contact and welfare services as well as staffing and travel 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 DECEMBER 2020**

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**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, 55 have already been delivered, 1 is on track to be delivered as per their timescale, 4 have a potential shortfall and 6 are delayed.

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**MONITORING OF SERVICE PACKAGE POLICY OPTIONS – 31 DECEMBER 2020**


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**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:

<b>Category</b>	<b>Explanation</b>
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 31 December 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	22	1,273.1	1,460.2	1,460.2
On Track to be Delivered	0	0.0	0.0	0.0
Still to be Implemented	0	0.0	0.0	0.0
Being Developed	0	0.0	0.0	0.0
Potential Shortfall	0	0.0	0.0	0.0
Delayed	3	133.0	133.0	133.0
<b>Total</b>	<b>25</b>	<b>1,406.1</b>	<b>1,593.2</b>	<b>1,593.2</b>

- 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
Potential Shortfall	4	602.5	602.5	602.5
Delayed	3	371.0	371.0	371.0
<b>Total</b>	<b>7</b>	<b>973.5</b>	<b>973.5</b>	<b>973.5</b>

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

- Potential Shortfall – 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.
- 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 – 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.



- 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.
- Delayed – ED06 Music Instruction – delayed due to ensuring equity of service provision across Argyll and Bute which led to complications with voluntary redundancy but options are now in place to realise the saving in 2021-22.

#### **4. CONCLUSION**

- 4.1 This report outlines the progress of the Service Package Policy Options as at 31 December 2020.
- 4.2 Of the 66 savings options, 55 have already been delivered, 1 is on track to be delivered as per their timescale, 4 have a potential shortfall and 6 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**  
**8 February 2021**

**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 – TB07 – Depots
- 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 – CS03 – Property Officer Team
- Appendix 4h – Delayed – TB14 - Waste Services
- Appendix 4i – Delayed – ED06 – Music Instruction

**MONITORING OF SERVICE PACKAGE POLICY OPTIONS AGREED FEBRUARY 2020**  
**DETAIL**

**POSITION AS AT 31 DECEMBER 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	Delayed
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	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  
DETAIL**

Appendix 1

**POSITION AS AT 31 DECEMBER 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	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
<b>TOTAL</b>					<b>1,406.1</b>	<b>31.49</b>	<b>1,593.2</b>	<b>32.49</b>	<b>1,593.2</b>	<b>32.49</b>	

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

**POSITION AS AT 31 DECEMBER 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	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	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 DECEMBER 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	Delayed
<b>TOTAL</b>					<b>1,598.3</b>	<b>34.4</b>	<b>2,070.0</b>	<b>44.2</b>	<b>2,145.0</b>	<b>46.0</b>	

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

**DETAIL**

**POSITION AS AT 31 DECEMBER 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	Potential Shortfall
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 DECEMBER 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)	Delivered
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
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



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

**DETAIL**

**POSITION AS AT 31 DECEMBER 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	
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
<b>TOTAL</b>				<b>1,116.0</b>	<b>6.6</b>	<b>2,101.8</b>	<b>11.6</b>	<b>3,205.8</b>	<b>18.6</b>	

## SERVICE PACKAGE SAVING MARKED AS POTENTIAL SHORTFALL

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><b>Shortfall</b></td> <td><b>0</b></td> <td><b>50.5</b></td> <td><b>107.5</b></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	<b>Shortfall</b>	<b>0</b>	<b>50.5</b>	<b>107.5</b>			
Saving	2018-19 £000	2019-20 £000	2020-21 £000																	
Saving approved	25	115.5	172.5																	
Saving Achievable	25	65	65																	
<b>Shortfall</b>	<b>0</b>	<b>50.5</b>	<b>107.5</b>																	
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 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><b>Shortfall</b></td> <td><b>200</b></td> <td><b>241</b></td> </tr> </tbody> </table>			Saving	2019-20 £000	2020-21 £000	Saving approved	250	250	Saving Achievable	50	9	<b>Shortfall</b>	<b>200</b>	<b>241</b>
Saving	2019-20 £000	2020-21 £000													
Saving approved	250	250													
Saving Achievable	50	9													
<b>Shortfall</b>	<b>200</b>	<b>241</b>													
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><b>Shortfall/(Over recovery)</b></td> <td><b>0</b></td> <td><b>10</b></td> <td><b>20</b></td> </tr> </tbody> </table>	Saving	2018-19 £000	2019-20 £000	2020-21 £000	Saving approved	10	20	30	Saving Achievable	10	10	10	<b>Shortfall/(Over recovery)</b>	<b>0</b>	<b>10</b>	<b>20</b>			
	Saving	2018-19 £000	2019-20 £000	2020-21 £000																
	Saving approved	10	20	30																
	Saving Achievable	10	10	10																
	<b>Shortfall/(Over recovery)</b>	<b>0</b>	<b>10</b>	<b>20</b>																
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.</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>Due to Covid, discussions have stalled 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. <b>Once restrictions are eased, the users group will reconvene and report to the steering group, which includes Tom Murphy and Paul Martin.</b></p> <p><b>There is a very keen users group established which represents various sports and also includes representation from BIDS4OBAN.</b></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><b>Shortfall/(Over recovery)</b></td> <td><b>0</b></td> <td><b>0</b></td> <td><b>100</b></td> </tr> </tbody> </table>	Saving	2018-19 £000	2019-20 £000	2020-21 £000	Saving approved	10	50	150	Saving Achievable	10	50	50	<b>Shortfall/(Over recovery)</b>	<b>0</b>	<b>0</b>	<b>100</b>			
	Saving	2018-19 £000	2019-20 £000	2020-21 £000																
	Saving approved	10	50	150																
	Saving Achievable	10	50	50																
	<b>Shortfall/(Over recovery)</b>	<b>0</b>	<b>0</b>	<b>100</b>																
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><b>Shortfall/(Over recovery)</b></td> <td><b>50</b></td> <td><b>0</b></td> <td><b>0</b></td> </tr> </tbody> </table>	Saving	2020-21 £000	2021-22 £000	2022-23 £000	Saving approved	50	50	50	Saving Achievable	0	50	50	<b>Shortfall/(Over recovery)</b>	<b>50</b>	<b>0</b>	<b>0</b>		
	Saving	2020-21 £000	2021-22 £000	2022-23 £000															
	Saving approved	50	50	50															
	Saving Achievable	0	50	50															
<b>Shortfall/(Over recovery)</b>	<b>50</b>	<b>0</b>	<b>0</b>																
Reason Why there is a Potential Shortfall in the Saving:	Delay 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"> <li>• 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.</li> <li>• We will ensure that the BCIS fees are consistently applied</li> <li>• We have written to other local authorities offering our commercial services and seeking clarification on likely demand. This will be ongoing.</li> <li>• 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.</li> <li>• 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.</li> </ul>																		

## 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><b>Shortfall</b></td> <td><b>10</b></td> <td><b>24</b></td> <td><b>28</b></td> </tr> </tbody> </table>	Saving	2018-19 £000	2019-20 £000	2020-21 £000	Saving approved	10	24	28	Saving Achievable	0	0	0	<b>Shortfall</b>	<b>10</b>	<b>24</b>	<b>28</b>		
	Saving	2018-19 £000	2019-20 £000	2020-21 £000															
	Saving approved	10	24	28															
	Saving Achievable	0	0	0															
<b>Shortfall</b>	<b>10</b>	<b>24</b>	<b>28</b>																
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 (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><b>Shortfall</b></td> <td><b>12</b></td> <td><b>0</b></td> <td><b>0</b></td> </tr> </tbody> </table>	Saving	2020-21 £000	2021-22 £000	2023-21 £000	Saving approved	79	79	79	Saving Achievable	67	79	79	<b>Shortfall</b>	<b>12</b>	<b>0</b>	<b>0</b>			
	Saving	2020-21 £000	2021-22 £000	2023-21 £000																
	Saving approved	79	79	79																
	Saving Achievable	67	79	79																
<b>Shortfall</b>	<b>12</b>	<b>0</b>	<b>0</b>																	
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 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><b>Shortfall</b></td> <td><b>-130</b></td> <td><b>tbc</b></td> <td><b>tbc</b></td> </tr> </tbody> </table>	Saving	2018-19 £000	2019-20 £000	2020-21 £000	Saving approved	-130	13	286	Saving Achievable	0			<b>Shortfall</b>	<b>-130</b>	<b>tbc</b>	<b>tbc</b>			
	Saving	2018-19 £000	2019-20 £000	2020-21 £000																
	Saving approved	-130	13	286																
	Saving Achievable	0																		
<b>Shortfall</b>	<b>-130</b>	<b>tbc</b>	<b>tbc</b>																	
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.																			

**SERVICE PACKAGE SAVING MARKED AS DELAYED**

Department:	Executive Director (Douglas Hendry)																			
Service:	Education Service																			
Service Package:	Music Instruction																			
Savings Reference:	ED06																			
Description of Option:	Review of Instrumental Music Provision																			
Saving:	<table border="1"> <thead> <tr> <th><b>Saving</b></th> <th><b>2020-21 £000</b></th> <th><b>2021-22 £000</b></th> <th><b>2023-21 £000</b></th> </tr> </thead> <tbody> <tr> <td>Saving approved</td> <td>61</td> <td>61</td> <td>61</td> </tr> <tr> <td>Saving Achievable</td> <td>0</td> <td>61</td> <td>61</td> </tr> <tr> <td><b>Shortfall</b></td> <td><b>61</b></td> <td><b>0</b></td> <td><b>0</b></td> </tr> </tbody> </table>	<b>Saving</b>	<b>2020-21 £000</b>	<b>2021-22 £000</b>	<b>2023-21 £000</b>	Saving approved	61	61	61	Saving Achievable	0	61	61	<b>Shortfall</b>	<b>61</b>	<b>0</b>	<b>0</b>			
	<b>Saving</b>	<b>2020-21 £000</b>	<b>2021-22 £000</b>	<b>2023-21 £000</b>																
	Saving approved	61	61	61																
	Saving Achievable	0	61	61																
	<b>Shortfall</b>	<b>61</b>	<b>0</b>	<b>0</b>																
Reason Why there is a Potential Shortfall in the Saving:	Delays due to ensuring equity of service provision across Argyll and Bute. This has led to complications with voluntary redundancy but options are now in place to realise saving in 2021-22.																			
What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:	The challenges of COVID have put additional pressure on this service due to reduction in Income for tuition fees and additional pressures on instructors to maintain a service for pupils undertaking a qualification. Additionally, maintaining the integrity of grant funding to ensure we do not lose this valuable resource has not enabled the service to reduce the shortfall in 2020-21.																			

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**FINANCIAL RISKS ANALYSIS 2020-21**

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**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 £3.110m. The risk in relation to Council Tax has been categorised as Almost Certain because it has been included as an adverse projection in the monitoring and noted as a financial impact of COVID-19 within Appendix 1 of the Financial Reports Monitoring Pack. All other Council wide risks have been classified as unlikely. The risk in relation to the IJB referring to the Council for additional funding was previously categorised as possible due to the outturn over the previous three years, however, it has been confirmed that the mobilisation plan will be fully funded by the Scottish Government thus removing the risk of them reverting to the Council for any additional funding in 2020-21.
- 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.

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**FINANCIAL RISKS ANALYSIS 2020-21**

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**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. Current collection rates have been impacted by COVID-19 and an estimated £0.122m has been calculated as the forecast under-recovery for 2020-21 (an income under-recovery projection of £0.612m

offset by additional Scottish Government Funding of £0.490m to meet the increased costs of Council Tax Reduction in light of COVID-19). This figure has been included as an adverse projection in the budget monitoring and noted as a financial impact of COVID-19 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 December 2020, the net HSCP outturn in 2020-21 is estimated to be a £1.662m overspend however this included undelivered savings. The HSCP has contributed to a local mobilisation plan on a regular basis and it has been confirmed that these plans will be fully funded by the Scottish Government, including the impact of COVID on savings delivery, so this reduces the risk of them reverting to the Council for any 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.

<b>Description</b>	<b>Likelihood</b>	<b>Assessed Financial Impact £000</b>
1% variation in Council Tax Income	5	122
10% shortfall on Savings Options	2	141
IJB refer to Council for additional funding to deliver social work services	2	1,662

Energy costs increase by 10% greater than anticipated	2	435
1% variation of General Inflation Risk	2	750
<b>Total</b>		<b>3,110</b>

## 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. COVID-19 has impacted on the timing of capital receipts, however it is expected that over the entire multi-year capital programme the level of income anticipated will be achieved.

## 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
<b>Total</b>	<b>4</b>	<b>140</b>	<b>11</b>	<b>853</b>	<b>23</b>	<b>2,347</b>	<b>1</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>39</b>	<b>3,540</b>

- 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

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 no changes to the departmental risks since the financial risks report as at the end of October 2020 and reported to the Policy and Resources Committee on 10 December 2020.

### **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**  
**8 February 2021**

**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 DECEMBER 2020

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 October 2020		As at 31 December 2020	
					LIKELIHOOD	FINANCIAL IMPACT £000	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	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	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	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	2	100
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	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	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	3	85

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2020

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 October 2020		As at 31 December 2020	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
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	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	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	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	3	300
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	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	3	150

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2020

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 October 2020		As at 31 December 2020	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
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	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	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	3	30
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	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	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	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	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	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	2	50

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2020

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 October 2020		As at 31 December 2020	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
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	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	3	30
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	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	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	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	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	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	3	75

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2020

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 October 2020		As at 31 December 2020	
					LIKELIHOOD	FINANCIAL IMPACT £000	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	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	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	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	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	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	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	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	2	124
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	3	27
					<b>39</b>	<b>3,540</b>	<b>39</b>	<b>3,540</b>

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**CAPITAL BUDGET MONITORING REPORT – 31 DECEMBER 2020**

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**1 EXECUTIVE SUMMARY**

1.1 This provides an update on the position of the capital budget as at 31 December 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 £10,380k compared to a budget for the year to date of £10,338k giving rise to an overspend for the year to date of £42k (0.4%).
- **Forecast Outturn for 2020-21** – forecast net expenditure for the full financial year is £12,357k compared to an annual budget of £18,718k giving rise to a forecast underspend for the year of £6,361k (34.0%).
- **Total Capital Plan** – the forecast net project costs on the total capital plan are £207,387k compared to a total budget for all projects of £204,824k giving rise to a forecast overspend for the overall capital plan of £2,563k (1.25%). £1,510k 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 £2,563k are:

- £2,175k relating to Rothesay Pavilion. Furthermore £1,510k 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. Costs in relation to this project are currently being revised by the Project Manager and an updated position will be provided within the next monitoring period once these have been reviewed. A separate paper on the Rothesay Pavilion project is on the agenda for this Policy and Resources Committee with further updates.
- £330k relating to Early Learning and Childcare. £238k of this relates to old Early Learning and Childcare projects and £92k relates to the current 1140 hours projects.

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 90 projects there are 85 projects (94%) on track and 5 projects off track but recoverable (6%).
- **Service Development** - Out of 33 projects there are 28 projects (85%) on track, 3 projects off track but recoverable (9%) and 2 projects off track (6%).
- **Strategic Change** – Out of 28 projects there are 23 projects (82%) on track, 1 project off track but recoverable (4%) and 4 projects off track (14%).

1.6 **Funding:**

The Capital Programme is funded by various income streams as detailed in Appendix 5. Changes during December relate to additional income for Roads Reconstruction Projects from private landowners and a contribution to Environmental Projects from additional income from Sustrans.

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 £475k 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 December 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 £10,380k compared to a budget for the year to date of £10,338k giving rise to an overspend for the year to date of £42k (0.4%).

**Project/Department Position****4.2**

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

<b>Project Type:</b>	<b>Year to Date Budget £'000</b>	<b>Year to Date Actual £'000</b>	<b>Variance £'000</b>
Asset Sustainability	5,760	5,794	(34)
Service Development	1,399	1,407	(8)
Strategic Change	3,179	3,178	1
<b>Total</b>	<b>10,338</b>	<b>10,380</b>	<b>(42)</b>
<b>Service:</b>			
ICT	437	437	0
Education	655	653	2
Live Argyll	61	62	(1)
Health & Social Care Partnership	165	165	0
Shared Offices	119	167	(48)
Roads & Infrastructure	6,051	6,045	6
Development & Economic Growth	511	511	(0)
CHORD	2,339	2,339	0
<b>Total</b>	<b>10,338</b>	<b>10,380</b>	<b>(42)</b>

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 £12,357k compared to an annual budget of £18,718k giving rise to a forecast underspend for the year of £6,361k (34.0%).

### 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 £6,361k there are £401k of overspends specifically as a result of the impact of COVID-19 which are netted off against slippage also due to the pandemic to forecast an overall COVID-19 impact of £1,968k.

<b>Project Type:</b>	<b>Annual Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Variance COVID-19 Related £'000</b>	<b>Forecast Variance Non COVID-19 Related £'000</b>	<b>Forecast Variance £'000</b>
Asset Sustainability	11,249	8,947	625	1,677	2,302
Service Development	323	(3,218)	468	3,073	3,541
Strategic Change	7,146	6,628	875	(357)	518
<b>Total</b>	<b>18,718</b>	<b>12,357</b>	<b>1,968</b>	<b>4,393</b>	<b>6,361</b>
<b>Service:</b>					
ICT	775	775	0	0	0
Education	3,954	2,182	950	822	1,772
Live Argyll	513	526	0	(13)	(13)
Health & Social Care Partnership	821	612	100	109	209
Shared Offices	2,251	1,956	0	295	295
Roads & Infrastructure	4,549	(995)	1,079	4,465	5,544
Development & Economic Growth	567	545	0	22	22
CHORD	5,288	6,756	(161)	(1,307)	(1,468)
<b>Total</b>	<b>18,718</b>	<b>12,357</b>	<b>1,968</b>	<b>4,393</b>	<b>6,361</b>

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 net project costs on the total capital plan are £207,387k compared to a total budget for all projects of £204,824k giving rise to a forecast overspend for the overall capital plan of £2,563k (1.25%).

The largest projects contributing to the this variance are:

- £2,175k relating to Rothesay Pavilion. Furthermore £1,510k 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. Costs in relation to this project are currently being revised by the Project Manager and an updated position will be provided within the next monitoring period once these have been reviewed.
- £330k relates to Early Learning and Childcare. £238k of this relates to old Early Learning and Childcare projects and £92k relates to the current 1140 hours projects.

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.

The capital plan variance of £2,563k includes £1,510k which is specifically linked to overspends due to the COVID-19 pandemic.

<b>Project Type:</b>	<b>Capital Plan Budget £'000</b>	<b>Forecast Project Costs £'000</b>	<b>Capital Plan Variance COVID-19 Related £'000</b>	<b>Capital Plan Variance Non COVID-19 Related £'000</b>	<b>Total Capital Plan Variance £'000</b>
Asset Sustainability	39,702	39,730	0	(28)	(28)
Service Development	64,581	64,941	0	(360)	(360)
Strategic Change	100,541	102,716	(1,510)	(665)	(2,175)
<b>Total</b>	<b>204,824</b>	<b>207,387</b>	<b>(1,510)</b>	<b>(1,053)</b>	<b>(2,563)</b>
<b>Service:</b>					
ICT	4,872	4,872	0	0	0
Education	40,369	40,699	0	(330)	(330)
Live Argyll	2,944	2,959	0	(15)	(15)
Health & Social Care Partnership	3,508	3,519	0	(11)	(11)
Shared Offices	20,556	20,571	0	(15)	(15)
Roads & Infrastructure	29,165	29,140	0	25	25
Development & Economic Growth	51,891	51,933	0	(42)	(42)
CHORD	51,519	53,694	(1,510)	(665)	(2,175)
<b>Total</b>	<b>204,824</b>	<b>207,387</b>	<b>(1,510)</b>	<b>(1,053)</b>	<b>(2,563)</b>

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 151 projects within the Capital Plan, 136 are Complete or On Target, 9 are Off Target and Recoverable and 6 are Off Track.

### 7.2 Project Position

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

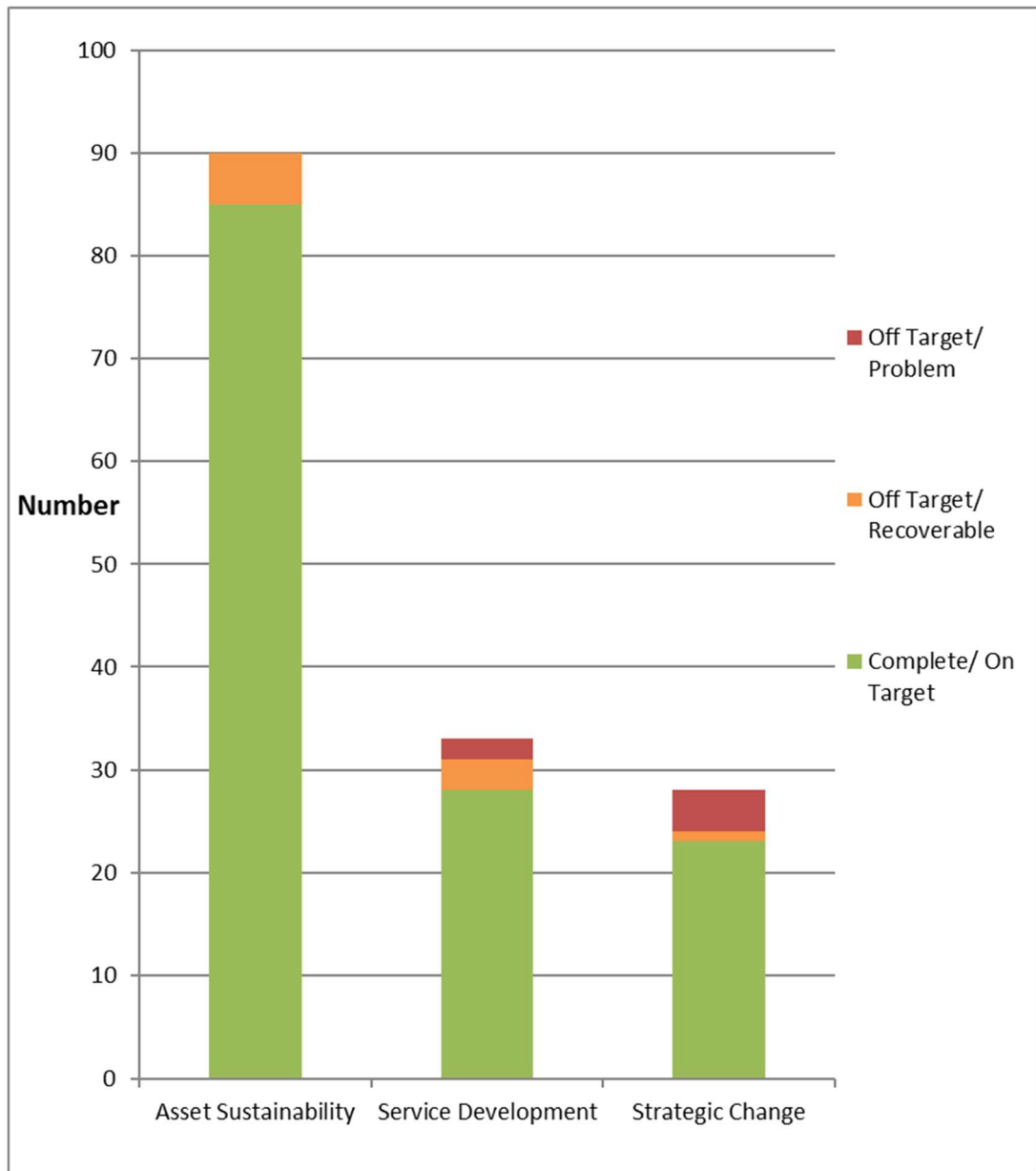
6 projects are off target, 1 of which is linked to overspends due to the COVID-19 pandemic along with other issues out-with and 3 that relate to slippage due to the COVID-19 pandemic.

Project Type:	Complete/ On Target	Off Target/ Recoverable		Off Target		Total
		COVID - 19 Related	Non- COVID - 19 Related	COVID - 19 Related	Non- COVID - 19 Related	
Asset Sustainability	85	3	2	0	0	90
Service Development	28	1	2	1	1	33
Strategic Change	23	1	0	3	1	28
<b>Total</b>	<b>136</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>151</b>
<b>Service:</b>						
ICT	7	0	0	0	0	7
Education	24	2	0	1	0	27
Live Argyll	20	0	0	0	0	20
Health & Social Care Partnership	16	1	0	0	0	17
Shared Offices	33	0	1	0	0	34
Roads & Infrastructure	26	2	1	1	1	31
Development & Economic Growth	7	0	2	0	0	9
CHORD	3	0	0	2	1	6
<b>Total</b>	<b>136</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>151</b>

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.

<b>Project Type</b>	<b>Project</b>	<b>What is Off Track?</b>	<b>Explanation</b>
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. Costs are currently being revised by the Project Manager as new quotes have been received and an updated position will be provided within the next monitoring period.
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.

The following projects are off-track due to slippage or acceleration of current year budget.

<b>Project Type</b>	<b>Project</b>	<b>What is Off Track?</b>	<b>Explanation</b>
Strategic Change	CHORD Oban	Current Year Expenditure	Staff resourcing issues causing delays and COVID-19 impact delaying contract close out.
Strategic Change	Helensburgh Waterfront Development	Current Year Expenditure	Forecast updated in line with contractor spend profile, where favourable progress has been made to date.
Strategic Change	Harbour Investment Programme	Current Year Expenditure	Design work is now complete in relation to the Rothesay Harbour project however works will not commence until next financial year.
Service Development	Fleet Management	Current Year Expenditure	Lead-in time longer than anticipated for a large selection of vehicle purchases resulting in delivery in early 21-22 rather than this financial year.

**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.

<b>Department</b>	<b>Prev. Agreed Changes 2020-21 £'000</b>	<b>2020-21 £'000 COVID-19 Related</b>	<b>2020-21 £'000 Non COVID-19 Related</b>	<b>2021-22 £'000</b>	<b>2022-23 £'000</b>	<b>Future Years £'000</b>	<b>Total Capital Plan £'000</b>
Asset Sustainability	(4,612)	(625)	(1,703)	2,316	12	0	<b>0</b>
Service Development	(3,023)	(468)	(3,341)	4,277	(468)	0	<b>0</b>
Strategic Change	(7,825)	(1,276)	(622)	5,279	(3,088)	(293)	<b>0</b>
<b>Total</b>	<b>(15,460)</b>	<b>(2,369)</b>	<b>(5,666)</b>	<b>11,872</b>	<b>(3,544)</b>	<b>(293)</b>	<b>0</b>
<b>Service:</b>							
ICT	(17)	0	0	0	0	0	<b>0</b>
Education	(5,040)	(950)	(1,060)	2,478	(468)	0	<b>0</b>
Live Argyll	0	0	0	0	0	0	<b>0</b>
Health & Social Care Partnership	(341)	(100)	(120)	211	9	0	<b>0</b>
Shared Offices	(709)	0	(310)	307	3	0	<b>0</b>
Roads & Infrastructure	(4,792)	(1,079)	(4,440)	5,519	0	0	<b>0</b>
Development & Economic Growth	(900)	0	(64)	64	0	0	<b>0</b>
Major Projects	(3,661)	(240)	328	3,293	(3,088)	(293)	<b>0</b>
<b>Total</b>	<b>(15,460)</b>	<b>(2,369)</b>	<b>(5,666)</b>	<b>11,872</b>	<b>(3,544)</b>	<b>(293)</b>	<b>0</b>

**11 FUNDING**

- 11.1 The Capital Programme is funded by various income streams as detailed in Appendix 5. Changes during December relate to additional income for Roads Reconstruction Projects from private landowners and a contribution to Environmental Projects from additional income from Sustrans.
- 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 £475k 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**  
**8 February 2021**

**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.

<b>Project</b>	<b>YTD Budget £'000</b>	<b>YTD Actual £'000</b>	<b>(Over)/ Under Variance £'000</b>	<b>Explanation</b>
Variances Less than £50k			(42)	Total value of non-material variances less than +/-£50k
<b>Total</b>			<b>(42)</b>	

**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
Helensburgh Waterfront Development	6,124	6,878	0	(754)	(754)	Forecast updated in line with contractor spend profile, where favourable progress has been made to date. Budget accelerated from 2021-22.
Helensburgh Waterfront Development – Income	(297)	(132)	0	(165)	(165)	Budget slipped to reflect S75 income won't be received until 2021-22.
CHORD - Rothesay	130	531	(401)	0	(401)	Additional costs due to contractor going into administration and additional works due to asbestos. Costs in relation to this project are currently being revised by the Project Manager and an updated position will be provided within the next monitoring period once these have been reviewed.
CHORD – Rothesay - Income	(1,620)	(806)	0	(814)	(814)	Budget slipped to reflect element of external income won't be received until 2021-22.
Helensburgh Public Realm - Arts Strategy Fund	53	0	0	53	53	Grant fund that will be opened up for applications in future years once staff resources allow.
Burnett Building	136	26	0	110	110	Slippage due to unsatisfactory performance from Consultant Engineer. Survey works now instructed to an alternative consultant.
Secondary Schools	264	127	137	0	137	Unsuccessful tender exercise and Covid-19 meant that school holiday period was missed for works to take place. Budget slipped into 2021-22.
Block Allocation – Shared Offices	486	286	0	200	200	Replacement of suspended ceilings at Kilmory Castle deferred to future years.
Lighting	264	50	0	214	214	Programme of work still to be identified. Budget slipped into 2021-22.
Tigh An Rudha HFE	294	74	100	120	220	Difficulty in procuring specialist designer for sprinkler system and restriction on island visits due

						to Covid-19 has impacted project timeline. Budget slipped into 2021-22.
Primary Schools	878	610	268	0	268	Variance due to Impact of Covid-19 and loss of Summer 2020 for execution of works. Expenditure shifted to 2021-22.
Early Learning and Childcare - 1140 Hours	1,725	1,300	425	0	425	Variance due to Impact of Covid-19 and loss of Summer 2020 for execution of works. Expenditure shifted to 2021-22.
Early Learning and Childcare – 600 hours	(197)	41	0	(238)	(238)	Overspend in historical ELC projects. Service working to identify where this can be funded from.
CHORD - Oban	738	72	240	426	666	Staff resourcing issues causing delays and COVID-19 impact delaying contract close out. Budget slipped into 2021-22.
Block Allocation - Education	1,930	750	120	1,060	1,180	1140 hours project utilising resources resulting in delays in other education projects as well as delays in getting contractors on site due to COVID-19. Budget slipped into 2021-22.
Harbour Investment Programme PB	2,810	860	1,000	950	1,950	Few weeks delay in starting of Rothesay Harbour resulting in significant delays in spend due to large value of project combined with delays in design preparation because of COVID-19. Budget slipped into 2021-22.
Fleet Management - Prudential Borrowing	3,400	123	0	3,277	3,277	Lead-in time longer than anticipated for a large selection of vehicle purchases resulting in delivery in early 2021-22 rather than this financial year.
Variiances Less than £50k			79	(46)	33	
<b>Total</b>			<b>1,968</b>	<b>4,393</b>	<b>6,361</b>	

### 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	14,420	16,595	(1,510)	(665)	(2,175)	Additional costs due to contractor going into administration and additional works due to asbestos. Costs in relation to this project are currently being revised by the Project Manager and an updated position will be provided within the next monitoring period once these have been reviewed.
Early Learning and Childcare – 1140 Hours	7,272	7,364	0	(92)	(92)	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
Early Learning and Childcare – 600 Hours	4,282	4,520	0	(238)	(238)	Overspend in historical ELC projects. Service working to identify where this can be funded from.
Other Variances			0	(58)	(58)	Total value of non-material variances less than +/-£50k
<b>Total</b>			<b>(1,510)</b>	<b>(1,053)</b>	<b>(2,563)</b>	

**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
<b>Total Cost Changes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		

**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
Flood Prevention	1	(1)			0	1	1	Accelerate budget into 20-21	Previous slippage too high
Campbeltown Old Quay	(43)	43			(43)	0	(43)	Slip budget into 21-22	New contract to be awarded for retention works as agreed with main contractor. Delayed due to Covid-19.
Campbeltown Flood Scheme	(36)	36			(36)	0	(36)	Slip budget into 21-22	Design and topographical surveys delay due to Covid-19.
CHORD - Oban	(666)	666			(240)	(426)	(666)	Slip budget into 21-22	Staff resourcing issues causing delays and COVID-19 impact delaying contract close out.
Primary Schools	(268)	268			(268)	0	(268)	Slip budget into 21-22	Variance due to Impact of Covid-19 and loss of Summer 2020 for execution of works. Expenditure shifted to 21/22.
Secondary Schools	(137)	137			(137)	0	(137)	Slip budget into 21-22	Unsuccessful tender exercise and Covid-19 meant that school holiday period was missed for works to take place.

Block Allocation	(1,180)	1,180				(120)	(1,060)	(1,180)	Slip budget into 21-22	1140 hours project utilising resources resulting in delays in other education projects as well as delays in getting contractors on site due to COVID-19.
Early Learning and Childcare - 1140 Hours	(425)	893	(468)			(425)	0	(425)	Slip current year budget into 21-22 and accelerate future years budget into 21-22	Variance due to Impact of Covid-19 and loss of Summer 2020 for execution of works. Expenditure shifted to 21/22.
Tigh An Rudha HFE	(220)	211	9			(100)	(120)	(220)	Slip budget into future years	Difficulty in procuring specialist designer for sprinkler system and restriction on island visits due to Covid-19 has impacted project timeline.
Burnett Building	(110)	107	3			0	(110)	(110)	Slip budget into future years	Slippage due to unsatisfactory performance from Consultant Engineer. Survey works now instructed to an alternative consultant.
Block Allocation	(200)	200				0	(200)	(200)	Slip budget into 21-22	Replacement of suspended ceilings at Kilmory Castle deferred to future years
Lighting	(214)	214				0	(214)	(214)	Slip budget into 21-22	Programme of work still to be identified.
Helensburgh Waterfront Development	754	2,627	(3,088)	(293)		0	754	754	Accelerate future years budget into 20-21 and 2021-22	Forecast updated in line with contractor spend profile, where favourable progress has been made to date.
Helensburgh Public Realm Arts Strategy Fund	(53)	53				0	(53)	(53)	Slip budget into 21-22	Grant fund that will be opened up for applications in future years once staff resources allow.

Town Centre Funds	(11)	11			0	(11)	(11)	Slip budget into 21-22	Deadline to spend grant funding extended by SG
Fleet - PB	(3,277)	3,277			0	(3,277)	(3,277)	Slip budget into 21-22	Lead-in time longer than anticipated for a large selection of vehicle purchases resulting in delivery in early 21-22 rather than this financial year.
Harbour Investment Programme PB	(1,950)	1,950			(1,000)	(950)	(1,950)	Slip budget into 21-22	Few weeks delay in starting of Rothesay Harbour resulting in significant delays in spend due to large value of project combined with delays in design preparation because of COVID-19.
<b>Total Slippages and Accelerations</b>	<b>(8,035)</b>	<b>11,872</b>	<b>(3,544)</b>	<b>(293)</b>	<b>(2,369)</b>	<b>(5,666)</b>	<b>(8,035)</b>		
<b>Net Impact of Changes</b>	<b>(8,035)</b>	<b>11,872</b>	<b>(3,544)</b>	<b>(293)</b>	<b>(2,369)</b>	<b>(5,666)</b>	<b>(8,035)</b>		



**CAPITAL PROGRAMME FUNDING**

	Current Year (2020-21)					2021-22				2022-23			
	Approved Capital Funding	Carry Forwards from 19-20	Slippage / Acceleration	Additional Funding	Updated Capital Funding Available	Estimated Capital Funding	Slippage / Acceleration	Additional Funding	Updated Capital Funding Available	Estimated Capital Funding	Slippage / Acceleration	Additional Funding	Updated Capital Funding Available
General Capital Grant	9,661	-980	0	0	8,681	12,278	0	0	12,278	12,278	0	0	12,278
Transfer to Revenue for Private Sector Housing Grant (PSHG)	-1,033	0	0	0	-1,033	-1,033	0	0	-1,033	-1,033	0	0	-1,033
Capital Receipts	1,202	0	-475	0	727	1,202	-837	0	365	1,202	1,312	0	2,514
Flooding Allocation	155	0	0	0	155	0	0	0	0	0	0	0	0
Ring Fenced Capital Grant	0	2,080	0	0	2,080	0	0	0	0	0	0	0	0
Restricted Funding/Ring Fenced Capital Grant	3,075	443	-1,998	2,020	3,540	5,180	1,998	184	7,362	10	0	0	10
Funded by Reserves	6,985	0	-5,469	0	1,516	0	5,579	0	5,579	0	2,856	2,856	0
Additional Funding from Revenue	0	0	0	324	324	0	0	0	0	0	0	0	0
Insurance	0	40	0	300	340	68	0	0	68	0	0	0	0
Harbour Investment Programme	4,200	439	-3,779	0	860	8,900	3,090	0	11,990	14,590	280	0	14,870
Prudential Borrowing	15,650	1,693	-13,220	375	4,498	1,252	15,228	324	16,804	8	-2,545	0	-2,537
Loans Fund	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans Fund Review	5,048	0	0	0	5,048	2,217	0	0	2,217	461	0	0	461
	<b>44,943</b>	<b>3,715</b>	<b>-24,941</b>	<b>3,019</b>	<b>26,736</b>	<b>30,064</b>	<b>25,058</b>	<b>508</b>	<b>55,630</b>	<b>27,516</b>	<b>-953</b>	<b>2,856</b>	<b>29,419</b>

**BREAKDOWN OF ADDITIONAL FUNDING**

Additional Funding		Funding Type	Month Reported
Roads STTS	1,227	Grant Funding	June 2020
Oban Depot Development - Additional Insurance	300	Insurance	July 2020
Oban Depot Development - Sale Proceeds	200	Capital Receipt	July 2020
SPT Bus Infrastructure	55	Grant Funding	July 2020
Roads STTS	-2	Grant Funding	August 2020
Roads Electric Vehicle Chargers	50	Grant Funding	October 2020
Digital Inclusion	381	Grant Funding	October 2020
Glengorm New Cell	699	Prudential Borrowing	October 2020
Dunoon CHORD	18	Third Party Income	November 2020
Witchburn Road Demolition	9	Strategic Housing Fund	November 2020
Roads Reconstruction	79	Third Party Income	December 2020
Environmental Projects	3	Grant Funding	December 2020
<b>Total</b>	<b>3,019</b>		

# OFF TRACK PROJECT

Appendix 6

<b>Project Name:</b> Rothesay Pavilion	<b>Project Manager:</b> Jonathan M Miles	<b>Risk:</b> High
<b>Initial Start Date:</b> 29 <sup>th</sup> November 2017	<b>Proposed End Date:</b> June 2020 – due to COVID-19 will run beyond this date. Forecast: March 2022.	
<b>How this project was initially funded?</b> 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. <b>Total Approved Budget: £13,844,959.</b>	<b>Please detail any additional funding.</b> N/A	
<b>Previously Reported Committee and Date:</b> Bute and Cowal Area Committee: Briefing dated 14 <sup>th</sup> September 2020.	<b>Next Reported Committee and Date:</b> n/a	
<b>Why is the project classified as off target?</b> The project is classified as off track as it is running behind schedule and over budget.		
<b>What has caused the issue outlined above?</b> 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.		
<b>What action will be taken to rectify this issue?</b> The service have developed a 5 Stage plan to deliver the project as outlined in the Committee Briefing dated 14 <sup>th</sup> September 20. They have also modelled various scenarios to provide members with a comparison of the Cost v's Budget position for the original contract with CBC compared to a possible new contract to complete the works. <b>It must be cautioned that the scenarios are high level soft cost estimates, and do not provide the level of robustness, nor the same degree of cost certainty that a Pre-Tender Estimate will.</b>  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.		
<b>What are the implications of the action proposed?</b> The actions being considered will aim to provide the Council with sufficient financial and programme information to make informed decisions on the way forward and mitigate further financial and time risks as far as possible.		

**OFF TRACK PROJECT**

Appendix 6

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

**Why is the project classified as off target?**

Anticipated overspend.

**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?**

The service will continue to work to identify how this will be funded.

**What are the implications of the action proposed?**

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

**OFF TRACK PROJECT**

Appendix 6

<b>Project Name:</b> Harbour Investment Programme	<b>Project Manager:</b> Stewart Clark	<b>Risk:</b> Low
<b>Initial Start Date:</b> 2016	<b>Proposed End Date:</b> 2026	
<b>How was this project initially funded?</b> Prudential Borrowing	<b>Please detail any additional funding.</b> n/a	
<b>Previously Reported Committee and Date:</b> n/a	<b>Next Reported Committee and Date:</b> n/a	

**Why is the project classified as off target?**

- a) The forecast total and this year's project cost to date is lower than the budgeted figure. 2020 to 2021 revised budget of £860K. Slippage of £1,950K.
- b) Design work is complete on the Rothesay Harbour project (circa £4million) and tender documentation has been issued. Although works will commence before the end of this financial year, the majority of the project spend will take place in year 2021/22.

Design Services is continuing with the compilation of tender documentation for a number of marine schemes with some of these schemes now issued to tender. In addition, painting of link-spans has been delayed to suit better weather conditions next spring. Although works will commence around the end of this financial year, spend this year will be minimal. Majority of spend (circa £1 million) will be early in 2021/22.

**What has caused the issue outlined above?**

Generally, programme slippage.

**What action will be taken to rectify this issue?**

Works will be carried out in future years – early 2021/22

**What are the implications of the action proposed?**

There is no financial net increase in cost to the Council, but there will be a:-

- a) Reduced capital spend in year 2020/21. There will be a carry forward from 2020/21 of £1,950K in the Piers and Harbours Capital budget to increase spend by that amount in year 2021/22.

Re-aligned spend in future years beyond 2021/22 due, mainly, to slippage in the Rothesay project (and various other smaller projects).

**OFF TRACK PROJECT**

Appendix 6

**Project Name:** Helensburgh Waterfront Development**Project Manager:** Andrew Collins**Risk:** Low**Initial Start Date:** 2016-17**Proposed End Date:** 2023-24**How was this project initially funded?** Capital Plan**Please detail any additional funding.** Significant Strategic Change Projects  
Earmarked Reserve - £2,856k**Previously Reported Committee and Date:** n/a**Next Reported Committee and Date:** n/a**Why is the project classified as off target?**

Current year expenditure overspend with underspends in future years – overall no impact on project.

**What has caused the issue outlined above?**

Updated expenditure forecast from Main Contractor with progress on site being quicker than originally anticipated has resulted in increased costs in earlier years of the project.

**What action will be taken to rectify this issue?**

Budget will be accelerated into 2020-21 and 2021-22 from 2022-23.

**What are the implications of the action proposed?**

Acceleration of project expenditure.

**OFF TRACK PROJECT**

Appendix 6

**Project Name:** Fleet – Prudential Borrowing**Project Manager:** John Blake**Risk:** Low**Initial Start Date:** 2018-19**Proposed End Date:** 2021-22**How was this project initially funded?** Prudential Borrowing**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?**

Current year expenditure underspend due to budget being slipped to 2021-22.

**What has caused the issue outlined above?**

Delay in delivery of one class of fleet vehicles into early 2021-22 has resulted in significant slippage of budget due to high value of vehicles.

**What action will be taken to rectify this issue?**

Budget will be slipped into 2021-22 when vehicle delivery will be taken early in the financial year.

**What are the implications of the action proposed?**

Delay in expenditure resulted in delayed prudential borrowing for the project.

**OFF TRACK PROJECT**

Appendix 6

<b>Project Name:</b> Oban CHORD	<b>Project Manager:</b> Kirsteen Macdonald	<b>Risk:</b> <b>Low</b>
<b>Initial Start Date:</b> 2016-17	<b>Proposed End Date:</b> 2021-22	
<b>How was this project initially funded?</b> Capital Plan	<b>Please detail any additional funding.</b> n/a	
<b>Previously Reported Committee and Date:</b> n/a	<b>Next Reported Committee and Date:</b> n/a	
<b>Why is the project classified as off target?</b>  Current year expenditure underspend to be slipped into 2021-22.		
<b>What has caused the issue outlined above?</b>  Delays due to staff resources being utilised on COVID-19 issues alongside delays in contracts completions due to COVID-19 lockdown restrictions.		
<b>What action will be taken to rectify this issue?</b>  Budget will be slipped into 2021-22.		
<b>What are the implications of the action proposed?</b>  n/a		

Strategic Change Projects	Capital Expenditure				Dates		Project Risks Identified	Risks Explanation if not Green
	Prior Years Spend £'000	Current Year Forecast £'000	Total Project Forecast £'000	Total Project Budget £'000	Project Start Date	Estimated Completion Date		
CHORD Rothesay	8,104	531	-2,175	16,020	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.
Harbour Investment Programme	1,802	860	0	0	01/04/2017	31/03/2028	Red	Design work on Rothesay Harbour complete but majority of works will take place next year.
CHORD Oban	7,129	72	0	7,905	27/10/2016	31/03/2021	Red	Staff resourcing issues causing delays and COVID-19 impact delaying contract close out.
Helensburgh Waterfront Development	1,387	6,878	0	22,367	01/04/2017	31/03/2024	Red	Budget accelerated from future years. Forecast updated in line with contractor spend profile, where favourable progress has been made to date.
Campbeltown Flood Scheme	181	300	0	0	01/08/2016	31/03/2023	Amber	Design and topographical surveys delay due to Covid-19.
Street Lighting LED Replacement	2,700	100	0	0	01/08/2016	31/03/2021	Green	
TIF - Oban Airport Business Park	447	31	0	0	22/01/2015	31/12/2021	Green	
Helensburgh Office Rationalisation	11,500	3	0	11,838	25/04/2013	31/03/2021	Green	
TIF - North Pier Extension	214	0	0	0	06/12/2017	06/12/2021	Green	
TIF - Lorn/Kirk Road	1,959	32	0	0	22/01/2015	31/03/2021	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
CHORD Dunoon	12,238	161	0	12,540	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
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	
Dunoon Pier OBC	2,844	0	0	2,844	03/02/2012	26/02/2016	Green	Project is complete
<b>Strategic Change Total</b>	<b>83,354</b>	<b>10,787</b>	<b>-2,175</b>	<b>112,025</b>				

**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 December 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
<b>EXPENDITURE</b>									
<b>Asset Sustainability Projects</b>									
Executive Director Douglas Hendry	1,106	1,155	(49)	6,623	4,534	2,089	17,992	18,020	(28)
Executive Director Kirsty Flanagan	4,800	4,784	16	7,384	7,171	213	23,769	23,769	0
<b>Asset Sustainability Total</b>	<b>5,906</b>	<b>5,939</b>	<b>(33)</b>	<b>14,007</b>	<b>11,705</b>	<b>2,302</b>	<b>41,761</b>	<b>41,789</b>	<b>(28)</b>
<b>Service Development Projects</b>									
Executive Director Douglas Hendry	965	965	0	1,569	1,395	174	14,086	14,429	(343)
Executive Director Kirsty Flanagan	2,179	2,188	(9)	6,911	3,590	3,321	72,151	72,214	(63)
<b>Service Development Total</b>	<b>3,144</b>	<b>3,153</b>	<b>(9)</b>	<b>8,480</b>	<b>4,985</b>	<b>3,495</b>	<b>86,237</b>	<b>86,643</b>	<b>(406)</b>
<b>Strategic Change Projects</b>									
Campbeltown Schools Redevelopment	372	372	0	479	479	0	2,130	2,130	0
Dunoon Primary	47	47	0	301	301	0	10,869	10,869	0
Replacement of Oban High	187	187	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	3	3	0	3	3	0	11,838	11,838	0
Rothesay Office Rationalisation	0	0	0	10	10	0	10	10	0
Campbeltown Flood Scheme	158	158	0	336	300	36	1,063	1,063	0
Street Lighting LED Replacement	23	23	0	100	100	0	3,900	3,900	0
Harbour Investment Programme	503	503	0	2,810	860	1,950	90,942	90,942	0
TIF - Lorn/Kirk Road	30	30	0	32	32	0	2,170	2,170	0
TIF - North Pier Extension	0	0	0	0	0	0	560	560	0
TIF - Oban Airport Business Park	0	0	0	31	31	0	590	590	0
CHORD - Helensburgh	0	0	0	70	70	0	6,557	6,557	0
CHORD Dunoon	5	5	0	161	161	0	12,540	12,540	0
CHORD Oban	57	57	0	738	72	666	7,905	7,905	0
CHORD Rothesay	435	435	0	130	531	(401)	13,845	16,020	(2,175)
Helensburgh Waterfront Development	2,088	2,088	0	6,124	6,878	(754)	22,367	22,367	0
Dunoon Pier OBC	0	0	0	0	0	0	2,844	2,844	0
<b>Strategic Change Total</b>	<b>3,928</b>	<b>3,928</b>	<b>0</b>	<b>12,284</b>	<b>10,787</b>	<b>1,497</b>	<b>209,075</b>	<b>211,250</b>	<b>(2,175)</b>
<b>Total Expenditure</b>	<b>12,978</b>	<b>13,020</b>	<b>(42)</b>	<b>34,771</b>	<b>27,477</b>	<b>7,294</b>	<b>337,073</b>	<b>339,682</b>	<b>(2,609)</b>
<b>INCOME</b>									
<b>Asset Sustainability</b>									
Executive Director Douglas Hendry	0	0	0	(381)	(381)	0	(381)	(381)	0
Executive Director Kirsty Flanagan	(146)	(145)	(1)	(2,377)	(2,377)	0	(1,678)	(1,678)	0
<b>Asset Sustainability Total</b>	<b>(146)</b>	<b>(145)</b>	<b>(1)</b>	<b>(2,758)</b>	<b>(2,758)</b>	<b>0</b>	<b>(2,059)</b>	<b>(2,059)</b>	<b>0</b>
<b>Service Development Projects</b>									
Executive Director Douglas Hendry	(1,700)	(1,702)	2	(2,024)	(2,024)	0	(7,626)	(7,626)	0
Executive Director Kirsty Flanagan	(45)	(45)	(0)	(6,133)	(6,179)	46	(14,030)	(14,076)	46
<b>Service Development Total</b>	<b>-1,745</b>	<b>-1,746</b>	<b>1</b>	<b>-8,157</b>	<b>-8,203</b>	<b>46</b>	<b>-21,656</b>	<b>-21,702</b>	<b>46</b>
<b>Strategic Change Projects</b>									
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	(503)	(503)	0	(2,810)	(2,810)	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)	(132)	(165)	(4,161)	(4,161)	0
Rothesay CHORD	(246)	(246)	0	(1,620)	(806)	(814)	(8,156)	(8,156)	0
CHORD - Dunoon Waterfront	0	0	0	(18)	(18)	0	(28)	(28)	0
CHORD - Oban	0	0	0	0	0	0	(1,624)	(1,624)	0
<b>Strategic Change Total</b>	<b>(749)</b>	<b>(749)</b>	<b>0</b>	<b>(5,138)</b>	<b>(4,159)</b>	<b>(979)</b>	<b>(108,534)</b>	<b>(108,534)</b>	<b>0</b>
<b>Total Income</b>	<b>(2,640)</b>	<b>(2,640)</b>	<b>(0)</b>	<b>(16,053)</b>	<b>(15,120)</b>	<b>(933)</b>	<b>(132,249)</b>	<b>(132,295)</b>	<b>46</b>
<b>Net Total</b>	<b>10,338</b>	<b>10,380</b>	<b>(42)</b>	<b>18,718</b>	<b>12,357</b>	<b>6,361</b>	<b>204,824</b>	<b>207,387</b>	<b>(2,563)</b>

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN										Appendix 8	
FINANCIAL SUMMARY NET EXPENDITURE - EXECUTIVE DIRECTOR KIRSTY FLANAGAN										31 December 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		
<b>EXPENDITURE</b>											
<b>Asset Sustainability Projects</b>											
Flood Prevention	5	5	0	6	7	(1)	154	154	0		
Helensburgh Flood Mitigation	1	1	0	16	16	0	450	450	0		
Bridge Strengthening	49	33	16	191	191	0	1,683	1,683	0		
Roads Reconstruction	3,562	3,562	0	4,716	4,716	0	16,231	16,231	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	50	214	514	514	0		
Astro Pitch Repairs	0	0	0	2	2	0	2	2	0		
Oban Play Park	9	9	0	18	18	0	563	563	0		
Environmental Projects	0	0	0	1	1	0	1	1	0		
Public Convenience Upgrades	0	0	0	82	82	0	82	82	0		
Cemetary Houses	0	0	0	25	25	0	25	25	0		
Footway Improvements	0	0	0	53	53	0	303	303	0		
Glengorm - Capping	745	745	0	784	784	0	784	784	0		
Eilean Dhilura Ferry Engine Replacement	0	0	0	100	100	0	100	100	0		
EV Quick Chargers	0	0	0	192	192	0	192	192	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	5	5	0	5	5	0	191	191	0		
PC Replacement	319	319	0	626	626	0	1,040	1,040	0		
Telecomms Network	47	47	0	69	69	0	172	172	0		
Computer Network Security	0	0	0	0	0	0	0	0	0		
MS Exchange & Doc Sharing	58	58	0	58	58	0	58	58	0		
Corporate GIS Portal Rollout	0	0	0	0	0	0	0	0	0		
Block Allocation - ICT	0	0	0	0	0	0	1,048	1,048	0		
<b>Asset Sustainability Total</b>	<b>4,800</b>	<b>4,784</b>	<b>16</b>	<b>7,384</b>	<b>7,171</b>	<b>213</b>	<b>23,769</b>	<b>23,769</b>	<b>0</b>		
<b>Service Development Projects</b>											
Preliminary design for Regional Transport projects	0	0	0	16	16	0	221	221	0		
Campbeltown Old Quay	0	0	0	43	0	43	1,424	1,424	0		
Fleet Management - Prudential Borrowing	0	0	0	3,400	123	3,277	4,861	4,861	0		
Fleet Management	1,110	1,110	0	1,270	1,270	0	2,622	2,622	0		
Lismore Ferry	34	34	0	100	100	0	500	500	0		
Millpark Depot Demolition	0	2	(2)	0	2	(2)	126	128	(2)		
Oban Depot Development Project	547	547	0	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	0	0	0	155	155	0		
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)	62	62	0	20	62	(42)	2,426	2,468	(42)		
Helensburgh Public Realm - Arts Strategy Fund	0	0	0	53	0	53	53	53	0		
Town Centre Funds	415	415	0	656	645	11	1,475	1,475	0		
Rural Growth Deal	0	0	0	0	0	0	50,000	50,000	0		
Applications Projects	8	8	0	17	17	0	2,363	2,363	0		
<b>Service Development Total</b>	<b>2,179</b>	<b>2,188</b>	<b>(9)</b>	<b>6,911</b>	<b>3,590</b>	<b>3,321</b>	<b>72,151</b>	<b>72,214</b>	<b>(63)</b>		
<b>Strategic Change Projects</b>											
Campbeltown Flood Scheme	158	158	0	336	300	36	1,063	1,063	0		
Street Lighting LED Replacement	23	23	0	100	100	0	3,900	3,900	0		
Harbour Investment Programme	503	503	0	2,810	860	1,950	90,942	90,942	0		
TIF - Lorn/Kirk Road	30	30	0	32	32	0	2,170	2,170	0		
TIF - North Pier Extension	0	0	0	0	0	0	560	560	0		
TIF - Oban Airport Business Park	0	0	0	31	31	0	590	590	0		
<b>Strategic Change Total</b>	<b>714</b>	<b>714</b>	<b>0</b>	<b>3,309</b>	<b>1,323</b>	<b>1,986</b>	<b>99,225</b>	<b>99,225</b>	<b>0</b>		
<b>Total Expenditure</b>	<b>7,693</b>	<b>7,686</b>	<b>7</b>	<b>17,604</b>	<b>12,084</b>	<b>5,520</b>	<b>195,145</b>	<b>195,208</b>	<b>(63)</b>		
<b>INCOME</b>											
<b>Asset Sustainability</b>											
EV Quick Chargers	0	0	0	(192)	(192)	0	(192)	(192)	0		
Roads Reconstruction	(79)	(79)	(0)	(1,304)	(1,304)	0	(1,304)	(1,304)	0		
Environmental Projects	(3)	(3)	(0)	(3)	(3)	0	(3)	(3)	0		
Oban Play Park	(64)	(64)	(0)	(64)	(64)	0	(64)	(64)	0		
Hermitage Park	0	0	0	(115)	(115)	0	(115)	(115)	0		
Glengorm Capping/New Cell - Prudential Borrowing	0	0	0	(699)	(699)	0	0	0	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		
<b>Asset Sustainability Total</b>	<b>(146)</b>	<b>(145)</b>	<b>(1)</b>	<b>(2,377)</b>	<b>(2,377)</b>	<b>0</b>	<b>(1,878)</b>	<b>(1,878)</b>	<b>0</b>		
<b>Service Development Projects</b>											
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	(184)	(184)	0	(1,475)	(1,475)	0		
Fleet Management - PB	0	0	0	(3,400)	(3,400)	0	(4,861)	(4,861)	0		
Fleet Management	(46)	(46)	0	0	(46)	46	0	(46)	46		
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	(200)	(200)	0		
Oban Depot Development Project Equipment	0	0	0	(250)	(250)	0	(250)	(250)	0		
Witchburn Road Demolition	0	0	0	(9)	(9)	0	(155)	(155)	0		
<b>Service Development Total</b>	<b>(45)</b>	<b>(45)</b>	<b>(0)</b>	<b>(6,133)</b>	<b>(6,179)</b>	<b>46</b>	<b>(14,030)</b>	<b>(14,076)</b>	<b>46</b>		
<b>Strategic Change Projects</b>											
Campbeltown Flood	0	0	0	0	0	0	(270)	(270)	0		
Harbour PB	(503)	(503)	0	(2,810)	(2,810)	0	(90,942)	(90,942)	0		
01 TIF - Lorn/Kirk Road	0	0	0	(393)	(393)	0	(2,297)	(2,297)	0		
<b>Strategic Change Total</b>	<b>(503)</b>	<b>(503)</b>	<b>0</b>	<b>(3,203)</b>	<b>(3,203)</b>	<b>0</b>	<b>(93,509)</b>	<b>(93,509)</b>	<b>0</b>		
<b>Total Income</b>	<b>(694)</b>	<b>(692)</b>	<b>(2)</b>	<b>(11,713)</b>	<b>(11,759)</b>	<b>46</b>	<b>(109,217)</b>	<b>(109,263)</b>	<b>46</b>		
<b>Net Departmental Total</b>	<b>6,999</b>	<b>6,994</b>	<b>5</b>	<b>5,891</b>	<b>325</b>	<b>5,566</b>	<b>85,928</b>	<b>85,945</b>	<b>(17)</b>		

MONITORING REPORT							Appendix 8		
FINANCIAL SUMMARY NET EXPENDITURE - EXECUTIVE DIRECTOR DOUGLAS HENDRY							31 December 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
<b>EXPENDITURE</b>									
<b>Asset Sustainability</b>									
Education	764	764	0	3,495	1,910	1,585	10,591	10,591	0
Live Argyll	61	62	(1)	490	490	0	1,662	1,664	(2)
Health and Social Care Partnership	165	165	0	767	558	209	2,208	2,219	(11)
Shared Offices	116	164	(48)	1,871	1,576	295	3,531	3,546	(15)
<b>Asset Sustainability Total</b>	<b>1,106</b>	<b>1,155</b>	<b>(49)</b>	<b>6,623</b>	<b>4,534</b>	<b>2,089</b>	<b>17,992</b>	<b>18,020</b>	<b>(28)</b>
<b>Service Development Projects</b>									
Ardrishaig Primary Pre 5 Unit	0	0	0	(2)	0	(2)	0	2	(2)
Bowmore Primary School - Pre 5 Unit	0	0	0	(121)	0	(121)	28	149	(121)
Clyde Cottage - 600 hour provision	0	0	0	(49)	25	(74)	505	579	(74)
Craignish Primary School - Pre 5 Extension	0	0	0	17	0	17	417	400	17
Iona Primary School - Pre 5 Unit	0	0	0	(16)	0	(16)	474	490	(16)
Islay High and Rosneath Primary School Pitches	0	0	0	9	16	(7)	700	707	(7)
Lochgoilhead Primary School - Pre 5 Unit	0	0	0	(3)	0	(3)	388	391	(3)
Park Primary Extension/Pre Fives Unit	0	0	0	5	0	5	346	341	5
Tarbert High School - Biomass enabling work	0	0	0	0	0	0	0	0	0
Sandbank Gaelic Pre Five Unit	0	0	0	16	0	16	507	491	16
Bunessan Primary School - Gaelic Medium Improvements	0	0	0	(95)	0	(95)	25	120	(95)
Early Learning and Childcare	0	0	0	42	0	42	892	850	42
Early Learning and Childcare - 1140 Hours	965	965	0	1,725	1,300	425	7,272	7,364	(92)
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
<b>Service Development Total</b>	<b>965</b>	<b>965</b>	<b>0</b>	<b>1,569</b>	<b>1,395</b>	<b>174</b>	<b>14,086</b>	<b>14,429</b>	<b>(343)</b>
<b>Strategic Change Projects</b>									
Campbeltown Schools Redevelopment	372	372	0	479	479	0	2,130	2,130	0
Dunoon Primary	47	47	0	301	301	0	10,869	10,869	0
Replacement of Oban High	187	187	0	320	320	0	3,250	3,250	0
Kilmory 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	3	3	0	3	3	0	11,838	11,838	0
Rothesay Office Rationalisation	0	0	0	10	10	0	10	10	0
CHORD Oban	57	57	0	738	72	666	7,905	7,905	0
CHORD Rothesay	435	435	0	130	531	(401)	13,845	16,020	(2,175)
CHORD - Helensburgh	0	0	0	70	70	0	6,557	6,557	0
CHORD Dunoon	5	5	0	161	161	0	12,540	12,540	0
Helensburgh Waterfront Deveopment	2,088	2,088	0	6,124	6,878	(754)	22,367	22,367	0
Dunoon Pier OBC	0	0	0	0	0	0	2,844	2,844	0
<b>Strategic Change Total</b>	<b>3,214</b>	<b>3,214</b>	<b>0</b>	<b>8,975</b>	<b>9,464</b>	<b>(489)</b>	<b>109,850</b>	<b>112,025</b>	<b>(2,175)</b>
<b>Total Expenditure</b>	<b>5,285</b>	<b>5,334</b>	<b>(49)</b>	<b>17,167</b>	<b>15,393</b>	<b>1,774</b>	<b>141,928</b>	<b>144,474</b>	<b>(2,546)</b>
<b>INCOME</b>									
<b>Asset Sustainability</b>									
Education	0	0	0	0	0	0	0	0	0
Live Argyll	0	0	0	(381)	(381)	0	(381)	(381)	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
<b>Asset Sustainability Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(381)</b>	<b>(381)</b>	<b>0</b>	<b>(381)</b>	<b>(381)</b>	<b>0</b>
<b>Service Development Projects</b>									
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	(324)	(324)	0	(818)	(818)	0
Early Years 1140 Hours	(1,700)	(1,702)	2	(1,700)	(1,700)	0	(6,300)	(6,300)	0
<b>Service Development Total</b>	<b>(1,700)</b>	<b>(1,702)</b>	<b>2</b>	<b>(2,024)</b>	<b>(2,024)</b>	<b>0</b>	<b>(7,626)</b>	<b>(7,626)</b>	<b>0</b>
<b>Strategic Change</b>									
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)	(132)	(165)	(4,161)	(4,161)	0
Rothesay CHORD	(246)	(246)	0	(1,620)	(806)	(814)	(8,156)	(8,156)	0
CHORD - Dunoon Waterfront	0	0	0	(18)	(18)	0	(28)	(28)	0
CHORD - Oban	0	0	0	0	0	0	(1,624)	(1,624)	0
<b>Strategic Change Total</b>	<b>(246)</b>	<b>(246)</b>	<b>0</b>	<b>(1,935)</b>	<b>(956)</b>	<b>(979)</b>	<b>(15,025)</b>	<b>(15,025)</b>	<b>0</b>
<b>Total Income</b>	<b>(1,946)</b>	<b>(1,948)</b>	<b>2</b>	<b>(4,340)</b>	<b>(3,361)</b>	<b>(979)</b>	<b>(23,032)</b>	<b>(23,032)</b>	<b>0</b>
<b>Net Departmental Total</b>	<b>3,339</b>	<b>3,386</b>	<b>(47)</b>	<b>12,827</b>	<b>12,032</b>	<b>795</b>	<b>118,896</b>	<b>121,442</b>	<b>(2,546)</b>

<b>Service</b>	<b>Previous Years £000's</b>	<b>2020-21 £000s</b>	<b>2021-22 £000's</b>	<b>2022-23 £000s</b>	<b>Future Years £000s</b>	<b>Total £000s</b>
Education	30,806	4,349	10,803	2,555	0	48,513
Shared Offices	16,659	1,941	1,734	571	0	20,905
ICT	1,327	775	1,419	1,209	142	4,872
RIS	13,012	9,778	27,067	21,008	58,359	129,224
DEG	8,325	1,468	1,256	0	50,000	61,049
HSCP	1,246	601	1,085	576	0	3,508
Live Argyll	1,259	513	609	563	0	2,944
CHORD	43,868	7,311	12,232	2,937	285	66,633
<b>Overall Total</b>	<b>116,502</b>	<b>26,736</b>	<b>56,205</b>	<b>29,419</b>	<b>108,786</b>	<b>337,648</b>

Category	Service	Project	Previous				Future Years £000s	Total £000s
			Years £000's	2020-21 £000s	2021-22 £000's	2022-23 £000s		
<b>Asset Sustainability</b>	<b>Education</b>	Asbestos Control/Removal Works	0	7	0	0	0	7
		Block Allocation - Education	0	750	5,080	2,420	0	8,250
		Digital Inclusion 20-21	0	381	0	0	0	381
		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	610	1,018	23	0	1,651
		School Houses - Housing Quality Standard	0	2	0	0	0	2
Secondary Schools	0	127	140	0	0	267		
<b>Asset Sustainability Total</b>			<b>0</b>	<b>1,910</b>	<b>6,238</b>	<b>2,443</b>	<b>0</b>	<b>10,591</b>
<b>Service Development</b>	<b>Education</b>	Ardrishaig Primar School - Pre Five Extension	2	-2	0	0	0	0
		Bowmore Primary School - Pre Five Unit	149	-121	0	0	0	28
		Bunessan Primary School - Gaelic Medium Improvements	120	-95	0	0	0	25
		Clyde Cottage - 600 hours provision	554	-49	0	0	0	505
		Craignish Primary School - Pre Five Extension (600 hours funding)	400	17	0	0	0	417
		Early Learning and Childcare	850	42	0	0	0	892
		Early Learning and Childcare - 1140 Hours	2,109	1,300	3,751	112	0	7,272
		Iona Primary School - Pre Five Unit (600 hours funding)	490	-16	0	0	0	474
		Islay High & Rosneath PS Pitches	691	9	0	0	0	700
		Lochgoilhead Primary School - Pre Five Unit (600 hours funding)	391	-3	0	0	0	388
		Park Primary Extension and Pre Fives Unit	341	5	0	0	0	346
Sandbank Gaelic Pre Five Unit	491	16	0	0	0	507		
<b>Service Development Total</b>			<b>6,588</b>	<b>1,103</b>	<b>3,751</b>	<b>112</b>	<b>0</b>	<b>11,554</b>
<b>Strategic Change</b>	<b>Education</b>	Campbeltown Schools Redevelopment	1,651	479	0	0	0	2,130
		Dunoon Primary School	10,176	301	392	0	0	10,869
		Kim Primary School	9,883	236	0	0	0	10,119
		Replacement of Oban High School	2,508	320	422	0	0	3,250
<b>Strategic Change Total</b>			<b>24,218</b>	<b>1,336</b>	<b>814</b>	<b>0</b>	<b>0</b>	<b>26,368</b>

Category	Service	Project	Previous				Future	
			Years £000's	2020-21 £000s	2021-22 £000's	2022-23 £000s	Years £000s	Total £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	286	761	561	0	1,608
		Bowmore Area Office	0	73	3	0	0	76
		Burnett Building	0	26	110	3	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	0	0	0	0	0
		Dunoon Office Rationalisation	0	15	205	7	0	227
		Fire Risk Assessment Works	0	60	0	0	0	60
		Hill Street Dunoon Rewire	0	0	33	0	0	33
		Joint Valuation Board	0	39	0	0	0	39
		Kilmory Castle	0	0	0	0	0	0
		Legionella Control Works	0	197	150	0	0	347
		Lorn House, Oban	0	22	0	0	0	22
		Manse Brae District Office	0	15	137	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		
<b>Asset Sustainability Total</b>			<b>0</b>	<b>1,561</b>	<b>1,399</b>	<b>571</b>	<b>0</b>	<b>3,531</b>
Strategic Change	Shared Offices	Campbeltown Office Rationalisation	595	1	0	0	0	596
		Carbon Management - Group Heating Conversion Project (Prudentia)	1,938	10	0	0	0	1,948
		Carbon Management Business Cases (FPB)	201	60	0	0	0	261
		Carbon Management Capital Property Works 16/17	19	20	0	0	0	39
		Carbon Management Fuel Conversions (FPB)	107	0	0	0	0	107
		Helensburgh Office Rationalisation (FPB,REC)	11,500	3	335	0	0	11,838
		Kilmory Biomass Project OBC (FPB,REV)	956	0	0	0	0	956
		Non-NPDO Schools PV Panel Installations	400	88	0	0	0	488
		NPDO Schools Solar PV Panel Installations	761	183	0	0	0	944
		Oil to Gas Heating Conversions (FPB)	182	5	0	0	0	187
		Rothesay Office Rationalisation	0	10	0	0	0	10
<b>Strategic Change Total</b>			<b>16,659</b>	<b>380</b>	<b>335</b>	<b>0</b>	<b>0</b>	<b>17,374</b>
<b>Overall Total</b>			<b>16,659</b>	<b>1,941</b>	<b>1,734</b>	<b>571</b>	<b>0</b>	<b>20,905</b>

Category	Service	Project	Previous	2020-21	2021-22	2022-23	Future	Total
			Years £000's	£000s	£000's	£000s	Years £000s	£000s
Strategic Change	CHORD	CHORD - Dunoon	12,361	161	9	9	0	12,540
		CHORD - Helensburgh -Public Realm Imprv	6,487	70	0	0	0	6,557
		CHORD - Oban	7,167	72	666	0	0	7,905
		CHORD - Rothesay	13,322	130	968	0	0	14,420
		Helensburgh Waterfront Development	1,687	6,878	10,589	2,928	285	22,367
		OBC for Dunoon Pier	2,844	0	0	0	0	2,844
<b>Strategic Change Total</b>			<b>43,868</b>	<b>7,311</b>	<b>12,232</b>	<b>2,937</b>	<b>285</b>	<b>66,633</b>
<b>Overall Total</b>			<b>43,868</b>	<b>7,311</b>	<b>12,232</b>	<b>2,937</b>	<b>285</b>	<b>66,633</b>

Category	Service	Project	Previous	2020-21	2021-22	2022-23	Future	Total
			Years £000's	£000s	£000's	£000s	Years £000s	£000s
<b>Asset Sustainability</b>	<b>ICT</b>	Block Allocation - ICT	0	0	0	906	142	1,048
		MS Exchange & Doc Sharing	0	58	0	0	0	58
		PC Replacement	0	626	414	0	0	1,040
		Server Sustainability	0	5	186	0	0	191
		Telecomms Network	0	69	103	0	0	172
<b>Asset Sustainability Total</b>			<b>0</b>	<b>758</b>	<b>703</b>	<b>906</b>	<b>142</b>	<b>2,509</b>
<b>Service Development</b>	<b>ICT</b>	Applications Projects	1,327	17	716	303	0	2,363
<b>Service Development Total</b>			<b>1,327</b>	<b>17</b>	<b>716</b>	<b>303</b>	<b>0</b>	<b>2,363</b>
<b>Overall Total</b>			<b>1,327</b>	<b>775</b>	<b>1,419</b>	<b>1,209</b>	<b>142</b>	<b>4,872</b>



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	191	992	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	18	545	0	0	563
		EV Quick Chargers	0	192	0	0	0	192
		Flood Prevention	0	7	147	0	0	154
		Footway Improvements	0	53	0	250	0	303
		Glengorm - Capping	0	784	0	0	0	784
		Helensburgh CHORD - Signage etc	0	10	0	0	0	10
		Helensburgh Flood Mitigation	0	16	424	10	0	450
		Lighting	0	50	214	250	0	514
		Oban Play Park	0	1	0	0	0	1
		Public Convenience Upgrades	0	82	0	0	0	82
		Roads Reconstruction	0	4,716	7,387	4,128	0	16,231
		Roads Reconstruction - Helensburgh CHORD	0	114	0	0	0	114
Roads Reconstruction - Oban CHORD	0	52	0	0	0	52		
<b>Asset Sustainability Total</b>			<b>0</b>	<b>6,413</b>	<b>9,709</b>	<b>5,138</b>	<b>0</b>	<b>21,260</b>
Service Development	RIS	Campbeltown Old Quay	1,381	0	43	0	0	1,424
		Depot Rationalisation	0	0	50	0	0	50
		Fleet Management	0	1,270	352	1,000	0	2,622
		Fleet Management - Prudential Borrowing	1,461	123	3,277	0	0	4,861
		Lismore Ferry Replacement	0	100	400	0	0	500
		Lochgilphead Depot Rationalisation	12	-12	0	0	0	0
		Mill Park Depot Demolition	126	0	0	0	0	126
		Oban Depot Development	1,424	608	68	0	0	2,100
		Preliminary design for Regional Transport projects (tif)	205	16	0	0	0	221
Witchburn Road Demolition	155	0	0	0	0	155		
<b>Service Development Total</b>			<b>4,764</b>	<b>2,105</b>	<b>4,190</b>	<b>1,000</b>	<b>0</b>	<b>12,059</b>
Strategic Change	RIS	Campbeltown Flood Scheme	315	300	448	0	0	1,063
		Harbour Investment Programme PB	4,863	860	11,990	14,870	58,359	90,942
		Street Lighting LED Replacement	3,070	100	730	0	0	3,900
<b>Strategic Change Total</b>			<b>8,248</b>	<b>1,260</b>	<b>13,168</b>	<b>14,870</b>	<b>58,359</b>	<b>95,905</b>
<b>Overall Total</b>			<b>13,012</b>	<b>9,778</b>	<b>27,067</b>	<b>21,008</b>	<b>58,359</b>	<b>129,224</b>

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	2,426
		Helensburgh Public Realm - Arts Strategy Fund	0	0	53	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	2,220
		SPT - bus infrastructure	1,405	150	0	0	0	1,555
		Town Centre Funds	83	645	747	0	0	1,475
<b>Service Development Total</b>			<b>5,524</b>	<b>1,405</b>	<b>800</b>	<b>0</b>	<b>50,000</b>	<b>57,729</b>
Strategic Change	DEG	01 TIF - Lorn/Kirk Road	2,138	32	0	0	0	2,170
		05 TIF - North Pier Extension	214	0	346	0	0	560
		09 TIF - Oban Airport Business Park	449	31	110	0	0	590
<b>Strategic Change Total</b>			<b>2,801</b>	<b>63</b>	<b>456</b>	<b>0</b>	<b>0</b>	<b>3,320</b>
<b>Overall Total</b>			<b>8,325</b>	<b>1,468</b>	<b>1,256</b>	<b>0</b>	<b>50,000</b>	<b>61,049</b>

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	15	242	0	0	257
		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	83	40	0	0	123
		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	179	0	0	0	179
		Rothesay Community Education Centre	0	0	0	0	0	0
		Shellach View	0	-2	0	0	0	-2
		Struan Lodge Boiler	0	10	242	0	0	252
		Thomson Home Rothesay	0	10	99	6	0	115
Tigh An Rudha HFE	0	74	220	9	0	303		
<b>Asset Sustainability Total</b>			<b>0</b>	<b>547</b>	<b>1,085</b>	<b>576</b>	<b>0</b>	<b>2,208</b>
<b>Service Development</b>	<b>HSCP</b>	Dunclutha Childrens Home	1,246	54	0	0	0	1,300
<b>Service Development Total</b>			<b>1,246</b>	<b>54</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,300</b>
<b>Overall Total</b>			<b>1,246</b>	<b>601</b>	<b>1,085</b>	<b>576</b>	<b>0</b>	<b>3,508</b>

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	26	0	0	0	26
		Capital Property Works	0	184	561	561	0	1,306
		Dunoon Community Education Centre	0	0	48	2	0	50
		Helensburgh Library	0	11	0	0	0	11
		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	48	0	0	0	48
		Rothesay Swimming Pool	0	59	0	0	0	59
		Victoria Halls, Helensburgh	0	84	0	0	0	84
<b>Asset Sustainability Total</b>			<b>0</b>	<b>490</b>	<b>609</b>	<b>563</b>	<b>0</b>	<b>1,662</b>
Service Development	Live Argyll	Riverside Leisure Centre Refurbishment	1,245	-13	0	0	0	1,232
<b>Service Development Total</b>			<b>1,245</b>	<b>-13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,232</b>
Strategic Change	Live Argyll	Carbon Management	14	36	0	0	0	50
<b>Strategic Change Total</b>			<b>14</b>	<b>36</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50</b>
<b>Overall Total</b>			<b>1,259</b>	<b>513</b>	<b>609</b>	<b>563</b>	<b>0</b>	<b>2,944</b>

**TREASURY MANAGEMENT MONITORING REPORT – DECEMBER 2020**

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**1. EXECUTIVE SUMMARY**

- 1.1. This report sets out the Council's treasury management position for the period 1 November 2020 to 31 December 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 December 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 November 2020 to 31 December 2020 was an increase of £0.038m.
- 1.4. The levels of investments were £108.5m at 31 December 2020. The rate of return achieved was 0.494% which compares favourably with the target 7 day LIBID rate which was -0.090%.

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**TREASURY MANAGEMENT MONITORING REPORT – DECEMBER 2020**


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**2. INTRODUCTION**

2.1. This report sets out the Council's treasury management position for the period 1 November 2020 to 31 December 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.

	<b>Forecast 2020/21 £000</b>	<b>Forecast 2021/22 £000</b>	<b>Forecast 2022/23 £000</b>
CFR at 1 April	296,187	291,971	311,185
Net Capital Expenditure	5,963	30,313	12,381
Less Loans Fund Principal Repayments	(5,606)	(6,284)	(6,851)
Less: NPDO Repayment	(4,573)	(4,815)	(5,097)
<b>Estimated CFR 31 March</b>	<b>291,971</b>	<b>311,185</b>	<b>311,618</b>
Less Funded by NPDO	(119,542)	(114,727)	(109,630)
<b>Estimated Net CFR 31 March</b>	<b>172,429</b>	<b>196,458</b>	<b>201,988</b>
Estimated External Borrowing at 31 March	180,741	189,939	186,662
<b>Gap</b>	<b>(8,312)</b>	<b>6,519</b>	<b>15,326</b>

- 3.2. Borrowing is above the Capital Financing Requirement for the period to 31 December 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 December is £172.4m. The table below shows how this has been financed. £168.9m is funded by loans and there are substantial internal balances of £112m of which £108.5m are currently invested, as detailed in section 3.7, leaving a net internal balance of £3.5m.

	Position at 31/10/20 £000	Position at 31/12/20 £000
Loans	168,883	168,921
Net Internal Balances	6,356	3,508
<b>Total CFR</b>	<b>175,239</b>	<b>172,429</b>

During the period from 1 November to 31 December 2020, £0.125m of loans were repaid and £0.163m of new borrowing was taken, the analysis of the movement in borrowing is shown in the table below:

	Actual £000
External Loans Repaid 1st November 2020 to 31st December 2020	(125)
Borrowing undertaken 1st November 2020 to 31st December 2020	163
<b>Net Movement in External Borrowing</b>	<b>38</b>

- 3.5. The external borrowing of the Council increased by £0.038m during the period from 1 November 2020 to 31 December 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.

	£000	% Rate
Temp borrowing at 31st October 2020	626	0.00%
Temp borrowing at 31st December 2020	664	0.00%

### Investment Activity

3.7 The average rate of return achieved in the Council's investments to 31 December 2020 was 0.494% compared to the average LIBID rate for the same period of -0.090% 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 December 2020 the Council had £108.5m of short term investments at an average rate of 0.494%. 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 £000	Interest Rate	Rating S&P
Clydesdale Bank	Instant Access	4,504	0.00%	Short Term A-2, Long Term BBB+
Bank of Scotland	95 Day Notice	7,500	0.30%	Short Term A-1, Long Term A+
Santander	95 Day Notice	7,500	0.45%	Short Term A-1, Long Term A
Santander	180 Day Notice	5,000	0.58%	Short Term A-1, Long Term A
Close Bros	14/04/2021	5,000	0.45%	Short Term A-1, Long Term A
Close Bros	11/03/2021	7,500	0.45%	Short Term A-1, Long Term A
Qatar National Bank	04/03/2021	5,000	0.19%	Short Term A-1, Long Term A
Qatar National Bank	09/03/2021	2,500	0.19%	Short Term A-1, Long Term A
Qatar National Bank	10/03/2021	2,500	0.19%	Short Term A-1, Long Term A
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 Croydon	22/07/2022	5,000	1.65%	AA
London Borough of Croydon	22/08/2022	2,500	1.65%	AA
Rotherham Metropolitan Borough Council	10/10/2022	7,500	0.90%	AA
Lancashire County Council	22/10/2021	5,000	0.45%	AA
		0		
MMF - BNP Paribas	Call	12,150	0.06%	AAA
MMF - CCLA	Call	14,330	0.05%	AAA
<b>Total</b>		<b>108,484</b>		



- 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**

- 4.1 In the period from 1 November 2020 to 31 December 2020, the Council's borrowing increased by £0.038mm, it is currently above the Capital Financing Requirement. There are substantial internal balances, of which £108.5m is currently invested. The investment returns were 0.494% which is above the target of -0.090%.

### **5. IMPLICATIONS**

5.1	Policy -	None
5.2	Financial -	None
5.3	Legal -	None
5.4	HR -	None
5.5	Fairer Scotland Duty -	None
5.6	Equalities	None
5.7	Socio-Economic Duty	None
5.8	Islands Duty -	None
5.9	Risk -	None
5.10	Customer Service -	None

**Kirsty Flanagan**  
**Section 95 Officer**  
**8 February 2021**

**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 05-01-21)

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

- **UK.** The key quarterly meeting of the Bank of England Monetary Policy Committee kept Bank Rate unchanged on 5.11.20. However, it revised its economic forecasts to take account of a second national lockdown from 5.11.20 to 2.12.20 which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of quantitative easing (QE) of £150bn, to start in January when the current programme of £300bn of QE, announced in March to June, runs out. It did this so that “announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target”. Its forecasts appeared, at that time, to be rather optimistic in terms of three areas:
  - The economy would recover to reach its pre-pandemic level in Q1 2022
  - The Bank also expected there to be excess demand in the economy by Q4 2022.
  - CPI inflation was therefore projected to be a bit above its 2% target by the start of 2023 and the “inflation risks were judged to be balanced”.
- Significantly, there was no mention of negative interest rates in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it “stands ready to adjust monetary policy”, the MPC this time said that it will take “whatever additional action was necessary to achieve its remit”. The latter seems stronger and wider and may indicate the Bank’s willingness to embrace new tools.
- One key addition to the Bank’s forward guidance in August 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. Our Bank Rate forecast currently shows no increase, (or decrease), through to quarter 1 2024 but there could well be no increase during the next five years as it will take some years to eliminate spare capacity in the economy, and therefore for inflationary pressures to rise to cause the MPC concern. Inflation is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern.
- **COVID-19 vaccines.** We had been waiting expectantly for news that various COVID-19 vaccines would be cleared as being safe and effective for administering to the general public. The Pfizer announcement on 9<sup>th</sup> November was very encouraging as its 90% effectiveness was much higher than the 50-60% rate of effectiveness of flu vaccines which might otherwise have been expected. However, this vaccine has demanding cold storage requirements of minus 70c that impairs the speed of application to the general population. It has therefore been particularly welcome that the Oxford University/AstraZeneca vaccine has now also been approved which is much cheaper and only requires fridge temperatures for storage. The Government has 60m doses on order and is aiming to vaccinate at a rate of 2m people per week starting in January, though this rate is currently restricted by a bottleneck on vaccine production; (a new UK production facility is due to be completed in June).
- These announcements, plus expected further announcements that other vaccines could be approved soon, have enormously boosted confidence that life could largely return to normal during the second half of 2021, with activity in the still-depressed sectors like restaurants, travel

and hotels returning to their pre-pandemic levels; this would help to bring the unemployment rate down. With the household saving rate having been exceptionally high since the first lockdown in March, there is plenty of pent-up demand and purchasing power stored up for these services. A comprehensive roll-out of vaccines might take into late 2021 to fully complete; but if these vaccines prove to be highly effective, then there is a possibility that restrictions could start to be eased, beginning possibly in Q2 2021 once vulnerable people and front-line workers have been vaccinated. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7% in 2021 instead of 9%.

- Overall, the pace of recovery was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after quarter 1 saw growth at -3.0% followed by -18.8% in quarter 2 and then an upswing of +16.0% in quarter 3; this still left the economy 8.6% smaller than in Q4 2019. It is likely that the one month national lockdown that started on 5<sup>th</sup> November, will have caused a further contraction of 8% m/m in November so the economy may have then been 14% below its pre-crisis level.
- **December 2020 / January 2021.** Since then, there has been rapid back-tracking on easing restrictions due to the spread of a new mutation of the virus, and severe restrictions were imposed across all four nations. These restrictions were changed on 5.1.21 to national lockdowns of various initial lengths in each of the four nations, as the NHS was under extreme pressure. It is now likely that wide swathes of the UK will remain under these new restrictions for some months; this means that the near-term outlook for the economy is grim. However, the distribution of vaccines and the expected consequent removal of COVID-19 restrictions, should allow GDP to rebound rapidly in the second half of 2021 so that the economy could climb back to its pre-pandemic peak as soon as late in 2022. Provided that both monetary and fiscal policy are kept loose for a few years yet, then it is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The significant caveat is if another mutation of COVID-19 appears that defeats the current batch of vaccines. However, now that science and technology have caught up with understanding this virus, new vaccines ought to be able to be developed more quickly to counter such a development and vaccine production facilities are being ramped up around the world.
- **Brexit.** The final agreement on 24.12.20 has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. As the forecasts in this report were based on an assumption of a Brexit agreement being reached, there is no need to amend these forecasts.
- **Monetary Policy Committee meeting of 17th December.** All nine Committee members voted to keep interest rates on hold at +0.10% and the Quantitative Easing (QE) target at £895bn. The MPC commented that the successful rollout of vaccines had reduced the downsides risks but they were still sufficiently concerned that they voted to extend the availability of the Term Funding Scheme, (cheap borrowing), with additional incentives for small and medium size enterprises for another six months from 30.4.21 until 31.10.21. (The MPC had assumed that a Brexit deal would be agreed.)
- **US.** The Democrats won the presidential election in November, and now that they have won two Senate seats in Georgia in early January, they have effective control of both Congress and the Senate, although power is more limited in the latter. This is likely to enable the Democrats to provide more fiscal stimulus to the economy and so help the speed of economic recovery.
- **The economy** had been recovering quite strongly from its contraction in 2020 of 10.2% due to the pandemic with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since

mid-August, suggests that the US could be in the early stages of a fourth wave - impacting widely across the US this time. This latest upturn poses a threat that the recovery in the economy could stall. This is the single biggest downside risk to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.

- The restrictions imposed to control the spread of the virus are once again weighing on the economy with employment growth slowing sharply in November and retail sales dropping back. The economy is set for further weakness in December and into the spring. However, a \$900bn fiscal stimulus deal passed by Congress in late December will limit the downside. GDP growth is expected to rebound markedly from the second quarter of 2021 onwards as vaccines are rolled out on a widespread basis and restrictions are loosened.
- After Chair Jerome Powell unveiled the Fed's adoption of a flexible average inflation target in his Jackson Hole speech in late August 2020, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."* This change was 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, (and this year), 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. 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.
- The Fed's meeting on 16 December tweaked the guidance for its monthly asset quantitative easing purchases with the new language implying those purchases could continue for longer than previously believed. Nevertheless, with officials still projecting that inflation will only get back to 2.0% in 2023, the vast majority expect the fed funds rate to be still at near-zero until 2024 or later. Furthermore, officials think the balance of risks surrounding that median inflation forecast are firmly skewed to the downside. The key message is still that policy will remain unusually accommodative – with near-zero rates and asset purchases – continuing for several more years. This is likely to result in keeping Treasury yields low – which will also have an influence on gilt yields in this country.
- **EU.** In early December, the figures for Q3 GDP confirmed that the economy staged a rapid rebound from the first lockdowns. This provides grounds for optimism about growth prospects for next year. In Q2, GDP was 15% below its pre-pandemic level. But in Q3 the economy grew by 12.5% q/q leaving GDP down by "only" 4.4%. That was much better than had been expected earlier in the year. However, growth is likely to stagnate during Q4 and in Q1 of 2021, as a second wave of the virus has affected many countries: it is likely to hit hardest those countries more dependent on tourism.
- With inflation expected to be unlikely to get much above 1% over the next two years, the ECB has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. The ECB's December meeting added a further €500bn to the PEPP scheme, (purchase of government and other bonds), and extended the duration of the programme to March 2022 and re-investing maturities for an additional year until December 2023. Three additional tranches of TLTRO, (cheap loans to banks), were approved, indicating that support will last beyond the impact of the pandemic, implying indirect yield curve control for

government bonds for some time ahead. The Bank's forecast for a return to pre-virus activity levels was pushed back to the end of 2021, but stronger growth is projected in 2022. The total PEPP scheme of €1,850bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, as in the UK and the US, the advent of highly effective vaccines will be a game changer, although growth will struggle before later in quarter 2 of 2021.

- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth.
- **Japan.** A third round of fiscal stimulus in early December took total fresh fiscal spending this year in response to the virus close to 12% of pre-virus GDP. That's huge by past standards, and one of the largest national fiscal responses. The budget deficit is now likely to reach 16% of GDP this year. Coupled with Japan's relative success in containing the virus without draconian measures so far, and the likelihood of effective vaccines being available in the coming months, the government's latest fiscal effort should help ensure a strong recovery and to get back to pre-virus levels by Q3 2021 – around the same time as the US and much sooner than the Eurozone.
- **World growth.** World growth will have been in recession in 2020. 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 09-11-20)

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Following the conclusion of the HM Treasury review of PWLB margins over gilt yields on 25.11.20, all forecasts below now include the 1% reduction in the non-HRA Certainty Rate (now gilt yields plus 80bps):

Link Group Interest Rate View		9.11.20											
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20													
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

Additional notes by Link on this forecast table: -

- Please note that we have made a slight change to our interest rate forecasts table above for forecasts for 3, 6 and 12 months. Traditionally, we have used LIBID forecasts, with the rate calculated using market convention of 1/8th (0.125%) taken off the LIBOR figure. Given that all LIBOR rates up to 6m are currently running below 10bps, using that convention would give negative figures as forecasts for those periods. However, the liquidity premium that is still in evidence at the short end of the curve means that the 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 10 bps is achievable for 3 months, 10bps for 6 months and 20 bps for 12 months.
- During 2021, 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.
- We will maintain continuity by providing clients with LIBID investment benchmark rates on the current basis.

The coronavirus outbreak has done huge economic damage to the UK and to economies 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 subsequent meetings, 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 31<sup>st</sup> March 2024 as economic recovery is expected to be only gradual.

**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 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.

Gilt yields had, therefore, already been on a generally falling trend up until the coronavirus crisis hit western economies during March. After gilt yields initially spiked upwards in March, we have seen yields fall sharply in response to major western central banks taking rapid policy action to deal with excessive stress in financial markets during March, and starting massive quantitative easing driven purchases of government bonds: these actions also acted to put 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 on 31<sup>st</sup> December, all gilt yields from 1 to 8 years were in negative territory, while even 25 year yields were only at 0.84% and the 50 year at 0.64%.

- 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 9.10.19, 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 11.3.20, but not for mainstream non-HRA capital schemes. A consultation was then held with local authorities and on 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -
  - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
  - **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)

As the interest forecast table for PWLB certainty rates, (gilts plus 80bps), above shows, there is likely to be little upward movement in PWLB rates over the next three years as it will take the UK a prolonged period to eliminate spare capacity in the economy so that inflation might start to become a sufficient concern for both the MPC to consider raising Bank Rate, and for gilt holders to require a higher yield.

## Appendix 3 – Prudential Indicators

PRUDENTIAL INDICATOR	2020-21	2020-21	2021-22	2022-23
<b>(1). EXTRACT FROM BUDGET</b>				
	<b>Forecast Outturn £'000</b>	<b>Original Estimate £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Outturn £'000</b>
<b>Capital Expenditure</b>				
Non - HRA	5,963	19,189	30,313	12,381
<b>TOTAL</b>	<b>5,963</b>	<b>19,189</b>	<b>30,313</b>	<b>12,381</b>
<b>Ratio of financing costs to net revenue stream</b>				
Non - HRA	5.83%	5.83%	5.84%	5.89%
<b>Net borrowing requirement</b>				
brought forward 1 April *	296,187	298,658	307,668	311,185
carried forward 31 March *	291,971	307,668	311,185	311,618
in year borrowing requirement	(4,216)	9,010	3,517	433
<b>In year Capital Financing Requirement</b>				
Non - HRA	(4,216)	9,010	3,517	433
<b>TOTAL</b>	<b>(4,216)</b>	<b>9,010</b>	<b>3,517</b>	<b>433</b>
<b>Capital Financing Requirement as at 31 March</b>				
Non - HRA	291,971	307,668	311,185	311,618
<b>TOTAL</b>	<b>291,971</b>	<b>307,668</b>	<b>311,185</b>	<b>311,618</b>



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

<b>Maturity structure of new fixed rate borrowing during 2020/21</b>	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%

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**RESERVES AND BALANCES – UPDATE AS AT 31 DECEMBER 2020**

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**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 £269.579m 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:
- £26.602m is invested or committed for major initiatives/capital projects
  - £6.086m has already been drawn down
  - £4.437m is still to be drawn down in 2020-21
  - £5.826m is planned to be spent in future years
  - £0.424m is no longer required and has been released back to the general fund
- 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 balances no longer required, the agreed supplementary estimate, the current forecast outturn for 2020-21 and the use of additional government funding related to COVID, the Council is forecast to have a £3.730m contingency balance by the end of the year.

**RESERVES AND BALANCES - UPDATE AS AT 31 DECEMBER 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 the Audited Accounts for 2019-20.

<b>Unusable Reserves</b>	<b>£000</b>
Revaluation Reserve	126,560
Capital Adjustment Account	220,263
Financial Instruments Adjustment Account	(2,850)
Pensions Reserve	(67,346)
Accumulated Absences Account	(7,048)
<b>Total Unusable Reserves</b>	<b>269,579</b>

<b>Usable Reserves</b>	<b>£000</b>
Repairs and Renewals Fund	1,843
Capital Fund and Usable Capital Receipts Reserve	4,379
General Fund	49,670
<b>Total Usable Reserves</b>	<b>55,892</b>
<b>Total Reserves</b>	<b>325,471</b>

- 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:

	<b>Balance 31/03/20 £000</b>
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)
<b>Unallocated balance as at 31 March 2020</b>	<b>1,326</b>

- 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 31/12/20 £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	3,600				400
Capital Projects	7,452	7,452				
Lochgilphead and Tarbert Regeneration	2,376	2,325	51			
Inward Investment Fund	883	833	50			
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		915	2		
Energy Efficiency Fund	218			218		
Existing Legal Commitments	644		45	0	599	
Unspent Grant	3,281		2,526	537	218	
Unspent Third Party Contribution	137			118	19	
Previous Council Decision - Other	2,967	1,813	14	374	742	24
Redundancy Provision	2,100		600	0	1,500	
Supporting Organisational Change	500				500	
Spend to Save Route Optimisation	100			100		
Unspent Budget	5,752		847	2,747	2,158	
<b>Totals</b>	<b>43,375</b>	<b>26,602</b>	<b>6,086</b>	<b>4,137</b>	<b>6,076</b>	<b>424</b>

- 3.3.3 An earmarking of £0.024m in relation to Enforcement Action for Planning has been released back to the general fund. The issue has been satisfactorily resolved without requirement for direct action so the earmarking can be released.

Investment in Affordable Housing £0.400m – this earmarked balance provides cash backed reserves for the loans to registered social landlords. As at 31 December 2020, the balance on the remaining loans is £3.600m, therefore £0.400m can be released back to the general fund.

### 3.4 Unallocated General Fund Balance

- 3.4.1 At the Business Continuity Committee meeting on 13 August, the following supplementary estimate for £0.015m was agreed for Export Health Certificates which reduces the unallocated General Fund balance.
- 3.4.2 The first allocation of the £90m COVID Lost Income Scheme has been confirmed as £2.043m which can be applied to offset the impact of COVID on the revenue position. The Scottish Government has announced a further amount of £110m and whilst this hasn't been distributed, it is expected that the distribution will be similar to the £90m and if this is the case, we will receive £2.497m.
- 3.4.3 The Loans Fund is projecting increased investment income of £0.300m due to the rate of return achieved by the Council's investments continuing to be higher than the average LIBID rate despite the challenging investment market. This can be utilised to offset the impact of COVID on the revenue position.
- 3.4.4 The forecast outturn position for Social Work as at the end of December was a £1.879m overspend, which assumed that there would be no funding from Scottish Government in respect of undelivered savings. It has now been confirmed that funding will be made available for the undelivered savings and as a result Social Work would no longer be overspent.
- 3.4.5 The table below summarises the estimated Unallocated General Fund Balance as at the end of the financial year

Heading	Detail	£000	£000
Unallocated General Fund as at 31 March 2020	This is the balance that is unallocated over and above the 2% contingency which amounts to £4.969m		1,326
HSCP repayment towards previous year overspends	Agreed as £0.500m in 20-21 but £0.100m had already been paid in 19-20		400
Earmarked Balances no longer required	Per paragraph 3.3.3 – amounts previously earmarked that can be released back to general fund		424

Supplementary Estimate Agreed 13 August 2020	Agreed in relation to Export Health Certificates		(15)
<b>Sub Total</b>			<b>2,135</b>
Current Forecast Outturn for 2020-21 as at 31 October 2020	Two main factors: Council additional costs and lost income in relation to COVID that remain unfunded. Social Work estimated overspend	(5,124)	
Estimated Additional Income from Lost Income Scheme	Provisional figure for the distribution of the £90m Scottish Government lost income scheme	2,043	
Additional £110m Lost Income Scheme	Estimated share of additional £110m announced by Scottish Government for Lost Income Scheme	2,497	
Loans Fund estimated increased investment income		300	
Social Work Adjustment	Based on funding advised in respect of undelivered savings, Social Work will no longer be overspent	1,879	
<b>Net Forecast Outturn 2020-21</b>			<b>1,595</b>
<b>Estimated Unallocated General Fund Balance as at 31 March 2021</b>			<b>3,730</b>

### 3.5 Loans Fund Review

3.5.1 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
	<b>20,561</b>	<b>(2,700)</b>	<b>(600)</b>	<b>17,261</b>

- 3.5.2 \* Within Significant Strategic Change Projects, £2.856m has now been committed however won't be drawn down until 2021-22. This was agreed at the Business Continuity Committee on 25 June 2020.

#### 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 December 2020 the estimated unallocated General Fund, after taking into consideration the forecast outturn for 2020-21 is £3.730m.

#### 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**  
**8 February 2021**

**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 December 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	1,035		39,782	39,782	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	
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	0		78,156	78,156	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		0	0	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.	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
010	Executive Director (Kirsty Flanagan)	Customer Support Services	Growing our Own and Modern Apprentices	109,150			109,150	0	109,150	Funding earmarked to support trainee development and modern apprenticeship opportunities based on priority workforce risk areas. These areas have been identified and proposals developed. The money will be allocated in 2021/22 and 2022/23, this has been delayed as a result of covid and concerns regarding supporting apprentices/trainees remotely. This is being addressed and proposals will be agreed for spend in 2021/22 and 2022/23.	0	81,862	27,288
011	Executive Director (Kirsty Flanagan)	Customer Support Services	Business Development Training	57,939	22,816		35,123	3,600	31,523	This budget is funding ongoing leadership development, coaching, action learning sets and commissioned training including Priority Management.	26,416	31,523	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
012	Executive Director (Kirsty Flanagan)	Customer Support Services	Learning and Development	38,108	1,600		36,508	36,508	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	31,705		0	0	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		0	0	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 (Douglas Hendry)	Commercial Services	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	3,549	550,000	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.	120,986	550,000	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)	Roads and Infrastructure Services	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)	Roads and Infrastructure Services	Fyne Futures	60,000	30,419		29,581	29,581	0	Agreed at Council meeting February 2020, one off allocation to Fyne Futures for 20/21. Fyne Futures ceased operating the recycling service on Bute at the end of March. The service is now undertaken in-house. Partial draw down only required to operate internal service. Staff were Taped across from Fyne Futures which may lead to redundancy costs in 2020-21 for which the remaining unspent earmarking could assist with, if agreement obtained.	60,000	0	0
020	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Argyll and the Isles Tourism Co-operative	30,000	22,500		7,500	7,500	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	60,012		532,206	1,000	531,206	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.	61,012	80,420	450,786
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		0	0	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	995		35,791	9,005	26,786	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.	10,000	26,786	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
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 £22k. 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

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
029	Non Departmental / Executive Director (Douglas Hendry)	Across Services / Commercial Services	Information Management (Estates Survey Work)	121,538			121,538	121,538		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	0	92,000	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 (delay on spending due to COVID-19), 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	0	61,000	31,000
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	9,364		67,254	67,254	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
				<b>5,752,586</b>	<b>847,440</b>	<b>0</b>	<b>4,905,146</b>	<b>2,746,673</b>	<b>2,158,473</b>		<b>3,594,113</b>	<b>1,532,952</b>	<b>625,521</b>

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**ARGYLL AND BUTE COUNCIL****COUNCIL****FINANCIAL SERVICES****25 FEBRUARY 2021**

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

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**1. EXECUTIVE SUMMARY**

- 1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities. A requirement of the Code is for an annual Treasury Management Strategy Statement and Investment Strategy to be approved by Council for the forthcoming financial year. This report seeks Member's approval of the proposed Treasury Management Strategy Statement and Annual Investment Strategy. The report also sets out the policy for the repayment of loans fund advances for 2021-22.
- 1.2 The draft Treasury Management Strategy Statement and Annual Investment Strategy will be presented to the:
- Policy and Resources Committee on 18 February 2021
  - Council on 25 February 2021
  - Audit and Scrutiny Committee on 16 March 2021
  - If required, Council on 15 April 2021, following recommendations from the Audit and Scrutiny Committee that need approval from Council.
- 1.3 The Council uses Link Asset Services as its external treasury management advisors. The Council recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subject to regular review.
- 1.4 Section 2 of the attached document outlines the Council's Capital Prudential and Treasury Indicators which Members are asked to approve.
- 1.5 In 2016 new regulations were enacted by the Scottish Parliament, the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016, under which the Council is required to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year as detailed in section 2.5 of the strategy. The policy on repayment of loans fund advances in respect of capital expenditure by the Council is to ensure that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.
- 1.6 A review of the Council's loan fund advance repayments was undertaken in 2019-20 with advice from our Treasury Advisors, Link Asset Services. The review was undertaken to ensure the Council continues to make a prudent provision each year for the repayment of loans fund advances.

- 1.7 The review considered new loans fund advances and historic loans fund advances to assess whether the repayment methodology was still the most prudent option. In doing so a revised policy on loans fund advance repayment profiling was introduced as follows:

For all new loans fund advances the policy for repayment is:

- **Asset life method** – loans fund advances will be repaid with reference to the life of an asset using a 5.1% annuity rate;
- **Funding / Income profile method** – loans fund advances will be repaid by reference to an associated income stream using a 5.1% annuity rate. This would be utilised where the asset will generate income which can be used to repay the debt or as a result of spend to save schemes where again the savings can be used to repay the loans fund advances.

- 1.8 Section 3 of the document outlines the current actual external debt against the capital financing requirement highlighting any over or under borrowing. There is information on the interest rates projections and the borrowing strategy.

- 1.9 Section 4 of the document outlines the annual investment strategy. The Council's investment priorities will be security first, liquidity second and then return. It explains the creditworthiness policy and the use of Link Asset Services in this respect as well as the Country and Sector limits.

- 1.10 There are a number of appendices in Section 5. Some of this information has been provided by our Treasury advisors, Link Asset Services.

## 2. RECOMMENDATIONS

- 2.1 It is recommended that the Council:

- a) Approve the proposed Treasury Management Strategy Statement and Annual Investment Strategy and the indicators contained within. Note that the figures within the Strategy will be updated to reflect the budget decisions agreed at Council.
- b) Approve the continued use of the asset life method for the repayment of loan fund advances using a 5.1% annuity interest rate, with the exception of spend to save schemes where the funding/income profile method could be used.
- c) Approve the proposed asset repayment periods as detailed within section 2.6 of the Treasury Management Strategy Statement.
- d) Approve the ability to continue to use countries with a sovereign rating of AA- and above, as recommended by Link Asset Services.

## 3. IMPLICATIONS

- 3.1 Policy – Sets the policy for borrowing and investment decisions.

- 3.2 Financial – Revised methodology gives rise to a revenue saving in addition to a one-off re-profiling gain in relation to prior year repayments. An effective Treasury Management Strategy forms a significant part of the Council's financial arrangements and its financial well-being.
- 3.3 Legal - None.
- 3.4 HR - None.
- 3.5 Fairer Scotland Duty – None.
  - 3.5.1 Equalities – None.
  - 3.5.2 Socio-Economic Duty – None.
  - 3.5.3 Islands Duty – None.
- 3.6 Risk - This report does not require any specific risk issues to be addressed, however members will be aware that the management of risk is an integral part of the Council's treasury management activities.
- 3.7 Customer Service - None.

**Policy Lead for Financial Services and Capital Regeneration Projects:  
Councillor Gary Mulvaney**

**Kirsty Flanagan  
Section 95 Officer  
8 February 2021**

For further information please contact:  
Anne Macdougall, Finance Manager 01586-555269

**APPENDICES**

Appendix 1 – Treasury Management Strategy Statement and Annual Investment Strategy 2021-22



**Treasury Management Strategy Statement  
and Annual Investment Strategy 2021-2022**



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# 1 INTRODUCTION

## 1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any loans to third parties, commercial investment initiatives or other non-financial investments will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Revised reporting is required for the 2021/22 reporting cycle due to revisions of the the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity if that is going to be undertaken. The capital strategy is being reported separately.

## 1.2 Reporting requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

An annual Treasury Management Strategy Statement (this report) – this is the first and most important report which is submitted to full Council before the start of the financial year. The Council approve this Strategy in February, after which the Audit and Scrutiny Committee have an opportunity to make comments and recommendations. If required the Strategy would then go back to Council in April to approve any amendments recommended by the Audit and Scrutiny Committee. The Strategy covers:

- The capital plans (including prudential indicators);
- A policy for the statutory repayment of debt, (how residual capital expenditure is charged to revenue over time);
- The treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- A permitted investment strategy (the parameters on how investments are to be managed).

A mid-year Treasury Management Review Report - this will update Members with the progress of the capital position, amending prudential indicators as necessary and whether any policies require revision. Monitoring reports are submitted to each Policy and Resources Committee.

An Annual Treasury Report – this provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy. This report is presented to Council after the end of each financial year.

### **Capital Strategy**

The CIPFA revised 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, which will provide the following:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability.

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

### **1.3 Treasury Management Strategy for 2021/22**

The strategy for 2021/22 covers two main areas:

#### **Capital issues**

- the capital expenditure plans and the associated prudential indicators.
- The loans fund repayment policy.

#### **Treasury management issues**

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government in Scotland Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and Scottish Government loans fund repayment regulations and investment regulations.

#### **1.4 Training**

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny (Audit and Scutiny Committee).

The training needs of treasury management officers are periodically reviewed.

#### **1.5 Treasury management advisors**

The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

## 2 CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2021/22 – 2023/24

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans are reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

### 2.1 Capital Expenditure and Financing

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of the 2021/22 budget setting.

The table below summarises the capital expenditure plans as outlined within the proposed capital plan 2021-24.

Capital Expenditure £'000	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
<b>Executive Director - Douglas Hendry</b>					
Education	7,707	3,332	12,143	2,562	2,243
Facility Services - Shared Offices	1,231	721	2,954	571	431
Major Projects/CHORD	5,802	7,712	13,393	2,975	285
<b>Executive Director - Kirsty Flanagan</b>					
ICT	1,468	775	1,419	1,209	919
Roads and Infrastructure	18,086	9,776	27,222	21,163	11,995
Development and Economic Growth	901	1,468	1,569	0	0
<b>Live Argyll</b>	1,047	294	828	563	431
<b>Health and Social Care Partnership</b>	530	236	1,450	576	431
<b>Total</b>	<b>36,772</b>	<b>24,314</b>	<b>60,978</b>	<b>29,619</b>	<b>16,735</b>

The table below summarises the above capital expenditure plans and how capital or revenue resources are financing them. Any shortfall of resources results in a funding borrowing need. (The financing need excludes other long-term liabilities, such as PFI and leasing arrangements, which already include borrowing instruments.)

Capital Expenditure £'000	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
<b>Total Capital Expenditure</b>	36,772	24,314	60,978	29,619	16,735
<b>Financed by:</b>					
Capital Receipts	1,883	740	855	855	855
Capital Grants	31,136	10,823	9,219	8,718	8,718
Capital Reserves	0	0	0	0	0
Revenue	812	12,978	17,972	0	0
<b>Net Financing need for the year</b>	<b>2,941</b>	<b>(227)</b>	<b>32,932</b>	<b>20,046</b>	<b>7,162</b>

## 2.2 The Council's Overall Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.

Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as prudent annual repayments from revenue need to be made, called the Loan Fund Principal Repayment, which reflects the useful life of capital assets financed by borrowing. This charge reduces the CFR each year. From 1 April 2016, authorities may choose whether to use scheduled debt amortisation, (loans pool charges), or another suitable method of calculation in order to repay borrowing.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £124m of such schemes within the CFR.

The CFR projections are noted in the following table.

	2019/20	2020/21	2021/22	2022/23	2023/24
£'000	Actual	Estimate	Estimate	Estimate	Estimate
<b>Capital Financing Requirement</b>					
Opening CFR	309,994	296,187	285,516	308,780	318,656
Closing CFR	296,187	285,516	308,780	318,656	315,093
<b>Movement in CFR</b>	<b>(13,807)</b>	<b>(10,671)</b>	<b>23,264</b>	<b>9,876</b>	<b>(3,563)</b>
<b>Movement in CFR represented by</b>					
Net financing need for the year (above)	2,941	(227)	32,932	20,046	7,162
Less scheduled debt Amortisation	16,748	10,444	9,668	10,170	10,725
<b>Movement in CFR</b>	<b>(13,807)</b>	<b>(10,671)</b>	<b>23,264</b>	<b>9,876</b>	<b>(3,563)</b>

## 2.3 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources	2019/20	2020/21	2021/22	2022/23	2023/24
£'000	Actual	Estimate	Estimate	Estimate	Estimate
<b>Expected Investments</b>	<b>68,100</b>	<b>72,500</b>	<b>60,000</b>	<b>50,000</b>	<b>40,000</b>

## 2.4 Limits to Borrowing Activity

**The operational boundary:** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational Boundary £'m	2019/20 Actual	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Debt	200	200	196	210	214
Other long term liabilities	124	124	120	115	110
<b>Total</b>	<b>324</b>	<b>324</b>	<b>316</b>	<b>325</b>	<b>324</b>

**The authorised limit for external debt.** This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

- a) The authorised limits for external debt for the current year and two subsequent years are the legislative limits determined under Regulation 6(1) of the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016.
- b) The Council is asked to approve the following authorised limit:

Authorised Limit £'m	2019/20 Actual	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Debt	205	205	201	215	219
Other long term liabilities	127	127	123	118	113
<b>Total</b>	<b>332</b>	<b>332</b>	<b>324</b>	<b>333</b>	<b>332</b>

## 2.5 Statutory repayment of loans fund advances

The Council is required to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year. The repayment of loans fund advances ensures that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.

A variety of options are provided to Councils so long as a prudent provision is made each year. A review of the Council's loan fund advances was undertaken during 2019-20 to ensure the Council continues to make a prudent provision each year for the repayment of loans fund advances.

For all new loans fund advances the policy for the repayment is:-

1. **Asset life method** – loans fund advances will be repaid with reference to the life of an asset using a 5.1% annuity rate;
2. **Funding / Income profile method** – loans fund advances will be repaid by reference to an associated income stream.

The annuity rate applied to current loans fund repayments is based on historic interest rates over a 15 year period ensuring that a prudent rate is used. The current rate is 3.57%, however it is still considered prudent to use the average historic rate at this time.

## 2.6 Asset Repayment Periods

Using the asset life method, the Council is required to ensure that the debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

During the year it was identified that Piers and Harbours have three main types of work undertaken which have differing asset lives. This amendment has been included within the table below which details the repayment period to be used for each asset type.

<b>Asset Type</b>	<b>Repayment Period (Years)</b>
Land (including cemeteries)	100
Road Structures - Bridges, Retaining Walls, Sea Walls, Flood Defences	60
Piers and Harbours - Major Structural Work	60
Piers and Harbours - Medium Term Works e.g painting/cathodic protection	20
Piers and Harbours - Limited Lifespan Improvements	10
Roads and Footways	20
Street Lighting	30
Vehicles & Plant	7
IT Equipment	5
Major Regeneration Works (Public Realm etc)	60
New Builds including Schools	60
Buildings - Electrical	40
Buildings - Plant	20
Buildings - Roofing	35
Buildings - Windows & External Doors	20
Buildings - Structural	25



### 3 TREASURY MANAGEMENT STRATEGY

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

#### 3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2020 and at 31 December 2020 are shown below for both borrowing and investments.

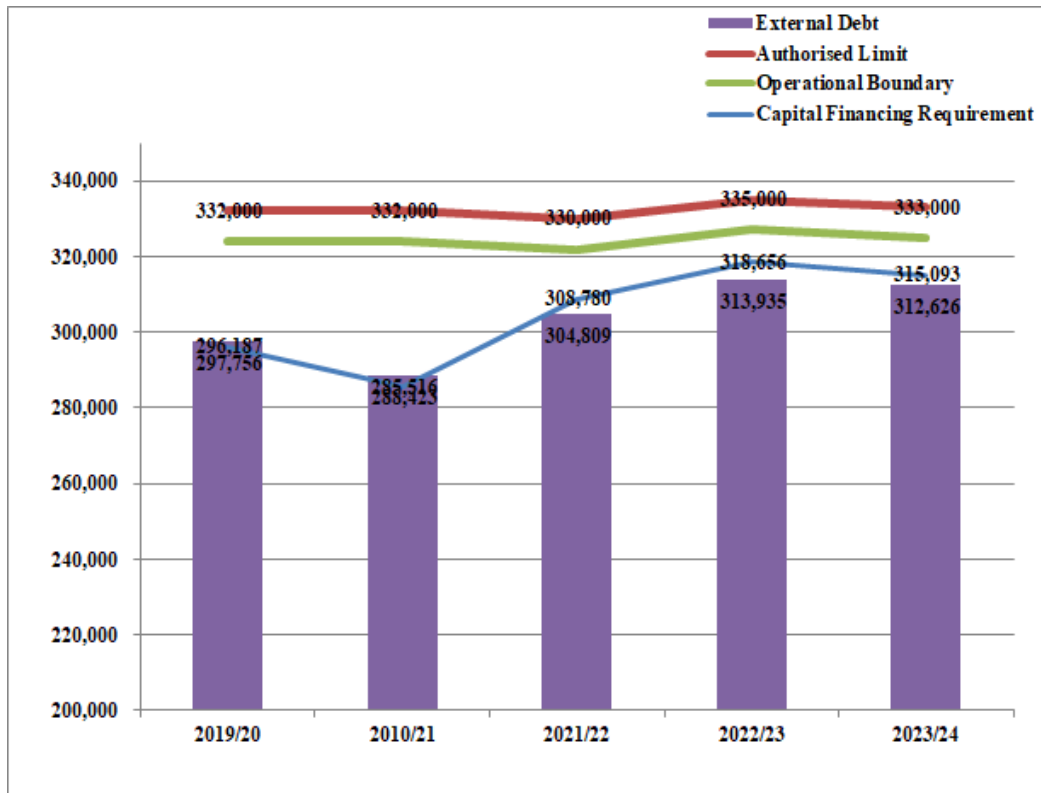
<b>TREASURY PORTFOLIO</b>				
	Actual	Actual	Current	Current
	<b>31.3.20</b>	<b>31.3.20</b>	<b>31.12.20</b>	<b>31.12.20</b>
	£000	%	£000	%
<b>Treasury investments</b>				
Banks	32,742	41%	47,004	42%
Building Societies - rated	0	0%	0	0%
Local Authorities	22,000	28%	35,000	31%
Money Market Funds	15,050	19%	26,480	24%
Certificates of Deposit	5,000	6%	0	0%
Third Party Loans	4,221	5%	3,949	4%
<b>Total managed in house</b>	<b>79,013</b>	<b>100%</b>	<b>112,433</b>	<b>100%</b>
Bond Funds	0	0%	0	0%
Property Funds	0	0%	0	0%
<b>Total managed externally</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>Total Treasury Investments</b>	<b>79,013</b>	<b>100%</b>	<b>112,433</b>	<b>100%</b>
<b>Treasury external borrowing</b>				
PWLB	122,615	71%	118,843	70%
LOBOs	39,255	23%	39,255	23%
Market	11,000	6%	10,000	6%
Special	174	0%	132	0%
Temporary Borrowing	562	0%	665	0%
Local Bonds	33	0%	26	0%
<b>Total External Borrowing</b>	<b>173,639</b>	<b>100%</b>	<b>168,921</b>	<b>100%</b>
<b>Net Treasury Investments / (Borrowing)</b>	<b>(94,626)</b>		<b>(56,488)</b>	

A more detailed analysis of the above table showing actual investments placed with individual counterparties can be found in Appendix 2.

The Council's forward projections for borrowing, are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2019/20	2020/21	2021/22	2022/23	2023/24
£'000	Actual	Estimate	Estimate	Estimate	Estimate
<b>External Debt</b>					
Debt as 1st April	183,476	173,639	168,879	190,080	204,303
Change in Debt (In Year)	(9,837)	(4,760)	21,201	14,223	3,998
Other long-term liabilities (OLTL) at 1st April	129,767	124,117	119,544	114,729	109,632
Change in OLTL (In Year)	(5,650)	(4,573)	(4,815)	(5,097)	(5,307)
<b>Actual gross debt at 31st March</b>	<b>297,756</b>	<b>288,423</b>	<b>304,809</b>	<b>313,935</b>	<b>312,626</b>
<b>The Capital Financing Requirement</b>	<b>296,187</b>	<b>285,516</b>	<b>308,780</b>	<b>318,656</b>	<b>315,093</b>
<b>Under / (Over) borrowing</b>	<b>(1,569)</b>	<b>(2,907)</b>	<b>3,971</b>	<b>4,721</b>	<b>2,467</b>

The following graph shows the the CFR compared to the expected net debt in each of the years and the under / (over) borrowed position, also shown is the Council's authorised limit for debt and it's operational boundary (see paragraph 2.4 above.



Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not taken for revenue or speculative purposes.

The Section 95 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

### 3.2 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 11.8.20. However, following the conclusion of the review of PWLB margins over gilt yields on 25.11.20, all forecasts below have been reduced by 1%. These are forecasts for certainty rates, gilt yields plus 80bps:

Link Group Interest Rate View		9.11.20												
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20														
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00	
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30	
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80	
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60	

Additional notes by Link on this forecast table: -

- Please note that we have made a slight change to our interest rate forecasts table above for forecasts for 3, 6 and 12 months. Traditionally, we have used LIBID forecasts, with the rate calculated using market convention of 1/8th (0.125%) taken off the LIBOR figure. Given that all LIBOR rates up to 6m are currently running below 10bps, using that convention would give negative figures as forecasts for those periods. However, the liquidity premium that is still in evidence at the short end of the curve means that the 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 10 bps is achievable for 3 months, 10bps for 6 months and 20 bps for 12 months.
- During 2021, 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.
- We will maintain continuity by providing clients with LIBID investment benchmark rates on the current basis.

The coronavirus outbreak has done huge economic damage to the UK and economies 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 subsequent

meetings to 16<sup>th</sup> December, 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 in the near-term as economic recovery is expected to be only gradual and, therefore, prolonged. These forecasts were based on an assumption that a Brexit trade deal would be agreed by 31.12.20: as this has now occurred, these forecasts do not need to be revised.

Link Asset Services have also provided commentary in relation to interest rates and this is included within Appendix 3.

### 3.3 Investment and borrowing rates

Investment returns are likely to remain exceptionally low during 2021/22 with little increase in the following two years.

Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to 6 years were negative during most of the first half of 2020/21. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. The unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps in October 2019, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure. It also introduced the following rates for borrowing for different types of capital expenditure: -

- **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)**

As a consequence of these increases in margins, many local authorities decided to refrain from PWLB borrowing unless it was for HRA or local infrastructure financing, until such time as the review of margins was concluded.

On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **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)

Whilst this authority will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

### **3.4 Borrowing strategy**

Over the past few years, the Council has benefited from lower borrowing costs due to low interest rates, in particular utilisation of short term temporary borrowing and internal borrowing (use of existing cash).

The Council is currently anticipating an over-borrowed position as at the end of 2020/21. This means that the capital borrowing need (the Capital Financing Requirement), has been fully funded with loan debt. This over-borrowed position is expected to be temporary as the delays in delivering the Council's capital programme because of CoVID 19 are recovered in future years, returning eventually to an under-borrowed position. It is expected that cash supporting the Council's reserves, balances and cash flow will be used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2021/22 treasury operations. Any decisions will be reported to the appropriate committee at the next available opportunity. In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. The Section 95 Officer, in conjunction with the treasury advisors, will continually monitor both the prevailing interest rates and the market forecasts, adopting a pragmatic approach to changing circumstances.

- if it was felt that there was a significant risk of a sharp FALL in borrowing rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then borrowing will be postponed.
- if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

### **3.5 Policy on borrowing in advance of need**

The Council will not borrow more than, or in advance of, its needs purely in order to profit from the investment of the extra sum borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

### **3.6 Debt rescheduling**

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as the 100 bps increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment rates.

If rescheduling was done, it will be reported to the appropriate Committee at the earliest meeting following its action.

## 4 ANNUAL INVESTMENT STRATEGY

### 4.1 Investment policy

The Council's investment policy implements the requirements of the Local Government Investments (Scotland) Regulations 2010, (and accompanying Finance Circular 5/2010), and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017, ("the CIPFA TM Code") and CIPFA Treasury Management Guidance Notes 2018.

The above regulations and guidance place a high priority on the management of risk. **The Council's investment priorities will be security first, liquidity second and then return.** This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
3. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This authority has defined the list of types of investment instruments that are permitted investments authorised for use in Appendix 5. Appendix 6 expands on the risks involved in each type of investment and the mitigating controls.
5. Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table in Appendix 7.
6. Transaction limits are set for each type of investment in Appendix 5.
7. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.5).
8. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
9. All investments will be denominated in **sterling**.
10. As a result of the change in accounting standards for 2021/22 under **IFRS 9**, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.4). Regular monitoring of investment performance will be carried out during the year.

## 4.2 Creditworthiness policy

The Council recognises the vital importance of credit-worthiness checks on the counterparties it uses for investments.

This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following further overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

Further explanation of the approach for creditworthiness used by Link Asset Services is found in Appendix 7.

### UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt in. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered) will be considered for investment purposes.

### 4.3 Country and sector limits

The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 8. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

### 4.4 Investment strategy

**In-house funds:** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 24 months). Greater returns are usually obtainable by investing for longer periods. While cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

### **Investment returns expectations**

Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising so it may be best to assume that investment earnings from money market-related instruments will be sub 0.50% for the foreseeable future.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows (the long term forecast is for periods over 10 years in the future):

2020/21	0.10%
2021/22	0.10%
2022/23	0.10%
2023/24	0.10%
2024/25	0.25%
Long term later years	2.00%

The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population.

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, or a return of investor confidence in equities, could impact gilt yields, (and so PWLB rates), in the UK.

### **Negative investment Rates**

While the Bank of England said in August / September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, and in November omitted any mention of negative rates in the minutes of the meeting of the Monetary Policy Committee, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis; this has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

As for money market funds (MMFs), yields have continued to drift lower. Some managers have already resorted to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surfeit of money swilling around at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short term maturities.



This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions for investments at the very short end of the yield curve.

Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

#### **Investment treasury indicator and limit**

These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit:

<b>Maximum principal sums invested for longer than 365 days</b>			
<b>£m</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Principal sums invested for longer than 365 days	20	20	20

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days).

#### **4.6 Investment risk benchmarking**

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day LIBID uncompounded.

#### **4.7 End of year Investment Report**

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

## 5 APPENDICES

### Appendix 1 – Capital Prudential and Treasury Indicators 2020/21 – 2023/24

#### 1. Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

#### Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2019/20	2020/21	2021/22	2022/23	2023/24
%	Actual	Estimate	Estimate	Estimate	Estimate
Ratio	4.64%	4.53%	4.98%	5.02%	5.07%

The estimates of financing costs include current commitments and the proposals in this budget report.

#### 2. Maturity structure of borrowing

The purpose of this indicator is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if this is set to be too restrictive it will impair the opportunities to reduce costs/ improve performance. The indicator is "Maturity structure of borrowing". These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.

The Council is asked to approve the following treasury indicator and limits.

Maturity structure of fixed interest rate borrowing 2021/22		
	Lower	Upper
Under 12 months	0%	30%
12 months to 2 years	0%	30%
2 years to 5 years	0%	30%
5 years to 10 years	0%	40%
10 years to 20 years	0%	100%
20 years to 30 years	0%	100%
30 years to 40 years	0%	100%
40 years to 50 years	0%	100%

<b>Maturity structure of variable interest rate borrowing 2021/22</b>		
	<b>Lower</b>	<b>Upper</b>
Under 12 months	0%	30%
12 months to 2 years	0%	30%
2 years to 5 years	0%	30%
5 years to 10 years	0%	30%
10 years to 20 years	0%	30%
20 years to 30 years	0%	30%
30 years to 40 years	0%	30%
40 years to 50 years	0%	30%

The interest rate exposure in respect of the Council's external debt will be monitored on an ongoing basis by keeping the proportion of variable interest rate debt at an appropriate level given the total amount of external debt and the interest rate environment within which the Council is operating. When interest rates are increasing the Council will look to move to fixed rate borrowing and if interest rates are likely to fall then the level of variable rate borrowing will be increased to minimise future interest payments.

## Appendix 2 – Detailed Current Portfolio Position

<b>TREASURY PORTFOLIO</b>					
		Actual	Actual	Current	Current
		31.3.20	31.3.20	31.12.20	31.12.20
<b>Treasury investments</b>		<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Banks	Clydesdale Bank	242	0%	4,504	4%
	Bank of Scotland	5,000	6%	7,500	7%
	Goldman Sachs	7,500	9%	0	0%
	Qatar National Bank	0	0%	10,000	9%
	Commonwealth Bank of Australia	0	0%	0	0%
	Santander	7,500	9%	12,500	11%
	ANZ Banking Group/London	7,500	9%	0	0%
	Bayerische Landesbank	0	0%	0	0%
	DBS Bank	0	0%	0	0%
	Close Brothers	0	0%	12,500	11%
	First Abu Dhabi Bank	5,000	6%	0	0%
		<b>32,742</b>	<b>41%</b>	<b>47,004</b>	<b>42%</b>
Building Societies - rated	Nationwide Building Society	0	0%	0	0%
Local Authorities	Cherwell District Council	5,000	6%	0	0%
	Cornwall County Council	5,000	6%	0	0%
	Dudley Metropolitan Borough Council	0	0%	5,000	4%
	Lancashire County Council	7,000	9%	5,000	4%
	London Borough of Croydon	0	0%	7,500	7%
	Rotherham Metropolitan Borough Council	0	0%	7,500	7%
	Thurrock Borough Council	5,000	6%	10,000	9%
		<b>22,000</b>	<b>28%</b>	<b>35,000</b>	<b>31%</b>
Money Market Funds	Aberdeen Liquidity Sterling Fund Class L1	7,500	9%	0	0%
	BNP Paribas Inticast Fund Federated	0	0%	12,150	11%
	CCLA	7,550	10%	0	0%
	AVIVA	0	0%	14,330	13%
		0	0%	0	0%
		<b>15,050</b>	<b>19%</b>	<b>26,480</b>	<b>24%</b>
Certificates of Deposit	Royal Bank of Scotland	0	0%	0	0%
	National Westminster Bank Plc	5,000	6%	0	0%
		<b>5,000</b>	<b>6%</b>	<b>0</b>	<b>0%</b>
Third Party Loans	Argyll Community Housing Association	2,590	3%	2,524	2%
	Fyne Homes	180	0%	0	0%

West Highland Housing Association Ltd	894	1%	873	1%
The Port Ellen Station	65	0%	60	0%
Hubco Sub Debt	492	1%	492	0%
	<b>4,221</b>	<b>5%</b>	<b>3,949</b>	<b>4%</b>
<b>Total Treasury Investments</b>	<b>79,013</b>	<b>100%</b>	<b>112,433</b>	<b>100%</b>

		Actual 31.3.20	Actual 31.3.20	Current 31.12.20	Current 31.12.20
<b>Treasury external borrowing</b>					
Local Authorities		0	0%	0	0%
PWLB		122,615	71%	118,843	70%
LOBOs	Commerzbank Finance & Covered Bonds S.A.	13,000	7%	13,000	8%
	FMS Wertmanagement	5,255	3%	5,255	3%
	Bayerische Landesbank	21,000	12%	21,000	12%
		<b>39,255</b>	<b>23%</b>	<b>39,255</b>	<b>23%</b>
Market	Barclays (formerly LOBO)	10,000	6%	10,000	6%
	Prudential assurance co	1,000	1%	0	0%
		<b>11,000</b>	<b>6%</b>	<b>10,000</b>	<b>6%</b>
Special	Prudential assurance co	14	0%	12	0%
	Salix Finance Ltd	160	0%	120	0%
		<b>174</b>	<b>0%</b>	<b>132</b>	<b>0%</b>
Temporary Borrowing		562	0%	665	0%
Local Bonds		33	0%	26	0%
<b>Total External Borrowing</b>		<b>173,639</b>	<b>100%</b>	<b>168,921</b>	<b>100%</b>
<b>Net Treasury Investments / (Borrowing)</b>		<b>(94,626)</b>		<b>(56,488)</b>	

**Appendix 3 – Interest Rate Forecasts 2021 - 2024 and Commentary Provided by Link Asset Services (at 05.01.21)**

Link Group Interest Rate View		9.11.20				(The Capital Economics forecasts were done 11.11.20)								
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20														
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	
<b>BANK RATE</b>	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00	
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30	
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80	
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60	
<b>Bank Rate</b>														
Link	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
Capital Economics	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-	
<b>5yr PWLB Rate</b>														
Link	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00	
Capital Economics	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	-	-	-	-	-	
<b>10yr PWLB Rate</b>														
Link	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30	
Capital Economics	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	-	-	-	-	-	
<b>25yr PWLB Rate</b>														
Link	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80	
Capital Economics	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	-	-	-	-	-	
<b>50yr PWLB Rate</b>														
Link	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60	
Capital Economics	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	-	-	-	-	-	

The above interest rate forecasts, provided by Link Asset Services, were predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31.12.20. There is therefore no need to revise these forecasts now that a trade deal has been agreed. Brexit may reduce the economy's potential growth rate in the long run. However, much of that drag is now likely to be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis.

#### **The balance of risks to the UK**

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is still subject to some uncertainty due to the virus and the effect of any mutations, and how quick vaccines are in enabling a relaxation of restrictions.
- 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 government** takes too much action too quickly to raise taxation or introduce austerity measures that depress demand in the economy.
- **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 agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next two or three years. 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 will 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, and they had threatened to derail the 7 year EU

budget until a compromise was thrashed out in late 2020. There has also been a rise in 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.

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

- **UK** - a significant rise in inflationary pressures e.g. caused by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population, leading to a rapid resumption of normal life and return to full economic activity across all sectors of the economy.
- 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 rapid series of increases in Bank Rate to stifle inflation.



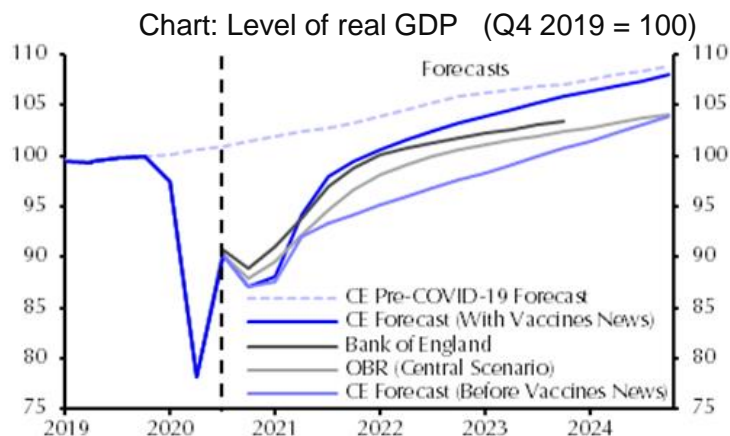
#### Appendix 4 – Economic Background Provided by Link Asset Services (at 05.01.21)

- **UK.** The key quarterly meeting of the Bank of England Monetary Policy Committee kept **Bank Rate** unchanged on 5.11.20. However, it revised its economic forecasts to take account of a second national lockdown from 5.11.20 to 2.12.20 which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of **quantitative easing (QE) of £150bn**, to start in January when the current programme of £300bn of QE, announced in March to June, runs out. It did this so that “announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target”.
- Its forecasts appeared, at that time, to be rather optimistic in terms of three areas:
  - The economy would recover to reach its pre-pandemic level in Q1 2022
  - The Bank also expected there to be excess demand in the economy by Q4 2022.
  - CPI inflation was therefore projected to be a bit above its 2% target by the start of 2023 and the “inflation risks were judged to be balanced”.
- Significantly, there was no mention of **negative interest rates** in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it “stands ready to adjust monetary policy”, the MPC this time said that it will take “whatever additional action was necessary to achieve its remit”. The latter seems stronger and wider and may indicate the Bank’s willingness to embrace new tools.
- One key addition to **the Bank’s forward guidance in August** 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. Our Bank Rate forecast currently shows no increase, (or decrease), through to quarter 1 2024 but there could well be no increase during the next five years as it will take some years to eliminate spare capacity in the economy, and therefore for inflationary pressures to rise to cause the MPC concern. **Inflation** is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern.
- However, the minutes did contain several references to **downside risks**. The MPC reiterated that the “recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside”. It also said “the risk of a more persistent period of elevated unemployment remained material”. Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. **Upside risks** included the early roll out of effective vaccines.
- **COVID-19 vaccines.** We had been waiting expectantly for news that various COVID-19 vaccines would be cleared as being safe and effective for administering to the general public. The Pfizer announcement on 9<sup>th</sup> November was very encouraging as its 90% effectiveness was much higher than the 50-60% rate of effectiveness of flu vaccines which might otherwise have been expected. However,

this vaccine has demanding cold storage requirements of minus 70c that impairs the speed of application to the general population. It has therefore been particularly welcome that the Oxford University/AstraZeneca vaccine has now also been approved which is much cheaper and only requires fridge temperatures for storage. The Government has 60m doses on order and is aiming to vaccinate at a rate of 2m people per week starting in January, though this rate is currently restricted by a bottleneck on vaccine production; (a new UK production facility is due to be completed in June).

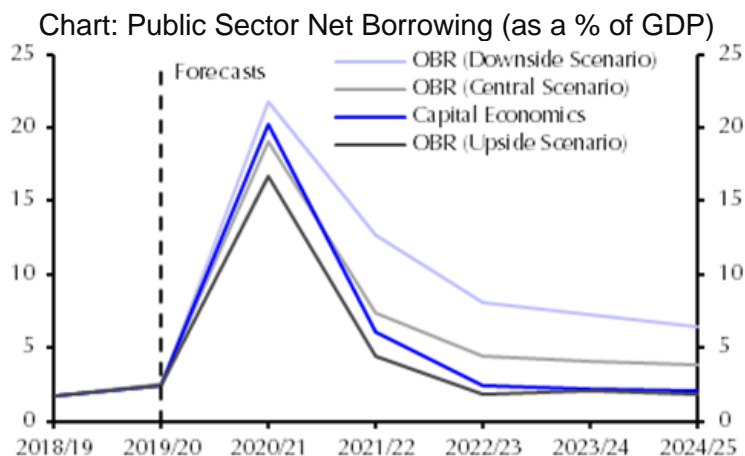
- These announcements, plus expected further announcements that other vaccines could be approved soon, have enormously boosted confidence that **life could largely return to normal during the second half of 2021**, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels; this would help to bring the unemployment rate down. With the household saving rate having been exceptionally high since the first lockdown in March, there is plenty of pent-up demand and purchasing power stored up for these services. A comprehensive roll-out of vaccines might take into late 2021 to fully complete; but if these vaccines prove to be highly effective, then there is a possibility that restrictions could start to be eased, beginning possibly in Q2 2021 once vulnerable people and front-line workers have been vaccinated. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7% in 2021 instead of 9%.
- **Public borrowing** was forecast in November by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.
- Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after quarter 1 saw growth at -3.0% followed by -18.8% in quarter 2 and then an upswing of +16.0% in quarter 3; this still left the economy 8.6% smaller than in Q4 2019. It is likely that the one month national lockdown that started on 5<sup>th</sup> November, will have caused a further contraction of 8% m/m in November so the economy may have then been 14% below its pre-crisis level.
- **December 2020 / January 2021.** Since then, there has been rapid back-tracking on easing restrictions due to the spread of a new mutation of the virus, and severe restrictions were imposed across all four nations. These restrictions were changed on 5.1.21 to national lockdowns of various initial lengths in each of the four nations as the NHS was under extreme pressure. It is now likely that wide swathes of the

UK will remain under these new restrictions for some months; this means that the near-term outlook for the economy is grim. However, the distribution of vaccines and the expected consequent removal of COVID-19 restrictions, should allow GDP to rebound rapidly in the second half of 2021 so that the economy could climb back to its pre-pandemic peak as soon as late in 2022. Provided that both monetary and fiscal policy are kept loose for a few years yet, then it is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The significant caveat is if another mutation of COVID-19 appears that defeats the current batch of vaccines. However, now that science and technology have caught up with understanding this virus, new vaccines ought to be able to be developed more quickly to counter such a development and vaccine production facilities are being ramped up around the world.



*(if unable to print in colour..... the key describing each line in the above graph is in sequential order from top to bottom in parallel with the lines in the graph.)*

This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade would have major repercussions for public finances as it would be consistent with the government deficit falling to around 2.5% of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4% deficit due to assuming much slower growth. However, Capital Economics forecasts assumed that there is a reasonable Brexit deal and also that politicians do not raise taxes or embark on major austerity measures and so, (perversely!), depress economic growth and recovery.

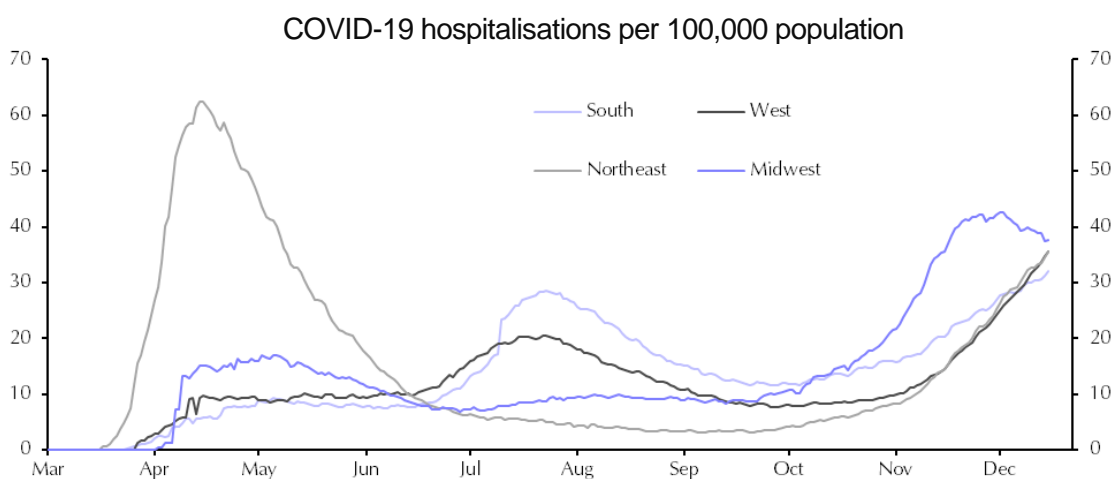


*(if unable to print in colour..... the key describing each line in the above graph is in sequential order from top to bottom in parallel with the lines in the graph.*

- There will still 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, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.
- **Brexit.** While the UK has been gripped by the long running saga of whether or not a deal would be made by 31.12.20, the final agreement on 24.12.20, followed by ratification by Parliament and all 27 EU countries in the following week, has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. As the forecasts in this report were based on an assumption of a Brexit agreement being reached, there is no need to amend these forecasts.
- **Monetary Policy Committee meeting of 17 December.** All nine Committee members voted to keep interest rates on hold at +0.10% and the Quantitative Easing (QE) target at £895bn. The MPC commented that the successful rollout of vaccines had reduced the downsides risks to the economy that it had highlighted in November. But this was caveated by it saying, “Although all members agreed that this would reduce downside risks, they placed different weights on the degree to which this was also expected to lead to stronger GDP growth in the central case.” So, while the vaccine is a positive development, in the eyes of the MPC at least, the economy is far from out of the woods. As a result of these continued concerns, the MPC voted to extend the availability of the Term Funding Scheme, (cheap borrowing), with additional incentives for small and medium size enterprises for six months from 30.4.21 until 31.10.21. (The MPC had assumed that a Brexit deal would be agreed.)
- **Fiscal policy.** In the same week as the MPC meeting, the Chancellor made a series of announcements to provide further support to the economy: -
  - An extension of the COVID-19 loan schemes from the end of January 2021 to the end of March.
  - The furlough scheme was lengthened from the end of March to the end of April.
  - The Budget on 3.3.21 will lay out the “next phase of the plan to tackle the virus and protect jobs”. This does not sound like tax rises are imminent, (which could hold back the speed of economic recovery).
- The **Financial Policy Committee** (FPC) report on 6.8.20 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%.
- **US.** The final result of **the November elections** meant that the Democrats gained the Presidency and a majority in the House of Representatives. They also took effective control of the Senate following run-off elections in Georgia in early January, as the Senate is split 50/50, but the Democrats have the casting vote of the President of the Senate, who is the Vice-President Kamala Harris.

Victory in both run-off seats for the Democrats gives them control of both Houses and President Biden will consequently have a stronger hand to determine policy and to implement his election manifesto.

- **The economy** had been recovering quite strongly from its contraction in 2020 of 10.2% due to the pandemic with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a fourth wave. While the first wave in March and April was concentrated in the Northeast, and the second wave in the South and West, the third wave in the Midwest looks as if it now abating. However, it also looks as if the virus is rising again in the rest of the country. The latest upturn poses a threat that the recovery in the economy could stall. This is **the single biggest downside risk** to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.



- The restrictions imposed to control the spread of the virus are once again weighing on the economy with employment growth slowing sharply in November and retail sales dropping back. The economy is set for further weakness in December and into the spring. However, a \$900bn fiscal stimulus deal passed by Congress in late December will limit the downside through measures which included a second round of direct payments to households worth \$600 per person and a three-month extension of enhanced unemployment insurance (including a \$300 weekly top-up payment for all claimants). GDP growth is expected to rebound markedly from the second quarter of 2021 onwards as vaccines are rolled out on a widespread basis and restrictions are loosened.
- After Chair Jerome Powell unveiled the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August 2020, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."* This change was 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, (and this year), 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 FOMC’s updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. 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.

- The Fed’s meeting on **5 November** was unremarkable - but at a politically sensitive time around the elections. At its **16 December** meeting the Fed tweaked the guidance for its monthly asset quantitative easing purchases with the new language implying those purchases could continue for longer than previously believed. Nevertheless, with officials still projecting that inflation will only get back to 2.0% in 2023, the vast majority expect the fed funds rate to be still at near-zero until 2024 or later. Furthermore, officials think the balance of risks surrounding that median inflation forecast are firmly skewed to the downside. The key message is still that policy will remain unusually accommodative – with near-zero rates and asset purchases – continuing for several more years. This is likely to result in keeping Treasury yields low – which will also have an influence on gilt yields in this country.
- **EU.** In early December, the figures for Q3 GDP confirmed that the economy staged a rapid rebound from the first lockdowns. This provides grounds for optimism about growth prospects for next year. In Q2, GDP was 15% below its pre-pandemic level. But in Q3 the economy grew by 12.5% q/q leaving GDP down by “only” 4.4%. That was much better than had been expected earlier in the year. However, growth is likely to stagnate during Q4 and in Q1 of 2021, as a second wave of the virus has affected many countries: it is likely to hit hardest those countries more dependent on tourism. The €750bn 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 the countries most affected by the first wave.
- With inflation expected to be unlikely to get much above 1% over the next two years, **the ECB** has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. The ECB’s December meeting added a further €500bn to the PEPP scheme, (purchase of government and other bonds), and extended the duration of the programme to March 2022 and re-investing maturities for an additional year until December 2023. Three additional tranches of TLTRO, (cheap loans to banks), were approved, indicating that support will last beyond the impact of the pandemic, implying indirect yield curve control for government bonds for some time ahead. The Bank’s forecast for a return to pre-virus activity levels was pushed back to the end of 2021, but stronger growth is projected in 2022. The total PEPP scheme of €1,850bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, as in the UK and the US, the advent of highly

effective vaccines will be a game changer, although growth will struggle before later in quarter 2 of 2021.

- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies. 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 in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.
- **Japan.** A third round of fiscal stimulus in early December took total fresh fiscal spending this year in response to the virus close to 12% of pre-virus GDP. That's huge by past standards, and one of the largest national fiscal responses. The budget deficit is now likely to reach 16% of GDP this year. Coupled with Japan's relative success in containing the virus without draconian measures so far, and the likelihood of effective vaccines being available in the coming months, the government's latest fiscal effort should help ensure a strong recovery and to get back to pre-virus levels by Q3 2021 – around the same time as the US and much sooner than the Eurozone.
- **World growth.** World growth will have been in recession in 2020. 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.
- Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.

## **Summary**

Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand in their economies.

If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.



## Appendix 5 - Treasury Management Practice (TMP1) Permitted Investments

This Council approves the following forms of investment instrument for use as permitted investments as set out in table 1.

### Treasury risks

All the investment instruments in table 1 are subject to the following risks: -

- **Credit and counter-party risk:** this is the risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the organisation particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources. There are no counterparties where this risk is zero although AAA rated organisations have the highest, relative, level of creditworthiness.
- **Liquidity risk:** this is the risk that cash will not be available when needed. Whilst it could be said that all counterparties are subject to at least a very small level of liquidity risk as credit risk can never be zero, in this document, liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument. However, it has to be pointed out that while some forms of investment e.g. gilts, CDs, corporate bonds can usually be sold immediately if the need arises, there are two caveats: -
  - a. Cash may not be available until a settlement date up to three days after the sale
  - b. There is an implied assumption that markets will not freeze up and so the instrument in question will find a ready buyer.

The column in table 1 headed as 'market risk' will show each investment instrument as being instant access, sale T+3 = transaction date plus 3 business days before you get cash, or term i.e. money is locked in until an agreed maturity date.

- **Market risk:** this is the risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately. However, some cash rich local authorities may positively want exposure to market risk e.g. those investing in investment instruments with a view to obtaining a long-term increase in value.
- **Interest rate risk:** this is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. This authority has set limits for its fixed and variable rate exposure in its Treasury Indicators in this report. All types of investment instrument have interest rate risk except for the following forms of instrument which are at variable rate of interest (and the linkage for variations is also shown).
- **Legal and regulatory risk:** this is the risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

### Controls on treasury risks

- **Credit and counter-party risk:** this authority has set minimum credit criteria to determine which counterparties and countries are of sufficiently high creditworthiness to be considered for investment purposes. See paragraphs 4.2 and 4.3.
- **Liquidity risk:** this authority has a cash flow forecasting model to enable it to determine how long investments can be made for and how much can be invested.
- **Market risk:** this authority purchases Certificates of Deposit (CD's), as they offer a higher rate of return than depositing in the DMADF. They are usually held until maturity but in exceptional circumstances, they can be quickly sold at the current market value, (which may vary from the purchase cost), if the need arises for extra cash at short notice. Their value does not usually vary much during their short life.
- **Interest rate risk:** this authority manages this risk by having a view of the future course of interest rates and then formulating a treasury management strategy accordingly which aims to maximise investment earnings consistent with control of risk or alternatively, seeks to minimise expenditure on interest costs on borrowing. See paragraph 4.4.

**Legal and regulatory risk:** this authority will not undertake any form of investing until it has ensured that it has all necessary powers and complied with all regulations.

### Unlimited investments

Regulation 24 states that an investment can be shown in table 1 as being 'unlimited' in terms of the maximum amount or percentage of the total portfolio that can be put into that type of investment. However, it also requires that an explanation must be given for using that category.

The authority has given the following types of investment an unlimited category: -

- **Debt Management Agency Deposit Facility.** This is considered to be the lowest risk form of investment available to local authorities as it is operated by the Debt Management Office which is part of H.M. Treasury i.e. the UK Government's sovereign rating stands behind the DMADF. It is also a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts.
- **High credit worthiness banks and building societies.** See paragraph 4.2 for an explanation of this authority's definition of high credit worthiness. While an unlimited amount of the investment portfolio may be put into banks and building societies with high credit worthiness, the authority will ensure diversification of its portfolio ensuring that no more than £15m of the total portfolio can be placed with UK banks and £10m in any single non UK bank institution or group at any one time.

## Objectives of each type of investment instrument

Regulation 25 requires an explanation of the objectives of every type of investment instrument which an authority approves as being 'permitted'.

### Deposits

The following forms of 'investments' are actually more accurately called deposits as cash is deposited in an account until an agreed maturity date or is held at call.

- **Debt Management Agency Deposit Facility.** This offers the lowest risk form of investment available to local authorities as it is effectively an investment placed with the Government. It is also easy to use as it is a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts. As it is low risk it also earns low rates of interest. However, it is very useful for authorities whose overriding priority is the avoidance of risk. The longest period for a term deposit with the DMADF is 6 months.
- **Term deposits with high credit worthiness banks and building societies.** See paragraph 4.2 for an explanation of this authority's definition of high credit worthiness. This is the most widely used form of investing used by local authorities. It offers a much higher rate of return than the DMADF (dependent on term). The authority will ensure diversification of its portfolio of deposits ensuring that no more than £15m of the total portfolio can be placed with any UK bank and £10m with any single non UK bank institution or group. In addition, longer-term deposits offer an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer-term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing therefore, offers a lot of flexibility and higher earnings than the DMADF. Where it is restricted is that once a longer-term investment is made, that cash is locked in until the maturity date.
- **Call accounts with high credit worthiness banks and building societies.** The objectives are as for term deposits above but there is instant access to recalling cash deposited. This generally means accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit. Some use of call accounts is highly desirable to ensure that the authority has ready access to cash when needed to pay bills.
- **Fixed term deposits with variable rate and variable maturities (structured deposits).** This line encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide councils with greater flexibility to adopt new instruments as and when they are brought to the market. However, this does mean that members ought to be informed as to what instruments are presently under this generic title so that they are aware of the current situation, and that they are informed and approve of intended changes in an appropriate manner.
- **Collateralised deposits.** These are deposits placed with a bank which offers collateral backing based on specific assets. Examples seen in the past have included local authority LOBOs, where such deposits are effectively lending to a local authority as that is the ultimate security.

## DEPOSITS WITH COUNTERPARTIES CURRENTLY IN RECEIPT OF GOVERNMENT SUPPORT / OWNERSHIP

These banks offer another dimension of creditworthiness in terms of Government backing through either partial or full direct ownership. The view of this authority is that such backing makes these banks attractive institutions with whom to place deposits, and that will remain our view if the UK sovereign rating were to be downgraded in the coming year.

- **Term deposits with high credit worthiness banks which are fully or semi nationalised.** As for term deposits in the previous section, but Government full, (or substantial partial), ownership, implies that the Government stands behind this bank and will be deeply committed to providing whatever support that may be required to ensure the continuity of that bank. This authority considers that this indicates a low and acceptable level of residual risk.
- **Fixed term deposits with variable rate and variable maturities (structured deposits).** This line encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide councils with greater flexibility to adopt new instruments as and when they are brought to the market. However, this does mean that members ought to be informed as to what instruments are presently covered under this generic title so that they are aware of the current situation, and that they are informed and approve of intended changes in an appropriate manner.

## COLLECTIVE INVESTMENT SCHEMES STRUCTURED AS OPEN ENDED INVESTMENT COMPANIES (OEICS)

- **Government liquidity funds.** These are the same as money market funds (see below) but only invest in government debt issuance with highly rated governments. Due to the higher quality of underlying investments, they offer a lower rate of return than MMFs. However, their net return is typically on a par with the DMADF, but with instant access.
- **Money Market Funds (MMFs).** By definition, MMFs are AAA rated and are widely diversified, using many forms of money market securities including types which this authority does not currently have the expertise or capabilities to hold directly. However, due to the high level of expertise of the fund managers and the huge amounts of money invested in MMFs, and the fact that the weighted average maturity (WAM) cannot exceed 60 days, MMFs offer a combination of high security, instant access to funds, high diversification and good rates of return compared to equivalent instant access facilities. They are particularly advantageous in falling interest rate environments as their 60 day WAM means they have locked in investments earning higher rates of interest than are currently available in the market. MMFs also help an authority to diversify its own portfolio as e.g. a £2m investment placed directly with HSBC is a 100% risk exposure to HSBC whereas £2m invested in a MMF may end up with say £10,000 being invested with HSBC through the MMF. For authorities particularly concerned with risk exposure to banks, MMFs offer an effective way of minimising risk exposure while still getting much better rates of return than available through the DMADF.
- **Ultra short dated bond funds.** These funds are similar to MMFs, can still be AAA rated but have variable net asset values (VNAV) as opposed to a traditional MMF which

has a Constant Net Asset Value (CNAV). They aim to achieve a higher yield and to do this either take more credit risk or invest out for longer periods of time, which means they are more volatile. These funds can have WAM's and Weighted Average Life (WAL's) of 90 – 365 days or even longer. Their primary objective is yield and capital preservation is second. They therefore are a higher risk than MMFs and correspondingly have the potential to earn higher returns than MMFs.

- **Gilt funds.** These are funds which invest only in U.K. Government gilts. They offer a lower rate of return than bond funds but are highly rated both as a fund and through investing only in highly rated government securities. They offer a higher rate of return than investing in the DMADF but they do have an exposure to movements in market prices of assets held.
- **Bond funds.** These can invest in both government and corporate bonds. This therefore entails a higher level of risk exposure than gilt funds and the aim is to achieve a higher rate of return than normally available from gilt funds by trading in non-government bonds.

## SECURITIES ISSUED OR GUARANTEED BY GOVERNMENTS

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it matures or is sold. The annual earnings on a security is called a yield i.e. it is normally the interest paid by the issuer divided by the price you paid to purchase the security unless a security is initially issued at a discount e.g. treasury bills.

- **Treasury bills.** These are short-term bills, (up to 18 months but usually 9 months or less), issued by the Government and so are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales could incur a net cost during the period of ownership.
- **Gilts.** These are longer-term debt issuance by the UK Government and are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales may incur a net cost. Market movements that occur between purchase and sale may also have an adverse impact on proceeds. The advantage over Treasury bills is that they generally offer higher yields the longer it is to maturity (for most periods) if the yield curve is positive.
- **Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government** e.g. National Rail. This is similar to a gilt due to the explicit Government guarantee.
- **Sovereign bond issues (other than the UK govt) denominated in Sterling.** As for gilts but issued by other nations. Use limited to issues of nations with at least the same sovereign rating as for the UK.
- **Bonds issued by Multi Lateral Development Banks (MLDBs).** These are similar to c. and e. above but are issued by MLDBs which are typically guaranteed by a group of sovereign states e.g. European Bank for Reconstruction and Development.

## SECURITIES ISSUED BY CORPORATE ORGANISATIONS

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it is sold. The annual earnings on a security is called a yield i.e. is the interest paid by the issuer divided by the price you paid to purchase the security. These are similar to the previous category but corporate organisations can have a wide variety of credit worthiness so it is essential for local authorities to only select the organisations with the highest levels of credit worthiness. Corporate securities are generally a higher risk than government debt issuance and so earn higher yields.

- a. **Certificates of deposit (CDs).** These are shorter-term securities issued by deposit taking institutions (mainly financial institutions). They are negotiable instruments, so can be sold ahead of maturity and also purchased after they have been issued. However, that liquidity can come at a price, where the yield could be marginally less than placing a deposit with the same bank as the issuing bank.
- b. **Commercial paper.** This is similar to CDs but is issued by commercial organisations or other entities. Maturity periods are up to 365 days but commonly 90 days.
- c. **Corporate bonds.** These are (long term) bonds (usually bearing a fixed rate of interest) issued by a financial institution, company or other non-government issuer in order to raise capital for the institution as an alternative to issuing shares or borrowing from banks. They are generally seen to be of a lower creditworthiness than government issued debt and so usually offer higher rates of yield.
- d. **Floating rate notes.** These are bonds on which the rate of interest is established periodically with reference to short-term interest rates.

## OTHER

**Property fund.** This is a collective investment fund specialising in property. Rather than owning a single property with all the risk exposure that means to one property in one location rising or falling in value, maintenance costs, tenants actually paying their rent / lease etc, a collective fund offers the advantage of diversified investment over a wide portfolio of different properties. This can be attractive for authorities who want exposure to the potential for the property sector to rise in value. However, timing is critical to entering or leaving this sector at the optimum times of the property cycle of rising and falling values. Typically, the minimum investment time horizon for considering such funds is at least 3-5 years.

**Table 1: permitted investments in house**

This table is for use by the in house treasury management team.

**1.1 Deposits**

	* Minimum Credit Criteria / colour banding	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Debt Management Agency Deposit Facility	--	term	no	100	6 months
Term deposits – local authorities	--	term	no	100	2 years
Call accounts – banks and building societies	Green	instant	no	100	Call
Term deposits – banks and building societies	Green	term	no	100	2 years
Fixed term deposits with variable rate and variable maturities: - Structured deposits.	Green	term	no	50	2 years
Collateralised deposit (see note 1)	UK sovereign rating	term	no	50	1 year

*Note 1. As collateralised deposits are backed by e.g. AAA rated local authority LOBOs, this investment instrument is effectively a AAA rated investment*

**1.2 Deposits with counterparties currently in receipt of government support / ownership**

	* Minimum Credit Criteria / colour banding	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
UK part nationalised banks	Blue	term	no	100	1 Year
Banks part nationalised by high credit rated (sovereign rating) countries – non UK	UK Sovereign Rating	term	no	100	1 Year
Fixed term deposits with variable rate and variable maturities: - Structured deposits	Green	term	yes	100	1 Year

### 1.3 Collective investment schemes structured as Open Ended Investment Companies (OEICs)

	* Minimum Fund Rating	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
1. Government Liquidity Funds	AAA	instant	No see note 1	100	1 Year
2a. Money Market Funds CNAV	AAA	instant	No see note 1	100	1 Year
2b. Money Market Funds LVNAV	AAA	Instant to T+5	No see note 1	100	1 Year
2c. Money Market Funds VNAV	AAA	instant to T+5	No see note 1	100	1 Year
3. Ultra short dated bond funds with a credit score of 1.25	AAA	T+1 to T+5	yes	100	1 Year
4. Ultra short dated bond funds with a credit score of 1.5	AAA	T+1 to T+5	yes	100	1 Year
5. Bond Funds	AAA	T+2 or longer	yes	100	1 Year
6. Gilt Funds	AAA	T+2 or longer	yes	100	1 Year

*Note 1. The objective of MMFs is to maintain the net asset value but they hold assets which can vary in value. However, the credit rating agencies require the fluctuation in unit values held by investors to vary by almost zero.*

### 1.4 Securities issued or guaranteed by governments

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Treasury Bills	UK sovereign rating	Sale T+1	yes	100	1 Year
UK Government Gilts	UK sovereign rating	Sale T+1	yes	100	1 Year
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail	UK sovereign rating	Sale T+3	yes	100	1 Year
Sovereign bond issues (other than the UK govt)	AAA	Sale T+1	yes	80	1 Year
Bonds issued by multilateral development banks	AAA	Sale T+1	yes	80	1 Year



### 1.5 Securities issued by corporate organisations

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Certificates of deposit issued by banks and building societies	Green	Sale T+0	yes	50	2 Years
Commercial paper other	Green	Sale T+0	yes	20	2 Years
Floating rate notes	Green	Sale T+0	yes	20	2 Years
Corporate Bonds other	Green	Sale T+3	yes	20	2 Years

**Accounting treatment of investments.** The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

### 1.6 Other

	* Minimum Credit Criteria / fund rating	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Property funds	--	T+4	yes	100	5 Years

## Appendix 6 – Treasury Management Practice (TMP2) Credit and Counterparty Risk Management

The following table is for use by the Treasury team and is a list of current counterparties. However, the use of counterparties depends on credit ratings and the Council may stop using certain counterparties and may stop using certain counterparties and/or decide to use alternative counterparties within its permitted investments. If for unavoidable short term operation reasons, limits are breached this will be communicated to management immediately.

**The Monitoring of Investment Counterparties** - The status of counterparties will be monitored regularly. The Council receives credit rating and market information from Link Asset Services, including when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Section 95 Officer, and if required new counterparties which meet the criteria will be added to the list.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
<b>Cash type instruments</b>				
a. Deposits with the Debt Management Account Facility (UK Government) <b>(Very low risk)</b>	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.	£unlimited, maximum 6 months.	£unlimited, maximum 6 months.
b. Deposits with other local authorities or public bodies <b>(Very low risk)</b>	These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the	Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment.  Non- local authority deposits will follow the approved credit rating criteria.	£unlimited, maximum 2 year.	£unlimited, maximum 2 years.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
	<p>agreement of the counterparty, and penalties can apply.</p> <p>Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.</p>			
c. Money Market Funds (MMFs) – CNAV/LVNAV/VNAV ( <b>Low to very low risk</b> )	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMFs has a “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.	£15m per fund	100%
d. Ultra short dated bond funds ( <b>low risk</b> )	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where they have a “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.	£15m per fund	100%
e. Call account deposit accounts with financial institutions (banks and building societies) ( <b>Low risk depending on credit rating</b> )	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody’s and Standard and Poor’s. Day to day investment dealing with this criteria will be further strengthened by use of additional market intelligence.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.
f. Term deposits with financial institutions (banks and building	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c)	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured	As shown in the counterparty	As shown in the counterparty

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
societies) ( <b>Low to medium risk depending on period &amp; credit rating</b> )	above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with this criteria will be further strengthened by use of additional market intelligence.	section criteria above.	section criteria above.
g. Government Gilts and Treasury Bills ( <b>Very low risk</b> )	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates (no loss if these are held to maturity).	Little counterparty mitigating controls are required, as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures.	£10m maximum 1 year.	100% maximum 1 year.
h. Certificates of deposits with financial institutions ( <b>Low risk</b> )	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than categories (a), (b) and (c) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates (no loss if these are held to maturity). Liquidity risk will normally be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	£10m per counterparty maximum 1 year.	20% maximum 1 year.
i. Structured deposit facilities with banks and building societies	These tend to be medium to low risk investments, but will exhibit higher risks than categories (a), (b) and (c)	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured	As shown in the counterparty	As shown in the counterparty

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
(escalating rates, de-escalating rates etc.) <b>(Low to medium risk depending on period &amp; credit rating)</b>	above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement of the counterparty (penalties may apply).	primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	section criteria above.	section criteria above.
j. Corporate bonds <b>(Medium to high risk depending on period &amp; credit rating)</b>	These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Corporate bonds will be restricted to those meeting the base criteria.  Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	£5m and maximum 1 year.	£20% and maximum 1 year.
Other types of investments				
a. Investment properties	These are non-service properties which are being held pending disposal or for a longer term rental income stream. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids).	In larger investment portfolios some small allocation of property based investment may counterbalance/compliment the wider cash portfolio.  Property holding will be re-valued regularly and reported annually with gross and net rental streams.	£10m	20%.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
b. Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.	£10m and maximum 5 years.	10% and maximum 5 years.
c. Shareholdings in a local authority company	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	50%	20%
d. Non-local authority shareholdings	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be liquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	5%	100%
e. Loans to third parties as part of the Council's Empty Homes Strategy	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Section 95 Officer approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£1.5m and a maximum of 10 years.	N/A

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
f. Loans to third parties as part of the Council's SHF Front Funding Facility	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Section 95 Officer approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£5m and a maximum of 3 years.	N/A
g. Loans to third parties as part of the Council's Long Term Loan Funding to RSL's	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Section 95 Officer approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£5m and a maximum of 30 years.	N/A
h. Hub Co sub debt	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be highly illiquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	£10m	N/A
i. Investment in a project run by a Local Authority or Local Authority Joint Committee	These are investments which may exhibit market risks and will only be considered for medium to longer term investments	Each investment requires approval by the Section 95 Officer up to £250,000, and, above this level, member approval. Each application will be supported by the service rationale behind the investment and the likelihood of loss.	£10m	N/A

## Appendix 7 – Creditworthiness policy

### Service and Information provided by Link Asset Services

This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit rates, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration of investments.

All credit ratings are monitored from a weekly list which can be updated daily by Link Asset Services. The Council is alerted to the changes to ratings of all three agencies through the use of Link Asset Services credit worthiness service.

If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, immediate consideration will be given to whether funds should be withdrawn from this counterparty and the timescale for doing this.

In addition to the use of the credit ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a daily basis via Link Asset Service's Passport website that the Council can access. Extreme market movements may result in a downgrade of an institution or removal from the Councils lending list.

Based on the Link Asset Services approach, the Council will therefore use counterparties within the following durational bands:

Yellow	5 years*
Dark pink	5 years for Ultra short dated bond funds with a credit score of 1.25
Light pink	5 years for Ultra short dated bond funds with a credit score of 1.5
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	Not to be used

*\*The yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt.*



Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that supporting government.

No more than £15m can be invested with each UK bank and £10m with any single other counterparty. The Council will place overnight and call deposits with the Council's bankers irrespective of credit rating. The limit on placing deposits with the Council's bankers is currently £5m.

Deposits can be placed with Local Authorities and other public sector bodies for a period up to 2 years.

The Council can invest an unlimited amount of money with the Debt Management Agency Deposit Facility (operated by the Debt Management Office which is part of HM Treasury). The longest period for a term deposit with the DMADF is 6 months.

**Appendix 8 – Approved Countries for Investments (01-12-20)**

This list is based on those countries which have sovereign ratings of AA- or higher (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service.

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar

## **Appendix 9 – Treasury Management Scheme of Delegation**

### **The Council**

- Overall responsibility for Treasury Management Strategy.
- Adoption of Treasury Policy Statements.
- Receive an Annual Report and other reports on the Treasury Management Operation and on the exercise of delegated treasury management powers.

### **The Policy and Resources Committee**

- Responsibility for the overall investment of money under the control of the Council.
- Keeping under review the level of borrowing.
- Approval of Annual Strategy Statement.
- Receiving and reviewing reports on treasury management policies, practices and activities.
- Approval of Treasury Policy Statements.
- Implementation and monitoring of Treasury Management Policies and Practices.

### **The Audit and Scrutiny Committee**

- Review the overall internal and management control framework related to the treasury function.
- Review internal and external audit reports related to treasury management.
- Review provision in the internal and external audit plans to ensure there is adequate audit coverage of treasury management.
- Monitor progress with implementing recommendations in internal and external audit reports.
- Reviewing the treasury management policy and procedures and making recommendations to the responsible body.

## Appendix 10 – The Treasury Management Role of the Section 95 Officer

### Section 95 Officer:

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting regular treasury management policy reports.
- Suubmitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending the appointment of external service providers.
- Reviewing and considering risk management in terms of treasury activities.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non-treasury investments will be carried out and managed, to include the following: -
  - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
  - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*
  - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that*

*appropriate professional due diligence is carried out to support decision making;*

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*
- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

**The nominated Elected Member (Policy Lead for Financial Services and Major Projects):**

- Acting as spokesperson for treasury management.
- Taking a lead for elected Members in overseeing the operation of the treasury function.
- Review the treasury management policy, strategy and reports.
- Support and challenge the development of treasury management.

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**ARGYLL AND BUTE COUNCIL****POLICY AND RESOURCES  
COMMITTEE****DIRECTORATE****18 FEBRUARY 2021**

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**CUSTOMER SUPPORT SERVICES PERFORMANCE REPORT FQ3  
2020/21**

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**1.0 INTRODUCTION**

- 1.1 The Planning and Performance Management Framework sets out the process for presentation of the council's quarterly performance reports.
- 1.2 This paper presents the Policy and Resources Committee with Customer Support Services performance report with associated scorecard for performance in FQ3 2020-21 (October 2020 to December 2020).

**2.0 RECOMMENDATIONS**

- 2.1 It is recommended that the Committee reviews the scorecard as presented.

**3.0 DETAIL**

- 3.1 The performance scorecard was extracted from the Council's Pyramid performance management system and is comprised of key performance indicators incorporating the services that make up Development and Infrastructure Services.
- 3.2 Commentary on the indicators included within the scorecard can be interrogated via the Pyramid system. Some key points have been included below for ease.

**4.0 IMPLICATIONS**

- 4.1 Policy – None
- 4.2 Financial – None
- 4.3 Legal – The Council has a duty to deliver best value under the Local Government Scotland Act 2003.
- 4.4 HR – None

4.5 Fairer Scotland Duty:–

4.5.1 Equalities - protected characteristics – none known

4.5.2 Socio-economic Duty – none known

4.5.3 Islands – none known

4.6. Risk – Ensuring performance is effectively scrutinised by Members

4.7 Customer Service – None.

**For further information contact:** Kirsty Flanagan, Tel 01546 604268

## **APPENDICES**

Appendix 1 FQ3 2020/21 performance report



## FQ3 2020/21 PERFORMANCE REPORT

This report provides an overview of the FQ3 2020/21 performance for the Customer Support Services' Service

Delivering Our Outcomes – This highlights past performance as illustrated through the Services' Key Performance Indicators

### KEY TO SYMBOLS

**R** Indicates the performance has not met the expected Target

**G** Indicates the performance has met or exceeded the expected Target

**↓ ↑ →** The Performance Trend Arrow indicates the direction of travel compared to the last performance reporting period

# FQ3 2020/21 PERFORMANCE REPORT

This report provides an overview of the FQ3 2020/21 performance for the Customer Support Services' Service

## DELIVERING OUR OUTCOMES – OUR KEY PERFORMANCE INDICATORS

**Indicator:** CSS101\_05-Increase public use of corporate social media sites on three categories of information: council news, community success and general use. Increase social media followers.

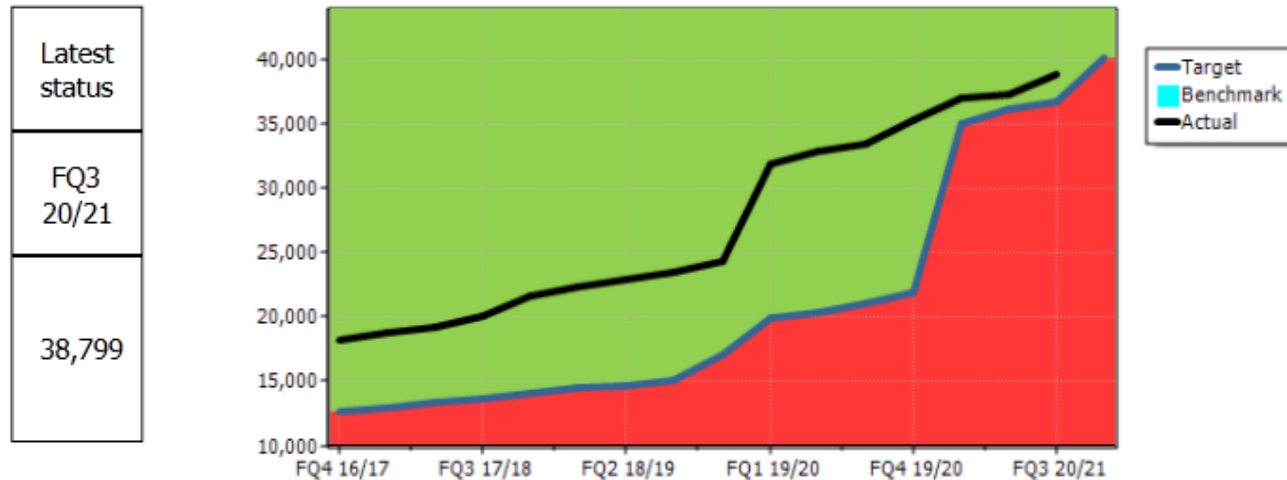
**Why measure this?** We issue positive and informative articles on Council services and achievements as well as the area overall. This supports the overall objective of attracting people to the area and promotes a positive reputation for the Council.

**Commentary:** We have continued to increase the number of followers across all corporate social media sites. Total number of followers across all platforms (Facebook, Twitter, Instagram and LinkedIn) is 32,595. This is a 3% increase on last quarter. There continues to be a need to promote information helping people to deal with COVID-19 (partner organisations, Scottish Government, council support)

**This indicator is above target and performance has improved since the last reporting period**

TARGET FQ3	ACTUAL FQ3	BENCHMARK	PERFORMANCE TREND
36,707	38,799 <span style="color: green; font-size: 1.5em;">G</span>	No Benchmark	↑

**CSS101\_05-Increase public use of corporate social media sites on three categories of information: council news, community success and general use. Increase social media followers.**



# FQ3 2020/21 PERFORMANCE REPORT

This report provides an overview of the FQ3 2020/21 performance for the Customer Support Services' Service

**Indicator:** CSS108\_01-The percentage of Modern Apprentices that go on to a positive destination after completing the Argyll and Bute Council Modern Apprentice Programme.

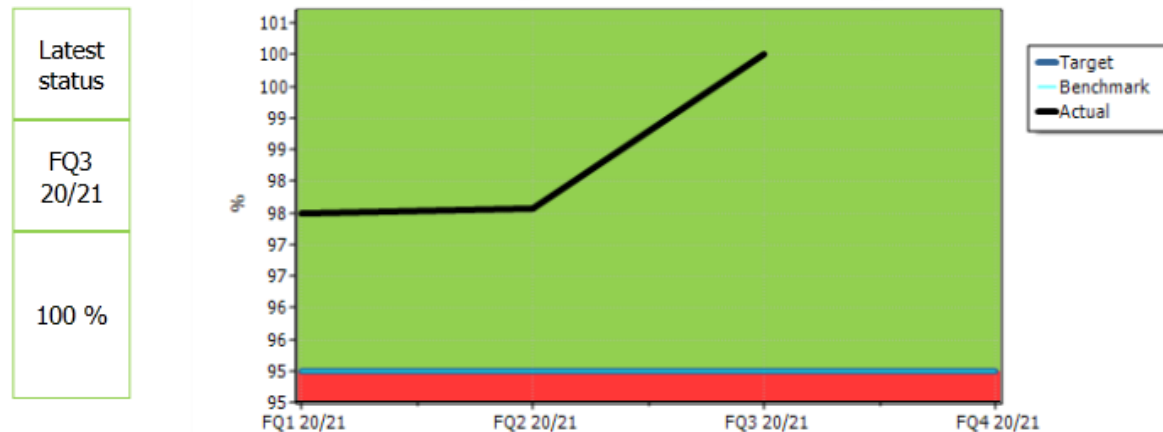
**Why measure this?** We have created Modern Apprenticeship opportunities, it is important that we measure their success in terms of gaining work or further training as a result of our investment.

**Commentary:** As a result of the pandemic there has been a drop-off in the appointment of new apprentices however there are currently 7 Modern Apprentices in training. The number of Modern Apprentices going into a positive destination on completion of their apprenticeship with Argyll and Bute Council has increased to 100%, this is as a result of further information being gathered on an apprentice who had previously left. Not all of these are with Argyll and Bute Council however currently 77% of all our completed apprentices go onto secure a post with Argyll and Bute Council, this is an increase on the last quarter.

**This indicator is above target and performance has improved since the last reporting period.**

TARGET FQ3	ACTUAL FQ3	BENCHMARK	PERFORMANCE TREND
95%	100%	No Benchmark	↑

**CSS108\_01-The percentage of Modern Apprentices that go on to a positive destination after completing the Argyll and Bute Council Modern Apprentice Programme.**



# FQ3 2020/21 PERFORMANCE REPORT

This report provides an overview of the FQ3 2020/21 performance for the Customer Support Services' Service

**Indicator:** CSS113\_06-Maintain the average time to resolve ICT incidents.

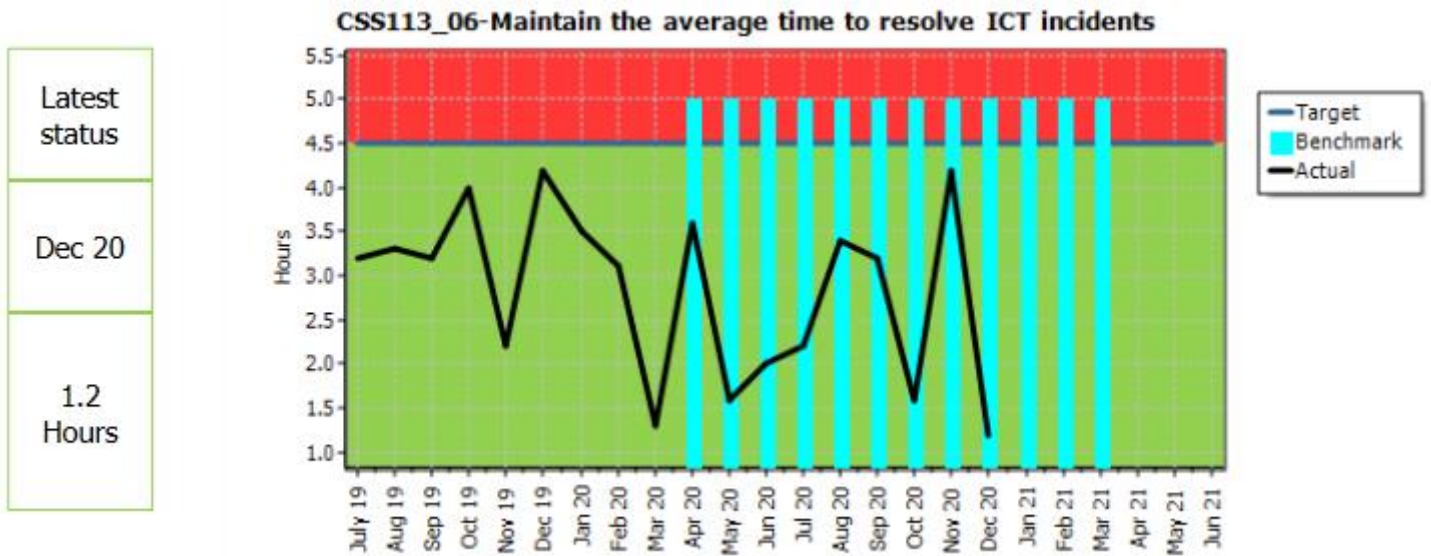
**Why measure this?** To support the Council to operate effectively and efficiently and any unforeseen ICT incidents are resolved as quickly as possible.

**Commentary:** Average Fix Time for December was 1 hr 20 mins for service affecting incidents which is well within target time of 4.5 hours. December saw a fall in call volumes and with shorter working month and many staff on leave has resulted in much lower number of calls and corresponding fix time.

**Note:** Graph shows Monthly performance

**This indicator is above target and performance has improved since the last reporting period**

<p><b>TARGET Monthly (December)</b> 4.5 Hours</p>	<p><b>ACTUAL Monthly (December)</b> 1.2 Hours <b>G</b></p>	<p><b>BENCHMARK</b> 5.0</p>	<p><b>PERFORMANCE TREND</b> ↑</p>
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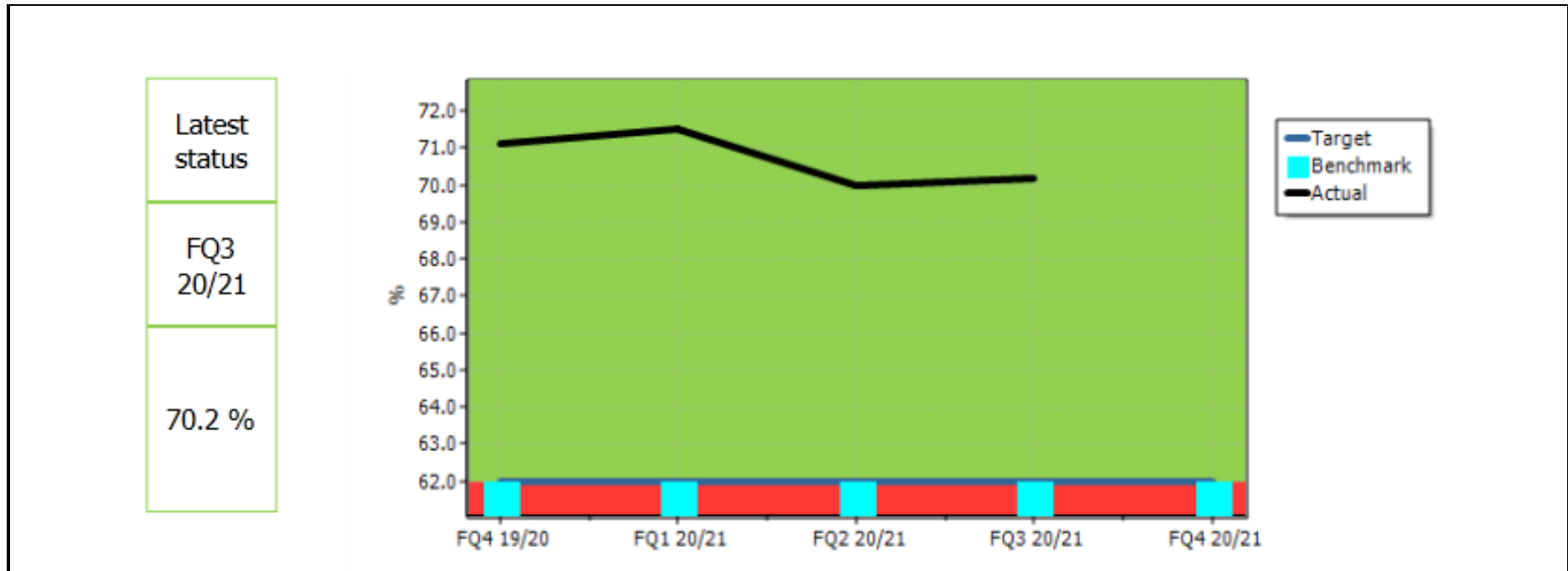
## FQ3 2020/21 PERFORMANCE REPORT

**This report provides an overview of the FQ3 2020/21 performance for the Customer Support Services' Service**

<b>Indicator: CSS115_04-Increase the percentage of all Self-Service and automated contacts though both the Customer Service Centre and the Web.</b> <b>Why measure this? Increasing the volume of self-service and automated contacts reduces the use of other higher cost channels and improves our efficiency.</b>			
<b>Commentary:</b> In FQ3 there were 33349 mediated transactions (29.8%) and 78420 automated or self-service transaction = 70.2% so the 62% target was well exceeded. New digital elements introduced this quarter include: - The blue badge integration to DWP Searchlight system to increase number of automatic passported online blue badge awards. Video online Citizenship ceremony to reduce risk of Covid infection and increase paid take up of the service. A range of online application forms to support the Strategic Business Framework funds for Covid Restriction Business Support. An online form for Test and Protect Support integrated to CRM back office processes Implementation of the Ask a Question online digital assistant for HR on the Hub - On Online Parking Permit Service A new National Online application for National Entitlement Cards An integration to the Lighting System that automatically updates customers on the status of their faulty street lighting reports New automated alerts for ferry disruptions to the Cuan Ferry Integration to a new nil cost government text service Gov. Notify has been set up to provide an alternative text in service, replacing the old that cost 4p per text.			
<b>This indicator is above target and performance has improved since the last reporting period</b>			
<b>TARGET FQ3</b> 62%	<b>ACTUAL FQ3</b> 70.2% <span style="color: green; font-size: 1.2em;">G</span>	<b>BENCHMARK</b> 62%	<b>PERFORMANCE TREND</b> 
CSS115_04-Increase the percentage of all Self-Service and automated contacts though both the Customer Service Centre and the Web.			

# FQ3 2020/21 PERFORMANCE REPORT

This report provides an overview of the FQ3 2020/21 performance for the Customer Support Services' Service



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**ARGYLL AND BUTE COUNCIL****POLICY AND RESOURCES  
COMMITTEE****DEVELOPMENT AND  
ECONOMIC GROWTH****18<sup>TH</sup> FEBRUARY 2021**

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**STRATEGIC EVENTS AND FESTIVALS FUND – ROUND 3 UPDATE**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to provide an update to members in regard to Round 3 Strategic Events and Festivals (SEF) Fund for 2021/22, and seek agreement to defer a decision in regard to any formal grant award for SEF Round 3 to the May meeting of the Policy and Resources Committee. The reason for this is the current uncertainty in regard to if and when strategic events will now be able to go ahead in light of the current national lockdown and difficult and challenging on going position with regard to COVID-19 pandemic and especially in regard to mass gatherings.
- 1.2 The SEF third round of grant funding is to support strategic events and festivals that are to be held in 2021/22. The call for applications was issued on 22 October 2020 and closed on the 7 December and the applications, of which there are 10, were due to be consideration by Policy and Resources Committee at the February meeting.
- 1.3 As members will be aware SEF Round 2 events, planned to be held between June and December 2020, faced a set of extraordinary circumstances and challenges brought about by the coronavirus, COVID-19 pandemic and the need to social distance. Despite hopes that things would improve for events in 2021, in light of the current National lockdown and significantly higher numbers of COVID-19 cases this time around compared to March 2020, there is still significant uncertainty as to if and when events of a strategic nature, which would fall into the definition of mass gathering, may be able to take place in 2021.
- 1.4 At the time of writing, at least one of the event organisers who have applied to the SEF Round 3 have indicated that they may not be proceeding with their event in 2021. Members will be aware that none of the 9 strategic events planned for 2020 were able to go ahead. 8 were formally cancelled and Tiree Wave Classic organisers had rescheduled their 2020 event to March 2021 however it is looking very unlikely that this will be able to go ahead in light of the current situation although no formal decision has been made on this.

- 1.5 Strategic Events and Festivals Funding is conditional on events taking place and as such, in cases where an event has been cancelled there is no requirement to make payment of grant. When it became evident that SEF Round 2 events were very unlikely to go ahead members agreed to the partial release of grant to support the event organisation through this challenging time. Of the 9 cancelled 2020/21 events (1 has been rescheduled) only 3 event organisations have applied and secured grant towards eligible expenditure incurred. The organisations are Mull of Kintyre and Cowal Highland Gathering and Mull Rally.
- 1.6 At the time of putting out the call for SEF Round 3 applications in October 2020 we were obviously not facing a National Lockdown and things were looking slightly more positive however this position has changed very quickly and we are now facing a much more serious position than in March of last year. Given the uncertainty and unpredictability it would seem pragmatic to delay and review the position over the next two/three months rather than agree to award grants for strategic events and festivals that will not be able to go ahead as planned. This will allow both the council and the event organisations themselves to hopefully be clearer as to the feasibility and viability of these events taking place in 2021.

#### **RECOMMENDATION**

- 1.7 Members of the Policy and Resources Committee are asked to:
- a) Agree that in light of the current National Lockdown and the significant uncertainty over if and when strategic events and festivals, classed as mass gatherings, will be able to take place in 2021 that the decision in regard to awarding of SEF Round 3 grants is deferred and the position reconsidered at the May Policy and Resources Committee when hopefully the situation regarding holding of mass gathering in 2021 will be clearer.
  - b) Note that none of the 9 SEF Round 2 grant supported events planned for 2020 have gone ahead in light of COVID-19 and the restriction preventing mass gathering being held. 8 have been formally cancelled and whilst Tiree Wave Classic have rescheduled their 2020 event to March 2021, it is now very unlikely this will go ahead.
  - c) Note that following agreement by members to the partial release of the SEF Round 2 grant (up to 75% of the SEF grant) to support the legitimate and eligible expenditure incurred in relation to cancelled events, only 3 of the event organisations have drawn down grant in regard to expenditure incurred in relation to 2020 cancelled events. Grant payments have been made to Mull of Kintyre Music Festival, Cowal Highland Gathering and Mull Rally.



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**ARGYLL AND BUTE COUNCIL**

**POLICY AND RESOURCES  
COMMITTEE**

**DEVELOPMENT AND  
ECONOMIC GROWTH**

**18 FEBRUARY 2021**

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**STRATEGIC EVENTS AND FESTIVALS FUND – ROUND 3 UPDATE**

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**2.0 INTRODUCTION**

- 2.1 The purpose of this report is to ask provide an update to members in regard to Round 3 Strategic Events and Festivals (SEF) Fund for 2021/22, and seek agreement to defer a decision in regard to any formal grant award for SEF Round 3 to the May meeting of the Policy and Resources Committee in light of the current lockdown and difficult and challenging on going position that the events sector is still facing with regard to COVID-19 pandemic. The report also provides a short update in regard to SEF Round 2 events and associated grants.
- 2.2 At the Business Continuity Committee meeting on 11 June 2020, members agreed that a grant pot of £90,000 be made available for SEF over financial year 2021/22. The call for applications was issued on 22 October 2020 and closed on the 7 December and the applications, of which there are 10, were due to be consideration by Policy and Resources Committee at the February meeting.
- 2.3 At the time of putting out the call for SEF Round 3 applications in October 2020 we were obviously not facing a National Lockdown and things were looking slight more positive however this position has changed very quickly and we are now facing a much more serious position than in March of last year. Given the uncertainty and unpredictability it would seem pragmatic to delay and review the position over the next two/three months rather than agree to award grants for strategic events and festivals that will not be able to go ahead as planned. This will allow both the council and the event organisations themselves to hopefully be clearer as to the feasibility and viability of these events taking place in 2021.

**3.0 RECOMMENDATIONS**

- 3.1 Members of the Policy and Resources Committee are asked to:
- a) Agree that in light of the current National Lockdown and the significant

uncertainty over if and when strategic events and festivals, classed as mass gatherings, will be able to take place in 2021 that the decision in regard to awarding of SEF Round 3 grants is deferred and the position reconsidered at the May Policy and Resources Committee when hopefully the situation regarding holding of mass gathering in 2021 will be clearer.

- b) Note that none of the 9 SEF Round 2 grant supported events planned for 2020 have gone ahead in light of COVID-19 and the restriction preventing mass gathering being held. Whilst Tiree Wave Classic have rescheduled their 2020 event to march 2021, it is now very unlikely this will go ahead.
- c) Note that following agreement by members to the partial release of the SEF Round 2 grant (up to 75% of the SEF grant) to support the legitimate and eligible expenditure incurred in relation to cancelled events, only 3 of the event organisations have drawn down grant in regard to expenditure incurred in relation to 2020 cancelled events. Grant payments have been made to Mull of Kintyre Music Festival, Cowal Highland Gathering and Mull Rally.

#### **4.0 DETAIL**

- 4.1 The overarching aim of the Strategic Events and Festivals Fund is to support event organisers to enhance and grow their events with the result that more visitors are attracted to Argyll and Bute, providing substantial economic benefit to the respective areas. The fund will provide critical support in the economic recovery of the area.
- 4.2 At the time of agreeing to holding an SEF Round 3 it was hoped that there would be a greater likelihood that mass gatherings may be able to be held in 2021/22 and it would be a more positive outlook for events. Unfortunately that is currently not looking to be the case although it is appreciated that things may change over the coming months in light of the availability of the vaccine. However it is difficult to predict the position especially given the seriousness of the current situation and that we are currently in a National lockdown.
- 4.3 The strategic events that have applied for SEF Round 3 funding are currently scheduled to be held between June and December 2021. However some of these may need to reconsider in light of the current situation. Deferring the decision until May will allow there to be much greater clarity both for the event organisations themselves and the council as to if and when strategic events can go ahead in 2021. The position will be predicated on when mass gatherings will be safe to be held.
- 4.4 It is fully appreciated that events of this scale are facing an unprecedented set of extraordinary and challenging circumstances brought about as a result of the coronavirus, COVID-19 pandemic and that this is putting excessive strain on the financial stability of many of the organisation and provides a precarious outlook for Argyll and Bute events in 2021.
- 4.5 Events Scotland suspended their National and beacon funded programmes but are providing support to event organisations through Scotland's Events Recovery Fund (SERF). This has been established in conjunction with

Scottish Government to help Scotland's events sector plan and deliver events through to the end of 2021, and to provide support as the industry responds and adapts to the effects of COVID-19. The fund, which was launched prior to the National Lockdown and the increase in COVID 19 cases, is part of the tourism and events recovery plan and aims to help restart the events sector as restrictions are eased, and address additional costs which may be incurred as a result of new hygiene and health and safety requirements, allowing communities and the public to regain confidence in hosting and attending events. However in light of the current situation it is clear that there are still significant challenges facing larger scale events and no certainty over when people will be able to meet on mass to attend events.

4.6 At the time of writing, at least one of the event organisers who have applied to the SEF Round 3 have indicated that they may not be proceeding with their event in 2021. Members will be aware that none of the 9 strategic events planned for 2020 were able to go ahead. Tiree Wave Classic organisers had rescheduled their 2020 event to March 2021 however it is looking very unlikely that this will be able to go ahead in light of the current situation although no formal decision has been made on this.

4.7 The loss of any event from the area is likely to have a significant impact on the local economy, especially those events which are longstanding. There is no doubt that the cancellation of 8 of the 9 SEF Round 2 (2020) events will have had an economic impact on the area and potentially on the viability of the event organisations although it is hoped that both Council and SG funding support will have helped to minimise the impact in some way. The importance of the SEF funding is fully recognised in assisting in the recovery of the sector however given the serious situation that we are currently facing and the unpredictability and uncertainty as to if and when events involving large numbers of people will be able to go ahead, it would seem prudent to delay the decision to allow a full understanding of the position with regard to being able to hold SEF in 2021.

4.8 In the meantime we will continue to liaise with the event organisations who have applied to the SEF Round 3 fund especially as some events may need to reschedule and some may even decide to cancel.

## **5.0 CONCLUSION**

5.1 Unfortunately the impact of the coronavirus, COVID-19 pandemic is still unknown and the status of strategic events and festivals will continue to change. The loss of any event from the local economy will be significant, and as such in an effort to support the economic recovery it is important that funding support is available to support strategic events when they are in a position to go ahead. However in light of the current situation and the fact that we are in a national lockdown and given that it is unclear how long this position will continue, it would seem to be prudent to defer the decision in regard to the award of SEF Round 3

grants until May. This will hopefully allow much greater clarity both for the event organisations themselves and the council as to if and when strategic events can go ahead in 2021. The position will be predicated on when mass gatherings will be safe to be held.

## **6.0 IMPLICATIONS**

- 6.1 Policy – The Council’s Economic Strategy and Recovery Plan supports the value of events and festivals for their positive impact on the economy.
- 6.2 Financial – £90,000 in grant has been made available for a third round of Strategic Events and Festivals Funding for 2021/22.
- 6.3 Legal – Award letters and grant contracts would be issued as and when a decision is made.
- 6.4 HR – Resourced from existing staff
- 6.5 Fairer Scotland Duty:
  - 6.5.1 Equalities - protected characteristics - None
  - 6.5.2 Socio-economic Duty – The Fund seeks to support the economic growth of areas
  - 6.5.3 Islands – The Fund seeks to support island economies by encouraging increased levels of visitors
- 6.6 Risk – The full effects of the impact that the coronavirus, COVID-19 pandemic will have is at this stage unclear, although it is anticipated that the impact will be severe and as we have already seen the cancellation of 8 of the 9 SEF Round 2 events due to take place in 2020.
- 6.7 Customer Service - None

**Kirsty Flanagan, Executive Director with responsibility for Development and Economic Growth**

14<sup>th</sup> January 2021

**Policy Lead – Cllr Redman**

**For further information contact:**

Audrey Martin, Transformation Projects and Regeneration Manager  
Tel: 01546 604 180

## **APPENDICES**

None

## Policy and Resources Committee Work Plan 2021-22

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
18 February 2021 (Budget)	Financial Report Monitoring Pack	Financial Services	Every meeting except May	19 January 2021 for SMT	
	Budgeting Pack 2021-2022	Financial Services	Annual		
	Treasury Management and Investment Strategy	Financial Services	Annual		
	FQ3 Performance Report	Customer Support Services			
	Strategic Events and Festivals Fund – Round 3 Update	Development and Economic Growth			
	Scottish Crown Estate Funding Proposals	Development and Economic Growth			
Date	Report Title	Dept/Section	How Often?	Date Due	Comments
13 May 2021	Budget Outlook	Financial Services	Every Meeting	13 April 2021 for SMT	
	Risk Management Manual	Financial Services			
	Performance Report FQ4	Customer Support Services	Quarterly		
	Medium to Long Term Financial Strategy 2021-22 to 2030-31	Financial Services			
	Revised Capital Strategy	Financial Services			
	Lorn Arc Tax Incremental Finance Programme Update	Development and Economic Growth			
	Attendance Procedures	Customer Support Services			

## Policy and Resources Committee Work Plan 2021-22

Date	Report Title	Dept/Section	How Often?	Date Due	Comments
12 August 2021	Financial Report Monitoring Pack	Financial Services		13 July 2021 for SMT	
	Budget Outlook	Financial Services			
	Service Annual Performance Reviews				
	Performance Report FQ1				
Date	Report Title	Dept/Section	How Often?	Date Due	Comments
14 October 2021	Financial Report Monitoring Pack	Financial Services		14 September 2021 for SMT	
	Budget Outlook	Financial Services			
	Procurement Strategy and Sustainable Procurement Policy	Legal and Regulatory Support			
	Community Empowerment (Scotland) Act 2015 – Update – Expressions Of Interest / Asset Transfer Requests/Participation Requests/ Annual Reporting Requirements	Commercial Services			
Date	Report Title	Dept/Section	How Often?	Date Due	Comments
9 December 2021	Financial Report Monitoring Pack	Financial Services		9 November 2021 for SMT	
	Budget Outlook	Financial Services			
	Budget Savings Options	Financial Services			
	Draft Service Plans	Customer Support Services			
	FQ2 Performance Report	Customer Support Services			

## Policy and Resources Committee Work Plan 2021-22

Future Items – Date to be determined.					
	IHR Policies: <ul style="list-style-type: none"><li>• Attendance Management Policy</li></ul>	Customer and Support	As required	TBC	Date to be confirmed.

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