

# Public Document Pack

## Argyll and Bute Council

Comhairle Earra-Ghàidheal Agus Bhòid

Executive Director: Douglas Hendry



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9 February 2023

## NOTICE OF MEETING

A meeting of the **POLICY AND RESOURCES COMMITTEE** will be held **ON A HYBRID BASIS IN THE COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD AND BY MICROSOFT TEAMS** on **THURSDAY, 16 FEBRUARY 2023** at **10:30 AM**, which you are requested to attend.

Douglas Hendry  
Executive Director

## BUSINESS

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTEREST (IF ANY)**
3. **MINUTES**
  - (a) Policy and Resources Committee held on 8 December 2022  
(Pages 5 - 12)
  - (b) Special Policy and Resources Committee held on 19 January 2023  
(Pages 13 - 14)
- \* 4. **FINANCIAL REPORTS MONITORING PACK - 31 DECEMBER 2022**  
(Pages 15 - 152)  
Report by Section 95 Officer
- \* 5. **BUDGETING PACK 2023 - 2024**  
Reports by Section 95 Officer

Please note that the Budget Pack 2023-2024 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 2023/24 Members should log into the Modern.Gov App on their iPad and tap the cog symbol on the top right hand side of the screen. In the next screen, tap the "Select Committees of Interest" option, scroll down until you find the Budget Pack. Tap on this line and a tick should appear opposite the Budget Pack to show that you have made your

selection. Click “OK” at the bottom right hand side of the screen. This should now appear on your list of Committees. The budget pack will 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 153 - 208)  
Report by Section 95 Officer
- 7. CORONATION HOLIDAY - 8 MAY 2023** (Pages 209 - 212)  
Report by Executive Director with responsibility for Customer Support Services
- \* **8. STRATEGIC EVENTS AND FESTIVALS FUND - ROUND 5 2023/2024**  
(Pages 213 - 220)  
Report by Executive Director with responsibility for Development and Economic Growth
- 9. PLACE BASED INVESTMENT AND CROWN ESTATE UPDATE** (Pages 221 - 226)  
Report by Executive Director with responsibility for Development and Economic Growth
- 10. ISLANDS PROGRAMME 2023-24** (Pages 227 - 230)  
Report by Executive Director with responsibility for Development and Economic Growth
- REPORTS FOR NOTING**
- 11. POLICY AND RESOURCES COMMITTEE WORK PLAN** (Pages 231 - 234)
- REPORTS FOR DECISION**
- 12. ROTHESAY PAVILION**
  - (a) Rothesay Pavilion Update (Pages 235 - 250)  
Report by Executive Director with responsibility for Commercial Services and Executive Director with responsibility for Development and Economic Growth
  - \* E1 (b) Rothesay Pavilion - Financial and Contractual Issues (Pages 251 - 262)  
Report by Executive Director with responsibility for Commercial Services and 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 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 Gordon Blair        | Councillor Robin Currie (Chair)       |
| Councillor Audrey Forrest      | Councillor Kieron Green               |
| Councillor Amanda Hampsey      | Councillor Fiona Howard               |
| Councillor Willie Hume         | Councillor Andrew Kain                |
| Councillor Reeni Kennedy-Boyle | Councillor Jim Lynch                  |
| Councillor Liz McCabe          | Councillor Yvonne McNeilly            |
| Councillor Ross Moreland       | Councillor Gary Mulvaney (Vice-Chair) |
| Councillor Dougie Philand      | Councillor Alastair Redman            |

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**MINUTES of MEETING of POLICY AND RESOURCES COMMITTEE held ON A HYBRID BASIS IN THE COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD AND BY MICROSOFT TEAMS on THURSDAY, 8 DECEMBER 2022**

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

|                                |                            |
|--------------------------------|----------------------------|
| Councillor Gordon Blair        | Councillor Jim Lynch       |
| Councillor Kieron Green        | Councillor Liz McCabe      |
| Councillor Amanda Hampsey      | Councillor Yvonne McNeilly |
| Councillor Fiona Howard        | Councillor Ross Moreland   |
| Councillor Andrew Kain         | Councillor Douglas Philand |
| Councillor Reeni Kennedy-Boyle | Councillor Alastair Redman |

**Attending:** Pippa Milne, Chief Executive  
Douglas Hendry, Executive Director  
Shona Barton, Governance Manager  
Fergus Murray, Head of Development and Economic Growth  
Ross McLaughlin, Head of Commercial Services  
Jane Fowler, Head of Customer Support Services

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Audrey Forrest and Gary Mulvaney.

**2. DECLARATIONS OF INTEREST**

Councillor Dougie Philand declared a non-financial interest in item 12 of the agenda (Conservation Area Regeneration Scheme (CARS) Project: 3-17 Colchester Square, Lochgilphead) as a family member had submitted a tender for the contract. He advised that he would leave the room during the consideration of this item of business.

**3. MINUTES**

The Minutes of the meeting of the Policy and Resources Committee held on 13 October 2022 were approved as a correct record.

\* **4. FINANCIAL REPORTS MONITORING PACK - 31 OCTOBER 2022**

The Committee gave consideration to a report providing a summary of the financial monitoring reports as at the end of October 2022. There were five detailed reports, setting out the position as at 31 October 2022, which were summarised in the executive summary.

**Decision**

The Policy and Resources Committee –

1. noted the revenue budget monitoring report as at 31 October 2022;
2. noted the financial risks for 2022-23;

3. noted the capital plan monitoring report as at 31 October 2022 and approved the proposed changes to the capital plan outlined in Appendix 4 of that report;
4. noted the treasury monitoring report as at 31 October 2022;
5. noted the reserves and balances report as at 31 October 2022;
6. agreed to recommend to Council that the revenue virements over £0.200m during September and October 2022 were approved; and
7. agreed that £0.490m Revenue funding and £0.422m Capital funding relating to the pay award should be passed to the HSCP in 2022-23.

(Reference: Report by Section 95 Officer dated 4 November 2022, submitted)

Councillors Amanda Hampsey and Andrew Kain joined the meeting during the consideration of the following item of business.

#### **5. BUDGET OUTLOOK 2023-24 TO 2027-28**

The Committee gave consideration to a report providing an update to the budget outlook 2023-24 to 2027-28, last reported to the Policy and Resources Committee on 13 October 2022.

##### **Decision**

The Policy and Resources Committee noted the current estimated budget outlook position for the period 2023-24 to 2027-28.

(Reference: Report by Section 95 Officer dated 29 November 2022, submitted)

#### **6. ISLANDS COST CRISIS EMERGENCY FUND**

The Committee gave consideration to a report in relation to the allocation of Scottish Government Island Cost of Crisis Emergency Funding which aims to help island authorities take urgent action to support households through the cost of living crisis. The report recommended that the Committee delegate the arrangements for Argyll and Bute's allocation of this funding to the Executive Director with responsibility for Development and Economic Growth in consultation with the Leader, Depute Leader, Leader of the Largest Opposition Group and the Policy Lead for Islands.

##### **Decision**

The Policy and Resources Committee –

1. noted the funding announced by the Scottish Government as part of its Emergency Budget Review for 2022/23 financial year for Local Authorities with responsibility for islands; and
2. agreed that arrangements for the fund be delegated to the Executive Director with responsibility for Development and Economic Growth in consultation with the Leader,

Depute Leader, Leader of the largest Opposition Group and the Policy Lead for Islands to ensure that the support reached communities as quickly as possible.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 1 December 2022, submitted)

## **7. LOCAL AUTHORITY COVID ECONOMIC RECOVERY FUND UPDATE**

The Committee gave consideration to a report providing an update with detail of options agreed and progress made in relation to the Local Authority COVID Economic Recovery (LACER) Fund.

### **Decision**

The Policy and Resources Committee –

1. noted the progress to date with the suite of previously agreed options for the LACER funding;
2. approved the refocus of £35k of funding from sector support to provide additional regional support to businesses in the hardest hit areas - Campbeltown, Lochgilphead, Isle of Bute and Dunoon; and
3. agreed that the overspend of up to £36,713 in relation to the issue of Scotland Loves Local Cards was met from the Recovery and Renewal Fund.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated November 2022, submitted)

## **\* 8. 2023/2024 ANNUAL REVIEW - PROCUREMENT STRATEGY 2022/25 AND SUSTAINABLE PROCUREMENT POLICY 2022/25**

The Committee gave consideration to a report seeking approval for the 2023/2024 Annual Review of the 2022/2025 Procurement Strategy and 2022/2025 Sustainable Procurement Policy. The report outlined the annual updates and the key changes that had been made to both the Procurement Strategy and the Sustainable Procurement Policy.

### **Decision**

The Policy and Resources Committee –

1. noted the minor changes to the Procurement Strategy 2022/2025 and Sustainable Procurement Policy 2022/2025; and
2. approved the final revised Procurement Strategy 2022/25 and Sustainable Procurement Policy 2022/25, to go on to the Full Council in February 2023; subject to the following amendment to paragraph 1.3 of the Sustainable Procurement Policy 2022/25 as follows –

Amended paragraph 1.3 - Argyll & Bute Council is one of the region's major public money spenders with £158.8 million spent in 2021/22 and resolves to embed progressive procurement practices by developing local supply chains of businesses likely to support local employment and keep wealth within communities. Further Argyll

& Bute Council will make its financial power work for local places, working collaboratively to increase flows of investment within local economies by harnessing and recirculating the wealth that exists.

(Reference: Report by Executive Director with responsibility for Legal and Regulatory Support dated 7 November 2022, submitted)

## **9. CLIMATE CHANGE BOARD UPDATE & DE-CARBONISATION TRACKER**

The Committee gave consideration to a report highlighting recent activity of the Climate Change Board.

### **Decision**

The Policy and Resources Committee noted the updates contained at Section 5 of the report and the full De-carbonisation Tracker update contained within Appendix A.

(Reference: Report by Executive Director with responsibility for Commercial Services dated 13 November 2022, submitted)

## **10. RURAL GROWTH DEAL - UPDATE PAPER**

The Committee gave consideration to a report providing an update on the Rural Growth Deal (RGD) Programme and the progress towards the signing of the Full Deal Agreement which represented the next key milestone in the Rural Growth Deal process.

### **Decision**

The Policy and Resources Committee –

1. approved a further drawdown of funding from the Inward Investment Fund (up to £150k);
2. noted that similar to previous arrangements, funds would only be drawn down subject to the Chief Executive and two Executive Directors of the Council being satisfied that the monies were for the purpose of delivering the Rural Growth Deal. Any further funding required in excess of the approved value would require further approval from the Policy and Resources Committee; and
3. noted the process and anticipated timescales for signing the Full Deal Agreement with the Scottish and UK Governments.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated November 2022, submitted)

## **11. LORN ARC TAX INCREMENTAL FINANCE PROGRAMME - UPDATE REPORT**

The Committee gave consideration to a report providing an update on the wider Lorn Arc Programme and the current live Lorn Arc projects at Dunbeg and Oban Airport.

### **Decision**



The Policy and Resources Committee noted the progress with the Lorn Arc Project, particularly –

1. ongoing discussions with Scottish Government to amend the TIF agreement;
2. anticipated submissions of full planning applications for Dunbeg Corridor in early 2023; and
3. ongoing work to prepare a Business Case for investment in a Headquarters building at Oban Airport.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 2 November 2022, submitted)

Councillor Dougie Philand, having declared an interest in the following item of business left the meeting and took no part in the consideration of this item.

**12. CONSERVATION AREA REGENERATION SCHEME (CARS) PROJECT: 3-17 COLCHESTER SQUARE, LOCHGILPHEAD**

The Committee gave consideration to a report outlining the gap funding that existed in the second priority building of the Lochgilphead Conservation Area Regeneration Scheme (CARS). The Scheme was jointly funded by Historic Environment Scotland and Argyll and Bute Council. The report requested utilisation of an additional £40,642.24 grant funding from the Private Sector Housing Grant to cover that gap and facilitate the key project.

**Decision**

The Policy and Resources Committee approved the utilisation of the Private Sector Housing Grant (PSHG) to award an additional £40,642.24 grant to the 3-17 Colchester Square, Lochgilphead CARS project, thus providing essential gap funding to facilitate the restoration of the building.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 24 November 2022, submitted)

Councillor Dougie Philand re-joined the meeting at this point.

**13. SCOTTISH GOVERNMENT GAELIC AND SCOTS AND A SCOTTISH LANGUAGES BILL: CONSULTATION**

The Committee gave consideration to a report proposing a response to the consultation on the Scottish Government Commitment to Gaelic and Scots and a Scottish Languages Bill.

**Decision**

The Policy and Resources Committee agreed the proposed response to the Scottish Government Commitment to Gaelic and Scots and a Scottish Languages Bill consultation and mandated the Head of Customer Support Services to submit it on behalf of the Council to Scottish Government.

(Reference: Report by Executive Director with responsibility for Customer Support Services dated 17 November 2022, submitted)

#### **14. POLICY AND RESOURCES COMMITTEE WORK PLAN**

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

##### **Decision**

The Policy and Resources Committee noted the content of the submitted work plan.

(Reference: Policy and Resources Committee Work Plan dated 8 December 2022, submitted)

The Chair advised that in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, Appendix 1 relating to the following item of business would require the exclusion of the press and public should any Member wish to discuss the content of this appendix 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.

#### **15. OUR MODERN WORKSPACE (OMW) - PLACE DEMONSTRATOR FUNDING FOR ROTHESAY**

The Committee gave consideration to a report providing an overview of the funding application submitted to the Scottish Government Place Demonstrator Fund in respect of redesign proposals in the Victoria Street and Union Street offices in Rothesay.

##### **Decision**

The Policy and Resources Committee –

1. noted the opportunity to access substantial Scottish Government capital funding as noted in Appendix 1 to the submitted report;
2. agreed that the Place Demonstrator Funding would only be used to complete the Our Modern Workspace programme in Rothesay to demonstrate the context of Place as a direct outcome of the Place Based Review;
3. agreed that the Council should accept the opportunity to work with the Scottish Government and Scottish Futures Trust to accelerate the Rothesay Phase of the Our Modern Workspace through the Place demonstrator Funding by committing to the following requests:-
  - demonstrate the place context, in discussion with other key partners
  - note the additionality this funding can provide – what this funding can unlock in the context of the wider Place Narrative, and
  - Confirm the project and Council commitment by 31 March 2023.

(Reference: Report by Executive Director with responsibility for Commercial Services dated 8 December 2022, 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 Paragraph 6 of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

**16. PROGRESS REPORT: DANGEROUS BUILDING: 5-7 EAST CLYDE STREET, HELENSBURGH**

The Committee gave consideration to a report in respect of a dangerous building at 5-7 East Clyde Street, Helensburgh.

**Decision**

The Policy and Resources Committee –

1. noted the content of the report and the ongoing works to secure a permanent solution; and
2. agreed to option (B) as detailed within the submitted report.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated November 2022, submitted)

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**MINUTES of SPECIAL MEETING of POLICY AND RESOURCES COMMITTEE held  
BY MICROSOFT TEAMS  
on THURSDAY, 19 JANUARY 2023**

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

|                                |                            |
|--------------------------------|----------------------------|
| Councillor Gordon Blair        | Councillor Yvonne McNeilly |
| Councillor Kieron Green        | Councillor Ross Moreland   |
| Councillor Fiona Howard        | Councillor Gary Mulvaney   |
| Councillor Reeni Kennedy-Boyle | Councillor Douglas Philand |
| Councillor Jim Lynch           | Councillor Alastair Redman |
| Councillor Liz McCabe          |                            |

**Also Present:** Councillor Jan Brown

**Attending:** Pippa Milne, Chief Executive  
Douglas Hendry, Executive Director  
Kirsty Flanagan, Executive Director / Section 95 Officer  
Anne Blue, Head of Financial Services  
Jane Fowler, Head of Customer Support Services  
Shona Barton, Governance Manager

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Audrey Forrest and Amanda Hampsey.

**2. DECLARATIONS OF INTEREST**

There were no declarations of interest intimated.

**3. BUDGET SAVINGS 2023-24**

The Committee gave consideration to a report providing information on savings options identified by officers for consideration for financial year 2023-24 and beyond.

**Decision**

The Policy and Resources Committee –

1. agreed that the new policy savings options (as outlined in Appendix 1 to the submitted report) would be presented to the next meeting of the Policy and Resources Committee where the budget pack would be considered;
2. 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; and
3. noted that officers would continue to monitor the budget outlook position and report any changes to Members as part of the budget pack.

(Reference: Report by Section 95 Officer dated 10 January 2023, submitted)

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**ARGYLL AND BUTE COUNCIL****POLICY AND RESOURCES COMMITTEE****FINANCIAL SERVICES****16 FEBRUARY 2023**

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**FINANCIAL REPORTS MONITORING PACK – 31 DECEMBER 2022**

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**1. INTRODUCTION**

1.1 This report provides a summary of the financial monitoring reports as at the end of December 2022. There are five detailed reports, setting out the position as at 31 December 2022, which are summarised in this Executive Summary:

- Revenue Budget Monitoring Report
- Monitoring of Financial Risks
- Capital Plan Monitoring Report
- Treasury Monitoring Report
- Reserves and Balances

**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 underspend of £3.408m as at the end of December 2022. The key variances are:

- £3.666m underspend in central budgets with the largest variances relating to a one-off treasury gain of £5.398m due to receiving a discount on the early repayment of PWLB loans and £1.491m recognised in relation to the net expected funding shortfall from the 2022-23 pay award. Note that the £1.491m will be attributed to the relevant services, as opposed to sitting in the centre as it currently does, when the pay awards are finalized. There are further numerous other variances within this service area, including overspends within Elected Members due to the pay award and within utilities and insurances due to price pressures. There are underspends from the joint boards, unfunded pensions and NDR budgets where payments out are lower than available budget.
- £0.740m overspend due to an under-recovery of income in Piers and Harbours, an overspend in Waste employee costs due to sickness absence cover, landfill tax increases and a back-payment for an increased tonnage rate for Waste Disposal from one of our suppliers. These are partially offset with additional income in Crematoria, Commercial Waste, Building Control and Private Water Supply Appraisals plus an underspend in Directorate due to budget no longer needed.
- £0.597m underspend is due to underspends in employee budgets which are not included within the Scheme of Devolved School Management, partially

offset by an overspend within the Residential School Budget and Home and Hospital Tuition.

- £0.253m overspend due to a high demand for services and use of agency staff within Social Work
- £0.138m over-recovery of Council Tax

2.1.3 The forecast overspend includes the projected impact of the 2022-23 pay settlement:

- The Scottish Government agreed to provide an additional £140m of recurring resource from 2022-23 to support the settlement and a further £120.6m of capital funding in 2022-23 and 2023-24 which will be baselined as General Revenue Grant from 2024-25 onwards. It was agreed at Policy and Resources on 8 December 2022 that a proportionate share of the funding is transferred over to the Health and Social Care Partnership (HSCP) and these budget adjustments have been processed.
- The Teachers and Chief Officers pay awards are still under negotiation.
- There remains a budget pressure that both the Council and the HSCP will require to fund. The estimated gap for the Council is £1.491m and the HSCP £0.334m. The Council gap is calculated with the assumption that the Teachers and Chief Officers pay award is on the same basis as the SJC pay award so could be subject to change if negotiations result in an increased amount.
- The projected impact of £1.491m for the Council has been included in the forecast outturn reported at 31 December 2022.

2.1.4 There is a year to date underspend of £6.806m. More focus is on the forecast outturn position, hence why sometimes the year to date position is not updated. The year to date variances mainly relate to the timing of income and expenditure and recharging of costs to capital.

2.1.5 With regard to the ongoing financial impact of COVID-19, there are £8.965m of reserves committed to manage the impact of the pandemic. The detail behind these commitments is contained within Appendix 2 of the Reserves and Balances report.

2.1.6 Total policy savings relevant to 2022-23 financial year amount to £1.560m. The table below outlines their progress as at 31 December 2022.

| Category                 | No. of Options | 2022-23<br>£000 | 2022-23<br>FTE | 2023-24<br>£000 | 2023-24<br>FTE | Future<br>Years<br>£000 | Future<br>Years<br>FTE |
|--------------------------|----------------|-----------------|----------------|-----------------|----------------|-------------------------|------------------------|
| Delivered                | 10             | 367.0           | 1.4            | 375.0           | 1.4            | 375.0                   | 1.4                    |
| On Track to be Delivered | 6              | 350.0           | 0.5            | 353.0           | 0.5            | 356.0                   | 0.5                    |
| Still to be Implemented  | 1              | 0.5             | 0.0            | 0.5             | 0.0            | 0.5                     | 0.0                    |
| Being Developed          | 0              | 0.0             | 0.0            | 0.0             | 0.0            | 0.0                     | 0.0                    |
| Potential Shortfall      | 6              | 818.2           | 0.0            | 937.8           | 0.0            | 937.8                   | 0.0                    |
| Delayed                  | 1              | 24.0            | 0.0            | 24.0            | 0.0            | 24.0                    | 0.0                    |
| <b>TOTAL</b>             | <b>24</b>      | <b>1,559.7</b>  | <b>1.9</b>     | <b>1,690.3</b>  | <b>1.9</b>     | <b>1,693.3</b>          | <b>1.9</b>             |



2.1.7 For those savings approved prior to February 2022, there are six savings categorised as having a shortfall and one currently delayed.

### **Health and Social Care Partnership (HSCP) – Financial Update**

2.1.8 The forecast outturn position at the end of December is an estimated overspend of £0.598m for 2022-23 (£0.253m for Social Work and £0.345m for Health). The Chief Financial Officer of the IJB is confident that the spend will be brought in line with budget by the end of the financial year using slippage from growth projects and anticipated additional funding allocations.

## **2.2 Monitoring of Financial Risks**

2.2.1 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.

2.2.2 There are 5 Council wide revenue risks identified for 2022-23 currently amounting to £2.290m.

2.2.3 There are currently 41 departmental risks totalling £4.935m. Of the 41 departmental risks, one is categorised as almost certain and 4 are categorised as likely. These will continue to be monitored and action taken to mitigate or manage these risks.

2.2.4 The 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<br>£000 |
|-----------------------------------|--|---|------------|--------------------------|
| 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          | 750                      |
| Roads and Infrastructure Services | Roads Materials - Bitumen                            | Increased cost of asphalt material due to price of crude oil rising. Discussions emerging from the industry about possible rationing of bitumen which, if applied, will affect our programmes due to availability | 3          | 400                      |
| Roads and Infrastructure Services | Winter Maintenance                                   | Adverse weather conditions which require greater than budgeted number of gritting runs.   | 3          | 365                      |

2.2.5 There has been 1 change to the departmental risks since the report as presented to the Policy and Resources Committee on 8 December 2022. These are outlined in paragraph 3.4.1 of the Financial Risks Report.

## **2.3 Capital Plan Monitoring Report**

- 2.3.1 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.
- 2.3.2 At the budget setting meeting on 25 February 2021, the Council agreed to provide a £2.5m provision for the increase in capital contract costs as a result of COVID-19 and following agreement at the Policy and Resources Committee on 14 October 2021, this, plus a further £0.146m, was added to the capital programme. At the budget meeting in February 2022 an additional £3.9m was set aside for further capital contract increases including up to £1.2m for Campbeltown Flood Scheme.
- 2.3.3 There are likely to be further financial pressures facing the capital programme that are not able to be quantified at this stage largely relating to inflationary increases in the construction industry and supply chain issues.
- 2.3.4 Actual net expenditure to date is £19.846m compared to a budget for the year to date of £19.186m giving rise to an overspend for the year to date of £0.660m (3.44%).
- 2.3.5 The forecast outturn for 2022-23 is a forecast net expenditure of £33.440m compared to an annual budget of £39.014m giving rise to a forecast underspend for the year of £5.574m (14.29%).
- 2.3.6 The forecast total net projects costs on the capital plan are £180.736m compared to a total budget for all projects of £180.009m giving rise to a forecast overspend for the overall capital plan of £0.727m (0.40%).
- 2.3.7 In respect of total project performance, there are 162 projects within the capital plan, 140 are complete or on target, 8 are off target and recoverable and 14 projects are off track.

## **2.4 Treasury Monitoring Report**

- 2.4.1 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.
- 2.4.2 The net movement in external borrowing for the period 1 November 2022 to 31 December 2022 was a decrease of £9.98m.
- 2.4.3 Borrowing is below the Capital Financing Requirement for the period to 31 December 2022. This is due to the repayment of long term PWLB borrowing earlier in the year offset by the need to take temporary borrowing for cash flow purposes.
- 2.4.4 The levels of investments were £99.1m at 31 December 2022. The average rate of return achieved was 2.869% which is below the target SONIA (Sterling Overnight Index Average) rate for the same period of 3.202%.

## 2.5 Reserves and Balances

- 2.5.1 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.
- 2.5.2 The Council has a total of £394.480m unusable reserves that are not backed with resources. They are required purely for accounting purposes.
- 2.5.3 At 31 March 2022, the Council had a total of £103.183m of usable reserves. Of this:
- £2.682m relates to the Repairs and Renewals Fund
  - £4.414m relates to Capital Funds
  - £96.087m was held in the General Fund, with £88.990m of this balance earmarked for specific purposes.
- 2.5.4 Of the earmarked balance of £88.990m:
- £43.882m is invested or committed for major initiatives/capital projects
  - £10.605m has already been drawn down
  - £8.580m is still to be drawn down in 2022-23
  - £25.370m is planned to be spent in future years
  - £0.553m has been released back to the general fund
- 2.5.5 The table below summarises the position of the unallocated General Fund balance taking into consideration the points noted above.

| Heading   | Detail   | £000  |
|---|--|-------|
| Unallocated General Fund as at 31 March 2022                | This is the balance that is unallocated over and above the 2% contingency, which amounts to £5.256m        | 1,841 |
| Budgeted allocation to General Fund for 2022-23 Budget      | Per the Budget Motion at Council on 24 February 2022   | 2,482 |
| Earmarked Balances no longer required                       | Per paragraphs 3.3.3 to 3.3.5 – amounts previously earmarked that can be released back to the general fund | 553   |
| Current Forecast Outturn for 2022-23 as at 31 December 2022 | Note, this includes an overspend of £0.253m against Social Work  | 3,408 |

|  |   |              |
|--|---|--------------|
| Social Work outturn adjustment                           | Per paragraph 3.4.2 - Social Work hold reserves so would be expected to cover their overspend | 253          |
| <b>Estimated Unallocated balance as at 31 March 2023</b> |   | <b>8,537</b> |

2.5.6 It can be seen that, after taking into consideration the Budget Motion, the current forecast outturn for 2022-23, the balances no longer required and the expected adjustment in relation to the Social Work outturn, the Council is forecast to have a £8.537m surplus over contingency.

## 2.6 VIREMENTS OVER £0.200m (Revenue)

2.6.1 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.

2.6.2 For the periods November and December, there are 3 virements requiring authorisation:

- 0.216m reallocation of carers budgets within Social Work
- 0.358m between Roads and Infrastructure and Other Operating Income and expenditure to correct a coding error in piers and harbours inflation
- 0.417m recognised within Social Work for the increased costs of the pay award

## 3. RECOMMENDATIONS

3.1 It is recommended that the Policy and Resources Committee:

- a) Consider the revenue budget monitoring report as at 31 December 2022
- b) Note the financial risks for 2022-23
- c) Note the capital plan monitoring report as at 31 December 2022 and approve the proposed changes to the capital plan outlined in Appendix 4 of that report.
- d) Note the treasury monitoring report as at 31 December 2022
- e) Consider the reserves and balances report as at 31 December 2022
- f) Recommend to Council that the revenue virements over £0.200m during November and December 2022 are approved

**4. IMPLICATIONS**

|       |  |  |
|-------|--|--|
| 4.1   | Policy –                                 | None.  |
| 4.2   | Financial -                              | Outlines the revenue and capital monitoring for 2022-23 as at 31 December 2022 |
| 4.3   | Legal -                                  | None.  |
| 4.4   | HR -                                     | None.  |
| 4.5   | Fairer Scotland Duty -                   | None.  |
| 4.5.1 | Equalities – protected characteristics - | None.  |
| 4.5.2 | Socio-economic Duty -                    | None.  |
| 4.5.3 | Islands -                                | None.  |
| 4.6   | Climate Change -                         | None.  |
| 4.7   | Risk -                                   | Risks are included in financial risks report.                                  |
| 4.8   | Customer Service -                       | None.  |

**Kirsty Flanagan**  
**Executive Director /Section 95 Officer**  
**13 January 2023**

**Policy Lead for Finance and Commercial Services - Councillor Gary Mulvaney**

For further information contact Anne Blue, Head of Financial Services  
[anne.blue@argyll-bute.gov.uk](mailto:anne.blue@argyll-bute.gov.uk)

**2022-23 Overall Position:**

There is an overall forecast underspend of £3.408m as at the end of December 2022. Central Budgets are projecting a £3.666m underspend with the largest variances relating to a treasury gain of £5.398m due to receiving a discount on the early repayment of three PWLB loans offset by £1.491m recognised in relation to the net expected shortfall in funding from the 2022-23 pay award. Note that the £1.491m will be attributed to the relevant services, as opposed to sitting in the centre as it currently does, when the pay awards are finalised. There are further numerous offsetting variances, including overspends within Elected Members due to the pay award and within utilities and insurances due to price pressures and underspends from the Joint Boards, Unfunded Pensions and NDR budgets where payments out are lower than available budget. Within Executive Director Kirsty Flanagan, there is a forecast overspend of £0.740m due to an under-recovery of income in Piers and Harbours, an overspend in Waste employee costs due to sickness absence cover, landfill tax increases and a back-payment for an increased tonnage rate for Waste Disposal from one of our suppliers. These are partially offset with additional income in Crematoria, Commercial Waste, Building Control and Private Water Supply Appraisals plus an underspend in Directorate due to budget no longer needed. Within Social Work, there is a forecast overspend of £0.253m due to a high demand for services and agency staff costs. Within Executive Director Douglas Hendry, there is a forecast underspend of £0.597m, this is due to underspends in employee budgets which are not included within the Scheme of Devolved School Management, partially offset by an overspend within the Residential School Budget and Home and Hospital Tuition. There is a projected over-recovery of Council tax of £0.138m

There is a year to date underspend of £6.806m. The year to date variances within the departments tend to relate to the timing of income and expenditure and costs to capital not recharged yet.

**Key Highlights as at December 2022:**

- There has been a one-off treasury gain that was achieved in October by repaying some PWLB loans early to take advantage of a discount in the repayment. There was a short window of opportunity for these transactions brought about by the volatility at Westminster which affected the interest rates.
- The expected total shortfall of all pay awards has been built into the projection for December (£1.491m).

**Key Financial Successes:**

Performance against budget for 2021-22 was an overall net favourable position of £1.630m underspend after adjusting for year-end earmarking. This breaks down as:

- £0.815m net underspend in relation to Council service departmental expenditure
- £0.432m net overspend in relation to other central costs
- £1.247m over-recovery of Council Tax income.

|  |   |
|--|---|
| <p><b>Key Financial Challenges:</b></p> <p>Ongoing consideration of the financial impact of COVID on the Council's revenue position.</p> <p>Achieving a favourable year-end position and achieving savings targets in light of council wide risks to expenditure.</p> <p>Monitoring Social Work expenditure and more widely the IJB position as any overspend will transfer back to partner bodies in the first instance.</p> <p>Identifying further savings and delivering services more efficiently with less resources, as whilst a balanced 2022-23 budget was agreed in February 2022 there are still budget gaps in future years.</p> <p>Maintaining or improving the level of service income recovered, for example planning, building standards and car parking.</p> <p>Managing spend in service areas which are demand led and, to some extent, outwith service control, for example Winter Maintenance.</p> <p>Ongoing requirement to fund unavoidable inflationary increases in areas like utility costs, fuel, food etc. This is impacted further by the availability of supply as a result of the COVID-19 pandemic, UK exit from the European Union, Russia's invasion of Ukraine and sanctions on Russian owned entities to name a few influencing factors.</p> <p>Cost of living crisis impacting on pay inflation negotiations which could result in pay awards above what is deemed affordable.</p> | <p><b>Proposed Actions to address Financial Challenges:</b></p> <p>Continue to identify additional costs as a consequence of COVID to ensure earmarked COVID funds are applied appropriately.</p> <p>Robust monitoring of the financial position and delivery of savings to ensure budget issues inform the budget monitoring process.</p> <p>Continue to work closely with the CFO of the IJB to ensure that early indication of any potential adverse financial outturn is known and corrective action is agreed as appropriate to reduce the risk to the Council.</p> <p>The Council will continue to progress savings options identified in 2021-22 that require further development and seek to identify further savings through themed reviews and business process reviews.</p> <p>Actively monitor income recovery and ensure Council fees and charges policies are regularly reviewed.</p> <p>Use risk based approach to budget monitoring to focus additional attention on these areas.</p> <p>Ensure emerging issues are highlighted as soon as possible so that the financial impact can be reported through the budget monitoring and preparation processes.</p> <p>Ensure emerging issues are highlighted as soon as possible so that the financial impact can be reported through the budget monitoring and preparation processes.</p> |
|--|---|

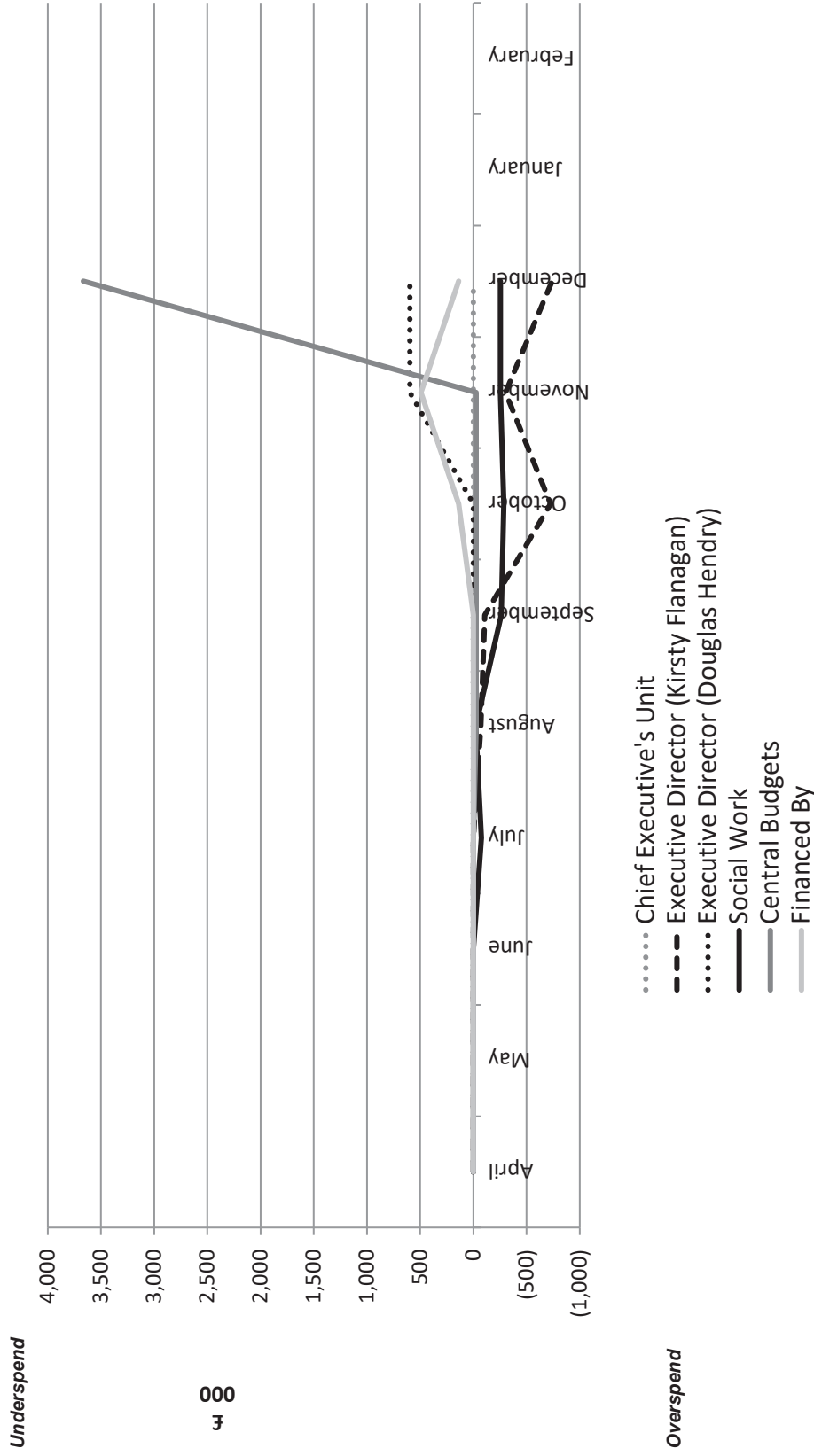
## Forecast Outturn Position

There is a forecast overspend of £0.499m for 2022-23 as at the end of December 2022

| Department                           | Annual Budget £'000 | Forecast Outturn £'000 | Current Forecast Variance £'000 | Previous Forecast Variance £000 | Change £000  | Explanation   |
|--------------------------------------|---------------------|------------------------|---------------------------------|---------------------------------|--------------|---|
| Chief Executive's Unit               | 7,652               | 7,652                  | 0                               | 0                               | 0            |   |
| Executive Director (Douglas Hendry)  | 128,603             | 128,006                | 597                             | 597                             | 0            | Underspend is due to underspends in employee budgets which are not included within the Scheme of Devolved School Management, partially offset by an overspend within the Residential School Budget and Home and Hospital Tuition.   |
| Executive Director (Kirsty Flanagan) | 48,922              | 49,662                 | (740)                           | (302)                           | (438)        | Overspend due to an under-recovery of income in Piers and Harbours, an overspend in Waste employee costs due to sickness absence cover, landfill tax increases and a back-payment for an increased tonnage rate for Waste Disposal from one of our suppliers. These are partially offset with additional income in Crematoria, Commercial Waste, Building Control and Private Water Supply Appraisals plus an underspend in Directorate due to budget no longer needed.                         |
| Social Work                          | 73,823              | 74,076                 | (253)                           | (253)                           | 0            | Overspend due to high demand for services and agency staff costs.   |
| Central Budgets                      | 23,709              | 20,043                 | 3,666                           | (26)                            | 3,692        | There is a large one-off Loans Fund gain due to early repayment of loans resulting in a discount in the repayment and other smaller underspends against joint boards, unfunded pensions and NDR budgets where payments out are lower than available budget. There are overspends due to the projected Teachers and Chief Officers pay awards yet to be decided, Elected Members pay award being higher than the available budget and also from utilities and insurances due to price pressures. |
| Financed By                          | (282,709)           | (282,847)              | 138                             | 493                             | (355)        | Projected over-recovery of Council tax has been reduced due to recent recovery levels being lower than expected   |
| <b>Total</b>                         | <b>0</b>            | <b>(3,408)</b>         | <b>3,408</b>                    | <b>509</b>                      | <b>2,899</b> |   |



**Forecast outturn position for each Department from the start of the financial year**

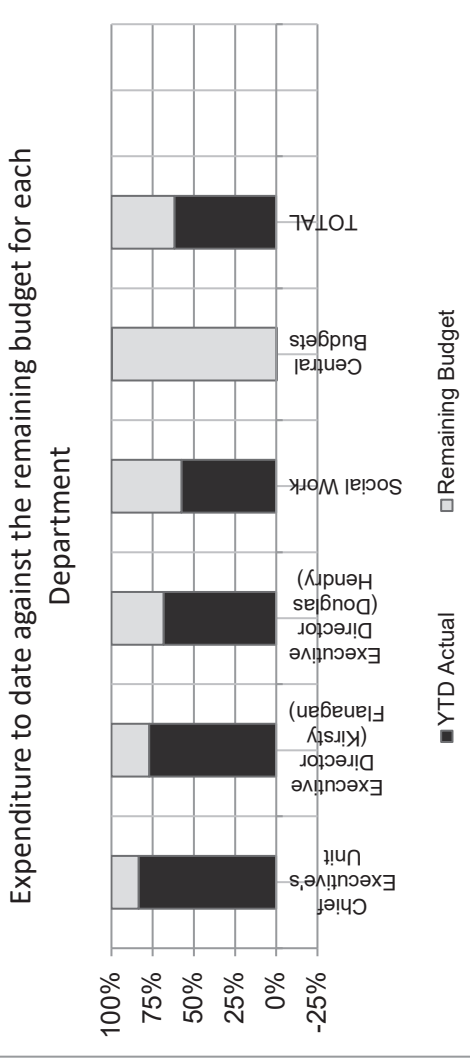


**Further information on the departmental forecast variances is included later on in the report.**

## Year to Date Position

The year to date position as at the end of December 2022 is an underspend of £6.806m and the main variances are noted below.

| Department                           | YTD Actual<br>£'000 | YTD Budget<br>£'000 | YTD Variance<br>£'000 | Explanation  |
|--------------------------------------|---------------------|---------------------|-----------------------|--|
| Chief Executive's Unit               | 6,392               | 6,391               | (1)                   | The YTD overspend can be attributed to profiling issues  |
| Executive Director (Douglas Hendry)  | 88,063              | 88,574              | 511                   | The YTD underspend position is mainly due to underspends in employee budgets. The underspends in school and learning centre employee budgets fall within the Scheme of Devolved School Management in schools which are permitted flexibility at the end of the year so no forecast variance for this part of the underspend is required. The remaining variances are mainly profile related and will be refined through January. |
| Executive Director (Kirsty Flanagan) | 37,757              | 34,340              | (3,417)               | The YTD overspend is mainly due to income being behind profile in the Roads Operational Holding Account due to Capital project timing which is difficult to profile and the under-recovery of income in Piers and Harbours   |
| Social Work                          | 42,538              | 43,839              | 1,301                 | The YTD underspend can be attributed to timings of payments and profiling issues and demand for purchased Children's Services. This is partially offset by high demand for services across Adult Services and staffing pressures, including the use of agency staff, across Homecare and Older People Residential Units  |
| Central Budgets                      | (67)                | 8,345               | 8,412                 | The YTD underspend can be attributed to timings of payments and profiling issues. A large proportion of the YTD can be attributed to the one-off Loans Fund gain resulting from early repayment of loans £5.398m   |
| Funding                              | (186,801)           | (186,801)           | 0                     |  |
| <b>Total Net Expenditure</b>         | <b>(12,118)</b>     | <b>(5,312)</b>      | <b>6,806</b>          |  |



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

## OBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AS AT 31 DECEMBER 2022

|  | YEAR TO DATE POSITION |                  |                |               | CURRENT PROJECTED FINAL OUTTURN |                  |                   |               |
|--|-----------------------|------------------|----------------|---------------|---------------------------------|------------------|-------------------|---------------|
|  | YTD Actual            | YTD Budget       | YTD Variance   | Variance      | Annual Budget                   | Forecast Outturn | Forecast Variance |               |
|  | £'000                 | £'000            | £'000          | %             | £'000                           | £'000            | £'000             |               |
| <b><u>Departmental Budgets</u></b>     |                       |                  |                |               |                                 |                  |                   |               |
| Chief Executive's Unit                 | 6,392                 | 6,391            | (1)            | (0.0%)        | 7,652                           | 7,652            | 0                 | 0.0%          |
| Executive Director (Kirsy Flanagan)    | 37,757                | 34,340           | (3,417)        | (10.0%)       | 48,922                          | 49,662           | (740)             | (1.5%)        |
| Executive Director (Douglas Hendry)    | 88,063                | 88,574           | 511            | 0.6%          | 128,603                         | 128,006          | 597               | 0.5%          |
| Social Work                            | 42,538                | 43,839           | 1,301          | 3.0%          | 73,823                          | 74,076           | (253)             | (0.3%)        |
| <b>Total Departmental Budgets</b>      | <b>174,750</b>        | <b>173,144</b>   | <b>(1,606)</b> | <b>(0.9%)</b> | <b>259,000</b>                  | <b>259,396</b>   | <b>(396)</b>      | <b>(0.2%)</b> |
| <b><u>Central Budgets</u></b>          |                       |                  |                |               |                                 |                  |                   |               |
| Other Operating Income and Expenditure | (1,364)               | 1,093            | 2,457          | 224.8%        | 2,248                           | 4,202            | (1,954)           | (86.9%)       |
| Joint Boards                           | 940                   | 1,122            | 182            | 16.2%         | 1,496                           | 1,325            | 171               | 11.4%         |
| Non-Controllable Costs                 | 357                   | 6,130            | 5,773          | 94.2%         | 19,965                          | 14,516           | 5,449             | 27.3%         |
| <b>Total Central Budgets</b>           | <b>(67)</b>           | <b>8,345</b>     | <b>8,412</b>   | <b>100.8%</b> | <b>23,709</b>                   | <b>20,043</b>    | <b>3,666</b>      | <b>15.5%</b>  |
| <b>TOTAL NET EXPENDITURE</b>           | <b>174,683</b>        | <b>181,489</b>   | <b>6,806</b>   | <b>3.8%</b>   | <b>282,709</b>                  | <b>279,439</b>   | <b>3,270</b>      | <b>1.2%</b>   |
| <b><u>Financed By</u></b>              |                       |                  |                |               |                                 |                  |                   |               |
| Aggregate External Finance             | (140,228)             | (140,228)        | 0              | 0.0%          | (219,325)                       | (219,325)        | 0                 | 0.0%          |
| Local Tax Requirement                  | (46,573)              | (46,573)         | 0              | 0.0%          | (55,262)                        | (55,400)         | 138               | (0.3%)        |
| Contributions to General Fund          | 0                     | 0                | 0              | 0.0%          | 2,482                           | 2,482            | 0                 | 0.0%          |
| Earmarked Reserves                     | 0                     | 0                | 0              | 0.0%          | (10,604)                        | (10,604)         | 0                 | 0.0%          |
| <b>Total Funding</b>                   | <b>(186,801)</b>      | <b>(186,801)</b> | <b>0</b>       | <b>0.0%</b>   | <b>(282,709)</b>                | <b>(282,847)</b> | <b>138</b>        | <b>(0.1%)</b> |
| <b>(Deficit)/Surplus for Period</b>    | <b>(12,118)</b>       | <b>(5,312)</b>   | <b>6,806</b>   |               | <b>0</b>                        | <b>(3,408)</b>   | <b>3,408</b>      |               |

## SUBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AS AT 31 DECEMBER 2022

| Subjective Category                 | YEAR TO DATE POSITION |                     |                       | CURRENT PROJECTED FINAL OUTTURN |                        |                           |                            |               |
|-------------------------------------|-----------------------|---------------------|-----------------------|---------------------------------|------------------------|---------------------------|----------------------------|---------------|
|                                     | YTD Actual<br>£'000   | YTD Budget<br>£'000 | YTD Variance<br>£'000 | Variance<br>%                   | Annual Budget<br>£'000 | Forecast Outturn<br>£'000 | Forecast Variance<br>£'000 | Variance<br>% |
| Employee Expenses                   | 122,672               | 124,395             | 1,723                 | 1.4%                            | 177,744                | 179,795                   | (2,051)                    | (1.2%)        |
| Premises Related Expenditure        | 12,120                | 11,660              | (460)                 | (4.0%)                          | 16,867                 | 17,365                    | (498)                      | (3.0%)        |
| Supplies and Services               | 19,617                | 18,610              | (1,007)               | (5.4%)                          | 25,061                 | 25,469                    | (408)                      | (1.6%)        |
| Transport Related Expenditure       | 10,050                | 8,957               | (1,093)               | (12.2%)                         | 17,317                 | 17,495                    | (178)                      | (1.0%)        |
| Third Party Payments                | 117,938               | 117,457             | (481)                 | (0.4%)                          | 171,200                | 171,720                   | (520)                      | (0.3%)        |
| Capital Financing                   | 3,336                 | 0                   | (3,336)               |                                 | 14,039                 | 14,039                    | 0                          | 0.0%          |
| <b>TOTAL EXPENDITURE</b>            | <b>285,733</b>        | <b>281,079</b>      | <b>(4,654)</b>        | <b>(1.7%)</b>                   | <b>422,228</b>         | <b>425,883</b>            | <b>(3,655)</b>             | <b>(0.9%)</b> |
| Income                              | (297,851)             | (286,391)           | 11,460                | (4.0%)                          | (422,228)              | (429,291)                 | 7,063                      | (1.7%)        |
| <b>(Deficit)/Surplus for Period</b> | <b>(12,118)</b>       | <b>(5,312)</b>      | <b>6,806</b>          |                                 | <b>0</b>               | <b>(3,408)</b>            | <b>3,408</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.

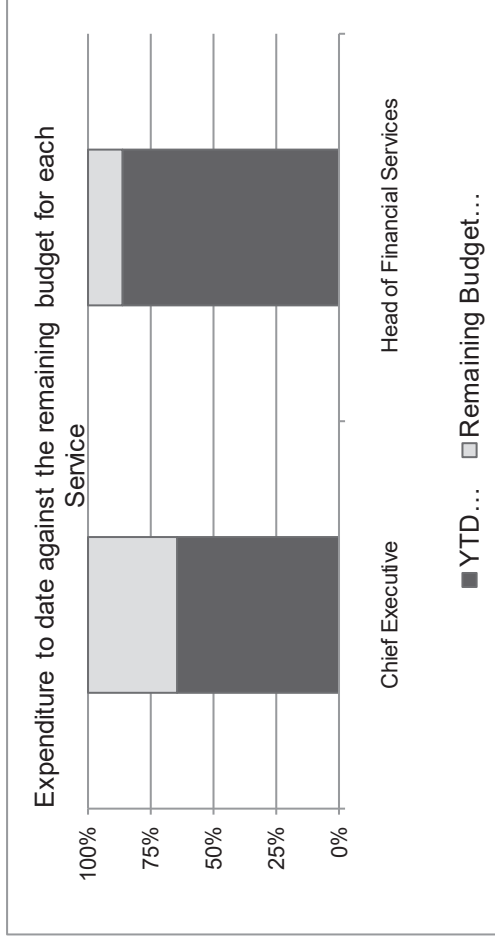
## CHIEF EXECUTIVE'S UNIT – AS AT 31 DECEMBER 2022

The department is currently forecasting spend in line with budget.  
 The department has a year to date overspend of £0.001m.

### Forecast Outturn Position

| Service                    | Annual Budget<br>£000 | Forecast Outturn<br>£000 | Current Forecast Variance<br>£000 | Previous Forecast Variance<br>£000 | Change<br>£000 |
|----------------------------|-----------------------|--------------------------|-----------------------------------|------------------------------------|----------------|
| Chief Executive            | 959                   | 959                      | 0                                 | 0                                  | 0              |
| Head of Financial Services | 6,693                 | 6,693                    | 0                                 | 0                                  | 0              |
| <b>Totals</b>              | <b>7,652</b>          | <b>7,652</b>             | <b>0</b>                          | <b>0</b>                           | <b>0</b>       |

### Year to Date Position



#### Key Financial Successes:

- All savings options have been delivered.
- The department's 2021-22 outturn position was an underspend of £0.018m. This resulted from an overall underspend of £2.013m offset by earmarking of £1.769m due to auto-carry forwards including unspent grants and COVID-19 funding and £0.226m of unspent budget earmarkings.

#### Key Financial Challenges:

To continue to deliver a high quality support service function during a time of substantial uncertainty and challenge arising from continuing reductions in funding whilst costs are increasing due to high inflation and service demand caused by world events including the COVID-19 pandemic and the conflict in Ukraine.

#### Proposed Actions to address Financial Challenges:

Ensure the team is operating as efficiently and effectively as possible to enable continued support to departments with reduced resources by building resilience through knowledge sharing across the team and maximising the benefits to the service from the implementation of the Oracle Fusion Financial Ledger System.

|  |   |
|--|---|
|  | <p>Carry out a business process review of the Revenues and Benefits function to determine if there is scope to deliver the service in a more cost effective manner.</p> <p>Work collaboratively with other services of the Council to identify opportunities to improve the operational and financial efficiency of services and to support evidence based decision making.</p> |
|--|---|

## CHIEF EXECUTIVE'S UNIT – OBJECTIVE SUMMARY AS AT 31 DECEMBER 2022

| Service Area                     | YTD Actual<br>£000 | YTD Budget<br>£000 | YTD Variance<br>£000 | % Variance    | Annual Budget<br>£000 | Forecast Outturn<br>£000 | Forecast Variance<br>£000 | % Variance  | Explanation  |
|----------------------------------|--------------------|--------------------|----------------------|---------------|-----------------------|--------------------------|---------------------------|-------------|--|
| Chief Executive                  | 266                | 264                | (2)                  | (0.8%)        | 387                   | 387                      | 0                         | 0.0%        | Outwith Reporting Criteria   |
| Community Planning & Development | 354                | 372                | 18                   | 4.8%          | 572                   | 572                      | 0                         | 0.0%        | Outwith Reporting Criteria   |
|                                  | <b>620</b>         | <b>636</b>         | <b>16</b>            | <b>2.5%</b>   | <b>959</b>            | <b>959</b>               | <b>0</b>                  | <b>0.0%</b> |  |
| Accounting & Budgeting           | 1,860              | 1,866              | 6                    | 0.3%          | 2,493                 | 2,493                    | 0                         | 0.0%        | Outwith Reporting Criteria   |
| Internal Audit & Fraud           | 213                | 216                | 3                    | 1.4%          | 228                   | 228                      | 0                         | 0.0%        | Outwith Reporting Criteria   |
| Revenues & Benefits              | 2,015              | 2,063              | 48                   | 2.3%          | 2,248                 | 2,248                    | 0                         | 0.0%        | Outwith Reporting Criteria   |
| Scottish Welfare Fund            | 1,684              | 1,610              | (74)                 | (4.6%)        | 1,724                 | 1,724                    | 0                         | 0.0%        | LACER Fund overspent, correction journal to be processed due to mis-codings and earmarked reserves to be drawn down. |
|                                  | <b>5,772</b>       | <b>5,755</b>       | <b>(17)</b>          | <b>(0.3%)</b> | <b>6,693</b>          | <b>6,693</b>             | <b>0</b>                  | <b>0.0%</b> |  |
|                                  | <b>6,392</b>       | <b>6,391</b>       | <b>(1)</b>           | <b>(0.0%)</b> | <b>7,652</b>          | <b>7,652</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 2022

| Subjective Category   | YTD Actual £000 | YTD Budget £000 | YTD Variance £000 | % Variance    | Annual Budget £000 | Forecast Outturn £000 | Forecast Variance £000 | % Variance  | Explanation  |
|-----------------------|-----------------|-----------------|-------------------|---------------|--------------------|-----------------------|------------------------|-------------|--|
| Employee              | 3,907           | 3,864           | (43)              | (1.1%)        | 5,482              | 5,482                 | 0                      | 0.0%        | Outwith Reporting Criteria   |
| Premises              | 0               | 0               | 0                 | 0.0%          | 0                  | 0                     | 0                      | 0.0%        | Outwith Reporting Criteria   |
| Supplies and Services | 310             | 334             | 24                | 7.2%          | 678                | 678                   | 0                      | 0.0%        | Outwith Reporting Criteria   |
| Transport             | 9               | 24              | 15                | 62.5%         | 32                 | 32                    | 0                      | 0.0%        | Underspend on staff travel budgets.  |
| Third Party           | 15,766          | 18,448          | 2,682             | 14.5%         | 26,326             | 26,326                | 0                      | 0.0%        | An underspend of £2.755m on Housing benefits (offset against income) offset by numerous accumulating variances coming to an overspend of £0.073m               |
| Income                | (13,600)        | (16,279)        | (2,679)           | 16.5%         | (24,866)           | (24,866)              | 0                      | 0.0%        | An overspend of £2.750m on Housing Benefits (offset against third party payments) offset by numerous accumulating variances coming to an underspend of £0.071m |
| <b>Totals</b>         | <b>6,392</b>    | <b>6,391</b>    | <b>(1)</b>        | <b>(0.0%)</b> | <b>7,652</b>       | <b>7,652</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 2022**

| 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 2022

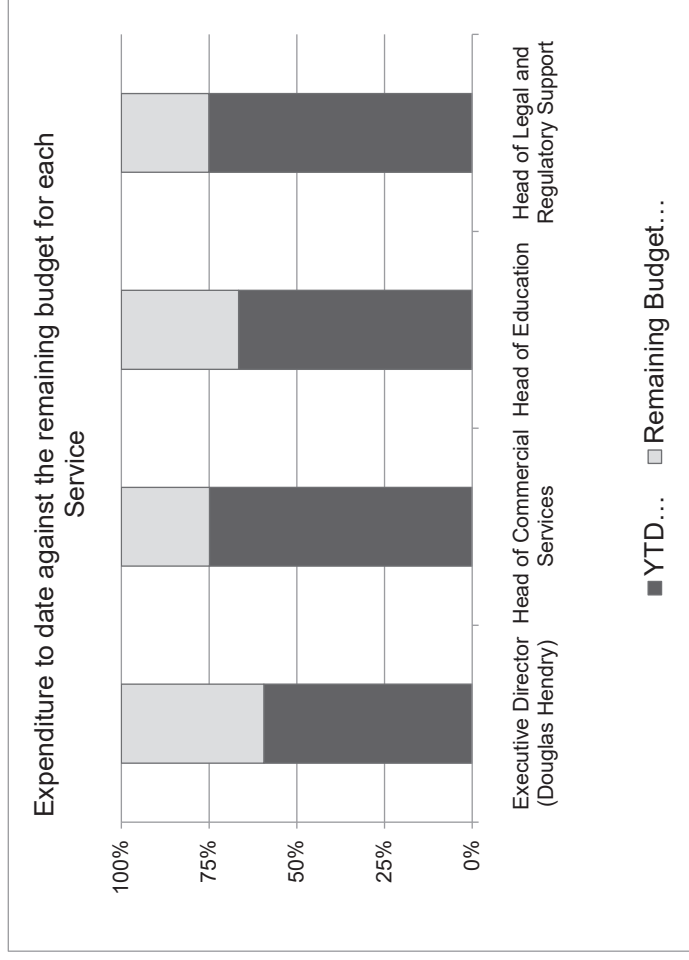
The department is currently forecasting an underspend of £0.597m (0.5%) for the year. This is due to underspends in employee budgets which are not included within the Scheme of Devolved School Management, partially offset by an overspend within the Residential School Budget and Home and Hospital Tuition.

The department has a year to date (YTD) underspend of £0.511m (0.6%). The year to date underspend position is mainly due to underspends in employee budgets. The underspends in school and learning centre employee budgets fall within the Scheme of Devolved School Management in schools which are permitted flexibility at the end of the year so no forecast variance for this part of the underspend is required. The remaining variances are mainly profile related and will be refined through January.

### Forecast Outturn Position

| Service                              | Annual Budget<br>£000 | Forecast Outturn<br>£000 | Current Forecast Variance<br>£000 | Previous Forecast Variance<br>£000 | Change   |
|--------------------------------------|-----------------------|--------------------------|-----------------------------------|------------------------------------|----------|
| Executive Director (Douglas Hendry)  | 443                   | 443                      | 0                                 | 0                                  | 0        |
| Head of Commercial Services          | 10,258                | 10,258                   | 0                                 | 0                                  | 0        |
| Head of Education                    | 98,725                | 98,128                   | 597                               | 597                                | 0        |
| Head of Legal and Regulatory Support | 19,177                | 19,177                   | 0                                 | 0                                  | 0        |
| <b>Totals</b>                        | <b>128,603</b>        | <b>128,006</b>           | <b>597</b>                        | <b>597</b>                         | <b>0</b> |

### Year to Date Position



### Key Financial Successes:

The 2021-22 year-end consolidated outturn position was an under spend of £0.223m after adjusting for earmarkings. This was due to the effective contract management of NPDO and Hub School contracts, including a lower than expected insurance premium as a result of the annual renegotiation of insurance costs. The costs of COVID were contained and minimised where possible across departments, with staff

|  |   |
|--|---|
| <p>from all areas of the service assisting in planning, implementing and delivering a wide range of additional services in schools and communities and helping businesses through the return from lockdown.</p>  |   |
| <p><b>Key Financial Challenges:</b></p>  | <p><b>Proposed Actions to address Financial Challenges:</b></p>   |
| <p>The ongoing impact of COVID-19</p>  | <p>Costs are being contained where possible.</p>  |
| <p>Impact of numbers/uptake in demand led service areas like catering, design services and licensing.</p>  | <p>Continually refine/develop systems to accurately calculate forecast outturns and the impact on the future financial outlook.</p>   |
| <p>Manage the impact of the Statutory Guidance supporting Nutritional Requirements for Food and Drink in Schools (Scotland) Regulations 2020, on the cost of producing school meals and also the uptake.</p>   | <p>Monitor and report on the impact on costs and on income as the year progresses.</p>  |
| <p>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 delivery of free school meals for 1140 hours of Early Learning and Childcare and the phased universal free school meals expansion in Primary Schools.</p>  | <p>Effective working with partners and support with implementation of service delivery method. Continual monitoring and review of budgets.</p>                                |
| <p>Legislative/policy requirements not fully funded by Scottish Government which may put additional burdens on the Council. For example, the introduction of free school meal payments for holidays.</p>   | <p>Analysis of new obligations and whether they incur additional costs not met through increased grant.</p>   |
| <p>The Council has a requirement to deliver 1140 hours of Early Learning and Childcare. The initial funding from Scottish Government was based on individual implementation plans with funding confirmed up to March 2022. The ring fenced grant has been reduced in 2022-23 and an exercise is required to ensure that the service can be delivered efficiently and effectively within this reduced funding allocation.</p> | <p>Robust service costings, financial monitoring and timely reporting to ensure the service can continue to deliver the service within the financial resources available.</p> |
| <p>Impact of high inflationary uplifts within the NPDO/HUB School contracts.</p>   | <p>Ensuring continued effective contract management of NPDO/HUB Schools to minimise the impact of high inflationary uplifts.</p>  |

## EXECUTIVE DIRECTOR (DOUGLAS HENDRY) – OBJECTIVE SUMMARY AS AT 31 DECEMBER 2022

| Service                             | Service Area                          | YTD Actual<br>£000 | YTD Budget<br>£000 | YTD Variance<br>£000 | % Variance  | Annual Budget<br>£000 | Forecast Outturn<br>£000 | Forecast Variance<br>£000 | % Variance  | Explanation  |
|-------------------------------------|---------------------------------------|--------------------|--------------------|----------------------|-------------|-----------------------|--------------------------|---------------------------|-------------|--|
| Executive Director (Douglas Hendry) | Central/Management Costs              | 263                | 270                | 7                    | 2.6%        | 443                   | 443                      | 0                         | 0.0%        | Outwith Reporting Criteria   |
|                                     |                                       | <b>263</b>         | <b>270</b>         | <b>7</b>             | <b>2.6%</b> | <b>443</b>            | <b>443</b>               | <b>0</b>                  | <b>0.0%</b> |  |
| Head of Commercial Services         | Catering                              | 369                | 474                | 105                  | 22.2%       | 1,206                 | 1,206                    | 0                         | 0.0%        | The YTD underspend is partially due to the profiling of catering purchases which will be refined through January and underspends on staffing due to vacancies and delays in recruitment.   |
| Head of Commercial Services         | Central/Management Costs              | 898                | 812                | (86)                 | (10.6%)     | 1,104                 | 1,104                    | 0                         | 0.0%        | The YTD overspend in Cleaning and Catering HQ is due to staff costs - virement for new post to be processed in January and costs relating to Our Modern Workspace project have to be transferred to the capital budget which will eliminate the overspend. The remainder is due to profiling of One Council Property income which will be refined through January. |
| Head of Commercial Services         | CHORD                                 | 92                 | 61                 | (31)                 | (50.8%)     | 26                    | 26                       | 0                         | 0.0%        | The YTD overspend in CHORD is due to income profiling which will be refined through January.   |
| Head of Commercial Services         | Cleaning                              | 127                | 186                | 59                   | 31.7%       | 524                   | 524                      | 0                         | 0.0%        | The YTD underspend is due to reduced use of bank staff which will be given up for vacancy savings in January.  |
| Head of Commercial Services         | Culture, Heritage, Recreation & Sport | 4,490              | 4,424              | (66)                 | (1.5%)      | 5,815                 | 5,815                    | 0                         | 0.0%        | The YTD overspend is due to higher than anticipated essential central repair costs within council buildings.   |

|                             |                                  |              |              |              |               |               |               |          |             |   |
|-----------------------------|----------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|----------|-------------|---|
| Head of Commercial Services | Events & Commercial Catering     | 190          | 71           | (119)        | (167.6%)      | 138           | 138           | 0        | 0.0%        | The YTD overspend is due to an under recovery of income caused by the closure of the Civic Centre Café which has now reopened for staff only and reduced footfall within Kilmory Canteen. There is also an under recovery of income within Events as a result of the slow recovery from the pandemic. |
| Head of Commercial Services | Property Portfolio               | (95)         | (161)        | (66)         | 41.0%         | (194)         | (194)         | 0        | 0.0%        | The YTD overspend is due to upgrading work within Dunoon Food Bank and re-instatement costs for 83-85 East Clyde Street.  |
| Head of Commercial Services | Property Services                | 879          | 728          | (151)        | (20.7%)       | 660           | 660           | 0        | 0.0%        | The YTD overspend is largely due to a variance within Renewable Energy due to a delay in the receipt of income from renewable schemes.  |
| Head of Commercial Services | Shared Offices                   | 727          | 777          | 50           | 6.4%          | 979           | 979           | 0        | 0.0%        | The YTD underspend is due to the profiling of the central repairs budget which will be refined through January.   |
|                             |                                  | <b>7,677</b> | <b>7,372</b> | <b>(305)</b> | <b>(4.1%)</b> | <b>10,258</b> | <b>10,258</b> | <b>0</b> | <b>0.0%</b> |   |
| Head of Education           | Additional Support for Learning  | 7,109        | 7,307        | 198          | 2.7%          | 10,380        | 10,380        | 0        | 0.0%        | The YTD underspend is due to delays in recruitment within Pupil Support Teachers and Additional Support Needs Assistants.   |
| Head of Education           | Central/Management Costs         | 1,474        | 1,459        | (15)         | (1.0%)        | 2,047         | 2,047         | 0        | 0.0%        | Outwith Reporting Criteria  |
| Head of Education           | Community Learning & Development | 6            | 5            | (1)          | (20.0%)       | 1             | 1             | 0        | 0.0%        | The YTD overspend is due to the budget profile and will be refined through January.   |
| Head of Education           | COVID                            | 1,010        | 706          | (304)        | (43.1%)       | 1,217         | 1,217         | 0        | 0.0%        | The YTD overspend is due to the budget profile of Covid funding which will be refined through January.  |
| Head of Education           | Early Learning & Childcare       | 3,039        | 3,189        | 150          | 4.7%          | 9,118         | 9,118         | 0        | 0.0%        | The YTD underspend is due to the delay in staffing structures being fully implemented. There is also an underspend in healthy snacks which is profile related and will be refined through January according to pupil numbers.   |

|                   |                            |        |        |       |        |        |        |       |         |   |
|-------------------|----------------------------|--------|--------|-------|--------|--------|--------|-------|---------|---|
| Head of Education | Primary Education          | 25,488 | 24,831 | (657) | (2.7%) | 35,437 | 35,437 | 0     | 0.0%    | The YTD overspend of £667k is mainly due to the late receipt of income from the SG for PEF and the budget profile will be adjusted to reflect this. There is also an overspend within Primary HQ due to higher than anticipated minor repairs within schools.   |
| Head of Education | Pupil Support              | 1,667  | 1,638  | (29)  | (1.8%) | 2,528  | 2,831  | (303) | (12.0%) | There is a YTD overspend of £30k in Schools Residential Placements and £5k in Home and Hospital Tuition, offset by other small YTD underspends. It is likely that both will continue to be a pressure through 2022/23 and a forecast projection to reflect this has been processed.   |
| Head of Education | Schools - Central Services | 1,372  | 1,915  | 543   | 28.4%  | 2,548  | 2,148  | 400   | 15.7%   | The YTD underspend is due to £91k income being received for STEM projects that requires profiling. Budget held centrally following a review of school formula and profiling within the SEEMIS budget which will be refined through January. The forecast underspend is due to funding held centrally which has been freed up following the review of the teacher staffing formulas and the annual review of school entitlements.                  |
| Head of Education | Secondary Education        | 24,559 | 25,261 | 702   | 2.8%   | 35,449 | 34,949 | 500   | 1.4%    | The YTD underspend is mainly due to underspends within secondary schools staffing budgets. Under the Scheme of Devolved School Management (DSM) schools are permitted flexibility at year end, therefore no forecast variance has been processed in relation to this. There are a number of staffing underspends (that do not fall within DSM) due to funding held centrally which has been freed up following the review of the teacher staffing |

|                                    |   |               |               |  |  |  |  |            |             |                |                |               |            |             |  |   |
|------------------------------------|---|---------------|---------------|--|--|--|--|------------|-------------|----------------|----------------|---------------|------------|-------------|--|---|
|                                    |   |               |               |  |  |  |  |            |             |                |                |               |            |             |  | formulas and the annual review of school entitlements. A forecast variance has now been processed to reflect the expected year end position. Both above are partially offset by the late receipt of PEF funding from the SG and the budget profile will be refined through January. |
|                                    |   |               |               |  |  |  |  |            | <b>587</b>  | <b>0.9%</b>    | <b>98,725</b>  | <b>98,128</b> | <b>597</b> | <b>0.6%</b> |  |   |
| Head of Legal & Regulatory Support |   | <b>65,724</b> | <b>66,311</b> |  |  |  |  |            | 2           | 1.1%           | 263            | 263           | 0          | 0.0%        |  | Outwith Reporting Criteria  |
| Head of Legal & Regulatory Support | Central/Management Costs                        | 175           | 177           |  |  |  |  |            |             |                |                |               |            |             |  |   |
| Head of Legal & Regulatory Support | Community Safety                                | 124           | 97            |  |  |  |  | (27)       | (27.8%)     | 177            | 177            |               | 0          | 0.0%        |  | The YTD overspend is profile related and will be refined through January.   |
| Head of Legal & Regulatory Support | Elections                                       | 234           | 206           |  |  |  |  | (28)       | (13.6%)     | 386            | 386            |               | 0          | 0.0%        |  | The YTD overspend is due to budget profiling which will be refined through January.   |
| Head of Legal & Regulatory Support | Governance                                      | 492           | 517           |  |  |  |  | 25         | 4.8%        | 791            | 791            |               | 0          | 0.0%        |  | Outwith Reporting Criteria  |
| Head of Legal & Regulatory Support | Governance, Risk & Safety                       | 394           | 394           |  |  |  |  | 0          | 0.0%        | 554            | 554            |               | 0          | 0.0%        |  | Outwith Reporting Criteria  |
| Head of Legal & Regulatory Support | Legal Services                                  | 367           | 394           |  |  |  |  | 27         | 6.9%        | 679            | 679            |               | 0          | 0.0%        |  | Outwith Reporting Criteria  |
| Head of Legal & Regulatory Support | NPDO and Hub Schools                            | 11,287        | 11,467        |  |  |  |  | 180        | 1.6%        | 14,424         | 14,424         |               | 0          | 0.0%        |  | The YTD underspend is due to profiling of Third Party Payments and the timing of associated recharge income from Education.   |
| Head of Legal & Regulatory Support | Procurement, Commercial and Contract Management | 745           | 802           |  |  |  |  | 57         | 7.1%        | 1,160          | 1,160          |               | 0          | 0.0%        |  | The YTD underspend is due to delays in filling vacancies within Procurement and Commissioning.  |
| Head of Legal & Regulatory Support | Trading Standards & Advice Services             | 581           | 567           |  |  |  |  | (14)       | (2.5%)      | 743            | 743            |               | 0          | 0.0%        |  | Outwith Reporting Criteria  |
|                                    |   | <b>14,399</b> | <b>14,621</b> |  |  |  |  | <b>222</b> | <b>1.5%</b> | <b>19,177</b>  | <b>19,177</b>  |               | <b>0</b>   | <b>0.0%</b> |  |   |
|                                    |   | <b>88,063</b> | <b>88,574</b> |  |  |  |  | <b>511</b> | <b>0.6%</b> | <b>128,603</b> | <b>128,006</b> |               | <b>597</b> | <b>0.5%</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 2022

| Subjective Category   | YTD Actual £000 | YTD Budget £000 | YTD Variance £000 | % Variance  | Annual Budget £000 | Forecast Outturn £000 | Forecast Variance £000 | % Variance  | Explanation  |
|-----------------------|-----------------|-----------------|-------------------|-------------|--------------------|-----------------------|------------------------|-------------|--|
| Employee              | 67,571          | 70,127          | 2,556             | 3.6%        | 99,229             | 98,329                | 900                    | 0.9%        | <b>Non-Education:</b> The YTD overspend of £21k is due to an overspend of £83k within Commercial Services catering and events offset by an underspend of £62k within Legal and Regulatory due to delays in recruitment in Procurement and Commissioning.<br><b>Education:</b> The YTD underspend of £2,577m is largely due to employee budgets within schools and learning centres which is higher as pay award has not been agreed yet. Under the Scheme of Devolved School Management (DSM) schools are permitted flexibility at yearend, therefore no forecast variance has been processed in relation to this. There a number of staffing underspends that do not fall within DSM and a forecast variance has now been processed to reflect year end position. |
| Premises              | 5,297           | 4,857           | (440)             | (9.1%)      | 7,349              | 7,349                 | 0                      | 0.0%        | <b>Non-Education:</b> The YTD overspend of £76k is largely due to contractor costs for surplus properties.<br><b>Education:</b> The YTD overspend of £364k is in part due to demolition costs for Hermitage PS and other school estate property adaptations not covered by the CRA budgets. Position will be monitored in relation to potential recovery of insurance monies in respect of Hermitage PS.   |
| Supplies and Services | 8,613           | 9,020           | 407               | 4.5%        | 11,988             | 11,988                | 0                      | 0.0%        | <b>Non-Education:</b> The YTD overspend of £239k is profile related and will be refined through January..<br><b>Education:</b> The YTD underspend of £646k is mainly due to the profiling of Pupil Equity Funding Expenditure Budget Allocations from the Scottish Government and the SEEMIS budget which will all be refined through January.   |
| Transport             | 273             | 232             | (41)              | (17.7%)     | 353                | 353                   | 0                      | 0.0%        | <b>Non-Education:</b> The YTD overspend of £6k is profile related and will be refined through January.<br><b>Education:</b> The YTD overspend of £35k is due to higher than anticipated staff travel costs including acting posts and additional costs of school to college transport/ASN support.   |
| Third Party           | 30,200          | 29,598          | (602)             | (2.0%)      | 41,021             | 41,324                | (303)                  | (0.7%)      | <b>Non-Education:</b> The YTD overspend of £68k is due to budget profiling that requires refining through January.<br><b>Education:</b> The YTD overspend of £534k is largely down to profiling within COVID budgets, 100 day promise funding and Universal Free School Meal Expansion which will be refined through January. There is also a YTD overspend within the Schools Residential Budget for which a forecast variance has been processed.  |
| Income                | (23,891)        | (25,260)        | (1,369)           | 5.4%        | (31,337)           | (31,337)              | 0                      | 0.0%        | <b>Non-Education:</b> The £333k YTD over-recovery is due to NPDO recharges to Education and profiling within Catering, Cleaning and shared offices. This is partially offset by YTD under-recovery within Renewable Energy due to income profiling and accruals.<br><b>Education:</b> The £1,701m YTD under-recovery of income is mainly due to late receipt of £1.4m income from the SG for PEF funding, the budget profile will be refined through January, and the profiling of school meal income in Primary and Secondary Schools which will also be refined through January.   |
| <b>Totals</b>         | <b>88,063</b>   | <b>88,574</b>   | <b>511</b>        | <b>0.6%</b> | <b>128,603</b>     | <b>128,006</b>        | <b>597</b>             | <b>0.5%</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 2022**

| Service Area                           | Annual Budget £000 | Forecast Outturn £000 | Forecast Variance £000 | % Variance | Explanation  |
|--|--------------------|-----------------------|------------------------|------------|--|
| Education - Pupil Support              | 2,433              | 2,736                 | (303)                  | (12.5%)    | Higher than anticipated demand for placements within Residential Schools (£268k) and Home and Hospital Tuition (£35k).   |
| Education - Schools - Central Services | 2,521              | 2,121                 | 400                    | 15.9%      | Forecast underspend in employee costs due to funding held centrally which has been freed up following the review of the teacher staffing formulas and the annual review of school staffing entitlements. |
| Education - Secondary Education        | 35,364             | 34,864                | 500                    | 1.4%       | Forecast underspend in employee costs due to funding held centrally which has been freed up following the review of the teacher staffing formulas and the annual review of school entitlements.          |

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

**EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – AS AT 31 DECEMBER 2022**

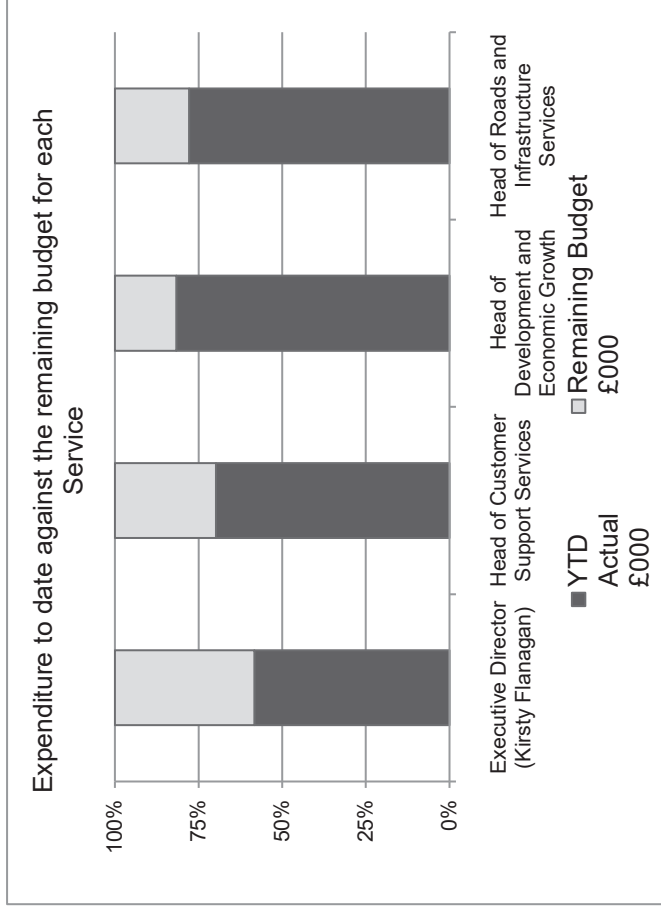
The department is currently forecasting an overspend of £0.740m (1.5%) for the year. This is due to an under-recovery of income in Piers and Harbours, an overspend in Waste employee costs due to sickness absence cover, landfill tax increases and a back-payment for an increased tonnage rate for Waste Disposal from one of our suppliers. These are partially offset with additional income in Crematoria, Commercial Waste, Building Control and Private Water Supply Appraisals plus an underspend in Directorate due to budget no longer being needed.

The department has a year to date overspend of £3.417m (10.0%). This is mainly due to income being behind profile in the Roads Operational Holding Account due to Capital project timing, which is difficult to profile, and the under-recovery of income in Piers and Harbours.

**Forecast Outturn Position**

| Service                                   | Annual Budget £000 | Forecast Outturn £000 | Current Forecast Variance £000 | Previous Forecast Variance £000 | Change £000  |
|---|--------------------|-----------------------|--------------------------------|---------------------------------|--------------|
| Executive Director (Kirsty Flanagan)      | 331                | 199                   | 132                            | 132                             | 0            |
| Head of Customer Support Services         | 8,055              | 7,995                 | 60                             | 0                               | 60           |
| Head of Development and Economic Growth   | 10,151             | 10,124                | 27                             | 420                             | (393)        |
| Head of Roads and Infrastructure Services | 30,385             | 31,344                | (959)                          | (854)                           | (105)        |
| <b>Totals</b>                             | <b>48,922</b>      | <b>49,662</b>         | <b>(740)</b>                   | <b>(302)</b>                    | <b>(438)</b> |

**Year to Date Position**



**Key Financial Successes:**

At the end of financial year 2021-22 the department showed an overall underspend of £0.574m after taking into account all earmarkings. The main underspends were due to the over-recovery of vacancy savings, additional income in Environmental Health from Private Water Supply Appraisals and additional Planning Fee income which was partially offset by the under-recovery of Building Warrant income. Overall there was a favourable net position.

| <b>Key Financial Challenges:</b>   | <b>Proposed Actions to address Financial Challenges:</b>  |
|--|---|
| The impact of COVID-19   | Costs are being monitored and contained where possible.   |
| Department / Service ongoing ability to meet future savings / efficiency requirements.   | Monitoring of trends / expenditure levels / service configuration and the Service Packages Policy Options savings process.  |
| Dangerous buildings costs as there is no budget for this expenditure and the council has no control over the demand for the service.   | Building Standards, Legal Services and Financial Services are working closely to manage debt recovery and to consider other options to minimise corporate risk exposure.  |
| <p>Due to the nature of the various components of Waste Management there are ongoing challenges with:</p> <ul style="list-style-type: none"> <li>• The introduction of the Deposit Return Scheme</li> <li>• Uncertainty with recycling income/ gate fee costs due to the volatility of the market</li> <li>• Challenges in the legislative changes around the disposal of Biodegradable Municipal Waste</li> </ul> | To closely monitor all service components of Waste Management and review the Waste Strategy in conjunction with our contractual partner Renewi (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 the budget monitoring process. The Council agreed the winter policy, setting out the intervention level and locations to be treated. The number of treatments is 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 meteorological service which is collaboratively procured by West of Scotland local authorities. |
| Rising cost of materials across the service will result in a reduction in activity or overspends. Specifically there have been significant increases in the price of salt and bitumen in recent months.  | Costs are monitored regularly and contained as much as possible, with any unavoidable overspends highlighted as soon as known.  |

## EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – OBJECTIVE SUMMARY AS AT 31 DECEMBER 2022

| Service                               | Service Area             | YTD Actual<br>£000 | YTD Budget<br>£000 | YTD Variance<br>£000 | % Variance     | Annual Budget<br>£000 | Forecast Outturn<br>£000 | Forecast Variance<br>£000 | % Variance   | Explanation   |
|---------------------------------------|--------------------------|--------------------|--------------------|----------------------|----------------|-----------------------|--------------------------|---------------------------|--------------|---|
| Executive Director (Kirsty Flanagan)  | Central/Management Costs | 193                | 168                | (25)                 | (14.9%)        | 331                   | 199                      | 132                       | 39.9%        | The YTD overspend is due to one-off consultancy costs. Forecast variance relates to budget harvested across the department from previous years which is no longer needed. |
|                                       |                          | <b>193</b>         | <b>168</b>         | <b>(25)</b>          | <b>(14.9%)</b> | <b>331</b>            | <b>199</b>               | <b>132</b>                | <b>39.9%</b> |   |
| Head of Customer Support Services     | Central/Management Costs | 126                | 120                | (6)                  | (5.0%)         | 164                   | 164                      | 0                         | 0.0%         | Outwith Reporting Criteria.   |
| Head of Customer Support Services     | Communications           | 170                | 220                | 50                   | 22.7%          | 311                   | 311                      | 0                         | 0.0%         | The YTD underspend is due to a vacancy in the Communications Team being used to fund agency staff for the remainder of the year.  |
| Head of Customer Support Services     | Customer Service Centres | 1,144              | 1,020              | (124)                | (12.2%)        | 1,379                 | 1,379                    | 0                         | 0.0%         | Drawdown from earmarking to be done in relation to Main/dev comp software. Under recovery of income in print room.  |
| Head of Customer Support Services     | HR                       | 1,575              | 1,508              | (67)                 | (4.4%)         | 2,145                 | 2,085                    | 60                        | 2.8%         | Profiling of Income recharges. Vacancy Savings needing realigned.   |
| Head of Customer Support Services     | ICT                      | 2,599              | 2,573              | (26)                 | (1.0%)         | 4,015                 | 4,015                    | 0                         | 0.0%         | Outwith Reporting Criteria.   |
| Head of Customer Support Services     | Registrars               | 9                  | 6                  | (3)                  | (50.0%)        | 41                    | 41                       | 0                         | 0.0%         | Minor variance relating to income timing.   |
|                                       |                          | <b>5,623</b>       | <b>5,447</b>       | <b>(176)</b>         | <b>(3.2%)</b>  | <b>8,055</b>          | <b>7,995</b>             | <b>60</b>                 | <b>0.7%</b>  |   |
| Head of Development & Economic Growth | Airports                 | 981                | 930                | (51)                 | (5.5%)         | 1,182                 | 1,182                    | 0                         | 0.0%         | Petrol stock purchased in advance of resale.  |
| Head of Development                   | Building Control         | (321)              | (100)              | 221                  | (221.0%)       | (93)                  | (113)                    | 20                        | (21.5%)      | Variance due to over-recovery of Building Warrant income.   |

|                                       |       |       |       |         |       |       |   |      |       |   |      |  |  |  |  |  |  |   |
|---------------------------------------|-------|-------|-------|---------|-------|-------|---|------|-------|---|------|--|--|--|--|--|--|---|
| & Economic Growth                     |       |       |       |         |       |       |   |      |       |   |      |  |  |  |  |  |  | Forecast variance less than YTD due to timing and profile of income budget.   |
| Head of Development & Economic Growth | 403   | 421   | 18    | 4.3%    | 590   | 590   | 0 | 0.0% | 590   | 0 | 0.0% |  |  |  |  |  |  | Outwith Reporting Criteria.   |
| Head of Development & Economic Growth | 141   | 104   | (37)  | (35.6%) | 218   | 218   | 0 | 0.0% | 218   | 0 | 0.0% |  |  |  |  |  |  | Expenditure for Events and Festivals - earmarked reserve to be drawn down to cover.   |
| Head of Development & Economic Growth | (448) | 122   | 570   | 467.2%  | 264   | 264   | 0 | 0.0% | 264   | 0 | 0.0% |  |  |  |  |  |  | Additional Planning Fee income which is planned to be used to fund additional resources.  |
| Head of Development & Economic Growth | 302   | 302   | 0     | 0.0%    | 428   | 428   | 0 | 0.0% | 428   | 0 | 0.0% |  |  |  |  |  |  | Outwith Reporting Criteria.   |
| Head of Development & Economic Growth | 2,452 | 2,775 | 323   | 11.6%   | 2,853 | 2,853 | 0 | 0.0% | 2,853 | 0 | 0.0% |  |  |  |  |  |  | Income for Islands Infrastructure Fund and Place Based Investment received in advance of payments offset against outstanding claims for UK Community Renewal Fund.  |
| Head of Development & Economic Growth | 873   | 818   | (55)  | (6.7%)  | 1,236 | 1,229 | 7 | 0.6% | 1,229 |   |      |  |  |  |  |  |  | Delay in Private Water Supply grant. Forecast variance relates to additional income for Water Supply Appraisals offset with a reduction in Fish Export income and additional expenditure for supplies and services. |
| Head of Development & Economic Growth | 105   | 82    | (23)  | (28.1%) | 117   | 117   | 0 | 0.0% | 117   | 0 | 0.0% |  |  |  |  |  |  | Profile of third party payment.   |
| Head of Development & Economic Growth | 3,539 | 3,399 | (140) | (4.1%)  | 3,130 | 3,130 | 0 | 0.0% | 3,130 | 0 | 0.0% |  |  |  |  |  |  | HEEPS expenditure incurred in advance of income being claimed for which is offset against an underspend in Private Sector Housing Grant payments.   |
| Head of Development & Economic Growth | (11)  | 0     | 11    | 0.0%    | 0     | 0     | 0 | 0.0% | 0     | 0 | 0.0% |  |  |  |  |  |  | Outwith Reporting Criteria.   |



|   |                              |              |              |            |             |               |               |           |             |  |
|---|------------------------------|--------------|--------------|------------|-------------|---------------|---------------|-----------|-------------|--|
| Head of Development & Economic Growth   | Transportation Policy        | 275          | 159          | (116)      | (73.0%)     | 226           | 226           | 0         | 0.0%        | Expenditure incurred for CWSS and SUSTRANS prior to grant being claimed.   |
|   |                              | <b>8,291</b> | <b>9,012</b> | <b>721</b> | <b>8.0%</b> | <b>10,151</b> | <b>10,124</b> | <b>27</b> | <b>0.3%</b> |  |
| Head of Roads & Infrastructure Services | Amenity                      | 2,911        | 2,798        | (113)      | (4.0%)      | 3,255         | 3,356         | (101)     | (3.1%)      | Forecast variance relates to an over-recovery of income in Crematoria offset with overspends in employee costs, under-recovery of income in Parks for Hire of Facilities income, Pest Control for external income and Public Convenience income. |
| Head of Roads & Infrastructure Services | Car Parking                  | (430)        | (578)        | (148)      | 25.6%       | (604)         | (604)         | 0         | 0.0%        | Under-recovery of DPE income partially offset with additional parking income and underspend in Car Park Maintenance.   |
| Head of Roads & Infrastructure Services | Central/Management Costs     | 2,346        | 2,328        | (18)       | (0.8%)      | 2,869         | 2,869         | 0         | 0.0%        | Outwith Reporting Criteria.  |
| Head of Roads & Infrastructure Services | Depots                       | 283          | 212          | (71)       | (33.5%)     | (469)         | (469)         | 0         | 0.0%        | Additional costs for Kilmory Depot for rationalisation project.  |
| Head of Roads & Infrastructure Services | Fleet & Transport            | 6,766        | 6,308        | (458)      | (7.3%)      | 8,720         | 8,720         | 0         | 0.0%        | Overspend due to vehicle repairs in Fleet, additional staff costs in Pupil Transport which are partially offset with an underspend in Public Transport.  |
| Head of Roads & Infrastructure Services | Infrastructure               | 572          | 509          | (63)       | (12.4%)     | 722           | 722           | 0         | 0.0%        | Profile of budget out of line with payments.   |
| Head of Roads & Infrastructure Services | Marine                       | (3,550)      | (4,105)      | (555)      | 13.5%       | (3,871)       | (3,432)       | (439)     | 11.3%       | Under-recovery of income in Piers and Harbours.  |
| Head of Roads & Infrastructure Services | Network & Traffic Management | 164          | 78           | (86)       | (110.3%)    | 139           | 139           | 0         | 0.0%        | Under-recovery of income for Traffic Regulation Orders and New Roads and Street Works Act.   |

|   |                  |               |               |                |                |               |               |              |               |  |
|---|------------------|---------------|---------------|----------------|----------------|---------------|---------------|--------------|---------------|--|
| Head of Roads & Infrastructure Services | Road Safety      | 77            | 90            | 13             | 14.4%          | 145           | 145           | 0            | 0.0%          | Minor underspend in supplies and services.   |
| Head of Roads & Infrastructure Services | Roads & Lighting | 6,291         | 4,009         | (2,282)        | (56.9%)        | 6,371         | 6,371         | 0            | 0.0%          | Delays in recharges to capital budget resulting in a reduction in income in the Roads Operational Holding Account, this should be rectified as we continue through the year and the recharges are processed. |
| Head of Roads & Infrastructure Services | Waste            | 8,220         | 8,064         | (156)          | (1.9%)         | 13,108        | 13,527        | (419)        | (3.2%)        | Forecast overspend relates to additional expenditure due to increased disposal fees, offset against additional income received for Commercial Refuse.  |
|   |                  | <b>23,650</b> | <b>19,713</b> | <b>(3,937)</b> | <b>(20.0%)</b> | <b>30,385</b> | <b>31,344</b> | <b>(959)</b> | <b>(3.2%)</b> |  |
|   |                  | <b>37,757</b> | <b>34,340</b> | <b>(3,417)</b> | <b>(10.0%)</b> | <b>48,922</b> | <b>49,662</b> | <b>(740)</b> | <b>(1.5%)</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 2022**

| Subjective Category   | YTD Actual £000 | YTD Budget £000 | YTD Variance £000 | % Variance     | Annual Budget £000 | Forecast Outturn £000 | Forecast Variance £000 | % Variance    | Explanation  |
|-----------------------|-----------------|-----------------|-------------------|----------------|--------------------|-----------------------|------------------------|---------------|--|
| Employee              | 25,933          | 26,181          | 248               | 1.0%           | 37,163             | 37,077                | 86                     | 0.2%          | Underspend in Roads Operational Holding Account which will be offset against reduction in income. Forecast variance relates to savings in transport and staff training offset against additional staffing costs in Waste to cover sickness absence.  |
| Premises              | 1,606           | 1,591           | (15)              | (0.9%)         | 3,034              | 3,034                 | 0                      | 0.0%          | Outwith Reporting Criteria.  |
| Supplies and Services | 8,464           | 7,368           | (1,096)           | (14.9%)        | 10,189             | 10,192                | (3)                    | (0.0%)        | Material expenditure in the Roads Operational Holding Account higher than the profiled budget due to high level of capital expenditure, this will be offset with an increase in income as recharges are processed against capital throughout the year.   |
| Transport             | 9,328           | 8,190           | (1,138)           | (13.9%)        | 16,051             | 16,302                | (251)                  | (1.6%)        | Forecast variance relates to small overspend for Environmental Health for Sampling costs. Overspend due to vehicle repairs and additional external leases. Forecast variance relates to Waste vehicle repairs and fuel costs.  |
| Third Party           | 32,175          | 27,933          | (4,242)           | (15.2%)        | 39,525             | 40,127                | (602)                  | (1.5%)        | Recharges from Roads Operational Holding Account higher than the profiled budget, this will be offset with an increase in income as recharges are processed. Various grant payments made in Economic Development and Housing which are offset against actual income received.  |
| Capital Financing     | 0               | 0               | 0                 | 0.0%           | 1,979              | 1,979                 | 0                      | 0.0%          | Forecast variance relates to Waste Disposal payment regarding increased disposal fees and additional staffing recharges in Amenity and Waste to cover sickness absence.  |
| Income                | (39,749)        | (36,923)        | 2,826             | (7.7%)         | (59,019)           | (59,049)              | 30                     | (0.1%)        | Outwith Reporting Criteria.  |
| <b>Totals</b>         | <b>37,757</b>   | <b>34,340</b>   | <b>(3,417)</b>    | <b>(10.0%)</b> | <b>48,922</b>      | <b>49,662</b>         | <b>(740)</b>           | <b>(1.5%)</b> | Forecast variance relates to an under-recovery of income in Piers and Harbours offset with an over-recovery of Commercial Refuse Income in Waste, Water Supply Appraisals and Crematorium income. YTD variance also includes a delay in recharges to capital resulting in a reduction in income in the Roads Operational Holding Account offset against income for Islands Infrastructure Fund and Place Based Investment received in advance of payments. |

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 2022

| Service Area         | Annual Budget £000 | Forecast Outturn £000 | Forecast Variance £000 | % Variance | Explanation   |
|----------------------|--------------------|-----------------------|------------------------|------------|---|
| Directorate          | 132                | 0                     | 132                    | 100.0%     | Unallocated budget saving.                            |
| HR                   | 93                 | 33                    | 60                     | 64.5%      | Reduction in staff training.                          |
| Crematoria           | (496)              | (581)                 | 85                     | (17.1%)    | Additional income in Cardross Crematorium.            |
| Environmental Health | (66)               | (116)                 | 50                     | (75.8%)    | Additional income for Appraisal of Water Supplies.    |
| Planning             | (1,181)            | (1,236)               | 55                     | (4.7%)     | Additional planning fee income.                       |
| Waste Collection     | 34                 | 84                    | (50)                   | (147.1%)   | Overspend in vehicle repairs.                         |
| Waste Collection     | 470                | 551                   | (81)                   | (17.2%)    | Overspend in fuel.                                    |
| Waste Collection     | (1,692)            | (2,112)               | 420                    | (24.8%)    | Additional income for Commercial Refuse.              |
| Waste Disposal       | 189                | 523                   | (334)                  | (176.7%)   | Additional expenditure for increase in disposal fees. |
| Waste Disposal PPP   | 6,487              | 6,571                 | (84)                   | (1.3%)     | Landfill tax increase due to banding changes.         |
| Marine               | (1,656)            | (1,217)               | (439)                  | 26.5%      | Under-recovery of income.                             |

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

## SOCIAL WORK – AS AT 31 DECEMBER 2022

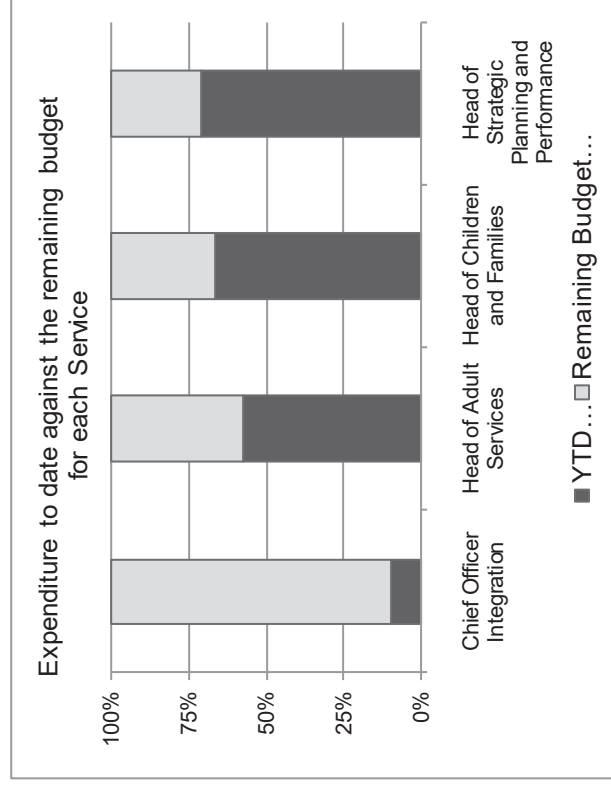
The department is currently forecasting an overspend of £0.253m (0.3%) which is mainly due to high demand for services and the use of agency staff to fill staffing recruitment and retention gaps across Adult Services.

The department has a year to date underspend of £1.301m (3.0%) which is mainly due to the timing of payments, budget profiling across services and demand for purchased Children's Services. This is partially offset by high demand for services across Adult Services and staffing pressures, including the use of agency staff, across Homecare and Older People Residential Units.

### Forecast Outturn Position

| Service                                    | Annual Budget<br>£000 | Forecast Outturn<br>£000 | Current Forecast Variance<br>£000 | Previous Forecast Variance<br>£000 | Change<br>£000 |
|--|-----------------------|--------------------------|-----------------------------------|------------------------------------|----------------|
| Chief Officer Integration                  | 2,790                 | 490                      | 2,300                             | 2,300                              | 0              |
| Head of Strategic Planning and Performance | 455                   | 450                      | 5                                 | 5                                  | 0              |
| Head of Health and Community Care          | 38,003                | 39,162                   | (1,159)                           | (1,159)                            | 0              |
| Head of Acute and Complex Care             | 17,156                | 18,866                   | (1,710)                           | (1,710)                            | 0              |
| Head of Children and Families              | 15,419                | 15,108                   | 311                               | 311                                | 0              |
| <b>Totals</b>                              | <b>73,823</b>         | <b>74,076</b>            | <b>(253)</b>                      | <b>(253)</b>                       | <b>0</b>       |

### Year to Date Position



### Key Financial Successes:

Delivered an underspend at the end of 2021/22 after automatic earmarkings and full repayment of £2.759m of debt owed to the Council for prior year deficits. This should allow for future investment and transformation across Social Work with prior year deficits now fully repaid.

| <b>Key Financial Challenges:</b>   | <b>Proposed Actions to address Financial Challenges:</b>  |
|--|---|
| <p>Deliver the outstanding savings total for 2022/23 of £0.425m (as at December 2022).</p>   | <p>Maintain a close working relationship with the HSCP Service Improvement Team in order to quickly and efficiently identify and assess options for delivering the outstanding savings.</p>                               |
| <p>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.</p>   | <p>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.</p> |
| <p>Support the HSCP through the recovery from the COVID-19 pandemic. There have been additional costs and pressures across the HSCP as a direct result of the partnership's response to COVID-19. These costs are captured and reported to the Scottish Government via Mobilisation Plans.</p> | <p>Support from finance to assist the service in capturing details of all additional costs associated with the response to COVID-19 to ensure these are included in Scottish Government funding returns.</p>              |
| <p>Use of agency staff to support service delivery across Social Work, but particularly in Older People services, due to recruitment and retention challenges within the service. Year to date spend £1.247m, with a forecast spend of £1.576m at December 2022.</p>                           | <p>Close working relationship with the HSCP to support the costing of a recovery plan to stabilise the service and ensure it is operationally and financially sustainable.</p>  |

## SOCIAL WORK – OBJECTIVE SUMMARY AS AT 31 DECEMBER 2022

| Service                                  | Service Area                | YTD Actual<br>£000 | YTD Budget<br>£000 | YTD Variance<br>£000 | % Variance    | Annual Budget<br>£000 | Forecast Outturn<br>£000 | Forecast Variance<br>£000 | % Variance   | Explanation  |
|--|-----------------------------|--------------------|--------------------|----------------------|---------------|-----------------------|--------------------------|---------------------------|--------------|--|
| Chief Officer Integration                | Integration Headquarters    | 225                | 282                | 57                   | 20.2%         | 449                   | 445                      | 4                         | 0.9%         | The YTD position is as a result of over-recovery of income for a post recharged to Scottish Government partially offset by timing of payments to Health Boards. The forecast variance is outwith reporting criteria.   |
| Chief Officer Integration                | Social Work Central Support | 52                 | 1,126              | 1,074                | 95.4%         | 2,341                 | 45                       | 2,296                     | 98.1%        | The YTD variance is due to underspends on centrally held funds (£1.432m) and YTD underspends on central repairs (£21k) combined with income over-recovery for Covid-19 income loss from charges to clients and funding for Staff Bonus Payments (£54k). This is partially offset by YTD overspend on Covid-19 expenditure due to timing of receipt of funding allocations (£273k) and YTD vacancy savings under-recovery (£140k). These will both be rectified in January through budget profiling and funding allocations. The forecast underspend reflects forecast underspends on centrally held funds (£2.1m) combined with forecast over-recovery on vacancy savings (£650k) and additional Covid-19 funding (£54k). This is partially offset by a £500k provision for the unfunded impact of the 2022/23 pay award across Social Work. |
|  |                             | <b>277</b>         | <b>1,408</b>       | <b>1,131</b>         | <b>115.6%</b> | <b>2,790</b>          | <b>490</b>               | <b>2,300</b>              | <b>99.0%</b> |  |
| Head of Strategic Planning & Performance | Management & Central Costs  | 301                | 313                | 12                   | 3.8%          | 431                   | 424                      | 7                         | 1.6%         | Outwith reporting criteria.  |
| Head of Strategic                        | Service Development         | 22                 | 21                 | (1)                  | (4.8%)        | 24                    | 26                       | (2)                       | (8.3%)       | Outwith reporting criteria.  |





|                                |                            |              |              |              |             |               |               |                |                |  |  |  |  |  |  |  |  |  |  |
|--------------------------------|----------------------------|--------------|--------------|--------------|-------------|---------------|---------------|----------------|----------------|--|--|--|--|--|--|--|--|--|--|
|                                |                            |              |              |              |             |               |               |                |                |  |  |  |  |  |  |  |  |  | achievement of budget savings (£305k). This is partially offset by forecast underspends on Day Services.   |
| Head of Acute and Complex Care | Management & Central Costs | 69           | 90           | 21           | 23.3%       | 126           | 122           | 4              | 3.2%           |  |  |  |  |  |  |  |  |  | The YTD position is as a result of budget profiling and timing of payments to third parties and on staff training. The forecast variance is outwith reporting criteria.  |
| Head of Acute and Complex Care | Mental Health              | 1,280        | 1,217        | (63)         | (5.2%)      | 2,343         | 2,444         | (101)          | (4.3%)         |  |  |  |  |  |  |  |  |  | The YTD overspend is due to budget profiling and timing of income receipts and payments to other bodies for purchased services. The forecast overspend reflects higher than budgeted demand for services in Supported Living (£19k) and Residential Placements (£85k).                 |
| Head of Acute and Complex Care | Physical Disability        | 1,801        | 1,765        | (36)         | (2.0%)      | 2,655         | 2,821         | (166)          | (6.3%)         |  |  |  |  |  |  |  |  |  | Outwith reporting criteria. The forecast overspend reflects higher than budgeted demand for services in Supported Living (£85k) and Residential Placements (£80k).   |
|                                |                            | <b>9,850</b> | <b>8,970</b> | <b>(880)</b> | <b>2.5%</b> | <b>17,156</b> | <b>18,866</b> | <b>(1,710)</b> | <b>(19.4%)</b> |  |  |  |  |  |  |  |  |  |  |
| Head of Children & Families    | Child Protection           | 2,070        | 2,183        | 113          | 5.2%        | 3,259         | 3,228         | 31             | 1.0%           |  |  |  |  |  |  |  |  |  | The YTD underspend is due budget profiling and timing of payments to other bodies and health boards as well as underspends on staff travel and subsistence all partially offset by timing of receipt of income from other bodies. The forecast variance is outwith reporting criteria. |
| Head of Children & Families    | Children with a Disability | 584          | 665          | 81           | 12.2%       | 964           | 966           | (2)            | (0.2%)         |  |  |  |  |  |  |  |  |  | The YTD underspend is as a result of budget profiling and timing of payments to other bodies. The forecast variance is outwith reporting criteria.   |
| Head of Children & Families    | Criminal Justice           | 40           | 64           | 24           | 37.5%       | 126           | 110           | 16             | 12.7%          |  |  |  |  |  |  |  |  |  | The YTD underspend is as a result of staff turnover and vacancies combined with underspends on staff travel and subsistence as a result. The forecast underspend is on payments to other local authorities combined with staff travel and  |

|                             |                            |               |               |              |             |               |               |              |               |  |  |  |  |  |  |  |  |  |  |  |   |
|-----------------------------|----------------------------|---------------|---------------|--------------|-------------|---------------|---------------|--------------|---------------|--|--|--|--|--|--|--|--|--|--|--|---|
|                             |                            |               |               |              |             |               |               |              |               |  |  |  |  |  |  |  |  |  |  |  | substance partially offset by a forecast overspend on payroll costs.  |
| Head of Children & Families |                            |               |               |              |             |               |               |              |               |  |  |  |  |  |  |  |  |  |  |  | The YTD underspend is due to underspends in Fostering and Adoption due to demand for these services combined with underspends on Residential Placements and over-recovery of income in Supporting Young People Leaving Care from the Home Office for UASC. This is all partially offset by overspends on staff costs in the Children's Houses and Hostels. The forecast underspend reflects demand for Fostering, Adoption and Residential Placements as well as over-recovery of income across Supporting Young People Leaving Care for UASC activity from the Home Office. This is partially offset by overspends in the Children's Houses and Hostels on payroll costs and on service provision at Castlewood Court. |
|                             |                            |               |               |              |             |               |               |              |               |  |  |  |  |  |  |  |  |  |  |  |   |
|                             | Looked After Children      | 5,313         | 5,563         | 250          | 4.5%        | 7,792         | 7,502         | 290          | 3.7%          |  |  |  |  |  |  |  |  |  |  |  |   |
|                             | Management & Central Costs | 2,246         | 2,246         | 0            | 0.0%        | 3,278         | 3,302         | (24)         | (0.7%)        |  |  |  |  |  |  |  |  |  |  |  |   |
|                             |                            | <b>10,253</b> | <b>10,721</b> | <b>468</b>   | <b>4.4%</b> | <b>15,419</b> | <b>15,108</b> | <b>311</b>   | <b>2.0%</b>   |  |  |  |  |  |  |  |  |  |  |  |   |
|                             | <b>GRAND TOTAL</b>         | <b>42,538</b> | <b>43,839</b> | <b>1,301</b> | <b>3.0%</b> | <b>73,823</b> | <b>74,076</b> | <b>(253)</b> | <b>(0.3%)</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%.

**SOCIAL WORK – SUBJECTIVE SUMMARY AS AT 31 DECEMBER 2022**

| Subjective Category | YTD Actual £000 | YTD Budget £000 | YTD Variance £000 | % Variance     | Annual Budget £000 | Forecast Outturn £000 | Forecast Variance £000 | % Variance     | Explanation   |
|---------------------|-----------------|-----------------|-------------------|----------------|--------------------|-----------------------|------------------------|----------------|---|
| Employee            | 22,870          | 22,335          | (535)             | <b>(2.4%)</b>  | 32,419             | 33,907                | (1,488)                | <b>(4.6%)</b>  | Both the YTD overspend and forecast overspend is due to overspends in Residential Units (both children and adults) and across Homecare as a result of use of bank, agency staff and overtime.   |
| Premises            | 802             | 711             | (91)              | <b>(12.8%)</b> | 1,140              | 1,299                 | (159)                  | <b>(14.0%)</b> | The YTD overspend is as a result of budget profiling on the refuse collection budgets and overspends on rental costs.<br>The forecast overspend is due to rental costs across the Service and utility costs at the Hostels.   |
| Supplies & Services | 1,393           | 1,017           | (376)             | <b>(37.0%)</b> | 1,000              | 1,391                 | (391)                  | <b>(39.1%)</b> | The YTD overspend reflects slippage on the achievement of budget savings and YTD overspends on small tools and equipment due to timing of purchases at the Equipment Store, staff subsistence at Tigh a Rudha, laundry costs at Ardfenaig and fees in relation to the transfer of Kintyre Care Centre.<br>The forecast overspend is mainly due to forecast slippage on budget savings (£305k) combined with overspends on staff subsistence at Tigh a Rudha and across various other supplies and services at the Adult Services Residential Units. |
| Transport           | 408             | 475             | 67                | <b>14.1%</b>   | 631                | 557                   | 74                     | <b>11.7%</b>   | The YTD underspend is due to various travel underspends across the service which is to be expected due to the changes to travel habits as a result of Covid-19 and the current level of staffing vacancies across the service.<br>The forecast year end outturn reflects the continued reduction in travel costs across the service and an expectation that different ways of working will continue to reduce future spending on travel.  |
| Third Party         | 38,634          | 39,917          | 1,283             | <b>3.2%</b>    | 62,248             | 62,034                | 214                    | <b>0.3%</b>    | The YTD underspend reflects timing of payments across services and subsequent budget profiling as well as YTD underspends on unallocated centrally held funding.<br>The forecast underspend is as a result of demand for purchased care services across Fostering and Adoption as well as underspends on unallocated centrally held funding. This is partially offset by  |

|               |               |               |              |             |               |               |              |               |   |  |  |  |  |   |
|---------------|---------------|---------------|--------------|-------------|---------------|---------------|--------------|---------------|---|--|--|--|--|---|
|               |               |               |              |             |               |               |              |               |   |  |  |  |  | demand for purchased care services across Adult Services. |
| Income        | (21,569)      | (20,616)      | 953          | (4.6%)      | (23,615)      | (25,112)      | 1,497        | (6.3%)        | Both the YTD and forecast over recovery of income is mainly due to increased income from fees, charges and recharges. |  |  |  |  |   |
| <b>Totals</b> | <b>42,538</b> | <b>43,839</b> | <b>1,301</b> | <b>3.0%</b> | <b>73,823</b> | <b>74,076</b> | <b>(253)</b> | <b>(0.3%)</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%.

## SOCIAL WORK – RED VARIANCES AS AT 31 DECEMBER 2022

| Service Area                | Annual Budget £000 | Forecast Outturn £000 | Forecast Variance £000 | % Variance | Explanation  |
|-----------------------------|--------------------|-----------------------|------------------------|------------|--|
| Social Work Central Support | 2,341              | 45                    | 2,296                  | 98.1%      | The forecast underspend reflects forecast underspends on centrally held funds (£2.1m) combined with forecast over-recovery on vacancy savings (£650k) and additional Covid-19 funding (£54k). This is partially offset by a £500k provision for the unfunded impact of the 2022/23 pay award across Social Work.   |
| Looked After Children       | 7,792              | 7,502                 | 290                    | 3.7%       | The forecast underspend reflects demand for Fostering, Adoption and Residential Placements as well as over-recovery of income across Supporting Young People Leaving Care for UASC activity from the Home Office. This is partially offset by overspends in the Children's Houses and Hostels on payroll costs and on service provision at Castlewood Court. |
| Older People                | 37,514             | 38,675                | (1,161)                | (3.1%)     | The forecast overspend reflects demand for Care Home Placements and Homecare as well the use of Agency staff across Assessment and Care Management, Homecare and Residential Units.  |
| Physical Disability         | 2,655              | 2,821                 | (166)                  | (6.3%)     | The forecast overspend reflects higher than budgeted demand for services in Supported Living (£85k) and Residential Placements (£80k).   |
| Learning Disability         | 12,032             | 13,479                | (1,447)                | (12.0%)    | The forecast overspend reflects higher than budgeted demand for services in Supported Living (£663k) and Joint Residential (£527k) combined with slippage in achievement of budget savings (£305k). This is partially offset by forecast underspends on Day Services.  |
| Mental Health               | 2,343              | 2,444                 | (101)                  | (4.3%)     | The forecast overspend reflects higher than budgeted demand for services in Supported Living (£19k) and Residential Placements (£85k).   |

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

### MONITORING OF SAVINGS – AS AT 31 DECEMBER 2022

New policy savings were identified for the three year period 2022-23 to 2024-25 and these were agreed by Council in February 2022. Council agreed to policy savings of £0.280m in 2022-23 rising to £0.286m by 2024-25.

The position of historical policy saving options is as follows:

- 2021/22 – those not delivered or that have further increase in value in 2022-23 onwards total £0.732m
- 2020/21 – those not delivered total £0.050m
- 2019/20 – all delivered
- 2018/19 - those not delivered total £0.498m

The 2022-23 savings 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.

There are six savings categorised as having a potential shortfall and one currently delayed as summarised below:

| Saving   | Saving Agreed | Status   | Detail  | Shortfall/ Delayed Value |
|--|---------------|--|---|--------------------------|
| TB07 – Depots  | Feb-18        | Potential Shortfall - there is a risk that the original saving will not be achieved in full. | 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. Work ongoing on a depot consolidation scheme in Lochgilphead and work is progressing to outline various funding options for discussion. A project is also underway for Bowmore.                | £107,500                 |
| TB13b Roads and Amenity Services charging (non-statutory services) | Feb-18        | Potential Shortfall - there is a risk that the original saving will not be achieved in full. | 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 through third party works, opportunities are expected to be limited over the foreseeable future due to staff shortages and other competing demands. | £100,000                 |

|   |        |   |  |          |
|---|--------|---|--|----------|
| TB12b Stadiums                                      | Feb-18 | Potential Shortfall - there is a risk that the original saving will not be achieved in full.  | Discussions had stalled with partners in the Oban and Lorn area with regard to Mossfield stadium to create a sports Hub, attract external funding to improve facilities and therefore attract additional events to the arena. The users group has now reconvened and will be reporting to the steering group. It should be noted there is generally a downturn in usage of pitches partly due to more clubs booking all weather pitches at high schools and the loss of a well established club disbanding which will result in the loss of income. The Mossfield Sport Group have highlighted that certain clubs along with the Shinty Associations have expressed concerns with regards to the condition of the Pavilion and changing facilities and this is likely to impact on income. East King Street bookings have reduced due to the condition of the changing facilities and clubs having to play their fixtures elsewhere. | £30,000  |
| DEG05 – Building Standards                          | Feb-20 | Potential Shortfall - there is a risk that the original saving will not be achieved in full.  | Building market has slowed due to the increase in cost and availability of some materials. Reservations that the type of applications we receive may not realise sufficient additional income using the BCIS guide.  | £50,000  |
| TB09 – Public Conveniences                          | Feb-18 | Delayed - The full saving will not be achieved in line with the original estimated timescale. | Tender returns for the PC charging infrastructure were significantly over budget. Additional funding has now been confirmed via the Coastal Communities Fund which will allow us to deliver the full scheme of 16 PCs. This was confirmed in mid-December which will allow us to let the contract and proceed. This saving will not be achieved this financial year but we would expect at this stage infrastructure to be in place for the start of 23/24 financial year and for the saving to be achieved thereafter.  | £24,000  |
| TB17 - Office Rationalisation and Income Generation | Feb-18 | Potential Shortfall - there is a risk that the original saving will not be achieved in full.  | Analysis of both PROP01 and TB17 has shown that there has been a number of offices that were identified for closure, leasing or sale that are no longer closing, therefore the full saving will not be realised.   | £69,000  |
| PROP01 - Office Rationalisation                     | Feb-21 | Potential Shortfall - there is a risk that the original saving                                | The rationalisation programme has been delayed due to the volume of information required to determine the number of office spaces required for continued service delivery. Analysis  | £213,000 |

|  |  |                                      |   |  |
|--|--|--------------------------------------|---|--|
|  |  | <p>will not be achieved in full.</p> | <p>of both PROP01 and TB17 has shown that there were a number of offices that were identified for closure, leasing or sale that are no longer closing, therefore the full saving will not be realised. Whilst the Our Modern Workspace project is progressing, it is unlikely that overall utilities savings can be achieved given the current pricing and inflationary increases and a change in third party demand for disposals due to economic conditions is likely to impact on NDR savings.</p> |  |
|--|--|--------------------------------------|---|--|

All policy saving options previously agreed are noted in the table below for information.



| Template Ref                              | Saving Agreed | Service                           | Savings Option   | 2022-23 | 2022-23 | Status of Implementation |
|---|---------------|-----------------------------------|--|---------|---------|--------------------------|
|   |               |                                   |  | £000    | FTE     |                          |
| <b>Chief Executive's Unit</b>             |               |                                   |  |         |         |                          |
| FS02                                      | Feb-22        | Financial Services                | Reduction of vacant 0.4FTE Local Tax Assistant role  | 10.0    | 0.40    | Delivered                |
| <b>Executive Director Douglas Hendry</b>  |               |                                   |  |         |         |                          |
| PROP01                                    | Feb-21        | Commercial Services               | Rationalisation of the Council's property estate over a three year programme to identify properties which can either be disposed of or used to generate commercial income                                    | 294.20  | 4.0     | Potential Shortfall      |
| TB17                                      | Feb-18        | Commercial Services               | Identify opportunities for office rationalisation and raising income   | 121.50  | 0.0     | Potential Shortfall      |
| CS01                                      | Feb-22        | Commercial Services               | Climate Change & Resource Efficiency   | 63.0    | 0.00    | On Track to be Delivered |
| CS03                                      | Feb-22        | Commercial Services               | Stretch Targets for One Council Income & Events  | 20.0    | 0.00    | On Track to be Delivered |
| ED5                                       | Feb-21        | Education                         | Review and reduce Clerical Support Entitlement using updated school rolls.   | 121.00  | 5.7     | Delivered                |
| ED01                                      | Feb-22        | Education                         | Removal of Community Learning Development Manager Post   | 66.5    | 1.00    | Delivered                |
| <b>Executive Director Kirsty Flanagan</b> |               |                                   |  |         |         |                          |
| CSS03                                     | Feb-22        | Customer Support Services         | Restructure of CSP/Registration Team at Helensburgh Civic Centre   | 19.0    | 0.50    | Delivered                |
| DEG01                                     | Feb-22        | Development and Economic Growth   | Crown Estate Administration Contribution to Project Delivery   | 101.0   | 0.00    | On Track to be Delivered |
| DEG05(a)                                  | Feb-20        | Development and Economic Growth   | 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.                         | 50.00   | 0.0     | Potential Shortfall      |
| DEG02                                     | Feb-21        | Development and Economic Growth   | Reduction to overtime budget in the provision of fire cover at the airports for weather delayed flights. Arrangements are in place that staff no longer remain at the airport and there is a cut-off period. | 22.00   | 0.0     | Delivered                |
| DEG07                                     | Feb-21        | Development and Economic Growth   | Additional income through fees and charges for s64 Non-Material Amendment Submissions, non e-planning application submissions and property history searches  | 20.00   | 0.0     | Delivered                |
| DEG10                                     | Feb-21        | Development and Economic Growth   | Maximise income through additional private water supplies income from risk assessments of supplies and introducing a new charge for the provision of shellfish movement documents                            | 17.50   | 0.0     | Delivered                |
| TB07                                      | Feb-18        | Roads and Infrastructure Services | Create one main depot in key areas to reduce costs   | 172.50  | 0.0     | Potential Shortfall      |
| TB13b                                     | Feb-18        | Roads and Infrastructure Services | Roads & Amenity Services charging (non-statutory services)   | 150.00  | 0.00    | Potential Shortfall      |
| R&I17                                     | Feb-21        | Roads and Infrastructure Services | Public transport fare scale increase   | 76.00   | 0.0     | On Track to be Delivered |
| R&I03                                     | Feb-21        | Roads and Infrastructure Services | Administrative support - rationalise across service  | 50.00   | 2.0     | Delivered                |
| R&I05                                     | Feb-21        | Roads and Infrastructure Services | Design service fees - bringing in line with industry standards and reduce cost of consultancy. Two posts created as a spend to save  | 50.00   | -2.0    | On Track to be Delivered |
| R&I09                                     | Feb-21        | Roads and Infrastructure Services | Road inspections find and fix - reduce reactive work by proactivity. Moving to AI technology as technology develops  | 40.00   | 1.0     | On Track to be Delivered |
| TB12b                                     | Feb-18        | Roads and Infrastructure Services | Review charges for stadiums to enable improvement work   | 30.00   | 0.0     | Potential Shortfall      |
| R&I04                                     | Feb-21        | Roads and Infrastructure          | Fees and charges - commercial waste, TTROs, permits/licenses. Access to debt   | 25.00   | -1.0    | Delivered                |

**FINANCIAL RISKS ANALYSIS 2022-23**

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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 There are 5 Council wide revenue risks identified for 2022-23 currently amounting to £2.290m.
- 1.4 There are currently 41 departmental risks totalling £4.935m. Of the 41 departmental risks, one is categorised as almost certain and 4 are categorised as likely.
- 1.5 The financial risks are monitored routinely and actions put in place to continue to mitigate the risks.

**FINANCIAL RISKS ANALYSIS 2022-23**

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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 2022-23.

**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 Utility costs remain a volatile area and it is difficult to accurately predict how the prices could vary. The outturn in respect of utilities for 2021-22 was an underspend of £0.310m which was partly due to fixed price contracts that had

been secured which have now expired. With the volatility of utilities pricing it is very difficult to predict the impact going forward but a financial risk based on a 20% variation in utility costs amounts to £0.706m.

- 3.2.2 The estimated level of council tax income is based on current and forecast Band D equivalents and non-payment rates. This reflects our most recent experience in terms of the council tax base and likely collection rates. A 1% variation in council tax income amounts to approximately £0.553m.
- 3.2.3 At the budget meeting on 24 February 2022, the Council agreed 6 new policy savings options that would deliver savings over the period 2022-23 to 2024-25. The savings to be delivered in 2022-23 amount to £0.280m. Whilst the Council have a good track record in delivering savings, a 10% shortfall on this savings target would amount to £0.028m.
- 3.2.4 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 the HSCP has 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. As at 31 December 2022, the net HSCP outturn in 2022-23 is estimated to be a £598m overspend (£0.253m from Social Work and £345m from Health).
- 3.2.5 There is an ongoing requirement to fund unavoidable inflationary cost increases in areas like fuel, food etc. This has been predominantly caused by the lack of availability of supply of labour and materials as a result of the COVID-19 pandemic, the UK exit from the European Union, Russia's invasion of Ukraine and sanctions on Russian owned entities. The Bank of England are currently forecasting that inflation will continue to rise until around Quarter 1 of 2023 where after they forecast that it will start to fall. We will continue to closely monitor the situation and update our financial forecasts using the best information available to us.
- 3.2.6 The Council wide risks are noted within the table below.

| <b>Description</b>  | <b>Likelihood</b> | <b>Assessed<br/>Financial Impact<br/>£000</b> |
|---|-------------------|---|
| Energy costs increase by 20% greater than anticipated                       | 3                 | 706   |
| 1% variation in Council Tax Income  | 2                 | 553   |
| 10% shortfall on Savings Options  | 2                 | 28  |
| IJB refer to Council for additional funding to deliver social work services | 3                 | 253   |
| 1% variation of General Inflation Risk                                      | 4                 | 750   |
| <b>Total</b>  |                   | <b>2,290</b>                                  |

## Capital

- 3.2.7 The finance settlement announcement on 20 December 2021 provided details of the Local Government funding for 2022-23 and there is therefore certainty as to what our funding is in respect of General Capital Grant and the specific capital grants already distributed.
- 3.2.8 The capital plan for 2022-23 includes an estimate of £1.387m in respect of capital receipts. This is based on an assessment provided by the Special Projects Team in January 2022. A 10% variation equates to £0.139m and this would require to be managed across the capital programme.
- 3.2.9 General feedback from Scotland Excel and the Project Managers indicates that price increases and uncertainty are being experienced as well as disruptions to the supply chain and longer lead times, particularly in relation to the construction sector and material availability. This can be attributed to a number of factors such as the COVID-19 pandemic, UK exit from the European Union, Russia's invasion of Ukraine and sanctions on Russian owned entities, to name a few.
- 3.2.10 The increased rate of inflation impacts costs such as energy prices, labour, packaging and transport. These all have an effect on the overall contract price and make it extremely challenging to manage expenditure and the availability of supply.
- 3.2.11 While it has been possible to estimate the impact of these pressures on some projects, and therefore include those projections within the capital monitoring report, for others it has been more difficult and an overspend has not been forecast at this stage but there are likely to be further significant financial impacts not yet reported within the following projects:
- Rothesay Pavilion
  - Harbour Investment Programme
  - Helensburgh Waterfront Development
  - Universal Free School Meals
- 3.2.12 For those liabilities/risks to the capital programme that were known at the start of 2022-23 it was agreed at the budget meeting in February 2022 to use amounts from the Unallocated General Fund, the 2021-22 Revenue Surplus, COVID-19 specific funding and additional borrowing to mitigate these risks.

### 3.3 Departmental/Service Risks

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

| Department                         | 1 - Remote |            | 2 - Unlikely |            | 3 - Possible |              | 4 - Likely |            | 5 - Almost Certain |            | Total     |              |
|------------------------------------|------------|------------|--------------|------------|--------------|--------------|------------|------------|--------------------|------------|-----------|--------------|
|                                    | No         | £000       | No           | £000       | No           | £000         | No         | £000       | No                 | £000       | No        | £000         |
| Chief Executive's Unit             | 1          | 125        | 0            | 0          | 2            | 115          | 0          | 0          | 1                  | 345        | 4         | 585          |
| Executive Director Douglas Hendry  | 2          | 20         | 7            | 545        | 9            | 870          | 4          | 380        | 0                  | 0          | 22        | 1,815        |
| Executive Director Kirsty Flanagan | 3          | 160        | 3            | 240        | 9            | 2,135        | 0          | 0          | 0                  | 0          | 15        | 2,535        |
| <b>Total</b>                       | <b>6</b>   | <b>305</b> | <b>10</b>    | <b>785</b> | <b>20</b>    | <b>3,120</b> | <b>4</b>   | <b>380</b> | <b>1</b>           | <b>345</b> | <b>41</b> | <b>4,935</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 |
|-----------------------------------|--|---|------------|-----------------------|
| 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          | 750                   |
| Roads and Infrastructure Services | Roads Materials - Bitumen                            | Increased cost of asphalt material due to price of crude oil rising. Discussions emerging from the industry about possible rationing of bitumen which, if applied, will affect our programmes due to availability | 3          | 400                   |
| Roads and Infrastructure Services | Winter Maintenance                                   | Adverse weather conditions which require greater than budgeted number of gritting runs.   | 3          | 365                   |

3.3.3 The risks which are almost certain and likely are noted below:

| SERVICE                      | TITLE OF RISK   | DESCRIPTION OF RISK  | LIKELIHOOD | FINANCIAL IMPACT |
|------------------------------|---|--|------------|------------------|
|                              |   |  |            | £000             |
| Commercial Services          | Catering Costs – Changes to Food and Drink in Schools Standards | The Scottish Government reviewed the regulations that govern the food and drinks currently provided in schools. The proposed changes were published in June 2019 and were implemented from Easter 2021. The revised standards focus on reducing sugar, reducing red and red processed meat and increasing fibre. Thus far, there has been an increase in costs and a reduction in demand for school meals. | 4          | 150              |
| 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.  | 4          | 100              |
| Legal and Regulatory Support | Contract RPI for NPDO and Hub Schools                           | Increase in RPI would result in higher costs.  | 4          | 100              |
| Legal and Regulatory Support | Licensing   | Reduced numbers of licensing applications leading to reduced income.   | 4          | 30               |

### 3.4 Changes to Financial Risks since last report

3.4.1 There has been 1 change to the departmental risks since the financial risks report was presented to the Policy and Resources Committee on 8 December 2022, as follows:

- The risk in relation to council tax collection has had the financial impact reduced from £0.500m to £0.345m due to a recent improvement in summonsed debt recovery by the sheriff officer.

### 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.

### **3.6 Potential Future Risks**

- 3.6.1 At the Policy and Resource meeting on 13<sup>th</sup> October 2022, it was discussed that the Dunbartonshire and Argyll and Bute Valuation Joint Board would be publishing new NDR rates for 2023-24 to 2025-26 at the end of November. There is a risk of increased NDR costs across the Council's buildings and schools in 2023-24 year onwards due to an increase in rateable value on the NDR roll. The government has announced a transitional relief scheme and the Council will consider its position in respect of appealing any increases to the valuation of its land and heritages.
- 3.6.2 Within Customer Support Services, there is a risk in relation to the cost of additional bandwidth required to deliver the Education Digital Strategy due to a more digitalised learning curriculum. It is uncertain when this risk will arise.

## **4 CONCLUSION**

- 4.1 This report summarises the key financial risks facing the Council. There are a number of Council wide risks and 41 departmental risks identified; one is categorised as almost certain and 4 are categorised as likely. 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.   |
| 5.5.1 | Equalities – protected characteristics - | None.   |
| 5.5.2 | Socio-economic Duty -                    | None.   |
| 5.5.3 | Islands -                                | None.   |
| 5.6   | Climate Change -                         | None.   |
| 5.7   | Risk -                                   | Financial risks are detailed within the appendix.                 |
| 5.8   | Customer Service -                       | None.   |

**Kirsty Flanagan**  
**Executive Director/Section 95 Officer**  
**13 January 2023**

**Policy Lead for Finance and Commercial Services - Councillor Gary Mulvaney**

### **APPENDICES**

Appendix 1 – Detail of Department/Service financial risks

For further information contact Anne Blue, Head of Financial Services  
anne.blue@argyll-bute.gov.uk



## APPENDIX 1

## DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2022

| DEPARTMENT                        | SERVICE             | TITLE OF RISK   | DESCRIPTION OF RISK  | MITIGATING ACTIONS IN PLACE   | As at 31 October 2022 |                       | As at 31 December 2022 |                       |
|-----------------------------------|---------------------|---|--|---|-----------------------|-----------------------|------------------------|-----------------------|
|                                   |                     |   |  |   | 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. This is in relation to historical debt that has accumulated over many years therefore any adverse collection rates will impact on the year end debt provision as opposed to the in-year financial position, hence no forecast variance has been reported within the current year.                                       | Robust monitoring of arrangements with debt collection agency and performance against target collection rates.  | 5                     | 500                   | 5                      | 345                   |
| 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.   | 1                     | 125                   | 1                      | 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                    |
| 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 Douglas Hendry | Commercial Services | Property - Central Repairs                                      | Increased demands on central repairs as a result of the decrease in capital funding available and increases in supplier/contractor charges.  | 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 - Changes to Food and Drink in Schools Standards | The Scottish Government reviewed the regulations that govern the food and drinks currently provided in schools. The proposed changes were published in June 2019 and were implemented from Easter 2021. The revised standards focus on reducing sugar, reducing red and red processed meat and increasing fibre. Thus far, there has been an increase in costs and a reduction in demand for school meals. | There is a need to work with Education colleagues to ensure the maximum uptake of school meals in secondary schools is achieved. This is very challenging given the reduction in secondary school meal uptake due to COVID. | 4                     | 150                   | 4                      | 150                   |
| 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.                                  | 2                     | 100                   | 2                      | 100                   |
| 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.   | 4                     | 100                   | 4                      | 100                   |

## APPENDIX 1

## DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2022

| DEPARTMENT                        | SERVICE             | TITLE OF RISK  | DESCRIPTION OF RISK  | MITIGATING ACTIONS IN PLACE  | As at 31 October 2022 |                       | As at 31 December 2022 |                       |
|-----------------------------------|---------------------|--|--|--|-----------------------|-----------------------|------------------------|-----------------------|
|                                   |                     |  |  |  | LIKELIHOOD            | FINANCIAL IMPACT £000 | LIKELIHOOD             | FINANCIAL IMPACT £000 |
| Executive Director Douglas Hendry | Commercial Services | Catering - Implementation of Universal Free School Meals in Primary Schools          | The Scottish Government may not give the local authority adequate funds to support the policy  | Catering Manager sits on National Operational Delivery Group   | 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 | Leisure Service Level Agreements   | Increase in RPI resulting in requests for additional funding.  | Monitoring annual alteration to contract RPI rate and mitigation through financial forecasting and review of existing budget.  | 2                     | 25                    | 2                      | 25                    |
| 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 | Education           | Central Repairs  | Increased demands on budget as a result of increase in statutory and emergency repairs and increases in supplier/contractor charges.   | Regular liaison with Property Services re prioritisation and commitment of in-year spend.  | 2                     | 100                   | 2                      | 100                   |
| Executive Director Douglas Hendry | Education           | ASN Support  | Demand for ASN support continues to increase, resulting in an additional resource requirement. The effect of COVID-19 has further increased demand on this service.  | 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                   |
| 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           | Legislative Requirements - Children and Young People (Scotland) Act - ELC 1140 hours | The Council has been required to deliver 1140 hours of Early Learning and Childcare since August 2021. The Scottish Government has committed to funding this and the Council has altered the 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. | Continuous monitoring and review of the implementation plan, usage and resources.  | 3                     | 100                   | 3                      | 100                   |

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2022

| DEPARTMENT                         | SERVICE                         | TITLE OF RISK   | DESCRIPTION OF RISK  | MITIGATING ACTIONS IN PLACE  | As at 31 October 2022 |                       | As at 31 December 2022 |                       |
|------------------------------------|---------------------------------|---|--|--|-----------------------|-----------------------|------------------------|-----------------------|
|                                    |                                 |   |  |  | LIKELIHOOD            | FINANCIAL IMPACT £000 | LIKELIHOOD             | FINANCIAL IMPACT £000 |
| Executive Director Douglas Hendry  | Education                       | Legislative Requirements - Education (Scotland) Act       | Education (Scotland) Act 2000 was enacted March 2016. This places additional requirements on Councils to carry out assessments of the need for the provision of Gaelic Medium Primary Education (GMPE) and the duty to support and promote Gaelic Education. May lead to additional staffing requirements. | Monitoring developments of the implementation of the Act and statutory guidance produced and adhered too.  | 3                     | 50                    | 3                      | 50                    |
| Executive Director Douglas Hendry  | Legal and Regulatory Support    | Hub DBDA/DBFM Schools - Litigation                        | Increased risk of the requirement to litigate to conclude final capital contract payments due.   | Monitoring claims and mitigation through robust challenge of any additional claims.  | 2                     | 150                   | 2                      | 150                   |
| Executive Director Douglas Hendry  | Legal and Regulatory Support    | Contract RPI for NPDO and Hub Schools                     | Increase in RPI would result in higher costs.  | Monitoring annual alteration to contract RPI rate and mitigation through financial forecasting and review of existing budget.  | 4                     | 100                   | 4                      | 100                   |
| Executive Director Douglas Hendry  | Legal and Regulatory Support    | NPDO - Reduction in insurance savings within NPDO Schools | Increase in insurance costs as a result of Covid-19 and flood claims.  | Monitoring annual alteration to contract insurance rate and mitigation through financial forecasting and review of existing budget.  | 3                     | 75                    | 3                      | 75                    |
| Executive Director Douglas Hendry  | Legal and Regulatory Support    | Legal Services - Litigation                               | Increased number of litigation cases.  | Ensure Legal Services are gateway to access all legal advice and that advice is sought at earliest opportunity.  | 3                     | 50                    | 3                      | 50                    |
| Executive Director Douglas Hendry  | Legal and Regulatory Support    | NPDO/Hub DBFM contract management efficiencies            | Reduction in ability to generate contract management efficiencies.   | Monitoring annual efficiencies generated and mitigation through robust contract management and application of contract specifications/requirements.  | 2                     | 50                    | 2                      | 50                    |
| Executive Director Douglas Hendry  | Legal and Regulatory Support    | Elections   | More than 1 by-election required outwith standard election cycle.  | Outwith direct management control.   | 3                     | 45                    | 3                      | 45                    |
| Executive Director Douglas Hendry  | Legal and Regulatory Support    | Licensing   | Reduced numbers of licensing applications leading to reduced income.   | Monitoring of trends and reporting the financial impact in the budget monitoring.  | 4                     | 30                    | 4                      | 30                    |
| Executive Director Douglas Hendry  | Legal and Regulatory Support    | Children's Panel  | Increased number of referrals increasing costs through increases in the running costs.   | Maximise the use of council facilities/resources for panel session 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 Kirsty Flanagan | Customer Support Services       | Software Licences   | Potential risk of being under licensed for software which will be identified via software audits which would incur additional costs.   | ICT security and compliance officer in post and duties include review of systems to ensure fully licenced.   | 2                     | 100                   | 2                      | 100                   |
| 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. Reduction in demand creates a budget pressure on environmental health budget.  | Monitor income and resources required for export health certificates/attestations required to support the export market. Continue with food safety regulation activities associated and support at 3rd country audits. Pursue debt rigorously with key customers through seeking regular payments. | 2                     | 130                   | 2                      | 130                   |

## APPENDIX 1

## DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2022

| DEPARTMENT                            | SERVICE                           | TITLE OF RISK  | DESCRIPTION OF RISK  | MITIGATING ACTIONS IN PLACE  | As at 31 October 2022 |                       | As at 31 December 2022 |                       |
|---------------------------------------|-----------------------------------|--|--|--|-----------------------|-----------------------|------------------------|-----------------------|
|                                       |                                   |  |  |  | LIKELIHOOD            | FINANCIAL IMPACT £000 | LIKELIHOOD             | FINANCIAL IMPACT £000 |
| Executive Director<br>Kirsty Flanagan | Development and Economic Growth   | Dangerous Buildings interventions                    | Building Standards having to deal 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<br>Kirsty Flanagan | Development and Economic Growth   | Planning fees reduced by Scottish Government         | Scottish Government reducing planning fees due to poor performance by the Planning Authority. Details of national Planning Performance Co-ordinator and Fee Reform still awaited.  | Maintain high levels of performance as articulated by performance markers detailed in Planning Performance Framework annual report.  | 1                     | 100                   | 1                      | 100                   |
| Executive Director<br>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.   | Current income levels are looking more positive, however, we are dependent on some high value applications coming in which if don't materialise, will impact the overall position. Will continue to monitor Development Management income and expenditure tightly and investigate further income generation streams. | 1                     | 50                    | 1                      | 50                    |
| Executive Director<br>Kirsty Flanagan | Development and Economic Growth   | Building Warrant fee shortfalls                      | Due to loss of commercial income and 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                     | 100                   | 3                      | 100                   |
| Executive Director<br>Kirsty Flanagan | Development and Economic Growth   | Homelessness Temporary Accommodation Income          | Unpredictable number of Homeless applications. Inability to recover rent. Increase costs of property maintenance and tenancy change over.  | Provision of Housing Options information and advice service to minimise number of applicants proceeding to full homeless application. Implementation of Rapid Rehousing Plan.  | 3                     | 50                    | 3                      | 50                    |
| Executive Director<br>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                     | 10                    | 1                      | 10                    |
| Executive Director<br>Kirsty Flanagan | Development and Economic Growth   | Airfields and Air Services - usage                   | The PSO for the existing air service to Coll and Colonsay operating from Connell Airport is due for renewal in October 2023. Possibility that this will create a budget pressure for a new contract to be established to serve the needs of the island communities.                              | Tenders have been received and are currently at the evaluation process with Procurement. Once this process is complete, a more definitive position will be known.  | 2                     | 10                    | 2                      | 10                    |
| Executive Director<br>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. The recent storm damage to Bute Sea Wall is likely to cost in excess of £1m to repair so the value on this risk has been updated for 22-23 in recognition of the potential costs associated with this risk | Routine inspections to deal with potential weak areas - based on a stitch in time repair regime.   | 3                     | 750                   | 3                      | 750                   |

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2022

| DEPARTMENT                            | SERVICE                           | TITLE OF RISK                     | DESCRIPTION OF RISK   | MITIGATING ACTIONS IN PLACE  | As at 31 October 2022 |                       | As at 31 December 2022 |                       |
|---------------------------------------|-----------------------------------|-----------------------------------|---|--|-----------------------|-----------------------|------------------------|-----------------------|
|                                       |                                   |                                   |   |  | LIKELIHOOD            | FINANCIAL IMPACT £000 | LIKELIHOOD             | FINANCIAL IMPACT £000 |
| Executive Director<br>Kirsty Flanagan | Roads and Infrastructure Services | Residual Waste H&L and Tires      | There is a potential increase to tipping fees and haulage costs for H&L residual waste. The Council's supplier Barr Environmental (contract to end of 2023) lost a tribunal relating to the underpayment of landfill tax, which may have led to the Council having to source alternatives at a higher cost. Barr appealed the decision which was heard in the Spring and they won the case which should have reduced or eliminated this financial risk. However, the Scottish Government laid an Amendment Order on Friday 1 July 2022 which came into force at 1700 on 1 July which indicates that Landfill tax will be due on materials previously not chargeable and we have now received notification of an increase in the cost which officers are currently assessing | Officers currently assessing the potential impact on the Council.  |                       |                       |                        |                       |
| Executive Director<br>Kirsty Flanagan | Roads and Infrastructure Services | Roads Materials - Bitumen         | Increased cost of asphalt material due to price of crude oil rising. Discussions emerging from the industry about possible rationing of bitumen which, if applied, will affect our programmes due to availability   | Increased costs are currently being managed but with further increases likely, this is being closely monitored by managers to evaluate the impact. | 3                     | 400                   | 3                      | 400                   |
| Executive Director<br>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                     | 365                   | 3                      | 365                   |
| Executive Director<br>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<br>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<br>Kirsty Flanagan | Roads and Infrastructure Services | Ferry Services - income           | Changes to ferry services resulting in reduced passenger income.  | Closely monitor passenger number information coming from CallMac to identify any emerging trends with reducing passenger numbers.                  | 3                     | 40                    | 3                      | 40                    |
|                                       |                                   |                                   |   |  | 41                    | 5,090                 | 41                     | 4,935                 |

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**CAPITAL BUDGET MONITORING REPORT – 31 DECEMBER 2022**

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**1.0 EXECUTIVE SUMMARY**

1.1 This report provides an update on the position of the capital budget as at 31 December 2022. 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.

**1.2 Financial Position:**

- **Current Year to Date** – actual net expenditure to date is £19,846k compared to a budget for the year to date of £19,186k giving rise to an overspend for the year to date of £660k (3.44%).
- **Forecast Outturn for 2022-23** – forecast net expenditure for the full financial year is £33,440k compared to an annual budget of £39,014k giving rise to a forecast underspend for the year of 5,574k (14.29%).
- **Total Capital Plan** – forecast total net project costs on the total capital plan are £180,736k compared to a total budget for all projects of £180,009k giving rise to a forecast overspend for the overall capital plan of £727k (0.40%).

**1.3 Project Delivery:**

- **Asset Sustainability** – Out of 94 projects there are 81 projects (86%) on track, 3 projects (3%) off track but recoverable and 10 projects off track (11%).
- **Service Development** - Out of 41 projects there are 37 projects (90%) on track, 3 projects (7.5%) off track but recoverable and 1 project (2.5%) off track.
- **Strategic Change** – Out of 27 projects there are 22 projects (81%) on track, 2 projects (7.5%) are off track but recoverable and 3 projects (11.5%) off track.

1.4 The Capital Programme is funded by various income streams as detailed in Appendix 5.

1.5 Originally the Council was projecting £1,387k of capital receipts this financial year. However, to date only £170k has been received and it is unlikely that the original projection of £1,387k will be met. The Estates team are currently in the process of updating their asset sale projections as part of the budget setting process and this is likely to result in a lower level of anticipated capital receipts over the life of the programme.

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**CAPITAL BUDGET MONITORING REPORT – 31 DECEMBER 2022**

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**2.0 INTRODUCTION**

- 2.1 This report provides an update on the position of the capital budget as at 31 December 2022. 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.
- 2.2 Following the decision at Policy and Resources Committee on 9 December 2021, the Rothesay Pavilion project is on pause whilst potential funding options are being considered. The financial information included within this report therefore excludes amounts relating to Rothesay Pavilion.
- 2.3 A £1m cost pressure was identified during 2021-22 in relation to repairs to the A884 Ardbeg Sea Wall, where severe storm damage resulted in failure of the sea wall on Bute. Emergency works were carried out and a permanent solution is currently being developed. Additional funding of £1m was allocated for this purpose at the Council meeting on 24 February 2022 however there remains a risk that costs will exceed this. It was agreed at Environment, Development and Infrastructure Committee on 2 June 2022 that the Chair would approach the Scottish Government with a view to securing additional resources to support the scheme.
- 2.4 Project Managers were asked to identify specific Covid-19 impacts on the capital programme. At the budget meeting on 25 February 2021, the Council agreed to provide £2.5m of funding and following agreement at the Policy and Resources Committee on 14 October 2021, this, plus a further £0.146m, was added to the capital programme.

Furthermore, at the budget meeting on 24 February 2022, an additional £3.9m was set aside for future capital contract increases. This includes up to £1.2m for Campbeltown Flood Scheme, the final costs of which are estimated to be £15.215m. The Scottish Government will fund 80% of scheme costs with the Council expected to contribute an estimated £3.043m.

- 2.5 The impact of the pandemic along with the UK exit from the European Union, the Russian invasion of Ukraine and sanctions on Russian owned entities has seen significant price increases as well as disruptions to the supply chain and longer lead in times. The increased rate of inflation impacts costs such as energy prices, labour, packaging and transport. These all have an effect on the overall contract price and make it extremely challenging to manage expenditure and the availability of supply.

As a result of this it should be noted that there are likely to be other significant financial impacts which are not quantifiable at this stage, as follows:

- Rothesay Pavilion – project currently paused due to increased costs as a result of the main contractor being placed into administration in March 2020.
- Harbour Investment Programme – likely to be contractual cost increases in future years (expected to be funded from increased fees and charges).

- Helensburgh Waterfront Development – commercial negotiations are ongoing with the main contractor to determine the financial impact.
- Universal Free School Meals – delayed roll out to P6 and P7 and uncertain capital funding levels available from Scottish Government (delay not mentioned as part of Resource Spending Review).
- Other general construction inflationary increases.

### 3.0 RECOMMENDATIONS

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

### 4.0 CURRENT YEAR TO DATE FINANCIAL POSITION

#### 4.1 Overall Position

Actual net expenditure to date is £19,846k compared to a budget for the year to date of £19,183k giving rise to an overspend for the year to date of £660k (3.44%).

#### 4.2 Project/Department Position

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

| <b>Project Type:</b>             | <b>Year to Date Budget<br/>£'000</b> | <b>Year to Date Actual<br/>£'000</b> | <b>Variance<br/>£'000</b> |
|----------------------------------|--------------------------------------|--------------------------------------|---------------------------|
| Asset Sustainability             | 11,339                               | 11,380                               | (41)                      |
| Service Development              | 2,674                                | 2,698                                | (24)                      |
| Strategic Change                 | 5,173                                | 5,768                                | (595)                     |
| <b>Total</b>                     | <b>19,186</b>                        | <b>19,846</b>                        | <b>(660)</b>              |
| <b>Service:</b>                  |                                      |                                      |                           |
| ICT                              | 647                                  | 647                                  | 0                         |
| Education                        | 3,742                                | 3,724                                | 18                        |
| Live Argyll                      | 171                                  | 175                                  | (4)                       |
| Health & Social Care Partnership | 152                                  | 155                                  | (3)                       |
| Shared Offices                   | 123                                  | 137                                  | (14)                      |
| Roads & Infrastructure           | 9,494                                | 9,559                                | (65)                      |
| Development & Economic Growth    | 1,386                                | 1,383                                | 3                         |
| CHORD                            | 3,471                                | 4,066                                | (595)                     |
| <b>Total</b>                     | <b>19,186</b>                        | <b>19,846</b>                        | <b>(660)</b>              |

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



## 5.0 FORECAST OUTTURN 2022-23

### 5.1 Overall Position

Forecast net expenditure for the full financial year is £33,440k compared to an annual budget of £39,014k giving rise to a forecast underspend for the year of £5,574k (14.29%).

### 5.2 Project/Department Position

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

| <b>Project Type:</b>             | <b>Annual Budget<br/>£'000</b> | <b>Forecast Outturn<br/>£'000</b> | <b>Forecast Variance<br/>COVID-19<br/>Related<br/>£'000</b> | <b>Forecast Variance<br/>Non<br/>COVID-19<br/>Related<br/>£'000</b> | <b>Forecast Variance<br/>£'000</b> |
|----------------------------------|--------------------------------|-----------------------------------|---|---|------------------------------------|
| Asset Sustainability             | 21,558                         | 18,128                            | 0   | 3,430   | 3,430                              |
| Service Development              | 4,626                          | 4,704                             | 0   | (78)  | (78)                               |
| Strategic Change                 | 12,830                         | 10,608                            | 0   | 2,222   | 2,222                              |
| <b>Total</b>                     | <b>39,014</b>                  | <b>33,440</b>                     | <b>0</b>  | <b>5,574</b>  | <b>5,574</b>                       |
| <b>Service:</b>                  |                                |                                   |   |   |                                    |
| ICT                              | 1,243                          | 1,243                             | 0   | 0   | 0                                  |
| Education                        | 6,336                          | 6,348                             | 0   | (12)  | (12)                               |
| Live Argyll                      | 580                            | 566                               | 0   | 14  | 14                                 |
| Health & Social Care Partnership | 613                            | 638                               | 0   | (25)  | (25)                               |
| Shared Offices                   | 4,240                          | 2,256                             | 0   | 1,984   | 1,984                              |
| Roads & Infrastructure           | 19,481                         | 16,308                            | 0   | 3,173   | 3,173                              |
| Development & Economic Growth    | 2,602                          | 2,602                             | 0   | 0   | 0                                  |
| CHORD                            | 3,919                          | 3,479                             | 0   | 440   | 440                                |
| <b>Total</b>                     | <b>39,014</b>                  | <b>33,440</b>                     | <b>0</b>  | <b>5,574</b>  | <b>5,574</b>                       |

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

## 6.0 TOTAL PROJECT COSTS

### 6.1 Overall Position

Forecast total net project costs on the total capital plan are £180,736k compared to a total budget for all projects of £180,009k giving rise to a forecast overspend for the overall capital plan of £727k (0.40%).

### 6.2 Project/Department Position

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

| <b>Project Type:</b>             | <b>Capital Plan Budget<br/>£'000</b> | <b>Forecast Project Costs<br/>£'000</b> | <b>Capital Plan Variance COVID-19 Related<br/>£'000</b> | <b>Capital Plan Variance Non COVID-19 Related<br/>£'000</b> | <b>Total Capital Plan Variance<br/>£'000</b> |
|----------------------------------|--------------------------------------|---|---|---|--|
| Asset Sustainability             | 52,093                               | 52,100                                  | 0   | (7)   | (7)  |
| Service Development              | 19,261                               | 19,339                                  | 0   | (78)  | (78)   |
| Strategic Change                 | 108,655                              | 109,297                                 | 0   | (642)   | (642)  |
| <b>Total</b>                     | <b>180,009</b>                       | <b>180,736</b>                          | <b>0</b>  | <b>(727)</b>  | <b>(727)</b>                                 |
| <b>Service:</b>                  |                                      |   |   |   |  |
| ICT                              | 5,007                                | 5,007                                   | 0   | 0   | 0  |
| Education                        | 42,072                               | 42,084                                  | 0   | (12)  | (12)   |
| Live Argyll                      | 3,368                                | 3,374                                   | 0   | (6)   | (6)  |
| Health & Social Care Partnership | 4,222                                | 4,232                                   | 0   | (10)  | (10)   |
| Shared Offices                   | 21,507                               | 21,514                                  | 0   | (7)   | (7)  |
| Roads & Infrastructure           | 54,711                               | 54,777                                  | 0   | (66)  | (66)   |
| Development & Economic Growth    | 5,284                                | 5,284                                   | 0   | 0   | 0  |
| CHORD                            | 43,838                               | 44,464                                  | 0   | (626)   | (626)  |
| <b>Total</b>                     | <b>180,009</b>                       | <b>180,736</b>                          | <b>0</b>  | <b>(727)</b>  | <b>(727)</b>                                 |

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

## 7.0 TOTAL PROJECT PERFORMANCE

### 7.1 Overall Position

There are 162 projects within the Capital Plan, 140 are Complete or On Target, 8 are Off Target and Recoverable and 14 are Off Track.

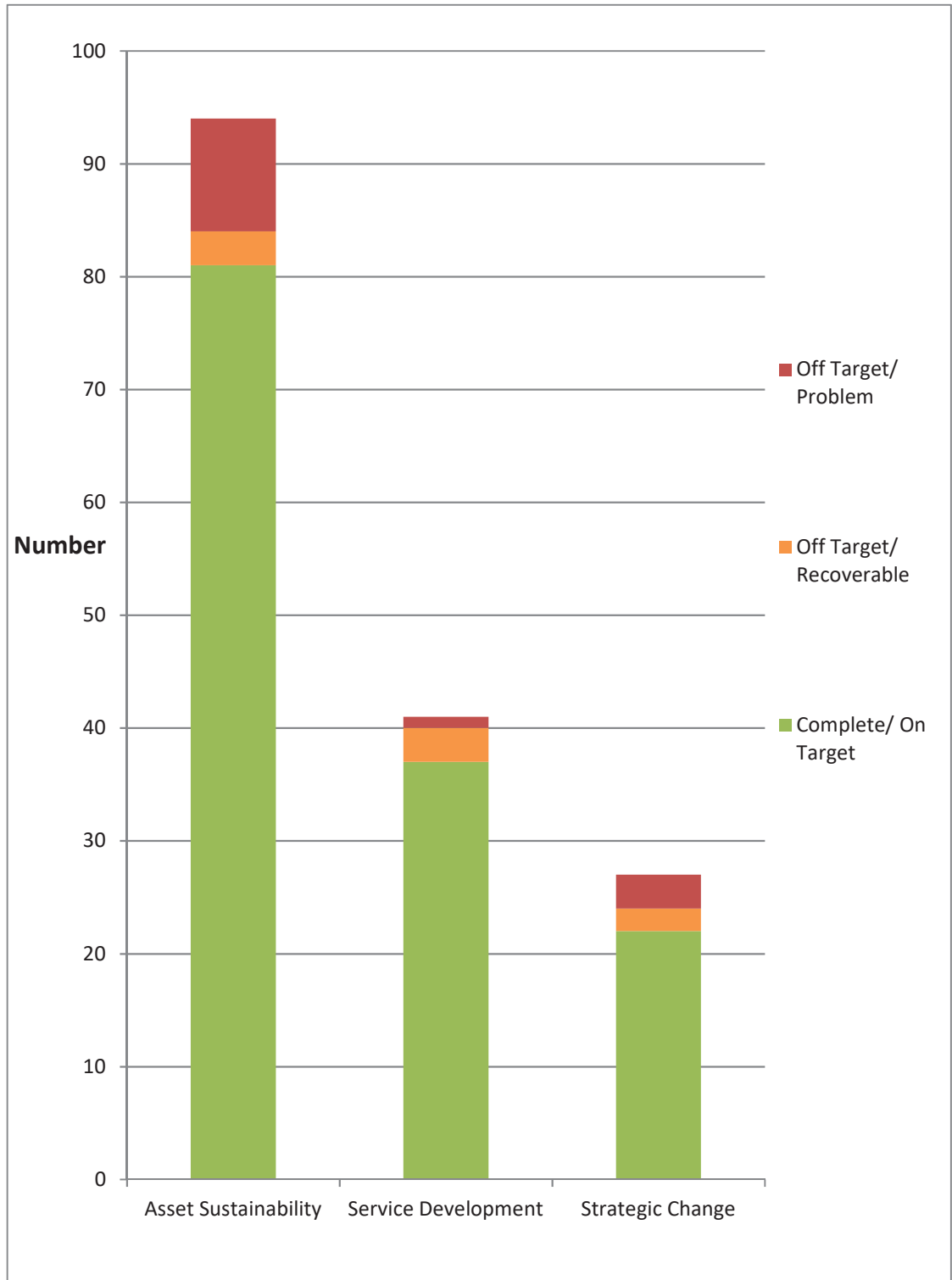
### 7.2 Project Position

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

| <b>Project Type:</b>                | <b>Complete/<br/>On Target</b> | <b>Off Target/<br/>Recoverable</b> | <b>Off<br/>Target/<br/>Problem</b> | <b>Total</b> |
|-------------------------------------|--------------------------------|------------------------------------|------------------------------------|--------------|
| Asset Sustainability                | 81                             | 3                                  | 10                                 | 94           |
| Service Development                 | 37                             | 3                                  | 1                                  | 41           |
| Strategic Change                    | 22                             | 2                                  | 3                                  | 27           |
| <b>Total</b>                        | <b>140</b>                     | <b>8</b>                           | <b>14</b>                          | <b>162</b>   |
| <b>Service:</b>                     |                                |                                    |                                    |              |
| ICT                                 | 6                              | 0                                  | 1                                  | 7            |
| Education                           | 29                             | 1                                  | 0                                  | 30           |
| Live Argyll                         | 27                             | 1                                  | 0                                  | 28           |
| Health & Social Care<br>Partnership | 18                             | 1                                  | 0                                  | 19           |
| Shared Offices                      | 18                             | 0                                  | 4                                  | 22           |
| Roads & Infrastructure              | 25                             | 3                                  | 7                                  | 35           |
| Development & Economic<br>Growth    | 15                             | 1                                  | 0                                  | 16           |
| CHORD                               | 2                              | 1                                  | 2                                  | 5            |
| <b>Total</b>                        | <b>140</b>                     | <b>8</b>                           | <b>14</b>                          | <b>162</b>   |

7.3 Chart of Performance Status

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



## 8.0 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>  |
|----------------------|------------------------------------|--|---|
| Major Projects       | Helensburgh Waterfront Development | Current Year and total project expenditure | Overspend due to multiple global issues as well as delays in connection to mains electricity supply which led to temporary power supplies to maintain the timeliness of the program. Elements relating to COVID-19 currently being projected and will be updated for next update. |
| Asset Sustainability | Bowmore Area Office                | Current year expenditure                   | Budget slipped due to timescale delays. Slippage from 22-23 to 23-24.   |
| Asset Sustainability | Burnett Building                   | Current year expenditure                   | Budget slipped due to timescale delays. Slippage from 22-23 to 23-24.   |
| Asset Sustainability | Kilmory Castle                     | Current year expenditure                   | Budget slipped due to timescale delays. Slippage from 22-23 to 23-24.   |
| Asset Sustainability | Our Modern Workspace               | Current year expenditure                   | Budget slipped due to timescale delays. Slippage from 22-23 to 23-24.   |

|                      |                               |                          |   |
|----------------------|-------------------------------|--------------------------|---|
| Asset Sustainability | Flood Prevention              | Current year expenditure | Project timescales for construction has caused slippages into 23-24 following the studies provided by consultant.                     |
| Asset Sustainability | Costal Change Adaptation      | Current year expenditure | Budget slipped due to timescale delays. Slippage from 22-23 to 23-24.   |
| Asset Sustainability | Bute Sea Wall Repairs         | Current year expenditure | Slippage from 22-23 to 23-24 due to timescale delays. Construction contract to be progressed in 2023/24.                              |
| Asset Sustainability | Helensburgh Flood Mitigation  | Current year expenditure | Tender abandoned due to high costs received. Slipped budget into 23-24 to allow project to be retendered.                             |
| Asset Sustainability | Bridge Strengthening          | Current year expenditure | Acceleration from 23-24 to 22-23. Reversed a portion of the November slippage to cover CY costs which were still to clear the ledger. |
| Asset Sustainability | Local Bridge Maintenance Fund | Current year expenditure | Project delayed to allow appropriate studies to be undertaken in advance of construction. Slippage from 22-23 to 23-24.               |

|                     |                                 |  |  |
|---------------------|---------------------------------|--|--|
| Service Development | Oban Depot Development Project  | Current year expenditure and total project expenditure | Project is overspent in 22-23 and total project lifetime.  |
| Strategic Change    | Campbeltown Flood Scheme        | Current year expenditure                               | Slippage from 22-23 to 23-24 due to change in contractor cash flow predictions.  |
| CHORD               | Kilmory Business Park Phase 2AA | Current year expenditure                               | Delays in planning application has caused slippage from 22-23 to 23-24. Works anticipated to start at the end of FQ2 23-24 |

## 9.0 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 each 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.

## 10.0 CHANGES TO CAPITAL PLAN

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

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

| Department                       | Prev. Agreed Changes 2022-23 | 2022-23        | 2023-24      | 2024-25  | Future Years | Total Capital Plan |
|----------------------------------|------------------------------|----------------|--------------|----------|--------------|--------------------|
|                                  | £'000                        | £'000          | £'000        | £'000    | £'000        | £'000              |
| Asset Sustainability             | (4,486)                      | (3,437)        | 3,437        | 0        | 0            | 0                  |
| Service Development              | (874)                        | 0              | 0            | 0        | 0            | 0                  |
| Strategic Change                 | (32,024)                     | (2,864)        | 2,864        | 0        | 0            | 0                  |
| <b>Total</b>                     | <b>(37,384)</b>              | <b>(6,301)</b> | <b>6,301</b> | <b>0</b> | <b>0</b>     | <b>0</b>           |
| <b>Service:</b>                  |                              |                |              |          |              |                    |
| ICT                              | (275)                        | 0              | 0            | 0        | 0            | 0                  |
| Education                        | 239                          | 0              | 0            | 0        | 0            | 0                  |
| Live Argyll                      | (655)                        | (20)           | 20           | 0        | 0            | 0                  |
| Health & Social Care Partnership | (1,494)                      | 15             | (15)         | 0        | 0            | 0                  |
| Shared Offices                   | 43                           | (1,991)        | 1,991        | 0        | 0            | 0                  |
| Roads & Infrastructure           | (35,686)                     | (3,239)        | 3,239        | 0        | 0            | 0                  |
| Development & Economic Growth    | (718)                        | 0              | 0            | 0        | 0            | 0                  |
| Major Projects                   | 1,162                        | (1,066)        | 1,066        | 0        | 0            | 0                  |
| <b>Total</b>                     | <b>(37,384)</b>              | <b>(6,301)</b> | <b>6,301</b> | <b>0</b> | <b>0</b>     | <b>0</b>           |

## 11.0 FUNDING

11.1 The Capital Programme is funded by various income streams as detailed in Appendix 5. Additional funding of £96,000 has been drawn down from Earmarked Reserves to fund the Lochgilphead Primary School Demolition.

11.2 Originally the Council was projecting £1,387k of capital receipts this financial year. However, to date only £170k has been received and it is unlikely that the original projection of £1,387k will be met. The Estates team are currently in the process of updating their asset sale projections as part of the budget setting process and this is likely to result in a lower level of anticipated capital receipts over the life of the programme.

## 12.0 IMPLICATIONS

12.1 Policy – Monitors progress against the capital plan.

12.2 Financial – Monitors funding and commitments of the capital plan.

12.3 Legal – Available funding may not address all Statutory and Regulatory requirements in relation to Health and Safety.



- 12.4 HR – Available funding may have an impact on the sustainability of the Property Design Team and Infrastructure Design Team.
- 12.5 Fairer Scotland Duty – None.
  - 12.5.1 Equalities – protected characteristics – None.
  - 12.5.2 Socio-economic Duty – None.
  - 12.5.3 Islands – None.
- 12.6 Climate Change – The Council is committed to addressing climate change via projects within the capital plan.
- 12.7 Risk – There are risks around increasing capital contract costs and the level and timing of capital receipts.
- 12.8 Customer Service – None.

**Kirsty Flanagan**  
**Executive Director / Section 95 Officer**  
**13 January 2023**

**Policy Lead for Finance and Commercial Services – Councillor Gary Mulvaney**

### **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

For further information contact: Anne Blue, Head of Financial Services  
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**APPENDIX 1 – Year to Date Financial Variance Explanations**

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

| <b>Project</b>                     | <b>YTD Budget<br/>£'000</b> | <b>YTD Actual<br/>£'000</b> | <b>(Over)/<br/>Under<br/>Variance<br/>£'000</b> | <b>Explanation</b>  |
|------------------------------------|-----------------------------|-----------------------------|---|---|
| Helensburgh Waterfront Development | 3,078                       | 3,704                       | (626)   | Overspend on project, details provided in Variance report.  |
| Oban Depot Development Project     | 76                          | 17                          | (59)  | Overspend on project due to additional requests made by the service for the project. These additional works are to be funded from revenue, the transfer is still to take place. |
| Other variances under £50k         |                             |                             | 25  | Total value of non-material variances less than +/-£50k   |
| <b>Total</b>                       |                             |                             | <b>(660)</b>                                    |   |

**APPENDIX 2 – Outturn Variance Explanations**

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

| <b>Project</b>                     | <b>Annual Budget<br/>£'000</b> | <b>Outturn<br/>£'000</b> | <b>(Over)/ Under<br/>Forecast<br/>Variance<br/>COVID-19<br/>Related<br/>£'000</b> | <b>(Over)/ Under<br/>Forecast<br/>Variance<br/>COVID-19<br/>Related<br/>£'000</b> | <b>Total<br/>(Over)/<br/>Under<br/>Forecast<br/>Variance<br/>£'000</b> | <b>Explanation</b>  |
|------------------------------------|--------------------------------|--------------------------|---|---|--|---|
| Helensburgh Waterfront Development | 3,078                          | 3,704                    | 0   | (626)   | (626)  | Overspend on project, details provided in Variance report.  |
| Oban Depot Development             | 17                             | 76                       | 0   | (59)  | (59)   | Overspend on project due to additional requests made by the service for the project. These additional works are to be funded from revenue, the transfer is still to take place. |
| Burnett Building                   | 110                            | 0                        | 0   | 110   | 110  | Budget slipped due to timescale delays.   |
| Kilmory Castle                     | 1,368                          | 2                        | 0   | 1,366   | 1,366  | Budget slipped due to timescale delays.   |
| Flood Prevention                   | 349                            | 10                       | 0   | 349   | 349  | Project timescales for construction has caused slippages into 23-24 following the studies provided by consultant.   |
| Bridge Strengthening               | 156                            | 215                      | 0   | (59)  | (59)   | Partial reversal of November slippage to cover costs which were still to come through.  |

|                                 |       |       |  |          |              |              |   |
|---------------------------------|-------|-------|--|----------|--------------|--------------|---|
| Campbeltown Flood Scheme        | 5,756 | 3,958 |  | 0        | 1,798        | 1,798        | Slippage due to change in contractor cash flow predictions.                               |
| Helensburgh Flood Mitigation    | 332   | 4     |  | 0        | 328          | 328          | Delays in tender process has caused slippage into 23-24                                   |
| Local Bridge Maintenance Fund   | 712   | 475   |  | 0        | 237          | 237          | Project delayed to allow appropriate studies to be undertaken in advance of construction. |
| Bute Sea Wall Repairs           | 575   | 148   |  | 0        | 427          | 427          | Project timescale delays has caused budget to slip to 23-24                               |
| Bowmore Area Office             | 76    | 0     |  | 0        | 76           | 76           | Project timescale delays has caused budget to slip to 23-24                               |
| Kilmory Business Park Phase 2AA | 1,120 | 54    |  | 0        | 1,066        | 1,066        | Project timescale delays has caused budget to slip to 23-24                               |
| Coastal Change Adaptation       | 159   | 0     |  | 0        | 159          | 159          | Project timescale delays has caused budget to slip to 23-24                               |
| Our Modern Workspace            | 549   | 110   |  | 0        | 439          | 439          | Project timescale delays has caused budget to slip to 23-24                               |
| Other variances under £50k      |       |       |  | 0        | (37)         | (37)         | Total value of non-material variances less than +/- £50k.                                 |
| <b>Total</b>                    |       |       |  | <b>0</b> | <b>5,574</b> | <b>5,574</b> |   |

| <b>APPENDIX 3 – Total Project Finance Variances</b>                         |                                  |                                     |   |   |  |  |
|---|----------------------------------|-------------------------------------|---|---|--|--|
| Listed below are the projects where the total project variance is +/- £50k. |                                  |                                     |   |   |  |  |
| <b>Project</b>  | <b>Capital Plan Budget £'000</b> | <b>Forecast Project Costs £'000</b> | <b>(Over)/ Under Forecast Variance COVID-19 Related £'000</b> | <b>(Over)/ Under Forecast Variance Non COVID-19 Related £'000</b> | <b>Total (Over)/ Under Forecast Variance £'000</b> | <b>Explanation</b>   |
| Helensburgh Waterfront Development  | 22,740                           | 23,366                              | 0   | (626)   | (626)  | Overspend on project, details provided in Variance Report  |
| Oban Depot Development  | 2,117                            | 2,176                               | 0   | (59)  | (59)   | Overspend on project due to additional requests made by the service for the project. These additional works are to be funded from revenue, the transfer is still to take place.                  |
| Other variances under £50k  |                                  |                                     |   | (42)  | (42)   | Total value of non-material variances less than +/- £50k. Project Managers are working to reduce these small individual overspends by identifying underspends elsewhere within the capital plan. |
| <b>Total</b>  |                                  |                                     |   | <b>(727)</b>  | <b>(727)</b>                                       |  |

## APPENDIX 4 – Changes to Capital Plan and Financial Impact

## OVERALL COST CHANGES

| Project                   | 2022-23<br>£'000 | 2023-24<br>£'000 | 2024-25<br>£'000 | Future<br>Years<br>£'000 | Total<br>Capital Plan<br>£'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                            | 2022-23<br>£'000 | 2023-24<br>£'000 | 2024-25<br>£'000 | Future<br>Years<br>£'000 | 2022-23<br>Slippage<br>Related to<br>COVID-19<br>£'000 | 2022-23<br>Slippage<br>Related<br>to Non-<br>COVID-<br>19<br>£'000 | Total<br>2022-23<br>£'000 | Recommendation                    | Explanation   |
|------------------------------------|------------------|------------------|------------------|--------------------------|--|--|---------------------------|-----------------------------------|---|
| Kilmory Business<br>Park Phase 2AA | (1,066)          | 1,066            | 0                | 0                        | 0  | (1,066)  | (1,066)                   | Slip budget into<br>future years. | Budget slipped to 23-24 due to<br>timescales and project<br>capacity  |
| Flood Prevention                   | (349)            | 349              | 0                | 0                        | 0  | (349)  | (349)                     | Slip budget into<br>future years. | Project slipped to 23-24 due to<br>timescales and project<br>capacity |
| Coastal Change<br>Adaption         | (159)            | 159              | 0                | 0                        | 0  | (159)  | (159)                     | Slip budget into<br>future years. | Project slipped to 23-24 due to<br>no valid tender bidders.           |
| Bute Sea Wall<br>Repairs           | (427)            | 427              | 0                | 0                        | 0  | (427)  | (427)                     | Slip budget into<br>future years. | Project timescale delays has<br>caused budget to slip to 23-24        |
| Helensburgh Flood<br>Mitigation    | (328)            | 328              | 0                | 0                        | 0  | (328)  | (328)                     | Slip budget into<br>future years. | Project timescale delays has<br>caused budget to slip to 23-24        |
| Local Bridge<br>Maintenance Fund   | (237)            | 237              | 0                | 0                        | 0  | (237)  | (237)                     | Slip budget into<br>future years. | Project timescale delays has<br>caused budget to slip to 23-24        |
| Campbeltown Flood<br>Scheme        | (1,798)          | 1,798            | 0                | 0                        | 0  | (1,798)  | (1,798)                   | Slip budget into<br>future years. | Project timescale delays has<br>caused budget to slip to 23-24        |
| Bridge<br>Strengthening            | 59               | (59)             | 0                | 0                        | 0  | 59   | 59                        | Accelerate from<br>2023-24        | Reverse part of slippage<br>processed in previous report to           |

|  |                |              |          |          |          |          |          |          |          |                |                |  |  |  |  |  |  |  |   |
|--|----------------|--------------|----------|----------|----------|----------|----------|----------|----------|----------------|----------------|--|--|--|--|--|--|--|---|
|  |                |              |          |          |          |          |          |          |          |                |                |  |  |  |  |  |  |  | cover costs still to be processed.                          |
| Greenwood/Woodlands                      | 15             | (15)         | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 15             | 15             |  |  |  |  |  |  |  | Accelerate from 23-24 to cover forecasted expenditure.      |
| Bowmore Area Office                      | (76)           | 76           | 0        | 0        | 0        | 0        | 0        | 0        | 0        | (76)           | (76)           |  |  |  |  |  |  |  | Project timescale delays has caused budget to slip to 23-24 |
| Burnett Building                         | (110)          | 110          | 0        | 0        | 0        | 0        | 0        | 0        | 0        | (110)          | (110)          |  |  |  |  |  |  |  | Project timescale delays has caused budget to slip to 23-24 |
| Our Modern Workspace                     | (439)          | 439          | 0        | 0        | 0        | 0        | 0        | 0        | 0        | (439)          | (439)          |  |  |  |  |  |  |  | Project timescale delays has caused budget to slip to 23-24 |
| Kilmory Castle                           | (1,366)        | 1,366        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | (1,366)        | (1,366)        |  |  |  |  |  |  |  | Project timescale delays has caused budget to slip to 23-24 |
| Victoria Hall, Campbeltown               | (20)           | 20           | 0        | 0        | 0        | 0        | 0        | 0        | 0        | (20)           | (20)           |  |  |  |  |  |  |  | Project timescale delays has caused budget to slip to 23-24 |
| <b>Total Slippages and Accelerations</b> | <b>(6,301)</b> | <b>6,301</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>(6,301)</b> | <b>(6,301)</b> |  |  |  |  |  |  |  |   |
| <b>Net Impact of Changes</b>             | <b>(6,301)</b> | <b>6,301</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>(6,301)</b> | <b>(6,301)</b> |  |  |  |  |  |  |  |   |

CAPITAL PROGRAMME FUNDING

|   | 2022-23                   |                           |                         |                    | 2023-24                           |                           |                           |                         | 2024-25            |                                   |                           |                           |                         |                    |                                   |
|---|---------------------------|---------------------------|-------------------------|--------------------|-----------------------------------|---------------------------|---------------------------|-------------------------|--------------------|-----------------------------------|---------------------------|---------------------------|-------------------------|--------------------|-----------------------------------|
|   | Estimated Capital Funding | Carry Forwards from 21-22 | Slippage / Acceleration | Additional Funding | Updated Capital Funding Available | Estimated Capital Funding | Carry Forwards from 21-22 | Slippage / Acceleration | Additional Funding | Updated Capital Funding Available | Estimated Capital Funding | Carry Forwards from 21-22 | Slippage / Acceleration | Additional Funding | Updated Capital Funding Available |
| General Capital Grant                                       | 9,569                     | 0                         | 0                       | 0                  | 9,569                             | 9,569                     | 0                         | 0                       | 157                | 9,726                             | 9,569                     | 0                         | 0                       | 235                | 9,804                             |
| Transfer to Revenue for Private Sector Housing Grant (PSHG) | -1,033                    | 0                         | 0                       | 0                  | -1,033                            | -1,033                    | 0                         | 0                       | 0                  | -1,033                            | -1,033                    | 0                         | 0                       | 0                  | -1,033                            |
| Capital Receipts  | 1,387                     | 0                         | 0                       | 0                  | 1,387                             | 1,095                     | 0                         | 0                       | 0                  | 1,095                             | 0                         | 0                         | 0                       | 0                  | 0                                 |
| Flooding Allocation   | 155                       | 0                         | 0                       | 0                  | 155                               | 155                       | 0                         | 0                       | 0                  | 155                               | 155                       | 0                         | 0                       | 0                  | 155                               |
| Ring Fenced Capital Grant                                   | 4,656                     | 2,722                     | 0                       | 268                | 7,646                             | 0                         | 5,728                     | 0                       | 0                  | 5,728                             | 0                         | 0                         | 0                       | 0                  | 0                                 |
| Restricted Funding  | 1,486                     | 609                       | -210                    | 2,876              | 4,761                             | 1,150                     | 0                         | 210                     | 0                  | 1,360                             | 0                         | 0                         | 0                       | 0                  | 0                                 |
| Funded by Reserves  | 3,145                     | 4,388                     | -1,256                  | 1,385              | 7,662                             | 36                        | 172                       | -75                     | 0                  | 133                               | 0                         | 0                         | 1,331                   | 0                  | 1,331                             |
| Additional Funding from Revenue                             | 0                         | 0                         | 0                       | 12                 | 12                                | 0                         | 0                         | 0                       | 25                 | 25                                | 0                         | 0                         | 0                       | 0                  | 0                                 |
| Insurance   | 0                         | 0                         | 0                       | 0                  | 0                                 | 0                         | 0                         | 0                       | 0                  | 0                                 | 0                         | 0                         | 0                       | 0                  | 0                                 |
| Harbour Investment Programme                                | 31,180                    | 2,484                     | -28,038                 | 0                  | 5,626                             | 16,900                    | 0                         | 5,335                   | 0                  | 22,235                            | 31,600                    | 0                         | -4,575                  | 0                  | 27,025                            |
| Prudential Borrowing  | 15,528                    | 3,352                     | -17,241                 | -350               | 1,289                             | 5,006                     | -1,429                    | 17,241                  | -25                | 20,793                            | 27                        | 0                         | 0                       | 0                  | 27                                |
| Loans Fund Review   | 0                         | 4,025                     | 0                       | 0                  | 4,025                             | 0                         | 0                         | 0                       | 0                  | 0                                 | 0                         | 0                         | 0                       | 0                  | 0                                 |
| COVID Funding   | 1,640                     | 2,167                     | 0                       | 0                  | 3,807                             | 0                         | 0                         | 0                       | 0                  | 0                                 | 0                         | 0                         | 0                       | 0                  | 0                                 |
| <b>Total</b>  | <b>67,713</b>             | <b>19,747</b>             | <b>-46,745</b>          | <b>4,191</b>       | <b>44,906</b>                     | <b>32,878</b>             | <b>4,471</b>              | <b>22,711</b>           | <b>157</b>         | <b>60,217</b>                     | <b>40,318</b>             | <b>0</b>                  | <b>-3,244</b>           | <b>235</b>         | <b>37,309</b>                     |

BREAKDOWN OF ADDITIONAL FUNDING

| Additional Funding                     | 2022-23      | 2023-24  | Source              | Reported |
|--|--------------|----------|---------------------|----------|
| C'town Museum LA income                | 40           |          | Live Argyll         | Jun-22   |
| H&L/Rosneath Cycleways                 | 140          |          | SPT                 | Jun-22   |
| Nature Restoration Fund                | 238          |          | Scottish Government | Jun-22   |
| Rothsay Pontoons                       | 315          |          | Grant Funding       | Jun-22   |
| Ardriashaig North                      | 280          |          | Grant Funding       | Jun-22   |
| Lismore Ferry                          | 7            |          | External Income     | Jun-22   |
| Lochgilphead PS Demolition             | 11           |          | Reserves            | Jun-22   |
| Fleet Management                       | 499          |          | Reserves            | Jun-22   |
| Roads Reconstruction                   | 958          |          | STTS                | Jul-22   |
| Gartreick Landfill                     | 640          |          | Reserves            | Aug-22   |
| Lochgilphead Primary School Demolition | 143          |          | Reserves            | Sep-22   |
| Lochgilphead Depot                     | 37           |          | Revenue Funding     | Oct-22   |
| Kilmory Business Park                  | 979          |          | Grant Funding       | Oct-22   |
| Helensburgh Waterfront Development     | 183          |          | Grant Funding       | Nov-22   |
| Lochgilphead PS Demolition             | 96           |          | Reserves            | Dec-22   |
| Tobermory Car Park                     | -375         |          | Grant Funding       | Dec-22   |
| <b>Total</b>                           | <b>4,191</b> | <b>0</b> |                     |          |



| <b>OFF TRACK PROJECT</b>  |   | <b>Appendix 6</b>       |
|---|---|-------------------------|
| <b>Project Name:</b><br>Bridge Strengthening & Replacement Programme and<br>Local Bridge Maintenance Fund   | <b>Project Manager:</b> Elisa Simoes  | <b>Risk:</b> <b>Low</b> |
| <b>Initial Start Date:</b> 2000   | <b>Proposed End Date:</b> Ongoing   |                         |
| <b>How was this project initially funded?</b><br>Block Allocation   | <b>Please detail any additional funding.</b><br>Local Bridge Maintenance Fund – Scottish Government Funding |                         |
| <b>Previously Reported Committee and Date:</b>  | <b>Next Reported Committee and Date:</b>  |                         |
| <b>Why is the project classified as off target?</b>   |   |                         |
| <p><i>Jan 23:</i> (BSRP: £59k pulled forward from 23/24 to 22/23 – reversed a portion of November slippage to cover CY costs)<br/>LBMF: £237k slipped from 22/23 to 23/24</p> <p><i>Dec 22:</i> BSRP: £1,297k slipped from 22/23 to 23/24<br/>LBMF: £525k slipped from 22/23 to 23/2</p>  |   |                         |
| <b>What has caused the issue outlined above?</b>  |   |                         |
| <p><i>Jan 22:</i> Due to departmental workload, construction contracts for a number of projects have been moved from 2022/23 to 2023/24:</p> <ul style="list-style-type: none"> <li>• 00019-41 A815-230 Cothouse Bridge – LBMF</li> <li>• 00019-38 B840-140 Archonnell Bridge - LBMF</li> <li>• 00019-43 B842-150 Whitestone Bridge - LBMF</li> </ul> <p>Capital Monitoring Report updated accordingly.</p> <p><i>Dec 22:</i> Infrastructure Design successfully secured £5.45m funding from Scottish Government's Local Bridge Maintenance Fund to deliver strengthening &amp; replacement schemes not able to be funded in the short term through the existing capital Bridge Strengthening &amp; Replacement Programme due to the large estimated costs. Following the award of a number of Services Contracts to progress studies for the four replacement schemes and five strengthening schemes under LBMF, the programme for delivery of the schemes has been revised with a clear timeline for delivery developed.<br/>Capital Monitoring Report updated accordingly.</p> |   |                         |
| <b>What action will be taken to rectify this issue?</b>   |   |                         |
| <p><i>Jan 23:</i> Budgets will be slipped into 23-24 accordingly.</p> <p><i>Dec 22:</i> Budgets will be slipped into 23-24 accordingly.</p>   |   |                         |
| <b>What are the implications of the action proposed?</b>  |   |                         |
| <p><i>Jan 23:</i> None – projects on track to be delivered.</p> <p><i>Dec 22:</i> None – projects on track to be delivered.</p>   |   |                         |

| <b>OFF TRACK PROJECT</b>  |   | <b>Appendix 6</b>       |
|---|---|-------------------------|
| <b>Project Name:</b><br>Bute Seawall Repairs  | <b>Project Manager:</b> Elsa Simoes                 | <b>Risk:</b> <b>Low</b> |
| <b>Initial Start Date:</b> Dec 2021   | <b>Proposed End Date:</b> Ongoing                   |                         |
| <b>How was this project initially funded?</b><br>Block Allocation   | <b>Please detail any additional funding.</b><br>N/A |                         |
| <b>Previously Reported Committee and Date:</b><br>N/A   | <b>Next Reported Committee and Date:</b><br>N/A     |                         |
| <b>Why is the project classified as off target?</b>   |   |                         |
| <p><i>Jan 23:</i> £427k slipped from 22/23 to 23/24</p> <p><i>Dec 22:</i> £175k slipped from 22/23 to 23/24</p>   |   |                         |
| <b>What has caused the issue outlined above?</b>  |   |                         |
| <p><i>Jan 23:</i> Temporary Works with GeoRope still ongoing. Permanent Works still under surveys, consultation and design stage. Construction contract to be progressed in 2023/24 Capital Monitoring Report updated accordingly.</p> <p><i>Dec 22:</i> Temporary Works with GeoRope ongoing. Permanent Works still under surveys, consultation and design stage. £175k moved to next FY to allow tender to be progressed into 2023/24 (rather than only 2022/23) Capital Monitoring Report updated accordingly.</p> |   |                         |
| <b>What action will be taken to rectify this issue?</b>   |   |                         |
| <p><i>Jan 23:</i> Budgets will be slipped into 23-24 accordingly.</p> <p><i>Dec 22:</i> Budgets will be slipped into 23-24 accordingly.</p>   |   |                         |
| <b>What are the implications of the action proposed?</b>  |   |                         |
| <p><i>Jan 23:</i> None – project on track to be delivered.</p> <p><i>Dec 22:</i> None – project on track to be delivered.</p>   |   |                         |

| OFF TRACK PROJECT  |   | Appendix 6              |
|--|---|-------------------------|
| <b>Project Name:</b> Campbeltown Flood Scheme  | <b>Project Manager:</b> Jamie Salmon  | <b>Risk:</b> <b>Low</b> |
| <b>Initial Start Date:</b> June 2016   | <b>Proposed End Date:</b> Mar 2026  |                         |
| <b>How was this project initially funded?</b> Scottish Government Grant 80%/Council Contribution 20% |   |                         |
| <b>Previously Reported Committee and Date:</b>   |   |                         |
| <b>Why is the project classified as off target?</b>  |   |                         |
| Move £1.798m (of £5.756m) from FY22/23 to FY 23/24   |   |                         |
| <b>What has caused the issue outlined above?</b>   |   |                         |
| Jan 23   | <p>Move £1.798m (of £5.756m) from FY22/23 to FY 23/24</p> <p>Full update of future years forecasts – Total Project Forecast and Budget remain the same</p> <ul style="list-style-type: none"> <li>• Contractor submitted updated Cashflow prediction considering full programming of works phases.</li> <li>• Following reprogramming of works costs for Public Utility works moved from FY22/23 to FY23/24.</li> <li>• Still awaiting Consultant's cashflow predictions which shall allow further refining of project cashflow.</li> <li>• Capital Monitoring Report updated accordingly.</li> </ul> |                         |
| Dec 22   | <p>Move £3,342m (of £9,098m) from FY22/23 to FY 23/24:</p> <ul style="list-style-type: none"> <li>• Later award of Construction Contract than programmed.</li> <li>• Phasing of works confirmed by Contractor which allows development of associated cashflow prediction.</li> <li>• Construction commenced on site and Contractor submitted Cashflow prediction.</li> <li>• Capital Monitoring Report updated accordingly.</li> </ul>  |                         |
| <b>What action will be taken to rectify this issue?</b>  |   |                         |
| Jan 23   | <p>Move £1.798m from FY22/23 to FY 23/24:</p> <ul style="list-style-type: none"> <li>• Budget will be slipped into 23-24 accordingly.</li> <li>• Full update of future years forecasts – Total Project Forecast and Budget remain the same</li> <li>• Slip / Pull forward accordingly</li> </ul>  |                         |
| Dec 22   | <p>Move £3,342m (of £9,098m) from FY22/23 to FY 23/24:</p> <ul style="list-style-type: none"> <li>• Budget will be slipped into 23-24 accordingly.</li> </ul>   |                         |
| <b>What are the implications of the action proposed?</b>   |   |                         |
| Jan 23   | <p>Move £1.798m (of £5.756m) from FY22/23 to FY 23/24 &amp; Full update of future years forecasts – Total Project Forecast and Budget remain the same</p> <ul style="list-style-type: none"> <li>• None – project on track to be delivered as per outline business case.</li> </ul>   |                         |
| Dec 22   | <p>Move £3,342m (of £9,098m) from FY22/23 to FY 23/24:</p> <ul style="list-style-type: none"> <li>• None – project on track to be delivered as per outline business case.</li> </ul>  |                         |

| <b>OFF TRACK PROJECT</b>   |  | <b>Appendix 6</b>                                 |
|--|--|---|
| <b>Project Name:</b>   | <b>Project Manager:</b>                      | <b>Risk: <span style="color: red;">Low</span></b> |
| Flood Prevention 0100  | Elsa Simoes                                  |   |
| <b>Initial Start Date:</b> 2020/21   | <b>Proposed End Date:</b> Ongoing            |   |
| <b>How was this project initially funded?</b>  | <b>Please detail any additional funding.</b> |   |
| Block Allocation   | N/A  |   |
| <b>Previously Reported Committee and Date:</b>   | <b>Next Reported Committee and Date:</b>     |   |
| N/A  | N/A  |   |
| <b>Why is the project classified as off target?</b>  |  |   |
| <i>Jan 23:</i> £349k slipped from 22/23 to 23/24   |  |   |
| <i>Dec 22:</i> £115k slipped from 22/23 to 23/24   |  |   |
| <b>What has caused the issue outlined above?</b>   |  |   |
| <i>Jan 23:</i> £349k moved to next FY for Ettrickdale, Tigh Dearg Road, Lochavullin, Rothesay FPS construction following ongoing studies by Consultant (rather than construction in 2022/23). Capital Monitoring Report updated accordingly. |  |   |
| <i>Dec 22:</i> £115k moved to next FY for Ettrickdale construction following ongoing studies by Consultant (rather than construction in 2022/23). Capital Monitoring Report updated accordingly.   |  |   |
| <b>What action will be taken to rectify this issue?</b>  |  |   |
| <i>Jan 23:</i> Budgets will be slipped into 23-24 accordingly.   |  |   |
| <i>Dec 22:</i> Budgets will be slipped into 23-24 accordingly.   |  |   |
| <b>What are the implications of the action proposed?</b>   |  |   |
| <i>Jan 23:</i> None – project on track to be delivered.  |  |   |
| <i>Dec 22:</i> None – project on track to be delivered.  |  |   |

## OFF TRACK PROJECT

## Appendix 6

|  |   |                  |
|--|---|------------------|
| <b>Project Name:</b><br>Helensburgh Flood Mitigation   | <b>Project Manager:</b> Elsa Simoes             | <b>Risk:</b> Low |
| <b>Initial Start Date:</b> 2018/19   | <b>Proposed End Date:</b> Ongoing               |                  |
| <b>How was this project initially funded?</b><br>Block Allocation  | Please detail any additional funding.<br>N/A    |                  |
| <b>Previously Reported Committee and Date:</b><br>N/A  | <b>Next Reported Committee and Date:</b><br>N/A |                  |
| <b>Why is the project classified as off target?</b>  |   |                  |
| <i>Jan 23:</i> £328k slipped from 22/23 to 23/24   |   |                  |
| <i>Dec 22:</i> £100k slipped from 22/23 to 23/24   |   |                  |
| <b>What has caused the issue outlined above?</b>   |   |                  |
| <i>Jan 23:</i> Tender for works abandoned due to high costs received. To be retendered in 23-24. £328k moved to next FY to allow scheme to be retendered. Capital Monitoring Report updated accordingly. |   |                  |
| <i>Dec 22:</i> Tender for works abandoned due to high costs received. To be retendered in 22-23. £100k moved to next FY to allow scheme to be retendered. Capital Monitoring Report updated accordingly. |   |                  |
| <b>What action will be taken to rectify this issue?</b>  |   |                  |
| <i>Jan 23:</i> Budgets will be slipped into 23-24 accordingly.   |   |                  |
| <i>Dec 22:</i> Budgets will be slipped into 23-24 accordingly.   |   |                  |
| <b>What are the implications of the action proposed?</b>   |   |                  |
| <i>Jan 23:</i> None – project on track to be delivered.  |   |                  |
| <i>Dec 22:</i> None – project on track to be delivered.  |   |                  |

## OFF TRACK PROJECT

## Appendix 6

|   |  |                         |
|---|--|-------------------------|
| <p><b>Project Name:</b> Kilmory Business Park – Phase 2AA: Essential Infrastructure Works</p>   | <p><b>Project Manager:</b> John Gordon</p>   | <p><b>Risk:</b> Low</p> |
| <p><b>Initial Start Date:</b> 1 April 2021</p>  |  |                         |
| <p><b>How was this project initially funded?</b></p> <p>Argyll &amp; Bute Council (Crown Estates) £ 150,000<br/>         Highlands &amp; Islands Enterprise £ 150,000<br/>         M&amp;K MacLeod Ltd £ 850,000<br/>         Scottish Government (RCGF) £ <u>650,000</u><br/> <u>£1,800,000</u><br/>         Total</p>   | <p><b>Proposed End Date:</b> September 2024</p> <p><b>Please detail any additional funding.</b></p> <p>Scottish Government (RCGF) £ 179,000</p> <p><b>Total</b> £ <b>1,979,000</b></p> |                         |
| <p><b>Previously Reported Committee and Date:</b></p> <p>Policy &amp; Resources Committee 8-Dec-22 (as part of the Capital Budget Monitoring pack)</p>  | <p><b>Next Reported Committee and Date:</b></p> <p>Policy &amp; Resources Committee Feb-23</p>   |                         |
| <p><b>Why is the project classified as off target?</b></p> <p>Capital Budget Allocation for FY22/23 is £1,102,000, based on the original programme forecast for the implementation of the works commencing in September 2022. The revised forecast expenditure for FY22/23 is circa £36,000.</p> <p>£1,066,000 of capital to be carried forward into FY23/24.</p>   |  |                         |
| <p><b>What has caused the issue outlined above?</b></p> <p>M&amp;K Macleod submitted formal Planning Application in April 2022, however due to wider issues with the availability of Planning Authority resources, and the volume of applications that they were dealing with, the formal Decision was not published until 21 December 2022. M&amp;K Macleod have been unable to progress other statutory consents, and therefore the technical design solution for the works, until the Planning Application was decided. The focus through FQ4 FY22/23 will be on progressing statutory consents with Transport Scotland, Argyll &amp; Bute Council (RAS) and Scottish Water to enable implementation of the physical works in FY23/24, currently estimated as having a start date at the end of FQ2 FY23/24.</p> |  |                         |
| <p><b>What action will be taken to rectify this issue?</b></p> <p>Programme has had to be revised with major expenditure not now expected until FQ2/FQ3 in FY23/24. Approximately £1.066million will need to be carried forward from FY22/23 to FY23/24.</p>  |  |                         |

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

A&BC will need to slip Crown Estate Funding of £150,000 from FY22/23 to FY23/24.

The RCGF Funding of £829,000 was paid to A&BC in FQ1 of FY22/23 and, therefore some £739,000 may need to be carried over into FY23/24  
The Highlands and Islands Funding of £150,000 has yet to be claimed by A&BC therefore there are no implications in respect of this funding

We are awaiting revised programme from M&K MacLeod Limited, along with cashflow profile following on from publication of Planning Decision, and subsequent agreements with the other statutory bodies, which should be available for the beginning of FY23/24

## OFF TRACK PROJECT

## Appendix 6

|   |   |              |
|---|---|--------------|
| <b>Project Name:</b> Burnett Building Structural Alterations  | <b>Project Manager:</b> Rhona Mitchell    | <b>Risk:</b> |
| <b>Initial Start Date:</b> 2021   | <b>Proposed End Date:</b> TBC             |              |
| <b>How was this project initially funded?</b> Capital   | Please detail any additional funding. n/a |              |
| <b>Previously Reported Committee and Date:</b>  | <b>Next Reported Committee and Date:</b>  |              |
| <b>Why is the project classified as off target?</b><br>Works complete – Account still open and not finalised  |   |              |
| <b>What has caused the issue outlined above?</b><br>Structural Works (£120k) –The proposal to appoint a multi-disciplinary team through Lot 11 of the Edinburgh Framework failed therefore another route will need to be developed to outsource the design of this project. The Failed Procurement Report (FPR) was signed off on 2 August 2022. This project also includes internal work associated with Our Modern Workspace so this along with the proposed structural works will be delayed. No further progress on this project at this stage. |   |              |
| <b>What action will be taken to rectify this issue?</b><br>Further dialogue to progress in conjunction with OMW works.  |   |              |
| <b>What are the implications of the action proposed?</b><br>Works to recommence on completion of OMW works.   |   |              |



## OFF TRACK PROJECT

## Appendix 6

|   |  |              |
|---|--|--------------|
| <b>Project Name:</b> Bowmore Area Office  | <b>Project Manager:</b> Rhona Mitchell                               | <b>Risk:</b> |
| <b>Initial Start Date:</b> not yet progressed   | <b>Proposed End Date:</b> March 23/24 if works instructed to proceed |              |
| <b>How was this project initially funded?</b> Capital   | Please detail any additional funding. n/a                            |              |
| <b>Previously Reported Committee and Date:</b>  | <b>Next Reported Committee and Date:</b>                             |              |
| <b>Why is the project classified as off target?</b><br><b>Works have not progressed initially as a consequence of COVID, exact details of entrance not agreed, OWM works</b>  |  |              |
| <b>What has caused the issue outlined above?</b><br>Discussion around if the building is to remain open given uncertainty of the development of Kilarrow and the office rationalisation/OMW works currently progressing |  |              |
| <b>What action will be taken to rectify this issue?</b><br>Works can progress if necessary – further guidance required  |  |              |
| <b>What are the implications of the action proposed?</b><br>Progressing may result in abortive works or value spent on an asset due to be removed from Council portfolio.   |  |              |

## OFF TRACK PROJECT

## Appendix 6

|   |  |              |
|---|--|--------------|
| <b>Project Name:</b> Kilmory castle, Lochgilphead   | <b>Project Manager:</b> Rhona Mitchell                               | <b>Risk:</b> |
| <b>Initial Start Date:</b> not yet progressed   | <b>Proposed End Date:</b> March 23/24 if works instructed to proceed |              |
| <b>How was this project initially funded?</b> Capital   | Please detail any additional funding. n/a                            |              |
| <b>Previously Reported Committee and Date:</b>  | <b>Next Reported Committee and Date:</b>                             |              |
| <b>Why is the project classified as off target?</b><br>Works have not progressed initially as a consequence of COVID, OWM works   |  |              |
| <b>What has caused the issue outlined above?</b><br>Discussion around revised design of building given the development of the office rationalisation/OMW programme currently progressing but still to define the use of the Castle office areas |  |              |
| <b>What action will be taken to rectify this issue?</b><br>Works can progress once new design layouts are agreed in conjunction with OMW  |  |              |
| <b>What are the implications of the action proposed?</b><br>Progressing may result in abortive works or value spent on an asset due to be removed from Council portfolio.   |  |              |

## OFF TRACK PROJECT

## Appendix 6

|  |   |                         |
|--|---|-------------------------|
| <b>Project Name:</b> Helensburgh Waterfront Development  | <b>Project Manager:</b> Andrew Collins  | <b>Risk:</b> <b>Med</b> |
| <b>Initial Start Date:</b> Construction Phase commenced 31 August 2020   | <b>Proposed End Date:</b> Practical Completion of Section 2 of the Construction Phase is on programme for mid February 2023   |                         |
| <b>How was this project initially funded?</b><br>Prudential Borrowing - £16.255 million<br>S75 Funding - £0.195 million<br>Capital Receipt (Retail Development) - £1.000 million   | <b>Please detail any additional funding:</b><br>UKG LIBOR Funding - £5.000 million<br>SportScotland - £0.100 million<br>Place Based Investment - £0.163 million<br>Live Argyll (FF&E) - £0.344 million<br>Place Based Investment - £0.090 million<br>Crown Estates Funding - £0.093 million |                         |
| <b>Previously Reported Committee and Date:</b><br>Helensburgh & Lomond Area Committee – 20 September 2022  | <b>Next Reported Committee and Date:</b><br>TBC – subject to conclusion of commercial claim negotiations as between Contractor and Employer   |                         |
| <b>Why is the project classified as off target?</b><br>Reporting an overspend against approved budget.   |   |                         |
| <b>What has caused the issue outlined above?</b><br>A combination of factors including: delays in achieving permanent connection to mains electrical supply, which required the provision of temporary power supplies and heating to maintain overall contract programme; conformance by the Contractor with the Scottish Government COVID Regulations pertaining to construction sites; impact of a number of external international/global factors e.g. COVID-19, BREXIT, Russian Invasion of Ukraine on the availability and cost of essential construction sector materials, resources, plant and equipment. |   |                         |
| <b>What action will be taken to rectify this issue?</b><br>We are currently awaiting the formal assessment of the Contractors contractual claim by our appointed Cost Consultants, which will enable us to undertake and conclude the commercial negotiations with them as to the final contract sum. Additionally we are assessing all commercial/legal options to address issues of underperformance on the delivery of services etc., and which have had a detrimental impact upon the project costs e.g. the delay in achieving the permanent connection to the mains electrical supply                      |   |                         |

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

We have previously reported to Committees of the Council that, whilst the value of the Construction Contract, at Award Stage was £19,971,918.51, given the global health pandemic and other economic impacts which have emerged since the Contract Award, the Anticipated Final Cost for the Contract and therefore the project was likely to increase. We are working with the Contractor, Heron Bros Ltd, to ensure that any claims for Extensions of Time, and/or Loss and Expense, are properly and fully substantiated and assessed in accordance with the requirements of the Contract. This work stream is on-going and its' outcome will be reported to the relevant committees of the Council in due course. It is therefore likely that we may require to secure additional budget support, and which could include funds from the COVID specific additional funding that the Council has been in receipt of.

## OFF TRACK PROJECT

## Appendix 6

|  |   |                  |
|--|---|------------------|
| <b>Project Name:</b> Oban Depot Development Project  | <b>Project Manager:</b> Mark Calder   | <b>Risk:</b> Low |
| <b>Initial Start Date:</b> August 2019   | <b>Proposed End Date:</b> TBC   |                  |
| <b>How was this project initially funded?</b><br>Insurance Claim - £1.681 million  | <b>Please detail any additional funding.</b><br>Prudential Borrowing - £0.42 million<br>Block Allocation - £0.032 million<br>Capital Receipt (Appin Depot – anticipated) £0.150 million |                  |
| <b>Previously Reported Committee and Date:</b>   | <b>Next Reported Committee and Date:</b>  |                  |
| <b>Why is the project classified as off target?</b><br>Reporting an overspend against approved budget.   |   |                  |
| <b>What has caused the issue outlined above?</b><br>Additional works were requested by the operations team which exceeded the original building refurbishment contract. These works were agreed on the basis that they would be absorbed by the service. Some costs are attributed to Electric Vehicle charger installations which will be claimed against an external fund. |   |                  |
| <b>What action will be taken to rectify this issue?</b><br>Funding for the additional works will be transferred from the service to the Oban Depot Development Project for the additional works, as agreed.  |   |                  |
| <b>What are the implications of the action proposed?</b><br>Transfer of funding from the service to the Oban Depot Development Project for the additional works requested will eliminate the overspend.  |   |                  |

Strategic Change Projects - Cumulative Spend, Start/Finish Dates and Project Risks

| Strategic Change Projects                            | Capital Expenditure     |                             |                              | Dates                      |                    | Risks                     |                          |   |
|--|-------------------------|-----------------------------|------------------------------|----------------------------|--------------------|---------------------------|--------------------------|---|
|  | Prior Years Spend £'000 | Current Year Forecast £'000 | Total Project Forecast £'000 | Total Project Budget £'000 | Project Start Date | Estimated Completion Date | Project Risks Identified | Explanation   |
| Helensburgh Waterfront Development                   | 1,387                   | 3,704                       | 23,366                       | 22,740                     | 01/04/2017         | 31/03/2024                | Red                      | Current overspend being investigated by Project Manager with Contractor.  |
| Campbeltown Flood Scheme                             | 181                     | 3,958                       | 15,215                       | 15,215                     | 01/08/2016         | 31/03/2023                | Red                      | Contractor's updated programming of work moved Public Utility works from 22/23 to 23/24   |
| CHORD Oban   | 7,129                   | 651                         | 7,905                        | 7,905                      | 27/10/2016         | 31/03/2022                | Amber                    | Issues with contract close out impacting on timescales.   |
| TIF - Halfway House Roundabout                       | 0                       | 47                          | 640                          | 640                        | tbc                | tbc                       | Amber                    | Scope of project still to be determined - budget to be reprofiled.  |
| Harbour Investment Programme                         | 1,802                   | 5,026                       | 91,292                       | 91,292                     | 01/04/2017         | 31/03/2028                | Green                    | Budget slipped into future years.   |
| Dunoon Primary                                       | 7,170                   | 304                         | 10,869                       | 10,869                     | 18/12/2014         | 30/04/2020                | Green                    | Physically complete - negotiations with contractor delaying payment of final sums outstanding.  |
| Kim Primary School                                   | 9,878                   | 99                          | 10,119                       | 10,119                     | 24/04/2014         | 31/10/2017                | Green                    | Physically complete - negotiations with contractor delaying payment of final sums outstanding.  |
| Replacement of Oban High                             | 2,496                   | 136                         | 3,250                        | 3,250                      | 24/04/2014         | 31/01/2019                | Green                    | Physically complete - negotiations with contractor delaying payment of final sums outstanding.  |
| Street Lighting LED Replacement                      | 2,700                   | 791                         | 3,900                        | 3,900                      | 01/08/2016         | 31/12/2022                | Green                    | Tender for final package of works still to be awarded.  |
| Helensburgh Office Rationalisation                   | 11,500                  | 310                         | 11,838                       | 11,838                     | 25/04/2013         | 31/12/2022                | Green                    | Project subject to legal dispute.   |
| CHORD Dunoon   | 12,238                  | 55                          | 12,522                       | 12,522                     | 03/02/2012         | 09/03/2018                | Green                    | Main contract complete and retentions paid. Landscaping and remediation works ongoing but issues with water ingress may require works in 22-23. |
| Kilmory Business Park Phase 2AA                      | 0                       | 54                          | 1,129                        | 1,129                      | 01/02/2022         | 01/09/2023                | Green                    | Development Agreement still to be concluded.  |
| Carbon Management Business Cases                     | 201                     | 60                          | 261                          | 261                        | 01/02/2014         | 31/12/2022                | Green                    | Budget to be reprofiled pending development of new projects.  |
| Carbon Management - Group Heating Conversion Project | 1,938                   | 10                          | 1,948                        | 1,948                      | 01/02/2016         | 31/12/2022                | Green                    | Complete.   |
| Carbon Management - Non Education                    | 14                      | 21                          | 50                           | 50                         | 01/04/2015         | 31/12/2022                | Green                    | Projects being determined.  |
| NPDO Schools Solar PV Panel Installations            | 761                     | 183                         | 944                          | 944                        | 26/06/2014         | 31/12/2022                | Green                    | Budget to be reprofiled pending development of new projects.  |
| Non NPDO Schools Solar PV Panel Installations        | 400                     | 88                          | 488                          | 488                        | 20/03/2014         | 31/12/2022                | Green                    | Budget to be reprofiled pending development of new projects.  |
| Carbon Management Capital Property Works 2016/17     | 19                      | 20                          | 39                           | 39                         | 01/02/2016         | 31/12/2022                | Green                    | Budget to be reprofiled pending development of new projects.  |
| Oil to Gas Heating Conversions                       | 182                     | 5                           | 187                          | 187                        | 01/02/2012         | 31/12/2022                | Green                    | Budget to be reprofiled pending development of new projects.  |
| Dunoon Pier OBC                                      | 2,844                   | 0                           | 2,844                        | 2,844                      | 03/02/2012         | 26/02/2016                | Green                    | Project complete.   |
| Campbeltown Office Rationalisation                   | 595                     | 1                           | 596                          | 596                        | 01/02/2015         | 31/03/2019                | Green                    | Complete.   |
| TIF - Oban Airport Business Park                     | 447                     | 101                         | 590                          | 590                        | 22/01/2015         | 31/12/2022                | Green                    | Complete.   |
| Campbeltown Schools Redevelopment                    | 1,649                   | 76                          | 2,130                        | 2,130                      | 16/02/2012         | 30/11/2018                | Green                    | Physically complete - negotiations with contractor delaying payment of financial sums outstanding.  |
| CHORD - Helensburgh                                  | 6,483                   | 28                          | 6,557                        | 6,557                      | 29/09/2011         | 30/04/2015                | Green                    | Main contract complete. Art project originally proposed for 21-22 now slipped into 22-23.   |
| TIF - North Pier Extension                           | 214                     | 0                           | 214                          | 214                        | 06/12/2017         | 06/12/2021                | Green                    | Complete.   |
| TIF - Lorn/Kirk Road                                 | 1,959                   | 1                           | 2,170                        | 2,170                      | 22/01/2015         | 31/03/2021                | Green                    | Complete.   |
| Carbon Management Fuel Conversions                   | 107                     | 0                           | 107                          | 107                        | 01/02/2014         | 31/03/2019                | Green                    | Complete.   |
| Kilmory Biomass Carbon Management                    | 956                     | 0                           | 956                          | 956                        | 20/09/2012         | 31/03/2019                | Green                    | Complete.   |
| Clean Energy   | 0                       | 567                         | 745                          | 729                        | tbc                | tbc                       | Green                    |   |
| Clean Energy 2022-23                                 | 0                       | 500                         | 500                          | 500                        | tbc                | tbc                       | Green                    |   |
| <b>Strategic Change Total</b>                        | <b>75,250</b>           | <b>17,396</b>               | <b>213,371</b>               | <b>212,729</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<br>31 December 2022 |  |
|--|-----------------|-----------------------------------|-------------------------------|-------------------|-----------------------------------|---------------------|-------------------|-----------------------------------|--|--------------------------------|--|
| Current Financial Year To Date   |                 |                                   | Full Year This Financial Year |                   |                                   | Total Project Costs |                   |                                   |  |                                |  |
| Budget<br>£000s  | Actual<br>£000s | (Over)/Under<br>Variance<br>£000s | Budget<br>£000s               | Forecast<br>£000s | (Over)/Under<br>Variance<br>£000s | Budget<br>£000s     | Forecast<br>£000s | (Over)/Under<br>Variance<br>£000s |  |                                |  |
| <b>EXPENDITURE</b>   |                 |                                   |                               |                   |                                   |                     |                   |                                   |  |                                |  |
| <b>Asset Sustainability Projects</b>                                       |                 |                                   |                               |                   |                                   |                     |                   |                                   |  |                                |  |
| Executive Director Douglas Hendry  | 2,770           | 2,811                             | 8,150                         | 6,161             | 1,989                             | 19,258              | 19,265            | (7)                               |  |                                |  |
| Executive Director Kirsty Flanagan   | 8,914           | 8,914                             | 15,423                        | 13,982            | 1,441                             | 34,850              | 34,850            |                                   |  |                                |  |
| <b>Asset Sustainability Total</b>  | <b>11,684</b>   | <b>11,725</b>                     | <b>23,573</b>                 | <b>20,143</b>     | <b>3,430</b>                      | <b>54,108</b>       | <b>54,115</b>     | <b>(7)</b>                        |  |                                |  |
| <b>Service Development Projects</b>  |                 |                                   |                               |                   |                                   |                     |                   |                                   |  |                                |  |
| Executive Director Douglas Hendry  | 948             | 948                               | 1,255                         | 1,267             | (12)                              | 15,157              | 15,169            | (12)                              |  |                                |  |
| Executive Director Kirsty Flanagan   | 1,795           | 1,860                             | 6,417                         | 6,483             | (66)                              | 33,010              | 33,076            | (66)                              |  |                                |  |
| <b>Service Development Total</b>   | <b>2,743</b>    | <b>2,808</b>                      | <b>7,672</b>                  | <b>7,750</b>      | <b>(78)</b>                       | <b>48,167</b>       | <b>48,245</b>     | <b>(78)</b>                       |  |                                |  |
| <b>Strategic Change Projects</b>   |                 |                                   |                               |                   |                                   |                     |                   |                                   |  |                                |  |
| Campbeltown Schools Redevelopment  | 38              | 38                                | 76                            | 76                | 0                                 | 2,130               | 2,130             | 0                                 |  |                                |  |
| Dunoon Primary   | 257             | 257                               | 304                           | 304               | 0                                 | 10,869              | 10,869            | 0                                 |  |                                |  |
| Replacement of Oban High   | 100             | 100                               | 136                           | 136               | 0                                 | 3,250               | 3,250             | 0                                 |  |                                |  |
| Kirn Primary School  | 65              | 65                                | 99                            | 99                | 0                                 | 10,119              | 10,119            | 0                                 |  |                                |  |
| Carbon Management - Non Education  | 0               | 0                                 | 21                            | 21                | 0                                 | 50                  | 50                | 0                                 |  |                                |  |
| Carbon Management Business Cases   | 0               | 0                                 | 60                            | 60                | 0                                 | 261                 | 261               | 0                                 |  |                                |  |
| NPDO Schools Solar PV Panel Installations                                  | 0               | 0                                 | 183                           | 183               | 0                                 | 944                 | 944               | 0                                 |  |                                |  |
| Non NPDO Schools Solar PV Panel Installations                              | 0               | 0                                 | 88                            | 88                | 0                                 | 488                 | 488               | 0                                 |  |                                |  |
| Carbon Management Fuel Conversions   | 0               | 0                                 | 0                             | 0                 | 0                                 | 107                 | 107               | 0                                 |  |                                |  |
| Carbon Management Capital Property Works 2016/17                           | 0               | 0                                 | 20                            | 20                | 0                                 | 39                  | 39                | 0                                 |  |                                |  |
| Carbon Management - Group Heating Conversion Project                       | 0               | 0                                 | 10                            | 10                | 0                                 | 1,948               | 1,948             | 0                                 |  |                                |  |
| Kilmory Biomass Carbon Management  | 0               | 0                                 | 0                             | 0                 | 0                                 | 956                 | 956               | 0                                 |  |                                |  |
| Oil to Gas Heating Conversions   | 0               | 0                                 | 5                             | 5                 | 0                                 | 187                 | 187               | 0                                 |  |                                |  |
| Campbeltown Office Rationalisation   | 0               | 0                                 | 1                             | 1                 | 0                                 | 596                 | 596               | 0                                 |  |                                |  |
| Helensburgh Office Rationalisation   | 10              | 10                                | 310                           | 310               | 0                                 | 11,838              | 11,838            | 0                                 |  |                                |  |
| Clean Energy   | 0               | 0                                 | 551                           | 567               | (16)                              | 729                 | 745               | (16)                              |  |                                |  |
| Clean Energy 2022-23   | 0               | 0                                 | 500                           | 500               | 0                                 | 500                 | 500               | 0                                 |  |                                |  |
| Campbeltown Flood Scheme   | 1,130           | 1,130                             | 5,756                         | 3,958             | 1,798                             | 15,215              | 15,215            | 0                                 |  |                                |  |
| Street Lighting LED Replacement  | 101             | 101                               | 791                           | 791               | 0                                 | 3,900               | 3,900             | 0                                 |  |                                |  |
| Harbour Investment Programme   | 294             | 294                               | 5,626                         | 5,626             | 0                                 | 91,292              | 91,292            | 0                                 |  |                                |  |
| TIF - Lorn/Kirk Road   | 0               | 0                                 | 1                             | 1                 | 0                                 | 2,170               | 2,170             | 0                                 |  |                                |  |
| TIF - North Pier Extension   | 0               | 0                                 | 0                             | 0                 | 0                                 | 214                 | 214               | 0                                 |  |                                |  |
| TIF - Oban Airport Business Park   | 0               | 0                                 | 101                           | 101               | 0                                 | 590                 | 590               | 0                                 |  |                                |  |
| TIF - Halfway House Roundabout   | 1               | 1                                 | 47                            | 47                | 0                                 | 640                 | 640               | 0                                 |  |                                |  |
| CHORD - Helensburgh  | 0               | 0                                 | 28                            | 28                | 0                                 | 6,557               | 6,557             | 0                                 |  |                                |  |
| CHORD Dunoon   | 15              | 17                                | 55                            | 55                | (2)                               | 12,522              | 12,522            | 0                                 |  |                                |  |
| CHORD Oban   | 16              | 16                                | 651                           | 651               | 0                                 | 7,905               | 7,905             | 0                                 |  |                                |  |
| Helensburgh Waterfront Development   | 3,078           | 3,078                             | 3,078                         | 3,704             | (626)                             | 22,740              | 23,366            | (626)                             |  |                                |  |
| HWD - FFE (Funded by LA)   | 344             | 306                               | 344                           | 344               | 38                                | 350                 | 350               | 0                                 |  |                                |  |
| Kilmory Business Park Phase 2AA  | 18              | 18                                | 1,120                         | 54                | 1,066                             | 1,129               | 1,129             | 0                                 |  |                                |  |
| Dunoon Pier OBC  | 0               | 0                                 | 0                             | 0                 | 0                                 | 2,844               | 2,844             | 0                                 |  |                                |  |
| <b>Strategic Change Total</b>  | <b>5,467</b>    | <b>6,057</b>                      | <b>19,962</b>                 | <b>17,740</b>     | <b>2,222</b>                      | <b>213,079</b>      | <b>213,721</b>    | <b>(642)</b>                      |  |                                |  |
| <b>Total Expenditure</b>   | <b>19,894</b>   | <b>20,590</b>                     | <b>51,207</b>                 | <b>45,633</b>     | <b>5,574</b>                      | <b>315,354</b>      | <b>316,081</b>    | <b>(727)</b>                      |  |                                |  |
| <b>INCOME</b>  |                 |                                   |                               |                   |                                   |                     |                   |                                   |  |                                |  |
| <b>Asset Sustainability</b>  |                 |                                   |                               |                   |                                   |                     |                   |                                   |  |                                |  |
| Executive Director Douglas Hendry  | 0               | 0                                 | 0                             | 0                 | 0                                 | 0                   | 0                 | 0                                 |  |                                |  |
| Executive Director Kirsty Flanagan   | (345)           | (345)                             | (2,015)                       | (2,015)           | 0                                 | (2,015)             | (2,015)           | 0                                 |  |                                |  |
| <b>Asset Sustainability Total</b>  | <b>(345)</b>    | <b>(345)</b>                      | <b>(2,015)</b>                | <b>(2,015)</b>    | <b>0</b>                          | <b>(2,015)</b>      | <b>(2,015)</b>    | <b>0</b>                          |  |                                |  |
| <b>Service Development Projects</b>  |                 |                                   |                               |                   |                                   |                     |                   |                                   |  |                                |  |
| Executive Director Douglas Hendry  | 0               | (38)                              | 0                             | 0                 | 0                                 | (7,771)             | (7,771)           | 0                                 |  |                                |  |
| Executive Director Kirsty Flanagan   | (69)            | (72)                              | (3,046)                       | (3,046)           | 0                                 | (21,135)            | (21,135)          | 0                                 |  |                                |  |
| <b>Service Development Total</b>   | <b>(69)</b>     | <b>(110)</b>                      | <b>(3,046)</b>                | <b>(3,046)</b>    | <b>0</b>                          | <b>(28,906)</b>     | <b>(28,906)</b>   | <b>0</b>                          |  |                                |  |
| <b>Strategic Change Projects</b>   |                 |                                   |                               |                   |                                   |                     |                   |                                   |  |                                |  |
| Helensburgh Office Rationalisation   | 0               | 0                                 | 0                             | 0                 | 0                                 | (349)               | (349)             | 0                                 |  |                                |  |
| Dunoon Primary   | 0               | 0                                 | 0                             | 0                 | 0                                 | (137)               | (137)             | 0                                 |  |                                |  |
| Campbeltown Flood  | 0               | 0                                 | 0                             | 0                 | 0                                 | (270)               | (270)             | 0                                 |  |                                |  |
| Harbour PB   | (294)           | (294)                             | (5,626)                       | (5,626)           | 0                                 | (91,292)            | (91,292)          | 0                                 |  |                                |  |
| 01 TIF - Lorn/Kirk Road  | 0               | 0                                 | (149)                         | (149)             | 0                                 | (2,167)             | (2,167)           | 0                                 |  |                                |  |
| Hburgh CHORD Public Realm Imprv  | 0               | 0                                 | 0                             | 0                 | 0                                 | (570)               | (570)             | 0                                 |  |                                |  |
| Helensburgh Waterfront Development   | 0               | 0                                 | (378)                         | (378)             | 0                                 | (6,676)             | (6,676)           | 0                                 |  |                                |  |
| HWD - FFE (Funded by LA)   | 0               | 5                                 | 0                             | 0                 | (5)                               | (350)               | (350)             | 0                                 |  |                                |  |
| Kilmory Business Park Phase 2AA  | 0               | 0                                 | (979)                         | (979)             | 0                                 | (979)               | (979)             | 0                                 |  |                                |  |
| CHORD - Dunoon Waterfront  | 0               | 0                                 | 0                             | 0                 | 0                                 | (10)                | (10)              | 0                                 |  |                                |  |
| CHORD - Oban   | 0               | 0                                 | 0                             | 0                 | 0                                 | (1,624)             | (1,624)           | 0                                 |  |                                |  |
| <b>Strategic Change Total</b>  | <b>(294)</b>    | <b>(289)</b>                      | <b>(7,132)</b>                | <b>(7,132)</b>    | <b>0</b>                          | <b>(104,424)</b>    | <b>(104,424)</b>  | <b>0</b>                          |  |                                |  |
| <b>Total Income</b>  | <b>(708)</b>    | <b>(744)</b>                      | <b>(12,193)</b>               | <b>(12,193)</b>   | <b>0</b>                          | <b>(135,345)</b>    | <b>(135,345)</b>  | <b>0</b>                          |  |                                |  |
| <b>Net Total</b>   | <b>19,186</b>   | <b>19,846</b>                     | <b>39,014</b>                 | <b>33,440</b>     | <b>5,574</b>                      | <b>180,009</b>      | <b>180,736</b>    | <b>(727)</b>                      |  |                                |  |





| MONITORING REPORT   |              |                               |              |                | Appendix 8          |              |                 |                 |              |
|---|--------------|-------------------------------|--------------|----------------|---------------------|--------------|-----------------|-----------------|--------------|
| FINANCIAL SUMMARY NET EXPENDITURE - EXECUTIVE DIRECTOR DOUGLAS HENDRY |              |                               |              |                | 31 December 2022    |              |                 |                 |              |
| Current Financial Year To Date  |              | Full Year This Financial Year |              |                | Total Project Costs |              |                 | Variance        |              |
| Budget  | Actual       | Variance                      | Budget       | Forecast       | Budget              | Forecast     | Budget          | Forecast        | Variance     |
| £000s   | £000s        | £000s                         | £000s        | £000s          | £000s               | £000s        | £000s           | £000s           | £000s        |
| <b>EXPENDITURE</b>  |              |                               |              |                |                     |              |                 |                 |              |
| <b>Asset Sustainability</b>   |              |                               |              |                |                     |              |                 |                 |              |
| Education   | 2,334        | 2,354                         | (20)         | 4,520          | 4,520               | 0            | 11,000          | 11,000          | 0            |
| Live Aigyll   | 171          | 175                           | (4)          | 559            | 545                 | 14           | 2,073           | 2,079           | (6)          |
| Health and Social Care Partnership                                    | 152          | 155                           | (3)          | 559            | 584                 | (25)         | 2,922           | 2,932           | (10)         |
| Shared Offices  | 113          | 127                           | (14)         | 2,512          | 512                 | 2,000        | 3,263           | 3,254           | 9            |
| <b>Asset Sustainability Total</b>                                     | <b>2,770</b> | <b>2,811</b>                  | <b>(41)</b>  | <b>8,150</b>   | <b>6,161</b>        | <b>1,989</b> | <b>19,258</b>   | <b>19,265</b>   | <b>(7)</b>   |
| <b>Service Development Projects</b>                                   |              |                               |              |                |                     |              |                 |                 |              |
| Ardraigh Primary Pre 5 Unit   | 0            | 0                             | 0            | 0              | 0                   | 0            | 2               | 2               | 0            |
| Bowmore Primary School - Pre 5 Unit                                   | 0            | 0                             | 0            | 0              | 0                   | 0            | 149             | 149             | 0            |
| Clyde Cottage - 600 hour provision                                    | 0            | 0                             | 0            | 23             | 23                  | 0            | 579             | 579             | 0            |
| Craiglough Primary School - Pre 5 Extension                           | 0            | 0                             | 0            | 0              | 0                   | 0            | 400             | 400             | 0            |
| Iona Primary School - Pre 5 Unit                                      | 0            | 0                             | 0            | 0              | 0                   | 0            | 490             | 490             | 0            |
| Islay High and Rosneath Primary School Pitches                        | 0            | 0                             | 0            | (12)           | (12)                | (12)         | 707             | 719             | (12)         |
| Lochgoilhead Primary School - Pre 5 Unit                              | 0            | 0                             | 0            | 0              | 0                   | 0            | 391             | 391             | 0            |
| Park Primary Extension/Pre-Fives Unit                                 | 0            | 0                             | 0            | 0              | 0                   | 0            | 341             | 341             | 0            |
| Sandbank Gaelic Pre Five Unit   | 0            | 0                             | 0            | 0              | 0                   | 0            | 491             | 491             | 0            |
| Bunessan Primary School - Gaelic Medium Improvements                  | 0            | 0                             | 0            | 0              | 0                   | 0            | 120             | 120             | 0            |
| Early Learning and Childcare  | 0            | 0                             | 0            | 0              | 0                   | 0            | 850             | 850             | 0            |
| Early Learning and Childcare - 1140 Hours                             | 945          | 945                           | 0            | 1,036          | 1,036               | 0            | 7,751           | 7,751           | 0            |
| CO2 Monitoring - Covid Mitigation in Schools                          | 3            | 3                             | 0            | 116            | 116                 | 0            | 192             | 192             | 0            |
| Early Learning and Childcare - 1140 Hours - CFR                       | 0            | 0                             | 0            | 0              | 0                   | 0            | 111             | 111             | 0            |
| Bowmore Primary School - Gaelic Medium Grant                          | 0            | 0                             | 0            | 38             | 38                  | 0            | 38              | 38              | 0            |
| Riverside Leisure Centre Refurbishment                                | 0            | 0                             | 0            | 0              | 0                   | 0            | 1,245           | 1,245           | 0            |
| Dunclutha Childrens Home  | 0            | 0                             | 0            | 54             | 54                  | 0            | 1,300           | 1,300           | 0            |
| <b>Service Development Total</b>                                      | <b>948</b>   | <b>948</b>                    | <b>0</b>     | <b>1,257</b>   | <b>1,267</b>        | <b>(12)</b>  | <b>15,157</b>   | <b>15,169</b>   | <b>(12)</b>  |
| <b>Strategic Change Projects</b>                                      |              |                               |              |                |                     |              |                 |                 |              |
| Campbelltown Schools Redevelopment                                    | 38           | 38                            | 0            | 76             | 76                  | 0            | 2,130           | 2,130           | 0            |
| Dunoon Primary  | 257          | 257                           | 0            | 304            | 304                 | 0            | 10,869          | 10,869          | 0            |
| Replacement of Oban High  | 100          | 100                           | 0            | 136            | 136                 | 0            | 3,250           | 3,250           | 0            |
| Kim Primary School  | 65           | 65                            | 0            | 99             | 99                  | 0            | 10,119          | 10,119          | 0            |
| Carbon Management - Non Education                                     | 0            | 0                             | 0            | 21             | 21                  | 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            | 468             | 468             | 0            |
| Carbon Management Fuel Conversions                                    | 0            | 0                             | 0            | 107            | 107                 | 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            |
| Campbelltown Office Rationalisation                                   | 0            | 0                             | 0            | 1              | 1                   | 0            | 596             | 596             | 0            |
| Helensburgh Office Rationalisation                                    | 10           | 10                            | 0            | 310            | 310                 | 0            | 11,838          | 11,838          | 0            |
| Clean Energy  | 0            | 0                             | 0            | 551            | 567                 | (16)         | 729             | 745             | (16)         |
| Clean Energy 2022-23  | 0            | 0                             | 0            | 500            | 500                 | 0            | 500             | 500             | 0            |
| CHORD Oban  | 16           | 16                            | 0            | 651            | 651                 | 0            | 7,905           | 7,905           | 0            |
| CHORD Helensburgh   | 0            | 0                             | 0            | 28             | 28                  | 0            | 6,557           | 6,557           | 0            |
| CHORD Dunoon  | 15           | 17                            | (2)          | 55             | 55                  | 0            | 12,522          | 12,522          | 0            |
| Helensburgh Waterfront Development                                    | 3,078        | 3,704                         | (626)        | 3,078          | 3,704               | (626)        | 22,740          | 23,366          | (626)        |
| HWD - FFE (Funded by LA)  | 344          | 306                           | 38           | 344            | 344                 | 0            | 350             | 350             | 0            |
| Kilmory Business Park Phase 2AA                                       | 18           | 18                            | 0            | 1,120          | 54                  | 1,066        | 1,129           | 1,129           | 0            |
| Dunoon Pier OBC   | 0            | 0                             | 0            | 0              | 0                   | 0            | 2,844           | 2,844           | 0            |
| <b>Strategic Change Total</b>   | <b>3,941</b> | <b>4,531</b>                  | <b>(690)</b> | <b>7,640</b>   | <b>7,216</b>        | <b>424</b>   | <b>99,058</b>   | <b>99,700</b>   | <b>(642)</b> |
| <b>Total Expenditure</b>  | <b>7,659</b> | <b>8,290</b>                  | <b>(631)</b> | <b>17,045</b>  | <b>14,644</b>       | <b>2,401</b> | <b>133,473</b>  | <b>134,134</b>  | <b>(661)</b> |
| <b>INCOME</b>   |              |                               |              |                |                     |              |                 |                 |              |
| <b>Asset Sustainability</b>   |              |                               |              |                |                     |              |                 |                 |              |
| Education   | 0            | 0                             | 0            | 0              | 0                   | 0            | 0               | 0               | 0            |
| Live Aigyll   | 0            | 0                             | 0            | 0              | 0                   | 0            | 0               | 0               | 0            |
| <b>Asset Sustainability Total</b>                                     | <b>0</b>     | <b>0</b>                      | <b>0</b>     | <b>0</b>       | <b>0</b>            | <b>0</b>     | <b>0</b>        | <b>0</b>        | <b>0</b>     |
| <b>Service Development Projects</b>                                   |              |                               |              |                |                     |              |                 |                 |              |
| Sandbank Gaelic Pre Five Unit   | 0            | 0                             | 0            | 0              | 0                   | 0            | (485)           | (485)           | 0            |
| Bunessan Primary School - Gaelic Medium Improvements                  | 0            | 0                             | 0            | 0              | 0                   | 0            | (30)            | (30)            | 0            |
| Early Learning and Childcare  | 0            | 0                             | 0            | 0              | 0                   | 0            | (918)           | (918)           | 0            |
| Early Years 1140 Hours  | 0            | 0                             | 0            | 0              | 0                   | 0            | (6,300)         | (6,300)         | 0            |
| CO2 Monitoring - Covid Mitigation in Schools                          | 0            | (38)                          | 38           | 0              | 0                   | 0            | 0               | 0               | 0            |
| Bowmore Primary School - Gaelic Medium Grant                          | 0            | 0                             | 0            | 0              | 0                   | 0            | (38)            | (38)            | 0            |
| <b>Service Development Total</b>                                      | <b>0</b>     | <b>(38)</b>                   | <b>38</b>    | <b>0</b>       | <b>0</b>            | <b>0</b>     | <b>(7,771)</b>  | <b>(7,771)</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            |
| Helensburgh Public Realm Imprv  | 0            | 0                             | 0            | 0              | 0                   | 0            | (570)           | (570)           | 0            |
| Helensburgh Waterfront Development                                    | 0            | 0                             | 0            | (378)          | (378)               | 0            | (6,676)         | (6,676)         | 0            |
| HWD - FFE (Funded by LA)  | 5            | 5                             | (6)          | 0              | 0                   | 0            | (350)           | (350)           | 0            |
| CHORD - Dunoon Waterfront   | 0            | 0                             | 0            | 0              | 0                   | 0            | (10)            | (10)            | 0            |
| CHORD - Oban  | 0            | 0                             | 0            | 0              | 0                   | 0            | (1,624)         | (1,624)         | 0            |
| Kilmory Business Park Phase 2AA                                       | 0            | 0                             | 0            | (979)          | (979)               | 0            | (979)           | (979)           | 0            |
| <b>Strategic Change Total</b>   | <b>0</b>     | <b>5</b>                      | <b>(6)</b>   | <b>(1,357)</b> | <b>(1,357)</b>      | <b>0</b>     | <b>(10,695)</b> | <b>(10,695)</b> | <b>0</b>     |
| <b>Total Income</b>   | <b>0</b>     | <b>(33)</b>                   | <b>33</b>    | <b>(1,357)</b> | <b>(1,357)</b>      | <b>0</b>     | <b>(18,466)</b> | <b>(18,466)</b> | <b>0</b>     |
| <b>Net Departmental Total</b>   | <b>7,659</b> | <b>8,257</b>                  | <b>(698)</b> | <b>15,688</b>  | <b>13,287</b>       | <b>2,401</b> | <b>115,007</b>  | <b>115,668</b>  | <b>(661)</b> |

| Service              | Previous Years<br>£000's | 2022-23<br>£000s | 2023-24<br>£000s | 2024-25<br>£000s | 2025-26<br>£000s | 2026-27<br>£000s | Total<br>£000s |
|----------------------|--------------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| Education            | 36,575                   | 6,336            | 4,843            | 2,226            | 0                | 0                | 49,980         |
| Shared Offices       | 16,687                   | 2,249            | 2,492            | 428              | 0                | 0                | 21,856         |
| ICT                  | 2,126                    | 1,289            | 1,258            | 771              | 0                | 0                | 5,444          |
| RIS                  | 21,002                   | 25,352           | 46,349           | 33,028           | 30,091           | 0                | 155,822        |
| DEG                  | 15,435                   | 4,282            | 898              | 0                | 0                | 0                | 20,615         |
| HSCP                 | 1,246                    | 628              | 1,920            | 428              | 0                | 0                | 4,222          |
| Live Argyll          | 1,274                    | 560              | 1,106            | 428              | 0                | 0                | 3,368          |
| CHORD                | 48,486                   | 4,210            | 1,351            | 0                | 0                | 0                | 54,047         |
| <b>Overall Total</b> | <b>142,831</b>           | <b>44,906</b>    | <b>60,217</b>    | <b>37,309</b>    | <b>30,091</b>    | <b>0</b>         | <b>315,354</b> |

| Category                          | Service   | Project   | Previous Years<br>£000's | 2022-23<br>£000s | 2023-24<br>£000s | 2024-25<br>£000s | 2025-26<br>£000s | 2026-27<br>£000s | Total<br>£000s |
|-----------------------------------|-----------|---|--------------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| Asset Sustainability              | Education |   |                          |                  |                  |                  |                  |                  |                |
|                                   |           | Asbestos Control/Removal Works                                    | 0                        | 7                | 0                | 0                | 0                | 0                | 7              |
|                                   |           | Block Allocation - Education                                      | 0                        | 12               | 4,231            | 2,226            | 0                | 0                | 6,469          |
|                                   |           | Digital Inclusion 20-21   | 0                        | 9                | 0                | 0                | 0                | 0                | 9              |
|                                   |           | Free School Meals   | 0                        | 14               | 0                | 0                | 0                | 0                | 14             |
|                                   |           | Homeless Houses - Housing Quality Standard                        | 0                        | 1                | 0                | 0                | 0                | 0                | 1              |
|                                   |           | Internal Refurbishment Budget                                     | 0                        | 7                | 0                | 0                | 0                | 0                | 7              |
|                                   |           | Lochgilhead Primary School Demolition                             | 0                        | 246              | 0                | 0                | 0                | 0                | 246            |
|                                   |           | Pre-5's/Nurseries   | 0                        | 1                | 0                | 0                | 0                | 0                | 1              |
|                                   |           | Primary Schools   | 0                        | 3,354            | 23               | 0                | 0                | 0                | 3,377          |
|                                   |           | School Houses - Housing Quality Standard                          | 0                        | 26               | 0                | 0                | 0                | 0                | 26             |
|                                   |           | Secondary Schools   | 0                        | 843              | 0                | 0                | 0                | 0                | 843            |
| <b>Asset Sustainability Total</b> |           |   | <b>0</b>                 | <b>4,520</b>     | <b>4,254</b>     | <b>2,226</b>     | <b>0</b>         | <b>0</b>         | <b>11,000</b>  |
| Service Development               | Education |   |                          |                  |                  |                  |                  |                  |                |
|                                   |           | Ardriashaig Primar School - Pre Five Extension                    | 2                        | 0                | 0                | 0                | 0                | 0                | 2              |
|                                   |           | Bowmore Primary School - Gaelic Medium Grant                      | 0                        | 38               | 0                | 0                | 0                | 0                | 38             |
|                                   |           | Bowmore Primary School - Pre Five Unit                            | 149                      | 0                | 0                | 0                | 0                | 0                | 149            |
|                                   |           | Bunessan Primary School - Gaelic Medium Improvements              | 120                      | 0                | 0                | 0                | 0                | 0                | 120            |
|                                   |           | Clyde Cottage - 600 hours provision                               | 556                      | 23               | 0                | 0                | 0                | 0                | 579            |
|                                   |           | CO2 Monitoring - Covid Mitigation in Schools                      | 76                       | 116              | 0                | 0                | 0                | 0                | 192            |
|                                   |           | Craignish Primary School - Pre Five Extension (600 hours funding) | 400                      | 0                | 0                | 0                | 0                | 0                | 400            |
|                                   |           | Early Learning and Childcare                                      | 850                      | 0                | 0                | 0                | 0                | 0                | 850            |
|                                   |           | Early Learning and Childcare - 1140 Hours                         | 6,696                    | 1,036            | 19               | 0                | 0                | 0                | 7,751          |
|                                   |           | Early Learning and Childcare - 1140 Hours - CFGR                  | 111                      | 0                | 0                | 0                | 0                | 0                | 111            |
|                                   |           | Iona Primary School - Pre Five Unit (600 hours funding)           | 490                      | 0                | 0                | 0                | 0                | 0                | 490            |
|                                   |           | Islay High & Rosneath PS Pitches                                  | 719                      | -12              | 0                | 0                | 0                | 0                | 707            |
|                                   |           | Lochgilhead Primary School - Pre Five Unit (600 hours funding)    | 391                      | 0                | 0                | 0                | 0                | 0                | 391            |
|                                   |           | Park Primary Extension and Pre Fives Unit                         | 341                      | 0                | 0                | 0                | 0                | 0                | 341            |
|                                   |           | Sandbank Gaelic Pre Five Unit                                     | 491                      | 0                | 0                | 0                | 0                | 0                | 491            |
| <b>Service Development Total</b>  |           |   | <b>11,392</b>            | <b>1,201</b>     | <b>19</b>        | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>12,612</b>  |
| Strategic Change                  | Education |   |                          |                  |                  |                  |                  |                  |                |
|                                   |           | Campbeltown Schools Redevelopment                                 | 2,054                    | 76               | 0                | 0                | 0                | 0                | 2,130          |
|                                   |           | Dunoon Primary School   | 10,365                   | 304              | 200              | 0                | 0                | 0                | 10,869         |
|                                   |           | Kirn Primary School   | 10,020                   | 99               | 0                | 0                | 0                | 0                | 10,119         |
|                                   |           | Replacement of Oban High School                                   | 2,744                    | 136              | 370              | 0                | 0                | 0                | 3,250          |
| <b>Strategic Change Total</b>     |           |   | <b>25,183</b>            | <b>615</b>       | <b>570</b>       | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>26,368</b>  |
| <b>Overall Total</b>              |           |   | <b>36,575</b>            | <b>6,336</b>     | <b>4,843</b>     | <b>2,226</b>     | <b>0</b>         | <b>0</b>         | <b>49,980</b>  |

| Category                          | Service        | Project   | Previous Years<br>£000's | 2022-23<br>£000s | 2023-24<br>£000s | 2024-25<br>£000s | 2025-26<br>£000s | 2026-27<br>£000s | Total<br>£000s |
|-----------------------------------|----------------|---|--------------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| <b>Asset Sustainability</b>       |                |   |                          |                  |                  |                  |                  |                  |                |
|                                   | Shared Offices | Argyll House, Dunoon  | 0                        | 12               | 0                | 0                | 0                | 0                | 12             |
|                                   |                | Asbestos Capital Property Works                                 | 0                        | 51               | 0                | 0                | 0                | 0                | 51             |
|                                   |                | Block Allocation  | 0                        | 0                | 193              | 398              | 0                | 0                | 591            |
|                                   |                | Bowmore Area Office   | 0                        | 0                | 76               | 0                | 0                | 0                | 76             |
|                                   |                | Burnett Building  | 0                        | 0                | 110              | 0                | 0                | 0                | 110            |
|                                   |                | Capital Property Works  | 0                        | 38               | 0                | 0                | 0                | 0                | 38             |
|                                   |                | Fire Risk Assessment Works                                      | 0                        | 14               | 0                | 0                | 0                | 0                | 14             |
|                                   |                | Helensburgh and Lomond Civic Centre - Emergency Heating Pipewc  | 0                        | 43               | 0                | 0                | 0                | 0                | 43             |
|                                   |                | Hill Street Dunoon Rewire                                       | 0                        | 33               | 0                | 0                | 0                | 0                | 33             |
|                                   |                | Kilmory Castle  | 0                        | 2                | 1,409            | 0                | 0                | 0                | 1,411          |
|                                   |                | Legionella Control Works  | 0                        | 215              | 0                | 0                | 0                | 0                | 215            |
|                                   |                | Manse Brae District Office                                      | 0                        | 1                | 0                | 0                | 0                | 0                | 1              |
|                                   |                | Manse Brae Roads Office   | 0                        | 2                | 0                | 0                | 0                | 0                | 2              |
|                                   |                | Our Modern Workspace  | 0                        | 110              | 526              | 30               | 0                | 0                | 666            |
| <b>Asset Sustainability Total</b> |                |   | <b>0</b>                 | <b>521</b>       | <b>2,314</b>     | <b>428</b>       | <b>0</b>         | <b>0</b>         | <b>3,263</b>   |
| <b>Strategic Change</b>           |                |   |                          |                  |                  |                  |                  |                  |                |
|                                   | Shared Offices | Campbeltown Office Rationalisation                              | 595                      | 1                | 0                | 0                | 0                | 0                | 596            |
|                                   |                | Carbon Management - Group Heating Conversion Project (Prudentia | 1,938                    | 10               | 0                | 0                | 0                | 0                | 1,948          |
|                                   |                | Carbon Management Business Cases (FPB)                          | 201                      | 60               | 0                | 0                | 0                | 0                | 261            |
|                                   |                | Carbon Management Capital Property Works 16/17                  | 19                       | 20               | 0                | 0                | 0                | 0                | 39             |
|                                   |                | Carbon Management Fuel Conversions (FPB)                        | 107                      | 0                | 0                | 0                | 0                | 0                | 107            |
|                                   |                | Cleaner Energy  | 0                        | 551              | 178              | 0                | 0                | 0                | 729            |
|                                   |                | Cleaner Energy 2022-23  | 0                        | 500              | 0                | 0                | 0                | 0                | 500            |
|                                   |                | Helensburgh Office Rationalisation (FPB,REC)                    | 11,528                   | 310              | 0                | 0                | 0                | 0                | 11,838         |
|                                   |                | Kilmory Biomass Project OBC (FPB,REV)                           | 956                      | 0                | 0                | 0                | 0                | 0                | 956            |
|                                   |                | Non-NPDO Schools PV Panel Installations                         | 400                      | 88               | 0                | 0                | 0                | 0                | 488            |
|                                   |                | NPDO Schools Solar PV Panel Installations                       | 761                      | 183              | 0                | 0                | 0                | 0                | 944            |
|                                   |                | Oil to Gas Heating Conversions (FPB)                            | 182                      | 5                | 0                | 0                | 0                | 0                | 187            |
| <b>Strategic Change Total</b>     |                |   | <b>16,687</b>            | <b>1,728</b>     | <b>178</b>       | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>18,593</b>  |
| <b>Overall Total</b>              |                |   | <b>16,687</b>            | <b>2,249</b>     | <b>2,492</b>     | <b>428</b>       | <b>0</b>         | <b>0</b>         | <b>21,856</b>  |

| Category                      | Service | Project                                 | Previous Years<br>£000's | 2022-23<br>£000s | 2023-24<br>£000s | 2024-25<br>£000s | 2025-26<br>£000s | 2026-27<br>£000s | Total<br>£000s |
|-------------------------------|---------|---|--------------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| Strategic Change              | CHORD   | CHORD - Dunoon                          | 12,467                   | 55               | 0                | 0                | 0                | 0                | 12,522         |
|                               |         | CHORD - Helensburgh -Public Realm Imprv | 6,529                    | 28               | 0                | 0                | 0                | 0                | 6,557          |
|                               |         | CHORD - Oban                            | 7,254                    | 651              | 0                | 0                | 0                | 0                | 7,905          |
|                               |         | Helensburgh Waterfront Development      | 19,377                   | 3,078            | 285              | 0                | 0                | 0                | 22,740         |
|                               |         | HWD - FFE                               | 6                        | 344              | 0                | 0                | 0                | 0                | 350            |
|                               |         | Kilmory Business Park Phase 2AA         | 9                        | 54               | 1,066            | 0                | 0                | 0                | 1,129          |
|                               |         | OBC for Dunoon Pier                     | 2,844                    | 0                | 0                | 0                | 0                | 0                | 2,844          |
| <b>Strategic Change Total</b> |         |   | <b>48,486</b>            | <b>4,210</b>     | <b>1,351</b>     | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>54,047</b>  |
| <b>Overall Total</b>          |         |   | <b>48,486</b>            | <b>4,210</b>     | <b>1,351</b>     | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>54,047</b>  |

| Category                          | Service | Project                | Previous Years |                  |                  |                  |                  | Total    |                  |
|-----------------------------------|---------|------------------------|----------------|------------------|------------------|------------------|------------------|----------|------------------|
|                                   |         |                        | £000's         | 2022-23<br>£000s | 2023-24<br>£000s | 2024-25<br>£000s | 2025-26<br>£000s |          | 2026-27<br>£000s |
| Asset Sustainability              | ICT     | Block Allocation - ICT | 0              | 0                | 919              | 771              | 0                | 0        | 1,690            |
|                                   |         | PC Replacement         | 0              | 522              | 0                | 0                | 0                | 0        | 522              |
|                                   |         | Server Sustainability  | 0              | 187              | 64               | 0                | 0                | 0        | 251              |
|                                   |         | Telecomms Network      | 0              | 78               | 20               | 0                | 0                | 0        | 98               |
| <b>Asset Sustainability Total</b> |         |                        | <b>0</b>       | <b>787</b>       | <b>1,003</b>     | <b>771</b>       | <b>0</b>         | <b>0</b> | <b>2,561</b>     |
| Service Development               | ICT     | Applications Projects  | 2,126          | 502              | 255              | 0                | 0                | 0        | 2,883            |
| <b>Service Development Total</b>  |         |                        | <b>2,126</b>   | <b>502</b>       | <b>255</b>       | <b>0</b>         | <b>0</b>         | <b>0</b> | <b>2,883</b>     |
| <b>Overall Total</b>              |         |                        | <b>2,126</b>   | <b>1,289</b>     | <b>1,258</b>     | <b>771</b>       | <b>0</b>         | <b>0</b> | <b>5,444</b>     |

| Category                          | Service | Project  | Previous Years £000's | 2022-23 £000s | 2023-24 £000s | 2024-25 £000s | 2025-26 £000s | 2026-27 £000s | Total £000s    |
|-----------------------------------|---------|--|-----------------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Asset Sustainability              | RIS     | Bin Replacement Programme                                | 0                     | 100           | 0             | 0             | 0             | 0             | 100            |
|                                   |         | Bridge Strengthening                                     | 0                     | 215           | 1,484         | 350           | 0             | 0             | 2,049          |
|                                   |         | Bute Sea Wall Repairs                                    | 0                     | 148           | 602           | 0             | 0             | 0             | 750            |
|                                   |         | Coastal Change Adaptation                                | 0                     | 0             | 159           | 0             | 0             | 0             | 159            |
|                                   |         | Coastal Protection                                       | 0                     | 15            | 85            | 100           | 0             | 0             | 200            |
|                                   |         | Environmental Projects                                   | 0                     | 734           | 100           | 100           | 0             | 0             | 934            |
|                                   |         | EV Quick Chargers  | 0                     | 93            | 0             | 0             | 0             | 0             | 93             |
|                                   |         | Flood Prevention   | 0                     | 10            | 769           | 305           | 0             | 0             | 1,084          |
|                                   |         | Footway Improvements                                     | 0                     | 269           | 0             | 0             | 0             | 0             | 269            |
|                                   |         | Glenorm - Capping  | 0                     | 82            | 0             | 0             | 0             | 0             | 82             |
|                                   |         | Glenorm - Cell and Transfer Station (PB)                 | 0                     | 1,200         | 0             | 0             | 0             | 0             | 1,200          |
|                                   |         | Helensburgh CHORD - Signage etc                          | 0                     | 0             | 10            | 0             | 0             | 0             | 10             |
|                                   |         | Helensburgh Flood Mitigation                             | 0                     | 4             | 428           | 0             | 0             | 0             | 432            |
|                                   |         | Investment in Active Travel                              | 0                     | 370           | 130           | 0             | 0             | 0             | 500            |
|                                   |         | Lighting   | 0                     | 140           | 750           | 150           | 0             | 0             | 1,040          |
|                                   |         | Local Bridge Maintenance Fund                            | 0                     | 475           | 4,972         | 0             | 0             | 0             | 5,447          |
|                                   |         | Play Park Renewal  | 0                     | 0             | 312           | 235           | 391           | 0             | 938            |
|                                   |         | Public Convenience Upgrades                              | 0                     | 82            | 0             | 0             | 0             | 0             | 82             |
|                                   |         | Roads Reconstruction                                     | 0                     | 8,679         | 4,203         | 3,412         | 0             | 0             | 16,294         |
|                                   |         | Roads Reconstruction - Helensburgh CHORD                 | 0                     | 0             | 47            | 0             | 0             | 0             | 47             |
|                                   |         | Roads Reconstruction - Oban CHORD                        | 0                     | 3             | 0             | 0             | 0             | 0             | 3              |
|                                   |         | Tobermory Car Park                                       | 0                     | 576           | 0             | 0             | 0             | 0             | 576            |
| <b>Asset Sustainability Total</b> |         |  | <b>0</b>              | <b>13,195</b> | <b>14,051</b> | <b>4,652</b>  | <b>391</b>    | <b>0</b>      | <b>32,289</b>  |
| Service Development               | RIS     | Campbeltown Old Quay                                     | 1,381                 | 43            | 0             | 0             | 0             | 0             | 1,424          |
|                                   |         | Fleet Management   | 2,859                 | 499           | 0             | 0             | 0             | 0             | 3,358          |
|                                   |         | Fleet Management - Prudential Borrowing                  | 2,674                 | 1,187         | 1,000         | 0             | 0             | 0             | 4,861          |
|                                   |         | Jackson's Quarry Refurbishment                           | 285                   | 0             | 0             | 0             | 0             | 0             | 285            |
|                                   |         | Lismore Ferry Replacement                                | 618                   | 13            | 15            | 20            | 0             | 0             | 666            |
|                                   |         | Lochgilphhead Depot Rationalisation                      | 29                    | 8             | 0             | 0             | 0             | 0             | 37             |
|                                   |         | Oban Depot Development                                   | 2,100                 | 17            | 0             | 0             | 0             | 0             | 2,117          |
|                                   |         | Preliminary design for Regional Transport projects (tif) | 205                   | 16            | 0             | 0             | 0             | 0             | 221            |
|                                   |         | Witchburn Road Demolition                                | 158                   | -1            | 0             | 0             | 0             | 0             | 157            |
| <b>Service Development Total</b>  |         |  | <b>10,309</b>         | <b>1,782</b>  | <b>1,015</b>  | <b>20</b>     | <b>0</b>      | <b>0</b>      | <b>13,126</b>  |
| Strategic Change                  | RIS     | Campbeltown Flood Scheme                                 | 878                   | 3,958         | 9,048         | 1,331         | 0             | 0             | 15,215         |
|                                   |         | Harbour Investment Programme PB                          | 6,706                 | 5,626         | 22,235        | 27,025        | 29,700        | 0             | 91,292         |
|                                   |         | Street Lighting LED Replacement                          | 3,109                 | 791           | 0             | 0             | 0             | 0             | 3,900          |
| <b>Strategic Change Total</b>     |         |  | <b>10,693</b>         | <b>10,375</b> | <b>31,283</b> | <b>28,356</b> | <b>29,700</b> | <b>0</b>      | <b>110,407</b> |
| <b>Overall Total</b>              |         |  | <b>21,002</b>         | <b>25,352</b> | <b>46,349</b> | <b>33,028</b> | <b>30,091</b> | <b>0</b>      | <b>155,822</b> |

| Category                      | Service | Project  | Previous Years<br>£000's | 2022-23<br>£000s                    | 2023-24<br>£000s | 2024-25<br>£000s | 2025-26<br>£000s | 2026-27<br>£000s | Total<br>£000s |          |               |     |
|-------------------------------|---------|--|--------------------------|-------------------------------------|------------------|------------------|------------------|------------------|----------------|----------|---------------|-----|
| Service Development           | DEG     | Ardriashaig North Active Travel                  | 0                        | 712                                 | 168              | 0                | 0                | 0                | 880            |          |               |     |
|                               |         | Cycleways - H&L (FSPT)                           | 2,722                    | 240                                 | 150              | 0                | 0                | 0                | 0              | 3,112    |               |     |
|                               |         | Dunoon Cycle Bothy                               | 13                       | 266                                 | 0                | 0                | 0                | 0                | 0              | 279      |               |     |
|                               |         | Dunoon STEM Hub                                  | 5                        | 603                                 | 0                | 0                | 0                | 0                | 0              | 608      |               |     |
|                               |         | Gibraltar Street Public Realm Improvements       | 2                        | 248                                 | 0                | 0                | 0                | 0                | 0              | 250      |               |     |
|                               |         | Helensburgh Public Realm - Arts Strategy Fund    | 2                        | 51                                  | 0                | 0                | 0                | 0                | 0              | 53       |               |     |
|                               |         | Hermitage Park                                   | 3,245                    | 69                                  | 0                | 0                | 0                | 0                | 0              | 3,314    |               |     |
|                               |         | Nature Restoration Fund                          | 0                        | 346                                 | 0                | 0                | 0                | 0                | 0              | 346      |               |     |
|                               |         | Safe Streets, Walking and Cycling (CWSS)         | 2,334                    | 544                                 | 0                | 0                | 0                | 0                | 0              | 2,878    |               |     |
|                               |         | SPT - bus infrastructure                         | 1,405                    | 0                                   | 0                | 0                | 0                | 0                | 0              | 1,405    |               |     |
|                               |         | Town Centre Funds                                | 2,792                    | 1,054                               | 30               | 0                | 0                | 0                | 0              | 3,876    |               |     |
|                               |         | West Coast UAV Innovation Logistics and Training | 0                        | 0                                   | 0                | 0                | 0                | 0                | 0              | 0        |               |     |
|                               |         | <b>Service Development Total</b>                 |                          |                                     | <b>12,520</b>    | <b>4,133</b>     | <b>348</b>       | <b>0</b>         | <b>0</b>       | <b>0</b> | <b>17,001</b> |     |
|                               |         | Strategic Change                                 | DEG                      | 01 TIF - Lom/Kirk Road              | 2,169            | 1                | 0                | 0                | 0              | 0        | 2,170         |     |
|                               |         |  |                          | 05 TIF - North Pier Extension       | 214              | 0                | 0                | 0                | 0              | 0        | 214           |     |
|                               |         |  |                          | 09 TIF - Oban Airport Business Park | 489              | 101              | 0                | 0                | 0              | 0        | 0             | 590 |
|                               |         |  |                          | TIF - Halfway House Roundabout      | 43               | 47               | 550              | 0                | 0              | 0        | 0             | 640 |
| <b>Strategic Change Total</b> |         | <b>2,915</b>                                     | <b>149</b>               | <b>550</b>                          | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>3,614</b>     |                |          |               |     |
| <b>Overall Total</b>          |         | <b>15,435</b>                                    | <b>4,282</b>             | <b>898</b>                          | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>20,615</b>    |                |          |               |     |



| Category             | Service | Project                             | Previous Years   |                  |                  |                  |                  | Total    |              |
|----------------------|---------|-------------------------------------|------------------|------------------|------------------|------------------|------------------|----------|--------------|
|                      |         |                                     | 2022-23<br>£000s | 2023-24<br>£000s | 2024-25<br>£000s | 2025-26<br>£000s | 2026-27<br>£000s |          | £000s        |
| Asset Sustainability | HSCP    | Ardfenaig                           | 0                | 43               | 87               | 0                | 0                | 130      |              |
|                      |         | Block Allocation                    | 0                | 0                | 577              | 428              | 0                | 1,005    |              |
|                      |         | Capital Property Works              | 0                | 0                | 96               | 0                | 0                | 96       |              |
|                      |         | Digitalising telecare               | 0                | 0                | 100              | 0                | 0                | 100      |              |
|                      |         | Dunoon Hostel                       | 0                | 33               | 0                | 0                | 0                | 33       |              |
|                      |         | Eadar Glinn                         | 0                | 0                | 196              | 0                | 0                | 196      |              |
|                      |         | East King Street Childrens Hospital | 0                | 90               | 0                | 0                | 0                | 90       |              |
|                      |         | Glencruitten Hostel                 | 0                | 115              | 0                | 0                | 0                | 115      |              |
|                      |         | Gortonvogie                         | 0                | 0                | 80               | 0                | 0                | 80       |              |
|                      |         | Greenwood/Woodlands                 | 0                | 105              | 119              | 0                | 0                | 224      |              |
|                      |         | Rothesay Community Education Centre | 0                | 0                | 0                | 0                | 0                | 0        |              |
|                      |         | Shellach View                       | 0                | 65               | 0                | 0                | 0                | 65       |              |
|                      |         | Struan Lodge Boiler                 | 0                | 42               | 222              | 0                | 0                | 264      |              |
|                      |         | Thomson Home Rothesay               | 0                | 0                | 125              | 0                | 0                | 125      |              |
|                      |         | Tigh An Rudha HFE                   | 0                | 80               | 302              | 0                | 0                | 382      |              |
|                      |         | Tobermory Top Flat                  | 0                | 0                | 0                | 0                | 0                | 0        |              |
|                      |         | <b>Asset Sustainability Total</b>   |                  | <b>0</b>         | <b>574</b>       | <b>1,920</b>     | <b>428</b>       | <b>0</b> | <b>2,922</b> |
|                      |         | <b>Service Development</b>          | <b>HSCP</b>      |                  | 1,246            | 54               | 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>628</b>       | <b>1,920</b>     | <b>428</b>       | <b>0</b> | <b>4,222</b> |

| Category                      | Service     | Project   | Previous Years |              |            |              |              |          | Total        |
|-------------------------------|-------------|---|----------------|--------------|------------|--------------|--------------|----------|--------------|
|                               |             |   | 2022-23        | 2023-24      | 2024-25    | 2025-26      | 2026-27      | £000s    |              |
|                               |             |   | £000s          | £000s        | £000s      | £000s        | £000s        | £000s    |              |
| Asset Sustainability          | Live Argyll | Aqualibrium   | 0              | 56           | 0          | 0            | 0            | 56       |              |
|                               |             | Campbeltown Museum - Burnet Bldg                              | 0              | 0            | 38         | 0            | 0            | 38       |              |
|                               |             | Capital Property Works  | 0              | 0            | 976        | 428          | 0            | 1,404    |              |
|                               |             | Inveraray CARS  | 0              | 21           | 0          | 0            | 0            | 21       |              |
|                               |             | Kintyre Community Education Centre - Lift Shaft Refurbishment | 0              | 30           | 0          | 0            | 0            | 30       |              |
|                               |             | Lochgilthead Library Relocation                               | 0              | 52           | 0          | 0            | 0            | 52       |              |
|                               |             | Riverside Leisure Centre - Cladding Upgrade                   | 0              | 1            | 45         | 0            | 0            | 46       |              |
|                               |             | Riverside Leisure Centre - Spa Pool Upgrade                   | 0              | 80           | 0          | 0            | 0            | 80       |              |
|                               |             | Rothesay Swimming Pool  | 0              | 0            | 27         | 0            | 0            | 27       |              |
|                               |             | The Moat Centre - Gym Store                                   | 0              | 35           | 0          | 0            | 0            | 35       |              |
|                               |             | Victoria Halls, Helensburgh                                   | 0              | 80           | 20         | 0            | 0            | 100      |              |
|                               |             | <b>Asset Sustainability Total</b>                             |                | <b>0</b>     | <b>539</b> | <b>1,106</b> | <b>428</b>   | <b>0</b> | <b>2,073</b> |
|                               |             | Service Development   | Live Argyll    |              | 1,245      | 0            | 0            | 0        | 1,245        |
|                               |             | <b>Service Development Total</b>                              |                | <b>1,245</b> | <b>0</b>   | <b>0</b>     | <b>0</b>     | <b>0</b> | <b>1,245</b> |
| Strategic Change              | Live Argyll |   | 29             | 21           | 0          | 0            | 50           |          |              |
| <b>Strategic Change Total</b> |             | <b>29</b>   | <b>21</b>      | <b>0</b>     | <b>0</b>   | <b>0</b>     | <b>50</b>    |          |              |
| <b>Overall Total</b>          |             | <b>1,274</b>  | <b>560</b>     | <b>1,106</b> | <b>428</b> | <b>0</b>     | <b>3,368</b> |          |              |

**TREASURY MANAGEMENT MONITORING REPORT – 31 DECEMBER 2022**

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**1. EXECUTIVE SUMMARY**

- 1.1. This report sets out the Council's treasury management position for the period 1 November 2022 to 31 December 2022 and includes information on:
- Overall borrowing position
  - Borrowing activity
  - Investment activity
  - Economic background
  - Interest rate forecast
  - Prudential Indicators
- 1.2. Borrowing is below the Capital Financing Requirement for the period to 31 December 2022. This is due to the repayment of long term PWLB borrowing earlier in the year offset by the need to take temporary borrowing for cash flow purposes.
- 1.3. The net movement in external borrowing in the period 1 November 2022 to 31 December 2022 was a decrease of £9.98m.
- 1.4. The levels of investments were £99.1m at 31 December 2022. The rate of return achieved was 2.869% which is below the target SONIA rate which was 3.202%.

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**TREASURY MANAGEMENT MONITORING REPORT – 31 DECEMBER 2022**


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**2. INTRODUCTION**

2.1. This report sets out the Council's treasury management position for the period 1 November 2022 to 31 December 2022 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 2022. The CFR represents the underlying need for the Council to borrow to fund its fixed assets and accumulated capital expenditure.

|  | Forecast<br>2022/23<br>£000 | Forecast<br>2023/24<br>£000 | Forecast<br>2024/25<br>£000 |
|--|-----------------------------|-----------------------------|-----------------------------|
| CFR at 1 April                           | 309,092                     | 305,839                     | 337,480                     |
| Net Capital Expenditure                  | 6,915                       | 43,028                      | 27,052                      |
| Less Loans Fund Principal Repayments     | (5,353)                     | (5,507)                     | (5,788)                     |
| Less: NPDO Repayment                     | (4,815)                     | (5,880)                     | (6,038)                     |
| <b>Estimated CFR 31 March</b>            | <b>305,839</b>              | <b>337,480</b>              | <b>352,706</b>              |
| Less Funded by NPDO                      | (116,681)                   | (117,064)                   | (112,184)                   |
| <b>Estimated Net CFR 31 March</b>        | <b>189,158</b>              | <b>220,416</b>              | <b>240,522</b>              |
| Estimated External Borrowing at 31 March | 142,158                     | 172,154                     | 202,135                     |
| <b>Gap</b>                               | <b>47,000</b>               | <b>48,262</b>               | <b>38,387</b>               |

- 3.2. Borrowing is below the Capital Financing Requirement for the period to 31 December 2022. This is due to the repayment of long term PWLB borrowing earlier in the year offset by the need to take temporary borrowing for cash flow purposes. The gap that the Council is under borrowed by is due to the decision to repay long term debt and potentially not take any new borrowing due to high borrowing rates at present
- 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 2022 is £189.2m. The table below shows how this has been financed. £144.1m is funded by loans and there are substantial internal balances of £144.1m of which £99.1m are currently invested, leaving a net internal balance of £45m.

|                       | Position at<br>31/10/22 | Position at<br>31/12/22 |
|-----------------------|-------------------------|-------------------------|
|                       | £000                    | £000                    |
| Loans                 | 154,069                 | 144,094                 |
| Net Internal Balances | 18,360                  | 45,064                  |
| <b>Total CFR</b>      | <b>172,429</b>          | <b>189,158</b>          |

- 3.5. During the period from 1 November to 31 December 2022, £20.001m of loans were repaid and new borrowing of £10.025m was taken. This was mainly made up of the repayment of long temporary borrowing of £20m, partly funded by new temporary borrowing of £10m. The balance relates to the renewal of local bonds and some new temporary borrowing, the analysis of the movement in borrowing is shown in the table below:

|   | Actual<br>£000 |
|---|----------------|
| External Loans Repaid 1st November 2022 to 31st December 2022 | (20,001)       |
| Borrowing undertaken 1st November 2022 to 31st December 2022  | 10,025         |
| <b>Net Movement in External Borrowing</b>                     | <b>(9,976)</b> |

- 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 2022  | 20,515 | 1.26%  |
| Temp borrowing at 31st December 2022 | 10,515 | 2.57%  |

### Investment Activity

- 3.7. The average rate of return achieved in the Council's investments to 31 December 2022 was 2.869% compared to the Sterling Overnight Index Average (SONIA) rate for the same period of 3.202%. The Council rate of return is less than SONIA due to the rapid rise in interest rates in 2022 which increased SONIA faster than the Council was able to redeem its investments at lower rates. At 31 October 2022 the Council had £99.1m of short term investments at an average rate of 2.869%. 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    | 6,921         | 3.40%         | Short Term A-2, Long Term A-   |
| First Abu Dhabi bank                    | 20/01/2023 | 5,000         | 1.00%         | Short Term A-1+, Long Term AA- |
| National Bank of Kuwait                 | 11/04/2023 | 7,500         | 2.08%         | Short Term A-1, Long Term A    |
| First Abu Dhabi bank                    | 10/05/2023 | 5,000         | 2.11%         | Short Term A-1+, Long Term AA- |
| Close Bros                              | 31/02/2023 | 2,500         | 2.00%         | Short Term A-1, Long Term A+   |
| AL Ryan Bank                            | 02/02/2023 | 5,000         | 2.45%         | Short Term A-1, Long Term A+   |
| First Abu Dhabi bank                    | 10/08/2023 | 5,000         | 3.12%         | Short Term A-1+, Long Term AA- |
| Australia and New Zealand Banking Group | 23/02/2023 | 5,000         | 3.01%         | Short Term A-1+, Long Term AA- |
| Australia and New Zealand Banking Group | 06/10/2023 | 5,000         | 4.99%         | Short Term A-1+, Long Term AA- |
| Toronto Dominion Bank                   | 13/10/2023 | 5,000         | 5.25%         | Short Term A-1+, Long Term AA- |
| Cheshire West & Chester Council         | 12/01/2023 | 2,500         | 0.90%         | AA                             |
| Cambridgeshire County Council           | 22/07/2024 | 5,000         | 1.00%         | AA                             |
| Slough Borough Council                  | 26/05/2023 | 5,000         | 2.10%         | AA                             |
| Slough Borough Council                  | 29/06/2023 | 5,000         | 2.10%         | AA                             |
| Thurrock Borough Council                | 31/07/2023 | 5,000         | 3.00%         | AA                             |
| Thurrock Borough Council                | 19/09/2023 | 5,000         | 3.50%         | AA                             |
| Spelthorn Borough Council               | 03/04/2023 | 5,000         | 3.00%         | AA                             |
| London Borough of Croydon               | 10/10/2024 | 5,000         | 4.10%         | AA                             |
| Barnsley Metropolitan Borough Council   | 20/02/2023 | 5,000         | 3.60%         | AA                             |
| Money Market Fund - BNP Paribas         | Call       | 4,700         | 3.50%         | AAA                            |
| <b>Total</b>                            |            | <b>99,121</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 2022-23 are attached in Appendix 3.

#### 4. CONCLUSION

- 4.1 In the period from 1 November 2022 to 31 December 2022, the Council's borrowing decreased by £9.98m and is currently below the Capital Financing Requirement. There are substantial internal balances, of which £99.1m is currently invested. The investment returns were 2.869% which is below the target of 3.202%.

#### 5. IMPLICATIONS

|       |  |   |
|-------|--|---|
| 5.1   | Policy –                                 | None.                                   |
| 5.2   | Financial –                              | Complies with Annual Treasury Strategy. |
| 5.3   | Legal –                                  | None.                                   |
| 5.4   | HR –                                     | None.                                   |
| 5.5   | Fairer Duty Scotland –                   | None.                                   |
| 5.5.1 | Equalities – protected characteristics – | None.                                   |
| 5.5.2 | Socio-economic Duty –                    | None.                                   |
| 5.5.3 | Islands –                                | None.                                   |
| 5.6   | Climate Change –                         | None.                                   |
| 5.7   | Risk –                                   | None.                                   |
| 5.8   | Customer Service –                       | None.                                   |

**Kirsty Flanagan**  
**Executive Director/Section 95 Officer**  
**13 January 2023**

**Policy Lead for Finance and Commercial Services - Councillor Gary Mulvaney**

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

For further information contact: Anne Blue, Head of Financial Services  
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## Appendix 1 – Economics Update (at 31-12-22)

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

- The third quarter of 2022/23 saw:
  - A 0.5% m/m rise in GDP in October, mostly driven by the reversal of bank holiday effects;
  - Signs of economic activity losing momentum as households increased their savings;
  - CPI inflation fall to 10.7% in November after peaking at 11.1% in October;
  - A small loosening in the labour market which pushed the unemployment rate up to 3.7% in October;
  - Interest rates rise by 125bps over Q4 2022, taking Bank Rate to 3.50%;
  - Reduced volatility in UK financial markets but a waning in global risk appetite.
- GDP fell by 0.3% q/q in Q3 2022 (ending 30<sup>th</sup> September), which probably marked the start of the UK recession. About half of that decline was the effects of the extra bank holiday in September for the Queen's funeral. The unwinding of those bank holiday effects meant that GDP rebounded in October and explained at least 0.3 percentage points (ppts) of the 0.5% m/m rise. Accordingly, if GDP were to avoid falls of more than 0.2% m/m in November and December, then GDP over Q4 as a whole could avoid a contraction, which would prevent a recession in 2022.
- However, at 49.0 in December, the flash composite activity PMI stayed below the "boom-bust" level of 50 and pointed to a small 0.1% q/q contraction in GDP in Q4. Consumer confidence was -42 in December and stayed close to its record low of -49 in September. Strike action could be another small drag and may mean that GDP is 0.0% to 0.5% lower than otherwise in December. GDP is projected to contract marginally in Q4 by around 0.1% q/q.
- Meanwhile, the 0.4% m/m fall in retail sales volumes in November only reversed some of the 0.9% m/m rise in October. That left sales volumes 4.5% below their level at the start of the year. Indeed, the rise in the household saving rate from 6.7% in Q2 to 9.0% in Q3 implied that higher interest rates are encouraging households to save more. And a larger-than-usual £6.2bn rise in cash in household bank accounts in October may imply households have started to increase their precautionary savings.
- There were signs that the labour market was loosening gradually going into the final quarter of 2022. Although employment in the three months to October rose by 27,000, the fall in the composite PMI employment balance in December took it into contractionary territory and suggests that labour demand will cool. Meanwhile, labour supply improved as inactivity fell by 76,000 in the three months to October. That helped drive a rise in the unemployment rate from 3.6% in September to 3.7% in October. The number of job vacancies in November fell for the sixth consecutive month and were 18% below their peak in May.
- Crucially, though, wage growth remained resilient. Average earnings growth, excluding bonuses, grew by 0.7% m/m in October, above the 2022 monthly average of 0.5% m/m. That drove the 3my rate up to 6.2%, well above the rates of 3-3.5% consistent with inflation at its 2% target. Wage growth is likely to slow gradually in the coming months as the labour market loosens further but if extensive strike action is successful in achieving large pay increases, then wage growth could be a bit stronger for longer.
- CPI inflation peaked in October at a 41-year high of 11.1% and fell to 10.7% in November. Goods price inflation, which is driven largely by global factors, has peaked. The sharp rises in energy prices in 2022 mean that energy price inflation will fall sharply in 2023. Meanwhile, the large fall in agricultural prices since May means that food price inflation should start to decline soon. What's more, upward pressure on goods price inflation from global supply shortages is fading quickly.



- Domestic inflation pressures also eased in Q4. The 0.2% m/m rise in core CPI inflation in November was the smallest monthly gain since August 2020 and drove a fall in core CPI inflation from 6.5% in October to 6.3% in November. Services CPI inflation was stable at 6.3% in November despite the resilience of wage growth. And the easing of price expectations in the Bank of England's Decision Maker Panel survey in November suggests that inflation may become less persistent.
- The Chancellor's Autumn Statement on 17<sup>th</sup> November succeeded in restoring the government's fiscal credibility in the eyes of the financial markets without deepening the recession. The total fiscal consolidation package of £54.9bn (1.8% of GDP) in 2027/28 made the outlook for fiscal policy much tighter than at the beginning of Q4. The package was heavily backloaded, with net handouts of £3.8bn (0.15% of GDP) in 2023/24 and £0.3bn (0.01% of GDP) in 2024/25, and most of the tightening kicking in after 2024/25. The largest fiscal support was the extension of the Energy Price Guarantee for another 12 months, until April 2024, although at a higher price cap of £3,000 from April 2023 rather than £2,500. At the same time, Chancellor Hunt loosened the fiscal rules by requiring debt as a percentage of GDP to be falling in five years' time, rather than three. The Office of Budget Responsibility (OBR) estimated that the Chancellor will meet this new rule with a slim £9.2bn (0.3% of GDP) to spare.
- With fiscal policy now doing much less to fan domestic inflation pressures, we think Bank Rate will peak at 4.50%, or at least close to that figure. Despite stepping up the pace of policy tightening to a 75-basis point (bps) rate hike in November, taking Bank Rate from 2.25% to 3.00%, the MPC's communication was dovish. The MPC pushed back heavily against market rate expectations, which at the time were for Bank Rate to peak at 5.25%. The Bank's new forecasts predicted a deeper and longer recession than the analyst consensus, of eight quarters and with a peak-to-trough fall in real GDP of 2.9%.
- The Bank sounded dovish again in December when it slowed the pace of tightening with a 50bps rate rise, from 3.00% to 3.50%. Two members, Dhingra and Tenreyro, voted to leave rates unchanged, judging that the current level of Bank Rate was sufficient to bring inflation back to target. That said, the rest of the MPC appeared to suggest that further rate hikes would be necessary. We expect that the majority of the MPC will need to see stronger signs that activity is slowing, the labour market is loosening, and wage growth is slowing before stopping rate rises. As such, we expect that the MPC will deliver three further rate hikes in February, March and May, taking Bank Rate to a peak of 4.50% but with the pace of increase reducing to 25bps in March and May.
- Gilt yields have fallen sharply since their highs following the "mini-budget" on 23<sup>rd</sup> September as government fiscal credibility has been largely restored with the resignation of Truss-Kwarteng and the fiscal consolidation package announced at the Autumn Statement on 17<sup>th</sup> November. Indeed, the 10-year yield fell from a peak of 4.55% to about 3.60% now, while the 30-year yield fell from 5.10% to 3.90%. Admittedly, yields rose by around 50bps in December, partially on the back of a global rise in yields. But if we are right in thinking Bank Rate will fall back in 2024 and 2025 then gilt yields will probably fall over the next two years, with the 10-year yield slipping from around 3.60% now to 3.30% by the end of 2023 and to 2.80% by the end of 2024.
- Lower volatility in gilt markets in Q4 meant that the Bank of England was able to stop its purchases of long-term gilts for financial stability reasons as planned on 14<sup>th</sup> October. It was also able to begin active gilt sales in November, albeit with a focus on shorter dated gilts. So far quantitative tightening has had little influence on short-term money markets. But as it is still an experiment, the risk of a widespread tightening in financial conditions remains.
- The restoration of fiscal credibility boosted the pound and the FTSE 100 early in Q4. While much of the benefit passed in the first half of Q4, sterling continued to rally against a softer dollar. Our colleagues at Capital Economics do not think that the global recession is fully priced into markets, and so expect a further fall in risk appetite to boost safe haven demand for the dollar and weigh on the pound. They are expecting the pound to fall from \$1.19 now to \$1.10 in mid-2023, before climbing to \$1.15 by the end of 2023 as the prospect of lower interest rates and a recovery in global economic growth buoys equity prices.

- Through December, the rally in the FTSE 100 petered out as investors have become increasingly concerned by the prospect of a global recession. However, the relatively dovish tone of the Bank of England, compared to the Federal Reserve and the ECB meant that UK equities held up better than other developed market indices. Indeed, at 7,452 at the December month end, the FTSE 100 is only marginally below its peak of 7,568 on 5<sup>th</sup> December, while the S&P 500 is around 4% lower over the same period. Nevertheless, there is a great deal of uncertainty as to which direction markets will move in 2023 and at what pace. Continued volatility is anticipated.

### **MPC meetings 3<sup>rd</sup> November and 15<sup>th</sup> December 2022**

- On 3<sup>rd</sup> November, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 75 basis points to 3.00%, and on 15<sup>th</sup> December moved rates up a further 50 basis points to 3.50%. The later increase reflected a split vote – six members voting for a 50 basis points increase, one for 75 basis points and two for none.
- Nonetheless, the UK government appears more settled now, with Rishi Sunak as Prime Minister, and Jeremy Hunt as Chancellor. Having said that, a multitude of strikes across several public services and the continued cost-of-living squeeze is going to make for a difficult backdrop to maintain fiscal rectitude without pushing the economy into anything worse than a mild recession.
- Of course, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has led with increases of 425 basis points in 2022 and is expected to increase rates further in 2023. Similarly, the ECB has also started to tighten monetary policy, albeit from an ultra-low starting point, as have all the major central banks apart from Japan (although the BoJ has “tightened” its policy by widening the accepted yield levels for 10yr JGBs, from 0.25% to 0.5% on 20<sup>th</sup> December). Arguably, though, it is US monetary policies that are having the greatest impact on global bond markets.
- What happens in Ukraine will also impact the global economy, but particularly in Europe. The search for alternative providers of energy, other than Russia, will take both time and effort. The weather will also play a large part in how high energy prices stay and for how long.

## Appendix 2 – updated Interest Rate Forecast (19-12-22)

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1<sup>st</sup> November 2012.

The latest forecast, made on 19<sup>th</sup> December, sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is also providing a limited package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices. PWLB rates reflect a less elevated yield curve than prevailed under the Truss/Kwarteng government, and the 17<sup>th</sup> of November Autumn Statement made clear the government's priority is the establishment and maintenance of fiscal rectitude. In addition, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control.

Our current and previous PWLB rate forecasts below are based on the Certainty Rate.

| Link Group Interest Rate View | 19.12.22 |        |        |        |        |        |        |        |        |        |        |        |        |
|-------------------------------|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                               | Dec-22   | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 |
| BANK RATE                     | 3.50     | 4.25   | 4.50   | 4.50   | 4.50   | 4.00   | 3.75   | 3.50   | 3.25   | 3.00   | 2.75   | 2.50   | 2.50   |
| 3 month ave earnings          | 3.60     | 4.30   | 4.50   | 4.50   | 4.50   | 4.00   | 3.80   | 3.30   | 3.00   | 3.00   | 2.80   | 2.50   | 2.50   |
| 6 month ave earnings          | 4.20     | 4.50   | 4.60   | 4.50   | 4.20   | 4.10   | 3.90   | 3.40   | 3.10   | 3.00   | 2.90   | 2.60   | 2.60   |
| 12 month ave earnings         | 4.70     | 4.70   | 4.70   | 4.50   | 4.30   | 4.20   | 4.00   | 3.50   | 3.20   | 3.10   | 3.00   | 2.70   | 2.70   |
| 5 yr PWLB                     | 4.20     | 4.20   | 4.20   | 4.10   | 4.00   | 3.90   | 3.80   | 3.60   | 3.50   | 3.40   | 3.30   | 3.20   | 3.10   |
| 10 yr PWLB                    | 4.30     | 4.40   | 4.40   | 4.30   | 4.10   | 4.00   | 3.90   | 3.80   | 3.60   | 3.50   | 3.40   | 3.30   | 3.30   |
| 25 yr PWLB                    | 4.60     | 4.60   | 4.60   | 4.50   | 4.40   | 4.20   | 4.10   | 4.00   | 3.90   | 3.70   | 3.60   | 3.50   | 3.50   |
| 50 yr PWLB                    | 4.30     | 4.30   | 4.30   | 4.20   | 4.10   | 3.90   | 3.80   | 3.70   | 3.60   | 3.50   | 3.30   | 3.20   | 3.20   |

| Link Group Interest Rate View | 08.11.22 |        |        |        |        |        |        |        |        |        |        |        |        |
|-------------------------------|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                               | Dec-22   | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 |
| BANK RATE                     | 3.50     | 4.25   | 4.50   | 4.50   | 4.50   | 4.00   | 3.75   | 3.50   | 3.25   | 3.00   | 2.75   | 2.50   | 2.50   |
| 3 month ave earnings          | 3.60     | 4.30   | 4.50   | 4.50   | 4.50   | 4.00   | 3.80   | 3.30   | 3.00   | 3.00   | 2.80   | 2.50   | 2.50   |
| 6 month ave earnings          | 4.20     | 4.50   | 4.60   | 4.50   | 4.20   | 4.10   | 3.90   | 3.40   | 3.10   | 3.00   | 2.90   | 2.60   | 2.60   |
| 12 month ave earnings         | 4.70     | 4.70   | 4.70   | 4.50   | 4.30   | 4.20   | 4.00   | 3.50   | 3.20   | 3.10   | 3.00   | 2.70   | 2.70   |
| 5 yr PWLB                     | 4.30     | 4.30   | 4.20   | 4.10   | 4.00   | 3.90   | 3.80   | 3.60   | 3.50   | 3.40   | 3.30   | 3.20   | 3.10   |
| 10 yr PWLB                    | 4.50     | 4.50   | 4.40   | 4.30   | 4.20   | 4.00   | 3.90   | 3.70   | 3.60   | 3.50   | 3.40   | 3.30   | 3.20   |
| 25 yr PWLB                    | 4.70     | 4.70   | 4.60   | 4.50   | 4.40   | 4.30   | 4.10   | 4.00   | 3.90   | 3.70   | 3.60   | 3.50   | 3.50   |
| 50 yr PWLB                    | 4.30     | 4.40   | 4.30   | 4.20   | 4.10   | 4.00   | 3.80   | 3.70   | 3.60   | 3.40   | 3.30   | 3.20   | 3.20   |

## A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- Our central forecast for interest rates was most recently updated on 19<sup>th</sup> December and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened but the Government's policy of emphasising fiscal rectitude will probably mean Bank Rate will not need to increase to further than 4.5%.
- Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- The CPI measure of inflation looks to have peaked at 11.1% in Q4 2022 (currently 10.7%). Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market.
- Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started and will focus on the short, medium and longer end of the curve in equal measure now that the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy are firmly in the rear-view mirror.
- In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)
- On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

## PWLB RATES

- The yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.10% to 4.80%.
- We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

### The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside.

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

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- **The Bank of England** acts too quickly, or too far, over the next year to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- **Geopolitical risks**, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

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

- 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 and for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project or even necessitates a further series of increases in Bank Rate.
- **The Government** acts too quickly to cut taxes and/or increases expenditure in light of the cost-of-living squeeze.
- **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer term **US treasury yields** rise strongly and pull gilt yields up higher than currently forecast.
- Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields consequently.

## Appendix 3 – Prudential Indicators

| PRUDENTIAL INDICATOR                                  | 2022-23                     | 2022-23                      | 2023-24                     | 2024-25                     |
|---|-----------------------------|------------------------------|-----------------------------|-----------------------------|
| <b>(1). EXTRACT FROM BUDGET</b>                       |                             |                              |                             |                             |
|   | <b>Forecast<br/>Outturn</b> | <b>Original<br/>Estimate</b> | <b>Forecast<br/>Outturn</b> | <b>Forecast<br/>Outturn</b> |
| <b>Capital Expenditure</b>                            | <b>£'000</b>                | <b>£'000</b>                 | <b>£'000</b>                | <b>£'000</b>                |
| Non - HRA   | 6,915                       | 51,699                       | 43,028                      | 27,052                      |
| <b>TOTAL</b>  | <b>6,915</b>                | <b>51,699</b>                | <b>43,028</b>               | <b>27,052</b>               |
|   |                             |                              |                             |                             |
| <b>Ratio of financing costs to net revenue stream</b> |                             |                              |                             |                             |
| Non - HRA   | 2.70%                       | 2.70%                        | 4.56%                       | 4.57%                       |
|   |                             |                              |                             |                             |
| <b>Net borrowing requirement</b>                      |                             |                              |                             |                             |
| brought forward 1 April *                             | 309,092                     | 292,303                      | 305,839                     | 337,480                     |
| carried forward 31 March *                            | 305,839                     | 333,145                      | 337,480                     | 352,706                     |
| <b>in year borrowing requirement</b>                  | <b>(3,253)</b>              | <b>40,842</b>                | <b>31,641</b>               | <b>15,226</b>               |
|   |                             |                              |                             |                             |
| <b>In year Capital Financing Requirement</b>          |                             |                              |                             |                             |
| Non - HRA   | (3,253)                     | 40,842                       | 31,641                      | 15,226                      |
| <b>TOTAL</b>  | <b>(3,253)</b>              | <b>40,842</b>                | <b>31,641</b>               | <b>15,226</b>               |
|   |                             |                              |                             |                             |
| <b>Capital Financing Requirement as at 31 March</b>   |                             |                              |                             |                             |
| Non - HRA   | 305,839                     | 333,145                      | 337,480                     | 352,706                     |
| <b>TOTAL</b>  | <b>305,839</b>              | <b>333,145</b>               | <b>337,480</b>              | <b>352,706</b>              |
|   |                             |                              |                             |                             |
|   |                             |                              |                             |                             |

| PRUDENTIAL INDICATOR  | 2022-23 | 2023-24 | 2024-25 |
|---|---------|---------|---------|
| (2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS  | £'M     | £'M     | £'M     |
| <b>Authorised limit for external debt -</b>   |         |         |         |
| borrowing   | 228     | 252     | 272     |
| other long term liabilities   | 120     | 121     | 116     |
| TOTAL   | 348     | 373     | 388     |
| <b>Operational boundary for external debt -</b>   |         |         |         |
| borrowing   | 223     | 247     | 267     |
| other long term liabilities   | 117     | 118     | 113     |
| TOTAL   | 340     | 365     | 380     |
| <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><br>(per maturity date) | £20m    | £20m    | £20m    |

| <b>Maturity structure of new fixed rate borrowing during 2022/23</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 2022**

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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 £394.480m unusable reserves that are not backed with resources. They are required purely for accounting purposes.
- 1.3 At 31 March 2022 the Council had a total of £103.183m of usable reserves. Of this:
- £2.682m relates to the Repairs and Renewals Fund
  - £4.414m relates to Capital Funds
  - £96.087m was held in the General Fund, with £88.990m of this balance earmarked for specific purposes.
- 1.4 Of the earmarked balance of £88.990m:
- £43.882m is invested or committed for major initiatives/capital projects
  - £10.605m has already been drawn down
  - £8.580m is still to be drawn down in 2022-23
  - £25.370m is planned to be spent in future years
  - £0.553m has been released back to the general fund

Appendix 1 provides further information on the unspent budget earmarkings and Appendix 2 provides further information on the COVID earmarkings.

- 1.5 The Council's General Fund contingency level is set at 2% of net expenditure for 2022-23 which equates to £5.256m. At the beginning of the financial year there was £1.398m of unallocated General Fund Balance (over and above contingency). At the Council meeting on 24 February 2022 it was agreed that the budgeted revenue surplus of £2.482m would be transferred into the general fund. After taking this into consideration alongside the current forecast outturn for 2022-23, the balances no longer required and the expected adjustment in relation to the Social Work outturn, the Council is estimated to have a £8.537m surplus over contingency.



**RESERVES AND BALANCES - UPDATE AS AT 31 DECEMBER 2022****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 2022**

- 3.2.1 The balances on each type of reserve at 31 March 2022 are set out in the two tables below, per the Audited Accounts for 2021-22.

| <b>Unusable Reserves</b>                 | <b>£000</b>    |
|--|----------------|
| Revaluation Reserve                      | 157,645        |
| Capital Adjustment Account               | 241,327        |
| Financial Instruments Adjustment Account | (2,198)        |
| Pensions Reserve                         | 4,634          |
| Accumulated Absences Account             | (6,928)        |
| <b>Total Unusable Reserves</b>           | <b>394,480</b> |

| <b>Usable Reserves</b>                           | <b>£000</b>    |
|--|----------------|
| Repairs and Renewals Fund                        | 2,682          |
| Capital Fund and Usable Capital Receipts Reserve | 4,414          |
| General Fund                                     | 96,087         |
| <b>Total Usable Reserves</b>                     | <b>103,183</b> |
| <b>Total Reserves</b>                            | <b>497,663</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 2022 can be analysed as follows:

|  | <b>Balance<br/>31/03/22<br/>£000</b> |
|--|--------------------------------------|
| Balance on General Fund as at 31 March 2021        | 78,245                               |
| Increase to General Fund balance at end of 2021-22 | 17,842                               |
| Earmarked Balances                                 | (88,990)                             |
| Contingency allowance at 2% of net expenditure     | (5,256)                              |
| <b>Unallocated balance as at 31 March 2022</b>     | <b>1,841</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 2022, 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 earmarkings.

Officers have reviewed and updated the spending profiles. Appendix 2 provides further details on the breakdown of COVID reserves.

| Earmarking Category                   | Balance 31/03/2022 - per year end published report | Transfers between categories | Invested or committed for major initiatives /capital projects | Drawn-down to 2022-23 Budget as at 31/12/22 | Still to be drawn-down in 2022-23 | Planned Spend Future Years | Released to General Fund |
|---------------------------------------|--|------------------------------|---|---|-----------------------------------|----------------------------|--------------------------|
|                                       | £000   | £000                         | £000  | £000  | £000                              | £000                       | £000                     |
| Strategic Housing Fund                | 6,590  |                              | 6,126   | 464   |                                   |                            |                          |
| Investment in Affordable Housing      | 3,300  |                              | 3,200   |   |                                   |                            | 100                      |
| Capital Projects                      | 24,722   |                              | 22,565  | 2,157                                       |                                   |                            |                          |
| Lochgilphead and Tarbert Regeneration | 2,271  |                              | 2,271   |   |                                   |                            |                          |
| Support for Rural Growth Deal         | 1,058  |                              | 894   | 164   |                                   |                            |                          |
| Asset Management Investment           | 2,607  |                              | 2,607   |   |                                   |                            |                          |
| Piers and Harbours Investment Fund    | 1,643  |                              | 1,643   |   |                                   |                            |                          |
| Scottish Government Initiatives       | 3,141  |                              |   | 1,403                                       | 221                               | 1,517                      |                          |
| CHORD                                 | 349  |                              |   |   | 83                                | 266                        |                          |
| DMR Schools                           | 1,982  |                              |   | 538   | 1,270                             | 174                        |                          |
| Energy Efficiency Fund                | 218  |                              |   |   |                                   | 218                        |                          |
| Existing Legal Commitments            | 475  |                              |   | 15  | 15                                | 445                        |                          |
| Unspent Grant                         | 12,834   |                              | 950   | 1,644                                       | 2,852                             | 7,388                      |                          |
| Unspent Third Party Contribution      | 166  |                              |   |   | 89                                | 77                         |                          |
| Previous Council Decision - Other     | 4,343  | -55                          | 1,969   | 215   | 309                               | 1,770                      | 25                       |
| Redundancy Provision                  | 1,732  |                              |   |   | 150                               | 1,582                      |                          |
| Supporting Organisational Change      | 1,588  |                              |   | 141   | 59                                | 1,388                      |                          |
| Spend to Save Route Optimisation      | 100  |                              |   |   | 25                                | 75                         |                          |
| Timing Delay                          | 499  |                              |   |   |                                   | 499                        |                          |
| Hermitage Park                        | 4  |                              |   |   |                                   | 4                          |                          |
| COVID-19                              | 8,964  |                              | 257   | 2,994                                       | 1,733                             | 3,569                      | 411                      |
| Unspent Budget                        | 10,404   | 55                           | 1,400   | 870   | 1,774                             | 6,398                      | 17                       |
| <b>Totals</b>                         | <b>88,990</b>                                      | <b>0</b>                     | <b>43,882</b>   | <b>10,605</b>                               | <b>8,580</b>                      | <b>25,370</b>              | <b>553</b>               |

3.3.3 Investment in Affordable Housing £0.100m – this earmarked balance provides cash backed reserves for the loans to registered social landlords. It is estimated that as at 31 March 2023, the balance on the remaining loans will be £3.200m, therefore £0.100m can be released back to the general fund.

3.3.4 Due to there being no planned expenditure, an earmarking for capital expenditure on a leased property of £0.025m has been released back to the general fund.

- 3.3.5 In 2020-21 and 2021-22, the Council received allocations for the administration of Business Support Grants which currently sit within the COVID-19 earmarked reserves. There is a balance remaining of £0.411m is no longer required for this purpose and is being released to the General Fund.
- 3.3.6 The last of the redundancy payments in relation to the Kintyre Recycling unspent budget earmarking have been drawn down so remaining balance of £0.017m can be released back to the general fund.

### 3.4 Unallocated General Fund Balance

- 3.4.1 The Council's General Fund contingency is set at 2% of net expenditure for 2022-23 and amounts to £5.256m. At the beginning of the financial year there was £1.841m of unallocated General Fund Balance (over and above contingency). After taking into consideration the budgeted allocation to the General Fund agreed by Council on 24 February 22 and the current forecast outturn position for 2022-23, the Council is forecast to have a £8.511m surplus over contingency.
- 3.4.2 The revenue budget position as at 31 December 2022 was estimated to be £3.408m underspent, however, this is subject to change, particularly as the last three months of the financial year are the time of winter maintenance and the level of expenditure is difficult to predict. Note that this underspend is largely as a result of the treasury gain of £5.398m due to receiving a discount on the early repayment of three PWLB loans offset by £1.491m recognised for the net expected shortfall in funding from the 2022-23 pay award plus other forecast variances within the Departments netting to a £0.499m overspend.
- 3.4.3 The Current Forecast Outturn at December includes an overspend against the Social Work service of £0.253m. The Chief Financial Officer of the IJB is confident that the spend will be brought in line with budget by the end of the financial year using slippage from growth projects and anticipated additional funding allocations. As Social Work began to accumulate reserves at 31 March 2022 therefore it is expected that any residual overspend that materialises would be covered from those reserves and the General Fund of the Council would not be impacted.
- 3.4.4 The table below summarises the position of the unallocated General Fund balance taking into consideration the points noted above.

| Heading  | Detail  | £000  |
|--|---|-------|
| Unallocated General Fund as at 31 March 2022           | This is the balance that is unallocated over and above the 2% contingency, which amounts to £5.256m | 1,841 |
| Budgeted allocation to General Fund for 2022-23 Budget | Per the Budget Motion at Council on 24 February 2022  | 2,482 |
| Earmarked Balances no longer required                  | Per paragraphs 3.3.3 to 3.3.6 – amounts previously earmarked that                                   | 553   |

|   |   |              |
|---|---|--------------|
|   | can be released back to the general fund  |              |
| Current Forecast Outturn for 2022-23 as at 31 December 2022 | Per paragraph 3.4.2. Note, this includes an overspend of £0.253m against Social Work.       | 3,408        |
| Social Work outturn adjustment                              | Per paragraph 3.4.3 - Social Work hold reserves so would be expected to cover the overspend | 253          |
| <b>Estimated Unallocated balance as at 31 March 2023</b>    |   | <b>8,537</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 / 20-21 / 21-22 Budget | Transferred to Earmarked Reserves / 22-23 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)  |  | 0                 |
| Campbeltown Flood Prevention Scheme  | 1,406             |  | (1,406)  | 0                 |
| Significant Strategic Change Projects  | 5,013             | (2,856)  |  | 2,157             |
| 2020-21 Revenue Budget Contribution  | 600               | (600)  |  | 0                 |
|  | <b>20,561</b>     | <b>(6,730)</b>   | <b>(1,406)</b>                                   | <b>12,425</b>     |

#### 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 2022 the estimated unallocated General Fund, after taking into consideration the budget motion, the current forecast outturn for 2022-23, the balances no longer required, a one-off gain from the Loans Fund and the expected adjustment in relation to the Social Work outturn, the Council is estimated to have a £8.537m surplus over contingency.

#### 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.  |
| 5.5.1 | Equalities – protected characteristics - | None.  |
| 5.5.2 | Socio-economic Duty -                    | None.  |
| 5.5.3 | Islands -                                | None.  |
| 5.6   | Climate Change -                         | None.  |
| 5.7   | Risk -                                   | A contingency of £5.256m (equivalent to 2% of net expenditure) has been set aside as part of the general fund. This has been subject to a risk assessment. |
| 5.8   | Customer Service -                       | None.  |

**Kirsty Flanagan**  
**Executive Director/Section 95 Officer**  
**10 February 2023**

**Policy Lead for Finance and Commercial Services - Councillor Gary Mulvaney**

#### APPENDICES

- Appendix 1 – Earmarked Reserves breakdown of unspent budget  
 Appendix 2 – Earmarked Reserves breakdown of COVID earmarkings

For further information contact Anne Blue, Head of Financial Services  
[anne.blue@argyll-bute.gov.uk](mailto:anne.blue@argyll-bute.gov.uk)

APPENDIX 1

Earmarked Reserves - Unspent Budget  
As at 31 December 2022

| Ref | Department                          | Service                     | Description   | Opening Balance | Budget Drawdown | Released back to General Fund | New earmarking during 22-23 | Remaining Balance | Still to be drawn down in 22-23 | Planned to spend in future years | Plans for Use   | Amount Planned to be Spent in 2022-23 | Amount Planned to be Spent in 2023-24 | Amount Planned to be Spent from 2023-24 onwards |
|-----|-------------------------------------|-----------------------------|---|-----------------|-----------------|-------------------------------|-----------------------------|-------------------|---------------------------------|----------------------------------|---|---------------------------------------|---------------------------------------|---|
| 001 | Chief Executive's Unit              | Community Planning          | Communities and Partnership Team  | 8,855           | 0               | 0                             | 8,855                       | 8,855             | 8,855                           | 0                                | The funds have originated from externally sourced income due to an employee being seconded to the Scottish Community Development Centre (SCDC). The funds will be used to support the team in relation to meeting its priorities of Building Back Better (Communities), Climate Change and the review of the Argyll and Bute Outcome Improvement Plan.  | 8,855                                 | 0                                     | 0   |
| 002 | Chief Executive's Unit              | Community Planning          | Gaelic Development  | 8,235           |                 |                               | 8,235                       | 8,235             | 8,235                           | 0                                | To fund Gaelic specific work and project work of the Community Planning Partnership including the development of the new 10 year Outcome Improvement Plan   | 8,235                                 | 0                                     | 0   |
| 003 | Chief Executive's Unit              | Financial Services          | Financial Systems   | 114,000         | 80,252          |                               |                             | 33,748            | 33,748                          | 0                                | To fund the completion of the implementation of the Oracle Fusion Financial Management System, a software update for cash receipting to ensure card payments can still be taken and the procurement and implementation of a new system to manage the requirements of the IFRS16 leases accounting standard.   | 114,000                               | 0                                     | 0   |
| 004 | Chief Executive's Unit              | Financial Services          | Accounting and Budgeting Team Resilience  | 95,000          | 64,336          |                               |                             | 30,664            | 0                               | 30,664                           | To fund the implementation of a new staffing structure in 2022/23 as agreed at EIT on 12 April 2022. This will provide funding to cover the additional staffing costs in 2022/23 and the training costs over the period 2022/23 to 2026/27  | 64,336                                | 16,664                                | 14,000  |
| 005 | Chief Executive's Unit              | Financial Services          | CIPFA   | 32,530          | 3,565           |                               |                             | 28,965            | 2,000                           | 26,965                           | CIPFA Training - To fund the professional training costs for staff undertaking the CIPFA professional accountancy qualification.  | 5,565                                 | 6,000                                 | 20,965  |
| 006 | Chief Executive's Unit              | Financial Services          | Scottish Government Funding - Welfare Reform/Discretionary Housing Payments (agreed at Council February 2014) | 18,595          |                 |                               |                             | 18,595            | 0                               | 18,595                           | 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 2023/24 earmarking ref 008 and 012 as it is likely that given the current cost of living crisis that more people will be in need of support through these funds   | 0                                     | 18,595                                | 0   |
| 007 | Executive Director (Douglas Hendry) | Across Services / Education | Digital Projects (Supply Staff Booking System)  | 35,000          | 9,900           |                               |                             | 25,100            | 0                               | 25,100                           | To deliver a number of Digital Service Transformation Projects, specifically in Education and Customer Support Services, but also to reserve a further amount to support priority digital transformation projects identified in Departmental ICT programmes, that have not yet started due to resource constraints. The specific projects include: Supply Staff Booking System £0.035m, Skype for Business (for Education) £0.030m, Enhancing Curriculum Choice and Equity of Provision £0.080m, Digital Customer Engagement Developments £0.073m, Replacement of Learning Management System £0.030m, Increase in Schools Bandwidth £0.063m and a general provision still to be allocated £0.189m | 9,900                                 | 9,900                                 | 15,200  |
| 008 | Executive Director (Douglas Hendry) | Commercial Services         | Rothsey Pavilion Charity  | 750,000         |                 |                               |                             | 750,000           | 90,000                          | 660,000                          | 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.   | 90,000                                | 660,000                               | 0   |
| 009 | Executive Director (Douglas Hendry) | Commercial Services         | Demolition of former Lochgilphead Primary and Rothsey Secondary School  | 320,000         |                 |                               |                             | 320,000           | 105,000                         | 215,000                          | To fund the demolition of the former Lochgilphead Primary School and former Rothsey Academy (subject to the removal of the listing).  | 105,000                               | 215,000                               | 0   |
| 010 | Executive Director (Douglas Hendry) | Commercial Services         | Rothsey Pavilion Essential Repairs  | 306,400         |                 |                               |                             | 306,400           | 0                               | 306,400                          | 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.   | 0                                     | 0                                     | 306,400   |
| 011 | Executive Director (Douglas Hendry) | Commercial Services         | Estates - NDR Revolution Appeals  | 84,688          |                 |                               |                             | 84,688            | 0                               | 84,688                           | The Council agreed to make provision to meet the cost of appealing Non Domestic Rates (NDR) evaluations which were imposed from 1st April 2017. The remaining funds were carried forward to the 2023 revaluation cycle however a recent change in position by the Scottish Government may restrict the appeals which can be made. This is still under discussion and Gerald Eve Surveyors have been appointed as specialist advisers on this matter. In the event that appeals are limited there may be an opportunity to utilise Gerald Eve for more general valuation advice subject to Procurement approval.   | 0                                     | 84,688                                | 0   |

| Ref | Department                           | Service                       | Description  | Opening Balance | Budget Drawdown | Released back to General Fund | New earmarking during 22/23 | Remaining Balance | Still to be drawn down in 22-23 | Planned to spend in future years | Plans for Use  | Amount Planned to be Spent in 2023-24 onwards | Amount Planned to be Spent in 2023-24 |
|-----|--------------------------------------|-------------------------------|--|-----------------|-----------------|-------------------------------|-----------------------------|-------------------|---------------------------------|----------------------------------|--|---|---------------------------------------|
| 012 | Executive Director (Douglas Herndy)  | Commercial Services           | Site Investigation Works   | 21,013          |                 |                               |                             | 21,013            | 21,013                          | 0                                | For Site Investigation works in relation to Tweeddale Street Car Park and Oban Airport Business Park, exploring commercial opportunities to develop the sites and raise revenue income for Argyll and Bute Council. HUB North were instructed to procure contractors to undertake the site investigations these are now complete. The remainder of the budget is intended to be utilised for other site investigation and pre-development works to further develop commercial opportunities across the council area. | 21,013  | 0                                     |
| 013 | Executive Director (Douglas Herndy)  | Commercial Services           | Catering and Cleaning Restructure Costs                                  | 17,000          | 17,000          |                               |                             | 0                 | 0                               | 0                                | To support the catering and cleaning team restructure  | 17,000  | 0                                     |
| 014 | Executive Director (Douglas Herndy)  | Education                     | Education Transformation Fund  | 187,526         | 40,852          |                               |                             | 146,674           | 0                               | 146,674                          | At the Council meeting on 27 February 2020, it was agreed to input £400k into Education Digital Learning. The additional funds have been spent in 20/21, 21/22 and 22/23 as part of the ongoing transformation work in the Education service, focussing on digital and virtual learning technology and the development of learning clusters. This will continue into 2023/24.  | 40,852  | 146,674                               |
| 015 | Executive Director (Douglas Herndy)  | Education                     | Education Learning Estate Condition Surveys                              | 77,440          | 46,853          |                               |                             | 30,587            | 30,587                          | 0                                | To fund the delivery of School Core Facts (SCF) compliant Condition Surveys for prioritised School Buildings.  | 77,440  | 0                                     |
| 016 | Executive Director (Douglas Herndy)  | Education                     | Skype for Business for Education / Digital Projects (Skype for Business) | 10,000          |                 |                               |                             | 10,000            | 10,000                          | 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. A balance has been released back to the general fund because the rollout project is almost complete with only £0.01m expected spend in 22/23.   | 10,000  | 0                                     |
| 017 | Executive Director (Douglas Herndy)  | Legal and Regulatory Services | Education Purchasing Officers  | 210,000         |                 |                               |                             | 210,000           | 0                               | 210,000                          | The earmarked funds will be used to fund an education purchasing team within the Procurement Service for two years. The team will embed good procurement practice, train headteachers on current procurement process requirements, develop spend plans that evidence best value.   | 0   | 105,000                               |
| 018 | Executive Director (Douglas Herndy)  | Legal and Regulatory Services | NDR - One off contribution to 22/23 Budget                               | 200,000         | 200,000         |                               |                             | 0                 | 0                               | 0                                | To fund one off operational saving CS04 agreed for the 2022/23 budget.   | 200,000                                       | 0                                     |
| 019 | Executive Director (Douglas Herndy)  | Legal and Regulatory Services | NPDO Schools Contract  | 166,000         | 166,000         |                               |                             | 0                 | 0                               | 0                                | To fund one off operational saving LRS01 agreed for the 2022/23 budget   | 166,000                                       | 0                                     |
| 020 | Executive Director (Douglas Herndy)  | Legal and Regulatory Services | Transformation Agenda QIO  | 100,259         | 74,274          |                               |                             | 25,985            | 0                               | 25,985                           | Ongoing funding for the QIO post to lead the implementation of the service transformation programme. The QIO will assist the Executive Director to deliver the Council's transformation agenda by developing, analysing and monitoring initiatives and projects which deliver the vision, values and strategic objectives of the Council.  | 74,274  | 25,985                                |
| 021 | Executive Director (Douglas Herndy)  | Legal and Regulatory Services | Digital Projects: Hybrid Council meetings                                | 55,000          |                 |                               |                             | 55,000            | 30,000                          | 25,000                           | Per paper agreed at SMT October 2021 - allocation from Digital Projects (General Provision to be allocated). To fund the costs of livestreaming of Council meetings.   | 30,000  | 25,000                                |
| 022 | Executive Director (Douglas Herndy)  | Legal and Regulatory Services | Councillor IT Equipment  | 65,000          |                 |                               |                             | 65,000            | 25,000                          | 40,000                           | To meet the cost of provision of IT equipment for all new Elected Members as a result of the Local Government Election in May 2022.  | 25,000  | 15,000                                |
| 023 | Executive Director (Douglas Herndy)  | Legal and Regulatory Services | Debt Counselling & Welfare Rights  | 27,025          |                 |                               |                             | 27,025            | 5,573                           | 21,452                           | To meet the cost of a Debt Counselling and Welfare Rights Management System.   | 5,573   | 15,487                                |
| 024 | Executive Director (Douglas Herndy)  | Legal and Regulatory Services | Community Safety Partnership   | 16,000          |                 |                               |                             | 16,000            | 0                               | 16,000                           | To earmark the Community Safety Partnership funding received for 2021/22 to be used for Community Safety Partnership purposes. These monies will be spent on future Community safety requirements - most likely to be additional CCTV spend as required - likely to be amalgamated with DTE in future.   | 0   | 16,000                                |
| 025 | Executive Director (Kirsty Flanagan) | Customer Support Services     | Microsoft 365  | 300,000         |                 |                               |                             | 300,000           | 0                               | 300,000                          | To be added to existing earmarked reserves to meet increasing MS365 licensing costs from 2022/23 onwards   | 0   | 300,000                               |
| 026 | Executive Director (Kirsty Flanagan) | Customer Support Services     | Growing our Own and Modern Apprentices                                   | 109,150         |                 |                               |                             | 109,150           | 95,790                          | 13,360                           | Funding earmarked to support trainee development and modern apprenticeship opportunities based on priority workforce risk areas. These areas have been identified and proposals developed. £95,790 to be spent in 22/23 and £13,360 to be spent in 23/24 to fund a graduate trainee and 3 apprentices to deliver trainee development and modern apprenticeship opportunities   | 95,790  | 13,360                                |



| Ref | Department                           | Service                         | Description                             | Opening Balance | Budget Drawdown | Released back to General Fund | New earmarking during 22/23 | Remaining Balance | Still to be drawn down in 22-23 | Planned to spend in future years | Plans for Use  | Amount Planned to be Spent in 2022-23 | Amount Planned to be Spent in 2023-24 | Amount Planned to be Spent from 2023-24 onwards |
|-----|--------------------------------------|---------------------------------|---|-----------------|-----------------|-------------------------------|-----------------------------|-------------------|---------------------------------|----------------------------------|--|---------------------------------------|---------------------------------------|---|
| 027 | Executive Director (Kirsty Flanagan) | Customer Support Services       | Security Operations Centre Subscription | 76,455          |                 |                               |                             | 76,455            | 0                               | 76,455                           | There is a requirement to pay for a 3-year subscription at €60,000 per annum with a cost pressure being added to the ICT revenue budget to cover the costs from year 4 onwards. There is unallocated funding of €1,03,545 from the earmarking (172) created at 2020/21 year end for "Digital Projects" combined with this earmarking to cover these costs for 3 years.   | 16,655                                | 60,000                                |   |
| 028 | Executive Director (Kirsty Flanagan) | Customer Support Services       | Learning and Development                | 36,508          |                 |                               |                             | 36,508            | 36,508                          | 0                                | In order to maximise the opportunities and efficiencies of digital learning, this funding will be used to support the extension of digital learning in order to deliver the Digital Learning Strategy, which was approved in HQ 20/21.   | 36,508                                | 0                                     | 0   |
| 029 | Executive Director (Kirsty Flanagan) | Customer Support Services       | Implementation of Gaelic Language Plan  | 30,000          |                 |                               |                             | 30,000            | 0                               | 30,000                           | Agreed at Council Meeting February 2021. Provision of funding for delivery and implementation of the council's Gaelic Language Plan in recognition of the contribution that Gaelic makes to economic growth and to the tourism sector, and to enable delivery of key activities within the plan which currently receive no revenue funding.  | 0                                     | 30,000                                | 0   |
| 030 | Executive Director (Kirsty Flanagan) | Customer Support Services       | Establishing HR Service Centre          | 30,000          |                 |                               |                             | 30,000            | 18,000                          | 12,000                           | To facilitate the implementation of technical efficiency improvements and new processes  | 18,000                                | 12,000                                | 0   |
| 031 | Executive Director (Kirsty Flanagan) | Customer Support Services       | Business Development Training           | 27,601          |                 |                               |                             | 27,601            | 1,000                           | 26,601                           | This budget is funding ongoing leadership development, coaching, action learning sets and commissioned training including Priority Management.   | 1,000                                 | 26,601                                | 0   |
| 032 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | Oban TIF (Tax Incremental Financing)    | 709,700         |                 |                               |                             | 709,700           | 60,000                          | 649,700                          | Will be used to fund the TIF Programme office for a further 3 years as well as the programme office for Rural Growth Deal beyond the funding that was agreed at Council for this in February 2021.   | 60,000                                | 116,000                               | 533,700   |
| 033 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | Strategic Events & Festivals            | 115,764         |                 |                               |                             | 115,764           | 35,000                          | 80,764                           | At the Council meeting on 25 February 21, a decision was taken to agree €90k funding for Events and Festivals for 22/23, in order that the application process can commence during 21/22 and that this agreed figure be augmented by any underspend remaining from the 20/21 financial year. At 24 February 22, decision made to agree €90k for 23/24, in order that the application process can commence during 22/23, and that this agreed figure be augmented by any underspend remaining from the 21/22 financial year | 35,000                                | 80,764                                | 0   |
| 034 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | Island Post                             | 50,461          |                 |                               |                             | 50,461            | 0                               | 50,461                           | To fund a temporary post at LGE11 to assist with the National Islands Plan Implementation Route Map 2020-2025.   | 0                                     | 50,461                                | 0   |
| 035 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | Royal National Mod                      | 40,000          |                 |                               |                             | 40,000            | 20,000                          | 20,000                           | 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                                | 0   |
| 036 | Executive Director (Kirsty Flanagan) | Roads & Infrastructure          | Waste Variation Monies                  | 1,492,997       |                 |                               |                             | 1,492,997         | 0                               | 1,492,997                        | This would be used to fund/part-fund various waste infrastructure projects that will support the council's compliance with the 2025 ban on the Landfill of Biodegradable Municipal Waste, including the development of landfill cell construction works at Garbreck. €60k for Capital works on Garbreck completed in 2022/23, reserve will be drawn down for this in 2023/24.  | 0                                     | 1,066,000                             | 426,997   |
| 037 | Executive Director (Kirsty Flanagan) | Roads & Infrastructure          | Climate Change                          | 500,000         |                 |                               |                             | 500,000           | 500,000                         | 0                                | At the Council meeting on 27 February 20, it was agreed to input €500k budget to mitigate the impacts of weather related damage and climate change with specific emphasis on gully cleaning and drainage improvements. Spend has been delayed due to COVID and the intention is to spend the funds on 2 Gully Motors plus staff over next 2 years. Vehicles have been received and budget will be drawn down to cover their cost. The remaining budget will be used towards running the vehicles.                          | 500,000                               |                                       | 0   |
| 038 | Executive Director (Kirsty Flanagan) | Roads & Infrastructure          | 3G pitches / Tarbert Sports Pitches     | 427,286         | 44,660          |                               |                             | 382,626           | 5,340                           | 377,286                          | 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. Final draw down for 22/23 will be done closer to year end once final costs are confirmed.   | 50,000                                | 90,000                                | 287,286   |
| 039 | Executive Director (Kirsty Flanagan) | Roads & Infrastructure          | Green Transport Initiatives             | 400,000         |                 |                               |                             | 400,000           | 260,000                         | 140,000                          | At the Council meeting on 27 February 20, it was agreed to input €400k in Green transport, investment in footway and cycle path maintenance supporting the healthy wellbeing and green agenda. Spend has been delayed due to COVID and this will be taken forward in 23/24. £260k Footways Reconstruction programme now spent and will be drawn down against capital programme during 23/24. £140k Ardriaisigh North Project will be spent in 22/23 and drawn down in 23/24.   | 260,000                               | 140,000                               | 0   |
| 040 | Executive Director (Kirsty Flanagan) | Roads & Infrastructure          | Waste Strategy                          | 363,000         | 56,070          |                               |                             | 306,930           | 49,211                          | 257,719                          | To fund/part-fund various waste projects that will support the council's compliance with the 2025 ban on the Landfill of Biodegradable Municipal Waste. Final draw down in 22/23 for Welfare Units at Waste Disposal sites on Mull and Tree and Shed Improvements on Tree once final invoices are received.  | 105,281                               | 129,000                               | 128,719   |
| 041 | Executive Director (Kirsty Flanagan) | Roads & Infrastructure          | Waste Management                        | 256,753         | 10,040          |                               |                             | 246,713           | 19,960                          | 226,753                          | 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 at Heleensburg. Consultancy fees and ground investigation works in 22/23 to be drawn down once final invoices are received.   | 30,000                                | 135,000                               | 91,753  |

| Ref | Department  | Service   | Description  | Opening Balance | Budget Drawdown | Released back to General Fund | New earmarking during 22/23 | Remaining Balance | Still to be drawn down in 22-23 | Planned to spend in future years | Plans for Use   | Amount Planned to be Spent in 2022-23 | Amount Planned to be Spent in 2023-24 | Amount Planned to be Spent from 2023-24 onwards |
|-----|---|---|--|-----------------|-----------------|-------------------------------|-----------------------------|-------------------|---------------------------------|----------------------------------|---|---------------------------------------|---------------------------------------|---|
| 042 | Executive Director (Kirsty Flanagan)                    | Roads & Infrastructure  | Replacement Signage and Bins                                   | 135,366         |                 |                               |                             | 135,366           | 135,366                         | 0                                | Replacing key road signage. This will help to reduce future budget pressures for replacement of signs and would also help to enhance the streetscape and general appearance of the area. The bulk of Road signs have been delivered and installation is now in progress and will be completed during 2022/23.   | 135,366                               | 0                                     | 0   |
| 043 | Executive Director (Kirsty Flanagan)                    | Roads & Infrastructure  | Kintyre Recycling Redundancy Costs                             | 36,000          | 19,588          | 16,412                        |                             | 0                 | 0                               | 0                                | To fund redundancy costs associated with Kintyre Recycling.   | 19,588                                | 0                                     | 0   |
| 044 | Executive Director (Kirsty Flanagan)                    | Roads & Infrastructure  | Amenity Services introduction of management information system | 28,099          |                 |                               |                             | 28,099            | 0                               | 28,099                           | Delay with introduction of amenity time recording system due to increased costs. Discussions ongoing to find alternative cheaper solution.  | 0                                     | 28,099                                | 0   |
| 045 | Non Departmental  | Non Departmental  | Underwriting development of Robtessay Pavilion                 | 1,000,000       |                 |                               |                             | 1,000,000         | 0                               | 1,000,000                        | Funding to meet additional costs identified as necessary for the refurbishment of Robtessay Pavilion.   | 0                                     | 0                                     | 1,000,000                                       |
| 046 | Non Departmental  | Non Departmental  | Loans Fund   | 385,279         |                 |                               |                             | 385,279           | 0                               | 385,279                          | At the Council Budget meeting on 24 February 2022, Saving F501, a Loans Fund Management/Operational saving for 22/23 budget of £6,500m was agreed with at least £0.200m to come from underspends in 21/22. The underspend position for 21/22 is £0.38m and this earmarking is being released as a saving to help bridge the 2023/24 budget gap.   | 0                                     | 385,279                               | 0   |
| 047 | Non Departmental  | Non Departmental  | Utilities  | 283,000         |                 |                               |                             | 283,000           | 283,000                         | 0                                | To contribute towards the expected adverse impact on the 2022/23 budget of utility costs inflation as per Budget Pack. Funding will be drawn down by the end of March 2023.   | 283,000                               | 0                                     | 0   |
| 048 | Non Departmental  | Non Departmental  | Digital Projects (General Provision to be allocated)           | 103,545         |                 |                               |                             | 103,545           | 60,000                          | 43,545                           | It has been agreed to use the balance of this earmarking towards the Security Operations Centre Subscription unspent budget request - per Appendix 2.1. This sum plus earmarked reserve (85) combine to £1,80k and will cover the subscription for 3 years 22/23 / 23/24 / 24-25  | 60,000                                | 43,545                                | 0   |
| 049 | 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  |
| 050 | Non Departmental / Chief Executive's Unit               | Across Services / Information Management (Balance of Funding) | Information Management (Balance of Funding)                    | 209,844         |                 |                               |                             | 209,844           | 0                               | 209,844                          | 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 £12.2k, 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   | 0                                     | 0                                     | 209,844   |
| 051 | Non Departmental / Executive Director (Douglas Hendry)  | Across Services / Commercial Services                         | Information Management (Estates Survey Work)                   | 12,697          |                 |                               |                             | 12,697            | 0                               | 12,697                           | 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 £12.2k, 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   | 0                                     | 12,697                                | 0   |
| 052 | Non Departmental / Executive Director (Douglas Hendry)  | Across Services / Legal and Regulatory Services               | Information Management (Digitalisation 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 £12.2k, 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                                     | 92,000                                | 0   |
| 053 | Non Departmental / Executive Director (Kirsty Flanagan) | Across Services / Customer Support Services                   | Digital Projects (Digital Customer Engagement Projects)        | 73,000          |                 |                               |                             | 73,000            | 73,000                          | 0                                | To deliver a number of Digital Service Transformation Projects, specifically Customer Engagement. These include £25.5k for an upgrade to contact centre systems (Converse), £9.7k for a voice chatbot pilot, £15k for Alexa smart speaker services, £22.8k for Proactive Notification Service (Elouqua). All of these have been implemented in 2022/23 and will be drawn down in January.   | 73,000                                | 0                                     | 0   |
| 054 | Non Departmental / Executive Director (Kirsty Flanagan) | Across Services / Customer Support Services                   | Digital Projects (Increase in Schools Bandwidth)               | 63,455          |                 |                               |                             | 63,455            | 0                               | 63,455                           | To deliver a number of Digital Service Transformation Projects, specifically in Education and Customer Support Services, but also to reserve a further amount to support priority digital transformation projects identified in Departmental ICT programmes, that have not yet started due to resource constraints. The specific projects include: Supply Staff Booking System £0.035m, Skype for Business (for Education) £0.030m, Enhancing Curriculum Choice and Equity of Provision £0.080m, Digital Customer Engagement Developments £0.073m, Replacement of Learning Management System £0.030m, Increase in Schools Bandwidth £0.063m and a general provision still to be allocated £0.189m | 0                                     | 63,455                                | 0   |

| Ref | Department  | Service   | Description   | Opening Balance | Budget Drawdown | Released back to General Fund | New earmarking during 22-23 | Remaining Balance | Still to be drawn down in 22-23 | Planned to spend in future years | Plans for Use   | Amount Planned to be Spent in 2022-23 | Amount Planned to be Spent in 2023-24 | Amount Planned to be Spent from 2023-24 onwards |
|-----|---|---|---|-----------------|-----------------|-------------------------------|-----------------------------|-------------------|---------------------------------|----------------------------------|---|---------------------------------------|---------------------------------------|---|
| 055 | Non Departmental / Executive Director (Kirsty Flanagan) | Across Services / Customer Support Services       | Digital Projects (Replacement Learning Management System)   | 11,470          |                 |                               |                             | 11,470            | 11,470                          | 0                                | To deliver a number of Digital Service Transformation Projects, specifically in Education and Customer Support Services, but also to reserve a further amount to support priority digital transformation projects identified in Departmental ICT programmes, that have not yet started due to resource constraints. The specific projects include: Supply Staff Booking System £0.035m, Skype for Business (for Education) £0.030m, Enhancing Curriculum Choice and Equity of Provision £0.080m, Digital Customer Engagement Developments £0.073m, Replacement of Learning Management System £0.030m, Increase in Schools Bandwidth £0.063m and a general provision still to be allocated £0.189m | 11,470                                | 0                                     | 0   |
| 056 | 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) | 57,491          | 36,314          |                               |                             | 21,177            | 0                               | 21,177                           | 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 £12.2k, 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   | 36,314                                | 21,177                                | 0   |
|     |   |   |   | 10,458,034      | 869,704         | 16,412                        | 0                           | 9,572,818         | 2,033,656                       | 7,539,462                        |   | 2,903,360                             | 3,932,364                             | 3,606,798                                       |

## APPENDIX 2

COVID  
As at 31 December 2022

| Ref | Department             | Service            | Description   | Opening Balance | Budget Drawdown | Released back to General Fund | New earmarking during 22-23 | Remaining Balance | Still to be drawdown in 22-23 | Planned to spend in future years | Plans for Use   | Amount Planned to be Spent in 2022-23 | Amount Planned to be Spent in 2023-24 | Amount Planned to be Spent from 2023-24 onwards |
|-----|------------------------|--------------------|---|-----------------|-----------------|-------------------------------|-----------------------------|-------------------|-------------------------------|----------------------------------|---|---------------------------------------|---------------------------------------|---|
| 001 | Chief Executive's Unit | Community Planning | Community Planning - temp post to support communities | 55,000          |                 |                               |                             | 55,000            | 55,000                        | 0                                | As agreed at Policy & Resources committee on 9 December 2021, allocation of £0,055m to a post to support the economic and social recovery together with the building back stronger themes.  | 55,000                                | 0                                     | 0   |
| 002 | Chief Executive's Unit | Community Planning | COVID-19 - Test and Protect Support                   | 44,047          | 0               |                               |                             | 44,047            | 44,047                        | 0                                | Funding provided in relation to the Local Self-Isolation Assistance Service. The Community Planning and Development Team will work with community groups to support their community response and resiliency to Test and Protect and the longer term impacts of COVID-19 on local community organisations.   | 44,047                                | 0                                     | 0   |
| 003 | Chief Executive's Unit | Financial Services | LACER Fund  | 797,720         | 797,720         |                               |                             | 0                 | 0                             | 0                                | The Council meeting on 28 April 2022, it was agreed that Local Authority Covid Economic Recovery (LACER) Funding is to be used to distribute Scotland Loves Local cards to CTR recipients. This will take place in June 2022 giving Economic Development time to encourage the Co-op to sign up to accept the cards. Actual spend on this fund is £841,317, the overspent balance will be funded from a combination of the Recovery and Renewal Fund (£36,713 as agreed at P+R Committee in December 2022) and Benefits earmarking 008 (£6,884).  | 797,720                               | 0                                     | 0   |
| 004 | Chief Executive's Unit | Financial Services | Housing Benefits Private                              | 231,027         |                 |                               |                             | 231,027           | 84,884                        | 146,143                          | Specific funding allocation for Housing Benefit including DHP. Funds will be used to continue to support vulnerable people initially financially affected by the COVID-19 outbreak but now facing the cost of living crisis to sustain their tenancies. There is a projected overspend of £133,000 in SWF fund for 22/23 and it is expected that this pressure will continue into 23/24. £55,000 will be taken from earmarking ref 012 and £78,000 from this earmarking to cover the projected SWF overspend in 22/23. In addition £6,884 of funds will be used to offset the overspend on the Scotland Loves Local Cards in the LACER fund (earmarking ref 007). The remaining £109,430 will be used to support DHP/SWF spend in 23/24.  | 84,884                                | 146,143                               | 0   |
| 005 | Chief Executive's Unit | Financial Services | Flexible Food Fund                                    | 510,573         | 224,164         |                               |                             | 286,409           | 92,792                        | 193,617                          | Financial Insecurity funding from Scottish Government routed into the Argyll and Bute Flexible Food and Fuel Fund (ABEFF) is aimed at tackling financial insecurity for adults and families across Argyll and Bute. Working in partnership with the Community Food Forum, Bute Advice Centre and Allenergy, households with low incomes and no access to cash savings can apply for immediate financial support. The Fund helps support daily living expenses. In the period from 10 January 2021 to 30 November 2022, client gain in extra benefits income for families was £2.25 million with 1,550 families had been supported. The project has been extended to 31 March 2025 with funding coming from the UK Shared Prosperity Fund and this earmarking to support it. It is proposed that underpends from the Flexible Funding for Supporting People at tier 4 COVID will be used to support this project over the next two years to cover a funding gap of £50,000. The Scottish Government have provided this funding and have endorsed this award winning project promoting it as part of the solution to end the need for foodbanks nationally. | 316,956                               | 108,000                               | 85,617  |

| Ref | Department                          | Service            | Description   | Opening Balance | Budget Drawdown | Released back to General Fund | New earmarking during 22-23 | Remaining Balance | Still to be drawdown in 22-23 | Planned to spend in future years | Plans for Use  | Amount Planned to be Spent in 2023-24 | Amount Planned to be Spent from 2023-24 onwards |
|-----|-------------------------------------|--------------------|---|-----------------|-----------------|-------------------------------|-----------------------------|-------------------|-------------------------------|----------------------------------|--|---------------------------------------|---|
| 006 | Chief Executive's Unit              | Financial Services | Flexible Funding for Supporting People while at Tier 4 COVID  | 167,983         | 65,537          |                               |                             | 102,446           | 37,446                        | 65,000                           | Funding from SG to strengthen local authority responses to meet emerging needs and support people in their communities struggling with the restrictions and guidance at all protection levels re COVID, particularly those at risk through health and social inequalities. This support could cover the same types of support. In June 2021 the Council agreed to support 20 projects led by a range of Council officers, officers from the HSCP and members of the third sector to deliver wide ranging support across our region. Projects will come to a conclusion on 31 March 2023 with the exception of one HSCP project which will spend its remaining £15,000 in 23/24. Projected underspend is £65,000 in total. A report will be presented to ELT after yearend giving them a full update on the use of the funds and recommending that the remaining balance of £50,000 be transferred to the earmarked reserve supporting the Argyll and Bute Flexible Food and Fuel Fund through to 31 March 2025 (earmarking ref 009). SG has indicated that they support this project and the use of funds. | 65,000                                | 0   |
| 007 | Chief Executive's Unit              | Financial Services | Self Isolated Support Grant   | 16,000          |                 |                               |                             | 16,000            | 1,000                         | 15,000                           | Unspent admin funding for processing Self Isolation Support Grants. Only £1,000 required in 2022/2023. Scheme now closed, balance of funding should be added to the Scottish Welfare Fund earmarking ref 012 to support vulnerable customers affected by the Cost of Living Crisis with Crisis Grants  | 15,000                                | 0   |
| 008 | Chief Executive's Unit              | Financial Services | Test and Protect Extension  | 9,929           |                 |                               |                             | 9,929             | 9,929                         | 0                                | Funding provided in relation to the Local Self-isolation Assistance Service. This has been used to support the recruitment of 0.5 FTE LGE6 temp post to assist with call volumes in the Scottish Welfare Fund team in 2022/23 - reserve will be drawn down by year end.  | 0                                     | 0   |
| 009 | Executive Director (Douglas Hendry) | Education          | Logistics Funding - Safe Opening of Schools   | 940,605         | 98,089          |                               |                             | 842,516           | 108,911                       | 733,605                          | Scottish Government funding to ensure the safe opening and operation of schools. Includes transport, PPE, cleaning, ventilation and expansion of estate. It is likely that any unused balances would have to be returned to the Scottish Government.   | 733,605                               | 0   |
| 010 | Executive Director (Douglas Hendry) | Education          | Additional Teaching/Support in Schools/Digital Devices/Family Home Learning Support Fund - £45m Grant | 488,310         | 488,310         |                               |                             | 0                 | 0                             | 0                                | Continuation of funding for additional staffing, teachers, support staff, additional devices for pupils and additional family/home learning programmes.  | 0                                     | 0   |
| 011 | Executive Director (Douglas Hendry) | Education          | COVID 19 - Education Recovery - Additional Staff in School and ELC settings                           | 373,346         | 373,346         |                               |                             | 0                 | 0                             | 0                                | To employ a variety of school staff to meet the needs of children and young people in their local areas and ensure that levels of teaching and support staff in schools can be maintained. Funding will also be used to support the transition from ELC to primary school.   | 0                                     | 0   |
| 012 | Executive Director (Douglas Hendry) | Education          | Education to Support Young People   | 321,816         | 178,310         |                               |                             | 143,506           | 0                             | 143,506                          | As agreed at the Council Meeting on 25 February 2021, with an original allocation of £0.600m. Agrees to fund a package of measures to boost the wellbeing and build back the resilience of young people, in particular those most vulnerable, following the Covid-19 pandemic, including counselling and increased provision of childcare for children under three. Notes that the Scottish Government is yet to confirm details of funding for similar initiatives and, should our investment in children's wellbeing qualify for this funding, the balance will be re-allocated to the Recovery and Renewal Fund.  | 87,307                                | 56,199  |
| 013 | Executive Director (Douglas Hendry) | Education          | Recruitment of Additional Teachers and Support Staff in Schools                                       | 136,715         | 136,715         |                               |                             | 0                 | 0                             | 0                                | Fund additional teachers and support staff.  | 0                                     | 0   |

| Ref | Department                           | Service                         | Description   | Opening Balance | Budget Drawdown | Released back to General Fund | New earmarking during 22-23 | Remaining Balance | Still to be drawdown in 22-23 | Planned to spend in future years | Plans for Use  | Amount Planned to be Spent in 2023-24 | Amount Planned to be Spent from 2023-24 onwards |
|-----|--------------------------------------|---------------------------------|---|-----------------|-----------------|-------------------------------|-----------------------------|-------------------|-------------------------------|----------------------------------|--|---------------------------------------|---|
| 014 | Executive Director (Douglas Hendry)  | Education                       | EDU - Community Mental Health and Wellbeing Support to Children and Young People - Pandemic Funding | 49,756          | 49,756          |                               |                             | 0                 | 0                             | 0                                | Scottish Government/COSLA initiative to support the work under the Children and Young People's Mental Health and Wellbeing Programme grant split in 2020/21 with £183,750 of the fund utilised by local collaborative partnerships for supporting children, families and carers through the pandemic. The Scottish Government has agreed for the balance to be spent in 2022/23.   | 49,756                                | 0   |
| 015 | Executive Director (Douglas Hendry)  | Legal and Regulatory Services   | Welfare Rights Support  | 172,000         |                 |                               |                             | 172,000           | 38,954                        | 133,046                          | As agreed at the Council Meeting on 25 February 2021 - an allocation of £0.172m. As part of our focus on Improving Opportunities for People and Communities, agrees to provide additional resources to proactively support people experiencing poverty and hardship, by investing in two additional Welfare Rights support staff for two years.  | 38,954                                | 55,138  |
| 016 | Executive Director (Douglas Hendry)  | Legal and Regulatory Services   | LACER Funding - Advice Services   | 130,000         | 130,000         |                               |                             | 0                 | 0                             | 0                                | Local Authority COVID Economic Recovery (LACER) Funding for Welfare Rights - All Energy, Bute Advice, Citizens Advice  | 130,000                               | 0   |
| 017 | Executive Director (Kirsty Flanagan) | Customer Support Services       | Self Isolated Support / Self Isolated Support Grant (HR)  | 115,000         |                 |                               |                             | 115,000           | 115,000                       | 0                                | These were monies that were provided by Scagov to fund additional overtime and resources for Shielding/Caring for People and Test and Protect activities, however efficient delivery practices in A&B meant that this was not required in 2020/21 or 2021/22. The funds are being used for a number of Customer Service and Business efficiency related projects including £68,000 will be used to fund a system and consultancy of RPA (robotic process automation) and application development. £49,750 will be drawn down in January. The remaining training and consultancy will hopefully be completed this year. £42,500 has been allocated to a full corporate website upgrade and renewal using specialist web resources. £30k of this will be drawn down in January and the rest on website launch in February. The remaining £4.5k is for the remaining milestones on the Digital Reception Project and will be drawn down in March. | 115,000                               | 0   |
| 018 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | Stavackation and Marketing Agyll and Bute   | 592,013         | 156,342         |                               |                             | 435,671           | 135,671                       | 300,000                          | As agreed at the Council Meeting on 25 February 2021 with an original allocation of £0.800m. This will include provision of additional waste disposal facilities and other facilities that will be informed by the Motorhome and Informal Camping Survey.  | 292,013                               | 300,000   |
| 019 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | Tackling Digital Exclusion Top-Up Fund  | 250,000         |                 |                               |                             | 250,000           | 40,000                        | 210,000                          | As agreed at the Council Meeting on 25 February 2021. Establishes the Tackling Digital Exclusion Top Up Fund to support communities and in some cases individuals that are missing out on national programmes due to logistics and economies of scale. While vouchers are available from the UK and Scottish Governments in some cases these do not cover the full cost of infrastructure builds. £40k anticipated spend by 31 March 2023.   | 40,000                                | 210,000   |
| 020 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | LACER Funding (Small Business Development Grant)  | 200,000         | 69,413          |                               |                             | 130,587           | 130,587                       | 0                                | Local Authority COVID Economic Recovery Fund grant. This funding will provide funding of between £500 and £5,000 to help existing micro and small businesses to improve their resilience or growth via projects to implement green initiatives, implement digital development, implement marketing improvements and improve efficiency/innovation. Fully committed and all payment should be made and draw down processed prior to 31 March 2023.  | 200,000                               | 0   |
| 021 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | LACER Funding (Sector Support Grant)  | 150,000         | 17,100          |                               |                             | 132,900           | 57,900                        | 75,000                           | Local Authority COVID Economic Recovery Fund grant. This will provide funding, either part of the small business development grant or standalone, to help micros and small business to implement projects that contribute to the sector as well as benefiting the business, for example: Tourism and hospitality, food and drink or retail. With option to provide additional business support to hard hit areas including Bute and Kintyre where unemployment remains higher than average - support via specialist advice, locally tailored grants to meet local priorities and targeted marketing activity.  | 75,000                                | 75,000  |

| Ref | Department                           | Service                         | Description   | Opening Balance | Budget Drawdown | Released back to General Fund | New earmarking during 22-23 | Remaining Balance | Still to be drawdown in 22-23 | Planned to spend in future years | Plans for Use  | Amount Planned to be Spent in 2023-24 | Amount Planned to be Spent from 2023-24 onwards |
|-----|--------------------------------------|---------------------------------|---|-----------------|-----------------|-------------------------------|-----------------------------|-------------------|-------------------------------|----------------------------------|--|---------------------------------------|---|
| 022 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | LACER Funding (New Enterprise Support Grant)                  | 120,000         | 45,000          |                               |                             | 75,000            | 65,000                        | 10,000                           | Local Authority COVID Economic Recovery Fund grant. This funding would provide £5,000 grants to help new businesses start up and establish. Fund fully committed, although there might be slight delay in getting all payments made and some may come out of 23-24.  | 110,000                               | 0   |
| 023 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | Stavcation Investment per budget pack February 22             | 100,000         |                 |                               |                             | 100,000           | 0                             | 100,000                          | As agreed at Council on 24 February 2022. Stavcation investment £0.100m. Agrees the 2021/22 £0.5m stavcation initiative with an additional investment of £100k, including support for community groups and partners in the provision of facilities which can support increasing stavcation visitor numbers during the 2022/23 and 2023/24 seasons.   | 0                                     | 0   |
| 024 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | Economic Development - temp post to support economic recovery | 55,000          |                 |                               |                             | 55,000            | 0                             | 55,000                           | As agreed at Policy & Resources committee on 9 December 2021, allocation of £0.055m to a post to support the economic and social recovery together with the building back stronger themes.   | 0                                     | 0   |
| 025 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | EH Covid Posts  | 41,145          |                 |                               |                             | 41,145            | 41,145                        | 0                                | Funding for 2 posts for 2 years. Recruitment unsuccessful, agency staff have been used instead. Draw down will be processed once final costs known at end of year.   | 41,145                                | 0   |
| 026 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | LACER Funding (Shop Local)                                    | 40,000          |                 |                               |                             | 40,000            | 15,000                        | 25,000                           | Local Authority COVID Economic Recovery Fund grant. This funding would provide funding to continue the Shop Local scheme into 2022/23 and 2023/24, buying additional cards and allow the cards to gather momentum and support local businesses.  | 15,000                                | 0   |
| 027 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | Tenant Hardship Fund  | 30,000          | 30,000          |                               |                             | 0                 | 0                             | 0                                | Grant received from Scottish Government to support tenants suffering hardship due to COVID-19. Claims have been made and Housing are in the process of paying these out and all claims will be settled during 2022/23.   | 30,000                                | 0   |
| 028 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | LACER Funding (Gypsy Travellers)                              | 10,000          |                 |                               |                             | 10,000            | 5,500                         | 4,500                            | Local Authority COVID Economic Recovery Fund grant. This funding would pay for MECOPP (Minority Ethnic Carers of People Project) to engage with the Gypsy Travellers community on the important subject of the cost of living increases, fuel poverty and the impact of factors such as their remote rural locations and the facilities available to them for everyday living have on their livelihoods. Claim for 2/23 awaited from ACHA, earmarking will be drawn down once received and paid.   | 5,500                                 | 4,500   |
| 029 | Non Departmental                     | Across Departments              | COVID Cost Pressures Beyond 2021/22                           | 370,000         | 77,000          |                               |                             | 293,000           | 293,000                       | 0                                | As agreed at the Council Meeting on 25 February 2021 (£2.5m) with the value reduced to £0.370m based on more up to date projections at year end 2021/22. Allocation of COVID funding to projected 22/23 Revenue Cost Pressures   | 370,000                               | 0   |
| 030 | Non Departmental                     | Non Departmental                | Recovery and Renewal Fund                                     | 1,547,000       |                 |                               |                             | 1,547,000         | 186,713                       | 1,360,287                        | As agreed at Council on 24 February 2022, Recovery and Renewal Fund £1,547m. This is provision for future recovery, regeneration and renewal, as well as any future pressures which may arise following the Covid-19 pandemic through a dedicated Recovery and Renewal Fund. Proposals for use of this fund to be brought forward by officers to the Policy and Resources Committee. To include in the first instance options for maximising Argyl and Bute's potential as a green, connected stavcation destination of choice, requesting that officers bring to the Environment, Development and Infrastructure Committee a report on use of external funding sources and other opportunities for improving the electric vehicle charging network. | 186,713                               | 1,360,287                                       |
| 031 | Non Departmental                     | Non Departmental                | Unallocated Admin Support Grant                               | 411,285         |                 |                               |                             | 0                 | 0                             | 0                                | Funding to support the delivery of the Business Grants to local businesses, partially used during 20/21 and 21/22. The unused balance to be returned to the General Fund in 2022/23.   | 0                                     | 0   |
| 032 | Non Departmental                     | Non Departmental                | Capital pressure  | 257,000         |                 |                               |                             | 257,000           | 0                             | 257,000                          | Pressure identified on the 2021 COSLA COVID costs spreadsheets - requires to be earmarked to be drawn down when required against the Capital Plan  | 0                                     | 0   |
| 033 | Non Departmental                     | Non Departmental                | Levelling up Fund bids per P&R February 22                    | 150,000         |                 |                               |                             | 150,000           | 150,000                       | 0                                | As agreed at Policy & Resources committee on 17 February 2022, an allocation of up to £0.150m to support Levelling Up Fund bids  | 150,000                               | 0   |

| Ref | Department       | Service          | Description                        | Opening Balance  | Budget Drawdown  | Released back to General Fund | New earmarking during 22-23 | Remaining Balance | Still to be drawdown in 22-23 | Planned to spend in future years | Plans for Use   | Amount Planned to be Spent in 2022-23 | Amount Planned to be Spent in 2023-24 | Amount Planned to be Spent from 2023-24 onwards |
|-----|------------------|------------------|------------------------------------|------------------|------------------|-------------------------------|-----------------------------|-------------------|-------------------------------|----------------------------------|---|---------------------------------------|---------------------------------------|---|
| 034 | Non Departmental | Non Departmental | CHARTS per budget pack February 22 | 75,000           | 50,000           |                               |                             | 25,000            | 25,000                        | 0                                | As agreed at Council on 24 February 2022, investment in CHARTS £0.075m. To support the organisation in delivering targeted support, in communities, to the culture, arts and heritage sector as part of its plans to contribute to overall economic recovery.   | 75,000                                | 0                                     | 0   |
| 035 | Non Departmental | Non Departmental | CHARTS                             | 7,000            | 7,000            |                               |                             | 0                 | 0                             | 0                                | As agreed at the Council Meeting on 25 February 2021. Allocation of COVID funding to CHARTS £0.067m, with the balance of £0.007m carried into 2022/23. The allocation was to ensure that Argyll and Bute's culture, heritage and arts sector can make a contribution to our overall recovery and renewal. | 7,000                                 | 0                                     | 0   |
|     |                  |                  |                                    | <b>8,965,270</b> | <b>2,993,802</b> | <b>411,285</b>                | <b>0</b>                    | <b>5,560,183</b>  | <b>1,733,479</b>              | <b>3,826,704</b>                 |   | <b>4,727,281</b>                      | <b>3,628,750</b>                      | <b>196,954</b>                                  |



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**ARGYLL AND BUTE COUNCIL****POLICY AND RESOURCES COMMITTEE****FINANCIAL SERVICES****16 FEBRUARY 2023**

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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 2023-24.
- 1.2 The draft Treasury Management Strategy Statement and Annual Investment Strategy will be presented to the:
- Policy and Resources Committee on 16 February 2023
  - Council on 23 February 2023
  - Audit and Scrutiny Committee on 16 March 2023
  - If required, Council on 27 April 2023, following recommendations from the Audit and Scrutiny Committee that need approval from Council.
- 1.3 The Council uses Link Treasury 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 2.6 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 external treasury management advisors. 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 During 2022-23 a decision was taken to repay three of our loans early to take advantage of a discount which was on offer. This has provided the Council with a one-off gain of £5.397m which will be transferred to the General Fund and can assist with budget pressures.

- 1.9 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.

- 1.10 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 Treasury Services in this respect as well as the Country and Sector limits.

- 1.11 There are a number of appendices in Section 5. Some of this information has been provided by the Council's external treasury management advisors.

## 2. RECOMMENDATIONS

- 2.1 It is recommended that Policy and Resources Committee refer to Council to:

- 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 2.7 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 the Council's external treasury management advisors.

### **3. IMPLICATIONS**

- 3.1 Policy – Sets the policy for borrowing and investment decisions.
- 3.2 Financial – 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 Climate Change – None.
- 3.7 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.
- 3.8 Customer Service - None.

**Kirsty Flanagan**  
**Executive Director/Section 95 Officer**  
**9 February 2023**

**Policy Lead for Finance and Commercial Services: Councillor Gary Mulvaney**

### **APPENDICES**

Appendix 1 – Treasury Management Strategy Statement and Annual Investment Strategy 2023-24

For further information please contact: Anne Blue, Head of Financial Services  
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**Treasury Management Strategy Statement  
and Annual Investment Strategy 2023-2024**

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## 1 INTRODUCTION (Key Considerations)

### 2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future TMSS/AIS reports and the risk management framework

CIPFA published the revised Codes on 20th December 2021 and has stated that revisions need to be included in the reporting framework from the 2023/24 financial year. This Authority, therefore, has to have regard to these Codes of Practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

### The revised Treasury Management Code requires all investments and investment income to be attributed to one of the following three purposes: -

#### Treasury management

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

#### Service delivery

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

#### Commercial return

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to an authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

### The revised Treasury Management Code will require an authority to implement the following: -

1. **Adopt a new liability benchmark treasury indicator** to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained;
2. **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;
3. **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year;
4. Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;
5. **Reporting to members is to be done quarterly**. Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations

from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the Authority's integrated revenue, capital and balance sheet monitoring;

6. **Environmental, social and governance (ESG)** issues to be addressed within an authority's treasury management policies and practices (TMP1).

**The main requirements of the Prudential Code relating to service and commercial investments are: -**

1. The risks associated with service and commercial investments should be proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services;
2. An authority must not borrow to invest for the primary purpose of commercial return;
3. It is not prudent for local authorities to make any investment or spending decision that will increase the CFR, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority, and where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose;
4. An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;
5. A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream;
6. Create new Investment Management Practices to manage risks associated with non-treasury investments, (similar to the current Treasury Management Practices).

**An authority's Annual Investment Strategy should include: -**

1. The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;
2. An assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services);
3. Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;
4. Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);
5. Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the authority's overall strategy);
6. State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return;

As this Treasury Management Strategy Statement and Annual Investment Strategy deals solely with treasury management investments, the categories of service delivery and commercial investments should be addressed as part of the Capital Strategy report.

However, as investments in commercial property have implications for cash balances managed by the treasury team, it will be for each authority to determine whether to add a high level summary of the impact that commercial investments have, or may have, if it is planned to liquidate such investments within the three year time horizon of this report, (or a longer time horizon if that is felt appropriate).



## 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.

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."*

Whilst any commercial initiatives or loans to third parties 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.

## 1.2 Treasury Management reporting

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
- An Annual 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 on 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 2021 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. The capital strategy was initially reported to members on 14 October 2021 and the decision taken that an updated strategy be presented to members in the early life of the new Council in 2022. During 2022 elected members were asked to set their priorities for the capital programme and an amended capital strategy has been prepared and will now go forward to full Council for approval.

### **1.3 Treasury Management Strategy for 2023/24**

The strategy for 2023/24 covers two main areas:

#### **Capital issues**

- the capital expenditure plans and the associated prudential indicators.
- the policy for statutory repayment of loans fund advances

#### **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, particularly Finance Circulars 5/2010 and 7/2016.

## 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).

Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.”

In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management’, which is available from the CIPFA website to download.

The training needs of treasury management officers are periodically reviewed.

A formal record of the training received by officers central to the Treasury function will be maintained. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained.

## 1.5 Treasury management consultants

The Council uses Link Treasury Services as its external treasury management consultants.

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 2023/24 – 2025/26

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 2023/24 budget setting.

The table below summarises the capital expenditure plans as outlined within the proposed capital plan 2023-26.

| Capital Expenditure<br>£'000                | 2021/22<br>Actual | 2022/23<br>Estimate | 2023/24<br>Estimate | 2024/25<br>Estimate | 2025/26<br>Estimate |
|---|-------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Executive Director - Douglas Hendry</b>  |                   |                     |                     |                     |                     |
| Education                                   | 7,798             | 7,155               | 6,970               | 2,226               | 2,219               |
| Facility Services - Shared Offices          | 819               | 2,929               | 2,492               | 428                 | 427                 |
| Major Projects/CHORD                        | 11,598            | 4,558               | 1,351               | 0                   | 0                   |
| <b>Executive Director - Kirsty Flanagan</b> |                   |                     |                     |                     |                     |
| ICT   | 1,538             | 1,289               | 1,258               | 771                 | 768                 |
| Roads and Infrastructure                    | 18,209            | 25,436              | 46,349              | 33,028              | 34,514              |
| Development and Economic Growth             | 2,690             | 4,282               | 1,274               | 0                   | 0                   |
| <b>Live Argyll</b>                          | 324               | 560                 | 1,106               | 428                 | 427                 |
| <b>Health and Social Care Partnership</b>   | 0                 | 628                 | 1,920               | 428                 | 427                 |
| <b>Total</b>                                | <b>42,976</b>     | <b>46,837</b>       | <b>62,720</b>       | <b>37,309</b>       | <b>38,782</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<br>£'000           | 2021/22<br>Actual | 2022/23<br>Estimate | 2023/24<br>Estimate | 2024/25<br>Estimate | 2025/26<br>Estimate |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total Capital Expenditure</b>       | 42,976            | 46,837              | 62,720              | 37,309              | 38,782              |
| <b>Financed by:</b>                    |                   |                     |                     |                     |                     |
| Capital Receipts                       | 835               | 500                 | 1,195               | 350                 | 400                 |
| Capital Grants                         | 21,700            | 17,180              | 16,822              | 9,277               | 9,129               |
| Capital Reserves                       | 0                 | 0                   | 0                   | 0                   | 0                   |
| Revenue                                | 735               | 21,402              | 1,593               | 1,331               | 0                   |
| <b>Net Financing need for the year</b> | <b>19,706</b>     | <b>7,755</b>        | <b>43,110</b>       | <b>26,351</b>       | <b>29,253</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 £116.7m of such schemes within the CFR.

The CFR projections are noted in the following table.

|   | 2021/22       | 2022/23        | 2023/24       | 2024/25       | 2025/26       |
|---|---------------|----------------|---------------|---------------|---------------|
| £'000                                   | Actual        | Estimate       | Estimate      | Estimate      | Estimate      |
| <b>Capital Financing Requirement</b>    |               |                |               |               |               |
| Opening CFR                             | 294,752       | 307,100        | 304,498       | 372,359       | 386,984       |
| Closing CFR                             | 307,100       | 304,498        | 372,359       | 386,984       | 403,919       |
| <b>Movement in CFR</b>                  | <b>12,348</b> | <b>(2,602)</b> | <b>67,861</b> | <b>14,625</b> | <b>16,935</b> |
| <b>Movement in CFR represented by</b>   |               |                |               |               |               |
|   | 2021/22       | 2022/23        | 2023/24       | 2024/25       | 2025/26       |
| £'000                                   | Actual        | Estimate       | Estimate      | Estimate      | Estimate      |
| Net financing need for the year (above) | 19,706        | 7,755          | 43,110        | 26,351        | 29,253        |
| Service Concessions Adjustment          |               |                | 36,038        | 0             | 0             |
| Less scheduled debt Amortisation        | 7,358         | 10,357         | 11,287        | 11,726        | 12,318        |
| <b>Movement in CFR</b>                  | <b>12,348</b> | <b>(2,602)</b> | <b>67,861</b> | <b>14,625</b> | <b>16,935</b> |

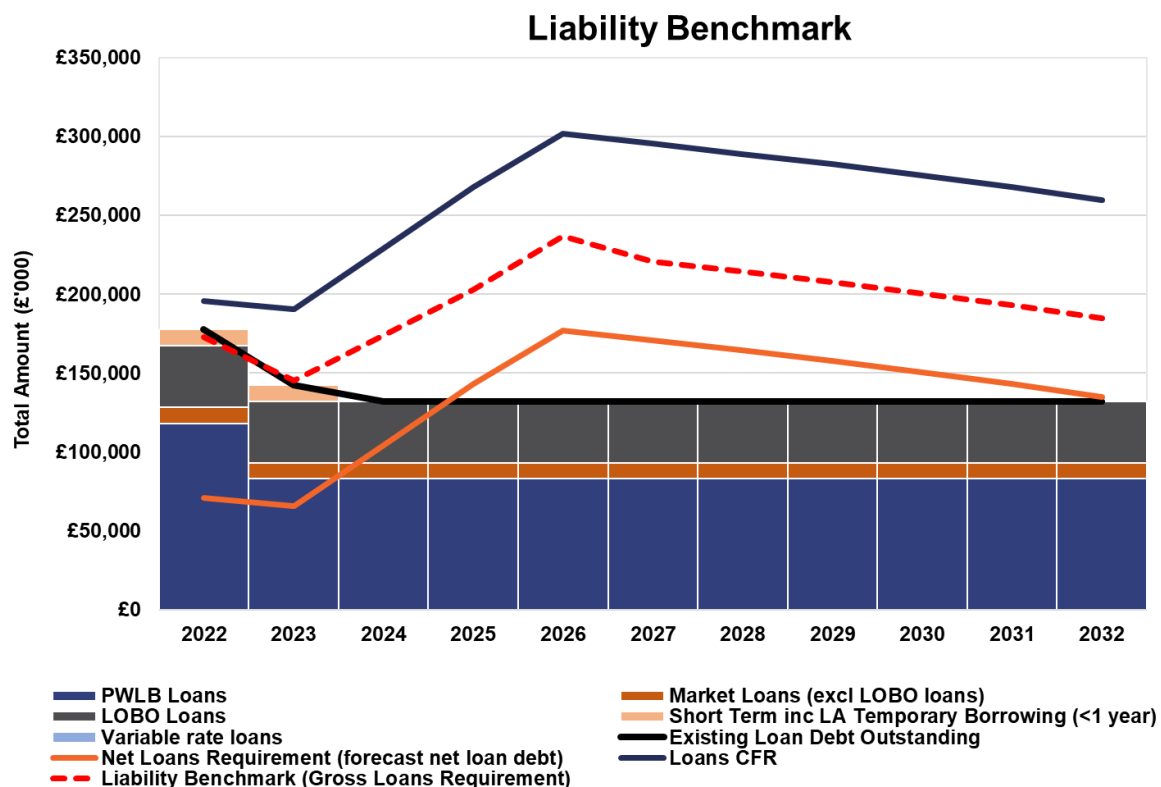
## 2.3 Liability Benchmark

A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

- 1 **Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years.
- 2 **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Loans Fund advances/Loans Fund principal repayments.
- 3 **Net loans requirement:** this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flows forecast.
- 4 **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.

The graph below shows the four components for the Council:



## 2.4 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   | 2021/22 | 2022/23  | 2023/24  | 2024/25  | 2025/26  |
|----------------------|---------|----------|----------|----------|----------|
| £'000                | Actual  | Estimate | Estimate | Estimate | Estimate |
| Expected Investments | 102,228 | 80,000   | 70,000   | 50,000   | 50,000   |

## 2.5 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<br>£'m | 2021/22<br>Actual | 2022/23<br>Actual | 2023/24<br>Estimate | 2024/25<br>Estimate | 2025/26<br>Estimate |
|-----------------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| Debt                        | 188               | 190               | 263                 | 278                 | 300                 |
| Other long term liabilities | 119               | 115               | 109                 | 110                 | 105                 |
| <b>Total</b>                | <b>307</b>        | <b>305</b>        | <b>372</b>          | <b>388</b>          | <b>405</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<br>£'m     | 2021/22<br>Actual | 2022/23<br>Actual | 2023/24<br>Estimate | 2024/25<br>Estimate | 2025/26<br>Estimate |
|-----------------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| Debt                        | 193               | 195               | 268                 | 283                 | 305                 |
| Other long term liabilities | 122               | 118               | 112                 | 113                 | 108                 |
| <b>Total</b>                | <b>315</b>        | <b>313</b>        | <b>380</b>          | <b>396</b>          | <b>413</b>          |

## 2.6 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 3.41%, however it is still considered prudent to use the average historic rate at this time.

## 2.7 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.

The table below details the repayment period that applies 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 2022 and at 31 December 2022 are shown below for both borrowing and investments.

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

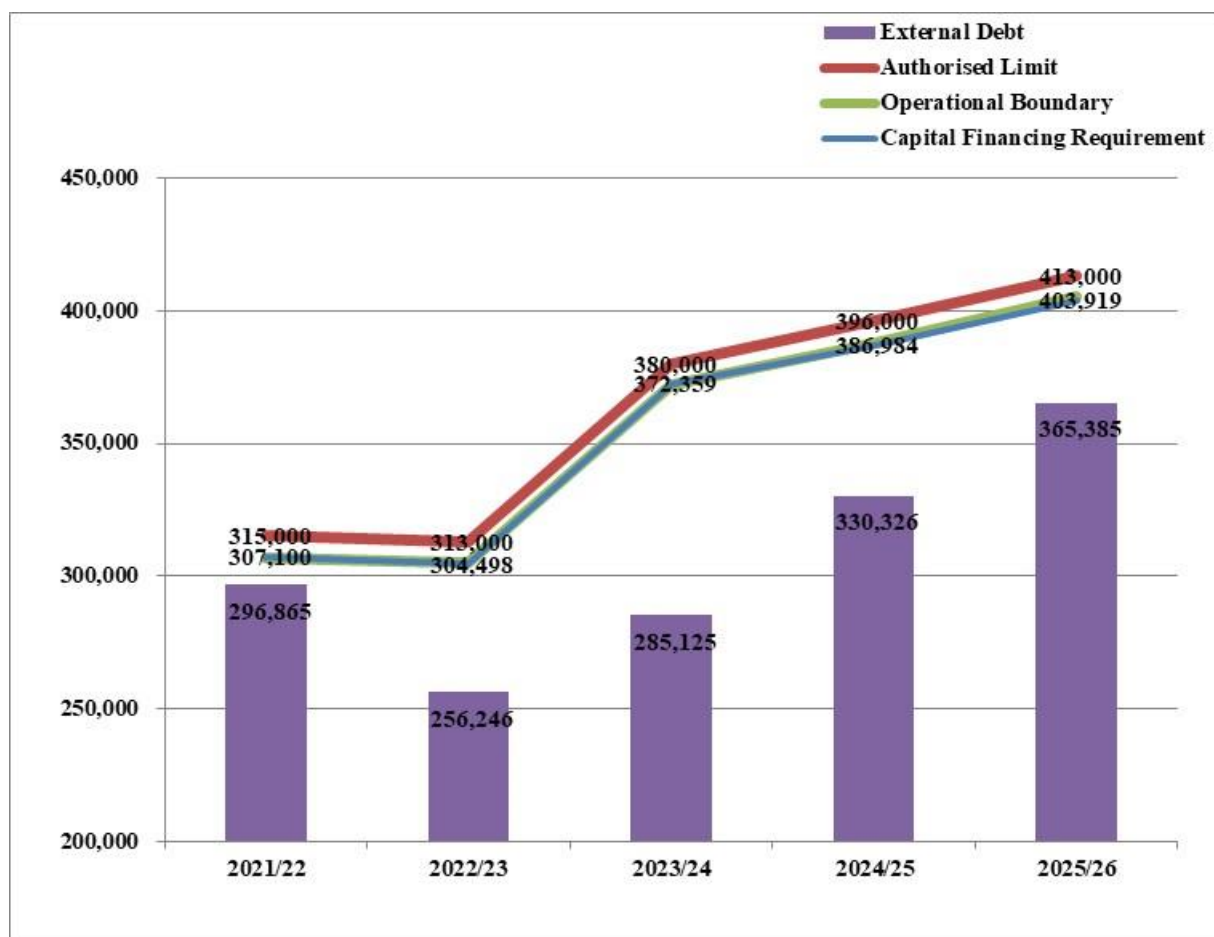
| <b>TREASURY PORTFOLIO</b>                     |                 |                |                 |                 |
|---|-----------------|----------------|-----------------|-----------------|
|   | Actual          | Actual         | Current         | Current         |
|   | <b>31.3.22</b>  | <b>31.3.22</b> | <b>31.12.22</b> | <b>31.12.22</b> |
|   | £000            | %              | £000            | %               |
| <b>Treasury investments</b>                   |                 |                |                 |                 |
| Banks   | 70,117          | 63%            | 51,921          | 50%             |
| Building Societies - rated                    | 0               | 0%             | 0               | 0%              |
| Local Authorities                             | 17,500          | 16%            | 42,500          | 41%             |
| Money Market Funds                            | 19,600          | 18%            | 4,700           | 5%              |
| Certificates of Deposit                       | 0               | 0%             | 0               | 0%              |
| Third Party Loans                             | 3,789           | 3%             | 3,694           | 4%              |
| <b>Total managed in house</b>                 | <b>111,006</b>  | <b>100%</b>    | <b>102,815</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>111,006</b>  | <b>100%</b>    | <b>102,815</b>  | <b>100%</b>     |
| <b>Treasury external borrowing</b>            |                 |                |                 |                 |
| PWLB  | 118,145         | 66%            | 84,273          | 58%             |
| LOBOs   | 39,255          | 22%            | 39,255          | 27%             |
| Market  | 10,000          | 6%             | 10,000          | 7%              |
| Special                                       | 10              | 0%             | 8               | 0%              |
| Temporary Borrowing                           | 10,500          | 6%             | 10,540          | 7%              |
| Local Bonds                                   | 24              | 0%             | 18              | 0%              |
| <b>Total External Borrowing</b>               | <b>177,934</b>  | <b>100%</b>    | <b>144,094</b>  | <b>100%</b>     |
| <b>Net Treasury Investments / (Borrowing)</b> | <b>(66,928)</b> |                | <b>(41,279)</b> |                 |

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.

| £'000   | 2021/22<br>Actual | 2022/23<br>Estimate | 2023/24<br>Estimate | 2024/25<br>Estimate | 2025/26<br>Estimate |
|---|-------------------|---------------------|---------------------|---------------------|---------------------|
| <b>External Debt</b>                            |                   |                     |                     |                     |                     |
| Debt as 1st April                               | 168,805           | 177,934             | 142,158             | 176,154             | 221,135             |
| Change in Debt (In Year)                        | 9,129             | (35,776)            | 33,996              | 44,981              | 39,997              |
| Other long-term liabilities (OLTL) at 1st April | 121,524           | 118,931             | 114,088             | 108,971             | 109,191             |
| Change in OLTL (In Year)                        | (2,593)           | (4,843)             | (5,117)             | 220                 | (4,938)             |
| <b>Actual gross debt at 31st March</b>          | <b>296,865</b>    | <b>256,246</b>      | <b>285,125</b>      | <b>330,326</b>      | <b>365,385</b>      |
| <b>The Capital Financing Requirement</b>        | <b>307,100</b>    | <b>304,498</b>      | <b>372,359</b>      | <b>386,984</b>      | <b>403,919</b>      |
| <b>Under / (Over) borrowing</b>                 | <b>10,235</b>     | <b>48,252</b>       | <b>87,234</b>       | <b>56,658</b>       | <b>38,534</b>       |

The figures in the above tables include an allowance for the introduction of IFRS16 – Leasing which is being introduced in the 24/25 financial year, having been deferred in December 2021. The change requires local authorities to account for leased assets previously treated as operating leases (off balance sheet) as finance leases (on balance sheet), which increases capital expenditure and the gross debt required to finance them. Work is underway to identify and evaluate the operating leases affected and, in the meantime, the figures used in the calculations above represent a high level estimate of the potential impact on the Council's Capital Financing Requirement.

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 2022/23 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 Treasury Services 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 8<sup>th</sup> December 2022. These are forecasts for certainty rates, gilt yields plus 80 bps.

| Link Group Interest Rate View | 08.11.22 |        |        |        |        |        |        |        |        |        |        |        |        |
|-------------------------------|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                               | Dec-22   | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 |
| <b>BANK RATE</b>              | 3.50     | 4.25   | 4.50   | 4.50   | 4.50   | 4.00   | 3.75   | 3.50   | 3.25   | 3.00   | 2.75   | 2.50   | 2.50   |
| 3 month ave earnings          | 3.60     | 4.30   | 4.50   | 4.50   | 4.50   | 4.00   | 3.80   | 3.30   | 3.00   | 3.00   | 2.80   | 2.50   | 2.50   |
| 6 month ave earnings          | 4.20     | 4.50   | 4.60   | 4.50   | 4.20   | 4.10   | 3.90   | 3.40   | 3.10   | 3.00   | 2.90   | 2.60   | 2.60   |
| 12 month ave earnings         | 4.70     | 4.70   | 4.70   | 4.50   | 4.30   | 4.20   | 4.00   | 3.50   | 3.20   | 3.10   | 3.00   | 2.70   | 2.70   |
| 5 yr PWLB                     | 4.30     | 4.30   | 4.20   | 4.10   | 4.00   | 3.90   | 3.80   | 3.60   | 3.50   | 3.40   | 3.30   | 3.20   | 3.10   |
| 10 yr PWLB                    | 4.50     | 4.50   | 4.40   | 4.30   | 4.20   | 4.00   | 3.90   | 3.70   | 3.60   | 3.50   | 3.40   | 3.30   | 3.20   |
| 25 yr PWLB                    | 4.70     | 4.70   | 4.60   | 4.50   | 4.40   | 4.30   | 4.10   | 4.00   | 3.90   | 3.70   | 3.60   | 3.50   | 3.50   |
| 50 yr PWLB                    | 4.30     | 4.40   | 4.30   | 4.20   | 4.10   | 4.00   | 3.80   | 3.70   | 3.60   | 3.40   | 3.30   | 3.20   | 3.20   |

Additional notes by Link on this forecast table: -

Our central forecast reflects a view that the Monetary Policy Committee (MPC) will be keen to demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened throughout 2022, but the new Government's policy of emphasising fiscal rectitude will probably mean Bank Rate does not now need to increase to further than 4.5%.

Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures have lessened – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

The CPI measure of inflation will peak at close to 11% in Q4 2022. Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market. Wage increases, excluding bonuses, are currently running at 5.7%.

Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started but will focus on the short to medium end of the curve for the present. This approach will prevent any further disruption to the longer end of the curve following on from the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

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

### 3.3 Investment and borrowing rates

Yield curve movements have become less volatile under the Sunak/Hunt government. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 3.75% to 4.50%. The medium to longer part of the yield curve is currently inverted (yields are lower at the longer end of the yield curve compared to the short to medium end).

We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook but markets are volatile and further whipsawing of gilt yields across the whole spectrum of the curve is possible.

The current 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)

**Borrowing for capital expenditure.** Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are now above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

While 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.

### **3.4 Borrowing strategy**

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate increases over the remainder of 2022 and the first half of 2023.

Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Section 95 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.*
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

### **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 there is still a very large difference between premature redemption rates and new borrowing rates,

In 2022, there was a window of opportunity, due to the volatility of interest rates, to repay some of its borrowing early to take advantage of a discount on repayment. Rescheduling of remaining borrowing in our debt portfolio is not currently planned for in 2023/24. However, the Council may consider rescheduling debt if an opportunity arises and it is prudent to do so in terms of cash balances held and anticipated future interest rates. If rescheduling was done, it will be reported to the appropriate Committee at the earliest meeting following its action.

### 3.7 New financial institutions as a source of borrowing and / or types of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

### 3.8 Approved Sources of Long and Short term Borrowing

A list of approved sources of long and short term borrowing is shown below:

| <b>On Balance Sheet</b>                        | <b>Fixed</b> | <b>Variable</b> |
|--|--------------|-----------------|
| PWLB   | √            | √               |
| Municipal bond agency                          | √            | √               |
| Local authorities                              | √            | √               |
| Banks  | √            | √               |
| Pension funds                                  | √            | √               |
| Insurance companies                            | √            | √               |
| UK Infrastructure Bank                         | √            | √               |
| Market (long-term)                             | √            | √               |
| Market (temporary)                             | √            | √               |
| Market (LOBOs)                                 | √            | √               |
| Stock issues                                   | √            | √               |
| Local temporary                                | √            | √               |
| Local Bonds                                    | √            |                 |
| Local authority bills                          | √            | √               |
| Overdraft                                      |              | √               |
| Negotiable bonds                               | √            | √               |
| Internal (capital receipts & revenue balances) | √            | √               |
| Commercial paper                               | √            |                 |
| Medium Term Notes                              | √            |                 |
| Finance leases                                 | √            | √               |

## 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 2021, ("the Code") and CIPFA Treasury Management Guidance Notes 2021.

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 financial 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 the treasury management team are authorised to use. There are two lists in Appendix 5 under the categories of 'specified' and 'non-specified' investments. Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table in Appendix 7.
5. Transaction limits are set for each type of investment in Appendix 5.
6. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.4).
7. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
8. All investments will be denominated in **sterling**.
9. 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 Treasury 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 Treasury 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. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt in.

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

The current forecast shown in Appendix 3, includes a forecast for Bank Rate to reach 4.5% in Q2 2023.

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.:

| Average earnings in each year |       |
|-------------------------------|-------|
| 2022/23 (remainder)           | 3.95% |
| 2023/24                       | 4.40% |
| 2024/25                       | 3.30% |
| 2025/26                       | 2.60% |
| 2026/27                       | 2.50% |
| Years 6 to 10                 | 2.80% |
| Years 10+                     | 2.80% |

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

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:

| Maximum principal sums invested for longer than 365 days                  |         |         |         |
|---|---------|---------|---------|
| £m  | 2023/24 | 2024/25 | 2025/26 |
| Principal sums invested for longer than 365 days                          | 20      | 20      | 20      |
| Current investments as at 31-12-22 in excess of 1 year maturing each year | 5       | 5       | 0       |

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).

#### **4.5 Investment risk benchmarking**

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of SONIA (Sterling Overnight Interest Average). This benchmark will be used from 1<sup>st</sup> April 2022 and replaces 7 day LIBID.

#### **4.6 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.

#### **4.7 Policy on environmental, social and governance (E.S.G.)**

The Council's policy on environmental, social and governance (E.S.G) can be found in appendix 11.

## 5 APPENDICES

### Appendix 1 – Capital Prudential and Treasury Indicators 2023/24 – 2025/26

#### 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.

|       | 2021/22 | 2022/23  | 2023/24  | 2024/25  | 2025/26  |
|-------|---------|----------|----------|----------|----------|
| %     | Actual  | Estimate | Estimate | Estimate | Estimate |
| Ratio | 5.24%   | 4.91%    | 4.37%    | 4.40%    | 4.43%    |

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 2023/24 |       |       |
|---|-------|-------|
|   | 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%  |
| 50 years and above  | 0%    | 100%  |

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.

| %  | 2022/23      | 2023/24      | 2024/25      | 2025/26      |
|--|--------------|--------------|--------------|--------------|
| <b>Interest rate exposure</b>                              |              |              |              |              |
|  | <b>Upper</b> | <b>Upper</b> | <b>Upper</b> | <b>Upper</b> |
| <b>Limits on fixed interest rates based on net debt</b>    | 195%         | 190%         | 190%         | 190%         |
| <b>Limits on variable interest rates based on net debt</b> | 60%          | 60%          | 60%          | 60%          |

## Appendix 2 – Detailed Current Portfolio Position

| TREASURY PORTFOLIO                |  |                |             |                |             |
|-----------------------------------|--|----------------|-------------|----------------|-------------|
|                                   |  | Actual         | Actual      | Current        | Current     |
|                                   |  | 31.3.22        | 31.3.22     | 31.12.22       | 31.12.22    |
| Treasury investments              |  | £000           | %           | £000           | %           |
| Banks                             | Clydesdale Bank                        | 5,117          | 5%          | 6,921          | 7%          |
|                                   | Bank of Scotland                       | 0              | 0%          | 0              | 0%          |
|                                   | Goldman Sachs                          | 10,000         | 9%          | 0              | 0%          |
|                                   | Qatar National Bank                    | 5,000          | 5%          | 0              | 0%          |
|                                   | Commonwealth Bank of Australia         | 0              | 0%          | 0              | 0%          |
|                                   | Santander                              | 5,000          | 5%          | 0              | 0%          |
|                                   | ANZ Banking Group/London               | 0              | 0%          | 10,000         | 10%         |
|                                   | Close Brothers                         | 15,000         | 14%         | 2,500          | 2%          |
|                                   | First Abu Dhabi Bank                   | 10,000         | 9%          | 15,000         | 15%         |
|                                   | AL Rayan Bank                          | 10,000         | 9%          | 5,000          | 5%          |
|                                   | Toronto Dominion Bank                  | 5,000          | 5%          | 5,000          | 5%          |
|                                   | National Bank of Kuwait                | 5,000          | 5%          | 7,500          | 7%          |
|                                   |  | 70,117         | 63%         | 51,921         | 50%         |
| Local Authorities                 | London Borough of Croydon              | 7,500          | 7%          | 5,000          | 5%          |
|                                   | Rotherham Metropolitan Borough Council | 7,500          | 7%          | 0              | 0%          |
|                                   | Thurrock Borough Council               | 0              | 0%          | 10,000         | 10%         |
|                                   | Cheshire West & Chester Council        | 2,500          | 2%          | 2,500          | 2%          |
|                                   | Cambridgeshire County Council          | 0              | 0%          | 5,000          | 5%          |
|                                   | Spelthorn Borough Council              | 0              | 0%          | 5,000          | 5%          |
|                                   | Slough Borough Council                 | 0              | 0%          | 10,000         | 10%         |
|                                   | Barnsley Metropolitan Borough Council  | 0              | 0%          | 5,000          | 5%          |
|                                   |  | 17,500         | 16%         | 42,500         | 41%         |
| DMADF (H.M.Treasury)              |  | 0              | 0%          | 0              | 0%          |
| Money Market Funds                | BNP Paribas Inticast Fund              | 10,000         | 9%          | 4,700          | 5%          |
|                                   | Federated                              | 0              | 0%          | 0              | 0%          |
|                                   | CCLA                                   | 9,600          | 9%          | 0              | 0%          |
|                                   | AVIVA                                  | 0              | 0%          | 0              | 0%          |
|                                   |  | 19,600         | 18%         | 4,700          | 5%          |
| Third Party Loans                 | Argyll Community Housing Association   | 2,410          | 2%          | 2,344          | 2%          |
|                                   | Fyne Homes                             | 0              | 0%          | 0              | 0%          |
|                                   | West Highland Housing Association Ltd  | 837            | 1%          | 814            | 1%          |
|                                   | The Port Ellen Station                 | 50             | 0%          | 44             | 0%          |
|                                   | Hubco Sub Debt                         | 492            | 0%          | 492            | 0%          |
|                                   |  | 3,789          | 3%          | 3,694          | 4%          |
| <b>Total Treasury Investments</b> |  | <b>111,006</b> | <b>100%</b> | <b>102,815</b> | <b>100%</b> |

|   |  | Actual          | Actual      | Current         | Current     |
|---|--|-----------------|-------------|-----------------|-------------|
|   |  | 31.3.22         | 31.3.22     | 31.12.22        | 31.12.22    |
| <b>Treasury external borrowing</b>            |  |                 |             |                 |             |
| Local Authorities                             |  | 0               | 0%          | 0               | 0%          |
| PWLB  |  | 118,145         | 66%         | 84,273          | 58%         |
| LOBOs   | Commerzbank Finance & Covered Bonds S.A. | 13,000          | 7%          | 13,000          | 9%          |
|   | FMS Wertmanagement                       | 5,255           | 3%          | 5,255           | 4%          |
|   | Bayerische Landesbank                    | 21,000          | 12%         | 21,000          | 15%         |
|   |  | 39,255          | 22%         | 39,255          | 27%         |
| Market  | Barclays (formerly LOBO)                 | 10,000          | 6%          | 10,000          | 7%          |
|   |  | 10,000          | 6%          | 10,000          | 7%          |
| Special                                       | Prudential assurance co                  | 10              | 0%          | 8               | 0%          |
|   |  | 10              | 0%          | 8               | 0%          |
| Temporary Borrowing                           |  | 10,500          | 6%          | 10,540          | 7%          |
| Local Bonds                                   |  | 24              | 0%          | 18              | 0%          |
| <b>Total External Borrowing</b>               |  | <b>177,934</b>  | <b>100%</b> | <b>144,094</b>  | <b>100%</b> |
| <b>Net Treasury Investments / (Borrowing)</b> |  | <b>(66,928)</b> |             | <b>(41,279)</b> |             |

Appendix 3 – Interest Rate Forecasts 2023 - 2025 and Commentary Provided by Link Treasury Services (08.12.22)

| Link Group Interest Rate View | 08.11.22 |        |        |        |        |        |        |        |        |        |        |        |        |
|-------------------------------|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                               | Dec-22   | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 |
| <b>BANK RATE</b>              | 3.50     | 4.25   | 4.50   | 4.50   | 4.50   | 4.00   | 3.75   | 3.50   | 3.25   | 3.00   | 2.75   | 2.50   | 2.50   |
| 3 month ave earnings          | 3.60     | 4.30   | 4.50   | 4.50   | 4.50   | 4.00   | 3.80   | 3.30   | 3.00   | 3.00   | 2.80   | 2.50   | 2.50   |
| 6 month ave earnings          | 4.20     | 4.50   | 4.60   | 4.50   | 4.20   | 4.10   | 3.90   | 3.40   | 3.10   | 3.00   | 2.90   | 2.60   | 2.60   |
| 12 month ave earnings         | 4.70     | 4.70   | 4.70   | 4.50   | 4.30   | 4.20   | 4.00   | 3.50   | 3.20   | 3.10   | 3.00   | 2.70   | 2.70   |
| 5 yr PWLB                     | 4.30     | 4.30   | 4.20   | 4.10   | 4.00   | 3.90   | 3.80   | 3.60   | 3.50   | 3.40   | 3.30   | 3.20   | 3.10   |
| 10 yr PWLB                    | 4.50     | 4.50   | 4.40   | 4.30   | 4.20   | 4.00   | 3.90   | 3.70   | 3.60   | 3.50   | 3.40   | 3.30   | 3.20   |
| 25 yr PWLB                    | 4.70     | 4.70   | 4.60   | 4.50   | 4.40   | 4.30   | 4.10   | 4.00   | 3.90   | 3.70   | 3.60   | 3.50   | 3.50   |
| 50 yr PWLB                    | 4.30     | 4.40   | 4.30   | 4.20   | 4.10   | 4.00   | 3.80   | 3.70   | 3.60   | 3.40   | 3.30   | 3.20   | 3.20   |

PWLB forecasts are based on PWLB certainty rates.

#### Appendix 4 – Economic Background Provided by Link Treasury Services (at 08.12.22)

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

|                          | UK                        | Eurozone               | US                 |
|--------------------------|---------------------------|------------------------|--------------------|
| <b>Bank Rate</b>         | 3.0%                      | 1.5%                   | 3.75%-4.00%        |
| <b>GDP</b>               | -0.2%q/q Q3<br>(2.4%/y/y) | +0.2%q/q Q3 (2.1%/y/y) | 2.6% Q3 Annualised |
| <b>Inflation</b>         | 11.1%/y/y (Oct)           | 10.0%/y/y (Nov)        | 7.7%/y/y (Oct)     |
| <b>Unemployment Rate</b> | 3.6% (Sep)                | 6.6% (Sep)             | 3.7% (Aug)         |

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c£500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at 5.5% - 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.

Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3% in November and the market expects Bank Rate to hit 4.5% by May 2023.

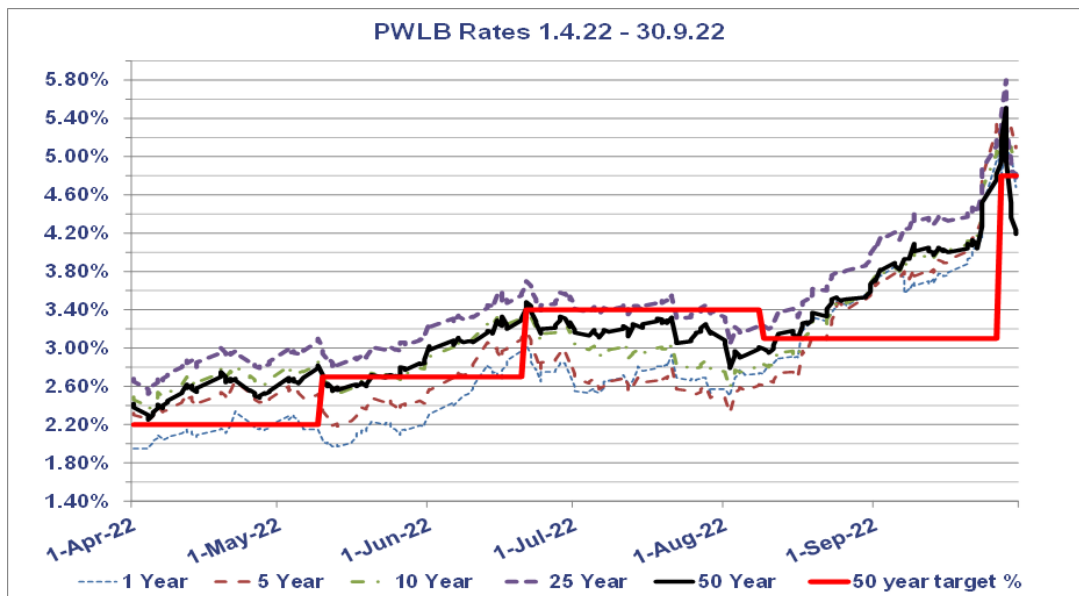
Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and December. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17<sup>th</sup> November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have completely reversed the increases seen under the previous tenants of No10/11 Downing Street.



Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one if not more quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of \$1.035, on the Monday following the Truss government's "fiscal event", to \$1.20. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28<sup>th</sup> September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting ever lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

|                | 1 Year     | 5 Year     | 10 Year    | 25 Year    | 50 Year    |
|----------------|------------|------------|------------|------------|------------|
| <b>Low</b>     | 1.95%      | 2.18%      | 2.36%      | 2.52%      | 2.25%      |
| <b>Date</b>    | 01/04/2022 | 13/05/2022 | 04/04/2022 | 04/04/2022 | 04/04/2022 |
| <b>High</b>    | 5.11%      | 5.44%      | 5.35%      | 5.80%      | 5.51%      |
| <b>Date</b>    | 28/09/2022 | 28/09/2022 | 28/09/2022 | 28/09/2022 | 28/09/2022 |
| <b>Average</b> | 2.81%      | 2.92%      | 3.13%      | 3.44%      | 3.17%      |
| <b>Spread</b>  | 3.16%      | 3.26%      | 2.99%      | 3.28%      | 3.26%      |

After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

**CENTRAL BANK CONCERNS – NOVEMBER 2022**

At the start of November, the Fed decided to push up US rates by 0.75% to a range of 3.75% - 4%, whilst the MPC followed a day later by raising Bank Rate from 2.25% to 3%, in line with market expectations. EZ rates have also increased to 1.5% with further tightening in the pipeline.

Having said that, the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

## 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 £20m of the total portfolio can be placed with UK banks and £15m 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 £20m of the total portfolio can be placed with any UK bank and £15m 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).** MMFs are regulated under The European Money Market Fund Regulation (EU) 2017/1131. The Regulation was implemented in full on 21 March 2019. They typically carry a AAA money fund rating and can be priced using the following methods. Constant Net Asset Value (CNAV), Low Volatility Net Asset Value (LVNAV) and Variable Net Asset Value (VNAV). The majority of MMFs are priced using the LVNAV pricing method, which allows for constant pricing in normal market conditions. They are highly 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 competitive rates of return compared to equivalent instant access facilities. They are particularly advantageous in falling interest rate environments as they are actively managed giving the opportunity to lock in investments earning higher rates of interest than might be 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 delivering superior rates of return available through the DMADF.

**Ultra short dated bond funds.** Ultra short dated bond funds. These funds are similar to MMFs and can carry a AAA bond fund rating. Due to the longer dated nature of the assets they invest in the funds use a VNAV pricing method meaning the price will move up and down inline with market movements. They aim to achieve a higher yield and to do this either take longer term credit risk by using floating rate notes or by investing in longer durations, which means their assets are more volatile. Typically, these funds can have weighted average maturities of up to 360 days and weighted average life's beyond 5 years. Their primary objective is to firstly generate a competitive total return, whilst preserving capital. They therefore carry a higher level of 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  | Yellow<br>Purple<br>Blue<br>Orange<br>Red<br>Green<br>No Colour | instant        | no          | 100                        | Up to 5 yrs<br>Up to 2 yrs<br>Up to 1 yr<br>Up to 1 yr<br>Up to 6 mths<br>Up to 100 days<br>Not for use |
| Term deposits – banks and building societies  | Yellow<br>Purple<br>Blue<br>Orange<br>Red<br>Green<br>No Colour | term           | no          | 100                        | Up to 5 yrs<br>Up to 2 yrs<br>Up to 1 yr<br>Up to 1 yr<br>Up to 6 mths<br>Up to 100 days<br>Not for use |
| Fixed term deposits with variable rate and variable maturities: -<br>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 or Blue                | term           | no          | 100                        | 1 Year               |
| Fixed term deposits with variable rate and variable maturities: -<br>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 |
|---|-----------------------|----------------|---------------|----------------------------|----------------------|
| 1a. Money Market Funds CNAV                                 | AAA                   | instant        | No see note 1 | 100                        | 1 Year               |
| 1b. Money Market Funds LVNAV                                | AAA                   | Instant to T+5 | No see note 1 | 100                        | 1 Year               |
| 1c. Money Market Funds VNAV                                 | AAA                   | instant to T+5 | No see note 1 | 100                        | 1 Year               |
| 2. Ultra short dated bond funds with a credit score of 1.25 | AAA                   | T+1 to T+5     | yes           | 100                        | 1 Year               |
| 3. Ultra short dated bond funds with a credit score of 1.5  | AAA                   | T+1 to T+5     | yes           | 100                        | 1 Year               |
| 4. Bond Funds   | AAA                   | T+2 or longer  | yes           | 100                        | 1 Year               |
| 5. Gilt Funds   | UK sovereign rating   | 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 Treasury 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 agreement of the counterparty, and penalties can apply. | Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment.<br><br>Non- local authority deposits will follow the approved credit rating criteria. | £unlimited, maximum 2 year.<br><br>Limit of £10m per local Authority or public body | £unlimited, maximum 2 years.  |

| Type of Investment   | Treasury Risks  | Mitigating Controls   | Council Limits                                       | Common Good Limits                                   |
|--|---|---|--|--|
|  | Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.  |   |  |  |
| 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 societies) ( <b>Low to medium risk depending</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 low and term deposits can only be                     | 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. |

| Type of Investment  | Treasury Risks  | Mitigating Controls   | Council Limits                                       | Common Good Limits                                   |
|---|---|---|--|--|
| <b>on period &amp; credit rating)</b>   | broken with the agreement of the counterparty, and penalties may apply.   |   |  |  |
| 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 (escalating rates, de-escalating rates etc.) ( <b>Low to medium risk</b> ) | These tend to be medium to 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 very low and investments can only be broken with the agreement  | 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  | As shown in the counterparty section criteria above. | As shown in the counterparty section criteria above. |

| Type of Investment   | Treasury Risks  | Mitigating Controls   | Council Limits            | Common Good Limits       |
|--|---|---|---------------------------|--------------------------|
| <b>depending on period &amp; credit rating)</b>  | of the counterparty (penalties may apply).  | will be further strengthened by the use of additional market intelligence.  |                           |                          |
| j. Corporate bonds<br><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.<br><br>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.<br><br>Property holding will be re-valued regularly and reported annually with gross and net rental streams.   | £10m                      | 20%.                     |
| 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. |

| Type of Investment  | Treasury Risks  | Mitigating Controls  | Council Limits                   | Common Good Limits |
|---|---|--|----------------------------------|--------------------|
| 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                |
| 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                |



| Type of Investment   | Treasury Risks  | Mitigating Controls   | Council Limits                 | Common Good Limits |
|--|---|---|--------------------------------|--------------------|
| 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 rationale 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 rationale 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 Treasury Services

This Council applies the creditworthiness service provided by Link Treasury 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.

Based on the Link Treasury 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.*

The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Council use will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored at least weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

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 £20m can be invested with each UK bank and £15m each with any non UK bank. The Council will place overnight and call deposits with the Council's bankers irrespective of credit rating. The Council's Bankers currently have a credit rating which allows deposits of up to £20m to be placed with them for up to 100 days.

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.

### **Creditworthiness.**

Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, more recently the UK sovereign debt rating has been placed on Negative Outlook by the three major rating agencies in the wake of the Truss/Kwarteng unfunded tax-cuts policy. Although the Sunak/Hunt government has calmed markets, the outcome of the rating agency reviews is unknown at present, but it is possible the UK sovereign debt rating will be downgraded. Accordingly, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK

### **CDS prices**

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its Link-provided Passport portal.

**Appendix 8 – Approved Countries for Investments (08-12-22)**

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 credit worthiness service.

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Qatar
- U.K.

## **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 Finance and Commercial Services)**

- 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.

## Appendix 11 – Policy on environmental, social and governance (E.S.G.)

This Council is supportive of the Principles for Responsible Investment ([www.unpri.org](http://www.unpri.org)) and will seek to bring ESG (environmental, social and governance) factors into the decision-making process for investments. Within this, the Council is also appreciative of the Statement on ESG in Credit Risk and Ratings which commits signatories to incorporating ESG into credit ratings and analysis in a systemic and transparent way. The Council uses ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties. Each of these rating agencies is a signatory to the ESG in credit risk and ratings statement, which is as follows:

*"We, the undersigned, recognise that environmental, social and governance (ESG) factors can affect borrowers' cash flows and the likelihood that they will default on their debt obligations. ESG factors are therefore important elements in assessing the creditworthiness of borrowers. For corporates, concerns such as stranded assets linked to climate change, labour relations challenges or lack of transparency around accounting practices can cause unexpected losses, expenditure, inefficiencies, litigation, regulatory pressure and reputational impacts.*

*At a sovereign level, risks related to, inter alia, natural resource management, public health standards and corruption can all affect tax revenues, trade balance and foreign investment. The same is true for local governments and special purpose vehicles issuing project bonds. Such events can result in bond price volatility and increase the risk of defaults.*

*In order to more fully address major market and idiosyncratic risk in debt capital markets, underwriters, credit rating agencies and investors should consider the potential financial materiality of ESG factors in a strategic and systematic way. Transparency on which ESG factors are considered, how these are integrated, and the extent to which they are deemed material in credit assessments will enable better alignment of key stakeholders.*

*In doing this the stakeholders should recognise that credit ratings reflect exclusively an assessment of an issuer's creditworthiness. Credit rating agencies must be allowed to maintain full independence in determining which criteria may be material to their ratings. While issuer ESG analysis may be considered an important part of a credit rating, the two assessments should not be confused or seen as interchangeable.*

*With this in mind, we share a common vision to **enhance systematic and transparent consideration of ESG factors in the assessment of creditworthiness.**"*

For short term investments with counterparties, this Council utilises the ratings provided by Fitch, Moody's and Standard & Poor's to assess creditworthiness, which do include analysis of ESG factors when assigning ratings. The Council will continue to evaluate additional ESG-related metrics and assessment processes that it could incorporate into its investment process and will update accordingly.

This Council will not invest in companies whose core activities pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the Council's mission and values e.g.:

- a. Human rights abuse (e.g., slave or child labour, political oppression)
- b. Activities that damage the environment by extraction of fossil fuels, destruction of habitat, or creation of pollutants
- c. Socially harmful activities (e.g., tobacco, gambling)
- d. Manufacture of weapons



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**ARGYLL AND BUTE COUNCIL  
CUSTOMER SUPPORT SERVICES**

**POLICY AND RESOURCES COMMITTEE  
16 FEBRUARY 2023**

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**CORONATION HOLIDAY – 8 MAY 2023**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 The UK and Scottish Governments have announced an additional bank holiday on 8<sup>th</sup> May 2023 to mark the coronation of King Charles. The purpose of this paper is to request the Policy and Resources Committee consider granting an additional day's annual leave to staff scheduled to work that day in order to commemorate the occasion.
- 1.2 This will allow staff and their families to participate in the planned long weekend of commemorative events.
- 1.3 The cost of the additional overtime required for essential services to continue on this day is estimated at £23k.

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**ARGYLL AND BUTE COUNCIL  
CUSTOMER SUPPORT SERVICES**

**POLICY AND RESOURCES COMMITTEE  
16 FEBRUARY 2023**

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**CORONATION HOLIDAY – 8 MAY 2023**

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**2.0 INTRODUCTION**

- 2.1 The UK and Scottish Governments have announced an additional bank holiday on 8th May 2023 to mark the coronation of King Charles. The purpose of this paper is to request the Policy and Resources Committee consider granting an additional day's annual leave to staff scheduled to work that day in order to commemorate the occasion.
- 2.2 This will allow staff and their families to participate in the planned long weekend of commemorative events.

**3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Policy and Resources Committee authorise an additional day's annual leave on 8 May 2023 to allow staff to participate in celebrations.

**4.0 DETAIL**

- 4.1 The UK Government has recently announced an additional bank holiday to mark His Majesty the Kings' Coronation. The additional bank holiday has been designated on Monday 8<sup>th</sup> May following the Coronation on Saturday the 6<sup>th</sup> of May.
- 4.2 The Executive Leadership Team have given consideration to this option and recommend granting an additional day's annual leave on 8 May 2023 as the best way to accommodate time to celebrate His Majesty the Kings Coronation.

- 4.3 Granting another day's leave will align with other organisations who will likely be on holiday. It will also allow staff and their families to participate in the planned long weekend of commemorative events.
- 4.4 Note we are not designating this bank holiday a public holiday, so no public holiday enhancements for staff still required to work will apply. Employees required to work on this day will receive hours they work paid to them at plain time.
- 4.5 The additional cost of paying employees to carry out essential work on a public holiday has been estimated at £23,000. This estimate is based on the average number of hours claimed the last time there was a Public Holiday calculated at plan time.
- 4.6 Advice from COSLA was provided to the authority regards the statutory requirement teaching days which stated that they were content for local authorities to apply for an extension from the requirement to provide 190 days of schooling should the local authority decide to award an additional day to accommodate the additional holiday.
- 4.7 It is proposed Schools close and that the Council wards an additional day's annual leave for teachers and support staff on Monday 8 May 2023.
- 4.8 Any change will require communication across customers, staff, pupils and their families to provide clarity on service delivery.

## **5.0 CONCLUSION**

- 5.1 In conclusion members are asked to agree to the addition of an additional day's annual leave on 8 May 2023 as the best option to allow staff scheduled to work that day to celebrate this occasion.

## **6.0 IMPLICATIONS**

- 6.1 Policy Change of policy to allow an additional holiday this year.
- 6.2 Financial Cost of £23k to the organisation. All efforts will be made to contain within budget resource, otherwise a budget pressure will be created and we will report back on this.
- 6.3 Legal None
- 6.4 HR The change will require a formal change to the existing local agreement on terms and conditions and may impact education staff if another working day has to be allocated.
- 6.5 Fairer Scotland Duty:
  - 6.5.1 Equalities - protected characteristics None
  - 6.5.2 Socio-economic Duty None
  - 6.5.3 Islands None

- |     |                  |  |
|-----|------------------|--|
| 6.6 | Climate Change   | None   |
| 6.7 | Risk             | None   |
| 6.8 | Customer Service | Update to public and staff on public holidays and opening hours. |

**Executive Director – Kirsty Flanagan**

**Policy Lead – Alistair Redman**

23 December 2022

**For further information contact:**

Tom Kerr, HR Manager - Operations 01546 604748

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ARGYLL AND BUTE COUNCIL

POLICY AND RESOURCES  
COMMITTEE

DEVELOPMENT AND ECONOMIC  
GROWTH

16 FEBRUARY 2023

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**STRATEGIC EVENTS AND FESTIVALS FUND – ROUND 5 2023/2024**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to update Members on Round 5 - 2023/24 of the Council's Strategic Events and Festivals Fund (SEF). The report provides details of the applications submitted and recommendations regarding all eligible applications put forward to receive grant funding. In addition it asks Members to agree to allocate any underspend from this round to a future SEF round, Round 5.2, (April 2023) and seeks members' agreement to allocate funding to allow a future round (Round 6) for 2024/25.
- 1.2 At the 17<sup>th</sup> February 2022 Council budget meeting the Council agreed funding of £90,000 for an SEF Round 5, to be augmented by any underspend in Round 3 (2021-2022). This has meant that the total budget available for SEF Round 5 is £145,150.
- 1.3 SEF Round 5 opened on 14 October 2022 and closed on 28 November 2022. A total of 11 applications were received, one of which was received after the 12 noon deadline and therefore only 10 can be considered as eligible and amount to a total request of £78,975. None of the applications received asked for more than 20% of their total costs in grant funding. The application received after the deadline was from West Highland Yachting Week, for £3,600, it was submitted on 28 November however it was after the deadline of midday on Monday 28<sup>th</sup> November. Applications can be viewed at **Appendix 1**. The total budget available to be allocated for Round 5 is £145,150 and the total request for funding, including the application received late, is £82,575
- 1.4 The events sector contributes significantly to our local economy and communities across Argyll and Bute, and is a key part of the economic recovery plan for the area, however like other key sectors it has faced significant challenges in the past 3 years as a consequence of Covid and the pandemic. The Council's annual SEF funding plays a key role in the recovery of the sector.

## RECOMMENDATIONS

It is recommended that Members of the Policy and Resources Committee:

- a) Agree to the award of eligible SEF Round 5 grants amounting to £78,975 as detailed in **Table 1**.
- b) Agree to award £3,600 to West Highland Yachting Week on the basis declared in the body of the report as detailed in **Table 2**.
- c) Agree that any SEF grant offer only be formally issued upon confirmation from the individual event organisation that the event is formally confirmed and is definitely going ahead and still meets the SEF Round 5 criteria. These grants are detailed in **Appendix 1, Tables 1 & 2**
- d) Agree to continue delegation of powers to the Director of Development and Economic Growth to allow any subsequent amendment to existing grant requests to be made brought about as a consequence of changes to the event/event budget. Any amendment to a current grant request/offer would only be considered if the amendment related to either the same level or a reduction in the request from and constitute up to 75% of legitimate and eligible expenditure.
- e) Continue to assist with the economic recovery of the fragile events and festivals sector within Argyll and Bute and agree that any underspend from SEF Round 5 is made available to a second call for applications (SEF 5.2) with a deadline of April 2023.
- f) Agree to recommend to the Council that as part of the budget in February 2023, that they agree £90,000 base funding for Strategic Events and Festivals in order that the application process can commence during 2024/25 and this fund to be augmented by any underspend remaining from the current financial year.

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**ARGYLL AND BUTE COUNCIL****POLICY AND RESOURCES  
COMMITTEE****DEVELOPMENT AND ECONOMIC  
GROWTH****16 FEBRUARY 2023**

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**STRATEGIC EVENTS AND FESTIVALS FUND – ROUND 5 - 2023/24 FUND**

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**2.0 INTRODUCTION**

- 2.1 The purpose of this report is to update Members on Round 5 of the Council's Strategic Events and Festivals Fund (SEF). The report provides details of the bids submitted, and recommendations regarding the eligible bids being put forward to receive grant funding. In addition it asks Members to agree to a second call for applications under SEF 5 (Round 5.2) with a deadline of April 2023.
- 2.2 The Strategic Events and Festivals Fund was firstly taken forward as a competitive fund in 2019/20. A critical element of the application requirement is that the event or festival should be held in Argyll and Bute and be of a strategic nature, i.e. having the capacity to attract people from outwith the area, with a focus on national and international visitors, and generate significant economic benefits for the local community. To illustrate this, the estimated economic impact in the area from the funded events and festivals pre-Covid in Round 1 was circa £7.5m.
- 2.3 There is no doubt that Covid, and other contributing factors, have had an unprecedented negative impact on the events and festivals sector. The Council acted promptly to support the industry by continuing to provide SEF funding support to events over the past 3 years and whilst unfortunately some events did have to cancel in 2020/21 there was a resurgence in 2022/23 and the successful applicants from Rounds 4 and 4.2 (2022-2023) were able to go ahead. The Council received a total of 18 applications across the two SEF 4 rounds and all of these events have either gone ahead or have confirmed they are still proceeding.
- 2.4 To continue to assist with the economic recovery of the fragile events and festivals sector within Argyll and Bute it is proposed that any underspend from SEF Round 5 is made available to a second call for applications with a deadline of April 2023.
- 2.5 The budget available for SEF Round 5 2023/24 is £145,150 and 11 applications were received. Out of these 11 applications, 11 fit the criteria and amount to a total eligible request of £82,575. None of the applications received asked for more than 20% of their total costs in grant funding. However, one application, from West Highland Yachting Week, for £3,600, was submitted after the

deadline on midday on Monday 28th November and therefore members are being asked to consider if this should be supported.

### 3.0 RECOMMENDATIONS

3.1 It is recommended that Members of the Policy and Resources Committee:

- a) Agree to the award of eligible SEF Round 5 grants amounting to £78,975 as detailed in **Table 1**.
- b) Agree to award £3,600 to West Highland Yachting Week on the basis declared in the body of the report as detailed in **Table 2**.
- c) Agree that any SEF grant offer only be formally issued upon confirmation from the individual event organisation that the event is formally confirmed and is definitely going ahead and still meets the SEF Round 5 criteria. These grants are detailed in **Appendix 1, Tables 1 & 2**
- d) Agree to continue delegation of powers to the Director of Development and Economic Growth to allow any subsequent amendment to existing grant requests to be made brought about as a consequence of changes to the event/event budget. Any amendment to a current grant request/offer would only be considered if the amendment related to either the same level or a reduction in the request from and constitute up to 75% of legitimate and eligible expenditure.
- e) Continue to assist with the economic recovery of the fragile events and festivals sector within Argyll and Bute and agree that any underspend from SEF Round 5 is made available to a second call for applications (SEF 5.2) with a deadline of April 2023.
- f) Agree to recommend to the Council that as part of the budget in February 2023, that they agree £90,000 base funding for Strategic Events and Festivals in order that the application process can commence during 2024/25 and this fund to be augmented by any underspend remaining from the current financial year.



## 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 following the pandemic as well as the challenges now being faced as a result of the cost of living crisis and will hopefully allow events to continue and grow and may prevent organisations and events from ceasing to operate.
- 4.2 SEF Round 5 opened on 14 October 2022 and closed on 28 November 2022. A total of 11 applications were received of which 10 are eligible and amount to a total eligible request of £78,975. These applications can be viewed at Appendix 1 and show a range of events and festivals from across the area, taking place in 2023/2024 and delivering a wide variety of event types, from sports to music, dance and food.
- 4.3 None of the SEF applications were ineligible as all of the applications meet the criteria for SEF and score well, however, one application, from West Highland Yachting Week, for £3,600 was submitted an hour after the official deadline which was midday on Monday 28th November. The organisers of the event have confirmed in writing that this was an error caused by IT issues, and given the timings, it is believed that this was a genuine mistake. Moreover, there is enough within the remaining budget to make this award.
- 4.4 It is fully appreciated that the strategic events and festivals sector is still rebuilding itself following the pandemic and some events and festivals are still facing challenging circumstances brought about as a result of Covid and changes in individuals' habits and the current cost of living crisis is also having an impact. This has put a strain on the financial stability of many of the organisations, however the outlook is improving and the Council's SEF fund continues to be of strategic importance to the events industry in Argyll and Bute.
- 4.5 The loss of any event to the area is likely to have significant impact on the local economy, especially those events which are long standing. The impact of SEF Round 5 funding and future SEF round funding is fully recognised in assisting in the economic recovery of the area and the sustainability of the events and the event organisations many of whom are third sector organisations. To further aid recovery the Council previously agreed to earmark underspend to augment future rounds up to Round 6 (2024/25), however the council still requires to agree to allocate a baseline budget to allow an SEF Round 6 (2024/25) to be held and members are asked to consider and agree to £90,000 for Round 6, allowing there to be certainty for the events industry that there will be future funding beyond 2023/2024.
- 4.6 In addition it is also proposed that any underspend from this initial SEF Round 5 is made available to a second call for applications (SEF 5.2) with a deadline of April 2023.

- 4.7 Event Scotland continue to support events through industry support funds and fully recognises the fragility of the sector and the need to assist recovery. Council officers are in regular discussion with Event Scotland to ensure that funding awarded is complimentary and does not duplicate Council funding.
- 4.8 In addition, officers will continue to liaise with event organisers who have applied to SEF Round 4 and 4.2. in an effort to provide information and support where considered appropriate.

## **5.0 CONCLUSION**

- 5.1 The Round 5 SEF application and assessment process has been completed as per the guidance. Allocation of the funding for the financial year 2023/2024 has resulted in a budget underspend of £62,575. Many of those that applied are strategic events that had previously applied pre Covid, and many are long standing events and it is excellent to see these being able to take place this year. Whilst the sector is still fragile, it is hoped that the events sector will continue to rebuild itself this year and carry on its recovery. There is no doubt that the continued support to the sector via future SEF funding will play a key part in this recovery.
- 5.2 Because of this vital support it is requested that any underspend from SEF Round 5 is made available to a further call for applications with a deadline of April 2023.
- 5.3 It is also requested that the Policy and Resources Committee recommend to Council that as part of the February 2023 budget, a baseline budget of £90,000 be allocated to allow an SEF Round 6 (2024/25) to be held allowing there to be certainty for the events industry that there will be future funding beyond 2023/24. Further, and as agreed at the Policy and Resources Committee on 16th June 2022, any underspend from Rounds 4 and 4.2 should be used to augment the fund for Round 6.

## **6.0 IMPLICATIONS**

- 6.1 Policy - The Council's Economic Strategy supports the value of events and festivals for their positive impact on the economy and supporting the hospitality and tourism sectors.
- 6.2 Financial - SEF 2023/24 budget is £145,150. Applications totaling £78,975 were received with one late application of £3,600. This leaves a balance of circa £62,575 and any remaining funds to be earmarked for Round 5.2.
- 6.3 Legal - Award letters and grant contracts will be issued as and when a decision is made and confirmation has been received that the event will go ahead.

- 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 including a positive contribution to fragile areas.
  - 6.5.3 Islands: The Fund seeks to support island economies by encouraging increased levels of visitors.
- 6.6 Climate Change - As part of the application process events have to demonstrate how they are limiting their carbon footprint and this is part of the scoring process.
- 6.7 Risk - The full effects of the impact of Covid is still having an influence on the events and festivals industry, however we have seen the beginning of a recovery although the industry is still fragile.
- 6.8 Customer Service – none.

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

23<sup>rd</sup> December 2022

**Policy Lead for Strategic Development, Councillor Currie**

**For further information contact:**

Marilyn Rieley, Development Officer

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Fergus Murray, Head of Service for Development and Economic Growth

Tel: 01546 604293

## APPENDIX 1

Table 1 - SEF Round 5 Eligible Grant Applications Received

| Event                                 | Funding Award<br>(within 20% limit) | Recommended<br>Funding Award |
|---------------------------------------|-------------------------------------|------------------------------|
| <b>£2,500 - £5,000 Fund</b>           |                                     |                              |
| Argyll Food Festival                  | 2,475                               | 2,475                        |
| Bute Noir                             | 4,000                               | 4,000                        |
| HFLCT                                 | 5,000                               | 5,000                        |
| HIMD                                  | 4,500                               | 4,500                        |
| Jura Music Festival                   | 5,000                               | 5,000                        |
| Sea Change                            | 4,500                               | 4,500                        |
| Sound Of Gigha                        | 2,500                               | 2,500                        |
| <b>Subtotal</b>                       | <b><u>27,975</u></b>                | <b><u>27,975</u></b>         |
| <b>£5,001 - £15,000 Fund</b>          |                                     |                              |
| Mull of Kintyre Music and<br>Festival | 11,000                              | 11,000                       |
| Tiree Wave Classic                    | 10,000                              | 10,000                       |
| <b>Subtotal</b>                       | <b><u>21,000</u></b>                | <b><u>21,000</u></b>         |
| <b>£15,001 and Over Fund</b>          |                                     |                              |
| Cowal Highland Gathering              | 30,000                              | 30,000                       |
| <b>Subtotal</b>                       | <b><u>30,000</u></b>                | <b><u>30,000</u></b>         |
|                                       |                                     |                              |
| <b>Total SEF Round 5 request</b>      | <b><u>78,975</u></b>                | <b><u>78,975</u></b>         |

Table 2 - SEF Round 5 Additional Grant request for approval

| <b>Table 2 – SEF Round 5 Grant Applications received after 12 noon</b> |                            |
|--|----------------------------|
| Event  | Original Funding Requested |
| <b>£2,500 - £5,000 Fund</b>  |                            |
| West Highland Yachting Week  | 3,600                      |
| <b>Total SEF Round 5 request</b>                                       | <b><u>3,600</u></b>        |

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**ARGYLL AND BUTE COUNCIL****POLICY AND RESOURCES  
COMMITTEE****DEVELOPMENT AND  
ECONOMIC GROWTH****16 FEBRUARY 2023**

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**PLACE BASED INVESTMENT AND CROWN ESTATE FUND UPDATE**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 Members will recall Argyll and Bute Council were allocated £712,000 for financial year 2022/23 from Scottish Government, via its Place Based Investment (PBI) Programme. The allocation for 2023/24 has not yet been announced.
- 1.2 Argyll and Bute Council were also allocated Crown Estate monies, and a number of reports were presented to the Policy and Resources Committee in 2022, to seek agreement on a number of projects which would benefit from this funding. In December 2022, the Scottish Government announced the final allocation of Crown Estate funding, which sees Argyll and Bute Council's share of £1,488,199.29 for 2022/23. The allocation for 2023/24 has not yet been announced.
- 1.3 Following the various projects to benefit from Place Based Investment and Crown Estate funding, agreed by the Council, this report seeks member's consideration of a number of adjustments in regard the funding source and the projects.

**RECOMMENDATIONS**

It is recommended that Policy and Resources Committee:-

- a) Note the update in regard to PBI and CE funding allocations for 2022/23.
- b) Note that following the announcement of the final allocation of funding, the Cemetery Maintenance and Roads Access Fund and the Public Conveniences project can now proceed, as agreed at the Policy and Resources Committee in October 2022 in principle.
- c) Agree to switch the allocation of £100,000 PBI funding 2022/23 against the Glenmorag Campsite, Dunoon project to £100,000 CE funding allocation 2022/23 and to then in turn allocate the PBI funding to those projects as detailed in Table 1 that previously had the CE funding allocated against them thereby simply changing the funding source.

- d) Agree member's approval to use the allocation of £400,000 CE funding currently allocated against the delivery of the Tobermory Car Park project to instead deliver the extension to the cemetery at Tobermory.
  
- e) Agree that delegated authority be given to the Executive Director with responsibility for Development and Economic Growth, in consultation with the Leader, Depute Leader, and the Leader of the largest Opposition Group in regard to any necessary future changes required to be made between specific CE and PBI funding allocations already agreed by members to individual projects. This delegation will ensure that funding timelines can be met and funding does not require to be paid back. This will not impact the projects that have been agreed but simply change the source of funding that will support their delivery and officers will report any updates to Elected Members.

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**ARGYLL AND BUTE COUNCIL**

**POLICY AND RESOURCES  
COMMITTEE**

**DEVELOPMENT AND  
ECONOMIC GROWTH**

**16 FEBRUARY 2023**

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**PLACE BASED INVESTMENT AND CROWN ESTATE FUND UPDATE**

---

**2.0 INTRODUCTION**

- 2.1 The purpose of this report is to update member's in regard to the allocation of both Placed Based Investment (PBI) and Crown Estate (CE) funding for 2022/23.
- 2.2 In addition the report also seeks member's consideration and approval of a number of changes in regard to the specific allocations of funding as already agreed in regard to both PBI and CE funding against respective projects.

**3.0 RECOMMENDATIONS**

- 3.1 It is recommended that Policy and Resources Committee:
- a) Note the update in regard to PBI and CE funding allocations for 2022/23.
  - b) Note that following the announcement of the final allocation of funding, the Cemetery Maintenance and Roads Access Fund and the public conveniences project can now proceed, as agreed at the Policy and Resources Committee in October 2022.
  - c) Agree to switch the allocation of £100,000 PBI funding 2022/23 against the Glenmorag Campsite, Dunoon project to £100,000 CE funding allocation 2022/23 and to then in turn allocate the PBI funding to those projects as detailed in Table 1 that previously had the CE funding allocated against them thereby simply changing the funding source.
  - d) Agree member's approval to use the allocation of £400,000 CE funding currently allocated against the delivery of the Tobermory Car Park project to instead deliver the extension to the cemetery at Tobermory.
  - e) Agree that delegated authority be given to the Executive Director with responsibility for Development and Economic Growth, in consultation with the Leader, Depute Leader, and the Leader of the largest Opposition Group in regard to any necessary future changes required to be made between specific

CE and PBI funding allocations already agreed by members to individual projects. This delegation will ensure that funding timelines can be met and funding does not require to be paid back. This will not impact the projects that have been agreed but simply change the source of funding that will support their delivery and officers will report any updates to Elected Members.

#### 4.0 DETAIL

- 4.1 At the meeting of the Policy and Resources Committee in October 2022, it was also agreed that should there be additional Crown Estate funding, over and above the original estimated 2022/23 allocation, this would go to a Cemetery Maintenance and Roads Access fund for each administrative area (£75,000 to each area) and to complete the project agreed in February 2020 to install charging mechanisms in 16 high footfall public conveniences at a cost of £200,000. The final CE allocation for 2022/23 was £1,488,199.29 and therefore these projects are able to be supported.
- 4.2 Following the decision of the October Policy and Resources Committee to allocate CE and PBI 2022/23 funding to specific projects it has come to light that there is a risk that the council may well not be able to meet the timeline requirements associated with £100,000 PBI funding allocated to the Glenmorag Camp site project. It is currently not anticipated that the council will be in a position to provide evidence of a contract being committed for any works in regard to this project in advance of 31 March 2023. Therefore in order to ensure we secure the £100,000 PBI funding it is proposed to swap the PBI funding for CE funding which is much less onerous in regard to evidence of commitment of spend and reporting. Table 1 below shows how it is proposed to switch the £100,000 allocation from PBI to CE monies and how in turn the £100,000 PBI monies would be allocated. There is no change to the projects being supported as previously agreed by members, it is just simply changing the source of the funding in regard to the 3 projects identified in Table 1.

**TABLE 1 – PLACE BASED INVESTMENT & CROWN ESTATE 2022/23 FUNDING RE ALLOCATION BETWEEN EXISTING APPROVED PROJECTS**

| Project  | Current Funding  |                  |
|--|------------------|------------------|
|  | PBI              | CE               |
| Glenmorag  | £ 100,000        | £ -              |
| Tobermory Aros Waterfront (grant contract to third party and tender in progress) | £ 63,486         | £ 76,514         |
| Helensburgh Pier – works completed   | £ 89,514         | £ 92,710         |
|  | <b>£ 253,000</b> | <b>£ 169,224</b> |



| <b>Proposed Funding Reallocation</b> |            |                |           |                |
|--------------------------------------|------------|----------------|-----------|----------------|
| <b>Project</b>                       | <b>PBI</b> |                | <b>CE</b> |                |
| Glenmorag                            | £          | -              | £         | 100,000        |
| Tobermory Aros Waterfront            | £          | 140,000        | £         | -              |
| Helensburgh Pier (Masonry Pier)      | £          | 113,000        | £         | 69,224         |
|                                      | <b>£</b>   | <b>253,000</b> | <b>£</b>  | <b>169,224</b> |

- 4.3 On the 18 February 2021 members of the Policy and Resources Committee agreed to allocate £0.400m CE funding to build a new carpark on Council land on the periphery of the town. The funding was allocated under the CE categories for Community and Economic Development. The purpose was to ease pressure on the village carpark and target visitors to the town using motor homes. Unfortunately for a number of reasons, primarily of a legal nature, it has not been possible, despite all efforts, to progress with this project. Rather than lose the £400,000 CE allocation for Tobermory, it is proposed to utilise the funding to deliver an extension to the cemetery at Tobermory. The delivery of this latter project will be possible within the timeframe and there are no legal or land ownership issues.

## 5.0 CONCLUSION

- 5.1 The relatively tight timescales associated with both of these funds but more specifically the PBI fund, combined with the large number of existing projects being delivered by the council, make for a challenging place based investment programme. It is for this reason that the requests detailed above have been made to members in order to minimise the potential risk of funding having to be paid back.
- 5.2 PBI funding the CE funding is likely to be available in subsequent years and a further report will be placed before members once further details are available of the future year's allocations.

## 6.0 IMPLICATIONS

- 6.1 Policy – There is a need to comply with the Scottish Government 'place' policies and associated guidance for the Fund as well as the Crown Estate fund guidance.
- 6.2 Financial – The Scottish Government expect that any PBI 2022/23 funds uncommitted by 1<sup>st</sup> April 2024 will be returned to Scottish Government.
- 6.3 Legal – None.
- 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 will support local economies through place-

- based centre regeneration activity.
- 6.5.3 Islands – The Fund will support island economies through place-based regeneration activity and has the potential to align with, and add value to, the Islands Infrastructure Investment Fund.
- 6.6. Risk – In order for each PBI project funded from the 2022/23 allocation to progress to delivery stage, a fully let contract must be in place by 31<sup>st</sup> March 2023. The projects will be continually monitored to ensure that funds can be reallocated to another Place Based Investment Fund project to avoid having to return any uncommitted funds to Scottish Government at this time.
- 6.7 Climate Change – the projects deliver towards net zero and address Argyll and Bute’s carbon footprint.
- 6.8 Customer Service – None.

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

**Policy Lead for Strategic Development:** Councillor Robin Currie

January 2023

**For further information contact:**

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**ARGYLL AND BUTE COUNCIL****POLICY AND RESOURCES  
COMMITTEE****DEVELOPMENT AND ECONOMIC  
GROWTH****16 FEBRUARY 2023**

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**ISLANDS PROGRAMME 2023/24**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 Islands Infrastructure funding was previously allocated to Local Authorities on a population basis, however for the 2022/23 programme, the Scottish Government introduced a competitive process where Local Authorities had to bid for funding. The change to the process for funding placed an additional resource on Local Authorities.
- 1.2 Following consideration by the RAINE Committee of the mechanism by which the Islands Programme is delivered, the Scottish Government have confirmed that the 2023/24 Islands Programme will be delivered as a simplified and streamlined bid model. This means that the competitive process remains in place.

**RECOMMENDATIONS**

The Policy and Resources Committee are asked to:-

- i. Note that the next round of funding will likely be a one stage process;
- ii. Agree that arrangements for the fund be delegated to the Executive Director with responsibility for Islands in consultation with the Leader, Depute Leader, Leader of the largest Opposition Group and the Policy Lead for Islands to ensure that the Council can submit a bid(s) within the short timescales proposed by the Scottish Government for round 2023/24; and
- iii. Note that the delegation will also engage with the Argyll Islands Sounding Board in relation to any potential bids for funding for the round in 2023/24.

**ISLANDS PROGRAMME 2023/24**

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**2.0 INTRODUCTION**

- 2.1 This report provides an update on the Scottish Government's 2023/24 Islands Programme and how it will be delivered. The report also seeks agreement from the Policy and Resources Committee to put in place a delegation to ensure that the Council can adhere to the tight timescales set by the Scottish Government in bidding for funding for the 2023/24 Islands Programme.

**3.0 RECOMMENDATIONS**

- 3.1 The Policy and Resources Committee are asked to:-
- i. Note that the next round of funding will likely be a one stage process;
  - ii. Agree that arrangements for the fund be delegated to the Executive Director with responsibility for Islands in consultation with the Leader, Depute Leader, Leader of the largest Opposition Group and the Policy Lead for Islands to ensure that the Council can submit a bid(s) within the short timescales proposed by the Scottish Government for round 2023/24; and
  - iii. Note that the delegation will also engage with the Argyll Islands Sounding Board in relation to any potential bids for funding for the round in 2023/24.

**4.0 DETAIL**

- 4.1 The Scottish Government, on 31<sup>st</sup> January 2023, announced their indicative timescales for the application process. The programme has an application deadline of 21<sup>st</sup> April 2023, with panel recommendations expected in early May 2023 – clear readiness to deliver in 2023/24 will be a crucial point for consideration in the application process.
- 4.2 The Scottish Government have set out their key objectives of the Islands Programme for 2023/24, which are:-

- To sustain, enhance and develop transformational and critical infrastructure projects based on local priorities whilst supporting the National Islands Plan.
- To reshape infrastructure by supporting shovel worthy projects, co-ordinating with other funded and planned initiatives on the islands to drive sustainable island growth.
- To support projects which use clear Place based, Community Wealth principles to support inclusive island growth while working to achieve the Scottish Government's Net Zero Ambitions and a Just Transition.
- To maximise leverage of partnership, investment, and cross policy funding.

4.3 Given the timescales announced by the Scottish Government, the Council wish to agree a delegation to the Executive Director with responsibility for Islands in consultation with the Leader, Depute Leader, Leader of the largest Opposition Group and the Policy Lead for Islands to ensure that a bid(s) can be submitted for funding within the tight timescales set.

## **5.0 CONCLUSION**

5.1 For 2023/24, the Government is investing around £4 million of capital funding through the Islands Programme to ensure delivery of the National Islands Plan. The delegation requested within this report will ensure that the Council are able to engage in the process and submit a bid(s) within the tight timescales set out by the Scottish Government.

## **6.0 IMPLICATIONS**

6.1 Policy – None from this report.

6.2 Financial – The Council are seeking a delegation to ensure that a bid(s) can be submitted for the 2023/24 Islands Programme which will provide financial support to our island communities.

6.3 Legal – None from this report.

6.4 HR – None from this report.

6.5 Fairer Scotland Duty:

6.5.1 Equalities - protected characteristics – None from this report.

6.5.2 Socio-economic Duty – None from this report.

6.5.3 Islands – The Council will look to place a bid(s) for the 2023/24 Islands Programme funding to continue to support our island communities.

6.6 Climate Change – none from this report.

- 6.7 Risk – Should the Council not agree to the delegation set out within the report, there is a risk that agreement from a committee will not be determined within the timescales set out by the Scottish Government, therefore risking the loss of potential funding.
- 6.8 Customer Service – none from this report.

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

**Councillor Liz McCabe: Policy Lead for Islands and Business Development**

January 2023

**For further information contact:**

Fergus Murray, Head of Development and Economic Growth

[Fergus.Murray@argyll-bute.gov.uk](mailto:Fergus.Murray@argyll-bute.gov.uk)

## Policy and Resources Committee Work Plan 2023-2024

| <b>This is an outline plan to facilitate forward planning of reports to the Policy and Resources Committee.</b> |   |                                 |                          |                 |                 |
|---|---|---------------------------------|--------------------------|-----------------|-----------------|
| <b>Date</b>   | <b>Report Title</b>                             | <b>Dept/Section</b>             | <b>How Often?</b>        | <b>Date Due</b> | <b>Comments</b> |
| 16 February 2023  | Financial Report Monitoring Pack                | Financial Services              | Every meeting except May | 17 January 2023 |                 |
|   | Budget 2023-2024                                | Financial Services              |                          |                 |                 |
|   | Treasury Management Strategy                    | Financial Services              |                          |                 |                 |
|   | Coronation Holiday – 8 May 2023                 | Customer Support Services       |                          |                 |                 |
|   | Placed Based Investment and Crown Estate Update | Development and Economic Growth |                          |                 |                 |
|   | Strategic Events and Festivals                  | Development and Economic Growth |                          |                 |                 |
|   | Islands Programme 2023-24                       | Development and Economic Growth |                          |                 |                 |
|   | Rothesay Pavilion                               | Commercial Services             |                          |                 |                 |
| <b>Date</b>   | <b>Report Title</b>                             | <b>Dept/Section</b>             | <b>How Often?</b>        | <b>Date Due</b> | <b>Comments</b> |
| 11 May 2023   | Budget Outlook                                  | Financial Services              |                          | 11 April 2023   |                 |
|   | Key Performance Indicators?                     | Customer Support Services       |                          |                 |                 |

## Policy and Resources Committee Work Plan 2023-2024

| <b>Date</b>     | <b>Report Title</b>   | <b>Dept/Section</b>          | <b>How Often?</b>        | <b>Date Due</b>   | <b>Comments</b>  |
|-----------------|---|------------------------------|--------------------------|-------------------|--|
| 12 August 2023  | Financial Report Monitoring Pack  | Financial Services           | Every meeting except May | 11 July 2023      |  |
|                 | Budget Outlook  | Financial Services           |                          |                   |  |
|                 | Service Annual Performance Reviews  | Customer Support Services    |                          |                   |  |
|                 | Community Empowerment (Scotland) Act 2015 – Update on Expressions of Interest / Asset Transfer Requests | Commercial Services          |                          |                   |  |
| <b>Date</b>     | <b>Report Title</b>   | <b>Dept/Section</b>          | <b>How Often?</b>        | <b>Date Due</b>   | <b>Comments</b>  |
| 12 October 2023 | Financial Report Monitoring Pack  | Financial Services           | Every meeting except May | 12 September 2023 |  |
|                 | Budget Outlook  | Financial Services           |                          |                   |  |
|                 | Policy For Empty Property Relief In Non-Domestic Rates From 1 April 2023                                | Financial Services           |                          |                   | Agreed 13.10.22 that an update would be provided in October 2023 |
| <b>Date</b>     | <b>Report Title</b>   | <b>Dept/Section</b>          | <b>How Often?</b>        | <b>Date Due</b>   | <b>Comments</b>  |
| 7 December 2023 | Financial Report Monitoring Pack  | Financial Services           |                          | 7 November 2023   |  |
|                 | Budget Outlook  | Financial Services           |                          |                   |  |
|                 | Annual Review of Procurement Strategy and Sustainable Procurement Policy                                | Legal and Regulatory Support |                          |                   |  |



## Policy and Resources Committee Work Plan 2023-2024

| <b>Future Items – Date to be determined.</b> |   |                                 |        |  |   |
|--|---|---------------------------------|--------|--|---|
|  | Key Performance Indicators FQ2 – 2022/2023 – changing to Corporate Outcome Indicators                     | Customer Support Services       | Annual |  |   |
|  | Historic Environment Scotland Heritage and Place Programme – Opportunity for Place Based Heritage Funding | Development and Economic Growth |        |  |   |
|  | UK Shared Prosperity Fund – Argyll and Bute Investment Plan   | Development and Economic Growth |        |  | Regular updates to be provided. Agreed 11.08.2022 |

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**ARGYLL AND BUTE COUNCIL****POLICY AND RESOURCES COMMITTEE****COMMERCIAL SERVICES AND****DEVELOPMENT AND ECONOMIC GROWTH****16 FEBRUARY 2023**

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**ROTHESAY PAVILION UPDATE**

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**1.0 INTRODUCTION**

- 1.1 I refer members to the decision taken on the 9<sup>th</sup> December 2021 by the Policy and Resources Committee with regard to the pausing of the Rothesay Pavilion project given the particular set of challenging circumstances that had beset the project following the administration of the main contractor during the 2020 pandemic. At the same meeting Members also took the decision to establish a Rothesay Pavilion Lobbying Group in an effort to secure additional funds to enable the project to continue. This overarching report brings Members up to date with the current situation facing the Rothesay Pavilion project including a summary of the work undertaken by the Rothesay Pavilion Lobbying Group.
- 1.2 This report contains an accompanying Action Plan that has been taken forward by the Lobbying Group which consists of officers, councillors and a representative of the Rothesay Pavilion Charity.
- 1.3 The report also contains a number of recommendations for members to consider in relation to the including the delivery of the associated action plan and the continuation of the project to completion.

**2.0 RECOMMENDATIONS**

The Policy and Resources Committee are asked to:-

- 2.1 Note the content of the content of the report and progress made to date as contained within the report and Action Plan contained in Appendix B of this report.
- 2.2 Agree the continuation of the Rothesay Pavilion project as detailed in the accompanying report entitled Rothesay Pavilion – Financial and Contractual Issues.

**3.0 ROTHESAY PAVILION CONTEXT**

- 3.1 The Rothesay Pavilion refurbishment formed part of the Council's ambitious and forward looking regeneration programme that has been implemented across Argyll and Bute's main towns over a decade and more. The grade A

Pavilion building occupies a prominent location on the Rothesay waterfront the main settlement on Bute. Bute is a community that has been under significant economic pressure for a number of decades. The three pillars of the island's economy continues to be tourism, agriculture and food and drink produce however there remains an over reliance on the service sector for employment on the island with a significant percentage of this in the public sector. As the island struggles to find a sustainable economic function the claimant count has been consistently higher than the Scottish National average and remains as the highest in Argyll and Bute at 5.6% of residents aged between 16-64 in the December 2022 figures. This rate is subject to fluctuation but it is expected to remain at these high levels unless the economy improves significantly.

- 3.2 Rothesay also has 3 data zones in the 10 most deprived zones in Argyll and Bute which are in themselves in the top 15% of the most deprived data zones in Scotland:-

**S01007346 Rothesay Town - 03 391 5-10% 31%**

**S01007345 Rothesay Town - 02 806 10-15% 25%**

**S01007350 Rothesay Town - 07 1043 10-15% 23%**

- 3.3 This significant deprivation adjacent to the Pavilion has also contributed to the Island of Bute having the highest level of child poverty in Argyll and Bute when housing costs are taken into account and this is expected to get even worse as the cost of living crisis intensifies on account of a number of factors including most notably for island residents rising food, housing and fuel costs.
- 3.4 The restoration of the Pavilion is therefore seen as an important individual element of a much wider regeneration of Rothesay and Bute that has been ongoing over several decades.

#### **4.0 ROTHESAY PAVILION CHARITY VISION**

- 4.1 The Rothesay Pavilion Charity remains focussed on the future vision for the Pavilion going forward. This vision has had to be adapted to reflect the changing economic circumstances of the national and local economy. The building had a strong community role on the island and this will remain an essential element of the business case going forward. In addition the building has the potential to be a nationally significant visitor attraction to the area whilst at the same time aligning to the Scottish and UK Governments economic and social priorities including the emergence of the wellbeing and circular economy, skills for work with a focus on creative, hospitality and digital skills together with the need to deliver net zero.
- 4.2 A key aspect of the Pavilion is that it is a Grade A listed building considered unique in its architectural offer with considerable potential to be both a cultural and creative powerhouse. The Rothesay Pavilion Charity is looking at every area within the building to see how it can foster entrepreneurship in the

creative industries, developing individual skills and innovation. This includes the events area, the office space, the caretaker's house, flexible exhibition space, craft retail/café space, the dressing rooms, young people's studio, the outdoor spaces and corridors. A key focus will be dance but fine art, design, digital media, literature, music, fashion and song all have the potential to play a prominent role in the building's future. A key aspect will be how people will interact with the building to help reach their creative potential. This is not only important for the sustainability of the building going forward but also the local economy given the vision is to become a top 10 visitor attraction in Scotland.

4.3 Work has also been ongoing in developing the business case associated with the Pavilion and the main economic themes of both Governments. Appendix A shows how the Pavilion will fit in to both the Scottish Government and UK Government economic priorities.

4.4 The Rothesay Pavilion Charity (RPC) is a key partner in the delivery of the Pavilion project and as such there is a need to continue to fund the charity into the next financial year to enable it to continue this work. A report was presented to the Council on 27 February 2020 in respect of a request for additional funding from Rothesay Pavilion Charity (RPC). A further request to enable RPC to continue its work in the next financial year and this is contained within the Rothesay Pavilion - Financial and Contractual Issues Report that accompanies this report which is marked confidential.

## **5.0 ROTHESAY PAVILION LOBBYING GROUP PROGRESS**

5.1 Following the December 2021 Policy and Resources Committee decision the Rothesay Pavilion Lobbying Group was established consisting of council Officers and Members together with a representative of the Rothesay Pavilion Charity. This group developed an action plan included in the report as Appendix B that has been taken forward by members of the group. This action plan is focussed on raising awareness of the situation we find ourselves in with regard to the Pavilion and examining possible sources of additional finance to allow the council to complete the refurbishment of the Pavilion. The action plan contains a range of actions that have been or are in the process of being carried out. The plan reflects the complexity of the task in front of us and it has proved challenging to gain significant traction in the winning of additional funds given the current economic and financial climate. In particular, it is clear that there is a reluctance amongst existing, and potential partners, regarding the pavilion in making future financial commitments unless there is greater certainty shown that the project will be completed and operational. Inevitably this will require the council to demonstrate further commitment to the project which is a key aspect of this report and the decisions members will take concerning the Pavilion.

## **6.0 ROTHESAY PAVILION FUTURE CONSTRUCTION PHASES**

6.1 As members will recall, we have appointed the Robertson Construction Group (RCG) through a national construction framework, to take forward the implementation of the construction works once funding has been secured.

Subsequently, and following the decision to 'pause' the project, our Project Manager, in partnership with the Design Team, Costs Consultants and RCG have been working on alternative approaches to delivery, which makes best use of the funds currently available. Their costed proposals have been included as an accompanying Report entitled Rothesay Pavilion – Financial and Contractual Issues, which due to the commercial nature of the information is marked as confidential. Given the scale of the task in front of us and the fact the council has as yet not been able to secure any additional funding it is recommended that a phased approach be taken in terms of delivery of the project in order to help attract additional funding from strategic partners that have been identified in the Action Plan that accompanies this report, marked as Appendix B.

## **7.0 CONCLUSION**

- 7.1 The adaptive restoration and extension of the Rothesay Pavilion was always going to be a challenging and complex project given its A Listed Status and island location. However, the emergence of a global health pandemic, the demise of the original main contractor, the United Kingdom's exit from the EU, and the on-going global impacts of responding to and recovering from COVID which has in turn contributed to a significant rise in inflation has increased the complexity beyond what could reasonably have been forecast.
- 7.2 Following the decision to pause the project taken in December 2021 by the Policy and Resources Committee, Officers of the council have been working to secure additional funding to enable the project to proceed to completion. This included the forming of the Rothesay Pavilion Lobbying Group that consisted of officers of the Council, Council members and a representative of the Rothesay Pavilion Charity. An Action Plan which is included as Appendix B to this report has been included for information in the report. This Action Plan looks to help align the business case of the pavilion to the needs of the local community whilst at the same time identify where it can support the main themes of the Scottish and UK Government's economic priorities. The Action Plan details all of the work that has been undertaken by members of the Rothesay Pavilion Lobbying Group to date and what it programmed to be undertaken. The work of the group has identified that strategic partners and other external funders are reluctant to commit further funding to the project until there is more certainty on what further resources the council will commit to and that the project will be completed. Consequently, it is recommended that a further phase of the Rothesay Pavilion restoration is committed to in order to help with the attraction of additional funds. Full details on the costs associated with each of the phases have been included in an accompanying report entitled as Rothesay Pavilion – Financial and Contractual. Given the sensitivity of these costs included in this report it is marked as confidential.
- 7.3 Members are also asked to consider additional revenue funding to enable the Rothesay Pavilion Charity to continue its work into the next financial year to help take forward the Action Plan working with council officers and members as appropriate. The costings associated with this are again included in the

accompanying report entitled Rothesay Pavilion – Financial and Contractual Issues, which is marked confidential.

## **8.0 IMPLICATIONS**

- 8.1. Policy: The Rothesay Pavilion Project formed part of the original CHORD Programme and was a Single Outcome Agreement priority.
- 8.2. Financial: Revenue and capital costs are set out in the accompanying Rothesay Pavilion – Financial and Contractual Issues report which has been marked as confidential due to the inclusion of sensitive costings.
- 8.3. Legal: Potential recourse to legal remedies in respect of Collateral Warranties.
- 8.4. HR: No impacts
- 8.5. Fairer Scotland Duty:
  - 8.5.1. Equalities – Protected Characteristics On completion the building will be fully accessible to facilitate disabled people's participation and use under the Equalities Act 2010.
  - 8.5.2. Socio Economic Duty Will be considered as part of the RPC's Operational Business Model
  - 8.5.3 Islands Will be considered as part of the RPC's Operational Business Model.
- 8.6. Climate Change: Will be considered as part of the RPC's Operational Business Model.
- 8.7. Risk: As set out in the Report in respect of capital and revenue costs, as well as reputational.
- 8.8. Customer Service: None.

**Douglas Hendry - Executive Director with responsibility for Commercial Services**

**Kirsty Flanagan – Executive Director with responsibility for Development and Economic Growth and Section 95 Officer**

**Councillor Gary Mulvaney - Policy Lead for Finance and Commercial Services**

**2 February 2023**

**For further information contact:**

Fergus Murray, Head of Development and Economic Growth

**Appendix A – Rothesay Pavilion and UK and Scottish Government Priorities**

**Appendix B – Rothesay Pavilion Fundraising Action Plan**

**APPENDIX A - ROTHESAY PAVILION AND UK AND SCOTTISH GOVERNMENT PRIORITIES**

**TABLE 1**

| <b>Scottish Government Economic Priorities</b> | <b>How the Pavilion Can Respond to this?</b>  |
|--|---|
| <b>Sense of Place</b>                          | <p>The Pavilion is an iconic grade A listed building that lies in the heart of the Rothesay Conservation area close to the town centre and local services. The Pavilion also has a role in assisting the wider regeneration of the Island (assisting the Governments ambitions for our island communities) linked to a number of existing and developing area regeneration initiatives.</p>   |
| <b>Entrepreneurship</b>                        | <p>The Pavilion is well placed to encourage entrepreneurship in the creative industries; tourism and food and drink; the space needs to demonstrate flexibility of use and be digitally enabled to allow use by remote workers/micro/small businesses particularly with links to the aforementioned sectors but does not need to be exclusive.</p>  |
| <b>Skilled Workforce</b>                       | <p>The Pavilion can offer a variety of spaces and activities (dance, events, café, exhibitions etc.) that can provide significant skill development or training opportunities. This can be applied to a number of priority sectors such as tourism and food and drink which are the council's and amongst the Government priority sectors. It can also look to assist different groups of people with skill development such as young people; women, or people with barriers to employment.</p> |



|                                      |  |
|--------------------------------------|--|
| <b>Fairer and more Equal Society</b> | The Pavilion can provide a venue focused on specific groups of people. Young people for example taking advantage of dedicated spaces within the building possibly linked to digital skills development.  |
| <b>Net zero</b>                      | The Pavilion can be an exemplar for using low carbon technologies in a historic building; Links can be developed to low carbon initiatives on the island including assisting biodiversity including for example links to the Bute Community Forest and sourcing local food products and linking to initiatives such as Bute Kitchen. |
| <b>Wellbeing and population</b>      | An overarching principal of the new transformation strategy is boosting people's well being the pavilion can play a central role in this and make the place not only a better place to visit but also as a place to live through a programme of creative activities from dance, to sports, to arts to good quality foods and events. |

| <b>UK Government Economic Priorities</b>    | <b>How the Pavilion Can Respond to This?</b>   |
|---|--|
| <b>Pride in Place/ creating opportunity</b> | The Pavilion is an iconic grade A listed building managed by the community as a major community hub. It has potential to offer economic and social opportunities in an area suffering from multiple deprivation, high unemployment and a falling population. |

|   |   |
|---|---|
| <p><b>Enhancing Local amenities and creating a high quality environment</b></p> | <p>The Pavilion is a long established local amenity that can play a critical role in boosting the local tourism industry and making Bute a more attractive place to visit and live. The building is regarded as being in the top 10 most admired buildings in Scotland.</p>   |
| <p><b>Creating jobs and economic growth</b></p>                                 | <p>The Pavilion can be an enabler for jobs in the creative industries, hospitality and food and drink; digital skill development could also be delivered as part of the buildings identified activities. In particular the wider regeneration role of the Pavilion is important here linking to the restarting of the Glen burn Hotel; the Levelling Up Bids; the activities of Mount Stuart and creation of affordable housing.</p>  |
| <p><b>People and Skills</b></p>   | <p>The Pavilion can offer a variety of spaces and activities (dance, events, café, exhibitions etc.) that can provide significant skill development or training opportunities. This can be applied to a number of priority sectors such as tourism and food and drink which are the council's and amongst the Government priority sectors. It can also look to assist different groups of people with skill development such as young people; women, or people with barriers to employment. The UK Government places more emphasis on economic growth and this would have to be recognised.</p> <p>Again the need to boost wages and improve people's digital skills is very important.</p> |

| AUDIENCE  | ACTIONS                 | WHO  | BY WHEN                                       | THE REQUEST/ GOAL   | WHO ELSE NEEDS TO BE INVOLVED | RESULT  | NEXT?  | UPDATE  |
|---|-------------------------|--|---|---|-------------------------------|---|--|---|
| <b>1</b> GOVERNMENT: Approach for additional investment |                         |  |   |   |                               |   |  |   |
| a   | Scottish Government     | Letter introduction and phone call follow up from Leader's office for face to face meeting (Edinburgh) to advocate for support & funding lobby | Week 1 Sept 22                                | Awareness raising, explore solutions & advice over internal advocacy across party and Gov. Also opportunities for presentation/other PR opps to raise the profile |                               | Team meeting arranged TEAMS 12 Oct briefed parliamentary secretary                                  | Progress with other ministers?                                       | Awaiting to hear from government officials, following their meeting with officers, about any further information the Minister may require. If no word early New Year, can follow up with a further letter from the Leader. See also below comments at Action 2.   |
| b   | Scottish Government     | Invite COHI delegate to visit Bute   | During Conference visit /Extend visit in 2022 | Raise awareness of Pavilion Capital Fundraising req'd   |                               | Completed & circulated 14 Sept to X Party Lobby Grp & Circulated to Benefits Realisation Grp (RMcL) | Should we propose an event/exhibition at Holyrood to promote project | <p>Parliamentary Forum took place on 8<sup>th</sup> November and included a presentation on Rothesay Pavilion as a specific agenda item.</p> <p>MSP agreed to assist with a Parliamentary Reception in spring 2023, focusing on the Pavilion.</p> <p>She is also going to explore scope for a Parliamentary Motion.</p> <p>She has agreed to highlight the issue to the Depute First Minister and also to assist with engagement with Minister for Minister for Culture, Europe and International Development – we will keep her up to date with any developments in that regard.</p> <p>Leader has confirmed the above in a further letter to MSP (9<sup>th</sup> Dec) and we are awaiting confirmation of a call with MSP to discuss all further.</p> <p>We have shared a copy of the action plan with her.</p> |
| c   | Argyll and Bute Council | Briefing paper   | Week 1 Sept 22                                | Create 2 page brief on contract construction and issues around delays and costs -   |                               | Completed & circulated 14 Sept to X Party Lobby Grp & Circulated to Benefits Realisation Grp        | Circulate to funders   | <p>Used to inform Community Information Series of Events - presentation by JG w/c 21 Nov22</p> <p>Keep communication channels open with funders.</p> <p>Meetings have continued with funders to keep them up to date with all lobbying efforts.</p>   |

|   |   |  |            |  |  |   |  |   |  |
|---|---|--|------------|--|--|---|--|---|--|
|   |   |  |            | explanation of why the situation & costs exists (ref Dec P&R paper)                                  |  |   |  |   |  |
| d | UK Gov  | Brief minister (as above) Project update and enlist support for Govt fundraising & Update /Brief MSP                         |            | ASAP Next scheduled session or separate letter/call  | Clarify the situation on next phase of Levelling Up Fund or any other targeted funds coming on stream that would merit application |   | Local MSP has been written to and a meeting date is in the process of being arranged | Plan to engage with UK Government in February following Levelling Up bid results/Looking for feedback and confirmation of round 3.  |  |
| e | UK Gov  | Investigate potential strategic targeted funds   |            |  | Access to additional capital   |   | Awaiting Levelling Up Bids result  | Are there any other strategic sources of support e.g. digital, sustainability, community wealth initiatives?<br>Opened up dialogue with Open Reach and SSEN about possible corporate sponsorship routes                                       |  |
| f | Argyll & Bute Elected members   | Communication with all elected members   | End Oct?   | Internal advocacy & support for the project and its impact regionally                                |  |   | What else can we do to communicate to members  | Members Seminar held on 17 <sup>th</sup> November 2022.<br>Presentation on new economic framework for the Pavilion draft 1.   |  |
| 2 | <b>TRUSTS AND FOUNDATIONS: Research and identify that Capital Fund applications are possible and how best to approach</b> |  |            |  |  |   |  |   |  |
| a | Existing capital funders  | Key individual phone update to re engage and reassure council commitment to a solution                                       | End August | Kick start positive advocacy for the capital campaign & how to unlock any resources in support of it |  | TEAMS meeting held by Head of Commercial Services & actions of Xparty Lobby Grp Circulated                        | This work has commenced  | Communication continues.<br>Letter sent to all funders & followed up with notes from all Xparty group RMcL met with MM HIE and Leader and CEO with Chair HIE.   |  |
| b | Existing capital funders  | Arrange date to brief existing funders following (2a) of status of project and fundraising effort-Benefits Realisation Group | Oct-22     | Quarterly monthly Update thereafter on Capital Campaign plan and response                            |  | Meeting held 4 October - disquiet around level and frequency of communications and status of fundraising strategy | Better coordination, info sharing and recommendations. Regular weekly updates.       | Meeting held 4 October - disquiet around level and frequency of communications and status of fundraising strategy. Followed up by wider meeting on 11 Nov (16 funders & reps in attendance). Liaison with ScotGov over role of Caretaker's Hs |  |

**ROTHESAY PAVILION ACTION PLAN – FEBRUARY 2023**

|    |   |  |  |                |   |  |  |                                      |  |
|----|---|--|--|----------------|---|--|--|--------------------------------------|--|
| c  | Organisations that rejected previous capital applications made by RPAV  | Research and follow up to see if a new capital bid possible application possible                                     |  | End Sept 22    | Identify priority applications  |  | No action to date - focus on comms requirement for additional business dev resources - draft contract submitted for procurement          | Further online research underway     | List reviewed and researched - either old, not accepting capital bids, sums involved (<£20K and /or funds redirected/expended post pandemic, match funding reqd).  |
| d) | Targeted applications for capital   | Research Identify and prioritise 'Top 5' Trusts for potential capital application                                    |  | End Dec 22     | Identify priority applications  |  | Proposal submitted to procurement for BC Mgmts Centre & EZW Business Dev   | Consider =mc phase 1 review          | See above - intended as a result of =mc input.   |
| 3  | <b>MAJOR INVESTORS, GIFTS &amp; DONATIONS: Increase awareness of the Pavilion, what it will bring to the region, what the Case For Support is and help in fundraising either through donation or advocacy</b> |  |  |                |   |  |  |                                      |  |
| a  | Mount Stuart Trust  | Request face to face meeting &/or Presentation toe MS Board  |  | End Sept 22    | Support for Capital Fundraising programme   |  | Meeting held 14 Sept - Also 2 mtgs with potential influencer+ tour Pavilion  | Agree strategy & resourcing with ABC | Propose recruitment to advocacy campaign.  |
| b  | Saputo  | Firm up dates for future presentation to Trustees of Saputo Charitable Fund  |  | Week 1 Sept 22 | Investment in Capital Fundraising programme & future community activity programme           |  | Meeting arranged between Saputo Directors and CEO with Head of Development and Economic Growth in support to discuss £3m community fund. | Follow up                            | Meeting held with Saputo (CEO and HOS Economic Growth) and case for pavilion put forward to access their £3m community fund; main issue is to do with "will the building be delivered".<br><br>Subsequent meeting held Saputo remain supportive of Pavilion and are looking to undertake complimentary works; Looking for delivery timeline. |
| c  | Ex Bute Island Foods Directors  | Establish contact and request for Face to face meeting to explore any opportunities to support the Pavilion Campaign |  | 23             | Investment in Capital Fundraising programme & future community activity programme           |  | No action to date -  | Follow up                            | No contact yet many are still involved with Saputo   |
| d  | Bespoke Hotels  | Raise awareness of Pavilion & Case For Support & future advantages in business relationship                          |  | End Dec 22     | Raise awareness of Pavilion & Case For Support & future advantages in business relationship |  | No action to date - low priority - revise as part of New Year comms  |                                      | They are embarking on a major investment in their own hotel. Looking to meet up in March once operational again for the season.  |

**ROTHESAY PAVILION ACTION PLAN – FEBRUARY 2023**

|   |   |   |  |                                 |  |  |  |   |   |
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| e | HLNW investors  | Research and identify relevant prospects & influencers  |  | See 2 d above                   | Identify how to reach them with what   |  |  | Research & identify targets & potential influencers See 2c and 3a above | Issue with one of the consultants having sufficient resource to continue with consultancy looking at alternatives.<br><br>New economic framework to revision on business model developed to underpin relevant pitches -basis of investment in 'Community Wealth Creation' |
| 4 | <b>INDUSTRY INFLUENCERS - STRATEGIC REVENUE PARTNERS: Increase wider awareness and advocacy for the outcomes the Pavilion will deliver &amp; future potential partnerships (revenue/project/business) that are possible</b> |   |  |                                 |  |  |  |   |   |
|   | Visit Scotland  | Positive advocacy for future Tourism relations & Comms. RPAV positioning  |  | Visit Scotland agreed to assist | Raise awareness of Pavilion & Case For Support & test out tourism proposition & avenues of support & advocacy  |  |  |   | Visit Scotland continues to help with lobbying and making contact with tourism operatives; challenges with economy at this time.<br><br>Priority in Q4 - 23   |
|   | Argyll and Bute Council   | Investigate opportunities for advocacy & support (Business development, digital connectivity, construction mitigation |  | End Aug 22                      | Potential 'in kind support', project advocacy, digital business connectivity   |  |  |   | Discussions ongoing with corporate interests in digital and renewables.   |
|   | Creative Scotland   | Re-position the Pavilion within the organisation and raise awareness of current situation                             |  | End Sept                        | Reconnect with CS at strategic level   |  |  |   | Engaging through Scottish Government Ministers  |
| a | Creative Scotland   | Face to face mtg  |  | End Sept                        | Discuss future relationship with CS as digital/design hub<br>Investigate support for Capital Fundraising programme & future community activity programme |  |  |   |   |

**ROTHESAY PAVILION ACTION PLAN – FEBRUARY 2023**

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| <b>b</b> | Scottish Enterprise                                     | Re-position the Pavilion within the organisation as business enterprise and careers hub and raise awareness of current situation |  | End Oct     | Advocacy contacts & profile. Help with construction challenges and digital gateway/?   |  |   |  | Dialogue opened up including with SDS on future role of Pavilion |
|          | Skills Development Scotland                             | Research appropriate contact   |  | End Oct     | Re-position the Pavilion within the organisation as business enterprise and careers hub and raise awareness of current situation |  |   |  | See comment above in relation to Enterprise                      |
| <b>c</b> | Royal Incorporation of Architects (Scotland & Chapters) | Affirm the Pavilion's architectural credentials  |  | End Oct     | Profile/Support/Contacts for investors<br>Capital Fundraising programme & future PR  |  |   |  | Completed  |
|          | Museums & Galleries Association                         | Relationship & advocacy building   |  | End Oct     | Raise awareness and explore avenues of support   |  |   |  |  |
| <b>e</b> | Association Scottish Leading Visitor Attractions        | Relationship & advocacy building   |  | End Oct     | Raise awareness and explore avenues of support   |  |   |  |  |
| <b>f</b> | Scottish Tourism Alliance                               | Relationship & advocacy building   |  | End Oct     | Raise awareness and explore avenues of support   |  |   |  |  |
| <b>g</b> | V&A   | Relationship & advocacy building   |  | <b>Done</b> | Raise awareness and explore avenues of support   |  | Raised profile and aims of PAV as part of Scotland's Creative Industries Design network - contacts gained to F/Up |  |  |
|          | OneRen (Paisley)  | Relationship & advocacy building   |  | End Oct     | Raise awareness and explore  |  |   |  |  |

**ROTHESAY PAVILION ACTION PLAN – FEBRUARY 2023**

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|          |  |   |  | avenues of support  |  |  |   |   |
| <b>h</b> | DeLaWarr Pavilion  | Relationship & advocacy building                              |  | End Oct   | Raise awareness and explore avenues of support   |  |   |   |
| <b>i</b> | CHARTS (Culture Heritage Arts, Argyll & Bute )   | Relationship & advocacy building                              |  | Week 2 Sept   | Raise awareness and explore avenues of support   |  |   |   |
| <b>5</b> | <b>BUTES COMMUNITIES: Ensure Bute's communities have the right information and a strong voice &amp; engagement in the future of the Pavilion</b> |   |  |   |  |  |   |   |
| <b>a</b> | Bute's communities   | Local stakeholder development plan                            |  | Week 3 Sept - linked to production of banner/pres s release/rela unch of saving the Pavilion; | Build on network of key contact data for distribution of regular information sharing, FAQ's & enlisting advocacy support for capital fundraising |  | Content Future Comms for Q4. Further events and targeted stakeholder development planned for Q4. Focus on online & social & local radio | Carried out week long engagement facilitated by the Trust and attended by Council Officers<br><br>Exhibition and display 7 days y; 2 film screenings heritage work to date one outside, 6 speakers , 5 events. Over 200 people attended, positive key messages in local press (2 front covers,5 articles/letters and Editor. Established lines of communications to build on progress<br><br>Continuing communication including with Bute Bid/Suputo/Mount Stuart |
| <b>b</b> | Bute Community Council   | Meet up with Chair & Attend Community Council Sept onwards    |  | Wait until Community Council Elections over and reengage with new members.                    | To be advocates for the Pavilion and its social and economic role.   |  | Good networking with new members during 19-24 Nov Series  | As above<br><br>Good networking with new members during 19-24 Nov Series  |
| <b>c</b> | Bute BID Board/Visit Bute/AITCC  | Enlist engagement with BID board & Visit Bute                 |  | Week 4 Sept = Initial approach already made following visit to Bute                           | To be advocates for the Pavilion and its economic role for the island.   |  | Attended and briefed BID group - emailed BID email list   | As above<br><br>Continuing to meet with BID and speaking about pavilion at board meetings looking at complimentary projects   |
| <b>d</b> | Key industry Groups & Societies & Local Stakeholder s  | Identify and build list key contacts and priorities for Comms |  | Week 1 Oct - working with AITC/VisitScotland/Food and Drink Operators                         | Advocates and potential sponsors   |  | Database built and direct email to 80 grps - social media channels updated  | As above<br><br>Database built and direct email to 80 grps - social media channels updated  |
| <b>e</b> | Primary and Secondary School & FE  | Follow up to determine potential level of School and          |  | Week 1 Oct  | Advocates for the Pavilion   |  | Emailed Head request to brief   | Follow up for meeting re school/parent council involvement.   |



**ROTHESAY PAVILION ACTION PLAN – FEBRUARY 2023**

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|   | College Involvement   |   |                                       |   |  | parent council and open up comms  | Opportunities to f/lw up post recent info series  | Emailed Head request to brief parent council and open up comms - no response to date. Target Bute Youth Forum   |  |
| f | Local residents & visitors  | Adapt & distribute past print run of mailing cards up (3R's)    |                                       | Build email and contact address list  |  | see 5a above  |   | See 5a above  |  |
| 6 | <b>MEDIA - Build public support the Pavilion - Where are we now, where we are going and how to get there?</b> |   |                                       |   |  |   |   |   |  |
|   | Local, National & International audience  | Create and deliver a communication strategy /PR campaign        | Roll out begins October               | Build wider public support for fundraising; raise awareness of the Pavilion's plight. Capture attention of potential donors |  | Initial release, Website revised, direct mail distributed, banner up, C4 Support print, IOB news editor meet. Published in local news and Trade | regular flow of content about the Pavilion' credentials   | Initial release, Website revised, direct mail distributed, banner up, C4 Support print, IOB news editor meet. Published in local news and Trade. Content submitted re IOB news  |  |
| j | Past Pavilion 'Patrons'   | Enlist support for lobbying and advocacy effort & grow list     | Over next 3 months in line with above | Reposition Pavilion & extend reach nationally   |  | No action to date - need younger profile  | Build list of advocate/influencers to engender national and international support for fundraising | Revise approach   |  |
| a | Local, national & international publics   | Website revision, content and social media platform development | Over next 3 months in line with above |   |  | As 5a above - Media release covered in local news, Trade construction news, ABC website and social channels                                     | Determine scale and resources for wider campaign  | As 5a above - Media release covered in local news, Trade construction news, ABC website and social channels. Met ABC Comms representatives 11 Oct. 12 postings on social media from ABC & website. Significant Bute media articles published following week of activities on Bute; Generally positive with people happy to be updated; scale of the challenge recognised. |  |

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