

Public Document Pack

Argyll and Bute Council

Comhairle Earra-Ghàidheal Agus Bhòid

Executive Director: Douglas Hendry



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3 August 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, 10 AUGUST 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** (Pages 5 - 10)
Policy and Resources Committee held on 11 May 2023
- * 4. **FINANCIAL REPORTS MONITORING PACK - 30 JUNE 2023** (Pages 11 - 124)
Report by Section 95 Officer
5. **BUDGET OUTLOOK 2024-25 TO 2028-29** (Pages 125 - 142)
Report by Section 95 Officer
- * 6. **CAPITAL INVESTMENT STRATEGY 2023 - 2038** (Pages 143 - 168)
Report by Executive Director with responsibility for Commercial Services
7. **COMMUNITY EMPOWERMENT (SCOTLAND) ACT 2015 - UPDATE - EXPRESSIONS OF INTEREST / ASSET TRANSFER REQUESTS / REPORTING REQUIREMENTS** (Pages 169 - 176)
Report by Executive Director with responsibility for Commercial Services
8. **UK LEVELING UP FUND – GOVERNMENT FEEDBACK** (Pages 177 - 196)
Report by Executive Director with responsibility for Roads and Infrastructure and Development and Economic Growth

9. PLACE BASED INVESTMENT 2023/24 - PBI PROJECTS AND ALLOCATION
(Pages 197 - 204)

Report by Executive Director with responsibility for Development and Economic Growth

10. ISLANDS COST CRISIS EMERGENCY FUND 2023/24 (Pages 205 - 208)

Report by Executive Director with responsibility for Development and Economic Growth

REPORTS FOR NOTING

11. CHANGE TO ARGYLL COMMUNITY HOUSING ASSOCIATION GOVERNANCE STRUCTURE (Pages 209 - 230)

Report by Executive Director with responsibility for Development and Economic Growth

12. POLICY AND RESOURCES COMMITTEE WORKPLAN (Pages 231 - 234)

13. ROTHESAY PAVILION

REPORT FOR CONSIDERATION

(a) **RURAL GROWTH DEAL – ROTHESAY PAVILION** (Pages 235 - 242)

Report by Executive Director with responsibility for Development and Economic Growth

EXEMPT REPORT FOR CONSIDERATION

E1 (b) **ROTHESAY PAVILION - PROJECT POSITION UPDATE** (Pages 243 - 252)

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 |

Contact: Hazel MacInnes Tel: 01546 604269

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**MINUTES of MEETING of POLICY AND RESOURCES COMMITTEE held BY MICROSOFT TEAMS
on THURSDAY, 11 MAY 2023**

Present: Councillor Robin Currie (Chair)

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

Also Present: Councillor Jan Brown Councillor Peter Wallace

Attending: Douglas Hendry, Executive Director
Kirsty Flanagan, Executive Director / Section 95 Officer
Anne Blue, Head of Financial Services
Jane Fowler, Head of Customer Support Services
Ross McLaughlin, Head of Commercial Services
Fergus Murray, Head of Development and Economic Growth
Shona Barton, Governance Manager

1. APOLOGIES FOR ABSENCE

There were no apologies for absence intimated.

2. DECLARATIONS OF INTEREST

Councillor Fiona Howard declared a non-financial interest in item 8 of the agenda (Strategic Events and Festivals Fund – Round 5.2 2023/2024) due to her appointment as a trustee to the Helensburgh Winter Festival. She advised that she would leave the meeting during the consideration of this item of Business.

Councillor Dougie Philand noted a connection in relation to item 11 of the agenda (Kilmartin Museum – Request for Funding) due to him being one of the local members for that Ward and advised that he would leave the meeting during the consideration of this item of business.

3. MINUTES

The Minutes of the meeting of the Policy and Resources Committee held on 16 February 2023 were approved as a correct record.

4. BUDGET OUTLOOK 2024-25 TO 2028-29

The Committee gave consideration to a report summarising the budget outlook covering the period 2024-25 to 2028-29, taking into consideration the decisions made at the Council Budget Meeting on 23 February 2023. This was the first outlook of the financial

year which rolled forward previous estimates as well as updating some estimates, and also extending the budget outlook to 2028-29. The assumptions would continue to be updated as the year progressed.

Decision

The Policy and Resources Committee noted the current estimated budget outlook position for the period 2024-25 to 2028-29.

(Reference: Report by Section 95 Officer dated 21 April 2023, submitted)

5. BUDGET APPROACH

The Committee gave consideration to a report providing an update on the budget approach for 2024-25 and providing a high level draft budget timetable.

Decision

The Policy and Resources Committee agreed –

1. the 2024-25 budget approach as set out in the submitted report; and
2. the creation of a Budget Working Group as set out in paragraph 4.2 of the submitted report.

(Reference: Report by Section 95 Officer dated 21 April 2023, submitted)

6. PUBLIC SECTOR REFORM UPDATE

The Committee gave consideration to a report providing an overview of the emerging public sector reform and associated legislation that was likely to result in fundamental changes to how public services were delivered and, equally important, how decisions around public services were made.

Decision

The Policy and Resources Committee agreed that –

1. there be further exploration of the option for a Single Authority Model for Argyll and Bute; and
2. exploratory discussions with the Scottish Government be commenced and that the Chief Executive seek inclusion in the Single Island Authority meetings already in train.

(Reference: Report by Chief Executive dated 6 April 2023, submitted)

7. ARGYLL AND BUTE EQUALITY MAINSTREAMING REPORT 2023 AND EQUAL PAY AUDIT

As part of the equalities duties set out in the Public Sector Equality Duty (PSED), the Council, Education Authority and Licensing Board are required to report on their equalities mainstreaming activities every 2 years. The Committee gave consideration to the Equality Mainstreaming Report for the period 2021-2023.

Decision

The Policy and Resources Committee –

1. approved the Equality Mainstreaming Report; and
2. noted the findings of the Equal Pay Audit, which had been carried out as part of duties under equality legislation.

(Reference: Report by Executive Director with responsibility for Customer Support Services dated 6 April 2023, submitted)

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

8. STRATEGIC EVENTS AND FESTIVALS FUND - ROUND 5.2 2023/2024

The Committee gave consideration to a report providing an update on the further call for applications in respect of Round 5 – 2023/24 (referred to as Round 5.2) of the Council's Strategic Events and Festivals Fund (SEF). The report provided details of the applications submitted and recommendations regarding all eligible applications put forward to receive grant funding.

Decision

The Policy and Resources Committee –

1. agreed to the award of eligible SEF Round 5.2 grants amounting to £48,371 as detailed in Table 1 of the submitted report;
2. agreed 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 were detailed in Appendix 1, Table 1 of the submitted report;
3. agreed to continue delegation of powers to the Executive Director with responsibility for 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; and
4. noted that £14,204 would be left to be earmarked towards a future SEF round as previously agreed by Committee in February 2022.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 25 April 2023, submitted)

Councillor Fiona Howard re-joined the meeting at this point.

9. CLIMATE CHANGE BOARD

(a) DEPOSIT RETURN SCHEME (DRS) IMPLICATIONS FOR ARGYLL AND BUTE INCLUDING COUNCIL SERVICES AND STAKEHOLDERS

The Committee gave consideration to a report raising awareness of, and outlining the implications for Argyll and Bute as a result of the implementation of the Deposit Return Scheme which had been due to come into effect on 16 August 2023, but had been delayed for 7 months to March 2024. The deposit return scheme would require everyone who purchased a glass or plastic bottle, or drinks can to pay a 20p deposit which would be redeemable at a point of purchase when they returned their empty bottle or can.

Decision

The Policy and Resources Committee –

1. noted the content of the report and endorsed the work of officers across the Council to implement the Deposit Return Scheme;
2. agreed that officers should continue to highlight the concerns of businesses and the potential negative impacts on matters such as Free School Meals to the Scottish Government seeking greater clarity and response on operational matters;
3. agreed that the Policy Lead for Climate Change and Environment Services be authorised to make representations to the Scottish Government on behalf of the Council; and
4. noted that the Scottish First Minister announced on 18th April 2023 that the Deposit Return Scheme (DRS) would no longer launch this August, with a seven month delay and new implementation date of March 2024 to allow de-risking and operational issues to be addressed.

(Reference: Report by Executive Director with responsibility for Commercial Services dated 4 April 2023, submitted)

(b) COUNCIL CARBON EMISSIONS AND CARBON LITERATE ORGANISATION (CLO) BRONZE AWARD

The Committee gave consideration to a report highlighting the Council's overall emissions for the most recent period 2021/22 and confirming that the Council's emissions were 28% down since records began. The report also advised that the Council had achieved the nationally recognised Bronze Carbon Literate Organisation Award.

Decision

The Policy and Resources Committee –

1. noted the publication of the Council's 2021/22 carbon emissions report that confirmed a small 6% increase in emissions reported for the year, but that carbon dioxide emissions had still reduced by 28.4% in the past 7 years; and

2. commended and agreed to promote the Council achievement of the Bronze Carbon Literate Organisation (CLO) accolade noting that further training will be rolled out for staff, Councillors and Communities via ACT and Council.

(Reference: Report by Executive Director with responsibility for Commercial Services dated 5 April 2023, submitted)

(c) **COUNCIL DECARBONISATION PLAN TRACKER**

The Committee gave consideration to a report providing the latest update to the Council's Decarbonisation Plan Tracker.

Decision

The Policy and Resources Committee noted the updated Decarbonisation Plan Tracker.

(Reference: Report by Executive Director with responsibility for Commercial Services dated 5 April 2023, submitted)

(d) **UPDATE ON LOCAL HEAT AND ENERGY EFFICIENCY STRATEGY (LHEES) AND ENERGY EFFICIENT SCOTLAND: AREA BASED SCHEME (EES: ABS)**

The Committee gave consideration to a report providing an update to two important projects being undertaken by the Climate Change Board to help to get domestic properties to be more heat efficient and also setting out a wider heat and energy efficiency strategy.

Decision

The Policy and Resources Committee –

1. noted the emerging requirements to develop a Local Heat and Energy Efficiency Strategy (LHEES); and
2. commended and agreed to promote the successful installation of over £3.4m worth of property upgrades in the region to make homes more heat efficient through working in partnership with Scottish Government's Energy Efficient Scotland: Area Based Scheme (EES:ABS) and other partners.

(Reference: Report by Executive Director with responsibility for Commercial Services dated 5 April 2023, submitted)

(e) **NON-DOMESTIC ENERGY EFFICIENCY FRAMEWORK (NDEEF) PROGRESS UPDATE**

The Committee gave consideration to a report providing a brief summary of the progress with Argyll and Bute Council's Scottish Government Non-Domestic Energy Efficiency Framework project (NDEEF1) which was delivering a range of energy efficient projects at 12 Council properties. The delivery of the project had been instrumental in reducing energy costs and had made a significant contribution to the Council meeting Climate Change Carbon Reduction Targets.

Decision

The Policy and Resources Committee –

1. noted the progress made to date on the NDEEF project completing 47no. out of 50no projects so far; and
2. noted the climate change projects outlined at Section 4 of the submitted report that would be developed in 2023 onwards and would form NDEEF Project 2 that would commit a further £1.5m into projects relating to energy efficiency, reducing reliance on fossil fuels and increasing efficiency.

(Reference: Report by Executive Director with responsibility for Commercial Services dated 5 April 2023, submitted)

10. POLICY AND RESOURCES COMMITTEE WORK PLAN

The Policy and Resources Committee work plan was before the committee for noting.

Decision

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

(Reference: Policy and Resources Committee work plan as at May 2023, submitted)

Councillor Dougie Philand, having noted a connection with the following item of business, left the meeting and took no part in the consideration of this item.

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.

11. KILMARTIN MUSEUM - REQUEST FOR FUNDING

The Committee gave consideration to a report that sought the approval of a request from Kilmartin House Museum Limited for grant funding support from the Council.

Decision

The Policy and Resources Committee agreed the recommendations within the submitted report.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 4 May 2023, submitted)

ARGYLL AND BUTE COUNCIL**POLICY AND RESOURCES COMMITTEE****FINANCIAL SERVICES****10 AUGUST 2023**

FINANCIAL REPORTS MONITORING PACK – 30 JUNE 2023

1. INTRODUCTION

1.1 This report provides a summary of the financial monitoring reports as at the end of June 2023. There are five detailed reports, setting out the position as at 30 June 2023, 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 £0.319m as at the end of June 2023. This forecast relates entirely to Social Work and is due to a combination of the over-recovery of vacancy savings and income from fees, charges and recharges. This is offsetting financial pressures due to high demand for services and the use of agency staff to fill staffing recruitment and retention gaps across Adult Services.

2.1.3 There is a year to date overspend of £1.273m. 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.

2.1.4 With regard to the ongoing financial impact of COVID-19, there are £5.512m 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.

2.1.5 Total policy savings relevant to 2023-24 financial year amount to £6.953m. The table below outlines their progress as at 30 June 2023.

| Category | No. of Options | 2023-24 £000 | 2023-24 FTE | 2024-25 £000 | 2024-25 FTE | Future Years £000 | Future Years FTE |
|--------------------------|----------------|-----------------|----------------|-----------------|----------------|-------------------------|------------------------|
| Delivered | 9 | 1,012.5 | (0.7) | 1,030.0 | (0.7) | 1,030.0 | (0.7) |
| On Track to be Delivered | 5 | 5,487.0 | 9.4 | 5,490.0 | 11.9 | 5,588.0 | 12.4 |
| 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 |
| Will not be achieved | 2 | 248.5 | 0.0 | 248.5 | 0.0 | 248.5 | 0.0 |
| Potential Shortfall | 2 | 180.0 | 0.0 | 180.0 | 0.0 | 180.0 | 0.0 |
| Delayed | 1 | 24.0 | 0.0 | 24.0 | 0.0 | 24.0 | 0.0 |
| TOTAL | 20 | 6,952.5 | 8.7 | 6,973.0 | 11.2 | 7,071.0 | 11.7 |

- 2.1.6 There are two savings marked as not going to be achieved and a cost pressure will be input for 2024-25 budget to remove these savings targets. Two further savings are categorised as having a shortfall and one is currently delayed.

Health and Social Care Partnership (HSCP) – Financial Update

- 2.1.7 The forecast outturn position at the end of June is an estimated overspend of £0.631m for 2023-24 (underspend of £0.319m for Social Work and overspend of £0.950m for Health). The HSCP may use the social work underspend to help address the deficit in NHS or transfer all or part of the social work underspend to the IJB reserves. The HSCP's financial position will continue to be monitored and Financial Services staff will engage with the HSCP Chief Financial Officer to ensure that mitigation actions are in place to address the deficit and ensure that no additional funding is required from the Council.

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 6 Council wide revenue risks identified for 2023-24 currently amounting to £3.661m.
- 2.2.3 There are currently 39 departmental risks totalling £4.800m. Of the 39 departmental risks, 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 £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 | Winter Maintenance | Adverse weather conditions which require greater than budgeted number of gritting runs. | 3 | 365 |
| 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. | 3 | 345 |

2.2.5 There have been 5 changes to the departmental risks since the report as presented to the Council on 23 February 2023. 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 In recent years, the Council has agreed additional funding for the capital programme totalling £10.803m to address specific costs related to dealing with COVID, inflationary pressures arising as a consequence of the factors detailed in paragraph 2.3.3 below and other cost pressures on the capital plan. To date, £8.1m has been allocated to projects leaving a balance of £2.703m available for allocation as required.
- 2.3.3 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.

- 2.3.4 Actual net expenditure to date is £6.965m compared to a budget for the year to date of £6.985m giving rise to an underspend for the year to date of £0.020m (0.29%).
- 2.3.5 The forecast outturn for 2023-24 is a forecast net expenditure of £44.660m compared to an annual budget of £44.976m giving rise to a forecast underspend for the year of £0.316m (0.70%).
- 2.3.6 The forecast total net projects costs on the capital plan are £213.649m compared to a total budget for all projects of £213.599m giving rise to a forecast overspend for the overall capital plan of £0.050m (0.02%).
- 2.3.7 In respect of total project performance, there are 155 projects within the capital plan, 153 are complete or on target, 1 is off target and recoverable and 1 project is 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 April 2023 to 30 June 2023 was a decrease of £10.072m.
- 2.4.3 Borrowing is below the Capital Financing Requirement for the period to 30 June 2023, at this stage in the financial year capital expenditure is below target. Capital expenditure continued to be lower than anticipated over the last twelve months however there is an expectation this will increase back up again over 2023-24 which will continue to be monitored closely
- 2.4.4 The levels of investments were £90.502m at 30 June 2023. The average rate of return achieved was 4.437% which is below the target SONIA (Sterling Overnight Index Average) rate for the same period of 4.578%.

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 £666.354m unusable reserves that are not backed with resources. They are required purely for accounting purposes.
- 2.5.3 At 31 March 2023, the Council had a total of £93.828m of usable reserves. Of this:

- £2.916m relates to the Repairs and Renewals Fund
- £4.503m relates to Capital Funds
- £86.409m was held in the General Fund, with £79.466m of this balance earmarked for specific purposes.

2.5.4 Of the earmarked balance of £79.466m:

- £37.305m is invested or committed for major initiatives/capital projects
- £29.842m is still to be drawn down in 2023-24
- £12.319m is planned to be spent in future years

2.5.5 The table below summarises the position of the unallocated General Fund balance. Further explanation of the figures can be found at Section 3.4 of the Reserves and Balances report.

| Heading | Detail | £000 |
|--|---|--------------|
| Unallocated General Fund as at 31 March 2023 | This is the balance that is unallocated over and above the 2% contingency, which amounts to £5.691m | 1,252 |
| Budgeted allocation to General Fund for 2023-24 Budget | Per the Budget Motion at Council on 23 February 2023 | 19 |
| Current Forecast Outturn for 2023-24 as at 30 June 2023 | This is from Social Work as other departments have not yet reported variances | 319 |
| Social Work outturn adjustment | Social Work would expect to transfer their surplus to internal reserves | (319) |
| Estimated Unallocated balance as at 31 March 2024 | | 1,271 |

2.5.6 It can be seen that, after taking into consideration the Budget Motion, the current forecast outturn for 2023-24, the expected adjustment in relation to the Social Work outturn, the Council is forecast to have a £1.271m 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 period April to June, there are 4 virements requiring authorisation:

- £0.325m within Social Work for the declaration of savings
- £0.296m harvested within Executive Director Kirsty Flanagan against the vacancy savings target for the period April to June
- £0.322m harvested within Social Work against the vacancy savings target for the period April to June
- £0.374m between Head of Education and Head of Legal and Regulatory Support in relation to NPDO FM recharges

2.6.3 There are also two virements relating to 2022-23 that require authorisation. These virements were completed late in the year end process therefore did not appear on the report to Council on 29 June 2023 for authorisation. They are:

- £0.360m from Roads and Infrastructure to the Loans Fund to fund the Harbour Investment Programme prudential borrowing repayments from the increased fees and charges income
- £0.417m to Roads and Infrastructure from the Loans Fund to cover an overspend in vehicle repairs. A delay in the Fleet Replacement Capital Programme resulted in an underspend within the Loans Fund which was transferred to offset this.

3. RECOMMENDATIONS

3.1 It is recommended that the Policy and Resources Committee:

- a) Consider the revenue budget monitoring report as at 30 June 2023
- b) Note the financial risks for 2023-24
- c) Note the capital plan monitoring report as at 30 June 2023 and approve the proposed changes to the capital plan outlined in Appendix 4 of that report.
- d) Note the treasury monitoring report as at 30 June 2023
- e) Consider the reserves and balances report as at 30 June 2023
- f) Recommend to Council that the revenue virements over £0.200m during April to June 2023 are approved
- g) Recommend to Council that the revenue virements over £0.200m outstanding from 2022-23 year are approved, per paragraph 2.6.3

4. IMPLICATIONS

| | | |
|-------|--|--|
| 4.1 | Policy – | None. |
| 4.2 | Financial - | Outlines the revenue and capital monitoring for 2023-24 as at 30 June 2023 |
| 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
7 July 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

2023-24 Overall Position:

There is a forecast underspend of £0.319m as at the end of June 2023. This forecast relates entirely to Social Work and is due to a combination of the over-recovery of vacancy savings and income from fees, charges and recharges. This is offsetting financial pressures due to high demand for services and the use of agency staff to fill staffing recruitment and retention gaps across Adult Services.

There is a year to date overspend of £1.273m. 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 June 2023:

- The projection currently being reported is an underspend from the Social Work service. This will not impact the Council's general fund as the IJB is able to hold reserves.

Key Financial Successes:

Performance against budget for 2022-23 was an overall net favourable position of £3.326m underspend after adjusting for year-end earmarking. This breaks down as:

- £0.347m net underspend in relation to Council service departmental expenditure
- £6.937m net underspend in relation to other central costs largely due to a one-off treasury gain as a result of a discount on the early repayment of loans
- £0.652m over-recovery of Council Tax income
- £4.610m of unspent budget earmarkings

Key Financial Challenges:

Addressing the long-term impact of the COVID pandemic on service demand and the increasing challenges facing departments across the Council in relation to the recruitment and retention of suitably qualified and experienced staff.

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

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

Proposed Actions to address Financial Challenges:

Engagement and monitoring of both issues with departments to assess how these challenges are affecting service capacity and capability, staff attendance, utilisation of agency staff and costs. Collaboration with services and other back-office teams to consider and develop mitigating actions.

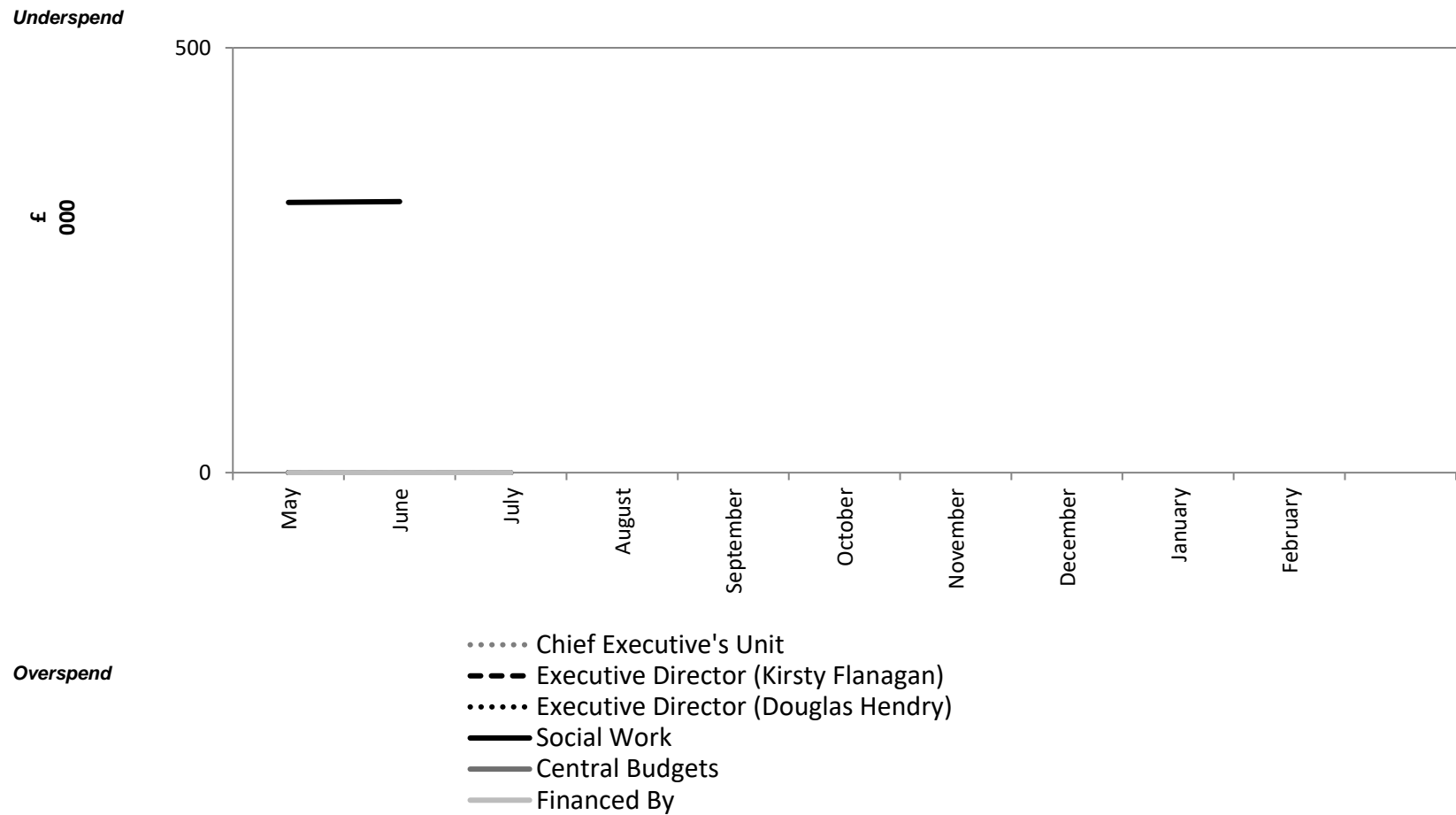
Robust monitoring of the financial position and delivery of savings to ensure budget issues inform the budget monitoring process.

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.

| | |
|---|---|
| Identifying further savings and delivering services more efficiently with less resources, as whilst a balanced 2023-24 budget was agreed in February 2023 there are still budget gaps in future years. | The Council will continue to progress savings options identified that require further development and seek to identify further savings through themed reviews and business process reviews. |
| Maintaining or improving the level of service income recovered, for example planning, building standards and car parking. | Actively monitor income recovery and ensure Council fees and charges policies are regularly reviewed. |
| Managing spend in service areas which are demand led and, to some extent, outwith service control, for example Winter Maintenance. | Use risk based approach to budget monitoring to focus additional attention on these areas. |
| 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. | Ensure emerging issues are highlighted as soon as possible so that the financial impact can be reported through the budget monitoring and preparation processes. |
| Cost of living crisis impacting on pay inflation negotiations which could result in pay awards above what is deemed affordable. | Ensure emerging issues are highlighted as soon as possible so that the financial impact can be reported through the budget monitoring and preparation processes. |
| Forecast Outturn Position | |
| There is a forecast underspend of £0.319m for 2023-24 as at the end of June 2023 | |

| Department | Annual Budget £'000 | Forecast Outturn £'000 | Current Forecast Variance £'000 | Previous Forecast Variance £000 | Change £000 | Explanation |
|--------------------------------------|------------------------|------------------------------|--|--|----------------|--|
| Chief Executive's Unit | 920 | 920 | 0 | 0 | 0 | |
| Executive Director (Douglas Hendry) | 129,376 | 129,376 | 0 | 0 | 0 | |
| Executive Director (Kirsty Flanagan) | 54,247 | 54,247 | 0 | 0 | 0 | |
| Social Work | 76,118 | 75,799 | 319 | 0 | 319 | Underspend due to a combination of the over-recovery of vacancy savings and income from fees, charges and recharges. This is offsetting financial pressures due to high demand for services and the use of agency staff to fill staffing recruitment and retention gaps across Adult Services. |
| Central Budgets | 26,371 | 26,371 | 0 | 0 | 0 | |
| Financed By | (287,032) | (287,032) | 0 | 0 | 0 | |
| Total | 0 | (319) | 319 | 0 | 319 | |

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

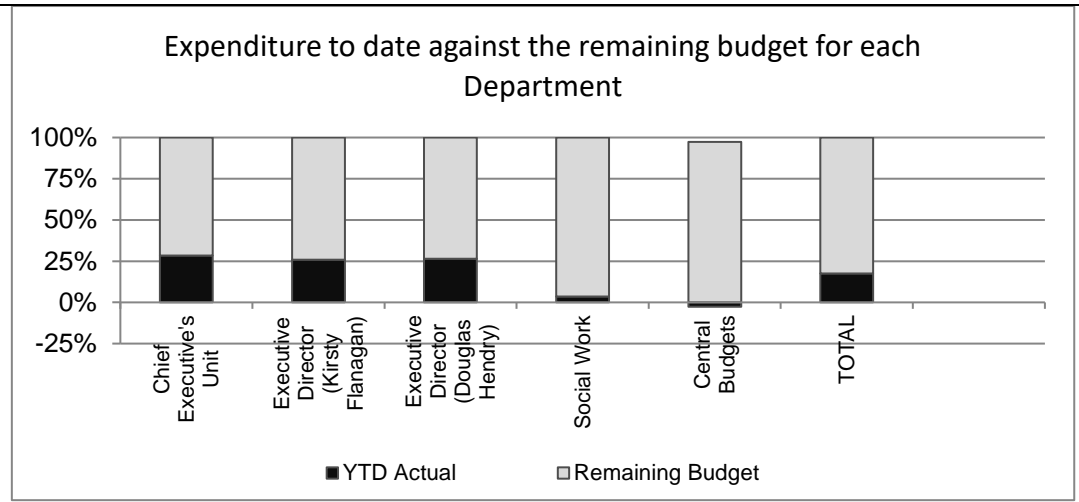


Further information on the departmental forecast variances is included later on in the report.

Year to Date Position

The year to date position as at the end of June 2023 is an overspend of £1.273m and the main variances are noted below.

| Department | YTD Actual £'000 | YTD Budget £'000 | YTD Variance £'000 | Explanation |
|--------------------------------------|---------------------|---------------------|-----------------------|---|
| Chief Executive's Unit | 261 | 240 | (21) | The year to date variance is largely due to profiling of budgets as opposed to genuine under or overspends. This will be rectified in the coming weeks. |
| Executive Director (Douglas Hendry) | 34,194 | 33,608 | (586) | |
| Executive Director (Kirsty Flanagan) | 14,032 | 10,807 | (3,225) | |
| Social Work | 2,742 | 3,351 | 609 | |
| Central Budgets | (721) | 1,229 | 1,950 | |
| Funding | (71,641) | (71,641) | 0 | |
| Total Net Expenditure | (21,133) | (22,406) | (1,273) | |



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

OBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AS AT 30 JUNE 2023

| | YEAR TO DATE POSITION | | | | CURRENT PROJECTED FINAL OUTTURN | | | |
|--|-----------------------|-----------------|----------------|---------------|---------------------------------|------------------|-------------------|-------------|
| | YTD Actual | YTD Budget | YTD Variance | Variance | Annual Budget | Forecast Outturn | Forecast Variance | Variance |
| | £'000 | £'000 | £'000 | % | £'000 | £'000 | £'000 | % |
| <u>Departmental Budgets</u> | | | | | | | | |
| Chief Executive's Unit | 261 | 240 | (21) | (8.8%) | 920 | 920 | 0 | 0.0% |
| Executive Director (Douglas Hendry) | 34,194 | 33,608 | (586) | (1.7%) | 129,376 | 129,376 | 0 | 0.0% |
| Executive Director (Kirsty Flanagan) | 14,032 | 10,807 | (3,225) | (29.8%) | 54,247 | 54,247 | 0 | 0.0% |
| Social Work | 2,742 | 3,351 | 609 | 18.2% | 76,118 | 75,799 | 319 | 0.4% |
| Total Departmental Budgets | 51,229 | 48,006 | (3,223) | (6.7%) | 260,661 | 260,342 | 319 | 0.1% |
| <u>Central Budgets</u> | | | | | | | | |
| Other Operating Income and Expenditure | (1,936) | 315 | 2,251 | 714.6% | 3,656 | 3,656 | 0 | 0.0% |
| Joint Boards | 313 | 374 | 61 | 16.3% | 1,496 | 1,496 | 0 | 0.0% |
| Non-Controllable Costs | 902 | 540 | (362) | (67.0%) | 21,219 | 21,219 | 0 | 0.0% |
| Total Central Budgets | (721) | 1,229 | 1,950 | 158.7% | 26,371 | 26,371 | 0 | 0.0% |
| TOTAL NET EXPENDITURE | 50,508 | 49,235 | (1,273) | (2.6%) | 287,032 | 286,713 | 319 | 0.1% |
| <u>Financed By</u> | | | | | | | | |
| Aggregate External Finance | (53,082) | (53,082) | 0 | 0.0% | (226,213) | (226,213) | 0 | 0.0% |
| Local Tax Requirement | (18,559) | (18,559) | 0 | 0.0% | (59,301) | (59,301) | 0 | 0.0% |
| Contributions to General Fund | 0 | 0 | 0 | 0.0% | (1,518) | (1,518) | 0 | 0.0% |
| Earmarked Reserves | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0.0% |
| Total Funding | (71,641) | (71,641) | 0 | 0.0% | (287,032) | (287,032) | 0 | 0.0% |
| (Deficit)/Surplus for Period | (21,133) | (22,406) | (1,273) | | 0 | (319) | 319 | |

SUBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AS AT 30 JUNE 2023

| | YEAR TO DATE POSITION | | | | CURRENT PROJECTED FINAL OUTTURN | | | |
|-------------------------------------|-----------------------|---------------------|-----------------------|---------------|---------------------------------|---------------------------|----------------------------|---------------|
| | YTD Actual £'000 | YTD Budget £'000 | YTD Variance £'000 | Variance % | Annual Budget £'000 | Forecast Outturn £'000 | Forecast Variance £'000 | Variance % |
| Subjective Category | | | | | | | | |
| Employee Expenses | 40,285 | 40,462 | 177 | 0.4% | 186,282 | 186,645 | (363) | (0.2%) |
| Premises Related Expenditure | 2,458 | 2,678 | 220 | 8.2% | 18,745 | 18,808 | (63) | (0.3%) |
| Supplies and Services | 6,230 | 6,245 | 15 | 0.2% | 23,471 | 23,439 | 32 | 0.1% |
| Transport Related Expenditure | 3,314 | 3,070 | (244) | (8.0%) | 17,489 | 17,429 | 60 | 0.3% |
| Third Party Payments | 33,749 | 34,540 | 791 | 2.3% | 168,739 | 168,846 | (107) | (0.1%) |
| Capital Financing | (147) | 0 | 147 | | 14,523 | 14,523 | 0 | 0.0% |
| TOTAL EXPENDITURE | 85,889 | 86,995 | 1,106 | 1.3% | 429,249 | 429,690 | (441) | (0.1%) |
| Income | (107,022) | (109,401) | (2,379) | 2.2% | (429,249) | (430,009) | 760 | (0.2%) |
| (Deficit)/Surplus for Period | (21,133) | (22,406) | (1,273) | | 0 | (319) | 319 | |

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 30 JUNE 2023

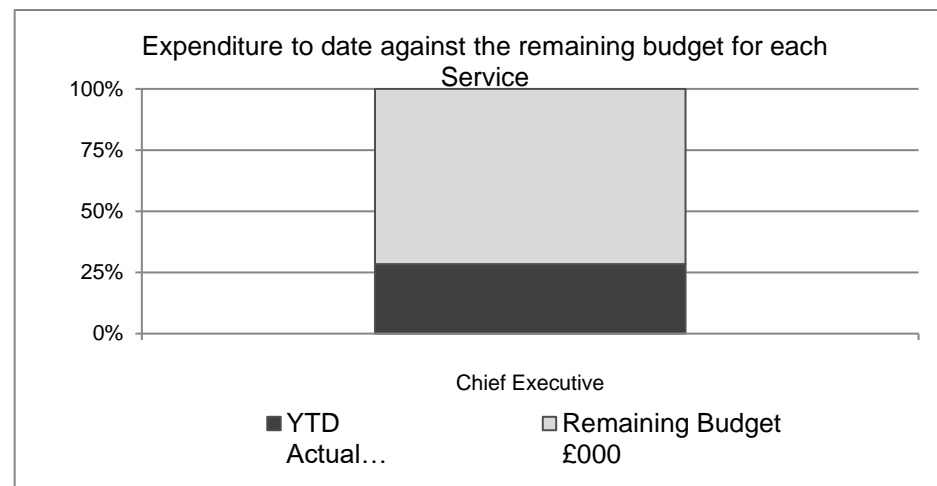
The department is currently forecasting spend in line with budget.

The department has a year to date overspend of £0.021m which can be attributed to profiling issues.

Forecast Outturn Position

| Service | Annual Budget £000 | Forecast Outturn £000 | Current Forecast Variance £000 | Previous Forecast Variance £000 | Change £000 |
|-----------------|-----------------------|--------------------------|-----------------------------------|------------------------------------|----------------|
| Chief Executive | 920 | 920 | 0 | 0 | 0 |
| Totals | 920 | 920 | 0 | 0 | 0 |

Year to Date Position



Key Financial Successes:

- All savings options have been delivered.
- The department's 2022-23 outturn position was an underspend of £0.017m. This resulted from an overall underspend of £0.087m offset by earmarking of £0.070m due to auto-carry forwards including unspent grants and third party contributions.

Key Financial Challenges:

To continue to deliver a high-quality service to support community engagement and participation.

To continue to deliver a high quality support service function to community organisations and community planning partners during a time of challenge arising from continuing reductions in funding.

Proposed Actions to address Financial Challenges:

Regular monitoring, reflection and improvement cycle on service provision to ensure most efficient use of staffing and financial resources to meet national and local policy requirements for quality engagement.

Seek to work in partnership with third sector organisations such as the TSI in Argyll and Bute to efficiently deliver full package of support to community organisations. Within the partnership working of the

| | |
|---|---|
| | CPP we seek to establish working groups and collate resources within this to deliver high quality solutions to identified needs. |
| Demands for funding from community applications to the Supporting Communities Fund higher than available annual funds by about 40%. | Continue to monitor fund criteria adapting this to align with priority outcomes for Argyll & Bute and continue to support groups to seek alternative sources of funding from our database of funding providers. |

CHIEF EXECUTIVE'S UNIT – OBJECTIVE SUMMARY AS AT 30 JUNE 2023

| Service Area | YTD Actual £000 | YTD Budget £000 | YTD Variance £000 | % Variance | Annual Budget £000 | Forecast Outturn £000 | Forecast Variance £000 | % Variance | Explanation |
|----------------------------------|--------------------|--------------------|----------------------|---------------|-----------------------|--------------------------|---------------------------|-------------|--|
| Chief Executive | 88 | 70 | (18) | (25.7%) | 328 | 328 | 0 | 0.0% | Post funded from earmarked reserves - drawdown will be actioned in July. |
| Community Planning & Development | 173 | 170 | (3) | (1.8%) | 592 | 592 | 0 | 0.0% | Outwith Reporting Criteria |
| | 261 | 240 | (21) | (8.8%) | 920 | 920 | 0 | 0.0% | |

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

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

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

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

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

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

CHIEF EXECUTIVE'S UNIT – SUBJECTIVE SUMMARY AS AT 30 JUNE 2023

| Subjective Category | YTD Actual £000 | YTD Budget £000 | YTD Variance £000 | % Variance | Annual Budget £000 | Forecast Outturn £000 | Forecast Variance £000 | % Variance | Explanation |
|-----------------------|-----------------|-----------------|-------------------|---------------|--------------------|-----------------------|------------------------|-------------|---|
| Employee | 189 | 157 | (32) | (20.4%) | 770 | 770 | 0 | 0.0% | Overspend caused by posts funded from earmarkings/other budgets - will be rectified in July |
| Supplies and Services | 3 | 3 | 0 | 0.0% | 12 | 12 | 0 | 0.0% | Outwith Reporting Criteria |
| Transport | 2 | 4 | 2 | 50.0% | 14 | 14 | 0 | 0.0% | Underspend on staff travel budgets. |
| Third Party | 67 | 79 | 12 | 15.2% | 141 | 141 | 0 | 0.0% | Profiling issues, will be rectified in July |
| Income | 0 | (3) | (3) | 100.0% | (17) | (17) | 0 | 0.0% | Profiling issues, will be rectified in July |
| Totals | 261 | 240 | (21) | (8.8%) | 920 | 920 | 0 | 0.0% | |

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

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

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

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

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

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

CHIEF EXECUTIVE'S UNIT – RED VARIANCES AS AT 30 JUNE 2023

| 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 30 JUNE 2023

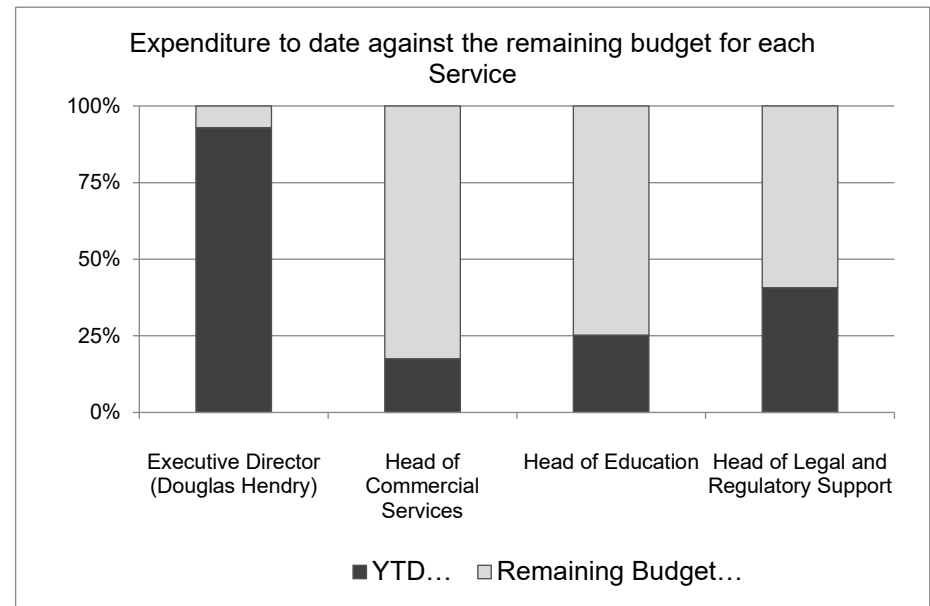
The department is currently forecasting spend in line with budget.

The department has a year to date (YTD) overspend of £0.586m (1.7%). The year to date overspend position is mainly due to the current budget profile which will be refined through July.

Forecast Outturn Position

| Service | Annual Budget £000 | Forecast Outturn £000 | Current Forecast Variance £000 | Previous Forecast Variance £000 | Change £000 |
|--------------------------------------|-----------------------|--------------------------|-----------------------------------|------------------------------------|----------------|
| Executive Director (Douglas Hendry) | 85 | 85 | 0 | 0 | 0 |
| Head of Commercial Services | 11,639 | 11,639 | 0 | 0 | 0 |
| Head of Education | 102,030 | 102,030 | 0 | 0 | 0 |
| Head of Legal and Regulatory Support | 15,622 | 15,622 | 0 | 0 | 0 |
| Totals | 129,376 | 129,376 | 0 | 0 | 0 |

Year to Date Position



Key Financial Successes:

The 2022-23 year-end consolidated outturn position was an under spend of £2.202m after adjusting for automatic earmarking. Contributing factors included:

- 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.
- Successful negotiations with utility suppliers achieved both historic water charge refunds and ongoing reductions to water rates.
- Implementation of NDEEF project resulting in recurring annual saving in utilities and a significant contribution to meeting Net Zero targets.
- Income generation within Early Years.
- Increased rental income within One Council Property.

| Key Financial Challenges: | Proposed Actions to address Financial Challenges: |
|---|--|
| The legacy impact of COVID-19 on our young learners has led to an increased demand on the additional support need functions of the Education Service in response to the growing health and wellbeing needs of our young people and their families. | Analysis and review of delivery models, robust costings of any service redesign required and continual monitoring of associated budgets |
| Impact of the current cost of living crisis on the cost of the school day for learners and their families. | Work with schools to ensure effective use of PEF to close the poverty related attainment gap and identify other funding sources to ensure equity of experience for all children. |
| Impact of the current cost of living crisis on uptake in demand led service areas like catering, design services and licensing. | Continually refine/develop systems to accurately forecast outturns and the impact on the future financial outlook. Strategies in place to redesign services in line with future demand. |
| Ensure that Catering and Cleaning Services remain efficient and effective given the requirement to increase free school meal provision for P6/7 and Early Years, the impact of high inflation on produce and a requirement to adhere to the Statutory Guidance supporting Nutritional Requirements for Food and Drink in Schools (Scotland) Regulations 2020. | Support a longer-term service re-design project, including collaborative working with partners and cross department support with implementation of revised service delivery models. Continual monitoring and review of costs and budgets, ensuring that any efficiencies and savings are secured for the Council |
| Manage delivery of legislative/policy requirements that may not be fully funded by Scottish Government therefore placing additional burdens on the Council, for example, expansion of Universal Free School Meals for P6 and 7s. | Analysis of new obligations and whether they incur additional costs not met through increased funding allocations. Work will be designed and implemented in the most effective way within resource availability. |
| The Council has a requirement to deliver 1140 hours of Early Learning and Childcare (ELC). The ring-fenced grant was reduced in 2022-23 and again this year, reducing funding by £1.478m. | Robust service costings, financial monitoring and timely reporting to ensure the service can be delivered within the financial resources available. Medium term forecasting on population to shape ongoing service redesign. Analysis of potential to extend income generation using “spare” capacity to trial paid care for under 2’s |
| Impact of high inflationary uplifts within the NPDO/HUB School contracts. | Ensuring continued effective contract management of NPDO/HUB Schools to minimise the impact of high inflationary uplifts. |

EXECUTIVE DIRECTOR (DOUGLAS HENDRY) – OBJECTIVE SUMMARY AS AT 30 JUNE 2023

| Service | Service Area | YTD Actual £000 | YTD Budget £000 | YTD Variance £000 | % Variance | Annual Budget £000 | Forecast Outturn £000 | Forecast Variance £000 | % Variance | Explanation |
|-------------------------------------|---------------------------------------|--------------------|--------------------|----------------------|-------------|-----------------------|--------------------------|---------------------------|-------------|--|
| Executive Director (Douglas Hendry) | Central/Management Costs | 79 | 83 | 4 | 4.8% | 85 | 85 | 0 | 0.0% | Outwith Reporting Criteria |
| | | 79 | 83 | 4 | 4.8% | 85 | 85 | 0 | 0.0% | |
| Head of Commercial Services | Catering | 89 | 100 | 11 | 11.0% | 1,302 | 1,302 | 0 | 0.0% | The YTD underspend is due to the timing of income and expenditure. |
| Head of Commercial Services | Central/Management Costs | 328 | 285 | (43) | (15.1%) | 1,676 | 1,676 | 0 | 0.0% | The YTD overspend is due to payment of the annual maintenance costs for the catering management system and miscoding of catering equipment. The coding error will be rectified in the July monitoring period. |
| Head of Commercial Services | CHORD | 53 | 6 | (47) | (783.3%) | 35 | 35 | 0 | 0.0% | The YTD overspend is due to a delay in processing recharge of expenditure, this will be processed in July. |
| Head of Commercial Services | Cleaning | (66) | 50 | 116 | 232.0% | 599 | 599 | 0 | 0.0% | The YTD underspend is due to the income budget profile which will be refined through July and the reduced use of bank staff. |
| Head of Commercial Services | Culture, Heritage, Recreation & Sport | 1,374 | 1,398 | 24 | 1.7% | 5,915 | 5,915 | 0 | 0.0% | Outwith Reporting Criteria |
| Head of Commercial Services | Events & Commercial Catering | 42 | 8 | (34) | (425.0%) | 123 | 123 | 0 | 0.0% | The YTD overspend is due to under recovery of income and high staff costs within Commercial Café's. Finance assisting the Service to look at cashflows, pricing, menus and staffing to recover current position. |
| Head of Commercial Services | Property Portfolio | (99) | (78) | 21 | (26.9%) | (191) | (191) | 0 | 0.0% | The YTD underspend is due to the timing of income and expenditure. |
| Head of Commercial Services | Property Services | 47 | 73 | 26 | 35.6% | 673 | 673 | 0 | 0.0% | The YTD underspend is due to receipt of historic water refunds |

| | | | | | | | | | | |
|-----------------------------|----------------------------------|--------------|--------------|-----------|-------------|---------------|---------------|----------|-------------|---|
| | | | | | | | | | | offset by income accruals not yet received for renewable energy. |
| Head of Commercial Services | Shared Offices | 274 | 263 | (11) | (4.2%) | 1,507 | 1,507 | 0 | 0.0% | Outwith Reporting Criteria |
| | | 2,042 | 2,105 | 63 | 3.0% | 11,639 | 11,639 | 0 | 0.0% | |
| Head of Education | Additional Support for Learning | 2,492 | 2,526 | 34 | 1.4% | 11,082 | 11,082 | 0 | 0.0% | Outwith Reporting Criteria |
| Head of Education | Central/Management Costs | 581 | 463 | (118) | (25.5%) | 1,695 | 1,695 | 0 | 0.0% | The YTD overspend is due to the current budget profile in computer licenses and rental income which will be refined through July. Earmarked reserves require to be drawn down to cover additional temporary staffing costs. |
| Head of Education | Community Learning & Development | (5) | 1 | 6 | 600.0% | 13 | 13 | 0 | 0.0% | The YTD underspend is due to accrued expenditure still outstanding. |
| Head of Education | COVID | 7 | 0 | (7) | #DIV/0! | 0 | 0 | 0 | 0.0% | Funds to be drawn from Covid earmarkings to match expenditure which will eliminate adverse variance. |
| Head of Education | Early Learning & Childcare | 3,661 | 3,519 | (142) | (4.0%) | 9,115 | 9,115 | 0 | 0.0% | The YTD variance is due to the current budget profile which will be refined through July eliminating the adverse variance. |
| Head of Education | Primary Education | 9,509 | 9,306 | (203) | (2.2%) | 37,786 | 37,786 | 0 | 0.0% | The YTD overspend is due to late coding of Gaelic income and profile related overspends which will be refined through July and will remove the adverse variance. |
| Head of Education | Pupil Support | 375 | 417 | 42 | 10.1% | 2,324 | 2,324 | 0 | 0.0% | The YTD underspend is due to the current budget profile which will be refined through July. This will change the YTD variance to a £75k overspend in Schools Residential Accommodation due to a higher demand for service than budget allows. |
| Head of Education | Schools - Central Services | 706 | 369 | (337) | (91.3%) | 2,452 | 2,452 | 0 | 0.0% | The YTD overspend is due to an overspend within Northern Alliance that will be rectified through income due to cover, earmarked |

| | | | | | | | | | | |
|------------------------------------|---|---------------|---------------|--------------|---------------|----------------|----------------|----------|-------------|--|
| | | | | | | | | | | funds require to be drawn from reserves to cover an overspend in ERASMUS French and Spanish training with the remaining overspend being profile related which will be refined through July eliminating the adverse variance. |
| Head of Education | Secondary Education | 8,393 | 8,421 | 28 | 0.3% | 37,563 | 37,563 | 0 | 0.0% | Outwith Reporting Criteria |
| | | 25,719 | 25,022 | (697) | (2.8%) | 102,030 | 102,030 | 0 | 0.0% | |
| Head of Legal & Regulatory Support | Central/Management Costs | 51 | 56 | 5 | 8.9% | 272 | 272 | 0 | 0.0% | Outwith Reporting Criteria |
| Head of Legal & Regulatory Support | Community Safety | 56 | 35 | (21) | (60.0%) | 167 | 167 | 0 | 0.0% | The YTD overspend is due to the timing of income and expenditure. |
| Head of Legal & Regulatory Support | Elections | 0 | 7 | 7 | 100.0% | 36 | 36 | 0 | 0.0% | The YTD underspend is due to the timing of income and expenditure. |
| Head of Legal & Regulatory Support | Governance | 151 | 165 | 14 | 8.5% | 799 | 799 | 0 | 0.0% | Outwith Reporting Criteria |
| Head of Legal & Regulatory Support | Governance, Risk & Safety | 106 | 119 | 13 | 10.9% | 577 | 577 | 0 | 0.0% | The YTD underspend is due to delays in recruitment of staff. |
| Head of Legal & Regulatory Support | Legal Services | 157 | 141 | (16) | (11.4%) | 750 | 750 | 0 | 0.0% | The YTD overspend is due to the timing of licensing income partially offset by underspends in staffing due to delays in recruitment. |
| Head of Legal & Regulatory Support | NPDO and Hub Schools | 5,471 | 5,495 | 24 | 0.4% | 11,167 | 11,167 | 0 | 0.0% | Outwith Reporting Criteria |
| Head of Legal & Regulatory Support | Procurement, Commercial and Contract Management | 226 | 249 | 23 | 9.2% | 1,216 | 1,216 | 0 | 0.0% | Outwith Reporting Criteria |
| Head of Legal & Regulatory Support | Trading Standards & Advice Services | 136 | 131 | (5) | (3.8%) | 638 | 638 | 0 | 0.0% | Outwith Reporting Criteria |
| | | 6,354 | 6,398 | 44 | 0.7% | 15,622 | 15,622 | 0 | 0.0% | |
| | | 34,194 | 33,608 | (586) | (1.7%) | 129,376 | 129,376 | 0 | 0.0% | |

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

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

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

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

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

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

EXECUTIVE DIRECTOR (DOUGLAS HENDRY) – SUBJECTIVE SUMMARY AS AT 30 JUNE 2023

| Subjective Category | YTD Actual £000 | YTD Budget £000 | YTD Variance £000 | % Variance | Annual Budget £000 | Forecast Outturn £000 | Forecast Variance £000 | % Variance | Explanation |
|-----------------------|-----------------|-----------------|-------------------|---------------|--------------------|-----------------------|------------------------|-------------|---|
| Employee | 23,593 | 23,882 | 289 | 1.2% | 103,459 | 103,459 | 0 | 0.0% | Non Education: The YTD underspend of £180k is made up of a £67k underspend in Legal and Regulatory Support due to delays in recruitment and a £113k underspend in Commercial Services due to delays in recruitment and lower than anticipated use of bank budgets in catering and cleaning. Education: £109k underspend is largely due delays in recruitment in schools and learning centres. 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 |
| Premises | 1,615 | 1,643 | 28 | 1.7% | 7,604 | 7,604 | 0 | 0.0% | Outwith Reporting Criteria |
| Supplies and Services | 2,887 | 2,894 | 7 | 0.2% | 12,282 | 12,282 | 0 | 0.0% | Outwith Reporting Criteria |
| Transport | 82 | 74 | (8) | (10.8%) | 296 | 296 | 0 | 0.0% | Non Education: There is a YTD underspend of £6k due to more flexible ways of working and use of technology for meetings reducing the need to travel. Education: YTD overspend of £14k within Primary and Secondary schools is due to the timing of expenditure and will continue to be monitored. |
| Third Party | 8,612 | 8,646 | 34 | 0.4% | 39,986 | 39,986 | 0 | 0.0% | Outwith Reporting Criteria |
| Income | (2,595) | (3,531) | (936) | 26.5% | (34,251) | (34,251) | 0 | 0.0% | Non Education: The under recovery of Income within Commercial Services of £233k is due to profiling of internal fees which will be refined during July and £94k within renewable energy due to profiling and an income accrual not yet received. Within Legal and Regulatory Services the profile for licensing fees requires refining which will be done during July. Education: The £643k under recovery of income is due to late coding of £355k Gaelic funding and the remainder is budget profile that will be refined during July which will eliminate the adverse variance. |
| Totals | 34,194 | 33,608 | (586) | (1.7%) | 129,376 | 129,376 | 0 | 0.0% | |

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

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

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

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

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

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

EXECUTIVE DIRECTOR (DOUGLAS HENDRY) – RED VARIANCES AS AT 30 JUNE 2023

| Service Area | Annual Budget £000 | Forecast Outturn £000 | Forecast Variance £000 | % Variance | Explanation |
|--------------|-----------------------|--------------------------|---------------------------|------------|-------------|
| | | | | | |

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

EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – AS AT 30 JUNE 2023

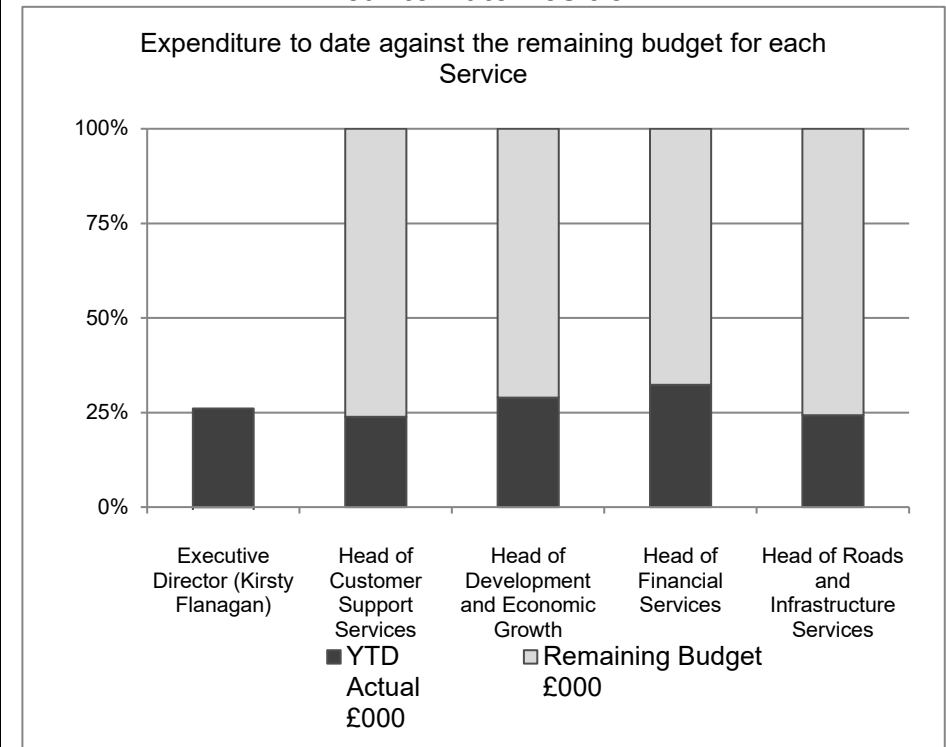
The department is currently forecasting spend in line with budget.

The department has a year to date overspend of £3.225m (29.8%). This is mainly due to income being behind profile in the Roads Operational Holding Account due to Capital project timing and the profile of grant income in Piers and Harbours. Budget profiles will be analysed and updated for the next reporting period.

Forecast Outturn Position

| Service | Annual Budget £000 | Forecast Outturn £000 | Current Forecast Variance £000 | Previous Forecast Variance £000 | Change £000 |
|---|-----------------------|--------------------------|-----------------------------------|------------------------------------|----------------|
| Executive Director (Kirsty Flanagan) | (114) | (114) | 0 | 0 | 0 |
| Head of Customer Support Services | 8,947 | 8,947 | 0 | 0 | 0 |
| Head of Development and Economic Growth | 7,790 | 7,790 | 0 | 0 | 0 |
| Head of Financial Services | 5,677 | 5,677 | 0 | 0 | 0 |
| Head of Roads and Infrastructure Services | 31,947 | 31,947 | 0 | 0 | 0 |
| Totals | 54,247 | 54,247 | 0 | 0 | 0 |

Year to Date Position



Key Financial Successes:

During 2022-23 the department had an over-recovery of Planning Fee and Building Warrant income, an over-recovery of NDR commission due to a successful debt recovery campaign during the year focusing on high level debts plus an over recovery of vacancy savings.

| Key Financial Challenges: | Proposed Actions to address Financial Challenges: |
|---|--|
| Ensuring that services spend to budget and do not overspend after the department had an overspend of £1.5m after automatic earmarkings in 2022-23. | Detailed monitoring in the key areas overspent in 2022-23 to flag up concerns early and mitigate before becoming an overspend. |
| 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. |
| Rising cost of materials, software and consultancy services across the service will result in a reduction in activity or overspends. | Costs are monitored regularly and contained as much as possible, with any unavoidable overspends highlighted as soon as known. |
| Financial Services 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 ongoing high levels of inflation and service demand caused by world events. | <p>Ensure the team is operating as efficiently and effectively as possible by building resilience across the team and working collaboratively with other services of the Council to support evidence based decision making.</p> <p>Carry out the improvements identified during the Revenue and Benefits Business Process Review to maximise income generation and deliver efficiencies in service provision.</p> |
| Winter Maintenance costs are difficult to estimate as they are very much dependant on the weather. | Close monitoring of Winter Maintenance activity 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. |
| 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">• The introduction of the Deposit Return Scheme• Uncertainty with recycling income/ gate fee costs due to the volatility of the market• Challenges in the legislative changes around the disposal of Biodegradable Municipal Waste | <p>To closely monitor all service components of Waste Management and review the Waste Strategy in conjunction with our contractual partner Renewi (previously Shanks).</p> |
|--|--|

EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – OBJECTIVE SUMMARY AS AT 30 JUNE 2023

| Service | Service Area | YTD Actual £000 | YTD Budget £000 | YTD Variance £000 | % Variance | Annual Budget £000 | Forecast Outturn £000 | Forecast Variance £000 | % Variance | Explanation |
|---------------------------------------|--------------------------|--------------------|--------------------|----------------------|-------------|-----------------------|--------------------------|---------------------------|-------------|---|
| Executive Director (Kirsty Flanagan) | Central/Management Costs | 62 | 63 | 1 | 1.6% | (114) | (114) | 0 | 0.0% | Outwith Reporting Criteria. |
| | | 62 | 63 | 1 | 1.6% | (114) | (114) | 0 | 0.0% | |
| Head of Customer Support Services | Central/Management Costs | 31 | 32 | 1 | 3.1% | 174 | 174 | 0 | 0.0% | Outwith Reporting Criteria. |
| Head of Customer Support Services | Communications | 50 | 67 | 17 | 25.4% | 325 | 325 | 0 | 0.0% | Underspend in employee costs due to vacancy which will be used to cover future consultancy costs. |
| Head of Customer Support Services | Customer Service Centres | 292 | 273 | (19) | (7.0%) | 1,502 | 1,502 | 0 | 0.0% | Outwith Reporting Criteria. |
| Head of Customer Support Services | HR | 571 | 623 | 52 | 8.4% | 2,593 | 2,593 | 0 | 0.0% | Underspend in employee costs due to vacancies which will be used to offset employee overspends elsewhere plus unbudgeted grant income received but not yet spent. |
| Head of Customer Support Services | ICT | 1,221 | 1,254 | 33 | 2.6% | 4,297 | 4,297 | 0 | 0.0% | Outwith Reporting Criteria. |
| Head of Customer Support Services | Registrars | (32) | (5) | 27 | (540.0%) | 56 | 56 | 0 | 0.0% | Underspend in employee costs due to vacancies which will be used to offset employee overspends elsewhere. |
| | | 2,133 | 2,244 | 111 | 5.0% | 8,947 | 8,947 | 0 | 0.0% | |
| Head of Development & Economic Growth | Airports | 249 | 270 | 21 | 7.8% | 1,210 | 1,210 | 0 | 0.0% | Outwith Reporting Criteria. |
| Head of Development & Economic Growth | Building Control | (135) | 205 | 340 | 165.9% | (84) | (84) | 0 | 0.0% | Profile of income budget out of alignment with actual income received - will be kept under review and adjusted if the variance becomes material to the Department's overall position. |

| | | | | | | | | | | |
|---------------------------------------|---------------------------|--------------|--------------|--------------|---------------|--------------|--------------|----------|-------------|---|
| Head of Development & Economic Growth | Central/Management Costs | 127 | 110 | (17) | (15.5%) | 583 | 583 | 0 | 0.0% | Overspend in software costs in GIS in comparison to profiling of budget and will be rectified over the financial year. |
| Head of Development & Economic Growth | Culture & Heritage | 27 | 47 | 20 | 42.6% | 228 | 228 | 0 | 0.0% | Underspend in Rothesay Pavilion due to not being operational. |
| Head of Development & Economic Growth | Development Management | (249) | (77) | 172 | (223.4%) | (16) | (16) | 0 | 0.0% | Variance is due to the timing of receipts for planning income received. Schedule of expected Planning Applications to be reviewed to determine any potential over-recovery. |
| Head of Development & Economic Growth | Development Policy | 83 | 81 | (2) | (2.5%) | 395 | 395 | 0 | 0.0% | Outwith Reporting Criteria. |
| Head of Development & Economic Growth | Economic Development | (41) | 328 | 369 | 112.5% | 1,092 | 1,092 | 0 | 0.0% | Grant income for Placed Based Investment and Scottish Govt Islands Programme received in advance of expenditure. |
| Head of Development & Economic Growth | Environmental Health | 170 | 188 | 18 | 9.6% | 1,281 | 1,281 | 0 | 0.0% | Outwith Reporting Criteria. |
| Head of Development & Economic Growth | Environmental Initiatives | 24 | 24 | 0 | 0.0% | 120 | 120 | 0 | 0.0% | Outwith Reporting Criteria. |
| Head of Development & Economic Growth | Housing | 1,176 | 881 | (295) | (33.5%) | 2,745 | 2,745 | 0 | 0.0% | Expenditure for HEEPS incurred in advance of grant claim. |
| Head of Development & Economic Growth | Private Landlords | (26) | 0 | 26 | 0.0% | 0 | 0 | 0 | 0.0% | Outwith Reporting Criteria. |
| Head of Development & Economic Growth | Transportation Policy | 850 | 52 | (798) | (1534.6%) | 236 | 236 | 0 | 0.0% | Expenditure for Sustrans, CWSS and SCSP incurred in advance of grant claim. |
| | | 2,255 | 2,109 | (146) | (6.9%) | 7,790 | 7,790 | 0 | 0.0% | |
| Head of Financial Services | Accounting & Budgeting | 502 | 569 | 67 | 11.8% | 2,668 | 2,668 | 0 | 0.0% | Underspend due to the timing of cash flows in comparison to |

| | | | | | | | | | | |
|---|--------------------------|--------------|--------------|-----------|-------------|--------------|--------------|----------|-------------|---|
| | | | | | | | | | | profiling of budget and will be rectified over the financial year |
| Head of Financial Services | Internal Audit & Fraud | 64 | 75 | 11 | 14.7% | 353 | 353 | 0 | 0.0% | Underspend caused by temporary slippage on a vacant post. |
| Head of Financial Services | Revenues & Benefits | 1,260 | 1,327 | 67 | 5.1% | 2,102 | 2,102 | 0 | 0.0% | Underspend due to the timing of cash flows in comparison to profiling of budget and will be rectified over the financial year |
| Head of Financial Services | Scottish Welfare Fund | 10 | (117) | (127) | 108.6% | 554 | 554 | 0 | 0.0% | Earmarkings requiring to be drawn down against third party payments paid out - this will be rectified in next reporting period. |
| | | 1,836 | 1,854 | 18 | 1.0% | 5,677 | 5,677 | 0 | 0.0% | |
| Head of Roads & Infrastructure Services | Amenity | 891 | 790 | (101) | (12.8%) | 3,139 | 3,139 | 0 | 0.0% | Income budget profile out of alignment with actual expected income for Cemeteries and Crematoria. Overspend in Parks due to CRA works and reduction in Public Convenience income due to delays in door charging mechanisms. |
| Head of Roads & Infrastructure Services | Car Parking | (84) | (167) | (83) | 49.7% | (571) | (571) | 0 | 0.0% | Electric Vehicle Charger electricity costs paid in advance of income received. Overspend in DPE due to the timing of cash flows in comparison to profiling of budget and will be rectified over the financial year. |
| Head of Roads & Infrastructure Services | Central/Management Costs | 688 | 655 | (33) | (5.0%) | 3,060 | 3,060 | 0 | 0.0% | Outwith Reporting Criteria. |
| Head of Roads & Infrastructure Services | Depots | 67 | (138) | (205) | 148.6% | (429) | (429) | 0 | 0.0% | Overspend due to profile of income budget - profile to be updated for next reporting period. |
| Head of Roads & Infrastructure Services | Fleet & Transport | 2,224 | 2,078 | (146) | (7.0%) | 8,685 | 8,685 | 0 | 0.0% | Overspend in Pupil Transport due to additional employees and profile of income budget which will be rectified over the financial year. |
| Head of Roads & Infrastructure Services | Infrastructure | 124 | 146 | 22 | 15.1% | 763 | 763 | 0 | 0.0% | Small underspend due to timing of works. |

| | | | | | | | | | | |
|---|------------------------------|---------------|---------------|----------------|----------------|---------------|---------------|----------|-------------|--|
| Head of Roads & Infrastructure Services | Marine | (315) | (995) | (680) | 68.3% | (4,215) | (4,215) | 0 | 0.0% | Underspend due to budget profile for grant income - profile to be updated for next reporting period. |
| Head of Roads & Infrastructure Services | Network & Traffic Management | 62 | 17 | (45) | (264.7%) | 182 | 182 | 0 | 0.0% | Overspend due to timing of income in comparison to profiling of budget and will be rectified over the financial year. |
| Head of Roads & Infrastructure Services | Road Safety | 23 | 26 | 3 | 11.5% | 123 | 123 | 0 | 0.0% | Small underspend due to timing of PPE purchases. |
| Head of Roads & Infrastructure Services | Roads & Lighting | 2,721 | 944 | (1,777) | (188.2%) | 7,089 | 7,089 | 0 | 0.0% | Overspend due to timing of income from Capital recharges in comparison to profiling of budget - profile will be updated for next reporting period. |
| Head of Roads & Infrastructure Services | Waste | 1,345 | 1,181 | (164) | (13.9%) | 14,121 | 14,121 | 0 | 0.0% | Overspend due to timing of commercial refuse collection income in comparison to profiling of budget and will be rectified over the financial year. |
| | | 7,746 | 4,537 | (3,209) | (70.7%) | 31,947 | 31,947 | 0 | 0.0% | |
| | | 14,032 | 10,807 | (3,225) | (29.8%) | 54,247 | 54,247 | 0 | 0.0% | |

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

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

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

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

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

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

EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – SUBJECTIVE SUMMARY AS AT 30 JUNE 2023

| Subjective Category | YTD Actual £000 | YTD Budget £000 | YTD Variance £000 | % Variance | Annual Budget £000 | Forecast Outturn £000 | Forecast Variance £000 | % Variance | Explanation |
|-----------------------|-----------------|-----------------|-------------------|----------------|--------------------|-----------------------|------------------------|-------------|--|
| Employee | 8,514 | 8,703 | 189 | 2.2% | 43,504 | 43,504 | 0 | 0.0% | Underspend due to vacant posts in HR, which will be used to offset overspends elsewhere in the service, and the Roads Operational Holding Account and Infrastructure Design Teams, which will be offset against expenditure elsewhere and reduced income from recharges. |
| Premises | 511 | 629 | 118 | 18.8% | 3,337 | 3,337 | 0 | 0.0% | Underspend due to profile of Street Lighting Electricity and will be rectified over the financial year. |
| Supplies and Services | 2,788 | 2,511 | (277) | (11.0%) | 8,827 | 8,827 | 0 | 0.0% | Overspend due to heavy purchase of materials in Roads for the Capital programme - these costs will be offset against additional income when recharges are processed. |
| Transport | 3,125 | 2,812 | (313) | (11.1%) | 16,144 | 16,144 | 0 | 0.0% | Overspend for vehicle repairs in Fleet which is offset against additional income for recharges to the services. |
| Third Party | 13,671 | 13,574 | (97) | (0.7%) | 62,945 | 62,945 | 0 | 0.0% | Overspend in Housing for HEEPS payments made against a zero budget, which will be offset against the grant income later in the year. This overspend is partially offset with an underspend in Roads due to outstanding invoices which should be received in due course. |
| Capital Financing | 0 | 0 | 0 | 0.0% | 2,398 | 2,398 | 0 | 0.0% | Outwith Reporting Criteria. |
| Income | (14,577) | (17,422) | (2,845) | 16.3% | (82,908) | (82,908) | 0 | 0.0% | Under-recovery of income in Roads due to timing of recharges to capital which is partially offset against grant income received with zero budget for Placed Based Investment and Scottish Govt Islands Programme, this grant income will be offset against expenditure incurred later in the year. |
| Totals | 14,032 | 10,807 | (3,225) | (29.8%) | 54,247 | 54,247 | 0 | 0.0% | |

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

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

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

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

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

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

EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – RED VARIANCES AS AT 30 JUNE 2023

| Service Area | Annual Budget £000 | Forecast Outturn £000 | Forecast Variance £000 | % Variance | Explanation |
|---------------------|-------------------------------|--------------------------------------|---------------------------------------|-----------------------|--------------------|
| | | | | | |

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

SOCIAL WORK – AS AT 30 JUNE 2023

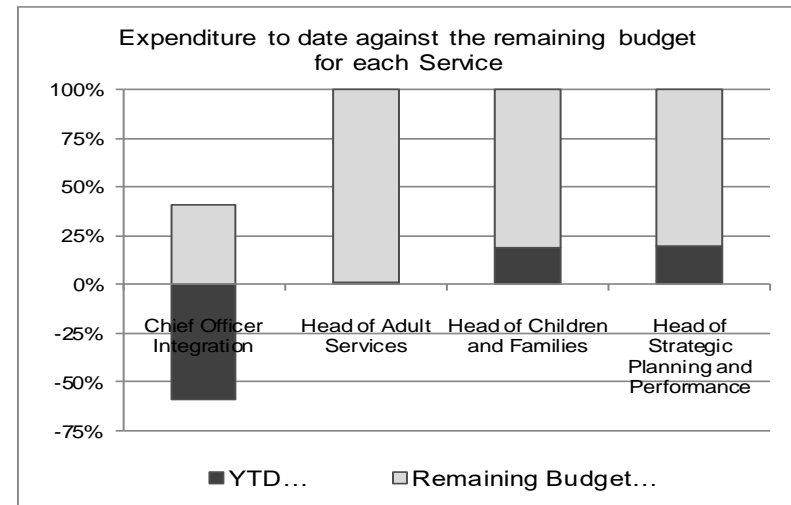
The department is currently forecasting an underspend of £0.319m (0.4%) which is due to the combination of the over-recovery of vacancy savings and income from fees, charges and recharges. This is offsetting financial pressures due to high demand for services and the use of agency staff to fill staffing recruitment and retention gaps across Adult Services.

The department has a year to date underspend of £0.609m (18.2%) which is mainly due to the timing of payments, budget profiling across services, the YTD over-recovery of vacancy savings and demand for purchased Children’s Services. This is partially offset by staffing pressures, including the use of agency staff across Homecare and Older People Residential Units.

Forecast Outturn Position

| Service | Annual Budget £000 | Forecast Outturn £000 | Current Forecast Variance £000 | Previous Forecast Variance £000 | Change £000 |
|--|-----------------------|--------------------------|-----------------------------------|------------------------------------|----------------|
| Chief Officer Integration | (342) | (519) | 177 | 0 | 177 |
| Head of Strategic Planning and Performance | 499 | 492 | 7 | 0 | 7 |
| Head of Health and Community Care | 39,205 | 39,107 | 98 | 0 | 98 |
| Head of Acute and Complex Care | 20,082 | 20,165 | (83) | 0 | (83) |
| Head of Children and Families | 16,674 | 16,554 | 120 | 0 | 120 |
| Totals | 76,118 | 75,799 | 319 | 0 | 319 |

Year to Date Position



Key Financial Successes:

Delivered an underspend of £3.556m at the end of 2022/23 after automatic earmarkings of £1.078m. The total underspend of £4.634m has been transferred to IJB reserves and should allow for future investment and transformation across Social Work.

| Key Financial Challenges: | Proposed Actions to address Financial Challenges: |
|---|---|
| Deliver the outstanding savings total for 2023/24 of £0.956m (as at June 2023). | 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. |
| Development and delivery of future service redesigns which will be necessary to contain service expenditure within the allocated resource, noting that in year savings still need to be identified for 23/24 to cover 23/24 budget gap, as well as budget gaps in future years. | Support from finance to assist strategic managers to develop and identify further savings and 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 current, and future, years. |
| 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 at June 2023 of £0.656m; with a forecast spend of £0.868m by the end of the year. | Close working relationship with the HSCP to support the costing of a plan to stabilise the service and ensure it is operationally and financially sustainable. This includes an exit plan from the reliance on agency staff. |
| Cost of living crisis affecting pay inflation negotiations and financial sustainability of service providers, which could affect affordability, and sustainability of service delivery. | Ensure emerging issues are highlighted as soon as possible so that the financial impact can be reported through the budget monitoring and preparation processes. |

SOCIAL WORK – OBJECTIVE SUMMARY AS AT 30 JUNE 2023

| Service | Service Area | YTD Actual £000 | YTD Budget £000 | YTD Variance £000 | % Variance | Annual Budget £000 | Forecast Outturn £000 | Forecast Variance £000 | % Variance | Explanation |
|--|-----------------------------|--------------------|--------------------|----------------------|--------------|-----------------------|--------------------------|---------------------------|----------------|--|
| Chief Officer Integration | Integration Headquarters | 54 | 134 | 80 | 59.7% | 569 | 579 | (10) | (1.8%) | The YTD position is due to payroll underspends and outstanding 22/23 accruals. The forecast variance is outwith reporting criteria. |
| Chief Officer Integration | Social Work Central Support | (1,146) | (1,076) | 70 | (6.5%) | (911) | (1,098) | 187 | (20.5%) | The YTD variance is due to over-recovery on vacancy savings, combined with underspends on centrally held funds and payroll underspends. This is further impacted by profiling of the central repairs budget which is showing a YTD underspend. The forecast underspend is due to an over-recovery on vacancy savings combined with underspends on centrally held funds. |
| | | (1,092) | (942) | 150 | 53.2% | (342) | (519) | 177 | (22.3%) | |
| Head of Strategic Planning & Performance | Management & Central Costs | 92 | 88 | (4) | (4.6%) | 465 | 468 | (3) | (0.6%) | Outwith reporting criteria. |
| Head of Strategic Planning & Performance | Service Development | 9 | 13 | 4 | 30.8% | 34 | 24 | 10 | 29.4% | The YTD and forecast variance are due to staff vacancies giving both a payroll underspend and an under-recovery on Charges to Health Boards. |
| | | 101 | 101 | 0 | 26.2% | 499 | 492 | 7 | 28.8% | |
| Head of Health and Community Care | Management & Central Costs | 45 | 90 | 45 | 50.0% | 571 | 570 | 1 | 0.2% | The YTD variance is as a result of timing of payments to third parties. The forecast variance is outwith reporting criteria. |
| Head of Health and Community Care | Older People | 2,315 | 2,468 | 153 | 6.2% | 38,634 | 38,537 | 97 | 0.3% | The YTD variance reflects the over-recovery on income as well as timing of payments to third parties. This is partially offset by YTD overspends on employee costs due to use of agency staff. The forecast underspend is due to the forecast over-recovery of income from charges to clients for residential care combined with underspends in Homecare as a result of capacity issues which have reduced the volume of service provided. This is all partially offset by overspends on residential |

| | | | | | | | | | | |
|--------------------------------|----------------------------|----------------|----------------|------------|----------------|---------------|---------------|-------------|---------------|--|
| | | | | | | | | | | placements for the same reasons; reflecting a temporary shift in the balance of care. |
| | | 2,360 | 2,558 | 198 | 7.7% | 39,205 | 39,107 | 98 | 0.2% | |
| Head of Acute and Complex Care | Learning Disabilities | (1,777) | (1,763) | 14 | (0.8%) | 14,355 | 14,366 | (11) | (0.1%) | Outwith reporting criteria. |
| Head of Acute and Complex Care | Management & Central Costs | 18 | 29 | 11 | 37.9% | 130 | 127 | 3 | 2.3% | The YTD variance is as a result of the timing of payments to third parties. The forecast variance is outwith reporting criteria. |
| Head of Acute and Complex Care | Mental Health | (189) | (112) | 77 | (68.8%) | 2,768 | 2,896 | (128) | (4.6%) | The YTD variance is as a result of staffing vacancies which have not yet been transferred to vacancy savings combined with timing of payments to third parties. The forecast overspend reflects higher than budgeted demand for services in Supported Living and Residential Placements combined with overspends on staff costs due to the use agency staff. |
| Head of Acute and Complex Care | Physical Disability | 140 | 131 | (9) | (6.9%) | 2,829 | 2,776 | 53 | 1.9% | The YTD variance is outwith reporting criteria. The forecast underspend reflects known demand for Residential Placements partially offset by overspends on Supported Living and Respite due to demand. |
| | | (1,808) | (1,715) | 93 | (38.5%) | 20,082 | 20,165 | (83) | (0.5%) | |
| Head of Children & Families | Child Protection | 613 | 720 | 107 | 14.9% | 3,703 | 3,597 | 106 | 2.9% | The YTD variance is as a result of staffing vacancies which have not yet been transferred to vacancy savings combined with timing of income receipt. The forecast underspend is as a result of demand for contact and welfare services as well as forecast underspends in the Area Teams on payments to other bodies, travel and subsistence. |
| Head of Children & Families | Children with a Disability | 141 | 224 | 83 | 37.1% | 986 | 967 | 19 | 1.9% | The YTD variance is as a result of budget profiling and invoice timing for payments to other bodies. The forecast variance is outwith reporting criteria. |
| Head of Children & Families | Criminal Justice | 82 | 14 | (68) | (485.7%) | 224 | 204 | 20 | 8.9% | The YTD variance is as a result of budget profiling for income receipt. Scottish Government grant income has been received slower than anticipated. This is partially offset by staffing underspends due to turnover and |

| | | | | | | | | | | |
|-----------------------------|----------------------------|--------------|--------------|------------|--------------|---------------|---------------|------------|-------------|--|
| | | | | | | | | | | vacancies. The forecast variance is outwith reporting criteria. |
| Head of Children & Families | Looked After Children | 1,668 | 1,664 | (4) | (0.2%) | 7,894 | 7,938 | (44) | (0.6%) | Outwith reporting criteria. |
| Head of Children & Families | Management & Central Costs | 677 | 727 | 50 | 6.9% | 3,867 | 3,848 | 19 | 0.5% | The YTD variance is due to the timing of receipt of grant income - in advance of anticipated expenditure - combined with budget profiling and timing of receipt of invoices for rental costs. The forecast variance is outwith reporting criteria. |
| | | 3,181 | 3,349 | 168 | 5.0% | 16,674 | 16,554 | 120 | 0.7% | |
| GRAND TOTAL | | 2,742 | 3,351 | 609 | 18.2% | 76,118 | 75,799 | 319 | 0.4% | |

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

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

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

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

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

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

SOCIAL WORK – SUBJECTIVE SUMMARY AS AT 30 JUNE 2023

| Subjective Category | YTD Actual £000 | YTD Budget £000 | YTD Variance £000 | % Variance | Annual Budget £000 | Forecast Outturn £000 | Forecast Variance £000 | % Variance | Explanation |
|---------------------|-----------------|-----------------|-------------------|--------------|--------------------|-----------------------|------------------------|-------------|--|
| Employee | 7,263 | 7,040 | (223) | (3.2%) | 34,642 | 35,005 | (363) | (1.1%) | The YTD and forecast overspend is due to the use of agency staff across the HSCP (£648k YTD; £860k forecast). This is partially offset by over-recovery on vacancy savings and payroll underspends due to vacancies. |
| Premises | 391 | 405 | 14 | 3.5% | 1,536 | 1,599 | (63) | (4.1%) | The YTD underspend is outwith reporting criteria. The forecast overspend is due to anticipated overspends on utilities as well as on safety and property maintenance in the residential units and day services. |
| Supplies & Services | 516 | 545 | 29 | 5.3% | 1,037 | 1,005 | 32 | 3.1% | The YTD and forecast underspends are outwith reporting criteria. |
| Transport | 99 | 171 | 72 | 42.1% | 678 | 618 | 60 | 8.9% | The YTD and forecast underspend is due to various travel underspends across the whole department following changes to working practices post Covid-19 and the number of staff vacancies. |
| Third Party | 10,989 | 11,724 | 735 | 6.3% | 62,187 | 62,294 | (107) | (0.2%) | The YTD underspend is largely due to budget profiling and timing of payments to third parties. The Forecast overspend is due to demand for purchased care services across Adult Services. |
| Income | (16,516) | (16,534) | (18) | 0.1% | (23,962) | (24,722) | 760 | (3.2%) | The YTD under-recovery of income is outwith reporting criteria. The forecast over recovery of income is mainly due to increased income from fees, charges and recharges. |
| Totals | 2,742 | 3,351 | 609 | 18.2% | 76,118 | 75,799 | 319 | 0.4% | |

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

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

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

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

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

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

SOCIAL WORK – RED VARIANCES AS AT 30 JUNE 2023

| Service Area | Annual Budget £000 | Forecast Outturn £000 | Forecast Variance £000 | % Variance | Explanation |
|-----------------------------|--------------------|-----------------------|------------------------|------------|---|
| Social Work Central Support | (911) | (1,098) | 187 | (20.5%) | The forecast underspend is due to an over-recovery on vacancy savings combined with underspends on centrally held funds. |
| Older People | 38,634 | 38,537 | 97 | 0.3% | The forecast underspend is due to forecast over-recovery of income from charges to clients for residential care combined with underspends in Homecare as a result of capacity issues which have reduced the volume of service provided. This is all partially offset by overspends on residential placements for the same reasons; reflecting a temporary shift in the balance of care. |
| Mental Health | 2,768 | 2,896 | (128) | (4.6%) | The forecast overspend reflects higher than budgeted demand for services in Supported Living and Residential Placements combined with overspends on staff costs due to agency. |
| Physical Disability | 2,829 | 2,776 | 53 | 1.9% | The forecast underspend reflects known demand for Residential Placements partially offset by overspends on Supported Living and Respite due to demand. |
| Child Protection | 3,703 | 3,597 | 106 | 2.9% | The forecast underspend is as a result of demand for contact and welfare services as well as forecast underspends in the Area Teams on payments to other bodies, travel and subsistence. |

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

MONITORING OF SAVINGS – AS AT 30 JUNE 2023

New policy savings were identified for the three year period 2023-24 to 2025-26 and these were agreed by Council in February 2023. Council agreed to policy savings of £6.145m in 2023-24 rising to £6.260m by 2025-26.

The position of historical policy saving options is as follows:

- 2022/23 – those not delivered or that have further increases in value in 2023-24 onwards total £0.187m
- 2021/22 – those not delivered or that have further increase in value in 2023-24 onwards total £0.195m
- 2020/21 – those not delivered total £0.050m
- 2019/20 – all delivered
- 2018/19 - those not delivered total £0.376m

The 2023-24 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 two savings where the department has indicated they will not be achieved, two are categorised as having a potential shortfall and one is currently delayed as summarised below:

| Saving | Saving Agreed | Status | Detail | Shortfall/ Delayed Value |
|---------------|---------------|----------------------|--|--------------------------------|
| TB07 – Depots | Feb-18 | Will not be achieved | <p>Savings to date via the Oban project, tidying up NDR costs from previous disposals and removing security costs.</p> <p>The remainder of the outstanding saving is based on removing the smallest depot budget from each town but we cannot do this without the capital investment to create fit for purpose single depot facilities. Working through possible alternative delivery model and updated business case for Lochgilphead – there is a shortfall between possible capital costs and likely income from vacated sites.</p> <p>This saving will not be achieved and a cost pressure has been put through for this for 2024-25. Work will be ongoing on the depot rationalisation across the area and future savings will be brought once known.</p> | £107,500 |

| | | | | |
|--|--------|---|--|----------|
| R&I17 - Public transport fare scale increase | Feb-21 | Will not be achieved | Fare increase did not offset the saving advised by the Stantec review. This saving will not be achieved and a cost pressure has been put through for this for 2024-25. | £29,000 |
| 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. | £150,000 |
| 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 |
| TB09 – Public Conveniences | Feb-18 | Delayed - The full saving will not be achieved in line with the original estimated timescale. | Door access control project has an indicative start date of July for installs. This should see the system being in place across the busy summer months. We have no way to accurately predict income levels but the system allows for regular reporting and itemisation so we will quickly be in a position to profile future income. | £24,000 |

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

| Template Ref | Saving Agreed | Service | Savings Option | 2023-24 | 2023-24 | Status of Implementation |
|---|---------------|-----------------------------------|---|----------------|------------|--------------------------|
| | | | | £000 | FTE | |
| Executive Director Douglas Hendry | | | | | | |
| 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 | Delivered |
| EDU2324-001 | Feb-23 | Education | Estimated saving due to change in pupil numbers | 700.00 | 0.0 | Delivered |
| EDU2324-002 | Feb-23 | Education | Removal of non-statutory Cultural Coordinator post. | 15.00 | 0.8 | Delivered |
| Executive Director Kirsty Flanagan | | | | | | |
| 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 | 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 | 28.00 | 0.0 | Delivered |
| DEG01 | Feb-22 | Development and Economic Growth | Crown Estate Administration Contribution to Project Delivery | 104.0 | 0.00 | Delivered |
| DEG2324-002 | Feb-23 | Development and Economic Growth | Reduce discretionary budget to minimum. Retain budget to pay memberships to SCDI, SLAED & HOPS but remove remainder of discretionary budget. | 21.50 | 0.0 | Delivered |
| DEG2324-001 | Feb-23 | Development and Economic Growth | Long-term vacant 0.5FTE building standards surveyors post that arose through an employee reducing their working hours is no longer requires in structure. | 24.00 | 0.5 | Delivered |
| FIS2324-001 | Feb-23 | Financial Services | Service Concessions - Alteration to accounting treatment to align the repayment of borrowing relating to new schools over their asset life. Guidance from Scottish Government now permits this change of accounting treatment. Further detail will be provided to Council in due course. | 4,831.00 | 0.0 | On Track to be Delivered |
| FIS2324-002 | Feb-23 | Financial Services | The Service has identified savings through rightsizing of budgets, an organisational restructure with investment in modern apprenticeships and temporary staff designed to boost income from the billing of additional local taxes and the recovery of associated debt. In addition efficiency savings from increased productivity, increased levels of process automation and moving more customers to transact with the service over the internet will allow previously outsourced review works to be carried out internally. | 493.00 | 0.0 | On Track to be Delivered |
| TB07 | Feb-18 | Roads and Infrastructure Services | Create one main depot in key areas to reduce costs | 172.50 | 0.0 | Will not be achieved |
| TB13b | Feb-18 | Roads and Infrastructure Services | Roads & Amenity Services charging (non-statutory services) | 150.0 | 0.00 | Potential Shortfall |
| TB12b | Feb-18 | Roads and Infrastructure Services | Review charges for stadiums to enable improvement work | 30.00 | 0.0 | Potential Shortfall |
| TB09 | Feb-18 | Roads and Infrastructure Services | Public Conveniences - Progress sustainable models including turnstiles and franchising; establish simpler asset transfer process | 24.00 | 0.0 | Delayed |
| R&I17 | Feb-21 | Roads and Infrastructure Services | Public transport fare scale increase | 76.00 | 0.0 | Will not be achieved |
| 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 | 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 |
| R&I15 | Feb-21 | Roads and Infrastructure Services | Emergency services support and fuel provision from our fuel supplies | 0.50 | 0.0 | Still to be Implemented |
| RIS2324-001 | Feb-23 | Roads and Infrastructure Services | Support Communities to move to different approaches to delivering School Crossing Patrols through engagement with Parent Council and Communities. | 60.00 | 8.4 | On Track to be Delivered |
| TOTAL | | | | 6,952.5 | 8.7 | |

FINANCIAL RISKS ANALYSIS 2023-24

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 6 Council wide revenue risks identified for 2023-24 currently amounting to £3.661m.
- 1.4 There are currently 39 departmental risks totalling £4.800m. Of the 39 departmental risks, 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 2023-24

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 2023-24.

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 2022-23 was an overspend of £0.597m which was due to the unprecedented inflationary uplifts within the

energy market although forward purchasing sheltered the Council from the full impact. 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 £0.827m.

- 3.2.2 The 2023-24 budget includes a 3.5% pay award assumption for SJC and Chief Officer staff groups. Negotiations on the 2023-24 award are in progress and due to the high level of inflation, it is increasingly likely that the Trade Unions will be looking to negotiate a deal at more than 3.5%. However, the affordability for Local Government has to be considered and based on future estimates, anything above a 3.5% pay award is deemed to be unaffordable, hence why the budget outlook has been based on 3.5%. This is a situation that will be kept under close review as the pay negotiations advance during the year and the assumption will be adjusted as required. For each 1% more than the 3.5% built in, there would be an additional cost of around £0.826m. The financial risk is recognised at £0.826m at this stage. It should be noted that the Teachers pay award for 2023-24 is already settled and built into the budget.
- 3.2.2 At the budget meeting on 24 February 2023, the Council agreed 6 new policy savings options that would deliver savings over the period 2023-24 to 2025-26. The savings to be delivered in 2023-24 amount to £6.145m. Whilst the Council have a good track record in delivering savings, a 10% shortfall on this savings target would amount to £0.615m.
- 3.2.3 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 £0.593m.
- 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 30 June 2023, the net HSCP outturn in 2023-24 is estimated to be a £0.631m overspend (underspend of £0.319m from Social Work and an overspend of £0.950m from Health). As Social Work are currently projecting an underspend and the IJB holds significant financial reserves, there is a nil value on the risk.
- 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. Inflation has begun to fall and the Bank of England estimates that it should continue to fall this year. We will continue to closely monitor the situation and update our financial forecasts using the best

information available to us. A 1% general inflation increase has been included with a financial impact of £0.800m.

3.2.6 The Council wide risks are noted within the table below.

| Description | Likelihood | Assessed Financial Impact £000 |
|---|-------------------|---|
| Energy costs increase by 20% greater than anticipated | 3 | 827 |
| Pay award exceeding 3.5% | 3 | 826 |
| 10% shortfall on Savings Options | 2 | 615 |
| 1% variation in Council Tax Income | 2 | 593 |
| IJB refer to Council for additional funding to deliver social work services | 1 | 0 |
| 1% variation of General Inflation Risk | 4 | 800 |
| Total | | 3,661 |

Capital

- 3.2.7 The finance settlement announcement on 20 December 2022 provided details of the Local Government funding for 2022-23 and there is therefore certainty as to what our funding is in respect of the General Capital Grant and the specific capital grants already distributed.
- 3.2.8 The capital plan for 2023-24 includes an estimate of £1.195m in respect of capital receipts. This is based on an assessment provided by the Special Projects Team in January 2023. A 10% variation equates to £0.120m 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 continue to be 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 either include those projections within the capital monitoring report or adjust the capital programme accordingly, for others it is more difficult and no forecast has been projected at this stage but there are likely to be further significant financial impacts not yet reported.

3.3 Departmental/Service Risks

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

| Department | 1 - Remote | | 2 - Unlikely | | 3 - Possible | | 4 - Likely | | 5 - Almost Certain | | Total | |
|------------------------------------|------------|------------|--------------|------------|--------------|--------------|------------|------------|--------------------|----------|-----------|--------------|
| | No | £000 | No | £000 | No | £000 | No | £000 | No | £000 | No | £000 |
| Chief Executive's Unit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Executive Director Douglas Hendry | 2 | 20 | 6 | 560 | 9 | 720 | 3 | 430 | 0 | 0 | 20 | 1,730 |
| Executive Director Kirsty Flanagan | 5 | 335 | 2 | 230 | 11 | 2,405 | 1 | 100 | 0 | 0 | 19 | 3,070 |
| Total | 7 | 355 | 8 | 790 | 20 | 3,125 | 4 | 530 | 0 | 0 | 39 | 4,800 |

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 | Winter Maintenance | Adverse weather conditions which require greater than budgeted number of gritting runs. | 3 | 365 |
| 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 bad debt provision as opposed to the in-year financial position, hence no forecast variance has been reported within the current year. | 3 | 345 |

3.3.3 The risks which are likely are noted below:

| SERVICE | TITLE OF RISK | DESCRIPTION OF RISK | LIKELIHOOD | FINANCIAL IMPACT £000 |
|------------------------------------|---------------------------------------|---|------------|--------------------------|
| Council Wide - Commercial Services | Council Wide Central Repairs | Increased demands on central repair budgets (CRA) as a result of a decrease in Capital funding, increase in statutory and emergency repairs and increases in supplier/contractor charges. This impacts on all departments of the Council with a Central Repairs Budget. | 4 | 300 |
| Legal and Regulatory Support | Contract RPI for NPDO and Hub Schools | Increase in RPI would result in higher costs. | 4 | 100 |
| Roads and Infrastructure Services | Street Lighting | Age of lighting stock requires greater maintenance as health and safety becomes a consideration. | 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 have been 5 changes to the departmental risks since the financial risks report was presented to the Council on 23 February 2023, as follows:

- The risk in relation to catering costs due to changes in food and drink standards in schools has been removed as it is now covered within the Catering Purchases risk.
- The risk in relation to Education central repairs has been removed as it is covered within the risk 'Council Wide Central Repairs'.
- A new risk in relation to reduced levels of car parking income has been added to recognise the possibility that reduced income levels seen in 2022-23 continue into 2023-24 due to reduced visitors.
- The risk in relation to ASN support has been increased from 100 to 200 in recognition of increased applications at August. The amount being recognised matches the demand pressure being put forward for 2024-25.
- The risk relating to catering purchase inflation has been reduced from 'Likely' to 'Unlikely' because the budget has been right sized through inflationary uplifts.

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 Scottish Government are, over the next 2 years, proposing to extend funded childcare to all 1 and 2 year olds across Scotland. This brings significant financial and qualitative risks to the service. The needs and legislative requirements for this age range would mean significant capital work across our estate and in many settings there is not the space so extensions would be required. Having this age range in the same play space as 3/4 year olds seriously impacts on the ability of practitioners to effectively support age appropriate learning and play. It is uncertain when this risk will arise.

4 CONCLUSION

- 4.1 This report summarises the key financial risks facing the Council. There are six Council wide risks and 39 departmental risks identified with 4 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
7 July 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
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APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 30 JUNE 2023

| DEPARTMENT | SERVICE | TITLE OF RISK | DESCRIPTION OF RISK | MITIGATING ACTIONS IN PLACE | As at February 2023 (Budget Setting) | | As at 30 June 2023 | |
|-----------------------------------|---------------------|--|---|---|---|--------------------------|--------------------|--------------------------|
| | | | | | LIKELIHOOD | FINANCIAL IMPACT £000 | LIKELIHOOD | FINANCIAL IMPACT £000 |
| Executive Director Douglas Hendry | Commercial Services | Catering Costs - Provision of Meals to Early Years Children | The Children and Young People (Scotland) Act placed duties on Councils to provide meals in an Early Years setting to entitled children where sessions span over lunch time. The total quantum of grant funding is reducing and 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 procurement colleagues to reduce potential impact of supplier charges. Control food wastage/portion controls. | 2 | 100 | 2 | 100 |
| Executive Director Douglas Hendry | Commercial Services | Catering Purchases | Increased supplier charges and higher than average inflation on food costs. In addition to this the Scottish Government reviewed the regulations that govern the food and drinks provided in schools and implemented revised regulations. The revised standards focus on reducing sugar, reducing red processed meat and increasing fibre. Thus far, there has been an increase in costs in produce and a reduction in demand for school meals. | Joint strategy with procurement colleagues to reduce potential impact of supplier charges. Control food wastage/portion controls; introduction of online ordering to help manage food waste. Analysis and regular review of menu choices. | 4 | 100 | 2 | 100 |
| Executive Director Douglas Hendry | Commercial Services | Catering - Implementation of Universal Free School Meals in Primary Schools for P6 and P7 pupils | The Scottish Government may not give the local authority adequate funds to support the policy to expand free school meals in primary schools to include P6 and P7 pupils (the scheme has already been implemented for P1 to P5 pupils). Although expansion paused for full implementation for P6&7, FSM expanded through entitlement to Scottish Child Payment. | Senior Manager connected into the National Operational Delivery Group. This enables the Council's viewpoint to be considered. | 2 | 100 | 2 | 100 |
| 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 | 60 | 2 | 60 |
| Executive Director Douglas Hendry | Commercial Services | Surplus Properties | Ongoing market difficulties lead to increased numbers of surplus properties, in addition, as Our Modern Workspace Project gains traction more properties will become surplus to operational requirements. There are residual running costs associated with all surplus properties. | One Council property team in place who will monitor market conditions and work with prospective tenants/ purchasers to let/sell surplus properties. | 3 | 50 | 3 | 50 |
| Executive Director Douglas Hendry | Commercial Services | Leisure Service Level Agreements | Increase in RPI and/or other running costs (eg utilities, payroll etc) resulting in requests for additional funding. | Monitoring annual alteration to contract RPI rate, communication with service providers and mitigation through financial forecasting and review of existing budget. | 3 | 50 | 3 | 50 |

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 30 JUNE 2023

| DEPARTMENT | SERVICE | TITLE OF RISK | DESCRIPTION OF RISK | MITIGATING ACTIONS IN PLACE | As at February 2023 (Budget Setting) | | As at 30 June 2023 | |
|-----------------------------------|------------------------------------|--|--|--|---|--------------------------|--------------------|--------------------------|
| | | | | | LIKELIHOOD | FINANCIAL IMPACT £000 | LIKELIHOOD | FINANCIAL IMPACT £000 |
| Executive Director Douglas Hendry | Council Wide - Commercial Services | Council Wide Central Repairs | Increased demands on central repair budgets (CRA) as a result of a decrease in Capital funding, increase in statutory and emergency repairs and increases in supplier/contractor charges. This impacts on all departments of the Council with a Central Repairs Budget.. | Joint strategy with procurement colleagues to reduce potential impact of supplier/contractor charges. Close monitoring of central repairs budgets and commitments and instructing only statutory tests/inspections and essential repairs. | 4 | 300 | 4 | 300 |
| Executive Director Douglas Hendry | Education | ASN Support | Demand for ASN support continues to increase, Scottish Government statistics suggest a 3% year on year increase, resulting in an additional resource requirement. Particularly where gaps in our enhanced provision exist. The medium term detriments on the development of young children which occurred as a consequence of service closures during the COVID pandemic have increased demands on the service as children require additional support to catch up. The Additional Support for Learning National Implementation plan continues to inform our strategic direction in line with the Angela Morgan Review. | Service is currently looking at alternative options for service delivery to mitigate the inescapable pressures. Continuing to ensure robust assessment of needs, monthly monitoring of budget, any delays in recruitment factored into projections to enable informed decision making on allocation of funding for new/amended /additional support packages. | 3 | 100 | 3 | 200 |
| 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 revised its service model to align it to the Scottish Government's reduced 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 service model, usage and resources. | 3 | 100 | 3 | 100 |
| Executive Director Douglas Hendry | Education | Legislative Requirements - Education (Scotland) Act | The Education (Scotland) Act 2000 requires 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. This may lead to additional staffing requirements depending upon the demand for Gaelic from parents. | Continuous monitoring and review of the service model and resources available within budget. | 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 |

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 30 JUNE 2023

| DEPARTMENT | SERVICE | TITLE OF RISK | DESCRIPTION OF RISK | MITIGATING ACTIONS IN PLACE | As at February 2023 (Budget Setting) | | As at 30 June 2023 | |
|------------------------------------|---------------------------------|---|---|--|---|--------------------------|--------------------|--------------------------|
| | | | | | LIKELIHOOD | FINANCIAL IMPACT £000 | LIKELIHOOD | FINANCIAL IMPACT £000 |
| 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 the long term effects of Covid-19 on the insurance market 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 | Customer Support Services | Additional Bandwidth for Education | Additional costs required to be incurred in relation to additional bandwidth required to deliver the Education Digital Strategy due to a more digitalised learning curriculum. | Work closely with Education on Digital Devices for All strategy to ensure necessary IT is in place. | 3 | 50 | 3 | 50 |
| 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 |
| Executive Director 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 |

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 30 JUNE 2023

| DEPARTMENT | SERVICE | TITLE OF RISK | DESCRIPTION OF RISK | MITIGATING ACTIONS IN PLACE | As at February 2023 (Budget Setting) | | As at 30 June 2023 | |
|---------------------------------------|------------------------------------|---|--|--|---|--------------------------|--------------------|--------------------------|
| | | | | | LIKELIHOOD | FINANCIAL IMPACT £000 | LIKELIHOOD | FINANCIAL IMPACT £000 |
| Executive Director Kirsty Flanagan | Development and Economic Growth | Planning fees reduced by Scottish Government | Potential that the Scottish Government may reduce planning fees due to poor performance by the Planning Authority. The Scottish Government has recently appointed a national Planning Performance Champion however the detail of how this role intends to incentivise improved/penalise poor performance at a local authority level remains unclear at this time | Maintain high levels of performance as articulated by performance markers detailed in Planning Performance Framework annual report. | 1 | 100 | 1 | 100 |
| Executive Director Kirsty Flanagan | Development and Economic Growth | Planning fee shortfalls | Due to downturn in economic / building activity, in particular renewable energy development and other major developments could lead to planning fee income shortfalls leading to revenue budget pressures. | 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 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. | 1 | 50 | 1 | 50 |
| Executive Director 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 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 Kirsty Flanagan | 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. | 3 | 345 | 3 | 345 |
| Executive Director Kirsty Flanagan | 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 |
| Executive Director Kirsty Flanagan | Financial Services | Sundry Debt Recovery | Recovery of debt becomes more difficult to pursue in the current economic climate. | Additional staff are being put in place in the Sundry Debt Team who will work jointly with Legal Services to enhance the robustness of the Council's debt recovery processes. | 3 | 85 | 3 | 85 |

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 30 JUNE 2023

| DEPARTMENT | SERVICE | TITLE OF RISK | DESCRIPTION OF RISK | MITIGATING ACTIONS IN PLACE | As at February 2023 (Budget Setting) | | As at 30 June 2023 | |
|---------------------------------------|--------------------------------------|---|---|--|---|-----------------------------|--------------------|-----------------------------|
| | | | | | LIKELIHOOD | FINANCIAL IMPACT £000 | LIKELIHOOD | FINANCIAL IMPACT £000 |
| Executive Director Kirsty Flanagan | Financial Services | Non-Domestic Rates Relief | Risk of demand changing due to legislative changes outwith our control for charitable relief for Arms Length External Organisations (ALEO). | Outwith direct management control. | 3 | 30 | 3 | 30 |
| Executive Director Kirsty Flanagan | Roads and Infrastructure Services | Roads Maintenance - Bridges, Culverts & Sea Defences | Extreme localised weather may result in loss of bridge, culvert, road or sea defence. | Routine inspections to deal with potential weak areas - based on a stitch in time repair regime. | 3 | 750 | 3 | 750 |
| Executive Director Kirsty Flanagan | Roads and Infrastructure Services | Winter Maintenance | Adverse weather conditions which require greater than budgeted number of gritting runs. | Monitor weather conditions and apply gritting policy to minimise costs. | 3 | 365 | 3 | 365 |
| Executive Director Kirsty Flanagan | Roads and Infrastructure Services | Roads Maintenance - Roads Network | Adverse weather conditions result in deterioration of the road network necessitating greater spend on repair of defects. | Manage maintenance budgets to ensure that spend is prioritised to deal with safety defects. | 3 | 230 | 3 | 230 |
| Executive Director Kirsty Flanagan | Roads and Infrastructure Services | Car Parking Income | Reduced number of visitors to the area and use of council owned car parks resulting in a reduction in income. | Closely monitor income levels throughout the year, especially in high visitor seasons. | | | 3 | 200 |
| Executive Director Kirsty Flanagan | Roads and Infrastructure Services | Ferry Services - income | Changes to ferry services resulting in reduced berthing and passenger income. | Closely monitor passenger number information coming from CalMac to identify any emerging trends with reducing passenger numbers. | 3 | 200 | 3 | 200 |
| Executive Director Kirsty Flanagan | Roads and Infrastructure Services | Street Lighting | Age of lighting stock requires greater maintenance as health and safety becomes a consideration. | Manage maintenance budgets to ensure that spend is prioritised to deal with safety defects. | 4 | 100 | 4 | 100 |
| | | | | | 38 | 4,500 | 39 | 4,800 |

CAPITAL BUDGET MONITORING REPORT – 30 JUNE 2023

1.0 EXECUTIVE SUMMARY

1.1 This report provides an update on the position of the capital budget as at 30 June 2023. The report provides information on the financial position in respect of the capital plan and the performance in terms of delivery of capital plan projects.

1.2 Financial Position:

- **Current Year to Date** – actual net expenditure to date is £6,965k compared to a budget for the year to date of £6,985k giving rise to an underspend for the year to date of £20k (0.29%).
- **Forecast Outturn for 2023-24** – forecast net expenditure for the full financial year is £44,660k compared to an annual budget of £44,976k giving rise to a forecast underspend for the year of £316k (0.70%).
- **Total Capital Plan** – forecast total net project costs on the total capital plan are £213,649k compared to a total budget for all projects of £213,599k giving rise to a forecast overspend for the overall capital plan of £50k (0.02%).

1.3 Project Delivery:

- **Asset Sustainability** – Out of 83 projects there are 83 projects (100%) on track, 0 projects (0%) off track but recoverable and 0 projects off track (0%).
- **Service Development** - Out of 42 projects there are 40 projects (95%) on track, 1 project (2.5%) off track but recoverable and 1 project (2.5%) off track.
- **Strategic Change** – Out of 30 projects there are 30 projects (100%) on track, 0 projects (0%) are off track but recoverable and 0 projects (0%) off track.

1.4 The Capital Programme is funded by various income streams as detailed in Appendix 5. Additional funding allocated since the last report has come from SPT & Rural Growth Deal.

1.5 Capital receipts of £160,000 have been received so far in 2023-24. The estimated level of receipts will be kept under review as market conditions change, as will values following due diligence undertaken by prospective purchasers on the condition of asset.

CAPITAL BUDGET MONITORING REPORT – 30 JUNE 2023

2.0 INTRODUCTION

- 2.1 This report provides an update on the position of the capital budget as at 30 June 2023. The report provides information on the financial position in respect of the capital plan and 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 was put on pause whilst potential funding options were being considered. At the budget meeting in February 2023 additional funding was allocated to this project which will allow the project to progress towards success by supporting completion of certain work stages. The financial information included within this report now includes historical spend plus amounts relating to Stage 1 of the Rothesay Pavilion project. There is also a further report later in the Policy & Resources Committee agenda relating to this project.
- 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.
- 2.4 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 – despite additional funding being awarded there remains a funding gap to allow full completion of the original intended works.
 - Harbour Investment Programme – likely to be contractual cost increases in future years (expected to be funded from increased fees and charges).
 - Universal Free School Meals – delayed roll out to P6 and P7 and uncertain capital funding levels available from the Scottish Government. Distributions of 2023-24 funding have not yet been announced.
 - Other general construction inflationary increases.
- 2.5 Although the direct impact of COVID on most local services has reduced or even ceased altogether over the last 12 months, COVID-19 in conjunction with the UK exit from the European Union and the Russian invasion of Ukraine, continues to affect worldwide supply chains.

In recent years additional funding of £10.803m has been allocated to the capital programme for this purpose which has mitigated the impact to date however, as detailed in the table below, only £2.703m remains unallocated to projects facing inflationary pressures.

| Funding for Capital Inflationary Pressures | £m |
|---|---------------|
| COVID-19 Funding | 0.257 |
| February 2021 Budget Meeting - Capital Cost Pressures | 4.646 |
| February 2022 Budget Meeting - Capital Cost Pressures | 3.900 |
| February 2023 Budget Meeting – Capital Projects Inflation Pressures | 2.000 |
| Total Additional Funding Allocated to Capital | 10.803 |
| Allocated to Projects within Capital Programme | (5.779) |
| Committed for future years | (2.321) |
| Balance Remaining | 2.703 |

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 £6,965k compared to a budget for the year to date of £6,985k giving rise to an underspend for the year to date of £20k (0.29%).

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:

| Project Type: | Year to Date Budget £'000 | Year to Date Actual £'000 | Variance £'000 |
|----------------------------------|----------------------------------|----------------------------------|-----------------------|
| Asset Sustainability | 1,465 | 1,467 | (2) |
| Service Development | 1,354 | 1,327 | 27 |
| Strategic Change | 4,166 | 4,171 | (5) |
| Total | 6,985 | 6,965 | 20 |
| Service: | | | |
| ICT | 253 | 253 | 0 |
| Education | 435 | 435 | 0 |
| Live Argyll | 295 | 295 | 0 |
| Health & Social Care Partnership | 188 | 188 | 0 |
| Shared Offices | 116 | 118 | (2) |
| Roads & Infrastructure | 4,748 | 4,721 | 27 |
| Development & Economic Growth | 452 | 452 | 0 |
| CHORD | 498 | 503 | (5) |
| Total | 6,985 | 6,965 | 20 |

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 2023-24

5.1 Overall Position

Forecast net expenditure for the full financial year is £44,660k compared to an annual budget of £44,976k giving rise to a forecast underspend for the year of £316k (0.70%).

5.2 Project/Department Position

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

| | Annual Budget £'000 | Forecast Outturn £'000 | Forecast Variance £'000 |
|----------------------------------|--------------------------------|-----------------------------------|------------------------------------|
| Project Type: | | | |
| Asset Sustainability | 26,198 | 26,200 | (2) |
| Service Development | 224 | 272 | (48) |
| Strategic Change | 18,554 | 18,188 | 366 |
| Total | 44,976 | 44,660 | 316 |
| Service: | | | |
| ICT | 1,091 | 1,091 | 0 |
| Education | 7,814 | 7,814 | 0 |
| Live Argyll | 1,291 | 1,291 | 0 |
| Health & Social Care Partnership | 2,201 | 2,201 | 0 |
| Shared Offices | 2,270 | 1,906 | 364 |
| Roads & Infrastructure | 24,904 | 24,942 | (38) |
| Development & Economic Growth | (941) | (931) | (10) |
| CHORD | 6,346 | 6,346 | 0 |
| Total | 44,976 | 44,660 | 316 |

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 £213,649k compared to a total budget for all projects of £213,599k giving rise to a forecast overspend for the overall capital plan of £50k (0.02%).

6.2 Project/Department Position

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

| | Capital Plan Budget £'000 | Forecast Project Costs £'000 | Total Capital Plan Variance £'000 |
|----------------------------------|--------------------------------------|---|--|
| Project Type: | | | |
| Asset Sustainability | 58,330 | 58,332 | (2) |
| Service Development | 22,147 | 22,195 | (48) |
| Strategic Change | 133,122 | 133,122 | 0 |
| Total | 213,599 | 213,649 | (50) |
| Service: | | | |
| ICT | 5,360 | 5,360 | 0 |
| Education | 45,630 | 45,630 | 0 |
| Live Argyll | 2,893 | 2,893 | 0 |
| Health & Social Care Partnership | 4,752 | 4,752 | 0 |
| Shared Offices | 22,953 | 22,955 | (2) |
| Roads & Infrastructure | 59,078 | 59,116 | (38) |
| Development & Economic Growth | 4,734 | 4,744 | (10) |
| CHORD | 68,199 | 68,199 | 0 |
| Total | 213,599 | 213,649 | (50) |

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 155 projects within the Capital Plan, 153 are Complete or On Target, 1 is Off Target and Recoverable and 1 is Off Track.

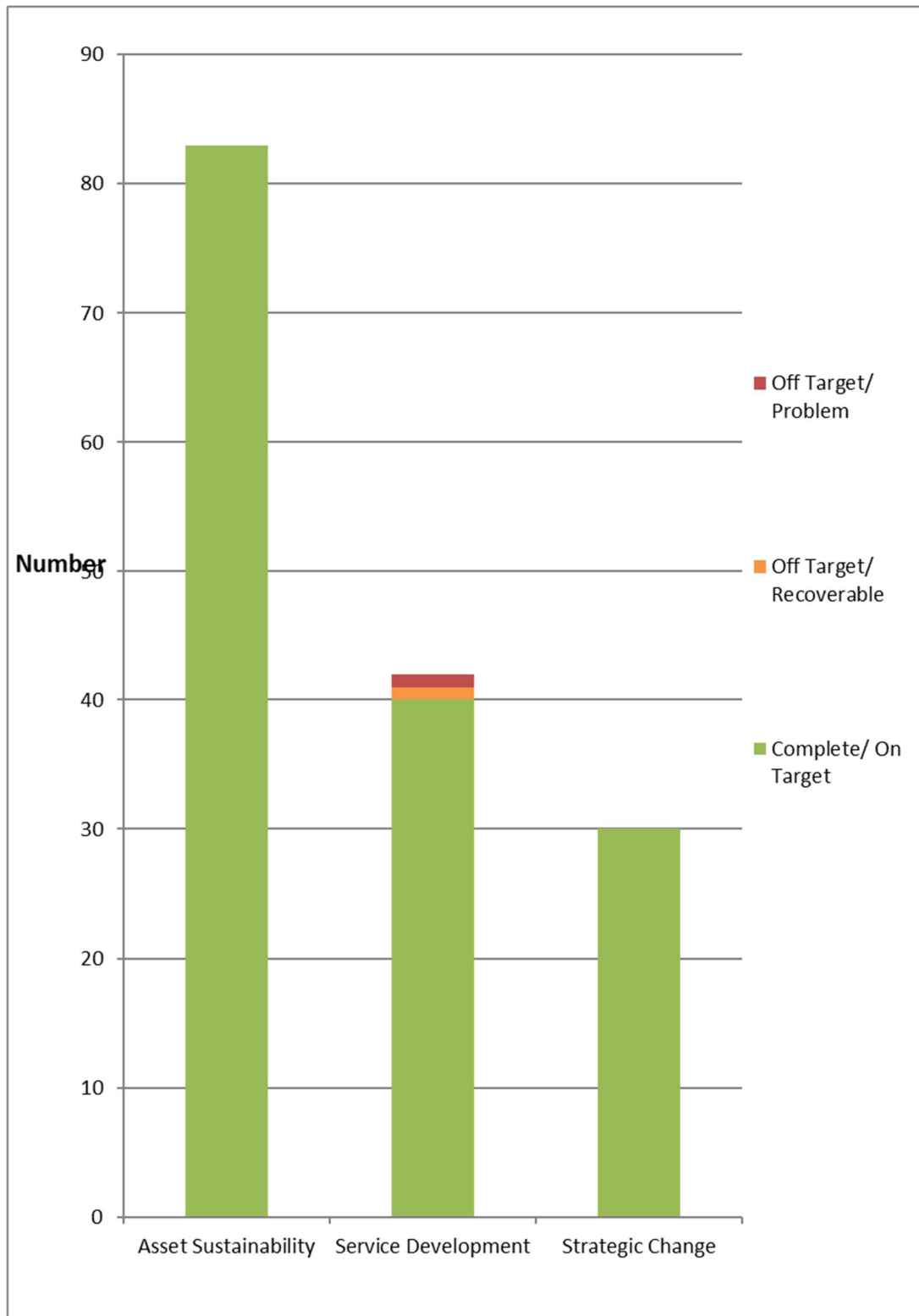
7.2 Project Position

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

| Project Type: | Complete/ On Target | Off Target/ Recoverable | Off Target/ Problem | Total |
|-------------------------------------|--------------------------------|------------------------------------|------------------------------------|--------------|
| Asset Sustainability | 83 | 0 | 0 | 83 |
| Service Development | 40 | 1 | 1 | 42 |
| Strategic Change | 30 | 0 | 0 | 30 |
| Total | 153 | 1 | 1 | 155 |
| Service: | | | | |
| ICT | 7 | 0 | 0 | 7 |
| Education | 31 | 0 | 0 | 31 |
| Live Argyll | 18 | 0 | 0 | 18 |
| Health & Social Care Partnership | 17 | 0 | 0 | 17 |
| Shared Offices | 24 | 0 | 0 | 24 |
| Roads & Infrastructure | 34 | 0 | 1 | 35 |
| Development & Economic Growth | 16 | 1 | 0 | 17 |
| CHORD | 6 | 0 | 0 | 6 |
| Total | 153 | 1 | 1 | 155 |

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.

| Project Type | Project | What is Off Track? | Explanation |
|----------------------|--------------------------------|---------------------------|--|
| Asset Sustainability | Oban Depot Development Project | Total Project expenditure | Projects overspends are to be funded from revenue and Scottish Government Grant funding. Actions are planned to identify and allocate funding for these costs. |

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 2023-24 | 2023-24 | 2024-25 | 2025-26 | Future Years | Total Capital Plan |
|----------------------------------|------------------------------|--------------|------------|----------|--------------|--------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Asset Sustainability | 0 | 0 | 0 | 0 | 0 | 0 |
| Service Development | 0 | 0 | 0 | 0 | 0 | 0 |
| Strategic Change | 0 | (366) | 366 | 0 | 0 | 0 |
| Total | 0 | (366) | 366 | 0 | 0 | 0 |
| Service: | | | | | | |
| ICT | 0 | 0 | 0 | 0 | 0 | 0 |
| Education | 0 | 0 | 0 | 0 | 0 | 0 |
| Live Argyll | 0 | 0 | 0 | 0 | 0 | 0 |
| Health & Social Care Partnership | 0 | 0 | 0 | 0 | 0 | 0 |
| Shared Offices | 0 | (366) | 366 | 0 | 0 | 0 |
| Roads & Infrastructure | 0 | 0 | 0 | 0 | 0 | 0 |
| Development & Economic Growth | 0 | 0 | 0 | 0 | 0 | 0 |
| Major Projects | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | (366) | 366 | 0 | 0 | 0 |

11.0 FUNDING

11.1 The Capital Programme is funded by various income streams as detailed in Appendix 5. £315k of funding has been received from SPT for Helensburgh and Rosneath Cycleway and Bus Infrastructure, £132k for Rural Growth Deal initial funding and Dunoon STEM Hub has received £1,750k from the Rural Growth Deal.

- 11.2 Capital receipts of £160,000 have been received so far in 2023-24. The estimated level of receipts will be kept under review as market conditions change, as will values following due diligence undertaken by prospective purchasers on the condition of assets.

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

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
anne.blue@argyll-bute.gov.uk

APPENDIX 1 – Year to Date Financial Variance Explanations

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

| Project | YTD Budget £'000 | YTD Actual £'000 | (Over)/ Under Variance £'000 | Explanation |
|----------------------------|---------------------------------|---------------------------------|---|---|
| Other variances under £50k | | | 25 | Total value of non-material variances less than +/-£50k |
| Total | | | 25 | |

APPENDIX 2 – Outturn Variance Explanations

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

| Project | Annual Budget £'000 | Outturn £'000 | (Over)/ Under Forecast Variance COVID-19 Related £'000 | (Over)/ Under Forecast Variance Non COVID-19 Related £'000 | Total (Over)/ Under Forecast Variance £'000 | Explanation |
|----------------------------|--------------------------------|--------------------------|---|---|--|--|
| Net Zero | 366 | 0 | 0 | 366 | 366 | See appendix 4: virements of numerous historic excess budgets that have been combined to allow for Net Zero capital works to be carried out. Slipped after virement to allow time for a plan to be developed for this project. |
| Other variances under £50k | | | 0 | (50) | (50) | Total value of non-material variances less than +/- £50k. |
| Total | | | 0 | 316 | 316 | |

APPENDIX 3 – Total Project Finance Variances

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

| Project | Capital Plan Budget £'000 | Forecast Project Costs £'000 | (Over)/ Under Forecast Variance COVID-19 Related £'000 | (Over)/ Under Forecast Variance Non COVID-19 Related £'000 | Total (Over)/ Under Forecast Variance £'000 | Explanation |
|----------------------------|------------------------------|---------------------------------|---|---|--|--|
| Oban Depot Development | 2,117 | 2,182 | | (65) | (65) | Projects overspends are to be funded from revenue and Scottish Government Grant for EVC. Actions are planned to identify and allocate funding for these costs. |
| Other variances under £50k | | | | 15 | 15 | 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. |
| Total | | | | (50) | (50) | |

CAPITAL PROGRAMME FUNDING

| | 2023-24 | | | | | 2024-25 | | | | | 2025-26 | | | | |
|---|---------------------------|---------------------------|-------------------------|--------------------|-----------------------------------|---------------------------|---------------------------|-------------------------|--------------------|-----------------------------------|---------------------------|---------------------------|-------------------------|--------------------|-----------------------------------|
| | Estimated Capital Funding | Carry Forwards from 22-23 | Slippage / Acceleration | Additional Funding | Updated Capital Funding Available | Estimated Capital Funding | Carry Forwards from 22-23 | Slippage / Acceleration | Additional Funding | Updated Capital Funding Available | Estimated Capital Funding | Carry Forwards from 22-23 | Slippage / Acceleration | Additional Funding | Updated Capital Funding Available |
| General Capital Grant | 11,900 | 0 | 0 | 0 | 11,900 | 9,851 | 0 | 0 | 0 | 9,851 | 10,007 | 0 | 0 | 0 | 10,007 |
| 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 | 1,195 | 0 | 0 | 0 | 1,195 | 350 | 0 | 0 | 0 | 350 | 400 | 0 | 0 | 0 | 400 |
| Flooding Allocation | 155 | 0 | 0 | 0 | 155 | 155 | 0 | 0 | 0 | 155 | 155 | 0 | 0 | 0 | 155 |
| Ring Fenced Capital Grant | 5,800 | 0 | 0 | 0 | 5,800 | 304 | 0 | 0 | 400 | 704 | 0 | 0 | 0 | 0 | 0 |
| Restricted Funding | 1,613 | 0 | 0 | 427 | 2,040 | 0 | 0 | 366 | 2,065 | 2,431 | 0 | 0 | 0 | 50 | 50 |
| Funded by Reserves | 11,821 | 9,005 | 0 | 148 | 20,974 | 9,196 | 0 | 0 | 0 | 9,196 | 896 | 0 | 0 | 0 | 896 |
| Additional Funding from Revenue | 25 | 0 | 0 | 50 | 75 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Insurance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Harbour Investment Programme | 22,235 | -13,035 | 0 | 0 | 9,200 | 27,025 | -5,025 | 0 | 0 | 22,000 | 29,700 | 20,300 | 0 | 0 | 50,000 |
| Prudential Borrowing | 20,718 | -6,345 | -366 | 74 | 14,081 | 27 | 6,434 | 0 | 0 | 6,461 | 0 | 1,388 | 0 | 0 | 1,388 |
| Loans Fund Review | 0 | 131 | 0 | 0 | 131 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| COVID Funding | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 74,429 | -10,244 | -366 | 699 | 64,518 | 45,875 | 1,409 | 366 | 2,465 | 50,115 | 40,125 | 21,688 | 0 | 50 | 61,863 |

BREAKDOWN OF ADDITIONAL FUNDING

| Additional Funding | 2023-24 | 2024-25 | 2025-26 | Source | Reported |
|------------------------------------|------------|--------------|-----------|---------------------|----------|
| Tobermory Top Flat - SHF | 30 | | | Revenue Funding | Jan-23 |
| Dunoon STEM Hub | 50 | | | Revenue Funding | Jan-23 |
| Dunoon STEM Hub | 150 | | | Grant Funding | Jan-23 |
| Dunoon Cycle Bothy | 145 | | | Grant Funding | Jan-23 |
| Gartbreck - Capping | 118 | | | Reserves | Mar-23 |
| Dunoon Cycle Bothy | 74 | | | Scottish Government | Mar-23 |
| Tigh Na Rhuda | | 400 | 50 | Scottish Government | Mar-23 |
| Helensburgh and Rosneath Cycleways | | 290 | | SPT | Jun-23 |
| SPT - Bus Infrastructure | | 25 | | SPT | Jun-23 |
| Dunoon STEM Hub | | 1,750 | | Rural Growth Deal | Jun-23 |
| Rural Growth Deal planning stages | 132 | | | Rural Growth Deal | Jun-23 |
| Total | 699 | 2,465 | 50 | | |

OFF TRACK PROJECT

Appendix 6

Project Name: Oban Depot Development Project**Project Manager:** Mark Calder**Risk:** Low**Initial Start Date:** August 2019**Proposed End Date:** TBC**How was this project initially funded?**

Insurance Claim - £1.681 million

Please detail any additional funding.

Prudential Borrowing - £0.42 million

Block Allocation - £0.032 million

Capital Receipt (Appin Depot – anticipated) £0.150 million

Previously Reported Committee and Date:**Next Reported Committee and Date:****Why is the project classified as off target?**

Reporting an overspend against approved budget.

What has caused the issue outlined above?

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. As the budget currently sits in revenue with the costs being capital, budget will be transferred over from revenue to fund this overspend.

Some costs are attributed to Electric Vehicle charger installations which will be claimed against Scottish Government Grant Funding.

What action will be taken to rectify this issue?

Funding for the additional works will be transferred from the service's revenue budget to the Oban Depot Development Project for the additional works, as agreed.

What are the implications of the action proposed?

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

APPENDIX 7

| 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 | 23,415 | 977 | 24,392 | 24,392 | 01/04/2017 | 31/03/2024 | Green | Physically complete, retentions outstanding |
| Campbeltown Flood Scheme | 4,992 | 9,860 | 15,215 | 15,215 | 01/08/2016 | 31/03/2024 | Green | Contractor's updated programming of work moved Public Utility works from 22/23 to 23/24 |
| CHORD Oban | 7,279 | 626 | 7,905 | 7,905 | 27/10/2016 | 31/03/2022 | Green | Issues with contract close out impacting on timescales. |
| TIF - Halfway House Roundabout | 66 | 574 | 640 | 640 | tbc | tbc | Green | Scope of project still to be determined - budget to be reprofiled. |
| CHORD Rothesay | 15,231 | 11,487 | 26,718 | 26,718 | tbc | tbc | Green | Project recommenced. |
| Harbour Investment Programme | 9,200 | 9,200 | 91,292 | 91,292 | 01/04/2017 | 31/03/2028 | Green | Budget slipped into future years. |
| Dunoon Primary | 10,635 | 234 | 10,869 | 10,869 | 18/12/2014 | 30/04/2020 | Green | Physically complete - negotiations with contractor delaying payment of final sums outstanding. |
| Kirn Primary School | 10,085 | 34 | 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 | 2,844 | 406 | 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 | 3,226 | 674 | 3,900 | 3,900 | 01/08/2016 | 31/12/2022 | Green | Tender for final package of works still to be awarded. |
| Helensburgh Office Rationalisation | 11,538 | 300 | 11,838 | 11,838 | 25/04/2013 | 31/12/2022 | Green | Project subject to legal dispute. |
| CHORD Dunoon | 12,495 | 27 | 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 | 47 | 1,082 | 1,129 | 1,129 | 01/02/2022 | 01/09/2023 | Green | Development Agreement still to be concluded. |
| Carbon Management Business Cases | 201 | 0 | 201 | 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 | 0 | 1,938 | 1,948 | 01/02/2016 | 31/12/2022 | Green | Complete. |
| Carbon Management - Non Education | 29 | 21 | 50 | 50 | 01/04/2015 | 31/12/2022 | Green | Projects being determined. |
| NPDO Schools Solar PV Panel Installations | 761 | 0 | 761 | 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 | 0 | 400 | 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 | 0 | 19 | 39 | 01/02/2016 | 31/12/2022 | Green | Budget to be reprofiled pending development of new projects. |
| Oil to Gas Heating Conversions | 182 | 0 | 182 | 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 | 489 | 101 | 590 | 590 | 22/01/2015 | 31/12/2022 | Green | |
| Campbeltown Schools Redevelopment | 2,092 | 38 | 2,130 | 2,130 | 16/02/2012 | 30/11/2018 | Green | Physically complete - negotiations with contractor delaying payment of financial sums outstanding. |
| CHORD - Helensburgh | 6,529 | 28 | 6,557 | 6,557 | 29/09/2011 | 30/04/2015 | Green | Main contract complete. Art project proposed for 23-24. |
| TIF - North Pier Extension | 214 | 0 | 214 | 214 | 06/12/2017 | 06/12/2021 | Green | Complete. |
| TIF - Lorn/Kirk Road | 2,169 | 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 - NDEEF1 | 328 | 224 | 745 | 745 | tbc | 31/03/2024 | Green | |
| Clean Energy - NDEEF2 | 0 | 50 | 1,140 | 1,140 | tbc | tbc | Green | |
| Strategic Change Total | 130,906 | 35,945 | 241,389 | 241,755 | | | | |

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.

| | Current Financial Year To Date (Over)/Under | | | Full Year This Financial Year (Over)/Under | | | Total Project Costs (Over)/Under | | |
|--|--|-----------------|-------------------|---|-------------------|-------------------|-------------------------------------|-------------------|-------------------|
| | Budget £000s | Actual £000s | Variance £000s | Budget £000s | Forecast £000s | Variance £000s | Budget £000s | Forecast £000s | Variance £000s |
| EXPENDITURE | | | | | | | | | |
| Asset Sustainability Projects | | | | | | | | | |
| Executive Director Douglas Hendry | 896 | 898 | (2) | 11,505 | 11,507 | (2) | 22,959 | 22,961 | (2) |
| Executive Director Kirsty Flanagan | 596 | 596 | 0 | 15,331 | 15,331 | 0 | 36,459 | 36,459 | 0 |
| Asset Sustainability Total | 1,492 | 1,494 | (2) | 26,836 | 26,838 | (2) | 59,418 | 59,420 | (2) |
| Service Development Projects | | | | | | | | | |
| Executive Director Douglas Hendry | 136 | 136 | 0 | 525 | 525 | 0 | 16,437 | 16,437 | 0 |
| Executive Director Kirsty Flanagan | 1,003 | 1,003 | 0 | 5,794 | 5,869 | (75) | 37,737 | 37,812 | (75) |
| Service Development Total | 1,139 | 1,139 | 0 | 6,319 | 6,394 | (75) | 54,174 | 54,249 | (75) |
| Strategic Change Projects | | | | | | | | | |
| Campbeltown Schools Redevelopment | 0 | 0 | 0 | 38 | 38 | 0 | 2,130 | 2,130 | 0 |
| Dunoon Primary | 2 | 2 | 0 | 234 | 234 | 0 | 10,869 | 10,869 | 0 |
| Replacement of Oban High | 0 | 0 | 0 | 406 | 406 | 0 | 3,250 | 3,250 | 0 |
| Kilmory Primary School | 0 | 0 | 0 | 34 | 34 | 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 | 0 | 60 | 261 | 201 | 60 |
| NPDO Schools Solar PV Panel Installations | 0 | 0 | 0 | 183 | 0 | 183 | 944 | 761 | 183 |
| Non NPDO Schools Solar PV Panel Installations | 0 | 0 | 0 | 88 | 0 | 88 | 488 | 400 | 88 |
| Carbon Management Fuel Conversions | 0 | 0 | 0 | 0 | 0 | 0 | 107 | 107 | 0 |
| Carbon Management Capital Property Works 2016/17 | 0 | 0 | 0 | 20 | 0 | 20 | 39 | 19 | 20 |
| Carbon Management - Group Heating Conversion Project | 0 | 0 | 0 | 10 | 0 | 10 | 1,948 | 1,938 | 10 |
| Kilmory Biomass Carbon Management | 0 | 0 | 0 | 0 | 0 | 0 | 956 | 956 | 0 |
| Oil to Gas Heating Conversions | 0 | 0 | 0 | 5 | 0 | 5 | 187 | 182 | 5 |
| Campbeltown Office Rationalisation | 0 | 0 | 0 | 1 | 1 | 0 | 596 | 596 | 0 |
| Helensburgh Office Rationalisation | 0 | 0 | 0 | 300 | 300 | 0 | 11,838 | 11,838 | 0 |
| Clean Energy - NDEEF2 | 0 | 0 | 0 | 50 | 50 | 0 | 1,140 | 1,140 | 0 |
| Net Zero | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 366 | (366) |
| Campbeltown Flood Scheme | 3,664 | 3,664 | 0 | 9,860 | 9,860 | 0 | 15,215 | 15,215 | 0 |
| Street Lighting LED Replacement | 1 | 1 | 0 | 674 | 674 | 0 | 3,900 | 3,900 | 0 |
| Harbour Investment Programme | 148 | 148 | 0 | 9,200 | 9,200 | 0 | 91,292 | 91,292 | 0 |
| TIF - Lorn/Kirk Road | 0 | 0 | 0 | 1 | 1 | 0 | 2,170 | 2,170 | 0 |
| TIF - North Pier Extension | 0 | 0 | 0 | 0 | 0 | 0 | 214 | 214 | 0 |
| TIF - Oban Airport Business Park | 1 | 1 | 0 | 101 | 101 | 0 | 590 | 590 | 0 |
| TIF - Halfway House Roundabout | 0 | 0 | 0 | 574 | 574 | 0 | 640 | 640 | 0 |
| CHORD - Helensburgh | 0 | 0 | 0 | 28 | 28 | 0 | 6,557 | 6,557 | 0 |
| CHORD Dunoon | 0 | 0 | 0 | 27 | 27 | 0 | 12,522 | 12,522 | 0 |
| CHORD Oban | 0 | 0 | 0 | 626 | 626 | 0 | 7,905 | 7,905 | 0 |
| CHORD Rothesay | 489 | 494 | (5) | 6,871 | 6,871 | 0 | 24,012 | 24,012 | 0 |
| Helensburgh Waterfront Development | 9 | 9 | 0 | 977 | 977 | 0 | 24,392 | 24,392 | 0 |
| HWD - FFE (Funded by LA) | 0 | 0 | 0 | 34 | 34 | 0 | 350 | 350 | 0 |
| Kilmory Business Park Phase 2AA | 0 | 0 | 0 | 1,082 | 1,082 | 0 | 1,129 | 1,129 | 0 |
| Dunoon Pier OBC | 0 | 0 | 0 | 0 | 0 | 0 | 2,844 | 2,844 | 0 |
| Strategic Change Total | 4,314 | 4,319 | (5) | 31,729 | 31,363 | 366 | 239,399 | 239,399 | 0 |
| Total Expenditure | 6,945 | 6,952 | (7) | 64,884 | 64,595 | 289 | 352,991 | 353,068 | (77) |
| INCOME | | | | | | | | | |
| Asset Sustainability | | | | | | | | | |
| Executive Director Douglas Hendry | 0 | 0 | 0 | (128) | (128) | 0 | (578) | (578) | 0 |
| Executive Director Kirsty Flanagan | (27) | (27) | 0 | (510) | (510) | 0 | (510) | (510) | 0 |
| Asset Sustainability Total | (27) | (27) | 0 | (638) | (638) | 0 | (1,088) | (1,088) | 0 |
| Service Development Projects | | | | | | | | | |
| Executive Director Douglas Hendry | 0 | 0 | 0 | 0 | 0 | 0 | (7,771) | (7,771) | 0 |
| Executive Director Kirsty Flanagan | 215 | 188 | 27 | (6,095) | (6,122) | 27 | (24,256) | (24,283) | 27 |
| Service Development Total | 215 | 188 | 27 | (6,095) | (6,122) | 27 | (32,027) | (32,054) | 27 |
| Strategic Change Projects | | | | | | | | | |
| Helensburgh Office Rationalisation | 0 | 0 | 0 | 0 | 0 | 0 | (349) | (349) | 0 |
| Dunoon Primary | 0 | 0 | 0 | 0 | 0 | 0 | (137) | (137) | 0 |
| Campbeltown Flood | 0 | 0 | 0 | 0 | 0 | 0 | (270) | (270) | 0 |
| Harbour PB | (148) | (148) | 0 | (9,200) | (9,200) | 0 | (91,292) | (91,292) | 0 |
| 01 TIF - Lorn/Kirk Road | 0 | 0 | 0 | (676) | (676) | 0 | (2,717) | (2,717) | 0 |
| H'burgh CHORD Public Realm Imprv | 0 | 0 | 0 | 0 | 0 | 0 | (570) | (570) | 0 |
| Helensburgh Waterfront Development | 0 | 0 | 0 | (2,320) | (2,320) | 0 | (7,979) | (7,979) | 0 |
| Kilmory Business Park Phase 2AA | 0 | 0 | 0 | (979) | (979) | 0 | (979) | (979) | 0 |
| CHORD - Dunoon Waterfront | 0 | 0 | 0 | 0 | 0 | 0 | (10) | (10) | 0 |
| CHORD - Oban | 0 | 0 | 0 | 0 | 0 | 0 | (1,624) | (1,624) | 0 |
| Strategic Change Total | (148) | (148) | 0 | (13,175) | (13,175) | 0 | (106,277) | (106,277) | 0 |
| Total Income | 40 | 13 | 27 | (19,908) | (19,935) | 27 | (139,392) | (139,419) | 27 |
| Net Total | 6,985 | 6,965 | 20 | 44,976 | 44,660 | 316 | 213,599 | 213,649 | (50) |

MONITORING REPORT Appendix 8
FINANCIAL SUMMARY NET EXPENDITURE - EXECUTIVE DIRECTOR DOUGLAS HENDRY 30 June 2023

| | Current Financial Year To Date | | | Full Year This Financial Year | | | Total Project Costs | | |
|--|--------------------------------|-----------------|-------------------|-------------------------------|-------------------|-------------------|---------------------|-------------------|-------------------|
| | Budget £000s | Actual £000s | Variance £000s | Budget £000s | Forecast £000s | Variance £000s | Budget £000s | Forecast £000s | Variance £000s |
| EXPENDITURE | | | | | | | | | |
| Asset Sustainability | | | | | | | | | |
| Education | 297 | 297 | 0 | 6,756 | 6,756 | 0 | 13,403 | 13,403 | 0 |
| Live Argyll | 295 | 295 | 0 | 1,270 | 1,270 | 0 | 2,048 | 2,048 | 0 |
| Health and Social Care Partnership | 188 | 188 | 0 | 2,147 | 2,147 | 0 | 3,452 | 3,452 | 0 |
| Shared Offices | 116 | 118 | (2) | 1,332 | 1,334 | (2) | 4,056 | 4,058 | (2) |
| Asset Sustainability Total | 896 | 898 | (2) | 11,505 | 11,507 | (2) | 22,959 | 22,961 | (2) |
| Service Development Projects | | | | | | | | | |
| Ardrisaigh 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 | 0 | 23 | 579 | 556 | 23 |
| Craignish 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 | 0 | 0 | 0 | 719 | 719 | 0 |
| 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 | 136 | 136 | 0 | 297 | 320 | (23) | 7,751 | 7,774 | (23) |
| CO2 Monitoring - Covid Mitigation in Schools | 0 | 0 | 0 | 113 | 113 | 0 | 192 | 192 | 0 |
| Early Learning and Childcare - 1140 Hours - CFCR | 0 | 0 | 0 | 0 | 0 | 0 | 1,379 | 1,379 | 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 |
| Service Development Total | 136 | 136 | 0 | 525 | 525 | 0 | 16,437 | 16,437 | 0 |
| Strategic Change Projects | | | | | | | | | |
| Campbeltown Schools Redevelopment | 0 | 0 | 0 | 38 | 38 | 0 | 2,130 | 2,130 | 0 |
| Dunoon Primary | 2 | 2 | 0 | 234 | 234 | 0 | 10,869 | 10,869 | 0 |
| NPDO Schools Solar PV Panel Installations | 0 | 0 | 0 | 183 | 0 | 183 | 944 | 761 | 183 |
| Non NPDO Schools Solar PV Panel Installations | 0 | 0 | 0 | 88 | 0 | 88 | 488 | 400 | 88 |
| Carbon Management Fuel Conversions | 0 | 0 | 0 | 0 | 0 | 0 | 107 | 107 | 0 |
| Carbon Management Capital Property Works 2016/17 | 0 | 0 | 0 | 20 | 0 | 20 | 39 | 19 | 20 |
| Carbon Management - Group Heating Conversion Project | 0 | 0 | 0 | 10 | 0 | 10 | 1,948 | 1,938 | 10 |
| Kilmory Biomass Carbon Management | 0 | 0 | 0 | 0 | 0 | 0 | 956 | 956 | 0 |
| Oil to Gas Heating Conversions | 0 | 0 | 0 | 5 | 0 | 5 | 187 | 182 | 5 |
| Campbeltown Office Rationalisation | 0 | 0 | 0 | 1 | 1 | 0 | 596 | 596 | 0 |
| Helensburgh Office Rationalisation | 0 | 0 | 0 | 300 | 300 | 0 | 11,838 | 11,838 | 0 |
| Clean Energy - NDEEF1 | 0 | 0 | 0 | 224 | 224 | 0 | 745 | 745 | 0 |
| Clean Energy - NDEEF2 | 0 | 0 | 0 | 50 | 50 | 0 | 1,140 | 1,140 | 0 |
| Net Zero | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 366 | (366) |
| CHORD Oban | 0 | 0 | 0 | 626 | 626 | 0 | 7,905 | 7,905 | 0 |
| CHORD Rothesay | 489 | 494 | (5) | 6,871 | 6,871 | 0 | 24,012 | 24,012 | 0 |
| CHORD - Helensburgh | 0 | 0 | 0 | 28 | 28 | 0 | 6,557 | 6,557 | 0 |
| CHORD Dunoon | 0 | 0 | 0 | 27 | 27 | 0 | 12,522 | 12,522 | 0 |
| Helensburgh Waterfront Deveopment | 9 | 9 | 0 | 977 | 977 | 0 | 24,392 | 24,392 | 0 |
| HWD - FFE (Funded by LA) | 0 | 0 | 0 | 34 | 34 | 0 | 350 | 350 | 0 |
| Kilmory Business Park Phase 2AA | 0 | 0 | 0 | 1,082 | 1,082 | 0 | 1,129 | 1,129 | 0 |
| Dunoon Pier OBC | 0 | 0 | 0 | 0 | 0 | 0 | 2,844 | 2,844 | 0 |
| Strategic Change Total | 500 | 505 | (5) | 11,319 | 10,953 | 366 | 125,378 | 125,378 | 0 |
| Total Expenditure | 1,532 | 1,539 | (7) | 23,349 | 22,985 | 364 | 164,774 | 164,776 | (2) |
| INCOME | | | | | | | | | |
| Asset Sustainability | | | | | | | | | |
| Education | 0 | 0 | 0 | (125) | (125) | 0 | (125) | (125) | 0 |
| Shared Offices | 0 | 0 | 0 | (3) | (3) | 0 | (3) | (3) | 0 |
| Asset Sustainability Total | 0 | 0 | 0 | (128) | (128) | 0 | (578) | (578) | 0 |
| Service Development Projects | | | | | | | | | |
| 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 |
| Bowmore Primary School - Gaelic Medium Grant | 0 | 0 | 0 | 0 | 0 | 0 | (38) | (38) | 0 |
| Service Development Total | 0 | 0 | 0 | 0 | 0 | 0 | (7,771) | (7,771) | 0 |
| Strategic Change | | | | | | | | | |
| Helensburgh Office Rationalisation | 0 | 0 | 0 | 0 | 0 | 0 | (349) | (349) | 0 |
| Dunoon Primary School | 0 | 0 | 0 | 0 | 0 | 0 | (137) | (137) | 0 |
| H'burgh CHORD Public Realm Imprv | 0 | 0 | 0 | 0 | 0 | 0 | (570) | (570) | 0 |
| Helensburgh Waterfront Development | 0 | 0 | 0 | (2,320) | (2,320) | 0 | (7,979) | (7,979) | 0 |
| HWD - FFE (Funded by LA) | 0 | 0 | 0 | 0 | 0 | 0 | (350) | (350) | 0 |
| CHORD - Oban | 0 | 0 | 0 | 0 | 0 | 0 | (1,624) | (1,624) | 0 |
| Net Departmental Total | 1,532 | 1,539 | (7) | 19,922 | 19,558 | 364 | 144,427 | 144,429 | (2) |

| ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT | | | | | | | | | | Appendix 8 |
|--|--------------------------------|-----------------|-----------------------------------|-------------------------------|-------------------------------|-----------------------------------|---------------------|-------------------|-----------------------------------|--------------|
| FINANCIAL SUMMARY NET EXPENDITURE - EXECUTIVE DIRECTOR KIRSTY FLANAGAN | | | | | | | | | | 30 June 2023 |
| | Current Financial Year To Date | | | Full Year This Financial Year | | | Total Project Costs | | | |
| | Budget £000s | Actual £000s | (Over)/Under Variance £000s | Budget £000s | Year End Forecast £000s | (Over)/Under Variance £000s | Budget £000s | Forecast £000s | (Over)/Under Variance £000s | |
| EXPENDITURE | | | | | | | | | | |
| Asset Sustainability Projects | | | | | | | | | | |
| Flood Prevention | 14 | 14 | 0 | 807 | 807 | 0 | 1,305 | 1,305 | 0 | 0 |
| Coastal Protection | 1 | 1 | 0 | 99 | 99 | 0 | 199 | 199 | 0 | 0 |
| Coastal Change Adaptation | 5 | 5 | 0 | 158 | 158 | 0 | 158 | 158 | 0 | 0 |
| Bute Sea Wall Repairs | 10 | 10 | 0 | 100 | 100 | 0 | 680 | 680 | 0 | 0 |
| Helensburgh Flood Mitigation | 1 | 1 | 0 | 428 | 428 | 0 | 428 | 428 | 0 | 0 |
| Bridge Strengthening | 76 | 76 | 0 | 1,336 | 1,336 | 0 | 1,686 | 1,686 | 0 | 0 |
| Local Bridge Maintenance Fund | 49 | 49 | 0 | 1,000 | 1,000 | 0 | 5,203 | 5,203 | 0 | 0 |
| Roads Reconstruction | 0 | 0 | 0 | 7,032 | 7,032 | 0 | 15,032 | 15,032 | 0 | 0 |
| Roads Reconstruction - Helensburgh CHORD | 0 | 0 | 0 | 47 | 47 | 0 | 47 | 47 | 0 | 0 |
| Roads Reconstruction - Oban CHORD | 0 | 0 | 0 | 3 | 3 | 0 | 3 | 3 | 0 | 0 |
| Helensburgh CHORD - Signage etc | 0 | 0 | 0 | 10 | 10 | 0 | 10 | 10 | 0 | 0 |
| Lighting | 0 | 0 | 0 | 890 | 890 | 0 | 1,040 | 1,040 | 0 | 0 |
| Environmental Projects | 165 | 165 | 0 | 650 | 650 | 0 | 1,021 | 1,021 | 0 | 0 |
| Play Park Refurbishment | 0 | 0 | 0 | 312 | 312 | 0 | 938 | 938 | 0 | 0 |
| Public Convenience Upgrades | 0 | 0 | 0 | 82 | 82 | 0 | 82 | 82 | 0 | 0 |
| Footway Improvements | 0 | 0 | 0 | 750 | 750 | 0 | 750 | 750 | 0 | 0 |
| Glengorm - Capping | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Glengorm - Call and Transfer Station (PB) | 36 | 36 | 0 | 85 | 85 | 0 | 85 | 85 | 0 | 0 |
| Gartbreck - Capping | 4 | 4 | 0 | 200 | 200 | 0 | 200 | 200 | 0 | 0 |
| EV Quick Chargers | 0 | 0 | 0 | 62 | 62 | 0 | 62 | 62 | 0 | 0 |
| Tobermory Car Park | 0 | 0 | 0 | 96 | 96 | 0 | 96 | 96 | 0 | 0 |
| Active Travel | 0 | 0 | 0 | 389 | 389 | 0 | 389 | 389 | 0 | 0 |
| Block Allocation - RIS | 0 | 0 | 0 | 0 | 0 | 0 | 4,268 | 4,268 | 0 | 0 |
| Server Sustainability | 0 | 0 | 0 | 209 | 209 | 0 | 1,042 | 1,042 | 0 | 0 |
| PC Replacement | 148 | 148 | 0 | 330 | 330 | 0 | 1,479 | 1,479 | 0 | 0 |
| Telecomms Network | 87 | 87 | 0 | 256 | 256 | 0 | 256 | 256 | 0 | 0 |
| Asset Sustainability Total | 596 | 596 | 0 | 15,331 | 15,331 | 0 | 36,459 | 36,459 | 0 | 0 |
| Service Development Projects | | | | | | | | | | |
| Preliminary design for Regional Transport projects | 0 | 0 | 0 | 16 | 221 | 0 | 16 | 221 | 0 | 0 |
| Campbeltown Old Quay | 0 | 0 | 0 | 43 | 43 | 0 | 1,424 | 1,424 | 0 | 0 |
| Fleet Management - Prudential Borrowing | 747 | 747 | 0 | 2,187 | 2,187 | 0 | 4,861 | 4,861 | 0 | 0 |
| Fleet Management | 0 | 0 | 0 | 325 | 325 | 0 | 4,538 | 4,538 | 0 | 0 |
| Lismore Ferry | 0 | 0 | 0 | 15 | 15 | 0 | 672 | 672 | 0 | 0 |
| Oban Depot Development Project | 2 | 2 | 0 | (63) | 2 | (65) | 2,117 | 2,182 | (65) | 0 |
| Lochgilthead Depot Rationalisation | 0 | 0 | 0 | 8 | 8 | 0 | 37 | 37 | 0 | 0 |
| Jackson's Quarry Refurbishment | 0 | 0 | 0 | 0 | 0 | 0 | 285 | 285 | 0 | 0 |
| Witchburn Road Demolition | 0 | 0 | 0 | 0 | 158 | 0 | 158 | 158 | 0 | 0 |
| Safe Streets, Walking and Cycling (CWSS) | 0 | 0 | 0 | 370 | 370 | 0 | 3,383 | 3,383 | 0 | 0 |
| SPT - bus infrastructure | 0 | 0 | 0 | 0 | 0 | 0 | 1,430 | 1,430 | 0 | 0 |
| Cycleways - H&L (FSPT) | 0 | 0 | 0 | 300 | 300 | 0 | 3,402 | 3,402 | 0 | 0 |
| Helensburgh Public Realm - Arts Strategy Fund | 0 | 0 | 0 | 50 | 50 | 0 | 53 | 53 | 0 | 0 |
| Town Centre Funds | 17 | 17 | 0 | 358 | 368 | (10) | 3,969 | 3,979 | (10) | 0 |
| Rural Growth Deal | 51 | 51 | 0 | 132 | 132 | 0 | 182 | 182 | 0 | 0 |
| Dunoon Cycle Bothy | 95 | 95 | 0 | 292 | 292 | 0 | 563 | 563 | 0 | 0 |
| Dunoon STEM Hub | 4 | 4 | 0 | 713 | 713 | 0 | 2,558 | 2,558 | 0 | 0 |
| Ardriashaig North Active Travel | 68 | 68 | 0 | 112 | 112 | 0 | 880 | 880 | 0 | 0 |
| Nature Restoration Fund | 0 | 0 | 0 | 346 | 346 | 0 | 346 | 346 | 0 | 0 |
| Gibraltar Street Public Realm Improvements | 0 | 0 | 0 | 222 | 222 | 0 | 250 | 250 | 0 | 0 |
| Hermitage Park | 0 | 0 | 0 | 26 | 26 | 0 | 3,388 | 3,388 | 0 | 0 |
| Service Development Total | 1,003 | 1,003 | 0 | 5,794 | 5,869 | (75) | 37,737 | 37,812 | (75) | 0 |
| Strategic Change Projects | | | | | | | | | | |
| Campbeltown Flood Scheme | 3,664 | 3,664 | 0 | 9,860 | 9,860 | 0 | 15,215 | 15,215 | 0 | 0 |
| Street Lighting LED Replacement | 1 | 1 | 0 | 674 | 674 | 0 | 3,900 | 3,900 | 0 | 0 |
| Harbour Investment Programme | 148 | 148 | 0 | 9,200 | 9,200 | 0 | 91,292 | 91,292 | 0 | 0 |
| TIF - Lorn/Kirk Road | 0 | 0 | 0 | 1 | 1 | 0 | 2,170 | 2,170 | 0 | 0 |
| TIF - Oban Airport Business Park | 1 | 1 | 0 | 101 | 101 | 0 | 590 | 590 | 0 | 0 |
| TIF - Halfway House Roundabout | 0 | 0 | 0 | 574 | 574 | 0 | 640 | 640 | 0 | 0 |
| Strategic Change Total | 3,814 | 3,814 | 0 | 20,410 | 20,410 | 0 | 114,021 | 114,021 | 0 | 0 |
| Total Expenditure | 5,413 | 5,413 | 0 | 41,538 | 41,610 | (75) | 188,217 | 188,292 | (75) | 0 |
| INCOME | | | | | | | | | | |
| Asset Sustainability | | | | | | | | | | |
| EV Quick Chargers | 0 | 0 | 0 | (27) | (27) | 0 | (27) | (27) | 0 | 0 |
| Roads Reconstruction | (27) | (27) | 0 | (83) | (83) | 0 | (83) | (83) | 0 | 0 |
| Tobermory Car Park | 0 | 0 | 0 | (400) | (400) | 0 | (400) | (400) | 0 | 0 |
| Asset Sustainability Total | (27) | (27) | 0 | (510) | (510) | 0 | (510) | (510) | 0 | 0 |
| Service Development Projects | | | | | | | | | | |
| Applications Projects | 0 | 0 | 0 | (46) | (46) | 0 | (437) | (437) | 0 | 0 |
| Safe Streets, Walking and Cycling | 215 | 215 | 0 | (376) | (376) | 0 | (2,988) | (2,988) | 0 | 0 |
| SPT | 0 | 0 | 0 | (25) | (25) | 0 | (1,268) | (1,268) | 0 | 0 |
| Cycleways - H&L (FSPT) | 0 | 0 | 0 | (590) | (590) | 0 | (3,502) | (3,502) | 0 | 0 |
| Town Centre Funds | 0 | 0 | 0 | (275) | (275) | 0 | (1,887) | (1,887) | 0 | 0 |
| Rural Growth Deal | 0 | 0 | 0 | (152) | (152) | 0 | (182) | (182) | 0 | 0 |
| Dunoon STEM Hub | 0 | 0 | 0 | (2,050) | (2,050) | 0 | (2,558) | (2,558) | 0 | 0 |
| Ardriashaig North Active Travel | 0 | 0 | 0 | 0 | 0 | 0 | (50) | (50) | 0 | 0 |
| Dunoon Cycle Bothy | 0 | 0 | 0 | (394) | (394) | 0 | (563) | (563) | 0 | 0 |
| Gibraltar Street Public Realm Improvements | 0 | 0 | 0 | 0 | 0 | 0 | (250) | (250) | 0 | 0 |
| Hermitage Park | 0 | 0 | 0 | 0 | 0 | 0 | (3,319) | (3,319) | 0 | 0 |
| Fleet Management - PB | 0 | 0 | 0 | (2,187) | (2,187) | 0 | (4,861) | (4,861) | 0 | 0 |
| Lochgilthead Depot Rationalisation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Milpark Depot Demolition Insurance | 0 | 0 | 0 | 0 | 0 | 0 | (53) | (53) | 0 | 0 |
| Oban Depot - Mill Park Insurance Claim | 0 | 0 | 0 | 0 | 0 | 0 | (1,681) | (1,681) | 0 | 0 |
| Oban Depot - Appin Depot Sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lismore Ferry | 0 | 0 | 0 | 0 | 0 | 0 | (500) | (500) | 0 | 0 |
| Witchburn Road Demolition | 0 | 0 | 0 | 0 | 0 | 0 | (157) | (157) | 0 | 0 |
| Service Development Total | 215 | 188 | 27 | (6,095) | (6,122) | 27 | (24,256) | (24,283) | 27 | 0 |
| Strategic Change Projects | | | | | | | | | | |
| Campbeltown Flood | 0 | 0 | 0 | 0 | 0 | 0 | (270) | (270) | 0 | 0 |
| Harbour PB | (148) | (148) | 0 | (9,200) | (9,200) | 0 | (91,292) | (91,292) | 0 | 0 |
| 01 TIF - Lorn/Kirk Road | 0 | 0 | 0 | (676) | (676) | 0 | (2,717) | (2,717) | 0 | 0 |
| Strategic Change Total | (148) | (148) | 0 | (9,876) | (9,876) | 0 | (94,279) | (94,279) | 0 | 0 |
| Total Income | 40 | 13 | 27 | (16,481) | (16,508) | 27 | (119,045) | (119,072) | 27 | 0 |
| Net Departmental Total | 5,453 | 5,426 | 27 | 25,054 | 25,102 | (46) | 69,172 | 69,220 | (48) | 0 |

CAPITAL PLAN 2023-24
Overall Summary

APPENDIX 9

| Service | Previous Years £000's | 2023-24 £000s | 2024-25 £000s | 2025-26 £000s | 2026-27 £000s | 2027-28 £000s | Total |
|----------------------|----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|----------------|
| Education | 39,077 | 7,917 | 3,126 | 3,521 | 0 | 0 | 53,641 |
| Shared Offices | 17,025 | 1,907 | 3,396 | 977 | 0 | 0 | 23,305 |
| ICT | 2,529 | 1,137 | 1,243 | 888 | 0 | 0 | 5,797 |
| RIS | 26,197 | 36,801 | 37,320 | 55,347 | 2,737 | 0 | 158,402 |
| DEG | 18,331 | 3,597 | 2,090 | 0 | 0 | 0 | 24,018 |
| HSCP | 1,246 | 2,223 | 828 | 477 | 0 | 0 | 4,774 |
| Live Argyll | 1,274 | 1,291 | 428 | 427 | 0 | 0 | 3,420 |
| CHORD | 68,156 | 9,645 | 1,684 | 226 | 0 | 0 | 79,711 |
| Overall Total | 173,835 | 64,518 | 50,115 | 61,863 | 2,737 | 0 | 353,068 |

| Category | Service | Project | Previous | 2023-24 | 2024-25 | 2025-26 | 2026-27 | | 2027-28 | Total | |
|-----------------------------------|-----------|---|---------------|--------------|--------------|--------------|----------|----------|----------|---------------|--------|
| | | | Years | £000s | £000s | | £000s | £000s | £000s | | |
| Asset Sustainability | Education | Asbestos Control/Removal Works | | 0 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| | | Block Allocation - Education | | 0 | 1,457 | 166 | 520 | 0 | 0 | 0 | 2,143 |
| | | Digital Inclusion 20-21 | | 0 | 9 | 0 | 0 | 0 | 0 | 0 | 9 |
| | | Free School Meals | | 0 | 330 | 900 | 1,495 | 0 | 0 | 0 | 2,725 |
| | | Homeless Houses - Housing Quality Standard | | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | | Internal Refurbishment Budget | | 0 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| | | Lochgilphead Primary School Demolition | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Pre-5's/Nurseries | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Primary Schools | | 0 | 3,955 | 1,835 | 1,280 | 0 | 0 | 0 | 7,070 |
| | | School Houses - Housing Quality Standard | | 0 | 13 | 0 | 0 | 0 | 0 | 0 | 13 |
| Secondary Schools | | 0 | 955 | 225 | 226 | 0 | 0 | 0 | 1,406 | | |
| Asset Sustainability Total | | | 0 | 6,734 | 3,126 | 3,521 | 0 | 0 | 0 | 13,381 | |
| Service Development | Education | Ardrishaig Primar School - Pre Five Extension | | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| | | Bowmore Primary School - Gaelic Medium Grant | | 0 | 38 | 0 | 0 | 0 | 0 | 0 | 38 |
| | | Bowmore Primary School - Pre Five Unit | | 149 | 0 | 0 | 0 | 0 | 0 | 0 | 149 |
| | | Bunessan Primary School - Gaelic Medium Improvements | | 120 | 0 | 0 | 0 | 0 | 0 | 0 | 120 |
| | | Clyde Cottage - 600 hours provision | | 556 | 23 | 0 | 0 | 0 | 0 | 0 | 579 |
| | | CO2 Monitoring - Covid Mitigation in Schools | | 79 | 113 | 0 | 0 | 0 | 0 | 0 | 192 |
| | | Craignish Primary School - Pre Five Extension (600 hours funding) | | 400 | 0 | 0 | 0 | 0 | 0 | 0 | 400 |
| | | Early Learning and Childcare | | 850 | 0 | 0 | 0 | 0 | 0 | 0 | 850 |
| | | Early Learning and Childcare - 1140 Hours | | 7,454 | 297 | 0 | 0 | 0 | 0 | 0 | 7,751 |
| | | Early Learning and Childcare - 1140 Hours - CFCR | | 1,379 | 0 | 0 | 0 | 0 | 0 | 0 | 1,379 |
| | | Iona Primary School - Pre Five Unit (600 hours funding) | | 490 | 0 | 0 | 0 | 0 | 0 | 0 | 490 |
| | | Islay High & Rosneath PS Pitches | | 719 | 0 | 0 | 0 | 0 | 0 | 0 | 719 |
| | | Lochgoilhead Primary School - Pre Five Unit (600 hours funding) | | 391 | 0 | 0 | 0 | 0 | 0 | 0 | 391 |
| | | Park Primary Extension and Pre Fives Unit | | 341 | 0 | 0 | 0 | 0 | 0 | 0 | 341 |
| Sandbank Gaelic Pre Five Unit | | 491 | 0 | 0 | 0 | 0 | 0 | 0 | 491 | | |
| Service Development Total | | | 13,421 | 471 | 0 | 0 | 0 | 0 | 0 | 13,892 | |
| Strategic Change | Education | Campbeltown Schools Redevelopment | | 2,092 | 38 | 0 | 0 | 0 | 0 | 0 | 2,130 |
| | | Dunoon Primary School | | 10,635 | 234 | 0 | 0 | 0 | 0 | 0 | 10,869 |
| | | Kirn Primary School | | 10,085 | 34 | 0 | 0 | 0 | 0 | 0 | 10,119 |
| | | Replacement of Oban High School | | 2,844 | 406 | 0 | 0 | 0 | 0 | 0 | 3,250 |
| Strategic Change Total | | | 25,656 | 712 | 0 | 0 | 0 | 0 | 0 | 26,368 | |
| Overall Total | | | 39,077 | 7,917 | 3,126 | 3,521 | 0 | 0 | 0 | 53,641 | |

| Category | Service | Project | Previous | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | Total |
|---|----------------|---|-----------------|--------------|------------|----------|----------|---------------|--------|
| | | | Years £000's | £000s | £000s | £000s | £000s | £000s | £000s |
| Asset Sustainability | Shared Offices | 5-7 East Clyde Street - Coastal Communities Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Argyll House, Dunoon | 0 | 9 | 0 | 0 | 0 | 0 | 9 |
| | | Asbestos Capital Property Works | 0 | 51 | 0 | 0 | 0 | 0 | 51 |
| | | Block Allocation | 0 | 282 | 298 | 427 | 0 | 0 | 1,007 |
| | | Bowmore Area Office | 0 | 76 | 0 | 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 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Hill Street Dunoon Rewire | 0 | 33 | 0 | 0 | 0 | 0 | 33 |
| | | Kilmory Castle | 0 | 0 | 1,409 | 0 | 0 | 0 | 1,409 |
| | | Legionella Control Works | 0 | 144 | 0 | 0 | 0 | 0 | 144 |
| | | Manse Brae District Office | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Manse Brae Roads Office | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| Our Modern Workspace | 0 | 683 | 480 | 0 | 0 | 0 | 1,163 | | |
| Asset Sustainability Total | | 0 | 1,332 | 2,297 | 427 | 0 | 0 | 4,056 | |
| Strategic Change | 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 |
| | | Clean Energy - NDEEF1 | 328 | 224 | 193 | 0 | 0 | 0 | 745 |
| | | Clean Energy - NDEEF2 | 0 | 50 | 540 | 550 | 0 | 0 | 1,140 |
| | | Helensburgh Office Rationalisation (FPB,REC) | 11,538 | 300 | 0 | 0 | 0 | 0 | 11,838 |
| | | Kilmory Biomass Project OBC (FPB,REV) | 956 | 0 | 0 | 0 | 0 | 0 | 956 |
| | | Net Zero | 0 | -366 | 366 | 0 | 0 | 0 | 0 |
| | | 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 | | |
| Strategic Change Total | | 17,025 | 575 | 1,099 | 550 | 0 | 0 | 19,249 | |
| Overall Total | | 17,025 | 1,907 | 3,396 | 977 | 0 | 0 | 23,305 | |

| Category | Service | Project | Previous | | | | | Total £000s | |
|-------------------------------|---------|---|-----------------|------------------|------------------|------------------|------------------|----------------|------------------|
| | | | Years £000's | 2023-24 £000s | 2024-25 £000s | 2025-26 £000s | 2026-27 £000s | | 2027-28 £000s |
| Strategic Change | CHORD | CHORD - Dunoon | 12,495 | 27 | 0 | 0 | 0 | 0 | 12,522 |
| | | CHORD - Helensburgh -Public Realm Imprv | 6,529 | 28 | 0 | 0 | 0 | 0 | 6,557 |
| | | CHORD - Oban | 7,279 | 626 | 0 | 0 | 0 | 0 | 7,905 |
| | | CHORD - Rothesay | 15,231 | 6,871 | 1,684 | 226 | 0 | 0 | 24,012 |
| | | Helensburgh Waterfront Development | 23,415 | 977 | 0 | 0 | 0 | 0 | 24,392 |
| | | HWD - FFE | 316 | 34 | 0 | 0 | 0 | 0 | 350 |
| | | Kilmory Business Park Phase 2AA | 47 | 1,082 | 0 | 0 | 0 | 0 | 1,129 |
| | | OBC for Dunoon Pier | 2,844 | 0 | 0 | 0 | 0 | 0 | 2,844 |
| Strategic Change Total | | | 68,156 | 9,645 | 1,684 | 226 | 0 | 0 | 79,711 |
| Overall Total | | | 68,156 | 9,645 | 1,684 | 226 | 0 | 0 | 79,711 |

| Category | Service | Project | Previous | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | Total |
|-----------------------------------|---------|------------------------|-----------------|--------------|--------------|------------|----------|--------------|--------------|
| | | | Years £000's | £000s | £000s | £000s | £000s | £000s | £000s |
| Asset Sustainability | ICT | Block Allocation - ICT | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | PC Replacement | 0 | 330 | 669 | 480 | 0 | 0 | 1,479 |
| | | Server Sustainability | 0 | 209 | 425 | 408 | 0 | 0 | 1,042 |
| | | Telecomms Network | 0 | 256 | 0 | 0 | 0 | 0 | 256 |
| Asset Sustainability Total | | 0 | 795 | 1,094 | 888 | 0 | 0 | 2,777 | |
| Service Development | ICT | Applications Projects | 2,529 | 342 | 149 | 0 | 0 | 0 | 3,020 |
| Service Development Total | | | 2,529 | 342 | 149 | 0 | 0 | 0 | 3,020 |
| Overall Total | | | 2,529 | 1,137 | 1,243 | 888 | 0 | 0 | 5,797 |

| Category | Service | Project | Previous | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | Total |
|-----------------------------------|---------|--|-----------------|---------------|---------------|---------------|--------------|----------|----------------|
| | | | Years £000's | £000s | £000s | £000s | £000s | £000s | £000s |
| Asset Sustainability | RIS | Block Allocation | 0 | 0 | 0 | 4,268 | 0 | 0 | 4,268 |
| | | Bridge Strengthening | 0 | 1,336 | 350 | 0 | 0 | 0 | 1,686 |
| | | Bute Sea Wall Repairs | 0 | 100 | 580 | 0 | 0 | 0 | 680 |
| | | Coastal Change Adaptation | 0 | 158 | 0 | 0 | 0 | 0 | 158 |
| | | Coastal Protection | 0 | 99 | 100 | 0 | 0 | 0 | 199 |
| | | Environmental Projects | 0 | 650 | 371 | 0 | 0 | 0 | 1,021 |
| | | EV Quick Chargers | 0 | 62 | 0 | 0 | 0 | 0 | 62 |
| | | Flood Prevention | 0 | 807 | 305 | 155 | 38 | 0 | 1,305 |
| | | Footway Improvements | 0 | 750 | 0 | 0 | 0 | 0 | 750 |
| | | Glengorm - Capping | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Glengorm - Cell and Transfer Station (PB) | 0 | 85 | 0 | 0 | 0 | 0 | 85 |
| | | Helensburgh CHORD - Signage etc | 0 | 10 | 0 | 0 | 0 | 0 | 10 |
| | | Helensburgh Flood Mitigation | 0 | 428 | 0 | 0 | 0 | 0 | 428 |
| | | Investment in Active Travel | 0 | 389 | 0 | 0 | 0 | 0 | 389 |
| | | Lighting | 0 | 890 | 150 | 0 | 0 | 0 | 1,040 |
| | | Local Bridge Maintenance Fund | 0 | 1,000 | 4,000 | 203 | 0 | 0 | 5,203 |
| | | Plant and Machinery | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Public Convenience Upgrades | 0 | 82 | 0 | 0 | 0 | 0 | 82 |
| | | Roads Reconstruction | 0 | 7,032 | 8,000 | 0 | 0 | 0 | 15,032 |
| | | Roads Reconstruction - Helensburgh CHORD | 0 | 47 | 0 | 0 | 0 | 0 | 47 |
| Roads Reconstruction - Oban CHORD | 0 | 3 | 0 | 0 | 0 | 0 | 3 | | |
| Tobermory Car Park | 0 | 96 | 0 | 0 | 0 | 0 | 96 | | |
| Asset Sustainability Total | | | 0 | 14,336 | 14,091 | 5,017 | 38 | 0 | 33,482 |
| Service Development | RIS | Campbeltown Old Quay | 1,381 | 43 | 0 | 0 | 0 | 0 | 1,424 |
| | | Depot Rationalisation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Fleet Management - Prudential Borrowing | 2,674 | 2,187 | 0 | 0 | 0 | 0 | 4,861 |
| | | Jackson's Quarry Refurbishment | 285 | 0 | 0 | 0 | 0 | 0 | 285 |
| | | Lismore Ferry Replacement | 637 | 15 | 20 | 0 | 0 | 0 | 672 |
| | | Lochgilthead Depot Rationalisation | 29 | 8 | 0 | 0 | 0 | 0 | 37 |
| | | Oban Depot Development | 2,180 | -63 | 0 | 0 | 0 | 0 | 2,117 |
| | | Preliminary design for Regional Transport projects (tif) | 205 | 16 | 0 | 0 | 0 | 0 | 221 |
| | | Witchburn Road Demolition | 158 | 0 | 0 | 0 | 0 | 0 | 158 |
| Service Development Total | | | 10,582 | 2,531 | 1,200 | 0 | 0 | 0 | 14,313 |
| Strategic Change | RIS | Campbeltown Flood Scheme | 4,992 | 9,860 | 29 | 330 | 4 | 0 | 15,215 |
| | | Harbour Investment Programme PB | 7,397 | 9,200 | 22,000 | 50,000 | 2,695 | 0 | 91,292 |
| | | Street Lighting LED Replacement | 3,226 | 674 | 0 | 0 | 0 | 0 | 3,900 |
| Strategic Change Total | | | 15,615 | 19,734 | 22,029 | 50,330 | 2,699 | 0 | 110,407 |
| Overall Total | | | 26,197 | 36,601 | 37,320 | 55,347 | 2,737 | 0 | 158,202 |

| Category | Service | Project | Previous | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | Total |
|-------------------------------|---------|---|-----------------|--------------|---------------|--------------|--------------|----------|---------------|
| | | | Years £000's | £000s | £000s | £000s | £000s | £000s | £000s |
| Service Development | DEG | Ardrishaig North Active Travel | 755 | 112 | 13 | 0 | 0 | 0 | 880 |
| | | Cycleways - H&L (FSPT) | 2,812 | 300 | 290 | 0 | 0 | 0 | 3,402 |
| | | Dunoon Cycle Bothy | 259 | 292 | 12 | 0 | 0 | 0 | 563 |
| | | Dunoon STEM Hub | 95 | 713 | 1,750 | 0 | 0 | 0 | 2,558 |
| | | Gibraltar Street Public Realm Improvements | 28 | 222 | 0 | 0 | 0 | 0 | 250 |
| | | Helensburgh Public Realm - Arts Strategy Fund | 3 | 50 | 0 | 0 | 0 | 0 | 53 |
| | | Hermitage Park | 3,362 | 26 | 0 | 0 | 0 | 0 | 3,388 |
| | | Nature Restoration Fund | 0 | 346 | 0 | 0 | 0 | 0 | 346 |
| | | Rural Growth Deal | 50 | 132 | 0 | 0 | 0 | 0 | 182 |
| | | Safe Streets, Walking and Cycling (CWSS) | 3,013 | 370 | 0 | 0 | 0 | 0 | 3,383 |
| | | SPT - bus infrastructure | 1,405 | 0 | 25 | 0 | 0 | 0 | 1,430 |
| | | Town Centre Funds | 3,611 | 358 | 0 | 0 | 0 | 0 | 3,969 |
| | | Service Development Total | | | 15,393 | 2,921 | 2,090 | 0 | 0 |
| Strategic Change | DEG | 01 TIF - Lorn/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 | 590 |
| | | TIF - Halfway House Roundabout | 66 | 574 | 0 | 0 | 0 | 0 | 640 |
| Strategic Change Total | | | 2,938 | 676 | 0 | 0 | 0 | 0 | 3,614 |
| Overall Total | | | 18,331 | 3,597 | 2,090 | 0 | 0 | 0 | 24,018 |

| Category | Service | Project | Previous | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | Total |
|-----------------------------------|---------|-------------------------------------|-----------------|--------------|------------|------------|----------|----------|--------------|
| | | | Years £000's | £000s | £000s | £000s | £000s | £000s | £000s |
| Asset Sustainability | HSCP | Ardfenaig | 0 | 23 | 0 | 0 | 0 | 0 | 23 |
| | | Block Allocation | 0 | 785 | 292 | 184 | 0 | 0 | 1,261 |
| | | Capital Property Works | 0 | 79 | 0 | 0 | 0 | 0 | 79 |
| | | Digitalising telecare | 0 | 100 | 0 | 0 | 0 | 0 | 100 |
| | | Dunoon Hostel | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Eadar Glinn | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | East King Street Childrens Home | 0 | 58 | 0 | 0 | 0 | 0 | 58 |
| | | Glencruitten Hostel | 0 | 81 | 36 | 143 | 0 | 0 | 260 |
| | | Gortonvogie | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Greenwood/Woodlands | 0 | 216 | 0 | 0 | 0 | 0 | 216 |
| | | Lochgilphead Resource Centre | 0 | 16 | 0 | 0 | 0 | 0 | 16 |
| | | Rothesay Community Education Centre | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Shellach View | 0 | 142 | 0 | 0 | 0 | 0 | 142 |
| | | Thomson Home Rothesay | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Tigh An Rudha HFE | 0 | 600 | 500 | 150 | 0 | 0 | 1,250 |
| Tobermory Top Flat | 0 | 22 | 0 | 0 | 0 | 0 | 22 | | |
| Asset Sustainability Total | | | 0 | 2,169 | 828 | 477 | 0 | 0 | 3,474 |
| Service Development | HSCP | Dunclutha Childrens Home | 1,246 | 54 | 0 | 0 | 0 | 0 | 1,300 |
| Service Development Total | | | 1,246 | 54 | 0 | 0 | 0 | 0 | 1,300 |
| Overall Total | | | 1,246 | 2,223 | 828 | 477 | 0 | 0 | 4,774 |

| Category | Service | Project | Previous | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | Total |
|-----------------------------------|--------------------|---|-----------------|--------------|------------|------------|----------|----------|--------------|
| | | | Years £000's | £000s | £000s | £000s | £000s | £000s | £000s |
| Asset Sustainability | Live Argyll | Aqualibrium | 0 | 368 | 20 | 40 | 0 | 0 | 428 |
| | | Corran Halls Gaelic Centre | 0 | 113 | 46 | 84 | 0 | 0 | 243 |
| | | Inveraray CARS | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Kintyre Community Education Centre - Lift Shaft Refurbishment | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| | | LA - Indoor Cycles | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Lochgilphead Library Relocation | 0 | 14 | 0 | 0 | 0 | 0 | 14 |
| | | Moat Centre (Roofing) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Queen's Hall - Partition Wall | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Riverside Leisure Centre - Spa Pool Upgrade | 0 | 17 | 0 | 0 | 0 | 0 | 17 |
| | | The Moat Centre | 0 | 77 | 0 | 0 | 0 | 0 | 77 |
| | | The Moat Centre - Heating Upgrade | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | The Moat Centre - Window Upgrade | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Victoria Halls, Helensburgh | 0 | 78 | 0 | 0 | 0 | 0 | 78 | | |
| Asset Sustainability Total | | | 0 | 1,270 | 428 | 427 | 0 | 0 | 2,125 |
| Service Development | Live Argyll | Riverside Leisure Centre Refurbishment | 1,245 | 0 | 0 | 0 | 0 | 0 | 1,245 |
| Service Development Total | | | 1,245 | 0 | 0 | 0 | 0 | 0 | 1,245 |
| Strategic Change | Live Argyll | Carbon Management | 29 | 21 | 0 | 0 | 0 | 0 | 50 |
| Strategic Change Total | | | 29 | 21 | 0 | 0 | 0 | 0 | 50 |
| Overall Total | | | 1,274 | 1,291 | 428 | 427 | 0 | 0 | 3,420 |

TREASURY MANAGEMENT MONITORING REPORT – 30 JUNE 2023

1. EXECUTIVE SUMMARY

- 1.1. This report sets out the Council's treasury management position for the period 1 April 2023 to 30 June 2023 and includes information on:
- Overall borrowing position
 - Borrowing activity
 - Investment activity
 - Economic background
 - Interest rate forecast
 - Prudential Indicators
- 1.2. Estimated borrowing is below the Capital Financing Requirement for the period to 30 June 2023, at this stage in the financial year capital expenditure is below target. Capital expenditure continued to be lower than anticipated over the last twelve months however there is an expectation this will increase back up again over 2023-24 which will continue to be monitored closely.
- 1.3. The net movement in external borrowing in the period 1 April 2023 to 30 June 2023 was a decrease of £10.072m.
- 1.4. The levels of investments were £90.502m at 30 June 2023. The rate of return achieved was 4.437% compared to the target SONIA rate which was 4.578%.
- 1.5. The Council has significant cash balances which are invested in accordance with its Annual Treasury Management Strategy on the basis of security first, liquidity second and then return.

TREASURY MANAGEMENT MONITORING REPORT – 30 JUNE 2023

2. INTRODUCTION

2.1. This report sets out the Council's treasury management position for the period 1 April 2023 to 30 June 2023 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 2023. The CFR represents the underlying need for the Council to borrow to fund its fixed assets and accumulated capital expenditure.

| | Forecast | Forecast | Forecast |
|--|----------------|-----------------|-----------------|
| | 2023/24 | 2024/25 | 2025/26 |
| | £000 | £000 | £000 |
| CFR at 1 April | 291,782 | 303,333 | 319,602 |
| Net Capital Expenditure | 23,281 | 28,461 | 51,388 |
| Less Loans Fund Principal Repayments | (5,950) | (6,254) | (6,573) |
| Less: NPDO Repayment | (5,780) | (5,938) | (6,235) |
| Estimated CFR 31 March | 303,333 | 319,602 | 358,182 |
| Less Funded by NPDO | (111,564) | (111,784) | (106,846) |
| Estimated Net CFR 31 March | 191,769 | 207,818 | 251,336 |
| Estimated External Borrowing at 31 March | 176,532 | 221,513 | 261,510 |
| Gap | 15,237 | (13,695) | (10,174) |

- 3.2. Borrowing is below the Capital Financing Requirement for the period to 30 June 2023. Whilst borrowing rates are still comparatively low the Council has significant cash balances which reduces the need to borrow in the short term.
- 3.3. The Council's Treasury Management Strategy states that any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates.
- 3.4. The Council's estimated net capital financing requirement at 30 June 2023 is £191.769m. The table below shows how this has been financed. £132.464m is funded by loans and there are substantial internal balances of £149.807m of which £90.502m are currently invested, as detailed in section 3.7, leaving a net internal balance of £59.305m.

| | Position at 31/03/23 | Position at 30/06/23 |
|-----------------------|-------------------------|-------------------------|
| | £000 | £000 |
| Loans | 142,536 | 132,464 |
| Net Internal Balances | 29,893 | 59,305 |
| Total CFR | 172,429 | 191,769 |

- 3.5. During the period from 1 April to 30 June 2023, £10.098m of loans were repaid and £0.026m of new borrowing was taken. The analysis of the movement in borrowing is shown in the table below:

| | Actual £000 |
|--|-----------------|
| External Loans Repaid 1st April 2023 to 30th June 2023 | (10,098) |
| Borrowing undertaken 1st April 2023 to 30th June 2023 | 26 |
| Net Movement in External Borrowing | (10,072) |

- 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 March 2023 | 10,378 | 3.40% |
| Temp borrowing at 30th June 2023 | 308 | 4.90% |

Investment Activity

- 3.7 The average rate of return achieved in the Council's investments to 30 June 2023 was 4.437% compared to the SONIA (Sterling Overnight Index Average) rate for the same period of 4.578%. The Council's rate of return is marginally less than SONIA due to the rapid rise in interest rates which increased SONIA faster than the Council was able to redeem its existing lower rated investments. At 30 June 2023 the Council had £90.502m of short term investments at an average rate of 4.437%. 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 | 5,202 | 4.90% | Short Term A-2, Long |
| First Abu Dhabi bank | 10/08/2023 | 5,000 | 3.12% | Short Term A-1+, |
| Australia and New Zealand Banking Group | 06/10/2023 | 5,000 | 4.99% | Short Term A-1+, |
| Toronto Dominion Bank | 13/10/2023 | 5,000 | 5.25% | Short Term A-1+, |
| Cambridgeshire County Council | 22/07/2024 | 5,000 | 1.00% | AA |
| Thurrock Borough Council | 31/07/2023 | 5,000 | 3.00% | AA |
| Thurrock Borough Council | 19/09/2023 | 5,000 | 3.50% | AA |
| London Borough of Croydon | 10/10/2024 | 5,000 | 4.10% | AA |
| Close Brothers | 31/07/2023 | 2,500 | 4.10% | Short Term A-1, Long |
| National Bank of Kuwait | 09/04/2024 | 7,500 | 5.13% | Short Term A-1, Long |
| First Abu Dhabi Bank | 09/05/2024 | 5,000 | 5.27% | Short Term A-1+, |
| National Bank of Kuwait | 10/11/2023 | 2,500 | 5.00% | Short Term A-1, Long |
| Goldman Sachs | 10/11/2023 | 2,500 | 4.91% | Short Term A-1, Long |
| London Borough of Croydon | 10/06/2024 | 5,000 | 5.30% | AA |
| Australia and New Zealand Banking Group | 13/09/2023 | 5,000 | 5.04% | Short Term A-1+, |
| DBS Bank | 13/09/2023 | 5,000 | 4.98% | Short Term A-1+, |
| Money Market Fund - BNP Paribas | Call | 8,400 | 4.93% | AAA |
| MMF - Aviva | Call | 6,900 | 4.84% | AAA |
| Total | | 90,502 | | |

- 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.
- 3.9 The Council has significant cash balances which are invested in accordance with its Annual Treasury Management Strategy. These cash balances are in excess of what is required for normal operating purposes but the economic environment for investments has improved over the last few months with an increase in interest rates, making investing these monies easier than in previous years.

Economic and Interest Rate Forecasts

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

Prudential Indicators

- 3.11 The prudential indicators for 2023-24 are attached in Appendix 3.

4. CONCLUSION

- 4.1 In the period from 1 April 2023 to 30 June 2023, the Council's borrowing decreased by £10.072m, it is currently below the Capital Financing Requirement. There are substantial internal balances, of which £90.502m is currently invested. The investment returns were 4.437%.

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
Section 95 Officer
8 July 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

- The first quarter of 2023/24 saw:
 - A 0.2% m/m rise in real GDP in April, partly due to fewer strikes;
 - CPI inflation falling from 10.1% to 8.7% in April, before remaining at 8.7% in May. This was the highest reading in the G7;
 - Core CPI inflation rise in both April and May, reaching a new 31-year high of 7.1%;
 - A tighter labour market in April, as the 3myy growth of average earnings rose from 6.1% to 6.5%;
 - Interest rates rise by a further 75bps over the quarter, taking Bank Rate from 4.25% to 5.00%;
 - 10-year gilt yields nearing the “mini-Budget” peaks, as inflation surprised to the upside.
- The economy has weathered the drag from higher inflation better than was widely expected. The 0.2% m/m rise in real GDP in April, following March’s 0.3% m/m contraction will further raise hopes that the economy will escape a recession this year. Some of the strength in April was due to fewer strikes by train workers and teachers in that month. Moreover, some of the falls in activity in other areas in April were probably temporary too. Strikes by junior doctors and civil servants contributed to the fall in health output (0.9% m/m) and the meagre 0.1% m/m increase in public administration.
- The fall in the composite Purchasing Managers Index (PMI) from 54.0 in May to a three-month low of 52.8 in June (>50 points to expansion in the economy, <50 points to contraction) was worse than the consensus forecast of 53.6. Both the services and manufacturing PMIs fell. The decline in the services PMI was bigger (from 55.2 to 53.7), but it remains consistent with services activity expanding by an annualised 2%. The fall in the manufacturing PMI was smaller (from 47.1 to 46.2), but it is consistent with the annual rate of manufacturing output falling from -0.8% in April to around -5.0%. At face value, the composite PMI points to the 0.1% q/q rise in GDP in Q1 2023 being followed by a 0.2% q/q gain in Q2 2023.
- Meanwhile, the 0.3% m/m rise in retail sales volumes in May was far better than the consensus forecast of a 0.2% m/m decline and followed the robust 0.5% m/m rise in April. Some of the rise was due to the warmer weather. Indeed, the largest move was a 2.7% m/m jump in non-store sales, due to people stocking up on outdoor-related goods. But department stores also managed to squeeze out a 0.6% m/m rise in sales and the household goods sub-sector enjoyed a reasonable performance too. Overall, the figures were far better than analysts had expected. In addition, the GfK measure of consumer confidence rebounded from -27 to a 17-month high of -24 in June.
- The recent resilience of the economy has been due to a confluence of factors including the continued rebound in activity after the pandemic, households spending some of their pandemic savings, and the tight labour market and government handouts both supporting household incomes. That said, as government support fades, real household incomes are unlikely to grow rapidly. Furthermore, higher interest rates will mean GDP is likely to contract later this year. Our central assumption is that inflation will drop to the 2.0% target only if the Bank triggers a recession by raising rates from 5.00% now to at least 5.5% and keeps rates there until at least mid-2024. Our colleagues at Capital Economics estimate that around 60% of the drag on real activity from the rise in rates has yet to bite, and the drag on the quarterly rate of real GDP growth over the next year may be about 0.2ppts bigger than over the past year.
- The labour market became tighter over the quarter and wage growth reaccelerated. Labour demand was stronger than the consensus had expected. The three-month change in employment rose from +182,000 in March to +250,000 in April. Meanwhile, labour supply continued to recover as the size of the labour force grew by 303,000 in the three months to April. That was supported by a further 140,000 decline in inactivity as people returned to work from retirement and caring responsibilities (while inactivity due to long-term sick continued to rise). But it was not enough to offset the big rise in employment, which meant the unemployment rate fell from 3.9% to 3.8%
- The tighter labour market supported wage growth in April, although the 9.7% rise in the National Living Wage on 1st April (compared to the 6.6% increase in April last year) probably had a lot to do with it too. The 3myy rate of average earnings growth reaccelerated from 6.1% to 6.5% (consensus 6.1%) and UK wage growth remains much faster than in the US and the Euro-zone. In addition, regular private sector wage growth

increased from 7.1% 3myy to 7.6%, which left it well above the Bank's forecast for it to fall below 7.0%. Overall, the loosening in the labour market appears to have stalled in April and regular private sector wage growth was well above the Bank's forecast.

- CPI inflation stayed at 8.7% in May (consensus 8.4%) and, perhaps more worryingly, core CPI inflation rose again, from 6.8% to a new 31-year high of 7.1%. The rise in core inflation built on the leap from 6.2% in March to 6.8% and means it is accelerating in the UK while it is slowing in the US and the Euro-zone (both fell to 5.3%). A further decline in fuel inflation, from -8.9% to -13.1%, and the second fall in food inflation in as many months, from 19.3% to 18.7%, explained why overall CPI inflation didn't rise. And the scheduled fall in the average annual utility price from £2,500 to £2,074 on 1st July means overall CPI inflation will probably ease in the coming months. But the problem is that the recent surge in core inflation and the reacceleration in wage growth shows that domestic inflationary pressures are still strengthening.
- This suggests the Bank may have more work to do than the Fed or ECB. Indeed, the Bank of England sounded somewhat hawkish in the June meeting. This came through most in the MPC's decision to step up the pace of hiking from the 25bps at the previous two meetings. The 7-2 vote, with only two members voting to leave rates unchanged at 4.50%, revealed support for stepping up the fight against high inflation.
- That said, the Bank has not committed to raising rates again or suggested that 50bps rises are now the norm. What it did say was that "the scale of the recent upside surprises in official estimates of wage growth and services CPI inflation suggested a 0.5 percentage point increase in interest rates was required at this particular meeting". Moreover, the Committee did not strengthen its forward guidance that any further rate hikes would be conditional on the data. However, it looks highly probable, given the on-going strength of inflation and employment data, that the Bank will need to raise rates to at least 5.5% and to keep rates at their peak until the mid-point of 2024. We still think it is only a matter of time before the rise in rates weakens the economy sufficiently to push it into recession. That is why instead of rising to between 6.00%-6.25%, as is currently priced in by markets, we think rates are more likely to peak between 5.50-6.00%. Our forecast is also for rates to be cut in the second half of 2024, and we expect rates to then fall further than markets are pricing in.
- Growing evidence that UK price pressures are becoming increasingly domestically generated has driven up market interest rate expectations and at one point pushed the 10-year gilt yield up to 4.49% in late June, very close to its peak seen after the "mini-budget". Yields have since fallen slightly back to 4.38%. But growing expectations that rates in the UK will remain higher for longer than in the US mean they are still more than 70 bps above US yields. While higher interest rates are priced into the markets, the likely dent to the real economy from the high level of interest rates is not. That's why we think there is scope for market rate expectations to fall back in 2024 and why we expect the 10-year PWLB Certainty Rate to drop back from c5.20% to 5.00% by the end of this year and to 4.20% by the end of 2024.
- The pound strengthened from \$1.24 at the start of April to a one-year high at \$1.26 in early May, which was partly due to the risks from the global banking issues being seen as a bigger problem for the US than the UK. The pound then fell back to \$1.23 at the end of May, before rising again to \$1.28 in the middle of June as the strong core CPI inflation data released in June suggested the Bank of England was going to have to raise rates more than the Fed or ECB in order to tame domestic inflation. However, sterling's strong run may falter because more hikes in the near term to combat high inflation are likely to weaken growth (and, hopefully, at some point inflation too) to such a degree that the policy rate will probably be brought back down, potentially quite quickly, as the economic cycle trends downwards decisively. This suggests that additional rate hikes are unlikely to do much to boost the pound.
- In early April, investors turned more optimistic about global GDP growth, pushing up UK equity prices. But this period of optimism appears to have been short-lived. The FTSE 100 has fallen by 4.8% since 21st April, from around 7,914 to 7,553, reversing part of the 7.9% rise since 17th March. Despite the recent resilience of economic activity, expectations for equity earnings have become a bit more downbeat. Nonetheless, further down the track, more rate cuts than markets anticipate should help the FTSE 100 rally.

MPC meetings 11th May and 22nd June 2023

- On 11th May, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 25 basis points to 4.50%, and on 22nd June moved rates up a further 50 basis points to 5.00%. Both increases reflected a split vote – seven members voting for an increase and two for none.

- Nonetheless, with UK inflation significantly higher than in other G7 countries, the MPC will have a difficult task in convincing investors that they will be able to dampen inflation pressures anytime soon. Talk of the Bank's inflation models being "broken" is perhaps another reason why gilt investors are demanding a premium relative to US and Euro-zone bonds, for example.
- Of course, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has already hiked short-term rates to a range of 5.00%-5.25%, but a further increase is pencilled in for July, whilst the ECB looks likely to raise its Deposit rate at least once more to a peak of 3.75%, with upside risk of higher to come.

Appendix 2 – Interest Rate Forecast

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 1st November 2012.

The latest forecast, made on 26th June, 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, against a backdrop of a stubbornly robust economy and a tight labour market.

You will note that our forecasts have steadily increased during the quarter as the data continued to spring upside surprises, and the Bank of England continued to under-estimate how prevalent inflation is, and how tight the labour market is. The Government has also noted that despite immigration increasing markedly, high levels of ill-health amongst the workforce has led to wage demands remaining strong until such time as there is a loosening in demand for business services.

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

| Link Group Interest Rate View | | 26.06.23 | | | | | | | | | | | |
|-------------------------------|--------|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 |
| BANK RATE | 5.00 | 5.50 | 5.50 | 5.50 | 5.25 | 4.75 | 4.25 | 3.75 | 3.25 | 2.75 | 2.75 | 2.50 | 2.50 |
| 3 month ave earnings | 5.30 | 5.60 | 5.50 | 5.30 | 5.00 | 4.50 | 4.00 | 3.50 | 3.00 | 2.70 | 2.60 | 2.50 | 2.50 |
| 6 month ave earnings | 5.80 | 5.90 | 5.70 | 5.50 | 5.10 | 4.60 | 4.00 | 3.50 | 3.00 | 2.70 | 2.60 | 2.60 | 2.60 |
| 12 month ave earnings | 6.30 | 6.20 | 6.00 | 5.70 | 5.30 | 4.80 | 4.10 | 3.60 | 3.10 | 2.80 | 2.70 | 2.70 | 2.70 |
| 5 yr PWLB | 5.50 | 5.60 | 5.30 | 5.10 | 4.80 | 4.50 | 4.20 | 3.90 | 3.60 | 3.40 | 3.30 | 3.30 | 3.20 |
| 10 yr PWLB | 5.10 | 5.20 | 5.00 | 4.90 | 4.70 | 4.40 | 4.20 | 3.90 | 3.70 | 3.50 | 3.50 | 3.50 | 3.40 |
| 25 yr PWLB | 5.30 | 5.40 | 5.20 | 5.10 | 4.90 | 4.70 | 4.50 | 4.20 | 4.00 | 3.90 | 3.80 | 3.80 | 3.70 |
| 50 yr PWLB | 5.00 | 5.10 | 5.00 | 4.90 | 4.70 | 4.50 | 4.30 | 4.00 | 3.80 | 3.60 | 3.60 | 3.50 | 3.50 |

| Link Group Interest Rate View | | 24.05.23 | | | | | | | | | | | |
|-------------------------------|--------|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 |
| BANK RATE | 4.75 | 5.00 | 5.00 | 4.75 | 4.50 | 4.00 | 3.50 | 3.25 | 2.75 | 2.50 | 2.50 | 2.50 | 2.50 |
| 3 month ave earnings | 4.80 | 5.00 | 5.00 | 4.80 | 4.50 | 4.00 | 3.50 | 3.30 | 2.80 | 2.50 | 2.50 | 2.50 | 2.50 |
| 6 month ave earnings | 5.10 | 5.20 | 5.10 | 4.90 | 4.50 | 3.90 | 3.40 | 3.20 | 2.90 | 2.60 | 2.60 | 2.60 | 2.60 |
| 12 month ave earnings | 5.40 | 5.40 | 5.30 | 5.00 | 4.50 | 3.90 | 3.40 | 3.20 | 2.90 | 2.70 | 2.70 | 2.70 | 2.70 |
| 5 yr PWLB | 5.00 | 5.00 | 5.00 | 4.80 | 4.50 | 4.10 | 3.70 | 3.50 | 3.30 | 3.20 | 3.20 | 3.10 | 3.10 |
| 10 yr PWLB | 5.00 | 5.00 | 5.00 | 4.80 | 4.40 | 4.10 | 3.80 | 3.60 | 3.50 | 3.40 | 3.30 | 3.30 | 3.30 |
| 25 yr PWLB | 5.30 | 5.30 | 5.20 | 5.10 | 4.80 | 4.50 | 4.20 | 4.00 | 3.80 | 3.70 | 3.60 | 3.60 | 3.60 |
| 50 yr PWLB | 5.10 | 5.10 | 5.00 | 4.90 | 4.60 | 4.30 | 4.00 | 3.80 | 3.60 | 3.50 | 3.40 | 3.40 | 3.40 |

- LIBOR and LIBID rates ceased at the end of 2021. In a continuation of previous views, money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.
- The Link forecast for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- Our central forecast for interest rates was previously updated on 25th May 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 to a degree, especially as it moved to a more aggressive 0.5% hike in June but, with inflation remaining elevated, we anticipate that Bank Rate will need to increase to at least 5.5%, if not higher, to sufficiently slow the UK economy and loosen the labour market.
- Moreover, we also still anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but timing on this will remain 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. Our current judgment is that rates will have to increase and stay at their peak until the second quarter of 2024 as a minimum.

- 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 also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine and whether there are any further implications for Russia itself following the recent aborted mutiny by the Wagner group.
- On the positive side, consumers are still estimated to be sitting on excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, most of those excess savings 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

- Gilt yield curve movements have shifted upwards, especially at the shorter end of the yield curve since our previous forecast but remain relatively volatile. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.90% to 5.60%.
- 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, the rising gilt yields we have seen of late).
- **The Bank of England** increases Bank Rate too fast and too far over the coming months, and subsequently brings about a deeper and longer UK recession 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.
- **A broadening of banking sector fragilities**, which have been successfully addressed in the near-term by central banks and the market generally, but which may require further intervention if short-term interest rates stay elevated for longer than is anticipated.

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

- Despite the recent tightening by 0.5%, the **Bank of England proves too timid** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- **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 if inflation remains more stubborn than the market currently anticipates, pulling gilt yields up higher consequently.
- Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields compensating.

Appendix 3 – Prudential Indicators

| (1). EXTRACT FROM BUDGET | | | | |
|---|-----------------------------|------------------------------|-----------------------------|-----------------------------|
| | Forecast Outturn | Original Estimate | Forecast Outturn | Forecast Outturn |
| | £'000 | £'000 | £'000 | £'000 |
| Capital Expenditure | | | | |
| Non - HRA | 23,281 | 43,110 | 28,461 | 51,388 |
| TOTAL | 23,281 | 43,110 | 28,461 | 51,388 |
| | | | | |
| Ratio of financing costs to net revenue stream | | | | |
| Non - HRA | 4.25% | 4.37% | 4.40% | 4.43% |
| | | | | |
| Net borrowing requirement | | | | |
| brought forward 1 April * | 291,782 | 304,498 | 372,359 | 319,602 |
| carried forward 31 March * | 303,333 | 372,359 | 319,602 | 358,182 |
| in year borrowing requirement | 11,551 | 67,861 | (52,757) | 38,580 |
| | | | | |
| In year Capital Financing Requirement | | | | |
| Non - HRA | 11,551 | 67,861 | (52,757) | 38,580 |
| TOTAL | 11,551 | 67,861 | (52,757) | 38,580 |
| | | | | |
| Capital Financing Requirement as at 31 March | | | | |
| Non - HRA | 303,333 | 372,359 | 319,602 | 358,182 |
| TOTAL | 303,333 | 372,359 | 319,602 | 358,182 |
| | | | | |
| | | | | |
| | | | | |

| PRUDENTIAL INDICATOR | 2023-24 | 2024-25 | 2025-26 |
|---|------------|------------|------------|
| (2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS | £'M | £'M | £'M |
| Authorised limit for external debt - | | | |
| borrowing | 268 | 283 | 305 |
| other long term liabilities | 112 | 113 | 108 |
| TOTAL | 380 | 396 | 413 |
| Operational boundary for external debt - | | | |
| borrowing | 263 | 278 | 300 |
| other long term liabilities | 109 | 110 | 105 |
| TOTAL | 372 | 388 | 405 |
| Upper limit for fixed interest rate exposure | | | |
| Principal re fixed rate borrowing | 190% | 190% | 190% |
| Upper limit for variable rate exposure | | | |
| Principal re variable rate borrowing | 60% | 60% | 60% |
| Upper limit for total principal sums invested for over 364 days (per maturity date) | £20m | £20m | £20m |

| Maturity structure of new fixed rate borrowing during 2023/24 | upper limit | lower limit |
|---|-------------|-------------|
| under 12 months | 30% | 0% |
| 12 months and within 24 months | 30% | 0% |
| 24 months and within 5 years | 30% | 0% |
| 5 years and within 10 years | 40% | 0% |
| 10 years and above | 100% | 0% |

RESERVES AND BALANCES – UPDATE AS AT 30 JUNE 2023

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 £666.354m unusable reserves that are not backed with resources. They are required purely for accounting purposes.
- 1.3 At 31 March 2023 the Council had a total of £93.828m of usable reserves. Of this:
- £2.916m relates to the Repairs and Renewals Fund
 - £4.503m relates to Capital Funds
 - £86.409m was held in the General Fund, with £79.466m of this balance earmarked for specific purposes.
- 1.4 Of the earmarked balance of £79.466m:
- £37.305m is invested or committed for major initiatives/capital projects
 - £29.842m is still to be drawn down in 2023-24
 - £12.319m is planned to be spent in future years
- 1.5 The Council's General Fund contingency level is set at 2% of net expenditure for 2023-24 which equates to £5.691m. At the beginning of the financial year there was £1.252m of unallocated General Fund Balance (over and above contingency). At the Council meeting on 23 February 2023 it was agreed that the budgeted revenue surplus of £0.019m would be transferred into the general fund. After taking this into consideration and the current forecast outturn position for 2023-24, the Council is forecast to have a £1.271m surplus over contingency.

RESERVES AND BALANCES - UPDATE AS AT 30 JUNE 2023**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 2023

- 3.2.1 The balances on each type of reserve at 31 March 2023 are set out in the two tables below, per the Unaudited Accounts for 2022-23.

| Unusable Reserves | £000 |
|--|----------------|
| Revaluation Reserve | 174,952 |
| Capital Adjustment Account | 268,788 |
| Financial Instruments Adjustment Account | (1,871) |
| Pensions Reserve | 232,073 |
| Accumulated Absences Account | (7,588) |
| Total Unusable Reserves | 666,354 |

| Usable Reserves | £000 |
|--|----------------|
| Repairs and Renewals Fund | 2,916 |
| Capital Fund and Usable Capital Receipts Reserve | 4,503 |
| General Fund | 86,409 |
| Total Usable Reserves | 93,828 |
| Total Reserves | 760,182 |

- 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 2023 can be analysed as follows:

| | Balance 31/03/23 £000 |
|--|--------------------------------------|
| Balance on General Fund as at 31 March 2022 | 96,081 |
| Decrease to General Fund balance at end of 2022-23 | (9,672) |
| Earmarked Balances | (79,466) |
| Contingency allowance at 2% of net expenditure | (5,691) |
| Unallocated balance as at 31 March 2023 | 1,252 |

- 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 2023, 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 31/03/2023 - per year end published report | Transfers between categories | Invested or committed for major initiatives /capital projects | Drawn-down to 2023-24 Budget as at 30/06/23 | Still to be drawn-down in 2023-24 | Planned Spend Future Years | Released to General Fund |
|---------------------------------------|--|------------------------------|---|---|-----------------------------------|----------------------------|--------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Strategic Housing Fund | 7,247 | | 7,247 | | | | |
| Investment in Affordable Housing | 3,163 | | 3,163 | | | | |
| Capital Projects | 16,059 | | 16,059 | | | | |
| Lochgilphead and Tarbert Regeneration | 1,460 | | 1,460 | | | | |
| Support for Rural Growth Deal | 756 | | 756 | | | | |
| Asset Management Investment | 2,098 | | 2,098 | | | | |
| Piers and Harbours Investment Fund | 2,789 | | 2,789 | | | | |
| Scottish Government Initiatives | 2,834 | | | | 1,986 | 848 | |
| CHORD | 378 | | | | 150 | 228 | |
| DMR Schools | 1,394 | | | | 1,394 | | |
| Energy Efficiency Fund | 218 | | | | 218 | | |
| Existing Legal Commitments | 476 | | | | 476 | | |
| Unspent Grant | 13,179 | | 489 | | 11,754 | 936 | |
| Unspent Third Party Contribution | 265 | | | | 251 | 14 | |
| Previous Council Decision - Other | 3,808 | | 1,847 | | 1,500 | 461 | |
| Redundancy Provision | 1,578 | | | | 500 | 1,078 | |
| Supporting Organisational Change | 1,426 | | | | 200 | 1,226 | |
| One Council Property Team | 566 | | | | 189 | 377 | |
| Fleet - Timing Delay | 658 | | | | 658 | | |
| Hermitage Park | 19 | | | | 19 | | |
| Electric Vehicle Chargers | 17 | | | | | 17 | |
| COVID-19 | 5,512 | | 257 | | 4,644 | 611 | |
| Unspent Budget | 13,566 | | 1,140 | | 5,903 | 6,523 | |
| Totals | 79,466 | 0 | 37,305 | 0 | 29,842 | 12,319 | 0 |

3.4 Unallocated General Fund Balance

3.4.1 The Council's General Fund contingency is set at 2% of net expenditure for 2023-24 and amounts to £5.691m. At the beginning of the financial year there was £1.252m of unallocated General Fund Balance (over and above contingency). After taking into consideration the budgeted allocation to the General Fund agreed by Council on 23 February 2023 of £0.019m and the current forecast outturn position for 2023-24, the Council is forecast to have a £1.271m surplus over contingency.

- 3.4.2 The revenue budget position as at 30 June 2023 was estimated to be a £0.319m underspend within Social Work. There are no other reported variances at this stage.
- 3.4.3 Social Work, as a part of the Integrated Joint Board (IJB), are able to hold any surplus within reserves therefore it is expected that any underspend that materialises would be transferred to the IJB 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 2023 | This is the balance that is unallocated over and above the 2% contingency, which amounts to £5.691m | 1,252 |
| Budgeted allocation to General Fund for 2023-24 Budget | Per the Budget Motion at Council on 23 February 2023 | 19 |
| Current Forecast Outturn for 2023-24 as at 30 June 2023 | Per paragraph 3.4.2. This is from Social Work as other departments have not yet reported variances | 319 |
| Social Work outturn adjustment | Per paragraph 3.4.3 - Social Work would expect to transfer their surplus to internal IJB reserves | (319) |
| Estimated Unallocated balance as at 31 March 2024 | | 1,271 |

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 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 in previous years | Transferred to Earmarked Reserves 23-24 | 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 |
| | 20,561 | (8,136) | 0 | 12,425 |

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 30 June 2023 the estimated unallocated General Fund, after taking into consideration the budget motion, the current forecast outturn for 2023-24 and the expected adjustment in relation to the Social Work outturn, the Council is estimated to have a £1.271m 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 £5.691m (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

7 July 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
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APPENDIX 1

Earmarked Reserves - Unspent Budget
As at 30 June 2023

| Ref | Department | Service | Description | Opening Balance | Budget Drawdown | New earmarkings in year | Remaining Balance | Still to be drawdown in 23-24 | Planned to spend in future years | Plans for Use | Amount Planned to be Spent in 2023-24 | Amount Planned to be Spent in 2024-25 | Amount Planned to be Spent from 2025/26 onwards |
|-----|--|---------------------------------------|--|-----------------|-----------------|-------------------------|-------------------|-------------------------------|----------------------------------|---|---------------------------------------|---------------------------------------|---|
| 001 | Chief Executive's Unit | Community Planning | Communities and Partnership Team | 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 | |
| 002 | Executive Director (Douglas Hendry) | Across Services / Education | Digital Projects (Supply Staff Booking System) | 25,100 | | | 25,100 | 9,900 | 15,200 | To deliver a number of Digital Service Transformation Projects with a commitment of £0.035m towards a Supply Staff Booking system. Phase 1 of the project is nearing completion. | 9,900 | 15,200 | |
| 003 | Executive Director (Douglas Hendry) | Commercial Services | Rothsay Academy - Demolition and Waste Disposal | 895,000 | | | 895,000 | 55,000 | 840,000 | Since Rothsay Academy was vacated over 15 years ago no site clearance has taken place and there are potential Health and Safety and insurance cover implications due to deterioration of the building. £55,000 earmarking will allow clearance of remaining materials and debris. Also £840,000 to fund estimated future costs of demolition (subject to removal of listed status) to be added to an existing earmarking. There are potential Health and Safety and insurance cover implications due to deterioration of the building. | 55,000 | 840,000 | 0 |
| 004 | Executive Director (Douglas Hendry) | Commercial Services | Rothsay Pavilion Charity | 750,000 | | | 750,000 | 0 | 750,000 | 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. | 0 | 750,000 | |
| 005 | Executive Director (Douglas Hendry) | Commercial Services | Rothsay 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 | 306,400 | |
| 006 | Executive Director (Douglas Hendry) | Commercial Services | Estates - NDR Revaluation Appeals | 84,688 | | | 84,688 | 84,688 | 0 | The Council agreed to make provision to meet the cost of appealing Non Domestic Rates (NDR) revaluations which were imposed from April 2017. The remaining funds were carried forward to the 2023/24 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. | 84,688 | 0 | |
| 007 | Executive Director (Douglas Hendry) | Commercial Services | Demolition of former Lochgilphead Primary and Rothsay Secondary School | 58,875 | | | 58,875 | 58,875 | 0 | To fund the demolition of the former Lochgilphead Primary School and former Rothsay Academy (subject to the removal of the listing). Lochgilphead Primary complete and remainder of funds to be used to commence Rothsay Project. | 58,875 | 0 | |
| 008 | Executive Director (Douglas Hendry) | Commercial Services | Mid Argyll Community Pool | 30,000 | | | 30,000 | 30,000 | 0 | At the Council Budget meeting on 23 February 2023, the Council committed to a one-off investment of £0.030m to Mid Argyll Community Pool in response to an external funding request | 30,000 | 0 | |
| 009 | Executive Director (Douglas Hendry) | Commercial Services | MacTaggart Leisure Islay | 30,000 | | | 30,000 | 30,000 | 0 | At the Council Budget meeting on 23 February 2023, the Council committed to a one-off investment of £0.030m to MacTaggart Leisure, Islay in response to an external funding request | 30,000 | 0 | |
| 010 | Executive Director (Douglas Hendry) | 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 | |
| 011 | Non Departmental / Executive Director (Douglas Hendry) | Across Services / Commercial Services | Information Management (Estates Survey Work) | 12,697 | | | 12,697 | 12,697 | 0 | To support a number of initiatives in respect of improving the Council's information management in line with the transformation agenda and increasing the pace of change as outlined in the BV Review. The planned initiatives include: Estates Survey work £122k, Digitalisation of Title Deeds £92k, document management and workflow system for Planning, Building Standards and Environmental Health £77k and a balance of funding to explore information management solutions in a strategic and coherent way £209k | 12,697 | 0 | |
| 012 | Executive Director (Douglas Hendry) | Commercial Services | (2023 Contract Inflation Adjustments) MAKI/Islay Pools SLA - inflationary increase | 9,523 | | | 9,523 | 9,523 | 0 | Additional pressure resulting from the February 2023 inflation rate being higher than the assumptions built into the non-pay inflation calculation which went to Council at budget setting and reflects the difference between what was in the budget and what will need to be paid under the SLAs. The February inflation figure wasn't known until the middle of March, after the budget was set, and the recent trend in inflation reductions turned around in February with an increase. | 9,523 | 0 | 0 |
| 013 | Executive Director (Douglas Hendry) | Education | ASN Review | 1,255,000 | | | 1,255,000 | 0 | 1,255,000 | To fund capital costs of ASN adaptations as part of ASN Review to increase equity of provision across Argyll and Bute. This will be subject to a business case as part of the wider ASN review. | 0 | 1,255,000 | 0 |
| 014 | Executive Director (Douglas Hendry) | Education | Reduced Teacher Staffing Costs - Strike Action | 800,000 | | | 800,000 | 0 | 800,000 | To fund one off savings in 2024-25 from the underspend in staffing from strike action. | 0 | 800,000 | 0 |
| 015 | Executive Director (Douglas Hendry) | Education | (2023 Digital Projects) School WiFi Upgrades | 200,000 | | | 200,000 | 150,000 | 50,000 | To extend WiFi coverage within school settings through the purchase of additional hardware such as access points, switches and other networking hardware. This will result in more flexible learning spaces and support the growing number of devices within schools. | 150,000 | 50,000 | 0 |
| 016 | Executive Director (Douglas Hendry) | Education | Education Transformation Fund | 146,579 | | | 146,579 | 146,579 | 0 | 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. | 146,579 | 0 | |

| Ref | Department | Service | Description | Opening Balance | Budget Drawdown | New earmarkings in year | Remaining Balance | Still to be drawdown in 23-24 | Planned to spend in future years | Plans for Use | Amount Planned to be Spent in 2023-24 | Amount Planned to be Spent in 2024-25 | Amount Planned to be Spent from 2025/26 onwards |
|-----|---|---|--|-----------------|-----------------|-------------------------|-------------------|-------------------------------|----------------------------------|--|---------------------------------------|---------------------------------------|---|
| 017 | Executive Director (Douglas Hendry) | Education | MCR Pathways Pilot | 80,000 | | | 80,000 | 50,000 | 30,000 | Funding to support implementation of MCR Pathways mentoring programme within three secondary schools for 2023-24 academic year. Funding will allow the employment of a dedicated Co-ordinator within each setting to develop and implement the programme which is designed to benefit care experienced and other disadvantaged pupils through targeted mentoring support. | 50,000 | 30,000 | 0 |
| 018 | Executive Director (Douglas Hendry) | Education | Gaelic Specific Grant | 30,000 | | | 30,000 | 30,000 | 0 | Proposal to fund the continuation of the Principal Teacher Languages (Gaelic focus) post for the 2023-24 academic year to promote and develop Gaelic Medium Education across Argyll and Bute. This earmarking refers to the Council contribution towards the Gaelic grant for 22-23. | 30,000 | 0 | 0 |
| 019 | Executive Director (Douglas Hendry) | Education | (2023 Digital Projects) Cashless Catering | 30,000 | | | 30,000 | 30,000 | 0 | To support the ongoing implementation of the new cashless catering system during the testing and roll out phase. | 30,000 | 0 | 0 |
| 020 | Executive Director (Douglas Hendry) | 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 was released back to the general fund in 2021-22 because the rollout project was almost complete with only £0.01m expected spend in 23/24. | 10,000 | 0 | |
| 021 | Executive Director (Douglas Hendry) | Education | Education Learning Estate Condition Surveys | 1,815 | | | 1,815 | 1,815 | 0 | To fund the delivery of School Core Facts (SCF) compliant Condition Surveys for prioritised School Buildings. | 1,815 | 0 | |
| 022 | Executive Director (Douglas Hendry) | Legal and Regulatory Services | Education Purchasing Officers | 210,000 | | | 210,000 | 105,000 | 105,000 | 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. | 105,000 | 105,000 | |
| 023 | Non Departmental / Executive Director (Douglas Hendry) | Across Services / Legal and Regulatory Services | Information Management (Digitalisation of Title Deeds) | 92,000 | | | 92,000 | 92,000 | 0 | To support a number of initiatives in respect of improving the Council's information management in line with the transformation agenda and increasing the pace of change as outlined in the BV Review. The planned initiatives include: Estates Survey work £122k, Digitalisation of Title Deeds £92k (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 | 92,000 | 0 | |
| 024 | Executive Director (Douglas Hendry) | Legal and Regulatory Services | Councillor IT Equipment | 44,557 | | | 44,557 | 29,557 | 15,000 | There is currently no budget for the provision and renewal of IT equipment for members. The earmarking identifies a resource to utilise spend for that purpose to ensure that members have continued support in maintaining and replacing vital IT equipment. | 29,557 | 15,000 | |
| 025 | Executive Director (Douglas Hendry) | Legal and Regulatory Services | Digital Projects: Hybrid Council meetings | 43,302 | | | 43,302 | 43,302 | 0 | The funding will be used to maintain the ICT equipment used to support the provision of on-line and hybrid Council meetings. | 43,302 | 0 | |
| 026 | Executive Director (Douglas Hendry) | Legal and Regulatory Services | Debt Counselling & Welfare Rights | 21,452 | | | 21,452 | 5,965 | 15,487 | To meet the cost of a Debt Counselling and Welfare Rights Management System. | 5,965 | 15,487 | |
| 027 | Executive Director (Douglas Hendry) | Legal and Regulatory Support | (2023 Contract Inflation Adjustments) NPDO and DBFM School Contracts – inflationary increase | 350,000 | | | 350,000 | 350,000 | 0 | Additional pressure resulting from the February 2023 inflation rate being higher than the assumptions built into the non-pay inflation calculation which went to Council at budget setting and reflects the difference between what was in the budget and what will need to be paid under the NPDO/Hub DBFM Schools contracts. The February inflation figure wasn't known until the middle of March, after the budget was set, and the recent trend in inflation reductions turned around in February with an increase. | 350,000 | 0 | 0 |
| 028 | Executive Director (Douglas Hendry) | Legal and Regulatory Support | (2023 Digital Projects) Replacement of Council Chambers Online Meeting Equipment | 130,000 | | | 130,000 | 130,000 | 0 | Current online meeting system is less than resilient and has failed on a number of occasions, leading to issues at strategic committees. A condition assessment by the incumbent maintenance contractor has highlighted that the current equipment is now at end of life and unsupportable due to the obsolescence of the system. Discussions with ICT have taken place to identify a simpler more robust solution to be procured. | 130,000 | 0 | 0 |
| 029 | Executive Director (Kirsty Flanagan) | Customer Support Services | (2023 Digital Projects) iTrent Project | 332,000 | | | 332,000 | 147,000 | 185,000 | Combination of parallel running of the new iTrent system alongside the legacy systems for up to 18 months whilst iTrent is implemented and additional staffing resource to implement iTrent in late June 2024 and support staff for the first 3 months of operation through summer 2024. Total includes £73k from Financial services for funding additional staffing resource to implement the payroll components of the iTrent HR and Payroll System by the end of June 2024 and support staff for the first 3 months of operation during summer 2024. | 147,000 | 185,000 | 0 |
| 030 | Executive Director (Kirsty Flanagan) | Customer Support Services | Security Operations Centre Subscription | 113,594 | | | 113,594 | 53,594 | 60,000 | 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 £103,545 from the earmarking (172) created at 2020/21 year end for 'Digital Projects' combined with this earmarking to cover these costs for 3 years. | 53,594 | 60,000 | |
| 031 | 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 23/24 and £13,360 to be spent in 24/25 to fund a graduate trainee and 3 apprentices to deliver trainee development and modern apprenticeship opportunities | 95,790 | 13,360 | |
| 032 | Non Departmental / Executive Director (Kirsty Flanagan) | Across Services / Customer Support Services | Digital Projects (Increase in Schools Bandwidth) | 63,455 | | | 63,455 | 63,455 | 0 | To complete one of a number of Digital Service Transformation projects with a commitment of £0.064m to increase Schools Bandwidth. | 63,455 | 0 | |
| 033 | Executive Director (Kirsty Flanagan) | Customer Support Services | (2023 Digital Projects) Resilient Website Project | 60,000 | | | 60,000 | 60,000 | 0 | Cybersecurity action to move to a cloud based website platform that would improve resilience and enable service continuity in the event of a cyber attack. | 60,000 | 0 | 0 |
| 034 | Executive Director (Kirsty Flanagan) | Customer Support Services | (2023 Digital Projects) Digital Project Officer | 60,000 | | | 60,000 | 60,000 | 0 | Employ a temporary Digital Project Officer as part of OD changes. | 60,000 | 0 | 0 |
| 035 | Executive Director (Kirsty Flanagan) | Customer Support Services | Implementation of Gaelic Language Plan | 30,000 | | | 30,000 | 30,000 | 0 | 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. | 30,000 | 0 | |
| 036 | Executive Director (Kirsty Flanagan) | Customer Support Services | (2023 Digital Projects) Digital Engagement Services Developer | 28,000 | | | 28,000 | 28,000 | 0 | To fund 50% of a new temporary LGE10 post. The post is a Digital Engagement Services Developer that will provide capacity to deliver service efficiencies through the use of the new CREATE/RPA software. The other 50% of the post can be funded from a current vacancy. | 28,000 | 0 | 0 |

| Ref | Department | Service | Description | Opening Balance | Budget Drawdown | New earmarkings in year | Remaining Balance | Still to be drawdown in 23-24 | Planned to spend in future years | Plans for Use | Amount Planned to be Spent in 2023-24 | Amount Planned to be Spent in 2024-25 | Amount Planned to be Spent from 2025/26 onwards |
|-----|---|---|---|-----------------|-----------------|-------------------------|-------------------|-------------------------------|----------------------------------|--|---------------------------------------|---------------------------------------|---|
| 037 | Executive Director (Kirsty Flanagan) | Customer Support Services | Business Development Training | 27,601 | | | 27,601 | 27,601 | 0 | This budget is funding ongoing leadership development, coaching, action learning sets and commissioned training including Priority Management. | 27,601 | 0 | |
| 038 | Executive Director (Kirsty Flanagan) | Customer Support Services | Learning and Development | 19,436 | | | 19,436 | 19,436 | 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 EQ4 20/21. | 19,436 | 0 | |
| 039 | Executive Director (Kirsty Flanagan) | Customer Support Services | Establishing HR Service Centre | 13,824 | | | 13,824 | 13,824 | 0 | To facilitate the implementation of technical efficiency improvements and new processes | 13,824 | 0 | |
| 040 | 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 with an original commitment of €0.030m towards a replacement Learning Management System €0.030m. | 11,470 | 0 | |
| 041 | Executive Director (Kirsty Flanagan) | Development & Economic Growth | Planning Income (Saving 23-24) | 340,000 | | | 340,000 | 340,000 | 0 | To fund one off operational saving MGT5 agreed for the 2023/24 budget | 340,000 | 0 | 0 |
| 042 | Executive Director (Kirsty Flanagan) | Development & Economic Growth | Planning Income | 60,000 | | | 60,000 | 60,000 | 0 | To fund additional resources to support and develop the Council's planning service. | 60,000 | 0 | 0 |
| 043 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | Oban TIF (Tax Incremental Financing) | 385,193 | | | 385,193 | 116,000 | 269,193 | 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. | 116,000 | 269,193 | |
| 044 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | Strategic Events & Festivals | 80,664 | | | 80,664 | 80,664 | 0 | 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. Applications have been received and payments will be made in 2023-2024. | 80,664 | 0 | |
| 045 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | Island Post | 50,461 | | | 50,461 | 50,461 | 0 | To fund a temporary post at LGE11 to assist with the National Islands Plan Implementation Route Map 2020-2025. | 50,461 | 0 | |
| 046 | 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) | 21,177 | | | 21,177 | 21,177 | 0 | To support a number of initiatives in respect of improving the Council's information management in line with the transformation agenda and increasing the pace of change as outlined in the BV Review. The planned initiatives include: Estates Survey work €122k, Digitalisation of Title Deeds €92k, document management and workflow system for Planning, Building Standards and Environmental Health €77k and a balance of funding to explore information management solutions in a strategic and coherent way €299k. | 21,177 | 0 | |
| 047 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | Royal National Mod | 20,000 | | | 20,000 | 20,000 | 0 | 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 | 0 | |
| 048 | Executive Director (Kirsty Flanagan) | Financial Services | Financial Systems | 33,748 | | | 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. | 33,748 | 0 | |
| 049 | Executive Director (Kirsty Flanagan) | Financial Services | Accounting and Budgeting Team Resilience | 30,664 | | | 30,664 | 16,664 | 14,000 | To fund the implementation of a new staffing structure in 2022/23 as agreed at ELT on 12 April 2022 which has been implemented. The residual funding is being used to meet the costs of ongoing professional accountancy training over the period 2022/23 to 2026/27 | 16,664 | 14,000 | |
| 050 | Executive Director (Kirsty Flanagan) | Financial Services | CIPFA | 24,040 | | | 24,040 | 6,000 | 18,040 | CIPFA Training - To fund the professional training costs for staff undertaking the CIPFA professional accountancy qualification. | 6,000 | 18,040 | |
| 051 | Executive Director (Kirsty Flanagan) | Roads & Infrastructure | Waste Variation Monies | 1,967,056 | | | 1,967,056 | 1,329,999 | 637,057 | This will 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. This will include scoping work for the creation of a waste transfer station at Helensburgh and landfill cell construction works at Gartbreck (€640k for Capital works on Gartbreck completed in 2022/23, reserve will be drawn down for this in 2023/24). | 1,329,999 | 637,057 | |
| 052 | Executive Director (Kirsty Flanagan) | Roads & Infrastructure | 3G pitches / Tarbert Sports Pitches | 375,022 | | | 375,022 | 87,736 | 287,286 | 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. | 87,736 | 287,286 | |
| 053 | Executive Director (Kirsty Flanagan) | Roads & Infrastructure | Green Transport Initiatives | 140,000 | | | 140,000 | 140,000 | 0 | At the Council meeting on 27 February 2020, 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 Ardishaig North Project will be spent in 22/23 and drawn down in 23/24. | 140,000 | 0 | |
| 054 | Executive Director (Kirsty Flanagan) | Roads & Infrastructure | Climate Change | 81,884 | | | 81,884 | 81,884 | 0 | At the Council meeting on 27 February 2020, 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. | 81,884 | 0 | |
| 055 | 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. The software/system being introduced by HR/Payroll during 2023-24 offers a time-recording facility. Although not included in the current HR/Payroll spec, once the new system is up and running, the proposal would be to investigate the time-recording system to see if viable for amenity time recording purposes. | 0 | 28,099 | |
| 056 | Executive Director (Kirsty Flanagan) | Roads & Infrastructure Services | (2023 Contract Inflation Adjustments) Waste PPP | 255,000 | | | 255,000 | 255,000 | 0 | Adjustment to inflation included in the budget based on updated RPIX figures at February 2023. | 255,000 | 0 | 0 |
| 057 | Non Departmental | Non Departmental | Underwriting development of Rothesay Pavilion | 1,000,000 | | | 1,000,000 | 0 | 1,000,000 | Funding to meet additional costs identified as necessary for the refurbishment of Rothesay Pavilion. | 0 | 1,000,000 | |
| 058 | Non Departmental | Non Departmental | Oban TIF (Tax Incremental Financing - Excess NDR) | 875,651 | | | 875,651 | 291,884 | 583,767 | This is the surplus NDR after paying all Loans Charges in respect of TIF infrastructure projects. This fund will be used in the future as TIF projects are delivered. | 291,884 | 291,884 | 291,883 |

| Ref | Department | Service | Description | Opening Balance | Budget Drawdown | New earmarkings in year | Remaining Balance | Still to be drawdown in 23-24 | Planned to spend in future years | Plans for Use | Amount Planned to be Spent in 2023-24 | Amount Planned to be Spent in 2024-25 | Amount Planned to be Spent from 2025/26 onwards |
|-----|------------------|------------------|--|-------------------|-----------------|-------------------------|-------------------|-------------------------------|----------------------------------|--|---------------------------------------|---------------------------------------|---|
| 059 | Non Departmental | Non Departmental | Loans Fund | 385,279 | | | 385,279 | 385,279 | 0 | At the Council Budget meeting on 24 February 2022, Saving FS01, a Loans Fund Management/Operational saving for 22/23 budget of £0.500m was agreed with at least £0.200m to come from underspends in 21/22. The underspend position for 21/22 is £0.385m and this earmarking is being released as a saving to help bridge the 2023/24 budget gap. | 385,279 | 0 | |
| 060 | Non Departmental | Non Departmental | Loans Fund | 300,000 | | | 300,000 | 300,000 | 0 | To fund one off operational saving MGT3 agreed for the 2023/24 budget | 300,000 | 0 | 0 |
| 061 | Non Departmental | Non Departmental | 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 £122k, Digitalisation of Title Deeds £92k, document management and workflow system for Planning, Building Standards and Environmental Health £77k and a balance of funding to explore information management solutions in a strategic and coherent way £209k | 0 | 209,844 | |
| 062 | Non Departmental | Non Departmental | Spend to Save Route Optimisation Software | 100,000 | | | 100,000 | 100,000 | 0 | One-off re-profiling gain as a result of the loans fund review to fund known liabilities/cost pressures as agreed at budget setting meeting in February 2020 - Spend to save route optimisation (£0.100m) which will be spent over 2023/24 | 100,000 | 0 | |
| 063 | Non Departmental | Non Departmental | Engagement with Hub North re provision of services for older adults and vulnerable people across Argyll and Bute | 100,000 | | | 100,000 | 100,000 | 0 | At the Council budget meeting February 23, an allocation of £0.1m from the Unallocated General Fund balance for the Health and Social Care Partnership to engage, in partnership with the Council, with Hub North to develop a strategic business case in relation to the provision of services for older adults and other vulnerable people across Argyll and Bute. | 100,000 | 0 | |
| 064 | Non Departmental | Non Departmental | CHARTS | 80,000 | | | 80,000 | 80,000 | 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. At the Council Budget meeting on 23 February 2023, the Council committed to £0.075m one-off investment in CHARTS in response to an external funding request | 80,000 | | |
| 065 | 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 | 76,447 | |
| | | | | 13,565,615 | 0 | 0 | 13,565,615 | 6,001,435 | 7,564,180 | | 6,001,435 | 7,272,297 | 291,883 |

APPENDIX 2

COVID
As at 30 June 2023

| Ref | Department | Service | Description | Opening Balance | Budget Drawdown | New earmarkings in year | Remaining Balance | Still to be drawdown in 23-24 | Planned to spend in future years | Plans for Use | Amount Planned to be Spent in 2023-24 | Amount Planned to be Spent in 2024-25 | Amount Planned to be Spent from 2025/26 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 | |
| 002 | Chief Executive's Unit | Community Planning | Covid impacts – support to communities' | 49,147 | | | 49,147 | 49,147 | 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. | 49,147 | 0 | |
| 003 | Executive Director (Douglas Hendry) | Education | Logistics Funding - Safe Opening of Schools | 699,036 | | | 699,036 | 699,036 | 0 | 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. | 699,036 | 0 | |
| 004 | Executive Director (Douglas Hendry) | Education | Additional Teaching/Support in Schools/Digital Devices/Family Home Learning Support Fund - | 421,198 | | | 421,198 | 421,198 | 0 | Continuation of funding for additional staffing, teachers, support staff, additional devices for pupils and additional family/home learning programmes. | 421,198 | 0 | |
| 005 | Executive Director (Douglas Hendry) | Education | Education to Support Young People | 191,042 | | | 191,042 | 135,933 | 55,109 | As agreed at the Council Meeting on 25 February 2021 with an original allocation of £0.600m. Agreed 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. | 135,933 | 55,109 | |
| 006 | Executive Director (Douglas Hendry) | Education | Recruitment of Additional Teachers and Support Staff in Schools | 51,371 | | | 51,371 | 51,371 | 0 | Fund additional teachers and support staff. | 51,371 | 0 | |
| 007 | Executive Director (Douglas Hendry) | Legal and Regulatory Services | Welfare Rights Support | 131,634 | | | 131,634 | 80,184 | 51,450 | 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. | 80,184 | 51,450 | |
| 008 | Executive Director (Kirsty Flanagan) | Customer Support Services | Self Isolated Support / Self Isolated Support Grant (HR) | 65,250 | | | 65,250 | 65,250 | 0 | These were monies that were provided by Scotgov to fund additional overtime and resources for Shielding/Caring for People and Test and Protect activities. The funds are being used for a number of Customer Service and Business efficiency related projects including a system and consultancy of RPA (robotic process automation) and application development. A | 65,250 | 0 | |
| 009 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | Staycation and Marketing Argyll and Bute | 389,992 | | | 389,992 | 389,992 | 0 | 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. | 389,992 | 0 | |
| 010 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | Tackling Digital Exclusion Top-Up Fund | 217,600 | | | 217,600 | 217,600 | 0 | 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. Expenditure should be incurred during 23-24 to draw down against. | 217,600 | 0 | |
| 011 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | LACER Funding (Sector Support Grant) | 95,398 | | | 95,398 | 95,398 | 0 | 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 | 95,398 | 0 | |
| 012 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | Economic Development - temp post to support economic recovery | 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. To be used to fund Settlement Project Support Officer during 23-24. | 55,000 | 0 | |
| 013 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | EH Covid Posts | 37,775 | | | 37,775 | 37,775 | 0 | Funding initially for 2 posts for 2 years. Posts were initially recruited to with one leaving and the other going on maternity leave resulting in delays in expenditure. One employee is now back from maternity leave and earmarked reserve will be drawn down to cover their costs in 23-24. | 37,775 | 0 | |
| 014 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | LACER Funding (New Enterprise Support Grant) | 31,159 | | | 31,159 | 31,159 | 0 | Local Authority COVID Economic Recovery Fund grant. This funding would provide £3,000 grants to help new businesses start up and establish. Fund fully committed, there was a delay in getting all payments made and remainder will be made in 23-24. | 31,159 | 0 | |
| 015 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | LACER Funding (Shop Local) | 26,793 | | | 26,793 | 26,793 | 0 | 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 | 26,793 | 0 | |
| 016 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | LACER Funding (Small Business Development Grant) | 24,988 | | | 24,988 | 24,988 | 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 | 24,988 | 0 | |
| 017 | Executive Director (Kirsty Flanagan) | Financial Services | Housing Benefits Private | 321,524 | | | 321,524 | 321,524 | 0 | 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. This earmarking will help offset potential overspends in the DHP/ Scottish Welfare Fund budget going forward. | 321,524 | 0 | |

| Ref | Department | Service | Description | Opening Balance | Budget Drawdown | New earmarkings in year | Remaining Balance | Still to be drawdown in 23-24 | Planned to spend in future years | Plans for Use | Amount Planned to be Spent in 2023-24 | Amount Planned to be Spent in 2024-25 | Amount Planned to be Spent from 2025/26 onwards |
|-----|--------------------------------------|--------------------|--|------------------|-----------------|-------------------------|-------------------|-------------------------------|----------------------------------|--|---------------------------------------|---------------------------------------|---|
| 018 | Executive Director (Kirsty Flanagan) | Financial Services | Flexible Food Fund | 194,156 | | | 194,156 | 108,000 | 86,156 | Financial Insecurity funding from Scottish Government routed into the Argyll and Bute Flexible Food and Fuel Fund (ABFFFF) 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 | 108,000 | 86,156 | |
| 019 | Executive Director (Kirsty Flanagan) | Financial Services | Flexible Funding for Supporting People while at Tier 4 COVID | 76,357 | | | 76,357 | 76,357 | 0 | 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. A report will be presented to members in due course. | 76,357 | 0 | |
| 020 | Executive Director (Kirsty Flanagan) | Financial Services | Self Isolated Support Grant | 5,316 | | | 5,316 | 5,316 | 0 | Unspent admin funding for processing Self isolation Support Grants. | 5,316 | 0 | |
| 021 | Non Departmental | Non Departmental | Recovery and Renewal Fund | 1,547,000 | | | 1,547,000 | 1,547,000 | 0 | 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. Commitments have been made against this fund as follows: Levelling up bid costs £0.150m, Scotland Loves Local overspend £0.037m and Rotheray Pavillion £1.360m. | 1,547,000 | 0 | |
| 022 | Non Departmental | Non Departmental | COVID Funding | 418,337 | | | 418,337 | 0 | 418,337 | Net balance on COVID cost centres at year end 2022/23 with proposals on use to be developed. | 0 | 0 | 418,337 |
| 023 | Non Departmental | Non Departmental | Capital pressure | 257,000 | | | 257,000 | 257,000 | 0 | Pressure identified on the 20/21 COSLA COVID costs spreadsheets - requires to be earmarked to be drawn down when required against the Capital Plan | 257,000 | 0 | |
| 024 | 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 | |
| | | | | 5,512,073 | 0 | 0 | 5,512,073 | 4,901,021 | 611,052 | | 4,901,021 | 192,715 | 418,337 |

ARGYLL AND BUTE COUNCIL**POLICY AND RESOURCES COMMITTEE****FINANCIAL SERVICES****10 AUGUST 2023**

BUDGET OUTLOOK 2024-25 TO 2028-29

1. EXECUTIVE SUMMARY

- 1.1 This report provides an update to the budget outlook covering the period 2024-25 to 2028-29, reported to the Policy and Resources Committee on 11 May 2023.
- 1.2 The estimates within the report are based on the mid-range scenario with best and worst case scenarios noted in Appendix 1.
- 1.3 The assumptions in respect of future years Scottish Government funding remain unchanged from those reported on 11 May 2023 and range between 0.5% increase (best case) and 0.5% reduction (worst case) with a mid-range of 0%. This assumption is based on the settlement over the last few years and the estimates within the spending review which indicate that a flat cash settlement in future years may be the most likely position, however this assumption will be kept under review and updated as necessary during 2023-24.
- 1.4 There are no changes to my previous assumptions around the growth in Council Tax. The Council tax base has been assumed to grow by 0.25% in the worst case scenario, 0.5% in the mid-range scenario and 0.75% in the best case.
- 1.5 There are no changes to the base budget since the report on 11 May 2023.
- 1.6 Similarly, there are no changes to the assumptions in respect of employee costs for Council services which were previously noted as follows:
- The SJC pay award for 2023-24 has still to be agreed and may have an impact on the base budget if the pay award is greater than the 3.5% allowed for in the budget. The teachers' pay award for 2023-24 has already been agreed to 31 July 2024 and the current budget is sufficient to cover the deal.
 - For future years, the mid-range scenario has been estimated at 2% on the basis that it is expected that as inflation reduces it could take pressure off pay awards. . It also reflects what is affordable to Local Government and this 2% assumption is currently in line with many other Councils assumptions.
 - Increments are estimated between £0.329m and £0.657m with mid-range £0.657m.
- 1.7 For non-pay inflation, only unavoidable/inescapable inflation has been built in for the best case and mid-range scenarios with a contingency of £0.250m built

into the mid-range. A further general inflationary increase has been built into the worst case scenario.

- 1.8 There are a number of cost and demand pressures for Council services built into each scenario. Changes to these pressures since the report on 11 May 2023 are:
- Amended - ASN Support increased to reflect continued growth in demand
 - New - Repairs and Maintenance costs for the new Helensburgh Waterfront Leisure Complex
 - New - Depots – shortfall in previously agreed saving due to delays
 - New - Public Transport Fares – shortfall in previously agreed saving due to reduction in passenger numbers
 - New – Insurance premiums have risen higher than previous forecasts
- 1.9 In addition to the identified cost and demand pressures an allowance for unidentified cost and demand pressures has been included in mid-range of £0.500m per year (best case scenario £0.250m per year and worst case scenario £1m per year).
- 1.10 There will be a political decision to be made as to the future allocation to the Health and Social Care Partnership. As part of the budget agreed in February 2023, indicative allocations for 2024-25 to 2025-26 were agreed on the basis of a flat cash allocation. In the budget outlook I have assumed flat cash allocations across all three scenarios.
- 1.11 The budget gap in the mid-range scenario after allowing for the current base commitments, employee adjustments, non-pay inflation, cost and demand pressures and not factoring in any previous savings decisions or future potential options is an estimated gap over the five year period of £42.793m with a gap of £11.481m in 2024-25.
- 1.12 The measures to balance the budget over the next five years are as follows:
- Proposed increase to fees and charges of between 3% and 9% (6% mid-range).
 - Proposed increase to Council Tax (5% increase in 2024-25 in all scenarios, reducing to a 3% increase in the mid-range and worst case scenarios in future years with the best case scenario remaining at 5%).
 - Policy savings already agreed by Council in February 2022.
 - Management/Operational savings already agreed by Council February 2023.
 - Policy savings already agreed by Council in February 2023.
- 1.13 In the mid-range scenario, the budget gap estimated over the five year period 2024-25 to 2028-29 is £25.700m with a gap of £7.580m in 2024-25.
- 1.14 The budget gap in the best case scenario over the five years is £5.121m with a gap of £4.848m in 2024-25 and in the worst case scenario, the budget gap over the five years is £85.031m with a gap of £14.554m in 2024-25. A

summary of all three scenarios is included within Appendix 1.

- 1.15 It is recommended that the Policy and Resources Committee consider the current estimated budget outlook position for the period 2024-25 to 2028-29.

BUDGET OUTLOOK 2024-25 TO 2028-29**2. INTRODUCTION**

- 2.1 This report provides an update to the budget outlook covering the period 2024-25 to 2028-29, reported to the Policy and Resources Committee on 11 May 2023.
- 2.2 The budget outlook has been prepared using three different scenarios, best case, worst case and mid-range. Relatively small variations in assumptions can lead to fairly significant changes in the outcome. In the paragraphs that follow, the mid-range outlook is shown, however, all three scenarios are detailed within Appendix 1.

3. RECOMMENDATIONS

- 3.1 It is recommended that the Policy and Resources Committee consider the current estimated budget outlook position for the period 2024-25 to 2028-29.

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

- 4.1.1 There are no changes to my previous assumptions around the level of future Scottish Government funding. In my report in May, I advised that in considering the assumptions relating to future years funding I have reflected on the funding over the last 4 years after accounting for new policy commitments, and also the spending review published in May 2022 which indicated that the total budget for Local Government would remain flat cash until 2026-27. As a result of this the assumptions in respect of future years Scottish Government funding range between a 0.5% increase (best case) and a 0.5% reduction (worst case) with a mid-range of 0%.
- 4.1.2 The table below summarises the mid-range scenario estimates based on a flat cash settlement.

| | 2024-25 £000 | 2025-26 £000 | 2026-27 £000 | 2027-28 £000 | 2028-29 £000 |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Estimated SG Funding | 223,738 | 223,738 | 223,738 | 223,738 | 223,738 |

Council Tax

- 4.1.3 The Council Tax base for 2023-24 was set at £58.896m which reflected a 5%

inflation increase and 1.5% growth in the Council Tax base in 2023-24 and 0.5% growth in future years as agreed by the Council on 23 February 2023.

- 4.1.4 There are no changes to my previous assumptions around the growth in Council Tax. It has been assumed that there will be a 0.5% growth in the mid-range scenario for all years from 2024-25 (0.75% in best case and 0.25% in worst case).
- 4.1.5 As reported in May, as part of the 2023-24 budget setting process a business process review was undertaken of the Revenues and Benefits Service where one of the outcomes was anticipated increased Council Tax recoveries equating to £0.264m in 2024-25. Furthermore, the creation of the self-funded Counter Fraud team also ensures minimum additional collections of £0.085m in 2024-25. These additional Council Tax recoveries totalling £0.349m in 2024-25 are built into the budget outlook.
- 4.1.6 Within this report, I will present the budget gap, prior to any Member based decisions and therefore at this stage in the report, the Council tax base is assumed to remain at the same level as 2023-24.
- 4.1.7 The table below summarises the estimated total funding in the mid-range scenario.

| | 2024-25 £000 | 2025-26 £000 | 2026-27 £000 | 2027-28 £000 | 2028-29 £000 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Estimated SG Funding | 223,738 | 223,738 | 223,738 | 223,738 | 223,738 |
| Council Tax Base | 58,896 | 58,896 | 58,896 | 58,896 | 58,896 |
| Council Tax Growth | 294 | 590 | 887 | 1,186 | 1,486 |
| Additional Council Tax recoveries (para 4.1.5) | 349 | 200 | 202 | 204 | 206 |
| Total Estimated Funding | 283,277 | 283,424 | 283,723 | 284,024 | 284,326 |

4.2 Base Budget

- 4.2.1 The 2023-24 budget approved by Council on 23 February 2023 was £284.536m.
- 4.2.2 For future years, there are adjustments required to the base budget from decisions by Council on 23 February 2023 and other adjustments as noted in the table below:

| | 2024-25 £000 | 2025-26 £000 | 2026-27 £000 | 2027-28 £000 | 2028-29 £000 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Base Budget 2023-24 | 284,536 | 284,536 | 284,536 | 284,536 | 284,536 |
| Remove one-off release of funding from the Earmarked Reserves in relation to the Capital Fund | (1,536) | (1,536) | (1,536) | (1,536) | (1,536) |
| Adjust for one-off 2023-24 cost pressures | (442) | (442) | (442) | (442) | (442) |

| | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| Adjust for one-off 2022-23 Management/ Operational savings | 8 | 0 | 0 | 0 | 0 |
| Adjust for one-off 2023-24 Management/ Operational savings | 2,581 | 2,581 | 2,581 | 2,581 | 2,581 |
| Revised Base Budget | 285,147 | 285,139 | 285,139 | 285,139 | 285,139 |

4.3 Employee Cost Changes

Pay Award

- 4.3.1 The SJC pay award for 2023-24 has still to be agreed and this may have an impact on the base budget if the pay award is greater than the 3.5% allowed for in the budget. The Scottish Government have agreed funding towards the SJC 2023-24 pay award equivalent to 2.5%, however negotiations are still ongoing.
- 4.3.2 The Teachers pay award for 2023-24 has already been agreed (28 months deal covering the period 1 April 2022 – 31 July 2024) and the current year budget is sufficient to cover the deal, however future negotiations will have an impact on the budget outlook.
- 4.3.3 For future years, the mid-range scenario has been estimated at 2% on the basis that it is expected that as inflation reduces it could take pressure off pay awards. It also reflects what is affordable to Local Government and this 2% assumption is currently in line with many other Councils assumptions. The best case scenario also assumes a 2% increase (on the basis that the increase is not likely to be less than this) and the worst case scenario assumes a 5% increase. There remains a risk that the pay award could be higher and this will be monitored and updated throughout the year if more information becomes available. Every 1% over and above what is budgeted would add an additional pressure of circa £1.5m

Increments

- 4.3.4 There are no changes to my previous assumption around the cost of employee increments. It has been assumed that for future years, the best case is assumed to be half of the previous year cost, for mid-range and worst case, assumes equal to the cost in 2023-24 (£0.657m).
- 4.3.5 The table below summarises the employee cost increases in the mid-range scenario for Council services. The employee cost increases relating to Social Work within the Health and Social Care Partnership are summarised within paragraph 4.6.3.

| | 2024-25 £000 | 2025-26 £000 | 2026-27 £000 | 2027-28 £000 | 2028-29 £000 |
|------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Pay Award | 3,049 | 6,159 | 9,331 | 12,567 | 15,867 |
| Increments | 657 | 1,314 | 1,971 | 2,628 | 3,285 |
| Total Employee Cost Changes | 3,706 | 7,473 | 11,302 | 15,195 | 19,152 |

4.4 Non-Pay Inflation

- 4.4.1 Over the last few years, the Council have only included non-pay inflation within the budget where it was deemed to be unavoidable or inescapable. In terms of the budget outlook, only unavoidable/inescapable non-pay inflation is built into the best case and mid-range scenarios with a general inflation allowance over and above this built into the worst case.
- 4.4.2 Officers continue to review areas of non-pay inflation on an ongoing basis. The principle of only budgeting for unavoidable/inescapable remains, however, it has to be noted that in this current financial climate, some budgets with no inflation allowed for are now stretched beyond the point of containing the cost within budget and therefore the budget will now buy less than what it used to be able to buy (so in effect, we will see some cuts as a result).
- 4.4.3 When creating a budget outlook for future years, there is a risk that inflation assumptions could change during the year. Due to the current inflation uncertainty, it would be prudent to include a contingency for other inflation increases not included in the calculations. A contingency allowance of £0.500m is included within the worst case scenario and a £0.250m allowance included within the mid-range scenario each year. No contingency is included within the best case scenario. This contingency will either be required, reduced or removed to reflect changing circumstances before the 2024-25 budget is set.
- 4.4.4 The table below summarises the non-pay inflation in the mid-range scenario for Council services with more detail available in Appendix 2. The non-pay inflation increases relating to Social Work within the Health and Social Care Partnership are summarised within paragraph 4.6.3.

| Inflation Category | 2024-25 Previous estimates (as at May 2023) £000 | 2024-25 Updated estimates £000 | Increase/ (Decrease) £000 |
|--|---|---|--|
| Utilities - Electricity, Gas, Oil, Water | 644 | 831 | 187 |
| Street Lighting Electricity | 121 | 121 | 0 |
| Vehicle Fuel | 36 | 53 | 17 |
| Central Repairs - Outside Contractors | 68 | 68 | 0 |
| Waste PPP/Landfill Tax | 578 | 578 | 0 |
| NPDO/HUB Schools | 938 | 909 | (29) |
| Community Pool Subsidies | 95 | 95 | 0 |
| Residential Schools | 37 | 54 | 17 |
| Pre-Primary Partner Providers | 119 | 175 | 56 |
| ICT | 110 | 181 | 71 |
| Catering Purchases and Milk | 371 | 342 | (29) |
| Insurance | 53 | 83 | 30 |
| Bitumen – Roads | 17 | 24 | 7 |
| Contingency for | 250 | 250 | 0 |

| | | | |
|--|--------------|--------------|------------|
| unidentified/insufficient inflation estimate | | | |
| Total | 3,437 | 3,764 | 327 |

4.4.5 The most significant movement in non-pay inflation since last reported in May 2023 relates to energy costs. Over the last sixteen months the wholesale cost of energy, particularly electricity, has risen significantly. During 2022-23, the Council was largely protected from the increase in prices as it had forward purchased its energy needs before prices increased. However, having reached the end of the period this covered, the Council is now exposed to the current market rates which are significantly higher. The non-pay inflation figures have been adjusted to account for early estimates of the potential impact on the Council however this will be monitored throughout the year and updated accordingly.

4.4.6 The cumulative inflation for years 2025-26 to 2028-29 is noted in the table below and is based on future years estimates of inflation at this point in time, however, due to the volatility of inflation recently it is very difficult to predict and the estimates will be kept under close review.

| | 2025-26 £000 | 2026-27 £000 | 2027-28 £000 | 2028-29 £000 |
|--------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Unavoidable/Inescapable | 6,367 | 9,145 | 12,111 | 15,280 |
| Total Non-Pay Inflation | 6,367 | 9,145 | 12,111 | 15,280 |

4.5 Cost and Demand Pressures

4.5.1 Over the last few years, services have worked on the basis of having to contain any cost and demand pressures within current resources, however, there are a number of cost and demand pressures already identified for Council services which were reported as part of the budget in February 2023. Since the Policy and Resources Committee on 11 May 2023 the following changes have been made to the cost and demand pressures:

- Amended - ASN Support increased to reflect continued growth in demand
- New - Repairs and Maintenance costs for new Helensburgh Waterfront Leisure Complex
- New - Depots – shortfall in previously agreed saving due to delays
- New - Public Transport Fares – shortfall in previously agreed saving due to reduction in passenger numbers
- New – Insurance premiums have risen higher than previous forecasts

4.5.2 As mentioned in paragraph 4.4.5, the forward purchasing of the Council's energy needs for 2022-23 largely protected the Council from the significant increases in energy costs, particularly electricity. As the Council re-contracts for its energy now and is exposed to significantly higher market rates, the increase in prices may exceed the existing 2023-24 budget and a cost pressure may be required. This will be monitored closely and updated as more information

becomes available throughout the year.

- 4.5.3 As with inflation, when creating a budget outlook beyond one year, there is a risk that unknown cost and demand pressures will emerge that have not been included within the outlook. It is suggested that a £0.250m general allowance for this is included within the best case scenario, £0.500m within the mid-range scenario and a £1m allowance included within the worst case scenario each year.
- 4.5.4 The cost pressures are detailed in appendix 3 and are summarised in the table below and will be subject to review during the financial year.

| | 2024-25 £000 | 2025-26 £000 | 2026-27 £000 | 2027-28 £000 | 2028-29 £000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Universal Credit – HB Admin Grant | 40 | 80 | 120 | 160 | 200 |
| IFRS16 Implementation Software | 18 | 18 | 18 | 18 | 18 |
| ASN Support | 198 | 400 | 608 | 822 | 822 |
| SEEMiS Membership Fees | 2 | 4 | 7 | 7 | 7 |
| Sustainable rate for partner providers | 327 | 327 | 327 | 327 | 327 |
| NPDO/HUB Schools – 2023-24 inflation | 480 | 480 | 480 | 480 | 480 |
| Election costs | 0 | 0 | 0 | 300 | 0 |
| Leisure SLA's – 2023-24 inflation | 10 | 10 | 10 | 10 | 10 |
| Repairs and Maintenance – Helensburgh Waterfront Leisure Complex | 105 | 105 | 105 | 105 | 105 |
| Depots – saving shortfall | 108 | 108 | 108 | 108 | 108 |
| Public Transport – saving shortfall | 29 | 29 | 29 | 29 | 29 |
| Waste | (107) | 87 | (242) | 128 | 128 |
| Compliance with BMW Ban | 0 | 608 | 2,433 | 2,433 | 2,433 |
| Waste PPP Contracts – 2023-24 inflation | 255 | 255 | 255 | 255 | 255 |
| Local Development Plan | 50 | 0 | 50 | 0 | 0 |
| Insurances | 126 | 126 | 126 | 126 | 126 |
| Allowance for pressures in future years | 500 | 1,000 | 1,500 | 2,000 | 2,500 |
| Total Cost and Demand Pressures | 2,141 | 3,637 | 5,934 | 7,308 | 7,548 |

- 4.5.5 The cost and demand pressures relating to Social Work within the Health and Social Care Partnership are summarised within paragraph 4.6.3.

4.6 Health and Social Care Partnership

- 4.6.1 The Council, at the budget meeting on 23 February 2023, agreed a base

allocation to the HSCP of £76.253m for 2023-24 as well as indicative flat cash allocations for 2024-25 to 2025-26.

4.6.2 In the budget outlook, I have assumed flat cash allocations across all scenarios. These are only assumptions and it will be a matter for Council to consider as part of the budget process next year.

4.6.3 Social Work services have already identified a number of cost and demand pressures and these are summarised below and included within Appendix 4 for information purposes. It is expected that the HSCP absorb their cost and demand pressures from their funding allocation. Note that these only extend to three years rather than the five years within this Council budget outlook.

| | 2024-25 £000 | 2025-26 £000 | 2026-27 £000 |
|--|-------------------------|-------------------------|-------------------------|
| Pay Inflation | 691 | 1,396 | 2,115 |
| Pay Increments | 152 | 304 | 456 |
| Non-Pay Inflation | 3,997 | 8,055 | 12,307 |
| Care Services for Younger Adults | 460 | 929 | 1,409 |
| Adult Services - Supported Living | 55 | 110 | 110 |
| Continuing Care for Looked After Children | 0 | 250 | 500 |
| Unknown Cost and Demand Pressures | 500 | 1,000 | 1,500 |
| Total Cost Increase estimates for Social Work | 5,855 | 12,044 | 18,397 |

4.7 Estimated Budget Gap PRIOR to Measures to Balance the Budget

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

| | 2024-25 £000 | 2025-26 £000 | 2026-27 £000 | 2027-28 £000 | 2028-29 £000 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Base Budget | 285,147 | 285,139 | 285,139 | 285,139 | 285,139 |
| Employee Cost Changes | 3,706 | 7,473 | 11,302 | 15,195 | 19,152 |
| Non-Pay Inflation | 3,764 | 6,367 | 9,145 | 12,111 | 15,280 |
| Cost and Demand Pressures | 2,141 | 3,637 | 5,934 | 7,308 | 7,548 |
| Total Estimated Expenditure | 294,758 | 302,616 | 311,520 | 319,753 | 327,119 |
| Estimated Funding | 283,277 | 283,424 | 283,723 | 284,024 | 284,326 |
| Estimated Budget Surplus / (Gap) Cumulative | (11,481) | (19,192) | (27,797) | (35,729) | (42,793) |

4.8 Measures to Balance the Budget

- 4.8.1 In 2023-24 a general inflationary increase of 6% was applied to fees and charges. For the budget outlook a range of between 3% (worst case) and 9% (best case) with a mid-range of 6% has been included.
- 4.8.2 Some of the policy options were agreed at the Council meeting on 23 February 2023 that impacted on 2024-25 and beyond. These are now factored into the budget outlook, reducing the budget gap.
- 4.8.3 In terms of Council Tax, a 5% increase has been assumed across all scenarios for 2024-25 on the basis that the majority of Councils increased their Council Tax by at least 5% in 2023-24 and this is something that Council could consider for another year. From 2025-26 the assumption on the Council Tax increase has been reduced to 3% in the mid-range and worst case scenarios and left at 5% within the best case scenario. It will be a matter for Council to decide the level of Council Tax increase.
- 4.8.4 The table below summarises the proposed measures to balance the budget in the mid-range scenario.

| | 2024-25 £000 | 2025-26 £000 | 2026-27 £000 | 2027-28 £000 | 2028-29 £000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Fees and Charges Increase | 848 | 1,696 | 2,544 | 3,392 | 4,240 |
| Council Tax Increase | 2,960 | 4,848 | 6,795 | 8,811 | 10,896 |
| Policy Savings agreed February 2022 | 3 | 3 | 3 | 3 | 3 |
| Management/Operational Savings agreed February 2023 | 45 | 80 | 80 | 80 | 80 |
| Policy Savings agreed February 2023 | 45 | 293 | 769 | 1,405 | 1,874 |
| Total Measures to Balance the Budget | 3,901 | 6,920 | 10,191 | 13,691 | 17,093 |

4.9 Estimated Budget Gap AFTER Measures to Balance the Budget

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

| | 2024-25 £000 | 2025-26 £000 | 2026-27 £000 | 2027-28 £000 | 2028-29 £000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Estimated Budget Gap Prior to Measures to Balance Budget | (11,481) | (19,192) | (27,797) | (35,729) | (42,793) |
| Savings Measures | 3,901 | 6,920 | 10,191 | 13,691 | 17,093 |
| Estimated Budget Surplus / (Gap) Cumulative | (7,580) | (12,272) | (17,606) | (22,038) | (25,700) |
| Estimated Budget Surplus / (Gap) In Year | (7,580) | (4,691) | (5,334) | (4,432) | (3,662) |

- 4.9.2 In the mid-range scenario, the budget gap estimated over the five year period 2024-25 to 2028-29 is £25.700m with a gap of £7.580m in 2024-25.
- 4.9.3 The budget gap in the best case scenario over the five years is £5.121m with a gap of £4.848m in 2024-25 and in the worst case scenario, the budget gap over the five years is £85.031m with a gap of £14.554m in 2024-25. A summary of all three scenarios is included within Appendix 1.
- 4.9.4 The changes from the previous anticipated outlook reported to the Policy and Resources Committee on 11 May 2023 are summarised in the table below:

| | 2024-25 £000 | 2025-26 £000 | 2026-27 £000 | 2027-28 £000 | 2028-29 £000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Previously reported budget surplus / (gap) Cumulative | (6,762) | (11,240) | (16,219) | (20,287) | (23,795) |
| Adjustment to Non-Pay Inflation | (327) | (470) | (617) | (767) | (921) |
| Cost & Demand Pressures – ASN Support | (123) | (194) | (402) | (616) | (616) |
| Cost Pressure – Repairs & Maintenance Helensburgh Waterfront Leisure Complex | (105) | (105) | (105) | (105) | (105) |
| Cost Pressure – Depots Saving Shortfall | (108) | (108) | (108) | (108) | (108) |
| Cost Pressure – Public Transport Saving Shortfall | (29) | (29) | (29) | (29) | (29) |
| Cost Pressure – Insurance Costs | (126) | (126) | (126) | (126) | (126) |
| Revised Budget Surplus / (Gap) Cumulative | (7,580) | (12,272) | (17,606) | (22,038) | (25,700) |

5. CONCLUSION

- 5.1 In the mid-range scenario, the budget gap estimated over the five year period 2024-25 to 2028-29 is £25.700m with a gap of £7.580m in 2024-25. Council officers are continuing to explore savings options during 2023-24 and these will be presented to members at a future date to help balance the budget in future years.
- 5.2 This is a very challenging budget outlook position and the level of Scottish Government grant and the pay award are the two assumptions that could alter the figures significantly. Both will be kept under close review and the budget outlook updated as and when further information becomes available.

6. IMPLICATIONS

- | | | |
|-------|------------------------|--|
| 6.1 | Policy - | Sets out the budget outlook that provides the financial envelope for policy decisions. |
| 6.2 | Financial - | Sets best, worst and mid-range scenarios in respect of the budget outlook. The medium to longer term financial strategy is being updated and the Council are actively continuing to pursue opportunities to mitigate against future budget gaps. |
| 6.3 | Legal - | None directly from this report but Council will need to balance the budget. |
| 6.4 | HR - | None directly from this report but there is a strong link between HR and budgets. |
| 6.5 | Fairer Scotland Duty - | See below |
| 6.5.1 | Equalities | None directly from this report but any proposals to address the estimated budget gap will need to consider equality issues. |
| 6.5.2 | Socio Economic Duty | None directly from this report but any proposals to address the estimated budget gap will need to consider socio economic issues. |
| 6.5.3 | Islands Duty | None directly from this report but any proposals to address the estimated budget gap will need to consider any island specific issues. |
| 6.6 | Climate Change | The Council is committed to addressing climate change and reviews how Services are delivering this on an ongoing basis within the available budget resources. |
| 6.7 | Risk - | None directly from this report but any proposals to address the estimated budget gap will need to consider risk. |
| 6.8 | Customer Service - | None directly from this report but any proposals to address the estimated budget gap will need to consider customer service. |

Kirsty Flanagan
Executive Director/Section 95 Officer
14 July 2023

Policy Lead for Finance and Commercial Services: Councillor Gary Mulvaney

APPENDICES:

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

For further information contact Anne Blue, Head of Financial Services
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BUDGET OUTLOOK 2024-25 to 2028-29
POLICY AND RESOURCES COMMITTEE - 10 AUGUST 2023

APPENDIX 1

| | Best Case Scenario | | | | | Mid-Range Scenario | | | | | Worst Case Scenario | | | | |
|---|--------------------|-----------------|-----------------|-----------------|-----------------|--------------------|-----------------|-----------------|-----------------|-----------------|---------------------|-----------------|-----------------|-----------------|-----------------|
| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Base Budget | 284,536 | 284,536 | 284,536 | 284,536 | 284,536 | 284,536 | 284,536 | 284,536 | 284,536 | 284,536 | 284,536 | 284,536 | 284,536 | 284,536 | 284,536 |
| Base Budget Adjustments | 611 | 603 | 603 | 603 | 603 | 611 | 603 | 603 | 603 | 603 | 611 | 603 | 603 | 603 | 603 |
| Revised Base Budget | 285,147 | 285,139 | 285,139 | 285,139 | 285,139 | 285,147 | 285,139 | 285,139 | 285,139 | 285,139 | 285,147 | 285,139 | 285,139 | 285,139 | 285,139 |
| Pay Award | 3,049 | 6,159 | 9,331 | 12,567 | 15,867 | 3,049 | 6,159 | 9,331 | 12,567 | 15,867 | 7,622 | 18,892 | 30,725 | 43,150 | 56,196 |
| Pay Increments | 329 | 658 | 986 | 1,315 | 1,643 | 657 | 1,314 | 1,971 | 2,628 | 3,285 | 657 | 1,314 | 1,971 | 2,628 | 3,285 |
| Adjustment to Employee Base | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Employee Cost Changes (Council Services) | 3,378 | 6,817 | 10,317 | 13,882 | 17,510 | 3,706 | 7,473 | 11,302 | 15,195 | 19,152 | 8,279 | 20,206 | 32,696 | 45,778 | 59,481 |
| Non-Pay Inflation - Council Services | 3,307 | 5,671 | 8,184 | 10,857 | 13,701 | 3,764 | 6,367 | 9,145 | 12,111 | 15,280 | 3,970 | 8,665 | 13,313 | 18,180 | 23,283 |
| Housing Benefits Admin Grant | 40 | 80 | 120 | 160 | 200 | 40 | 80 | 120 | 160 | 200 | 40 | 80 | 120 | 160 | 200 |
| IFRS16 Implementation | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| ASN Support | 198 | 400 | 608 | 822 | 822 | 198 | 400 | 608 | 822 | 822 | 198 | 400 | 608 | 822 | 822 |
| SEEMIS Membership Fees | 2 | 4 | 7 | 7 | 7 | 2 | 4 | 7 | 7 | 7 | 2 | 4 | 7 | 7 | 7 |
| Sustainable Rate for Partner Providers | 327 | 327 | 327 | 327 | 327 | 327 | 327 | 327 | 327 | 327 | 327 | 327 | 327 | 327 | 327 |
| NPDO and HUB Schools 2023/24 inflation | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 |
| Election Costs | 0 | 0 | 0 | 250 | 0 | 0 | 0 | 0 | 300 | 0 | 0 | 0 | 0 | 350 | 0 |
| Leisure SLA's 2023/24 inflation | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Repairs and Maintenance - Helensburgh Waterfront Leisure Complex | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 |
| Depots - saving shortfall | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 |
| Public Transport Fares - saving shortfall | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 |
| Waste | (117) | 9 | (263) | 37 | 37 | (107) | 87 | (242) | 128 | 128 | (97) | 165 | (221) | 218 | 218 |
| Compliance with BMW Ban | 0 | 0 | 462 | 925 | 925 | 0 | 608 | 2,433 | 2,433 | 2,433 | 0 | 608 | 2,433 | 2,433 | 2,433 |
| Waste PPP Contract 2023/24 Inflation | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 |
| Planning (Local Development Plan) | 50 | 0 | 50 | 0 | 0 | 50 | 0 | 50 | 0 | 0 | 50 | 0 | 50 | 0 | 0 |
| Insurances | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 |
| Allowance for Cost and Demand Pressures Future Years | 250 | 500 | 750 | 1,000 | 1,250 | 500 | 1,000 | 1,500 | 2,000 | 2,500 | 1,000 | 2,000 | 3,000 | 4,000 | 5,000 |
| Total Cost and Demand Pressures | 1,881 | 2,451 | 3,192 | 4,659 | 4,699 | 2,141 | 3,637 | 5,934 | 7,308 | 7,548 | 2,651 | 4,715 | 7,455 | 9,448 | 10,138 |
| Total Estimated Expenditure PRIOR to measures to balance the budget | 293,713 | 300,078 | 306,832 | 314,537 | 321,049 | 294,758 | 302,616 | 311,520 | 319,753 | 327,119 | 300,047 | 318,725 | 338,603 | 358,545 | 378,041 |
| Scottish Government Grant | 224,846 | 225,971 | 227,101 | 228,237 | 229,378 | 223,738 | 223,738 | 223,738 | 223,738 | 223,738 | 222,630 | 221,517 | 220,409 | 219,307 | 218,211 |
| Council Tax | 59,687 | 59,983 | 60,433 | 60,887 | 61,344 | 59,539 | 59,686 | 59,985 | 60,286 | 60,588 | 59,394 | 59,397 | 59,549 | 59,702 | 59,856 |
| Total Funding | 284,533 | 285,954 | 287,534 | 289,124 | 290,722 | 283,277 | 283,424 | 283,723 | 284,024 | 284,326 | 282,024 | 280,914 | 279,958 | 279,009 | 278,067 |
| Budget Surplus / (Gap) PRIOR to measures to balance the budget | (9,180) | (14,123) | (19,298) | (25,413) | (30,327) | (11,481) | (19,192) | (27,797) | (35,729) | (42,793) | (18,023) | (37,811) | (58,645) | (79,536) | (99,974) |
| Measures to Balance the Budget: | | | | | | | | | | | | | | | |
| Fees and Charges | 1,272 | 2,544 | 3,816 | 5,088 | 6,360 | 848 | 1,696 | 2,544 | 3,392 | 4,240 | 424 | 848 | 1,272 | 1,696 | 2,120 |
| Council Tax Increase | 2,967 | 6,105 | 9,422 | 12,927 | 16,630 | 2,960 | 4,833 | 6,771 | 8,777 | 10,852 | 2,952 | 4,816 | 6,741 | 8,728 | 10,779 |
| Council Tax Increase (Growth element) | 0 | 59 | 122 | 188 | 259 | 0 | 15 | 24 | 34 | 44 | 0 | 30 | 48 | 67 | 87 |
| Policy savings agreed February 2022 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Management/Operational Savings agreed Feb 2023 | 45 | 80 | 80 | 80 | 80 | 45 | 80 | 80 | 80 | 80 | 45 | 80 | 80 | 80 | 80 |
| Policy Savings agreed February 2023 | 45 | 293 | 769 | 1,405 | 1,874 | 45 | 293 | 769 | 1,405 | 1,874 | 45 | 293 | 769 | 1,405 | 1,874 |
| Total Measures to Balance the Budget | 4,332 | 9,084 | 14,212 | 19,691 | 25,206 | 3,901 | 6,920 | 10,191 | 13,691 | 17,093 | 3,469 | 6,070 | 8,913 | 11,979 | 14,943 |
| Budget Surplus / (Gap) Cumulative AFTER measures to balance the budget | (4,848) | (5,039) | (5,086) | (5,722) | (5,121) | (7,580) | (12,272) | (17,606) | (22,038) | (25,700) | (14,554) | (31,741) | (49,732) | (67,557) | (85,031) |
| Budget Surplus / (Gap) In Year AFTER measures to balance the budget | (4,848) | (191) | (47) | (636) | 600 | (7,580) | (4,691) | (5,334) | (4,432) | (3,662) | (14,554) | (17,188) | (17,990) | (17,825) | (17,474) |

NON-PAY INFLATION (COUNCIL)

Appendix 2

| Service | Category | Basis of Inflation | Inflation Percentage | Mid Range 2023/24 |
|---|--|--|----------------------|-------------------|
| Council Wide | Electricity | Due to current market condition for electricity 16% increase mid range, with a 0.5% tolerance for best and worst case. | 16.00% | 671,989 |
| Council Wide | Gas | Due to current market condition for gas 15% increase with mid range based on latest information available from Property Services, with a 0.5% tolerance for best and worst case. | 15.00% | 111,310 |
| Council Wide | Heating Oils | Due to current market condition for gas 8.70% increase with mid range reflecting May 2023 CPI rate, with a 0.5% tolerance for best and worst case. | 8.70% | 34,825 |
| Council Wide | Solid Fuel | Based on Bank of England Monetary Policy Committee CPI Forecast for 2024 Q1, with a 0.5% tolerance for best and worst case. | 4.40% | 12,671 |
| Council Wide | Vehicle Fuel | Based on Bank of England Monetary Policy Committee CPI Forecast for 2024 Q1, with a 0.5% tolerance for best and worst case. | 4.40% | 52,682 |
| Council Wide | Central Repairs - Outside Contractors | Based on labour and materials costs survey data from the Royal Institute of Chartered Surveyors (RICS) and information from the property team on the typical allocation of their costs between labour and materials. | 3.39% | 68,225 |
| Council Wide | Insurances | Based on Bank of England Monetary Policy Committee CPI Forecast for 2024 Q1, with a 0.5% tolerance for best and worst case. | 4.40% | 83,328 |
| Council Wide | Contingency for unidentified/insufficient inflation estimate | £250k built in to mid-range and £500k built in to worst case scenario | | 250,000 |
| Council Wide Total | | | | 1,285,030 |
| Education | Pre-Primary Partner Provider Uplift | Based on Bank of England Monetary Policy Committee CPI Forecast for 2024 Q1, with a 0.5% tolerance for best and worst case. | 4.40% | 174,527 |
| Education | External School Placements | Based on Bank of England Monetary Policy Committee CPI Forecast for 2024 Q1, with a 0.5% tolerance for best and worst case. | 4.40% | 53,796 |
| Commercial Services | Catering Purchases | Based on Office for National Statistics Inflation Rate for Food and Non-Alcoholic Beverages at May 2023, with a 0.5% tolerance for best and worst case . | 18.40% | 342,949 |
| Legal & Regulatory Support | Leisure SLA-MAKI/Islay Pools | Based on Bank of England Monetary Policy Committee CPI Forecast for 2023 Q2, with a 0.5% tolerance for best and worst case. | 8.20% | 15,707 |
| Legal & Regulatory Support | Leisure SLA-Atlantis | Based on RPI at September 2022 with a 0.5% tolerance in the best and worst case scenarios. | 12.64% | 78,857 |
| Legal & Regulatory Support | NPDO-Variable Element | Based on Bank of England Monetary Policy Committee CPI Forecast for 2023 Q2, with a 0.5% tolerance for best and worst case. | 8.20% | 684,863 |
| Legal & Regulatory Support | NPDO-Utilities Rebate | Based on Bank of England Monetary Policy Committee CPI Forecast for 2023 Q2, with a 0.5% tolerance for best and worst case. | 8.20% | -25,908 |
| Legal & Regulatory Support | NPDO-Electricity | Due to current market condition for electricity 16% increase mid range, with a 0.5% tolerance for best and worst case. | 16.00% | 93,528 |
| Legal & Regulatory Support | NPDO-Gas | Due to current market condition for gas 15% increase with mid range based on latest information available from Property Services, with a 0.5% tolerance for best and worst case. | 15.00% | 35,844 |
| Legal & Regulatory Support | NPDO-Heating Oil | Due to current market condition for gas 8.70% increase with mid range reflecting May 2023 CPI rate, with a 0.5% tolerance for best and worst case. | 8.70% | 8,979 |
| Legal & Regulatory Support | NPDO-LPG | Based on Bank of England Monetary Policy Committee CPI Forecast for 2024 Q1, with a 0.5% tolerance for best and worst case. | 4.40% | 3,953 |
| Legal & Regulatory Support | HUB-Variable Element | Based on Bank of England Monetary Policy Committee CPI Forecast for 2023 Q2, with a 0.5% tolerance for best and worst case. | 8.20% | 107,189 |
| Executive Director Douglas Hendry - Total | | | | 1,574,284 |
| Customer and Support Services | ICT | Estimate based on feedback from ICT staff in relation to significant price increases for ICT services and equipment. | 10.00% | 180,886 |
| Roads and Infrastructure | Waste PPP-Private Contractor Inflation | Based on 85% of the Bank of England Monetary Policy Committee CPI Forecast for 2023 Q2, with a 0.5% tolerance for best and worst case. | 7.00% | 509,360 |
| Roads and Infrastructure | Waste PPP-Central Government Inflation | Based on Landfill Tax increase between 22/23 and 23/24 with a 0.5% tolerance for best and worst case. Will be updated once the 2024/25 rate is published. | 3.55% | 68,777 |
| Roads and Infrastructure | Roads - Bitumen for Road Surfacing | Based on Bank of England Monetary Policy Committee CPI Forecast for 2024 Q1, with a 0.5% tolerance for best and worst case. | 4.40% | 24,411 |
| Roads and Infrastructure | Electricity - Street Lighting | Due to current market condition for electricity 16% increase mid range, with a 0.5% tolerance for best and worst case. | 16.00% | 120,958 |
| Executive Director Kirsty Flanagan - Total | | | | 904,392 |
| Total Non-Pay Inflation in the Mid Range | | | | 3,763,706 |

| Department | Service | Cost/Demand Pressure | Best Case | | | | | Mid Range Scenario | | | | | Worst Case | | | | |
|-------------------------------------|-------------------------------|---|------------------|------------------|------------------|------------------|------------------|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | | 2024-25 £,000 | 2025-26 £,000 | 2026-27 £,000 | 2027-28 £,000 | 2028-29 £,000 | 2024-25 £,000 | 2025-26 £,000 | 2026-27 £,000 | 2027-28 £,000 | 2028-29 £,000 | 2024-25 £,000 | 2025-26 £,000 | 2026-27 £,000 | 2027-28 £,000 | 2028-29 £,000 |
| Executive Director - Douglas Hendry | Education | The demand for ASN support in Argyll and Bute has continued to grow with a significant increase in, and early identification of children and young people presenting with complex additional support needs, including mental health difficulties which manifests often in dysregulated behaviours. It is anticipated that growth continues over the next 5 years however the extent of this growth is difficult to determine. Scottish Government statistics show that the number of pupils identified with ASN has increased markedly since 2010 and there continue to be year on year increases. These increases are likely due to continue as we see the impact of the Covid 19 pandemic on children and young people who were born from 2020 onwards and as we work with partners to streamline assessment processes which help us to understand need more thoroughly. Scottish Government statistical datasets show that the percentage of school roll in mainstream schools of pupils with ASN has increased by approximately 3% year on year. Within many authorities, this means increased numbers of children accessing specialist provision. As Argyll and Bute do not have equitable access to Specialist provision in all areas, the cost pressure associated with offering appropriate support within our local schools continues to increase in line with need. | 198 | 400 | 608 | 822 | 822 | 198 | 400 | 608 | 822 | 822 | 198 | 400 | 608 | 822 | 822 |
| Executive Director - Douglas Hendry | Education | The SEEMIS group, provider of the Council's Education Management Information System, recently reviewed their long term financial plan and refreshed it to cover the period 2021/22 to 2025/26. As a result of this exercise there were implications on Membership fees with a cost pressure on the Education service arising from financial year 2023/24. Indicative membership fees were provided for financial years 2021/22 to 2022/23 and these have been factored in accordingly. | 2 | 4 | 7 | 7 | 7 | 2 | 4 | 7 | 7 | 7 | 2 | 4 | 7 | 7 | 7 |
| Executive Director - Douglas Hendry | Education | The Council has had a requirement to deliver 1140 hours of Early Learning and Childcare from August 2021. The Council has been notified that the ring fenced funding will be reduced by £1.124m from 2022-23. Also, as part of the 1140 expansion programme, the Scottish Government 'Funding Follows the Child' guidance, requires local authorities to set a rate locally that is paid to funded providers in the private and third sectors, including childminders, to deliver the funded entitlement that allows them to deliver a high quality ELC experience for all children. This rate should be sustainable and reflect national policy priorities, including funding to enable payment of the real Living Wage to all childcare workers delivering the funded entitlement and have a margin for re-investment built in. The service has worked hard to mitigate the effects of this and has reduced expenditure as far as possible. However there remains a funding gap, the service are able to cover the over spend for 2022-23 and 2023-24 from carry forwards so the cost pressure is requested from 2024-25 onwards. The service will continually review their plans looking for efficiencies where possible. | 327 | 327 | 327 | 327 | 327 | 327 | 327 | 327 | 327 | 327 | 327 | 327 | 327 | 327 | 327 |
| Executive Director - Douglas Hendry | Education | Adjustment to the base budget for the Schools NPDO and Hub Schools contracts due to the rate of inflation at February 2023 being higher than forecast when the 2023/24 budget was prepared. | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 | 480 |
| Executive Director - Douglas Hendry | Legal and Regulatory Services | Estimated cost (to be borne by the Council) of carrying out local Government elections in May 2027 (and in financial year 2027/28). Operating approx. 100 polling stations and carrying out poll and count for 11 Multi member wards – requiring 11 separate counts | 0 | 0 | 0 | 250 | 0 | 0 | 0 | 0 | 300 | 0 | 0 | 0 | 0 | 350 | 0 |
| Executive Director - Douglas Hendry | Commercial Services | Adjustment to the base budget for the swimming pools service level agreements due to the rate of inflation at February 2023 being higher than forecast when the 2023/24 budget was prepared. | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Executive Director - Douglas Hendry | Commercial Services | There is an ongoing need for the Council to manage the maintenance and repair of its buildings. Now that the new Helensburgh Waterfront Leisure Complex is operational there are additional pressures on this budget for maintenance and inspection of fabric, mechanical systems and electrical systems for this new asset. The cost of maintenance and inspection over the next 9 years is estimated at £939k, averaging £105k per annum. | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 | 105 |

| Department | Service | Cost/Demand Pressure | Best Case | | | | | Mid Range Scenario | | | | | Worst Case | | | | |
|--------------------------------------|---------------------------------|--|------------------|------------------|------------------|------------------|------------------|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | | 2024-25 £,000 | 2025-26 £,000 | 2026-27 £,000 | 2027-28 £,000 | 2028-29 £,000 | 2024-25 £,000 | 2025-26 £,000 | 2026-27 £,000 | 2027-28 £,000 | 2028-29 £,000 | 2024-25 £,000 | 2025-26 £,000 | 2026-27 £,000 | 2027-28 £,000 | 2028-29 £,000 |
| Executive Director - Kirsty Flanagan | Financial Services | Universal Credit "Full" Service went live in Sept 2018, but managed migration has been deferred to 2021 and will not be completed until 2024. The DWP will reduce the Housing Benefit Administration Subsidy they pay to the Council as some claimants come off of Housing Benefit processed by Council staff and go onto Universal Credit processed by the DWP. The Council's caseload has reduced marginally since implementation of Universal Credit but it is hard to predict just how quickly the rest of the working age caseload will migrate from Housing Benefit to Universal Credit between now and 2024. These figures represent our best estimates at this time. | 40 | 80 | 120 | 160 | 200 | 40 | 80 | 120 | 160 | 200 | 40 | 80 | 120 | 160 | 200 |
| Executive Director - Kirsty Flanagan | Financial Services | Implementation of new IFRS16 system to manage leases and accounting requirements of the IFRS Finance Leases accounting standard. | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | |
| Executive Director - Kirsty Flanagan | Roads & Infrastructure Services | Previously agreed saving from 2018-19 for Depots (TB07) is now not fully achievable with a shortfall of £107,500. Delays in progressing the Depot Rationalisation programme and limited capital investment available has resulted in the savings not being realised. Cost pressure to remove this saving with further work ongoing on the Depot Rationalisation programme which will hopefully generate further savings in the future. | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | |
| Executive Director - Kirsty Flanagan | Roads & Infrastructure Services | Previously agreed saving from 2021-22 for Public Transport Fare increases (R&I17) is now not fully achievable with a shortfall of £29K. Report provided from Consultants Stantec outlining the proposed saving did not materialise due to a reduction in passenger numbers using local public transport. | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | |
| Executive Director - Kirsty Flanagan | Waste | Additional costs derived from the current waste model. Note that the treatment of waste going forward has not been fully costed due to uncertainty as to how the council will deal with the Bio Municipal Waste ban and the Deposit Return Scheme. Pressure has increased due to an updated waste model. | (117) | 9 | (263) | 37 | 37 | (107) | 87 | (242) | 128 | 128 | (97) | 165 | (221) | 218 | 218 |
| Executive Director - Kirsty Flanagan | Waste | Achieving compliance with ban on biodegradable municipal waste in 2025. This is the estimated revenue costs from potential scenarios, remaining in or coming out of the current waste PPP contract. Coming out of the Waste PPP contract would create an additional one-off cost. There are also capital cost implications that are not included within these estimates. Due to the complexity of the model, estimates are subject to change. The best case scenario reflects option 4 detailed in the report to the Environment, Development and Infrastructure Committee on 01/12/2022. The mid range and worst case scenarios reflects option 3 included in the same report and take into account the risk that the SG will not agree a derogation. | 0 | 0 | 462 | 925 | 925 | 0 | 608 | 2,433 | 2,433 | 2,433 | 0 | 608 | 2,433 | 2,433 | 2,433 |
| Executive Director - Kirsty Flanagan | Waste | Adjustment to the base budget for the Waste PPP contract due to the rate of inflation at February 2023 being higher than forecast when the 2023/24 budget was prepared. | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | |
| Executive Director - Kirsty Flanagan | Planning | Local development plan will require to be done under the new Planning legislation which is a revised process from the current one and will have a 10 year life. The new process has 2 stages where there is likely to be a cost pressure - a gate check followed by an examination some time later. | 50 | 0 | 50 | 0 | 0 | 50 | 0 | 50 | 0 | 0 | 50 | 0 | 50 | 0 | 0 |
| Council Wide | Council Wide | Rightsize Council Insurance Budget - Insurance premiums have risen higher than previous inflationary forecasts due to changes in law, Increase in building values, higher contractor costs for building works, repairs and higher component parts for cars. | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | |
| Council Wide | Council Wide | General provision for unidentified Cost and Demand Pressures | 250 | 500 | 750 | 1,000 | 1,250 | 500 | 1,000 | 1,500 | 2,000 | 2,500 | 1,000 | 2,000 | 3,000 | 4,000 | 5,000 |
| TOTAL | | | 1,881 | 2,451 | 3,192 | 4,659 | 4,699 | 2,141 | 3,637 | 5,934 | 7,308 | 7,548 | 2,651 | 4,715 | 7,455 | 9,448 | 10,138 |

SOCIAL WORK COST AND DEMAND PRESSURES - 2024-25 to 2026-27

APPENDIX 4

| Service | Cost/Demand Pressure | Best Case | | | Mid Range | | | Worst Case | | |
|--|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | | 2024-25 £000 | 2025-26 £000 | 2026-27 £000 | 2024-25 £000 | 2025-26 £000 | 2026-27 £000 | 2024-25 £000 | 2025-26 £000 | 2026-27 £000 |
| All Social Work | Estimated Pay inflation reflecting a best case and mid-range of 2% and worst case of 5%. | 691 | 1,396 | 2,115 | 691 | 1,396 | 2,115 | 1,729 | 3,544 | 5,450 |
| All Social Work | Estimated Pay increments, best case is that 50% of the incremental changes based on 2023/24 are absorbed and in the mid-range and worst case, the increase is in line with the increase in 2023/24. | 76 | 152 | 228 | 152 | 304 | 456 | 152 | 304 | 456 |
| All Social Work | Non-pay inflation, best and worst case based on unavoidable/inescapable inflation and worst case. | 3,429 | 6,902 | 10,509 | 3,824 | 7,739 | 11,842 | 4,219 | 8,584 | 13,194 |
| All Social Work | Non-pay inflation impact of payroll inflation on NHS posts which are recharged to Social Work. | 160 | 287 | 420 | 173 | 316 | 465 | 187 | 344 | 510 |
| Adult Care | Younger Adults Demand Growth (Excluding Physical Disability): There has been continuing increase in demand for care and support services for profoundly disabled younger adults (ie under 65) whose parents have historically provided care but are no longer able to. The best case assumes a 1% increase in spending reflecting the limited service capacity in the area, the mid-range reflects 2% growth and the worst case reflects 3% growth. | 194 | 390 | 588 | 388 | 784 | 1,189 | 582 | 1,183 | 1,803 |
| Adult Care | Younger Adults Demand Growth - Physical Disability: There has been continuing increase in demand for care and support services for profoundly disabled younger adults (ie under 65) whose parents have historically provided care but are no longer able to. The best case assumes a 1% increase in spending reflecting the limited service capacity in the area, the mid-range reflects 2% growth and the worst case reflects 3% growth. | 36 | 72 | 109 | 72 | 145 | 220 | 107 | 218 | 332 |
| Adult Care | Mental Health Budget Adjustment - The Mental Health Supported Living and Residential budgets are carrying a recurring unbudgeted commitment. To address this situation, it is proposed to continue to realign the budget over 2024-25 and 2025-26 whilst also reviewing cases and redesigning services. The adjustment will be reviewed annually to reflect spending reductions delivered as well as any changes to funding and practice resulting from the implementation of the Independent Review of Adult Social Care. | 55 | 110 | 110 | 55 | 110 | 110 | 55 | 110 | 110 |
| Children and Families | Continuing Care demand for Looked After young people who are cared for by the HSCP. The best case scenario is that the expected additional demand can be funded from within existing resources as a result of planned improvements to the service delivery model (eg shift away from high cost external residential care to local foster and kinship care), the mid case reflects that additional demand in 24/25 be funded from existing resource with £250k per annum thereafter and the worst case reflects £250k per annum. | 0 | 0 | 0 | 0 | 250 | 500 | 250 | 500 | 750 |
| All Social Work | Allowance for unknown cost and demand pressures which could arise. The best case assumes unknown pressures totalling £250k per annum, the mid range £500k per annum and the worst case £750k per annum. | 250 | 500 | 750 | 500 | 1,000 | 1,500 | 750 | 1,500 | 2,250 |
| TOTAL COST AND DEMAND PRESSURES | | 4,891 | 9,809 | 14,829 | 5,855 | 12,044 | 18,397 | 8,031 | 16,287 | 24,855 |

ARGYLL AND BUTE COUNCIL**POLICY AND RESOURCES COMMITTEE****ASSET MANAGEMENT BOARD****10th August 2023**

CAPITAL INVESTMENT STRATEGY 2023 - 2038

1.0 EXECUTIVE SUMMARY

- 1.1. The Argyll and Bute Outcome Improvement Plan (ABOIP) is being refreshed in 2023 it is important to prioritise investment that meets the changing strategic ambitions of our organisation, region and wider community. Also, inflation across many sectors over recent years has been at a record high so labour, materials and goods are costing more than ever, requiring us to prioritise spend on our most important activities. This is at the same time as public sector budgets in real terms are being reduced to meet national fiscal challenges. We are committed to delivering high quality services to our communities and stimulating and growing the population and economy of Argyll and Bute. We aim to set out a clear and strong direction for the Council which sets the scene for our capital investment ambition in assets and infrastructure.
- 1.2. This report introduces and seeks approval for the Council's new Capital Investment Strategy and outlines the approach for sound management of our assets. Our Capital Investment Strategy considers how we can deal with short to medium term financial uncertainty by taking a longer term view of our capital investment and how this can be put to best effect to meet the needs of the area. This is demonstrated in our corporate strategies and plans including our £70m Rural Growth Deal (RGD) which is key to stimulating economic growth, connecting our communities, growing businesses that do well and increasing skills in our area. Beyond the RGD, the competitive nature and bid style for grant funding awards from both Scottish and UK Government has become normal practice and it is essential our Council sets a framework to prioritise capital investment that best supports our ambitions – in essence a pipeline of projects is required to align to the ABOIP or other corporate aims to ensure there is targeted deployment of resources to achieve most efficient use of resource and limited capital and revenue. Work is currently underway to build a framework and consistent approach to mandating, recording and monitoring projects as they move through the various stages of a project lifecycle (or the pipeline).
- 1.3. It is clear that we cannot achieve our investment ambition on our own, we need to work collaboratively with communities and other stakeholders to make sure that we understand local needs and that we can deliver what we promise. Planning for the longer term and having ambition will also support the alignment of public funding with other organisations for the benefit of our region. We have to be realistic about what we can achieve with our known available resources, which is why we are working with partners to deliver economic and infrastructure improvements. By working with partners, we are ensuring that our resources can sit alongside and where available leverage external funding opportunities to optimise the benefits for our area. We need to invest for longer term benefit and address ongoing challenges such as climate change and digital connectivity but always be mindful that any investment must be undertaken in a prudent, affordable and sustainable manner.
- 1.4. The Council's strategic and financial management processes are essential for achieving

financial resilience in uncertain times. We must use our property, land and available resources wisely and ensure that we attract appropriate external funding to our area. Our Capital Investment Strategy will continue to evolve and be updated as strategic influences change over time, as new challenges and opportunities present themselves and as the delivery of our investment ambition is realised.

1.5. RECOMMENDATIONS

The Policy & Resources Committee are invited to note and recommend to Council approval of:-

- 1) The Council's new Capital Investment Strategy contained at **Appendix A**.

2.0 IMPLICATIONS

- 2.1 Policy – The new Capital Investment Strategy sets out a long term strategic vision for management of Council assets for 15 year period based on sound financial planning and prioritisation
- 2.2 Financial - As set out in the Report and Capital Investment Strategy based on prudent and prioritised use of resources
- 2.3 Legal – Requirement to fulfil obligations in relation to responsible use of public resources
- 2.4 HR - No impacts.
- 2.5 Fairer Scotland Duty:
 - 2.5.1 Equalities – No impact
 - 2.5.2 Socio-economic Duty – Part of delivery of capital projects
 - 2.5.3 Islands – No specific impact
- 2.6 Climate Change – New Capital Investment Strategy specifically looks to strengthen investment in climate change activity over next 15 years and route to net zero
- 2.7 Risk – Confirming up to date and clear strategy will reduce risk
- 2.8 Customer Service – None.

Douglas Hendry - Executive Director with responsibility for Commercial Services

Councillor Gary Mulvaney - Policy Lead for Finance and Commercial Services

21st July 2023

For further information contact:

Ross McLaughlin, Head of Commercial Services – Chair Asset Management Board

APPENDICES

A - CAPITAL INVESTMENT STRATEGY 2023 - 2038



CAPITAL INVESTMENT STRATEGY

2023 - 2038



Argyll and Bute Council

Capital Investment Strategy 2023-38

Version 21 – 21-07-23

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1. Foreword from Leader and Chief Executive

With the Argyll and Bute Outcome Improvement Plan (ABOIP) being refreshed in 2023 it is important to prioritise investment that meets the changing strategic ambitions of our organisation, region and wider community. Also, inflation across many sectors over recent years has been at a record high so labour, materials and goods are costing more than ever, requiring us to prioritise spend on our most important activities. This is at the same time as public sector budgets in real terms are being reduced to meet national fiscal challenges. We are committed to delivering high quality services to our communities and stimulating and growing the population and economy of Argyll and Bute. We aim to set out a clear and strong direction for the Council which sets the scene for our capital investment ambition in assets and infrastructure.

Our Capital Investment Strategy considers how we can deal with short to medium term financial uncertainty by taking a longer term view of our capital investment and how this can be put to best effect to meet the needs of the area. This is demonstrated in our corporate strategies and plans including our £70m Rural Growth Deal (RGD) which is key to stimulating economic growth, connecting our communities, growing businesses that do well and increasing skills in our area. Beyond the RGD, the competitive nature and bid style for grant funding awards from both Scottish and UK Government has become normal practice and it is essential our Council sets a framework to prioritise capital investment that best supports our ambitions – in essence a **pipeline of projects** is required to align to the ABOIP or other corporate aims to ensure there is targeted deployment of resources to achieve most efficient use of resource and limited capital and revenue. Work is currently underway to build a framework and consistent approach to mandating, recording and monitoring projects as they move through the various stages of a project lifecycle (or the pipeline).

It is clear that we cannot achieve our investment ambition on our own, we need to work collaboratively with communities and other stakeholders to make sure that we understand local needs and that we can deliver what we promise. Planning for the longer term and having ambition will also support the alignment of public funding with other organisations for the benefit of our region. We have to be realistic about what we can achieve with our known available resources, which is why we are working with partners to deliver economic and infrastructure improvements. By working with partners, we are ensuring that our resources can sit alongside and where available leverage external funding opportunities to optimise the benefits for our area. We need to invest for longer term benefit and address ongoing challenges such as climate change and digital connectivity but always be mindful that any investment must be undertaken in a prudent, affordable and sustainable manner.

Our strategic and financial management processes are essential for achieving financial resilience in uncertain times. We must use our property, land and available resources wisely and ensure that we attract appropriate external funding to our area. Our Capital Investment Strategy will continue to evolve and be updated as strategic influences change over time, as new challenges and opportunities present themselves and as the delivery of our investment ambition is realised.

CLlr Robin Currie
Council Leader

Pippa Milne
Chief Executive

2. Importance of the Capital Investment Strategy

Aim & Ambition

Argyll and Bute is recognised as one of Scotland's most promising regions and we are ambitious for our future. As a council we need to make best use of our assets in a way that best benefits our local communities. We also need to be clear what our longer term ambitions are in order to commit, fund, leverage, bid or have meaningful dialogue with partners to deliver shared strategic infrastructure investments for our region. Our 15 year Capital Investment Strategy will support us to achieve the ambitions of our Corporate Plan and our emerging ABOIP and resource the delivery of our priorities such as:-

Emerging ABOIP

1. Housing;
2. Transport; and
3. Community Wealth Building

The Argyll and Bute Community Planning Partnership (CPP) has completed its community engagement on identifying the priorities for the next 10 years (2023 - 2033). A plan on how the CPP will seek to address these priorities will emerge in due course. Argyll and Bute Council will continue to be a leading partner in the partnership and ensure that the priorities of the CPP and the Council are aligned

Corporate Plan

4. People and Places – Our Core Business as a Council;
5. Potential & Growth – turning opportunities into reality;
6. Partnership & Action – everyone has a part to play in Argyll & Bute's Success

The Local Outcome Improvement Plan is important in describing our partnership approach to investment and for engaging in open and frank dialogue with local communities and other stakeholders. Delivery of these local outcomes will help us to achieve our overarching vision for the Capital Strategy that is:

Delivering infrastructure that supports our ambition for a thriving Argyll & Bute

Investing in our infrastructure

It is important to recognise that the Scottish Government defines infrastructure more widely than all other parts of the UK, including digital, social infrastructure and natural systems.

The physical and technical facilities, natural and other fundamental systems necessary for the economy to function and to enable, sustain or enhance societal living conditions. These include the networks, connections and storage relating to the enabling infrastructure of transport, energy, water, telecoms, digital and internet, to permit the ready movement of people, goods and services. They include the built environment of housing; public infrastructure such as education, health, justice and cultural facilities; safety enhancement such as waste management or flood prevention; natural assets and networks; and public services such as emergency services and resilience.

(Scottish Government – Infrastructure Commission)

To this extent, the Council's long term investment of many millions of pounds of infrastructure must be viewed as a cornerstone for our region's development across many forms including physical

buildings, digital, transport and regeneration of our towns and villages. This Capital Strategy also aims to align our longer term thinking and priorities for infrastructure investment with other public bodies such as NHS Highland, Police Scotland, Scottish Fire and Rescue, Further Education providers, Registered Social Landlords and other public sector organisations to ensure best value is achieved from public investment. This movement towards more consolidated and regional capital planning across the public sector also aligns to the Infrastructure Commission, the North Infrastructure Commission and hierarchy of development principles.

Capital Investment in 2023

In preparing this long term strategy it is important to set the scene of current conditions and issues that are considered relevant to investing in future infrastructure. These are as follows: -

Geography

Argyll and Bute covers an area of 691,000 hectares, making it the second largest local authority area in Scotland. Our area has the third sparsest population density of the 32 Scottish local authority areas, with an average population density of just 13 persons per square kilometre. Argyll and Bute has 23 inhabited islands (Census 2011) more than any other local authority in Scotland with around 17% of the population living on Islands (Census 2011). The area is also home to several long sea lochs, which bisect the landscape and along with the islands give Argyll and Bute a very long coastline and a higher level of reliance on ferries for travel. Almost 80% of the population live within one kilometre of the coast (Scottish Coastal Forum, 2002). The main settlements tend to be at the extremity of the mainland area creating significant population dispersion in addition to low population density. The size of the area and population dispersion require multiple facilities for service delivery to ensure services are delivered close to users and communities. The distance between main settlements and use of ferry services create challenges in terms of reliability, time and cost of travel. The geography of Argyll and Bute cannot be changed so the challenge is how to best use our assets to minimise the impact of any real or perceived obstacles.

Our asset base is diverse and includes 2,310 km road, 901 bridges, 118 car parks, 39 piers and harbours, 3 airports, 131 burial grounds, 30 children's play areas, 92 school buildings, 3 children's houses, 6 care homes, 2 hostels, 6 community centres, 4 leisure centres, 5 halls, 6 libraries, 28 office buildings owned and 8,528 PCs, laptops and communications equipment.

Population decline

Our ambition is to reverse the economic decline of the area. To turn opportunity into success we must reverse the decline in our population. Population forecasts estimate that by 2027 Argyll and Bute will need another 10,000+ people to maintain services and more to drive business development and deliver services for Argyll and the West Coast of Scotland.

COVID Recovery

The global pandemic has had a major impact on both our communities and economy on a scale not previously witnessed. As we recover and implement measures as outlined in our Council Recovery Plan, continuing to invest in infrastructure is vitally important to allow our communities to bounce back. This can be especially challenging as the current experience is that the pandemic has materially increased the cost of many construction, labour and supply chains causing budget pressure. Whilst short term impacts are currently being absorbed through normal budget management there needs to be close monitoring of the long term impacts of covid in terms of locations that require investment and long term sustainability if costs do continue to be higher than identified budgets. The Councils Recovery Plan also identifies that recovery needs to be underpinned by 'green' principles to assist with fulfilling our regions aspirations for achieving net zero.

Climate Change

Our region benefits from natural assets, geography and societal circumstances including high tree cover, peat bog, low density population and low polluting industries to mean Argyll and Bute is the lowest CO2 producing region per capita in the UK. In addition, our landscapes and natural conditions also make it an ideal location for investment in renewable energy like hydro, wind turbines, solar, wave power and sequestration like woodland planting and peat bog restoration. Whilst our region is well placed there is much more that can be done by the Council directly and in partnership with others to deliver net zero and in advance of the 2045 backstop date. Technology, science and national approaches to climate change are evolving rapidly so this is an area that careful measured will be required into infrastructure for the long term. It is also expected that energy transition and movement away from fossil fuel will evolve and we have already implemented the replacement of some of our existing petrol/ diesel fleet to electric or hybrid and oil heated buildings to air source heat pumps or biomass. This will be an area of significant growth and investment in the next 15 years and one which we should play to our regional strengths.

Assets that don't meet our communities needs

It is clear that we cannot achieve our investment ambition on our own, we need to work collaboratively with communities to make sure that we understand local needs and that we can deliver what we promise. A place based approach will be essential to this.

We have to be realistic about what we can achieve with our known available resources, which is why we will work with partners to deliver economic and infrastructure improvements.

Rural Growth Deal

Our Rural Growth Deal (RGD) is key to realising this ambition and identifies the key growth sectors that will keep our region competitive. The Rural Growth Deal is a £70m 10 year programme of mixed capital and revenue investment for our region. This Capital Strategy is supportive and complementary of the RGD. It is considered essential to keep Argyll and Bute competitive in a global economy, stimulate economic growth in our key business sectors and reverse the decline in our population. Informed by extensive research and public consultation, the Council, working in partnership with a number of key stakeholders has developed the Rural Growth Deal in dialogue with UK and Scottish Government representatives and the Scottish Futures Trust. Project themes in the deal are identified as investment priorities focusing on our key economic strengths and the critical infrastructure, skills and education required for growth. These are:

Connecting: our high value and growing business sectors with national and international business markets; our economic local successes with national strategic priorities.

- Transport (road/air routes to market)
- Digital
- Business innovation

Attracting: additional skills, training and learning opportunities; new residents, visitors and business.

- Skills, training and education
- Accommodation (housing and business)
- Places to live, work and visit (community-led regeneration)
- Centre of excellence

Growing: doing more of what works; making more of our natural and built resources.

- Aquaculture
- Tourism
- Low carbon economy

3. A national & regional approach

The majority proportion of Council capital funding to deliver our capital plan comes from Scottish Government (General Capital Grant and Specific Ring-Fenced Capital Grants). It is therefore a requirement to align this Capital Strategy and our capital planning assumptions to other national and regional priorities or policy context.

National Policy Context

In 2021/22 the Scottish Government set out its first ever 5 year Infrastructure Investment Plan 2021-22 to 2025-26 or IIP. The IIP has been published alongside the Capital Spending Review for the same fiscal period, allowing it to tie the IIP in with the government's financial planning. The plan outlines £26 billion of Scottish Government investment to be spent over the next parliamentary term, with spending falling under three strategic themes: sustainability and a net zero economy; driving inclusive economic growth; and building resilient and sustainable places.

There are also a number of key themes around:-

1. **COVID-19** - The Scottish Government plan to use capital investment to support around 45,000 construction and maintenance jobs, with a particular focus on green jobs. Covid has also accelerated plans for digital connectivity, particularly in rural and remote areas such as Argyll & Bute. As a result, through significant capital investment in digital services - for example, Digital Scotland Superfast Broadband - the Scottish Government hopes to better support home-working. There is also commitment for £550m investment in active travel (cycling and walking), to free up space on public transport for those who most need it. This will translate into adaptations to roads, creation of new cycleways or pavement reconfigurations.

2. **NetZero** - This is one of most substantial priorities for spend as it looks to address climate change. Investment here includes:

- £180 million for an Emerging Energy Technologies Fund to support carbon capture and storage, negative emissions technologies and hydrogen development;
- £150m extra funding for flood risk management;
- £120m in transition to net zero electric buses;
- £1.6 billion over 5 years to decarbonise heat in buildings;
- £1.2 billion to enhance Scotland's railways.

A key strategy here is the adoption of an "Investment Hierarchy". This initiative essentially favours the improvement and repurposing of existing assets over the creation of new ones. There will also be an increased spend on maintenance to ensure the longevity of existing assets.

3. **Inclusive economic growth** - The Scottish Government is looking to improve the connectivity of the various regions of Scotland investing in transport infrastructure, including by doubling its investment in bridge and roads maintenance to around £1.5 billion. It also hopes to benefit industry and tourism in rural and remote regions by investing £220 million in agricultural support and £30 million in delivering a National Islands Plan, which includes ring-fenced funding for green capital projects on the islands.

4. **Resilient and sustainable places** - The biggest spend in the plan is this category: over £3.3 billion allocated to deliver more affordable and social homes. There is also focus on healthcare, with health maintenance investment totalling £1 billion. Schools will also see investment, with £2 billion allocated

the Learning Estate Investment Programme (LEIP), with our Council expressing an interest in a new facility on Mull.

Regional Context – North Infrastructure Commission

During 2021 Argyll and Bute Council has been a supporting partner to the North Infrastructure Commission (NIC). The NIC was established to develop a 15-year vision for infrastructure in the 'North' (which Argyll & Bute are categorised). The NIC has been established under the leadership of Hub North Scotland Strategic Territory Partnering Board and Scottish Futures Trust. Partners include Highland, Moray, Orkney, Shetland, Western Isles, Aberdeenshire, Aberdeen City Councils', NHS Grampian and Highland Health Boards. Police Scotland, Scottish Fire & Rescue, HIE and Zero Waste Scotland are also partners. Bringing such a large number of public sector bodies together to deliver a long term infrastructure plan is evolving and at an early stage however the opportunities for collaboration, shared prosperity, leveraging funding, efficiencies of scale and knowledge transfer are significant – particularly on some of the future and shared strategic challenges such as delivery of energy transition, regional transport or connectivity in rural or isolated areas.

At the centre of the NIC also sit a number of key themes including 'place' and 'place based reviews', which aims to bring the public sector partners together in collaboration to create bespoke assets and infrastructure for the town or village they operate to meet the needs of the customer of community. This tailored approach is key to success of future capital planning particularly in the context of the Governments *investment hierarchy* where existing buildings are prioritised to be repurposed or shared with others before new build is considered. Place based reviews are already underway in Dunoon, Lochgilphead & Rothesay with our partners NHS Highland and Health and Social Care Partnership. Future place based reviews are also planned for Mull to site selection should our bid for the Learning Estate Investment Programme (LEIP) be successful.

Vision for NIC:

“Support the transition to a net zero society by 2045 and improve service outcomes and benefits from future investment in infrastructure for the North of Scotland” working to a set of Strategic Goals:

Strategic Goal #1 – Create a coordinated hierarchy-based investment plan for social infrastructure investment.

Strategic Goal #2 – Assess opportunities to improve outcomes and drive commercial efficiencies, stimulate inward investment, create inward migration to the region by making the best use of resources, leveraging supplementary public and private funding to support growth.

Strategic Goal #3 – Develop an infrastructure assessment framework and methodology creating a wellbeing economy with sustainable and inclusive growth for all, founded on place needs, integration, collaboration and improved public service outcomes.

One of the main outputs from the NIC will be a map of all identified social infrastructure needs including unfunded and funded priorities over 15 years in the north. This North Infrastructure Investment Plan (NIIP) will allow for the regional needs to be considered and identify clustering, efficiencies of scale, integration, funding leverage or sharing of experience. One of the recognised barriers to true shared working with other public sector partners has also been non-alignment of capital programmes, different governance structure / timings, different sources of funding and differing internal priorities. Through progression of the NIC and NIIP these challenges should be eroded as common priorities and investment is sought.

4. Medium to Long Term Financial Planning

This Capital Strategy also sits alongside and is underpinned by the 'Medium to Long Term Financial Strategy' of the Council. This document acknowledges that our Council, like all councils, faces significant financial challenges and is required to operate within tight fiscal constraints for the foreseeable future due to the continuing difficult national economic outlook and increased demand for services. It also recognises the Council's duty to set a prudent, sustainable budget, and seeks to provide a practical foundation for the provision of the best possible value for money in the delivery of Council services in the longer term. The Council recognises that demand for capital asset management funding outstrips supply and balancing this issue, and associated priorities, has been and continues to be a fundamental aspect of our asset management planning and capital strategy.

Funding for the capital plan comes from Scottish Government (General Capital Grant and Specific Ring-Fenced Capital Grants), other capital grants, capital receipts from asset disposals, revenue contributions to capital, earmarked reserves, prudential borrowing and borrowing funded by the loan charges provision in the revenue budget.

The Scottish Government receive a grant for capital spending from the UK Government which is then allocated to individual Local Authorities. The capital block grant has reduced year on year since 2017/18 through to present and with flat cash settlements feeling like reduction given sharp rise in inflationary rates. The Scottish Government also undertook a Capital Spending Review which indicates that the capital settlement for the next five years is likely to remain constant.

The impact of the COVID-19 pandemic saw a reduction in capital receipts since 20-21 and slippage within the Council's capital programme.

Current Capital Forecasts

At present, as with other Local Authorities, our Council obtains the Scottish Government Capital Grant Funding (referred to above) on a single year basis. This therefore makes solid capital planning for the medium and long term less certain as budget assumptions have to be made for any period over 12 months. Notwithstanding this, the Scottish Government has indicated that 3 year settlements should be forthcoming in future years and our Council already adopt a 3 year rolling capital plan which is reviewed on an annual basis alongside the full Budget. The Current capital plan as agreed in February 2023 is:-

| Capital Block Allocations | | | | | |
|----------------------------------|------------|--|----------------|----------------|---|
| | | Already within existing capital plan - not additional funding | | | Based on 22-23 actual settlement |
| | % | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
| | | £'000 | £'000 | £'000 | £'000 |
| Education | 26 | 2,920 | 2,243 | 2,226 | 2,219 |
| Customer Services - IT | 9 | 1,011 | 777 | 771 | 768 |
| Customer Services - Facilities | 5 | 561 | 431 | 428 | 427 |
| Roads & Infrastructure Services | 46 | 5,165 | 3,969 | 3,939 | 3,927 |
| Vehicles (added to RIS) | 4 | 449 | 345 | 343 | 341 |
| HSCP (IJB) | 5 | 561 | 431 | 428 | 427 |
| Live Argyll | 5 | 561 | 431 | 428 | 427 |
| | 100 | 11,229 | 8,628 | 8,563 | 8,536 |

Categories of investment

The projects within the capital plan are categorised as either asset sustainability, service development or strategic change with a definition of each category as noted below:

- **Asset sustainability:** this encompasses projects related to ensuring existing assets are fit for purpose/continue to be fit for purpose based on existing use.
- **Service Development:** with a focus on enhancing the current asset to improve its fitness for purpose or its efficiency and effectiveness. Service development would cover construction/acquisition of new assets to replace existing assets on a like for like basis or investment in assets to enhance service delivery based on existing use. Projects in this category would typically be under £1,000,000 in capital costs.
- **Strategic Change:** with a focus on a significant investment across the service asset portfolio to support fundamental service development. The requirement for this investment would be driven by corporate priorities. Projects in this category would typically be at least £1,000,000 in capital costs.

The breakdown based on categories is as follows:-

| Category | 2022-23 £000s | 2023-24 £000s | 2024-25 £000s | 2025-26 £000s | Total £000s |
|----------------------|------------------|------------------|------------------|------------------|----------------|
| Asset Sustainability | 21,685 | 26,775 | 8,933 | 9,082 | 66,475 |
| Service Development | 7,690 | 2,013 | 20 | 0 | 9,723 |
| Strategic Change | 17,462 | 33,932 | 28,356 | 29,700 | 109,450 |
| Overall Total | 46,837 | 62,720 | 37,309 | 38,782 | 185,648 |

This table highlights the balancing of investment across asset sustainability, service development and service change, across the overall plan. Based on the current planning the importance of 'asset sustainability' is recognised and ongoing investment is needed to be allocated to our existing assets to ensure they remain relevant and fit for purpose. This is the significant proportion of our funding to keep the 'like for like' still functioning. To this extent, collective service re-design or opportunities to rationalise need to be considered where it is appropriate to do so.

Furthermore, due to increasing cost of utilities, rates and maintenance it is even more important to divest ourselves via rationalisation, repurposing or asset transfer of building assets that are surplus to operational need. We must be bold and innovative by working with partners and embrace modern working methods to maximise opportunities – much of which is already underway or being implemented by Our Modern Workplace (OMW) Programme. The underlying principle is to reduce the footprint of our built estate as this would limit the increasing spend on asset sustainability, utilities, rates and maintenance with resource being re-diverted into other priorities for the Council such as direct service provision, service development or strategic change.

It is these latter areas of Service Development and Strategic Change that require the longest lead in or mobilisation period due to their often large scale or level of investment required. There may also be requirement to leverage in support or funding from other sources which can be complex or increase timescales for Business Case Development. It is these categories that will benefit most from a longer term approach and strategy on Capital. Big and complex change such as delivering regional net zero, big transport investment or digital connectivity will also benefit from a coordinated and collective leadership towards infrastructure planning over a 15 year period.

It is also noteworthy that Capital receipt estimates from the sale of assets are reviewed annually and reported to Council as part of the budget report. This is particularly relevant as in the wake of the global pandemic forecasting for receipts is predicted to slow or downturn.

At present, Business cases for capital projects are prepared and assessed by the Asset Management Board before being put forward for inclusion within the capital plan – the scoring of business cases is assessed by impact, affordability, deliverability and risk. Slippages/accelerations are reported as part of the budget monitoring process and are given consideration as to whether other projects can be accelerated/slipped. Under and over spends on projects are managed within the overall programme unless they are significant in nature or require additional resource.

Work is currently underway to build a new framework and consistent approach to mandating, recording and monitoring projects as they move through the various stages of a project lifecycle called Pipeline of Projects and being led by Chief Executive Unit.

Long Term Capital Grant Estimates

The estimate of capital grant funding for the long term is outlined in the table below.

| Scenario | 2024/25 £000 | 2025/26 £000 | 2026/27 £000 | 2027/28 £000 | 2028/29 £000 | 2029/30 £000 | 2030/31 £000 | 2031/32 £000 |
|------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Best Case | 10,481 | 10,690 | 10,904 | 11,122 | 11,344 | 11,571 | 11,803 | 12,039 |
| Mid-Range | 9,876 | 9,876 | 9,876 | 9,876 | 9,876 | 9,876 | 9,876 | 9,876 |
| Worst Case | 9,295 | 9,109 | 8,927 | 8,749 | 8,574 | 8,402 | 8,234 | 8,069 |

Currently, the estimated funding for the long term is not committed to any projects, however, there needs to be awareness that a large proportion of the capital funding will be required to sustain the current asset base under asset sustainability in order to meet health and safety requirements, for example, re-roofing, replacement windows, roads reconstruction. Therefore the importance of successful bidding to structural funds, partnership working and winning funding from other sources to deliver Service Development or Strategic Change projects will be become even more important. There has been an increased number of new funds announced recently like UK Government Levelling Up, Future Transport Fund, Learning Estate Investment Programme and National Islands Plan that may be targets depending on the requirements.

5. Our approach to Capital and Infrastructure Investment

In order to manage and plan investments appropriately our assets have been grouped into 8 categories. Prioritisation and themed investment is also suggested depending on the asset.

Asset Groups

The asset groups we have identified for planning are:

1. Property assets – all buildings including operational, commercial LIVE Argyll & HSCP
2. Roads and related assets
3. Amenity assets
4. Education assets
5. Housing
6. Transport infrastructure
7. Machinery, fleet and vehicles
8. ICT assets

In addition the Capital Investment Strategy introduces two asset themes:

9. Economic Development
10. Climate Change

This will enable us to ensure that the capital funding we have available best meets the aspirations and ambitions of the Council in growing our economy and protecting our environment.

For each grouping the following projects and commitments have been identified which will require capital funding during the lifetime of the Capital Investment Strategy. In addition there will be an ongoing capital commitment to maintain the current assets to a usable standard.

1. Property assets

Property assets are essential to supporting the services delivered by the council. Managing these assets is a structured process which seeks to ensure best value for money and improved performance in meeting strategic needs. Property assets include shared offices, LIVE Argyll properties, Health and social care properties, children's homes, day centres, care homes, customer service points, leisure centres, halls, community centres and libraries.

It will also include buildings like public conveniences, depot buildings, stadiums & pavilions which historically have been held on separate accounts or budgets. These will move to being managed corporately by the Property team on behalf of the whole organisation and this will require the realignment of budgets in recognition of this change.

Notably this category also includes commercial property assets and our investment portfolio where revenue is created through the lease or licence of property. This income is then reinvested into other priorities of the Council. The growth of investment opportunities and generation of long term revenue on Council owned property will be prioritised through the development of a Commercial Investment Team and Programme.

Priority projects being taken forward for this category will include:

- Improvements to the physical environment, maintenance and suitability
- Commercial Priority Projects and One Council income generation
- Asset rationalisation

- Regeneration projects
- Colocation and shared office space
- Energy efficient buildings
- Climate change related investment and projects
- Community use of our buildings
- Support for delivery of council priorities and improved community outcomes

2. Road related assets

Roads related assets are the council's largest and most visible asset. The network includes roads, footways and cycleways including lighting, signage, vehicle barriers and drainage. Roads related assets include structures such as bridges, retaining walls, coastal protection and slope stability infrastructure. As this is a highly visible part of the council's portfolio adequate maintenance is essential to ensuring the existing infrastructure supports the communities of Argyll and Bute.

Priority projects being taken forward for this category will include:

- Improvements to the physical environment and suitability
- Reconstruction
- Maintenance
- Road related construction
- Flooding infrastructure
- Major infrastructure projects
- Addressing or adaptation for climate change
- Active Travel

3. Amenity

The aim of this asset group within the capital programme is to provide fit for purpose amenity assets that support high quality service delivery and meet the needs of our communities, whilst minimising costs and future liabilities.

Priority projects being taken forward for this category will include:

- Cemetery expansion including internal bridges, walls and roads
- Playing fields and public park commitments including internal bridges, walls and roads
- Public Convenience improvements and rationalisation
- Improvements of amenity spaces
- Playparks

4. Education

This asset group includes, in addition to planned maintenance, large scale or specific projects to build, extend or substantially improve the Education estate. Our Learning Estates Strategy provides the framework and prioritisation for improvements to our schools and will ensure our buildings are no longer used in isolation for the delivery of education but rather should be a hub for the local community. We will look at the sustainable use of our learning estate, moving forward buildings will support the community in addition to being centres for learning and teaching.

Priority projects being taken forward for this category will include:

- Improvements to the condition and suitability
- Potential new school projects and whole school refurbishments – notably a LEIP bid for Mull
- Delivering community and commercial opportunities from Learning Estate
- Improving environmental performance of the Learning Estate

5. Housing

Housing development is principally funded through the Strategic Housing Fund. However, in 2023 the Council have declared a housing emergency and new and innovative options are currently being considered to intervene and improve current circumstances. A Housing Delivery Group has been established to identify current challenges and seek solutions. The SHF is primarily funded by revenue raised through a decision to reduce the discount awarded to Council Tax on empty and second homes in Argyll and Bute. Housing is a growing area of focus and re-fresh of ABOIP plus Council direction in 2023 is likely to grow intervention and focus on the subject matter. The Council has already agreed to extend the funding criteria to include community groups as well as Registered Social Landlords, providing they secure a Rural Housing Fund and/or Island Housing Fund grant from the Scottish Government. In order to enable larger housing developments there can be a requirement for investment in enabling infrastructure which would support the growth of communities ensuring we meet the ambition in the local development plan.

Projects taken forward in this area could include:

- Contributions to social housing developments
- Enabling infrastructure such as access roads
- Investment in other tenures of housing
- Land acquisition
- More innovative measures as defined by Housing Delivery Group

6. Transport infrastructure

The Council has given a commitment to ensure that our infrastructure is safe and fit for the future; that our communities are protected and supported; that we are efficient and cost effective and that we provide support, prevention and opportunities to help people make better lifestyle choices. A key part of the Council's vision is to ensure that our diverse geographic location with remote, rural and island communities is fully taken into account when distributing funding. To that end, the Council has a 10 year asset management plan in place for all of its 39 piers and harbours. The Council's transport infrastructure is a valuable asset – as such, both capital and revenue funding is carefully allocated to ensure the future of related infrastructure is safeguarded for all.

Projects being taken forward include the construction, reconstruction, improvement of and maintenance of:

- piers
- harbours
- airports

7. Machinery, fleet and vehicles

This asset group comprises plant such as road rollers, hot boxes, ride on lawnmowers etc; fleet items such as bin lorries, gritters and school mini buses; as well as vehicles like pool cars, including an increasing amount of electric/hybrid vehicles. There is a government requirement to make all small vehicles and cars

electric by 2025 but is currently unfunded. These assets are crucial in allowing the Council to deliver its public services across such a large and geographically diverse area, with effective fleet allowing us to support frontline services to meet our statutory requirements in terms of legislation such as the Roads Scotland Act and the Environmental Protection Act. In considering capital investment it is important to consider whole life costings and any potential future revenue implications, positive and negative e.g. the revenue implications for maintenance should reduce following capital investments.

Projects being taken forward include:

- Equipment replacement
- Vehicle replacement
- Waste disposal provision
- Phasing in the use of electric and hybrid vehicles including electrical charging facilities

8. ICT assets

This asset group includes planned maintenance of key council wide infrastructure and supports major change projects designed to help the Council become a “forward looking and ambitious” organisation through the delivery of reliable and efficient ICT Services, by maximising access to information to support better quality decision making, via continuous improvement, and supporting a change in work styles. The Council’s ICT and Digital Strategy illustrates the Council’s expectations for ICT services to seek further opportunities to contribute to an on-going transformation programme and to help deliver the greatest service delivery efficiencies possible.

Projects being taken forward include:

- Digital first strategies
- Artificial Intelligence
- Replacement and rationalisation of new business applications
- Mobile technologies
- Infrastructure and Digital Foundations/ Core Technologies servers and storage
- Security and Compliance
- PCs, and Laptops
- Internet of Things (IOT)
- Enabling An Agile And Flexible Workforce
- Customer Engagement
- Education ICT and Virtual Learning

Project Themes

As well as the defined asset categories listed above there are 2 specified project themes which are concerned with capital spend and infrastructure investment that are cross cutting across the organisation. Both of these categories already have dedicated governance through their own Boards so the role of the Capital Investment Board will be amended accordingly for these projects.

9. Economic Development

This group has historically been amongst the largest portfolio of capital spend for the Council and in recent years has included the strategic change projects of Helensburgh Waterfront, CHORD Improvements, Rothesay Pavilion and Queens Hall Dunoon. Currently the Oban & Lorn Arc Tax Incremental Financing (TIF)

Project and Rural Growth Deal (RGD) are underway at varying stages. These large projects transcend a number of years and it is proposed update reporting is provided to the Capital Investment Board whilst governance is delegated to the respective project or programme board. Due to the significance of these projects capital monitoring will be key to overall budget performance of the Council.

10. Climate Change

This grouping is varied and all departments have a role to invest in projects to help the Council and region achieve its net zero target by 2045. This may include energy efficiency, creation of renewable energy, sequestration or removing fossil fuel reliance. All such projects are reported to the Climate Change Board and thereafter will be heard by the Capital Investment Board for review of Business Case.

Area Plans & Pipeline of Projects

The Council is committed to the creation of Area Plans following Budget decisions in 2023. Work is ongoing across the Council to develop Area Plans for defined geographic locations during 2023/ 24 and beyond. Whilst the exact form of these plans or groupings is currently unclear it is likely they will have an influence on investment priorities and scoping infrastructure for our region. We can expect these ambitious plans to shape the future capital investment and prioritisation of spend in terms of Council's asset base like property assets, roads & related assets, amenity assets, housing assets, education assets, transport infrastructure, ICT Assets and Equipment fleet and vehicles.

Area Plans are also likely to identify investment from both private and public sector that sets ambition plus confirmed and unconfirmed projects some of which will currently be unfunded or aspirational. This work is in effect a framework to coordinate and ensure corporate awareness of potential future development and inform future years Capital Planning.

In a similar vein, work is ongoing to develop a Pipeline of Projects which includes both funded and unfunded workstreams that support the strategic aims of the Council, our communities or region. Given the current landscape of government funding which is bid led it is increasingly important to develop projects / propositions to an Outline Business Case in order they can be drawn down ready to submit to these competitive (and usually with tight timescales) processes. Work and alignment with this Pipeline of Projects and Capital Planning will continue.

6. Governance and assurance

The Capital Investment Strategy, corporate Asset Management Strategy and capital programme provides a strategic framework for securing best value in the use of the council's capital resources and asset infrastructure. Our Capital Strategy aims to take a whole organisation approach to prudent, sustainable and resilient investment.

This new strategy sets out a refresh of the process and greater inclusion of elected Members when setting category priorities over the medium term.

To ensure that the Strategy is translated into ongoing delivery at operational level, the following revised governance arrangements are proposed.

The aim is to have a review and refresh of current arrangements so notably some terminology is changing including:-

- **Strategic Asset Management Board (SAMB)** is being replaced by **Capital Investment Board (CIB)**;
- **Service Asset Management Plans (SAMPS)** are being replaced by **Priority Investment Plans (PIPS)**;

Role of elected members

The Council’s Constitution and Financial Regulations provide a robust framework for monitoring and reporting the Capital Investment Strategy and plan. In setting the Budget elected members approve the Council’s capital expenditure and decisions relating to the control of the Council’s borrowing requirement. The Council’s Constitution details the specific delegations. The principal delegation in relation to capital investment and asset management planning including monitoring lies with the Policy and Resources Committee as per the Council Constitution.

The annual review of capital programme is linked to the budget and service planning process. The management of the capital programme is undertaken by the Capital Investment Board and recorded on Service Asset Management Plans and Group Asset Management Plans (SAMPS + GAMPS) which are reported to ELT and form part of budget pack. The SAMPS/ GAMPS templates have undergone a redesign in 2022/23 and are now considered to be more accessible and focussed documents that better support Member decision making and scrutiny. As part of this refresh of arrangements and to better reflect that we are prioritising spend per service it is proposed to rename the new version SAMPS/ GAMPS template as Priority Investment Plans (PIPs). The PIPs are developed in year, services will engage with Departmental Management Teams and Policy Lead to identify priority projects. Engagement will take place early on in the process with the elected members to check that the emerging priorities within the PIPs support their priorities.

For the avoidance of doubt, there will require to be a certain level of operational asset sustainability to maintain service delivery e.g. maintaining buildings as wind and watertight or ensuring health and safety requirements are met. This will be set out by officers and any change to this will require wider changes to service delivery.

Prioritisation of asset sustainability and service development investment in line with priorities with an understanding of the anticipated impact of investment e.g. roads resurfacing or school suitability where investment may not be essential but reduced investment may lead to deterioration.

Once the Council has confirmed Priority Projects within the PIPs, the residual block allocation can be allocated to other requirements. Service Development and Strategic Change projects will require satisfactory business cases. Once the PIPs are prepared engagement begins with all elected members in conjunction with budget preparation.

The Capital Investment Board (new name – formally the Asset Management Board)

The Asset Management Board – as currently known – will be wound up and replaced with a new Capital Investment Board. The membership of the board will be reviewed but the intention will be to have Financial Services and asset leads / Heads of Service or 3rd Tier present thereby increasing strategic influence and prioritisation.

The capital programme will be prepared and monitored by the Capital Investment Board chaired by the Head of Commercial Services.

The Asset Groups have been allocated to the members of the board:

| Asset Group | Responsibility |
|-----------------|---------------------|
| Property assets | Commercial Services |

| | |
|-------------------------------|----------------------------------|
| Roads and related assets | Road and Infrastructure Services |
| Amenity assets | Road and Infrastructure Services |
| Education assets | Education Service |
| Housing enablement | Commercial Services |
| Transport infrastructure | Road and Infrastructure Services |
| Equipment, fleet and vehicles | Road and Infrastructure Services |
| ICT assets | Customer Support Services |
| Economic Development | Development and Economic Growth |
| Climate Change | Commercial Services |

The Capital Investment Board will meet quarterly and the frequency of the meetings may increase at times of high activity (budget setting). Financial Services will be present for every meeting and update on position and monitoring of capital expenditure at an executive level. Other Project Managers or support may be called in depending on nature of agenda. Reporting to the Capital Investment Board will be in accordance with the principles of good project management i.e. reporting by exception, to ensure effective use of the Board's time and to ensure the Board's input is maintained at a strategic level.

Services will notify the board of emerging projects and priorities. The board will use block allocations as the starting point when preparing the capital programme. The existing formula for block allocations is based on GAE and this will be reviewed in 2022/23 and be in place for the setting of the capital programme in 2023/24. Block allocations relate to the general capital grant allocated from Scottish Government and excludes other specific grants e.g. rural deal, coastal communities fund and any other source of external funding.

Capital will be allocated to individual projects through the development of the PIPs or funding obtained through other sources – for example externally funded or grant awarded projects. The PIPs focus on the 3 types of projects, asset sustainability, service development and strategic change. A PIP will be prepared for each of the 8 asset groups and replace the Service Asset Management Plans. The PIPs will be prepared by Officers and signed off by the Capital Investment Board.

PIPs will also be prepared for Economic Development and Climate Change projects and all projects within these plans will require business cases.

In addition, all new service development and strategic change projects within the capital programme will be required to develop through to Outline Business Case i.e. they will be supported by a Strategic Outline Programme (SOP) [Gateway Review Stage 0 – Strategic Fit] to determine the strategic context; and a Strategic Outline Case (SOC) [Gateway Review Stage 1 – Business Justification] which will scope the proposal. All strategic change projects will be required in turn to develop a full business case. Asset sustainability projects do not require a business case of any type as information on the condition and suitability of the asset is available. All business cases will be scored and prioritised by the Capital Investment Board even if they are to be approved by another board / governance structure.

Business cases for specific grants e.g. rural deal, Crown Estate funding and any other source of external funding should be presented to Capital Investment Board for scoring and recommendations.

The role of the Capital Investment Board is:

- To ensure that decisions in respect of capital funding are aligned to the council's strategic priorities, are affordable and deliverable;
- To scrutinise the business cases for strategic change and service development, including the stated benefits from the capital investment, as well as the council's asset sustainability priorities;
- To ensure that Capital Prioritisation Plans are prepared for a 5 year period, reviewed and updated annually – services will be responsible for informing the appropriate Asset Category Head of Service of their particular service's current and future operational requirements for each asset or category of assets;
- To ensure effective consultation with Services to determine and document their future needs;
- To develop appropriate criteria to determine the prioritisation for capital investment in assets;
- To monitor the on-going delivery of the programme of individual projects to ensure delivery against budget, programme and quality criteria and manage slippage and accelerations;
- To provide direction to any projects which are in exception;
- Monitor the progress in delivering capital projects on a programme basis with overview material slippage or acceleration to meet the priorities of the Council;
- To evaluate the success of delivered projects in the context of the benefits (forecast and delivered) and, by extension, the overall return on the capital investment.

The Executive Leadership Team (ELT) will set the direction within which the Capital Investment Board operates. Capital Prioritisation Plans are scrutinised and challenged by the Capital Investment Board and interdependencies identified. Implementation programming begins and resources allocated. Capital Prioritisation Plans are in turn issued to Departmental Management Teams (DMTs) for information and approval before submission to ELT.

Monitoring and Reporting:

The progress of capital projects is reported to Executive Leadership Team (ELT) and the Policy and Resources (P&R) Committee via the PIPS Process, capital monitoring report included in the financial monitoring pack. This ensures that management and Elected Members have an understanding of projects that are progressing as intended and also ensures early identification of projects that may not be progressing as expected and allows action to be taken to rectify this where possible. This information is collated from project managers monthly where they provide updates on year to date spend, slippage/accelerations, variances between projects, total project spend project timescales, project benefits and project risks.

The estimates, as reported within the capital plan monitoring, are then factored into the treasury management reports to ensure that regard is given to the treasury position. When we have a better view of our capital investment requirement and ambition in our capital investment plan, we will aim to summarise the treasury position, where relevant to the Capital Investment Strategy, in future iterations of the Capital Investment Strategy.

When the Council is better able to extend the capital plan to a period of up to 15 years, it will enable an improvement in the management of the forward balance sheet position. It will enable an extension of the Capital Financing Requirement (CFR) profile, which in turn will enable a much more realistic delivery profile and stronger view of the potential borrowing requirement.

A diagrammatic of the governance arrangements is shown at **Appendix A**.

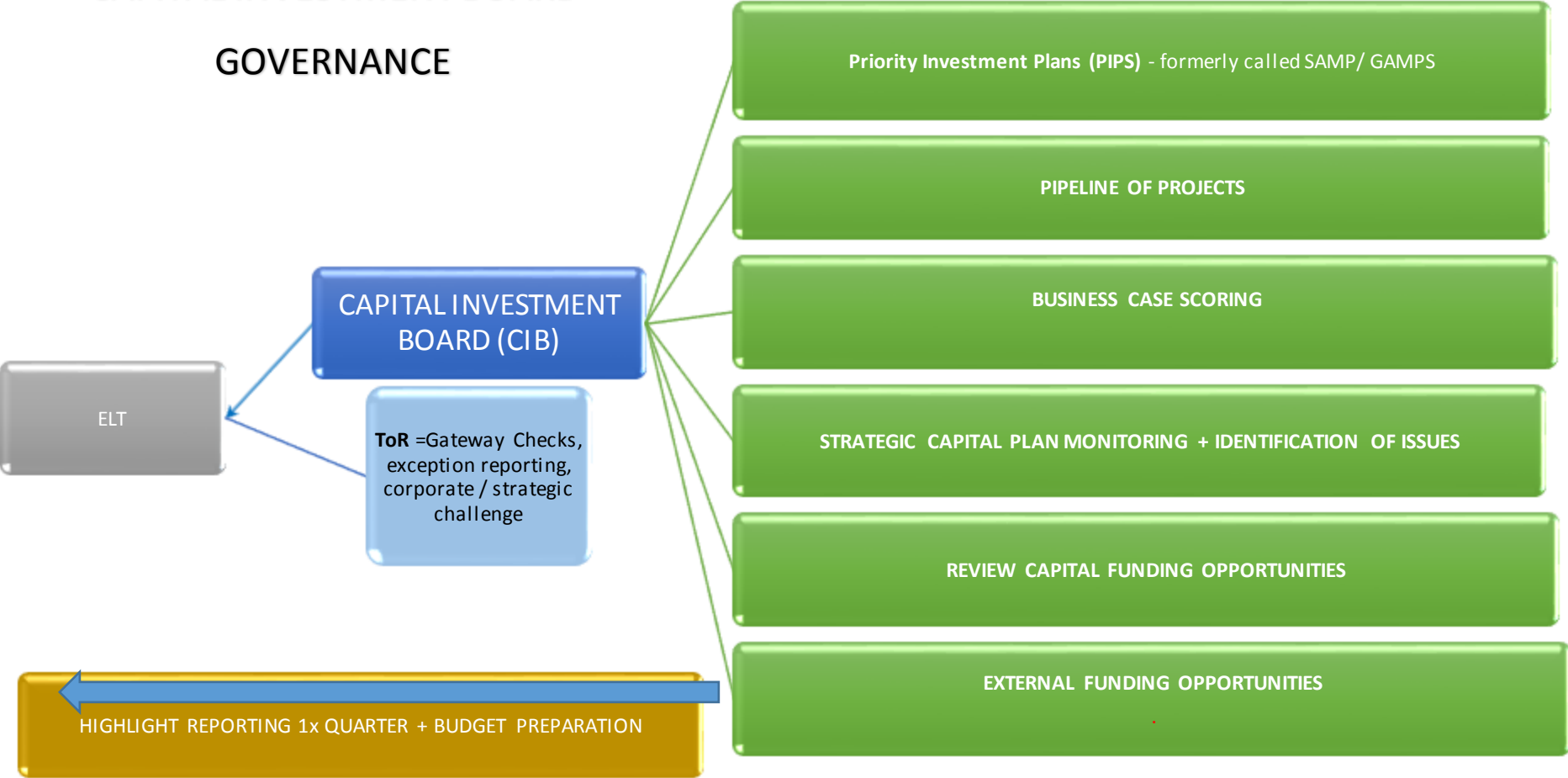
7. Reviewing the Capital Investment Strategy

The Capital Investment Strategy has been informed by research into strategic influences as well as discussions with officers across the Council. The Strategy will be put to elected Members for review and discussion during 2023.

The programme and list of investment priorities will be updated on an annual basis and this overarching Strategy will be reviewed on a 5 yearly basis or as and when necessary to respond to new challenges and opportunities as these arise.

CAPITAL INVESTMENT BOARD

GOVERNANCE



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ARGYLL AND BUTE COUNCIL

POLICY AND RESOURCES
COMMITTEE

COMMERCIAL SERVICES

10th AUGUST 2023

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

1. EXECUTIVE SUMMARY

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

- The operation of the processes in regard to formal Asset Transfer Requests (ATR) and Participation Requests in terms of the Community Empowerment (Scotland) Act 2015;
- Current live informal Expressions of Interest (EOI's) which may become subject to a formal asset transfer request or be dealt with outwith the formal asset transfer request process;
- Current live ongoing or agreed Participation Requests received by the Council; and
- The annual reporting requirements in respect of Asset Transfer Requests and Participation Requests set out in Section 95 and 32 of the Community Empowerment (Scotland) Act 2015 respectively.

1.2 At the Elected Members seminar on 21st March 2023 it was agreed that updates on ATRs and EOIs would be provided on a 6 monthly basis. Accordingly this report will be circulated to all Members following the committee and a further update report will be provided to all Members in February 2024.

RECOMMENDATIONS

1.3 It is recommended that:

The Policy and Resources Committee note and consider the report.

ARGYLL AND BUTE COUNCIL

**POLICY AND RESOURCES
COMMITTEE**

COMMERCIAL SERVICES

10th AUGUST 2023

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

2. INTRODUCTION

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

- The operation of the processes in regard to formal Asset Transfer Requests and Participation Requests in terms of the Community Empowerment (Scotland) Act 2015;
- Current live informal Expressions of Interest (EOI's) which may become subject to a formal asset transfer request or be dealt with outwith the formal asset transfer request process;
- Current live ongoing or agreed Participation Requests received by the Council; and
- The annual reporting requirements in respect of Asset Transfer Requests and Participation Requests set out in Section 95 and 32 of the Community Empowerment (Scotland) Act 2015 respectively.

2.2 At the Elected Members seminar on 21st March 2023 it was agreed that updates on ATRs and EOIs would be provided on a 6 monthly basis. Accordingly this report will be circulated to all Members following the committee and a further update report will be provided to all Members in February 2024.

3. RECOMMENDATIONS

It is recommended that:

3.1 The Policy and Resources Committee note and consider the report.

4. DETAIL

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

- Asset Transfer Requests (ATR's) (part 5 of the Act) which came into force on 23 January 2017. ATR's enable community bodies to make requests to all local authorities, Scottish Ministers and a range of public bodies for any land or buildings they feel they could make better use of. They can request ownership, lease or other rights as they wish.

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

EXPRESSIONS OF INTEREST (EOIs)

- 4.2 There were twenty (20) active Expressions of Interest (EOIs) (as at 21st June 2023) and these EOIs are listed in Appendix 1. Since the update report in August 2022, 10 EOIs have been received. To date, since January 2017, 84 EOIs have been received of which 64 have been resolved or withdrawn. It should be noted that the Council has continued to engage with community groups who have had EOIs active for a significant period of time and while they remain active the requesters have not yet moved them on. There are currently no significant actions outstanding for the Council in relation to these.
- 4.3 Further, most EOIs would not progress or develop into a formal asset transfer request. EOIs are dealt with in a way that seeks to deliver the outcome required by the community group allowing the request to progress without the formal asset transfer process. Some EOIs are also withdrawn for a variety of reasons such as the group changing focus of what was needed, a better option becoming available or a lack of time and resources to progress their plans.

ASSET TRANSFER REQUESTS

- 4.4 The Council has put in place information, advice and guidance to community bodies who are interested in making a formal ATR and further information on this can be found on the Council's website at <https://www.argyll-bute.gov.uk/my-community/communities-and-partnerships/community-asset-transfer/asset-transfer-expressions>. There have been 3 ATRs submitted following the implementation of the Act and as at 31st May 2023 there were no active ATRs.

PARTICIPATION REQUESTS

- 4.5 Part 3 of the Community Empowerment (Scotland) Act 2015 provides a framework for the use of participation requests by community bodies, with the intention of enabling communities to have more influence over services and decisions which affect them. Part 3 of the Act came into force on the 1st April 2017.
- 4.6 In line with the requirements of the Act, the Council has put in place a procedure which allows consideration of any requests made by community bodies. The procedure and further information can be found on the Council's website at <https://www.argyll-bute.gov.uk/my-community/communities-and-partnerships/find-out-more-about-participation-requests>
- 4.7 During the period 1 April 2022 to 31 March 2023, the Council did not receive any participation requests.

ASSET TRANSFER AND PARTICIPATION REQUESTS - ANNUAL REPORTING REQUIREMENTS

- 4.8 Section 95 of the Community Empowerment (Scotland) Act 2015 requires the Council to publish an annual report setting out the numbers of asset transfer requests received and their outcomes.
- 4.9 The report also requires to set out what the Council has done to 1: promote the use of asset transfer requests and 2: support community bodies to make requests and can be found on the Council's asset transfer webpages here:
<https://www.argyll-bute.gov.uk/my-community/communities-and-partnerships/community-asset-transfer/asset-transfer-expressions>
- 4.10 Annual reports cover each year from 1 April to 31 March and must be published by 30 June.
- 4.11 Section 32 of the Act also requires the Council to publish an annual report in respect of Participation Requests setting out:
- The number of requests received;
 - The number of requests agreed and refused;
 - The number of requests which resulted in changes to a public service provided by, or on behalf of, the public service authority; and
 - Any action taken by the public service authority to promote and support the use of participation requests.
- 4.12 Annual reports Participation Requests cover each year from 1 April to 31 March and must be published by 30 June. The relevant report has been published on the <https://www.argyll-bute.gov.uk/my-community/communities-and-partnerships/find-out-more-about-participation-requests>

5. CONCLUSION

- 5.1 This report advises the Policy and Resources Committee on the operation, of the processes in regard to Asset Transfer Requests and Participation Requests in terms of the Community Empowerment Act 2015 and updates on ATR's, EO's and Participation Requests to date.
- 5.2 It is recommended that the Policy and Resources Committee note the contents of the report.

6. IMPLICATIONS

- 6.1 Policy – In line with council policy relating to Asset Transfer and Participation Request processes.
- 6.2 Financial – None from annual reporting.
- 6.3 Legal – In line with statutory requirements of the Community Empowerment (Scotland) Act 2015 and related Regulations.
- 6.4 HR – None.
- 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 from annual reporting.
- 6.7 Risk – Failure to meet statutory requirements could have reputational implications for the council.
- 6.8 Customer Service – None.

Douglas Hendry - Executive Director with responsibility for Commercial Services
Councillor Gary Mulvaney – Policy Lead, Finance and Commercial Services
Date: 27th June 2023

For further information contact:

Ross McLaughlin, Head of Commercial Services, 01436 658 914
David Allan, Estates and Property Development Manager, 01436 657 620
David Rennie, Partnerships Development Officer, 01700 501 371

Appendix 1

Current Active Expressions of Interest (as at 21st June 2023)

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

| No | Organisation | Asset | Summary of Expression of Interest | Current Status |
|----|--|--|---|--|
| 1 | Mid Argyll Rugby Club (MARC) | Kilmory Pony Park show ground | Request to lease the ground for development of rugby facilities. | Terms agreed with MARC and approved internally. Access arrangements under discussion prior to conclusion of lease. |
| 2 | Kirkmichael Community Development Group | Kirkmichael Park Changing Room | Request to lease pavilion and grounds for use as an office and to deliver wider services. | Group are being supported to develop their business plan for the proposal. |
| 3 | Scenic Sandbank | Former Teacher Centre Sandbank | Request to purchase the site and develop a community garden. | Group successful in Land Fund application. Terms for sale agreed and reported to DMT on 3/7/23. Legal Services to be instructed thereafter. |
| 4 | South Islay Development | Ramsay Hall | Request to lease the building to redevelop the facility and operate the services. | Group are pulling together a funding package to develop the asset to be suitable for running an under 5's nursery in the Hall. |
| 5 | Rhu and Shandon Community Centre | Rhu Community Centre | Request for lease to assist in applying for development funding for the building | Terms are under discussion but the approach requires to be consistent with other halls / community facilities. Support is being provided to the group. |
| 6 | Kilfinan Community Forest Company (KCFC) | Tighnabruaich Primary School Grazings access | Request to acquire ground to formalise access. | Group assisted to secure an independent valuation and are applying to the Land Fund to support the acquisition of the ground. Land Fund application has been submitted awaiting results. |
| 7 | Isle of Jura Development Trust | Picnic area at Craighouse Pier, Isle of Jura | Request for a lease of the site to improve the facilities. | Terms agreed with group for a Licence, DMT approval received and Legal Services instructed. |
| 8 | The Dunoon Project Ltd | Morag's Fairy Glen & | Request to acquire the sites to support the | Initial investigations completed and awaiting |

| | | | | |
|----|--|---|--|---|
| | | Bishop's Glen, Dunoon | delivery of the wider project and improve the public access and facilities. | further feedback from the group. Significant project which will take time to develop. |
| 9 | Ardrihaig Community Food Growing Project | King George V Park, Ardrihaig | Request to lease part of park as a community food growing area. | Heads of terms to be issued. |
| 10 | Ardrihaig King George V Community Park Association | King George V Park, Ardrihaig | Request to develop the facilities and maintenance arrangements of the park | Group are being supported to develop their request. |
| 11 | Dunoon Youth Football League | Black Park, Dunoon | Request to bring back into use the green football pitch on the Black Park site working in partnership with the Council and Live Argyll | Initial licence to reopen changing rooms is underway. A meeting with funders to restore the playing field are set to take place in July 2023. |
| 12 | Dunoon Pipe Band | Dunoon Pipe Band Hall, Dunoon | Request for a new lease of the hall. | Group are being supported to develop their request. |
| 13 | Princess Louise Hall Committee | Princess Louise Hall & Howie Pavilion, Rosneath | Request for new lease of hall and pavilion | Heads of terms nearing completion and to be reported to DMT in July 2023. |
| 14 | Jura Development Trust | Jura Roads Yard, Craighouse Pier, Isle of Jura | Request to acquire yard to expand the group's adjacent business. | Depot is required operationally so would require an alternative location if closed. Group seeking alternative options. |
| 15 | Oban Lorne RFC | Glencruitten playing fields, Oban | Request to lease / acquire playing fields and clubhouse and to develop new facilities | Heads of terms under discussion with the club. On agreement in principle will be reported to DMT for consideration. |
| 16 | Lismore Community Trust | Lismore Pier, Isle of Lismore | Request to acquire pier facilities and public toilets | Initial investigations are under way to confirm the best way forward for the group. |
| 17 | Isle of Bute Seaports Club | Seaports club house / store. | Request for new lease of site and clubhouse | Initial details are being gathered to support the group. |
| 18 | Balemartine Community Garden Association | Balemartine Schoolhouse Playing field | Request to develop vacant site into Community Garden for local residents | Initial investigations are under way to confirm the best way forward for the group. |

| | | | | |
|-----------|--|--|--|---|
| 19 | Argyll and the Isles Coast and Countryside Trust | Land adjacent to Kilmory Castle car park | Request to relocate their base of operations into the Kilmory Estate | Initial investigations are under way to confirm the best way forward for the group. |
| 20 | Land at McCalls Terrace Oban | Keep Oban Beautiful | Request licence to look after a small strip of woods on behalf of the community. | Initial investigations are under way to confirm the best way forward for the group. |

ARGYLL AND BUTE COUNCIL**POLICY AND RESOURCES****DEVELOPMENT AND ECONOMIC
GROWTH****10 AUGUST 2023**

UK LEVELLING UP FUND – GOVERNMENT FEEDBACK

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides a copy of the feedback from the UK Government (attached at **Appendix 1** and **2** of this briefing) on the two bids that were submitted by the Council to the UK Government. The report also provides an overview of the Lessons Learned session undertaken with the group of officers who were developing the two bids.
- 1.2 It is understood that the UK Government are shortly to announce a third round of Levelling Up Funds and have signaled a new approach will be taken. This may mean the ending of the competitive bids process and a direct allocation to each eligible area. At the time of writing this report there is no indication on what the level of these funds will be and what criteria will be applied to the funds. It should be noted that the last round of Levelling Up distributed £2.3 bn and it is further understood there may be around £1bn of funding left. Although this may change if the Government decides to increase the monies available.
- 1.3 The report, therefore, looks to prepare for a future round three by seeking delegated authority to move forward promptly and to authorise expenditure on future consultant support to assist in the bidding/project preparation process. In addition, the report identifies projects that are considered by officers of the council to have the best chance of success in relation to existing criteria and welcomes Members' views on what project areas they would like to see explored further and targeted for the next round of funding.

RECOMMENDATIONS

It is recommended that Members:-

- a) Consider the feedback by the UK Government on the two submitted Levelling Up Bids.
- b) Agree the principle of prioritising a single project from elements previously identified in Round 2 as a Round 3 submission of the UK Government Levelling Up Fund.

- c) Agree that the Chief Executive and the two Executive Directors are delegated authority to approve the final bid submissions after consultation with the Leader, Depute Leader and Leader of the largest Opposition Group.
- d) Agree that the funds previously allocated by the Council in the sum of £150k be utilised to support the use of consultants to help with Bid/Project preparation.

ARGYLL AND BUTE COUNCIL

POLICY AND RESOURCES

DEVELOPMENT AND ECONOMIC
GROWTH

10 AUGUST 2023

UK LEVELLING UP FUND – GOVERNMENT FEEDBACK

2.0 INTRODUCTION

- 2.1 This report brings Members up to date with the feedback from the UK Government on the two Levelling Up Bids that were submitted last year as part of round two of the fund. The feedback is contained in **Appendix 1** and **2** of this report together with the findings of Officer feedback in **Appendix 3** of this report.
- 2.2 A further round of funding (round 3), will be announced by the UK Government imminently, although at the time of writing this report it is unclear if it will be a competitive process or more likely an allocation of funds. There is also no certainty on the criteria to be applied or the amount of funding that will be available which makes the choosing of future projects challenging. Allocated funds would have to comply with Treasury 5 Business cases that require a considerable amount of evidence and justification to score highly.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Members:-
- a) Consider the feedback by the UK Government on the two submitted Levelling Up Bids.
 - b) Agree the principle of prioritising a single project from elements previously identified in round 2 as a Round 3 submission of the UK Government Levelling UP Fund.
 - c) Agree that the Chief Executive and the two Executive Directors are delegated authority to approve the final bid submissions after consultation with the Leader, Depute Leader and Leader of the largest Opposition Group.
 - d) Agree that the funds previously allocated by the Council in the sum of £150k be utilised to support the use of consultants to help with Bid/Project preparation.

4.0 DETAILS

4.1 FEEDBACK FROM THE UK GOVERNMENT

The Council chose to submit two bids to the UK Government in round Two of the Levelling Up competitive bid process after choosing not to submit in round one. The UK Government provided £125k to assist with the bidding process and this helped prepare our bids internally with assistance of external consultants as appropriate. The total bids submitted was circa £70m focussing on regeneration in Rothesay and Dunoon (Western Seaboard Marine Gateways) together with a transport bid (Connected Argyll) focussing on Islay/Jura and North Lorn. Unfortunately, both our bids were ultimately not successful.

The Council received feedback from the UK Government on each bid, in March of this year, and this feedback was provided to the ELT and Policy Leads of the council. The Executive Director also had further discussion with UK Officials at a separate meeting and feedback on this is included in the report.

The levelling Up assessment process was undertaken by numerous teams from the UK Government and feedback has focused on areas of strength and areas that can be improved on. Each feedback document is attached at **Appendix 1** and **2** of this report and is summarised in para. 4.5.

4.2 LESSONS LEARNED

Prior to the feedback from Government a session took place with a number of officers on the 3rd November 2022 and was Chaired by the Executive Director with responsibility for Development and Economic Growth. Officers were provided with a Miro Board link a number of weeks in advance of the meeting, and were asked to provide comments in relation to four questions posed. Officers were also given time during the meeting to discuss the questions, and the comments submitted.

The four questions were as follows:-

- What do you think went well;
- What do you think could have gone better;
- What actions do you think we should take from this; and
- What do you think we should change for any future rounds of funding/bids.

List of the officers comments are attached to this report at **Appendix 3**.

4.3 FEEDBACK SESSION WITH GOVERNMENT LEVELLING UP FUND TEAM – MARCH 2023

The Executive Director attended a session with the Government's Levelling Up Team where they shared their analysis of Scottish bids submitted to Round 2

of the Levelling Up Fund, and asked for insight from those in attendance into how they could help Local Authorities across Scotland to develop stronger bids and increase success in future funding rounds. Some comments from the session are noted below:-

- Scotland had 54 bids:-
 - 19 failed economic case
 - 11 failed value for money
 - 13 failed on deliverability
 - 30 bids passed the assessment
 - 24 in total failed

- Suggestion that Scotland was not as good at submitting a robust green book business case.
- Round 3 is likely to be an allocative funds process, it will however still be linked to green book business case.
- The LUF team are keen to look at what were the issues and what would help to bring Scotland's overall scores up.
- It was suggested that for the successful bids in Scotland, officers had recently attended a Green Book Business Training Course (Argyll and Bute Council officers had also done this – please see 2.4 below).
- It was unclear whether our scores were influenced due to our submission being a package bid split over a number of different areas and project elements.

4.4 TREASURY GREEN BOOK

The Green Book is guidance issued by HM Treasury on how to appraise policies, programmes and projects. It also provides guidance on the design and use of monitoring and evaluation before, during and after implementation. Appraisal of alternative policy options is an inseparable part of detailed policy development and design. This guidance concerns the provision of objective advice by public servants to decision makers, which in central government means advice to ministers.

A number of our staff attended the Treasury Green Book training course in March 2019. The view of officers was that this course was too theory based and lacked practical application of the theory, where examples in Argyll and Bute Council could have been used. It should be noted however we employed consultants with extensive experience in the Green Book process to help Officers with the bids.

4.5 SUMMARY OF FEEDBACK

Officers have summarized the feedback from the UK Government below and this is being used to inform our next steps. It should be noted that is very difficult for the council to demonstrate as a rural authority the economic and social outcomes required by a Treasury 5 Business case which ultimately

impacts on the overall score that can be achieved.

In terms of the Regeneration Western Seaboard Marine Gateways Bid limited feedback was given and whilst there was a lot of positive comments relating to the strategic fit of the bid a number of significant weaknesses were identified.

- Limited evidence of alignment with cultural and heritage strategies.
- More details required on demonstrating Net Zero.
- The evidence and analysis was limited to high level statistics.
- There was no evidence of match funding provided, even from the private sector party who were expected to contribute around £1.3m worth of funding.
- No overarching delivery plan was provided.

Overall the issue with the two elements of this bid was it was very difficult to provide the necessary economic and social outcomes required given the split over two communities/locations.

In terms of the Transport Connected Argyll bid.

- There is a need to undertake an economic appraisal of the highway schemes that is in line with TAG, for example the impact on journey times and accidents.
- There is a need to undertake economic appraisal of the active mode schemes, for example using active mode appraisal toolkit (AMAT).
- There is a need to deliver a spend profile across the full construction period for capital expenditure. This should include an appropriate level of inflation for each year that costs are incurred and be discounted to the PVC base year.
- Applying optimism bias at a level that aligns with TAG.
- There were significant gaps in the deliverability section of the bid that needed to be evidenced to strengthen the bid. The budget needed more detail and more evidence on how we were to secure the match funding.
- The procurement approach evidenced was too general and a more specific strategy for the bid with a detailed project delivery plan would have strengthened it.
- While the bidder evidenced a track record of delivering projects of this type and scale, there was insufficient information attached to the delivery plan

included with the bid and details on this and the background, roles and responsibilities of the project team were expected.

- The monitoring and evaluation (M&E) element of the bid could be improved by providing detailed metrics for data collection (for example, how will a reduction in congestion or carbon be measured?)
- Providing details on how the data to be collected will be used to monitor the impact of the scheme and whether it will be measured against baseline conditions or a counterfactual scenario would also have improved the M&E, as would providing timescales for data collection that are sufficient to capture the full impact of the anticipated outcomes.

4.6 NEXT STEPS

The UK Government have confirmed that there will be a future round three of Levelling Up Funding. However this funding is to be distributed (bidding process, or allocation) it will have to comply with treasury Five Business cases, require a level of at least 10% match funding, and timescales for preparation will be tight. Consequently, it is right to start preparations for this process now despite no clarity on the amount of monies available or criteria. Looking at our previous bids and taking into account feedback received internally, and externally, there is a need to consolidate our project list and address the identified gaps in our submitted business cases. The level of bids we went for is certainly a factor we need to take account of as no Authority in Scotland received anything close to the £70m that the Council applied for. The Council needs to recognize that there is a greater chance of success to bid for a lesser amount and that there will consequently be a requirement to focus on a single element of our previous bids with the best chance of success aligned to UK Government criteria, as yet unpublished. If the round three criteria does however change other project ideas may have to be considered.

Officers consider that the projects with the best chance of success are elements of the Dunbeg Corridor and the UAV Hub that both enjoy match funding and have progressed significantly since the submission of round 2 with further economic justification, environmental studies and transport analysis. Alternately, the development of the Jura Ferry and Port improvements could be a bid on its own right. In terms of the regeneration projects, there would be a need to focus on one specific location and add value to the bid previously presented and also secure match funding which in itself is challenging for the council at this time.

To help us prepare for the round three announcement it's requested:-

- Members agree the principle of prioritising a single project from elements previously identified in round 2 as a Round 3 submission of the UK Government Levelling UP Fund;
- That the funds previously allocated by the Council in the sum of £150k be utilised to support the use of consultants to help with Bid/Project preparation.; and

- That the Chief Executive and the two Executive Directors are delegated authority to approve the final bid submissions after consultation with the Leader, Depute Leader and Leader of the largest Opposition Group

5.0 CONCLUSION

- 5.1 This report provides the feedback from the UK Government on both bids submitted by the Council (contained in **Appendices 1 and 2**) together with officer observations of the process undertaken in **Appendix 3**. The report also provides an update on the Levelling Up Fund Lessons Learned session attended by the Executive Director in March 2023 with UK Government levelling Up Civil servants.
- 5.2 The feedback, also summarized in the body of the report, reflects the huge efforts by Officers and our consultants made to submit the bids on time to the UK Government given the scale of the information and justification required. It seems that our use of package bids proved very challenging to deliver the economic/social outcomes the Government required and this needs to be a factor to be taken into account when considering new projects. The availability of council, and external consultant resources, to help with this process is another significant factor to be taken into consideration and this is why the report seeks approval for £150k funding to secure consultants to help with the process. There is also a need to seek delegated authority to ELT, the Leader of the Council the Depute leader, and the Leader of the main opposition to help speed up the process as timelines will no doubt be very tight going forward.

6.0 IMPLICATIONS

- 6.1 Policy – Levelling Up Bids will need to align with Government criteria and the priorities of the Council.
- 6.2 Financial – This report requests £150k of funding to employ consultants as necessary to help the bidding/project preparation process as appropriate. This funding will be taken from council priorities fund. The last round of funding required a minimum of 10% of match capital funding. No match funding is however requested through this report and every effort will be made to align bids with existing revenue/capital commitments.
- 6.3 Legal – None.
- 6.4 HR – Internal staff resources will be required together with external consultant support as required. 6.5 Fairer Scotland Duty:
- 6.5.1 Equalities - protected characteristics - None as yet as no projects have been identified.
- 6.5.2 Socio-economic Duty – None as yet as no projects have been identified.

- 6.5.3 Islands – None as yet as no projects have been identified.
- 6.6 Climate Change – Projects will have to comply with the need to deliver net zero.
- 6.7 Risk – The risk relates to the costs of submitting unsuccessful bids.
- 6.8 Customer Service – None.

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

APPENDICES

Appendix 1 – Feedback from the UK Government on Connected Argyll and Bute Bid

Appendix 2 – Feedback from the UK Government on Western Seaboard Marine Gateways Initiative

Appendix 3 – Officers Lessons Learned Feedback

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APPENDIX 1 – FEEDBACK FROM THE UK GOVERNMENT ON CONNECTED ARGYLL AND BUTE BID

LUF20203 - Connected Argyll and Bute
Argyll And Bute | Scotland | Transport

Bid Summary:

Focusing on a net zero approach to regeneration this bid proposed 2 projects:

1. Islay/Jura Whisky Islands transform 2 key roads (A846 and B8016); new active travel route; additional marshalling capacity for LGVs; low emission replacement ferry with increased capacity; and port infrastructure upgrades.
2. North Lorn Economic Growth Zone trunk road junction works; new service area development road; new commercial area development platform. Oban airport - creation of a new Advanced Aviation Mobility Hub; extend existing helipad; install LED on runway; anti-glare solar panels and new Green Hanger; and introduce green hydrogen fuel to Oban through provision of storage tanks; hydrogen dispensers; and hydrogen bus purchases.

Headline:

This bid provided a strong Strategic Fit element but more details and evidence was required in the Economic Case and Deliverability section to make this a stronger bid.

Assessment Overview

Strategic Fit:

The council provided a detailed bid that clearly set out the local challenges and how the LUF grant would be used to overcome them, and identifying how a thriving whisky industry has the potential to transform the region but is being impeded by the existing transport networks. Similarly, the bid set out how new housing, enterprise and R&D zones on the mainland will only flourish if the proper infrastructure is in place to support them. However, the bid lacked evidence of the demand for an improved active travel route on Islay.

The council highlighted that concerns were raised during the consultation that the region's weather might make greater UAV use unlikely.

The bid included plans to establish a market for hydrogen fuel that were interesting and innovative, and seemed well-thought through.

Economic Case:

This section will outline the economic dimension feedback, whilst we have tried to make this as accessible as possible it is also important that it stays specific and technical to allow it to be insightful and actionable. It is therefore recommended that you should share this feedback with whoever authored the economic dimension if anything is not clear. If this is not possible DfT can provide a high level non-technical

summary on request. The feedback is framed as areas to improve and will not touch on the areas your economic dimension excelled at. The bid would have been improved by:

- Providing details of the problem with the current transport network, supported by evidence such as traffic flows, journey times or evidence of congestion on key routes. Traffic data should demonstrate that it is representative of current conditions and that it has been collected by methods which are aligned with Transport Analysis Guidance (TAG).
- Providing details on what the elements of the scheme consist of, such as the active travel measures
- Providing evidence on how the transport measures will address existing and future transport related issues, for example in terms of the impact on travel times and accidents. The future travel demand should be forecast using an appropriate methodology that aligns with TAG.
- Undertaking an economic appraisal of the highway schemes that is in line with TAG, for example the impact on journey times and accidents.
- Undertaking an economic appraisal of the active mode schemes, for example using active mode appraisal toolkit (AMAT).
- Presenting a spend profile across the full construction period for capital expenditure. This should include an appropriate level of inflation for each year that costs are incurred and be discounted to the PVC base year.
- Applying optimism bias at a level that aligns with TAG.

Deliverability:

There were significant gaps in the deliverability section of the bid that needed to be evidence to strength the bid. The budget provided was high-level and required refinement and more evidence needed to be provided on securing the match funding. More evidence was also needed as to demonstrate that the Islay Community Access Group had the skills and experience to deliver the capital expenditure over a three year period.

The procurement approach evidenced by the applicant was too general and a more specific strategy for the bid with a detailed project delivery plan would have strengthened it.

While the bidder evidenced a track record of delivering projects of this type and scale, there was no delivery plan included with the bid and details on this and the background, roles and responsibilities of the project team were expected.

The monitoring and evaluation (M&E) element of the bid could be improved by providing details metrics for data collection (for example how will a reduction in congestion or carbon be measured?).

Providing details on how the data to be collected will be used to monitor the impact of the scheme and whether it will be measured against baseline conditions or a counterfactual scenario would also have improved the M&E, as would providing timescales for data collection that are sufficient to capture the full impact of the anticipated outcomes.

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APPENDIX 2 – FEEDBACK FROM THE UK GOVERNMENT ON WESTERN SEABOARD MARINE GATEWAYS INITIATIVE

LUF20344 - Argyll and Bute Western Seaboard Marine Gateways Initiative -
Rothesay and Dunoon

Argyll And Bute | Scotland | Regeneration and Town Centre | £20,000,000

Bid Summary:

These proposals will improve the marine gateway areas, visitor arrival areas and associated infrastructure in Dunoon and Rothesay.

The proposals, which complement recent regeneration efforts, will transform the experience of arriving or leaving these two important, but fragile, Clyde-waterfront towns.

Improvements will be made to key heritage assets, infrastructure, public realm and green spaces combined with active travel and net zero interventions.

These interventions will positively change the visitor experience, increase dwell-time and visitor numbers. Proposals also seek to address localised inequalities and positively impact on income, land values and health & wellbeing providing places that meet local needs.

Headline:

This bid had significant weaknesses. There was limited evidence of alignment with cultural and heritage strategies, and it was unclear how the economic benefits had been calculated. The bid also lacked a procurement strategy, an overarching delivery plan, and a formal M&E plan.

We have provided more specific feedback below. This has been drafted to be as clear and helpful as possible to inform future funding applications

Assessment Overview

Strategic Fit:

The bidder demonstrated good levels of engagement with the majority of relevant stakeholders, including engagement with those who don't usually engage, such as school groups. The engagement clearly helped to shape the final bid, with key priorities identified in the 2016/2017 charrettes, and objectives refined during the 2022 workshops. The applicant had also displayed commitment to engaging stakeholders as proposals move through the next design stages and had noted in the risk register how any future local concerns can be mitigated.

The bid provided context and credible evidence of the local challenges/barriers to growth, and strongly demonstrated how the proposed interventions would address issues such as population decline, the need for key-worker housing, and regeneration of key heritage assets.

The preferred solution for redevelopment of the Royal Hotel was clearly based on a variety of considered options, however, it was not clear on revenue generation for ongoing maintenance, and/or rental receipts. There was explanation of intention for other public and private funding to be leveraged, however, this could have been explained more fully.

The two component elements of this package bid were very clearly aligned in their aims to revitalise areas in need of investment, bring derelict buildings back into active use, preserve heritage assets, and improve community wellbeing and visitor experience.

The bid demonstrated strong evidence for alignment with both local and national growth and development strategies. However, there was limited evidence provided of alignment with cultural and heritage strategies both locally and nationally.

Additionally, the bid did not clearly evidence whether there was a relevant cultural/ heritage or sports/ community hub strategy in place. There was linkage to UK legal and statutory commitments, such as delivering Net Zero and minimising environmental impact, but this was lacking some specifics.

The response briefly set out how the bid aligned to and supported investments from other relevant funding streams. This was particularly strong with reference to Rural Growth Deal Funding, however, there was limited detail offered on other sources of funding.

Overall, the bid demonstrated strong evidence for supporting Levelling Up White Paper Missions and alignment with local growth and development strategies. Efforts to engage the community and address areas of blight within the town centres were clearly articulated, as were the bid's aims to improve quality of life, increase social interaction, and restore pride in place, with potential to have a transformative effect on the wider Argyll and Bute region.

Economic Case:

There was some good analysis of issues such as population decline and falling visitor numbers however the evidence and analysis was limited to high level statistics. To demonstrate the scale of the issue better use could have been made of data on footfall, ferry passengers, sector composition (employment and turnover), demographics, labour market, commercial property market, etc. Data needed to better contextualise by comparing trends over time to those of similar areas and to national performance. There was some survey data used however the sample sizes appeared small and the previous economic studies linked to were outdated.

The Theory of Change listed outcomes which were consistent with the discussed outputs, in particular higher visitor numbers and commercial expenditure. Assumptions around anticipated visitor number changes and how these would be driven by the proposal could have been better explained. More evidence could have been referenced to link these outcomes to improvements in living standards (a major issue identified in the bid), and analysis to show the significance of these impacts.

It was unclear how the economic benefits had been calculated. Although high level assumptions had been described in the application and in Annex T there was no description of how these had been applied in practice. The benefits appeared high given the scale of the proposals (in particular the GVA benefits) and had been arbitrarily divided between the projects. Appraisal period for employment effects was described as 15 years in the explanatory note but was costed over 30 years in the workbook. As per the departmental appraisal guidance, the GVA approach is no longer recommended. The preferred way to monetise benefits is through the use of Land Value Uplifts. The economic costs appeared to have been calculated correctly from the financial case.

Deliverability:

There were a number of issues with the financial information presented. There was no evidence of match funding provided, even from the private sector party who were expected to contribute around £1.3m worth of funding. The expenditure profile was only broken down to a very high level and, in more than one place, several items seem to have been combined into one line. The approach to some key risks was either missing (e.g., match funding contributions) or not appropriate (e.g., meeting the UK government in the eventuality that inflation impacts costs).

The bid did not contain a procurement strategy. There was a reliance on the use of corporate and Scottish Government level initial guidance. While these were relevant, they did not represent in and of themselves a procurement strategy for these projects. There was no real sense of the procurement options, which was the preferred route, or which risks needed to be managed. The answer on contractor and supplier engagement simply signposted to a corporate document.

No overarching delivery plan was provided, and this was a weakness of the bid. Some component parts of what would be expected in a delivery plan were present - for example the delivery programme provided as an annex was a strength of the bid. Because of the lack of a delivery plan, in other areas - such as governance and resourcing - the information given was too high level.

Within the monitoring and evaluation (M&E) plan, there was some discussion of governance arrangements and approach however the bid lacked a formal M&E plan. The applicant could improve the plan by identifying key research questions and key metrics they seek to monitor.

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APPENDIX 3 – OFFICERS LESSONS LEARNED FEEDBACK

A session took place with a range of officers online on 3rd November 2022 and was Chaired by the Executive Director.

The four questions were as follows:-

- What do you think went well;
- What do you think could have gone better;
- What actions do you think we should take from this; and
- What do you think we should change for any future rounds of funding/bids.

| | |
|--|--|
| What do you think went well? | Two bids were submitted with a potential investment of £50m for Argyll and Bute |
| | Aspects of public engagement |
| | Ability to achieve tight deadlines – especially when issues arose such as the Government portal was delayed |
| | Showcased the dedicated staff |
| | Knowledge and skillset of employees was crucial in developing works |
| What do you think could have gone better? | UK Government timeframe reduced capacity to develop bids as much as would have preferred |
| | More team working approach across different services |
| | No definitive resource to take forward large projects – officers required to continue “day job” |
| | Difficulty of procuring consultants/experts – consultants did not have the capacity to undertake the work required and this resulted in a lot of “hand holding” from officers |
| | Dedicated lead officer(s) identified from the outset |
| What actions do you think we should take from this? | Look at how we can better place ourselves to respond to future calls for funding of this nature i.e. undertake scoping and design work in advance |
| | Revisit list(s) of Council priorities on a regular basis to ensure there is a priority list of agreed projects to take forward – gain more transparency in involving a wider range of staff and ensure that there is political soundings on these at the outset – this would result in “shovel ready” projects |
| | Better promotion of the work undertaken and what the Council are trying to achieve for the area – showcase the work the Council are doing |
| | Clarify resources required at the outset of funding calls of this nature to ensure there is a project team approach from start to finish |

| | |
|---|---|
| | Better communication internally – perhaps “working group” should be set up for future rounds of funding |
| | Look at how we develop our staff alongside balanced workloads to get the best out of resource |
| What do you think we should change for any future round of funding/bids? | Look at a list of approved projects for any future rounds of funding which can be scoped and designed |
| | Secure buy in across the council at the beginning of development to ensure the necessary support is committed and available |
| | Councillor engagement to approve projects at the outset – this will ensure that projects being worked on are approved and reduced the time officers spend before approval |
| | Reduce the spread of projects across geographical areas – this provides more challenges and there should be a focus on what would be transformational for the area, towns and the people |
| | Step up political lobbying from Members is needed |
| | More community consultation – note that timeframes set by Government do not always permit time for a full public consultation – this will allow co-design working with communities direct |

ARGYLL AND BUTE COUNCIL**POLICY AND RESOURCES
COMMITTEE****DEVELOPMENT AND
ECONOMIC GROWTH****10 AUGUST 2023**

PLACE BASED INVESTMENT 2023/24 – PBI PROJECTS AND ALLOCATION

1.0 EXECUTIVE SUMMARY

- 1.1 Argyll and Bute Council has been allocated £496,000 for financial year 2023/24 from Scottish Government, via its Place Based Investment (PBI) Programme. The purpose of this report is to seek members formal approval to the projects to be supported via this year's PBI funding allocations as detailed in Table 1.
- 1.2 This report follows on from the email communication to all Elected members from the Executive Director with responsibility for Development and Economic Growth suggesting projects that could be funded by PBI and seeking members views on these and other suggestions which would fit within the funds criteria and timeline.
- 1.3 The report also highlights that members will require to give consideration to the Crown Estate (CE) funding for 2023/24. Whilst the Council has not yet been advised of the formal allocation for CE for 2023/24 it is considered, based on previous year's allocations, that a prudent estimate of £1.0m of anticipated funding in 2023/24, should be considered.
- 1.4 The approach being taken reflects the decision taken at the Policy and Resources Committee in August 2022 whereby it was agreed that suggestions for future years of Placed Based Investment and Crown Estates funding were welcomed from all Elected Members, and that it would be beneficial for any future options to be discussed by Elected Members.

RECOMMENDATIONS

It is recommended that Policy and Resources Committee:-

- a) Agree to the allocation of the Place Based Investment funding for 2023/24 to the projects in Table 1, paragraph 4.8.

- b) Note that the Executive Director with responsibility for Development and Economic Growth will consult with all Elected Members via email to seek suggestions for potential projects that would fit with the Crown Estate 2023/24 funds criteria and timeline.

- c) Note that, following consultation with all elected members as detailed under b) above, a further report on the proposed allocation of the Crown Estate Funding for 2023/24 will be brought forward to the 12th October meeting of the Policy and Resources Committee.

ARGYLL AND BUTE COUNCIL

**POLICY AND RESOURCES
COMMITTEE**

**DEVELOPMENT AND
ECONOMIC GROWTH**

10 AUGUST 2023

PLACE BASED INVESTMENT 2023/24 – PBI PROJECTS AND ALLOCATION

2.0 INTRODUCTION

- 2.1 The council has been allocated £496,000 from Scottish Government for financial year 2023/24 for capital ‘place’ regeneration projects.
- 2.2 The purpose of this report to ask members to agree the allocation of Argyll and Bute Place Based Investment (PBI) for 2023/24 as detailed in Table 1.
- 2.3 The projects proposed are considered to fit strongly with the PBI criteria, deliver on the Council’s Economic Recovery Strategy, are time critical, add value to investment that has already been made by the Council, deliver on our regeneration outcomes for our places, take account of available officer resources and take account of the relatively tight timeline that we need to meet to align with the funding.
- 2.4 The purpose of this report is also to highlight to members that consideration will also need to be given to Crown Estate (CE) funding that is expected within 2023/24. Although the CE allocation for 2023/24 is not yet confirmed, in previous years it has been recommended that the Council could commit up to £1.0m of anticipated funding in advance of formal notification and this would again be recommended for 2023/24.
- 2.5 In order to advance this process and as agreed at the Policy and Resources Committee in August last year, it is proposed to follow the approach taken in regard to PBI whereby the Executive Director with responsibility for Development and Economic Growth seeks suggestions for potential projects which would fit within the CE funds criteria and timeline from all Elected Members. As with PBI this will be done via email communication and a report will then be brought back to the October meeting of the Policy and Resources Committee for formal approval of the proposed projects and CE funding.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Policy and Resources Committee:

- a) Agree to the allocation of the Place Based Investment funding for 2023/24 to the projects in Table 1, paragraph 4.8.
- b) Note that the Executive Director with responsibility for Development and Economic Growth will formally consult with all Elected Members via email to seek suggestions for potential projects that would fit with the Crown Estate 2023/24 funds criteria and timeline.
- c) Note that, following consultation with all elected members as detailed under b) above, a further report on the proposed allocation of the Crown Estate Funding for 2023/24 will be brought forward to the 12th October meeting of the Policy and Resources Committee.

4.0 DETAIL

- 4.1 The 2020 Programme for Government committed to establishing a Place Based Investment Programme (PBIP), linking and aligning place-based funding initiatives. Scottish Government confirmed that Local Government would be receiving a share of the PBIP funding over a 5 year period, including the initial year 2021/22, to support and advance place-based investment and build on the strong partnership currently existing through the Regeneration Capital Grant Fund. As has been the case this year, Argyll and Bute Council will receive a share of this capital funding over the next 4 years.
- 4.2 Argyll and Bute Council's allocation for year 1 (2021/22) was £821,000. The Council's allocations for year (2022/23) was £714,000. The allocation for 2023/24 is £496,000.
- 4.3 The main objectives of the PBIP are:-
 - to link and align place-based initiatives, and establish a coherent local framework to implement the Place Principle;
 - to support place policy ambitions such as town centre revitalisation, community led regeneration, 20 minute neighbourhoods and Community Wealth Building;
 - to ensure that all place-based investments are shaped by the needs and aspirations of local communities; and,
 - to accelerate our ambitions for net zero, wellbeing and inclusive economic development, tackling inequality and disadvantage, community involvement and ownership.
- 4.4 The challenge in respect of the fund is to identify projects that meet the place-based criteria, and are able to be delivered within short timeframes with our limited staff resources. Projects to be delivered under the 2023/24 allocation need to be delivered in a 9 month period and therefore need to be sufficiently well advanced in terms of their development, straightforward to deliver and/or be ready to start on site, or be able to be delivered by a third party.

- 4.5 Under the PBI allocation for 2022/23 the council supported a total of 9 projects, under PBI 2021/22 the council supported a total of 7 projects and prior to the commencement of PBI funding the council supported a total of 28 projects under the previous SG Town Centre Funding stream. As a number of those projects being supported through the previous year's allocation are ongoing, the key issue has and continues to be the availability of internal resources to develop and deliver new projects. Further updates on the projects supported by previous years PBI allocations will be provided at the EDI committee on 31st August under the 6 monthly Large Scale Project report.
- 4.6 As with previous year's PBI funding the focus for this year's PBI fund has to be on projects that are at delivery stage, and can definitely be delivered. The projects need to fit with the PBIP criteria, have the ability to build on previous investments, and require the resources to be in place to ensure delivery within the timescales required by the Scottish Government. The projects identified in **Table 1** have therefore been selected on the basis that they are focusing on projects that are well advanced and there is a time constraint associated with them and they can be readily taken forward to meet the PBI timelines, and for the added value that they can offer to our communities.
- 4.7 Following the email communication issued by the Executive Director to all elected members two further projects were suggested by members as being possible for PBI funding. Unfortunately after consideration both projects did not fit with the criteria or timeframe as set out under PBI. These have therefore not been included in the table as potential projects to be supported by PBI.
- 4.8 The proposed projects and associated allocation for PBI are listed below in **Table 1**.

Table 1 Place Based Investment 2023/24 Allocation

| Project | Consideration Fit with Criteria | 2023/24 Place Based Investment |
|--|--|---------------------------------------|
| Dunoon Burgh Hall Trust - Phase 2 to enhance outdoor area and build on phase 1 investment | Strong fit with PBI – adds value to existing funding secured and previous council support, deliverable within time frame | £74,500 |
| Dunoon CARS/LACER approach - flexible fund to support businesses with capital improvements to shopfronts/buildings building on previous investment | Strong fit with PBI – adds value to existing funding secured, council project, deliverable within time frame, resources in place | £49,500 |
| Helensburgh CARS - Shopfronts - increase shop front intervention | Strong fit with PBI – adds value to existing funding | £44,000 |

| | | |
|---|---|-----------------|
| level and costs have also increased therefore this additional funding would assist in supporting more businesses within the CARS area | secured, deliverable within time frame, resources in place | |
| Helensburgh Skate park – council currently considering options for a site and working with group, funding would be focused on supporting this work and will help facilitate a permanent solution for the skate park | Strong fit with PBI, related to appeal of Helensburgh as a place to live and visit, grant to third party subject to site confirmation and other agreements. This money would be in addition to temporary works funding. | £80,000 |
| Tobermory Worker Accommodation - match funding for recently successful Islands Programme award 23/24 | Strong fit with PBI , council project, adds value to investment secured and RGD, delivery, meets timeframe, resources in place | £50,000 |
| Bid4Oban - Shopfront scheme and Oban signage – add to previous investment and support work of Bid and local businesses, improve town centre | Strong fit, support to businesses, improve appearance of buildings, third party grant, meets timeframe | £60,000 |
| Lochgilphead CARS - Shopfront improvement scheme and high level amenity project - add value to existing investment, safeguard buildings and allow a greater number of businesses and properties to be supported | Strong fit with PBI – adds value to existing funding secured via Historic Environment Scotland and council, resource in place, deliverable in timeframe | £100,000 |
| Steel Beam Project/LACER Shopfront improvements in Campbeltown | Strong fit with PBI – adds value to existing funding secured, council priority, working with colleagues in housing, support to businesses, deliverable within timeframe | £38,000 |
| TOTALS | | £496,000 |

- 4.9 The projects above have all been identified using the PBI criteria and timeframe however it should be noted that issues can arise with any project and some flexibility may be required if it becomes evident that timeframes cannot be met. However updates will be provided on the PBI projects at the October Policy and Resources Committee.

5.0 CONCLUSION

- 5.1 The relatively tight timescales associated with the PBI fund, combined with the large number of existing projects being delivered by the council, make for a challenging place based investment programme. The initial projects recommended in this report are focused on those that are time critical and fit well with the net zero ambitions of the Council and Government together with the 20 minute neighbourhood/wellbeing context. The proposed projects build on investment already in place, or projects identified through existing Place based work such as the Lochgilphead CARS or Helensburgh CARS.

6.0 IMPLICATIONS

- 6.1 Policy – There is a need to comply with the Scottish Government ‘place’ policies as outlined in paragraph 4.3 and associated guidance for the Fund.
- 6.2 Financial – The Scottish Government expect that any uncommitted funds by 1st April 2023 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 Programme.
- 6.6 Climate Change – None.
- 6.7 Risk – In order for each project to progress to delivery stage, a fully let contract must be in place by 31st March 2024. 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.
- 6.8 Customer Service – None.

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

Policy Lead for Strategic Development, Councillor Currie

13 July 2023

For further information contact:

Fergus Murray, Head of Development and Economic Growth

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ARGYLL AND BUTE COUNCIL**POLICY AND RESOURCES
COMMITTEE****DEVELOPMENT AND ECONOMIC
GROWTH****10 AUGUST 2023**

ISLANDS COST CRISIS EMERGENCY FUND 2023/24

1.0 EXECUTIVE SUMMARY

- 1.1 The Island Cost of Crisis Emergency funding, which aims to help island authorities take urgent action to support households through the cost of living crisis, was set up in December 2022. In 2022/23 £1.4 million funding was allocated. This year an additional £1 million funding has been identified for the 2023-24 financial year: [Financial support for islanders - gov.scot](https://www.gov.scot) (www.gov.scot). The funding will be distributed to the six Local Authorities with responsibility for islands through the 2023/24 Local Government Revenue Grant. It brings the total support provided by the fund to £2.4 million.
- 1.2 This funding is for 2023/24 financial year only, and will be allocated via a grant offer across the six local authorities using 100% population basis as recommended by the joint Scottish Government/COSLA settlement Distribution Group approved by the COSLA political Leaders.
- 1.3 The allocation to Argyll and Bute for 2022/23 was £197,000 and the funds were distributed as detailed in Table 1 below. The allocation for 2023/24 is £141,000 however at the time of writing formal notification is still awaited in regard to any details of the fund.
- 1.4 Local authority decisions on where funding will be directed should be based on their local knowledge and understanding of the impacts of the cost crisis on their islands. The fund should be used to target island areas only, by providing immediate help to those who are struggling most, either through existing schemes and/or other new support where need is greatest.
- 1.5 Given the critical nature of the fund it is important that the funding reaches communities as quickly as possible. In regard to this members may be minded to support the same initiatives as were agreed last year focusing on Love Local cards, free school meal top ups and grants to 4 island foodbanks as detailed in Table 1. It should however be noted that this year there is £56,000 less available to distribute and therefore there will need to be reduction made in one or more of the 3 areas of support or a change in the focus. In addition, the formal letter of offer has still be received and details checked in regard to any specific requirements.

2.0 RECOMMENDATIONS

It is recommended that the Policy and Resources Committee:-

- a. Note the funding announced by the Scottish Government as part of its Emergency Budget Review for 2023/24 financial year for Local Authorities with responsibility for islands; and
- b. Agree that arrangements for the fund be based on funding to support similar initiatives to those agreed for 2022/23 and detailed in Table 1 but that the specific details and funding split 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 reaches communities as quickly as possible.

3.0 DETAIL

- 3.1 The Scottish Government has announced that there will be an allocation of £1 million Island Cost of Crisis Emergency funding for 23/24 and this will be distributed across the six Local Authorities with responsibility for islands.
- 3.2 The funding is for the 2023/24 financial year only. The fund of £141,000 to Argyll and Bute will be paid as a redetermination of the General Revenue Grant during the last 2 weeks in March 2024. The formal letter of grant has still be received.
- 3.3 As members will recall the Scottish Government first provided Island Cost of Crisis Emergency funding in 2022/23. The allocation for Argyll and Bute in 22/23 was £197,000. Policy and Resources Committee in December 2022 agreed to delegate the arrangements for Argyll and Bute's allocation of the 22/23 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 the allocation was agreed as detailed in the table below:-

| | |
|--|-----------------|
| Argyll and Bute Council Love Local Giftcards | £149,280 |
| Argyll and Bute Council Love Local Giftcards Fee | £5,832.85 |
| Food Bank Grants | £27,550.75 |
| Free School Meal Top Ups | £14,336.40 |
| TOTAL IECCF 22/23 | £197,000 |

- 3.4 Members may wish to support the same initiatives as last year however as there is a reduction in the funding allocation for 2023/24 of £56,000 changes will need to be made in regard to each specific allocation or a change to the focus. In this regard a delegation is sought that would allow sufficient time to determine what is possible with the funding available and the details of the allocation as well as allow receipt of the formal letter of offer and check any additional requirements.

4.0 CONCLUSION

- 4.1 The £1 million Islands Cost Crisis Emergency allocation will support those on islands facing even more significant cost of living challenges. Estimates indicate that Islands are facing around 20% to 66% higher costs of living than the UK average. High fuel costs, a colder climate and the lack of consumer choice is also intensifying the impact of the cost crisis. Argyll and Bute Council's share of the fund is £141k based on our island population. The delegation recommended will ensure that the Council can distribute this funding as quickly as possible, once Argyll and Bute's allocation has been formally confirmed by letter with all relevant criteria provided by the Scottish Government.

5.0 IMPLICATIONS

- 5.1 Policy – The Scottish Government's £1 million Islands Cost Crisis Emergency allocation will support those on islands facing even more significant cost of living challenges.
- 5.2 Financial – Argyll and Bute's allocation of the £1 million fund will be £141,000.
- 5.3 Legal – None.
- 5.4 HR – None.
- 5.5 Fairer Scotland Duty:
- 5.5.1 Equalities – None
- 5.5.2 Socio-Economic Duty – None
- 5.5.3 Islands – The Islands Cost Crisis funding announced by the Scottish Government will help support our island communities who are facing a higher cost of living than the UK average.
- 5.6 Climate Change – If the option to continue using Love Local cards is taken spend will be restricted to premises within Argyll and Bute.
- 5.7 Risk – None.
- 5.8 Customer Service – This funding will ensure the Council are supporting our island communities and households across Argyll and Bute.

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

Policy Lead for Islands and Business Development: Councillor Liz McCabe

For further information contact:

Fergus Murray, Head of Development and Economic Growth

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August 2023

ARGYLL AND BUTE COUNCIL

POLICY AND RESOURCES
COMMITTEE

DEVELOPMENT AND ECONOMIC
GROWTH

10 AUGUST 2023

**CHANGE TO ARGYLL COMMUNITY HOUSING ASSOCIATION GOVERNANCE
STRUCTURE**

1.0 INTRODUCTION

- 1.1 The Council's housing stock was transferred to Argyll Community Housing Association (ACHA) in 2006. The Stock Transfer agreement between the Council and ACHA requires that ACHA obtains prior written consent of the Council before any reduction in the Council's involvement in the Board of Management or Area Committees is made.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that Policy and Resources Committee notes the changes to the governance structure as set out within the report.

3.0 DETAIL

- 3.1 The Council has been advised by ACHA that they have undertaken a review of their Governance Rules. In terms of the Stock Transfer Agreement, ACHA has an obligation to consult with the Council when any changes are proposed to the Governance structures. The amended Rules will bring ACHA in line with other similar organisations and will ensure that they meet the SFHA Charitable Model Rules (Scotland) 2020.
- 3.2 The ACHA Board of Management at the meeting on 17th November 2022 agreed to remove the four Area Committees from the Association's governance structure. The decision was taken following a review of the Association's governance structure and against a background of the Area Committees not having met since they were placed on hold at the start of the pandemic in March 2020. The Council Area Committee members were subsequently made aware of the decision. Details on the consultation process are also provided in the report which was considered by the ACHA Board. A copy of the report is provided at **Appendix 1**.
- 3.3 ACHA has now provided the Council with a copy of their proposed Draft Rules for comment and have advised that they intend to put these rules to a Special meeting of the Board in September 2023. The main change to the Rules is the removal of the 4 ACHA Area Committees, however there is still provision within

the rules for these to be re-established if required.

- 3.4 Officers have reviewed the draft Rules and are content that the Council will still be represented on the Board by the 2 Elected Member appointees.

4.0 CONCLUSION

- 4.1 ACHA are required to consult with the Council in terms of any change to their Governance Structures, therefore the Committee is asked to note the updated Rules as outlined at **Appendix 2**.

5.0 IMPLICATIONS

- | | | |
|-------|--|-------|
| 5.1 | Policy: | None. |
| 5.2 | Financial: | None. |
| 5.3 | Legal: | None. |
| 5.4 | HR: | None. |
| 5.5 | Equalities(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 | Risk: | None. |
| 5.7 | Climate Change: | None. |
| 5.8 | Customer Service: | None. |

Kirsty Flanagan

Executive Director with Responsibility for Development and Economic Growth

Councillor Robin Currie, Policy Lead for Strategic Development

June 2023

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APPENDICES

Appendix 1 – Management Board Meeting – 17th November 2022
Appendix 2 – Rules

Appendix 1



Item

Date: 17 November 2022

Argyll Community Housing Association

Management Board Meeting

Report presented by Colette Benham

Non-Confidential

TITLE: ACHA Review of Area Committees

PURPOSE OF REPORT: for consideration and approval

RECOMMENDATIONS:

The Board of Management is asked to agree: -

1. That the four ACHA Area Committees should be removed as part of ACHA's governance structure;
2. That local membership on the Board of Management is retained from all areas previously covered by the Area Committees, to ensure all areas are represented on the Board of Management;
3. That going forward, tenant participation is a key area of focus for ACHA as part of the transformation review being carried out;
4. That a review of the Rules, Scheme of Delegated Authority, Code of Conduct and relevant policies is carried out as part of a wider review of ACHA's governance arrangements in terms of the dissolution of Area Committees and a future report is brought back to the Board of Management in this regard.

Name of officer preparing report:
Job Title:
Telephone No:

Careen Hendry
Governance and Compliance Manager
01546 605970

REPORT:

1. BACKGROUND

- 1.1. At the Board of Management meeting on 19 August 2021, the Board were advised that the Association intended to carry out a review of the role of Area Committees due to them being placed on hold since the start of the pandemic in March 2020. In February 2021, the Scottish Housing Regulator had indicated that it would be good practice to review the role and remit of the Area Committees to determine if they add value to the organisation. At the Strategic Planning event in February 2022, the Board of Management reviewed the position and agreed that review should take place by 31 October 2022.
- 1.2. A sub-committee group was set up to carry out the review and to make recommendations to the Board of Management. The sub-group comprised of the three Area Committee Chairs from Mid Argyll and Kintyre (MAK), Cowal & Bute and Oban, Lorn and the Isles (OLI) Area Committees, with a representative from the Lomond and Helensburgh Area Committee, Bobby Beggs, joining the group, given that the Lomond and Helensburgh Area Committee does not currently have a Chair. The group was assisted from an external perspective by Trudi Tokarczyk, Service Improvement Manager, Scotland's Housing Network. Yvonne Angus, Regional Manager, HNS, Karen Hickey, PA to the Chief Executive and Careen Hendry, Governance Manager also formed part of the review group.
- 1.3. The review group met on 4 occasions between August and October 2022 and considered the following questions: -
 1. *Do the area committees add value to the organisation? Are there issues covered by the area committees that are not considered elsewhere? In the absence of area committees, would the organisation be exposed to governance risk?*
 2. *Are area committees actively involved in making decisions that couldn't be considered elsewhere? Specifically, what decisions are solely within the remit of the area committees and what role do the area committees have in terms of scrutiny and assurance? Is the scrutiny/ assurance function carried out elsewhere, and if not, could this role be carried out elsewhere in the governance structure?*
 3. *How does the organisation ensure effective local engagement and scrutiny with tenants?*
 4. *Given that area committees were originally set up to improve tenant participation, is our performance in terms of tenant participation better than those organisations who do not have an area committee function in place?*
 5. *Are the area committees likely to be able to operate effectively in the post-pandemic environment? Are there likely to be issues attracting area committee members if the current structure was maintained? Are there likely to be issues in terms of member participation in light of the*

introduction of the Board Portal and the fact that more meetings are held virtually?

6. *What are the resource implications in terms of supporting the area committees? Could this be supported through any other means?*

2. THE REVIEW

2.1 Governance Structures

The review looked at the 12 peer group organisations that ACHA used for performance benchmarking (Appendix 1) and found that, in respect of the group, ACHA was the only organisation which retained area committees as part of their governance structure. All other associations have a Board of Management made up of members with relevant skills, knowledge and experience, including tenant members. Six associations have sub-committees in place which are similar to our own governance structure and consider specific areas of the business, such as audit and policy. Like ACHA, the associations examined engaged with tenants via tenant scrutiny groups, registered tenant organisations and tenant feedback forums.

- 2.2 In terms of the national picture, Trudi Tokarczyk confirmed that the large majority of RSLs no longer have area committees as part of their formal governance structure, aside from 2 very large organisations and that tenant scrutiny groups were seen as best practice in terms of participation and engagement. It was noted that one organisation had local housing committees in place but that these were not part of the organisation's governance structure and that they had a similar remit to ACHA's Your Voice group. Board members will note that, while the association's peer group has recently been amended from the 12 organisations whose governance structures were reviewed to a new peer group of 9, this does not change the position that it is unusual for RSLs to retain area committees as part of their governance structures, therefore a review of the new peer group was not considered necessary.

2.3 Consultation

The review group carried out a consultation with existing Area Committee members and a summary of responses is attached (Appendix 2). Members were asked for their views on retaining Area Committees, their reasons for this, whether they would continue to be a member if the area committees reconvened, what support they would need to participate in meetings, whether they were interested in joining the Board of Management or, if they were an ACHA tenant, a tenant participation group. Members were also asked if they had any further comments to make. Of the 24 surveys that were sent out, 9 responses were received which was a response rate of 37.5%. Six of the respondents were in favour of retaining area committees and would remain members if the area committees were reconvened. These comprised of 2 tenant members (from Bute & Cowal and Lomond), 1 independent member (MAK), 2 councillors and a member who remained anonymous. Some members felt that area committees remained relevant and should be retained

while others felt they had served their purpose and were no longer useful. It was noted that some Area Committees, for example, Lomond and Helensburgh, had historically been stronger in terms of interest than others and that in the past some committees, for example OLI, had struggled to recruit new members, however, based on the responses to the consultation, none of the area committees would have sufficient members to be quorate at the current time.

2.4 Tenant Participation

It was clear from the start that tenant participation is a key issue for all RSLs and, while a review of tenant participation was not within the remit of the review group, it was considered helpful for the group to consider how other organisations have improved participation. Max Scotto, Tenant Participation Officer, Kingdom Housing Association, attended a meeting and gave a presentation on the variety of methods used by them to increase participation which the group found very helpful. The group also considered ACHA's tenant participation groups which are as follows: -

- **The Feedb@ck forum** - comprising tenants who have indicated that they would like to take part in surveys or consultation about our services and policies.
- **Registered Tenant Organisations (RTO's)** - ACHA supports a number of groups who have formally set themselves up as an RTO or as more commonly known, a Tenant & Resident Association. ACHA can provide funding to groups and will help organisers set up new groups in local areas. We currently have two RTOs – one in Cardross and one in Campbeltown.
- **Your Voice (Tenant Scrutiny Group)** - Our newest participation forum which tests our policies and procedures to make sure they are fit for purpose. The Your Voice group make formal recommendations to the Board of Management.

2.5 Next Steps Programme

The group also considered ACHA's participation in the Next Steps programme which was aimed at housing organisations to help landlords and their tenants review, improve and develop their current tenant participation and scrutiny arrangements. The programme was delivered to ACHA by the Tenant Information Service (TIS) based on a series of workshops for tenants, staff and governing body members. It was designed to build on current good practice and to support us to meet our legislative obligation on tenant participation and to improve our performance against the Scottish Social Housing Charter outcomes and standards. The group heard that, in 2019, TIS carried out a desktop assessment on all of ACHA's current activities and a series of participation workshops were held, facilitated by TIS, for staff and councillors/governing body members and our tenants. An action plan was developed and while some actions were progressed, due to the pandemic and resource issues this has not been taken forward in any great detail.

2.6 Recommendations

The group were in favour of dissolving area committees, noting that they are no longer quorate having not met since March 2020 and that recruiting new members would be challenging. This decision was not one that was taken lightly and it was unanimously agreed that retaining local representation on the Board of Management would be important going forward. The group also felt that tenant participation should be a key area of focus going forward. Returning to the questions posed at the beginning of the review, the group considered each in turn.

1. *Do the area committees add value to the organisation? Are there issues covered by the area committees that are not considered elsewhere? In the absence of area committees, would the organisation be exposed to governance risk?*

The group felt that the Board of Management has effectively fulfilled the remit of Area Committees since the start of the pandemic without any significant impact on the work of the Board, but that each of the areas that the Area Committees represent need to continue to be represented on the Board to ensure that all areas of Argyll and Bute are represented and that feedback from tenant groups needs to be effectively conveyed to the Board of Management in the absence of Area Committees.

2. *Are area committees actively involved in making decisions that couldn't be considered elsewhere? Specifically, what decisions are solely within the remit of the area committees and what role do the area committees have in terms of scrutiny and assurance? Is the scrutiny/ assurance function carried out elsewhere, and if not, could this role be carried out elsewhere in the governance structure?*

The group felt that local scrutiny could continue by having local representation on the Board of Management and an effective feedback mechanism from the tenant participation groups.

3. *How does the organisation ensure effective local engagement and scrutiny with tenants?*

The group agreed that the tenant participation groups provide the most effective method of local engagement and scrutiny. As noted above, there are currently two RTOs in the area, plus the Your Voice group and the Feedb@ck Forum.

4. *Given that area committees were originally set up to improve tenant participation, is our performance in terms of tenant participation better than those organisations who do not have an area committee function in place?* The 2021 Tenant Satisfaction survey showed that 83.8% of tenants were satisfied with the overall service provided by ACHA compared with a Scottish average of 88.8%. 81.3% of those who responded were happy with opportunities to participate in decision making compared with a Scottish average of 88.3%. In terms of keeping tenants informed 85.8% felt that we were good at keeping them informed about our services and decisions and that this figure was a decrease from the

previous survey, and was below the Scottish average of 92.3%, therefore having an area committee structure in place does not, in itself, lead to increased tenant participation.

5. *Are the area committees likely to be able to operate effectively in the post-pandemic environment? Are there likely to be issues attracting area committee members if the current structure was maintained? Are there likely to be issues in terms of member participation in light of the introduction of the Board Portal and the fact that more meetings are held virtually?*

In terms of membership, Area Committees are not currently sufficiently quorate to operate and a recruitment drive would be needed before meetings could be held, therefore they are not currently viable due to lack of members. Three area committee members who responded to the survey indicated that they would need direct support to participate in meetings with the increased use of technology.

6. *What are the resource implications in terms of supporting the area committees? Could this be supported through any other means?*

The annual cost of supporting Area Committees prior to the pandemic was approximately £11,000, around 75% of which was staff costs. These costs could be reduced slightly if more meetings were held virtually. ACHA currently supports the Registered Tenant Organisations (RTOs), in Cardross and Dalintober with expenses such as printing and meeting room hire. RTOs create their own constitution and ACHA only provide support if requested. In terms of the Your Voice group, ACHA provide a budget, attend all meetings and pay for the Tenant Advisory Service (TIS) to independently support the group.

2.7 Further Actions

If the Board of Management is in agreement with the recommendations, the Rules and key governance documents, such as the Scheme of Delegation, Code of Conduct and policies pertaining to the Area Committees will require to be reviewed and the change of Rules will require to be notified to Argyll & Bute Council, the Scottish Housing Regulator, OSCR and the Financial Conduct Authority. Due to a change in legislation, it is no longer necessary to obtain consent from the Council and the Regulator to change the Rules, however, both would be notified of the change.

A summary of the process is noted below: -

- Notify decision to remove area committees to Argyll and Bute Council;
- Review and amend draft rules and other documents;
- Board of Management to approve terms of new draft rules;
- Special General Meeting of the Board of Management is held at which members approve the new rules;

- Signed rules and relevant FCA forms are sent to FCA for registration of the new rules;
- Notification made to SHR sending registered rules (together a copy of the report and minute of the governing body agreeing to adopt the rules) via the SHR portal;
- Notification made to OSCR with completed OSCR Notification Form and a copy of registered rules.

3. POLICY AND RESOURCE IMPLICATIONS:

3.1. Resource Implications:

Financial:

- Potential saving, based on pre-pandemic costs, of up to £11,000 per annum.

Legal:

- Complying with the notification requirements noted at paragraph 2.7 above will ensure that our legal obligations are met.

Personnel:

- There are no personnel implications from this report although staff time in supporting and servicing area committees will be reduced.

Procurement:

- There are no procurement implications arising from this report.

3.2. Equality and Socio-Economic Impacts:

- We require to safeguard and promote of the interests of tenants and to ensure that *tenants and other customers find it easy to participate in and influence their landlord's decisions at a level they feel comfortable with.*

3.3. Privacy and Data Protection Impacts:

- There are no privacy and data protection impacts from this report.

3.4. Risk Assessment:

Key Risk 2 – Providing quality customer care and equality across all of our services; Key risk 4 - Delivering progressive and sustainable business performance and service delivery.

5. ATTACHMENTS

- Appendix 2 - Peer Groups Review of Governance Structures
- Appendix 3 – Summary of Area Committee Consultation Responses

Appendix 2

Overview of Governance Structures within Peer Organisations*

| Association | | Structure |
|---------------------|-------|---|
| Albyn Housing Group | Rural | <p>Governed by a Board of Management with 5 committees sitting below, made up of Board and tenant members for the following areas;</p> <ul style="list-style-type: none"> • <u>Performance</u>: responsible for reporting to and advising the Board on business performance against agreed targets, driving continuous improvement, and for promoting efficiency and effectiveness. • <u>Staffing, Health, Safety and Environment</u>: responsible for advising the Board on the effective discharge of employer responsibilities, ensuring compliance with statutory requirements and for implementing terms and conditions and employment practice, policies and procedures • <u>Audit and Risk Management</u>: responsible for implementing and monitoring policy, reporting to and advising the Board on financial management and business performance, monitoring effectiveness of internal controls, overseeing the conduct of the annual financial statements audit and advising on the appointment of external and internal auditors • <u>Transformation</u>: the committee has strategic oversight of the overall business transformation programme, and its components. • <u>Remuneration</u>: the committee's primary aim is to approve the appropriate remuneration and terms of service for the Chief Executive, Senior Management, and Board as determined by the Society Board. <p>https://www.albynhousing.org.uk/about-us-2019/board-and-management/</p> <p>The group also engage with tenant forums for customer feedback and contribution. Some of the groups are registered with Albyn but they are not part of the governance structure and the Board does not delegate any decision making to them.</p> <p>https://www.albynhousing.org.uk/get-involved/</p> |

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| Berwickshire Housing Association Ltd | LSVT | <p>Governed by a Board of Directors, with 2 committees sitting below, made up of Board members whose authority includes:</p> <ul style="list-style-type: none"> • Audit and Finance: <ul style="list-style-type: none"> ○ Receive management reporting and highlight key data for Board ○ Monitor business plans for all entities to ensure that changes to plans are evaluated from a financial perspective ○ Input to the long term planning for the Association, including rent policy, asset management, development aspirations, cash flow and funding, pension arrangements and treasury management etc ○ Consider and make treasury management decisions for The Association under the delegated authority from the Board ○ Approve all financial and accounting policies ○ Monitor business plans for all entities to ensure that changes to plans are evaluated from a financial perspective ○ Oversee the financial reporting and disclosure process ○ Monitor choice of accounting policies and principles ○ Oversee the hire, monitor performance and independence of the internal and external auditors ○ Oversee regulatory compliance, ethics and whistleblower procedures ○ Monitor the internal control process ○ Oversee the performance of the audit function ○ Monitor existing projects highlighting key risks and changes to risk ○ Monitor the risk management framework of the Association and its subsidiary ○ Approve all of the internal control and fraud prevention policies • Operations: <ul style="list-style-type: none"> ○ Oversee the operational plans for asset management including major refurbishment and cyclical repairs ○ Monitor new developments and feed in views and ideas about the specifications of the properties or the estates ○ Monitor the development of EESSH (Energy Efficiency Standard in Social Housing) within the timescale ○ Be consulted on key changes in any customer service that will directly affect tenants ○ Review the outcomes from the Group's Health and Safety Committees and monitor compliance with relevant legislation |
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| | | <ul style="list-style-type: none"> ○ Review the Key Performance Indicators for Customer Services and ensure performance is actively managed for improvements ○ Review and approve contract awards <p>The committees meet regularly throughout the year and work on delegated authority from the Board. The Committees are made up of Board members with interests and skills relevant to the subject areas.</p> <p>https://www.berwickshirehousing.org.uk/about-us/how-we-are-governed/</p> |
| Hebridean Housing Partnership | LSVT | <p>Governed by a Board of Directors. The Board is supported by two Committees:</p> <ul style="list-style-type: none"> • Audit & Risk Committee, ensures that: <ul style="list-style-type: none"> ○ Effective internal controls operate to ensure the Partnership complies with relevant laws, regulations and external reporting requirements ○ The system of controls, financial and otherwise, promotes effective and efficient operations ○ There is an independent review of internal and external audit activity • Joint Consultative Committee, ensures that: <ul style="list-style-type: none"> ○ Provides a workable and effective arrangement for good industrial relations, for the promotion of joint participation in all matters of common interest and concern on a genuine consultative and negotiating basis at Organisation level <p>and also four Workgroups with remits as listed below:</p> <ul style="list-style-type: none"> • Asset Management; <ul style="list-style-type: none"> ○ consider potential sites for acquisition; ○ assess and review project and site plans; ○ review HHP's 5 Year Development Plan; ○ represent the Partnership at openings of developments; ○ consider in depth any issues that might arise whilst developments are underway; ○ prepare responses for consultations relating to local and national development issues; ○ consider any additional matters requested by the Board in respect of the Partnership's development service; ○ contribute to and review the Asset Management Strategy; ○ contribute to and review the Affordable Warmth Strategy and matters pertaining to fuel poverty; ○ review updates to the Investment Programme prior to Board approval being requested; |

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| | | <ul style="list-style-type: none"> ○ consider the Procurement Framework & procurement matters pertaining to investment work prior to Board approval being requested; ○ consider and review any major updates to the Repairs & Maintenance Policy, Asbestos Policy, Estate Management Policy and Gas Safety Management Policy; ○ review the Grounds Maintenance & Garden Assistance Scheme prior to Board approval being requested; ○ monitor progress against Scottish Housing Quality Standard (SHQS) and the Energy Efficiency Standard for Social Housing (EESH); ○ consider any additional matters requested by the Board in respect of investment in the Partnership's housing stock; ○ feed back to the Board in respect of achieving the best asset management service for tenants and the Partnership alike. <ul style="list-style-type: none"> • Finance; <ul style="list-style-type: none"> ○ To review the Budget Strategy and rent setting process, including consultation with tenants; ○ To review Draft Financial Statements; • To stress test the long term and short term financial plans which support the Business Plan; ○ To contribute to and review the Value for Money Strategy (VFM); ○ To consider any additional matters requested by the Board in respect of finance; and ○ To give views based on achieving the best financial services for tenants in accordance with the requirements of the Partnership • Remuneration; <ul style="list-style-type: none"> ○ To recommend to the Board how the Annual Pay Award will be carried out; ○ To consider recommendations from the Chief Executive for the Annual Pay Review for all staff with the exception of the Chief Executive; ○ To recommend to the Board an Annual Pay Award for the Chief Executive on condition the % awarded does not exceed the % offered to the staff; ○ To review on a regular basis the grading and salary framework to enable a robust review of the grading of all approved posts; ○ To manage the grading appeals mechanism to deal with grading appeals; and ○ To review when consultancy support is required and to select appropriate consultants within approved budgets. |
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|-----------------------|------|--|
| | | <ul style="list-style-type: none"> • Housing Management <ul style="list-style-type: none"> ○ To review legislation in relation to housing management and implement the requirements and recommendations of, for example, the Housing Scotland Act 2014; ○ To oversee the review of the Allocations Policy, to include any consultation required; ○ To investigate and consider how the Partnership might address difficult to let properties; ○ To liaise with the Tenant Participation Officer where required; ○ To consider rent structure along with the Finance Working Group; ○ To consider any additional matters requested by the Board in respect the management of the Partnership's housing service; and ○ To give views based on achieving the best housing management service for tenants and the Partnership alike. • Working groups are made up of Board members plus the Chief Executive and Senior Officers <p>The association engage with tenants on key decisions through membership of tenants on the Board and also working closely with the Western Isles Housing Associations Communities Forum and the Tenant Participation Advisory Service (Scotland).</p> <p>http://www.hebrideanhousing.co.uk/about/</p> |
| River Clyde Homes Ltd | LSVT | <p>Governed by a Board of Directors with 3 sub committees for:</p> <ul style="list-style-type: none"> • Audit and Risk, established to consider the work and outputs of the external and internal audit functions and the overall risk environment of the RCH Group of companies. The Committee oversees auditing responsibilities, financial management and ensures effective risk monitoring and management. It provides the RCH and HFS Boards with assurance that there is a systematic review of internal controls and financial reporting and that key risks are being identified and managed. • Remuneration and Nominations The Committee has been established to advise the RCH Board and HFS Board on the succession, recruitment, induction and training of Board and Committee Members and to manage the Boards' recruitment process. The Committee also acts as a staffing committee with delegated authority to consider appeals and grievances |

| | | |
|--------------------------------------|-------|--|
| | | <p>and take appropriate action.</p> <ul style="list-style-type: none"> • Social Landlord Operations. established to agree any customer facing strategy and policy. The Committee oversees performance and service standards for customers and provides assurance to the RCH Board of legislative and regulatory compliance in respect of housing, property and tenancy matters. <p>Sub committees are made up of Board members and have delegated authority for some decisions.</p> <p>The group engages with tenants via a Customer Senate, who's role is to scrutinise performance of the Group. The group also consult with Registered Tenants and Residents Associations https://www.riverclydehomes.org.uk/page/about-us</p> |
| Scottish Borders Housing Association | LSVT | <p>Governed by a Board of Management. There are two main Sub-Committees for:</p> <ul style="list-style-type: none"> • Audit & Compliance Sub Committee who provide detailed assurance on compliance and risk, • The Customer Board who review customer experience, service development and policy. <p>A Chair's Group is available for urgent decisions and the Remuneration and Nominations Sub Committee meets a minimum of once a year. Office bearer posts of the Chair of the Board and Convenor of the Audit & Compliance Sub-Committee are remunerated.</p> <p>The group engages with tenants via the Scottish Borders Tenants Organisation (SBTO) and as 3 Registered Tenant Organisations. Tenants can also become a representative on Planned Maintenance Schemes in their own area https://www.sbha.org.uk/about-sbha/whos-who/sbha-board-of-management/</p> |
| Lochaber | Rural | <p>Governed by a Board of Management. The Board also has three sub committees who meet quarterly:</p> <ul style="list-style-type: none"> • Audit Sub • Governance • Health and Safety <p>Sub committees are made up of Board Members.</p> <p>The association consults with tenants via their own tenant forum 'Your Voice'. The group are consulted about policies</p> |

| | | |
|---|-------|---|
| | | <p>and procedures.</p> <p>https://lochaberhousing.org.uk/your-lha/get-involved/join-board-management/</p> |
| Dumfries and Galloway Housing Partnership | LSVT | <p>Part of the Wheatley Group. DHHP is governed by a Board of Directors. There are no sub committees.</p> <p>The association consults with tenants via Registered Tenant Organisations (RTOs). They also engage with a scrutiny panel made up of customers from across the Wheatley Group which looks at performance across DGHP and the Wheatley Group.</p> <p>https://www.dghp.org.uk/about-us/governance</p> |
| West Highland Housing Association | Rural | <p>Governed by a Board of Management. There are no sub committees.</p> <p>The group engages with tenants via a Tenant Scrutiny Panel; an independent tenant led group which monitors performance in service provision and governance. Tenants can also take part in focus groups to contribute to the development of policies or scrutinise specific service issues.</p> |
| Dunbritton Housing Association | Rural | <p>Governed by a Board of Management, there are no sub committees.</p> <p>The group engage with tenants via a Tenant Scrutiny Panel whose purpose is to look at how the Association works and advise on ways to improve service delivery and provide value for money for tenants.</p> <p>https://www.dunbritton.org.uk/our-board-/</p> |
| Fyne Homes | Rural | <p>Governed by a Management Committee, there are no sub committees.</p> <p>https://fynehomes.org.uk/get-involved/management-committee/</p> <p>The group engages with tenants via a Scrutiny panel to look at areas of performance and carries out consultations</p> |
| Lochalsh and Skye | Rural | <p>Governed by a Board of Management, there are no sub committees.</p> <p>https://www.lsha.co.uk/join</p> <p>The association engages with tenants via the Tenants Voice Group, who are not part of the governing structure but are involved in the development of policy and procedure. The group also consult with tenants using a variety of consultations.</p> |

* Peer Group amended October 2022 to the following: -

1. ACHA
2. Albyn HA
3. Kingdom HA
4. Grampian HA
5. Trust HA
6. Scottish Borders HA
7. Caledonia HA
8. Hebridean Housing Partnership
9. Eildon HA

Appendix 3

Summary of Area Committee Member Consultation Responses

24 surveys sent out: 9 responses (37.5%)

4 tenant members, 3 independent members, 2 Councillors

2 respondents from Bute & Cowal; 2 MAK; 3 Lomond; 1 OLI; 1 anonymous (?tenant)

In favour of retaining Area Committees: 6

comprising 1 independent member (MAK), 1 independent (Lomond), 2 Councillors, 2 tenant members (Lomond and Bute & Cowal)

In favour of not retaining ACs: 2

1 independent (Bute & Cowal), 1 tenant (MAK)

Unclear/ Not answered: 1

Number who would remain AC members: 6

2 councillors; 1 anonymous (? tenant); 2 tenants; 1 independent

Number in favour of retaining who are ACHA tenants: 2, possibly 3

Need support to participate online: 3

Number of tenants who would consider joining Board: 1

Number of tenants who would consider joining a tenant participation group: 3

Additional Comments:

I am a member of the Cowal & Bute Area Committee and have been a committee member off and on for the past 15 years. I am not a tenant. I'm afraid I feel the ACs are becoming less relevant as time passes and the interest from tenants is minimal. (Independent member, Bute & Cowal)

The AC gives local tenant reps a say in their local community. Review should consider distance and persuading tenant members to take part. New tenant members need to be encouraged. (Independent member, MAK)

ACs were good and very representative of tenant's views and kept both tenants and residents informed of what was happening their local area. (Councillor, Lomond)

I understand if decision is made to get rid of committees. At one time they were quite useful but latterly felt we weren't given enough to decide on. (Tenant member, MAK)

You really do need area committees. You cover far too much an area to not have them. The issues that affect Campbeltown are very different from those affecting Helensburgh or Dunoon. Areas have different problems and therefore different solutions. (Independent member, Lomond)

Let's see what they come up with (anonymous)

How to achieve greater tenant participation is the main issue I feel that needs to be considered. The area committee's meet during the working day, which is fine for the ACHA staff attending, but precludes the vast majority of working tenants. This means that those that do attend the area committee meetings are drawn mainly from the retired population – who may indeed do sterling work but are not representative of the vast majority of tenants. (Tenant member, Bute & Cowal)

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Policy and Resources Committee Work Plan 2023-2024

| This is an outline plan to facilitate forward planning of reports to the Policy and Resources Committee. | | | | | |
|---|---|---------------------------------|--------------------------|-----------------|-----------------|
| Date | Report Title | Dept/Section | How Often? | Date Due | Comments |
| 12 August 2023 | Financial Report Monitoring Pack | Financial Services | Every meeting except May | 11 July 2023 | |
| | Budget Outlook | Financial Services | | | |
| | Levelling Up Fund | Development and Economic Growth | | | |
| | Place Based Investment Update | Development and Economic Growth | | | |
| | Rothesay Pavilion - Rural Growth Deal | Development and Economic Growth | | | |
| | Rothesay Pavilion (RPN) – Project Position Update | Commercial Services | | | |
| | Capital Investment Strategy | Commercial Services | | | |
| | Change to Argyll Community Housing Association Governance Structure | Development and Economic Growth | | | |
| | Community Empowerment (Scotland) Act 2015 – Update on Expressions of Interest / Asset Transfer Requests | Commercial Services | | | |
| | Islands Cost Crisis Emergency Fund 2023/24 | Development and Economic Growth | | | |

Policy and Resources Committee Work Plan 2023-2024

| Date | Report Title | Dept/Section | How Often? | Date Due | Comments |
|------------------|--|---------------------------------|--------------------------|-------------------|--|
| 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 2024 | Financial Services | | | Agreed 13.10.22 that an update would be provided in October 2023 |
| | Proposed Allocation of Crown Estates Funding 2023/24 | Development and Economic Growth | | | |
| | Placed Based Investment 2023-24 Update | Development and Economic Growth | | | |
| | Rothesay Pavilion Update | Development and Economic Growth | | | |
| Date | Report Title | Dept/Section | How Often? | Date Due | Comments |
| 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 | | | |
| Date | Report Title | Dept/Section | How Often? | Date Due | Comments |
| 15 February 2024 | Financial Report Monitoring Pack | Financial Services | Every meeting except May | 16 January 2024 | |
| | Budget 2024-2025 | Financial Services | | | |

Policy and Resources Committee Work Plan 2023-2024

| | | | | | |
|--|---|---------------------------------|-------------------|-----------------|---|
| | Treasury Management Strategy | Financial Services | | | |
| | Strategic Events and Festivals | Development and Economic Growth | | | |
| Date | Report Title | Dept/Section | How Often? | Date Due | Comments |
| 9 May 2024 | Budget Outlook | Financial Services | | 9 April 2024 | |
| | Budget Approach 2024/25 | Financial Services | | | |
| Future Items – Date to be determined. | | | | | |
| | 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****DEVELOPMENT AND ECONOMIC
GROWTH****10 AUGUST 2023**

RURAL GROWTH DEAL – ROTHESAY PAVILION

1.0 EXECUTIVE SUMMARY

- 1.1 The main purpose of this report is to provide an update on the Rural Growth Deal (RGD) and in particular an update on the “Tourism – Creating a World Class Visitor Destination” theme.
- 1.2 The report provides members with an update on decisions taken by the Rural Growth Deal Programme Board on what projects to take forward within the Tourism Theme. The Programme Board have made the decision to include the completion of Rothesay Pavilion as a priority project and have allocated circa £9m to the project, subject to approval by UK and Scottish Government.
- 1.3 The completion of Rothesay Pavilion is a Council Priority and offers the Rural Growth Deal an opportunity to support an economically transformational project. Rothesay Pavilion has the scale, quality, architectural significance and ambition as a new cultural and creative industries hub to deliver as part of the wider RGD tourism theme. In particular, the Pavilion has the potential to be a nationally significant visitor attraction to the area whilst at the same time aligning to the Scottish and UK Government’s 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.
- 1.4 The allocation of £9m to the Rothesay Pavilion Project significantly reduces the funding gap for the next 2 phases of works. The Rothesay Pavilion Lobbying Group continue to work on identifying sources of additional funding to bridge the remaining gap. Additional financial details regarding the project are contained within the report that accompanies this report.

RECOMMENDATIONS:

The Policy and Resources Committee are asked to:-

- i. Endorse the decision of the Rural Growth Deal Programme Board to allocate £9m of Rural Growth Deal Funding to Rothesay Pavilion under the “Tourism – Creating a World Class Visitor Destination” theme.
- ii. Note that all funding brought through the Rural Growth Deal is subject to approval of Treasury 5 business cases by the UK and Scottish Government.

- iii. Note a further update will be brought to the Policy and Resources Committee following approval of the Rural Growth Deal Full Business Case by the UK and Scottish Government.

ARGYLL AND BUTE COUNCIL

POLICY AND RESOURCES
COMMITTEE

DEVELOPMENT AND ECONOMIC
GROWTH

10 AUGUST 2023

RURAL GROWTH DEAL – ROTHESAY PAVILION

2.0 INTRODUCTION

- 2.1 This report provides an update on the Rural Growth Deal (RGD) and in particular an update on the “Tourism – Creating a World Class Visitor Destination” theme.
- 2.2 The Council, UK and Scottish Governments agreed the ‘Heads of Terms’ for the RGD on the 11th February 2021. The Heads of Terms Agreement sets out the general areas for investment and the Full Deal Agreement will build upon this in more detail. In order to reach Full Deal, each project within the Deal has to have a Treasury 5 Outline Business Case approved by UK and Scottish Government. The Rural Growth Deal Programme Management Office (RGD PMO), Project Leads and Stantec UK Ltd are currently progressing OBCs for each Project, with a number now having been submitted for first stage feedback.
- 2.3 A key aim of the Rural Growth Deal is to deliver economically transformational projects. Projects in the “Tourism” theme of the RGD seek to encourage the growth of tourism and develop Argyll as a West of Scotland “must visit” location while supporting the regeneration of our key coastal towns and villages.
- 2.4 The Rural Growth Deal Programme Board have approved a proposal to allocate circa £9m of RGD Government funding to the Rothesay Pavilion project, subject to further discussion and Full Business Case approval by the UK and Scottish Governments. Once approved, this funding will support the regeneration of this nationally recognised building, whilst at the same time creating opportunities for regeneration, cultural enhancement and the creation of important high value jobs within the context of Rothesay and the island of Bute.

3.0 RECOMMENDATIONS

The Policy and Resources Committee are asked to:-

- i. Endorse the decision of the Rural Growth Deal Programme Board to allocate £9m of Rural Growth Deal Funding to Rothesay Pavilion under the “Tourism – Creating a World Class Visitor Destination” theme.

- ii. Note that all funding brought through the Rural Growth Deal is subject to approval of Treasury 5 business cases by the UK and Scottish Government.
- iii. Note a further update will be brought to the Policy and Resources Committee following approval of the Rural Growth Deal Full Business Case by the UK and Scottish Government.

4.0 DETAIL

- 4.1 The Council agreed the 'Heads of Terms' for the RGD on the 11th February 2021 and are currently working towards signing the Full Deal Agreement.
- 4.2 In order to sign the Full Deal Agreement the Council must submit Treasury 5 Business Cases to UK and Scottish Government for approval. In order to develop a strong business case, projects should be of a scale that they are economically transformational and can show positive Benefit Cost Ratios. The Government appraisal process is rigorous, and several iterations of business cases required to be submitted before being approved.

Tourism – Creating A World Class Visitor Destination - Rothesay Pavilion

- 4.3 The Rural Growth Deal Programme Board met on 10th May 2023 and considered an update on the "Tourism – Creating a World Class Visitor Destination" theme of the RGD. The Programme Board were asked to consider a proposal to re-profile funding within the Tourism Programme to focus on the completion of the Rothesay Pavilion project. This would provide a budget of circa £9m via the Rural Growth Deal, which would significantly reduce the funding gap which stands at circa £13m.
- 4.4 As reported to the Policy & Resources Committee in December 2022, a number of priority locations had been identified for consideration for funding under the Tourism Theme of the RGD:-
 - Dunoon Waterfront
 - Rothesay Waterfront
 - Helensburgh (Wooden Pier)
 - Ardrishaig/Crinan Canal Corridor
 - Campbeltown – Kintyre Sea Sports
- 4.5 Over the past 6 months, Council Officers, Stantec, partner organisations and local stakeholders have been working to develop project options for each identified location, however it has been very challenging to identify transformational projects achievable with the budget available in each location. This is a particular risk, given that some of these projects would not have been delivered until the later stages of the RGD Programme and will therefore be subject to cost inflation pressures. It was also considered that there was a risk that these smaller scale projects would not have sufficient benefit cost ratios and would not create a favourable Treasury 5 Business Case, as is required by

Government and as advised by Stantec our consultants working on the business cases. It was proposed that alternative funding streams could support some of the RGD project options that were considered and Development & Economic Growth Officers will continue to work with local and national stakeholders to ensure that alternative funding streams are identified and progressed.

- 4.6 It was therefore considered that an alternative option could be to scope back the number of locations targeted via the RGD and focus the Tourism investment on a larger scale, transformational project such as Rothesay Pavilion.
- 4.7 It was proposed that the second project within the Tourism Theme, Kintyre Seaports, remain within the programme as it is significantly advanced and the Outline Business Case has been submitted to Government for first stage appraisal.
- 4.8 The Rural Growth Deal Programme Board subsequently approved this proposal, subject to further discussions with the UK and Scottish Governments.
- 4.9 The RGD PMO have held subsequent discussions with UK and Scottish Government Civil Servants. In line with the process for Rural Growth Deal projects, Government will require a Treasury 5 Full Business Case to approve the proposal in full. Civil Servants have indicated that they may be able to provide an earlier “approval in principle” in order that Argyll and Bute Council can consider instructing phases 2b and 2c of the Pavilion Project. The RGD PMO, along with the Rothesay Pavilion Project Management Team are currently working to provide Government with the information that they require in order to make an “approval in principle” decision.
- 4.10 The RGD PMO have instructed Stantec UK Ltd to prepare a Full Business Case for Rothesay Pavilion and it is hoped that this will be submitted to Government for appraisal in late August/early September 2023. It is expected that several iterations of the FBC will be required and it is hoped that the FBC will be approved by the end of 2023.
- 4.11 Argyll and Bute Council cannot drawdown funding from the Rural Growth Deal until “Full Deal” is signed. It is currently forecast that “Full Deal” will be signed early in 2024. It is therefore anticipated that the Council may have to underwrite some spend on the Pavilion until such time as RGD Funding is available for drawdown.
- 4.12 Despite the contribution of £9m from the RGD, it is noted that a funding gap of circa £4m remains. The Rothesay Pavilion Lobbying Group continue to work with potential funders to identify sources of funding to address the remaining funding gap.

5.0 CONCLUSION

- 5.1 The Rural Growth Deal offers an opportunity to support the completion of Rothesay Pavilion by contributing circa £9m. The Pavilion project is consistent with the aims of the “Tourism – Creating a World Class Visitor Destination” theme of the Rural Growth Deal and offers an opportunity for the RGD to support an economically transformational project of scale that will benefit the community of the Isle of Bute and beyond.
- 5.2 There remains a funding shortfall however the Rothesay Pavilion Lobbying Group are actively seeking funding to address this through a Lobbying Strategy. The quicker we can deliver the Pavilion project however means the more likely the funding gap will be reduced.
- 5.3 The inclusion of Rothesay Pavilion will require to be approved by UK and Scottish Government. A Full Business Case is being developed at pace in order that approval can be provided as early as possible to progress the completion Rothesay Pavilion.

6.0 IMPLICATIONS

- 6.1 Policy – The RGD is consistent with the Council’s Economic Strategy.
- 6.2 Financial – There may be a requirement for Finance to underwrite spending until the Full Deal Agreement is signed and RGD Funding is available for drawdown. There remains a budget gap.
- 6.3 Legal – none identified at present.
- 6.4 HR – None at present.
- 6.5 Fairer Scotland Duty: Required as part of the Business Case Process.
 - 6.5.1 Equalities - protected characteristics – an EqSEIA will be completed as part of the Business Case process.
 - 6.5.2 Socio-economic Duty – The Rural Growth Deal will follow Scottish Government guidance on Inclusive growth including measures to address socio-economic disadvantage.
 - 6.5.3 Islands – Islands impact assessments required as part of OBC process where necessary.
- 6.6 Climate Change – all RGD Projects must follow Scottish Government Carbon Management Guidance.
- 6.7 Risk – risk that Full Deal signing could be delayed and release of funding could be delayed.
- 6.8 Customer Service – None at present.

Kirsty Flanagan Executive Director with responsibility for Development and

Economic Growth

Policy Lead for Strategic Development: Councillor Robin Currie

July 2023

For further information contact:

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