

Public Document Pack

Argyll and Bute Council

Comhairle Earra-Ghàidheal Agus Bhòid

Executive Director: Douglas Hendry



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5 October 2023

NOTICE OF MEETING

A meeting of the **POLICY AND RESOURCES COMMITTEE** will be held **ON A HYBRID BASIS IN THE COUNCIL CHAMBER AND BY MICROSOFT TEAMS** on **THURSDAY, 12 OCTOBER 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 10 August 2023
- * 4. **FINANCIAL REPORTS MONITORING PACK - 31 AUGUST 2023** (Pages 11 - 126)
Report by Section 95 Officer
- * 5. **BUDGET OUTLOOK 2024-25 TO 2028-29** (Pages 127 - 148)
Report by Section 95 Officer
6. **BUDGET SIMULATOR EXERCISE - FINDINGS** (Pages 149 - 156)
Report by Executive Director with responsibility for Customer Support Services
7. **UPDATE ON POLICY FOR EMPTY PROPERTY RELIEF IN NON-DOMESTIC RATES FROM 1 APRIL 2024** (Pages 157 - 180)
Report by Section 95 Officer
8. **DEVELOPMENT OF AREA PLANS TO REFLECT INVESTMENT OPPORTUNITIES** (Pages 181 - 198)
Report by Chief Executive
9. **PLACE BASED INVESTMENT PROGRAMME FUND 2021 – 2024 ALLOCATIONS AND PROJECT UPDATES** (Pages 199 - 208)
Report by Executive Director with responsibility for Development and Economic Growth

10. CROWN ESTATES FUNDING

- (a) Crown Estate 2019-2023 Allocations and Project Updates (Pages 209 - 226)

Report by Executive Director with responsibility for Development and Economic Growth

- (b) Crown Estate 2023/24 Allocation and Possible Projects (Pages 227 - 232)

Report by Executive Director with responsibility for Development and Economic Growth

11. RURAL GROWTH DEAL – UPDATE PAPER (Pages 233 - 246)

Report by Executive Director with responsibility for Development and Economic Growth

12. NATURE RESTORATION FUND - SPEND OPTIONS (Pages 247 - 252)

Report by Executive Director with responsibility for Development and Economic Growth and Roads and Infrastructure Services; and Executive Director with responsibility for Commercial Services

13. CLIMATE CHANGE BOARD UPDATE AND DE-CARBONISATION TRACKER (Pages 253 - 276)

Report by Executive Director with responsibility for Commercial Services

REPORTS FOR NOTING

14. POLICY AND RESOURCES COMMITTEE WORKPLAN (Pages 277 - 280)

EXEMPT REPORT FOR DECISION

E1 15. ROTHESAY PAVILION UPDATE (Pages 281 - 288)

Report by Executive Director with responsibility for Development and Economic Growth and Executive Director with responsibility for Commercial Services

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 in the ON A HYBRID BASIS IN THE COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD AND BY MICROSOFT TEAMS on THURSDAY, 10 AUGUST 2023

Present: Councillor Robin Currie (Chair)

Councillor Gordon Blair	Councillor Reeni Kennedy-Boyle
Councillor Kieron Green	Councillor Liz McCabe
Councillor Amanda Hampsey	Councillor Yvonne McNeilly
Councillor Fiona Howard	Councillor Ross Moreland
Councillor Willie Hume	Councillor Gary Mulvaney
Councillor Andrew Kain	Councillor Douglas Philand

Also Present: Councillor Jan Brown Councillor Tommy MacPherson

Attending: Douglas Hendry, Executive Director
Anne Blue, Head of Financial Services
Ross McLaughlin, Head of Commercial Services
Fergus Murray, Head of Development and Economic Growth
Shona Barton, Governance Manager

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Audrey Forrest, Jim Lynch and Alastair Redman.

2. DECLARATIONS OF INTEREST

There were no declarations of interest intimated.

3. MINUTES

The Minutes of the meeting of the Policy and Resources Committee held on 11 May 2023 were approved as a correct record.

* 4. FINANCIAL REPORTS MONITORING PACK - 30 JUNE 2023

The Committee gave consideration to a report providing a summary of the financial monitoring reports as at the end of June 2023. There were five detailed reports setting out the position as at 30 June 2023 which included the Revenue Budget Monitoring Report; Monitoring of Financial Risks; Capital Plan Monitoring Report; Treasury Monitoring Report and Reserves and Balances.

Decision

The Policy and Resources Committee –

1. noted the revenue budget monitoring report as at 30 June 2023;
2. noted the financial risks for 2023-24;

3. noted the capital plan monitoring report as at 30 June 2023;
4. approved the proposed changes to the capital plan as outlined in Appendix 4 of the capital plan monitoring report;
5. noted the treasury monitoring report as at 30 June 2023;
6. noted the reserves and balances report as at 30 June 2023;
7. agreed to recommend to Council that the revenue virements over £0.200m during April to June 2023 are approved; and
8. agreed to recommend to Council that the revenue virements over £0.200m outstanding from 2022-23 year are approved, per paragraph 2.6.3 of the submitted report.

(Reference: Report by Section 95 Officer dated 7 July 2023, submitted)

5. BUDGET OUTLOOK 2024-25 TO 2028-29

The Committee gave consideration to a report providing an update to the budget outlook covering the period 2024-25 to 2028-29, previously reported to the Policy and Resources Committee on 11 May 2023.

Decision

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

(Reference: Report by Section 95 Officer dated 14 July 2023, submitted)

*** 6. CAPITAL INVESTMENT STRATEGY 2023 - 2038**

The Committee gave consideration to a report that sought approval of the Council's new Capital Investment Strategy and which outlined the approach for sound management of the Council's assets.

Decision

The Policy and Resources Committee agreed to recommend to the Council, approval of the Council's new Capital Investment Strategy contained at Appendix A to the submitted report.

(Reference: Report by Executive Director with responsibility for Commercial Services dated 21 July 2023, submitted)

7. COMMUNITY EMPOWERMENT (SCOTLAND) ACT 2015 - UPDATE - EXPRESSIONS OF INTEREST / ASSET TRANSFER REQUESTS / REPORTING REQUIREMENTS

The Committee gave consideration to a report advising on the operation of the processes in regard to Asset Transfer Requests and Participation Requests in terms of the

Community Empowerment Act 2015. The report provided an update on Asset Transfer Requests, Expressions of Interest and Participation Requests to date.

Decision

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

(Reference: Report by Executive Director with responsibility for Commercial Services dated 27 June 2023, submitted)

Councillor Dougie Philand joined the meeting at this point.

Councillor Gordon Blair left the meeting during the consideration of the following item of business.

8. UK LEVELING UP FUND – GOVERNMENT FEEDBACK

The Committee gave consideration to a report providing an update on feedback received from the UK Government on two Levelling Up Bids that had been submitted the previous year as part of round two of the fund.

Decision

The Policy and Resources Committee –

1. noted the feedback by the UK Government on the two submitted Levelling Up Bids;
2. agreed 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;
3. agreed 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; and
4. agreed 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.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 10 August 2023, submitted)

9. PLACE BASED INVESTMENT 2023/24 - PBI PROJECTS AND ALLOCATION

The Committee gave consideration to a report advising of an allocation of £496,000 from the Scottish Government via its Place Based Investment Programme. The report sought formal approval of the projects to be supported via the current year's Place Based Investment funding allocations as detailed at Table 1 within the submitted report.

Decision

The Policy and Resources Committee –

1. agreed to the allocation of the Place Based Investment funding for 2023/24 to the projects as outlined in Table 1 at paragraph 4.8 of the submitted report.
2. noted that the Executive Director with responsibility for Development and Economic Growth would 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; and
3. noted that, following consultation with all elected members as detailed under 2 above, a further report would be brought forward to the 12 October meeting of the Policy and Resources Committee.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 13 July 2023, submitted)

10. ISLANDS COST CRISIS EMERGENCY FUND 2023/24

The Committee gave consideration to a report advising of the Scottish Government's £1M Islands Cost Crisis Emergency Fund allocation which would support those on islands facing even more significant cost of living challenges. The report advised that, based on island population, Argyll and Bute's allocation would be £141k and recommended a delegation to ensure that the funding could be issued as quickly as possible once Argyll and Bute's allocation had been confirmed by letter with all the relevant criteria provided by the Scottish Government.

Decision

The Policy and Resources Committee –

1. noted 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
2. agreed that arrangements for the fund be based on funding to support similar initiatives to those agreed for 2022/23 and as detailed in Table 1 within the submitted report 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 reached communities as quickly as possible.

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

11. CHANGE TO ARGYLL COMMUNITY HOUSING ASSOCIATION GOVERNANCE STRUCTURE

A report advising of changes to the governance structure of Argyll Community Housing Association (ACHA) was before the Committee for noting.

Decision

The Policy and Resources Committee noted the changes to the governance structure as outlined within the submitted report.

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

12. POLICY AND RESOURCES COMMITTEE WORKPLAN

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

Decision

The Policy and Resources Committee noted the content of the work plan as at August 2023.

(Reference: Policy and Resources Committee Workplan dated August 2023, submitted)

13. ROTHESAY PAVILION

(a) RURAL GROWTH DEAL – ROTHESAY PAVILION

The Committee gave consideration to a report providing an update on the Rural Growth Deal (RGD) and in particular an update on the “Tourism – Creating a World Class Visitor Destination” theme. The report advised on decisions taken by the Rural Growth Deal Programme Board on what projects would be taken forward within the tourism theme and advised that a decision had been taken to allocate £9M towards the completion of the Rothesay Pavilion as a priority project, subject to approval by the UK and Scottish Government.

Decision

The Policy and Resources Committee –

1. endorsed 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;
2. noted that all funding brought through the Rural Growth Deal was subject to approval of Treasury 5 business cases by the UK and Scottish Government; and
3. noted that a further update would be brought to the Policy and Resources Committee following approval of the Rural Growth Deal Full Business Case by the UK and Scottish Government.

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

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

(b) ROTHESAY PAVILION - PROJECT POSITION UPDATE

The Committee gave consideration to a report providing an update on the

construction work at Rothesay Pavilion since physical works recommenced in May 2023.

Decision

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

(Reference: Report by Executive Director with responsibility for Commercial Services and Executive Director with responsibility for Development and Economic Growth dated 7 July 2023, submitted)

ARGYLL AND BUTE COUNCIL**POLICY AND RESOURCES COMMITTEE****FINANCIAL SERVICES****12 OCTOBER 2023**

FINANCIAL REPORTS MONITORING PACK – 31 AUGUST 2023

1. INTRODUCTION

1.1 This report provides a summary of the financial monitoring reports as at the end of August 2023. There are five detailed reports, setting out the position as at 31 August 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 £0.009m as at the end of August 2023. The key variances are:

- Underspend of £0.400m from Education due to slippage on Scottish Government 100 day Promise funding due to delays in recruitment
- Underspend of £0.400m from Executive Director Kirsty Flanagan in respect of an over-recovery of vacancy savings
- Overspend of £0.400m from Piers and Harbours due to an under-recovery of berthing income
- Overspend of £0.309m from Schools Residential placements due to a higher than budgeted demand for this service
- Overspend of £0.042m from Pupil Transport due to an overspend against staffing costs for driver/escorts
- Under-recovery of £0.040m door entry income for public conveniences (indicative start date of September for door entry installs)

2.1.3 There is a year to date overspend of £1.957m. 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 31 August 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. A cost pressure has been recognised in 2024-25 for one of these and the other will be met by underspends within the Service which will 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 August is an estimated overspend of £0.900m for 2023-24 (forecast to come in on budget for Social Work and overspend of £0.900m for Health). 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 41 departmental risks totalling £5.550m. Of the 41 departmental risks, 5 are categorised as likely. These will continue to be monitored and action taken to mitigate or manage these risks.

2.2.4 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	Waste PPP - Indexation	Historical payments made towards Waste PPP based on indexation rates have been challenged by Renewi resulting in a potential cost to the council.	3	586
Roads and Infrastructure Services	Winter Maintenance	Adverse weather conditions which require greater than budgeted number of gritting runs.	4	365

2.2.5 There have been 3 changes to the departmental risks since the report as presented to the Policy and Resources Committee on 10 August 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 £14.178m compared to a budget for the year to date of £14.135m giving rise to an overspend for the year to date of £0.043m (0.30%).
- 2.3.5 The forecast outturn for 2023-24 is a forecast net expenditure of £43.149m compared to an annual budget of £43.618m giving rise to a forecast underspend for the year of £0.469m (1.08%).
- 2.3.6 The forecast total net projects costs on the capital plan are £215.191m compared to a total budget for all projects of £215.138m giving rise to a forecast overspend for the overall capital plan of £0.053m (0.02%).
- 2.3.7 In respect of total project performance, there are 156 projects within the capital plan, 153 are complete or on target, 2 are 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 July 2023 to 31 August 2023 was a decrease of £7m.
- 2.4.3 Borrowing is below the Capital Financing Requirement for the period to 31 August 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 £96.750m at 31 August 2023. The average rate of return achieved was 4.991% which is below the target SONIA (Sterling Overnight Index Average) rate for the same period of 5.168%.

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:

- £37.047m is invested or committed for major initiatives/capital projects
- £3.411 has already been drawn down
- £25.559m is still to be drawn down in 2023-24
- £13.449m is planned to be spent in future years.

2.5.5 During 2023-24, the amount of £2.619m which was previously agreed to be utilised from the one-off reprofiling gain from the Loans Fund Review was drawn down into Earmarked Reserves to be used to fund the Capital Programme as detailed in paragraph 3.5.1. This results in the total earmarked balance increasing to £82.085m with the amount invested or committed for major initiatives/capital projects as at August increasing to £39.666m.

2.5.6 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 31 August 2023	Per paragraph 2.1.2	9
Social Work outturn adjustment	Social Work would expect to transfer any surplus to internal reserves	(0)
Allocation from unallocated general fund balance	Per EDI committee decision re floral displays	(8)
Estimated Unallocated balance as at 31 March 2024		1,272

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 £1.272m 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 July and August, there are 3 virements requiring authorisation:

- £0.311m harvested within Social Work against the vacancy savings target for the August period
- £0.732m moved from Chief Officer Integration to Head of Health and Community Care to recognise Scottish Government Multi-Disciplinary Team funding and spend
- £0.950m moved between cost centres within Social Work to recognise Scottish Government Care at Home expenditure

3. RECOMMENDATIONS

3.1 It is recommended that the Policy and Resources Committee:

- a) Consider the revenue budget monitoring report as at 31 August 2023
- b) Note the financial risks for 2023-24
- c) Note the capital plan monitoring report as at 31 August 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 31 August 2023
- e) Consider the reserves and balances report as at 31 August 2023
- f) Recommend to Council that the revenue virements over £0.200m during July and August 2023 are approved

4. IMPLICATIONS

4.1	Policy –	None.
4.2	Financial -	Outlines the revenue and capital monitoring for 2023-24 as at 31 August 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
8 September 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 £0.009m as at the end of August 2023. Within Executive Director Douglas Hendry, there is a forecast underspend of £0.091m due to slippage in utilisation of 100 day promise funding offset by an overspend within Residential Schools due to a higher than budgeted demand for this service. Within Executive Director Kirsty Flanagan, there is a forecast overspend of £0.082m due to an under-recovery of berthing income in Piers and Harbours, an under-recovery of income in Public Conveniences and an overspend in Pupil Transport driver/escort costs. These are partially offset with an over-recovery of vacancy savings and an underspend in Public Transport payments to operators. Social Work is currently forecasting to break even at the end of the financial year. This is due to a combination of the over-recovery of vacancy savings, income from fees, charges and recharges and the use of non-recurring reserves to offset cost pressures arising from a 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 underspend of £1.957m. 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 August 2023:

- Council services are projecting an underspend of £0.009m as at 31 August 2023. It is early in the budget monitoring process and projections will be refined for the next monitoring report.

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.

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.

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

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

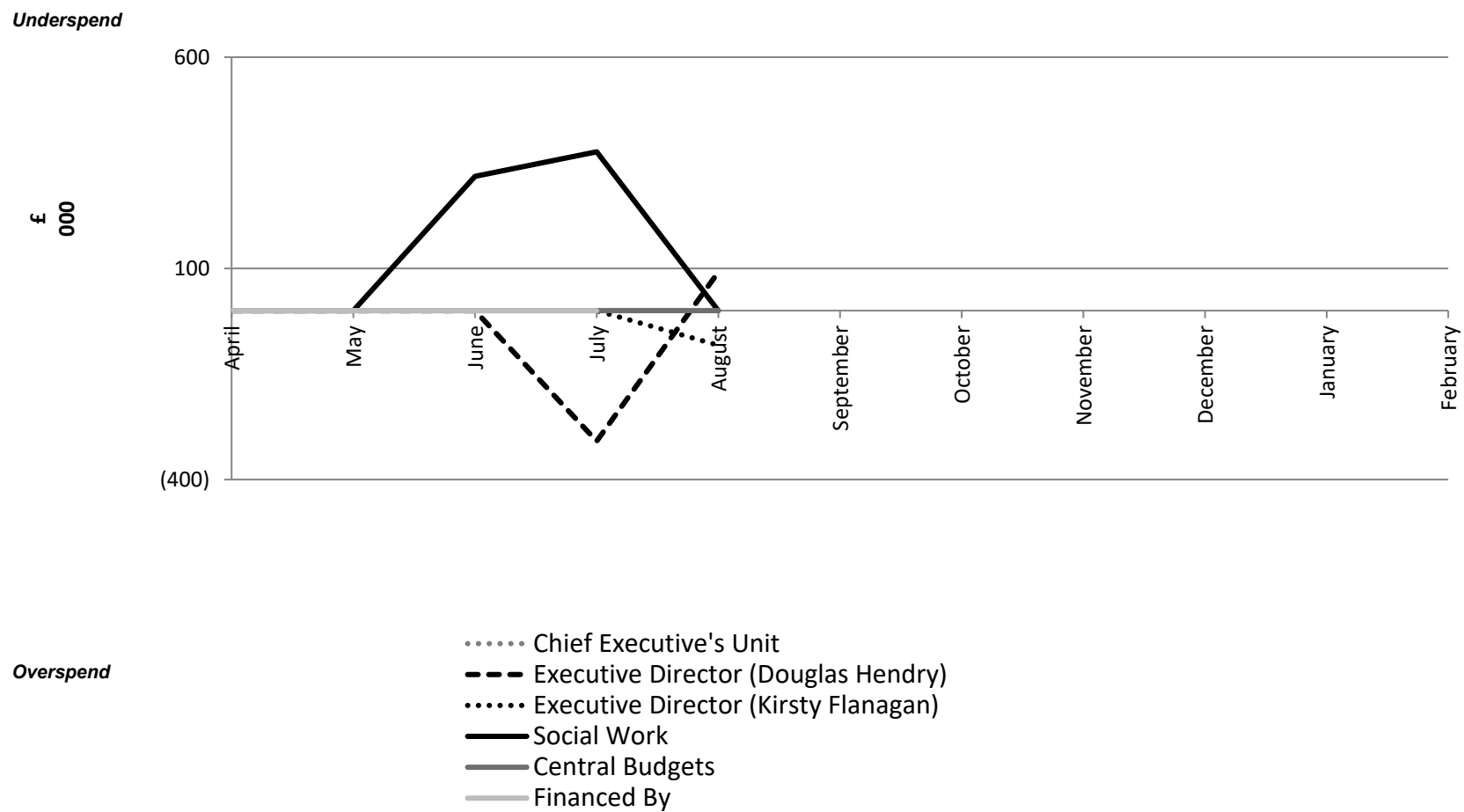
Monitoring Social Work expenditure and more widely the IJB position as any overspend will transfer back to partner bodies in the first instance.	Continue to work closely with the CFO of the IJB to ensure that early indication of any potential adverse financial outturn is identified and corrective action 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, refine options 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 a 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 because 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 evaluated and 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 evaluated and reported through the budget monitoring and preparation processes.

Forecast Outturn Position

There is a forecast underspend of £0.009m for 2023-24 as at the end of August 2023

Department	Annual Budget £'000	Forecast Outturn £'000	Current Forecast Variance £'000	Previous Forecast Variance £000	Change £000	Explanation
Chief Executive's Unit	1,038	1,038	0	0	0	
Executive Director (Douglas Hendry)	131,942	131,851	91	(309)	400	The projected underspend is due to slippage in the use of 100 day promise funding offset by an overspend within Residential School Budgets due to a higher than budgeted demand for this service.
Executive Director (Kirsty Flanagan)	54,759	54,841	(82)	0	(82)	The projected overspend is due to an under-recovery of berthing income in Piers & Harbours, an under-recovery of income in Public Conveniences and an overspend in Pupil Transport driver/escort costs. These are partially offset with an over-recovery of vacancy saving and an underspend in Public Transport payments to operators.
Social Work	76,118	76,118	0	376	(376)	The department is currently forecasting to break even at the end of the financial year. This is due to a combination of the over-recovery of vacancy savings, income from fees, charges and recharges and the use of non-recurring reserves to offset cost 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	26,640	26,640	0	0	0	
Financed By	(290,497)	(290,497)	0	0	0	
Total	0	(9)	9	67	(58)	

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



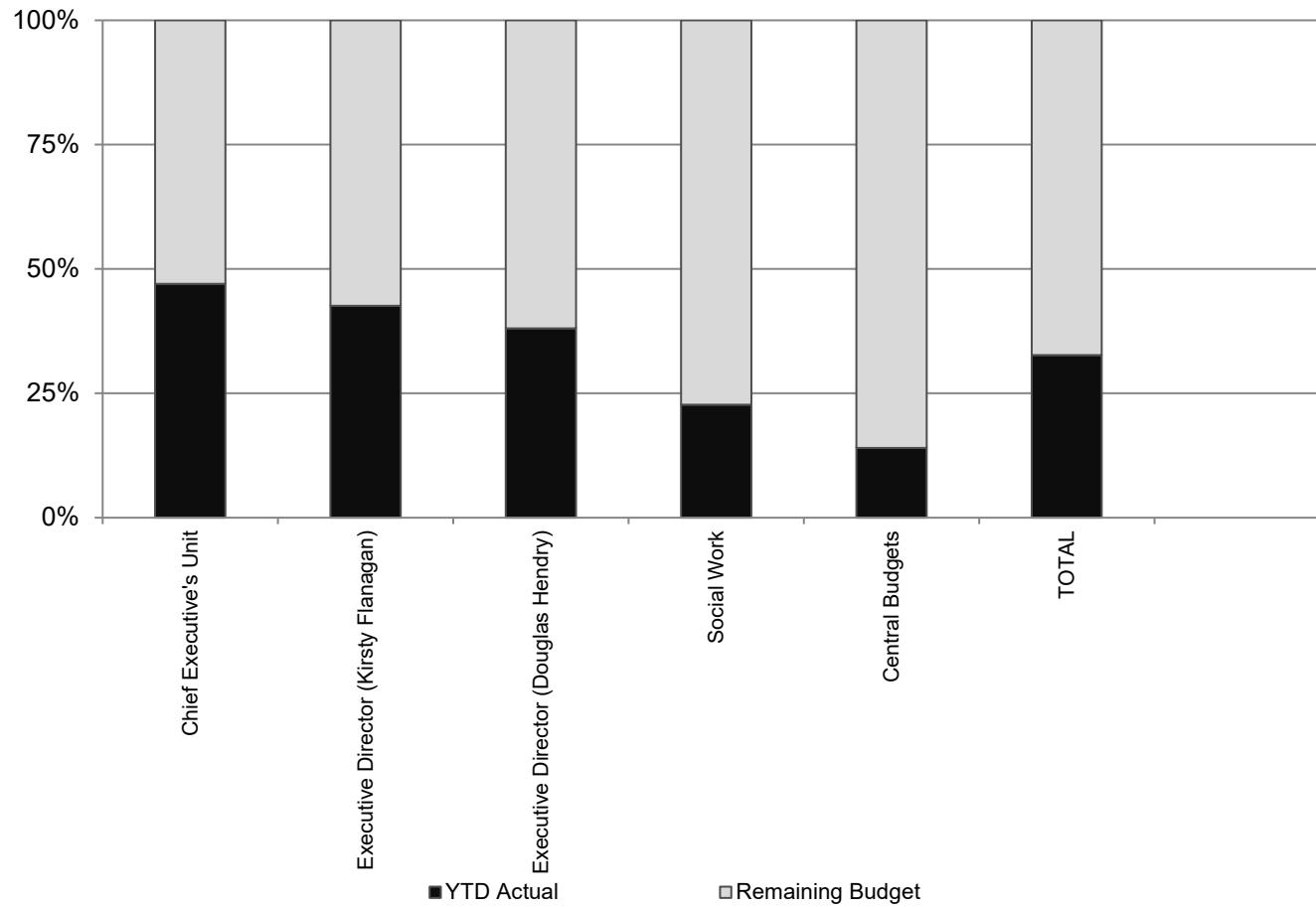
Further information on the departmental forecast variances is included later on in the report.

Year to Date Position

The year to date position as at the end of August 2023 is an underspend of £1.957m and the main variances are noted below.

Department	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000	Explanation
Chief Executive's Unit	488	460	(28)	The year to date overspend can be attributed to a profiling issue from the new Shared Prosperity Fund. A new cost centre will be set up to recognise costs/income from this scheme and correct the profile issues causing the variance.
Executive Director (Douglas Hendry)	50,209	51,536	1,327	The year to date underspend position is due to receipt of historic utility refunds, underspends in Education within employee budgets, this is partially offset by the overspend within the Residential Schools budget. The underspends in School and Learning Centre Budgets fall within the Scheme of Devolved School Management in schools which are permitted flexibility at the end of the year so no forecast variance for this part of the underspend is required.
Executive Director (Kirsty Flanagan)	23,312	23,443	131	The year to date underspend is mainly due to the timing of income in comparison to the budget profile partially offset by expenditure incurred which is funded by grant income which has not been received.
Social Work	17,313	17,150	(163)	The year to date overspend is mainly due to the use of agency staff across Homecare and Older People Residential Units.
Central Budgets	3,735	4,425	690	The year to date underspend can be attributed to profiling issues.
Funding	(120,823)	(120,823)	0	
Total Net Expenditure	(25,766)	(23,809)	1,957	

Expenditure to date against the remaining budget for each Department



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

OBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AS AT 31 AUGUST 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	488	460	(28)	(6.1%)	1,038	1,038	0	0.0%
Executive Director (Douglas Hendry)	50,209	51,536	1,327	2.6%	131,942	131,851	91	0.1%
Executive Director (Kirsty Flanagan)	23,312	23,443	131	0.6%	54,759	54,841	(82)	(0.2%)
Social Work	17,313	17,150	(163)	(1.0%)	76,118	76,118	0	0.0%
Total Departmental Budgets	91,322	92,589	1,267	1.4%	263,857	263,848	9	0.0%
<u>Central Budgets</u>								
Other Operating Income and Expenditure	(1,954)	(2,205)	(251)	11.4%	3,921	3,921	0	0.0%
Joint Boards	626	623	(3)	(0.5%)	1,496	1,496	0	0.0%
Non-Controllable Costs	5,063	6,007	944	15.7%	21,223	21,223	0	0.0%
Total Central Budgets	3,735	4,425	690	15.6%	26,640	26,640	0	0.0%
TOTAL NET EXPENDITURE	95,057	97,014	1,957	2.0%	290,497	290,488	9	0.0%
<u>Financed By</u>								
Aggregate External Finance	(90,545)	(90,545)	0	0.0%	(226,268)	(226,268)	0	0.0%
Local Tax Requirement	(30,278)	(30,278)	0	0.0%	(59,301)	(59,301)	0	0.0%
Contributions to General Fund	0	0	0	0.0%	(1,517)	(1,517)	0	0.0%
Earmarked Reserves	0	0	0	0.0%	(3,411)	(3,411)	0	0.0%
Total Funding	(120,823)	(120,823)	0	0.0%	(290,497)	(290,497)	0	0.0%
(Deficit)/Surplus for Period	(25,766)	(23,809)	1,957		0	(9)	9	

SUBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AS AT 31 AUGUST 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	70,496	71,166	670	0.9%	188,731	188,422	309	0.2%
Premises Related Expenditure	9,748	9,985	237	2.4%	19,031	19,327	(296)	(1.6%)
Supplies and Services	10,295	11,202	907	8.1%	24,901	24,949	(48)	(0.2%)
Transport Related Expenditure	5,383	5,066	(317)	(6.3%)	17,636	17,578	58	0.3%
Third Party Payments	66,476	64,666	(1,810)	(2.8%)	173,541	174,705	(1,164)	(0.7%)
Capital Financing	942	0	(942)		14,523	14,523	0	0.0%
TOTAL EXPENDITURE	163,340	162,085	(1,255)	(0.8%)	438,363	439,504	(1,141)	(0.3%)
Income	(189,106)	(185,894)	3,212	(1.7%)	(438,363)	(439,513)	1,150	(0.3%)
(Deficit)/Surplus for Period	(25,766)	(23,809)	1,957		0	(9)	9	

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

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

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

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

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

CHIEF EXECUTIVE'S UNIT – AS AT 31 AUGUST 2023

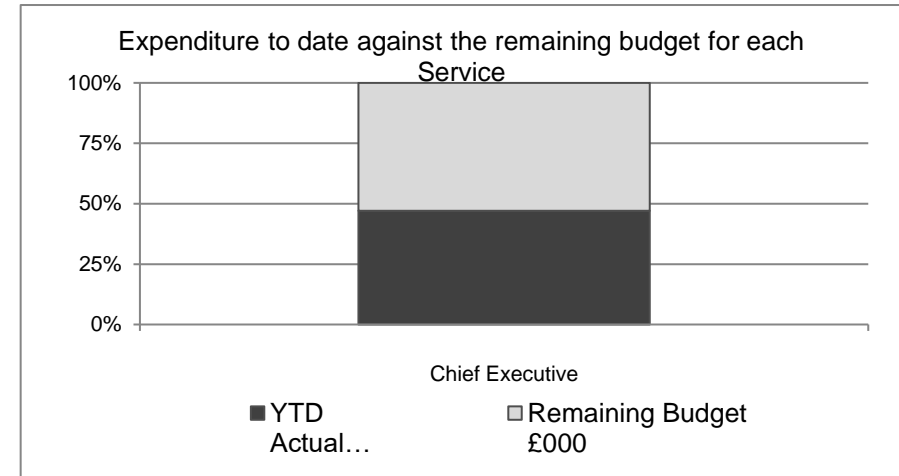
The department is currently forecasting spend in line with budget.

The department has a year to date overspend of £0.028m 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	1,038	1,038	0	0	0
Totals	1,038	1,038	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 31 AUGUST 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	158	155	(3)	(1.9%)	419	419	0	0.0%	Outwith Reporting Criteria
Community Planning & Development	330	305	(25)	(8.2%)	619	619	0	0.0%	Outwith Reporting Criteria
	488	460	(28)	(6.1%)	1,038	1,038	0	0.0%	

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

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

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

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

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

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

CHIEF EXECUTIVE'S UNIT – SUBJECTIVE SUMMARY AS AT 31 AUGUST 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	335	335	0	0.0%	887	887	0	0.0%	Outwith Reporting Criteria
Supplies and Services	5	5	0	0.0%	12	12	0	0.0%	Outwith Reporting Criteria
Transport	4	6	2	33.3%	14	14	0	0.0%	Underspend on staff travel budgets.
Third Party	167	131	(36)	(27.5%)	142	142	0	0.0%	Grants have been paid out in relation to the Shared Prosperity Fund. A new cost centre will be set up during September to recognise all costs/income relating to this scheme which will rectify the profiling issues causing the YTD variance.
Income	(23)	(17)	6	(35.3%)	(17)	(17)	0	0.0%	Income has been received in relation to the Shared Prosperity Fund. A new cost centre will be set up during September to recognise all costs/income relating to this scheme which will rectify the profiling issues causing the YTD variance.
Totals	488	460	(28)	(6.1%)	1,038	1,038	0	0.0%	

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

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

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

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

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

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

CHIEF EXECUTIVE'S UNIT – RED VARIANCES AS AT 31 AUGUST 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 31 AUGUST 2023

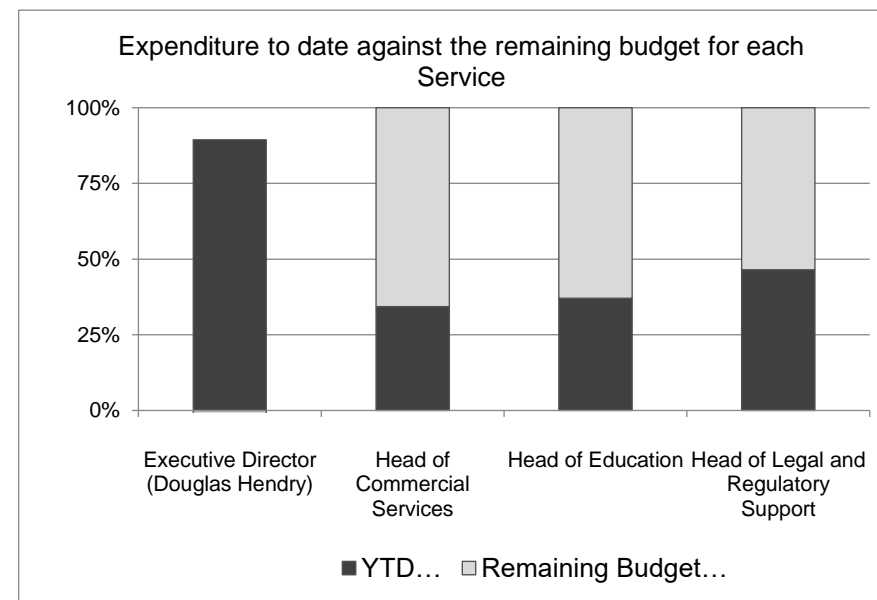
The department is currently forecasting an underspend of £0.091m which is due to slippage in the utilisation of 100 day promise funding offset by an overspend within Residential School Budgets due to a higher than budgeted demand for this service.

The department has a year to date (YTD) underspend of £1.327m (2.6%). The year to date underspend position is due to receipt of historic utility refunds, underspends in Education within employee budgets, this is partially offset by the overspend within the Residential Schools budget. The underspends in School and Learning Centre Budgets fall within the Scheme of Devolved School Management in schools which are permitted flexibility at the end of the year so no forecast variance for this part of the underspend is required.

Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Executive Director (Douglas Hendry)	126	126	0	0	0
Head of Commercial Services	11,689	11,689	0	0	0
Head of Education	104,175	104,084	91	(309)	400
Head of Legal and Regulatory Support	15,952	15,952	0	0	0
Totals	131,942	131,851	91	(309)	400

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.

<ul style="list-style-type: none"> 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 31 AUGUST 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	143	149	6	4.0%	126	126	0	0.0%	Outwith Reporting Criteria
		143	149	6	4.0%	126	126	0	0.0%	
Head of Commercial Services	Catering	158	270	112	41.5%	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	570	545	(25)	(4.6%)	1,792	1,792	0	0.0%	Outwith Reporting Criteria
Head of Commercial Services	CHORD	55	21	(34)	(161.9%)	35	35	0	0.0%	The YTD overspend is due to the timing of income and expenditure.
Head of Commercial Services	Cleaning	(83)	141	224	158.9%	599	599	0	0.0%	The YTD underspend is due to the timing of income and the reduced use of bank staff.
Head of Commercial Services	Culture, Heritage, Recreation & Sport	2,429	2,400	(29)	(1.2%)	5,915	5,915	0	0.0%	Outwith Reporting Criteria
Head of Commercial Services	Events & Commercial Catering	105	(6)	(111)	1850.0%	3	3	0	0.0%	The YTD overspend is due to timing of income, under recovery of income and high staff costs within Commercial Café's. Finance assisted management to look at cashflows, pricing, menu's and staffing model to recover current position.
Head of Commercial Services	Property Portfolio	(90)	(45)	45	(100.0%)	(191)	(191)	0	0.0%	The YTD underspend is due to the timing of income and expenditure.
Head of Commercial Services	Property Services	379	473	94	19.9%	726	726	0	0.0%	The YTD underspend is due to receipt of historic water refunds.
Head of Commercial Services	Shared Offices	494	469	(25)	(5.3%)	1,508	1,508	0	0.0%	Outwith Reporting Criteria
		4,017	4,268	251	5.9%	11,689	11,689	0	0.0%	

Head of Education	Additional Support for Learning	4,102	4,263	161	3.8%	11,366	11,366	0	0.0%	The YTD underspend is due to delays in recruitment of ASN Assistants which may be offset by additional pay still to be coded against Pupil Support Teachers next month.
Head of Education	Central/Management Costs	956	928	(28)	(3.0%)	2,287	2,287	0	0.0%	Outwith Reporting Criteria
Head of Education	Community Learning & Development	9	2	(7)	(350.0%)	13	13	0	0.0%	The YTD overspend is due to the timing of income and expenditure.
Head of Education	COVID	48	55	7	12.7%	55	55	0	0.0%	Funds to be drawn from Covid earmarkings to match expenditure which will eliminate adverse variance monthly.
Head of Education	Early Learning & Childcare	(883)	(796)	87	(10.9%)	9,544	9,544	0	0.0%	YTD underspend of £106k in employee budgets in ELC settings due to delays in recruitment. There is also a YTD underspend of £63k in materials budgets within ELC settings which is profile-related. This will be rectified in the September period. The above underspends are partially offset by a YTD overspend in the premises budget in the 1140 cost centre. Earmarked reserve funding will be drawn down in September to rectify this variance.
Head of Education	Primary Education	16,116	16,352	236	1.4%	38,197	38,197	0	0.0%	The YTD underspend is due to the timing of income and expenditure.
Head of Education	Pupil Support	805	821	16	2.0%	2,633	2,942	(309)	(11.7%)	The YTD underspend is due to the current budget profile which will be refined through September. This will change the true YTD variance to a £128k overspend in Schools Residential Budget due to a higher demand for service than budget allows. A forecast variance of £309k has been recorded through the ledger reflecting this position.

Head of Education	Schools - Central Services	922	937	15	1.6%	2,341	1,941	400	17.1%	The YTD underspend is due to the current budget profile which will be refined through September. This will change the true YTD variance to a £166k underspend due to slippage in the use of 100 day promise funding for additional teachers and support staff. This funding will be fully utilised in 2024-25.
Head of Education	Secondary Education	16,567	16,867	300	1.8%	37,739	37,739	0	0.0%	The YTD underspend position is largely due to underspends within Secondary schools staffing budgets. Under the Scheme of Devolved School Management (DSM) schools are permitted flexibility at year end, therefore no forecast variance has been processed in relation to this.
		38,642	39,429	787	2.0%	104,175	104,084	91	0.1%	
Head of Legal & Regulatory Support	Central/Management Costs	92	100	8	8.0%	271	271	0	0.0%	Outwith Reporting Criteria
Head of Legal & Regulatory Support	Community Safety	96	95	(1)	(1.1%)	176	176	0	0.0%	Outwith Reporting Criteria
Head of Legal & Regulatory Support	Elections	2	5	3	60.0%	36	36	0	0.0%	The YTD underspend is due to the timing of income and expenditure.
Head of Legal & Regulatory Support	Governance	161	176	15	8.5%	771	771	0	0.0%	Outwith Reporting Criteria
Head of Legal & Regulatory Support	Governance, Risk & Safety	196	212	16	7.6%	577	577	0	0.0%	Outwith Reporting Criteria
Head of Legal & Regulatory Support	Legal Services	186	195	9	4.6%	750	750	0	0.0%	Outwith Reporting Criteria
Head of Legal & Regulatory Support	NPDO and Hub Schools	6,055	6,242	187	3.0%	11,517	11,517	0	0.0%	The YTD underspend is due to receipt of historic water refunds and the timing of income and expenditure.

Head of Legal & Regulatory Support	Procurement, Commercial and Contract Management	393	447	54	12.1%	1,216	1,216	0	0.0%	The YTD underspend is due to delays in recruitment of staff.
Head of Legal & Regulatory Support	Trading Standards & Advice Services	226	218	(8)	(3.7%)	638	638	0	0.0%	Outwith Reporting Criteria
		7,407	7,690	283	3.7%	15,952	15,952	0	0.0%	
		50,209	51,536	1,327	2.6%	131,942	131,851	91	0.1%	

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

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

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

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

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

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

EXECUTIVE DIRECTOR (DOUGLAS HENDRY) – SUBJECTIVE SUMMARY AS AT 31 AUGUST 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	40,274	41,205	931	2.3%	105,418	105,018	400	0.4%	<p>Non Education: The YTD underspend of £347k is made up of a £116k underspend in Legal and Regulatory Support due to delays in recruitment and a £229k underspend in Commercial Services due to delays in recruitment and lower than anticipated use of bank budgets in catering and cleaning. This will reduce in September as vacancy savings are removed and budgets reduced.</p> <p>Education: £584k underspend is mainly within staffing budgets 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.</p>
Premises	3,161	3,186	25	0.8%	7,932	7,932	0	0.0%	Outwith Reporting Criteria
Supplies and Services	4,712	5,632	920	16.3%	13,299	13,299	0	0.0%	<p>Non Education: The YTD underspend of £155k is mainly within Catering Services and is due to the timing of income and expenditure.</p> <p>Education: £765k underspend is due to the timing of income and expenditure within Pupil Equity Funding.</p>
Transport	147	140	(7)	(5.0%)	338	338	0	0.0%	Outwith Reporting Criteria
Third Party	19,729	19,775	46	0.2%	41,764	42,073	(309)	(0.7%)	Outwith Reporting Criteria
Income	(17,814)	(18,402)	(588)	3.2%	(36,809)	(36,809)	0	0.0%	<p>Non Education: The £178k under recovery of income is due to the profile of income from school meals, the under recovery of income from Commercial Catering and Events which is being closely monitored and the timing of income and expenditure within Renewable Energy.</p> <p>Education: The £410k under recovery of income is due to the timing of income within school meals.</p>
Totals	50,209	51,536	1,327	2.6%	131,942	131,851	91	0.1%	

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

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

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

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

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

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

EXECUTIVE DIRECTOR (DOUGLAS HENDRY) – RED VARIANCES AS AT 31 AUGUST 2023

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Education - Pupil Support	2,633	2,942	(309)	(11.7%)	Higher than budgeted demand for placements within Residential Schools.
Education - Schools Central Services	2,341	1,941	400	17.1%	Slippage in the use of 100 day promise funding for additional teachers and support staff that will be fully utilised in 2024-25.

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

EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – AS AT 31 AUGUST 2023

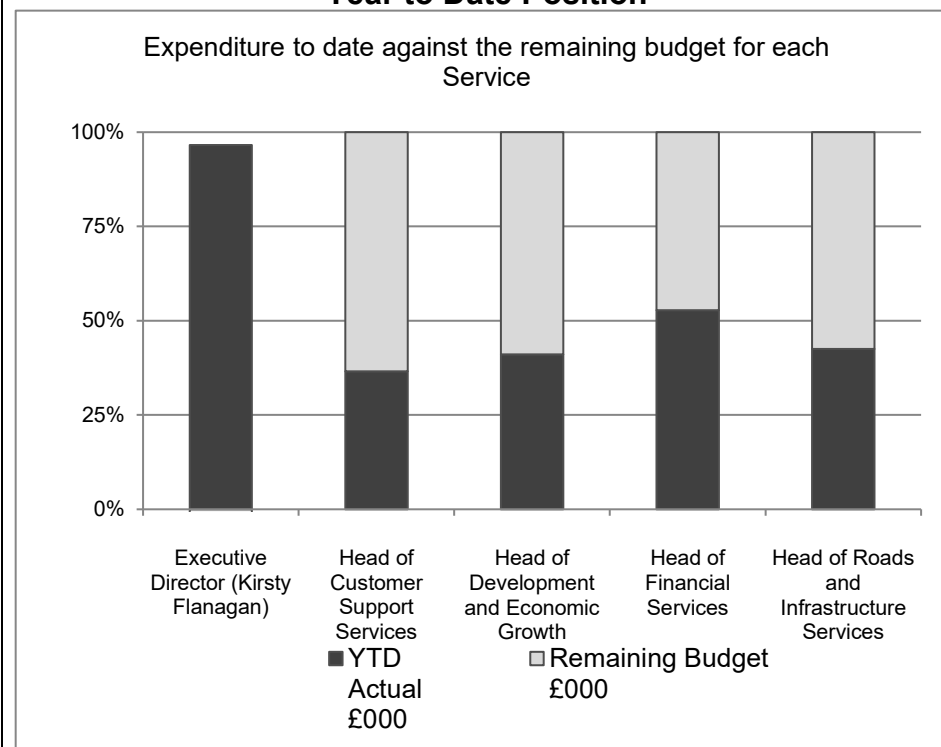
The department has a forecast overspend of £0.082m. This is due to an under-recovery of berthing income in Piers & Harbours, an under-recovery of income in Public Conveniences and an overspend in Pupil Transport driver/escort costs. These are partially offset with an over-recovery of vacancy saving and an underspend in Public Transport payments to operators.

The department has a year to date underspend of £0.131m (0.6%). This is mainly due to the timing of income received in comparison to budget profile partially offset by expenditure funded from grant income that has not yet been received.

Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Executive Director (Kirsty Flanagan)	110	(290)	400	0	400
Head of Customer Support Services	8,962	8,962	0	0	0
Head of Development and Economic Growth	7,960	7,960	0	0	0
Head of Financial Services	5,830	5,830	0	0	0
Head of Roads and Infrastructure Services	31,897	32,379	(482)	0	(482)
Totals	54,759	54,841	(82)	0	(82)

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>
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EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – OBJECTIVE SUMMARY AS AT 31 AUGUST 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	114	114	0	0.0%	110	(290)	400	363.6%	Based on the ytd vacancy savings recovered, it is currently anticipated that an over recovery is likely to be achieved in the region of £400K.
		114	114	0	0.0%	110	(290)	400	363.6%	
Head of Customer Support Services	Central/Management Costs	56	58	2	3.5%	174	174	0	0.0%	Outwith Reporting Criteria.
Head of Customer Support Services	Communications	102	119	17	14.3%	324	324	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	507	500	(7)	(1.4%)	1,484	1,484	0	0.0%	Outwith Reporting Criteria.
Head of Customer Support Services	HR	916	1,027	111	10.8%	2,593	2,593	0	0.0%	Underspend due to timing of income in comparison to profiling of budget which will be rectified over the financial year.
Head of Customer Support Services	ICT	1,740	1,738	(2)	(0.1%)	4,331	4,331	0	0.0%	Outwith Reporting Criteria.
Head of Customer Support Services	Registrars	(43)	3	46	1533.3%	56	56	0	0.0%	Underspend due to timing of income in comparison to profiling of budget and employee vacancies which will be rectified over the financial year.
		3,278	3,445	167	4.9%	8,962	8,962	0	0.0%	
Head of Development & Economic Growth	Airports	482	460	(22)	(4.8%)	1,210	1,210	0	0.0%	Outwith Reporting Criteria.
Head of Development & Economic Growth	Building Control	(138)	(106)	32	(30.2%)	(103)	(103)	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	213	200	(13)	(6.5%)	581	581	0	0.0%	Outwith Reporting Criteria.
Head of Development & Economic Growth	Culture & Heritage	78	81	3	3.7%	228	228	0	0.0%	Outwith Reporting Criteria.
Head of Development & Economic Growth	Development Management	(154)	(96)	58	(60.4%)	(21)	(21)	0	0.0%	Variance is due to the timing of receipts for planning income received. Schedule of expected Planning Applications to be reviewed later in the year to determine any potential over-recovery.
Head of Development & Economic Growth	Development Policy	152	144	(8)	(5.6%)	394	394	0	0.0%	Outwith Reporting Criteria.
Head of Development & Economic Growth	Economic Development	264	713	449	63.0%	1,183	1,183	0	0.0%	Grant income for Place Based Investment and Scottish Govt Islands Programme received in advance of expenditure.
Head of Development & Economic Growth	Environmental Health	390	407	17	4.2%	1,249	1,249	0	0.0%	Outwith Reporting Criteria.
Head of Development & Economic Growth	Environmental Initiatives	44	44	0	0.0%	120	120	0	0.0%	Outwith Reporting Criteria.
Head of Development & Economic Growth	Housing	1,905	1,761	(144)	(8.2%)	2,883	2,883	0	0.0%	Expenditure for HEEPS incurred in advance of grant claim.
Head of Development & Economic Growth	Private Landlords	(151)	0	151	0.0%	0	0	0	0.0%	Income from Short Term Lets received in advance with no budget allocation. Budget will be added for next reporting period.
Head of Development & Economic Growth	Transportation Policy	184	88	(96)	(109.1%)	236	236	0	0.0%	Expenditure for SUSTRANS and CWSS incurred in advance of grant claim.

		3,269	3,696	427	11.6%	7,960	7,960	0	0.0%	
Head of Financial Services	Accounting & Budgeting	949	992	43	4.3%	2,674	2,674	0	0.0%	Outwith Reporting Criteria.
Head of Financial Services	Internal Audit & Fraud	122	121	(1)	(0.8%)	339	339	0	0.0%	Outwith Reporting Criteria.
Head of Financial Services	Revenues & Benefits	1,784	1,811	27	1.5%	2,123	2,123	0	0.0%	Outwith Reporting Criteria.
Head of Financial Services	Scottish Welfare Fund	223	192	(31)	(16.2%)	694	694	0	0.0%	Overspend within LACER - awaiting funds being returned to offset.
		3,078	3,116	38	1.2%	5,830	5,830	0	0.0%	
Head of Roads & Infrastructure Services	Amenity	1,781	1,529	(252)	(16.5%)	3,147	3,187	(40)	(1.3%)	Income budget profile out of alignment with actual expected income for Cemeteries and Crematoria. Overspend in Parks due to CRA works and Earmarked Reserve to be drawdown to fund 3G pitch costs. Public Convenience income due to delay with fitting of door charging mechanisms - forecast variance entered for £40K under-recovery.
Head of Roads & Infrastructure Services	Car Parking	(111)	(271)	(160)	59.0%	(576)	(576)	0	0.0%	Electric Vehicle Charger electricity and maintenance costs paid in advance of income received from grant claim and charging income.
Head of Roads & Infrastructure Services	Central/Management Costs	1,234	1,217	(17)	(1.4%)	3,040	3,040	0	0.0%	Outwith Reporting Criteria.
Head of Roads & Infrastructure Services	Depots	145	117	(28)	(23.9%)	(429)	(429)	0	0.0%	Delay in rental income and timing of expenditure causing small variance which will be rectified over the financial year.
Head of Roads & Infrastructure Services	Fleet & Transport	3,570	3,512	(58)	(1.7%)	8,682	8,724	(42)	(0.5%)	Forecast variance for overspend for additional Pupil Transport costs which is partially offset against an underspend in Public Transport due to reduction in payments to operators.
Head of Roads & Infrastructure Services	Infrastructure	181	268	87	32.5%	763	763	0	0.0%	Underspend due to timing of Flood and Coastal Protection

										works which will be rectified over the financial year.
Head of Roads & Infrastructure Services	Marine	(1,280)	(2,088)	(808)	38.7%	(4,215)	(3,815)	(400)	9.5%	Overspend due to under-recovery of income from Berthing charges. YTD variance higher than projection due to timing of cash flows in comparison to profiling of budget.
Head of Roads & Infrastructure Services	Network & Traffic Management	103	30	(73)	(243.3%)	164	164	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	40	46	6	13.0%	111	111	0	0.0%	Small underspend due to timing of PPE purchases.
Head of Roads & Infrastructure Services	Roads & Lighting	4,156	5,148	992	19.3%	7,089	7,089	0	0.0%	Underspend due to timing of income in comparison to profiling of budget, mainly due to recharges made to capital jobs, which will be rectified over the financial year.
Head of Roads & Infrastructure Services	Waste	3,754	3,564	(190)	(5.3%)	14,121	14,121	0	0.0%	Overspend mainly due to timing of commercial refuse collection income, variance has dropped from last month, difficult to predict when income will be received if commercial customers are not paying by direct debit. Overspend also due to use of roads staff to undertake waste duties, currently being monitored.
		13,573	13,072	(501)	(3.8%)	31,897	32,379	(482)	(1.5%)	
		23,312	23,443	131	0.6%	54,759	54,841	(82)	(0.1%)	

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

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

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

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

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

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

EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – SUBJECTIVE SUMMARY AS AT 31 AUGUST 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	15,608	15,703	95	0.6%	43,543	43,333	210	0.5%	Underspend due to vacant posts in HR, which will be used to offset overspends elsewhere in the service. Forecast variance relates to an over-recovery of vacancy savings which is partially offset with an overspend in Pupil Transport costs.
Premises	1,055	1,132	77	6.8%	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	4,436	4,242	(194)	(4.6%)	8,886	8,886	0	0.0%	Overspend within Economic Development for expenditure that is funded from grant income.
Transport	4,995	4,644	(351)	(7.6%)	16,229	16,229	0	0.0%	Overspend for vehicle repairs in Fleet, which will be partially offset against additional income for recharges to the services, and external hires within Roads, which will be offset against additional income for recharges to capital.
Third Party	24,703	23,194	(1,509)	(6.5%)	63,391	63,243	148	0.2%	Overspend within Economic Development and Housing for expenditure that is funded from grant income. Forecast variance relates to an underspend in Public Transport payments to bus Operators.
Capital Financing	0	0	0	0.0%	2,398	2,398	0	0.0%	Outwith Reporting Criteria.
Income	(27,485)	(25,472)	2,013	(7.9%)	(83,025)	(82,585)	(440)	0.5%	Timing of income in comparison to profiling of budget in Roads, mainly due to recharges made to capital jobs, which will be rectified over the financial year and unbudgeted income in Economic Development and Housing, which will fund expenditure throughout the year. These are partially offset with under-recovery in Revenues & Benefits due to timing of cashflows and an under-recovery of income from Berthing charges in Piers and Harbours. Forecast variance relates to Piers and Harbour Berthing income under-recovery and under-recovery of Public Convenience income.
Totals	23,312	23,443	131	0.6%	54,759	54,841	(82)	(0.2%)	

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.

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

EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – RED VARIANCES AS AT 31 AUGUST 2023

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Vacancy Savings	(251)	(651)	400	(159.4%)	Over-recovery of vacancy savings.
Public Transport	5,266	5,118	148	2.8%	Underspend in Operator Payments.
Pupil Transport	1,020	1,210	(190)	(18.6%)	Overspend in transport costs for drivers/escorts.
Piers & Harbours	(1,839)	(1,439)	(400)	21.8%	Under-recovery of income from Berthing charges.

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

SOCIAL WORK – AS AT 31 AUGUST 2023

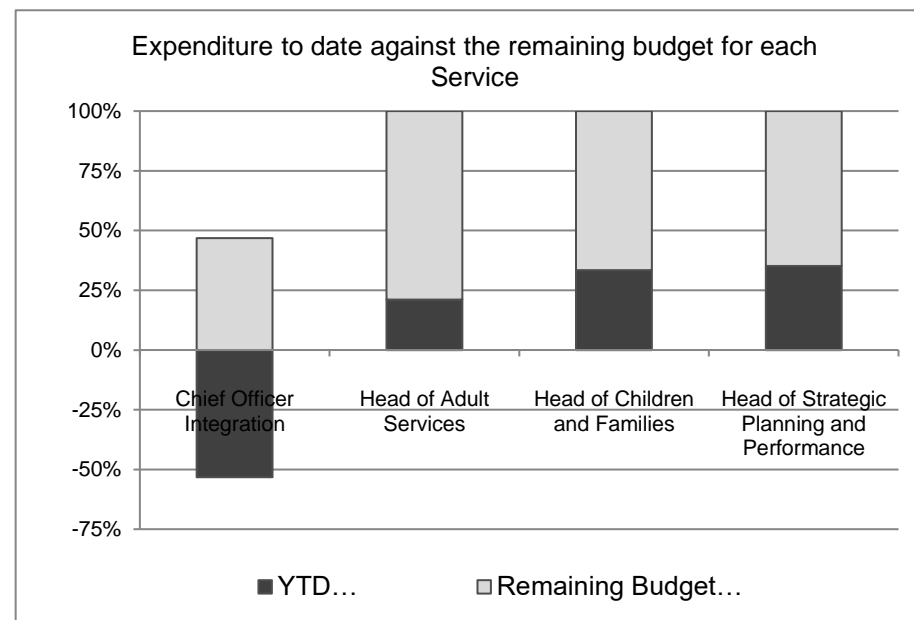
The department is currently forecasting to break even at the end of the financial year. This is due to a combination of the over-recovery of vacancy savings, income from fees, charges and recharges and the use of non-recurring reserves to offset cost pressures due to high demand for services and the use of agency staff to fill staffing recruitment and retention gaps across Adult Services.

The department has a year to date overspend of £163k (1.0%) which is mainly due to 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	(106)	(581)	475	197	278
Head of Strategic Planning and Performance	491	481	10	9	1
Head of Health and Community Care	39,238	40,424	(1,186)	(325)	(861)
Head of Acute and Complex Care	19,987	19,660	327	284	43
Head of Children and Families	16,508	16,134	374	211	163
Totals	76,118	76,118	0	376	(376)

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 £0.939m (as at August 2023).	Maintain a close working relationship with the HSCP Service Improvement Team 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 address the 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 challenges 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 August 2023 of £1.185m; with a forecast spend of £1.460m 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 evaluated and reported through the budget monitoring and preparation processes.

SOCIAL WORK – OBJECTIVE SUMMARY AS AT 31 AUGUST 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	188	193	5	2.6%	569	582	(13)	(2.3%)	Outwith reporting criteria.
Chief Officer Integration	Social Work Central Support	(1,066)	(844)	222	(26.3%)	(675)	(1,163)	488	(72.3%)	The YTD variance is due to over-recovery on vacancy savings (£203k) combined with underspends on centrally held funding partially offset by a YTD under-recovery on income due to budget profiling. The forecast underspend is due to an over-recovery on vacancy savings (£278k) combined with underspends on centrally held funds, printing & stationery and postages.
		(878)	(651)	227	(23.7%)	(106)	(581)	475	(74.6%)	
Head of Strategic Planning & Performance	Management & Central Costs	161	157	(4)	(2.6%)	457	458	(1)	(0.2%)	Outwith reporting criteria.
Head of Strategic Planning & Performance	Service Development	12	16	4	25.0%	34	23	11	32.4%	The YTD and forecast variance are due to staff vacancies giving both a payroll underspend and an under-recovery on Charges to Health Boards.
		173	173	0	22.5%	491	481	10	32.1%	
Head of Health and Community Care	Management & Central Costs	198	187	(11)	(5.9%)	1,667	1,656	11	0.7%	The YTD variance is a result of timing of payments to third parties. The forecast variance is outwith reporting criteria.
Head of Health and Community Care	Older People	9,796	8,944	(852)	(9.5%)	37,571	38,768	(1,197)	(3.2%)	The YTD variance reflects demand within the care home placement budget and YTD overspends on employee costs due to use of agency staff in residential units and homecare. The forecast overspend reflects demand driven overspends within the care home placement budgets and homecare. High staff costs across HSCP residential units due to agency cover are also contributing to forecast overspend.
		9,994	9,131	(863)	(9.5%)	39,238	40,424	(1,186)	(3.0%)	

Head of Acute and Complex Care	Learning Disabilities	1,343	1,511	168	11.1%	14,292	13,770	522	3.7%	The YTD variance reflects demand for residential placements partially offset by demand for supported living. The forecast underspend reflects known demand for Residential Placements partially offset by overspends on Supported Living and Respite due to demand.
Head of Acute and Complex Care	Management & Central Costs	33	50	17	34.0%	130	122	8	6.2%	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	361	352	(9)	(2.6%)	2,751	2,880	(129)	(4.7%)	The YTD variance is outwith reporting criteria. The forecast overspend reflects higher than budgeted demand for services in Supported Living and Residential Placements. These are partially offset by an underspend on addictions service due to staff vacancies.
Head of Acute and Complex Care	Physical Disability	763	687	(76)	(11.1%)	2,814	2,888	(74)	(2.6%)	The YTD overspend is due to demand driven overspends in Supported Living and Respite and an overspend on equipment purchases within the Integrated Equipment Store. The forecast overspend reflects higher than budgeted demand for Supported Living, Respite and higher than budgeted equipment purchasing in the Integrated Equipment Service. These are offset slightly by a forecast underspends in the Residential Care and ACM Budgets.
		2,500	2,600	100	31.5%	19,987	19,660	327	2.5%	
Head of Children & Families	Child Protection	1,152	1,260	108	8.6%	3,680	3,541	139	3.8%	The YTD variance is a result of payroll underspends due to vacancies as well as underspends on travel and subsistence combined with demand for services across contact & welfare. The forecast underspend reflects demand for contact and welfare services as well as forecast underspends in the Area Teams on payroll costs, payments to other bodies, travel and subsistence.
Head of Children & Families	Children with a Disability	303	312	9	2.9%	985	965	20	2.0%	Outwith reporting criteria.
Head of Children & Families	Criminal Justice	106	169	63	37.3%	224	215	9	4.0%	The YTD variance is as a result of payroll underspends due to vacancies combined with underspends on payments to other bodies.

										The forecast variance is outwith reporting criteria.
Head of Children & Families	Looked After Children	2,815	2,955	140	4.7%	7,854	7,658	196	2.5%	The YTD variance reflects demand for fostering, kinship and adoption placements as well as YTD over-recovery of income for provision of nursery meals. This is combined with payroll underspends due to vacancies and long term absence. The forecast underspend reflects demand for fostering, kinship and adoption placements as well as on supporting young people leaving care. There is also an over-recovery on income from the Home Office for unaccompanied asylum seeking children. This is all partially offset by demand for external residential placements and payroll overspends in the children's houses.
Head of Children & Families	Management & Central Costs	1,148	1,201	53	4.4%	3,765	3,755	10	0.3%	The YTD variance is due to timing of receipt of grant income - in advance of anticipated expenditure - combined with budget profiling and timing of receipt of invoices for payments to health boards. The forecast variance is outwith reporting criteria.
		5,524	5,897	373	6.3%	16,508	16,134	374	2.3%	
GRAND TOTAL		17,313	17,150	(163)	(1.0%)	76,118	76,118	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%.

SOCIAL WORK – SUBJECTIVE SUMMARY AS AT 31 AUGUST 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	12,985	12,665	(320)	(2.5%)	34,700	35,001	(301)	(0.9%)	The YTD and forecast overspend is due to the use of agency staff across the HSCP (£1.178m YTD variance; £1.452m forecast). This is partially offset by over-recovery on vacancy savings and payroll underspends due to vacancies.
Premises	610	572	(38)	(6.6%)	1,545	1,841	(296)	(19.2%)	The YTD overspend is outwith reporting criteria. The forecast overspend is due to anticipated overspends on utilities due to current market conditions as well as on central repairs and property maintenance. Some of the utility overspend is offset by an over-recovery on income for recharges to other bodies for shared costs.
Supplies & Services	756	724	(32)	(4.4%)	1,179	1,227	(48)	(4.1%)	The YTD and forecast underspends are outwith reporting criteria.
Transport	221	248	27	10.9%	685	627	58	8.5%	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	21,009	20,643	(366)	(1.8%)	62,335	63,338	(1,003)	(1.6%)	The YTD and forecast overspend reflects demand for purchased care services across Adult Services. This is partially offset by underspends in Fostering and Adoption as well as underspends on unallocated centrally held funds.
Income	(18,268)	(17,702)	566	(3.2%)	(24,326)	(25,916)	1,590	(6.5%)	The YTD and forecast over recovery of income is mainly due to increased income from fees, charges and recharges.
Totals	17,313	17,150	(163)	(1.0%)	76,118	76,118	0	0.0%	

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

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

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

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

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

SOCIAL WORK – RED VARIANCES AS AT 31 AUGUST 2023

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Social Work Central Support	(675)	(1,163)	488	(72.3%)	The forecast underspend is due to an over-recovery on vacancy savings combined with underspends on centrally held funds.
Older People	37,571	38,768	(1,197)	(3.2%)	The forecast overspend reflects demand driven overspends within the care home placement budgets and homecare. High staff costs across HSCP residential units due to agency cover are also contributing to forecast overspend.
Learning Disability	14,292	13,770	522	3.7%	The forecast underspend reflects known demand for Residential Placements partially offset by overspends on Supported Living and Respite due to demand.
Mental Health	2,751	2,880	(129)	(4.7%)	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 of agency staffing. These are partially offset by an underspend on addictions service due to staff vacancies.
Physical Disability	2,814	2,888	(74)	(2.6%)	The forecast overspend reflects higher than budgeted demand for Supported Living, Respite and higher than budgeted equipment purchasing in the Integrated Equipment Service. These are offset slightly by a forecast underspends in the Residential Care and ACM Budgets.
Child Protection	3,680	3,541	139	3.8%	The forecast underspend reflects demand for contact and welfare services as well as forecast underspends in the Area Teams on payroll costs, payments to other bodies, travel and subsistence.
Looked After Children	7,854	7,658	196	2.5%	The forecast underspend reflects demand for fostering, kinship and adoption placements as well as on supporting young people leaving care. There is also an over-recovery on income from the Home Office for unaccompanied asylum seeking children. This is all partially offset by demand for external residential placements and payroll overspends in the children's houses.

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

MONITORING OF SAVINGS – AS AT 31 AUGUST 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 September for installs. This delay has missed the busy summer months so expected income over winter will be minimal. 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 41 departmental risks totalling £5.550m. Of the 41 departmental risks, 5 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 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 total of what has been allowed for in the budget. The Council has set aside budget equivalent to 3.5%, and the Scottish Government has agreed funding equivalent to 2.5%, which gives a total pay award budget equivalent to a 6% increase. This is a situation that will be kept under close review as the pay negotiations advance further. Each 1% costs an additional £0.826m (for SJC employees only). 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.
- 3.2.3 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.
- 3.2.4 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.
- 3.2.5 In respect of the Health and Social Care Partnership, it is the responsibility of the Chief Officer and Chief Financial Officer to manage the HSCP financial position. If an overspend is forecast, a budget recovery plan will be prepared and submitted to the IJB, the Council and NHS Highland. Where recovery plans are unsuccessful and an overspend occurs at the financial year end, and the HSCP has insufficient reserves to meet the overspend, then the partners will be required to make additional payments to the HSCP. Whilst any additional payments by the Council and NHS Highland will be deducted from future years funding, there is still a financial risk that the Council may have to pay out additional monies in year. As at 31 August 2023, the net HSCP outturn in 2023-24 is estimated to be a £0.900m overspend (Social Work forecasting a breakeven position and an overspend of £0.900m from Health). As Social Work are currently projecting a breakeven position and the IJB holds significant financial reserves, there is a nil value on the risk.
- 3.2.6 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.

3.2.7 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 available funding	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

- 3.2.8 The finance settlement announcement on 20 December 2022 provided details of the Local Government funding for 2023-24 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.
- 3.2.9 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.
- 3.2.10 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.
- 3.2.11 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.
- 3.2.12 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.
- 3.2.13 Surveys have been completed in the Councils Learning Estates in relation to

Reinforced Autoclaved Aerated Concrete (RAAC) with only 1 building confirmed as having it present. At this stage the impact of this cannot be quantified however this will require additional funding within the capital programme to rectify. The Council is also currently undertaking both desktop and on-site assessments to establish if RAAC is elsewhere in the Estate in over 650 buildings with priority being given to categories of building where there is high and sustained footfall. No RAAC has been confirmed in these categories of building thus far although around 10 require more intrusive survey work to be carried out in coming weeks.

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	12	2,790	2	465	0	0	21	3,820
Total	7	355	8	790	21	3,510	5	895	0	0	41	5,550

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	Waste PPP - Indexation	Historical payments made towards Waste PPP based on indexation rates have been challenged by Renewi resulting in a potential cost to the council.	3	586
Roads and Infrastructure Services	Winter Maintenance	Adverse weather conditions which require greater than budgeted number of gritting runs.	4	365

3.3.3 The risks which are likely, but not included above, 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 3 changes to the departmental risks since the financial risks report was presented to the Policy and Resources Committee on 10 August 2023, as follows:

- A new 'Possible' risk of £0.586m has been added for Waste PPP – Indexation, to recognise that historical payments based on indexation rates have been challenged by Renewi resulting in a potential cost to the Council.
- A new 'Possible' risk of £0.164m has been added for Waste – Compost Like Output (CLO). This is an element of waste that has been heat treated and can only be used for landfill site restoration. We are currently producing more CLO than we need and it is building up in our landfill sites. This has been flagged as a concern by SEPA and will need to be removed.
- The risk in relation to Winter Maintenance has been increased from 'Possible' to 'Likely' due to inflationary increases and a trend of increased treatment runs.

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.
- 3.5.2 During the 2023-24 budget setting process a contingency of £1.4m was agreed which was circa 0.5% of the Councils budget at that time. This was included due to the volatility in prices, the increases in inflation together with continuing increased demand. The risk associated with Winter Maintenance will be monitored closely over the coming months and should it materialise it is recommended that this contingency is used to offset the pressure.

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 6 Council wide risks and 41 departmental risks identified with 5 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
8 September 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 31 AUGUST 2023

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATING ACTIONS IN PLACE	As at 30 June 2023		As at 31 August 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.	2	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

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATING ACTIONS IN PLACE	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) due to 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	200	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 included in 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 undertake 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
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

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATING ACTIONS IN PLACE	LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
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
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

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATING ACTIONS IN PLACE	LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
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
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	Waste PPP - Indexation	Historical payments made towards Waste PPP based on indexation rates have been challenged by Renewi resulting in a potential cost to the council.	Conversations are in place between Council and Renewi with the aim of minimising the potential impact.			3	586
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Waste - Compost Like Output (CLO)	Compost Like Output is a element of waste that has been heat treated and can only be used for landfill site restoration. Renewi are currently producing more CLO than we need and it is building up in our landfill sites - this has been flagged up a concern by SEPA and will need to be removed.	Discussions ongoing with Renewi and the Council on steps forward and what element the council is responsible for.			3	164

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATING ACTIONS IN PLACE	LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
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	4	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	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
					39	4,800	41	5,550

CAPITAL BUDGET MONITORING REPORT – 31 AUGUST 2023

1.0 EXECUTIVE SUMMARY

1.1 This report provides an update on the position of the capital budget as at 31 August 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 £14,178k compared to a budget for the year to date of £14,135k resulting in an overspend for the year to date of £43k (0.30%).
- **Forecast Outturn for 2023-24** – forecast net expenditure for the full financial year is £43,149k compared to an annual budget of £43,618k giving rise to a forecast underspend for the year of £469k (1.08%).
- **Total Capital Plan** – forecast total net project costs on the total capital plan are £215,191k compared to a total budget for all projects of £215,138k giving rise to a forecast overspend for the overall capital plan of £53k (0.02%).

1.3 Project Delivery:

- **Asset Sustainability** – Out of 84 projects there are 84 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, 2 project (5%) off track but recoverable and 0 projects (0%) off track.
- **Strategic Change** – Out of 30 projects there are 29 projects (97%) on track, 0 projects (0%) are off track but recoverable and 1 project (3%) 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 revenue contributions for Oban Depot and STTS funding for Roads Reconstruction.

1.5 Capital receipts of £160k 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 – 31 AUGUST 2023

2.0 INTRODUCTION

- 2.1 This report provides an update on the position of the capital budget as at 31 August 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 amounts relating to Phase 1 of the Rothesay Pavilion project.
- 2.3 Campbeltown Flood Scheme has seen compensation events raised by the contractor which may result in an overspend within the project. These are currently being discussed with the consultant and cost saving approaches are being sought to bring the project in on budget therefore at this stage no forecast overspend has been included within the figures and the project is still marked as on track. The cost savings are hoped to mitigate these compensation events, though should sufficient savings fail to be identified, an overspend on the project is possible at which point it will be incorporated into the figures within this report.
- 2.4 Surveys have been completed in the Councils Learning Estates in relation to Reinforced Autoclaved Aerated Concrete (RAAC) with only 1 building confirmed as having it present. At this stage the impact of this cannot be quantified however this will require additional funding within the capital programme to rectify. The Council is also currently undertaking both desktop and on-site assessments to establish if RAAC is elsewhere in the Estate in over 650 buildings with priority being given to categories of building where there is high and sustained footfall. No RAAC has been confirmed in these categories of building thus far although around 10 require more intrusive survey work to be carried out in coming weeks.
- 2.5 New Waste legislation has been introduced on the disposal of Persistent Organic Pollutants (POPs). POPs are organic chemical substances which pose a risk to human health and the environment due to their persistence in the environment, bioaccumulation through the food chain and long-range environmental transport across a wide geographical range. These items of waste will need to be stored separately from general waste at landfill sites before being disposed of which will incur additional capital expenditure. Work is ongoing in relation to the impact and costs of this new legislation but early estimates suggest the capital costs will be in the region of £110k.
- 2.6 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.

2.7 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.

2.8 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 £14,178k compared to a budget for the year to date of £14,135k resulting in an overspend for the year to date of £43k (0.30%).

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	5,493	5,493	0
Service Development	1,656	1,699	(43)
Strategic Change	6,986	6,986	0
Total	14,135	14,178	(43)
Service:			
ICT	353	353	0
Education	2,339	2,382	(43)
Live Argyll	298	298	0
Health & Social Care Partnership	334	334	0
Shared Offices	191	191	0
Roads & Infrastructure	8,667	8,667	0
Development & Economic Growth	500	500	0
CHORD	1,453	1,453	0
Total	14,135	14,178	(43)

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 £43,149k compared to an annual budget of £43,618k giving rise to a forecast underspend for the year of £469k (1.08%).

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	25,478	25,478	0
Service Development	86	139	(53)
Strategic Change	18,054	17,532	522
Total	43,618	43,149	469
Service:			
ICT	1,206	1,206	0
Education	6,911	6,954	(43)
Live Argyll	1,291	1,291	0
Health & Social Care Partnership	2,201	2,201	0
Shared Offices	1,904	1,904	0
Roads & Infrastructure	24,834	24,834	0
Development & Economic Growth	(941)	(931)	(10)
CHORD	6,212	5,690	522
Total	43,618	43,149	469

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 £215,191k compared to a total budget for all projects of £215,138k giving rise to a forecast overspend for the overall capital plan of £53k (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	59,191	59,191	0
Service Development	22,144	22,197	(53)
Strategic Change	133,803	133,803	0
Total	215,138	215,191	(53)
Service:			
ICT	6,144	6,144	0
Education	45,630	45,673	(43)
Live Argyll	2,970	2,970	0
Health & Social Care Partnership	4,752	4,752	0
Shared Offices	23,589	23,589	0
Roads & Infrastructure	59,075	59,075	0
Development & Economic Growth	4,779	4,789	(10)
CHORD	68,199	68,199	0
Total	215,138	215,191	(53)

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 156 projects within the Capital Plan, 153 are Complete or On Target, 2 are Off Target and Recoverable and 1 is Off Track.

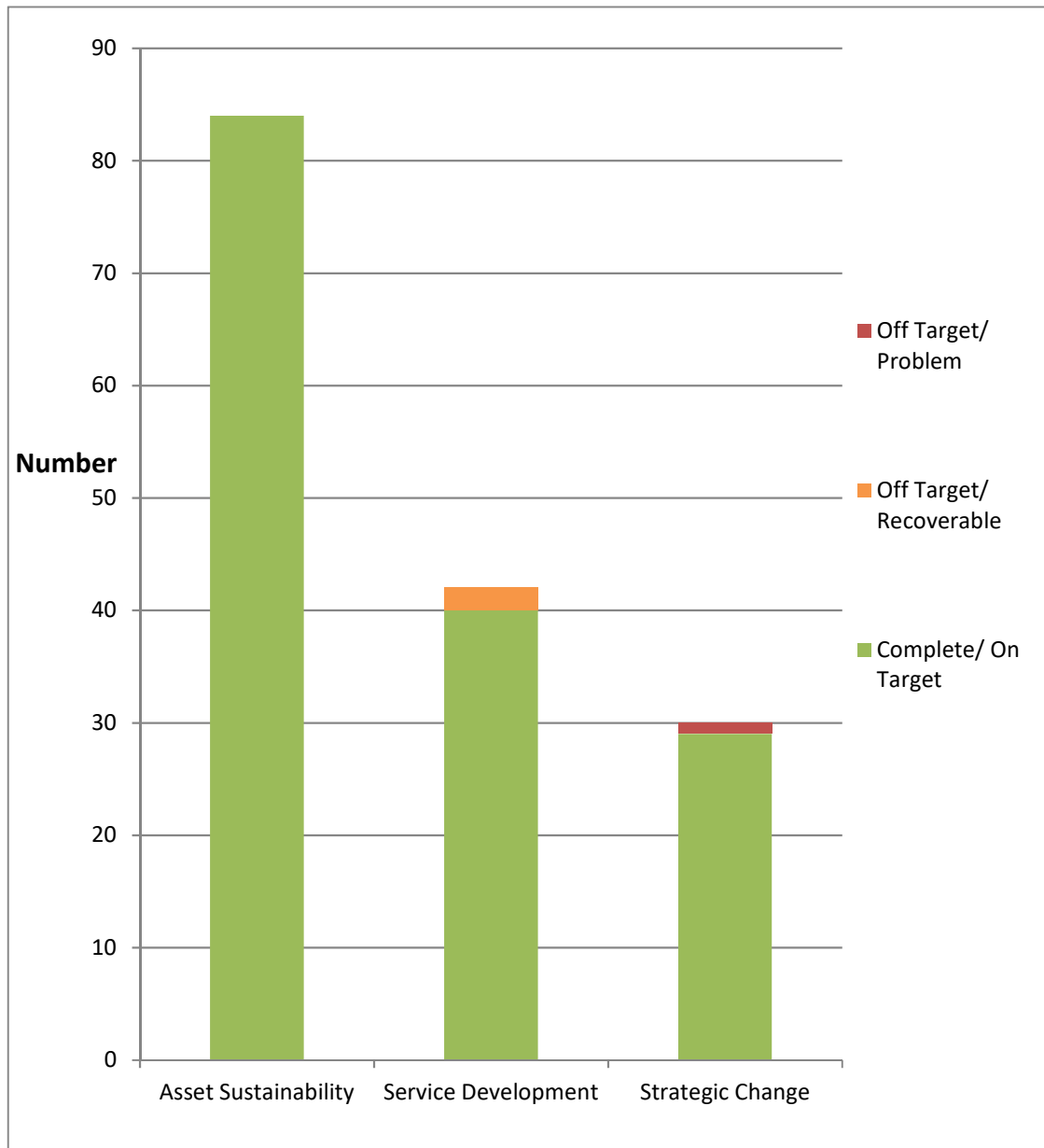
7.2 Project Position

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	84	0	0	84
Service Development	40	2	0	42
Strategic Change	29	0	1	30
Total	153	2	1	156
Service:				
ICT	7	0	0	7
Education	30	1	0	31
Live Argyll	19	0	0	19
Health & Social Care Partnership	17	0	0	17
Shared Offices	24	0	0	24
Roads & Infrastructure	35	0	0	35
Development & Economic Growth	16	1	0	17
CHORD	5	0	1	6
Total	153	2	1	156

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
Strategic Change	Kilmory Business Park Phase 2AA	Current year spend	Delays in legal negotiations between the Council and contractor and delays in securing planning permission has led to slippage from 2023-24 as part of project reprofile.

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 gross expenditure 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	(903)	0	0	0	0	0
Service Development	(111)	0	0	0	0	0
Strategic Change	(368)	(522)	488	34	0	0
Total	(1,382)	(522)	488	34	0	0
Service:						
ICT	(68)	0	0	0	0	0
Education	(903)	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	(366)	0	0	0	0	0
Roads & Infrastructure	0	0	0	0	0	0
Development & Economic Growth	(45)	0	0	0	0	0
Major Projects	0	(522)	488	34	0	0
Total	(1,382)	(522)	488	34	0	0

11.0 FUNDING

- 11.1 The Capital Programme is funded by various income streams as detailed in Appendix 5. Additional funding allocated since the last report has come from revenue contributions for Oban Depot and STTS funding for Roads Reconstruction.
- 11.2 Capital receipts of £160k 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
11 September 2023

Policy Lead for Finance and Commercial Services – Councillor Gary Mulvaney

APPENDICES

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

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			(43)	Total value of non-material variances less than +/-£50k
Total	14,135	14,178	(43)	

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
Kilmory Business Park Phase 2AA	1,082	560	0	522	522	Slippage from 2023-24 to 2024-25. Delays in legal negotiations between the Council and contractor and delays in securing planning permission has led to slippage from 2023-24 as part of project reprofile. See variance report for details.
Other variances under £50k			0	(53)	(53)	Total value of non-material variances less than +/- £50k.
Total			0	469	469	

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
Other variances under £50k				(53)	(53)	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				(53)	(53)	

APPENDIX 4 – Changes to Capital Plan and Financial Impact

OVERALL COST CHANGES

Project	2023-24 £'000	2024-25 £'000	2025-26 £'000	Future Years £'000	Total Capital Plan £'000	Recommendation	Explanation
Total Cost Changes	0	0	0	0	0		

SLIPPAGES AND ACCELERATIONS

Project	2023-24 £'000	2024-25 £'000	2025-26 £'000	Future Years £'000	2023-24 Slippage Related to COVID-19 £'000	2023-24 Slippage Related to Non COVID-19 £'000	Total 2023-24 £'000	Recommendation	Explanation
Kilmory Business Park Phase 2AA	(522)	488	34			(522)	(522)	Slip budget from 2023-24 into 2024-25 and 2025-26.	Delays in legal negotiations between the Council and contractor and delays in securing planning permission has led to slippage from 2023-24 as part of project reprofile. See variance report for details.
Total Slippages and Accelerations	(522)	488	34	0	0	(522)	(522)		
Net Impact of Changes	(522)	488	34	0	0	(522)	(522)		

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	323	400	1,027	0	0	-319	0	-319
Restricted Funding	1,613	0	-522	1,324	2,415	0	0	854	2,065	2,919	0	0	34	50	84
Funded by Reserves	11,909	8,871	0	243	21,023	9,518	289	0	0	9,807	1,175	-155	0	0	1,020
Additional Funding from Revenue	25	0	0	117	142	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	-1,382	74	13,065	27	6,434	1,016	0	7,477	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
	74,517	-10,378	-1,904	1,758	63,993	46,197	1,698	2,193	2,465	52,553	40,404	21,533	-285	50	61,702

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
Public Conveniences Upgrade - Coastal Communities Fund	200			Coasal Communities Fund	Jul-23
Tobermory Harbour Wall and Railings, Phase 2	100			Coasal Communities Fund	Jul-23
Tobermory Harbour Wall and Railings, Phase 2	250			Scottish Government	Jul-23
Server Sustainability	95			Earmarked Reserves	Jul-23
Oban Depot Development	67			Revenue Funding	Aug-23
Roads Recon - STTS Funding	347			STTS	Aug-23
Total	1,758	2,465	50		

OFF TRACK PROJECT

Appendix 6

Project Name: Kilmory Business Park Phase 2AA**Project Manager:** John Gordon**Risk:** High/Low**Initial Start Date:** 1-Apr-21**Proposed End Date:** February 2026**How was this project initially funded?**

ABC (Crown Estates) £150,000

Please detail any additional funding.

Scottish Government (RCGF) £829,000

M&K MacLeod Ltd £850,000

Highlands & Islands Enterprise £150,000

Previously Reported Committee and Date: P&R August 2023 as part of Capital Monitoring**Next Reported Committee and Date:** P&R October 2023 as part of Capital Monitoring**Why is the project classified as off target?**

Capital Monitoring Report had expenditure forecast for FY23/24 of £1.082million. Actual expenditure in FY23/24 is likely to be closer to £0.560million.

What has caused the issue outlined above?

Due to delays in negotiating the various legal agreements between the Council and M&K Macleod Ltd, and securing Planning Permission the overall programme has slipped. The latest Project Programme estimates that construction works, and therefore major expenditure, will commence in P7 Oct-23 and carry on through until P11 Feb-26, with the final release of retentions in P10 Jan-27.

In the absence of the detailed construction phase programme we have profiled expenditure at a flat rate, on basis of £112,000 per month from P8-P12 in FY23/24, £488,000 in FY24/25, and £34,000 in FY25/26 which is the release of retentions 12 months post Practical Completion of the construction Works.

What action will be taken to rectify this issue?

Upon completion of the various legal agreements, the Contractor will be in a position to submit their detailed construction programme and cashflow profile for the construction works. This will be updated with actuals and revised forecasts in line with the Council's standard reporting cycle, which will provide us with greater certainty that the profiles are robust and deliverable.

What are the implications of the action proposed?

The project costs have not increased, this is simply a re-profiling of planned expenditure to reflect the most up to date forecasts and assumptions underpinning the implementation programme.

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	6,737	24,012	24,012	tbc	tbc	Green	Project recommenced.
Harbour Investment Programme	9,200	9,243	91,335	91,335	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	560	1,129	1,129	01/02/2022	01/09/2023	Green	Development Agreement still to be concluded.
Carbon Management Business Cases	201	0	201	201	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	1,938	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	761	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	400	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	19	01/02/2016	31/12/2022	Green	Budget to be reprofiled pending development of new projects.
Oil to Gas Heating Conversions	182	0	182	182	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	56	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	964	224	1,381	1,381	tbc	31/03/2024	Green	
Clean Energy - NDEEF2	0	50	1,140	1,140	tbc	tbc	Green	
Strategic Change Total	131,542	30,671	239,362	239,362				

Project Risk Classifications:

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

Amber - Risks are increasing but are still manageable.

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

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT - OVERALL COUNCIL
 FINANCIAL SUMMARY - NET EXPENDITURE

Appendix 8
 31 August 2023

	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Budget £000s	Actual £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s
EXPENDITURE									
Asset Sustainability Projects									
Executive Director Douglas Hendry	2,840	2,840	0	10,602	10,602	0	23,036	23,036	0
Executive Director Kirsty Flanagan	3,083	3,083	0	16,061	16,061	0	37,790	37,790	0
Asset Sustainability Total	5,923	5,923	0	26,663	26,663	0	60,826	60,826	0
Service Development Projects									
Executive Director Douglas Hendry	320	363	(43)	525	568	(43)	16,437	16,480	(43)
Executive Director Kirsty Flanagan	1,391	1,391	0	6,100	6,110	(10)	38,111	38,121	(10)
Service Development Total	1,711	1,754	(43)	6,625	6,678	(53)	54,548	54,601	(53)
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
Kirn 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	0	0	0	201	201	0
NPDO Schools Solar PV Panel Installations	0	0	0	0	0	0	761	761	0
Non NPDO Schools Solar PV Panel Installations	0	0	0	0	0	0	400	400	0
Carbon Management Fuel Conversions	0	0	0	0	0	0	107	107	0
Carbon Management Capital Property Works 2016/17	0	0	0	0	0	0	19	19	0
Carbon Management - Group Heating Conversion Project	0	0	0	0	0	0	1,938	1,938	0
Kilmory Biomass Carbon Management	0	0	0	0	0	0	956	956	0
Oil to Gas Heating Conversions	0	0	0	0	0	0	182	182	0
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	366	366	0
Campbeltown Flood Scheme	5,529	5,529	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	294	294	0	9,243	9,243	0	91,335	91,335	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	56	56	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	1,424	1,424	0	6,737	6,737	0	24,012	24,012	0
Helensburgh Waterfront Development	29	29	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	560	522	1,129	1,129	0
Dunoon Pier OBC	0	0	0	0	0	0	2,844	2,844	0
Strategic Change Total	7,280	7,280	0	31,227	30,705	522	240,078	240,078	0
Total Expenditure	14,914	14,957	(43)	64,515	64,046	469	355,452	355,505	(53)
INCOME									
Asset Sustainability									
Executive Director Douglas Hendry	0	0	0	(128)	(128)	0	(578)	(578)	0
Executive Director Kirsty Flanagan	(430)	(430)	0	(1,057)	(1,057)	0	(1,057)	(1,057)	0
Asset Sustainability Total	(430)	(430)	0	(1,185)	(1,185)	0	(1,635)	(1,635)	0
Service Development Projects									
Executive Director Douglas Hendry	0	0	0	0	0	0	(7,771)	(7,771)	0
Executive Director Kirsty Flanagan	(55)	(55)	0	(6,539)	(6,539)	0	(24,633)	(24,633)	0
Service Development Total	(55)	(55)	0	(6,539)	(6,539)	0	(32,404)	(32,404)	0
Strategic Change Projects									
Helensburgh Office Rationalisation	0	0	0	0	0	0	(349)	(349)	0
Dunoon Primary	0	0	0	0	0	0	(137)	(137)	0
Campbeltown Flood	0	0	0	0	0	0	(270)	(270)	0
Harbour PB	(294)	(294)	0	(9,243)	(9,243)	0	(91,335)	(91,335)	0
01 TIF - Lorn/Kirk Road	0	0	0	(631)	(631)	0	(2,672)	(2,672)	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	(294)	(294)	0	(13,173)	(13,173)	0	(106,275)	(106,275)	0
Total Income	(779)	(779)	0	(20,897)	(20,897)	0	(140,314)	(140,314)	0
Net Total	14,135	14,178	(43)	43,618	43,149	469	215,138	215,191	(53)

MONITORING REPORT **Appendix 8**
FINANCIAL SUMMARY NET EXPENDITURE - EXECUTIVE DIRECTOR DOUGLAS HENDRY **31 August 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	2,017	2,017	0	5,853	5,853	0	13,403	13,403	0
Live Argyll	298	298	0	1,270	1,270	0	2,125	2,125	0
Health and Social Care Partnership	334	334	0	2,147	2,147	0	3,452	3,452	0
Shared Offices	191	191	0	1,332	1,332	0	4,056	4,056	0
Asset Sustainability Total	2,840	2,840	0	10,602	10,602	0	23,036	23,036	0
Service Development Projects									
Ardishaig 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	0	0	0	556	556	0
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	320	363	(43)	320	363	(43)	7,774	7,817	(43)
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	320	363	(43)	525	568	(43)	16,437	16,480	(43)
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	0	0	0	761	761	0
Non NPDO Schools Solar PV Panel Installations	0	0	0	0	0	0	400	400	0
Carbon Management Fuel Conversions	0	0	0	0	0	0	107	107	0
Carbon Management Capital Property Works 2016/17	0	0	0	0	0	0	19	19	0
Carbon Management - Group Heating Conversion Project	0	0	0	0	0	0	1,938	1,938	0
Kilmory Biomass Carbon Management	0	0	0	0	0	0	956	956	0
Oil to Gas Heating Conversions	0	0	0	0	0	0	182	182	0
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	1,381	1,381	0
Clean Energy - NDEEF2	0	0	0	50	50	0	1,140	1,140	0
Net Zero	0	0	0	0	0	0	366	366	0
CHORD Oban	0	0	0	626	626	0	7,905	7,905	0
CHORD Rothesay	1,424	1,424	0	6,737	6,737	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 Development	29	29	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	560	522	1,129	1,129	0
Dunoon Pier OBC	0	0	0	0	0	0	2,844	2,844	0
Strategic Change Total	1,455	1,455	0	10,819	10,297	522	126,014	126,014	0
Total Expenditure	4,615	4,658	(43)	21,946	21,467	479	165,487	165,530	(43)
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	4,615	4,658	(43)	18,519	18,040	479	145,140	145,183	(43)

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT										Appendix 8
FINANCIAL SUMMARY NET EXPENDITURE - EXECUTIVE DIRECTOR KIRSTY FLANAGAN										31 August 2023
	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs			
	Budget £000s	Actual £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s	
EXPENDITURE										
Asset Sustainability Projects										
Flood Prevention	29	29	0	807	807	0	1,305	1,305	0	
Coastal Protection	2	2	0	99	99	0	199	199	0	
Coastal Change Adaptation	9	9	0	158	158	0	158	158	0	
Bute Sea Wall Repairs	46	46	0	100	100	0	680	680	0	
Helensburgh Flood Mitigation	1	1	0	428	428	0	428	428	0	
Bridge Strengthening	161	161	0	1,336	1,336	0	1,686	1,686	0	
Local Bridge Maintenance Fund	66	66	0	1,000	1,000	0	5,203	5,203	0	
Roads Reconstruction	2,064	2,064	0	7,379	7,379	0	15,379	15,379	0	
Roads Reconstruction - Helensburgh CHORD	0	0	0	47	47	0	47	47	0	
Roads Reconstruction - Oban CHORD	0	0	0	3	3	0	3	3	0	
Helensburgh CHORD - Signage etc	0	0	0	10	10	0	10	10	0	
Lighting	0	0	0	890	890	0	1,040	1,040	0	
Environmental Projects	191	191	0	650	650	0	1,021	1,021	0	
Play Park Refurbishment	0	0	0	312	312	0	938	938	0	
Public Convenience Upgrades	54	54	0	282	282	0	282	282	0	
Footway Improvements	178	178	0	750	750	0	750	750	0	
Glengorm - Capping	0	0	0	0	0	0	0	0	0	
Glengorm - Cell and Transfer Station (PB)	36	36	0	85	85	0	85	85	0	
Garbreck - Capping	6	6	0	200	200	0	200	200	0	
EV Quick Chargers	0	0	0	62	62	0	62	62	0	
Tobemory Car Park	0	0	0	96	96	0	96	96	0	
Active Travel	0	0	0	389	389	0	389	389	0	
Block Allocation - RIS	0	0	0	0	0	0	4,268	4,268	0	
Server Sustainability	0	0	0	392	392	0	1,563	1,563	0	
PC Replacement	153	153	0	330	330	0	1,686	1,686	0	
Telecomms Network	87	87	0	256	256	0	312	312	0	
Asset Sustainability Total	3,083	3,083	0	16,061	16,061	0	37,790	37,790	0	
Service Development Projects										
Preliminary design for Regional Transport projects	0	0	0	16	16	0	221	221	0	
Campbelltown Old Quay	0	0	0	0	0	0	1,381	1,381	0	
Fleet Management - Prudential Borrowing	747	747	0	2,187	2,187	0	4,861	4,861	0	
Fleet Management	0	0	0	325	325	0	4,538	4,538	0	
Lismore Ferry	0	0	0	15	15	0	672	672	0	
Oban Depot Development Project	4	4	0	4	4	0	2,184	2,184	0	
Lochgighhead Depot Rationalisation	0	0	0	8	8	0	37	37	0	
Jackson's Quarry Refurbishment	0	0	0	0	0	0	285	285	0	
Witchburn Road Demolition	0	0	0	0	0	0	158	158	0	
Safe Streets, Walking and Cycling (CWSS)	0	0	0	370	370	0	3,383	3,383	0	
SPT - bus infrastructure	0	0	0	0	0	0	1,430	1,430	0	
Cycleways - H&L (FSPT)	0	0	0	300	300	0	3,402	3,402	0	
Helensburgh Public Realm - Arts Strategy Fund	0	0	0	50	50	0	53	53	0	
Town Centre Funds	199	199	0	708	716	(10)	4,319	4,329	(10)	
Rural Growth Deal	74	74	0	132	132	0	182	182	0	
Dunoon Cycle Bothy	179	179	0	292	292	0	563	563	0	
Dunoon STEM Hub	4	4	0	713	713	0	2,558	2,558	0	
Ardriahaig North Active Travel	71	71	0	112	112	0	880	880	0	
Nature Restoration Fund	0	0	0	346	346	0	346	346	0	
Gibraltar Street Public Realm Improvements	0	0	0	222	222	0	250	250	0	
Hermitage Park	0	0	0	26	26	0	3,388	3,388	0	
Service Development Total	1,391	1,391	0	6,100	6,110	(10)	38,111	38,121	(10)	
Strategic Change Projects										
Campbelltown Flood Scheme	5,529	5,529	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	294	294	0	9,243	9,243	0	91,335	91,335	0	
TIF - Lorn/Kirk Road	0	0	0	1	1	0	2,170	2,170	0	
TIF - Oban Airport Business Park	1	1	0	56	56	0	590	590	0	
TIF - Halfway House Roundabout	0	0	0	574	574	0	640	640	0	
Strategic Change Total	5,825	5,825	0	20,408	20,408	0	114,064	114,064	0	
Total Expenditure	10,299	10,299	0	42,569	42,579	(10)	189,965	189,975	(10)	
INCOME										
Asset Sustainability										
EV Quick Chargers	0	0	0	(27)	(27)	0	(27)	(27)	0	
Roads Reconstruction	(430)	(430)	0	(430)	(430)	0	(430)	(430)	0	
Tobemory Car Park	0	0	0	(400)	(400)	0	(400)	(400)	0	
Asset Sustainability Total	(430)	(430)	0	(1,057)	(1,057)	0	(1,057)	(1,057)	0	
Service Development Projects										
Applications Projects	0	0	0	(46)	(46)	0	(437)	(437)	0	
Safe Streets, Walking and Cycling	0	0	0	(376)	(376)	0	(2,988)	(2,988)	0	
SPT	0	0	0	(25)	(25)	0	(1,268)	(1,268)	0	
Cycleways - H&L (FSPT)	0	0	0	(590)	(590)	0	(3,502)	(3,502)	0	
Town Centre Funds	0	0	0	(625)	(625)	0	(2,237)	(2,237)	0	
Rural Growth Deal	(28)	(28)	0	(152)	(152)	0	(182)	(182)	0	
Dunoon STEM Hub	0	0	0	(2,050)	(2,050)	0	(2,558)	(2,558)	0	
Ardriahaig North Active Travel	0	0	0	0	0	0	(50)	(50)	0	
Dunoon Cycle Bothy	0	0	0	(394)	(394)	0	(563)	(563)	0	
Gibraltar Street Public Realm Improvements	0	0	0	0	0	0	(250)	(250)	0	
Hermitage Park	0	0	0	0	0	0	(3,319)	(3,319)	0	
Fleet Management - PB	0	0	0	(2,187)	(2,187)	0	(4,861)	(4,861)	0	
Fleet Management	(27)	(27)	0	(27)	(27)	0	(27)	(27)	0	
Lochgighhead Depot Rationalisation	0	0	0	0	0	0	0	0	0	
Millpark Depot Demolition Insurance	0	0	0	0	0	0	(53)	(53)	0	
Oban Depot - Mill Park Insurance Claim	0	0	0	0	0	0	(1,681)	(1,681)	0	
Oban Depot - Appin Depot Sale	0	0	0	0	0	0	0	0	0	
Oban Depot - Revenue Contribution	0	0	0	(67)	(67)	0	0	0	0	
Lismore Ferry	0	0	0	0	0	0	(500)	(500)	0	
Witchburn Road Demolition	0	0	0	0	0	0	(157)	(157)	0	
Service Development Total	(65)	(65)	0	(6,539)	(6,539)	0	(24,633)	(24,633)	0	
Strategic Change Projects										
Campbelltown Flood	0	0	0	0	0	0	(270)	(270)	0	
Harbour PB	(294)	(294)	0	(9,243)	(9,243)	0	(91,335)	(91,335)	0	
01 TIF - Lorn/Kirk Road	0	0	0	(631)	(631)	0	(2,672)	(2,672)	0	
Strategic Change Total	(294)	(294)	0	(9,874)	(9,874)	0	(94,277)	(94,277)	0	
Total Income	(779)	(779)	0	(17,470)	(17,470)	0	(119,967)	(119,967)	0	
Net Departmental Total	9,520	9,520	0	25,099	25,109	(10)	69,998	70,008	(10)	

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	7,014	4,029	3,521	0	0	53,641
Shared Offices	17,661	1,907	3,396	977	0	0	23,941
ICT	2,529	1,252	1,633	1,167	0	0	6,581
RIS	26,197	37,415	37,643	55,028	2,733	0	159,016
DEG	18,331	3,902	2,135	0	0	0	24,368
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	8,989	2,461	105	0	0	79,711
Overall Total	174,471	63,993	52,553	61,702	2,733	0	355,452

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	1,408	166	0	520	0	0	2,094
		Digital Inclusion 20-21	0	9	0	0	0	0	0	9
		Free School Meals	0	379	900	0	1,495	0	0	2,774
		Homeless Houses - Housing Quality Standard	0	1	0	0	0	0	0	1
		Internal Refurbishment Budget	0	7	0	0	0	0	0	7
		Lochgilthead 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	3,370	2,420	0	1,280	0	0	7,070
		School Houses - Housing Quality Standard	0	13	0	0	0	0	0	13
		Secondary Schools	0	637	543	0	226	0	0	1,406
Asset Sustainability Total			0	5,831	4,029	0	3,521	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	0	0	0	0	0	0	556
		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	320	0	0	0	0	0	7,774
		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	7,014	4,029	0	3,521	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	152	298	427	0	0	877
		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	130	0	0	0	0	130
		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 (Prudentie	1,938	0	0	0	0	0	1,938
		Carbon Management Business Cases (FPB)	201	0	0	0	0	0	201
		Carbon Management Capital Property Works 16/17	19	0	0	0	0	0	19
		Carbon Management Fuel Conversions (FPB)	107	0	0	0	0	0	107
		Clean Energy - NDEEF1	964	224	193	0	0	0	1,381
		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	0	366	0	0	0	366
		Non-NPDO Schools PV Panel Installations	400	0	0	0	0	0	400
		NPDO Schools Solar PV Panel Installations	761	0	0	0	0	0	761
		Oil to Gas Heating Conversions (FPB)	182	0	0	0	0	0	182
Strategic Change Total		17,661	575	1,099	550	0	0	19,885	
Overall Total		17,661	1,907	3,396	977	0	0	23,941	

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	6,737	1,973	71	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	560	488	34	0	0	1,129
		OBC for Dunoon Pier	2,844	0	0	0	0	0	2,844
Strategic Change Total			68,156	8,989	2,461	105	0	0	79,711
Overall Total			68,156	8,989	2,461	105	0	0	79,711

Category	Service	Project	Previous	2023-24 £000's	2024-25 £000s	2025-26 £000s	2026-27 £000s	2027-28 £000s	Total £000s	
			Years							
Asset Sustainability	ICT	Block Allocation - ICT		0	0	0	0	0	0	
		PC Replacement		0	330	784	572	0	0	1,686
		Server Sustainability		0	392	595	576	0	0	1,563
		Telecomms Network		0	256	37	19	0	0	312
Asset Sustainability Total			0	978	1,416	1,167	0	0	3,561	
Service Development	ICT	Applications Projects		2,529	274	217	0	0	0	3,020
Service Development Total				2,529	274	217	0	0	0	3,020
Overall Total				2,529	1,252	1,633	1,167	0	0	6,581

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	282	0	0	0	0	282
		Roads Reconstruction	0	7,379	8,000	0	0	0	15,379
		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	14,883	14,091	5,017	38	0	34,029
Service Development	RIS	Campbeltown Old Quay	1,381	0	0	0	0	0	1,381
		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
		Lochgilphead Depot Rationalisation	29	8	0	0	0	0	37
		Oban Depot Development	2,180	4	0	0	0	0	2,184
		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	2,555	1,200	0	0	0	14,337
Strategic Change	RIS	Campbeltown Flood Scheme	4,992	9,860	352	11	0	0	15,215
		Harbour Investment Programme PB	7,397	9,243	22,000	50,000	2,695	0	91,335
		Street Lighting LED Replacement	3,226	674	0	0	0	0	3,900
Strategic Change Total			15,615	19,777	22,352	50,011	2,695	0	110,450
Overall Total			26,197	37,215	37,643	55,028	2,733	0	158,816

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	Ardishaig 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	708	0	0	0	0	4,319
Service Development Total			15,393	3,271	2,090	0	0	0	20,754
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	56	45	0	0	0	590
		TIF - Halfway House Roundabout	66	574	0	0	0	0	640
Strategic Change Total			2,938	631	45	0	0	0	3,614
Overall Total			18,331	3,902	2,135	0	0	0	24,368

Category	Service	Project	Previous					Total £000s	
			Years £000's	2023-24 £000s	2024-25 £000s	2025-26 £000s	2026-27 £000s		2027-28 £000s
Asset Sustainability	HSCP	Ardfenaig	0	23	0	0	0	0	23
		Block Allocation	0	784	292	184	0	0	1,260
		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	1	0	0	0	0	1
		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 - Health Suite Upgrade	0	204	0	0	0	0	204
		Rothesay Swimming Pool	0	40	25	50	0	0	115
		The Moat Centre - Gym Store	0	0	0	0	0	0	0
		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 – 31 AUGUST 2023

1. EXECUTIVE SUMMARY

- 1.1. This report sets out the Council's treasury management position for the period 1 July 2023 to 31 August 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 31 August 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 July 2023 to 31 August 2023 was a decrease of £7m.
- 1.4. The levels of investments were £96.750m at 31 August 2023. The rate of return achieved was 4.991% compared to the target SONIA rate which was 5.168%.
- 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 – 31 AUGUST 2023

2. INTRODUCTION

2.1. This report sets out the Council's treasury management position for the period 1 July 2023 to 31 August 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	302,317	319,602
Net Capital Expenditure	22,265	29,477	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	302,317	319,602	358,182
Less Funded by NPDO	(111,564)	(111,784)	(106,846)
Estimated Net CFR 31 March	190,753	207,818	251,336
Estimated External Borrowing at 31 March	176,532	221,513	261,510
Gap	14,221	(13,695)	(10,174)

- 3.2. Borrowing is below the Capital Financing Requirement for the period to 31 August 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 31 August 2023 is £190.753m. The table below shows how this has been financed. £125.440m is funded by loans and there are substantial internal balances of £162.063m of which £96.750m are currently invested, as detailed in section 3.7, leaving a net internal balance of £65.313m.

	Position at 30/06/23	Position at 31/08/23
	£000	£000
Loans	132,464	125,440
Net Internal Balances	39,965	65,313
Total CFR	172,429	190,753

- 3.5. During the period from 1 July 2023 to 31 August 2023, £7m of loans were repaid and no new borrowing was taken. The analysis of the movement in borrowing is shown in the table below:

	Actual £m
External Loans Repaid 1st July 2023 to 31st August 2023	(7)
Borrowing undertaken 1st July 2023 to 31st August 2023	0
Net Movement in External Borrowing	(7)

- 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 30th June 2023	308	3.40%
Temp borrowing at 31st August 2023	283	4.40%

Investment Activity

- 3.7 The average rate of return achieved in the Council's investments to 31 August 2023 was 4.991% compared to the SONIA (Sterling Overnight Index Average) rate for the same period of 5.168%. 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 31 August 2023 the Council had £96,750m of short term investments at an average rate of 4.991%. 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	350	5.15%	Short Term A-2, Long
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	19/09/2023	5,000	3.50%	AA
London Borough of Croydon	10/10/2024	5,000	4.10%	AA
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+,
Close Brothers	31/01/2024	2,500	5.87%	Short Term A-1, Long
First Abu Dhabi Bank	01/02/2024	5,000	5.93%	Short Term A-1+,
First Abu Dhabi Bank	09/08/2024	5,000	6.16%	Short Term A-1+,
Goldman Sachs	16/02/2024	5,000	5.93%	Short Term A-1, Long
Australia and New Zealand Banking Group	16/02/2021	5,000	5.92%	Short Term A-1+,
Money Market Fund - BNP Paribas	Call	14,800	5.26%	AAA
MMF - Invesco AIM	Call	1,600	5.27%	AAA
Total		96,750		

- 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 July 2023 to 31 August 2023, the Council's borrowing decreased by £7m, and is currently below the Capital Financing Requirement. There are substantial internal balances, of which £96,750m is currently invested. The investment returns were 4.991%

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
3 October 2023

Policy Lead for Finance and Commercial Services - Councillor Gary Mulvaney

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

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Appendix 1 – Economics Update (report expected from Link Group mid October 2023 at which point this appendix will be updated)

- 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 0.2ppt 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% 3my 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 5.20% 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 25th September, sets out a view that interest rates have more than likely peaked at 5.25% although there remains an outside chance of one more increase, with the pace of any future decreases determined by wage and inflation data.

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

Link Group Interest Rate View 25.09.23		Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE		5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings		5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings		5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings		5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB		5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB		5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB		5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB		5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

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

- 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 26 June and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. Since then, rates have indeed increased to 5.25% but with data suggesting inflation is dipping, albeit slowly, and that the economy is heading for a shallow recession, further monetary policy tightening above 5.25% is not required, at least for now.
- Accordingly, although we anticipate rates staying on hold for the best part of a year, 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.
- 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.

- On the positive side, consumers are still estimated to be sitting on some 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 narrowed, with the short part of the curve seeing yields fall through recent weeks whilst the longer-end continues to reflect inflation concerns. At the time of writing there is <30 basis points difference between the 5 and 50 year parts of the curve.

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, could keep gilt yields high for longer).
- **The Bank of England** has increased Bank Rate too fast and too far over recent 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 re-emergence 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 to 5.25%, 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 pre-election 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 there than the market currently anticipates, consequently pulling gilt yields up higher.
- 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 31 AUGUST 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:
- £37.047m is invested or committed for major initiatives/capital projects
 - £3.411m has already been drawn down
 - £25.559m is still to be drawn down in 2023-24
 - £13.449m is planned to be spent in future years
- 1.5 During 2023-24, the amount of £2.619m which was previously agreed to be utilised from the one-off reprofiling gain from the Loans Fund Review was drawn down into Earmarked Reserves to be used to fund the Capital Programme as detailed in paragraph 3.5.1. This results in the total earmarked balance increasing to £82.085m with the amount invested or committed for major initiatives/capital projects as at August increasing to £39.666m.
- 1.6 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). After taking into consideration the budgeted allocation to the General Fund agreed by Council on 23 February 2023, the current forecast outturn position for 2023-24 and the proposed allocation for floral displays, the Council is forecast to have a £1.272m surplus over contingency.

RESERVES AND BALANCES - UPDATE AS AT 31 AUGUST 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 new amount earmarked from the Loans Fund gain (see section 3.5.1), 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	New Earmarkings in year	Invested or committed for major initiatives /capital projects	Drawn-down to 2023-24 Budget as at 31/08/23	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		7,087	160			
Investment in Affordable Housing	3,163		3,163				
Capital Projects	16,059	2,619	18,678				
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			190	1,724	920	
CHORD	378				150	228	
DMR Schools	1,394			564	797	33	
Energy Efficiency Fund	218				218		
Existing Legal Commitments	476				476		
Unspent Grant	13,179		489	1,429	9,326	1,935	
Unspent Third Party Contribution	265				251	14	
Previous Council Decision - Other	3,808		1,749	172	1,427	460	
Redundancy Provision	1,578				500	1,078	
Supporting Organisational Change	1,426			87	113	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	393	4,265	597	
Unspent Budget	13,566		1,140	416	5,446	6,564	
Totals	79,466	2,619	39,666	3,411	25,559	13,449	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, the current

forecast outturn position for 2023-24 and the proposed allocation for floral displays the Council is forecast to have a £1.272m surplus over contingency.

- 3.4.2 The revenue budget position as at 31 August 2023 was estimated to be a £0.009m underspend.
- 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. Note that as at August, Social Work was projecting a breakeven position.
- 3.4.4 The Environment, Development and Infrastructure Committee on 31 August 2023 agreed to pursue a blended model of options for the provision of floral displays and recommended the additional revenue cost for 2023-24 of £0.008m be funded from the unallocated General Fund and built into the budget outlook estimates for future years.
- 3.4.5 The table below summarises the position of the unallocated General Fund balance taking into consideration the points noted above.

Heading	Detail	£000
Unallocated General Fund as at 31 March 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 31 August 2023	Per paragraph 3.4.2.	9
Social Work outturn adjustment	Per paragraph 3.4.3 - Social Work would expect to transfer any surplus to internal IJB reserves	0
Allocation from unallocated general fund balance	Per paragraph 3.4.4	(8)
Estimated Unallocated balance as at 31 March 2024		1,272

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 increasing principal repayments	7,649			7,649
Funding Gap in Capital Programme	2,619		(2,619)	0
Significant Strategic Change Projects	5,013	(2,856)		2,157
Completed Projects	5,280	(5,280)		0
	20,561	(8,136)	(2,619)	9,806

4. CONCLUSION

- 4.1 The report outlines the overall reserves and balances for the Council covering the purpose and level of each reserve. It also provides detail as to expenditure against earmarked balances held within the General Fund.
- 4.2 As at 31 August 2023 the estimated unallocated General Fund, after taking into consideration the budget motion, the current forecast outturn for 2023-24 and the proposed allocation for floral displays, the Council is estimated to have a £1.272m 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
8 September 2023

Policy Lead for Finance and Commercial Services - Councillor Gary Mulvaney

APPENDICES

Appendix 1 – Earmarked Reserves breakdown of unspent budget

Appendix 2 – Earmarked Reserves breakdown of COVID earmarkings

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

APPENDIX 1

Earmarked Reserves - Unspent Budget
As at 31 August 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	0		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	0		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	Rothesay Academy - Demolition and Waste Disposal	953,875	53,495		900,380	60,380	840,000	Since Rothesay 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.	113,875	840,000	0
004	Executive Director (Douglas Hendry)	Commercial Services	Rothesay Pavilion Charity	750,000	0		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	Rothesay Pavilion Essential repairs	306,400	0		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	0		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	Mid Argyll Community Pool	30,000	0		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	
008	Executive Director (Douglas Hendry)	Commercial Services	MacTaggart Leisure Islay	30,000	0		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	
009	Executive Director (Douglas Hendry)	Commercial Services	Site Investigation Works	21,013	0		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	
010	Non Departmental / Executive Director (Douglas Hendry)	Across Services / Commercial Services	Information Management (Estates Survey Work)	12,697	0		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	
011	Executive Director (Douglas Hendry)	Commercial Services	(2023 Contract Inflation Adjustments) MAK/Islay Pools SLA - inflationary increase	9,523	0		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
012	Executive Director (Douglas Hendry)	Education	ASN Review	1,255,000	0		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
013	Executive Director (Douglas Hendry)	Education	Reduced Teacher Staffing Costs - Strike Action	800,000	0		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
014	Executive Director (Douglas Hendry)	Education	(2023 Digital Projects) School Wi-Fi Upgrades	200,000	10,091		189,909	139,909	50,000	To extend Wi-Fi 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

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
015	Executive Director (Douglas Hendry)	Education	Education Transformation Fund	146,579	1,942		144,637	144,637	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, focusing on digital and virtual learning technology and the development of learning clusters. This will continue into 2023/24.	146,579	0	
016	Executive Director (Douglas Hendry)	Education	MCR Pathways Pilot	80,000	0		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
017	Executive Director (Douglas Hendry)	Education	Gaelic Specific Grant	30,000	0		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
018	Executive Director (Douglas Hendry)	Education	(2023 Digital Projects) Cashless Catering	30,000	0		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
019	Executive Director (Douglas Hendry)	Education	Skype for Business for Education / Digital Projects (Skype for Business)	10,000	0		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	
020	Executive Director (Douglas Hendry)	Education	Education Learning Estate Condition Surveys	1,815	0		1,815	1,815	0	To fund the delivery of School Core Facts (SCF) compliant Condition Surveys for prioritised School Buildings.	1,815	0	
021	Executive Director (Douglas Hendry)	Legal and Regulatory Services	Education Purchasing Officers	210,000	0		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	
022	Non Departmental / Executive Director (Douglas Hendry)	Across Services / Legal and Regulatory Services	Information Management (Digitalisation of Title Deeds)	92,000	0		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	
023	Executive Director (Douglas Hendry)	Legal and Regulatory Services	Councillor IT Equipment	44,557	0		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	
024	Executive Director (Douglas Hendry)	Legal and Regulatory Services	Digital Projects: Hybrid Council meetings	43,302	0		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	
025	Executive Director (Douglas Hendry)	Legal and Regulatory Services	Debt Counselling & Welfare Rights	21,452	0		21,452	5,965	15,487	To meet the cost of a Debt Counselling and Welfare Rights Management System.	5,965	15,487	
026	Executive Director (Douglas Hendry)	Legal and Regulatory Support	(2023 Contract Inflation Adjustments) NPDO and DBFM School Contracts – inflationary increase	350,000	350,000		0	0	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
027	Executive Director (Douglas Hendry)	Legal and Regulatory Support	(2023 Digital Projects) Replacement of Council Chambers Online Meeting Equipment	130,000	0		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
028	Executive Director (Kirsty Flanagan)	Customer Support Services	(2023 Digital Projects) iTrent Project	332,000	0		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
029	Executive Director (Kirsty Flanagan)	Customer Support Services	Security Operations Centre Subscription	113,594	0		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	
030	Executive Director (Kirsty Flanagan)	Customer Support Services	Growing our Own and Modern Apprentices	109,150	0		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	
031	Non Departmental / Executive Director (Kirsty Flanagan)	Across Services / Customer Support Services	Digital Projects (Increase in Schools Bandwidth)	63,455	0		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	

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
032	Executive Director (Kirsty Flanagan)	Customer Support Services	(2023 Digital Projects) Resilient Website Project	60,000	0		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
033	Executive Director (Kirsty Flanagan)	Customer Support Services	(2023 Digital Projects) Digital Project Officer	60,000	0		60,000	60,000	0	Employ a temporary Digital Project Officer as part of OD changes.	60,000	0	0
034	Executive Director (Kirsty Flanagan)	Customer Support Services	Implementation of Gaelic Language Plan	30,000	0		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	
035	Executive Director (Kirsty Flanagan)	Customer Support Services	(2023 Digital Projects) Digital Engagement Services Developer	28,000	0		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
036	Executive Director (Kirsty Flanagan)	Customer Support Services	Business Development Training	27,601	288		27,313	27,313	0	This budget is funding ongoing leadership development, coaching, action learning sets and commissioned training including Priority Management.	27,601	0	
037	Executive Director (Kirsty Flanagan)	Customer Support Services	Learning and Development	19,436	0		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 FQ4 20/21.	19,436	0	
038	Executive Director (Kirsty Flanagan)	Customer Support Services	Establishing HR Service Centre	13,824	0		13,824	13,824	0	To facilitate the implementation of technical efficiency improvements and new processes	13,824	0	
039	Non Departmental / Executive Director (Kirsty Flanagan)	Across Services / Customer Support Services	Digital Projects (Replacement Learning Management System)	11,470	0		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	
040	Executive Director (Kirsty Flanagan)	Development & Economic Growth	Planning Income (Saving 23-24)	340,000	0		340,000	340,000	0	To fund one off operational saving MGT5 agreed for the 2023/24 budget	340,000	0	0
041	Executive Director (Kirsty Flanagan)	Development & Economic Growth	Planning Income	60,000	0		60,000	60,000	0	To fund additional resources to support and develop the Council's planning service.	60,000	0	0
042	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Oban TIF (Tax Incremental Financing)	385,193	0		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	
043	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Strategic Events & Festivals	80,664	0		80,664	80,664	0	At the Council meeting on 25 February 2021, 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 2022, 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	
044	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Island Post	50,461	0		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	
045	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	0		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 £209k	21,177	0	
046	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Royal National Mod	20,000	0		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	
047	Executive Director (Kirsty Flanagan)	Financial Services	Financial Systems	33,748	0		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	
048	Executive Director (Kirsty Flanagan)	Financial Services	Accounting and Budgeting Team Resilience	30,664	0		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	
049	Executive Director (Kirsty Flanagan)	Financial Services	CIPFA	24,040	0		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	
050	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Waste Variation Monies	1,967,056	0		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	
051	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	3G pitches / Tarbert Sports Pitches	375,022	0		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	
052	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Green Transport Initiatives	140,000	0		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 Ardrishaig North Project will be spent in 22/23 and drawn down in 23/24.	140,000	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
053	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Climate Change	81,884	0		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	
054	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Amenity Services introduction of management information system	28,099	0		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	
055	Executive Director (Kirsty Flanagan)	Roads & Infrastructure Services	(2023 Contract Inflation Adjustments) Waste PPP	255,000	0		255,000	255,000	0	Adjustment to inflation included in the budget based on updated RPIX figures at February 2023.	255,000	0	0
056	Non Departmental	Non Departmental	Underwriting development of Rothesay Pavilion	1,000,000	0		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	
057	Non Departmental	Non Departmental	Oban TIF (Tax Incremental Financing - Excess NDR)	875,651	0		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
058	Non Departmental	Non Departmental	Loans Fund	385,279	0		385,279	385,279	0	At the Council Budget meeting on 24 February 2022, Saving F501, 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	
059	Non Departmental	Non Departmental	Loans Fund	300,000	0		300,000	300,000	0	To fund one off operational saving MGT3 agreed for the 2023/24 budget	300,000	0	0
060	Non Departmental	Non Departmental	Information Management (Balance of Funding)	209,844	0		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	
061	Non Departmental	Non Departmental	Spend to Save Route Optimisation Software	100,000	0		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	
062	Non Departmental	Non Departmental	Engagement with Hub North re provision of services for older adults and vulnerable people across Argyll and Bute	100,000	0		100,000	100,000	0	At the Council budget meeting February 2023, 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	
063	Non Departmental	Non Departmental	CHARTS	80,000	0		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		
064	Non Departmental	Non Departmental	Community Resilience Fund	76,447	0		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	415,816	0	13,149,799	5,585,619	7,564,180		6,001,435	7,272,297	291,883

APPENDIX 2

COVID
As at 31 August 2023

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	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	0			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	18,336			30,811	30,811	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	0			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	37,352			383,846	372,922	10,924	Continuation of funding for additional staffing, teachers, support staff, additional devices for pupils and additional family/home learning programmes.	410,274	10,924	
005	Executive Director (Douglas Hendry)	Education	Education to Support Young People	191,042	160,560			30,482	0	30,482	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.	160,560	30,482	
006	Executive Director (Douglas Hendry)	Education	Recruitment of Additional Teachers and Support Staff in Schools	51,371	0			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	0			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	0			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 full corporate website upgrade and renewal using specialist web resources and the Digital Reception Project.	65,250	0	
009	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Staycation and Marketing Argyll and Bute	389,992	0			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. As agreed at Council on 24 February 2022, Staycation investment £0.100m. Augments the 2021/22 £0.5m staycation initiative with an additional investment of £100k, including support for community groups and partners in the provision of facilities which can support increasing staycation visitor numbers during the 2022/23 and 2023/24 seasons.	389,992	0	
010	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Tackling Digital Exclusion Top-Up Fund	217,600	0			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	0			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 contribute to the sector as well as benefitting the business, for example: Tourism and hospitality, food and drink or retail. With option to provide additional business support to hard hit areas including Bute and Kintyre where unemployment remains higher than average - support via specialist advice, locally tailored grants to meet local priorities and targeted marketing activity. to be split £115,000 Business support via Business Gateway and £35,000 for Shop fronts	95,398	0	
012	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Economic Development - temp post to support economic recovery	55,000	0			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	0			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	0			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	0			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 momentum and support local businesses.	26,793	0	

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	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
016	Executive Director (Kirsty Flanagan)	Development and Economic Growth	LACER Funding (Small Business Development Grant)	24,988	0			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 improvements and improve efficiency/innovation. Fully committed with final payments due in 2023-2024.	24,988	0	
017	Executive Director (Kirsty Flanagan)	Financial Services	Housing Benefits Private	321,524	35,640			285,884	285,884	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 overspend in the DHP/ Scottish Welfare Fund budget going forward.	321,524	0	
018	Executive Director (Kirsty Flanagan)	Financial Services	Flexible Food Fund	194,156	137,445			56,711	-29,445	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 with low incomes and no access to cash savings can apply for immediate financial support. The Fund helps support daily living expenses. In the period from 10 January 2021 to 30 November 2022 client gain in extra benefits income for families was £2.25 million with 1,550 families had been supported. The project has been extended to 31 March 2025 with funding coming from the UK Shared Prosperity Fund and this earmarking to support it. It is proposed that underspends from the Flexible Funding for Supporting People at tier 4 COVID will be used to support this project over the next two years to cover a funding gap of £50,000. The Scottish Government have provided this funding and have endorsed this award winning project promoting it as part of the solution to end the need for foodbanks nationally.	108,000	86,156	
019	Executive Director (Kirsty Flanagan)	Financial Services	Flexible Funding for Supporting People while at Tier 4 COVID	76,357	3,069			73,288	73,288	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	0			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	0			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 Rothesay Pavilion £1.360m.	1,547,000	0	
022	Non Departmental	Non Departmental	COVID Funding	418,337	0			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	0			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	0			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	392,402	0	0	5,119,671	4,522,322	597,349		4,914,724	179,012	418,337

ARGYLL AND BUTE COUNCIL**POLICY AND RESOURCES COMMITTEE****FINANCIAL SERVICES****12 OCTOBER 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 10 August 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 10 August 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 has been one change to the base budget since the report on 10 August 2023 and that relates to the provision of floral displays. The Environment, Development and Infrastructure Committee agreed to pursue a blended model of options for the provision of floral displays and recommended that £0.008m be built into the budget outlook for future years in relation to this. This was subsequently approved at Council on 28 September 2023 and therefore has been built into the base budget.
- 1.6 Assumptions in respect of employee costs for Council services are 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, a 2% increase had previously been built into the mid-range scenario, however there is pressure on Local Authorities for an increase beyond this therefore it is prudent to amend the assumptions contained within the budget outlook to 3% in 2024-25 falling back to 2% in 2025-26 onwards.

- Increments are estimated between £0.329m and £0.657m with mid-range £0.657m.
 - A decrease to the long term employer contribution rate paid to Strathclyde Pension Fund (SPF) from 19.3% to 17.5% has resulted in a reduction to employee costs of £1.061m in all scenarios within the budget outlook.
- 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 10 August 2023 are:
- Removed - Public Transport Fares – shortfall in previously agreed saving is now able to be offset against underspends elsewhere within public transport therefore the cost pressure is no longer required.
 - New – Persistent Organic Pollutants (POPs) – regulations indicate there will be a ban on placing materials such as sofas and mattresses in landfill resulting in a cost pressure relating to their disposal.
- 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 £43.942m with a gap of £12.193m 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%).
 - Proposed implementation of 100% premium on Council Tax for second homes.
 - 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 £24.728m with a gap of £4.768m in 2024-25.
- 1.14 The budget gap in the best case scenario over the five years is £2.960m with a gap of £0.447m in 2024-25 and in the worst case scenario, the budget gap over the five years is £85.947m with a gap of £14.181m 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:
- (a) Consider the current estimated budget outlook position for the period 2024-25 to 2028-29.
 - (b) Recommend to Council that the budget for winter maintenance is right sized by utilising £0.326m of the £1.4m contingency that was set aside for inflationary increases as part of the 2023-24 budget setting process.

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 10 August 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:
- (a) Consider the current estimated budget outlook position for the period 2024-25 to 2028-29.
 - (b) Recommend to Council that the budget for winter maintenance is right sized by utilising £0.326m of the £1.4m contingency that was set aside for inflationary increases as part of the 2023-24 budget setting process.

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 August, 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 previously, 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 There has been one change to the base budget since the report on 10 August 2023 and that relates to the provision of floral displays. The Environment, Development and Infrastructure Committee agreed to pursue a blended model of options for the provision of floral displays and recommended that £0.008m be built into the budget outlook for future years in relation to this. This was

subsequently approved at Council on 28 September 2023 and therefore has been built into the base budget.

- 4.2.3 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
Provision of floral displays	8	8	8	8	8
Revised Base Budget	285,155	285,147	285,147	285,147	285,147

- 4.2.4 It should be noted that Phase 1 of the ASN review is currently in the early stages of planning and the revenue costs associated with this have been estimated at £0.500m. The Service have identified budget that can be used to fund this phase of the project through income received from Scottish Government. While the funding could have been used elsewhere it has the potential of reducing the increased demand pressure for ASN support therefore has an overall nil impact to the budget gap position.

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 total of what has been allowed for in the budget. The Council has set aside budget equivalent to 3.5%, and the Scottish Government has agreed funding equivalent to 2.5%, which gives a total pay award budget equivalent to a 6% increase.
- 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, a 2% increase had previously been built into the mid-range scenario, however, it is looking likely that this will be insufficient, based on the

pressure to increase the current years pay offer. It would therefore be prudent to increase the assumption from 2% to 3% for 2024-25, reducing back to 2% from 2025-26 on the basis that reducing inflation could eventually take the pressure off the pay award. The best case scenario remains at 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).

Strathclyde Pension Fund

- 4.3.5 The Strathclyde Pension Fund (SPF) has reported an exceptionally strong set of results with a surplus of almost £9bn which will allow a reduction in the employer contribution rate. The largest employers, including 12 councils of which Argyll and Bute Council is one, will see a reduction in their employer contributions from 19.3% to 6.5% over the next two years, before reverting to a sustainable long-term rate in the third year of 17.5%. The recurring saving associated with the long term reduction to 17.5% equates to £1.061m and has been built into the budget outlook estimates in all scenarios. Consideration will also be required as to how best to utilise the additional surplus in the first two years as a result of reducing contributions to 6.5%.
- 4.3.6 The table below summarises the employee cost movements 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	4,574	7,714	10,917	14,184	17,517
Increments	657	1,314	1,971	2,628	3,285
SPF Employers Pension Rate reduction to 17.5%	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)
Total Employee Cost Changes	4,170	7,967	11,827	15,751	19,741

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 (August 2023) £000	2024-25 Updated estimates £000	Increase/ (Decrease) £000
Utilities - Electricity, Gas, Oil, Water	831	930	99
Street Lighting Electricity	121	121	0
Vehicle Fuel	53	50	(3)
Central Repairs - Outside Contractors	68	72	4
Waste PPP/Landfill Tax	578	578	0
NPDO/HUB Schools	909	956	47
Community Pool Subsidies	95	95	0
Residential Schools	54	49	(5)
Pre-Primary Partner Providers	175	179	4
ICT	181	195	14
Catering Purchases and Milk	342	280	(62)
Insurance	83	81	(2)
Bitumen – Roads	24	24	0
Contingency for unidentified/ insufficient inflation estimate	250	250	0
Total	3,764	3,860	96

- 4.4.5 The most significant movement in non-pay inflation since last reported in August 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	6,532	9,384	12,431	15,688
Total Non-Pay Inflation	6,532	9,384	12,431	15,688

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 10 August 2023 the following changes have been made to the cost and demand pressures:

- Removed - Public Transport Fares – shortfall in previously agreed saving is now able to be offset against underspends elsewhere within public transport therefore the cost pressure is no longer required.
- New – Persistent Organic Pollutants (POPs) – regulations indicate there will be a ban on placing materials such as sofas and mattresses in landfill resulting in a cost pressure relating to their disposal.

- 4.5.2 As mentioned in paragraph 4.4.5, the forward purchasing of the Council's energy needs largely protected the Council from the significant increases in energy costs, particularly electricity. However, the Council is now re-contracting and is as the Council re-contracts for its energy now and is exposed to significantly higher market rates, which is likely to exceed the current year (2023-24) budget. This will create an in-year cost pressure which will be reported via the budget monitoring but will also create a cost pressure for future years. At the time of writing it is expected that this cost pressure could be in the region of £1m, however, a more precise estimate is currently being calculated by the Energy Team and will be reported in the Budget Outlook in December 2023.

- 4.5.3 The Council's contract with Civica for the Revenue and Benefits Management System ends in August 2024, this is the system that allows us to bill and collect Council Tax and administer Housing Benefit on behalf of the UK government under statute. In addition the contract for the corporate Electronic Document

Management system currently used by Revenue and Benefits services, Social Care, Human Resources and Creditors will end in September 2024. The Council is currently considering its options but there is pressure to migrate both of these systems to the Cloud as on premise support will not be available in the future which is likely to increase the annual costs although we do not have a definitive position on this as yet. The impact of this will be refined as conversations with our suppliers progress over the coming months therefore will be included within a future budget outlook once there is more certainty regarding the financial impact.

- 4.5.4 Over the last few years the Winter Maintenance budget has been overspent. Additional budget of £0.500m was allocated in 2019-20 however inflation over the last few years has put significant pressure on this budget. The average overspend over the last 5 years was £0.235m, with the smallest overspend being £0.044m and the largest £0.541m. Further information regarding this is included within appendix 5 which details that if treatment runs were similar to 2022-23, an additional budget of £0.326m would be required therefore it is recommended that the base budget is increased by this amount.
- 4.5.5 During the 2023-24 budget setting process a contingency of £1.4m was agreed which was circa 0.5% of the Councils budget at that time. This was included due to the volatility in prices, the increases in inflation together with continuing increased demand. This contingency could be used to offset the above mentioned pressures within utilities, ICT systems and Winter Maintenance, both in 2023-24 and future years, once their financial impact has been refined.
- 4.5.6 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. This contingency is over and above the £1.4m detailed in paragraph 4.5.5.
- 4.5.7 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	10	10	10	10	10

inflation					
Repairs and Maintenance – Helensburgh Waterfront Leisure Complex	105	105	105	105	105
Depots – saving shortfall	108	108	108	108	108
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
Persistent Organic Pollutants (POPs)	173	173	173	173	173
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	2,285	3,781	6,078	7,452	7,692

4.5.8 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	3,770	7,564	11,513
Care Services for Older People	426	859	1,299
Care Services for Younger Adults	437	883	1,338
Adult Services - Supported Living	108	215	215
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	6,084	12,471	18,936

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	285,155	285,147	285,147	285,147	285,147
Employee Cost Changes	4,170	7,967	11,827	15,751	19,741
Non-Pay Inflation	3,860	6,532	9,384	12,431	15,688
Cost and Demand Pressures	2,285	3,781	6,078	7,452	7,692
Total Estimated Expenditure	295,470	303,427	312,436	320,781	328,268
Estimated Funding	283,277	283,424	283,723	284,024	284,326
Estimated Budget Surplus / (Gap) Cumulative	(12,193)	(20,003)	(28,713)	(36,757)	(43,942)

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. There has been an amendment to the fees and charges figure within the budget outlook in relation to Piers and Harbours where the 6% general inflationary increase has been removed (£0.476m in the mid-range) to ensure that any income generated is not in excess of expenditure.

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 Scottish Government recently carried out a consultation on Council Tax for second homes and the outcome was announced in September 2023 advising that Local Authorities will be able to charge a premium of up to 100% (double charge) on council tax for second homes from 1st April 2024 bringing it in line with the policy already in place for empty homes. This legislation has still to be approved by Parliament and will also be subject to Elected Members agreeing its implementation within Argyll and Bute, however if agreed it would not only generate additional income for the Council to support delivery of services but

may also help alleviate pressure on the local housing market and encourage long-term rental. Within the budget outlook £4m of additional income in respect of this has been included within the mid-range scenario, with £4.2m in the best case and zero in the worst case should Parliament not agree the legislation or Elected Members choose not to implement it within Argyll and Bute. A report will be brought to Council in November with further detail of this proposed policy change but currently it is assumed that Scottish Government will not impose that this income is ring fenced for any particular purpose.

4.8.5 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	372	744	1,116	1,488	1,859
Council Tax Increase	2,960	4,848	6,795	8,811	10,896
Council Tax Second Homes Consultation	4,000	4,120	4,244	4,371	4,502
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	7,425	10,088	13,007	16,158	19,214

4.8.6 The Scottish Government are currently undertaking a further consultation in relation to Council Tax, looking at a fairer council tax system for properties in bands E-H acknowledging the persisting regressive nature of the current structure where lower-value properties are taxed proportionately more than higher-value ones. This consultation closes on 20 September 2023 and at this stage no estimate has been built into the budget outlook until we are clear whether this is likely to happen. If agreed by Scottish Government, it will generate a significant amount of additional Council Tax income (circa £4m) that would reduce the budget gap. A further update on this will be provided at the December Policy and Resources Committee meeting.

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	(12,193)	(20,003)	(28,713)	(36,757)	(43,942)
Savings Measures	7,425	10,088	13,007	16,158	19,214

Estimated Budget Surplus / (Gap) Cumulative	(4,768)	(9,915)	(15,706)	(20,599)	(24,728)
Estimated Budget Surplus / (Gap) In Year	(4,768)	(5,147)	(5,791)	(4,893)	(4,129)

- 4.9.2 In the mid-range scenario, the budget gap estimated over the five year period 2024-25 to 2028-29 is £24.728m with a gap of £4.768m in 2024-25.
- 4.9.3 The budget gap in the best case scenario over the five years is £2.960m with a gap of £0.447m in 2024-25 and in the worst case scenario, the budget gap over the five years is £85.947m with a gap of £14.181m 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 10 August 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	(7,580)	(12,272)	(17,606)	(22,038)	(25,700)
Provision of floral displays	(8)	(8)	(8)	(8)	(8)
Increase pay award to 3% in 2024-25	(1,525)	(1,555)	(1,586)	(1,617)	(1,650)
Reduction in SPF Employers Pension Contribution	1,061	1,061	1,061	1,061	1,061
Adjustment to Non-Pay Inflation	(96)	(165)	(239)	(320)	(408)
Cost Pressure – Public Transport Saving shortfall offset from underspend within Public Transport	29	29	29	29	29
Cost Pressure – Disposal of Persistent Organic Pollutants (POPs)	(173)	(173)	(173)	(173)	(173)
Fees and Charges adjustment re Piers and Harbours	(476)	(952)	(1,428)	(1,904)	(2,381)
Council Tax Consultation on Second Homes	4,000	4,120	4,244	4,371	4,502
Revised Budget Surplus / (Gap) Cumulative	(4,768)	(9,915)	(15,706)	(20,599)	(24,728)

5. CONCLUSION

- 5.1 In the mid-range scenario, the budget gap estimated over the five year period 2024-25 to 2028-29 is £24.728m with a gap of £4.768m in 2024-25. Council officers are continuing to explore savings options during 2023-24 and these will be presented to members for consideration in December 2023. Consideration also needs to be given as to how best to utilise the two year surplus that will be created due to the temporary reduction in the Strathclyde Pension Fund employers contribution rate.
- 5.2 This is a very challenging budget outlook position and the level of Scottish Government grant, the pay award, the Council Tax consultations and the further potential cost and demand pressures outlined within the report could alter the figures significantly. These 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
18 September 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)

Appendix 5 – Winter Maintenance

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 - 12 OCTOBER 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	619	611	611	611	611	619	611	611	611	611	619	611	611	611	611
Revised Base Budget	285,155	285,147	285,147	285,147	285,147	285,155	285,147	285,147	285,147	285,147	285,155	285,147	285,147	285,147	285,147
Pay Award	3,049	6,159	9,331	12,567	15,867	4,574	7,714	10,917	14,184	17,517	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	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)
Total Employee Cost Changes (Council Services)	2,317	5,756	9,256	12,821	16,449	4,170	7,967	11,827	15,751	19,741	7,218	19,145	31,635	44,717	58,420
Non-Pay Inflation - Council Services	3,394	5,822	8,404	11,152	14,077	3,860	6,532	9,384	12,431	15,688	4,075	8,843	13,572	18,526	23,725
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
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
Waste disposal of Persistent Organic Pollutants (POPs)	79	79	79	79	79	173	173	173	173	173	366	366	366	366	366
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	1,931	2,501	3,242	4,709	4,749	2,285	3,781	6,078	7,452	7,692	2,988	5,052	7,792	9,785	10,475
Total Estimated Expenditure PRIOR to measures to balance the budget	292,797	299,226	306,049	313,829	320,422	295,470	303,427	312,436	320,781	328,268	299,436	318,187	338,146	358,175	377,767
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	(8,264)	(13,271)	(18,515)	(24,705)	(29,700)	(12,193)	(20,003)	(28,713)	(36,757)	(43,942)	(17,412)	(37,273)	(58,188)	(79,166)	(99,700)
Measures to Balance the Budget:															
Fees and Charges	558	1,116	1,673	2,231	2,789	372	744	1,116	1,488	1,859	186	372	558	744	930
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
Council Tax - Second Homes Consultation	4,200	4,410	4,631	4,862	5,105	4,000	4,120	4,244	4,371	4,502	0	0	0	0	0
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	7,818	12,066	16,700	21,696	26,740	7,425	10,088	13,006	16,157	19,214	3,231	5,594	8,199	11,027	13,753
Budget Surplus / (Gap) Cumulative AFTER measures to balance the budget	(447)	(1,206)	(1,815)	(3,008)	(2,960)	(4,768)	(9,915)	(15,706)	(20,599)	(24,728)	(14,181)	(31,680)	(49,989)	(68,139)	(85,947)
Budget Surplus / (Gap) In Year AFTER measures to balance the budget	(447)	(759)	(609)	(1,193)	48	(4,768)	(5,147)	(5,791)	(4,893)	(4,129)	(14,181)	(17,499)	(18,309)	(18,150)	(17,808)

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%	167,923
Council Wide	Heating Oils	Due to current market condition for gas 6.80% increase with mid range reflecting July 2023 CPI rate, with a 0.5% tolerance for best and worst case.	6.80%	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.	4.30%	14,682
Council Wide	Water Charges	Due to current market condition for gas 6.80% increase with mid range reflecting July 2023 CPI rate, with a 0.5% tolerance for best and worst case.	6.80%	39,751
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.	4.30%	49,911
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%	72,360
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.	4.30%	81,435
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				1,382,876
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.	4.30%	178,872
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.	4.30%	48,515
Commercial Services	Catering Purchases	Based on Office for National Statistics Inflation Rate for Food and Non-Alcoholic Beverages at July 2023, with a 0.5% tolerance for best and worst case .	14.90%	280,280
Legal & Regulatory Support	Leisure SLA-MAKI/Islay Pools	Based on average actual CPI rate for 2023 Q2, with a 0.5% tolerance for best and worst case.	8.40%	16,154
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 average actual CPI rate for 2023 Q2, with a 0.5% tolerance for best and worst case.	8.40%	704,351
Legal & Regulatory Support	NPDO-Utilities Rebate	Based on average actual CPI rate for 2023 Q2, with a 0.5% tolerance for best and worst case.	8.40%	-26,646
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 6.80% increase with mid range reflecting July 2023 CPI rate, with a 0.5% tolerance for best and worst case.	6.80%	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.	4.30%	3,953
Legal & Regulatory Support	NPDO-Water	Due to current market condition for gas 6.80% increase with mid range reflecting July 2023 CPI rate, with a 0.5% tolerance for best and worst case.	6.80%	26,250
Legal & Regulatory Support	HUB-Variable Element	Based on average actual CPI rate for 2023 Q2, with a 0.5% tolerance for best and worst case.	8.40%	110,240
Executive Director Douglas Hendry - Total				1,559,177
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%	194,634
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.	4.30%	23,856
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				917,585
Total Non-Pay Inflation in the Mid Range				3,859,638

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 2023 and will not be completed until 2028. 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 2028. 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	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	Waste	Disposal of Persistent Organic Pollutants (POPs) as a result of the Persistent Organic Pollutants Regulation 2007 and the anticipated ban on placing these materials in landfill. Disposal of these will create a cost pressure to transport, shred and process the shredded material through Energy from Waste (EFW).	79	79	79	79	79	173	173	173	173	173	366	366	366	366	366
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	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			1,931	2,501	3,242	4,709	4,749	2,285	3,781	6,078	7,452	7,692	2,988	5,052	7,792	9,785	10,475

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.	3,188	6,387	9,687	3,586	7,229	11,020	3,985	8,077	12,373
All Social Work	Non-pay inflation impact of payroll inflation on NHS posts which are recharged to Social Work.	170	305	446	184	335	493	198	365	541
Adult Care	Older People Demand Growth: The number of older people is increasing and older people are living longer with significant health and support needs and significant expectations of the support they are entitled to receive. Demand pressure estimates 3% growth in homecare and care home placements, this increase is supported by the growth in clients and care requirements over a number of years although in some areas the service capacity is being fully utilised and service expansion is proving difficult. The best case assumes a 0% increase in spending reflecting the limited service capacity in the area, the mid-range reflects 1.5% growth and the worst case reflects 3% growth.	0	0	0	426	859	1,299	852	1,731	2,638
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.	188	378	570	375	758	1,149	563	1,144	1,743
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.	31	62	94	62	125	189	93	189	288
Adult Care	Physical Disability Budget Adjustment - The Physical Disability 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.	26	52	52	26	52	52	26	52	52
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.	82	163	163	82	163	163	82	163	163
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 UNFUNDED COST AND DEMAND PRESSURES		4,702	9,395	14,105	6,084	12,471	18,936	8,680	17,569	26,704

Winter Maintenance

APPENDIX 5

The cost for Winter Maintenance during 2022-23 was £2.661M with a budget of £2.120M, equating to an overspend of £541k. There has been an overspend of winter maintenance for a number of years and in 2022-23 this overspend was higher due to inflationary increases (particularly for grit and salt) and the change in respect of the use of red diesel (which was banned from April 2022 – red diesel being subject to a lower excise duty).

Over the last 5 years we have seen an increase in Winter Maintenance costs. This is due to weather and more ‘treatments’ being required but also due to increased costs.

The costs for winter can split into fixed and variable, as per table 1 below. Fixed costs are for vehicles, standby and weather forecasting and variable costs are mainly for staff, salt and fuel.

Table 1

	2018-19	2019-20	2020-21	2021-22	2022-23
Fixed Costs	798,828.28	1,099,864.19	1,053,263.07	1,214,039.23	1,323,841.48
Variable Costs	1,122,355.24	1,080,858.54	1,225,741.02	1,053,587.73	1,337,508.74
	1,921,183.52	2,180,722.73	2,279,004.09	2,267,626.96	2,661,350.22

As per the Winter Policy, we have set treatment routes in each area, if each of these routes was treated once, this would equate to 1 treatment run. Table 2 below shows the variable cost per treatment run over the last 5 years.

Table 2

	2018-19	2019-20	2020-21	2021-22	2022-23
Full Fleet Runs (equivalent)	62	78	79	65	66
Variable cost per Full Fleet Run (equivalent)	18,102.50	13,857.16	15,515.71	16,209.04	20,265.28

As per table 1 above, the variable cost per run has increased significantly over recent years, particularly between 2021-22 and 2022-23.

Detailed analysis shows the increase in the variable costs is a result of increased salt costs and fuel costs and the increase in the fixed costs is a result of increased vehicle costs for hire and maintenance.

The budget for 2023-24 is £2.335M, an increase of £214k from 2022-23 for inflationary increases for salt and employee costs. This budget will allow 50 treatment runs based on the same variable and fixed costs as 2022-23 which is considerably less than the average treatment runs over the last 5 years.

The average treatment run over the last 5 years is 70. Budget required for this would be £2.742M, an increase of £407k.

If treatment runs were similar to 2022-23, an additional budget of £326k would be required and it is recommended that the base budget is increased by this amount. There is currently a £1.4m recurring contingency set aside for inflationary pressures that has not been used that could fund this budget increase from 2023-24 onwards.

ARGYLL AND BUTE COUNCIL POLICY AND RESOURCES COMMITTEE

CUSTOMER AND SUPPORT SERVICES

October 2023

BUDGET SIMULATOR EXERCISE – FINDINGS

1.0 EXECUTIVE SUMMARY

- 1.1 Argyll and Bute Council aims to work with, as well as for, the people of Argyll and Bute. We therefore sought the views of our citizens, via a budget simulator, on high level priorities for the council's budget.
- 1.2 Overall we received nearly 400 responses, involving around 17,000 choices from communities. We also received 170 comments and suggestions, via the simulator and other routes.
- 1.3 This report outlines the feedback provided.

ARGYLL AND BUTE COUNCIL POLICY AND RESOURCES COMMITTEE

CUSTOMER SUPPORT SERVICES

October 2023

BUDGET SIMULATOR – FINDINGS

2.0 INTRODUCTION

2.1 This report outlines feedback from local communities on their priorities for bridging a budget gap of £10 million+.

3.0 RECOMMENDATIONS

3.1 It is recommended that Councillors take into account the budget simulator results when considering and preparing the budget for 2024/25.

4.0 DETAIL

Simulator exercise

4.1 To raise awareness of the financial challenges facing the council, and get high level priorities from communities, the council ran a budget simulator exercise from June to August.

4.2 The simulator provided more than 40 options to consider for reducing budget spend or increasing income.

4.3 Overall we received nearly 400 responses, from people aged 16 to 75+, from mainland and island communities, with respondents making 17,000 choices to balance budgets.

4.4 As well as via the simulator, people gave views by contacting us at planningourfuture@argyll-bute.gov.uk, and via social media. We received around 170 comments and suggestions.

4.5 Responses overall provide mixed views with services receiving support for both budget increases and decreases; with lower level areas of spend being frequently chosen for reductions but comments supporting savings from the bigger areas of spend or for income generation.

4.6 Findings are presented here for consideration in planning the budget.

Findings – awareness of financial challenges

- 4.7 Comments reflected the considerable difficulties in balancing the budget, and support for more funding for councils. For example:
- no more cuts, government funding increase would be best;
 - there should be fair funding for councils,
 - you should campaign for more funding; are you just accepting budget cuts?

Findings – raising income to balance the budget

- 4.8 As well as comments about campaigning for more funding, all options for raising income – through property leases, fees and charges or council tax - received support for average increases of between 4.4% and 5%.
- 4.9 We received a number of comments about council tax:
- Most were in favour of increasing council tax – let's not sacrifice our local services; this means everyone pays a bit more for services they use; tough but do-able.
 - Lower number saying low income families could not afford an increase or that the council tax system is outdated.
- 4.10 Suggestions for how the council could raise income are listed in Appendix 1. Here are recurring suggestions:
- Increase tax on second homes
 - Live Argyll should be financially independent; it's a charity and can get grants councils cannot;
 - Share/outsource central services
 - Tourist tax/Air bnbs tax
 - Use buildings efficiently: switch lights/boilers off when not in use; make schools energy efficient (eg switch boilers off in summer); sell closed schools/vacant buildings.
 - Fees – the users of services should pay for them

Findings – cutting service budgets to balancing the council budget

- 4.11 Service options received some support for increasing their budget, and all options were chosen for budget cuts to varying degrees.
- 4.12 As well as making choices about individual service areas, people provided comments on cuts overall:
- Make cuts from the big ticket service areas
 - Aim for a balance between cuts and income generation, protect services

4.13 The order in which services were most often chosen by respondents for some level of reduction is outlined in Appendix 2. The four service areas most often allocated a budget cut are:

- Councillors
- Committee services and support to councillors
- HR & OD (Human Resources and Organisational Development)
- Corporate Communications

4.14 Additional comments on the council's financial position, and ideas for the council and communities working together, are listed in Appendix 3.

5.0 CONCLUSION

5.1 Many people gave time and thought to this year's budget planning process. Overall there is a wish for more funding for councils, for efficient use of the resources we have, and recognition of how difficult the situation is for councils.

5.0 IMPLICATIONS

This reports sets out findings for consideration rather than decisions for action therefore there are no implications at this stage.

6.1 Policy: None

6.2 Financial: None

6.3 Legal : None

6.4 HR : None

6.5 Fairer Scotland Duty:

5.5.1 Equalities – None

5.5.2 Socio-economic Duty – None

5.5.3 Islands – None

6.6 Climate Change – None

6.7 Risk – None

6.8 Customer Service – None.

For further information contact:

Jane Jarvie, Communications Manager 01546 604323

David Forshaw, Finance Manager 01546 604 721

Appendices

Appendix 1: Income generation support and suggestions

Appendix 2: Service areas most frequently chosen for a reduction

Appendix 3: Additional comments

Appendix 1 – Income generation support and suggestions

Service	Activity	Average increase allocated	Rank
Income	Property Lease Income (£0.656m)	5.0%	1
Income	Fees and Charges (£10.069m)	4.8%	2
Income	Council Tax Income (£59.277m)	4.4%	3

Council tax comments summary

- Increase tax – ‘let’s not sacrifice our local services’; this means everyone pays a bit more for services they use; tough but do-able.
- Lower number saying lower income families could not afford an increase or that the council tax system is outdated.

Suggestions for raising income – recurring

- Increase tax on second homes
- Make cuts from the big ticket items
- Live Argyll should be financially independent; it’s a charity and can get grants councils cannot;
- Share/outsourcing central services
- Tourist tax/Air bnbs
- Use buildings efficiently: switch lights/boilers off when not in use; make schools energy efficient (eg switch boilers off in summer); sell closed schools.
- Fees – the users of services should pay for them

Other suggestions

- Efficiency – streamline processes and be more efficient with resources
- Cemeteries –use wild flowering as a support for reducing current maintenance approach
- Crossing patrollers – put zebra crossings at schools, and add more 20 mph zones
- School transport – charge pupils using it outside their catchment area; avoid duplication with service buses
- Public toilets – charge for them
- Cutting and cutting isn't a viable solution. Aim for a 50:50 balance between revenue spend reduction and income generation.
- Develop a commercial culture to raise income
- Maximise commercial waste income
- Charge for support provided in organising events

Appendix 2 – Service areas most frequently chosen for a reduction

Service	Activity	Rank
Elected Members	Councillors (£1.261m)	1
Legal & Reg Support	Committee Services and Services to Councillors (£1.060m)	2
CSS	HR & OD (£2.714m)	3
CSS	Corporate Communications (£0.324m)	4
Legal & Reg Support	Procurement, Commissioning and Contracts (£1.511m)	5
Commercial Services	Property Services (£2.993m)	6
Legal & Reg Support	Legal Services (£1.076m)	7
Legal & Reg Support	Information Management (£0.239m)	8
CSS	Financial Services (£4.991m)	9
DEG	Community Planning and Development (£0.597m)	10
DEG	Business Start-up and Support Assistance (£0.380m)	11
CSS	Customer Service Centers and Registration Services (£1.553m)	12
RIS	Parking (£0.400m)	13
Commercial Services	Live Argyll and contributions to other privately run Leisure Facilities (£4.692m)	14
Legal & Reg Support	Trading Standards and Advice Services (£0.687m)	15
RIS	Fleet (£5.821m)	16
RIS	Environmental Warden Services (£1.734m)	17
DEG	Economic Growth and Regeneration Services (£1.372m)	18
Legal & Reg Support	Health and Safety (£0.357m)	19
DEG	Planning (Development Policy and Management) (£2.318m)	20
Legal & Reg Support	Civil Contingencies (Emergency Planning) (£0.109m)	21
DEG	Building Standards (£1.054m)	22
RIS	School and Public Transport (£9.001m)	23
RIS	Cemeteries and Crematorium (£1.102m)	24
RIS	Parks (£1.399m)	25

RIS	Roads and Bridges Design (£1.077m)	26
Education	Schools (excluding the cost of teachers) (£9.649m)	27
Education	Early Learning and Childcare (Pre-School Age) (£7.818m)	28
RISs	School Crossing Patrollers (£0.139m)	29
DEG	Environmental Health and Regulatory Services (£2.046m)	30
Education	Education Contribution to Special Provision outwith A&B (£1.240m)	31
CSS	ICT (£4.875m)	32
Commercial Services	Catering & Cleaning (predominantly within schools) (£10.333m)	33
DEG	Airports (£1.324m)	34
DEG	Housing Support and Homelessness (£4.647m)	35
RIS	Waste Collection (£4.424m)	36
RIS	Street Cleaning (£0.981m)	37
RIS	Roads Maintenance (£17.603m)	38
RIS	Public Toilets (£0.470m)	39
Education	Children with Additional Support Needs (£6.901m)	40
RIS	Coastal and Flood Protection (£0.151m)	41

Appendix 3 – additional general comments

Support for council funding

- Campaign for more funding
- Fundamental underfunding of councils by central government
- Councils not receiving fair funding
- Most areas in the council are under-funded
- Not happy about any cuts but an overspend and government funding increase would be best. Council tax rise would be hard but doable.

Recognition that the council's position is not easy

- This is very difficult; I hadn't realised how much everything costs
- What is the function of a local authority when budgets are reducing? What's needed from you in the modern world?
- Push back on roles that should be delivered by others
- No easy answers, but savings can only come by tackling the big ticket items

Ideas for council and communities working together

- Gift public toilets to communities to run
- Live Argyll to be self-financing; give halls to communities
- Appeal for environmental volunteers to help with park maintenance etc
- Involve the public in dealing with issues they create eg litter, or street cleaning

ARGYLL AND BUTE COUNCIL**POLICY AND RESOURCES COMMITTEE****FINANCIAL SERVICES****12 OCTOBER 2023**

UPDATE ON EMPTY PROPERTY RELIEF POLICY IN NON-DOMESTIC RATES

1. EXECUTIVE SUMMARY

- 1.1 On 31 January 2019 the Scottish Government committed to devolving Empty Property Relief (EPR) to councils in time for the next revaluation. However both the revaluation and the devolution of EPR were delayed because of the pandemic and the go-live date for the devolved EPR became 1 April 2023. In October 2022 the Council's Policy and Resources Committee agreed that from 1 April 2023 to 31 March 2024 the existing rules for Empty Property Relief would continue effectively mirroring the Scottish Government scheme and the scheme would be reviewed prior to 2024/2025 (this position is similar to many other Scottish Local Authorities).
- 1.2 In January 2023 the Scottish Government announced funding of £608,000 per annum for Argyll and Bute for each of the three financial years from 2023/2024 to 2025/2026 as a contribution towards the cost of EPR in our area. As at 1 April 2023 the cost of EPR awarded was £758,000 so we are running in deficit this year. The new policy for 2024/2025 onwards will be designed to maximise the use of these funds to revitalise local communities but costs will be contained within the funding provided by Scottish Government. There will be another revaluation of Non-Domestic Rates (NDR) from 1 April 2026 at which point the Scottish Government will review arrangements for devolved EPR. At this time they have not committed any funding beyond 31 March 2026.
- 1.3 This decision allowed the Council time to consult stakeholders on any new policy and the issues that they believe are important when considering empty business properties and the impact it has on their communities. A consultation with stakeholders ended on 4 August and the feedback from 506 responses has now been evaluated.
- 1.4 This update report summarises key findings from the consultation on the potential use of empty business properties in Argyll and Bute. The consultation engaged with a diverse group of stakeholders, including members of the public, property owners, community organisations and Elected Members. The report focuses on the location and profile of respondents, barriers and challenges to occupying empty properties, potential new roles for vacant buildings, incentives and support measures, and the community impact of addressing vacant properties.
- 1.5 The consultation received a total of 506 responses, with efforts made to identify respondents' locations. Notably, a significant portion of respondents did not provide location details. Of those who did, most were from Bute and Cowal,

particularly Dunoon, which influenced the evaluation of responses as much of the free-form comments were clearly particular to issues within that town.

- 1.6 It is recommended that the Policy and Resources committee consider the results of the EPR consultation and note that a revised policy will be brought to Council on 23 November 2023.

2 INTRODUCTION

- 2.1 This update report summarises key findings from the consultation on the potential use of empty business properties in Argyll and Bute. The consultation engaged with a diverse group of stakeholders, including members of the public, property owners, community organisations and Elected Members. The report focuses on the location and profile of respondents, barriers and challenges to occupying empty properties, potential new roles for vacant buildings, incentives and support measures, and the community impact of addressing vacant properties.

3. RECOMMENDATION

It is recommended that the Policy and Resources Committee –

- 3.1 consider the results of the Empty Property Relief Consultation and note that a revised policy will be brought to Council on 23 November 2023; and
- 3.2 note that a member's seminar will be held at the start of November to discuss the position and the options for a new policy.

4. DETAIL

- 4.1 On 31 January 2019 the Scottish Government committed to devolving Empty Property Relief (EPR) to councils in time for the next revaluation. However both the revaluation and the devolution of EPR were delayed because of the pandemic and the go-live date for the devolved EPR became 1 April 2023. In October 2022 the Council's Policy and Resources Committee agreed that from 1 April 2023 to 31 March 2024 the existing rules for Empty Property Relief would continue effectively mirroring the Scottish Government scheme and the scheme would be reviewed prior to financial year 2024-25 (this position was similar to many other Local Authorities).
- 4.2 This decision allowed the Council time to consult stakeholders on any new policy and the issues that they believe are important when considering empty business properties and the impact it has on their communities. A consultation with stakeholders ended on 4 August and the feedback from 506 responses has now been evaluated.

The Current EPR Scheme

- 4.3 The current EPR scheme mirrors the Scottish Government scheme

1. All empty properties can get 50% relief from non-domestic rates for the first 3 months they're empty. They can then get a 10% discount after that.
2. Empty industrial properties can get 100% relief from non-domestic rates for the first 6 months that they're empty. They can then get a 10% discount after that.
3. Businesses can get 100% relief for the whole time a property is unoccupied, if:
 - it's a listed building
 - it has a rateable value under £1,700
 - it's owned by a trustee for sequestration, liquidation or executors
 - the company who owns it has been wound up
 - by law, the property cannot be occupied
 - it's under a compulsory purchase order
 - it has no buildings (empty ground)
 - the ratepayer is deceased

- 4.4 The consultation document issued to stakeholders is attached in Appendix 1. A comprehensive evaluation report is attached in Appendix 2.

Identifying Barriers and Challenges (Question 1)

- 4.5 Respondents highlighted regulatory challenges, including building standards compliance and property ownership issues. Addressing these hurdles requires regulatory reform and support for property owners.
- 4.6 High rent levels and potential rates liabilities were identified as significant financial barriers. Policy adjustments, financial incentives, and streamlined regulations are needed to address these challenges.
- 4.7 Stakeholders identified various barriers, such as owner disinterest, long-term leases, and access issues. Solutions include means-testing, property renovation grants, and penalties in the form of empty property charges for neglect.

New Roles for Vacant Buildings (Question 2)

- 4.8 The majority of respondents supported repurposing empty properties for alternative business use (73% i.e:- 369 of the 506 respondents ticked this predefined option). Other popular options included community use (65%), temporary pop-up use (63%), and spaces for artists and musicians (57%).

Incentives and Support (Question 3)

- 4.9 Allowing Artists to improve empty shop fronts with designs linked to the history or traditions of the towns the properties are in was seen as a good stop gap idea before a new business takes over the premises.
- 4.10 Stakeholders strongly endorsed financial incentives, including grants for building works, fixtures and fittings, and interior decoration. Tax breaks, rent-free periods, and grants to fully renovate empty properties were also popular.

- 4.11 A significant majority (65%) believed that consultancy support, such as an Empty Business Property Officer, would be valuable. Key support functions included local knowledge, advice and guidance, and a property matching service.

Community Impact (Question 4)

- 4.12 Respondents suggested a range of incentives, from maintenance standards enforcement to streamlined planning processes and improved infrastructure. Collaboration with local businesses and community engagement emerged as essential elements.
- 4.13 To support community organisations in bringing vacant properties back into use, stakeholders emphasised the need for financial support, knowledge sharing, collaboration opportunities, and incentives for property owners. Infrastructure improvements, council involvement, community engagement, and promoting local businesses and tourism were also highlighted.

Next Steps

- 4.14 There has not yet been any engagement with Housing or Economic Development on the outcome of the consultation. This engagement is crucial as we digest the feedback and consider the new empty property relief policy.
- 4.15 Members were given an opportunity to respond to the consultation, but to date two responses have been received. These responses will be considered with Economic Development and Housing Services before the preparation of the draft new policy
- 4.16 A members seminar will be held week commencing 30 October to cover the progress to date and show some options for consideration of the new policy.
- 4.17 A draft Empty Property Relief policy, informed by the consultation, engagement with professional officers in Housing and Economic development and robust factual data will be presented to the Council at its meeting on 23 November 2023.

5. CONCLUSION

- 5.1 The consultation provided valuable insights into the challenges and opportunities associated with vacant properties in Argyll and Bute. Stakeholders across various backgrounds expressed a strong desire to revitalise these properties for the benefit of the community.

5. IMPLICATIONS

- 5.1 Policy – This is a new policy for Empty property relief in non-Domestic Rates.
- 5.2 Financial – Financial implications of the not yet clear will be considered once draft policy is ready in December. However proceeding on basis that the new policy will be at least cost neutral for the Council.

- 5.3 Legal - None
- 5.4 HR - None
- 5.5 Fairer Scotland Duty - None
- 5.5.1 Equalities – None
- 5.5.2 Socio-Economic Duty – None
- 5.5.3 Islands Duty - None
- 5.6 Risk – None.
- 5.7 Customer Service - None
- 5.8 Climate Change Implications - None

Anne Blue

Head of Financial Services

18 September 2023

Policy Lead for Finance and Commercial Services: Councillor Gary Mulvaney

Appendix 1: Copy of the Empty Property Relief consultation document

Appendix 2: Summary Consultation on Empty Business Properties in Argyll and Bute

For further information please contact Fergus Walker, Revenues and Benefits Manager Tel 01586-555237

APPENDIX 1: EMPTY PROPERTY RELIEF CONSULTATION

Dear Stakeholder

We are reaching out to ask for your valuable input and ideas on how empty business properties could be used to support Argyll and Bute's economic growth.

Long-term empty properties can have a significant impact on our towns and villages often falling into poor states of repair which can give a negative impression of a place, act as a focus for anti-social behaviour and cause maintenance problems for neighbouring buildings.

There are empty properties of different kinds across the area which we would like to see brought back into use, to create footfall in our town centres or turned into resources for our communities, affordable housing for example or other community benefits.

The Council has been given new powers which allow us to change the levels of relief available to empty business premises, please see the attached background information.

We would like to use these new powers to proactively help to bring premises back into use. To help achieve this we would like to hear your ideas for bringing properties back into use or creating new, useful roles for these buildings, as well as any barriers to using them.

We would appreciate you taking the time to answer four questions by 4 August please, by:

- Responding to our on-line survey (**add link**), or
- Downloading the form and sending comments to epr@argyll-bute.gov.uk or by letter at;
-

Argyll and Bute Council
Kintyre House
Snipefield Industrial Estate
Campbeltown
PA28 6SY

About you;

I am;

- An owner of an empty business property in Argyll and Bute
- An owner of an occupied business premises in Argyll and Bute
- Someone who has tried to let a business premises in Argyll and Bute but doesn't at present
- A member of the business community letting premises in Argyll and Bute
- Responding on behalf of a community organisation
- An interested member of the public

These are the four questions we would appreciate your views on:

1. Identifying barriers and challenges:

1. What are the main obstacles that prevent businesses from occupying empty properties? Please tick all that apply and add any details as necessary.
 - a) Regulatory issues?
 1. Health and Safety issues
 2. Environmental health standards
 3. Building regulations
 4. Planning/listed building consents
 5. Other regulatory barriers i.e.:- issues with property owner or tenants around the leases etc. Please state below
 - b) Financial issues;
 1. Rent level too high
 2. Potential Rates liability too high
 3. Other financial issues, please state below
 - c) Any other barriers or challenges preventing businesses occupying empty properties? Please state below

2. New roles for vacant buildings:

1. It will not always be possible for empty properties to be reopened for their original purpose. Whilst solutions will be different for each building, which of these alternative uses would you generally support? Please tick all that apply
 - a) Alternative business use
 - b) Storage
 - c) Community use
 - d) Housing
 - e) Temporary pop-up use
 - f) a hub for local music and arts
 - g) Other, please state

3. Incentives and support:

1. What types of incentives or support measures would encourage businesses to occupy empty properties? Please tick all that apply
 - a) Financial incentives
 1. Business start-up grants
 2. Tax breaks, VAT and/or Business Rates
 3. Rent free periods
 4. Grants to renovate empty property linked to new occupation
 1. Building works
 2. Internal decoration
 3. Fixtures and fittings
 5. Other financial incentive please state:

- b) Consultancy support, an Empty Business Property Officer to support businesses or business property owners to bring properties back into use. Providing
 - 1. Knowledge of all available business grant schemes
 - 2. An empty property and business matching service
 - 3. Provide advice, guidance, project management support to businesses going into empty properties.
 - 4. Other consultancy support, please state
 - 5. Is consultancy support required. Please tick yes or no
- c) Any other incentives or support measures that would encourage empty business properties to come back into use? Please state

4. Community impact:

- 1. What additional support would community organisations require to bring vacant properties back into use?

Next Steps

We will carefully analyse the feedback received and report on findings. We will consider routes for funding beneficial options and use this to guide future actions and policies.

We genuinely value your input, and your participation in this consultation will play a vital role in shaping the future of our area. Together, we can unlock the untapped potential of our empty business properties and build a stronger, more prosperous community.

Thank you in advance for your time and contributions.

If you would be willing to contribute to future policy development in this area please leave your name and contact details below;

Please see Data Privacy Notice [Consultations - Privacy Statement | Argyll and Bute Council \(argyll-bute.gov.uk\)](#)

Background:

The NDR (Scotland) Act 2020 stated that from 1 April 2023, empty property reliefs will be devolved to Local Authorities with relief for unoccupied property only available at the discretion of a local authority through local relief powers. The Council agreed that the current reliefs as set by the Scottish Government should be continued to 31 March 2024 to give the Council time to consider what it might want to do in terms of a new scheme that should incentivise business owners to bring empty properties back into use.

Argyll and Bute is home to 305 vacant business properties that, if brought back into use, have the potential to invigorate our communities, create employment

opportunities, and generate revenue for local businesses. By breathing new life into these vacant properties, we can foster an environment that supports entrepreneurship, encourages investment, and enhances the overall appeal of our towns.

Current scheme of Empty Property Charges

The current scheme is supported by legislation in sections 24 to 25 of the Local Government (Scotland) Act 1966, the Non-Domestic Rating (Unoccupied Property) (Scotland) Regulations 1994, and the Non-Domestic Rating (Unoccupied Property) (Scotland) Regulations 2018.

The law prescribes that;

1. All empty properties can get 50% relief from non-domestic rates for the first 3 months they're empty. They can then get a 10% discount after that.
2. Empty industrial properties can get 100% relief from non-domestic rates for the first 6 months that they're empty. They can then get a 10% discount after that
3. Businesses can get 100% relief for the whole time a property is unoccupied, if:
 - it's a listed building
 - it has a rateable value under £1,700
 - it's owned by a trustee for sequestration, liquidation or executors
 - the company who owns it has been wound up
 - by law, the property cannot be occupied
 - it's under a compulsory purchase order
 - it has no buildings (empty ground)
 - the ratepayer is deceased

APPENDIX 2 –

**CONSULTATION FEEDBACK ON EMPTY BUSINESS PROPERTIES IN ARGYLL
AND BUTE**



**Version1
18 SEPTEMBER 2023
FERGUS WALKER
REVENUES AND BENEFITS MANAGER**

TABLE OF CONTENTS

Section	Title	Page Number
1	Location of Stakeholders Responding to the Consultation	3
2	Stakeholder Profile of Responses to the Consultation	3
3	Question 1 – Identifying barriers and challenges	4
4	Response 1a regulatory issues	5
5	Response 1b financial issues	6
6	Response 1c other barriers	8
7	Question 2 - New roles for vacant buildings	9
8	Responses to question 2 new roles for vacant buildings	9
9	Question 3 - incentives and support	10
10	Responses to Question 3A – Financial Incentives and Support for Occupying Vacant Buildings	11
11	Responses to question 3b – consultancy support/empty property officer for occupying vacant buildings	12
12	Responses to question 3c – other incentives for occupying vacant buildings	13
13	Question 4 community impact	14

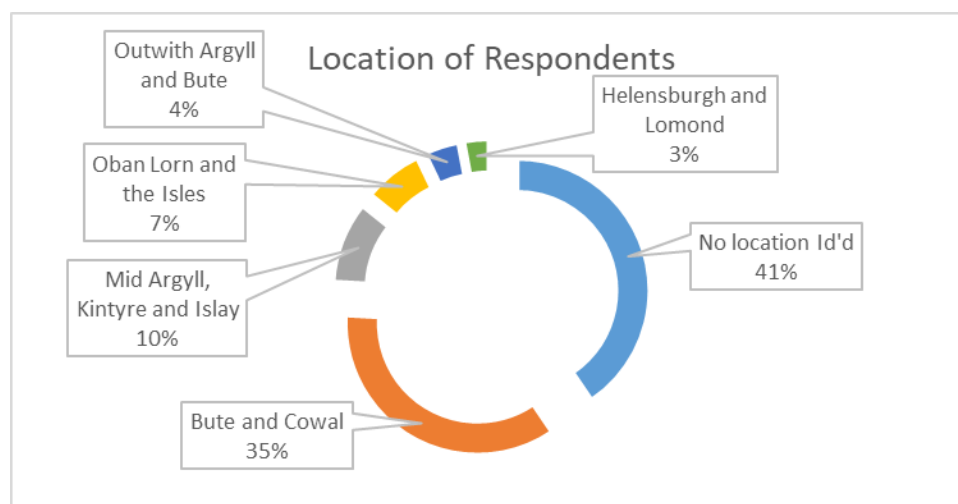
1. LOCATION OF STAKEHOLDERS RESPONDING TO THE CONSULTATION

The consultation into the potential use of empty properties in Argyll and Bute was circulated to just over 5,000 businesses locally via e-mail and was also communicated to the public via a social media campaign.

A total of 506 responses was received however 41% of respondents, did not leave their location details which is disappointing. Efforts were made to use the information given to identify the town or area the respondents were from and whilst we were able to identify about a dozen responses it did not have a significant impact on the overall sample.

The table and chart below shows the breakdown of respondents across our Administrative areas.

Town/Area	Count of Your address: Town
No location provided	205
Bute and Cowal	179
Mid Argyll, Kintyre and Islay	50
Oban Lorn and the Isles	36
Outwith Argyll and Bute	21
Helensburgh and Lomond	15
Total	506

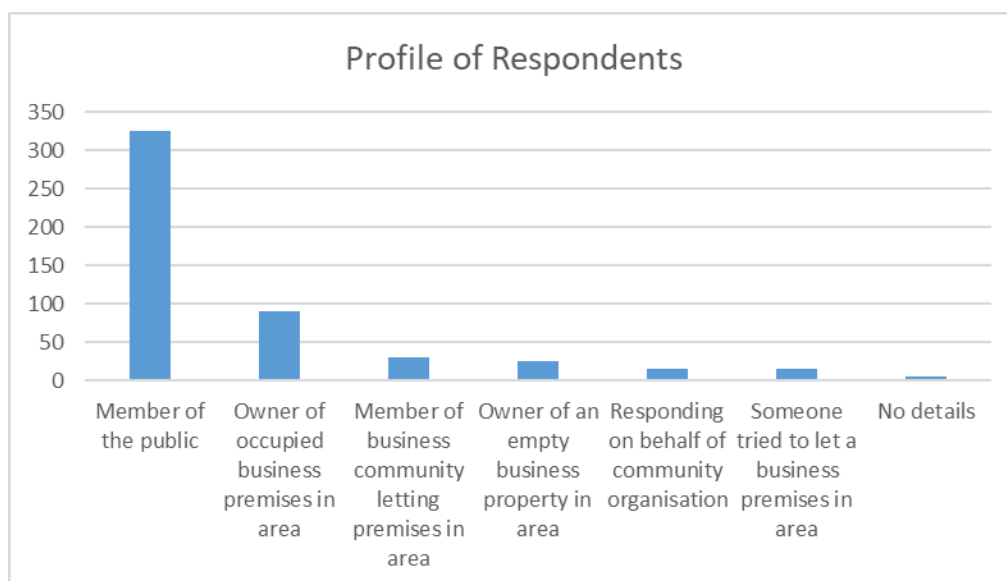


The most notable information here is that whilst many people did not identify their location, of those that did most were from Bute and Cowal, particularly Dunoon itself. This has inevitably had an impact on the evaluation of responses as many reflect the concerns of the people of Dunoon in particular.

2. STAKEHOLDER PROFILE OF RESPONSES TO THE CONSULTATION

The table and chart below shows the profile of people who took time to respond.

I am:	No.
Member of the public	326
Owner of occupied business premises in area	90
Member of business community letting premises in area	30
Owner of an empty business property in area	25
Responding on behalf of community organisation	15
Someone tried to let a business premises in area	15
No details	5
TOTAL	506



The majority of those responding classified themselves as interested members of the public, 64.4% 326 responses. A further 17.8%, 90 responses, were from people who own occupied business premises in Argyll and Bute. Approximately 10.9% were either members of the Business Community letting premises or they were owners of empty business premises in the area.

Circa 5.9% classified themselves as either someone who had tried to let an empty property but wasn't at present or they were responding on behalf of a community organisation. There was only a handful of people, 1%, who did not classify themselves on their returned form.

3. QUESTION 1 – IDENTIFYING BARRIERS AND CHALLENGES

Identifying barriers and challenges:

1. *What are the main obstacles that prevent businesses from occupying empty properties? Please tick all that apply and add any details as necessary.*

a) *Regulatory issues?*

1. *Health and Safety issues*
2. *Environmental health standards*
3. *Building regulations*
4. *Planning/listed building consents*
5. *Other regulatory barriers i.e.:- issues with property owner or tenants around the leases etc. Please state below*

b) *Financial issues;*

1. *Rent level too high*
2. *Potential Rates liability too high*
3. *Other financial issues, please state below*

c) *Any other barriers or challenges preventing businesses occupying empty properties? Please state below*

4. RESPONSE 1A REGULATORY ISSUES

Looking at question 1A respondents were given the option to tick any of 4 options for the type of regulatory issues that could be a barrier to occupying an empty business premises. The four options were, Health and Safety issues; Environmental health standards; Building regulations; Planning/listed building consents and a fifth option asked for any other regulatory barriers.

The table below shows the frequency that each of the four identified options were selected from the 506 responses in total.

	1	2	3	4	5	6	
Regulatory Issues	An interested member of the public	An owner of an occupied business premises in Argyll and Bute	A member of the business community letting premises in Argyll and Bute	An owner of an empty business property in Argyll and Bute	Responding on behalf of a community organisation	Someone who has tried to let a business premises in Argyll and Bute but doesn't at present	TOTAL
Planning, listed building consents	133	47	15	13	7	3	218
Building Regulations	108	39	6	6	6	3	168
Health and Safety	99	28	7	5	4	5	148
Environmental Health	77	21	4	3	2	5	112
	417	135	32	27	19	16	646

From the table we can see that the most commonly selected barrier from the use of an empty business property was Planning/listed building consents which was selected 218 times in total across all six stakeholder groups identified. Interestingly it featured as an issue in between 32% and 48% of cases in the first 5 stakeholder

groups (from interested member of the public, to responding on behalf of community organisations) but was proportionally less prominent 19% in the sixth group which is people who had actually tried to let an empty business premises in area so perhaps the thought of getting the relevant consents is worse than the reality.

Building regulations and Health and Safety regulations feature on 168 and 148 responses respectively and Environmental health issues 112 times. Like Planning and listed building consents the building regulations responses appear more prevalent in stakeholder groups 1 to 5 than in 6 whilst for the Environmental health issues the opposite can be said with more than 31% of people selecting these options as barriers compared to the others.

Where responders have taken the opportunity to talk freely of other regulatory barriers in Argyll and Bute reveal several common barriers preventing businesses from occupying empty properties have come through as follows:

1. **Regulatory Challenges:** Businesses encounter regulatory hurdles related to building standards and compliance, including issues like bats, private water supplies, and land title problems.
2. **Financial Constraints:** High costs such as rent, refurbishment, utilities, and rates, along with financial issues like drainage problems, pose significant challenges.
3. **Property Condition:** Many vacant properties are in poor condition, necessitating costly renovations, which can deter potential tenants.
4. **Ownership and Landlords:** Absentee landlords, inflated prices, and a lack of engagement from property owners hinder opportunities for businesses.
5. **Lack of Information:** Difficulty in identifying property owners, limited signage, and inadequate support in finding available properties contribute to the problem.
6. **Local Economic Factors:** Economic conditions, low footfall, and competition from larger retailers impact the viability of businesses in the region.
7. **Supply Chain and Logistics:** Challenges in accessing supplies and deliveries in rural areas can disrupt business operations.
8. **Regulatory and Compliance Costs:** Meeting regulatory requirements adds to the overall cost of occupying empty properties.
9. **Community Impact:** The presence of empty properties negatively affects towns' appearance and vitality, discouraging potential customers.
10. **Accessibility and Transportation:** Issues related to access, parking, and transportation can deter businesses and customers alike.
11. **Government and Council Policies:** High taxes, lack of support, and cumbersome processes related to property assessment and permits are concerns.

5. RESPONSE 1B FINANCIAL ISSUES

Looking at question 1B respondents were given the option to tick any of 2 options for the type of financial issues that could be a barrier to occupying an empty business premises.

Financial Issues	1	2	3	4	5	6	TOTAL
	An interested member of the public	An owner of an occupied business premises in Argyll and Bute	A member of the business community letting premises in Argyll and Bute	An owner of an empty business property in Argyll and Bute	Responding on behalf of a community organisation	Someone who has tried to let a business premises in Argyll and Bute but doesn't at present	
Rent Level Too High	244	46	20	10	6	3	329
Potnetial Rates liability too high	213	58	19	5	5	3	303
TOTAL	457	104	39	15	11	6	632

From the table it is clear that both rent levels being too high and potential non-domestic rates liabilities being too high are seen as significantly financial issues. Rent was identified as an issue on 65% of responses and 60% opted for rates liabilities being high as well. The split across stakeholder groups was very similar for this question.

The feedback from various stakeholders in Argyll and Bute consistently emphasises the critical role of financial issues as barriers to businesses occupying empty properties in the region. These financial obstacles encompass:

1. **High Living Costs:** The cost of living and economic challenges, such as high living costs, are seen as significant barriers for both business owners and employees.
2. **Utility Expenses:** High electricity bills and utility costs are mentioned as substantial financial burdens for potential tenants.
3. **Rates Liability Concerns:** Concerns about rates (local taxes) and their potential impact on businesses are noted, highlighting the need for clarity and affordability.
4. **Regulatory Complexity:** Complex and confusing regulations can make compliance difficult and contribute to overall financial challenges.
5. **Compulsory BID Membership:** The requirement for compulsory membership in a Business Improvement District (BID) is viewed sceptically, potentially adding to the financial burden for businesses.
6. **Market Challenges:** Identifying profitable customer bases, availability of labour, and business inputs, infrastructure, and services are factors considered as challenges in creating a supportive business environment.
7. **Property Condition:** The condition of vacant properties and the costs associated with bringing them up to standard are significant financial hurdles.
8. **Property Ownership and Costs:** Property ownership issues, including unrealistic rent expectations and inflexible rates, are identified as barriers to property occupation.
9. **Funding Accessibility:** Difficulty in accessing funding for property renovations and start-ups is a common concern among stakeholders.
10. **Repair and Renovation Costs:** High renovation expenses, coupled with unreliable tradesmen and the need to address dampness and insulation, pose financial challenges.
11. **Council Tax Impact:** Double Council Tax charges for properties under renovation add to the financial burden for property owners.
12. **Operational Expenses:** Various operational costs, including utilities, business rates, and maintenance, are seen as barriers to business

profitability.

13. **Inheritance Tax Uncertainty:** Uncertainty regarding inheritance tax treatment for certain businesses is mentioned as an issue.

Comments typically reflected that the possibility of 1 year rent free and/or one year rates free would potentially attract new businesses to use empty properties.

6. RESPONSE 1C OTHER BARRIERS

This question allows stakeholders to respond freely and add any other barriers they think may present huge challenges to people who may occupy empty business properties in our area. The consultation feedback here reveals a multitude of barriers beyond financial issues that hinder businesses from occupying empty properties in the region. These obstacles include:

1. **Owner Disinterest:** Some property owners neglect their properties, making them unattractive for potential businesses.
2. **Binding Lease Terms:** Landlords impose long-term leases with full repair and maintenance responsibilities, leading to unexpected costs.
3. **Planning Rules:** Temporary dispensation for colourful window vinyl is proposed to enhance the town's appearance.
4. **Access and Road Infrastructure:** Access to properties and road quality are mentioned as barriers.
5. **Supply Business Regulations:** Rules for setting up supply businesses need review.
6. **Double Rates during Refurbishment:** Double rates during property refurbishment are seen as punitive.
7. **Landlord Attitudes:** Unwillingness to invest in property maintenance or negotiate rental terms is a challenge.
8. **Economic Uncertainty:** Uncertainty about property occupancy due to economic conditions is a catch-22.
9. **Rent and Overheads:** High rent and overhead costs deter businesses.
10. **Parking Restrictions:** Parking restrictions hinder business operation.
11. **Lack of Business Ideas:** A lack of innovative business ideas affects property occupancy.
12. **Property Neglect:** Neglected properties deteriorate, discouraging occupancy.
13. **Online Shopping Impact:** Online shopping reduces footfall, impacting businesses.

7. QUESTION 2 - NEW ROLES FOR VACANT BUILDINGS

1. *It will not always be possible for empty properties to be reopened for their original purpose. Whilst solutions will be different for each building, which of these alternative uses would you generally support? Please tick all that apply*
 - a) *Alternative business use*
 - b) *Storage*
 - c) *Community use*
 - d) *Housing*
 - e) *Temporary pop-up use*

- f) *a hub for local music and arts*
g) *Other, please state*

8. RESPONSES TO QUESTION 2 NEW ROLES FOR VACANT BUILDINGS

This question gives stakeholders the opportunity to tick one or more of 6 options linked to possible alternative uses for empty business premises. The number of ticks across the 506 responses are outlined in the table below. People were allowed to tick more than one option hence the fact we recorded 1,575 ticks in total.

Alternative Use	1	2	3	4	5	6	TOTAL
	An interested member of the public	An owner of an occupied business premises in Argyll and Bute	A member of the business community letting premises in Argyll and Bute	An owner of an empty business property in Argyll and Bute	Responding on behalf of a community organisation	Someone who has tried to let a business premises in Argyll and Bute but doesn't at present	
Alternative Business Use	234	77	25	15	10	8	369
Community use	222	62	19	7	12	8	330
Temporary Pop Up Use	228	51	16	5	7	8	315
Hub for Music/Arts	201	51	16	5	8	6	287
Housing	119	53	14	14	9	4	213
Storage	20	19	8	10	3	1	61
TOTAL	1024	313	98	56	49	35	1,575

This table shows us that the most popular alternative use of an empty business premises was another business use ie:- a café turning into a flower shop for example, 73% of responses were for this option, 65% liked the community use option whereby we would engage with community organisations to consider alternative uses to support the community and 63% liked the idea of Pop-Up uses such as Advice services, emergency services, housing landlords, hospital provision, health advice etc to be joined up and delivered in that manner. 57% of stakeholders liked the idea of spaces for artists and musicians to paint, practice and play and 42% liked the idea of turning some empty business properties into housing in the right circumstances.

Broadly speaking all of these options were given support. The only option not really support was using empty premises for storage facilities, 12%, which possibly reflects the fact that storage is perhaps not as much use to the community in terms of revitalising town centres.

Where consultation feedback was free form it reveals a broad spectrum of innovative ideas and proposals for repurposing vacant buildings and offers insights into potential incentives and support mechanisms for revitalisation in Argyll and Bute. Alternative Uses for Vacant Buildings:

1. **Community and Arts Hub:** Interest in transforming vacant properties into local music and arts hubs for workshops, exhibitions, and creative activities.
2. **Temporary Pop-Up Use:** Suggestions encompass temporary shops, crafting groups, bookstores, escape rooms, meeting spaces, classes,

- bakeries, and gift shops.
3. **Housing:** Conversion into residential housing or affordable family holiday homes for young families is proposed.
 4. **Youth and Community Centres:** Ideas include creating safe spaces for young adults and children, housing youth clubs, and community projects.
 5. **Multi-Functional Spaces:** Proposals for versatile shared spaces serving various purposes such as teaching, local community radio, club meetings, and events.
 6. **Surestart-Type Centres:** Suggestions for centres supporting families, including play centres and activities for young community members.
 7. **Demolition or Refurbishment:** Recognising unviable buildings, some suggest demolition or refurbishment for other purposes.
 8. **Information Display:** Recommendations involve decorating exteriors with service information and promoting vacant properties through a dedicated website.
 9. **Unique Spaces:** Encouragement for creativity, such as converting former shops into gardens with benches or offering spaces for writers and creativity.

9. QUESTION 3 - INCENTIVES AND SUPPORT

1. *What types of incentives or support measures would encourage businesses to occupy empty properties? Please tick all that apply*
 1. *Financial incentives*
 - a) *Business start-up grants*
 - b) *Tax breaks, VAT and/or Business Rates*
 - c) *Rent free periods*
 - d) *Grants to renovate empty property linked to new occupation*
 1. *Building works*
 2. *Internal decoration*
 3. *Fixtures and fittings*
 - e) *Other financial incentive please state:*
 2. *Consultancy support, an Empty Business Property Officer to support businesses or business property owners to bring properties back into use. Providing*
 - a) *Knowledge of all available business grant schemes*
 - b) *An empty property and business matching service*
 - c) *Provide advice, guidance, project management support to businesses going into empty properties.*
 - d) *Other consultancy support, please state*
 - e) *Is consultancy support required. Please tick yes or no.*
 3. *Any other incentives or support measures that would encourage empty business properties to come back into use? Please state*

10. RESPONSES TO QUESTION 3A – FINANCIAL INCENTIVES AND SUPPORT FOR OCCUPYING VACANT BUILDINGS:

Question 3 gives stakeholders the opportunity to tick one or more of 7 options linked to other incentives and support to encourage people to occupy empty business

premises. The number of ticks across the 506 responses are outlined in the table below. People were allowed to tick more than one option hence the fact we recorded 2,132 ticks in total.

Financial Incentives	1	2	3	4	5	6	TOTAL
	An interested member of the public	An owner of an occupied business premises in Argyll and Bute	A member of the business community letting premises in Argyll and Bute	An owner of an empty business property in Argyll and Bute	Responding on behalf of a community organisation	Someone who has tried to let a business premises in Argyll and Bute but doesn't at present	
Business Grants	246	67	20	12	8	6	359
Grants for Fix and Fit	132	40	11	8	8	7	206
Grants - Building works	159	46	14	17	7	10	253
Grants - Interior decoration	144	39	11	9	8	8	219
Renovation grants	265	78	23	18	10	14	408
Rent Free Periods	239	51	22	8	12	6	338
Tax Breaks	229	71	17	15	10	7	349
TOTAL	1,414	392	118	87	63	58	2,132

Offering new businesses grants was a very popular option in this area with 359 ticks in 506 responses 71%. This is probably not surprising given the level of business grant support given to businesses during the pandemic. Specific grants for building works, to cover the cost of fixture and fittings or for interior decoration received support on 50%, 43% and 41% of responses. However, the most popular option was grants to fully renovate empty properties which received support on 81% of responses. Both rent-free periods and tax breaks were also very popular being ticked on 66% and 69% of the returns.

Other ideas for financially incentivising people to take on empty properties came out in the freeform area to respond to this question. The responses included

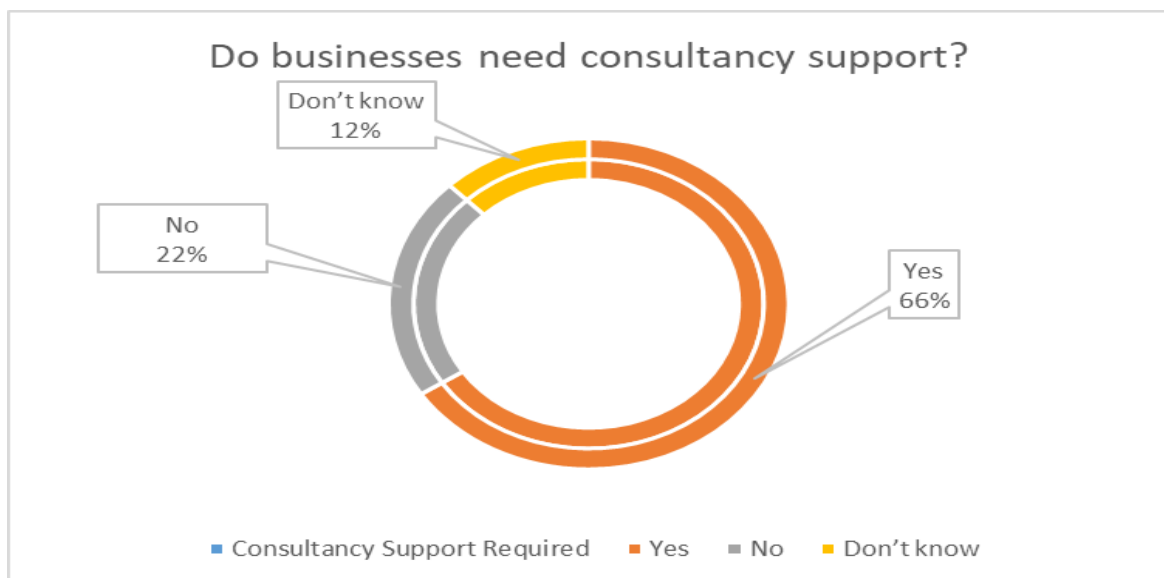
1. **Means Testing and Ownership Control:** Proposals for means-testing businesses and controlling property ownership to prevent neglect.
2. **Business Start-Up Grants:** Support for new businesses through start-up grants.
3. **Property Renovation Grants:** Grants linked to renovating vacant properties for new occupancy.
4. **Consultancy Support:** Providing consultancy support to confirm business viability.
5. **Child Support:** Assistance for parent shop owners, possibly in the form of child support.
6. **Energy Efficiency and Green Improvement Grants:** Grants for enhancing energy efficiency, renewable energy, and heating systems.
7. **Promotion and Advertising Support:** Aid with promotion and advertising to attract customers.
8. **Parking and Transport Vouchers:** Vouchers for free parking or bus travel for customers.
9. **Utilities Support:** Support for water and electric standing charges.
10. **Good Quality WiFi:** Provision of high-quality WiFi for occupants.
11. **Maintenance Requirements:** Ensuring property occupants maintain both

- interior and exterior aspects.
12. **Penalising Building Neglect:** Suggested penalties for neglect and misuse of properties.
 13. **Appealing External Appearance:** Encouraging appealing storefront appearances.
 14. **Permitting Creative Shopfronts:** Allowing artists to develop imaginative shopfronts without extensive permits.
 15. **Discounted Utilities:** Exploring agreements with utility companies to provide discounted utilities during the initial rental period.
 16. **Demolition Grants:** Financial incentives for demolishing vacant buildings when appropriate.
 17. **Subdivision of Units:** Suggestion to subdivide larger units for more flexible occupancy.
 18. **Double Council Tax Reduction:** Extended reduction or removal of double council tax during renovation.
 19. **Private Water Supply Assistance:** Providing help for properties with private water supplies.
 20. **Recognition of Seasonality:** Acknowledging the impact of seasonality on businesses.

11. RESPONSES TO QUESTION 3B – CONSULTANCY SUPPORT/EMPTY PROPERTY OFFICER FOR OCCUPYING VACANT BUILDINGS

Question 3b) floats the idea of the provision of consultancy support such as an Empty Business Property Officer to support businesses or property owners to bring these properties back into use.

We asked the question, do businesses need consultancy support in this area? The chart below shows that 65% of stakeholders said yes, 22% said no and, 12% didn't know.



When considering what sort of support would be useful 75% opted for a good level of

local knowledge re the sort of support being available to stakeholders about empty properties. Similarly 71% would want advice and guidance and a matching service was a good idea according to 57% of stakeholders. This would match empty properties to the people who may register an interest re taking them on.

Consultancy Support	1	2	3	4	5	6	TOTAL
	An interested member of the public	An owner of an occupied business premises in Argyll and Bute	A member of the business community letting premises in Argyll and Bute	An owner of an empty business property in Argyll and Bute	Responding on behalf of a community organisation	Someone who has tried to let a business premises in Argyll and Bute but doesn't at present	
Knowledge	247	77	17	19	12	9	381
Advice and guidance	259	59	15	14	10	8	365
Matching service	196	54	13	14	7	8	292
TOTAL	702	190	45	47	29	25	1,038

Looking at the details, responses regarding "Incentives and Support" demonstrate a range of opinions. Some respondents prefer tangible support over consultancy roles, questioning the necessity of additional staff positions. Concerns about budget constraints, redundancy, and existing schemes like the Business Gateway are prevalent. However, a few emphasise community use, while others suggest alternatives to hiring support officers, such as comprehensive websites or knowledge banks.

Scepticism about the need for consultants is also expressed, especially when information is readily available elsewhere. Enforcement of building standards and compliance is proposed, and financial concerns regarding high salaries of a potential Empty Business Support Worker are raised. Overall, there's a prevailing sentiment of scepticism regarding the necessity and cost-effectiveness of such roles.

12. RESPONSES TO QUESTION 3C – OTHER INCENTIVES FOR OCCUPYING VACANT BUILDINGS

Regarding "Other Incentives" from an interested member of the public, a wide array of recommendations is provided. This includes diverse uses for empty properties, maintenance standards enforcement, supportive rent schemes, streamlined planning processes, support for new businesses, improved infrastructure, and community engagement. The response reflects a comprehensive understanding of revitalising the local business environment, catering to various aspects, from property use to infrastructure improvements.

Various stakeholders' responses offer valuable insights into addressing empty business properties in Argyll and Bute. Recommendations span from penalties for property owners to streamlined regulatory processes, financial incentives, and improved infrastructure. Collaboration with local businesses, community engagement, and promoting tourism emerge as critical elements in revitalisation efforts.

13. QUESTION 4 COMMUNITY IMPACT

- 1. What additional support would community organisations require to bring vacant properties back into use?*

The feedback on "Community Impact" highlights key themes, emphasising financial support, knowledge and guidance, collaboration, incentives for property owners, infrastructure, and council involvement. Engaging the community, promoting local businesses and tourism, and efficient decision-making processes are also seen as crucial for revitalising areas affected by vacant properties.

FERGUS WALKER
18 SEPTEMBER 2023

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ARGYLL AND BUTE COUNCIL

POLICY AND RESOURCES COMMITTEE

CHIEF EXECUTIVE

12 OCTOBER 2023

Development of Area Plans to Reflect Investment Opportunities

1.0 EXECUTIVE SUMMARY

1.1 In June the Council approved the Corporate Plan 2023 – 2027 within which there is a key deliverable to creating area-based plans for all our communities, reflecting investment opportunities and local service prioritisation.

2.2 This report sets out an approach to undertaking this ambitious endeavor in a manner that allows engagement with our communities and the production of meaningful area plans.

2.3 Recommendations

1. Members are asked to agree;
 - a) That the number of locality plans covering Argyll and Bute is 8 plans (option A), as set out in paragraphs 4.31 to 4.33 of this report.
 - b) The principles on which the initiative will be designed and implemented as set out in paragraph 4.35 of this report.
 - c) The approach to this initiative as set out in paragraphs 4.36 to 4.40.
 - d) The resourcing and timescales as set out in paragraphs 4.41 to 4.45.

2. Members are asked to agree to an allocation of £200,000 from the Council's Priorities Investment Fund to fund two temporary posts and associated costs to allow commencement of this initiative.

ARGYLL AND BUTE COUNCIL

POLICY AND RESOURCES COMMITTEE

CHIEF EXECUTIVE

12 OCTOBER 2023

Development of Area Plans to Reflect Investment Opportunities

2.0 INTRODUCTION

- 2.1 Further to the Council recently approving the Corporate Plan 2023 – 2027, Members are now offered the opportunity to commence the implementation of a key deliverable within the plan, creating area-based plans for all our communities, reflecting investment opportunities and local service prioritisation.
- 2.2 This report sets out an approach to undertaking this ambitious endeavor in a manner that allows engagement with our communities and the production of meaningful plans.

3.0 RECOMMENDATIONS

- 3.1 Members are asked to agree;
- a) That the number of locality plans covering Argyll and Bute is 8 plans (option A), as set out in paragraphs 4.31 to 4.33 of this report.
 - b) The principles on which the initiative will be designed and implemented as set out in paragraph 4.35 of this report.
 - c) The approach to this initiative as set out in paragraphs 4.36 to 4.40.
 - d) The resourcing and timescales as set out in paragraphs 4.41 to 4.45.
- 3.2 Members are asked to agree to an allocation of £200,000 from the Council's Priorities Investment Fund to fund two temporary posts and associated costs to allow commencement of this initiative.

4.0 DETAIL

4.1 Within the priorities agreed by the Council in November 2022, under the theme 'People and Places, Our Core Business as a Council' is an action 'creating area-based plans for all our communities, reflecting investment opportunities and local service prioritisation'.

4.2 This paper is set out to support Members on a) agreeing an approach and b) agree to commence this initiative at the first available opportunity. There are key questions to consider in developing the desired approach as follows.

1. What do we want from the area plans?
2. What geographical areas should they cover?
3. Opportunity for a joined up approach with other plans and consultations.
4. How will we engage with communities?
5. What is the timescale to developing these?
6. What resource is available to developing these?

National Policy and Legislation

4.3 Below sets out current national policy and legislation in relation to area plans.

4.4 Place principle; the Scottish Government and COSLA agreed to adopt the Place Principle which states that:

- All those responsible for providing services and looking after assets in a place need to work and plan together, and with local communities, to improve the lives of people, support inclusive and sustainable economic growth and create more successful places.
- We commit to taking a more collaborative, place-based approach with a shared purpose to support a clear way forward for all services, assets and investments which will maximise the impact of their combined resources.

4.5 Local place plans; introduced by the Planning (Scotland) Act 2019, 'Local Place Plans' are a new type of plan and contains the right for communities to provide their own plan as part of the Scottish planning system. Not dissimilar to Community Led Action Plans, they can help communities develop a common vision for their area.

- 4.6 The plans may identify land and buildings that the community body considers to be of particular significance. These plans are required to have regard to the Local Development Plan and the National Planning Framework.
- 4.7 Local development plans (LDP); LDPs are well established as a statutory requirement that sets out the long term vision for where development should and shouldn't happen. There is extensive public engagement in the development of these plans and any unresolved issues (representations) on proposals are submitted to Scottish Ministers for decisions. Any proposals within other plans would be expected to align with the LDP.
- 4.8 Summary of national policy; national policy promotes a) the development of place based plans and b) co-production of place plans with communities. Legislation provides the right for communities to develop plans as part of the LDP and may identify land and buildings they consider to be of significance.
- 4.9 Consideration of National Policy and Legislation – Members may wish to consider adoption of the place principle in the development of area plans and collaborate with communities in the development of plans.

Types of Area Plans in Argyll and Bute

- 4.10 Within Argyll and Bute there is a history of area plans including statutory area plans and a short summary is provided below.
- 4.11 CHORD; in November 2008 the Council agreed to allocate more than £30m to a town centre regeneration programme which became known as CHORD (Campbeltown, Helensburgh, Oban, Rothesay and Dunoon).
- 4.12 Prior to the decision by the Council, officers commissioned experts to support the development of potential projects for each of the main towns with a focus on the socio-economic baseline, potential investment opportunities and an outline understanding of the potential cost, deliverability and economic impact of each of the proposed projects.
- 4.13 Area Economic Development Action Plans (EDAPs); created for the consideration of Area Committees, these evolved and the final set of area plans covering the period 2016 – 2021 contained detail under the following themes;
1. Investment in infrastructure.
 2. Investment in key sectors and business support.
 3. Investment in communities.
 4. Investment in people.

5. Promotion and marketing.

- 4.14 The plans were outcomes focussed, aligned with the Argyll and Bute Outcome Improvement Plan (ABOIP) and provided an overview of all existing and planned activity for the area. Unlike CHORD, these plans captured planned and proposed activity as opposed to being drivers of change. You can review the area plans at [Economic Development Action Plan \(argyll-bute.gov.uk\)](http://argyll-bute.gov.uk)
- 4.15 Community Planning Group Area Plans; the Community Empowerment Act requires each Community Planning Partnership to have 'locality plans' which are focussed on reducing inequalities within communities. Within Argyll and Bute, they are branded as Community Planning Action Plans to avoid confusion with the 'Locality Plans' developed by the HSCP (see later).
- 4.16 The plans cover each of the 4 sub-administrative areas, are developed for the consideration of the area Community Planning Groups and have been in place since 2017. They are due to be reviewed in tandem with the emerging ABOIP 2023 - 2033 and work will commence autumn this year (2023).
- 4.17 A recent development is the agreed strategic priorities for the ABOIP which are housing, transport and community wellbeing. There remains an opportunity to develop area plans in tandem with the development of Area Community Planning Action Plans.
- 4.18 HSCP Locality Plans; each HSCP is required to have a strategic plan ([Joint Strategic Plan 2022 - 2025](#)) which is informed by a Population Needs Assessment (an evidenced based understanding of the demands needs of the population). This key document informs commissioning by the HSCP and Locality Plans.
- 4.19 The HSCP has 4 Locality Planning Group areas which are aligned with the Council's 4 sub administrative areas. Formerly the HSCP had 8 smaller locality plans and for the new strategic plan, have maintained some profiling of these 8 areas which are aggregated into 4 larger areas (the administrative areas). The profiles includes information on demographics, local priorities, areas of work and information on where care is delivered locally, who delivers care and level of spend. These areas are set out in the table below.

Table 1; HSCP Locality Areas

B&C Area	H&L Area	MAKI Area	OLI Area
Bute	Helensburgh and Lomond	Mid Argyll	Oban and Lorn
Cowal		Kintyre Islay, Jura and Colonsay	Mull, Iona, Coll and Tiree

- 4.20 It is noted that the main islands are separated out from the mainland and grouped in a manner that is compatible with the 4 administrative areas.
- 4.21 The HSCP are about to commence the development of new Locality Plans with the Locality Planning Groups (LPGs) and will be developed in consultation with the Community Planning Partnership. There remains an opportunity to develop area plans in tandem with the development of HSCP Locality Plans.
- 4.22 Community Led Action Plans; community action plans have been around for quite some time (pre-dating Local Place Plans) and use a number of methodologies to develop a common vision for a community and setting out the steps to achieve this using specific co-production tools e.g. ‘planning for real’, charrettes etc.
- 4.23 A number of community led action plans have been developed in Argyll and Bute however some were developed a number of years ago and the most recent are Tiree (2023 – 2028) and Glenorchy and Innishail (2021 – 2026). It is understood that plans are also in development for Craignish, Islay, Lismore and Luing.
- 4.24 Community led action plans have a value in capturing the demand and needs of communities and have particular weight when applying for funding. Increasingly, government funds require demonstration of meaningful engagement with communities, especially where it is a competitive bidding process.
- 4.25 Summary of Types of Area Plans in Argyll and Bute; the Council, HSCP and some of our communities have extensive experience in the development of area plans. Currently there are two statutory requirements for area plans, both of which will be commencing development this year (CPG and HSCP). Plans that can demonstrate meaningful engagement with communities carry weight, particularly when applying for funding.

- 4.26 Officers are liaising with colleagues within the CPG and HSCP to take a joined up approach to development and consultation on plans where possible.

Community Wealth Building (CWB)

- 4.27 Another priority agreed by the Council that may be included in the consideration of area plans is to seek ways of securing more community wealth building opportunities across Argyll and Bute and supporting communities to gain maximum benefit from development in their area.
- 4.28 CWB is based on the premise that traditional economic development practice and developer-led regeneration are failing to address the economic challenges of our time, Community Wealth Building is a person centred approach to local economic development which redirects wealth back into the local economy and places control and benefits into the hands of local people. It is based on the following principles:
1. Plural ownership of the economy.
 2. Making financial power work for local places.
 3. Fair employment and just labour markets.
 4. Progressive procurement of goods and services.
 5. Socially productive use of land and property.
- 4.29 The Argyll and Bute Community Planning Partnership has been exploring what CWB means for our area and how to integrate this approach with existing best practice. A steering group commissioned an external organisation to undertake a mapping exercise to capture existing practice of CWB in our area to identify gaps and opportunities for further action and research. This work is well advanced and findings will emerge towards the end of 2023.
- 4.30 Consideration of Community Wealth Building; referring back to the Council's agreed priority to seek ways of securing more community wealth building opportunities, it is worth considering at this stage whether this should be included in the scope of area plans. An alternative option is to consider CWB opportunities as a future development of area plans.

Number of Plans

- 4.31 An attempt has been made to develop options on geographies of area plans as follows:
- A. 8 'local areas' as originally defined by HSCP which fit within our 4 Administrative Areas.

- B. 15 localities per – 4 localities per Administrative Area (3 for Helensburgh and Lomond).
- C. 18 localities to capture investment opportunities at a smaller scale.

- 4.32 Detail on how this is broken down is available to review in appendix 1 and a map showing the boundaries of Community Councils is available in appendix 2.
- 4.33 It should be assumed that the more localities selected, the greater resource and time is required to progress the development of plans. It is recommended in this instance to Members to select option A above.

Principles

- 4.34 As set out in the Council Priorities, the purpose of area plans is to;
- Capture community vision and aspirations for each area.
 - Reflect investment opportunities
 - Identify local projects.
- 4.35 To provide further clarity on the development and purpose of the plans, it is recommended that the following principles are applied;
1. The plans will be orientated towards maximising external funding.
 2. The plans do not guarantee the provision of funding towards any of the projects contained therein.
 3. The plans will seek to promote proposals that are aligned with the Council's strategic plans and priorities.
 4. All projects delivered by the Council will be prioritised and developed using our adopted project methodologies and processes.

Approach

- 4.36 The plans should not be considered as Council delivery plans but capture the vision and aspirations for areas as part of a wider framework. We know from experience that ambitious ideas captured within plans can take many years to come to fruition.
- 4.37 For example, the waterfront public realm works completed in Ardrishaig this year was first captured within the Council's Strategic Plan in 2002 and further identified as an ambition in the Local Development Plan, the Ardrishaig Regeneration Strategy (2007) and a Placemaking Plan. Despite the length of

time from inception to delivery, this initiative was delivered when resources allowed the project to proceed.

- 4.38 Resources are not available to deliver all great ideas at the same time but by capturing all ideas within a place based holistic framework, and through partnership working, we will have more success in delivering the right initiatives in the right places, in the right order resulting in improved outcomes. The plans will help us to develop a pipeline of projects that can be aligned to funding opportunities such as Place Based Investment, Crown Estate Funding or Levelling Up Funding, when opportunities arise.
- 4.39 Assuming that the plans will be co-produced with communities, the stages of a general approach could be as follows.
1. Collation of information and data e.g. Scottish Government island consultation data, data from ABOIP place standard consultations, existing community led plans etc.
 2. Engage community councils and development trusts initially to test our findings and identify gaps and update maps and plans.
 3. Consultation on draft vision and maps and plans.
 4. Publish analysis on feedback from engagement on draft vision and maps and plans.
 5. Submit vision and maps and plans to Members for consideration.
- 4.40 As listed in the principles above, inclusion of projects within area plans are not a guarantee of funding and will be used to inform investment decisions. Once plans are agreed, the prioritisation and development of plans taking forward by the Council will be through the adopted strategic approach to developing capital projects. The purpose of this report is to secure resources to commence recruitment and further details on the plans for engagement and reporting will come to a future meeting.

Resourcing and Timescales

- 4.41 The Council has considerable experience of developing plans and currently there is no capacity within departments (both officer capacity and funding) to take forward extensive engagement and professional development of plans within a reasonable timescale.
- 4.42 With regards to officer capacity, it is proposed to recruit 2 short term posts to support the development of plans under a suitable Council manager who will work with a cross departmental officer steering group. The Executive Leadership Team will act as the Programme Board for the initiative.

4.43 With regards to finance, it is recommended that there is an allocation from the Priorities Investment Fund of £200,000 to allow the Council to commence the creation of area plans. Details on how this is spent will be submitted to this Committee for scrutiny.

4.44 A phased approach will be taken to developing the plans which will allow a) most effective use of resources and b) an iterative approach to learning from the process and identifying optimum methodologies.

4.45 Set out below is an indicative layout on how a phased approach may look based on option 1 for 8 localities;

- Phase 1; two localities – one island(s) locality and one mainland locality.
- Phase 2; three localities – one island(s) locality, two mainland localities.
- Phase 3; three localities – one island(s) locality, two mainland localities.

Table 2 - Indicative Timescales per phasing

When	Phase 1	Phase 2	Phase 3
Nov 2023 – Feb 2024	Recruitment of temporary team members		
Feb – April 2024	Collation of data		
May – June 2024	Engagement with Community Councils and Development Trusts	Collation of data	
July – Sep 2024	Consultation on draft vision and plans	Engagement with Community Councils and Development Trusts	Collation of data
Oct – Dec 2024	Publish analysis on feedback from engagement on draft vision and plans.	Consultation on draft vision and plans	Engagement with Community Councils and Development Trusts

When	Phase 1	Phase 2	Phase 3
Jan – March 2025	Approve plans	Publish analysis on feedback from engagement on draft vision and plans.	Consultation on draft vision and plans
April – June 2025		Approve plans	Publish analysis on feedback from engagement on draft vision and plans.
July – Sept 2025			Approve plans

5.0 CONCLUSION

- 5.1 There is a clear mandate to developing area plans to inform investment decisions and the Council has extensive experience in developing these. National policy seeks to direct public sector organisations to produce place plans with communities and consider further practice such as the inclusion of opportunities to improve Community Wealth Building.
- 5.2 The principle priorities of this paper is to a) agree the approach in creating area plans and b) agree a financial allocation from the Council's Priorities Investment Fund to enable the commencement of this initiative.
- 5.3 Strategic partners (e.g. HSCP and CPP) are in the early stages of developing area plans and there are options to consider a more integrated approach to developing area plans for our communities.
- 5.4 This paper also sets out principles to support the purpose of the plans and be clear that there is no guarantee of funding for projects identified within the plans and that prioritisation and development of any projects will be managed by the Council's strategic approach to capital projects.
- 5.6 A particularly challenging question for Members is the number and/or size of area plans and it is assumed that more plans will require further time and resource in their development. It is the view of officers that the optimum number of plans is 8 as set out in option A of appendix 1 of this report.

6.0 IMPLICATIONS

- 6.1 Policy; seeks to implement an action within the Council's Corporate Plan 2023 – 2027 to create area-based plans for all our communities, reflecting investment opportunities and local service prioritisation.
- 6.2 Financial; there is a request to draw down £200,000 funding from the Council Priorities Fund.
- 6.3 Legal; none.
- 6.4 HR; work is ongoing to define the skills required to implement this endeavour and the most effective way to recruit personnel required.
- 6.5 Fairer Scotland Duty:
 - 6.5.1 Equalities - protected characteristics; none.
 - 6.5.2 Socio-economic Duty; consideration will need to be given this duty.
 - 6.5.3 Islands; impact assessments may be required and will be considered.
- 6.6 Climate Change; there may be scope for the area plans to give consideration to impact on climate change.
- 6.7 Risk; none.
- 6.8 Customer Service; the initiative provides the opportunity to support community engagement.

Pippa Milne, Chief Executive

Policy Lead, Councillor Robin Currie, Leader and Policy Lead for Economy and Rural Growth

20 September 2023

For further information contact:

Stuart Green, Corporate Support Manager

Chief Executives Unit

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APPENDICES

Appendix 1 – Options on Geographies of Area Plans

Appendix 2 – Map – Community Councils in Argyll and Bute.

Appendix 1 - Options on Geographies of Area Plans

Option A – 8 ‘Local Areas’ which fit within 4 HSCP Localities

Local Area	HSCP Locality	Settlement (of 500 or more)
1. Mid Argyll	Mid Argyll, Kintyre and Islay	Ardrishaig Lochgilphead Tarbert
2. Kintyre		Campbeltown
3. Colonsay, Islay and Jura		Bowmore Port Ellen
4. Oban and Lorn	Oban, Lorn and the Isles	Dunbeg Oban
5. Coll, Iona, Mull, Tiree		Tobermory
6. Bute	Bute and Cowal	Rothesay Port Bannatyne
7. Cowal		Dunoon Hunter’s Quay Innellan Tighnabruaich
8. Helensburgh and Lomond	Helensburgh and Lomond	Cardross Garelochhead Helensburgh Kilcreggan Rosneath

Option B – 15 Localities

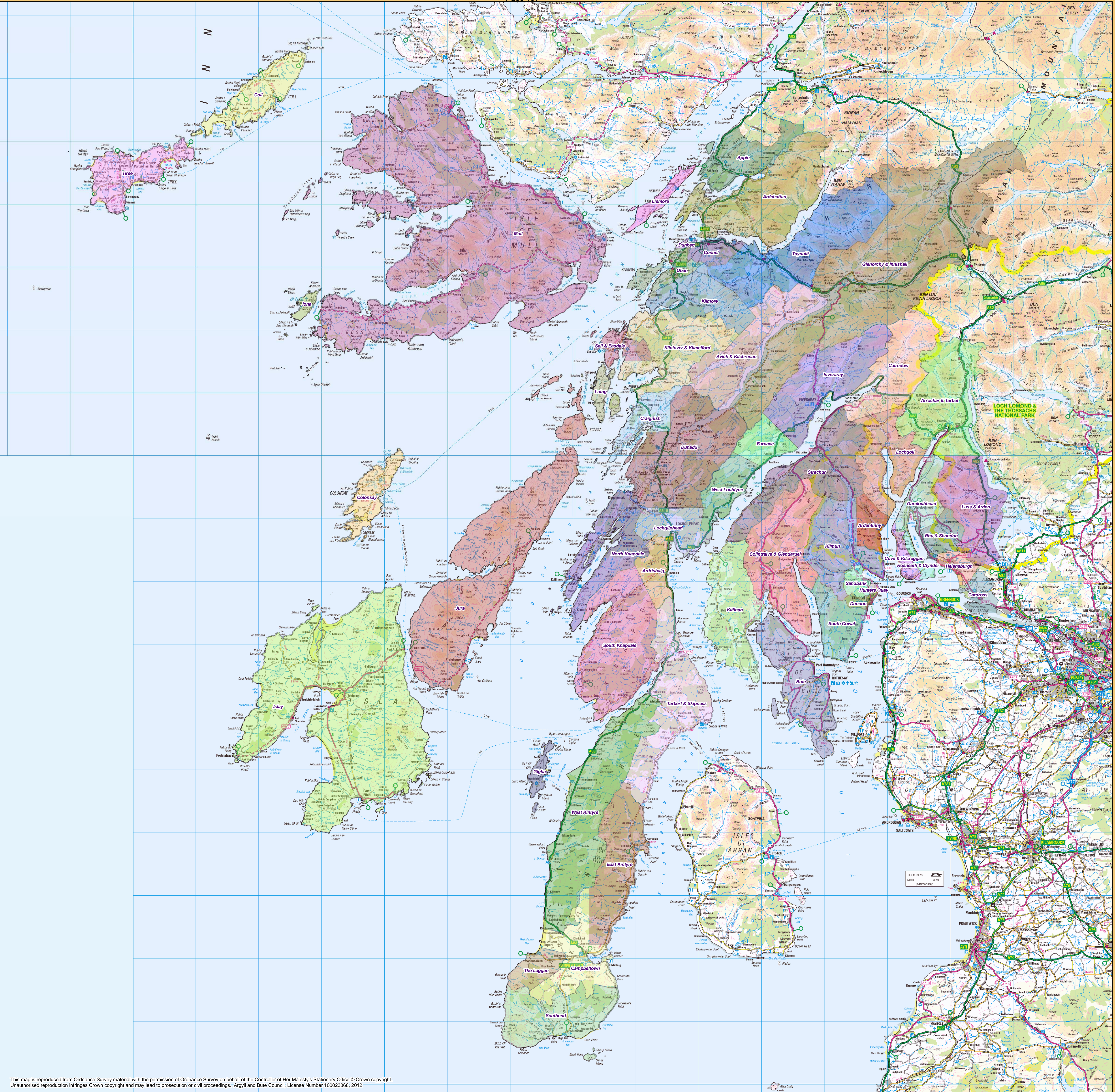
No	Group Name	Community Councils	Area
1	Kintyre	1. Campbeltown 2. East Kintyre 3. Gigha 4. Southend 5. The Laggan 6. West Kintyre	Mid Argyll, Kintyre and Islay
2	South Inner Hebrides	7. Colonsay 8. Islay 9. Jura	
3	Mid Argyll	10. Ardrishaig 11. Lochgilphead 12. Tarbert & Skipness 13. South Knapdale 14. North Knapdale 15. Craignish 16. Dunadd	
4	Loch Fyne North	17. Furnace 18. Inveraray 19. West Lochfyne	
5	South Lorne	20. Avich & Kilchrenan 21. Connel 22. Dunbeg 23. Glenorchy & Innishail 24. Kilmore & Kilbride 25. Kilninver & Kilmelford 26. Oban (inc Kerrera) 27. Taynuilt Connel	Oban, Lorne and the Isles
6	North Lorne	28. Appin 29. Ardchattan 30. Lismore	
7	Mull, Iona and Slate Islands	31. Iona 32. Mull 33. Luing 34. Seil & Easdale	
8	North Inner Hebrides	35. Coll 36. Tiree	
9	North Cowal	37. Ardentinny 38. Cairndow 39. Kilmun 40. Lochgoil	Bute and Cowal

No	Group Name	Community Councils	Area
		41. Strachur	
10	Central & South Cowal	42. Dunoon 43. Hunters Quay 44. Sandbank 45. South Cowal	
11	West Cowal	46. Colintrave & Glendaruel 47. Kilfinan	
12	Bute	48. Bute	
13	West Clyde Peninsula	49. Cove & Kilcreggan 50. Garelochhead 51. Rosneath & Clynder	Helensburgh and Lomond
14	East Clyde Peninsula	52. Cardross 53. Helensburgh 54. Rhu & Shandon	
15	Loch Lomond	55. Arrochar & Tarbert 56. Luss & Arden	

Option C – 18 Localities

No	Group Name	Community Councils	Area
1	Lower Kintyre	1. Campbeltown 2. Southend 3. The Laggan	Mid Argyll, Kintyre and Islay
2	Central Kintyre	4. East Kintyre 5. Gigha 6. West Kintyre	
3	Upper Kintyre	7. Ardrishaig 8. Lochgilphead 9. Tarbert & Skipness 10. South Knapdale	
4	Dalriada	11. North Knapdale 12. Craignish 13. Dunadd	
5	Loch Fyne North	14. Furnace 15. Inveraray 16. West Lochfyne	
6	South Inner Hebrides	17. Colonsay 18. Islay 19. Jura	

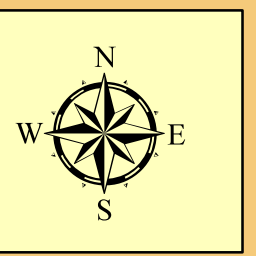
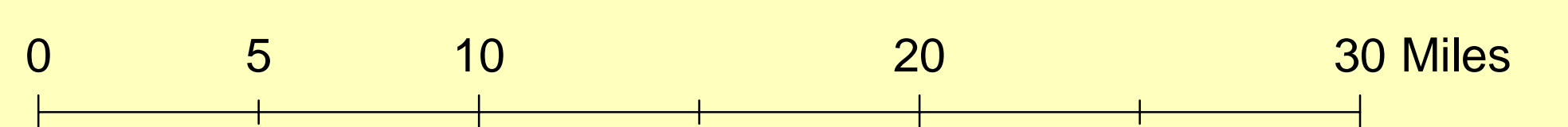
No	Group Name	Community Councils	Area
7	Loch Melfort	20. Luing 21. Seil & Easdale 22. Kilninver & Kilmelford	Oban, Lorne and the Isles
8	North Loch Awe	23. Avich & Kilchrenan 24. Glenorchy & Innishail 25. Taynuilt	
9	South Lorne	26. Connel 27. Dunbeg 28. Kilmore 29. Oban (inc Kerrera)	
10	North Lorne	30. Appin 31. Ardchattan 32. Lismore	
11	Mull and Iona	33. Iona 34. Mull	
12	Coll and Tiree	35. Coll 36. Tiree	
13	North Cowal	37. Ardentiny 38. Cairndow 39. Kilmun 40. Lochgoil 41. Strachur	
14	Central & South Cowal	42. Dunoon 43. Hunters Quay 44. Sandbank 45. South Cowal	
15	Bute and West Cowal	46. Colintrave & Glendaruel 47. Kilfinan 48. Isle of Bute	
16	West Clyde Peninsula	49. Cove & Kilcreggan 50. Garelochhead 51. Rosneath & Clynder	Helensburgh and Lomond
17	East Clyde Peninsula	52. Cardross 53. Helensburgh 54. Rhu & Shandon	
18	Loch Lomond	55. Arrochar & Tarbert 56. Luss & Arden	



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ARGYLL AND BUTE: COMMUNITY COUNCILS



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ARGYLL AND BUTE COUNCIL**POLICY AND RESOURCES
COMMITTEE****DEVELOPMENT AND
ECONOMIC GROWTH****12 OCTOBER 2023**

**PLACE BASED INVESTMENT PROGRAMME FUND 2021 – 2024 ALLOCATIONS
AND PROJECT UPDATES**

1.0 EXECUTIVE SUMMARY

- 1.1 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 each Local Authority would be receiving a share of the PBIP funding over a 5 year period, starting in 2021/22, to support and advance place-based investment and build on the strong partnership currently existing through the Regeneration Capital Grant Fund.
- 1.2 The purpose of this report is to provide an update to members on the PBIP allocation for the years 2021/22, 2022/23 and 2023/24 as well as the allocations agreed to individual projects and any subsequent changes made to allocations and an update on progress for each of the projects.
- 1.3 The PBIP allocation to Argyll and Bute Council for 2021/22 was £821,000. The allocation for 2022/23 was £712,000 and for 2023/24 it was £496,000. There remains a further two years of funding available based on the 2020 Programme of Government 5 year commitment.
- 1.4 The PBIP allocation for each year was split across a number of projects following agreement from members at the relevant Policy and Resources Committee meetings. The individual project supported via the PBIP are listed in Table 1 along with the year awarded and the specific PBIP allocations. The funding for each year had to be committed by the end (31 March) of the respective financial year it was awarded and evidenced by, at minimum, a fully let contract or commencement of works in order to avoid having to return any unspent funds to Scottish Government. This has meant that the projects not only have had to have the ability to meet the aims of the fund, but also add value to existing pieces of work and be time critical.

- 1.5 The PBIP funding can only be used for capital regeneration projects, and projects must aim to:
- link and align to place-based initiatives, and establish a coherent local framework to implement the Place Principle;
 - support place policy ambitions, such as town centre revitalisation, community-led regeneration, 20 minute neighbourhoods and Community Wealth Building;
 - ensure that all place-based investments are shaped by the needs and aspirations of local communities; and,
 - accelerate net zero ambitions, wellbeing and inclusive economic development, tackling inequality and disadvantage, community involvement and ownership.
- 1.6 The fund links closely to the ongoing reprioritisation focus of the Economic Growth service, and associated Economic Strategy and Economic Recovery Plan. With its 'place' focus, the fund also builds on and adds value to the previous year's Town Centre Fund investment, as well as previous regeneration initiatives taken forward by the Council.
- 1.7 As part of the annual reporting requirements to Scottish Government for this fund, the Council has to advise how the funding has been spent across the categories.

RECOMMENDATION

It is recommended that Policy and Resources Committee:

- a) Note the allocation of PBI funding provided in from the period 2021-2024;
- b) Note the agreed allocation of the Place Based Investment funding during the period 2021-2024 to the projects in Table 1;
- c) Approve any amendments to the funding allocation as detailed in paragraph 4.9;
- d) Note the update on each of the individual projects as detailed in Table 1; and
- e) Agree to a delegation of powers to the Executive Director with responsibility for Development and Economic Growth to allow any subsequent amendment to approved PBIP grant allocations to ensure that any risk relating to payback of any grant is minimised. This may involve swapping PBIP allocations with Crown Estate (CE) allocation of grants against individual projects but would not affect the projects but simply the grant source.

ARGYLL AND BUTE COUNCIL

**POLICY AND RESOURCES
COMMITTEE**

**DEVELOPMENT AND
ECONOMIC GROWTH**

12 OCTOBER 2023

**PLACE BASED INVESTMENT PROGRAMME FUND 2021-2024 ALLOCATIONS
AND PROJECT UPDATES**

2.0 INTRODUCTION

- 2.1 The Scottish Government committed to provide local authorities with funding from its Place Based Investment Programme on an annual basis for a period of 5 financial years. To date the Council has received 3 years of PBIP funding including funding for 2023/24. Although the annual share for Argyll and Bute has reduced since the initial allocation of £821,000 in 2021/22 to £496,000 in 2023/24, it has enabled the delivery of a number of key projects either by providing the main funding source or by providing match funding to unlock larger projects.
- 2.2 The purpose of this report is to provide an update to members on the PBIP allocation for the years 2021/22, 2022/23 and 2023/24 as well as the allocations agreed to individual projects and any subsequent change that has had to be made as well as an update on progress of each project.
- 2.3 All of the projects approved for PBIP funding 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 Once members agree the projects and the allocation in respect of the PBIP, officers continually monitor the projects to ensure compliance with the criteria and timeframe in order to avoid having to return any uncommitted funds to Scottish Government. As members will note from the Table 1 it is proposed to move the PBIP funding originally set aside against Rockfield and use it for the Tobermory Harbour Wall and Railings Phase 2 project making their overall PBIP support £200,000 and taking the £100,000 Crown Estate (CE) allocation against the Tobermory Harbour Wall and Railings project and instead setting it against Rockfield. The Tobermory project is on site and will meet the PBIP timeframe. The CE funding is more flexible in regard to delivery timeframe and will allow Rockfield more time to progress their project without jeopardising the grant.

3.0 RECOMMENDATIONS

3.1 It is recommended that Policy and Resources Committee:-

- a) Note the allocation of PBI funding provided in from the period 2021-2024;
- b) Note the agreed allocation of the Place Based Investment funding during the period 2021-2024 to the projects in Table 1;
- c) Approve any amendments to the funding allocation as detailed in paragraph 4.9;
- d) Note the update on each of the individual projects as detailed in Table 1; and
- e) Agree to a delegation of powers to the Executive Director with responsibility for Development and Economic Growth to allow any subsequent amendment to approved PBIP grant allocations to ensure that any risk relating to payback of any grant is minimised. This may involve swapping PBIP allocations with Crown Estate (CE) allocation of grants against individual projects but would not affect the projects but simply the grant source.

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 to support and advance place-based investment and build on the strong partnership currently existing through the Regeneration Capital Grant Fund.
- 4.2 Argyll and Bute Council's allocation for year 1 (2021/22) was £821,000, year 2 (2022/23) it was £714,000 and for this financial year (2023/24) it was £496,000. There remains 2 years of PBIP funding support to be received based on the Scottish Government's initial 5 year commitment but as yet there is no confirmation of figures for the forthcoming years.
- 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 funding has always been to identify projects that meet the place-based criteria, and are able to be delivered within short

timeframes with our limited staff resources. Projects put forward to members for the last 3 years needed to be delivered often in a short period of time 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 2021/22 the Council supported a total of 8 projects and prior to the commencement of PBIP 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.
- 4.6 At their respective meetings of 24th June 2021, 12th August 2021, and 2nd September 2021, Argyll and Bute Council, the Policy and Resources Committee and Environment, Development and Infrastructure Committee agreed to use the 2021/22 PBIP towards 8 projects that support a living well locally concept, have climate friendly ambitions, and which have stemmed from the community through design-led consultation activity or through needs identified by key partner organisations. Table 1 provides an update in respect of each of these projects.
- 4.7 At the meeting of the Policy and Resources Committee on 16th June 2022 members agreed to allocate £389,514 of the PBIP 22/23 funding to 3 initial projects. The remaining £322,486 was allocated to a further 4 projects via a delegated authority process agreed at the August 2022 Policy and Resources Committee meeting. All 7 projects are listed in Table 1.
- 4.8 On 10 August 2023, members of the Policy and Resources Committee agreed to allocate the PBIP 23/24 to a total of 8 projects. All 8 projects are listed in Table 1 however as members will appreciate this decision was only recently taken and therefore the delivery of these projects is still at a very early stage.
- 4.9 As members will note from the Table 1 it is proposed to move the PBIP funding originally set aside against Rockfield and use it for the Tobermory Harbour Wall and Railings Phase 2 project making their overall PBIP support £200,000 and taking the £100,000 Crown Estate (CE) allocation against the Tobermory Harbour Wall and Railings project and instead setting it against Rockfield. The Tobermory project is on site and will meet the PBIP timeframe. The CE funding is more flexible in regard to delivery timeframe and will allow Rockfield more time to progress their project without jeopardising the grant.

5.0 CONCLUSION

- 5.1 The relatively tight timescales associated with PBIP funds, combined with the large number of existing projects being delivered by the Council, make for a challenging place based investment programme. However there is no doubt that the PBIP funding has enabled more projects to be delivered that build on

investment already in place as well as supporting new investment, and that support community wealth building and wider economic development of the area.

6.0 IMPLICATIONS

- 6.1 Policy – There is a need to comply with the Scottish Government ‘place’ policies as outlined in the report and associated guidance for the PBIP Fund.
- 6.2 Financial – The Scottish Government expect that any uncommitted funds 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 supports local economies through place-based centre regeneration activity.
 - 6.5.3 Islands – The Fund supports island economies through place-based regeneration activity and has the potential to align with, and add value to, the Islands Infrastructure Investment Fund.
- 6.6 Risk – In order for each project to progress to delivery stage, a fully let contract or grant contract must be in place by the end of the financial year (31st March) the grant is awarded in. The projects are continually monitored to ensure that funds can be swapped out and reallocated to avoid having to return any uncommitted funds to Scottish Government.
- 6.7 Climate Change – None arising directly from this report.
- 6.8 Customer Service - None

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

Policy Lead for Strategic Development, Councillor Robin Currie

September 2023

For further information contact:

Fergus Murray, Head of Development and Economic Growth

Audrey Martin Transformational Projects and Regeneration Manager

APPENDICES

Appendix 1 – List of Projects

APPENDIX 1 – LIST OF PROJECTS

Table 1

AREA	PROJECT/ TIMESCALE FOR COMPLETION	RESPONSIBLE SERVICE	PBI ALLOCATION	YEAR OF AWARD	PROGRESS UPDATE – AUGUST 2023
ALL	A&B Wide Shopfront Scheme	DEG	£80,000	21/22	Works complete.
B&C	Rothesay TH – Tower Street	DEG	£100,000	21/22	Works Ongoing. Due for completion by the end of 2023.
B&C	Dunoon Cycle Bothy	DEG	£70,000	21/22	PBI funded works complete. Full project is due for completion in October 2023.
B&C	Dunoon Burgh Hall Café Garden	DEG	£50,000	21/22	Works complete.
H&L	Helensburgh Pier	Commercial Services	£163,000	21/22	Works complete.
H&L	Hermitage Park – Bothy	DEG	£28,000	21/22	Works complete.
MAKI	Bowmore Public Realm works	R&I	£80,000	21/22	Works complete.
OLI	Gibraltar Street Public Realm	DEG	£250,000	21/22	RIS looking to start works on-site 18 th September.
		21/22 Total	£821,000		
B&C	Re-instate fountain on Rothesay Promenade	R&I	£15,000	22/23	Works complete.
H&L	Helensburgh Pier	Commercial Services	£113,000	22/23	Works complete.
MAKI	Lochgilthead CARS Priority Buildings	DEG	£200,000	22/23	Works commenced on site The funding has been awarded to two priority buildings. The contracts were both awarded in 2022-23. Both projects are currently on site. The entire £200,000 will be paid out in 2023-24.
MAKI	Port Ellen Playing Fields - RCGF project	DEG	£44,000	22/23	Works ongoing, onsite construction has commenced.
OLI	Rockfield Outdoor Centre	DEG	£100,000	22/23	Grant contract issued and accepted. Awaiting confirmation from

					Rockfield on the project timescales. Due to the delays, we are seeking to swap this PBI funding with the Crown Estates funding allocated to Tobermory Harbour Wall and Railings.
OLI	Aros Waterfront Development	DEG	£140,000	22/23	Works complete
OLI	Tobermory Harbour Wall and Railings, Phase 2	R&I	£100,000	22/23	Works Ongoing. Completion due December 2023 Tender Value – £398,255.10 Date of Award – 07/03/2023 Total Payment to Contractor to date – £174,018.39 Date and value of Invoice 1 – 24/07/2023 (£133,191.07) Date and value of invoice 2 – 28/08/2023 (£40,827.32)
		22/23 Total	£712,000		
B&C	Dunoon Burgh Hall Phase 2	DEG	£74,500	23/24	Grant contract currently being prepared for issue mid-September 2023.
B&C	Dunoon CARS/LACER	DEG	£49,500	23/24	Grant application documents currently being prepared.
H&L	Helensburgh CARS – Shopfront Scheme	DEG	£44,000	23/24	Grant application documents currently being prepared.
H&L	Helensburgh Skatepark	DEG/ Commercial Services	£80,000	23/24	Discussions ongoing regarding site of new skatepark.
MAKI	Lochgilphhead CARS – Shopfront Scheme	DEG	£100,000	23/24	Grant application documents currently being prepared.
MAKI	Campbeltown – Steel Beam Project and LACER Shopfront Scheme	DEG	£38,000	23/24	Grant application documents currently being prepared.

OLI	RGD – Tobermory Worker Accommodation	DEG	£50,000	23/24	Tender documents being prepared.
OLI	Bid4Oban Shopfront Scheme and Signage	DEG	£60,000	23/24	Grant contract currently being prepared for issue mid-September 2023.
		23/24 Total	£496,000		

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ARGYLL AND BUTE COUNCIL**POLICY AND RESOURCES
COMMITTEE****DEVELOPMENT AND
ECONOMIC GROWTH****12 OCTOBER 2023**

CROWN ESTATE 2019 – 2023 ALLOCATIONS AND PROJECT UPDATES

1.0 EXECUTIVE SUMMARY

- 1.1 Scottish Ministers made a commitment in 2014 that they would provide 100% of the net revenue from Scottish Crown Estate marine assets out to 12 nautical miles to Local Authorities for coastal community benefit if management of the assets was devolved.
- 1.2 Scottish Government has written each year to Councils advising of the distribution of the net revenue generated from the Scottish Crown Estate's marine asset out to 12 nautical miles for their respective Council area. These annual revenue allocations are distributed in arrears following the finalisation of the annual accounts for the Scottish Crown Estate.
- 1.3 The expectation is that Local Authorities would use the funding for additional expenditure that specifically benefits coastal communities, with individual authorities making decisions on funding of projects to benefit coastal communities and being transparent and accountable to their communities and others for expenditure.
- 1.4 This report focuses on the last four tranches of payments paid to local authorities commencing in 2019/20 with the objective of ensuring that coastal communities benefit from the net revenue generated by the Scottish Crown Estate's marine assets. The allocation for each year relates to the net revenue generated from 2 financial years previous to the financial year the payment is received.
- 1.5 Over the last four tranches of payments to Argyll and Bute a total of £5,785,106.55 has been received. The Council is still awaiting confirmation of the allocation for this financial year (2023/24).
- 1.6 The annual payment made to each relevant local authority is based on the distribution method agreed by the Settlement and Distribution Group (SDG). It remains Scottish Governments preference that the allocations should be used to deliver coastal community benefit.

- 1.7 This report will updating members on the respective individual project allocations. In addition the report will provide an update on any subsequent changes made to the allocations as well as provide an update on progress of each of the projects. All projects, with the exception of the 2019/20 projects, are listed in Table 1.
- 1.8 The Crown Estate fund is targeted at the sustainability of coastal communities within the categories noted below and the Council has to advise how the funding is spent as part of the annual reporting requirements. Categories of expenditure are:-
- Environment Community
 - Climate Change
 - Economic Development
- 1.9 The funding can be used by the Council to deliver Council projects or can be provided as a grant to third sector organisations to assist in the delivery of a community project.
- 1.10 Where the funding is being provided as a grant a contract needs to be drawn up and issued and the grant and associated drawdown managed by officers of the Council.
- 1.11 The fund links closely to the ongoing reprioritisation focus of the Council, the Economic Growth service and Roads and Infrastructure Service, and associated Economic Strategy and Economic Recovery Plan. The fund also builds on and adds value to other investment funding including Place Based Investment Programme as well as regeneration and infrastructure initiatives taken forward by the Council.

RECOMMENDATION

It is recommended that Policy and Resources Committee:

- a) Note the allocation of Crown Estate funding provided from the period 2019-2023;
- b) Note the agreed allocation of the Crown Estate funding during the period 20219-2023 to the projects in Table 1 and paragraph 4.4;
- c) Approve the amendments to the funding allocation as detailed in paragraph 4.6;
- d) Note the update on each of the individual projects as detailed in Table 1;
- e) Agree to the continuation of delegated powers, as agreed in February 2023, to the Executive Director with responsibility for Development and Economic Growth to allow any subsequent amendment to approved Crown Estate grant allocations to ensure that any risk relating to having to payback any grant is minimised. This may involve swapping Crown Estate allocations with Place

Based Investment Programme (PBIP) allocations of grants against individual projects but would not affect the projects but simply the grant source.

ARGYLL AND BUTE COUNCIL

**POLICY AND RESOURCES
COMMITTEE**

**DEVELOPMENT AND
ECONOMIC GROWTH**

12 OCTOBER 2023

CROWN ESTATE 2019 – 2023 ALLOCATIONS AND PROJECT UPDATES

2.0 INTRODUCTION

- 2.1 Scottish Ministers made a commitment in 2014 that they would provide 100% of the net revenue from Scottish Crown Estate marine assets out to 12 nautical miles to Local Authorities for coastal community benefit if management of the assets was devolved. The expectation was that Local Authorities would use the funding for additional expenditure that specifically benefits coastal communities, with individual authorities making decisions on funding of projects to benefit coastal communities and being transparent and accountable to their communities and other for expenditure.
- 2.2 The purpose of this report is to updating members on the Crown Estate allocations for the years 2019/20, 2020/21, 2021/22 and 22/23 totalling £5,785,106.55 and the respective individual project allocations. In addition the report will provide an update on any subsequent changes made to the allocations as well as provide an update on progress of each of the projects. All projects are listed in Table 1 with the exception of the 2019/20 projects as these are detailed in paragraph 4.4.
- 2.3 Once members agreed the projects and allocations at the respective meetings of the Council and Policy and Resources Committee officers continually monitor the projects to ensure compliance with the criteria and timeframe.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Policy and Resources Committee:
- a) Note the allocation of Crown Estate funding provided from the period 2019-2023;
 - b) Note the agreed allocation of the Crown Estate funding during the period 20219-2023 to the projects in Table 1 and paragraph 4.4;
 - c) Approve the amendments to the funding allocation as detailed in paragraph 4.6;
 - d) Note the update on each of the individual projects as detailed in Table 1;

- e) Agree to the continuation of delegated powers, as agreed in February 2023, to the Executive Director with responsibility for Development and Economic Growth to allow any subsequent amendment to approved Crown Estate grant allocations to ensure that any risk relating to having to payback any grant is minimised. This may involve swapping Crown Estate allocations with Place Based Investment Programme (PBIP) allocations of grants against individual projects but would not affect the projects but simply the grant source.

4.0 DETAIL

- 4.1 The Scottish Government has written each year to Councils advising of the distribution of the net revenue generated from the Scottish Crown Estate's marine asset out to 12 nautical miles for their respective Council area. These annual revenue allocations are distributed in arrears following the finalisation of the annual accounts for the Scottish Crown Estate.
- 4.2 The annual payment made to each relevant local authority is based on the distribution method agreed by the Settlement and Distribution Group (SDG). It remains Scottish Government's preference that the allocations should be used to deliver coastal community benefit.
- 4.3 The Crown Estate fund is targeted at the sustainability of coastal communities within the categories noted below and the Council has to advise how the funding is spent as part of the annual reporting requirements. Categories of expenditure are:-
- Environment Community
 - Climate Change.
 - Economic Development
- 4.4 The Crown Estate allocation of funding for 2019-20 was £1,158,000. The Policy and Resources Committee on 17th December 2019 approved supporting a total of 4 specific projects namely Tobermory Railings Phase 1, Helensburgh Flood Mitigation, Rothesay Pontoons, Campbeltown Flood Defence Scheme with the remainder retained by Roads and Infrastructure Services as an earmarking fund to improve coastal roads, increase flooding resilience and/or undertake emergency works as appropriate. These projects are complete and the Crown Estate 2019/20 funding has been fully drawdown.
- 4.5 The Crown Estate allocation for the years 20/21, 21/22 and 22/23 amounts to £4,627,106.55 and a total of 28 projects were agreed by members at various meetings of the Policy and Resources Committee. The full list of each of the projects agreed along with the specific individual grant allocation is detailed in Table 1 along with an update on each project.

- 4.6 As members will note from the Table 1 it is proposed to move the £100,000 Crown Estate (CE) allocation against the Tobermory Harbour Wall and Railings project and instead setting it against the Rockfield project and move the £100,000 PBIP funding to the Tobermory Harbour Wall and Railings Phase 2 project making their overall PBI Programme support £200,000. This is to ensure that there is limited risk to funding given the CE funding is more flexible in regard to delivery timeframe and will allow Rockfield more time to progress their project without jeopardising the grant.
- 4.7 The challenge in respect of the funding has always been to identify projects that meet the criteria, and are able to be delivered within short timeframes with our limited staff resources especially given the sheer number of projects that are involved. Projects by their very nature are complex and even those that might be classed as small scale and involving smaller levels of grant can be challenging. Projects that are well advanced in regard to their scope, detail and costings and where there the necessary resources are in place have a much higher chance of being delivered and this in turn limits the risk to the Council. In addition projects that add value to works already undertaken and investment already made or that support Council objectives and policies can deliver a greater benefit.

5.0 CONCLUSION

- 5.1 The need to ensure delivery and spend combined with the large number of existing projects being delivered by the Council, make for a challenging environment. However there is no doubt that the Crown Estate funding has enabled more projects to be delivered that support our coastal communities, build on investment already in place as well as supporting new infrastructure investment supporting community wealth building and wider economic development of the area.

6.0 IMPLICATIONS

- 6.1 Policy – There is a need to comply with the Scottish Government guidance as outlined in the report. The expectation is that Local Authorities would use the funding for additional expenditure that specifically benefits coastal communities, with individual authorities making decisions on funding of projects to benefit coastal communities and being transparent and accountable to their communities and other for expenditure.
- 6.2 Financial – The Scottish Government expect that any funds will be committed and spent as quickly as possible.
- 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 supports our coastal communities.
- 6.5.3 Islands – The Fund supports coastal communities and has the potential to align with, and add value to other funding programmes such as the Islands Programme, PBIP and RCGF.

- 6.6 Risk –The projects are continually monitored to ensure that funds can be spent and that the projects meet the criteria as set out by Scottish Government.

- 6.7 Climate Change – None arising directly from this report.

- 6.8 Customer Service – None.

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

Councillor Robin Currie, Policy Lead for Strategic Development

14 September 2023

For further information contact:

Fergus Murray, Head of Development and Economic Growth

Audrey Martin Transformational Projects and Regeneration Manager

APPENDICES

Appendix 1 – Progress of Projects

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Appendix 1 - PROGRESS OF PROJECTS

TABLE 1

AREA	PROJECT/ TIMESCALE FOR COMPLETION	RESPONSIBLE SERVICE	CROWN ESTATE FUNDING ALLOCATION	FINANCIAL YEAR	STATUS	PROGRESS UPDATE – NOVEMBER 2022 – AUGUST 2023
B&C	Dunoon Community STEM Hub Indicative timescale is the end of March 2024 (all funding will be spent).	DEG	£250,000 This is a Rural Growth Deal project and this funding is part of a total funding package of £1.75 million.	£100,000 – 20/21 £150,000 – 21/22	Ongoing	<p>Project progress is as follows:</p> <ul style="list-style-type: none"> • Procurement ITT Stage 1 complete (selection of appropriate construction companies to undertake the works). • Procurement ITT Stage 2 (quality and price) issued with tender returns due early October. • On conclusion of the procurement process the affordability of repurposing the Hill Street building to a Community STEM Hub will be known. • Alternative options discussed at a workshop facilitated by Hub North on 26th June 2023. Lead architects for the external Design Team currently looking at the viability of some of the options proposed if Hill Street is unaffordable.
B&C	Dunoon Active Travel Hub	DEG	£394,000 (additional £40k was reallocated from Bute and Cowal Climate Change Satellite Pods	£249,000 – 20/21 £145,000 – 21/22	Ongoing	Phase 1 works – exterior tiling and painting needs to be undertaken in order to complete the project. This will be

Appendix 1 - PROGRESS OF PROJECTS

TABLE 1

	NEARING COMPLETION		as per P&R report 16/06/22. This funding is part of a funding wider package.			undertaken in September when the Phase 2 contractor is off site. Landscaping works – the works are almost complete. We have cobbled the entrance to the gate lodge, built the retaining wall and completed drainage works. Tarmacing the road is falling to the Roads and Amenity team which will be undertaken in September. Site works will be inspected Friday 25 th August with a view to signing off on completion. Phase 2 works – the water connection is being installed at present. Electric installation is complete. The interior walls and floors have been completed. Final fixings and fixtures will be installed with an early October 2023 completion date.
B&C	Bute Bike Handover Station PROJECT COMPLETE	DEG	£10,000	20/21	Complete	1. Allocation drawn down with an underspend of £219.39.
B&C	Rothesay Pontoons PROJECT COMPLETE	R&I	£293,441 This funding is part of a funding wider package.	£191,000 – 20/21 £102,441 – 21/22	Complete	Previous update states all spent & project closed. The date of Completion of the whole of the works is 19 th January 2023. Total Cost of the Works: £865,381.60

Appendix 1 - PROGRESS OF PROJECTS

TABLE 1

				£151,000 was also allocated from 19/20.		
B&C	Rothsay Kiddies Corner	R&I	£44,000 Re-allocation of funding source to Crown Estate. Moved to CE from PBI.	21/22	Ongoing	Due to legal issues, this has proven to be a more difficult process than first anticipated. These issues have now been worked through and final amendments are being made to the grant contract and licence to occupy with the aim to issue shortly.
B&C	Glenmorag campervan site	DEG	£100,000 P&R 16 February 2023 (Para 3.b) - agreed to switch allocation of £100k to £100k CE funding allocation). Moved to CE table.	21/22	Ongoing	Tender has been issued and officers await returns.
MAKI	Ardrishaig Public Realm Improvements PROJECT COMPLETE	DEG	£250,000 This funding is part of a funding wider package.	£50,000 – 20/21 £200,000 – 21/22	Complete	Works completed in April 2023 and the project was officially opened on 19 August 2023 during the community organised Ardrishaig Gala. The defects period will run until April 2024.
MAKI	Tarbert Public Realm Improvements March 2024	DEG	£200,000	£4,000 – 20/21 £196,000 – 21/22	Ongoing	Awaiting proposals from Tarbert harbour Authority who are keen to progress with a project within the centre of the village.

Appendix 1 - PROGRESS OF PROJECTS

TABLE 1

MAKI	Kilmory Industrial Estate Phase 2 Subject to achieving the necessary statutory approvals and concluding the various legal agreements, M&K McLeod Ltd (MKML) forecast that physical works could commence October 2023 and run through until November 2024	Commercial Services	£150,000 This funding is part of a funding wider package.	21/22	Ongoing	<ul style="list-style-type: none"> • Planning Application Approved in Feb-23 • MKML progressing statutory utility applications for connections/diversions following planning approval • MKML progressing statutory approvals from Transport Scotland and ABC Roads • WoSAS have approved Written Investigation Statement for on-site archaeology, which will commence w/c 7 –Aug-23 • Legal Agreements reaching conclusion
MAKI	Argyll and the Isles Countryside Trust (ACT) Eco Hub March 2024	DEG	£50,000	20/21	Ongoing	The Eco hub is on site. Retention of £5k still remains to be drawn down pending submission of building warrant and obtaining completion certificate.
MAKI	Port Ellen Public Realm	DEG	£6,000	21/22	Ongoing	Works ongoing, onsite construction has commenced.
MAKI	Jura Community Gigabit Programme	DEG	£50,000	21/22	Ongoing	After further discussions with our Roads Department, it was established that due to the fragile nature of the network along the route from Ardfernal to Knockrome, a series of poles to

Appendix 1 - PROGRESS OF PROJECTS

TABLE 1

						<p>accommodate the fibre would be required. This required significant survey work to be undertaken. The application for the installation of 28 new poles was approved. Over 50% of the project is complete, however Open Reach have raised concerns that take up is lower than anticipated, the financial viability of this project was subject to residents pledging their vouchers (85% required) these vouchers can only be redeemed once a service has been received. It is still being established whether the low take-up of the new service is down to affordability or premises being tied into existing contracts.</p>
MAKI	War memorial upgrade, Campbeltown	R&I	£20,000	22/23	Ongoing	<p>Report received from Craig Frew Building Conservation which highlights works required. Quotes are currently being sought to carry out these works, however, extra funding may be required to complete these.</p> <p>Cleaning works will be undertaken in September/October 2023.</p>

Appendix 1 - PROGRESS OF PROJECTS

TABLE 1

MAKI	Campbeltown Community Action Plan September 2024	DEG	£50,000	20/21	Ongoing	Two proposals have been received. A grant agreement is being prepared for South Kintyre Development Trust in relation to a food growing project. Further information is awaited from Campbeltown Community Council in relation to a proposal for upgrades to the jubilee/trench path.
MAKI	Colonsay Roads PROJECT COMPLETE	R&I	£200,000	22/23	Complete	Works are complete. Loop road surface dressed with overlays and strengthening to localised areas adjacent to the ferry port.
MAKI	Bowmore Hall, Islay Phase 1 – End of 2023	DEG	£225,000	22/23	Ongoing	Works are ongoing. The remaining grant will be drawdown by the end of 2023. Drawdown figure to date is £171,775.
MAKI	Jura Passenger Ferry Infrastructure	R&I	£100,000	22/23	Ongoing	Background: This to provide safe foot passenger access to any smaller vessel brought in to cover for repair or breakdown of the main Jura Ferry. Presently having to use a vertical ladder for access. Survey work completed and tender is being prepared for a design / build or premade pontoon structure with gangway.

Appendix 1 - PROGRESS OF PROJECTS

TABLE 1

MAKI	Kilmartin Overflow Carpark	DEG	£50,000	22/23	Ongoing	Draft contract to be issued. Awaiting confirmation of funding package and planning permission outcome. Planning permission withdrawn due to access concerns. Discussions ongoing regarding resubmission.
OLI	Tobermory Cemetery PROJECT COMPLETE	R&I	£400,000	21/22	Complete	P&R 16 February 2023 (Para 3.1.b) - agreed to use the 400k allocation for the Tobermory car park and staycation facilities to instead deliver the cemetery extension at Kilmory. The Cemetery extension has now been completed and we are finalising the snagging and payments. This can now be marked complete.
OLI	Kerrera Road PROJECT COMPLETE	DEG	£200,000	20/21	Complete	Works are complete.
OLI	Feasibility study and specification work for pier infrastructure at Ellenabeich and Easdale which would support the ongoing provision of the council ferry service	R&I	£100,000	22/23	Ongoing	Terms Of Reference produced and work is being carried out by Caledonian Economics.

Appendix 1 - PROGRESS OF PROJECTS

TABLE 1

OLI	<p>Island Airport Resilience (part of the unsuccessful Islands Infrastructure bid). Provision of CCTV at both Coll and Colonsay Airport & Provision of a small fire training rig on each island</p> <p>March 2024</p>	DEG	£100,000	22/23	Ongoing	On target with spend Training rigs and CCTV for airports – out to tender.
OLI	<p>Tobermory Harbour Wall and Railings, Phase 2</p> <p>December 2023</p>	R&I	<p>£100,000</p> <p>This funding is part of a funding wider package.</p>	22/23	Ongoing	<p>Works Ongoing.</p> <p>Tender Value – £398,255.10 Date of Award – 07/03/2023</p> <p>Total Payment to Contractor to date – £174,018.39</p> <p>It is proposed to move this allocation over to Place Based Investment funding and replace this with The Rockfield Centre due to the wider flexibility of Crown Estate funding.</p>
H&L	<p>Helensburgh 5-7 Clyde Street Refurbishment</p> <p>Timescale for completion</p>	DEG	£350,000	20/21	Ongoing	Some progress has been made in securing involvement of ACHA in developing a permanent solution. Property also added to Councils SHIP which will access additional funding. Final costings being

Appendix 1 - PROGRESS OF PROJECTS

TABLE 1

	cannot yet be confirmed as there are still ongoing issues to resolved I the project but likely to be 2024					discussed to identify financial viability of the project and whether sufficient funding is available. ACHA have made application to Scottish Government for additional grant funding.
H&L	Arrochar Car Parking Timescale cannot be confirmed as yet, as there is an issue with land ownership.	R&I	£250,000	20/21	Ongoing	Currently confirming land ownership permission before this can progress. This is still with Legal trying to get ownership transferred to the Council.
H&L	Helensburgh Masonry Pier PROJECT COMPLETE	Commercial Services	£69,224 This funding is part of a funding wider package.	21/22	Complete	Works are complete.
ALL	Charging Mechanisms in high footfall public conveniences. TBC	R&I	£200,000	22/23	Ongoing	Following confirmation of the Crown Estate funding of £200,000 in addition to the £100,000 council funding the contract was awarded for all 16 sites. Regrettably the contractor has not been able to mobilise at the pace we would have liked. We are continuing to engage with them to move things along and expect a programme to be submitted for approval shortly.

Appendix 1 - PROGRESS OF PROJECTS

TABLE 1

ALL	Cemetery maintenance and roads access fund to be delegated £75,000 to each Area Committee to agree the best options for the Fund. This may include un-adopted roads and officers would need to seek agreement from landowners – this would be a temporary diversion of the Council's policy to only upgrade and maintain adopted roads until the fund is fully spent.	R&I	£300,000	22/23	Ongoing	<p>A number of sunken lairs have been re-levelled with the majority of the works across the four administrative areas, as agreed through Area Committees, on track to be delivered during the winter months when the demands on the grounds team are reduced.</p> <p>Agreement being drawn up for works to be undertaken in the winter for Brackley cemetery to allow improvements to be made to the access road.</p>
ALL	Contingency	DEG	£14,441	22/23	Ongoing	Agreed at P&R on 13 October 2022 that the unallocated funds of £75,939 would be used as contingency. £61,498 of this has been reallocated.
ALL	Funding for Project Officers	DEG	£101,000	22/23	Ongoing	Agreed at P&R on 17 February 2022.
		TOTAL	£4,627,106			

ARGYLL AND BUTE COUNCIL**POLICY AND RESOURCES
COMMITTEE****DEVELOPMENT AND
ECONOMIC GROWTH****12 OCTOBER 2023**

CROWN ESTATE 2023/24 ALLOCATION AND POSSIBLE PROJECTS

1.0 EXECUTIVE SUMMARY

- 1.1 Scottish Government has written each year to Councils advising of the distribution of the net revenue generated from the Scottish Crown Estate's marine asset out to 12 nautical miles for their respective council area. These annual revenue allocations are distributed in arrears following the finalisation of the annual accounts for the Scottish Crown Estate.
- 1.2 The expectation is that Local Authorities would use the funding for additional expenditure that specifically benefits coastal communities, with individual authorities making decisions on funding of projects to benefit coastal communities and being transparent and accountable to their communities and others for expenditure.
- 1.3 The Council is still awaiting confirmation of the allocation for this financial year (2023/24) and it is unclear as to when formal written notification will be given of this year's allocation. However, 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 and consideration given by Elected Members as to how this funding should be allocated taking into account the guidance.
- 1.4 This report follows on from a report to August 2023 Policy and Resources Committee at which it was agreed that an email communication would be issued to all Elected Members from the Executive Director with responsibility for Development and Economic Growth, suggesting projects that could be funded by Crown Estate 23/24 allocation and seeking members' views on these and other suggestions which would fit within the funds criteria and timeline. The email was subsequently issued to Members and suggestions received.
- 1.5 It was also agreed at the August Policy and Resources Committee that following consultation with all Elected Members, as detailed above, a further report on the proposed allocation of the Crown Estate Funding for 2023/24

would be brought forward to the 12th October meeting of the Policy and Resources Committee

- 1.6 Following receipt of suggestions from Elected Members officers are now working through these projects and undertaking the necessary due diligence as well as reviewing those projects that were put forward as suggestions in the email to Elected Members. This is to ensure that those projects that go forward for formal approval are the best fit with the fund, the necessary resources are in place and the projects are at a stage where deliverability can be assured within the timeframe. In addition it is also necessary to ensure that the total value of all the project allocations at this stage does not exceed the prudent estimate of £1.0million, at least until the Council receives formal confirmation of the allocation.
- 1.7 In light of the above work that is still ongoing, it is proposed to seek agreement from Members for a further delegation of powers to the Executive Director with responsibility for Development and Economic Growth, in consultation with the Leader, Depute Leader and Leader of the largest Opposition Group, to approve the final list of projects to be supported by the £1.0million prudent allocation of Crown Estate 2023/24 funding in consultation.

RECOMMENDATION

It is recommended that Policy and Resources Committee:

- a) Note that the formal allocation of Crown Estate funding for the 2023/24 is still awaited;
- b) Note the proposal to allocate a £1.0million prudent estimate of anticipated Crown Estate 2023/24 funding against individual projects pending receipt of the formal allocation;
- c) Note that officers sought suggestions from Elected Members and are undertaking due diligence in reviewing those projects against the criteria set by the Scottish Government;
- d) Agree to a delegation of powers to the Executive Director with responsibility for Development and Economic Growth, in consultation with the Leader, Depute Leader and Leader of the largest Opposition Group to approve the final list of projects to be supported by the £1.0million prudent allocation of Crown Estate 2023/24 funding;
- e) Note that officers will inform Elected Members of the decision taken by the delegation; and
- f) Note that a further report will be brought back to members of Policy and Resources should the formal allocation for 2023/24 represent a higher figure than £1.0million.

ARGYLL AND BUTE COUNCIL

**POLICY AND RESOURCES
COMMITTEE**

**DEVELOPMENT AND
ECONOMIC GROWTH**

12 OCTOBER 2023

CROWN ESTATE 2023/2024 ALLOCATION AND POSSIBLE PROJECTS

2.0 INTRODUCTION

- 2.1 Scottish Ministers made a commitment in 2014 that they would provide 100% of the net revenue from Scottish Crown Estate marine assets out to 12 nautical miles to Local Authorities for coastal community benefit if management of the assets was devolved. The expectation was that Local Authorities would use the funding for additional expenditure that specifically benefits coastal communities, with individual authorities making decisions on funding of projects to benefit coastal communities and being transparent and accountable to their communities and other for expenditure.
- 2.2 The Council is still awaiting confirmation of the allocation for this financial year (2023/24) and it is unclear as to when formal written notification will be given of this year's allocation. However 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 and consideration given as to how this funding could be allocated taking into account the guidance.
- 2.3 This report follows on from a report to Policy and Resources Committee on 10 August 23 at which it was agreed that an email communication would be issued to all Elected Members from the Executive Director with responsibility for Development and Economic Growth suggesting projects that could be funded by Crown Estate 23/24 allocation and seeking members' views on these and other suggestions which would fit within the funds criteria and timeline. The email was subsequently issued to members and suggestions received.
- 2.4 It was also agreed at the August Policy and Resources Committee that following consultation with all elected members, as detailed above, a further report on the proposed allocation of the Crown Estate Funding for 2023/24 would be brought forward to the 12th October meeting of the Policy and Resources Committee.

3.0 RECOMMENDATIONS

3.1 It is recommended that Policy and Resources Committee:

- a) Note that the formal allocation of Crown Estate funding for the 2023/24 is still awaited;
- b) Note the proposal to allocate a £1.0million prudent estimate of anticipated Crown Estate 2023/24 funding against individual projects pending receipt of the formal allocation;
- c) Note that officers sought suggestions from Elected Members and are undertaking due diligence in reviewing those projects against the criteria set by the Scottish Government;
- d) Agree to a delegation of powers to the Executive Director with responsibility for Development and Economic Growth, in consultation with the Leader, Depute Leader and Leader of the largest Opposition Group to approve the final list of projects to be supported by the £1.0million prudent allocation of Crown Estate 2023/24 funding;
- e) Note that officers will inform Elected Members of the decision taken by the delegation; and
- f) Note that a further report will be brought back to members of Policy and Resources should the formal allocation for 2023/24 represent a higher figure than £1.0million.

4.0 DETAIL

4.1 The Scottish Government has written each year to Councils advising of the distribution of the net revenue generated from the Scottish Crown Estate's marine asset out to 12 nautical miles for their respective Council area. These annual revenue allocations are distributed in arrears following the finalisation of the annual accounts for the Scottish Crown Estate.

4.2 The annual payment made to each relevant local authority is based on the distribution method agreed by the Settlement and Distribution Group (SDG). It remains Scottish Governments preference that the allocations should be used to deliver coastal community benefit.

4.3 The Crown Estate fund is targeted at the sustainability of coastal communities within the categories noted below and the Council has to advise how the funding is spent as part of the annual reporting requirements. Categories of expenditure are:-

- Environment Community
- Climate Change.
- Economic Development

4.4 The funding can be used by the Council to deliver Council projects or can be provided as a grant to third sector organisations to assist in the delivery of a

community project.

- 4.5 Where the funding is being provided as a grant a contract needs to be drawn up and issued and the grant and associated drawdown managed by officers of the Council.
- 4.6 Following receipt of suggestions from elected members officers are now working through these projects and undertaking the necessary due diligence as well as reviewing those projects that were put forward as suggestions in the email to elected members. This is to ensure that those projects that go forward for formal approval are the best fit with the fund, the necessary resources are in place and the projects are at a stage where deliverability can be assured within the timeframe. In addition it is also necessary to ensure that the total value of all the project allocations does not exceed the prudent estimate of £1.0million, at least until the council receives formal confirmation of the allocation.
- 4.7 In light of the above work that is still ongoing it is proposed to seek agreement from members for a further delegation of powers to the Executive Director with responsibility for Development and Economic Growth to approve the final list of projects to be supported by the £1.0million prudent allocation of Crown Estate 2023/24 funding in consultation with the Leader, Depute Leader and Leader of the largest Opposition Group.
- 4.8 The challenge in respect of the funding has always been to identify projects that meet the criteria, and are able to be delivered within short timeframes with our limited staff resources especially given the sheer number of projects that officers are already involved in delivering. Projects by their very nature are complex and even those that might be classed as small scale and involving smaller levels of grant can be challenging. Projects that are well advanced in regard to their scope, detail and costings and where there the necessary resources are in place have a much higher chance of being delivered and this in turn limits the risk to the Council and these should therefore be prioritised. In addition projects that add value to works already undertaken and investment already made or that support council objectives and policies can deliver a much greater benefit for our coastal communities. Projects that fit with the criteria but are not yet far enough advanced or don't align with council policy or resources should be set aside and reconsidered at a future date as these represent a much higher risk to the Council at this stage.

5.0 CONCLUSION

- 5.1 The need to ensure delivery and spend combined with the large number of existing projects being delivered by the Council, make for a challenging environment. However there is no doubt that the Crown Estate funding has enabled more projects to be delivered that support our coastal communities, build on investment already in place as well as supporting new infrastructure investment supporting community wealth building and wider economic

development of the area.

6.0 IMPLICATIONS

- 6.1 Policy – There is a need to comply with the Scottish Government guidance as outlined in the report. The expectation is that Local Authorities would use the funding for additional expenditure that specifically benefits coastal communities, with individual authorities making decisions on funding of projects to benefit coastal communities and being transparent and accountable to their communities and other for expenditure.
- 6.2 Financial – The Scottish Government expect that any funds will be committed and spent as quickly as possible.
- 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 supports our coastal communities.
 - 6.5.3 Islands – The Fund supports coastal communities and has the potential to align with, and add value to other funding programmes such as the Islands Programme, PBIP and RCGF.
- 6.6 Risk – The projects are continually monitored to ensure that funds can be spent and that the projects meet the criteria as set out by Scottish Government
- 6.7 Climate Change – None.
- 6.8 Customer Service – None.

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

Councillor Robin Currie, Policy Lead for Strategic Development

14 September 2023

For further information contact:

Fergus Murray, Head of Development and Economic Growth

Audrey Martin Transformational Projects and Regeneration Manager

ARGYLL AND BUTE COUNCIL**POLICY AND RESOURCES
COMMITTEE****DEVELOPMENT AND ECONOMIC
GROWTH****12th October 2023**

RURAL GROWTH DEAL – UPDATE PAPER

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides an update on the Rural Growth Deal (RGD) Programme and in particular progress towards signing of the Full Deal Agreement, which represents the next key milestone in the RGD process.
- 1.2 In order to reach signing of the Full Deal agreement, it will be necessary to prepare a series of Treasury Five Case Outline Business Cases for projects within the RGD programme and the consultancy Stantec have been appointed to assist with this process.
- 1.3 The RGD Programme Management Office (PMO) are aiming to sign the Full Deal Agreement in early 2024 however, this is subject to having outline business cases submitted and in some cases approved by Government.
- 1.4 To date the Council have submitted 4 outline business cases to Government with a further 7 nearing draft completion. We have received feedback from Government policy leads on 3 OBC's and are currently amending these documents to address comments received. It should be noted that business cases can require multiple iterations prior to approval by Government and this process can take several months.
- 1.5 RGD business cases and project development work is funded in advance of Full Deal signing at risk to the Council and key delivery partners. To date, this work has predominantly been funded via the Council's Inward Investment Fund although match funding has also been secured from HIE and Scottish Enterprise.
- 1.6 The Policy and Resources Committee have previously approved the release of 3 tranches of funding totalling £450k from the Inward Investment Fund with authority delegated to the Internal Programme Board to authorise spend to support Rural Growth Deal project development work. At the time of writing this report, total approved spend on RGD project development work stands at £367,616.
- 1.7 Where possible, the RGD PMO will seek to recoup project development costs from RGD funding allocations however, it will not be possible to submit any claims for funding until the Full Deal Agreement has been signed. It will be necessary to progress project development work such as detailed design on a number of projects in advance of Full Deal signing to ensure that Full Business

cases can be developed for projects to be delivered in the early stages of the programme.

- 1.8 Costs associated with the development of full business cases will require to be met by the Council and strategic partners however, these costs will be included as part of the overall match funding for the deal.
- 1.9 The P&R Committee are asked to approve a further £150,000 of funding from the Inward Investment Fund to support the development of RGD full business cases and associated project work for projects to be delivered in the early years of the RGD programme.
- 1.10 Where possible, the RGD PMO will continue to seek external match funding to support project development costs. To date, the Council and key funding partners have secured over £15m of match funding that will directly support projects within the RGD programme. As such, we are confident of exceeding the £20m match funding commitment set out in the Heads of Terms Agreement.

RECOMMENDATIONS:

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

RURAL GROWTH DEAL – UPDATE PAPER

2.0 INTRODUCTION

- 2.1 This report provides an update on the Rural Growth Deal (RGD) Programme and in particular progress towards signing of the Full Deal Agreement, which represents the next key milestone in the RGD process. The RGD will deliver £50m of investment from the Scottish and UK Governments for projects that are a driver for inclusive and transformational economic growth across the region. The Council and key delivery partners will also provide up to £20m of match funding throughout the 10-year deal programme.
- 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 signing of the Full Deal agreement, it will be necessary to prepare a series of Treasury Five Case Outline and Full Business Cases (OBC's / FBC's) for projects within the RGD programme.
- 2.3 The RGD Programme Management Office (PMO) have procured the services of the consultancy Stantec to assist with the development of business cases for the RGD programme. To date, 4 OBC's have been submitted to Government with a further 7 nearing completion. The Council have received initial feedback from Government Policy Leads on 3 OBC's and are currently working on revised drafts. An outline programme for the submission of RGD business cases is included in *Table 1* of this report.
- 2.4 It is currently anticipated that the Full Deal Agreement will be signed early in 2024 however; this is reliant on the time taken for business cases to be reviewed and approved by Government. It should be noted that business cases can require multiple iterations prior to approval by Government and this process can take several months. The Council and key partners are aiming to sign the Full Deal Agreement in advance of the next UK general election as this would result in delays to the process.
- 2.5 To date, costs associated with business case and project development works have largely been funded from the Council's Inward Investment Fund. Match funding has also been secured from a number of key partners such as HIE and Scottish Enterprise. The Policy and Resources Committee have previously approved the release of 3 tranches of funding totalling £450k from the Inward Investment Fund with authority delegated to the Internal

Programme Board to authorise spend to support Rural Growth Deal project development work. At the time of writing this report, total approved spend on RGD project development work stands at £367,616.00.

- 2.6 Where possible, the RGD PMO will seek to recoup capital costs from RGD funding allocations however, it will not be possible to submit any claims for funding until the Full Deal Agreement has been signed and full business cases for projects approved. Costs associated with the development of project full business cases will require to be met by the Council and strategic partners at risk in advance of funding being approved by Central Government.
- 2.7 It is essential that full business cases are developed quickly for projects in the earlier part of the RGD programme to reduce the risk of underspend in the earlier years of the deal. There is limited flexibility from Government around re-profiling of RGD funds and this would be reliant on underspend from other deals.
- 2.8 The P&R Committee are therefore asked to approve a further £150k of funding from the Inward Investment Fund to support the development of RGD full business cases and associated pre-construction works e.g. planning, detailed design and consultancy support. This funding will enable work to be accelerated in advance of Full Deal Signing and ensure that projects are ready to be delivered in the earlier years of the RGD programme.
- 2.9 The RGD PMO will continue to seek external match funding to support project development costs and meet funding gaps. To date, the Council and key funding partners have secured over £15m of match funding that will directly support projects within the RGD programme. Given the significant funding secured to date, throughout the lifetime of the programme it is considered likely that RGD partners will exceed the £20m match funding commitment set out in the Heads of Terms Agreement.

3.0 RECOMMENDATIONS

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

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. The

RGD PMO and key stakeholders are working with the consultancy Stantec to develop projects and progress a series of Treasury Five business cases (OBC's and FBC's).

4.2 Upon signing the Full Deal Agreement, the Council will enter year 1 of a 10-year programme of delivery for the RGD. As such, projects in the earlier part of the programme will require to be more advanced by Full Deal signing than those in the middle / later stages. OBC's for projects in the earlier stages of the RGD programme will require Government approval in order to sign the Full Deal Agreement and full business cases will be necessary in advance of any draw down of funds.

4.3 At present, the following 7 key investment themes and 14 interdependent projects are included as part of the emerging RGD programme;-

- **RGD 1: Tourism – Creating a World Class Visitor Destination;**
 - Kintyre Sea Sports;
 - Rothesay Pavilion;
- **RGD 2: Creating a Low Carbon Economy;**
- **RGD 3: Rural Skills Accelerator Programme (RSAP);**
 - Dunoon STEM Hub;
 - SAMS STEM Hub;
 - Business Skills Support;
 - UHI Argyll Estate Enhancements – Dunoon;
- **RGD 4: Housing to Attract Economic Growth;**
 - Tobermory worker accommodation;
 - Islay housing pilot
- **RGD 5: Clyde Engineering and Innovation Cluster (CEIC);**
- **RGD 6: West Coast UAV Logistics and Training Hub;**
- **RGD 7: Marine Aquaculture Programme;**
 - Marine Industry Training Centre;
 - SAMS Seaweed and Shellfish R&D Centre;
 - Stirling University Machrihanish Innovation Campus.

4.4 The RGD PMO have been working with Stantec and key delivery partners to progress this business cases required to sign the Full Deal Agreement. To date, 4 OBC's have been submitted to Government with a further 7 nearing completion. The Council have received initial feedback from Government Policy Leads on 3 OBC's and are currently working on revised drafts. An outline programme for the submission of RGD business cases is included in *Table 4.1 below*-

Table 4.1 Business Case Tracker

Project Ref	Project	Stage	Target month for submission to Government
RGD1	Rothesay Pavilion	Stantec are drafting a Full Business Case, as agreed	September 2023

		with both Governments. Work is progressing well and on target.	
RGD1	Kintyre Sea Sports	Feedback on first draft OBC received 31 st May. Stantec and KSS are working to address feedback. Aim to submit second iteration in late September.	September 2023
RGD2	Low Carbon Economy - Islay	Stantec are drafting OBC. Aim to submit in late August/early September	August 2023
RGD3	Rural Skills Accelerator Programme OBC	Stantec continue to draft OBC. OBC has been delayed due to delays in confirming preferred options.	October 2023
RGD4	Housing – Isle of Mull	Agreed with Government to delay OBC submission, to allow a more developed OBC to be submitted once Stantec progress design and costing work, which is being taken forward as part of Islands Programme funding award.	October 2023
RGD4	Housing – Isle of Islay	Agreed with Government to submit in October 2023 to allow confirmation of preferred site.	October 2023
RGD5	Clyde Engineering & Innovation Centre	Submitted to Government on 18 th July 2023. Currently awaiting feedback.	Submitted July 2023
RGD6	West Coast UAV	Submitted to Government on 21 st June 2023 with feedback now received. Stantec revising economic case and further amendments to be made with input from project team.	October 2023 (revised OBC)

RGD 7 MAP	Marine Aquaculture Programme – Marine Industry Training Centre	Feedback on first draft OBC received 31 st May. UHI Argyll currently working to address feedback and hope to submit next iteration in August 2023	August 2023
RGD 7 MAP	Marine Aquaculture Programme – SAMS International Seaweed & Shellfish Industry R&D Centre	HIE advising that further work is required on Economic Case. PMO expect to receive in September 2023.	September 2023
RGD 7 MAP	Marine Aquaculture Programme – Marine Environmental Research Laboratory	PMO hope to receive OBC in late September 2023.	October 2023

4.5 Deputy Directors from Central Government met with Council staff and project leads at SAMS on the 1st June 2023 to discuss progress towards signing of the Full Deal Agreement. Government indicated that they are content with the progress being made across the deal programme and encouraged the Council aim to sign the Full Deal in advance of the next UK General Election as this would result in delays to the process.

5.0 Rural Growth Deal Budgets and Change

5.1 The quantum figure for City Region and Growth Deals is fixed as part of the Heads of Terms agreement and Central Government have advised that there will be no additional funding throughout the lifetime of the deal. As such, Argyll and Bute Council will receive a maximum of £50m from Central Government over the 10-year RGD programme.

5.2 There is limited capacity within deal programmes to account for construction price inflation and it will be necessary to secure external match funding to meet any funding gaps on projects. The programme will continue to be reviewed frequently by the Programme Board to ensure that projects remain affordable throughout the lifetime of the deal and protocols are in place should changes be necessary to the programme.

5.3 The Council and key delivery partners also require to consider operational costs and potential impacts on revenue budgets. The RGD is predominantly capital

funding with very limited revenue available to meet future operational costs (maximum of £2.5m across deal programme).

- 5.4 Table 5.1 below, sets out further detail on the emerging split of funding across the RGD programme.

Table 5:1 - Proposed RGD funding Split

Project Name		Funding Committed	UK Government	Scottish Government
Tourism	Rothesay Pavilion	£9m	£4.5m	£4.5m
	KSS	£2m	-	£2m
Creating a low carbon economy		£3m	£1.5m	£1.5m
Rural Skills Accelerator Programme				
Dunoon STEM Hub		£2.5m	-	£2.5m
SAMS STEM Hub		£2.5m	-	£2.5m
Business Skills		£0.5m	-	£0.5m
Built Environment Argyll College UHI		£1.5m	-	£1.5m
Housing		£3m	-	£3m
CEIC		£7m	£7m	-
UAV Logistics & Training Hub		£4m	£4m	-
Marine Aquaculture Programme				
Machrihanish Innovation Campus		£3.84m	£3.84m	-
SAMS International Seaweed and Shellfish Industry R&D Centre		£3.33m	£2.33m	£1m
Marine Industry Training Centre		£7.83m	£1.83m	£6m
Total Funding		£50m	£25m	£25m

6.0 RGD PROJECT UPDATES

6.1 Tourism - Creating a World Class Visitor Destination

- 6.1.1 Following the decision by the Programme Board in May to re-profile funding within the Tourism / Place programme to focus on completion of the Rothesay Pavilion project, the RGD PMO and members of the Internal Programme Board met with Government on the 30th June 2023 to seek an agreement in principal to support this proposal. The UK and Scottish Government have subsequently confirmed that they are content to give agreement in principal to re-profiling funding within the Tourism programme as follows:-

- £9m – Rothesay Pavilion;
- £2m – Kintyre Sea Sports.

- 6.1.2 It should be noted that this is an “in principal” commitment and these projects still require full business cases to be approved prior to RGD funding being drawn down. This will however, reduce risk to the Council of progressing further

phases of the Pavilion contract and it is anticipated that the full business case for this project will be submitted to Central Government in September 2023.

- 6.1.3 The P&R Committee endorsed the decision to include Rothesay Pavilion within the RGD programme on the 10th August 2023. Government are content that this demonstrates a clear commitment by the Council to continue to work with key partners to secure the funding necessary to complete this project.
- 6.1.4 The RGD PMO have received feedback from the Scottish and UK Government on the first draft OBC for the Kintyre Sea Sports project. Stantec and the project leads are currently working on a revised draft taking account of the comments received by Government policy leads. The Council have also submitted a stage 1 RCGF funding bid for this project for funding totalling £700k. If successful, this will provide significant match funding for the project and a decision is expected from the Scottish Government in September 2023. If the stage 1 bid is approved, a more detailed stage 2 funding bid will be submitted later in the year.

6.2 Creating a Low Carbon Economy

- 6.2.1 The emerging project proposals for this theme focus on the delivery of domestic home energy efficiency and heat decarbonisation measures including potential pilots in conservation areas and heritage properties. The focus on domestic properties follows advice from the local Distribution Network Operator regarding grid constraints on Islay. This makes it very challenging to deliver projects of scale without the requirement to balance electricity generation and demand.
- 6.2.2 Stantec and project stakeholders continue to work on the investment priorities and OBC for this project. It is anticipated that a draft OBC will be submitted to Government in September 2023. In advance of this, a meeting was held with Stantec and Government Economists to raise awareness of the project and the economic modelling approaches that Stantec have used in the development of the OBC.
- 6.2.3 A series of meetings have been held to identify partners and potential match funders for the project. The funding landscape for net-zero projects is particularly complex and it will be important to ensure that the RGD provides additionality without duplicating existing schemes. To date, the Council has been engaging with stakeholders including Historic Environment Scotland, BE-ST, Energy Systems Catapult and Home Energy Scotland.
- 6.2.4 It is likely that this project will be delivered later in the Rural Growth Deal programme as significant work is still required to finalise investment priorities and develop future delivery models. The Council are also working closely with key industries on Islay to investigate where RGD investment could support a more transformational infrastructure project in light of the distilling sectors commitments to decarbonise and the potential for significant offshore wind developments in the area.

6.3 Rural Skills Accelerator Programme (RSAP)

- 6.3.1 The Rural Skills Accelerator Programme (RSAP) is being progressed as a programme level OBC including three component parts as follows:
- STEM Hubs (physical, outreach & mobile)
 - Argyll College UHI built environment
 - Business Skills
- 6.3.2 The STEM Hubs will include a mix of physical hubs, mobile and outreach activities and the overarching focus of this project is to provide a platform for a transformational step change in local STEM education aligned to emerging job opportunities.
- 6.3.3 Due to receipt of match funding, work has advanced to take forward the repurposing of the council owned Hill Street building, to create a Dunoon Community STEM Hub in the south of Argyll. With planning permission and a building warrant in place, the Stage 1 construction works tender for the Dunoon facility was published on 11th May 2023. The tender has now progressed to Stage 2, with a tender award likely to be made in September 2023 (subject to affordability).
- 6.3.4 The second STEM Hub will be located within the European Marine Science Park at Dunstaffnage and will be operated by SAMS. This Hub will include a particular focus on marine STEM education however, it is vital that this facility complements the wider STEM programmes being delivered by the Council.
- 6.3.5 The RGD will also provide an opportunity to ensure that regional STEM activities are delivered in a more coordinated manner given that programmes are currently being delivered by UHI Argyll, SAMS, the Council and private sector stakeholders.
- 6.3.6 It has been agreed that the Business Skills element will be led by HIE and the focus of this programme will be developing business leadership skills. This will align with and complement the UK Shared Prosperity Fund Investment Plan business support programme being delivered by the Business Gateway Team until the end of March 2025.
- 6.3.7 UHI Argyll continue to develop options for their estate enhancements in Dunoon. A HubNorth facilitated workshop was held in June to explore site options for this project. At present, it is likely this will focus on UHI Argyll's current facility at West Bay, Dunoon.

6.4 Housing to Support Economic Growth

- 6.4.1 This project is focused on housing pilots on the islands of Mull and Islay and will aim to support wider work being undertaken to address our housing emergency. Match funding of up to £700k has been awarded from the Scottish Government's Islands Programme to fund enabling infrastructure works at the Council owned Rockfield Road site in Tobermory. This will include roads, key utilities and the submission of a detailed planning application for the wider site. Stantec are progressing work on a site layout,

infrastructure and design. The enabling infrastructure work is programmed for completion by October 2024.

- 6.4.2 It is anticipated that the OBC for the Tobermory housing project will be submitted to Government in October to allow sufficient time to incorporate some of the work being delivered by the Islands Programme funding.
- 6.4.3 Discussions continue with Islay Estates and ACHA in terms of developing housing at Bowmore. The intention is for the Rural Growth Deal to assist with infrastructure works that will enable the delivery of local housing. The Council intend to secure 4 plots from Islay Estates and deliver 4 houses for sale with a Rural Burden attached ensuring that the houses are occupied as principal homes.
- 6.4.4 In addition, Kilarrow House in Bowmore that is owned by the Council is subject to an options appraisal for future use as it has been deemed surplus to requirements. If the option chosen is to demolish the building then this site could be used to deliver the Rural Growth Deal housing project on Islay.
- 6.4.5 The Council are working with Stantec to draft an OBC for the Islay housing project and it is anticipated this will also be submitted to Government in October 2023.
- 6.4.6 The Scottish Government confirmed on 27th June that the intention is to recommend to Scottish Ministers that they make an Order designating Argyll and Bute Council as a Rural Housing Body. Further consultation will take place with businesses on Mull and Islay before the final recommendation is made.

6.5.0 Clyde Engineering and Innovation Cluster

- 6.5.1 This project is the main UK Government funded project in the RGD programme and will focus on providing commercial accommodation within Helensburgh to maximise local benefit from the Royal Navy's £1.3bn Maritime Change Programme.
- 6.5.2 The preferred site is located at Iona Stables, Colgrain and has Planning Permission in Principle for the creation of 60,000 sq. ft. (5,574 sqm) of high-quality office development, a public house/restaurant with car parking and external landscaping. The site at Colgrain is privately owned however, the Council are working with the landowner and agents to progress land negotiations.
- 6.5.3 The OBC for the CEIC was submitted to Government on the 18th of July 2023 for first stage feedback. Concept design work has been progressed by Stantec, and initial costings have been reported. It is likely that the preferred option (floor area of 3,000sqm) will have a funding gap of circa £3m - £5m depending on when the project is delivered. Project leads have been working with Scottish Enterprise to identify potential sources of match funding for this project.

- 6.5.4 Site investigations at Colgrain commenced in early April 2023 and Stantec are preparing reports on the findings. This will inform future detailed design and price estimation work required for the full business case.
- 6.5.5 The Council continue to work in partnership with the MOD, Royal Navy and key industrial partners as part of the design process. Where possible, we will ensure that this project is programmed to meet the needs of contractors being re-located to the area or away from the base.

6.6.0 West Coast UAV Logistics and Training Hub

- 6.6.1 This project aims to create a permanent base at Oban Airport to fly and maintain drones, as well as train pilots, educate and inspire children, and develop further uses for drones. The draft OBC for this project was submitted to Government in May 2023 with feedback received in August. The Council are currently working with consultants Stantec to revise the OBC taking account of comments received from Government policy leads.
- 6.6.2 Further proof of concept trials will be funded using a £250k grant secured from the UK Government's Regulators Pioneer Fund. Trials are starting in September and these will focus on the regulation of drones operating beyond visual line of site within controlled airspace. Oban Airport is ideally situated to enable such trials given its proximity to clear airspace. These trials could have national significance for the safe integration of drones in controlled airspace.
- 6.6.3 The Council continue to work with private sector stakeholder Skyports to deliver local drone trials in Argyll and Bute. SAMS are also a key stakeholder who are keen to develop local testing capabilities for drones and robotics and are supportive of the UAV Hub proposals.

6.7.0 Marine Aquaculture Programme (MAP)

- 6.7.1 The MAP is being led by HIE and consists of the following 3 projects:-
- UHI Argyll College Marine Industry Training Centre (MITC);
 - SAMS International Seaweed and Shellfish Industry R&D Centre;
 - Stirling University Machrihanish Innovation Campus.
- 6.7.2 These projects are at varying stages of development. The OBC for MITC was submitted to Central Government for first stage feedback on 4th April. HIE / UHI Argyll are currently revising the OBC taking account of feedback received by Government Policy Leads.
- 6.7.3 SAMS are working with EKOS to develop the business case for the International Seaweed and Shellfish Industry R&D Centre. The PMO expect to receive a draft OBC in September 2023.
- 6.7.4 Stirling University are also working with EKOS to develop their OBC for a new or refurbished facility at Machrihanish. It is anticipated that a draft OBC for this project will be submitted to Government in October 2023. This project will also complement marine aquaculture projects being delivered as part of the Stirling and Clackmannanshire Growth Deal.

7.0 FULL DEAL DOCUMENTATION

7.1 As part of the Full Deal process, the RGD PMO will require to draft the following documents:-

- Full Deal Agreement;
- Implementation Plan;
- Governance Plan;
- Financial Plan;
- Communications Plan

7.2 There may also be the requirement for projects to include some or all of the following:-

- Equality Impact Assessments;
- Fairer Scotland Impact Assessments;
- Environmental Impact Assessments (if required);
- Islands Impact Assessments (if required)
- Carbon Management Plans.

8.0 CONCLUSION

8.1 The RGD PMO are working towards signing of the Full Deal Agreement, which represents the next key milestone in the RGD process. Project leads have been working with Stantec to prepare a series of outline business cases that require to be submitted to Government in advance of deal signing. To date the Council have submitted 4 outline business cases with a further 7 nearing draft completion.

8.2 It is currently anticipated that the Full Deal Agreement will be signed early in 2024 however; this is reliant on the time taken for business cases to be reviewed and approved by Government. It should be noted that business cases can require multiple iterations prior to approval by Government and this process can take several months.

8.3 The RGD PMO continue to work with key stakeholders and Stantec to develop RGD projects and the suite of documents required for Full Deal Signing.

8.4 The Policy and Resources Committee have previously approved the release of 3 tranches of funding totalling £450k from the Inward Investment Fund with authority delegated to the Internal Programme Board to authorise spend to support Rural Growth Deal business case and project development work. At the time of writing this report, total approved spend on RGD development work stands at £367,616.

8.5 Following signing of the Full Deal Agreement, it will be necessary to draft full business cases for the approval of Central Government prior to the drawdown of RGD funding. This will require further project development work such as detailed design, planning and consultancy support to inform full business cases.

8.6 The Policy and Resources Committee are asked to approve a further £150,000.00 draw down from the Inward Investment Fund to support the development of full business following signing of the Full Deal Agreement. This is necessary to ensure draw down of RGD funds in the earlier stages of the programme.

9.0 IMPLICATIONS

9.1 Policy – The RGD is consistent with the Council’s Economic Strategy.

9.2 Financial – The RGD requires financial and staff resources from the Council.

9.3 Legal – The RGD may require input from Legal Services as part of the Full Deal Signing.

9.4 HR – None at present.

9.5 Fairer Scotland Duty: Required as part of OBC process.

9.5.1 Equalities - protected characteristics - Equality Impact Assessments are required for all RGD projects.

9.5.2 Socio-economic Duty - The Rural Growth Deal will follow Scottish Government guidance on Inclusive growth including measures to address socio-economic disadvantage

9.5.3 Islands – Islands impact assessments required as part of OBC process where necessary.

9.6 Climate Change – Carbon Management Plans are required for all RGD business cases.

9.7 Risk – Spend incurred in advance of approval of FBCs will be at risk to lead partner.

9.8 Customer Service – None at present.

Kirsty Flanagan Executive Director with responsibility for Development and Economic Growth

Policy Lead for Economy and Rural Growth: Councillor Robin Currie

September 2022

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ARGYLL AND BUTE COUNCIL

**POLICY AND RESOURCES
COMMITTEE**

**DEVELOPMENT AND ECONOMIC GROWTH
ROAD AND INFRASTRUCTURE
COMMERCIAL SERVICES**

12 OCTOBER 2023

NATURE RESTORATION FUND – SPEND OPTIONS

1.0 EXECUTIVE SUMMARY

- 1.1 In July 2021 the Scottish Government launched the Nature Restoration Fund, which provided £10 million in the financial year for projects addressing biodiversity loss and climate change, half of which was delivered via Local Authorities.
- 1.2 The Nature Restoration Fund aims to support large-scale, multi-year, multi-partner projects, which deliver transformative change to drive forward nature recovery.
- 1.3 Appendix 1 of this report sets of a number of projects which officers recommend are taken forward, utilising the funding allocated by the Scottish Government. The projects selected are time sensitive in terms of delivery and will provide a basis for further decision making by Members in relation to biodiversity and the remaining nature restoration funds.
- 1.4 The Scottish Government have a further fund available to Local Authorities and Scotland's National Parks for local nature restoration projects. This is a bidding process which is open to the Council, and is also open to projects that help Scotland's species, woodlands, rivers and seas back on the road to recovery.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that Policy and Resources Committee:-
- a) Note the allocation of Nature Restoration Funding received;
 - b) Agree to the recommended projects as set out in Appendix 1 of this report; and
 - c) Agree that officers bring forward a further list of projects for Members' consideration to the Policy and Resources Committee in December 2023.

3.0 DETAIL

3.1 The proposed strategic goal for the Nature Restoration Fund is “*to catalyse action at scale to protect and restore nature and Scotland’s biodiversity in land and at sea*”.

3.2 The fund has an increased focus on outcomes which address the main drivers of the decline in biodiversity – on land, over-exploitation of the natural environment and addressing its consequences, habitat loss and fragmentation, and invasive non-native species – particularly rural biodiversity.

3.3 The Fund has four strategic themes to be delivered across all the funding streams:-

- Habitat restoration – management for enhancement and connectivity
- Freshwater restoration, including hydrological change
- Eradication of invasive non-native species impacting on nature
- Coastal and marine management to promote restoration and resilience

3.4 The Council has been allocated £835,000 of funding since 2021.

2021/22	£108,000
2022/23	£238,000
2023/24	£489,000

3.5 The projects identified in **Appendix 1** are considered to fit the criteria of the fund, are time sensitive and within the control of the Council to deliver. They include research/consultancy to help refresh our biodiversity action plan and identify nature based solutions across Argyll and Bute. It will also demonstrate to the Scottish Government that the council is moving forward before the Council takes a final decision on remaining funds.

3.6 Should members of the Policy and Resources Committee agree to pursue the projects set out in **Appendix 1** this will leave £577,000 of funding to be determined following engagement with Members. When reviewing further project options, officers will also consider the opportunities associated with the Nature Restoration bidding fund which has been made available by the Scottish Government, and whether the Council should submit a bid for further funding.

4.0 CONCLUSION

4.1 This report recommends that the Council take forward a number of time sensitive and deliverable projects, utilising the Nature Restoration Fund allocated by the Scottish Government. The report also seeks agreement that officers bring forward a range of further projects for Members’ consideration.

5.0 IMPLICATIONS

- 5.1 Policy - There are no policy implications arising directly from this report.
- 5.2 Financial - There are no direct financial implications arising from this report, however, it should be noted that some of the projects listed in Appendix 1 do remove a financial cost to the Council, and therefore can be classed as cost avoidance for the Local Authority.
- 5.3 Legal - There are no legal requirements arising directly from this report.
- 5.4 HR - There is a resource requirement for staff to implement the projects set out in Appendix 1.
- 5.5 Fairer Scotland Duty
 - 5.5.1 Equalities – Protected Characteristics – None.
 - 5.5.2 Socio Economic Duty – None.
 - 5.5.3 Islands - None – there are areas within the projects set out in Appendix 1 that cover some of the islands within Argyll and Bute.
- 5.6 Risk - There is a risk of loss of funding should the Council not spend this funding allocated by the Scottish Government. In agreeing to take forward the projects outlined in table 1, this will demonstrate to the Scottish Government that the Council are utilising the funds allocated
- 5.7 Climate Change - The Nature Restoration Fund aims to support large-scale, multi-year, multi-partner projects which deliver transformative change to drive forward nature recovery and address biodiversity loss and climate change.
- 5.8 Customer Service – communities across Argyll and Bute will benefit from this funding.

Kirsty Flanagan, Executive Director with overall responsibility for Development and Economic Growth, and Road and Infrastructure Services

Douglas Hendry, Executive Director with overall responsibility for Commercial Services

Policy Lead for Climate Change and Environment Services, Councillor Ross Moreland

Policy Lead for Planning and Regulatory Services, Councillor Kieron Green

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APPENDICES

Appendix 1 – List of Projects

APPENDIX 1 – LIST OF PROJECTS

OPTION	INDICATIVE COST	LEAD OFFICER	COMMENT	CATEGORY
School Biodiversity Fund	£68k	Climate Change Board	Competitive fund for local schools to develop Biodiversity Action Plans for their respective grounds. Tree planting, food growing, education materials (Cooler Futures – potential partnership with ACT)	Habitat restoration
Woodland clearance and native replanting at Kilmory Estate / Kilmory Business Park	£50k	Commercial Services	Woodland around Kilmory Estate and Screening Business Park over mature and likely require felling and re-planting. Using a mix of native species that will enhance local biodiversity.	Habitat Restoration
Nature Networks Mapping project (as per NPF4)	£25K	Development and Economic Growth	The primary purpose of a Nature Network is ecological connectivity. This connectivity is required for fully functioning and healthy ecosystems. One of these priorities is establishing Nature Networks through Nature-based solutions, which provide multiple advantages supporting biodiversity, climatic resilience, and societal well-being. Contributes to 30 x 30 objectives https://www.nature.scot/professional-advice/protected-areas-and-species/30-30-and-nature-networks/30-30-explained	Habitat Restoration
Argyll and Bute Local Biodiversity Action Plan refresh	£30k	Development and Economic Growth	To develop a clear new framework for Local Biodiversity Action within Argyll and Bute for the next 10 years (this is to ensure delivery) in order to contribute	Habitat Restoration

			to 30 x 30 , Nature Networks and contribute to the delivery SBS across Scotland by 2045.	
Reed bed restoration at Glengorm and Gartbreck landfill sites	£60k	Roads and Infrastructure	Restoration of reed bed filtration systems which are in place to filter and treat leachate from landfill sites	Coastal and Marine management
Perennial Plants – Bowmore Public Realm	£25k	Roads and Infrastructure	The purchase of native shrubs and perennial plants for the flower beds at Bowmore Public Realm.	Habitat Restoration
TOTAL INDICATIVE SPEND: £258k				

The costings associated with each project in Appendix 1 are estimates, and may be subject to change as projects develop.

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ARGYLL AND BUTE COUNCIL
CLIMATE CHANGE BOARD

POLICY & RESOURCES COMMITTEE
12TH October 2023

CLIMATE CHANGE BOARD UPDATE AND DE-CARBONISATION TRACKER

1.0 EXECUTIVE SUMMARY

- 1.1 Argyll and Bute Council has been addressing climate change themes for over 7 years through its well established Climate Change Board. There has been a notable reduction in the overall carbon emissions generated by the Council since annual reporting commenced in 2015/16 - net reduction of 28.4% - through its Decarbonisation Plan. Whilst our region is well placed in terms of natural assets and relative low number of carbon emitting sources, a great deal of work still needs to be done to achieve Net Zero obligations by 2030 and 2045, in addition to increasing resilience to more severe weather events and sea level rises in coming years.
- 1.2 The purpose of this report is to summarise and highlight some of the main activities of the Climate Change Board over the previous quarter.

2.0 RECOMMENDATIONS

- 2.1 The Policy and Resources Committee are asked to note and consider the updates contained at Section 5 of the report and the full Decarbonisation Tracker update attached at Appendix A.

ARGYLL AND BUTE COUNCIL

POLICY & RESOURCES COMMITTEE

CLIMATE CHANGE BOARD

12TH October 2023

CLIMATE CHANGE BOARD UPDATE AND DE-CARBONISATION TRACKER

3.0 INTRODUCTION

3.1 This report highlights recent activity of the Climate Change Board.

4.0 RECOMMENDATIONS

4.1 The Policy and Resources Committee are asked to note and consider the updates contained at Section 5 of the report and the full Decarbonisation Tracker update contained within Appendix A.

5.0 SUMMARY UPDATES OF CLIMATE CHANGE BOARD

A – Argyll & Bute Council’s Net Zero Routemap

5.1 Progress continues towards securing a consultant to undertake the development of the Council’s Net Zero Routemap. The planned Net Zero Routemap will supplant the Council’s current Decarbonisation Plan which runs to 2025.

5.2 Council Officers continue to engage with Hub North Scotland to identify and engage suitable consultants. A productive meeting was held with a consultancy in July. Discussions between Council Officers, Hub North Scotland and the consultancy are continuing.

B – Update on Local Heat and Energy Efficiency Strategy (LHEES)

5.3 The Local Heat and Energy Efficiency Strategies (Scotland) Order 2022 came into force on 21st May 2022 and sets a legal requirement for local authorities to produce and publish a Local Heat and Energy Efficiency Strategy (LHEES) and a Delivery Plan by 31st December 2023.

- 5.4 The LHEES aims to set out a long-term plan to improve buildings' energy efficiency and decarbonise the heat source in domestic and non-domestic buildings within an entire local authority area. The process of LHEES production is highly technical. It involves the analysis of heat consumption data across a whole Local Authority geographical area, and the identification of opportunities to reduce that heat consumption through improvements to building fabric, or improvements in the efficiency of heating systems, particularly the utilisation of established heat networks and waste heat.
- 5.5 The Scottish Government has provided resources to deliver this work. We have employed an LHEES officer, and engaged consultants through Hub North Scotland to assist with the highly technical data analysis and mapping that will be required.
- 5.6 There has been some delay in the production of the LHEES due to the scarcity of consultancy support available when all Local Authorities are requiring the same work at the same time. It is currently planned to deliver the LHEES by March 2024 and Scottish Government has been made aware of this timetable. Officers will continue to update the Council of progress through the Climate Change Board reporting route.

C – Update on Energy Efficient Scotland: Area Based Scheme (EES:ABS)

- 5.7 To the end of the Project Year in June 2023, the Energy Efficient Scotland: Area Based Scheme spent all of its 2022/23 allocation of £2,011,323 plus an additional £300,000 which was applied for by the Council and awarded by the Scottish Government to meet the demands of an increased number of applications.
- 5.8 281 homes have been insulated in all areas of Argyll and Bute, contributing to a reduction in harmful carbon emissions and in turn reducing fuel costs for householders. The programme covers the entire Argyll and Bute area with geography being no barrier to eligibility for the scheme.
- 5.9 In addition, a joint project between Argyll & Bute Council and Argyll Community Housing Association embarked on a programme of insulation works on mixed tenure properties in Tarbert, Bute and Cowal, utilising Scottish Government funded grants of £722,000, with applications pending to continue this joint project.
- 5.10 The Scheme continues to successfully deliver insulation measures throughout Argyll & Bute in accordance with the Scottish Governments "Fabric First" principle and had been awarded £1,979,827 to continue the Scheme in 2023/24.
- 5.11 The Energy Efficiency Team consists of a Project Officer and a Project Administrator.

D – Update on Kilmory Solar PV Ground Array System

- 5.12 The 50kW Solar PV ground array system is now on line and generating at Kilmory Castle with the formal handover ceremony having taken place on Monday 11th September.
- 5.13 A time-lapse camera has recorded the entire project from inception to finish. Aerial drone footage has also been organised, and will be shared with the Council once finalised.

E – Update on Communications Team

- 5.14 The Council's Communications Team continues to externally promote the Council's climate actions, and actions that others can take, to develop the 'Climate Friendly Argyll and Bute' branding.
- 5.15 The Communications Team has ran a series of posts encouraging people to adopt small changes called the 'Green Summer' campaign. This included promoting school uniform recycling scheme, plastic free picnics, International Plastic Free Bag Day, Shop Local, Reduce fast fashion, active travel maps, National Marine Week and World Conservation Day.

F – Update on Argyll and the Isles Coast & Countryside Trust (ACT)

- 5.16 ACT are working in partnership with Argyll and Bute Community Planning Partnership on the recruitment of a new Climate Change Action Project Manager. This new role will be hosted by ACT, with the postholder responsible for leading on delivery of a new regional Argyll and Bute Climate Action Plan. The post was advertised over the summer, with interviews scheduled for September 2023.
- 5.17 Additionally, ACT is working with partners to submit a proposal to the Scottish Government to host a new Argyll Climate Action Hub.

G – Decarbonisation Tracker

- 5.18 The Council's Decarbonisation Plan sets a 3 year framework to continue our climate journey and routemap to net zero. Our Council has made a clear commitment to be a net zero organisation by 2045 and has also declared a climate emergency befitting the importance and critical nature of the topic. Whilst the main Decarbonisation Plan will be fixed for 3 years, the associated Action Plan (which forms an Appendix of the document) will be continuously updated and reported to both the Climate Change Board and Policy & Resources Committee. The latest update can be found at Appendix A.
- 5.19 The Decarbonisation Action Plan Tracker is shared publicly on the Council's Climate Change webpages.

6.0 CONCLUSION

6.1 This report provides various updates in relation to the Council's activities in relation to Climate Change.

7.0 IMPLICATIONS

7.1 Policy – Meeting obligations and commitment to Climate Change.

7.2 Financial – No direct linkage in this paper.

7.3 Legal – Meeting requirements of the Climate Change (Scotland) Act 2009, and the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019.

7.4 HR - None

7.5 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 – Direct link updating activities of the Climate Change Board and projects that will address climate change.

6.7 Risk - Not addressing impacts or causes of climate change can lead to increased cost or censure if targets are not met.

6.8 Customer Service - None

Douglas Hendry, Executive Director with responsibility for Commercial Services

Councillor Ross Moreland – Policy Lead Climate Change & Environment

12 September 2023

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APPENDICES

Appendix A – Decarbonisation Tracker – October 2023

Appendix A – Climate Change Tracker

ACTION	LEAD (L) AND PARTNERS	TARGET or MILESTONE	FUNDING	COMMENTS
<p>W1 –Develop and Implement Waste Strategy</p>	<p>(L) Roads and Amenity Services, Community, commercial customers</p>	<p>Implementation of the Waste Strategy transitioning to Landfill ban compliant Residual Waste Recovery solutions by 2025.</p>	<p>External funding and support being sought from the Scottish Government</p>	<p>An update report was submitted to ED&I committee in June and subsequently a meeting was arranged with the SG Minister to discuss the derogation following the options appraisal. SG Officers will meet with Council Officers in August to have further discussion as to whether the derogation would be accepted as it would require a change of law. Liaison with Renewi continues with regard to landfill ban compliance should a derogation authorised by the SG.</p>
<p>W2 – Promote the Waste Hierarchy through community Education</p>	<p>(L) Roads and Amenity Services</p>	<p>Evidence of community Education</p>	<p>Not secured</p>	<p>New Web content and Education materials for Primary and Secondary Schools were developed and delivered to online Education Environment Summit October 21 and the COP 26 Event on the 6th November 21.</p>
<p>W3 – Reduce Council use of disposable and single use plastics across all departments and settings</p>	<p>(L) Procurement and Commercial Services, all Council Services</p>	<p>Adoption of new working practices and procurement</p>	<p>No specific funding in place, research required to impact on operation costs</p>	<p>A report on Single Use Plastic went to the Policy and Resources Committee on 9 December 2021, and the following recommendations were approved:</p> <ul style="list-style-type: none"> Note and consider that the various Services that currently purchase SUP

ACTION	LEAD (L) AND PARTNERS	TARGET or MILESTONE	FUNDING	COMMENTS
				<p>products consider whether these products are essential or if there is a potential alternative that would meet the Service requirements, prior to orders being placed via PECOS or contacting the Procurement, Commercial and Contract Management Team (PCCMT) for a procurement process to be carried out.</p> <ul style="list-style-type: none"> • Note and consider that the Sustainable Procurement Policy will be updated to reflect the Climate Change Board desire to limit SUP where possible – wording has been included in the Annual Review 2023/2024 version of the Procurement Strategy 2022/2025 as follows: “To provide procurement support to any strategic decisions taken by the Council in relation to the usage of Single Use Plastic products and their recyclability.” • Note and consider that the Commodity Sourcing Strategy templates used for Regulated Procurements have been updated to

ACTION	LEAD (L) AND PARTNERS	TARGET or MILESTONE	FUNDING	COMMENTS
				<p>include a question regarding SUP.</p> <p>Changes in legislation were brought into force by the Scottish Government on the 1st June 2022 restricting single-use plastic cutlery, plates, straws, drink stirrers and balloon sticks, expanded polystyrene food containers and expanded polystyrene cups and other beverage containers, as well as all products made of oxo-degradable plastic. Some products already changed and others under review.</p>
W4 – Extend and explore pre-ordering for school food to reduce food waste	(L) Commercial Services and Education	Evidence of extension of pre-ordering & food waste reduction	Project funded and solution procured	Project Team currently implementing this, remaining sites due for implementation August 2023.
E1 – Deliver Renewable Sourcing Strategy 2	(L) Commercial Services	Adoption of Strategy	RSS2 consultancy work funding to be confirmed; expectation is that project implementation will be through combinations of prudential borrowing (subject to business case approvals) and/or external funding.	RSS2 next stage development work includes specification development and preparation of invitation to tender for specialist consultancy support. Current work in progress; intended to be market tested during 2023.
E2 – Delivery of Non-domestic Energy Efficiency Framework (NDEEF) Projects	(L) Commercial Services	Evidence of delivery of projects	Project development work is funded by combinations of the Scottish Government and the procured provider (costs absorbed within the tender process). Funding for project implementation will come from Council approved capital allocations:	Non Domestic Energy Efficiency Fund (NDEEF1) Energy Performance Contract was signed on 16 July 2021 (circa £1.25m investment with 10 year payback). The originally intended mini project list has been fully delivered. Following on from the P&R Committee report in May 2023: May PR - Climate Change -NDEEF

ACTION	LEAD (L) AND PARTNERS	TARGET or MILESTONE	FUNDING	COMMENTS
			<ul style="list-style-type: none"> • Climate Change 20/21 - £500K • Climate Change 21/22 - £600K • Asset Sustainability – £175K 	<p>Progress update.pdf (argyll-bute.gov.uk), four final mini projects, which were added as contract variations, remained to be implemented. Tarbert School LED lighting was installed in the 2023 school summer recess; Kilmory Nursery solar pv is underway and scheduled to be complete in September 2023; the intended low carbon heating solution and pv installation at Cardross PS have been intentionally delayed whilst we try to access a recently launched funding scheme: Phase 3c Public Sector Decarbonisation Scheme Salix Finance.</p> <p>In addition to the above, the procurement sourcing strategy for the next batch of sites, using designation NDEEF2, is under way.</p>
E3 – Delivery of additional solar installations at Council assets	(L) Commercial Services	Evidence of delivery of projects	Consultancy work funding to be confirmed; expectation is that project implementation will be through combinations of prudential borrowing (subject to business case approvals) and/or external funding.	<p>Best solar pv opportunities are being delivered within NDEEF (Ref item E2) and advantage is also being taken to install solar pv solutions within the asset sustainability capital programme where possible e.g. as a component of roof upgrades.</p> <p>The potential for a large solar pv ground array at the Kilmory Estate is currently being limited due to electric grid constraints – engagement with</p>

ACTION	LEAD (L) AND PARTNERS	TARGET or MILESTONE	FUNDING	COMMENTS
				SSEN is ongoing to try to identify solutions.
E4 – Delivery of Water Efficiency Audits across our Estate	(L) Commercial Services	Evidence of delivery of projects	Works items are generally small scale and are being funded through existing approved budgets where possible; otherwise costs will be met from savings generated.	Significant Council wide asset verification exercise and ensuring water use minimised. The asset verification element of this project is substantially complete and substantial savings have been identified and recovered. A case study is being prepared to demonstrate the range of tasks undertaken and to convey the scale of savings made and refunds received. The final stage of work involves an exercise to reduce water consumption (with carbon emissions reduction) over a number of sites and is underway.
E5– Delivery of Energy Efficiency Scotland Programme	(L) Housing Services, Registered Social Landlords	Evidence of delivery of projects	Funding amounts are determined by localised factors and is paid as a proportion of the Scottish Governments’ Heat In Buildings Strategy	To the end of the Project Year in June 2023, the Scheme spent all of its 2022/23 allocation of £2,011,323 plus an additional £300,000 which was applied for by the Council and awarded by the Scottish Government to meet the demands of an increased number of applications. 281 homes were insulated in all areas of Argyll and Bute, contributing to a reduction in harmful carbon emissions and in turn reducing fuel costs for householders. In addition, a joint project between Argyll & Bute Council and Argyll Community

ACTION	LEAD (L) AND PARTNERS	TARGET or MILESTONE	FUNDING	COMMENTS
				<p>Housing Association embarked on a programme of insulation works on mixed tenure properties in Tarbert, Bute and Cowal, utilising Scottish Government funded grants of £722,000, with applications pending to continue this joint project. The Scheme continues to successfully deliver insulation measures throughout Argyll & Bute in accordance with the Scottish Governments “Fabric First” principle and had been awarded £1,979,827 to continue the Scheme in 2023/24.</p>
<p>E6 – Complete LED streetlight replacement programme</p>	<p>(L) Roads and Infrastructure Services</p>	<p>Evidence of delivery of projects</p>	<p>Fully funded through prudential borrowing</p>	<p>Contractors have now commenced works in the Lorn Area to progress the last installation phase of the project and have a programme of approx. 4-6 weeks to install 1100 new LED luminaires. 860 have now been installed and delivery of some additional luminaires is awaited before contractor completes in the Lorn area. All works in the Oban area should be complete by the end of May 2023. The Council has 14442 streetlights in total so carbon emissions have already been greatly reduced by the LED Upgrade Project. 2021/22 figures were CO2 totals 738 tonnes, this has been reducing year on year, back in 2015/16 figures were CO2 Totals 3140 tonnes.</p>

ACTION	LEAD (L) AND PARTNERS	TARGET or MILESTONE	FUNDING	COMMENTS
				2022/23 emissions are forecast to be reduced by approx. 10 – 15% on the 2021/22 figures.
E7 – Continue support of ABRA and review Renewable Energy Strategy annually	(L) Economic Development	Evidence of delivery of projects	Officer resource to support currently funded	Work to support ABRA ongoing. A meeting was held in May 23 and focused on the Cruachan expansion and Machair offshore wind projects. Current ongoing project by SSE Networks for renewal of powerlines between Inveraray and Crossaig as well as more minor works. Work ongoing on outline business case for Islay Energy System work through the Rural Growth Deal. Islay is one of the Carbon Neutral Islands being progressed by the Scottish Government, work is ongoing.
E8 – Continue support for offshore development of renewables	(L) Economic Development	Evidence of delivery of projects (expected late 2020s/early 2030s)	Officer resource to support currently funded	Scottish Power Renewables are progressing the Islay site (Machair Wind) project , expected to seek consent during the mid2020s. ABC and HIE supported supply chain development events in relation to the project during June. The Crown Estate Scotland Innovation and Targeted Oil and Gas (INTOG) leasing has identified a site off Islay for a 100MW innovation project.
T1 – Develop a Fleet Replacement Strategy supportive of fuel efficient, electric and hybrid vehicles	(L) Roads and Infrastructure Services	Adoption of Strategy	Part for current financial year	The Fleet Replacement Strategy is complete but is subject to on-going change in line with legislative changes as it is an operational document.

ACTION	LEAD (L) AND PARTNERS	TARGET or MILESTONE	FUNDING	COMMENTS
T2 – Develop a vehicle routing system that will reduce road miles for operations	(L) Roads and Infrastructure Services	Evidence of delivery of projects	Part for current financial year	<p>A progress update on the route optimisation project went to the Environment, Development and Infrastructure committee in June and is available here: https://www.argyll-bute.gov.uk/moderngov/documents/s195722/ROUTE%20OPTIMISATION%20UPDATE.pdf</p> <p>The main headlines are that a contract has been awarded and a project plan is in place which we are working through, We are at the key stage now of checking the information uploaded into the system on existing routes to ensure the foundation data is solid before we look to model new options from there. The data requires some manual manipulation to pick up on local nuances like road end collections but largely checks out. We are now moving to looking at different routing options available through the system – the project plan is still on track to have option available to consider by the end of the year. In advance of this we'll look to arrange a member seminar to demonstrate the system.</p>
T3 – Develop an electric vehicle infrastructure strategy	(L) Roads and Infrastructure Services	Evidence of delivery of projects	Part for current financial year	Work on the strategy document is now effectively complete and we have a long list of sites which will be

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			<p>The development of the EV network is funded by external grant monies from Transport Scotland, and the costs of developing the strategy in terms of staff time are covered via existing budgets</p> <p>Ultimately the cost recovery model</p>	<p>recommended to Committee for formal adoption as well as ancillary parts of the strategy around maintenance, procurement etc. A comprehensive year-end report will go to EDI in December summarising the current position. The next key stage is securing enough external funding and/or agreeing a delivery model – self delivery supported by business case, concession model or leasing sites, or a mixture of the three. A high level analysis of possible delivery options will also be contained in the year end report.</p>
<p>T4 – Support Digital by Default theme Service Review & Recovery Plan to reduce need to travel</p>	<p>All Council Departments</p>	<p>Evidence of delivery of projects</p>	<p>Part for current financial year</p>	<p>Council is adopting ‘Our Modern Workspace’ programme and Digital First approach as services change and evolve post pandemic.</p>
<p>T5 – Develop new active travel plans for Council buildings and our towns</p>	<p>(L) Economic Development</p>	<p>Evidence of delivery of projects</p>	<p>No active travel funding is provided by Council.</p> <p>External competitive challenge funds are time consuming to secure and projects have to be shaped to fit with external funders’ aspirations and requirements by the 1.7FTE Active Travel staff in the Strategic Transportation Team. However, at present these are the only available source(s) of potential funding to deliver active travel improvements.</p> <p>2022/23 Progress</p>	<p>The purpose of active travel is to make it as easy as possible and help to encourage individuals, businesses and visitors to choose to walk, wheel or cycle for local journeys. Increasing activity and reducing sedentary behaviour has significant health benefits and can increase accessibility to essential services, education, employment, retail and leisure. Walking and cycling are lower cost travel modes and, if they are a viable option, can help households reduce their reliance on</p>

ACTION	LEAD (L) AND PARTNERS	TARGET or MILESTONE	FUNDING	COMMENTS
			<p>The 1.7FTE Active Travel Team secured £3.03M external challenge funding in 22/23 for development and delivery of 32 active travel projects across Argyll and Bute, requiring 22 separate competitive challenge funding applications to 8 separate funds.</p> <p>Projects funded via the active travel team within Strategic Transportation in 2022/23 included:</p> <ul style="list-style-type: none"> • First two sections of high-quality segregated cycleway in Argyll and Bute constructed at Helensburgh Waterfront and Ralston Road, Campbeltown in 2022/23. • Significant upgrade to path network in Castle Gardens, Dunoon. • New cycle and scooter storage and access at Castlehill School, Campbeltown. • New cycle parking at the community owned Port Ellen Playing Fields Community Development, Islay. • Funded Cycling UK to run the Dunoon Cycle Bothy • Funded ACT to upcycle 65 bikes to return to the local Mid-Argyll Community and to assist children 	<p>private cars, particularly multiple car households.</p> <p>No Council funding is currently expended on Active Travel work, with all costs, including internal staff costs (1.7FTE), having to be funded via successfully securing external challenge funds. As all active travel work is currently reliant on securing external funding, therefore the projects which are progressed are those which can successfully secure external challenge funding.</p> <p>Argyll and Bute Active Travel Strategy: Officers are working to develop an Argyll and Bute Active Travel Strategy and present it for Council by summer 2024. The Active Travel Strategy would provide the overarching context for the Council to support and promote active travel across the Council area. Having an adopted and current Active Travel Strategy is increasingly becoming a pre-requirement to access Scottish Government derived active travel funding.</p> <p>Active Travel Delivery Plan: Following approval of Active Travel Strategy, an Active Travel Delivery Plan will be developed to create a</p>

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			<p>of refugees in Oban to have opportunity to cycle.</p> <ul style="list-style-type: none"> • Funded ACT to deliver Carbon Literacy training to over 30 people. • Creation of new Smartphone Apps for Tobermory and Bowmore (adding to the existing popular apps for Campbeltown, Dunoon, Helensburgh, Oban and Rothesay) • Printed Active Travel Map Helensburgh • Design work progressed for ambitious walking and cycling projects including: <ul style="list-style-type: none"> - Dunoon, Town Centre to Hunters Quay Active Travel route. - Helensburgh: Helensburgh – Cardross – Dumbarton Cyclepath and Helensburgh – Garelochhead Cycleway. - Islay, Bowmore to Bridgend Path (with Islay Community Access Group). - Jura, Craighouse to Corran Sands Active Travel Improvements. - Lochgilphead: Front Green to Crinan Canal and Town Centre to Joint Campus Active Travel Routes. - Rothesay, Town Centre to Joint Campus Active Travel Improvements. - Oban, Oban to Ganavan Sands Active Travel Improvements and 	<p>prioritised list of active travel projects for the whole of Argyll and Bute.</p> <p>Active Travel Projects: The majority of external funding available is provided by the Scottish Government via a number of third sector organisations who are paid to administer these funds. The focus for Scottish Government Active Travel funding is to develop and deliver infrastructure projects and associated behaviour change. As such, the focus for the very limited staff capacity in the Active Travel Team has been to develop and deliver infrastructure projects across Argyll and Bute with a focus on our main towns and locations with strong community support.</p> <p>Active Travel Plans for Towns: There are Active Travel Plans in place for the main towns in Argyll and Bute, albeit some are now quite historic. The town Active Travel Plans focus on identifying potential active travel route networks for key towns. These provide a framework for the development of new active travel routes, which will enable and encourage residents, businesses and visitors to choose to travel more actively. No funding is currently</p>

ACTION	LEAD (L) AND PARTNERS	TARGET or MILESTONE	FUNDING	COMMENTS
			<p>Community engagement to identify desire for future active travel improvements in Oban.</p>	<p>secured to enable the Active Travel Plans for towns to be updated.</p> <p>Council Staff Travel Plan: At present it is not proposed to progress with development of a Council Staff Travel Plan. This is due to (a) requirement to make best use of limited internal staff capacity; and, (b) the ongoing uncertainty of longer-term staff profiles and bases. Staff Travel Plans focus on measures to make it easier and preferable for staff to choose to walk, cycle, use public transport or car share to commute to work or for work journeys, or use economical pool vehicles for work journeys. A travel plan should encourage staff to choose the most economical and least environmentally damaging travel mode. Engagement will be required with services which manage staff in buildings and/or council buildings as this is essential to creating deliverable and effective travel plans for staff. This includes Estates, HR, SMT and building users. It is recommended that work on the Council Staff Travel Plan is commenced after a decision has been made on future staff working patterns and office rationalisation as these will have a significant impact on the Council Staff and their</p>

ACTION	LEAD (L) AND PARTNERS	TARGET or MILESTONE	FUNDING	COMMENTS
				travel. There is currently no funding secured to enable this work to be progressed.
PA1 – Review Council Flooding & Coastal Protection Policy	(L) Roads and Infrastructure Services	Review of policy	No specific funding in place, research required to impact on operation costs	Reviews are in process.
PA2 – Review Council Sustainable Procurement Policy	(L) Procurement	Review of policy	No specific funding in place, research required to impact on operation costs	This policy is reviewed on an annual basis.
OFF1 – Develop opportunities for Carbon Offsetting with ACT and partners	(L) Climate Change Board, ACT and partners	Delivery of projects	Limited funding via ACT for existing projects	<p>SSEN compensatory planting – Phase 1 and 2 complete at Kilmory with additional planting of a new community woodland to take place Dunbeg.</p> <p>ACT are currently undertaking habitat surveys in the Glenan Wood area in Cowal for a biodiversity net gain project supported by SSEN. This project would see 50 hectares of Rainforest cleared of invasive rhododendrons. Funding for full delivery tbc.</p> <p>ACT have entered agreement with Mastercard’s Priceless Planet Coalition to plant 100,000 native trees in Argyll. over the coming 5 years. Sites are confirmed and legal agreements being finalised. This planting will offer opportunities for carbon credits for landowners.</p>

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				<p>ACT are working in partnership with the Community Planning Partnership and will be hosting a Climate Change Officer. Post has been advertised and interviews will take place in September '23.</p> <p>Also working with partners to submit a proposal to host an Argyll Climate Action Hub (SSCAN ScotGov project).</p> <p>ACT undertaking peatland restoration on Islay, Jura and extending into mainland Argyll, supported by ScotGov's Peatland Action and Esmee Fairbairn Foundation. In addition to the 2 Islay based jobs, we will be offering a 1-year trainee position in 2024.</p> <p>Carbon Literacy Training – ACTNow continuing to offer this service. A number of Councillors have indicated that they would like to undertake the training – funding tbc. A&BC Climate Change Officer working with ACT and Climate Change Board to discuss progressing towards being a Silver Accredited Carbon Literate Organisation.</p> <p>ACT delivering Bikes Back to the Community with the support of</p>

ACTION	LEAD (L) AND PARTNERS	TARGET or MILESTONE	FUNDING	COMMENTS
				<p>Smarter Choices, Smarter Places funding. ACT has two electric bikes available for groups and businesses and Councillors/Council officers to trial.</p> <p>ACT has applied to Nature Restoration Fund which if awarded would achieve landscape scale rhododendron clearance in Knapdale. Outcome of bid due end Sept '23.</p> <p>ACT has led a bid on behalf of Alliance for Scotland's Rainforest to the Facility for Investment Ready Nature in Scotland – to facilitate private finance investment into habitat restoration. Outcome due September '23.</p> <p>ACT has submitted Expression of Interest for asset transfer or lease of land adjacent to Kilmory Castle to establish a Woodland Enterprise Hub. With A&BC for consideration.</p> <p>ACT working with DRAX to develop STEM subjects outdoor learning programme. Also working with new groups at MAKI Pups nursery site to encourage new groups to enjoy outdoor activities and learning.</p>

ACTION	LEAD (L) AND PARTNERS	TARGET or MILESTONE	FUNDING	COMMENTS
<p>COMM1- Develop and deliver Communications Plan to support Decarbonisation Plan</p>	<p>(L) Climate Change Board and Communications Team</p>	<p>Delivery of Communications Plan</p>	<p>Part of Communications Support</p>	<p>External communications We continue to promote actions the council is taking, and actions that others can take, to develop climate-friendly Argyll and Bute. For example:</p> <ul style="list-style-type: none"> • Promoting easier recycling on Coll and Tiree • HMPA SG consultation response • Council calls for ban on single use disposable vapes • Council and ATC nomination for Planning Awards for Argyll rainforest project • Council achieves bronze carbon literate award • Council calls for clarity on deposit return scheme • Promotion of home efficiency projects – insulated over 160 households to date • Landfill ban – request meeting with SG Minister • Food waste service campaign to encourage more Helensburgh and Lomond residents to use their caddies – ‘Bucket Load of Good’ • Promotion of ongoing Campbeltown Flood Prevention Scheme • Free active travel apps

ACTION	LEAD (L) AND PARTNERS	TARGET or MILESTONE	FUNDING	COMMENTS
				<ul style="list-style-type: none"> • Hermitage Park green flag status • Funding for additional EV charging points • Increased funding announcement for Energy Efficiency Scheme • Green Summer campaign – series of posts encouraging people to adopt small changes <ul style="list-style-type: none"> - School uniform recycling scheme - Plastic free picnics - International plastic free bag day - Shop Local - Reduce fast fashion - Active travel maps - National Marine Week - World Conservation Day • New Campbeltown cycle path • Dunoon active travel route consultation • Helensburgh active travel route consultation • Supporting Communities Fund. • Highlighted Corporate Plan including climate action • Built environment Planning Awards

ACTION	LEAD (L) AND PARTNERS	TARGET or MILESTONE	FUNDING	COMMENTS
COMM2 - Engage with community and partners and deliver Climate Change Directory for our region	(L) Community Planning and Development Team	Delivery of engagement map	In place until end of financial year	<p>The CPP Climate Change signposting page is live https://www.argyll-bute.gov.uk/cpp-climate-change with further entries added as they are received.</p> <p>The dedicated Climate Change funding opportunities search, available through the signposting page, is conducted and an updated document produced on a regular basis.</p> <p>The Community Planning team established the CPP Climate Change Working Group which has developed a collaborative funding package and work to deliver a Climate Change Plan for the area. (see update on ACT and partners within this report)</p>
COMM3 - Monitor the delivery of actions in the Climate Change Action Plan and review in 2024	(L) Climate Change Board	Review of this plan by December 2024		Monitored through Tracker to be submitted quarterly to Policy & Resources Committee. Completed – next review Dec 2024

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 October 2023	Financial Report Monitoring Pack	Financial Services	Every meeting except May	12 September 2023	
	Budget Outlook	Financial Services			
	Budget Simulator Update	Financial Services			
	Update on 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
	Development of Area Plans to Reflect Investment Opportunities	Chief Executive			
	Crown Estates Funding (a) Crown Estate 2019-2023 Allocations and Project Updates (b) Crown Estate 2023/24 Allocation and Possible Projects	Development and Economic Growth			
	Placed Based Investment 2023-24 Update	Development and Economic Growth			Agreed 10.08.23
	Nature Restoration Fund – Spend Options	Development and Economic Growth; Roads and Infrastructure Services; and Commercial Services			

Policy and Resources Committee Work Plan 2023-2024

	Rural Growth Deal Update	Development and Economic Growth			Agreed 10.08.23
	Rothsay Pavilion Update	Development and Economic Growth; Commercial Services			
	Climate Change Board Update and De-carbonisation Tracker	Commercial Services			
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			
	Budget 2024/25	Financial Services			
	Annual Review of Procurement Strategy and Sustainable Procurement Policy	Legal and Regulatory Support			
	Crown Estates Funding Update	Development and Economic Growth			
	Nature Restoration Fund – Spend Options	Development and Economic Growth; Roads and Infrastructure Services; and Commercial Services			

Policy and Resources Committee Work Plan 2023-2024

	Elected Members Involvement In HR Processes – Proposals For Change	Customer Support Services			
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			
	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			
Date	Report Title	Dept/Section	How Often?	Date Due	Comments
TBC August 2024	Financial Report Monitoring Pack	Financial Services	Every meeting except May	16 January 2024	
	Budget Outlook	Financial Services			
	Community Empowerment (Scotland) Act 2015 – Update on Expressions of Interest / Asset Transfer Requests	Commercial Services			
Future Items – Date to be determined.					

Policy and Resources Committee Work Plan 2023-2024

	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
	Rothsay Pavilion - Rural Growth Deal	Development and Economic Growth			Update to be provided following approval of the Rural Growth Deal Full Business Case by the UK and Scottish Government.

NOT FOR PUBLICATION by virtue of paragraph(s) 8, 9
of Schedule 7A of the Local Government(Scotland) Act 1973

Document is Restricted

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