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

*Executive Director: Douglas Hendry*

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8 February 2024

## NOTICE OF MEETING

A meeting of the **POLICY AND RESOURCES COMMITTEE** will be held **ON A HYBRID BASIS IN THE COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD AND BY MICROSOFT TEAMS** on **THURSDAY, 15 FEBRUARY 2024** 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 7 December 2023

* 4. **FINANCIAL REPORTS MONITORING PACK - 31 DECEMBER 2023** (Pages 11 - 146)

   Report by Section 95 Officer

* 5. **BUDGETING PACK 2024-2025**

   Reports by Section 95 Officer

   Please note that the Budget Pack 2024-2025 relative to the consideration of the foregoing matters has been published separately under a meeting entitled “Budget Pack”, please ensure that you have downloaded this to your iPad before coming to the meeting.

   The budget pack will stand alone and will be published here separately from the Policy and Resources Committee and Council agendas. This will enable the same pack to be accessed at all meetings.

   Accessing the Budget Pack from your iPad –
   To access this years’ Budgeting Pack 2024/25 Members should log into the Modern.Gov App on their iPad and tap the cog symbol on the top right hand side of the screen. In the next screen, tap the “Select Committees of Interest” option, scroll

down until you find the Budget Pack. Tap on this line and a tick should appear opposite the Budget Pack to show that you have made your selection. Click “OK” at the bottom right hand side of the screen. This should now appear on your list of Committees.

* **6. TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY** (Pages 147 - 204)

Report by Section 95 Officer

* **7. SCOTTISH WELFARE FUND - FINANCIAL POSITION** (Pages 205 - 210)

Report by Head of Financial Services

* **8. STRATEGIC EVENTS AND FESTIVALS FUND - ROUND 6 2024/2025** (Pages 211 - 218)

Report by Executive Director with responsibility for Development and Economic Growth

**9. CROWN ESTATE 2023/24 ALLOCATION - UPDATE** (Pages 219 - 226)

Report by Executive Director with responsibility for Development and Economic Growth

**10. OBAN AND HELENSBURGH STRATEGIC DEVELOPMENT FRAMEWORKS** (Pages 227 - 234)

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

**11. ARGYLL AND BUTE - MOBILE COVERAGE MAPPING** (Pages 235 - 242)

Report by Executive Director with responsibility for Development and Economic Growth

**12. PEOPLE STRATEGY AND STRATEGIC WORKFORCE PLANNING PRIORITIES 2024 - 2028** (Pages 243 - 268)

Report by Executive Director with responsibility for Customer and Support Services

**13. CLIMATE CHANGE BOARD UPDATE AND DECARBONISATION TRACKER** (Pages 269 - 296)

Report by Executive Director with responsibility for Commercial Services

**14. ARGYLL AND BUTE HOUSING EMERGENCY - PROJECT OFFICER RESOURCE** (Pages 297 - 302)

Recommendation from the meeting of the Environment, Development and Infrastructure Committee held on 30 November 2023

**REPORT FOR NOTING**

**15. POLICY AND RESOURCES COMMITTEE WORKPLAN** (Pages 303 - 306)

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

## Policy and Resources Committee

| | |
|---|---|
| Councillor 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 ON A HYBRID BASIS IN THE COUNCIL CHAMBER AND BY MICROSOFT TEAMS on THURSDAY, 7 DECEMBER 2023**

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

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

**Also Present:** Councillor Maurice Corry

**Attending:** Pippa Milne, Chief Executive
Douglas Hendry, Executive Director
Kirsty Flanagan, Executive Director
Anne Blue, Head of Financial 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 and Andrew Kain.

**2. DECLARATIONS OF INTEREST**

Councillor Dougie Philand declared a non-financial interest in item 8 of the agenda (Conservation Area Regeneration Scheme (CARS) Projects: 2-4 and 6-10 Argyll Street, Lochgilphead) due to him having relatives in the building industry and possible tenderers for the works to be carried out in relation to this project. He advised that he would leave the room during the consideration of this item of business.

**3. MINUTES**

The Minutes of the meeting of the Policy and Resources Committee held on 12 October 2023 were approved as a correct record.

* **4. FINANCIAL REPORTS MONITORING PACK - 31 OCTOBER 2023**

The Committee gave consideration to a report providing a summary of the financial monitoring reports as at the end of October 2023. There were five detailed reports setting out the position as at 31 October 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 31 October 2023;

2. noted the financial risks for 2023-24;

3. noted the capital plan monitoring report as at 31 October 2023 and approved the proposed changes to the capital plan outlined in Appendix 4 of that report;

4. noted the treasury monitoring report as at 31 October 2023;

5. noted the reserves and balances report as at 31 October 2023; and

6. agreed to recommend to Council that the revenue virements over £0.200m during September and October 2023 are approved.

(Reference: Report by Section 95 Officer dated 3 November 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 12 October 2023.

**Decision**

The Policy and Resources Committee –

1. noted the current estimated budget outlook position for the period 2024-25 to 2028-29;

2. agreed to recommend to Council that the utilities budgets are right sized by utilising £0.936m of the £1.4m contingency that was set aside for inflationary increases as part of the 2023-24 budget setting process;

3. agreed to recommend to Council that the shortfall in the teachers pay award funding is met by utilising £0.080m of the £1.4m contingency that was set aside for inflationary increases as part of the 2023-24 budget setting process; and

4. noted that Argyll and Bute Council were selected as a Scottish Local Authority for a Levelling Up Partnership (LUP) with the UK Government and will therefore receive up to £20 million to address specific local challenges and opportunities.

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

Councillor Amanda Hampsey left the meeting during the consideration of the following item of Business.

**6.	BUDGET UPDATE REPORT**

The Committee gave consideration to a report providing an update on the budget setting process for 2024/25.

**Decision**

The Policy and Resources Committee –

1. noted the budget update report;

2. noted that the items outlined in the report would feature in the Budget Pack in February 2024; and

3. noted that options in relation to the funding of LEIP would be brought to a future meeting of the Council.

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

*** 7. 2024/2025 ANNUAL REVIEW - PROCUREMENT STRATEGY 2022/25 AND SUSTAINABLE PROCUREMENT POLICY 2022/25**

The Committee gave consideration to a report which sought approval of revisions to the Procurement Strategy 2022/25 and Sustainable Procurement Policy 2022/25 following the annual review of both documents.

**Decision**

The Policy and Resources Committee –

1. noted the minor changes to the Procurement Strategy 2022/2025 and Sustainable Procurement Policy 2022/2025; and

2. approved the final revised Procurement Strategy 2022/25 and Sustainable Procurement Policy 2022/25, to go on to the Full Council in February 2024.

(Reference: Report by Executive Director with responsibility for Legal and Regulatory Support dated 7 November 2023, submitted)

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

**8. CONSERVATION AREA REGENERATION SCHEME (CARS) PROJECTS - 2-4 AND 6-10 ARGYLL STREET, LOCHGILPHEAD**

The Committee gave consideration to a report outlining the funding gap that existed in the final two priority buildings of the Lochgilphead Conservation Area Regeneration Scheme (CARS). The report requested the utilisation of an additional £137,271.46 grant funding from the Private Sector Housing Grant (PSHG) budget to cover the funding gap and facilitate these two key projects.

**Decision**

The Policy and Resources Committee approved the utilisation of Private Sector Housing Grant (PSHG) to award an additional £137,271.46 grant to the 2-4 Argyll Street and 6-10 Argyll Street Lochgilphead CARS projects, thus providing essential gap funding to facilitate the essential repair and conservation of these buildings.

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

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

**9. NATURE RESTORATION FUND - SPEND OPTIONS**

The Committee gave consideration to a report recommending that the Council take forward a number of deliverable projects utilising the Nature Restoration Fund allocated by the Scottish Government.

**Decision**

The Policy and Resources Committee –

1. noted the remaining allocation of Nature Restoration Funding;

2. noted the suggestions received by Elected Members in Appendix 1 to the submitted report; and

3. agreed to the recommended projects as set out in Appendix 2 of the submitted report.

(Reference: Report by Executive Director with responsibility for Executive Director with responsibility for Development and Economic Growth and Roads and Infrastructure Services; and the Executive Director for Commercial Services dated December 2023, submitted)

**10. SINGLE AUTHORITY MODEL UPDATE**

The Committee gave consideration to a report providing an update on the progress that has been made in terms of exploring options for a Single Authority Model in Argyll and Bute and the engagement that has taken place with the Scottish Government and other key partners.

**Decision**

The Policy and Resources Committee –

1. noted that the Scottish Government have formally advised the Council that Ministers welcome their involvement in discussions on Single Authority Models;

2. noted the ongoing engagement and collaboration with key partners to develop suitable options, as set out at paragraphs 4.3 and 4.4 of the submitted report; and

3. noted that a further report will be prepared for the Policy and Resources Committee following the completion of work to articulate the benefits and key objectives associated with each option.

(Reference: Report by Chief Executive dated 16 November 2023, submitted)

**11. POLICY AND RESOURCES COMMITTEE WORKPLAN**

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

**Decision**

The Policy and Resources Committee noted the content of the Workplan as at December 2023.

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

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Agenda Item 4

| ARGYLL AND BUTE COUNCIL | POLICY AND RESOURCES COMMITTEE |
|---|---|
| FINANCIAL SERVICES | 15 FEBRUARY 2024 |

**FINANCIAL REPORTS MONITORING PACK – 31 DECEMBER 2023**

## 1. INTRODUCTION

1.1 This report provides a summary of the financial monitoring reports as at the end of December 2023. There are five detailed reports, setting out the position as at 31 December 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 overspend of £0.091m as at the end of December 2023. The key variances are:

- Within Roads, numerous variances accumulating to a £1.257m overspend – this is arising from an under-recovery of income in Piers & Harbours as a result of a reduced number of berthings, in Public Conveniences due to delayed installation of turnstiles, and on Traffic Regulation Orders (TROs) in Roads. This is combined with overspends on Pupil Transport driver/escort costs, Street Lighting Maintenance, staff costs in Amenities due to high sickness and turnover and an unachievable saving in relation to Depot Rationalisation. These are partially offset by an underspend in Public Transport payments to operators.
- Within Development and Economic Growth, numerous variances accumulating to a £0.306m overspend. These include Homeless B&B costs, a reduction in income for fish export certificates following Brexit, reduction in building warrant income and legal costs within Environmental Health.
- Within Executive Director Kirsty Flanagan there is an over-recovery of vacancy savings and increased ferry grant income amounting to a favourable projection of £0.612m.
- Within Treasury Management, there is a forecast underspend of £0.294m in relation to a discount received on the early repayment of three loans.
- Within Council Tax income, an over-recovery of £0.187m is projected based on current collection rates.

- Within NDR, an underspend of £0.180m as costs have come through lower than budget.
- Within Legal and Regulatory Support, there is a favourable variance of £0.168m resulting from historic water refunds.
- Within Education, there is slippage on Scottish Government 100 day Promise funding due to delays in recruitment which is partially offset by an overspend from Schools Residential placements due to a higher than budgeted demand for this service resulting in an overall £0.020m underspend.
- Within Customer and Support Services, a net underspend of £0.011m arising from an underspend on software licenses within ICT and on the Argyll and Bute Manager training program partially offset the under-recovery of income in the print and mail room due to increased digitalisation,

2.1.3 There is a year to date overspend of £6.724m. 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 December 2023.

| **Category** | **No. of Options** | **2023-24 £000** | **2023-24 FTE** | **2024-25 £000** | **2024-25 FTE** | **Future Years £000** | **Future Years FTE** |
|---|---|---|---|---|---|---|---|
| Delivered | 10 | 5,843.5 | (0.7) | 5,891.0 | (0.7) | 6,058.0 | (0.7) |
| On Track to be Delivered | 4 | 656.0 | 2.5 | 629.0 | 11.9 | 560.0 | 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** | **1.8** | **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 December is an estimated overspend of £0.443m for 2023-24 (forecast to come in on budget for Social Work and overspend of £0.443m 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 5 Council wide revenue risks identified for 2023-24 currently amounting to £2.835m.

2.2.3 There are currently 39 departmental risks totalling £5.265m. Of the 39 departmental risks, 6 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 no changes to the departmental risks since the report as presented to the Policy and Resources Committee on 7 December 2023.

2.2.6 There is a risk that there are revenue costs of circa £0.900m incurred as a result of significant rainfall in Autumn 2023 will not be fully covered by the Bellwin scheme. This issue and three other potential risks relating to funded childcare for 1 and 2 year olds, the proposed new school campus on Mull and digital access for learners are covered in section 3.6 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 £24.334m compared to a budget for the year to date of £24.309m giving rise to an overspend for the year to date of £0.025m (0.10%).

2.3.5 The forecast outturn for 2023-24 is a forecast net expenditure of £34.239m compared to an annual budget of £41.791m giving rise to a forecast underspend for the year of £7.552m (18.07%).

2.3.6 The forecast total net projects costs on the capital plan are £216.052m compared to a total budget for all projects of £216.975m giving rise to a forecast overspend for the overall capital plan of £0.910m (0.42%).

2.3.7 In respect of total project performance, there are 157 projects within the capital plan, 140 are complete or on target, 2 are off target and recoverable and 15 projects are off track.

**2.4 Treasury Monitoring Report**

2.4.1 This report provides information on the current levels and recent transactions in relation to the capital financing limit, total borrowing, temporary borrowing and long term borrowing and investments.

2.4.2 The net movement in external borrowing for the period 1 November 2023 to 31 December 2023 was a decrease of £3m.

2.4.3 Borrowing is below the Capital Financing Requirement for the period to 31 December 2023, at this stage in the financial year capital expenditure is below target.

2.4.4 The levels of investments were £56.929m at 31 December 2023. The average rate of return achieved was 5.054% which is below the target SONIA (Sterling Overnight Index Average) rate for the same period of 5.187%.

**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 During 2023-24, the amount of £4.776m 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 of the reserves report. This results in the total earmarked balance increasing to £84.242m.

2.5.5 Of the earmarked balance of £84.242m:
- £41.505m is invested or committed for major initiatives/capital projects
- £6.032m has already been drawn down
- £13.087m is still to be drawn down in 2023-24
- £23.618m is planned to be spent in future years

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 £5.6911 | 1,252 |

| | | |
|---|---|---|
| Budgeted allocation to General Fund for 2023-24 Budget | Per the Budget Motion at Council on 23 February 2023 | 19 |
| Earmarked Balances no longer required | Per paragraph 3.3.3 – amount previously earmarked that can be released back to the general fund | 104 |
| Current Forecast Outturn for 2023-24 as at 31 December 2023 | Per paragraph 3.4.2. | (91) |
| 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** | | **1,276** |

2.5.6 It can be seen that, after taking into consideration the budgeted allocation to the General Fund agreed by Council on 23 February 2023, the earmarked balances no longer required, the current forecast outturn position for 2023-24 and the proposed allocation for floral displays the Council is forecast to have a £1.276m 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 November and December, there is one virement requiring authorisation:

- £0.900m of funding recognised for Discretionary Housing payments. This is Scottish Government funding via Circular 03/2023.

**3. RECOMMENDATIONS**

3.1 It is recommended that the Policy and Resources Committee:

a) Consider the revenue budget monitoring report as at 31 December 2023.

b) Note the financial risks for 2023-24.

c) Note the capital plan monitoring report as at 31 December 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 December 2023.

e) Consider the reserves and balances report as at 31 December 2023.

f) Recommend to Council that the revenue virements over £0.200m during November and December 2023 are approved.

## 4. IMPLICATIONS

| | | |
|---|---|---|
| 4.1 | Policy – | None. |
| 4.2 | Financial - | Outlines the revenue and capital monitoring for 2023-24 as at 31 December 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**
**12 January 2024**

**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 overspend of £0.091m as at the end of December 2023. Within Executive Director Douglas Hendry, there is a forecast underspend of £0.188m due to slippage in the utilisation of 100 day promise funding and historic water refunds 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 £0.940m due to an under-recovery of income in Piers & Harbours due to a reduction in the number of berthings, in Public Conveniences due to the delayed installation of turnstiles, Print & Mail Room due to a shift to digital communication channels resulting in a reduction in printing activity, a reduction in Building Warrant and Fish Export Certificate income and on Traffic Regulation Orders (TROs) in Roads. This reduction in income is combined with overspends on Pupil Transport driver/escort costs, Temporary Accommodation for Housing Homeless, Legal costs in Environmental Health, Street Lighting Maintenance, staff costs in Amenities due to high sickness and turnover and an unachievable saving in relation to Depot Rationalisation. These are partially offset by an over-recovery of vacancy savings, an underspend in Public Transport payments to operators, underspend in IT software licences and an underspend in training for Argyll & Bute Manager courses. 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 are forecast underspends within Treasury Management of £0.294m in relation to a discount received on the early repayment of three loans and within NDR of £0.180m due to actual costs being less than the available budget. There is also a projected over-recovery of £0.187m within Council Tax.

There is a year to date overspend of £6.724m. The year to date variances within the departments tend to relate to the timing of income and expenditure and costs to capital not recharged yet.

**Key Highlights as at December 2023:**

- Council services are projecting an overspend of £0.301m as at 31 December 2023.
- During November 2023, the 2023-24 pay settlement was agreed for Chief Officers and non teaching staff. As a result of this the Payroll Team implemented the first stage of the new relevant pay rates and processed the related back pay during the month of November. The final stage of the uplift will be implemented in two steps with the new rates being applied from the December pay run onwards and any arrears due to staff over the period 1st April 2023 to 15th November 2023 being calculated and paid by the end of February 2024.
- As the pay settlement has now been received the budgets require to be adjusted to reflect the new employee costs and the corresponding Scottish Government funding will offset costs. It is hoped this will be completed in the January period and preliminary workings indicate that there should be no cost pressure as a result of the settlement.

**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

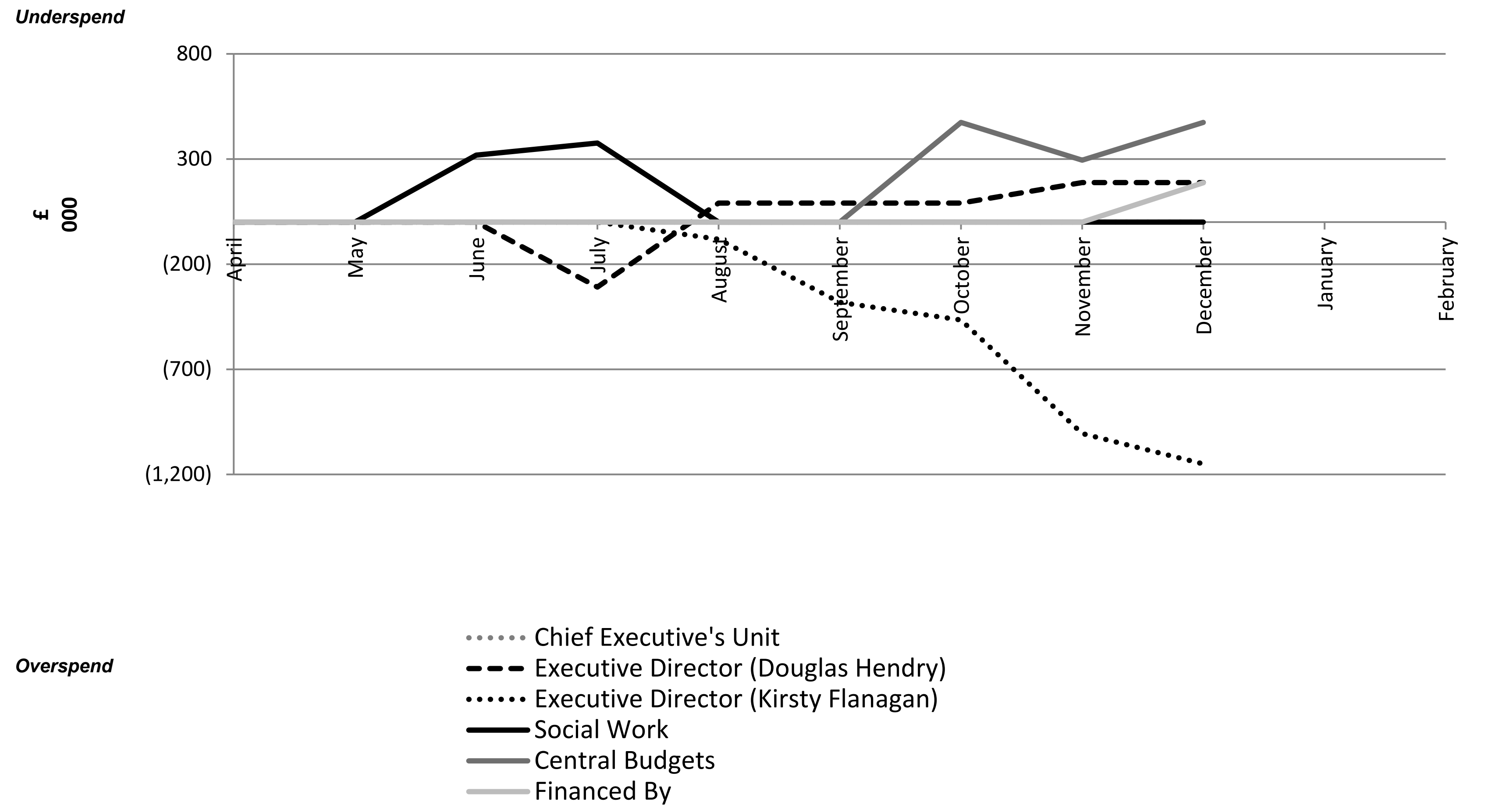
| **Key Financial Challenges:** | **Proposed Actions to address Financial Challenges:** |
|---|---|
| Addressing the long-term impact of the COVID pandemic on service demand and the increasing challenges facing departments across the Council in relation to the recruitment and retention of suitably qualified and experienced staff. | 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 £0.301m for 2023-24 as at 31 December 2023.

| Department | Annual Budget £'000 | Forecast Outturn £'000 | Current Forecast Variance £'000 | Previous Forecast Variance £000 | Change £000 | Explanation |
|---|---|---|---|---|---|---|
| Chief Executive's Unit | 1,177 | 1,177 | 0 | 0 | 0 | |
| Executive Director (Douglas Hendry) | 133,044 | 132,856 | 188 | 188 | 0 | The projected underspend is due to slippage in the utilisation of Scottish Government 100 day promise funding and historic water refunds, offset by an overspend within Residential School Budgets due to a higher than budgeted demand for this service. |
| Executive Director (Kirsty Flanagan) | 56,363 | 57,303 | (940) | (1,005) | 65 | The projected variance is due to an under-recovery of income in Piers & Harbours as a result of a reduced number of berthings, in Public Conveniences due to the delayed installation of turnstiles, Print & Mail Room due to a shift to digital communication channels resulting in a reduction in printing activity, reduction in Building Warrant and Fish Export Certificate income and on TROs in Roads. This is combined with overspends on Pupil Transport driver/escort costs, Temporary Accommodation for Housing Homeless, Legal costs in Environmental Health, Street Lighting Maintenance, staff costs in Amenities due to high sickness and turnover and an unachievable saving in relation to Depot Rationalisation. These are partially offset by an over-recovery of vacancy savings, an underspend in Public Transport payments to operators, underspend in ICT software licences and an underspend in training for A&B Manager courses. |
| Social Work | 76,117 | 76,117 | 0 | 0 | 0 | The projected break even position 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 | 27,178 | 26,704 | 474 | 294 | 180 | The projected underspend results from recognition of a discount received on the early repayment of loans £0.294m and a projected underspend on NDR £0.180m |
| Financed By | (293,879) | (294,066) | 187 | 0 | 187 | Projected over-recovery of Council tax income |
| **Total** | **0** | **91** | **(91)** | **(523)** | **432** | |

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

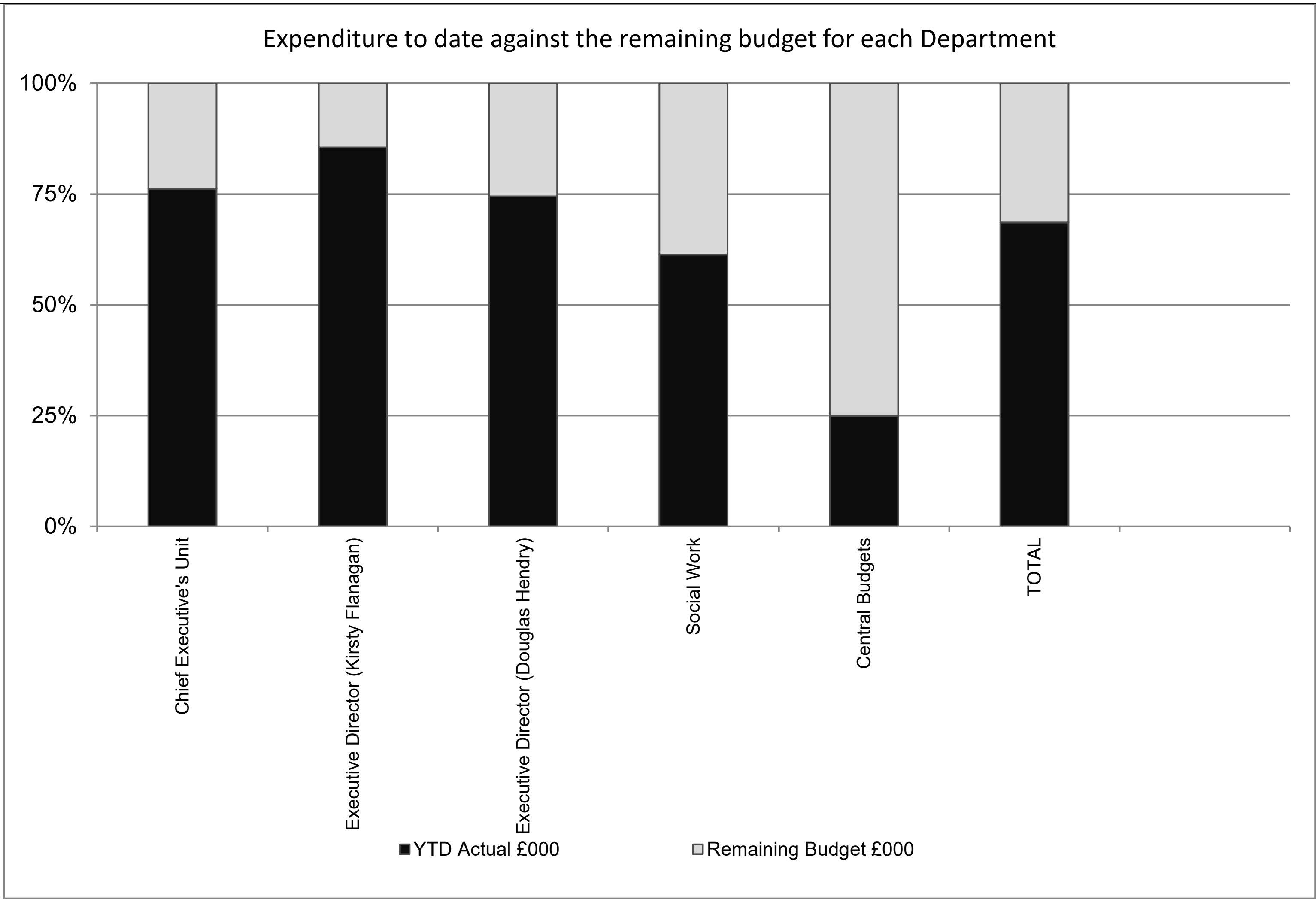



**Further information on the departmental forecast variances is included later on in the report.**

## Year to Date Position

The year to date position as at 31 December 2023 is an overspend of £6.724m and the main variances are noted below.

| Department | YTD Actual £'000 | YTD Budget £'000 | YTD Variance £'000 | Explanation |
|---|---|---|---|---|
| Chief Executive's Unit | 897 | 938 | 41 | The year to date underspend can be attributed to profiling issues |
| Executive Director (Douglas Hendry) | 99,074 | 98,955 | (119) | The year to date overspend is due to overspends within the Residential School Budget, under recovery of commercial income and various budget profiles that require to be refined. These overspends are partially offset by slippage in 100 day promise funding and historic water refunds. |
| Executive Director (Kirsty Flanagan) | 48,197 | 42,028 | (6,169) | The year to date variance is mainly due an under-recovery of berthing income in Piers and Harbours, delay in the processing of recharges to capital within Roads, Housing expenditure incurred in advance of grants being received as well as an overspend in Fleet due to a timing difference between expenditure occurring and recharging services. |
| Social Work | 46,703 | 46,658 | (45) | The year to date overspend is mainly due to the use of agency staff across Homecare and Older People Residential Units in Adult Services. |
| Central Budgets | 6,765 | 6,333 | (432) | The year to date overspend can be attributed to profiling issues. |
| Funding | (196,006) | (196,006) | 0 | |
| **Total Net Expenditure** | **5,630** | **(1,094)** | **(6,724)** | |




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

## OBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AS AT 31 DECEMBER 2023

| | YEAR TO DATE POSITION | | | | CURRENT PROJECTED FINAL OUTTURN | | | |
|---|---|---|---|---|---|---|---|---|
| | YTD Actual<br>£'000 | YTD Budget<br>£'000 | YTD Variance<br>£'000 | Variance<br>% | Annual Budget<br>£'000 | Forecast Outturn<br>£'000 | Forecast Variance<br>£'000 | Variance<br>% |
| **Departmental Budgets** | | | | | | | | |
| Chief Executive's Unit | 897 | 938 | 41 | 4.4% | 1,177 | 1,177 | 0 | 0.0% |
| Executive Director (Douglas Hendry) | 99,074 | 98,955 | (119) | (0.1%) | 133,044 | 132,856 | 188 | 0.1% |
| Executive Director (Kirsty Flanagan) | 48,197 | 42,028 | (6,169) | (14.7%) | 56,363 | 57,303 | (940) | (1.7%) |
| Social Work | 46,703 | 46,658 | (45) | (0.1%) | 76,117 | 76,117 | 0 | 0.0% |
| **Total Departmental Budgets** | **194,871** | **188,579** | **(6,292)** | **(3.3%)** | **266,701** | **267,453** | **(752)** | **(0.3%)** |
| **Central Budgets** | | | | | | | | |
| Other Operating Income and Expenditure | (1,060) | (1,436) | (376) | 26.2% | 3,874 | 3,874 | 0 | 0.0% |
| Joint Boards | 1,015 | 993 | (22) | (2.2%) | 1,396 | 1,396 | 0 | 0.0% |
| Non-Controllable Costs | 6,810 | 6,776 | (34) | (0.5%) | 21,908 | 21,434 | 474 | 2.2% |
| **Total Central Budgets** | **6,765** | **6,333** | **(432)** | **(6.8%)** | **27,178** | **26,704** | **474** | **1.7%** |
| **TOTAL NET EXPENDITURE** | **201,636** | **194,912** | **(6,724)** | **(3.5%)** | **293,879** | **294,157** | **(278)** | **(0.1%)** |
| **Financed By** | | | | | | | | |
| Aggregate External Finance | (142,863) | (142,863) | 0 | 0.0% | (227,021) | (227,021) | 0 | 0.0% |
| Local Tax Requirement | (53,143) | (53,143) | 0 | 0.0% | (59,301) | (59,488) | 187 | (0.3%) |
| Contributions to General Fund | 0 | 0 | 0 | 0.0% | (1,525) | (1,525) | 0 | 0.0% |
| Earmarked Reserves | 0 | 0 | 0 | 0.0% | (6,032) | (6,032) | 0 | 0.0% |
| **Total Funding** | **(196,006)** | **(196,006)** | **0** | **0.0%** | **(293,879)** | **(294,066)** | **187** | **(0.1%)** |
| **(Deficit)/Surplus for Period** | **5,630** | **(1,094)** | **(6,724)** | | **0** | **91** | **(91)** | |

## SUBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AS AT 31 DECEMBER 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 | 137,133 | 135,936 | (1,197) | (0.9%) | 190,431 | 190,885 | (454) | (0.2%) |
| Premises Related Expenditure | 14,818 | 13,987 | (831) | (5.9%) | 20,612 | 20,568 | 44 | 0.2% |
| Supplies and Services | 19,679 | 18,209 | (1,470) | (8.1%) | 25,504 | 26,131 | (627) | (2.5%) |
| Transport Related Expenditure | 10,119 | 9,225 | (894) | (9.7%) | 17,792 | 17,678 | 114 | 0.6% |
| Third Party Payments | 120,664 | 117,558 | (3,106) | (2.6%) | 173,251 | 174,179 | (928) | (0.5%) |
| Capital Financing | 3,314 | 0 | (3,314) | | 15,208 | 15,428 | (220) | (1.5%) |
| **TOTAL EXPENDITURE** | **305,727** | **294,915** | **(10,812)** | **(3.7%)** | **442,798** | **444,869** | **(2,071)** | **(0.5%)** |
| Income | (300,097) | (296,009) | 4,088 | (1.4%) | (442,798) | (444,778) | 1,980 | (0.5%) |
| **(Deficit)/Surplus for Period** | **5,630** | **(1,094)** | **(6,724)** | | **0** | **91** | **(91)** | |

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.
Forecast Outturn is the estimate now of what expenditure or income will be for the whole of the financial year.
The Variance is the difference between budget and actual or forecast outturn.
A positive variance is when actual or forecast expenditure is less than budget or actual or forecast income is more than budget.
A negative variance is shown in brackets and is when actual or forecast expenditure is more than budget or actual or forecast income is less than budget.

# CHIEF EXECUTIVE'S UNIT – AS AT 31 DECEMBER 2023

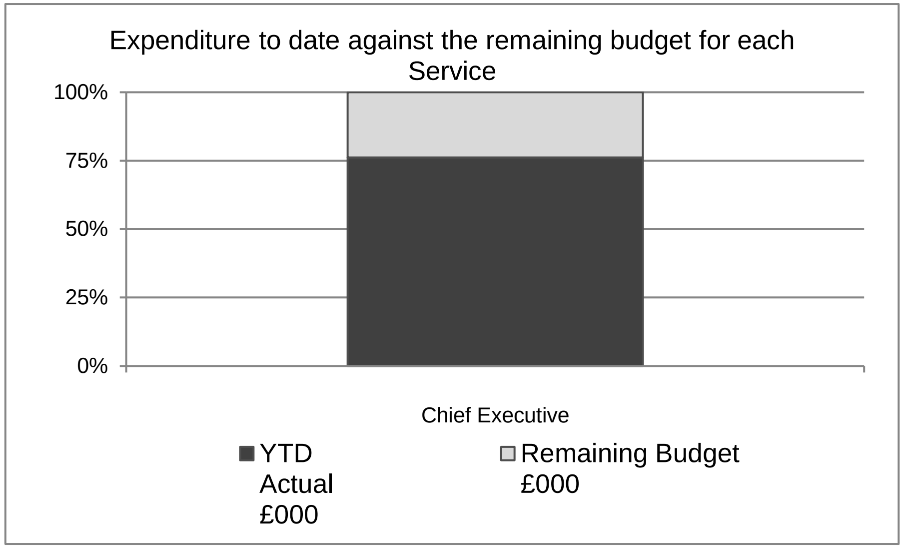
The department is currently forecasting spend in line with budget.

The department has a year to date underspend of £0.041m (4.4%) 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 | 1,177 | 1,177 | 0 | 0 | 0 |
| **Totals** | **1,177** | **1,177** | **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:** | **Proposed Actions to address Financial Challenges:** |
|---|---|
| To continue to deliver a high-quality service to support community engagement and participation. | 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. |

| | |
|---|---|
| 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. | 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 DECEMBER 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 | 307 | 304 | (3) | (1.0%) | 421 | 421 | 0 | 0.0% | Outwith Reporting Criteria |
| Community Planning & Development | 590 | 634 | 44 | 6.9% | 756 | 756 | 0 | 0.0% | Outwith Reporting Criteria |
| | **897** | **938** | **41** | **4.4%** | **1,177** | **1,177** | **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 DECEMBER 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 | 667 | 666 | (1) | (0.2%) | 924 | 924 | 0 | 0.0% | Outwith Reporting Criteria |
| Supplies and Services | 8 | 9 | 1 | 11.1% | 12 | 12 | 0 | 0.0% | Accumulation of underspends across a range of account codes |
| Transport | 6 | 11 | 5 | 45.5% | 14 | 14 | 0 | 0.0% | Underspend on staff travel budgets |
| Third Party | 278 | 289 | 11 | 3.8% | 294 | 294 | 0 | 0.0% | Outwith Reporting Criteria |
| Income | (62) | (37) | 25 | (67.6%) | (67) | (67) | 0 | 0.0% | Unbudgeted income received from Bord Na Gaidhlig to fund a new post within Gaelic Development. The budgets will be adjusted in January period to recognise the income / expenditure for the post. |
| **Totals** | **897** | **938** | **41** | **4.4%** | **1,177** | **1,177** | **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 DECEMBER 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 DECEMBER 2023

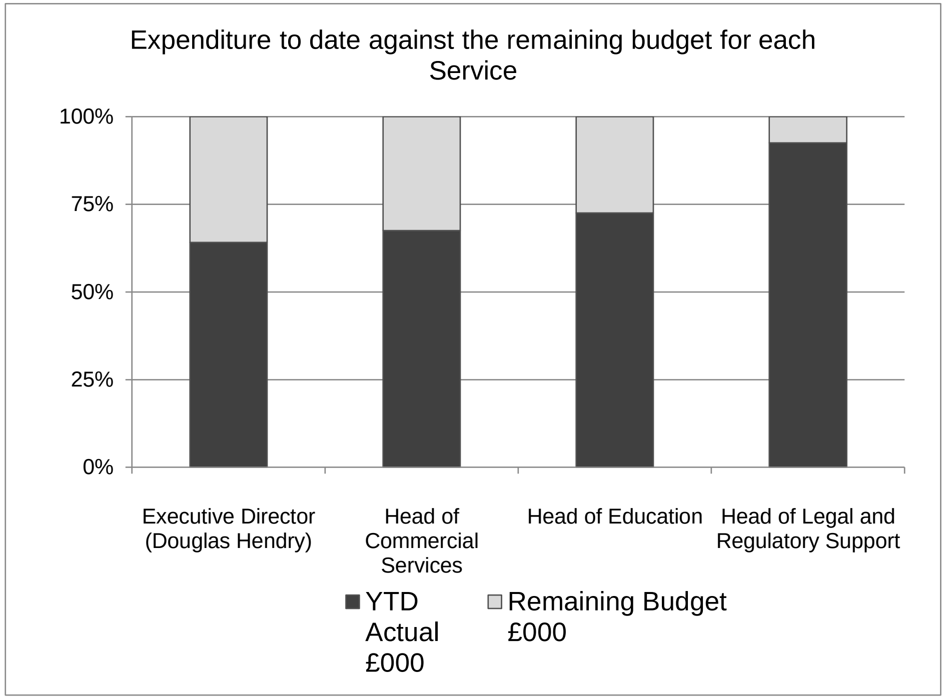
The department is currently forecasting an under spend of £0.188m (0.1%) which is due to slippage in the utilisation of Scottish Government 100 day promise funding and historic water refunds, offset by an overspend within Residential School Budgets due to a higher than budgeted demand for the service.

The department has a year to date (YTD) overspend of £0.119m (0.1%). The YTD position is due to overspends within the Residential School Budget, under recovery of commercial income and various budget profiles that require to be refined. These overspends are partially offset by slippage in 100 day promise funding and historic water refunds.

### Forecast Outturn Position

| Service | Annual Budget £000 | Forecast Outturn £000 | Current Forecast Variance £000 | Previous Forecast Variance £000 | Change £000 |
|---|---|---|---|---|---|
| Executive Director (Douglas Hendry) | 452 | 452 | 0 | 0 | 0 |
| Head of Commercial Services | 11,654 | 11,654 | 0 | 0 | 0 |
| Head of Education | 105,006 | 104,986 | 20 | 91 | (71) |
| Head of Legal and Regulatory Support | 15,932 | 15,764 | 168 | 0 | 168 |
| **Totals** | **133,044** | **132,856** | **188** | **91** | **97** |

### Year to Date Position






**Key Financial Successes:**

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

- Effective contract management of NPDO and Hub School contracts, including a lower-than-expected insurance premium as a result of the annual renegotiation of insurance costs.

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

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

## EXECUTIVE DIRECTOR (DOUGLAS HENDRY) – OBJECTIVE SUMMARY AS AT 31 DECEMBER 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 | 290 | 291 | 1 | 0.3% | 452 | 452 | 0 | 0.0% | Outwith Reporting Criteria |
| | | **290** | **291** | **1** | **0.3%** | **452** | **452** | **0** | **0.0%** | |
| Head of Commercial Services | Catering | 846 | 747 | (99) | (13.3%) | 1,265 | 1,265 | 0 | 0.0% | The YTD overspend is due to the timing of income and expenditure. |
| Head of Commercial Services | Central/Management Costs | 1,133 | 1,060 | (73) | (6.9%) | 1,728 | 1,728 | 0 | 0.0% | The YTD overspend is due to the timing of income and expenditure. |
| Head of Commercial Services | CHORD | 110 | 75 | (35) | (46.7%) | 63 | 63 | 0 | 0.0% | The YTD overspend is due to the timing of recharges to capital. |
| Head of Commercial Services | Cleaning | 45 | 258 | 213 | 82.6% | 481 | 481 | 0 | 0.0% | The YTD underspend is due to the timing of recharges for cleaning and the reduced use of bank staff. |
| Head of Commercial Services | Culture, Heritage, Recreation & Sport | 4,541 | 4,391 | (150) | (3.4%) | 5,980 | 5,980 | 0 | 0.0% | The YTD overspend is due to the profiling of utilities and CRA budgets. |
| Head of Commercial Services | Events & Commercial Catering | 294 | 7 | (287) | (4100.0%) | 3 | 3 | 0 | 0.0% | The YTD overspend is due to an under recovery of income and high staff costs within Commercial Cafés and Events. The new senior manager is currently working with finance reviewing the current business model. |
| Head of Commercial Services | Property Portfolio | (185) | (124) | 61 | (49.2%) | (191) | (191) | 0 | 0.0% | The YTD underspend is due to the timing of One Council Property income. |
| Head of Commercial Services | Property Services | 188 | 766 | 578 | 75.5% | 817 | 817 | 0 | 0.0% | The YTD underspend is due to the receipt of historic water charge refunds and the profile of property fee income. |
| Head of Commercial Services | Shared Offices | 900 | 850 | (50) | (5.9%) | 1,508 | 1,508 | 0 | 0.0% | The YTD overspend is due to the profiling of refuse collection recharges. |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **7,872** | **8,030** | **158** | **2.0%** | **11,654** | **11,654** | **0** | **0.0%** | |
| Head of Education | Additional Support for Learning | 8,304 | 8,212 | (92) | (1.1%) | 11,625 | 11,625 | 0 | 0.0% | The main contributing factor to the YTD overspend is the budget profile relating to the pay award costs for ASN Assistants. |
| Head of Education | Central/Management Costs | 1,797 | 1,720 | (77) | (4.5%) | 2,325 | 2,325 | 0 | 0.0% | The YTD position is due to overspends in Licence fees, profiling that requires refining, partially offset by a number of small underspends elsewhere within the service. |
| Head of Education | Community Learning & Development | 5 | 3 | (2) | (66.7%) | 13 | 13 | 0 | 0.0% | The YTD overspend is within the Central Repairs Account (CRA) which is managed across the Service and is profile related. |
| Head of Education | COVID | 109 | 112 | 3 | 2.7% | 136 | 136 | 0 | 0.0% | Outwith Reporting Criteria |
| Head of Education | Early Learning & Childcare | 5,273 | 5,353 | 80 | 1.5% | 9,993 | 9,993 | 0 | 0.0% | The main contributing factor for the YTD underspend is due to delays in recruitment within ELC settings. This is partially offset by a YTD overspend in the 1140 Hours budget which will be rectified through a drawdown from Earmarked Reserves. |
| Head of Education | Primary Education | 29,057 | 28,699 | (358) | (1.3%) | 38,133 | 38,133 | 0 | 0.0% | The YTD position is due to overspends in the school adaptations and maintenance budget due to a higher level of minor repairs than budget allows, some of which will be covered from earmarkings and the remainder offset by underspends elsewhere. Additionally, profiling of cleaning and grounds maintenance recharges requires refining. There is also a YTD under-recovery in school meal income and YTD overspend in teacher cover costs for which journals require to be processed. These overspends are partially offset by a YTD underspend in PEF. |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Head of Education | Pupil Support | 1,881 | 1,778 | (103) | (5.8%) | 2,636 | 3,016 | (380) | (14.4%) | The YTD overspend in the Schools Residential Budget is due to a higher demand for service than budget allows. A forecast variance of £380k has been recorded through the ledger reflecting this position. The YTD overspend is partially offset by an underspend in Psychological Services which is profile-related. |
| Head of Education | Schools - Central Services | 1,372 | 1,364 | (8) | (0.6%) | 2,393 | 1,993 | 400 | 16.7% | Outwith Reporting Criteria |
| Head of Education | Secondary Education | 28,370 | 28,196 | (174) | (0.6%) | 37,752 | 37,752 | 0 | 0.0% | The YTD position is due to overspends in the school adaptations and maintenance budget due to a higher level of minor repairs than budget allows, some of which will be covered from earmarkings and the remainder offset by underspends elsewhere. Additionally, profiling of cleaning and grounds maintenance recharges requires refining. There is also a YTD under-recovery in Education Maintenance Allowance and school meal income for which journals require to be processed. These overspends are partially offset by a YTD underspend in PEF. |
| | | **76,168** | **75,437** | **(731)** | **(1.0%)** | **105,006** | **104,986** | **20** | **0.0%** | |
| Head of Legal & Regulatory Support | Central/Management Costs | 193 | 184 | (9) | (4.9%) | 271 | 271 | 0 | 0.0% | Outwith Reporting Criteria |
| Head of Legal & Regulatory Support | Community Safety | 131 | 126 | (5) | (4.0%) | 185 | 185 | 0 | 0.0% | Outwith Reporting Criteria |
| Head of Legal & Regulatory Support | Elections | 42 | 9 | (33) | (366.7%) | 37 | 37 | 0 | 0.0% | The YTD overspend is due to the current budget profile. |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Head of Legal & Regulatory Support | Governance | 552 | 438 | (114) | (26.0%) | 726 | 726 | 0 | 0.0% | The YTD overspend is due to spend on Council Chambers ICT Equipment for which earmarked reserves are to be drawn down. |
| Head of Legal & Regulatory Support | Governance, Risk & Safety | 414 | 412 | (2) | (0.5%) | 581 | 581 | 0 | 0.0% | Outwith Reporting Criteria |
| Head of Legal & Regulatory Support | Legal Services | 359 | 399 | 40 | 10.0% | 749 | 749 | 0 | 0.0% | The YTD underspend is due to delays in recruitment and the over-recovery of licencing income. |
| Head of Legal & Regulatory Support | NPDO and Hub Schools | 11,824 | 12,316 | 492 | 4.0% | 11,481 | 11,313 | 168 | 1.5% | The YTD underspend is partially due to the receipt of historic water charge refunds and a forecast variance has been processed for £168k to reflect this. The remaining underspend is due to the timing of income and expenditure. |
| Head of Legal & Regulatory Support | Procurement, Commercial and Contract Management | 766 | 827 | 61 | 7.4% | 1,218 | 1,218 | 0 | 0.0% | The YTD underspend is due to delays in recruitment. |
| Head of Legal & Regulatory Support | Trading Standards & Advice Services | 463 | 486 | 23 | 4.7% | 684 | 684 | 0 | 0.0% | Outwith Reporting Criteria |
| | | **14,744** | **15,197** | **453** | **3.0%** | **15,932** | **15,764** | **168** | **1.1%** | |
| | | **99,074** | **98,955** | **(119)** | **(0.1%)** | **133,044** | **132,856** | **188** | **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 DECEMBER 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 | 76,419 | 76,746 | 327 | 0.4% | 106,222 | 105,822 | 400 | 0.4% | **Non-Education:** The YTD underspend of £42k is due to delays in recruitment.<br>**Education**: The £285k YTD underspend is mainly within staffing budgets in ELC settings, Secondary Schools and Learning Centres. Under the Scheme of Devolved School Management (DSM) schools are permitted flexibility at year end, **therefore** no forecast variance will be processed in relation to any remaining underspend. |
| Premises | 6,540 | 5,835 | (705) | (12.1%) | 8,467 | 8,299 | 168 | 2.0% | **Non-Education: The** YTD underspend of £107k is largely due to historic water charge refunds.<br>**Education:** The £812k overspend is mainly due **to** repairs and maintenance costs within schools and capital costs relating to 1140 Hours expansion - £200k from earmarked reserves will be drawn down to cover a proportion of this. £131k is due to Utilities profiling and £120k is due to profiling of cleaning, grounds maintenance and CRA budgets. The remainder is offset by underspends elsewhere. |
| Supplies and Services | 9,264 | 9,730 | 466 | 4.8% | 13,497 | 13,497 | 0 | 0.0% | **Non-Education: The** YTD overspend is £193k. Earmarked reserves to be drawn down for costs of Council Chambers ICT Equipment.<br>**Education:** The **£659k underspend** is mainly due to underspends in PEF due to profiling and school 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. |
| Transport | 297 | 293 | (4) | (1.4%) | 397 | 397 | 0 | 0.0% | **Non-Education:** Outwith Reporting Criteria.<br>**Education: Outwith** Reporting Criteria. |
| Third Party | 31,524 | 31,666 | 142 | 0.5% | 41,797 | 42,177 | (380) | (0.9%) | **Non-Education:** The YTD underspend of £260k is largely due to the timing of large payments in respect of NPDO/Hub contracts and the timing of recharges**.**<br>**Education:** The YTD overspend of £118k is due to increased demand within Schools Residential Accommodation. |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Income | (24,970) | (25,315) | (345) | 1.4% | (37,336) | (37,336) | 0 | 0.0% | **Non-Education:** The YTD over-recovery of income of £411k is due to the timing of school catering recharges and Property Fee income. **Education:** The under-recovery of income of £756k is due to **the** profile of income for Education Maintenance Allowances and school meals. **Journals** at year end are required to reduce this variance. |
| **Totals** | **99,074** | **98,955** | **(119)** | **(0.1%)** | **133,044** | **132,856** | **188** | **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 DECEMBER 2023

| Service Area | Annual Budget £000 | Forecast Outturn £000 | Forecast Variance £000 | % Variance | Explanation |
|---|---|---|---|---|---|
| Education - Pupil Support | 2,636 | 3,016 | (380) | (14.4%) | Higher than budgeted demand for placements within Residential Schools. |
| Education - Schools Central Services | 2,393 | 1,993 | 400 | 16.7% | Slippage in the use of 100 day promise funding for additional teachers and support staff that will be fully utilised in 2024-25. |
| Legal and Regulatory Support - NPDO and Hub Schools | 11,484 | 11,316 | 168 | 1.5% | Historic water charges refund paid to NPDO Schools |

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

## EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – AS AT 31 DECEMBER 2023

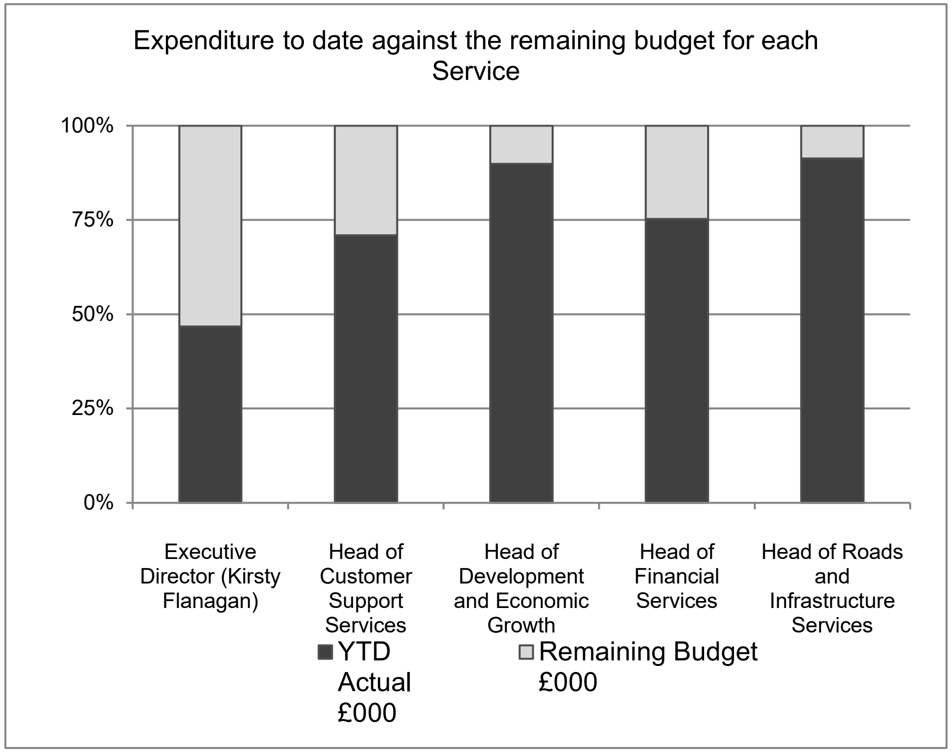
The department has a forecast overspend of £0.940m (1.7%). This is due to an under-recovery of income in Piers & Harbours as a result of a reduced number of berthings, in Public Conveniences due to the delayed installation of turnstiles, Print & Mail Room due to a shift to digital communication channels resulting in a reduction in printing activity, reduction in Building Warrant and Fish Export Certificate income and on TROs in Roads. This is combined with overspends on Pupil Transport driver/escort costs, Temporary Accommodation for Housing Homeless, Legal costs in Environmental Health, Street Lighting Maintenance, staff costs in Amenities due to high sickness and turnover levels and an unachievable saving in relation to Depot Rationalisation. These are partially offset by an over-recovery of vacancy savings, an underspend in Public Transport payments to operators, underspend in ICT software licences and an underspend in training for A&B Manager courses.

The department has a year to date overspend of £6.169m (14.7%). This is mainly due an under-recovery of berthing income in Piers and Harbours, delays in the processing of recharges to capital within Roads, Housing expenditure incurred in advance of grants being received and an overspend in Fleet due to a timing difference between expenditure occurring and recharging services.

### Forecast Outturn Position

| Service | Annual Budget £000 | Forecast Outturn £000 | Current Forecast Variance £000 | Previous Forecast Variance £000 | Change £000 |
|---|---|---|---|---|---|
| Executive Director (Kirsty Flanagan) | 524 | (88) | 612 | 601 | 11 |
| Head of Customer Support Services | 9,061 | 9,050 | 11 | 11 | 0 |
| Head of Development and Economic Growth | 8,370 | 8,676 | (306) | (150) | (156) |
| Head of Financial Services | 6,682 | 6,682 | 0 | (210) | 210 |
| Head of Roads and Infrastructure Services | 31,726 | 32,983 | (1,257) | (1,257) | 0 |
| **Totals** | **56,363** | **57,303** | **(940)** | **(1,005)** | **65** |

### Year to Date Position



| **Key Financial Successes:**<br>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 (which focussed 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. | 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.<br><br>Carry out the improvements identified during the Revenue and Benefits Business Process Review to maximise income generation and deliver efficiencies in service provision. |
| 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. |

| | |
|---|---|
| Due to the nature of the various components of Waste Management there are ongoing challenges with:<br>• The introduction of the Deposit Return Scheme<br>• Uncertainty with recycling income/ gate fee costs due to the volatility of the market<br>• Challenges in the legislative changes around the disposal of Biodegradable Municipal Waste | To closely monitor all service components of Waste Management and review the Waste Strategy in conjunction with our contractual partner Renewi (previously Shanks). |

## EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – OBJECTIVE SUMMARY AS AT 31 DECEMBER 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 | 245 | 143 | (102) | (71.3%) | 524 | (88) | 612 | 116.8% | 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. There is also a forecast underspend due to the receipt of funding for ferries previously funded internally of £212k. |
| | | **245** | **143** | **(102)** | **(71.3%)** | **524** | **(88)** | **612** | **116.8%** | |
| Head of Customer Support Services | Central/Management Costs | 113 | 129 | 16 | 12.4% | 174 | 174 | 0 | 0.0% | Underspend on payments to other bodies due to the timing of payments. |
| Head of Customer Support Services | Communications | 192 | 233 | 41 | 17.6% | 324 | 324 | 0 | 0.0% | Underspend in employee costs due to vacancies which will be used to cover future consultancy costs. |
| Head of Customer Support Services | Customer Service Centres | 1,112 | 1,056 | (56) | (5.3%) | 1,522 | 1,585 | (63) | (4.1%) | Under-recovery of income for recharges for Print and Mail Room. Shift to digital communication channels resulting in reduction in mail and printing activity but same recharge model being applied. Cost pressure to be added for future years to accommodate these changes. |
| Head of Customer Support Services | HR | 1,958 | 2,008 | 50 | 2.5% | 2,678 | 2,648 | 30 | 1.1% | Underspend due to pausing Argyll and Bute Manager programme and not having to purchase training modules |
| Head of Customer Support Services | ICT | 3,024 | 2,936 | (88) | (3.0%) | 4,307 | 4,263 | 44 | 1.0% | Underspend projected for software licence purchases. |
| Head of Customer Support Services | Registrars | 28 | 28 | 0 | 0.0% | 56 | 56 | 0 | 0.0% | Outwith Reporting Criteria. |
| | | **6,427** | **6,390** | **(37)** | **(0.6%)** | **9,061** | **9,050** | **11** | **0.1%** | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Head of Development & Economic Growth | Airports | 954 | 922 | (32) | (3.5%) | 1,210 | 1,210 | 0 | 0.0% | Outwith Reporting Criteria. |
| Head of Development & Economic Growth | Building Control | (140) | (157) | (17) | 10.8% | (144) | (94) | (50) | 34.7% | Under-recovery of building warrant income. |
| Head of Development & Economic Growth | Central/Management Costs | 422 | 399 | (23) | (5.8%) | 579 | 579 | 0 | 0.0% | Outwith Reporting Criteria. |
| Head of Development & Economic Growth | Culture & Heritage | 117 | 162 | 45 | 27.8% | 228 | 228 | 0 | 0.0% | Underspend due to Rothesay Pavilion not being open - budget will be earmarked for future costs once operational. |
| Head of Development & Economic Growth | Development Management | 119 | 168 | 49 | 29.2% | 315 | 315 | 0 | 0.0% | Over-recovery of planning fee income due to one-off high value planning applications. |
| Head of Development & Economic Growth | Development Policy | 290 | 281 | (9) | (3.2%) | 392 | 392 | 0 | 0.0% | Outwith Reporting Criteria. |
| Head of Development & Economic Growth | Economic Development | 827 | 1,270 | 443 | 34.9% | 1,150 | 1,150 | 0 | 0.0% | Underspend is due to grant income received in advance of expenditure which is partially offset against expenditure that requires draw down from earmarked reserves. |
| Head of Development & Economic Growth | Environmental Health | 903 | 777 | (126) | (16.2%) | 1,188 | 1,294 | (106) | (8.9%) | Overspend due to reduction in Fish Export Certificate income |
| Head of Development & Economic Growth | Environmental Initiatives | 88 | 86 | (2) | (2.3%) | 120 | 120 | 0 | 0.0% | Outwith Reporting Criteria. |
| Head of Development & Economic Growth | Housing | 3,887 | 3,362 | (525) | (15.6%) | 3,096 | 3,246 | (150) | (4.8%) | Overspend reflects demand for the provision of homeless accommodation which is being met using Bed and Breakfast establishments. |
| Head of Development & Economic Growth | Private Landlords | (314) | 0 | 314 | 0.0% | 0 | 0 | 0 | 0.0% | Underspend is due to income for Private Landlord Registration fees received against a zero budget. |
| Head of Development & Economic Growth | Transportation Policy | 372 | 169 | (203) | (120.1%) | 236 | 236 | 0 | 0.0% | Overspend is due to expenditure for SUSTRANS and CWSR |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | incurred in advance of grant claim. |
| | | **7,525** | **7,439** | **(86)** | **(1.2%)** | **8,370** | **8,676** | **(306)** | **(3.7%)** | |
| Head of Financial Services | Accounting & Budgeting | 1,901 | 1,921 | 20 | 1.0% | 2,672 | 2,672 | 0 | 0.0% | Outwith Reporting Criteria. |
| Head of Financial Services | Internal Audit & Fraud | 242 | 249 | 7 | 2.8% | 338 | 338 | 0 | 0.0% | Outwith Reporting Criteria. |
| Head of Financial Services | Revenues & Benefits | 2,288 | 2,410 | 122 | 5.1% | 3,023 | 3,023 | 0 | 0.0% | Underspend is due to Benefits Admin Government Grants received ahead of profile & over-recovery of Council Tax Water and sewage collection income due to a new billing order bringing in more income than budget. |
| Head of Financial Services | Scottish Welfare Fund | 602 | 624 | 22 | 3.5% | 649 | 649 | 0 | 0.0% | Outwith Reporting Criteria. |
| | | **5,033** | **5,204** | **171** | **3.3%** | **6,682** | **6,682** | **0** | **0.0%** | |
| Head of Roads & Infrastructure Services | Amenity | 3,021 | 2,728 | (293) | (10.7%) | 3,248 | 3,367 | (119) | (3.7%) | Forecast variance relates to overspend across amenities for use of roads staff to cover vacancies and sickness (£85K), under-recovery of hire of facilities income (£28K) and public convenience income due to delay with fitting of door charging mechanism (£40K). There is also a high risk of a CRA overspend in Parks CRA, no forecast variance entered to date pending proposed CRA spend across RIS. At this stage there is an anticipated over-recovery of crematorium income of £34K. YTD variance higher than Forecast Variance mainly due to budget profile out of alignment with actuals particularly with Cemeteries and Crematoria income which is difficult to profile due to the nature of the service. Also payroll variance as pay award |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | exceeds payroll budget allocated. |
| Head of Roads & Infrastructure Services | Car Parking | (292) | (456) | (164) | 36.0% | (582) | (582) | 0 | 0.0% | Overspend due to timing of income for Electric Vehicle Chargers where electricity is paid in advance of receiving the income which should be rectified over the financial year. |
| Head of Roads & Infrastructure Services | Central/Management Costs | 2,606 | 2,384 | (222) | (9.3%) | 3,013 | 3,013 | 0 | 0.0% | Overspend is due to the profile of the income budget which will be rectified by the end of the year as well as costs for the RIS Review Consultants which will be met from a drawdown from earmarked reserves. |
| Head of Roads & Infrastructure Services | Depots | 303 | 241 | (62) | (25.7%) | (429) | (321) | (108) | 25.2% | Delay in rental income and timing of expenditure causing small overspend which will be rectified over the financial year. Forecast variance due to saving for Depot Rationalisation no longer being achievable in year. |
| Head of Roads & Infrastructure Services | Fleet & Transport | 7,008 | 6,320 | (688) | (10.9%) | 8,624 | 8,666 | (42) | (0.5%) | Overspend due to the timing of Fleet recharges to other services. Forecast variance for overspend for additional Pupil Transport costs which is partially offset against an underspend in Public Transport due to a reduction in payments to operators. |
| Head of Roads & Infrastructure Services | Infrastructure | 286 | 539 | 253 | 46.9% | 763 | 763 | 0 | 0.0% | Underspend due to the timing of Flood and Coastal Protection works which will be rectified over the financial year. |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Head of Roads & Infrastructure Services | Marine | (3,309) | (5,125) | (1,816) | 35.4% | (4,350) | (3,500) | (850) | 19.5% | YTD variance higher than projection due to timing of cash flow in comparison to profiling of budget and delay in receiving grant from Transport Scotland. Forecast overspend due to the under-recovery of income from Berthing charges and additional employee costs to cover absence. |
| Head of Roads & Infrastructure Services | Network & Traffic Management | 180 | 66 | (114) | (172.7%) | 129 | 179 | (50) | (38.8%) | Forecast overspend due to the under recovery of TRO income based on current shortfalls in income to date and prior years' total income. |
| Head of Roads & Infrastructure Services | Road Safety | 82 | 92 | 10 | 10.9% | 88 | 88 | 0 | 0.0% | Small underspend due to the timing of PPE purchases. |
| Head of Roads & Infrastructure Services | Roads & Lighting | 10,361 | 7,422 | (2,939) | (39.6%) | 7,092 | 7,180 | (88) | (1.2%) | YTD overspend due to the timing of income in comparison to the profiling of the budget, mainly due to a delay in recharges for capital funded activity which will be rectified over the financial year. Forecast variance for overspend in Street Lighting due to increased levels of maintenance required to meet the service's responsibilities. |
| Head of Roads & Infrastructure Services | Waste | 8,721 | 8,641 | (80) | (0.9%) | 14,130 | 14,130 | 0 | 0.0% | YTD variance mainly relates to private contractor costs, including co-mingled gate fee and H&L residual waste, partly due to profiling of budget and anticipated tonnages reductions over winter months. Also payroll variance partly due to pay award exceeding payroll budget allocated (including overtime arrears). |
| | | **28,967** | **22,852** | **(6,115)** | **(26.8%)** | **31,726** | **32,983** | **(1,257)** | **(4.0%)** | |
| | | **48,197** | **42,028** | **(6,169)** | **(14.7%)** | **56,363** | **57,303** | **(940)** | **(1.7%)** | |

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.
Forecast Outturn is the estimate now of what expenditure or income will be for the whole of the financial year.
The Variance is the difference between budget and actual or forecast outturn.
A positive variance is when actual or forecast expenditure is less than budget or actual or forecast income is more than budget.
A negative variance is shown in brackets and is when actual or forecast expenditure is more than budget or actual or forecast income is less than budget.
An explanation is given for any variance which exceeds £50,000 or 10%.

## EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – SUBJECTIVE SUMMARY AS AT 31 DECEMBER 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 | 31,566 | 31,142 | (424) | (1.4%) | 44,179 | 43,935 | 244 | **0.6%** | YTD overspend in Development Management due to additional staff whose costs will be offset against additional Planning income that will be received this financial year and additional costs in Marine to cover absences, Private Landlords which will be offset against income and within Pupil Transport.<br>The forecast underspend relates to an over-recovery of vacancy savings, underspend on Staff Training Course Fees and additional funding received for ferries all partially offset by overspends in Marine, Pupil Transport and Depot costs due to a saving not being achieved in year. |
| Premises | 2,175 | 2,222 | 47 | 2.1% | 3,447 | 3,447 | 0 | **0.0%** | Outwith Reporting Criteria. |
| Supplies and Services | 7,813 | 6,428 | (1,385) | (21.6%) | 8,931 | 8,887 | 44 | **0.5%** | YTD overspend relates to Economic Development for expenditure that is funded from grant income; Purchase of Car Parking Machines that will be offset against budget sitting in Third Party Payments; costs for the new HR and Payroll system (covered from an earmarked reserve which will be drawn down later in the year) and materials in Roads that is offset against additional income for recharges to capital.<br>Forecast variance for an underspend in ICT software licences. |
| Transport | 9,336 | 8,365 | (971) | (11.6%) | 16,328 | 16,328 | 0 | **0.0%** | YTD overspend for vehicle repairs and maintenance in Fleet, which will be offset against additional income for recharges to the services and External Hires in Roads that will be offset against additional income for recharges to capital. |
| Third Party | 47,629 | 44,324 | (3,305) | (7.5%) | 64,472 | 64,677 | (205) | **(0.3%)** | YTD overspend within Economic Development, Transportation and Housing for expenditure that is funded from grant income. Additional external contractor costs in Roads that will be offset against additional income for recharges to capital. These overspends are partially offset against an underspend in Benefit Payments.<br>Forecast variance relates to overspends in Street Lighting for maintenance costs, additional employee costs to cover absence and vacancies within Amenities and Housing Temporary Accommodation. These are partially offset by underspends 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 | (50,322) | (50,453) | (131) | 0.3% | (83,392) | (82,369) | (1,023) | **1.2%** | YTD under-recovery of income from Berthing charges in Piers and Harbours and Housing Benefit Income within Revenues & Benefits which is mainly offset against un-budgeted income in Economic Development and Housing, which will fund expenditure throughout the year.<br><br>Forecast variance relates to the under-recovery of income in Piers and Harbour for Berthing, under-recovery of income from door entry systems within Public Conveniences and under-recovery of income from TROs, Building Warrants and Fish Export Certificates. |
| **Totals** | **48,197** | **42,028** | **(6,169)** | **(14.7%)** | **56,363** | **57,303** | **(940)** | **(1.7%)** | |

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.
Forecast Outturn is the estimate now of what expenditure or income will be for the whole of the financial year.
The Variance is the difference between budget and actual or forecast outturn.
A positive variance is when actual or forecast expenditure is less than budget or actual or forecast income is more than budget.
A negative variance is shown in brackets and is when actual or forecast expenditure is more than budget or actual or forecast income is less than budget.
An explanation is given for any variance which exceeds £50,000 or 10%.

## EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – RED VARIANCES AS AT 31 DECEMBER 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 | (2,655) | (1,905) | (750) | 28.2% | Under-recovery of income from Berthing charges. |
| Street Lighting | 262 | 350 | (88) | (33.6%) | Overspend on maintenance costs. |
| Traffic Regulation Orders | (110) | (60) | (50) | 45.5% | Under-recovery of income from Traffic Regulation Orders. |
| Depots | (108) | 0 | (108) | 100.0% | Proposed saving for Depot Rationalisation no longer being achievable in year. |
| Central Management Costs | 48 | (153) | 201 | 418.8% | Underspend due to receipt of funding for ferries previously funded internally. |
| Piers & Harbours | 408 | 508 | (100) | (24.5%) | Overspend in employee costs to cover absences. |
| Housing | 27 | 102 | (75) | (277.8%) | Overspend for Temporary Accommodation costs in Homelessness. |
| Environmental Health | (128) | (38) | (90) | 70.3% | Reduction in Fish Export Cetificate income as a consequence of the UK leaving the EU. |

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

# SOCIAL WORK – AS AT 31 DECEMBER 2023

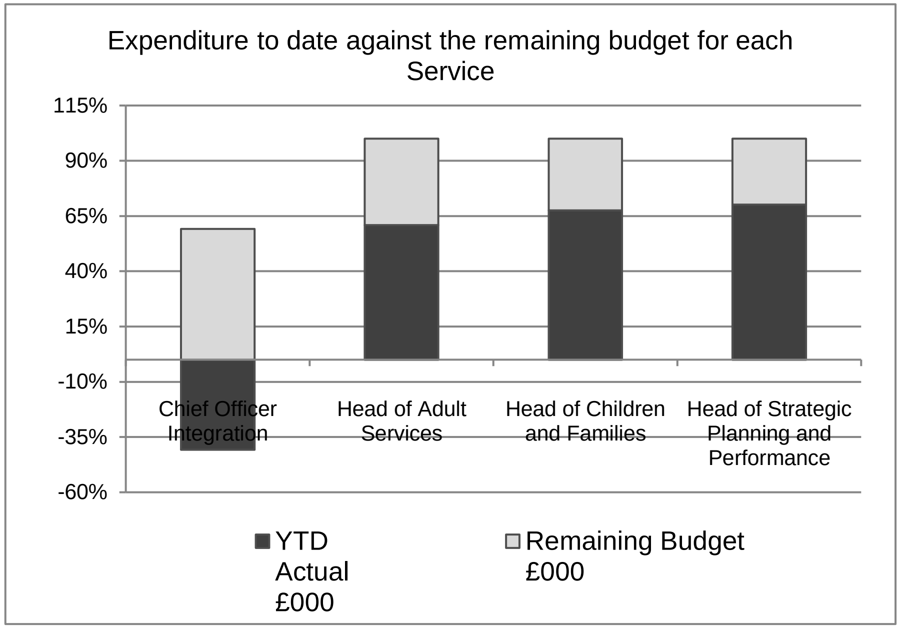
The department is currently forecasting to break even at the end of the financial year. This is due to a combination of the over-recovery of vacancy savings, income from fees, charges and recharges and the use of non-recurring reserves to offset cost pressures due to high demand for services and the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

The department has a year to date overspend of £0.045m (0.1%) which is mainly due to the use of agency staff across Homecare and Older People Residential Units in Adult Services.

## Forecast Outturn Position

| Service | Annual Budget £000 | Forecast Outturn £000 | Current Forecast Variance £000 | Previous Forecast Variance £000 | Change £000 |
|---|---|---|---|---|---|
| Chief Officer Integration | 278 | (183) | 461 | 461 | 0 |
| Head of Strategic Planning and Performance | 480 | 472 | 8 | 8 | 0 |
| Head of Health and Community Care | 39,125 | 40,727 | (1,602) | (1,602) | 0 |
| Head of Acute and Complex Care | 19,812 | 19,321 | 491 | 491 | 0 |
| Head of Children and Families | 16,422 | 15,780 | 642 | 642 | 0 |
| **Totals** | **76,117** | **76,117** | **0** | **0** | **0** |

## 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 £0.621m (as at December 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 December 2023 of £2.288m. | 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 DECEMBER 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 | 241 | 409 | 168 | 41.1% | 569 | 577 | (8) | (1.4%) | The YTD variance is as a result of timing differences on planned payments to NHS. The forecast variance is outwith reporting criteria. |
| Chief Officer Integration | Social Work Central Support | (856) | (579) | 277 | (47.8%) | (291) | (760) | 469 | (161.2%) | The YTD variance is due to over-recovery on vacancy savings combined with underspends on centrally held funding. The forecast underspend is due to an over-recovery on vacancy savings (£248k) combined with underspends on centrally held funds, printing & stationery and postages. |
| | | **(615)** | **(170)** | **445** | **(6.8%)** | **278** | **(183)** | **461** | **(162.6%)** | |
| Head of Strategic Planning & Performance | Management & Central Costs | 314 | 312 | (2) | (0.6%) | 446 | 447 | (1) | (0.2%) | Outwith reporting criteria. |
| Head of Strategic Planning & Performance | Service Development | 23 | 31 | 8 | 25.8% | 34 | 25 | 9 | 26.5% | The YTD and forecast variances are due to staff vacancies resulting in both a payroll underspend and an under-recovery on Charges to Health Boards. |
| | | **337** | **343** | **6** | **25.2%** | **480** | **472** | **8** | **26.2%** | |
| Head of Health and Community Care | Management & Central Costs | 422 | 896 | 474 | 52.9% | 1,303 | 552 | 751 | 57.6% | The YTD variance is mainly due to underspends on centrally held funds. The forecast underspend is mainly due to underspends on centrally held funds and staff vacancies. |
| Head of Health and Community Care | Older People | 25,015 | 23,235 | (1,780) | (7.7%) | 37,822 | 40,175 | (2,353) | (6.2%) | The YTD variance reflects demand within the care home placement and homecare budgets and overspends on employee costs due to the use of agency staff in residential units and homecare. The forecast overspend reflects demand driven overspends within the care home placement budgets (£1.1m) and homecare (£1.6m). High staff costs across HSCP residential units due to agency cover are also contributing to forecast overspend. These overspends are partially offset by staffing underspends across ACM teams and |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | underspends on payments to other services from the delayed discharge budgets. |
| | | **25,437** | **24,131** | **(1,306)** | **(5.4%)** | **39,125** | **40,727** | **(1,602)** | **(4.1%)** | |
| Head of Acute and Complex Care | Learning Disabilities | 7,014 | 7,447 | 433 | 5.8% | 14,174 | 13,592 | 582 | 4.1% | 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 | 63 | 95 | 32 | 33.7% | 130 | 102 | 28 | 21.5% | Both the YTD and forecast variances are due to underspends in areas such as printing and stationary, travel and payments to other bodies. |
| Head of Acute and Complex Care | Mental Health | 1,560 | 1,520 | (40) | (2.6%) | 2,720 | 2,761 | (41) | (1.5%) | Outwith reporting criteria. |
| Head of Acute and Complex Care | Physical Disability | 1,800 | 1,746 | (54) | (3.1%) | 2,788 | 2,866 | (78) | (2.8%) | The YTD variance reflects demand for service within the supported living budgets and overspends on purchases within the IES store. This is partially offset by underspends in the residential budget. The forecast overspend reflects higher than budgeted demand for Supported Living and higher than budgeted equipment purchasing in the Integrated Equipment Service. These are offset slightly by a forecast underspends in the Residential Care budgets. |
| | | **10,437** | **10,808** | **371** | **33.8%** | **19,812** | **19,321** | **491** | **21.3%** | |
| Head of Children & Families | Child Protection | 2,326 | 2,507 | 181 | 7.2% | 3,674 | 3,393 | 281 | 7.6% | The YTD variance is as 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 is as a result of 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 | 681 | 648 | (33) | (5.1%) | 983 | 1,026 | (43) | (4.4%) | Outwith reporting criteria. |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Head of Children & Families | Criminal Justice | 192 | 193 | 1 | 0.5% | 224 | 172 | 52 | 23.2% | The YTD variance is outwith reporting criteria. The forecast underspend is due to vacancies within the Criminal Justice team. |
| Head of Children & Families | Looked After Children | 5,596 | 5,830 | 234 | 4.0% | 7,832 | 7,507 | 325 | 4.1% | The YTD variance is as a result of 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 is as a result of 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 | 2,312 | 2,368 | 56 | 2.4% | 3,709 | 3,682 | 27 | 0.7% | The YTD variance is as a result of the receipt of grant income in advance of budget profile. The forecast variance is outwith reporting criteria. |
| | | **11,107** | **11,546** | **439** | **3.8%** | **16,422** | **15,780** | **642** | **3.9%** | |
| **GRAND TOTAL** | | **46,703** | **46,658** | **(45)** | **(0.1%)** | **76,117** | **76,117** | **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 DECEMBER 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 | 26,109 | 25,010 | (1,099) | **(4.4%)** | 34,990 | 36,089 | (1,099) | **(3.1%)** | The YTD overspend is due to the use of agency staff across the HSCP (£2.2m YTD variance; £2.8m forecast), partially offset by over-recovery on vacancy savings and payroll underspends due to vacancies. The forecast underspend is mainly due to forecast payroll underspends and over-recovery of vacancy savings offset by agency costs. |
| Premises | 1,187 | 834 | (353) | **(42.3%)** | 1,544 | 1,848 | (304) | **(19.7%)** | The YTD overspend is mainly due to overspends on utilities, central repairs and property maintenance. 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 | 1,567 | 1,091 | (476) | **(43.6%)** | 1,439 | 2,110 | (671) | **(46.6%)** | The YTD and forecast overspend is mainly due to forecast slippage on agreed savings targets within C&F and homecare in addition to higher than budgeted purchase of equipment in the integrated equipment store and telecare. |
| Transport | 443 | 504 | 61 | **12.1%** | 683 | 569 | 114 | **16.7%** | 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 | 39,699 | 39,819 | 120 | **0.3%** | 61,895 | 62,238 | (343) | **(0.6%)** | The YTD underspend is largely due to budget profiling and timing of payments to third parties across purchased care services. The forecast overspend is as a result of demand for purchased care services across Adult Services and residential care with C&F. This is partially offset by underspends in Fostering and Adoption as well as underspends on unallocated centrally held funds. |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Income | (22,302) | (20,600) | 1,702 | **(8.3%)** | (24,434) | (26,737) | 2,303 | **(9.4%)** | The YTD and forecast over recovery of income is mainly due to increased income from fees, charges and recharges. |
| **Totals** | **46,703** | **46,658** | **(45)** | **(0.1%)** | **76,117** | **76,117** | **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 – RED VARIANCES AS AT 31 DECEMBER 2023

| Service Area | Annual Budget £000 | Forecast Outturn £000 | Forecast Variance £000 | % Variance | Explanation |
|---|---|---|---|---|---|
| Social Work Central Support | (320) | (789) | 469 | (146.6%) | The forecast underspend is due to an over-recovery on vacancy savings (£248k) combined with underspends on centrally held funds, printing & stationery and postages. |
| Management & Central Costs | 1,303 | 552 | 751 | 57.6% | The forecast underspend is mainly due to underspends on centrally held funds and staff vacancies. |
| Older People | 37,829 | 40,182 | (2,353) | (6.2%) | The forecast overspend reflects demand driven overspends within the care home placement budgets (£1.1m) and homecare (£1.6m). High staff costs across HSCP residential units due to agency cover are also contributing to the forecast overspend. These overspends are partially offset by staffing underspends across ACM teams and underspends on payments to other services from the delayed discharge budgets. |
| Learning Disability | 14,189 | 13,607 | 582 | 4.1% | The forecast underspend reflects known demand for Residential Placements partially offset by overspends on Supported Living and Respite due to demand. |
| Physical Disability | 2,792 | 2,870 | (78) | (2.8%) | The forecast overspend reflects higher than budgeted demand for Supported Living and higher than budgeted equipment purchasing in the Integrated Equipment Service. This is offset slightly by a forecast underspend in the Residential Care budgets. |
| Child Protection | 3,674 | 3,393 | 281 | 7.6% | The forecast underspend is as a result of 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. |
| Criminal Justice | 224 | 172 | 52 | 23.2% | The forecast underspend is due to vacancies within the Criminal Justice team. |
| Looked After Children | 7,832 | 7,507 | 325 | 4.1% | The forecast underspend is as a result of 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 DECEMBER 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 | Savings to date via the Oban project, tidying up NDR costs form previous disposals and removing security costs.<br><br>The remainder of the outstanding saving is based on removing the smallest depot budget from each town but cannot do this without the capital investment to create fit for purpose single depot facilities.<br><br>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.<br><br>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. | £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.<br><br>This saving will not be achieved and shortfall has been absorbed by underspends elsewhere in the service. | £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 November for installs. This delay has missed the busy summer months and October holidays 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 £000 | 2023-24 FTE | Status of Implementation |
|---|---|---|---|---|---|---|
| **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 | 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 | 1.5 | On Track to be Delivered |
| | | | | | | |
| **TOTAL** | | | | **6,952.5** | **1.8** | |

**ARGYLL AND BUTE COUNCIL** **POLICY AND RESOURCES COMMITTEE**

**FINANCIAL SERVICES** **15 FEBRUARY 2024**

**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 5 Council wide revenue risks identified for 2023-24 currently amounting to £2.835m.

1.4 There are currently 39 departmental risks totalling £5.265m. Of the 39 departmental risks, 6 are categorised as likely.

1.5 The financial risks are monitored routinely and actions put in place to continue to mitigate the risks.

**ARGYLL AND BUTE COUNCIL** **POLICY AND RESOURCES COMMITTEE**

**FINANCIAL SERVICES** **15 FEBRUARY 2024**

**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. During 2023-24 the Council re-contracted for its energy needs and was exposed to significantly higher market rates creating an in year cost pressure of £0.936m with a proposal to fund this from the £1.4m contingency set aside for inflationary increases as part of the 2023-24 budget setting process. 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 based on the original utilities budget amounts to £0.827m.

3.2.2 The SJC pay award for 2023-24 is now settled and the budgets will be updated in the January period to reflect the additional staff costs and offsetting associated Scottish Government income. Initial workings have indicated that the funding will offset the additional costs and there will be no in-year pressure resulting from the pay award.

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 December 2023, the net HSCP outturn in 2023-24 is estimated to be a £0.443m overspend (Social Work forecasting a breakeven position and an overspend of £0.443m 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 and ongoing events in the Middle East. Inflation has been falling 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 |
| 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** | | **2,835** |

**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 drag on markets and supplies of the COVID-19 pandemic, UK exit from the European Union, Russia's invasion of Ukraine and sanctions on Russian owned entities and ongoing events in the Middle East, 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 with steps underway for its removal. This will include a decant of the students for approximately 9 months plus total removal and replacement of the roof during 2024. The estimated costs associated with this are £3m which will require additional funding. 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.

### 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 | 7 | 600 | 5 | 565 | 0 | 0 | **20** | **1,745** |
| Executive Director Kirsty Flanagan | 5 | 335 | 2 | 230 | 11 | 2,590 | 1 | 365 | 0 | 0 | **19** | **3,520** |
| **Total** | **7** | **355** | **8** | **790** | **18** | **3,190** | **6** | **930** | **0** | **0** | **39** | **5,265** |

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) 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. | 4 | 300 |
| Legal and Regulatory Support | Contract RPI for NPDO and Hub Schools | Increase in RPI would result in higher costs. | 4 | 100 |
| Legal and Regulatory Support | 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. | 4 | 75 |
| Legal and Regulatory Support | Elections | More than 1 by-election required outwith standard election cycle. | 4 | 60 |
| 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 no changes to the departmental risks since the financial risks report was presented to the Policy and Resources Committee on 7 December 2023.

## 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.

3.6.2 The Council's bid to the Scottish Governments Learning Estate Investment Programme (LEIP) for funding for a new school campus on Mull was successful. While this is good news and will provide welcome investment in the school estate it does come with a financial pressure that is required to be funded if the project is to proceed. The Scottish Government will fund up to 50% of eligible costs leaving the Council to fund circa £20m therefore Council need to consider full affordability options before agreeing to progress with this project. There are £9m in earmarked reserves set aside for this purpose with funding required for the remaining balance. A paper outlining possible funding options will be presented to Council in due course.

3.6.3 As a result of significant rainfall Argyll and Bute Council activated the Bellwin scheme in relation to the recovery of costs associated with the incident. The funding from this scheme is welcomed however eligibility criteria of costs are restrictive. Primarily the first £0.529m has to be covered by the Local Authority of which £0.398m has been identified from Crown Estates funding with the possibility this could be topped up further once the Crown Estate full year allocation of funding is confirmed. Secondly, capital expenditure does not qualify therefore any long term replacements to infrastructure such as bridges cannot be claimed through the scheme therefore if not already part of the capital programme will require funding. Estimated costs were submitted to the Scottish Government on 5 December 2023 along with a request to extend the scheme by ten months to allow for all works to be completed. The Scottish Government have subsequently rejected this request and will only extend the claim by two months. The revenue costs are being finalised but there is a risk that costs of circa £0.900m in revenue could extend beyond the claim period and therefore may not be eligible for the scheme.

3.6.4 In its present configuration, Argyll and Bute Council's digital network does not have the capacity to accommodate the requirements of the Scottish Government's vision for digital access over the next four years, including a device for every learner, which would entail a large increase in the number of devices accessing the network. The network requires to be redesigned to allow digital access on the scale proposed by the Scottish Government. In addition to investment in bandwidth, device management and protection, there is a requirement to replace existing network hardware in all schools. Following an independent consultation on the network by Insight, IT and Education have co-authored a paper "Resourcing Educations Digital Aspirations" that identifies the work required to meet the Scottish Governments expectations. COSLA have raised this issue with the Scottish Government and there is an expectation that this will be fully funded as it is a Scottish Government commitment but there remains a risk associated with this.

## 4 CONCLUSION

4.1 This report summarises the key financial risks facing the Council. There are 5 Council wide risks and 39 departmental risks identified with 6 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**
**12 January 2024**

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

**APPENDICES**
Appendix 1 – Detail of Department/Service financial risks

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

**APPENDIX 1**

**DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2023**

| DEPARTMENT | SERVICE | TITLE OF RISK | DESCRIPTION OF RISK | MITIGATING ACTIONS IN PLACE | As at 31 October 2023 | | As at 31 December 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 |
| 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 |

| DEPARTMENT | SERVICE | TITLE OF RISK | DESCRIPTION OF RISK | MITIGATING ACTIONS IN PLACE | LIKELIHOOD | FINANCIAL IMPACT £000 | LIKELIHOOD | FINANCIAL IMPACT £000 |
|---|---|---|---|---|---|---|---|---|
| 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. Following a full ASN review, the service are currently investing in the development of four new learning centres in order to provide greater equity in meeting the more complex needs of some learners as well as considering plans to develop enhanced wellbeing resources across our learning estate in future. This aims to reduce the frequency of children having to be educated in high cost out of area placements. | 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 included in the staffing model funded by Scottish Government. Scottish Government has included plans to further expand on eligibility for 1140 hours to all 2 year olds and some one year olds within the current Parliamentary session. As yet there has been no funding commitment. However this will place unknown cost pressures on both our capital and revenue budgets | 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. | 4 | 75 | 4 | 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. | 4 | 60 | 4 | 60 |
| 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 improvement/penalise poor performance at a local authority level remains unclear at this time | Maintain high levels of performance as articulated by performance markers detailed in Planning Performance Framework annual report. | 1 | 100 | 1 | 100 |
| Executive Director Kirsty Flanagan | Development and Economic Growth | Planning fee shortfalls | Due to downturn in economic / building activity, in particular renewable energy development and other major developments could lead to planning fee income shortfalls leading to revenue budget pressures. | Current income levels are looking more positive, however, we are dependent on some high value applications coming in which, if they 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 |

| 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 | 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 | 3 | 586 |
| Executive Director Kirsty Flanagan | Roads and Infrastructure Services | Waste - Compost Like Output (CLO) | Compost Like Output is an 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 as 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 | 3 | 164 |
| 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. | 4 | 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 |
| | | | | | **39** | **5,265** | **39** | **5,265** |

**ARGYLL AND BUTE COUNCIL** | **POLICY & RESOURCES COMMITTEE**

**FINANCIAL SERVICES** | **15 FEBRUARY 2024**

**CAPITAL BUDGET MONITORING REPORT – 31 DECEMBER 2023**

## 1.0 EXECUTIVE SUMMARY

1.1 This report provides an update on the position of the capital budget as at 31 December 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 £24,334k compared to a budget for the year to date of £24,309k resulting in an overspend for the year to date of £25k (0.10%).
- **Forecast Outturn for 2023-24** – forecast net expenditure for the full financial year is £34,239k compared to an annual budget of £41,791k giving rise to a forecast underspend for the year of £7,552k (18.07%).
- **Total Capital Plan** – forecast total net project costs on the total capital plan are £216,885k compared to a total budget for all projects of £216,065k giving rise to a forecast overspend for the overall capital plan of £820k (0.38%).

1.3 **Project Delivery:**

- **Asset Sustainability** – Out of 85 projects there are 70 projects (82%) on track, 2 projects (3%) off track but recoverable and 13 projects off track (15%).
- **Service Development** - Out of 42 projects there are 41 projects (98%) on track, 0 projects (0%) off track but recoverable and 1 projects (2%) 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 projects (3%) off track.

1.4 The Capital Programme is funded by various income streams as detailed in Appendix 5. Additional funding has been allocated from revenue to clear small overspends across a number of projects.

1.5 Originally the Council was projecting £1,195k of capital receipts this financial year. However, the revised forecast for the financial year is now £484k, of which £160k have been received. This is as a result of delays in assets sales rather than a permanent reduction and over the life of the programme there is no overall impact. 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 December 2023**

## 2.0 INTRODUCTION

2.1 This report provides an update on the position of the capital budget as at 31 December 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 has resulted in a forecasted overspend of £0.710m. These are currently being discussed with the consultant and cost saving approaches are being sought to bring the project in on budget though at this stage the current forecasted overspends have been included within the figures and the project is marked as off track.

2.4 Surveys have been completed in the Councils Learning Estates in relation to RAAC with only 1 building confirmed as having it present with steps underway for its removal. This will include a decant of the students for approximately 9 months plus total removal and replacement of the roof during 2024. The estimated costs associated with this are £3m which will require additional funding and will be considered as part of the 2024-25 budget setting process.

2.5 The Councils bid to the Scottish Governments Learning Estate Investment Programme (LEIP) for funding for a new school campus on Mull was successful. While this is good news and will provide welcome investment in the school estate it does come with a financial pressure that is required to be funded if the project is to proceed. The Scottish Government will fund up to 50% of eligible costs therefore the Council will be required to fund circa £20m.

2.6 As a result of significant rainfall Argyll and Bute Council activated the Bellwin scheme in relation to the recovery costs associated with the incident. The funding from this scheme is welcomed however eligibility criteria of costs are restrictive. Capital expenditure does not qualify therefore any long term replacements to infrastructure such as bridges cannot be claimed through the scheme therefore if not already part of the capital programme will require funding. Works to the value of £1.8m have been carried out already with future anticipated works costing circa £2.5m being identified, both which will require capital funding allocated.

2.7 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. A forecast of £110k has been reported in the capital monitoring which is currently shown as an overspend and will require additional funding to be identified.

2.8 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. Feasibility report underway to progress the permanent works and estimated costs.

2.9 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.
- Bridges Fund - A scheme of bridge capital works was developed and 80% funded through the Local Bridge Maintenance Fund with £5.450m of funding approved. Increased capital contract costs from when the scheme was developed to now, has the schemes costing approximately £12m. Discussions are in place to request the original funding be approved to cover a smaller scheme with less bridges.
- In general, capital contracts across the programme are seeing significant price increases.

2.10 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 £24,334k compared to a budget for the year to date of £24,309k resulting in an overspend for the year to date of £25k (0.10%).

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 | 10,679 | 10,704 | (25) |
| Service Development | 2,477 | 2,477 | 0 |
| Strategic Change | 11,153 | 11,153 | 0 |
| **Total** | **24,309** | **24,334** | **(25)** |
| **Service:** | | | |
| ICT | 869 | 869 | 0 |
| Education | 4,069 | 4,069 | 0 |
| Live Argyll | 562 | 562 | 0 |
| Health & Social Care Partnership | 613 | 613 | 0 |
| Shared Offices | 781 | 782 | (1) |
| Roads & Infrastructure | 12,980 | 13,004 | (24) |
| Development & Economic Growth | 754 | 754 | 0 |
| CHORD | 3,681 | 3,681 | 0 |
| **Total** | **24,309** | **24,334** | **(25)** |

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 £34,239k compared to an annual budget of £41,791k giving rise to a forecast underspend for the year of £7,552k (18.07%).

### 5.2 Project/Department Position

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

| Project Type: | Annual Budget £'000 | Forecast Outturn £'000 | Forecast Variance £'000 |
|---|---|---|---|
| Asset Sustainability | 24,786 | 18,380 | 6,406 |
| Service Development | 201 | (45) | 246 |
| Strategic Change | 16,804 | 15,904 | 900 |
| **Total** | **41,791** | **34,239** | **7,552** |
| **Service:** | | | |
| ICT | 1,428 | 1,428 | 0 |
| Education | 6,917 | 5,940 | 977 |
| Live Argyll | 1,084 | 1,084 | 0 |
| Health & Social Care Partnership | 2,201 | 944 | 1,257 |
| Shared Offices | 1,906 | 1,907 | (1) |
| Roads & Infrastructure | 23,496 | 18,177 | 5,319 |
| Development & Economic Growth | (931) | (931) | 0 |
| CHORD | 5,690 | 5,690 | 0 |
| **Total** | **41,791** | **34,239** | **7,552** |

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 £216,885k compared to a total budget for all projects of £216,065k giving rise to a forecast overspend for the overall capital plan of £910k (0.38%).

### 6.2 Project/Department Position

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

| **Project Type:** | **Capital Plan Budget £'000** | **Forecast Project Costs £'000** | **Total Capital Plan Variance £'000** |
|---|---|---|---|
| Asset Sustainability | 59,393 | 59,503 | (110) |
| Service Development | 22,358 | 22,358 | 0 |
| Strategic Change | 134,314 | 135,024 | (710) |
| **Total** | **216,065** | **216,885** | **(820)** |
| **Service:** | | | |
| ICT | 6,380 | 6,380 | 0 |
| Education | 45,636 | 45,636 | 0 |
| Live Argyll | 2,971 | 2,971 | 0 |
| Health & Social Care Partnership | 4,752 | 4,752 | 0 |
| Shared Offices | 23,539 | 23,539 | 0 |
| Roads & Infrastructure | 59,281 | 60,101 | (820) |
| Development & Economic Growth | 5,307 | 5,307 | 0 |
| CHORD | 68,199 | 68,199 | 0 |
| **Total** | **216,065** | **216,885** | **(820)** |

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 157 projects within the Capital Plan, 140 are Complete or On Target, 2 are Off Target and Recoverable and 15 are Off Track.

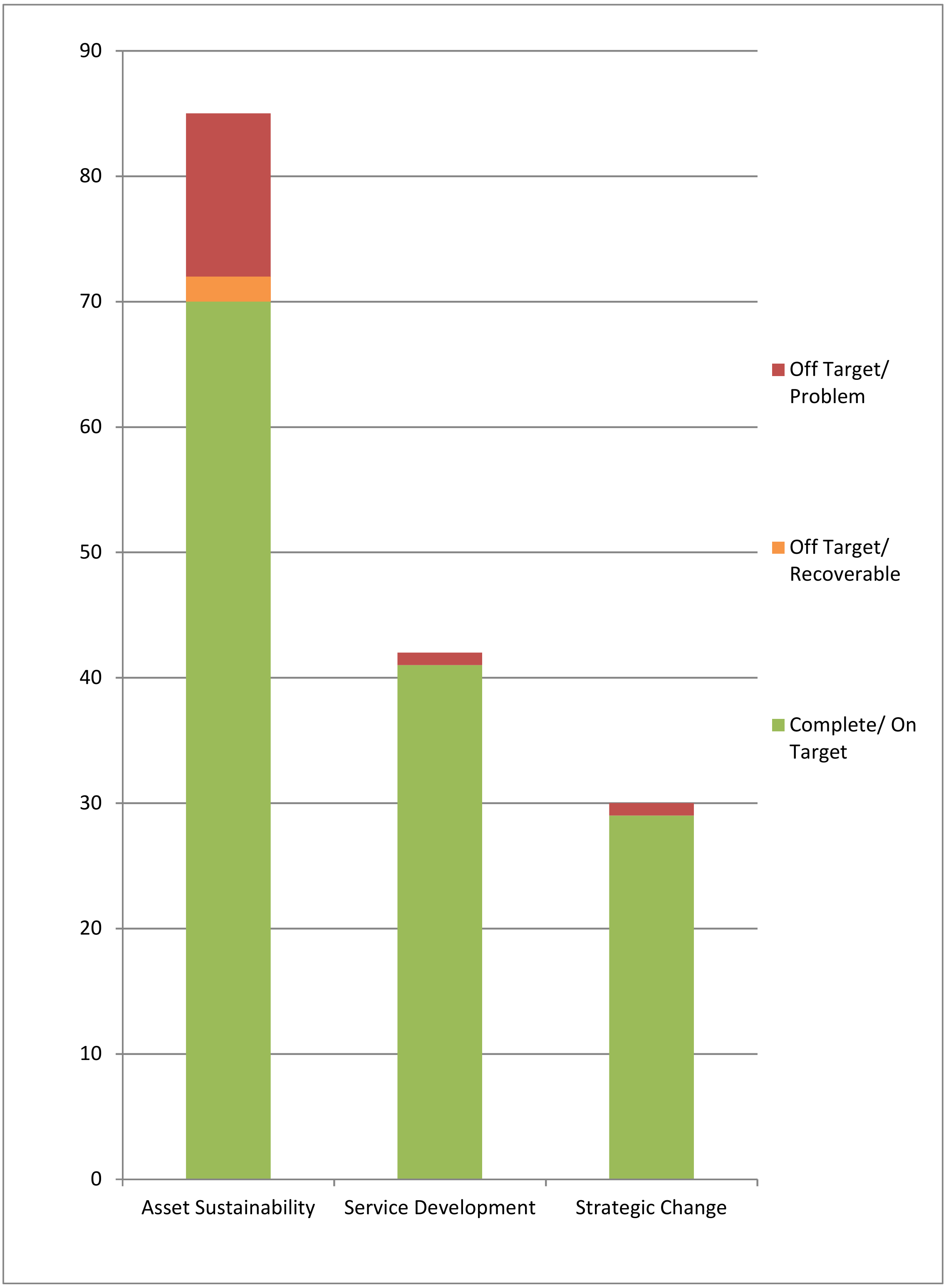
### 7.2 Project Position

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 | 70 | 2 | 13 | 85 |
| Service Development | 41 | 0 | 1 | 42 |
| Strategic Change | 29 | 0 | 1 | 30 |
| **Total** | **140** | **2** | **15** | **157** |
| **Service:** | | | | |
| ICT | 7 | 0 | 0 | 7 |
| Education | 30 | 0 | 1 | 31 |
| Live Argyll | 19 | 0 | 0 | 19 |
| Health & Social Care Partnership | 16 | 0 | 1 | 17 |
| Shared Offices | 23 | 1 | 0 | 24 |
| Roads & Infrastructure | 22 | 1 | 13 | 36 |
| Development & Economic Growth | 17 | 0 | 0 | 17 |
| CHORD | 6 | 0 | 0 | 6 |
| **Total** | **140** | **2** | **15** | **157** |

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 |
|---|---|---|---|
| RIS - Service Development | Fleet Management | Current Year Expenditure | Slippage into future years. Delays in the delivery of orders has led to this slippage. A number of vehicles (£800k) are forecast for delivery in March 2024, if these vehicles face any delays further slippage will occur before the year end. |
| RIS - Asset Sustainability | Environmental Projects | Current Year Expenditure | Slippage into future years. Planning applications and associated works are ongoing for the Cemeteries where works are still to commence. No further capital expenditure forecast for 2023-24 now that Tobermory Cemetery works are complete. |
| RIS - Asset Sustainability | Play Park Renewal | Current Year Expenditure | Slippage into future years. Engagement with Local Communities is taking place to determine the works which will go ahead, as these discussions are still taking place no expenditure is forecast to occur within 2023-24. |
| RIS - Asset Sustainability | Footway Improvements | Current Year Expenditure | Slippage into future years. The full footways programme for 2023-24 was not delivered within the year due to adverse weather, sickness within the team and other commitments. These works are forecasted to be carried out in 2024-25 alongside the 2024-25 programme. |
| RIS - Asset Sustainability | Active Travel | Current Year Expenditure | Slippage into future years. The full footways programme for 2023-24 was not delivered within the year due to adverse weather, sickness within the team and other commitments. These works are forecasted to be carried |

| | | | |
|---|---|---|---|
| | | | out in 2024-25 alongside the 2024-25 programme. |
| RIS - Asset Sustainability | Flood Prevention | Current Year Expenditure | Slippage into future years. Resources were reallocated to the numerous emergencies which arose from the October 2023 weather incident. Resources were reallocated accordingly hence delays in existing projects. There were also unsuccessful tender processes due to excessive costs being quoted on returns which required retendering. |
| RIS - Asset Sustainability | Coastal Protection | Current Year Expenditure | Slippage into future years. Resources were reallocated to the numerous emergencies which arose from the October 2023 weather incident. Resources were reallocated accordingly hence delays in existing projects. |
| RIS - Asset Sustainability | Coastal Change Adaptation | Current Year Expenditure | Slippage into future years. Resources were reallocated to the numerous emergencies which arose from the October 2023 weather incident. Resources were reallocated accordingly hence delays in existing projects. |
| RIS - Asset Sustainability | Bute Seawall Repairs | Current Year Expenditure | Slippage into future years. Resources were reallocated to the numerous emergencies which arose from the October 2023 weather incident. Resources were reallocated accordingly hence delays in existing projects. |
| RIS - Asset Sustainability | Helensburgh Flood Mitigation | Current Year Expenditure | Slippage into future years. Resources were reallocated to the numerous emergencies which arose from the October 2023 weather incident. Resources were reallocated accordingly hence delays in existing projects. There were also unsuccessful tender processes |

| | | | |
|---|---|---|---|
| | | | due to excessive costs being quoted on returns which required retendering. |
| RIS - Asset Sustainability | Bridge Strengthening | Current Year Expenditure | Slippage into future years. Resources were reallocated to the numerous emergencies which arose from the October 2023 weather incident. Resources were reallocated accordingly hence delays in existing projects. |
| RIS - Asset Sustainability | Local Bridge Maintenance Fund | Current Year Expenditure | Slippage into future years. Resources were reallocated to the numerous emergencies which arose from the October 2023 weather incident. Resources were reallocated accordingly hence delays in existing projects. |
| RIS - Strategic Change | Campbeltown Flood Scheme | Current Year Expenditure & Total Project Expenditure | Slippage into future years due to revised cash flow forecasts provided from Consultant and Contractor. As we approach the year end the financial position becomes clearer and total Project Expenditure is reporting an overspend due to an overspend on the Burnside Square project and compensation events that have been raised by the Contractor. |
| PropEdu-Asset Sustainability | Secondary Schools | Current Year Expenditure | Slippage into future years due to delays to the roof works at Islay High School. Works had been programmed to start in 2023-24 however delays due to weather conditions, tender returns exceeding project budget and redesigns of the scope of works has led to a slippage being reported. |
| PropNonEdu-Asset Sustainability | Tigh an Rudha | Current Year Expenditure | Slippage into future years. The project is delayed due to tender returns for Tigh An Rudha exceeding the anticipated costs of the project. HSCP projects are on pause while future of the Tigh an Rudha is determined. |

| | | | |
|---|---|---|---|
| RIS - Asset Sustainability | POPs Waste | Total Project Expenditure | Project is currently showing an overspend as the funding for the essential works of separating POPs waste has still to be identified. |

**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<br>£'000 | 2023-24<br>£'000 | 2024-25<br>£'000 | 2025-26<br>£'000 | Future Years<br>£'000 | Total Capital Plan<br>£'000 |
|---|---|---|---|---|---|---|
| Asset Sustainability | (1,595) | (6,430) | 6,430 | 0 | 0 | **0** |
| Service Development | 34 | (246) | 246 | 0 | 0 | **0** |
| Strategic Change | (8,222) | (900) | (2,990) | (11,000) | 14,890 | **0** |
| **Total** | **(9,783)** | **(7,576)** | **3,686** | **(11,000)** | **14,890** | **0** |
| | | | | | | |
| **Service:** | | | | | | |
| ICT | 154 | 0 | 0 | 0 | 0 | **0** |
| Education | (903) | (977) | 977 | 0 | 0 | **0** |
| Live Argyll | (207) | 0 | 0 | 0 | 0 | **0** |
| Health & Social Care Partnership | 6 | (1,257) | 1,257 | 0 | 0 | **0** |
| Shared Offices | (364) | 1 | (1) | 0 | 0 | **0** |
| Roads & Infrastructure | (7,424) | (5,343) | 1,453 | (11,000) | 14,890 | **0** |
| Development & Economic Growth | (523) | 0 | 0 | 0 | 0 | **0** |
| Major Projects | (522) | 0 | 0 | 0 | 0 | **0** |
| **Total** | **(9,783)** | **(7,576)** | **3,686** | **(11,000)** | **14,890** | **0** |

## 11.0 FUNDING

11.1 The Capital Programme is funded by various income streams as detailed in Appendix 5. Additional funding has been allocated from revenue to clear small overspends across a number of projects.

## 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**
**12 January 2024**

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

**APPENDICES**

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

For further information contact: Anne Blue, Head of Financial Services
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**APPENDIX 1 – Year to Date Financial Variance Explanations**
Listed below are the projects where the variance is +/- £50k.

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

**APPENDIX 2 – Outturn Variance Explanations**
Listed below are the projects where the current year variance is +/- £50k.

| Project | Annual Budget £'000 | Outturn £'000 | Total (Over)/ Under Forecast Variance £'000 | Explanation |
|---|---|---|---|---|
| Fleet Management | 2,512 | 2,266 | 246 | Slippage into future years. Delays in the delivery of orders has led to this slippage. A number of vehicles (£800k) are forecast for delivery in March 2024, if these vehicles face any delays further slippage will occur before the year end. |
| Environmental Projects | 650 | 200 | 450 | Slippage into future years. Planning applications and associated works are ongoing for the Cemeteries where works are still to commence. No further capital expenditure forecast for 2023-24 now that Tobermory Cemetery works are complete. |
| Play Park Renewal | 312 | 0 | 312 | Slippage into future years. Engagement with Local Communities is taking place to determine the works which will go ahead, as these discussions are still taking place no expenditure is forecast to occur within 2023-24. |
| Footway Improvements | 750 | 450 | 300 | Slippage into future years. The full footways programme for 2023-24 was not delivered within the year due to adverse weather, sickness within the team and other commitments. These works are forecasted to be carried out in 2024-25 alongside the 2024-25 programme. |
| Active Travel | 389 | 189 | 200 | Slippage into future years. The full footways programme for 2023-24 was not delivered within the year due to adverse weather, sickness within the team and other commitments. These works are forecasted to be carried out in 2024-25 alongside the 2024-25 programme. |
| Flood Prevention | 807 | 340 | 467 | Slippage into future years. Resources were reallocated to the numerous emergencies which arose from the October 2023 weather incident. Resources were reallocated accordingly hence delays within existing projects. There were also unsuccessful tender processes due to excessive costs being quoted on returns which require retendering. |
| Coastal Protection | 99 | 6 | 93 | Slippage into future years. Resources were reallocated to the numerous emergencies which arose from the October 2023 weather incident. Resources were reallocated accordingly hence delays within existing projects. |
| Coastal Change Adaptation | 158 | 41 | 117 | Slippage into future years. Resources were reallocated to the numerous emergencies which arose from the October 2023 weather incident. Resources were reallocated accordingly hence delays within existing projects. |
| Helensburgh Flood Mitigation | 428 | 1 | 427 | Slippage into future years. Resources were reallocated to the numerous emergencies which arose from the October 2023 weather incident. Resources were reallocated accordingly hence delays within existing projects. There were also |

| | | | | |
|---|---|---|---|---|
| | | | | unsuccessful tender processes due to excessive costs being quoted on returns which require retendering. |
| Bridge Strengthening | 1,336 | 373 | 963 | Slippage into future years. Resources were reallocated to the numerous emergencies which arose from the October 2023 weather incident. Resources were reallocated accordingly hence delays within existing projects. |
| Local Bridge Maintenance Fund | 1,000 | 173 | 827 | Slippage into future years. Resources were reallocated to the numerous emergencies which arose from the October 2023 weather incident. Resources were reallocated accordingly hence delays within existing projects. |
| Campbeltown Flood Scheme | 9,702 | 8,802 | 900 | Slippage into future years due to revised cash flow forecasts provided from Consultant and Contractor. As we approach the year end the financial position becomes clearer and total project expenditure is reporting an overspend due to an overspend on the Burnside Square project and compensation events that have been raised by the Contractor. |
| Secondary Schools | 1,129 | 852 | 277 | Slippage into future years due to delays to the roof works at Islay High School. Works had been programmed to start in 2023-24 though delays due to weather conditions, tender returns exceeding project budget and redesigns of the scope of works has led to a slippage being reported. |
| Block Allocation - Education | 916 | 216 | 700 | Unallocated Education Block Allocation was kept aside to cover any of the RAAC costs which may have accelerated into 2023-24. Block allocation not required in 2023-24 has now been slipped into 2024-25. |
| Tigh an Rudha | 600 | 109 | 491 | Slippage into future years. The project is delayed due to tender returns for Tigh An Rudha exceeding the anticipated costs of the project. HSCP projects are on pause while future of the Tigh an Rudha is determined. |
| Block Allocation - HSCP | 766 | 0 | 766 | Slippage into future years. HSCP Block Allocation had not fully been allocated in 2023-24 as programme of works was in limbo while decision on Tigh an Rudha was being made. Above mentioned delays to the Tigh an Rudha has resulted in the HSCP Block Allocation slipping into 2024-25 along with the funding already allocated to Tigh an Rudha. |
| Other variances under £50k | | | 16 | Total value of non-material variances less than +/-£50k. |
| **Total** | | | **7,552** | |

**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 | Total (Over)/ Under Forecast Variance £'000 | Explanation |
|---|---|---|---|---|
| Campbeltown Flood Scheme | 15,215 | 16,925 | (710) | Total Project Expenditure is reporting an overspend due to an overspend on the Burnside Square project and compensation events that have been raised by the Contractor. |
| POPs Waste | 0 | 110 | (110) | Total Project Expenditure is reporting an overspend due to the funding still to be identified for the essential works to separate and store POPs Waste items. |
| Other variances under £50k | | | (0) | 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** | | | (820) | |

| 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** |
| Lochgilphead Depot Rationalisation | 25 | 0 | 0 | 0 | 25 | Transfer budget from the Capital Grant Area Control Accounts to cover the projected overspend in the project. | Demolition of unsafe buildings required prior to advancing project. |
| Town Centre Funds - Dunoon Castle Gardens | 10 | 0 | 0 | 0 | 10 | Transfer budget from the Capital Grant Area Control Accounts to cover the projected overspend in the project. | Overspend carried forward from prior year. |
| Oban Depot Development Project | 5 | 0 | 0 | 0 | 5 | Transfer budget from the Capital Grant Area Control Accounts to cover the projected overspend in the project. | Small overspend due to late engineer fees incurred. |
| Glengorm - Cell and Transfer Station | 4 | 0 | 0 | 0 | 4 | Transfer budget from the Capital Grant Area Control Accounts to cover the projected overspend in the project. | Small overspend due to additional materials found during project. |
| Riverside Leisure Centre Refurbishment | 1 | 0 | 0 | 0 | 1 | Transfer budget from the Capital Grant Area Control Accounts to cover the projected overspend in the project. | Small overspend due to water ingress issues. |
| Tobermory Top Flat | 6 | 0 | 0 | 0 | 6 | Transfer budget from the Capital Grant Area Control Accounts to cover the projected overspend in the project. | Small overspend due to late property fees incurred. |
| Capital Fund – Area Control Accounts | (51) | 0 | 0 | 0 | (51) | Utilise budget from the Area control accounts to cover overspends detailed above. | |
| **Total Cost Changes** | **0** | **0** | **0** | **0** | **0** | | |

| SLIPPAGES AND ACCELERATIONS | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Project** | **2023-24 £'000** | **2024-25 £'000** | **2025-26 £'000** | **Future Years £'000** | **Total Capital Plan £'000** | **Recommendation** | **Explanation** |
| Harbour Investment Programme | | (3,890) | (11,000) | 14,890 | 0 | Reprofile future years expenditure | Earlier in 2023-24, |
| Burnett Building | 1 | (1) | | | 0 | Accelerate from 2024-25 | Works scheduled for 2024-25, accelerate from 2024-25 to cover building survey costs. |
| Fleet Management | (246) | 246 | | | 0 | Slip budget from 2023-24 | Slippage into future years. Delays in the delivery of orders has led to this slippage. A number of vehicles (£800k) are forecast for delivery in March 2024, if these vehicles face any delays further slippage will occur before the year end. |
| Environmental Projects | (450) | 450 | | | 0 | Slip budget from 2023-24 | Slippage into future years. Planning applications and associated works are ongoing for the Cemeteries where works are still to commence. No further capital expenditure forecast for 2023-24 now that Tobermory Cemetery works are complete. |
| Play Park Renewal | (312) | 312 | | | 0 | Slip budget from 2023-24 | Slippage into future years. Engagement with Local Communities is taking place to determine the works which will go ahead, as these discussions are still taking place no expenditure is forecast to occur within 2023-24. |
| Footway Improvements | (300) | 300 | | | 0 | Slip budget from 2023-24 | Slippage into future years. The full footways programme for 2023-24 was not delivered within the year due to adverse weather, sickness within the team and other commitments. These works are forecasted to be carried out in 2024-25 alongside the 2024-25 programme. |
| Active Travel | (200) | 200 | | | 0 | Slip budget from 2023-24 | Slippage into future years. The full footways programme for 2023-24 was not delivered within the year due to adverse weather, sickness within the team and other commitments. These works are forecasted to be carried out in 2024-25 alongside the 2024-25 programme. |
| Flood Prevention | (467) | 467 | | | 0 | Slip budget from 2023-24 | Slippage into future years. Resources were reallocated to the numerous emergencies which arose from the October 2023 weather incident. Resources were reallocated accordingly hence delays within existing projects. There were also unsuccessful tender processes due to excessive costs being quoted on returns which require retendering. |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Coastal Protection | (93) | 93 | | | 0 | Slip budget from 2023-24 | Slippage into future years. Resources were reallocated to the numerous emergencies which arose from the October 2023 weather incident. Resources were reallocated accordingly hence delays within existing projects. |
| Coastal Change Adaptation | (117) | 117 | | | 0 | Slip budget from 2023-24 | Slippage into future years. Resources were reallocated to the numerous emergencies which arose from the October 2023 weather incident. Resources were reallocated accordingly hence delays within existing projects. |
| Bute Seawall Repairs | (41) | 41 | | | 0 | Slip budget from 2023-24 | Slippage into future years. Resources were reallocated to the numerous emergencies which arose from the October 2023 weather incident. Resources were reallocated accordingly hence delays within existing projects. |
| Helensburgh Flood Mitigation | (427) | 427 | | | 0 | Slip budget from 2023-24 | Slippage into future years. Resources were reallocated to the numerous emergencies which arose from the October 2023 weather incident. Resources were reallocated accordingly hence delays within existing projects. There were also unsuccessful tender processes due to excessive costs being quoted on returns which require retendering. |
| Bridge Strengthening | (963) | 963 | | | 0 | Slip budget from 2023-24 | Slippage into future years. Resources were reallocated to the numerous emergencies which arose from the October 2023 weather incident. Resources were reallocated accordingly hence delays within existing projects. |
| Local Bridge Maintenance Fund | (827) | 827 | | | 0 | Slip budget from 2023-24 | Slippage into future years. Resources were reallocated to the numerous emergencies which arose from the October 2023 weather incident. Resources were reallocated accordingly hence delays within existing projects. |
| Campbeltown Flood Scheme | (900) | 900 | | | 0 | Slip budget from 2023-24 | Slippage into future years due to revised cash flow forecasts provided from Consultant and Contractor. As we approach the year end the financial position becomes clearer. |
| Secondary Schools | (277) | 277 | | | 0 | Slip budget from 2023-24 | Slippage into future years due to delays to the roof works at Islay High School. Works had been programmed to start in 2023-24 though delays due to weather conditions, tender returns exceeding project budget and redesigns of the scope of works has led to a slippage being reported. |
| Block Allocation - Education | (700) | 700 | | | 0 | Slip budget from 2023-24 | Unallocated Education Block Allocation was kept aside to cover any of the RAAC costs which may have accelerated into 2023-24. Block allocation not required in 2023-24 has now been slipped into 2024-25. |
| Tigh an Rudha | (491) | 491 | | | 0 | Slip budget from 2023-24 | Slippage into future years. The project is delayed due to tender returns for Tigh An Rudha exceeding the anticipated costs of the |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | | project. HSCP projects are on pause while future of the Tigh an Rudha is determined. |
| Block Allocation - HSCP | (766) | 766 | | | 0 | Slip budget from 2023-24 | HSCP Block Allocation had not fully been allocated in 2023-24 as programme of works was in limbo while decision on Tigh an Rudha was being made. Above mentioned delays to the Tigh an Rudha has resulted in the HSCP Block Allocation slipping into 2024-25 along with the funding already allocated to Tigh an Rudha. |
| **Total Slippages and Accelerations** | **(7,576)** | **3,686** | **(11,000)** | **14,890** | **0** | | |
| **Net Impact of Changes** | **(7,576)** | **3,686** | **(11,000)** | **14,890** | **0** | | |

## CAPITAL PROGRAMME FUNDING

Appendix 5

| | 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 | 222 | -222 | 0 | 11,900 | 9,851 | -276 | 0 | 129 | 9,704 | 10,007 | 54 | 0 | 0 | 10,061 |
| Capital Grant - Area Control Accounts | 0 | 0 | 0 | 51 | 51 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 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 | -60 | -651 | 0 | 484 | 350 | 0 | 651 | 0 | 1,001 | 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 | 14 | 0 | 5,814 | 304 | 0 | 314 | 400 | 1,018 | 0 | 0 | -324 | 0 | -324 |
| Restricted Funding | 1,613 | 0 | -522 | 1,394 | 2,485 | 0 | 0 | 488 | 2,065 | 2,553 | 0 | 0 | 34 | 50 | 84 |
| Funded by Reserves | 11,909 | 6,533 | 0 | 243 | 18,685 | 8,187 | 289 | 0 | 186 | 8,662 | 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 | -6,000 | 0 | 3,200 | 27,025 | -5,025 | 2,110 | 0 | 24,110 | 29,700 | 20,300 | -11,000 | 0 | 39,000 |
| Prudential Borrowing | 20,718 | -6,510 | -10,889 | 74 | 3,393 | 27 | 6,434 | 11,106 | 0 | 17,567 | 0 | 1,388 | 5 | 0 | 1,393 |
| Loans Fund Review | 0 | 2,694 | 651 | 0 | 3,345 | 1,331 | 0 | -651 | 0 | 680 | 0 | 0 | 0 | 0 | 0 |
| COVID Funding | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 74,517 | -10,156 | -17,619 | 1,879 | 48,621 | 46,197 | 1,422 | 14,018 | 2,780 | 64,417 | 40,404 | 21,587 | -11,285 | 50 | 50,756 |

### BREAKDOWN OF ADDITIONAL FUNDING

| Additional Funding | 2023-24 | 2024-25 | 2025-26 | Reported | Source |
|---|---|---|---|---|---|
| Tobermory Top Flat - SHF | 30 | | | Jan-23 | Revenue Funding |
| Dunoon STEM Hub | 50 | | | Jan-23 | Revenue Funding |
| Dunoon STEM Hub | 150 | | | Jan-23 | Grant Funding |
| Dunoon Cycle Bothy | 145 | | | Jan-23 | Grant Funding |
| Gartbreck - Capping | 118 | | | Mar-23 | Reserves |
| Dunoon Cycle Bothy | 74 | | | Mar-23 | Scottish Government |
| Tigh Na Rhuda | | 400 | 50 | Mar-23 | Scottish Government |
| Helensburgh and Rosneath Cycleways | | 290 | | Jun-23 | SPT |
| SPT - Bus Infrastructure | | 25 | | Jun-23 | SPT |
| Dunoon STEM Hub | | 1,750 | | Jun-23 | Rural Growth Deal |
| Rural Growth Deal planning stages | 132 | | | Jun-23 | Rural Growth Deal |
| Public Conveniences Upgrade - Coastal Communities Fund | 200 | | | Jul-23 | Coasal Communities Fund |
| Tobermory Harbour Wall and Railings, Phase 2 | 100 | | | Jul-23 | Coasal Communities Fund |
| Tobermory Harbour Wall and Railings, Phase 2 | 250 | | | Jul-23 | Scottish Government |
| Server Sustainability | 95 | | | Jul-23 | Earmarked Reserves |
| Oban Depot Development | 67 | | | Aug-23 | Revenue Funding |
| Roads Recon - STTS Funding | 347 | | | Aug-23 | STTS |
| Roads Recon - STTS Funding | 40 | | | Sep-23 | STTS |
| Coastal Change Adaptation | | 129 | | Sep-23 | Scottish Government |
| Telecomms Network | | 236 | | Oct-23 | Earmarked Reserves |
| Clean Energy - NDEEF1 | | -50 | | Oct-23 | Earmarked Reserves |
| Rural Growth Deal - Clyde Engineering | 25 | | | Oct-23 | Earmarked Reserves |
| Capital Grant - Area Control Accounts | 51 | | | Dec-23 | Control accounts |
| Rural Growth Deal | 5 | | | Dec-23 | Rural Growth Deal |
| **Total** | **1,879** | **2,780** | **50** | | |

## OFF TRACK PROJECT

**Appendix 6**

| | | |
|---|---|---|
| **Project Name: Fleet Management** | **Project Manager: John Blake** | **Risk**: Low |
| **Initial Start Date: On-going** | **Proposed End Date**: On-Going | |
| **How was this project initially funded?**<br>**Prudential Borrowing** | **Please detail any additional funding.** | |
| **Previously Reported Committee and Date:** | **Next Reported Committee and Date:** | |

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

**Project is off target due to current year forecasted expenditure slipping out with 2023-24.**

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

The above issue has been caused due to procurement delays, continuation of delays caused by superconductor shortages in the vehicle manufacturing industry.

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

Forecasts have been updated to reflect the updated anticipated delivery dates of ordered vehicles.

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

Proposed actions will result in slippages being reported for 2023-24 and future year's forecasts changing to reflect the above mentioned delays. A number of deliveries are currently forecasted for March 2024, any delays to these deliveries will result in further slippages out with 2024 before the year end.

| **OFF TRACK PROJECT** | | **Appendix 6** |
|---|---|---|
| **Project Name: Environmental Projects** | **Project Manager: Hugh O'Neill** | **Risk**: Low |
| **Initial Start Date:**<br><br>**On-going** | **Proposed End Date**:<br>N/A | |
| **How was this project initially funded?**<br>Scottish Government General Capital Grant Allocation | **Please detail any additional funding.**<br><br>Coastal Community Funding | |
| **Previously Reported Committee and Date:**<br>N/A - First off track report | **Next Reported Committee and Date:** | |
| **Why is the project classified as off target?**<br><br>Forecasted expenditure slipping out with 2023-24 | | |
| **What has caused the issue outlined above?**<br><br>Works at Tobermory Cemetery were completed in July 2023. Planning applications and associated prep work are ongoing for the cemetery works in Campbeltown, Strachur, Sandbank, Lismore and Calgary. Slippage occurred due to initial profiling inaccuracy. No further capital expenditure is due on these cemeteries in 2023-24, therefore the profile requires amendment. | | |
| **What action will be taken to rectify this issue?**<br><br>Forecasts have been updated to reflect the forecasted expenditure on the planned cemetery works. | | |
| **What are the implications of the action proposed?**<br><br>Proposed actions will result in slippages being reported for 2023-24. No further implications associated with this slippage, the original forecast for 2023-24 was overstated as not enough planning time was considered when setting the capital profile. | | |

## OFF TRACK PROJECT

**Appendix 6**

| | | |
|---|---|---|
| **Project Name: Play Park Renewal** | **Project Manager: Hugh O'Neill** | **Risk**: Low |
| **Initial Start Date:** 2021-22 - 1st year of funding | **Proposed End Date**: 2025-26 - final year of funding (estimate) | |
| **How was this project initially funded?**<br>Scottish Government Specific Capital Grant | **Please detail any additional funding.** | |
| **Previously Reported Committee and Date:** N/A - first time reported as off track | **Next Reported Committee and Date:** | |

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

Forecasted expenditure slipping out with 2023-24

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

A full engagement process for the consideration of the improvement of 28 play parks across the area was completed in July 2023. Area committees have been updated with the reported findings and are now engaging with the local community councils. Due to the timing of these discussions, spend in 2023-24 is no longer forecast to occur. Slippage was caused by the original profile not allowing for as much planning and engagement time as was required.

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

Forecasts have been updated to reflect that no expenditure is expected to occur in 2023-24.

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

Proposed actions will result in slippages being reported for 2023-24.

## OFF TRACK PROJECT

**Appendix 6**

| | | |
|---|---|---|
| **Project Name:** Footway Improvements<br>Active Travel - works part of Footway Capital Scheme | **Project Manager: Hugh O'Neill** | **Risk**: Low |
| **Initial Start Date:** On-going | **Proposed End Date**:<br>N/A | |
| **How was this project initially funded?**<br>Scottish Government General Capital Grant Allocation | **Please detail any additional funding.** | |
| **Previously Reported Committee and Date:** | **Next Reported Committee and Date:** | |

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

Forecast expenditure slipping out with 2023-24

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

Due to adverse weather, sickness within the team and other commitments the full footway works scheduled for 2023-24 were not completed within the year.

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

Forecast expenditure for the remaining schemes has been slipped into 2024-25 as this is when the schemes will be carried out.

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

Remaining 2023-24 schemes will now be completed during 2024-25 programme of works.

| **OFF TRACK PROJECT** | | **Appendix 6** |
|---|---|---|
| **Project Name:**<br>**Flood Prevention**<br>**Coastal Protection**<br>**Coastal Change Adaptation**<br>**Bute Seawall Repairs**<br>**Helensburgh Flood Mitigation**<br>**Bridge Strengthening**<br>**Local Bridge Maintenance Fund** | **Project Manager: Elsa Simoes** | **Risk**: Low |
| **Initial Start Date: N/A** | **Proposed End Date**: **N/A** | |
| **How were these project initially funded?**<br>Scottish Government General Capital Grant Allocation<br>Scottish Government Specific Capital Grant Allocation - Coastal Change Adaptations | **Please detail any additional funding.** | |
| **Previously Reported Committee and Date:** | **Next Reported Committee and Date:** | |

**Why are the projects classified as off target?**

Forecasted expenditure has slipped out with 2023-24 for the above Asset Sustainability projects.

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

The team tasked with delivering these projects were tasked with allocating resources to the numerous emergencies which arose from the October 2023 flooding. Resources were reallocated accordingly from the Capital Plan – this resulted in those schemes being reprogrammed. Resources were not available to reach the anticipated forecasted expenditure for 2023-24.
Unsuccessful tender processes due to excessive costs being quoted on returns also required retendering and further consumed resources.

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

Forecasted expenditure has been slipped outwith 2023-24. Feasibility of achieving the current 2024-25 levels of work will be considered during year end discussions.

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

Works previously programmed for 2023-24 have been pushed back to 2024-25 as tender processes continue to be progressed.

| **OFF TRACK PROJECT** | | **Appendix 6** |
|---|---|---|
| **Project Name: Campbeltown Flood Scheme** | **Project Manager: Jamie Salmon** | **Risk**: High |
| **Initial Start Date: 01/08/2016**<br>Works Contract commenced - 27/05/2022 | **Proposed End Date**:<br>Q1 2024-25 with defect period running to February 2026 | |
| **How was this project initially funded?**<br>**Scottish Government**<br>**Prudential Borrowings** | **Please detail any additional funding.** | |
| **Previously Reported Committee and Date:** | **Next Reported Committee and Date:** | |

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

Current year forecast expenditure slipping out with 2023-24 and total project forecasting an overspend.

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

Current year slippage has been caused by the live nature of the Construction and Services Contracts. Budget is updated on a Monthly basis considering the monthly revised cashflow predictions from AECOM (the consultant) and Dawson Wam (the contractor). The cause for forecasted expenditure to slip out with 2023-24 was due to additional works being required at Dalaruan Street Culvert. These works were compensation events involving Scottish Gas and Scottish Water to carry out diversions and enabling works. These works delayed the progress on Dalaruan Street culvert and as such the slippage reflects this.

Overspend is forecasted due to the following:

£500k of compensation events which have been raised by the Contractor
£300k overspend on the Burnside Square Services and Works project within the scheme

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

Profile has been updated to reflect the up-to-date cashflow predictions from AECOM and Dawson Wam, Estates, Public Utilities and Infrastructure Design. Compensation events have been monitored closely to ensure these have been managed in accordance with the condition of contract (Works Contract) – this is ongoing as with all contracts managed by Infrastructure Design.

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

The project is now forecasted to be overspent.

| **OFF TRACK PROJECT** | | **Appendix 6** |
|---|---|---|
| **Project Name: Secondary Schools** | **Project Manager: Rhona Mitchell** | **Risk**: Low |
| **Initial Start Date: N/A** | **Proposed End Date**: N/A | |
| **How was this project initially funded?**<br>Block allocation | **Please detail any additional funding.** | |
| **Previously Reported Committee and Date:** | **Next Reported Committee and Date:** | |
| **Why is the project classified as off target?**<br><br>Forecasted expenditure has slipped out with 2023-24. | | |
| **What has caused the issue outlined above?**<br><br>Delays to the works on the roof at Islay High School has caused forecasted expenditure for 2023-24 to slip into 2024-25. Works had been programmed to start in 2023-24 though delays due to weather conditions, tender returns exceeding project budget and redesigns of the scope of works has led to a slippage being reported. | | |
| **What action will be taken to rectify this issue?**<br><br>Capital monitoring has been updated to reflect the delay in the project commencing, works are ongoing to bring project scope in line with budgetary constraints after previous tender returns exceeding this. | | |
| **What are the implications of the action proposed?**<br><br>Works are now scheduled to commence in 2024-25. | | |

| | | |
|---|---|---|
| **OFF TRACK PROJECT** | | **Appendix 6** |
| **Project Name: Tigh An Rhuda** | **Project Manager: Rhona Mitchell** | **Risk**: Med |
| **Initial Start Date:** | **Proposed End Date**: | |
| **How was this project initially funded? Scottish Government Capital Grant Block allocation** | **Please detail any additional funding.**<br><br>**SG Island Funding** | |
| **Previously Reported Committee and Date:** | **Next Reported Committee and Date:** | |

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

Forecasted expenditure has slipped out with 2023-24.

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

The project is delayed due to tender returns for Tigh An Rudha exceeding the anticipated costs of the project. HSCP projects are on pause while future of the Tigh an Rudha scope of works is determined.

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

Forecasted expenditure has been slipped to reflect that Tigh An Rudha will not commence until at least 2024-25.

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

Scope of project is still to be fully determined, as such no expenditure is expected for the remainder of 2023-24.

## OFF TRACK PROJECT

**Appendix 6**

| | | |
|---|---|---|
| **Project Name: POPs Waste** | **Project Manager: A Millar** | **Risk**: Med |
| **Initial Start Date:** November 2023 | **Proposed End Date**: TBC | |
| **How was this project initially funded?**<br>TBC | **Please detail any additional funding.** | |
| **Previously Reported Committee and Date:** | **Next Reported Committee and Date:** | |

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

Project is currently reporting a forecasted overspend.

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

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. A forecast of £110k has been reported in the capital monitoring which is currently shown as an overspend and will require additional funding to be identified.

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

Funding will be identified during the budget setting process. Once identified the forecasted overspend will be eliminated.

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

No further implications.

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

**APPENDIX 7**

| | Capital Expenditure | | | | Dates | | Risks | |
|---|---|---|---|---|---|---|---|---|
| **Strategic Change Projects** | **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** |
| Campbeltown Flood Scheme | 4,992 | 8,802 | 15,925 | 15,215 | 01/08/2016 | 02/05/2024 | Red | Contractor's updated programming of work moved Public Utility works from 22/23 to 23/24 |
| Street Lighting LED Replacement | 3,226 | 61 | 3,900 | 3,900 | 01/08/2016 | 31/12/2024 | Green | Tender for final package of works still to be awarded. |
| Helensburgh Waterfront Development | 23,415 | 977 | 24,392 | 24,392 | 01/04/2017 | 31/03/2024 | Green | Physically complete, retentions outstanding |
| 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 | 56 | 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 | 7,397 | 3,243 | 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. |
| 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 | 01/09/2024 | Green | Development Agreement still to be concluded. |
| Carbon Management - Non Education | 29 | 21 | 50 | 50 | 01/04/2015 | 31/12/2024 | Green | Projects being determined. |
| 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 | 31/12/2025 | 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 | 1,331 | 1,331 | tbc | 31/03/2024 | Green | |
| Clean Energy - NDEEF2 | 0 | 50 | 1,140 | 1,140 | tbc | tbc | Green | |
| Net Zero | 0 | 0 | 366 | 366 | tbc | tbc | Green | |
| **Strategic Change Total** | **129,739** | **22,482** | **240,388** | **239,678** | | | | |

**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 December 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 | 5,557 | 5,558 | (1) | 10,402 | 8,169 | 2,233 | 23,042 | 23,042 | 0 |
| Executive Director Kirsty Flanagan | 5,552 | 5,576 | (24) | 15,609 | 11,436 | 4,173 | 38,026 | 38,136 | (110) |
| **Asset Sustainability Total** | **11,109** | **11,134** | **(25)** | **26,011** | **19,605** | **6,406** | **61,068** | **61,178** | **(110)** |
| **Service Development Projects** | | | | | | | | | |
| Executive Director Douglas Hendry | 321 | 321 | 0 | 526 | 526 | 0 | 16,438 | 16,438 | 0 |
| Executive Director Kirsty Flanagan | 2,264 | 2,264 | 0 | 6,244 | 5,998 | 246 | 38,354 | 38,354 | 0 |
| **Service Development Total** | **2,585** | **2,585** | **0** | **6,770** | **6,524** | **246** | **54,792** | **54,792** | **0** |
| **Strategic Change Projects** | | | | | | | | | |
| Campbeltown Schools Redevelopment | 0 | 0 | 0 | 38 | 38 | 0 | 2,130 | 2,130 | 0 |
| Dunoon Primary | 2 | 2 | 0 | 234 | 234 | 0 | 10,869 | 10,869 | 0 |
| 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 - NDEEF1 | 145 | 145 | 0 | 224 | 224 | 0 | 1,331 | 1,331 | 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 | 7,293 | 7,293 | 0 | 9,702 | 8,802 | 900 | 15,215 | 15,925 | (710) |
| Street Lighting LED Replacement | 31 | 31 | 0 | 61 | 61 | 0 | 3,900 | 3,900 | 0 |
| Harbour Investment Programme | 1,131 | 1,131 | 0 | 3,200 | 3,200 | 0 | 91,292 | 91,292 | 0 |
| Harbour Investment Programme Non - PB | 0 | 0 | 0 | 43 | 43 | 0 | 43 | 43 | 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 | 56 | 56 | 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 | 3,605 | 3,605 | 0 | 6,737 | 6,737 | 0 | 24,012 | 24,012 | 0 |
| Helensburgh Waterfront Development | 76 | 76 | 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 | 560 | 560 | 0 | 1,129 | 1,129 | 0 |
| Dunoon Pier OBC | 0 | 0 | 0 | 0 | 0 | 0 | 2,844 | 2,844 | 0 |
| **Strategic Change Total** | **12,284** | **12,284** | **0** | **23,416** | **22,516** | **900** | **240,028** | **240,738** | **(710)** |
| **Total Expenditure** | **25,978** | **26,003** | **(25)** | **56,197** | **48,645** | **7,552** | **355,888** | **356,708** | **(820)** |
| **INCOME** | | | | | | | | | |
| **Asset Sustainability** | | | | | | | | | |
| Executive Director Douglas Hendry | 0 | 0 | 0 | (128) | (128) | 0 | (578) | (578) | 0 |
| Executive Director Kirsty Flanagan | (430) | (430) | 0 | (1,097) | (1,097) | 0 | (1,097) | (1,097) | 0 |
| **Asset Sustainability Total** | **(430)** | **(430)** | **0** | **(1,225)** | **(1,225)** | **0** | **(1,675)** | **(1,675)** | **0** |
| **Service Development Projects** | | | | | | | | | |
| Executive Director Douglas Hendry | 0 | 0 | 0 | 0 | 0 | 0 | (7,771) | (7,771) | 0 |
| Executive Director Kirsty Flanagan | (108) | (108) | 0 | (6,569) | (6,569) | 0 | (24,663) | (24,663) | 0 |
| **Service Development Total** | **(108)** | **(108)** | **0** | **(6,569)** | **(6,569)** | **0** | **(32,434)** | **(32,434)** | **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 | (1,131) | (1,131) | 0 | (3,200) | (3,200) | 0 | (91,292) | (91,292) | 0 |
| 01 TIF - Lorn/Kirk Road | 0 | 0 | 0 | (113) | (113) | 0 | (2,154) | (2,154) | 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** | **(1,131)** | **(1,131)** | **0** | **(6,612)** | **(6,612)** | **0** | **(105,714)** | **(105,714)** | **0** |
| **Total Income** | **(1,669)** | **(1,669)** | **0** | **(14,406)** | **(14,406)** | **0** | **(139,823)** | **(139,823)** | **0** |
| **Net Total** | **24,309** | **24,334** | **(25)** | **41,791** | **34,239** | **7,552** | **216,065** | **216,885** | **(820)** |

| MONITORING REPORT | | | | | | | | | Appendix 8 |
|---|---|---|---|---|---|---|---|---|---|
| **FINANCIAL SUMMARY NET EXPENDITURE - EXECUTIVE DIRECTOR DOUGLAS HENDRY** | | | | | | | | | **31 December 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 | 3,747 | 3,747 | 0 | 5,859 | 4,882 | 977 | 13,409 | 13,409 | 0 |
| Live Argyll | 561 | 561 | 0 | 1,062 | 1,062 | 0 | 2,125 | 2,125 | 0 |
| Health and Social Care Partnership | 613 | 613 | 0 | 2,147 | 890 | 1,257 | 3,452 | 3,452 | 0 |
| Shared Offices | 636 | 637 | (1) | 1,334 | 1,335 | (1) | 4,056 | 4,056 | 0 |
| **Asset Sustainability Total** | **5,557** | **5,558** | **(1)** | **10,402** | **8,169** | **2,233** | **23,042** | **23,042** | **0** |
| **Service Development Projects** | | | | | | | | | |
| Ardrishaig 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 |
| Tarbert High School - Biomass enabling work | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 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 | 320 | 0 | 320 | 320 | 0 | 7,774 | 7,774 | 0 |
| 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 |
| Bowmore Primary School - Gaelic Medium Grant | 0 | 0 | 0 | 38 | 38 | 0 | 38 | 38 | 0 |
| Riverside Leisure Centre Refurbishment | 1 | 1 | 0 | 1 | 1 | 0 | 1,246 | 1,246 | 0 |
| Dunclutha Childrens Home | 0 | 0 | 0 | 54 | 54 | 0 | 1,300 | 1,300 | 0 |
| **Service Development Total** | **321** | **321** | **0** | **526** | **526** | **0** | **16,438** | **16,438** | **0** |
| **Strategic Change Projects** | | | | | | | | | |
| Campbeltown Schools Redevelopment | 0 | 0 | 0 | 38 | 38 | 0 | 2,130 | 2,130 | 0 |
| Dunoon Primary | 2 | 2 | 0 | 234 | 234 | 0 | 10,869 | 10,869 | 0 |
| NPDO Schools Solar PV Panel Installations | 0 | 0 | 0 | 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 | 145 | 145 | 0 | 224 | 224 | 0 | 1,331 | 1,331 | 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 | 3,605 | 3,605 | 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 Deveopment | 76 | 76 | 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 | 560 | 560 | 0 | 1,129 | 1,129 | 0 |
| Dunoon Pier OBC | 0 | 0 | 0 | 0 | 0 | 0 | 2,844 | 2,844 | 0 |
| **Strategic Change Total** | **3,828** | **3,828** | **0** | **10,297** | **10,297** | **0** | **125,964** | **125,964** | **0** |
| **Total Expenditure** | **9,706** | **9,707** | **(1)** | **21,225** | **18,992** | **2,233** | **165,444** | **165,444** | **0** |
| **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** | **9,706** | **9,707** | **(1)** | **17,798** | **15,565** | **2,233** | **145,097** | **145,097** | **0** |

| ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT<br>FINANCIAL SUMMARY NET EXPENDITURE - EXECUTIVE DIRECTOR KIRSTY FLANAGAN | | | | | | | | | Appendix 8<br>31 December 2023 |
|---|---|---|---|---|---|---|---|---|---|
| | Current Financial Year To Date | | | Full Year This Financial Year | | | Total Project Costs | | |
| | Budget £000s | Actual £000s | (Over)/Under Variance £000s | Budget £000s | Year End Forecast £000s | (Over)/Under Variance £000s | Budget £000s | Forecast £000s | (Over)/Under Variance £000s |
| **EXPENDITURE** | | | | | | | | | |
| **Asset Sustainability Projects** | | | | | | | | | |
| Flood Prevention | 101 | 101 | 0 | 807 | 340 | 467 | 1,305 | 1,305 | 0 |
| Coastal Protection | 2 | 2 | 0 | 99 | 6 | 93 | 199 | 199 | 0 |
| Coastal Change Adaptation | 30 | 30 | 0 | 158 | 41 | 117 | 287 | 287 | 0 |
| Bute Sea Wall Repairs | 46 | 46 | 0 | 100 | 59 | 41 | 680 | 680 | 0 |
| Helensburgh Flood Mitigation | 1 | 1 | 0 | 428 | 1 | 427 | 428 | 428 | 0 |
| Bridge Strengthening | 240 | 240 | 0 | 1,336 | 373 | 963 | 1,686 | 1,686 | 0 |
| Local Bridge Maintenance Fund | 123 | 123 | 0 | 1,000 | 173 | 827 | 5,203 | 5,203 | 0 |
| Roads Reconstruction | 3,619 | 3,619 | 0 | 7,419 | 7,419 | 0 | 15,419 | 15,419 | 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 | 440 | 440 | 0 | 1,040 | 1,040 | 0 |
| Environmental Projects | 191 | 191 | 0 | 650 | 200 | 450 | 1,021 | 1,021 | 0 |
| Play Park Refurbishment | 0 | 0 | 0 | 312 | 0 | 312 | 938 | 938 | 0 |
| Public Convenience Upgrades | 54 | 54 | 0 | 282 | 282 | 0 | 282 | 282 | 0 |
| Footway Improvements | 381 | 381 | 0 | 750 | 450 | 300 | 750 | 750 | 0 |
| Glengorm - Capping | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Glengorm - Cell and Transfer Station (PB) | 89 | 89 | 0 | 89 | 89 | 0 | 89 | 89 | 0 |
| Gartbreck - Capping | 6 | 6 | 0 | 6 | 6 | 0 | 200 | 200 | 0 |
| POPs Waste | 0 | 24 | (24) | 0 | 24 | (24) | 0 | 110 | (110) |
| EV Quick Chargers | 0 | 0 | 0 | 62 | 62 | 0 | 62 | 62 | 0 |
| Tobermory Car Park | 0 | 0 | 0 | 96 | 96 | 0 | 96 | 96 | 0 |
| Active Travel | 0 | 0 | 0 | 389 | 189 | 200 | 389 | 389 | 0 |
| Block Allocation - RIS | 0 | 0 | 0 | 0 | 0 | 0 | 4,268 | 4,268 | 0 |
| Server Sustainability | 120 | 120 | 0 | 352 | 352 | 0 | 1,177 | 1,177 | 0 |
| PC Replacement | 306 | 306 | 0 | 518 | 518 | 0 | 1,835 | 1,835 | 0 |
| Telecomms Network | 243 | 243 | 0 | 256 | 256 | 0 | 480 | 480 | 0 |
| **Asset Sustainability Total** | **5,552** | **5,576** | **(24)** | **15,609** | **11,436** | **4,173** | **38,026** | **38,136** | **(110)** |
| **Service Development Projects** | | | | | | | | | |
| Preliminary design for Regional Transport projects | 0 | 0 | 0 | 16 | 16 | 0 | 221 | 221 | 0 |
| Campbeltown Old Quay | 0 | 0 | 0 | 0 | 0 | 0 | 1,381 | 1,381 | 0 |
| Fleet Management - Prudential Borrowing | 1,188 | 1,188 | 0 | 2,187 | 2,187 | 0 | 4,861 | 4,861 | 0 |
| Fleet Management | 0 | 0 | 0 | 325 | 79 | 246 | 4,538 | 4,538 | 0 |
| Lismore Ferry | 0 | 0 | 0 | 15 | 15 | 0 | 672 | 672 | 0 |
| Oban Depot Development Project | 9 | 9 | 0 | 9 | 9 | 0 | 2,189 | 2,189 | 0 |
| Lochgilphead Depot Rationalisation | 33 | 33 | 0 | 33 | 33 | 0 | 62 | 62 | 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) | 7 | 7 | 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 | 341 | 341 | 0 | 718 | 718 | 0 | 4,329 | 4,329 | 0 |
| Rural Growth Deal | 160 | 160 | 0 | 162 | 162 | 0 | 212 | 212 | 0 |
| Dunoon Cycle Bothy | 220 | 220 | 0 | 292 | 292 | 0 | 563 | 563 | 0 |
| Dunoon STEM Hub | 19 | 19 | 0 | 713 | 713 | 0 | 2,558 | 2,558 | 0 |
| Ardrishaig North Active Travel | 75 | 75 | 0 | 112 | 112 | 0 | 880 | 880 | 0 |
| Nature Restoration Fund | 0 | 0 | 0 | 346 | 346 | 0 | 346 | 346 | 0 |
| Gibraltar Street Public Realm Improvements | 12 | 12 | 0 | 222 | 222 | 0 | 250 | 250 | 0 |
| Hermitage Park | 0 | 0 | 0 | 26 | 26 | 0 | 3,388 | 3,388 | 0 |
| West Coast UAV Innovation Logistics and Training Hub | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Applications Projects | 200 | 200 | 0 | 348 | 348 | 0 | 3,193 | 3,193 | 0 |
| **Service Development Total** | **2,264** | **2,264** | **0** | **6,244** | **5,998** | **246** | **38,354** | **38,354** | **0** |
| **Strategic Change Projects** | | | | | | | | | |
| Campbeltown Flood Scheme | 7,293 | 7,293 | 0 | 9,702 | 8,802 | 900 | 15,215 | 15,925 | (710) |
| Street Lighting LED Replacement | 31 | 31 | 0 | 61 | 61 | 0 | 3,900 | 3,900 | 0 |
| Harbour Investment Programme | 1,131 | 1,131 | 0 | 3,200 | 3,200 | 0 | 91,292 | 91,292 | 0 |
| Harbour Investment Programme - Non PB | 0 | 0 | 0 | 43 | 43 | 0 | 43 | 43 | 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 | 56 | 56 | 0 | 640 | 640 | 0 |
| **Strategic Change Total** | **8,456** | **8,456** | **0** | **13,119** | **12,219** | **900** | **114,064** | **114,774** | **(710)** |
| **Total Expenditure** | **16,272** | **16,296** | **(24)** | **34,972** | **29,653** | **5,319** | **190,444** | **191,264** | **(820)** |
| **INCOME** | | | | | | | | | |
| **Asset Sustainability** | | | | | | | | | |
| EV Quick Chargers | 0 | 0 | 0 | (27) | (27) | 0 | (27) | (27) | 0 |
| Roads Reconstruction | (430) | (430) | 0 | (470) | (470) | 0 | (470) | (470) | 0 |
| Tobermory Car Park | 0 | 0 | 0 | (400) | (400) | 0 | (400) | (400) | 0 |
| **Asset Sustainability Total** | **(430)** | **(430)** | **0** | **(1,097)** | **(1,097)** | **0** | **(1,097)** | **(1,097)** | **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 |
| SPfT | 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 | (81) | (81) | 0 | (182) | (182) | 0 | (212) | (212) | 0 |
| Dunoon STEM Hub | 0 | 0 | 0 | (2,050) | (2,050) | 0 | (2,558) | (2,558) | 0 |
| Ardrishaig 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 |
| Lochgilphead 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** | **(108)** | **(108)** | **0** | **(6,569)** | **(6,569)** | **0** | **(24,663)** | **(24,663)** | **0** |
| **Strategic Change Projects** | | | | | | | | | |
| Campbeltown Flood | 0 | 0 | 0 | 0 | 0 | 0 | (270) | (270) | 0 |
| Harbour PB | (1,131) | (1,131) | 0 | (3,200) | (3,200) | 0 | (91,292) | (91,292) | 0 |
| 01 TIF - Lorn/Kirk Road | 0 | 0 | 0 | (113) | (113) | 0 | (2,154) | (2,154) | 0 |
| **Strategic Change Total** | **(1,131)** | **(1,131)** | **0** | **(3,313)** | **(3,313)** | **0** | **(93,716)** | **(93,716)** | **0** |
| **Total Income** | **(1,669)** | **(1,669)** | **0** | **(10,979)** | **(10,979)** | **0** | **(119,476)** | **(119,476)** | **0** |
| **Net Departmental Total** | **14,603** | **14,627** | **(24)** | **23,993** | **18,674** | **5,319** | **70,968** | **71,788** | **(820)** |

**CAPITAL PLAN 2023-24** **APPENDIX 9**
**Overall Summary**

| Service | Previous Years £000's | 2023-24 £000s | 2024-25 £000s | 2025-26 £000s | 2026-27 £000s | 2027-28 £000s | Total |
|---|---|---|---|---|---|---|---|
| Education | 39,077 | 6,037 | 5,006 | 3,521 | 0 | 0 | 53,641 |
| Shared Offices | 17,661 | 1,910 | 3,343 | 977 | 0 | 0 | 23,891 |
| ICT | 2,529 | 1,474 | 1,593 | 1,221 | 0 | 0 | 6,817 |
| RIS | 26,197 | 24,731 | 46,640 | 44,028 | 17,623 | 0 | 159,219 |
| DEG | 18,331 | 3,424 | 2,653 | 0 | 0 | 0 | 24,408 |
| HSCP | 1,246 | 972 | 2,085 | 477 | 0 | 0 | 4,780 |
| Live Argyll | 1,274 | 1,084 | 636 | 427 | 0 | 0 | 3,421 |
| CHORD | 68,156 | 8,989 | 2,461 | 105 | 0 | 0 | 79,711 |
| **Overall Total** | **174,471** | **48,621** | **64,417** | **50,756** | **17,623** | **0** | **355,888** |

**Education**

| Category | Service | Project | Previous Years £000's | 2023-24 £000s | 2024-25 £000s | 2025-26 £000s | 2026-27 £000s | 2027-28 £000s | Total £000s |
|---|---|---|---|---|---|---|---|---|---|
| **Asset Sustainability** | **Education** | Asbestos Control/Removal Works | 0 | 7 | 0 | 0 | 0 | 0 | 7 |
| | | Block Allocation - Education | 0 | 216 | 866 | 520 | 0 | 0 | 1,602 |
| | | Digital Inclusion 20-21 | 0 | 9 | 0 | 0 | 0 | 0 | 9 |
| | | Free School Meals | 0 | 379 | 900 | 1,495 | 0 | 0 | 2,774 |
| | | Homeless Houses - Housing Quality Standard | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | | Internal Refurbishment Budget | 0 | 7 | 0 | 0 | 0 | 0 | 7 |
| | | Lochgilphead Primary School Demolition | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Pre-5's/Nurseries | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Primary Schools | 0 | 3,370 | 2,420 | 1,280 | 0 | 0 | 7,070 |
| | | School Houses - Housing Quality Standard | 0 | 13 | 0 | 0 | 0 | 0 | 13 |
| | | Secondary Schools | 0 | 852 | 820 | 226 | 0 | 0 | 1,898 |
| **Asset Sustainability Total** | | | **0** | **4,854** | **5,006** | **3,521** | **0** | **0** | **13,381** |
| **Service Development** | **Education** | Ardrishaig Primar School - Pre Five Extension | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | | Bowmore Primary School - Gaelic Medium Grant | 0 | 38 | 0 | 0 | 0 | 0 | 38 |
| | | Bowmore Primary School - Pre Five Unit | 149 | 0 | 0 | 0 | 0 | 0 | 149 |
| | | Bunessan Primary School - Gaelic Medium Improvements | 120 | 0 | 0 | 0 | 0 | 0 | 120 |
| | | Clyde Cottage - 600 hours provision | 556 | 0 | 0 | 0 | 0 | 0 | 556 |
| | | CO2 Monitoring - Covid Mitigation in Schools | 79 | 113 | 0 | 0 | 0 | 0 | 192 |
| | | Craignish Primary School - Pre Five Extension (600 hours funding) | 400 | 0 | 0 | 0 | 0 | 0 | 400 |
| | | Early Learning and Childcare | 850 | 0 | 0 | 0 | 0 | 0 | 850 |
| | | Early Learning and Childcare - 1140 Hours | 7,454 | 320 | 0 | 0 | 0 | 0 | 7,774 |
| | | Early Learning and Childcare - 1140 Hours - CFCR | 1,379 | 0 | 0 | 0 | 0 | 0 | 1,379 |
| | | Iona Primary School - Pre Five Unit (600 hours funding) | 490 | 0 | 0 | 0 | 0 | 0 | 490 |
| | | Islay High & Rosneath PS Pitches | 719 | 0 | 0 | 0 | 0 | 0 | 719 |
| | | Lochgoilhead Primary School - Pre Five Unit (600 hours funding) | 391 | 0 | 0 | 0 | 0 | 0 | 391 |
| | | Park Primary Extension and Pre Fives Unit | 341 | 0 | 0 | 0 | 0 | 0 | 341 |
| | | Sandbank Gaelic Pre Five Unit | 491 | 0 | 0 | 0 | 0 | 0 | 491 |
| **Service Development Total** | | | **13,421** | **471** | **0** | **0** | **0** | **0** | **13,892** |
| **Strategic Change** | **Education** | Campbeltown Schools Redevelopment | 2,092 | 38 | 0 | 0 | 0 | 0 | 2,130 |
| | | Dunoon Primary School | 10,635 | 234 | 0 | 0 | 0 | 0 | 10,869 |
| | | Kirn Primary School | 10,085 | 34 | 0 | 0 | 0 | 0 | 10,119 |
| | | Replacement of Oban High School | 2,844 | 406 | 0 | 0 | 0 | 0 | 3,250 |
| **Strategic Change Total** | | | **25,656** | **712** | **0** | **0** | **0** | **0** | **26,368** |
| **Overall Total** | | | **39,077** | **6,037** | **5,006** | **3,521** | **0** | **0** | **53,641** |

**Shared Office**

| Category | Service | Project | Previous Years £000's | 2023-24 £000s | 2024-25 £000s | 2025-26 £000s | 2026-27 £000s | 2027-28 £000s | Total £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 | 3 | 107 | 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** | **1,335** | **2,294** | **427** | **0** | **0** | **4,056** |
| **Strategic Change** | **Shared Offices** | Campbeltown Office Rationalisation | 595 | 1 | 0 | 0 | 0 | 0 | 596 |
| | | Carbon Management - Group Heating Conversion Project (Prudentia | 1,938 | 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 | 143 | 0 | 0 | 0 | 1,331 |
| | | 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** | **1,049** | **550** | **0** | **0** | **19,835** |
| **Overall Total** | | | **17,661** | **1,910** | **3,343** | **977** | **0** | **0** | **23,891** |

**CAPITAL PLAN 2023-24** **APPENDIX 9**
**Major Projects**

| Category | Service | Project | Previous Years £000's | 2023-24 £000s | 2024-25 £000s | 2025-26 £000s | 2026-27 £000s | 2027-28 £000s | Total £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** |

**CAPITAL PLAN 2023-24** **APPENDIX 9**

**ICT**

| Category | Service | Project | Previous Years £000's | 2023-24 £000s | 2024-25 £000s | 2025-26 £000s | 2026-27 £000s | 2027-28 £000s | Total £000s |
|---|---|---|---|---|---|---|---|---|---|
| **Asset Sustainability** | **ICT** | Block Allocation - ICT | 0 | 0 | 132 | 0 | 0 | 0 | 132 |
| | | PC Replacement | 0 | 518 | 648 | 669 | 0 | 0 | 1,835 |
| | | Server Sustainability | 0 | 352 | 425 | 400 | 0 | 0 | 1,177 |
| | | Telecomms Network | 0 | 256 | 72 | 152 | 0 | 0 | 480 |
| **Asset Sustainability Total** | | | **0** | **1,126** | **1,277** | **1,221** | **0** | **0** | **3,624** |
| **Service Development** | **ICT** | Applications Projects | 2,529 | 348 | 316 | 0 | 0 | 0 | 3,193 |
| **Service Development Total** | | | **2,529** | **348** | **316** | **0** | **0** | **0** | **3,193** |
| **Overall Total** | | | **2,529** | **1,474** | **1,593** | **1,221** | **0** | **0** | **6,817** |

**Roads and Infrastructure Services**

| Category | Service | Project | Previous Years £000's | 2023-24 £000s | 2024-25 £000s | 2025-26 £000s | 2026-27 £000s | 2027-28 £000s | Total £000s |
|---|---|---|---|---|---|---|---|---|---|
| **Asset Sustainability** | **RIS** | Block Allocation | 0 | 0 | 0 | 4,268 | 0 | 0 | 4,268 |
| | | Bridge Strengthening | 0 | 373 | 1,313 | 0 | 0 | 0 | 1,686 |
| | | Bute Sea Wall Repairs | 0 | 59 | 621 | 0 | 0 | 0 | 680 |
| | | Coastal Change Adaptation | 0 | 41 | 246 | 0 | 0 | 0 | 287 |
| | | Coastal Protection | 0 | 6 | 193 | 0 | 0 | 0 | 199 |
| | | Environmental Projects | 0 | 200 | 821 | 0 | 0 | 0 | 1,021 |
| | | EV Quick Chargers | 0 | 62 | 0 | 0 | 0 | 0 | 62 |
| | | Flood Prevention | 0 | 340 | 772 | 155 | 38 | 0 | 1,305 |
| | | Footway Improvements | 0 | 450 | 300 | 0 | 0 | 0 | 750 |
| | | Glengorm - Capping | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Glengorm - Cell and Transfer Station (PB) | 0 | 89 | 0 | 0 | 0 | 0 | 89 |
| | | Helensburgh CHORD - Signage etc | 0 | 10 | 0 | 0 | 0 | 0 | 10 |
| | | Helensburgh Flood Mitigation | 0 | 1 | 427 | 0 | 0 | 0 | 428 |
| | | Investment in Active Travel | 0 | 189 | 200 | 0 | 0 | 0 | 389 |
| | | Lighting | 0 | 440 | 600 | 0 | 0 | 0 | 1,040 |
| | | Local Bridge Maintenance Fund | 0 | 173 | 4,827 | 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 | 7,419 | 8,000 | 0 | 0 | 0 | 15,419 |
| | | 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** | **10,280** | **18,867** | **5,017** | **38** | **0** | **34,202** |
| **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 | 1,941 | 246 | 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 | 33 | 0 | 0 | 0 | 0 | 62 |
| | | Oban Depot Development | 2,180 | 9 | 0 | 0 | 0 | 0 | 2,189 |
| | | 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** | **2,339** | **1,446** | **0** | **0** | **0** | **14,367** |
| **Strategic Change** | **RIS** | Campbeltown Flood Scheme | 4,992 | 8,802 | 1,410 | 11 | 0 | 0 | 15,215 |
| | | Harbour Investment Programme PB | 7,397 | 3,200 | 24,110 | 39,000 | 17,585 | 0 | 91,292 |
| | | Street Lighting LED Replacement | 3,226 | 61 | 613 | 0 | 0 | 0 | 3,900 |
| **Strategic Change Total** | | | **15,615** | **12,063** | **26,133** | **39,011** | **17,585** | **0** | **110,407** |
| **Overall Total** | | | **26,197** | **24,682** | **46,446** | **44,028** | **17,623** | **0** | **158,976** |

**Development and Economic Growth**

| Category | Service | Project | Previous Years £000's | 2023-24 £000s | 2024-25 £000s | 2025-26 £000s | 2026-27 £000s | 2027-28 £000s | Total £000s |
|---|---|---|---|---|---|---|---|---|---|
| **Service Development** | **DEG** | Ardrishaig North Active Travel | 755 | 112 | 13 | 0 | 0 | 0 | 880 |
| | | Cycleways - H&L (FSPT) | 2,812 | 300 | 290 | 0 | 0 | 0 | 3,402 |
| | | Dunoon Cycle Bothy | 259 | 292 | 12 | 0 | 0 | 0 | 563 |
| | | Dunoon STEM Hub | 95 | 713 | 1,750 | 0 | 0 | 0 | 2,558 |
| | | Gibraltar Street Public Realm Improvements | 28 | 222 | 0 | 0 | 0 | 0 | 250 |
| | | Helensburgh Public Realm - Arts Strategy Fund | 3 | 50 | 0 | 0 | 0 | 0 | 53 |
| | | Hermitage Park | 3,362 | 26 | 0 | 0 | 0 | 0 | 3,388 |
| | | Nature Restoration Fund | 0 | 346 | 0 | 0 | 0 | 0 | 346 |
| | | Rural Growth Deal | 50 | 162 | 0 | 0 | 0 | 0 | 212 |
| | | 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 | 718 | 0 | 0 | 0 | 0 | 4,329 |
| **Service Development Total** | | | **15,393** | **3,311** | **2,090** | **0** | **0** | **0** | **20,794** |
| **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 | 56 | 518 | 0 | 0 | 0 | 640 |
| **Strategic Change Total** | | | **2,938** | **113** | **563** | **0** | **0** | **0** | **3,614** |
| **Overall Total** | | | **18,331** | **3,424** | **2,653** | **0** | **0** | **0** | **24,408** |

**Health & Social Care Partnership**

| Category | Service | Project | Previous Years £000's | 2023-24 £000s | 2024-25 £000s | 2025-26 £000s | 2026-27 £000s | 2027-28 £000s | Total £000s |
|---|---|---|---|---|---|---|---|---|---|
| **Asset Sustainability** | **HSCP** | Ardfenaig | 0 | 27 | 0 | 0 | 0 | 0 | 27 |
| | | Block Allocation | 0 | 0 | 1,058 | 184 | 0 | 0 | 1,242 |
| | | 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 | 144 | 0 | 0 | 0 | 0 | 144 |
| | | Thomson Home Rothesay | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Tigh An Rudha HFE | 0 | 109 | 991 | 150 | 0 | 0 | 1,250 |
| | | Tobermory Top Flat | 0 | 28 | 0 | 0 | 0 | 0 | 28 |
| **Asset Sustainability Total** | | | **0** | **918** | **2,085** | **477** | **0** | **0** | **3,480** |
| **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** | **972** | **2,085** | **477** | **0** | **0** | **4,780** |

**CAPITAL PLAN 2023-24** **APPENDIX 9**

**Live Argyll**

| Category | Service | Project | Previous Years £000's | 2023-24 £000s | 2024-25 £000s | 2025-26 £000s | 2026-27 £000s | 2027-28 £000s | Total £000s |
|---|---|---|---|---|---|---|---|---|---|
| **Asset Sustainability** | **Live Argyll** | Aqualibrium | 0 | 343 | 48 | 40 | 0 | 0 | 431 |
| | | 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** | **1,062** | **636** | **427** | **0** | **0** | **2,125** |
| **Service Development** | **Live Argyll** | Riverside Leisure Centre Refurbishment | 1,245 | 1 | 0 | 0 | 0 | 0 | 1,246 |
| **Service Development Total** | | | **1,245** | **1** | **0** | **0** | **0** | **0** | **1,246** |
| **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** | **1,084** | **636** | **427** | **0** | **0** | **3,421** |

**ARGYLL AND BUTE COUNCIL** | **POLICY AND RESOURCES COMMITTEE**

**FINANCIAL SERVICES** | **15 FEBRUARY 2024**

# TREASURY MANAGEMENT MONITORING REPORT – 31 DECEMBER 2023

## 1.0. EXECUTIVE SUMMARY

1.1. This report sets out the Council's treasury management position for the period 1 November 2023 to 31 December 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 December 2023, at this stage in the financial year capital expenditure is below target.

1.3. The net movement in external borrowing in the period 1 November 2023 to 31 December 2023 was £3m.

1.4. The levels of investments were £56.929m at 31 December 2023. The rate of return achieved was 5.054% compared to the target SONIA rate which was 5.187%.

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.

ARGYLL AND BUTE COUNCIL — POLICY AND RESOURCES COMMITTEE

FINANCIAL SERVICES — 15 FEBRUARY 2024

**TREASURY MANAGEMENT MONITORING REPORT – 31 DECEMBER 2023**

## 2.0. INTRODUCTION

2.1. This report sets out the Council's treasury management position for the period 1 November 2023 to 31 December 2023 and includes information on:

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

## 3.0. 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 2023/24 £000 | Forecast 2024/25 £000 | Forecast 2025/26 £000 |
|---|---|---|---|
| CFR at 1 April | 291,782 | 286,645 | 316,648 |
| Net Capital Expenditure | 6,593 | 42,195 | 40,911 |
| Less Loans Fund Principal Repayments | (5,950) | (6,254) | (6,573) |
| Less: NPDO Repayment | (5,780) | (5,938) | (6,235) |
| **Estimated CFR 31 March** | **286,645** | **316,648** | **344,751** |
| Less Funded by NPDO | (111,564) | (105,784) | (105,846) |
| **Estimated Net CFR 31 March** | **175,081** | **210,864** | **238,905** |
| Estimated External Borrowing at 31 March | 142,534 | 170,835 | 189,152 |
| **Gap** | **32,547** | **40,029** | **49,753** |

3.2. Borrowing is below the Capital Financing Requirement for the period to 31 December 2023. Whilst borrowing rates are still comparatively low, the Council has delayed taking out any new long term borrowing, as rates are expected to drop towards the end of 2024 plus the Council has significant cash balances which reduces the need to borrow in the short term.

3.3. The Council's Treasury Management Strategy states that any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates.

3.4. The Council's estimated net capital financing requirement at 31 December 2023 is £175.081m. The table below shows how this has been financed. £109.377m is funded by loans and there are substantial internal balances of £122.633m of which £56.929m are currently invested, as detailed in section 3.7, leaving a net internal balance of £65.704m.

| | Position at 31/10/23 | Position at 31/12/23 |
|---|---|---|
| | £000 | £000 |
| Loans | 112 | 109 |
| Net Internal Balances | 72 | 66 |
| **Total CFR** | **184** | **175** |

3.5. During the period from 1 November 2023 to 31 December 2023, £24m of loans were repaid and was replaced with new borrowing of £21m. The analysis of the movement in borrowing is shown in the table below:

| | Actual |
|---|---|
| | £m |
| External Loans Repaid 1st November 2023 to 31st December 2023 | (24) |
| Borrowing undertaken 1st November 2023 to 31st December 2023 | 21 |
| **Net Movement in External Borrowing** | **(3)** |

3.6. The table below summarises the movement in the level and rate of temporary borrowing at the start and end of the period.

| | £000 | % Rate |
|---|---|---|
| Temp borrowing at 31st October 2023 | 328 | 4.40% |
| Temp borrowing at 31st December 2023 | 222 | 4.40% |

**Investment Activity**

3.7. The average rate of return achieved in the Council's investments to 31 December 2023 was 5.054% compared to the SONIA (Sterling Overnight Index Average) rate for the same period of 5.187%. 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 December 2023 the Council had £56.929m of short term investments at an average rate of 5.054%. 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 | 2,779 | 5.15% | Short Term A-2, Long |
| | | | | |
| Cambridgeshire County Council | 22/01/2024 | 5,000 | 1.00% | 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+, |
| London Borough of Croydon | 10/06/2024 | 5,000 | 5.30% | AA |
| 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 | 16/02/2024 | 5,000 | 5.92% | Short Term A-1+, |
| | | | | |
| MMF- Federated | Call | 1,600 | 0.00% | AAA |
| MMF - Legal and General | Call | 2,550 | 0.00% | AAA |
| | | | | |
| **Total** | | **56,929** | | |

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.

## 4.0. CONCLUSION

4.1 In the period from 1 November 2023 to 31 December 2023, the Council's borrowing remained unchanged, and is currently below the Capital Financing Requirement. There are substantial internal balances, of which £56.929m is currently invested. The investment returns were 5.054%.

## 5.0. 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: | |
| | 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**
**4 January 2024**

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

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

For further information contact Anne Blue, Head of Financial Services
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**Appendix 1 – Economics Update**

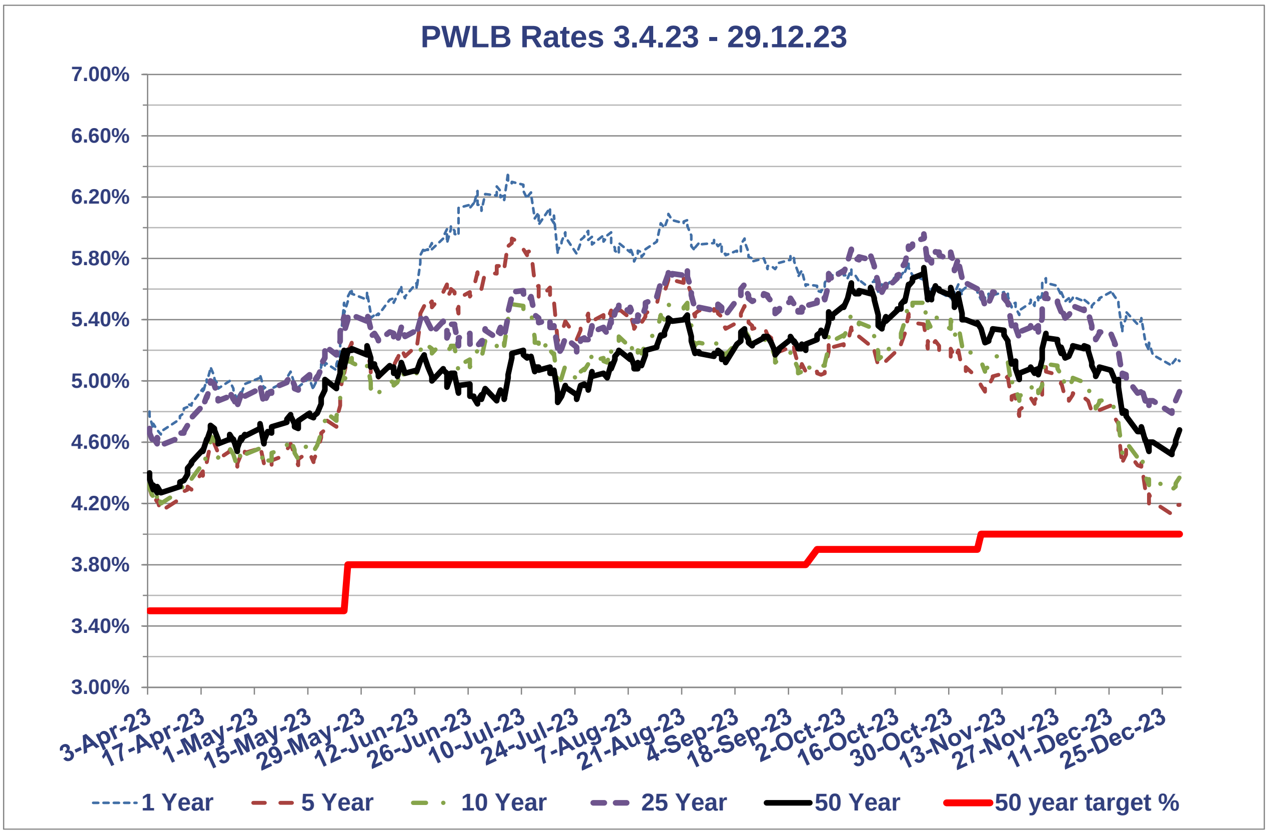
- The third quarter of 2023/24 saw:
  - A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
  - A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS "experimental" rate of unemployment has remained low at 4.2%;
  - CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
  - Core CPI inflation decreasing from April and May's 31 years' high of 7.1% to 5.1% in November, the lowest rate since January 2022;
  - The Bank of England holding Bank Rate at 5.25% in November and December;
  - A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.
- The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.
- However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.
- The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with the Halifax house price index recently pointing to a 1.7% year on year increase whilst Nationwide's December data pointed to a -1.8% year on year decrease. However, the full weakness in real consumer spending and real business investment has yet to come as currently it is estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to be felt.

- Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.
- The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.
- The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.
- CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.
- The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time". In other words, the message is that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.
- Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before

starting to decline more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.

- The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% in early January, with further declines likely if the falling inflation story is maintained.
- Investors' growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from \$1.21 in November to \$1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.
- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February 2023. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

In the chart below, the rise in gilt yields across the curve in the first half of 2023/24, and therein PWLB rates, is clear to see, prior to the end of year rally based on a mix of supportive domestic and international factors.



**MPC meetings 2nd November and 14th December 2023**

- On 2nd November, the Bank of England's Monetary Policy Committee (MPC) voted to keep Bank Rate on hold at 5.25%, and on 14th December reiterated that view. Both increases reflected a split vote, the latter by 6 votes to 3, with the minority grouping voting for an increase of 0.25% as concerns about "sticky" inflation remained in place.
- Nonetheless, with UK CPI inflation now at 3.9%, and core inflating beginning to moderate (5.1%), markets are voicing a view that rate cuts should begin in Q1 2024/25, some way ahead of the indications from MPC members. Of course, the data will be the ultimate determinant, so upcoming publications of employment, wages and inflation numbers will be of particular importance, and on-going volatility in Bank Rate expectations and the gilt yield curve can be expected.
- In addition, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has kept short-term rates in the range of 5.25%-5.50%, whilst the ECB has moved its Deposit rate to a probable peak of 4%. Markets currently expect both central banks to start cutting rates in 2024.

**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.

Link provided the following forecasts on 08 January 2024. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

| Link Group Interest Rate View 08.01.24 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 | Mar-27 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BANK RATE | 5.25 | 5.25 | 4.75 | 4.25 | 3.75 | 3.25 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| 3 month ave earnings | 5.30 | 5.30 | 4.80 | 4.30 | 3.80 | 3.30 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| 6 month ave earnings | 5.20 | 5.10 | 4.60 | 4.10 | 3.70 | 3.30 | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 |
| 12 month ave earnings | 5.00 | 4.90 | 4.40 | 3.90 | 3.60 | 3.20 | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 | 3.20 | 3.20 |
| 5 yr PWLB | 4.50 | 4.40 | 4.30 | 4.20 | 4.10 | 4.00 | 3.80 | 3.70 | 3.60 | 3.60 | 3.50 | 3.50 | 3.50 |
| 10 yr PWLB | 4.70 | 4.50 | 4.40 | 4.30 | 4.20 | 4.10 | 4.00 | 3.90 | 3.80 | 3.70 | 3.70 | 3.70 | 3.70 |
| 25 yr PWLB | 5.20 | 5.10 | 4.90 | 4.80 | 4.60 | 4.40 | 4.30 | 4.20 | 4.20 | 4.10 | 4.10 | 4.10 | 4.10 |
| 50 yr PWLB | 5.00 | 4.90 | 4.70 | 4.60 | 4.40 | 4.20 | 4.10 | 4.00 | 4.00 | 3.90 | 3.90 | 3.90 | 3.90 |

- 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.

*Additional notes by Link on this forecast table: -*

- Our central forecast for interest rates was previously updated on 7 November and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and when there is a likelihood of the overall economy enduring at least a slowdown or mild recession over the coming months (although most recent GDP releases have surprised with their on-going robustness).
- Naturally, timing on this matter 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, and Gaza and Israel.

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

- Our central forecast for interest rates was previously updated on 7th November and reflected a view that the MPC would be keen to underpin its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are unequivocally supportive of such a move, and that there is a strong likelihood of the overall economy enduring tepid growth (at best) or a mild recession (at worst) over the coming months.

- Naturally, timing on this matter 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, and Gaza and Israel.

- On the positive side, consumers are still anticipated 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 a little better at this stage of the economic cycle than may have been expected. Nonetheless, with approximately 400,000 households per quarter facing a mortgage interest reset at higher levels than their current rate, the economy will face on-going headwinds from that source, in addition to lower income households having to spend disproportionately on essentials such as food, energy and rent payments.

**PWLB RATES**

- The short and medium part of the gilt curve has rallied since the start of November as markets price in a quicker reduction in Bank Rate through 2024 and 2025 than held sway back then. This reflects market confidence in inflation falling back in a similar manner to that already seen in the US and the Euro-zone. At the time of writing there is c70 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 even.

**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.

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

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

- Despite the recent tightening to 5.25%, the **Bank of England allows inflationary pressures to remain elevated** for a long 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.

- Projected **gilt issuance, inclusive of natural maturities and Quantitative Tightening (QT),** could be too much for the markets to comfortably digest without higher yields compensating.

## Appendix 3 – Prudential Indicators

| PRUDENTIAL INDICATOR | 2023-24 | 2023-24 | 2024-25 | 2025-26 |
|---|---|---|---|---|
| **(1). EXTRACT FROM BUDGET** | | | | |
| | **Forecast Outturn** | **Original Estimate** | **Forecast Outturn** | **Forecast Outturn** |
| **Capital Expenditure** | **£'000** | **£'000** | **£'000** | **£'000** |
| Non - HRA | 6,593 | 43,110 | 42,195 | 40,911 |
| TOTAL | 6,593 | 43,110 | 42,195 | 40,911 |
| | | | | |
| **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 | 286,645 | 316,648 |
| carried forward 31 March * | 286,645 | 372,359 | 316,648 | 344,751 |
| in year borrowing requirement | (5,137) | 67,861 | 30,003 | 28,103 |
| | | | | |
| **In year Capital Financing Requirement** | | | | |
| Non - HRA | (5,137) | 67,861 | 30,003 | 28,103 |
| TOTAL | (5,137) | 67,861 | 30,003 | 28,103 |
| | | | | |
| **Capital Financing Requirement as at 31 March** | | | | |
| Non - HRA | 286,645 | 372,359 | 316,648 | 344,751 |
| TOTAL | 286,645 | 372,359 | 316,648 | 344,751 |

| 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 day** | £20m | £20m | £20m |
| (per maturity date) | | | |

| Maturity structure of new fixed rate borrowing during 2023/2 | 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% |

| ARGYLL AND BUTE COUNCIL | POLICY AND RESOURCES COMMITTEE |
|---|---|
| FINANCIAL SERVICES | 15 FEBRUARY 2024 |

**RESERVES AND BALANCES – UPDATE AS AT 31 DECEMBER 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 During 2023-24, the amount of £4.776m 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 £84.242m.

1.5 Of the earmarked balance of £84.242m:

- £41.505m is invested or committed for major initiatives/capital projects
- £6.032m has already been drawn down
- £13.087m is still to be drawn down in 2023-24
- £23.618m is planned to be spent in future years

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 earmarked balances no longer required, the current forecast outturn position for 2023-24 and the proposed allocation for floral displays the Council is forecast to have a £1.276m surplus over contingency.

**ARGYLL AND BUTE COUNCIL** **POLICY AND RESOURCES COMMITTEE**

**FINANCIAL SERVICES** **15 FEBRUARY 2024**

**RESERVES AND BALANCES - UPDATE AS AT 31 DECEMBER 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 31/12/23 | 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 | | 6,847 | 400 | | | |
| Investment in Affordable Housing | 3,163 | | 3,059 | | | | 104 |
| Capital Projects | 16,059 | 4,776 | 20,835 | | | | |
| Lochgilphead and Tarbert Regeneration | 1,460 | | 1,460 | | | | |
| Support for Rural Growth Deal | 756 | | 756 | | | | |
| Asset Management Investment | 2,098 | | 2,070 | 28 | | | |
| Piers and Harbours Investment Fund | 2,789 | | 2,789 | | | | |
| Scottish Government Initiatives | 2,834 | | | 383 | 152 | 2,299 | |
| CHORD | 378 | | | | 150 | 228 | |
| DMR Schools | 1,394 | | | 669 | 692 | 33 | |
| Energy Efficiency Fund | 218 | | | | 218 | | |
| Existing Legal Commitments | 476 | | | | | 476 | |
| Unspent Grant | 13,179 | | 489 | 1,811 | 4,684 | 6,195 | |
| Unspent Third Party Contribution | 265 | | | 31 | 97 | 137 | |
| Previous Council Decision - Other | 3,808 | | 1,699 | 225 | 424 | 1,460 | |
| Redundancy Provision | 1,578 | | | | 500 | 1,078 | |
| Supporting Organisational Change | 1,426 | | | 111 | 89 | 1,226 | |
| One Council Property Team | 566 | | | | 189 | 377 | |
| Fleet - Timing Delay | 658 | | | | 174 | 484 | |
| Hermitage Park | 19 | | | | 5 | 14 | |
| Electric Vehicle Chargers | 17 | | | | 0 | 17 | |
| COVID-19 | 5,512 | | 257 | 592 | 3,347 | 1,316 | |
| Unspent Budget | 13,566 | | 1,140 | 1,782 | 2,666 | 7,978 | |
| **Totals** | **79,466** | **4,776** | **41,401** | **6,032** | **13,387** | **23,318** | **104** |

3.3.3 Investment in Affordable Housing £0.104m – this earmarked balance provides cash backed reserves for the loans to registered social landlords. It is estimated that as at 31 March 2024, the balance on the remaining loans will be £3.059m, therefore £0.104m can be released back to the general fund.

3.4 **Unallocated General Fund Balance**

3.4.1 The Council's General Fund contingency is set at 2% of net expenditure for 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, the earmarked balances no longer required, the current forecast outturn position for 2023-24 and the proposed allocation for floral displays the Council is forecast to have a £1.276m surplus over contingency.

3.4.2 The revenue budget position as at 31 December 2023 was estimated to be a £0.091m overspend.

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 31 December, 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 |
| Earmarked Balances no longer required | Per paragraph 3.3.3 – amount previously earmarked that can be released back to the general fund | 104 |
| Current Forecast Outturn for 2023-24 as at 31 December 2023 | Per paragraph 3.4.2. | (91) |
| 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** | | **1,276** |

**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) | 0 |
| Completed Projects | 5,280 | (5,280) | | 0 |
| | **20,561** | **(8,136)** | **(4,776)** | **7,649** |

**4. CONCLUSION**

4.1 The report outlines the overall reserves and balances for the Council covering the purpose and level of each reserve. It also provides detail as to expenditure against earmarked balances held within the General Fund.

4.2 As at 31 December 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 £1.276m 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**
**12 January 2024**

**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 December 2023**

| Ref | Department | Service | Description | Opening Balance | Budget Drawdown | New earmarkings in year | Remaining Balance | Still to be drawndown 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 | 0 | 8,855 | 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. | 0 | 8,855 | |
| 002 | Executive Director (Douglas Hendry) | Across Services / Education | Digital Projects (Supply Staff Booking System) | 25,100 | 9,900 | | 15,200 | 0 | 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 | 73,655 | | 880,220 | 0 | 880,220 | 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 has allowed clearance of remaining materials and debris.<br>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. | 73,655 | 880,220 | 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 | 24,750 | | 59,938 | 59,938 | 0 | The Council agreed to make provision to meet the cost of appealing Non Domestic Rates (NDR) revaluations which were imposed from April 2017. The remaining funds were carried forward to the 2023/24 revaluation cycle however a recent change in position by the Scottish Government may restrict the appeals which can be made. This is still under discussion and Gerald Eve Surveyors have been appointed as specialist advisers on this matter. In the event that appeals are limited there may be an opportunity to utilise Gerald Eve for more general valuation advice subject to Procurement approval. | 84,688 | 0 | |
| 007 | Executive Director (Douglas Hendry) | Commercial Services | Demolition of former Lochgilphead Primary and Rothesay Secondary School | 0 | 0 | | 0 | 0 | 0 | To fund the demolition of the former Lochgilphead Primary School and former Rothesay Academy (subject to the removal of the listing). Lochgilphead Primary complete and remainder of funds to be used to commence Rothesay Project. This project now completed. | 0 | 0 | |
| 008 | Executive Director (Douglas Hendry) | Commercial Services | Mid Argyll Community Pool | 30,000 | 30,000 | | 0 | 0 | 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. Paid. | 30,000 | 0 | |
| 009 | Executive Director (Douglas Hendry) | Commercial Services | MacTaggart Leisure Islay | 30,000 | 30,000 | | 0 | 0 | 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. Paid. | 30,000 | 0 | |
| 010 | 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 | |
| 011 | 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 | |
| 012 | Executive Director (Douglas Hendry) | Commercial Services | (2023 Contract Inflation Adjustments) MAKI/Islay Pools SLA - inflationary increase | 9,523 | 9,523 | | 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 SLAs. The February inflation figure wasn't known until the middle of March, after the budget was set, and the recent trend in inflation reductions turned around in February with an increase. | 9,523 | 0 | 0 |
| 013 | Executive Director (Douglas Hendry) | Education | ASN Review | 1,255,000 | 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. Update: Business case now approved and working group set up with quotes for works being carried out Jan 2024. | 0 | 1,255,000 | 0 |
| 014 | 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 |
| 015 | Executive Director (Douglas Hendry) | Education | (2023 Digital Projects) School Wi-Fi Upgrades | 200,000 | 33,076 | | 166,924 | 116,924 | 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 drawndown 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 (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, focussing on digital and virtual learning technology and the development of learning clusters. This will continue into 2023/24. | 146,579 | 0 | |
| 017 | Executive Director (Douglas Hendry) | Education | MCR Pathways Pilot | 80,000 | 40,872 | | 39,128 | 0 | 39,128 | 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. | 40,872 | 39,128 | 0 |
| 018 | Executive Director (Douglas Hendry) | Education | Gaelic Specific Grant | 30,000 | 0 | | 30,000 | 0 | 30,000 | 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. | 0 | 30,000 | 0 |
| 019 | Executive Director (Douglas Hendry) | Education | (2023 Digital Projects) Cashless Catering | 30,000 | 0 | | 30,000 | 5,000 | 25,000 | To support the ongoing implementation of the new cashless catering system during the testing and roll out phase. | 5,000 | 25,000 | 0 |
| 020 | 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.<br>A balance was released back to the general fund in 2021-22 because the rollout project was almost complete with only £0.01m expected spend in 23/24. | 10,000 | 0 | |
| 021 | Executive Director (Douglas Hendry) | Education | Education Learning Estate Condition Surveys | 1,815 | 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 | |
| 022 | Executive Director (Douglas Hendry) | Legal and Regulatory Services | Education Purchasing Officers | 210,000 | 37,000 | | 173,000 | 0 | 173,000 | 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. | 37,000 | 173,000 | |
| 023 | Non Departmental / Executive Director (Douglas Hendry) | Across Services / Legal and Regulatory Services | Information Management (Digitalisation of Title Deeds) | 92,000 | 0 | | 92,000 | 0 | 92,000 | To support a number of initiatives in respect of improving the Council's information management in line with the transformation agenda and increasing the pace of change as outlined in the BV Review. The planned initiatives include: Estates Survey work £122k, Digitalisation of Title Deeds £92k (delay on spending due to COVID-19), document management and workflow system for Planning, Building Standards and Environmental Health £77k and a balance of funding to explore information management solutions in a strategic and coherent way £209k | 0 | 92,000 | |
| 024 | Executive Director (Douglas Hendry) | Legal and Regulatory Services | Councillor IT Equipment | 44,557 | 0 | | 44,557 | 0 | 44,557 | 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. | 0 | 44,557 | |
| 025 | Executive Director (Douglas Hendry) | Legal and Regulatory Services | Digital Projects: Hybrid Council meetings | 43,302 | 0 | | 43,302 | 0 | 43,302 | The funding will be used to maintain the ICT equipment used to support the provision of on-line and hybrid Council meetings. | 0 | 43,302 | |
| 026 | Executive Director (Douglas Hendry) | Legal and Regulatory Services | Debt Counselling & Welfare Rights | 21,452 | 0 | | 21,452 | 0 | 21,452 | To meet the cost of a Debt Counselling and Welfare Rights Management System. | 0 | 21,452 | |
| 027 | 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 |
| 028 | 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 |
| 029 | 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 |
| 030 | 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 | |
| 031 | 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 | |
| 032 | 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 | |
| 033 | 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. Procurement in progress for resilient website solution and Scotgov Cloud Services Project providing input. Contract Award expected by end 2023. | 60,000 | 0 | 0 |

| Ref | Department | Service | Description | Opening Balance | Budget Drawdown | New earmarkings in year | Remaining Balance | Still to be drawndown 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 034 | 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 |
| 035 | 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 | |
| 036 | Executive Director (Kirsty Flanagan) | Customer Support Services | (2023 Digital Projects) Digital Engagement Services Developer | 28,000 | 7,242 | | 20,758 | 4,388 | 16,370 | 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. New temporary Digital Developer took up post on 18/09 and funds will be used for salary across the rest of the year – to be drawn down in FQ4. | 11,630 | 16,370 | 0 |
| 037 | 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 | |
| 038 | 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 | |
| 039 | 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 | |
| 040 | 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 | |
| 041 | Executive Director (Kirsty Flanagan) | Development & Economic Growth | Planning Income (Saving 23-24) | 340,000 | 340,000 | | 0 | 0 | 0 | To fund one off operational saving MGT5 agreed for the 2023/24 budget | 340,000 | 0 | 0 |
| 042 | Executive Director (Kirsty Flanagan) | Development & Economic Growth | Planning Income | 60,000 | 0 | | 60,000 | 60,000 | 0 | To fund additional resources to support and develop the Council's planning service. | 60,000 | 0 | 0 |
| 043 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | Oban TIF (Tax Incremental Financing) | 385,193 | 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 | |
| 044 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | Strategic Events & Festivals | 80,664 | 0 | | 80,664 | 40,946 | 39,718 | At the Council meeting on 25 February 21, a decision was taken to agree £90k funding for Events and Festivals for 22/23, in order that the application process can commence during 21/22 and that this agreed figure be augmented by any underspend remaining from the 20/21 financial year. At 24 February 22, decision made to agree £90k for 23/24, in order that the application process can commence during 22/23 and that this agreed figure be augmented by any underspend remaining from the 21/22 financial year. Applications have been received and payments will be made in 2023-2024. | 40,946 | 39,718 | |
| 045 | 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 | |
| 046 | Non Departmental / Executive Director (Kirsty Flanagan) | Across Services / Development and Economic Growth | Information Management (Document Management and Workflow for Planning, Building Standards and Environmental Health) | 21,177 | 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 Hoping to implement the replacement for IDOX in March 2024 but there have been severe issues/delays with the new programme | 21,177 | 0 | |
| 047 | 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 | |
| 048 | 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 | |
| 049 | 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 | |
| 050 | Executive Director (Kirsty Flanagan) | Financial Services | CIPFA | 24,040 | 1,835 | | 22,205 | 4,165 | 18,040 | CIPFA Training - To fund the professional training costs for staff undertaking the CIPFA professional accountancy qualification. | 6,000 | 18,040 | |
| 051 | Executive Director (Kirsty Flanagan) | Roads & Infrastructure | Waste Variation Monies | 1,967,056 | 3,344 | | 1,963,712 | 716,540 | 1,247,172 | 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). | 719,884 | 410,000 | 837,172 |
| 052 | Executive Director (Kirsty Flanagan) | Roads & Infrastructure | 3G pitches / Tarbert Sports Pitches | 375,022 | 76,749 | | 298,273 | 3,251 | 295,022 | In November 2018, the Council agreed to a maintenance funding package to be progressed for a number of 3G pitches including Tarbert. This funding will provide an estimated 6.5 years' worth of ongoing maintenance up to 2025-26. | 80,000 | 80,000 | 215,022 |
| 053 | Executive Director (Kirsty Flanagan) | Roads & Infrastructure | Green Transport Initiatives | 140,000 | 0 | | 140,000 | 0 | 140,000 | 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 spent in 22/23 and drawn down in 24/25. | 0 | 140,000 | |

| Ref | Department | Service | Description | Opening Balance | Budget Drawdown | New earmarkings in year | Remaining Balance | Still to be drawndown 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 054 | 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 | |
| 055 | 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 | |
| 056 | Executive Director (Kirsty Flanagan) | Roads & Infrastructure Services | (2023 Contract Inflation Adjustments) Waste PPP | 255,000 | 0 | | 255,000 | 150,000 | 105,000 | Adjustment to inflation included in the budget based on updated RPIX figures at February 2023. Based on the current forecast it is anticipated the full earmarking will not be required and is unlikely to exceed £150K. For the purposes of balancing this spreadsheet I have entered £150K against 2023-24 and the balance against 2024-25 at this stage. Will be monitored monthly. | 150,000 | 105,000 | 0 |
| 057 | 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 | |
| 058 | Non Departmental | Non Departmental | Oban TIF (Tax Incremental Financing - Excess NDR) | 875,651 | 0 | | 875,651 | 0 | 875,651 | 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. | 0 | 0 | 875,651 |
| 059 | Non Departmental | Non Departmental | Loans Fund | 385,279 | 385,279 | | 0 | 0 | 0 | At the Council Budget meeting on 24 February 2022, Saving FS01, a Loans Fund Management/Operational saving for 22/23 budget of £0.500m was agreed with at least £0.200m to come from underspends in 21/22. The underspend position for 21/22 is £0.385m and this earmarking is being released as a saving to help bridge the 2023/24 budget gap. | 385,279 | 0 | |
| 060 | Non Departmental | Non Departmental | Loans Fund | 300,000 | 300,000 | | 0 | 0 | 0 | To fund one off operational saving MGT3 agreed for the 2023/24 budget | 300,000 | 0 | 0 |
| 061 | Non Departmental | Non Departmental | Information Management (Balance of Funding) | 209,844 | 9,375 | | 200,469 | 0 | 200,469 | 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 | 9,375 | 200,469 | |
| 062 | Non Departmental | Non Departmental | Spend to Save Route Optimisation Software | 100,000 | 17,225 | | 82,775 | 82,775 | 0 | One-off re-profiling gain as a result of the loans fund review to fund known liabilities/cost pressures as agreed at budget setting meeting in February 2020 - Spend to save route optimisation (£0.100m) which will be spent over 2023/24. | 100,000 | 0 | |
| 063 | Non Departmental / Social Work | Non Departmental | Engagement with Hub North re provision of services for olders adults and vulnerable people across Argyll and Bute | 100,000 | 0 | | 100,000 | 100,000 | 0 | At the Council budget meeting February 23, an allocation of £0.1m from the Unallocated General Fund balance for the Health and Social Care Partnership to engage, in partnership with the Council, with Hub North to develop a strategic business case in relation to the provision of services for older adults and other vulnerable people across Argyll and Bute. | 100,000 | 0 | |
| 064 | Non Departmental | Non Departmental | CHARTS | 80,000 | 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.<br>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 will be spent in 23-24 | 80,000 | | |
| 065 | 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** | **1,782,055** | **0** | **11,783,560** | **2,665,905** | **9,117,655** | | **4,447,960** | **7,189,810** | **1,927,845** |

**APPENDIX 2**

**COVID**
**As at 31 December 2023**

| Ref | Department | Service | Description | Opening Balance | Budget Drawdown | Released back to General Fund | New earmarkings in year | Remaining Balance | Still to be drawndown 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 | Post supporting year 1 of supporting communities fund | 55,000 | 0 | |
| 002 | Chief Executive's Unit | Community Planning | Covid impacts – support to communities' | 49,147 | 47,926 | | | 1,221 | 1,221 | 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 | 50,000 | 649,036 | 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. Window replacement programme in schools with windows that do not open, this will improve ventilation. £500k to fund one off savings 2024-25. | 50,000 | 649,036 | |
| 004 | Executive Director (Douglas Hendry) | Education | Additional Teaching/Support in Schools/Digital Devices/Family Home Learning Support Fund - £45m Grant | 421,198 | 69,832 | | | 351,366 | 311,366 | 40,000 | Continuation of funding for additional staffing, teachers, support staff, additional devices for pupils and additional family/home learning programmes. | 381,198 | 40,000 | |
| 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 | 51,371 | | | 0 | 0 | 0 | Fund additional teachers and support staff. Complete. | 51,371 | 0 | |
| 007 | Executive Director (Douglas Hendry) | Legal and Regulatory Services | Welfare Rights Support | 131,634 | 64,906 | | | 66,728 | 0 | 66,728 | 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. | 64,906 | 66,728 | |
| 008 | Executive Director (Kirsty Flanagan) | Customer Support Services | Self Isolated Support / Self Isolated Support Grant (HR) | 65,250 | 49,750 | | | 15,500 | 0 | 15,500 | These were monies that were provided by Scotgov to fund additional overtime and resources for Shielding/Caring for People and Test and Protect activities.<br>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. Year 2 of Create/RPA low code and robotics system due for payment in October - £49k to be drawn down. Procurement underway for Digital Registration Platform with contract award due FQ3. | 49,750 | 15,500 | |
| 009 | Executive Director (Kirsty Flanagan) | Development and Economic Growth | Staycation and Marketing Argyll and Bute | 389,992 | 0 | | | 389,992 | 300,000 | 89,992 | 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.<br>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. | 300,000 | 89,992 | |
| 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 for Shop fronts and £35,000 Business support via Business Gateway (as at 25/10/23 Shop fronts have £84,248 remaining and Bus support have £11,150 should all be spent in 23/24 | 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 | |
| 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 | |

| Ref | Department | Service | Description | Opening Balance | Budget Drawdown | Released back to General Fund | New earmarkings in year | Remaining Balance | Still to be drawndown in 23-24 | Planned to spend in future years | Plans for Use | Amount Planned to be Spent in 2023-24 | Amount Planned to be Spent in 2024-25 | Amount Planned to be Spent from 2025/26 onwards |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 017 | Executive Director (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 overspends in the DHP/ Scottish Welfare Fund budget going forward. | 321,524 | 0 | |
| 018 | Executive Director (Kirsty Flanagan) | Financial Services | Flexible Food Fund | 194,156 | 107,620 | | | 86,536 | 86,536 | 0 | 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 ALIenergy, 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. | 194,156 | 0 | |
| 019 | Executive Director (Kirsty Flanagan) | Financial Services | Flexible Funding for Supporting People while at Tier 4 COVID | 76,357 | 4,666 | | | 71,691 | 71,691 | 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 | 0 | 5,316 | Unspent admin funding for processing Self isolation Support Grants. | 0 | 5,316 | |
| 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 | 0 | 257,000 | Pressure identified on the 20/21 COSLA COVID costs spreadsheets - requires to be earmarked to be drawn down when required against the Capital Plan. To be incurred during 23-24 and drawn down in 24-25. | 0 | 257,000 | |
| 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** | **592,271** | **0** | **0** | **4,919,802** | **3,347,411** | **1,572,391** | | **3,939,682** | **1,154,054** | **418,337** |

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**ARGYLL AND BUTE COUNCIL** **POLICY AND RESOURCES COMMITTEE**

**FINANCIAL SERVICES** **15 FEBRUARY 2024**

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

## 1. EXECUTIVE SUMMARY

1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities. A requirement of the Code is for an annual Treasury Management Strategy Statement and Investment Strategy to be approved by Council for the forthcoming financial year. This report seeks Member's approval of the proposed Treasury Management Strategy Statement and Annual Investment Strategy. The report also sets out the policy for the repayment of loans fund advances for 2024-25.

1.2 The draft Treasury Management Strategy Statement and Annual Investment Strategy will be presented to the:

- Policy and Resources Committee on 15 February 2024
- Council on 22 February 2024
- Audit and Scrutiny Committee on 14 March 2024
- If required, Council on 25 April 2024, following recommendations from the Audit and Scrutiny Committee that need approval from Council.

1.3 The Council uses Link Group as its external treasury management advisors. The Council recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subject to regular review.

1.4 Section 2 of the attached document outlines the Council's Capital Prudential and Treasury Indicators which Members are asked to approve.

1.5 In 2016 new regulations were enacted by the Scottish Parliament, the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016, under which the Council is required to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year as detailed in section 2.6 of the strategy. The policy on repayment of loans fund advances in respect of capital expenditure by the Council is to ensure that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.

1.6 A review of the Council's loan fund advance repayments was undertaken in 2019-20 with advice from our external treasury management advisors. The review was undertaken to ensure the Council continues to make a prudent provision each year for the repayment of loans fund advances.

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

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

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

1.8 During 2023-24 a decision was taken to repay three of our loans early to take advantage of a discount which was on offer. This has provided the Council with a one-off gain of £0.294m which will be transferred to the General Fund and can assist with budget pressures.

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

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

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

## 2. RECOMMENDATIONS

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

a) Approve the proposed Treasury Management Strategy Statement and Annual Investment Strategy and the indicators contained within. Note that the figures within the Strategy will be updated to reflect the budget decisions agreed at Council.

b) Approve the continued use of the asset life method for the repayment of loan fund advances using a 5.1% annuity interest rate, with the exception of spend to save schemes where the funding/income profile method could be used.

c) Approve the proposed asset repayment periods as detailed within section 2.7 of the Treasury Management Strategy Statement.

d) Approve the ability to continue to use countries with a sovereign rating of AA- and above, as recommended by the Council's external treasury management advisors.

## 3. IMPLICATIONS

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

3.2 Financial – An effective Treasury Management Strategy forms a significant part of the Council's financial arrangements and its financial well-being.

3.3 Legal - None.

3.4 HR - None.

3.5 Fairer Scotland Duty – None.

3.5.1 Equalities – None.

3.5.2 Socio-Economic Duty – None.

3.5.3 Islands Duty – None.

3.6 Climate Change – None.

3.7 Risk - This report does not require any specific risk issues to be addressed, however members will be aware that the management of risk is an integral part of the Council's treasury management activities.

3.8 Customer Service - None.

**Kirsty Flanagan**
**Executive Director/Section 95 Officer**
**24 January 2024**

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

**APPENDICES**
Appendix 1 – Treasury Management Strategy Statement and Annual Investment Strategy 2024-25

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

# Treasury Management Strategy Statement
## and Annual Investment Strategy 2024-2025

# 1 INDEX

# 1 INTRODUCTION (Key Considerations)

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

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

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

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

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

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

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

1. **Adopt a new liability benchmark treasury indicator** to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained;

2. **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;

3. **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year;

4. Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;

5. **Reporting to members is to be done quarterly.** Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations

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

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

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

1. The risks associated with service and commercial investments should be proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services;

2. An authority must not borrow to invest for the primary purpose of commercial return;

3. It is not prudent for local authorities to make any investment or spending decision that will increase the CFR, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority, and where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose;

4. An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;

5. A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream;

6. Create new Investment Management Practices to manage risks associated with non-treasury investments, (similar to the current Treasury Management Practices).

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

1. The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;

2. An assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services);

3. Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;

4. Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);

5. Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the authority's overall strategy);

6. State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return;

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

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

## 1.1 Background

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

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

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

CIPFA defines treasury management as:

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

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

## 1.2 Treasury Management reporting

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

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

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

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

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

**Capital Strategy**

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, which will provide the following:

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

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. Recently the capital strategy was updated and a new Capital Investment Strategy was approved by Policy and Resources Committee in August 2023.

**Scrutiny**
The above reports are required to be adequately scrutinised before being recommended to Full Council. This role is undertaken by the Policy and Resources Committee.

**Quarterly reports** – In addition to the three major reports detailed above, from 2023-24 quarterly reporting (end of June/ end of December) is also required. However, these additional reports do not have to be reported to Full Council/Board but do require to be adequately scrutinised. This role is undertaken by the Policy and Resources Committee. (The reports, specifically, should comprise updated Treasury/Prudential Indicators.)

## 1.3 Treasury Management Strategy for 2024/25

The strategy for 2024/25 covers two main areas:

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

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

These elements cover the requirements of the Local Government in Scotland Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and Scottish Government loans fund repayment regulations and investment regulations, particularly Finance Circulars 5/2010 and 7/2016.

## 1.4 Training

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

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

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

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

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

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

The training needs of treasury management officers are periodically reviewed.

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

At the end of January 2023 a Treasury training session from Link Group was provided to all Elected Members and relevant officers at a Members seminar. This was followed by two further training sessions in June 2023, again provided by Link Group, to those Elected Members who sit on the Audit and Scrutiny Committee. Members have been advised to notify Financial Services as/when they feel further training sessions would be beneficial.

## 1.5 Treasury management consultants

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

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

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

# 2 CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2024/25 – 2026/27

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

## 2.1 Capital Expenditure and Financing

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of the 2024/25 budget setting.

The table below summarises the capital expenditure plans as outlined within the proposed capital plan 2024-27.

| Capital Expenditure £'000 | 2022/23 Actual | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|---|---|---|---|---|---|
| **Executive Director - Douglas Hendry** | | | | | |
| Education | 5,873 | 6,037 | 5,006 | 3,521 | 1,988 |
| Facility Services - Shared Offices | 640 | 1,910 | 3,343 | 977 | 382 |
| Major Projects/CHORD | 5,236 | 8,989 | 2,461 | 105 | 0 |
| **Executive Director - Kirsty Flanagan** | | | | | |
| ICT | 1,414 | 1,474 | 1,593 | 1,221 | 688 |
| Roads and Infrastructure | 18,650 | 24,731 | 46,640 | 44,028 | 21,602 |
| Development and Economic Growth | 3,124 | 3,424 | 2,653 | 0 | 0 |
| **Live Argyll** | 565 | 1,084 | 636 | 427 | 382 |
| **Health and Social Care Partnership** | 668 | 972 | 2,085 | 477 | 382 |
| **Total** | **36,170** | **48,621** | **64,417** | **50,756** | **25,424** |

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

| Capital Expenditure £'000 | 2022/23 Actual | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|---|---|---|---|---|---|
| **Total Capital Expenditure** | 36,170 | 48,621 | 64,417 | 50,756 | 25,424 |
| **Financed by:** | | | | | |
| Capital Receipts | 568 | 1,424 | 1,689 | 1,037 | 0 |
| Capital Grants | 22,549 | 20,417 | 8,415 | 8,192 | 7,801 |
| Capital Reserves | 0 | 0 | 0 | 0 | 0 |
| Revenue | 2,938 | 22,845 | 11,043 | 1,020 | 0 |
| **Net Financing need for the year** | **10,115** | **3,935** | **43,270** | **40,507** | **17,623** |

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

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

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

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

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £111.5m of such schemes within the CFR.

The CFR projections are noted in the following table.

| £'000 | 2022/23 Actual | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|---|---|---|---|---|---|
| **Capital Financing Requirement** | | | | | |
| Opening CFR | 307,100 | 291,782 | 320,025 | 351,103 | 378,802 |
| Closing CFR | 291,782 | 320,025 | 351,103 | 378,802 | 382,743 |
| **Movement in CFR** | **(15,318)** | **28,243** | **31,078** | **27,699** | **3,941** |
| | | | | | |
| **Movement in CFR represented by** | | | | | |
| **£'000** | **2022/23 Actual** | **2023/24 Estimate** | **2024/25 Estimate** | **2025/26 Estimate** | **2026/27 Estimate** |
| Net financing need for the year (above) | 10,115 | 3,935 | 43,270 | 40,507 | 17,623 |
| Service Concession Adjustment | | 36,038 | | | |
| Less scheduled debt Amortisation | 25,433 | 11,730 | 12,192 | 12,808 | 13,682 |
| **Movement in CFR** | **(15,318)** | **28,243** | **31,078** | **27,699** | **3,941** |

### 2.3 Liability Benchmark

The Authority is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

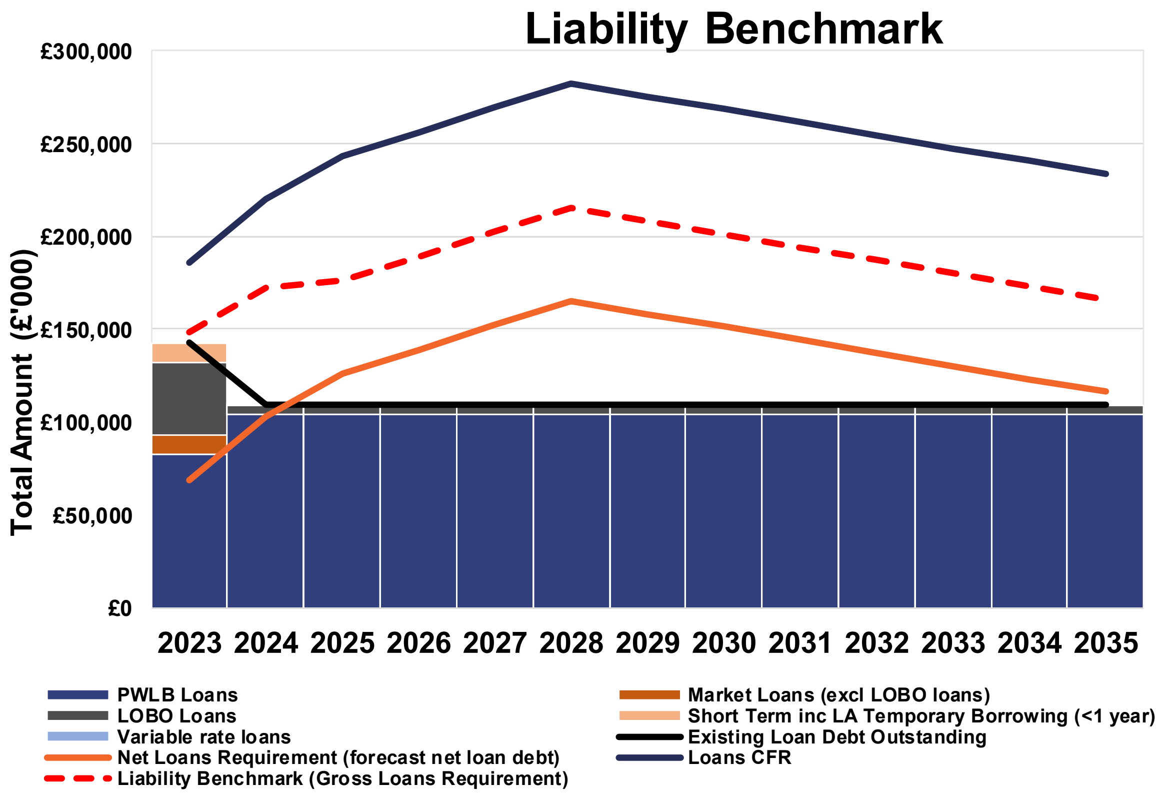
1 **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years.

2 **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Loans Fund advances/Loans Fund principal repayments.

3 **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flows forecast.

4 **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

The graph below shows the four components for the Council:




## 2.4 Core Funds and Expected Investment Balances

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

| Year End Resources £'000 | 2022/23 Actual | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|---|---|---|---|---|---|
| **Expected Investments** | 66,315 | 32,992 | 25,000 | 25,000 | 25,000 |

### 2.5 Limits to Borrowing Activity

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

| Operational Boundary £'m | 2022/23 Actual | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|---|---|---|---|---|---|
| Debt | 198 | 209 | 246 | 275 | 283 |
| Other long term liabilities | 107 | 112 | 106 | 106 | 101 |
| **Total** | **305** | **321** | **352** | **381** | **384** |

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

a) The authorised limits for external debt for the current year and two subsequent years are the legislative limits determined under Regulation 6(1) of the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016.

b) The Council is asked to approve the following authorised limit:

| Authorised Limit £'m | 2022/23 Actual | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|---|---|---|---|---|---|
| Debt | 203 | 214 | 251 | 280 | 288 |
| Other long term liabilities | 110 | 115 | 109 | 109 | 104 |
| **Total** | **313** | **329** | **360** | **389** | **392** |

## 2.6 Statutory repayment of loans fund advances

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

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

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

1. **Asset life method** – loans fund advances will be repaid with reference to the life of an asset using a 5.1% annuity rate;

2. **Funding / Income profile method** – loans fund advances will be repaid by reference to an associated income stream.

The annuity rate applied to current loans fund repayments is based on historic interest rates over a 15 year period ensuring that a prudent rate is used. The current rate is 2.52%, however it is still considered prudent to use the average historic rate at this time.

### 2.7 Asset Repayment Periods

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

The table below details the repayment period that applies for each asset type.

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

# 3 TREASURY MANAGEMENT STRATEGY

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

## 3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2023 and at 31 December 2023 are shown below for both borrowing and investments.

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

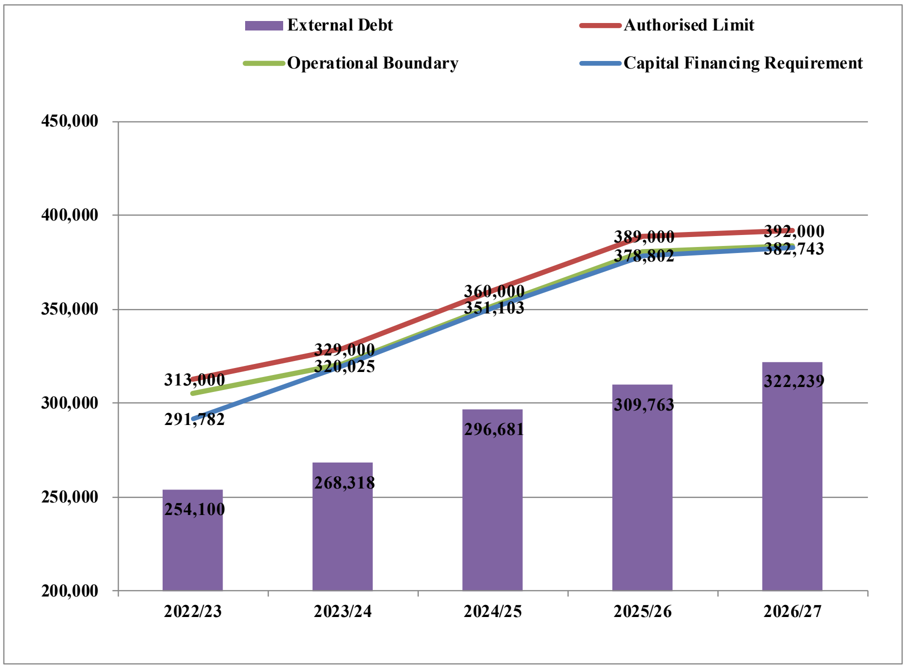
| TREASURY PORTFOLIO | | | | |
|---|---|---|---|---|
| | **Actual 31.03.23** | **Actual 31.03.23** | **Current 31.12.23** | **Current 31.12.23** |
| **Treasury investments** | **£000** | **%** | **£000** | **%** |
| Banks | 31,976 | 41% | 37,779 | 52% |
| Building Societies - rated | 0 | 0% | | 0% |
| Local Authorities | 35,000 | 45% | 15,000 | 22% |
| Money Market Funds | 6,850 | 9% | 4,150 | 21% |
| Certificates of Deposit | 0 | 0% | | 0% |
| Third Party Loans | 3,655 | 5% | 3,551 | 5% |
| Total Managed In-house | 77,481 | 100% | 60,480 | 100% |
| | | | | |
| Bond Funds | 0 | | | |
| Property Funds | 0 | | | |
| **Total Managed Externally** | | 0% | 0 | 0% |
| | | | | |
| **Total Treasury Investments** | 77,481 | 100% | 60,480 | 100% |
| | | | | |
| **Treasury External Borrowing** | | | | |
| PWLB | 82,877 | 58% | 103,877 | 95% |
| LOBOs | 39,255 | 28% | 0 | 0% |
| Market | 10,000 | 7% | 5,255 | 5% |
| Special | 8 | 0% | 5 | 0% |
| Temporary Borrowing | 10,378 | 7% | 222 | 0% |
| Local Bonds | 18 | 0% | 18 | 0% |
| Total External Borrowing | 142,536 | 100% | 109,377 | 100% |
| | | | | |
| **Total Treasury Investments** | **(65,055)** | | **(40,845)** | |

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

| £'000 | 2022/23 Actual | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|---|---|---|---|---|---|
| **External Debt** | | | | | |
| Debt as 1st April | 177,934 | 142,536 | 162,534 | 190,835 | 209,152 |
| Change in Debt (In Year) | (35,398) | 19,998 | 28,301 | 18,317 | 18,320 |
| Other long-term liabilities (OLTL) at 1st April | 116,681 | 111,564 | 105,784 | 105,846 | 100,611 |
| Change in OLTL (In Year) | (5,117) | (5,780) | 62 | (5,235) | (5,844) |
| **Actual gross debt at 31st March** | **254,100** | **268,318** | **296,681** | **309,763** | **322,239** |
| **The Capital Financing Requirement** | **291,782** | **320,025** | **351,103** | **378,802** | **382,743** |
| **Under / (Over) borrowing** | **37,682** | **51,707** | **54,422** | **69,039** | **60,504** |

The figures in the above tables include an allowance for the introduction of IFRS16 – Leasing which is being introduced in the 2024/25 financial year, having been deferred in December 2021. The change requires local authorities to account for leased assets previously treated as operating leases (off balance sheet) as finance leases (on balance sheet), which increases capital expenditure and the gross debt required to finance them. Work is underway to identify and evaluate the operating leases affected and, in the meantime, the figures used in the calculations above represent a high level estimate of the potential impact on the Council's Capital Financing Requirement.

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



Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not taken for revenue or speculative purposes.

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

### 3.2 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 7th November 2023. These are forecasts for certainty rates, gilt yields plus 80 bps.

| Link Group Interest Rate View | 07.11.23 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 3.25 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| 3 month ave earnings | 5.30 | 5.30 | 5.30 | 5.00 | 4.50 | 4.00 | 3.50 | 3.30 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| 6 month ave earnings | 5.60 | 5.50 | 5.40 | 5.10 | 4.60 | 4.10 | 3.60 | 3.40 | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 |
| 12 month ave earnings | 5.80 | 5.70 | 5.50 | 5.20 | 4.70 | 4.20 | 3.70 | 3.50 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 |
| 5 yr PWLB | 5.00 | 4.90 | 4.80 | 4.70 | 4.40 | 4.20 | 4.00 | 3.80 | 3.70 | 3.60 | 3.50 | 3.50 | 3.50 |
| 10 yr PWLB | 5.10 | 5.00 | 4.80 | 4.70 | 4.40 | 4.20 | 4.00 | 3.80 | 3.70 | 3.70 | 3.60 | 3.60 | 3.50 |
| 25 yr PWLB | 5.50 | 5.30 | 5.10 | 4.90 | 4.70 | 4.50 | 4.30 | 4.20 | 4.10 | 4.10 | 4.00 | 4.00 | 4.00 |
| 50 yr PWLB | 5.30 | 5.10 | 4.90 | 4.70 | 4.50 | 4.30 | 4.10 | 4.00 | 3.90 | 3.90 | 3.80 | 3.80 | 3.80 |

Additional notes by Link Group on this forecast table: -

> Our central forecast for interest rates was previously updated on 25 September and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and that there is a likelihood of the overall economy enduring at least a mild recession over the coming months, although most recent GDP releases have surprised with their on-going robustness.
>
> Naturally, timing on this matter 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, and Gaza and Israel.
>
> On the positive side, consumers are still anticipated 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, as noted previously, most of those excess savings are held by more affluent households 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 broadened since our last Newsflash. The short part of the curve has not moved far but the longer-end continues to reflect inflation concerns. At the time of writing there is 60 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, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

**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. (We saw some movements of this type through October although generally reversed in the last week or so.)

- Projected **gilt issuance, inclusive of natural maturities and QT,** could be too much for the markets to comfortably digest without higher yields compensating.

**LINK GROUP FORECASTS**

We now expect the MPC will keep Bank Rate at 5.25% for the remainder of 2023 and the first half of 2024 to combat on-going inflationary and wage pressures. We do not think that the MPC will increase Bank Rate above 5.25%, but it is possible.

**Gilt yields and PWLB rates**

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, as inflation starts to fall through the remainder of 2023 and into 2024.

### 3.3 Investment and borrowing rates

Gilt yields and PWLB rates were on a rising trend from April through to October but dropped back significantly in November and December.

The 50-year PWLB Certainty Rate target for new long-term borrowing started 2023/24 at 3.50% (the lowest forecast rate within a two-year time horizon), increasing to a peak of 4.00% in November. With rates elevated across the whole of the curve, it is advised to not borrow long-term unless the Authority wants certainty of rate and judges the cost to be affordable.

### Borrowing for capital expenditure

Our long-term (beyond 10 years) forecast for Bank Rate has increased from 2.75% to 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to wait for inflation, and therein gilt yields, to drop back later in 2024.

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

### 3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, the Bank Rate remains elevated through to the second half of 2024.

Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Section 95 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* then borrowing will be postponed.

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

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

### 3.5 Policy on borrowing in advance of need

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

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

### 3.6 Debt rescheduling

Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

In 2023, there was a window of opportunity, due to the volatility of interest rates, to repay some borrowing early to take advantage of a discount on repayment. Rescheduling of remaining borrowing in our debt portfolio is not currently planned for in 2024/25, however, the Council may consider rescheduling debt if an opportunity arises and it is prudent to do so in terms of cash balances held and anticipated future interest rates. If further rescheduling takes place it will be reported to the appropriate Committee at the earliest meeting following its action.

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

Currently the PWLB Certainty Rate is set at gilts + 80 basis points non-HRA borrowing and gilts + 40 basis points for HRA until June 2025. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

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

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

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

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

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

# 4 ANNUAL INVESTMENT STRATEGY

## 4.1 Investment policy

The Council's investment policy implements the requirements of the Local Government Investments (Scotland) Regulations 2010, (and accompanying Finance Circular 5/2010), and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021, ("the Code") and CIPFA Treasury Management Guidance Notes 2021.

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

1. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
3. Other information sources used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This Authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix 5 under the categories of 'specified' and 'non-specified' investments. Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table in Appendix 7.
5. Transaction limits are set for each type of investment in Appendix 5.
6. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.4).
7. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
8. All investments will be denominated in **sterling**.
9. As a result of the change in accounting standards for 2021/22 under **IFRS 9,** this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

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

## 4.2 Creditworthiness policy

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

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

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

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

**UK banks – ring fencing**

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt in.

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

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

## 4.3 Country and sector limits

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

## 4.4 Investment strategy

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

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

### Investment returns expectations

The current forecast shown in Appendix 3, includes a forecast for Bank Rate to stay at 5.25% until in Q2 2024 and then fall to 3.0% by Q3 2025-26.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months duration in each financial year are as follows.:

| Average earnings in each year | |
|---|---|
| 2023/24 (remainder) | 5.3% |
| 2024/25 | 4.7% |
| 2025/26 | 3.2% |
| 2026/27 | 3.0% |
| 2027/28 | 3.25% |
| Years 6 to 10 | 3.25% |
| Years 10+ | 3.25% |

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

### Investment treasury indicator and limit

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

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

| Maximum principal sums invested for longer than 365 days | | | |
|---|---|---|---|
| **£m** | **2024/25** | **2025/26** | **2026/27** |
| Maximum permitted principal sums invested for longer than 365 days | 20 | 20 | 20 |
| Current investments as at 31-12-23 in excess of 1 year maturing each year | 0 | 0 | 0 |

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

### 4.5 Investment risk benchmarking

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

### 4.6 End of year Investment Report

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

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

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

# 5 APPENDICES

## Appendix 1 – Capital Prudential and Treasury Indicators 2024/25 – 2026/27

### 1. Affordability Prudential Indicators

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

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

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

| % | 2022/23 Actual | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate |
|---|---|---|---|---|---|
| Ratio | 4.67% | 4.54% | 4.36% | 4.44% | 4.49% |

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

### 2. Maturity structure of borrowing

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

| Maturity structure of fixed interest rate borrowing 2024/25 | | |
|---|---|---|
| | **Lower** | **Upper** |
| Under 12 months | 0% | 30% |
| 12 months to 2 years | 0% | 30% |
| 2 years to 5 years | 0% | 30% |
| 5 years to 10 years | 0% | 40% |
| 10 years to 20 years | 0% | 100% |
| 20 years to 30 years | 0% | 100% |
| 30 years to 40 years | 0% | 100% |
| 40 years to 50 years | 0% | 100% |
| 50 years and above | 0% | 100% |

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

| Interest rate exposure | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|
| | Upper | Upper | Upper | Upper | Upper |
| **Limits on fixed interest rates based on net debt** | 190% | 190% | 190% | 190% | 190% |
| **Limits on variable interest rates based on net debt** | 60% | 60% | 60% | 60% | 60% |

## Appendix 2 – Detailed Current Portfolio Position

| TREASURY PORTFOLIO | | | | | |
|---|---|---|---|---|---|
| | | Actual 31.03.23 | Actual 31.03.23 | Current 31.12.23 | Current 31.12.23 |
| **Treasury investments** | | £000 | % | £000 | % |
| Banks | Clydesdale Bank | 1,976 | 3% | 2,779 | 1% |
| | Totonto Dominion Bank | 5,000 | 7% | 0 | 0% |
| | First Abu Dhabi Bank | 10,000 | 14% | 15,000 | 23% |
| | National Bank of Kuwait | 7,500 | 10% | 7,500 | 12% |
| | Goldman Sachs | | | 5,000 | 8% |
| | Close Bros Bank | 2,500 | 3% | 2,500 | 4% |
| | ANZ | 5,000 | 7% | 5,000 | 8% |
| | | 31,976 | 43% | 37,779 | 54% |
| Building Societies - unrated | | 0 | 0% | 0 | 0% |
| Local Authorities | Spelthorn BC | 5,000 | 7% | 0 | 0% |
| | Thurrock Borough Council | 10,000 | 14% | 0 | 0% |
| | Slough BC | 10,000 | 14% | 0 | 0% |
| | Cambridgeshire CC | 5,000 | 7% | 5,000 | 8% |
| | London Borough of Croydon | 5,000 | 7% | 10,000 | 15% |
| | | 35,000 | 47% | 15,000 | 23% |
| DMADF (H.M.Treasury) | | 0 | 0% | 0 | 0% |
| Money Market Fund | BNP | 6,850 | 9% | 0 | 0% |
| | Federated | | | 1,600 | 20% |
| | Legal & General | | | 2,550 | 3% |
| | | 6,850 | 9% | 4,150 | 22% |
| Certificates of Deposit | | 0 | 0% | 0 | 0% |
| **Total Treasury Investments** | | **73,826** | **100%** | **56,929** | **100%** |

| Treasury external borrowing | | Actual 31.03.23 £000 | Actual 31.03.23 % | Current 30.12.23 £000 | Current 31.12.23 % |
|---|---|---|---|---|---|
| Local Authorities | | 0 | 0% | 0 | 0% |
| PWLB | | 82,877 | 58% | 103,877 | 95% |
| LOBOs | Commerzbank Finance & Covered Bonds S.A. | 13,000 | 9% | 0 | 0% |
| | FMS Wertmanagement | 5,255 | 4% | 5,255 | 5% |
| | Bayerische Landesbank | 21,000 | 15% | 0 | 0% |
| | | 39,255 | 28% | 5,255 | 5% |
| Market | Barclays (formerly LOBO) | 10,000 | 7% | 0 | 0% |
| | | 10,000 | 7% | 0 | 0% |
| Special | Prudential assurance co | 8 | 0% | 5 | 0% |
| | | 8 | 0% | 5 | 0% |
| Temporary Borrowing | | 10,378 | 7% | 222 | 0% |
| Local Bonds | | 18 | 0% | 18 | 0% |
| **Total External Borrowing** | | **142,536** | **100%** | **109,377** | **100%** |
| **Net Treasury Investments / (Borrowing)** | | **(68,710)** | | **(44,431)** | |

## Appendix 3 – Economic Background Provided by Link Group (at 04.04.24)

- The third quarter of 2023/24 saw:
  - A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
  - A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS "experimental" rate of unemployment has remained low at 4.2%;
  - CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
  - Core CPI inflation decreasing from April and May's 31 years' high of 7.1% to 5.1% in November, the lowest rate since January 2022;
  - The Bank of England holding rates at 5.25% in November and December;
  - A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.
- The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.
- However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.
- The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with only marginal falls showing year on year on the Halifax (-1%) and Nationwide (-1.8%) indices. However, the full weakness in real consumer spending and real business investment has yet to come as currently it is estimated that around two thirds to a

half of the impact of higher interest rates on household interest payments has yet to be felt.

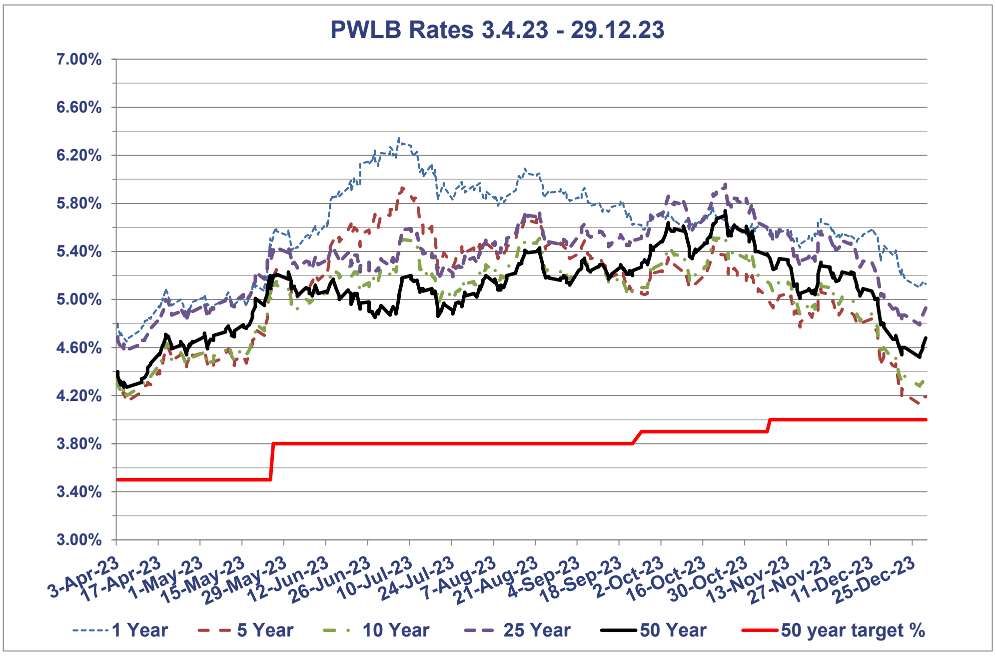
- Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.
- The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.
- The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.
- CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.
- The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time".

In other words, the message is that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.

- Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.
- The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% at the time of writing, with further declines likely if the falling inflation story is maintained.
- Investors' growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from $1.21 in November to $1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.
- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

In the chart below, the rise in gilt yields across the curve in the first half of 2023/24, and therein PWLB rates, is clear to see, prior to the end of year rally based on a mix of supportive domestic and international factors.

**PWLB RATES 03.04.23 - 29.12.23**



**HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.23 – 29.09.23**

| | 1 Year | 5 Year | 10 Year | 25 Year | 50 Year |
|---|---|---|---|---|---|
| **Low** | 4.65% | 4.14% | 4.20% | 4.58% | 4.27% |
| **Date** | 06/04/2023 | 06/04/2023 | 06/04/2023 | 06/04/2023 | 05/04/2023 |
| **High** | 6.36% | 5.93% | 5.51% | 5.73% | 5.45% |
| **Date** | 06/07/2023 | 07/07/2023 | 22/08/2023 | 17/08/2023 | 28/09/2023 |
| **Average** | 5.62% | 5.16% | 5.01% | 5.29% | 5.00% |
| **Spread** | 1.71% | 1.79% | 1.31% | 1.15% | 1.18% |

The peak in medium to longer dated rates has generally arisen in August and September and has been primarily driven by continuing high UK inflation, concerns that gilt issuance may be too much for the market to absorb comfortably, and unfavourable movements in US Treasuries.

The S&P 500 and FTSE 100 have struggled to make much ground through 2023.

**CENTRAL BANK CONCERNS**

Currently, the Fed has pushed up US rates to a range of 5.25% to 5.5%, whilst the MPC followed by raising Bank Rate to 5.25%.  EZ rates have also increased to 4% with further tightening a possibility.

Ultimately, however, from a UK perspective it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

## Appendix 4 - Treasury Management Practice (TMP1) Permitted Investments

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

### Treasury risks

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

- **Credit and counter-party risk:** this is the risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the organisation particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources. There are no counterparties where this risk is zero although AAA rated organisations have the highest, relative, level of creditworthiness.

- **Liquidity risk:** this is the risk that cash will not be available when needed. Whilst it could be said that all counterparties are subject to at least a very small level of liquidity risk as credit risk can never be zero, in this document, liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument. However, it has to be pointed out that while some forms of investment e.g. gilts, CDs, corporate bonds can usually be sold immediately if the need arises, there are two caveats: -

    a. Cash may not be available until a settlement date up to three days after the sale
    b. There is an implied assumption that markets will not freeze up and so the instrument in question will find a ready buyer.

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

- **Market risk:** this is the risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately. However, some cash rich local authorities may positively want exposure to market risk e.g. those investing in investment instruments with a view to obtaining a long-term increase in value.

- **Interest rate risk**: this is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. This authority has set limits for its fixed and variable rate exposure in its Treasury Indicators in this report. All types of investment instrument have interest rate risk except for the following forms of instrument which are at variable rate of interest (and the linkage for variations is also shown).

- **Legal and regulatory risk:** this is the risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

**Controls on treasury risks**

- **Credit and counter-party risk:** this authority has set minimum credit criteria to determine which counterparties and countries are of sufficiently high creditworthiness to be considered for investment purposes. See paragraphs 4.2 and 4.3.

- **Liquidity risk:** this authority has a cash flow forecasting model to enable it to determine how long investments can be made for and how much can be invested.

- **Market risk:** this authority purchases Certificates of Deposit (CD's), as they offer a higher rate of return than depositing in the DMADF. They are usually held until maturity but in exceptional circumstances, they can be quickly sold at the current market value, (which may vary from the purchase cost), if the need arises for extra cash at short notice. Their value does not usually vary much during their short life.

- **Interest rate risk:** this authority manages this risk by having a view of the future course of interest rates and then formulating a treasury management strategy accordingly which aims to maximise investment earnings consistent with control of risk or alternatively, seeks to minimise expenditure on interest costs on borrowing. See paragraph 4.4.

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

**Unlimited investments**

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

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

- **Debt Management Agency Deposit Facility.** This is considered to be the lowest risk form of investment available to local authorities as it is operated by the Debt Management Office which is part of H.M. Treasury i.e. the UK Government's sovereign rating stands behind the DMADF. It is also a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts.

- **High credit worthiness banks and building societies.** See paragraph 4.2 for an explanation of this authority's definition of high credit worthiness. While an unlimited amount of the investment portfolio may be put into banks and building societies with high credit worthiness, the authority will ensure diversification of its portfolio ensuring that no more than £20m of the total portfolio can be placed with UK banks and £15m in any single non UK bank institution or group at any one time.

**Objectives of each type of investment instrument**

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

**Deposits**

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

- **Debt Management Agency Deposit Facility.** This offers the lowest risk form of investment available to local authorities as it is effectively an investment placed with the Government. It is also easy to use as it is a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts. As it is low risk it also earns low rates of interest. However, it is very useful for authorities whose overriding priority is the avoidance of risk. The longest period for a term deposit with the DMADF is 6 months.

- **Term deposits with high credit worthiness banks and building societies.** See paragraph 4.2 for an explanation of this authority's definition of high credit worthiness. This is the most widely used form of investing used by local authorities. It offers a much higher rate of return than the DMADF (dependent on term). The authority will ensure diversification of its portfolio of deposits ensuring that no more than £20m of the total portfolio can be placed with any UK bank and £15m with any single non UK bank institution or group. In addition, longer-term deposits offer an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer-term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing therefore, offers a lot of flexibility and higher earnings than the DMADF. Where it is restricted is that once a longer-term investment is made, that cash is locked in until the maturity date.

- **Call accounts with high credit worthiness banks and building societies.** The objectives are as for term deposits above but there is instant access to recalling cash deposited. This generally means accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit. Some use of call accounts is highly desirable to ensure that the authority has ready access to cash when needed to pay bills.

- **Fixed term deposits with variable rate and variable maturities (structured deposits).** This line encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide councils with greater flexibility to adopt new instruments as and when they are brought to the market. However, this does mean that members ought to be informed as to what instruments are presently under this generic title so that they are aware of the current situation, and that they are informed and approve of intended changes in an appropriate manner.

- **Collateralised deposits.** These are deposits placed with a bank which offers collateral backing based on specific assets. Examples seen in the past have included local authority LOBOs, where such deposits are effectively lending to a local authority as that is the ultimate security.

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

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

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

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

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

a. **Ultra short dated bond funds.** These funds are similar to MMFs, can still be AAA rated but have Variable Net Asset Values (VNAV) as opposed to a traditional MMF which has a Constant Net Asset Value (CNAV). They aim to achieve a higher yield and to do this either take more credit risk or invest out for longer periods of time, which means they are more volatile. These funds can have WAM's and Weighted Average Life (WAL's) of 90 – 365 days or even longer. Their primary objective is yield and capital preservation is second. They therefore, are a higher risk than MMFs and correspondingly have the potential to earn higher returns than MMFs.

- **Gilt funds.** These are funds which invest only in U.K. Government gilts. They offer a lower rate of return than bond funds but are highly rated both as a fund and through investing only in highly rated government securities. They offer a higher rate of return than investing in the DMADF but they do have an exposure to movements in market prices of assets held.

- **Bond funds.** These can invest in both government and corporate bonds. This therefore entails a higher level of risk exposure than gilt funds and the aim is to achieve a higher rate of return than normally available from gilt funds by trading in non-government bonds.

**SECURITIES ISSUED OR GUARANTEED BY GOVERNMENTS**

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

- **Treasury bills.** These are short-term bills, (up to 18 months but usually 9 months or less), issued by the Government and so are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales could incur a net cost during the period of ownership.

- **Gilts.** These are longer-term debt issuance by the UK Government and are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales may incur a net cost. Market movements that occur between purchase and sale may also have an adverse impact on proceeds. The advantage over Treasury bills is that they generally offer higher yields the longer it is to maturity (for most periods) if the yield curve is positive.

- **Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government** e.g. National Rail. This is similar to a gilt due to the explicit Government guarantee.

- **Sovereign bond issues (other than the UK govt) denominated in Sterling**. As for gilts but issued by other nations. Use limited to issues of nations with at least the same sovereign rating as for the UK.

- **Bonds issued by Multi Lateral Development Banks (MLDBs).** These are similar to c. and e. above but are issued by MLDBs which are typically guaranteed by a group of sovereign states e.g. European Bank for Reconstruction and Development.

## SECURITIES ISSUED BY CORPORATE ORGANISATIONS

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

a. **Certificates of deposit (CDs).** These are shorter-term securities issued by deposit taking institutions (mainly financial institutions). They are negotiable instruments, so can be sold ahead of maturity and also purchased after they have been issued. However, that liquidity can come at a price, where the yield could be marginally less than placing a deposit with the same bank as the issuing bank.

b. **Commercial paper.** This is similar to CDs but is issued by commercial organisations or other entities. Maturity periods are up to 365 days but commonly 90 days.

c. **Corporate bonds.** These are (long term) bonds (usually bearing a fixed rate of interest) issued by a financial institution, company or other non-government issuer in order to raise capital for the institution as an alternative to issuing shares or borrowing from banks. They are generally seen to be of a lower creditworthiness than government issued debt and so usually offer higher rates of yield.

d. **Floating rate notes.** These are bonds on which the rate of interest is established periodically with reference to short-term interest rates.

## OTHER

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

**Table 1: permitted investments in house**

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

### 1.1 Deposits

| | * Minimum Credit Criteria / colour banding | Liquidity risk | Market risk | Max % of total investments | Max. maturity period |
|---|---|---|---|---|---|
| Debt Management Agency Deposit Facility | -- | term | no | 100 | 6 months |
| Term deposits – local authorities | -- | term | no | 100 | 2 years |
| Call accounts – banks and building societies | Yellow<br>Purple<br>Blue<br>Orange<br>Red<br>Green<br>No Colour | instant | no | 100 | Up to 5 yrs<br>Up to 2 yrs<br>Up to 1 yr<br>Up to 1 yr<br>Up to 6 mths<br>Up to 100 days<br>Not for use |
| Term deposits – banks and building societies | Yellow<br>Purple<br>Blue<br>Orange<br>Red<br>Green<br>No Colour | term | no | 100 | Up to 5 yrs<br>Up to 2 yrs<br>Up to 1 yr<br>Up to 1 yr<br>Up to 6 mths<br>Up to 100 days<br>Not for use |
| Fixed term deposits with variable rate and variable maturities: - Structured deposits. | Green | term | no | 50 | 2 years |
| Collateralised deposit (see note 1) | UK sovereign rating | term | no | 50 | 1 year |

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

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

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

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

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

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

## 1.4 Securities issued or guaranteed by governments

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

### 1.5 Securities issued by corporate organisations

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

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

### 1.6 Other

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

## Appendix 5 – Treasury Management Practice (TMP2) Credit and Counterparty Risk Management

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

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

| Type of Investment | Treasury Risks | Mitigating Controls | Council Limits | Common Good Limits |
|---|---|---|---|---|
| **Cash type instruments** | | | | |
| a. Deposits with the Debt Management Account Facility (UK Government) (**Very low risk)** | This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months. | Little mitigating controls required. As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments. | £unlimited, maximum 6 months. | £unlimited, maximum 6 months. |
| b. Deposits with other local authorities or public bodies **(Very low risk)** | These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply. | Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment.<br>Non- local authority deposits will follow the approved credit rating criteria. | £unlimited, maximum 2 year.<br>Limit of £10m per local<br>Authority or public body | £unlimited, maximum 2 years. |

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

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

| Type of Investment | Treasury Risks | Mitigating Controls | Council Limits | Common Good Limits |
|---|---|---|---|---|
| **depending on period & credit rating)** | of the counterparty (penalties may apply). | will be further strengthened by the use of additional market intelligence. | | |
| j. Corporate bonds **(Medium to high risk depending on period & credit rating)** | These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low. | The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. . Corporate bonds will be restricted to those meeting the base criteria.<br>Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence. | £5m and maximum 1 year. | £20% and maximum 1 year. |
| Other types of investments | | | | |
| a. Investment properties | These are non-service properties which are being held pending disposal or for a longer term rental income stream. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids). | In larger investment portfolios some small allocation of property based investment may counterbalance/compliment the wider cash portfolio.<br>Property holding will be re-valued regularly and reported annually with gross and net rental streams. | £10m | 20%. |
| b. Loans to third parties, including soft loans | These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid. | Each third party loan requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. | £10m and maximum 5 years. | 10% and maximum 5 years. |

| Type of Investment | Treasury Risks | Mitigating Controls | Council Limits | Common Good Limits |
|---|---|---|---|---|
| c. Shareholdings in a local authority company | These are service investments which may exhibit market risk and are likely to be highly illiquid. | Each equity investment in a local authority company requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss. | 50% | 20% |
| d. Non-local authority shareholdings | These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be liquid. | Any non-service equity investment will require separate Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss. | 5% | 100% |
| e. Loans to third parties as part of the Council's Empty Homes Strategy | These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid. | Each third party loan requires Section 95 Officer approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower. | £1.5m and a maximum of 10 years. | N/A |
| f. Loans to third parties as part of the Council's SHF Front Funding Facility | These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid. | Each third party loan requires Section 95 Officer approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower. | £5m and a maximum of 3 years. | N/A |

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

## Appendix 6 – Creditworthiness policy

### Service and Information provided by Link Group

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

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

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

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

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

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

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

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

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

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

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

No more than £20m can be invested with each UK bank and £15m each with any non UK bank. The Council will place overnight and call deposits with the Council's bankers irrespective of credit rating. The Council's Bankers currently have a credit rating which allows deposits of up to £20m to be placed with them for up to 100 days.

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

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

**Creditworthiness.**

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

**CDS prices**

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

## Appendix 7 – Approved Countries for Investments (31-12-23)

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

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)

AA-

- Belgium
- France (downgraded by Fitch on 9th May 2023)
- Qatar
- U.K.

## Appendix 8 – Treasury Management Scheme of Delegation

**The Council**

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

**The Policy and Resources Committee**

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

**The Audit and Scrutiny Committee**

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

## Appendix 9 – The Treasury Management Role of the Section 95 Officer

**Section 95 Officer:**

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

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

**The nominated Elected Member (Policy Lead for Finance and Commercial Services)**

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

## Appendix 10 – Policy on environmental, social and governance (E.S.G.)

Environmental, social and governance (ESG) investment considerations are about understanding the ESG risks that an entity is exposed to and evaluating how well it manages these risks. It is not the same as Socially Responsible Investing, (typically where you apply negative screens), and equally, it is not the same as Sustainable Investing, (investing in products / companies based on expected sustainable and beneficial societal impact, alongside a financial return).

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

> *"We, the undersigned, recognise that environmental, social and governance (ESG) factors can affect borrowers' cash flows and the likelihood that they will default on their debt obligations. ESG factors are therefore important elements in assessing the creditworthiness of borrowers. For corporates, concerns such as stranded assets linked to climate change, labour relations challenges or lack of transparency around accounting practices can cause unexpected losses, expenditure, inefficiencies, litigation, regulatory pressure and reputational impacts.*
>
> *At a sovereign level, risks related to, inter alia, natural resource management, public health standards and corruption can all affect tax revenues, trade balance and foreign investment. The same is true for local governments and special purpose vehicles issuing project bonds. Such events can result in bond price volatility and increase the risk of defaults.*
>
> *In order to more fully address major market and idiosyncratic risk in debt capital markets, underwriters, credit rating agencies and investors should consider the potential financial materiality of ESG factors in a strategic and systematic way. Transparency on which ESG factors are considered, how these are integrated, and the extent to which they are deemed material in credit assessments will enable better alignment of key stakeholders.*
>
> *In doing this the stakeholders should recognise that credit ratings reflect exclusively an assessment of an issuer's creditworthiness. Credit rating agencies must be allowed to maintain full independence in determining which criteria may be material to their ratings. While issuer ESG analysis may be considered an important part of a credit rating, the two assessments should not be confused or seen as interchangeable.*
>
> *With this in mind, we share a common vision **to enhance systematic and transparent consideration of ESG factors in the assessment of creditworthiness**."*

All the main agencies are now extoling how they incorporate ESG risks alongside more traditional financial risk metrics when assessing counterparty ratings. As such, their incorporation is already being done, to an extent, by the use of mainstream rating agencies such as Fitch, Moody's and Standard & Poor's used by the Council.

Our Treasury Advisors, who are The Link Group, are currently reviewing the market in terms of providers of ESG metrics and are looking at ways in which this data can be used by the Council. However, the Treasury Management Code notes that "This is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level".

The Council will continue to consider ESG factors however, it should be noted that this information will still be secondary to the requirement for the Council to adhere to the Security, Liquidity and

Yield requirements of the Treasury Code. Limiting the potential counterparty options could reduce diversification and increase risk therefore there is an important balance to be had.

**ARGYLL AND BUTE COUNCIL** **POLICY AND RESOURCES COMMITTEE**

**FINANCIAL SERVICES** **15 FEBRUARY 2024**

# SCOTTISH WELFARE FUND - FINANCIAL POSITION

## 1.0 EXECUTIVE SUMMARY

1.1 The Scottish Welfare Fund (SWF) serves as a crucial resource to provide discretionary financial assistance to individuals facing exceptional circumstances, as overseen by the Scottish Government and administered by local authorities.

1.2 The SWF offers Crisis Grants (CG) for immediate short-term needs and Community Care Grants (CCG) to establish or maintain a home. Statutory guidance sets the framework for decision-making, and funding is allocated based on vulnerability factors.

1.3 This report highlights historic levels of spend against Scottish Government programme funding and outlines the financial pressure on the fund. In 2022/23 there was an over spend of £149k and in 2023/24 a £232k over spend is forecast. This pressure necessitates a careful review of the priority levels applied to grant claims and consideration to be given regarding lobbying Scottish Government for additional funding.

1.4 The recommendations noted at section 3 of the report include continuing at the current priority level and advocating for increased funding or revised guidance from Scottish Government.

## 2.0 INTRODUCTION

2.1 The Scottish Government created the Scottish Welfare Fund (SWF) to provide occasional support to those most in need. It is a national scheme that provides discretionary awards. The SWF is administered by individual local authorities.

2.2 The SWF provides two forms of discretionary grants:

**Crisis Grants (CG)**

Aim to help eligible people on low incomes meet immediate short-term needs arising from exceptional circumstances such as an emergency or disaster.

**Community Care Grants (CCG)**

Aim to help eligible people on low incomes to establish or maintain a home. They can receive support if they are:

- leaving care or at risk of needing to go into a care institution without grant support

- if they are leaving imprisonment or caring for someone who has been released from prison or a young offenders' institution on temporary release
- if they have been homeless or living an unsettled way of life
- if they, or someone in their household, are facing exceptional pressure

2.3 Scottish Government produce statutory guidance for the SWF to provide a framework for decisions by local authority staff and to promote consistency in their decision making.

2.4 Fulfilment of CGs is typically made by payment of a sum equivalent to the number of days between the application date and the date that the claimant will receive their next pay. For CCGs these are based on the price of the furnishings being awarded in the claim.

2.5 For CCGs there is an assessment made of by the four vulnerability factors;

1. Need for the item,
2. Any vulnerability the claimant may have.
3. Consequence to the applicants health and wellbeing should the item not be awarded
4. Effect the award would have on the applicant

The factors are set against a priority level, High, Medium or Low in the matrix below. The local authority decides which priority level it will pay out on depending on the amount of funding it has available to distribute to applicants.

| **Vulnerability factor/ Priority level** | **High** | **Medium** | **Low** |
|---|---|---|---|
| Need | Immediate severe | Less immediate Less severe | Not time critical |
| Vulnerability | Highly | Moderately | Some resilience |
| Consequences of no grant to H&W | Significantly adverse | Moderately adverse | No identifiable effect |
| Effect of grant | Immediate substantial | Noticeable | Minor |

The Council has been applying the High priority level for the 2023/2024 financial year due to an over spend of £149,096 in 2022/23.

## 3.0 RECOMMENDATIONS

3.1 It is recommended that Policy and Resources committee:

(a) Agree the continuation of Financial Services' commitment to uphold the existing High Priority status for SWF applications throughout the 2024/2025 period.
(b) Refer the consideration of a cost pressure amounting to £250,000 to the

Council as part of the budget setting process to address the anticipated overspend.

(c) Note that officers are not recommending a move to High Most Compelling (HMC) priority level due to the impact this will have on housing.

(d) Consider making representations to lobby the Scottish Government for more funding to support the fund in future years or alternatively to amend the guidance to restrict spend in future.

## 4.0 DETAIL

### FUNDING

4.1 Annually the Scottish Government provide programme funding to Scottish Local Authorities to give out to claimants and they also provide administration funding to cover the local authorities costs in administering the fund.

4.2 Programme funding is distributed to local authorities on the basis of the Scottish Index of Multiple Deprivation (SIMD) which is seen as a national indicator for those most in need of the service. In 2023/2024 Argyll and Bute Council was allocated £458,527 in programme funding and administration funding of £69,362.

### FINANCIAL POSITION

4.3 The Scottish Government provide an annual allocation of Programme funding and Local authorities are entitled to roll forward any underspends to increase their fund for the following year.

The table below shows the value of grants awarded in comparison to funding over the last three years with the overspend of £149,096 in 2022/23 being covered by one off Earmarked Reserves within Benefits.

| | **2020/21 £** | **2021/22 £** | **2022/23 £** |
|---|---|---|---|
| SG Funding Allocation | *765,421 | 458,527 | 490,801 |
| Funding c/fwd from prior year | 26,289 | 149,113 | 46,583 |
| Grants awarded in year | 642,597 | 561,057 | 686,480 |
| **Under/(Over) Spend** | **149,113** | **46,583** | **(149,096)** |

*Note that funding was higher in 2020/21 due to a temporary increase in funding relating to the COVID-19 pandemic.

4.4 Despite reduced funding we have seen significant increases in the value of the awards made both for CGs and CCGs linked to the rate of annual uprating of state benefits for CG and inflationary increases in the cost of household goods and furnishings for CCGs.

4.5 At the end of November 2023 a forecast overspend of £210,000 on SWF was reported, if the spend level in January to March 2024 match the levels of the previous year, then the projected spend will increase to £670,000 which is £232,000 more than our level of programme funding.

**OPTIONS**

4.6 Statutory SWF guidance does allow Council's to move to a single priority level for fulfilment of CCGs above High priority which is described as "High Most Compelling" (HMC) only. The guidance advises that local authorities should only look to move into this category in the last quarter of the financial year and if they decide to adopt the HMC level they must notify the Scottish Government Social Security Directorate, the Scottish Public Services Ombudsman (SPSO) and local stakeholders such as Housing and advice service agencies.

4.7 Guidance on applying HMC priority levels was supplied by the SPSO in December 2023 and in an effort to estimate the impact moving to HMC Financial Services reviewed all 38 CCGs awarded in November 2023 as an indicator. The result showed that in the vast majority of cases the applicants would still be supported but would only receive around 2/3's of the value of their claims under High priority level so the average award for a CCG would reduce to £920 from £1,379. This would reduce any projected overspend by circa £60,000 to £170,000 by the end of the year.

4.8 Housing services were notified of the potential change in priority levels as over 40% of the 38 claims reviewed were supported by the Homelessness team. They reported that such a change would have a material impact on their ability to rehouse homeless people in temporary tenancies some of which are currently in expensive Bed and Breakfast accommodation. They reported that the move to HMC priority level could affect up to 60 temporary tenancies in total between January and March. The level of vulnerability of these applicants is high and we would not wish to jeopardise the opportunity to relocate them into permanent tenancies by moving to HMC priority levels.

4.9 There remains £285,884 available in earmarked reserve specifically to support vulnerable people initially affected by Covid 19 and now faced with the cost of living crisis. The proposal is that we utilise that earmarking in 2023/2024 to offset the estimated £232,000 overspend and allow us to continue operating at the current High priority level for the remainder of the financial year.

4.10 In future years the grants would need to move to HMC priority level for the full year if we are to maintain our SWF expenditure within the programme funding provided by Scottish Government based on current application numbers. If Members decide to continue at the current high priority levels in 2024/25 and future years then a £250,000 cost pressure will have to be built into the Council's revenue budget.

**NATIONAL POSITION**

4.11 The Convention of Scottish Local Authorities (CoSLA) is aware of the issues that Council's are facing with mounting costs in the delivery of the SWF scheme due to inflation and the increasing levels of demand for support.

4.12 CoSLA are lobbying the Scottish Government for more funding for local authorities to deliver SWF. If the government do not provide more funding then the statutory guidance should be reviewed to reduce the levels of eligibility for support and therefore the amount of money provided to vulnerable people through the fund.

4.13 Whilst local authorities are keen for the existing levels of support to continue it is not possible for them to continue to support SWF with their own funds going forward.

4.14 Many Councils are reporting significant overspends on SWF in 2023/2024.

4.15 The effects of increasing costs of fulfilment of SWF claims are being felt across Scottish local authorities. We will continue to work with CoSLA to lobby the Scottish Government for change.

## 5.0 CONCLUSION

5.1 The report underscores the financial challenges faced by local authorities in managing the SWF, with rising costs and demand for support. The recommendation to continue at the current priority level until March 2024 seeks to balance fulfilling critical needs while addressing the budgetary constraints. The proposed lobbying efforts, both at the local and national levels, aim to secure additional funding or adjustments to guidance to sustain the SWF's effectiveness. As the financial landscape evolves, close collaboration with the Convention of Scottish Local Authorities (CoSLA) remains essential to address the ongoing impact of inflation and growing demand on the SWF across Scotland.

## 6.0 IMPLICATIONS

6.1 Policy – None

6.2 Financial – £232,000 projected overspend to be covered by £285,000 earmarked reserves that is set-a-side to cover DHP and SWF and any other cost of living crisis funding. Members will need to consider how to fund a £250,000 cost pressure in 2024/2025 onwards should they wish to maintain the current priority level in future years.

6.3 Legal – None

6.4 HR – None

6.5 Fairer Scotland Duty – Decision to continue to pay SWF at High Priority level will allow the Council to provide more financial support to vulnerable people on low incomes with the cost of living alleviating poverty levels.

6.5.1 Equalities – Significant additional benefit to those on low incomes.
6.5.2 Socio-Economic Duty – Significant additional benefit to those on low incomes.
6.5.3 Islands Duty – Significant additional benefit to those on low incomes.
6.6 Risk – Overspend in current year can be covered by earmarked reserves. No guarantee that these funds will be available in future years and therefore significant risk of overspends in future years unless the guidance changes
6.7 Customer Service - None
6.8 Climate Change Implications – None

**Anne Blue, Head of Financial Services**

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

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

Agenda Item 8

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|---|---|
| **ARGYLL AND BUTE COUNCIL** | **POLICY AND RESOURCES COMMITTEE** |
| **DEVELOPMENT AND ECONOMIC GROWTH** | **15 FEBRUARY 2023** |

**STRATEGIC EVENTS AND FESTIVALS FUND – ROUND 6 2024/2025**

## 1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to update Members on Round 6 - 2024/25 of the Council's Strategic Events and Festivals Fund (SEF). The report provides details of the applications submitted and recommendations regarding all applications put forward to receive grant funding. It also seeks Members' agreement to allocate funding of £90,000 to allow a future round (Round 7) for 2025/26.

1.2 At the 16th February 2023 Council budget meeting the Council agreed funding of £90,000 for a SEF Round 6, to be augmented by any underspend in Round 4 (2022-2023). This has meant that the total budget available for **SEF Round 6 is £115,064**.

1.3 SEF Round 6 opened on 16 October 2023 and closed on 20 November 2023. A total of 22 applications were received and amounted to a total request of **£144,800**. Seven of the applications were either ineligible, did not fully fit the criteria or struggled to demonstrate need and are therefore not being put forward for approval. The applications that are recommended for approval are listed in the Table 1 at **Appendix 1.** The total budget that is required for those listed in Table 1 is **£114,700**.

1.4 It is fully recognised that all events and festivals are important however as the SEF fund is oversubscribed, only applicants that represent viable events, that best meet all of the criteria and have a clear need for SEF funding have been recommended for approval and these have been allocated funding awards as detailed in Table 1.

1.5 The events and festivals sector contributes significantly to our local economy and communities' quality of life across Argyll and Bute, and is a key part of the economic recovery plan for the area, however like other key sectors it has faced significant challenges in the past four years as a consequence of Covid, skill shortages, the cost of living crisis and changes in customer behaviour. The Council's annual SEF funding plays a key role in ensuring the continued recovery of the sector with strong links to the hospitality and tourism industries.

**RECOMMENDATIONS**

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

i. Agree to the award of eligible SEF Round 6 grants amounting to **£114,700** as detailed in **Table 1**.

ii. Agree that any SEF Round 6 grant offer only be formally issued upon confirmation from the individual event organisation that the event is formally confirmed as going ahead, any match funding is in place and the event still meets the SEF Round 6 criteria.

iii. Agree to continue delegation of powers to the Executive Director with responsibility for Development and Economic Growth to allow any subsequent amendment to existing grant requests to be made brought about as a consequence of changes to the event/event budget. Any amendment to a current grant request/offer would only be considered if the amendment related to either the same level or a reduction in the request and constitute up to 75% of legitimate and eligible expenditure. Similarly if there was a reduction in the final event costs that would result in delivery of a profit in excess of £10,000 (all of which has to be reinvested to future events) to the organisation and that this was sustained over a 3 year period, the final retention (10%) would not be paid out on the third year of the grant.

iv. Agree to recommend to the Council that as part of the budget in February 2023, that they agree £90,000 base funding for Strategic Events and Festivals in order that the application process can commence during 2025/26 (Round 7), and that this fund be augmented by any underspend in Round 5 (23/24)

v. Agree and recommend to Council that any underspend from SEF Round 6 (24/25) is earmarked and used to augment a future SEF round.

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|---|---|
| **ARGYLL AND BUTE COUNCIL** | **POLICY AND RESOURCES COMMITTEE** |
| **DEVELOPMENT AND ECONOMIC GROWTH** | **15 FEBRUARY 2023** |

**STRATEGIC EVENTS AND FESTIVALS FUND – ROUND 6 - 2024/25 FUND**

## 2.0 INTRODUCTION

2.1 The purpose of this report is to update Members on Round 6 of the Council's Strategic Events and Festivals Fund (SEF). The report provides details of the bids submitted, and recommendations regarding the bids being put forward to receive grant funding.

2.2 In recognition of the importance of the events sector to the economy of Argyll and Bute the SEF Fund was agreed to be set up by the Council and was firstly taken forward as a competitive fund in 2019/20. A critical element of the application requirement is that the event or festival be held in Argyll and Bute and be of a **strategic nature**, i.e. having the capacity to attract people from outwith the area, with a focus on national and international visitors, and generate significant economic benefits for the local community. To illustrate this, the economic impact in the area from the funded events and festivals in SEF Round 5 was circa £10m.

2.3 There is no doubt that Covid, and other contributing factors, have had an unprecedented negative impact on the events and festivals sector. The Council acted promptly to support the industry during this challenging period by continuing to provide SEF funding support to events. Although there are still challenges facing the sector, it is encouraging to see the return of events to the area and especially encouraging this year that there has been a rise in the numbers applying to the initial call. However this does bring with it challenges as the total value of grant requested from the applications received exceeds the budget available. .

2.4 The budget available for SEF Round 6 2024/25 is £115,064 and a total of 22 applications were received amounting to a total request of £144,800. Out of these 22 applications, 15 are recommended for funding and can be viewed at **Table 1**.

## 3.0 RECOMMENDATIONS

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

i. Agree to the award of eligible SEF Round 6 grants amounting to £114,700 as detailed in **Table 1**.

ii. Agree that any SEF Round 6 grant offer only be formally issued upon confirmation from the individual event organisation that the event is formally confirmed as going ahead, any match funding is in place and the event still meets the SEF Round 6 criteria

iii. Agree to continue delegation of powers to the Executive Director with responsibility for Development and Economic Growth to allow any subsequent amendment to existing grant requests to be made brought about as a consequence of changes to the event/event budget. Any amendment to a current grant request/offer would only be considered if the amendment related to either the same level or a reduction in the request and constitute up to 75% of legitimate and eligible expenditure. Similarly if there was a reduction in the final event costs that would result in delivery of a profit in excess of £10,000 (all of which has to be reinvested) to the organisation and that this was sustained over a 3 year period the final retention (10%) would not be paid on the third year of the grant.

iv. Agree to recommend to the Council that as part of the budget in February 2023, that they agree £90,000 base funding for Strategic Events and Festivals in order that the application process can commence during 2025/26 (Round 7), and that this fund be augmented by any underspend in Round 5 (23/24).

v. Agree and recommend to Council that any underspend from SEF Round 6 is earmarked and used to augment a future SEF round.

## 4.0 DETAIL

4.1 The overarching aim of the Strategic Events and Festivals Fund is to support event organisers to enhance and grow their events with the result that more visitors are attracted to Argyll and Bute, providing substantial economic benefit to the respective areas. It is fully appreciated that the strategic events and festivals sector is still rebuilding itself following the pandemic and some events and festivals are still facing challenging circumstances brought about as a result of changes in individuals' habits and the cost of living crisis. This has put a strain on the financial stability of many of the organisations, however the outlook is improving and the Council's SEF fund continues to be of strategic importance to the events industry in Argyll and Bute. The fund provides critical support in the economic recovery of the area and will hopefully allow events to continue to grow and may prevent organisations and events from ceasing to operate.

4.2 SEF Round 6 opened on 16 October 2023 and closed on 20 November 2023. A total of 22 applications were received with a total request of £144,800. The SEF budget available for Round 6 is £115,064 therefore the fund is oversubscribed by £29,700. It is fully recognised that all are important events, both to the applicants and the associated communities within which they take place however not all applications can be funded. Officers performed a detailed assessment based on the information submitted and assessed eligibility, the viability of the event, how well the events fit the SEF criteria and could demonstrate a clear need for SEF funding, as well as the necessary financial and due diligence checks. As a result of this it is recommended that funding is allocated to 15 applicants as detailed in **Table 1**. It should be noted that many of the applications are good quality however a number of applications would benefit from more thought and time being taken to ensure that they are as robust as possible especially given how competitive the fund now is.

4.3 **Table 1** details the range of events and festivals from across the area which are programmed to take place in 2024/2025 and deliver a wide variety of event types, from sports to music, dance and film. The forecast economic impact of these events is £10.4m.

4.4 The loss of any event to the area is likely to have significant impact on the local economy, especially those events which are long standing. The impact of SEF Round 6 funding and future SEF round funding is fully recognised in assisting in the economic recovery of the area and the sustainability of the events and the event organisations, many of whom are third sector organisations. To further aid recovery the Council previously agreed to earmark underspend to augment future rounds up to Round 6 (2024/25) however the council still requires to agree to allocate a baseline budget to allow an SEF Round 7 (2025/26) to be held. Members are therefore asked to consider and agree to £90,000 for Round 7, allowing there to be certainty for the events industry that there will be future funding beyond 2024/2025.

4.5 Event Scotland continue to support events through industry support funds and fully recognises the fragility of the sector and the need to assist recovery. Council officers are in regular discussion with Event Scotland to ensure that funding awarded is complimentary and does not duplicate Council funding.

4.6 In addition, officers continue to liaise with event organisers who have applied to SEF Round 5 and 5.2, to provide information and support where considered appropriate.

## 5.0 CONCLUSION

5.1 The Round 6 SEF application and assessment process has been completed as per the guidance. A budget of £115,064 is available under Round 6, and a total of 22 applications were received with a total request of £144,800. The Strategic Events and Festivals Fund aims to support events and festivals which are of strategic importance to Argyll and Bute, which will provide a meaningful economic impact and will attract a wide range of visitors from outside the region, from other parts of Scotland, from other countries in the UK and from abroad, as well as demonstrating a clear need for the funding for viable events. As such, there are 15 applications (see Table 1) which best fit the criteria and fit with the funding available. The total grant request in Table 1 is £114,700.

5.2 Whilst the events sector is still fragile due to rising costs and skills shortages, it is hoped that it will continue to rebuild itself this year and carry on its recovery. There is no doubt that the continued support to the sector via future SEF funding will play a key part in this recovery.

5.3 It is also requested that the Policy and Resources Committee recommend to Council that as part of the February 2024 budget, a baseline budget of £90,000 be allocated to allow a SEF Round 7 (2025/26) to be held allowing there to be certainty for the events industry that there will be future funding beyond 2024/25.

**6.0 IMPLICATIONS**

6.1 Policy – The Council's Economic Strategy supports the value of events and festivals for their positive impact on the economy and supporting the hospitality and tourism sectors.

6.2 Financial – SEF R6 2024/25 budget is £115,064. Applications totalling £144,800 were received.

6.3 Legal – Award letters and grant contracts will be issued as and when a decision is made and confirmation has been received that the event will go ahead.

6.4 HR – Resourced from existing staff.

6.5 Fairer Scotland Duty: The Fund seeks to support the economic growth of areas.
6.5.1 Equalities - protected characteristics – None
6.5.2 Socio-economic Duty – The Fund seeks to support the economic growth of areas including a positive contribution to fragile areas.
6.5.3 Islands – The Fund seeks to support island economies by supporting increased levels of visitors.

6.6 Climate Change – As part of the application process events have to demonstrate how they are limiting their carbon footprint and this is part of the scoring process.

6.7 Risk – The full effects of the impact of Covid is still having an influence on the events and festivals industry, however we have seen the beginning of a recovery although the industry is still fragile.

6.8 Customer Service – None.

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

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

22 December 2023

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**APPENDIX 1**

| **Table 1 – SEF Round 6 Grant Applications** | |
|---|---|
| **Event** | **Recommended Funding Award** |
| **£2,500 - £5,000 Fund** | |
| Helensburgh Christmas Lights Switch On and Festival of Light | 5,000 |
| Tiree Music Festival | 5,000 |
| Doon The Watter Revival Music Festival | 5,000 |
| Sea Change Powering Women in Film 2024 | 5,000 |
| Highlands & Islands Music & Dance Festival | 5,000 |
| Jura Music Festival | 5,000 |
| Bute Noir | 4,000 |
| West Highland Yachting Week | 3,600 |
| The Sound of Gigha Weekend | 3,100 |
| Tarbert Seafood Festival | 2,500 |
| Tarbert Music Festival | 2,500 |
| | |
| **Subtotal** | **45,700** |
| **£5,001 - £15,000 Fund** | |
| Mull of Kintyre Music and Arts Festival | 11,000 |
| Tiree Wave Classic | 10,000 |
| **Subtotal** | **21,000** |
| **£15,001 and Over Fund** | |
| Cowal Highland Gathering | 30,000 |
| Mull Rally | 18,000 |
| **Subtotal** | **48,000** |
| | |
| **Total SEF Round 6 request** | **114,700** |

# Agenda Item 9

**ARGYLL AND BUTE COUNCIL** | **POLICY AND RESOURCES COMMITTEE**

**DEVELOPMENT AND ECONOMIC GROWTH** | **15 FEBRUARY 2024**

**CROWN ESTATE 2023/24 ALLOCATION - UPDATE**

## 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's allocation for this financial year (2023/24) is £1,590,409. The formal notification of the allocation was not received until 30 November 2023. The allocation is the Council's share of the total net revenue generated in 2021-22 but which is distributed in 2023-24.

1.4 Members will recall that in advance of notification of the formal allocation for 2023/24 it was considered, based on previous year's allocations, that a prudent estimate of £1.0m of anticipated funding in 2023/24, should be considered and that consideration given by elected members in advance as to how this funding should be allocated taking into account the guidance.

1.5 This report follows on from a report to both the August 2023 and October 2023 Policy and Resources Committee.

1.6 At the August meeting 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.

1.7 At the October Policy and Resources agreement was sought 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.

1.8 Following on from the October Policy and Resources Committee meeting and having undertaken due diligence in respect of the potential project that could be considered a total of 7 projects were agreed through the delegated process amounting to the full £1million prudent estimate. These are detailed in Table 1.

1.9 The October Policy and Resources Committee was advised that a further report would be brought back to members should the formal allocation for 2023/24 represent a higher figure than £1.0million There remains £590,409 of the Council's allocation for 2023/24 still to be allocated. It is proposed that £130,662 is allocated from the £590,409 to top up to the full Bellwin threshold amount of £528,662. This would then leave **£459,747** to be allocated to a number of further projects. It is recommended that this is allocated as detailed in paragraph 4.7 and **Table 2**.

**RECOMMENDATION**

It is recommended that Policy and Resources Committee:

a) Note the formal allocation of the £1million of Crown Estate funding for the 2023/24 as approved under delegated powers and as detailed in Table 1.
b) Agree to allocate a further £130,662 to make up the Bellwin threshold amount of £528,662.
c) Agree to allocate the remaining **£459,747** as detailed in the report at paragraph 4.7 and **Table 2**.
d) Agree to a delegation of powers 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 identified but simply the grant source.

**ARGYLL AND BUTE COUNCIL** | **POLICY AND RESOURCES COMMITTEE**

**DEVELOPMENT AND ECONOMIC GROWTH** | **15 FEBRUARY 2024**

**CROWN ESTATE 2023/2024 ALLOCATION - UPDATE**

## 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 has now received confirmation of the allocation for this financial year (2023/24) which is £1,590,409. As members will be aware, following agreement at October 23 Policy and Resources Committee meeting, a total of 7 projects, supported by the £1.0million prudent allocation of Crown Estate 2023/24 funding, were approved in consultation with the Leader, Depute Leader and Leader of the largest Opposition Group.

2.3 As agreed at Policy and Resources Committee in October a further report would come back to members if the formal allocation for 2023/24 exceeded the prudent estimate of £1million.

2.4 There remains £590,409 of the council's £1,590,409 allocation for 2023/24 still to be allocated. It is proposed that £130,662 is allocated from the £590,409 to top up to the full Bellwin threshold amount of £528,662. This would then leave **£459,747** still to be allocated.

## 3.0 RECOMMENDATIONS

3.1 It is recommended that Policy and Resources Committee:

a) Note the formal allocation of the £1million of Crown Estate funding for the 2023/24 as approved under delegated powers and as detailed in Table 1.
b) Agree to allocate a further £130,662 to make up the Bellwin threshold amount of £528,662.
c) Agree to allocate the remaining **£459,747** as detailed in the report at paragraph 4.7 and **Table 2**.

d) Agree to a delegation of powers 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 identified 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 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 The table below details the initial projects that were approved through delegated powers and which it was felt were the best fit with the fund, the necessary resources were in place and the projects are at a stage where deliverability can be assured within the timeframe. As per the delegation agreed the total allocation reflected the prudent estimate of £1.0million.

Table 1 - £1million prudent estimate

| **Projects** | **Deliverable in 23/24 (Yes/No)** | **Delivery by:** | **Crown Estate request** | **Other funding** | **Alignment with other projects** |
|---|---|---|---|---|---|
| Albert Pier - demolition | Y | AB | £40,000 | | Rothesay TH |
| Tobermory Worker Accom (match for IP funding) | Y | AB | £50,000 | IP/PBI confirmed | RGD |
| Nonhebel Industrial Park - Phase 2 – RCGF Round 10 Project | Y | Third party grant | £40,000 | RCGF/HIE | |
| Tarbert Heritage Regeneration Scheme Development Phase (match for HES/NHLF award 23/24) | Y | ABC - DEG | £60,000 | HES/NHLF confirmed | CARS |
| Gigha Pontoons - improving facilities at Ardminish | Y | Third party Grant - | £11,000 | | |
| Islay Gaelic Centre - Phase 2 360º Immersive Classroom | Project start date April 2024 but required to secure funding prior to this date. | Third party grant - | £300,000 | £150k sought from SG, | Gaelic Plan |
| Weather related roads infrastructure | Y | ABC - RIS | £398,000 | | |
| Staff Cost | Y | ABC - DEG | £101,000 | | |

4.7 It is proposed that the remaining **£459,747** is allocated as per the details in Table 2, below. It should be noted that the £50,000 previously allocated to Kilmartin Museum Project from the 2022/23 allocation, will now be repurposed towards this element of the project – the total ask from 2023/24 Crown Estate Funding for Kilmartin Museum Project is £150,000.

Table 2 – Potential projects

| **Remaining £459,747 to allocate after Bellwin allocation deducted** | | | | |
|---|---|---|---|---|
| **Project** | **Deliverable in 23/24 (Yes/No)** | **Delivery By** | **Crown Estate request** | |
| Kilmartin Museum Project | Y | Kilmartin Museum Trust | £150,000 (plus the reallocation of £50,000 (from 22/23) previously agreed by members) | Time sensitive and critical to allow successful completion of project taking account of increased costs due to Covid and other matters relating to increased inflation |
| Colonsay Airport - Installation of permanent mains electricity connection | Y | ABC | £120,000 | Essential to sustainability of the air services |
| Morrison Square, Bowmore – public realm enhancement | N | ABC | £50,000 | Works still to be fully detailed and costed |
| Aros Park, Tobermory - shore side facilities | Y | Third party | £20,000 | Project being taken forward by Tobermory Harbour Association, secured RCGF Round 10 funding and is ready to start on site, however, despite undertaking extensive value engineering there is a shortfall in funding for the main construction works. This project is time sensitive. |
| Weather Related Event | | ABC | £119,747 | |
| **Total** | | | **£459,747** | |

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 we 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 – This money will help the council respond to the weather related incidents caused by severe rainfall making good local transport infrastructure. It will also all the removal of a diesel generator on Colonsay.

6.8 Customer Service – None.

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

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11 January 2024

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Agenda Item 10

**ARGYLL AND BUTE COUNCIL** **POLICY AND RESOURCES**

**DEVELOPMENT AND ECONOMIC GROWTH** **15 FEBRUARY 2024**

**OBAN AND HELENSBURGH STRATEGIC DEVELOPMENT FRAMEWORKS**

## 1.0 EXECUTIVE SUMMARY

1.1 The Argyll and Bute Outcome Improvement Plan and LDP2 aim to reverse population decline and promote economically driven growth across Argyll and Bute. There are many strengths and opportunities throughout Argyll and Bute, but the two areas that can potentially deliver and sustain growth of significant size, particularly in terms of population are Oban and its hinterland, and Helensburgh and Lomond. Delivering this would in turn help to support and facilitate the further potential growth opportunities in the wider Area.

1.2 Oban is a Main Town within the Tobermory to Dalmally Growth Corridor having a range of facilities, services and shops that support a strong hinterland including a number of Key Rural Settlements. However, it is becoming increasingly physically constrained and nearing its topographical capacity for growth

1.3 Helensburgh and Lomond enjoys proximity and connectivity with the central belt and the development of HMNB Clyde is increasing the naval staff by 1700 and their families, and brings further associated civilian population. However growth of the area is restricted by the Green Belt designation which was designed to contain the settlements.

1.4 To achieve strategic growth within both these areas; LDP2 identifies commitments to produce Strategic Development Frameworks which will plan for future development over a 20-40 year time period. Production of these is a complex task, but is essential to delivering planned infrastructure investment, land release, and the resultant population growth. It will also be a key part of addressing the housing emergency.

1.5 The report outlines in brief some of the work that would be involved in producing the Frameworks and why resources are required to drive forward these tasks at pace.

**RECOMMENDATIONS**

It is recommended that members of the Policy and Resources Committee:-

i. Note the contents of the paper and agree to the resource request of £450,000 from the Council's Priorities Budget to assist in driving forward the Strategic Development Frameworks.

**ARGYLL AND BUTE COUNCIL** **POLICY AND RESOURCES**

**DEVELOPMENT AND ECONOMIC GROWTH** **15 FEBRUARY 2024**

## OBAN AND HELENSBURGH STRATEGIC DEVELOPMENT FRAMEWORKS

## 2.0 INTRODUCTION

2.1 Two areas within Argyll and Bute that can potentially deliver and sustain growth of any significant size, particularly in terms of population are Oban and its hinterland, and Helensburgh and Lomond. Delivering this would in turn help to support and facilitate the further potential growth opportunities in the wider Area. LDP2 identifies commitments to produce Strategic Development Frameworks for both these areas.

2.2 The report outlines in brief some of the work that would be involved in producing the Frameworks and why resources are required to drive forward these tasks at pace.

## 3.0 RECOMMENDATIONS

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

i. Note the contents of the paper and agree to the resource request of £450,000 from the Council's Priorities Budget to assist in driving forward the Strategic Development Frameworks.

## 4.0 DETAIL

4.1 The overall objective of the Argyll and Bute Outcome Improvement Plan is that Argyll and Bute's economic success is built on a growing population. LDP2 sets out a spatial strategy which supports this objective and seeks to reverse population decline and promote economically driven growth across Argyll and Bute.

4.2 There are many strengths and opportunities throughout Argyll and Bute, but the two areas that can potentially deliver and sustain growth of any significant size, particularly in terms of population are Oban and its hinterland, and Helensburgh and Lomond. Delivering this would in turn help to support and facilitate the further potential growth opportunities in the wider Area.

**Oban**

4.3 Local Development Plan 2 identifies the position of Oban as a Main Town within the Tobermory to Dalmally Growth Corridor highlighting its range of facilities, services and shops that support a strong hinterland including a number of Key Rural Settlements. However, it also sets out that the town is becoming increasingly physically constrained and nearing its topographical capacity for growth. LDP2 identifies that growth could potentially be achieved through rationalisation and restructuring within the town as well as within the wider Growth Corridor through significant investment in road infrastructure and a partnership approach across a range of stakeholders.

4.4 National Planning Framework 4 (NPF4) recognises the role of the Growth Corridor in identifying areas for future growth and identifies the role Oban plays in providing lifeline links to the islands as well as services to its wider hinterlands. It recognises its position as a developing university town with the European Marine Science Park providing local economic and educational opportunities. Also recognised are opportunities for new infrastructure and repurposing of land to help shift industrial activity towards supporting the off shore renewable sector as well as the connectivity role played by the airport and opportunities there for investment in compliance operations and future drone technology.

**Helensburgh**

4.5 Local Development Plan 2 identifies Helensburgh and Lomond as a growth area in the spatial strategy. It identifies the development of HMNB Clyde as the UK's single submarine base and resultant increase of around 1700 naval staff and their families as well as the associated opportunities in civilian construction projects and supply chain, servicing and support businesses. LDP2 also identifies the proximity and connectivity of the area to Glasgow and the central belt coupled with its high quality environment as an attractive location for commuters and growth in tourism.

4.6 However, it also recognises that opportunities for sustainable growth are potentially limited by the green belt which was established to contain the expansion of settlements and retain their landscape setting, and that it is anticipated that the green belt will come under pressure in the future as the population and employment opportunities increase.

4.7 LDP2 sets out that whilst an immediate review of the green belt is not required, due to there being sufficient development identified within the plan, there is a need to consider how Helensburgh and Lomond can develop over a 20-40 year period in order to plan for investment and infrastructure considered alongside the need to review the green belt.

**Strategic Development Frameworks**

4.8 To achieve strategic growth within both these areas; LDP2 identifies commitments to produce strategic development frameworks for each as below:

**LDP2 Proposal A – Oban Strategic Development Framework (OSDF)**
"*The Council will take forward a Strategic Development Framework for the wider Oban area working with stakeholders including communities, key agencies, infrastructure providers, landowners, the Scottish Government, housing associations and the private sector to deliver a co-ordinated approach to: the rationalisation of existing land uses, improved traffic management and parking (including potential for park and ride), identification of new development opportunities for housing and economic uses, development of the Strategic Transport Hub, investigation of development potential and improvements to network resilience associated with the strategic road and rail network, including the possibility of the Oban Development Road and the consented Dunbeg Half-Way Roundabout, in order to realise the full potential of this strategically important area.*"

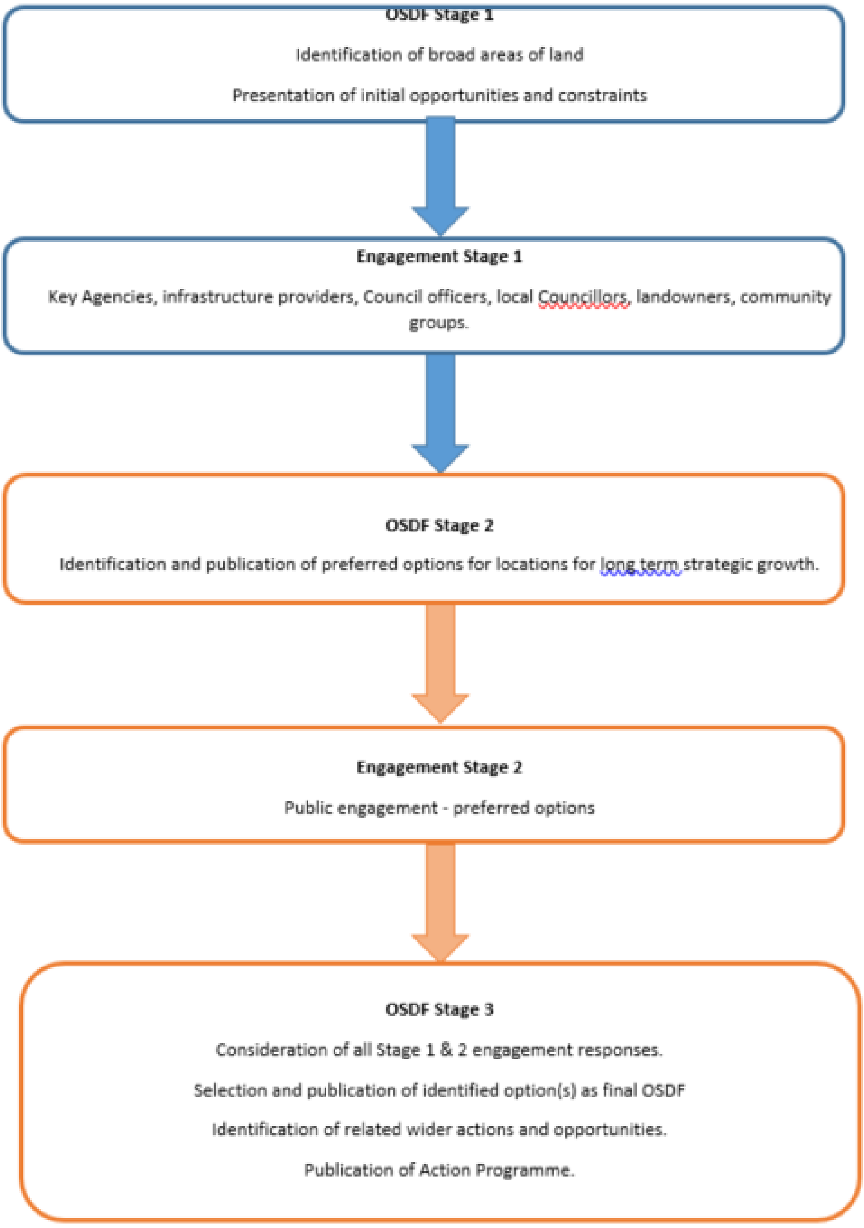
**LDP2 Proposal B – Helensburgh Strategic Development Framework (HSDF)**
*"Argyll and Bute Council propose to carry out a review of the Helensburgh and Lomond Green Belt boundaries through a Strategic Development Framework, to provide a framework for the provision of infrastructure and future development, whilst recognising and safeguarding the key environmental features of the Green Belt, the landscape setting of settlements forming part of the Cardross – Helensburgh – Garelochhead corridor, and the contribution which the green network around these communities can make to providing for sustainable development."*

4.9 This 'Strategic Development Framework' approach is recognised as an appropriate way to promote long term growth by the LDP2 Scottish Government Reporters and NPF4 now also reflects this approach supporting planned population growth in a growth corridor from Tobermory to Oban and on to Dalmally and a general infrastructure first approach.

4.10 The two Strategic Development Frameworks will be crucial bedrocks for LDP3, setting out a framework that will plan to deliver growth over a 20 – 40 year period, and will be required to feed in to the Evidence Report which will be part of the new style process for LDP production.

4.11 Although long term, both frameworks are key to addressing the housing emergency, as they are they can lead to planned housing development at scale. Both areas are the places of greatest housing demand, and there are likely to be pressures on the supply of housing land within the medium term.

4.12 Draft and preliminary scoping work has already started and will be discussed with Members at a workshop during the spring of this year. Production of the Strategic Development Frameworks is a complex tax, and will predominantly need to adhere to a land use planning structure, supported by necessary transport and landscape assessment, with an iterative process of site identification, consultation, refinement of proposals and solutions, and further identification. The diagram below illustrates a draft layout of the process although this will be finalised as more detailed project scoping and planning is completed. Ultimately a settled proposal will need further consultation, support of the Council, and assessment by Scottish Government, before it can be incorporated into the next LDP3. In addition delivery will need to be considered and the Strategic Development Frameworks should be accompanied by an action programme for delivery which might include: land acquisition, further ground investigation, funding identification, more detailed masterplanning, etc...




4.13 In terms of timescale, there is an immediate priority to develop this work even though the outcomes identified will be delivered in the medium term. Ultimately, for the OSDF and HSDF to have maximum influence and leverage on investment, it will be necessary for it to be incorporated into the next LDP which will be LDP3. The aim would be to adopt LDP3 within five years. Adequate resourcing of the OSDF and HSDF will be of significant importance to delivering within this timescale. Subject to more detailed project scoping and planning, it is estimated that if fully funded with consultancy support it would be possible to produce the OSDF and HSDF in a 2-3 year time frame.

4.14 It is anticipated that the planning policy team will lead the work but with support from other officers within the Council who are able to input specialist expertise. This is likely to include, Property Services, Legal, Roads, Education and Economic Development. In addition a wide range of specialist consultancy work will be required to investigate development feasibility and provide a suitable evidence base to incorporate the Strategic Development Framework within the Council's LDP3, and potentially other partners strategic plans. Ultimately they will need to justify the required infrastructure and development investment. Likely examples of consultancy will include: STAG transport assessment, landscape assessment, flooding studies, peat assessment, environmental, wildlife and habitat surveys, land ownership investigation and masterplanning.

4.15 The work is an existing Council commitment within LDP2, is considered a key element of addressing the Council Housing Emergency, and aligns very well with many of the Council's own, and public and private partners strategic aims.

4.16 It is estimated that in order to deliver the Strategic Development Frameworks in a 2-3 year timescale, £250,000 is required to support consultancy for the OSDF and £200,000 for the HSDF. It is proposed that this be allocated from the Council's Priorities Budget. This is a high level estimate at this stage.

**Other Areas**

4.17 It is important to note that whilst this report focuses on Oban and Helensburgh, LDP2 provides a comprehensive growth and development strategy for the whole of Argyll and Bute. The plan seeks to deliver a more flexible approach to development within the Countryside where appropriate. Additional but smaller Strategic Development Frameworks are identified for Bowmore and Tobermory. Strategic Masterplan Areas are identified in Inveraray, Lochgilphead, Tobermory and Port Ellen. Areas for Action promoting regeneration include Rothesay, Dunoon, Port Bannatyne and Tarbert. Delivering growth in the areas of Oban and Helensburgh will be a key catalyst to generate and support growth in the wider areas of Argyll and Bute.

## 5.0 CONCLUSION

5.1 LDP2 identifies Oban and Helensburgh as the centre of two areas with greatest potential to deliver growth at a strategic scale which will help to reverse population decline. To deliver this LDP2 identifies the need to produce Strategic Development Frameworks for both areas. These Frameworks will underpin the identification and release of land and infrastructure, and will form the bedrock of LDP3. Moreover they will be key elements to addressing the recently identified Housing emergency in the medium term. Production of these Frameworks is a priority for the Council, and funding to resource this is being requested at the Policy and Resources Committee.

**6.0 IMPLICATIONS**

6.1 Policy – None as a result of this paper, but ultimately the Strategic Development Frameworks would be adopted in to LDP3 which would become the planning policy of the Council, and will be a fundamental part of addressing the housing emergency and delivering economic and population growth.

6.2 Financial – Allocation of £450,000 from the Council's Priorities Budget to procure consultancy support required to deliver two Strategic Development Frameworks.

6.3 Legal – None as a result of this paper.

6.4 HR - None

6.5 Fairer Scotland Duty:

6.5.1 Equalities - protected characteristics – None at this stage but full assessments will be carried out as part of the process.

6.5.2 Socio-economic Duty - None at this stage but full assessments will be carried out as part of the process.

6.5.3 Islands - None

6.6 Climate Change – Identifying planned long term development land within a strategic framework assists the location of development in the most sustainable locations and will reduce its impact on the environment. Colocation of facilities will assist in minimising travel demand.

6.7 Risk – Not resourcing this work risks an inability to adequately justify the necessary land releases to deliver investment and growth.

6.8 Customer Service – None.

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

**Councillor Kieron Green, Policy Lead for Planning and Regulatory Services**

17th January 2024

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**ARGYLL AND BUTE COUNCIL** **POLICY AND RESOURCES COMMITTEE**

**DEVELOPMENT AND INFRASTRUCTURE** **15 FEBRUARY 2024**

**ARGYLL AND BUTE - MOBILE COVERAGE MAPPING**

## 1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to seek approval from the Policy and Resources Committee to utilise £25k from the Digital Exclusion Fund to enter a partnership project with Scottish Futures Trust (SFT).

1.2 Currently the only mobile coverage data that we have at our disposal is from the Ofcom website, which is a perceived coverage map. The data that we aiming to get through this initiative is far more technologically advanced and provides street level mapping from each operator including signal strength, upload and download speeds and what spectrum frequency it is using (2,3,4 or 5G).

1.3 Having access to this data can then be used to support further improvements to our digital infrastructure which is critical to the future of our region both socially and economically. In particular, it will provide key evidence for the Council and our partners to effectively lobby government and also private industry for further investment.

1.4 The proposal is that we enter a joint quick quote procurement with Scottish Futures Trust (SFT) taking the lead. To adhere to quick quote regulations £50k is the maximum project value £25k SFT and £25k match from Argyll and Bute Council. There is a need to undertake this particular procurement route due to time constraints and the need to enter into a contract before the end of this financial year.

**RECOMMENDATION**

It is recommended that the Policy and Resources Committee approve the provision of £25k funding from the Digital Exclusion Fund to enable the Council to match fund an equal contribution from our partner SFT to undertake a Mobile Phone Coverage Map exercise covering Argyll and Bute.

**ARGYLL AND BUTE COUNCIL** **POLICY AND RESOURCES COMMITTEE**

**DEVELOPMENT AND INFRASTRUCTURE** **15 FEBRUARY 2024**

**ARGYLL AND BUTE - MOBILE COVERAGE MAPPING**

## 2.0 INTRODUCTION

2.1 The purpose of this report is to seek approval from the Policy and Resources Committee to utilise £25k from the Digital Exclusion Fund to enter a partnership project with Scottish Futures Trust (SFT) to undertake a mobile signal mapping exercise covering Argyll and Bute.

2.2 The Digital Exclusion Fund was established by the Council to assist communities that were out with any commercial or government programme to secure a Superfast Broadband (SFB) connection. To date only one community has approached us for assistance this being Kerrera which is currently having a Fixed Wireless Access (FWA) network built. This project has been delayed due to the Covid pandemic and protracted land negotiations.

2.3 It has been made clear by the UK and Scottish Governments that due to economies of scale it will not be possible to give a full fibre provision to every premise in the UK and that alternative solutions (Satellite, Fixed Wireless Access (FWA) and 4/5G) will be required to provide a Superfast Broadband Connection (SFB) to some premises.

2.4 The availability of mobile signal will therefore be critical for digital inclusion in Argyll and Bute. This provides a clear justification for entering a partnership with SFT to procure a detailed mapping exercise of mobile phone coverage across Argyll and Bute. Members will be aware that mobile phones are now seen as an essential part of most people's everyday life. For many particularly in rural communities the only means of communication. Additionally, the Emergency Service Network is aiming to migrate to a 4G solution and the old copper Public Switched Telephone Network or PSTN is being switch off by 2025, which will require people (if they require a landline) to switch over to a Voice Over Internet Protocol (VOIP) phone. Hence the reasons to get an accurate picture of actual mobile coverage at premise level in our area.

2.5 The 4/5G network is not only used for the purposes set out above. For example, electricity smart meters also use this network and following the increase in electricity costs more residents are increasingly aware of their energy consumption, most if not all would like a smart meter however some areas cannot get them due to the lack of a stable mobile network.

## 3.0 RECOMMENDATIONS

3.1 It is recommended that the Policy and Resources Committee approve the provision of £25k funding from the Digital Exclusion Fund to enable the Council to match fund an equal contribution from our partner SFT to undertake a Mobile Phone Coverage Map exercise covering Argyll and Bute.

## 4.0 DETAIL

4.1 The Leader of the Council was recently contacted by Streetwave (a private company) enquiring if Argyll and Bute Council would be interested in establishing a detailed map of mobile coverage in Argyll and Bute. This was passed to the Strategic Transportation Policy Officer for further investigation.

4.2 Several meetings have been subsequently undertaken between parties with the potential benefits identified. However, the initial cost estimate of undertaking this work was considerable and beyond the resources of the Council at that time.

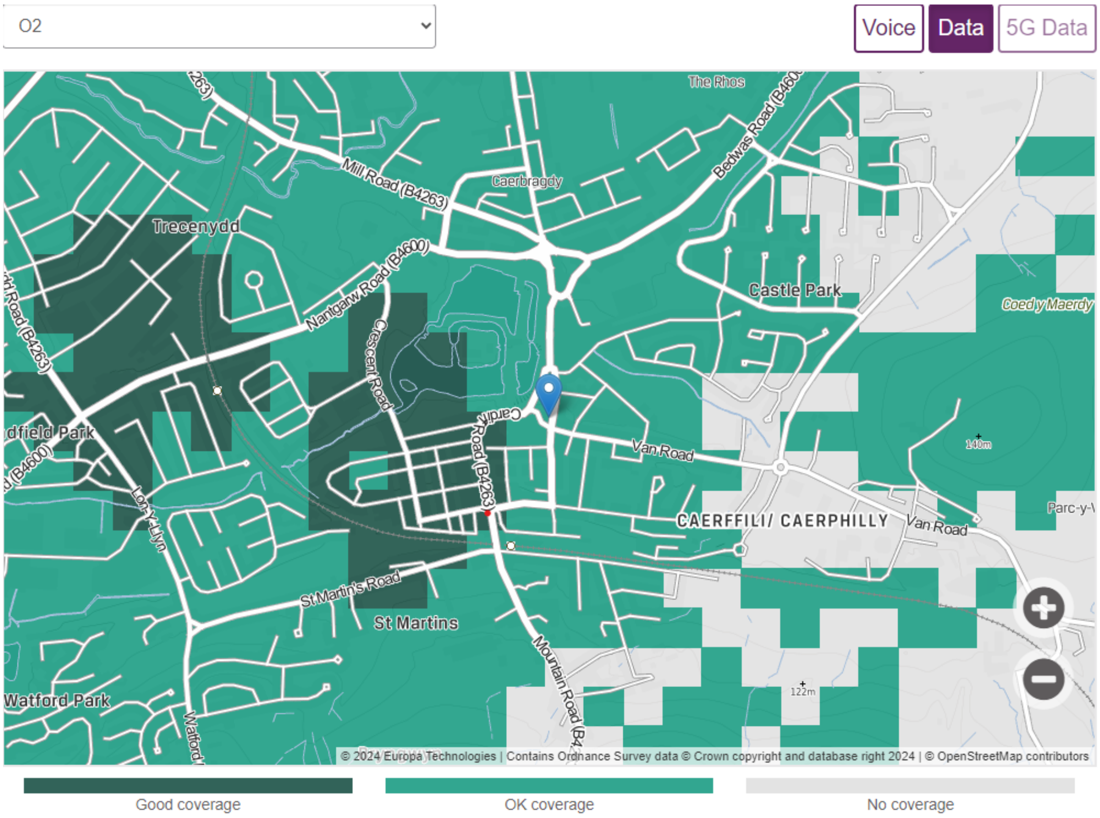
4.3 Further internal discussions were consequently undertaken on how this could be done more cost effectively. A process was then devised that involves the installation of monitoring equipment in our refuse vehicles as they travel every road and visit almost every premise in Argyll and Bute. It had already been established that our fleet would be capable in being equipped with the necessary equipment.

4.4 SFT also made contact recently indicating that they were looking at mapping part of Argyll for mobile signal strength and they had some limited funding available and that they had also been in discussion with Streetwave.

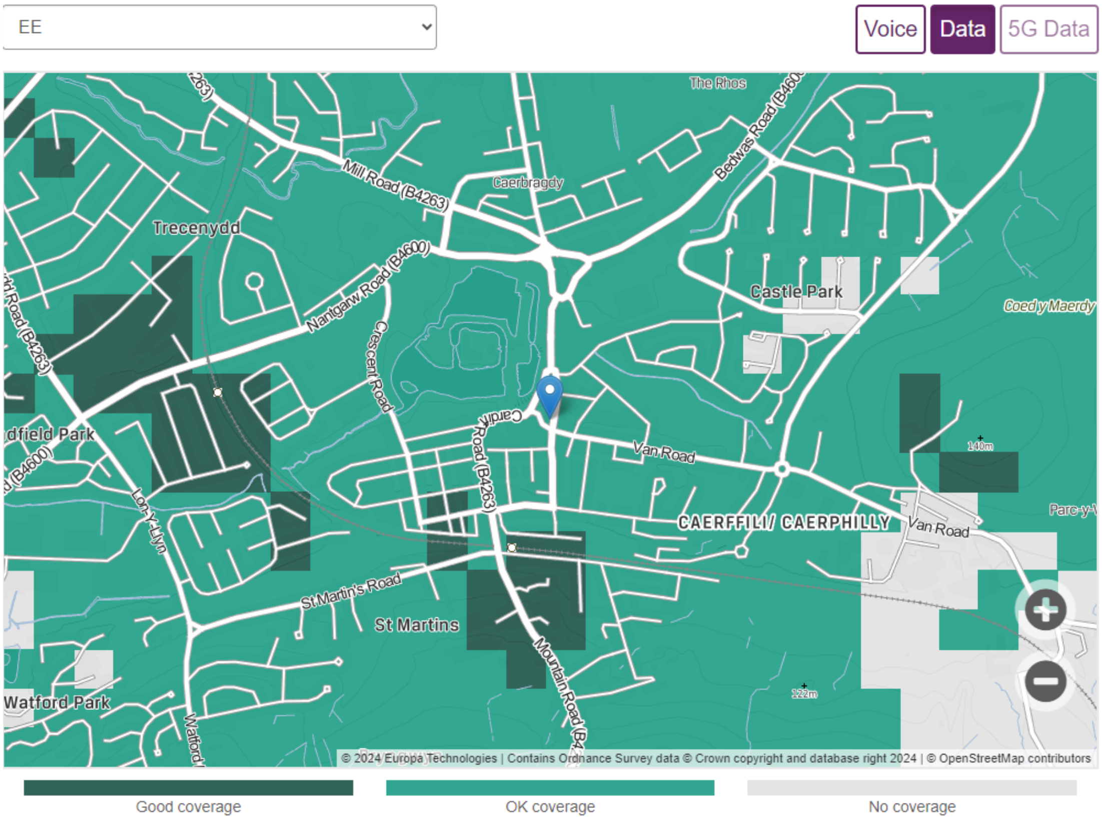
4.5 SFT have chosen Argyll and Bute due to the amount of mobile infrastructure that has been built particularly the Scottish 4G Infill (S4GI) Programme which they manage on behalf of the Scottish Government. They are looking to establish the impact of the programme and identify coverage gaps and any additional funding requirements.

4.6 Currently, the only source of mobile coverage mapping from all 4 Mobile Network Operator’s (MNO’s) Vodafone, EE, Virgin Media O2 and Three is the Ofcom coverage checker which only provides perceived coverage with data provided by the 4 operators. On the ground this is a different matter and has been raised with

Ofcom on numerous occasions. See examples of the Ofcom Coverage checker below (Maps are of Caerphilly in Wales for comparison purposes)

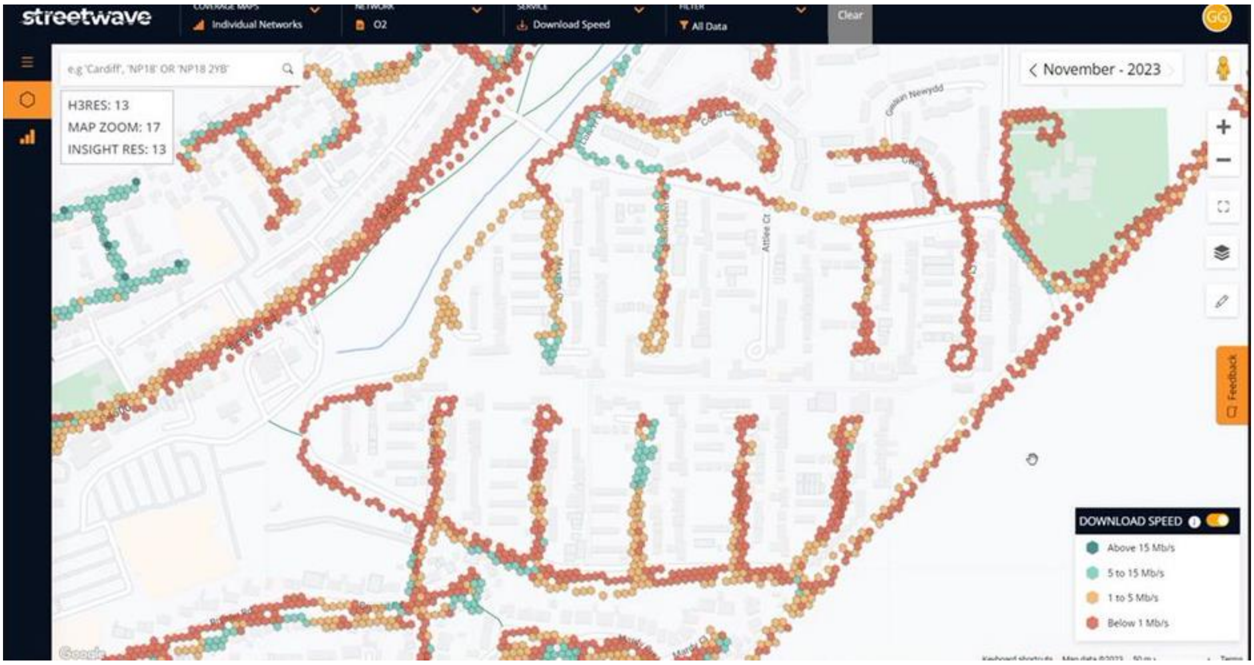



Ofcom O2 Data coverage map Caerphilly (Greatest Detail)

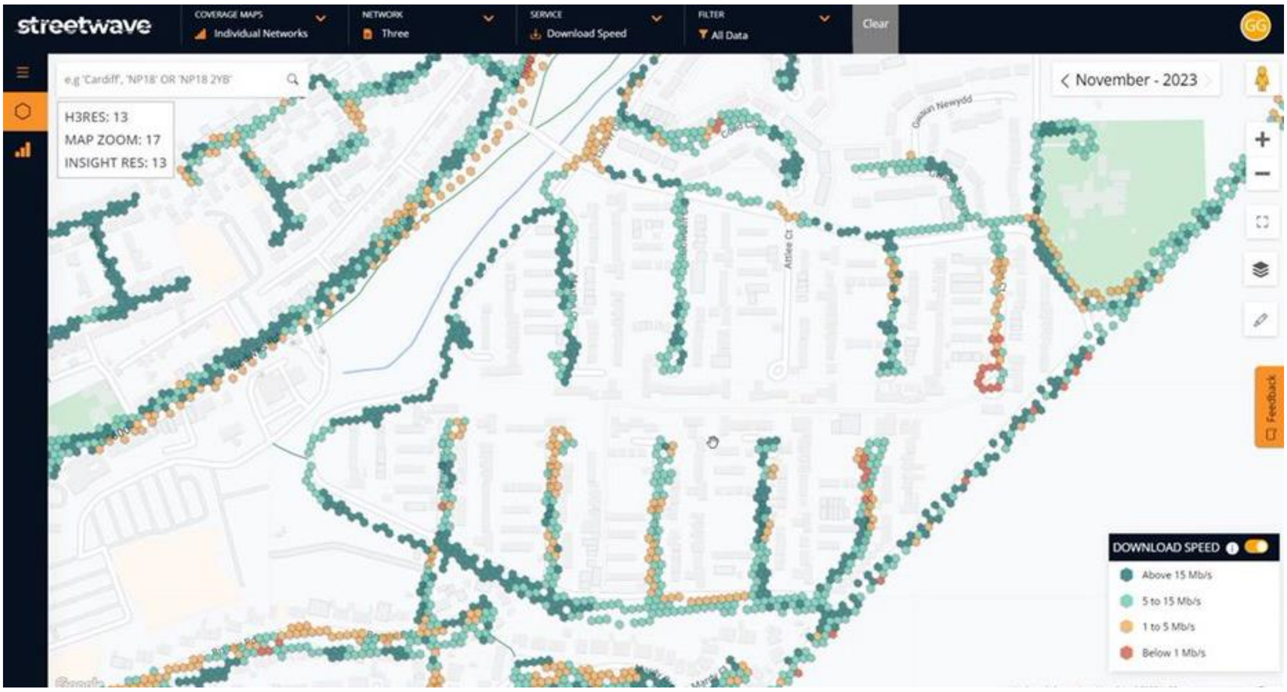



Ofcom EE Data Coverage Map Caerphilly (Greatest Detail)

4.7 In reality this is a bit different as the screen shots provided by SFT from a Streetwave presentation.




Streetwave Speed test of O2 network Caerphilly




Streetwave Speed test of EE network Caerphilly

4.8 From the images above you can clearly see the difference of a perceived coverage map and an actual coverage map. The level of detail that can be accessed using this data far surpasses anything else that we or SFT have seen before. Consequently, with this evidence SFT are amenable to working in partnership with the Council to procure through a quick quote process the use of this mapping technology to identify mobile signal strength from different mobile phone operators across Argyll and Bute. This includes match funding our own proposed contribution of £25k if this can be done this financial year.

4.9 It is proposed that SFT will take the lead on procurement and have provided us with a copy of the draft requirements which has been shared with legal. This includes the requirements on access to the data

- The contractor shall place no usage restrictions on the client associated with the aforementioned raw measurement data.
- The contractor shall make the required measurement data available via a readily accessible online Geographical Information System (GIS) mapping tool for a period of up to 5 years after the contract start date.

4.10 It has been outlined that other initiatives may be collecting similar data for example Volkswagen audit group have been contracted by the Department of Transport utilising vehicle journeys. Having spoken to SFT they believe that the data will not be in as great a detail. Additionally getting access to the data for our purposes could be timely and costly.

## 5.0 CONCLUSION

5.1 It is proposed to undertake a joint procurement exercise with SFT to map digital signal across Argyll and Bute utilising the Council's fleet of bin lorries. A detailed mobile coverage map would have huge benefits to our local communities where in some cases individuals and local businesses pay for a level of service that they cannot receive. A link to the data could be put onto the Council's website where individuals could check which digital operator provides the service they are looking for prior to entering into a lengthy contract.

5.2 It would also identify mobile signal coverage gaps to help inform and incentivise both Governments and private industry to commit further investment in digital infrastructure across Argyll and Bute. Ultimately this would help address people who are digitally excluded.

5.3 Estimated costs for the project are in the region of £50k with £25k requested from the established digital inclusion fund and £25k from SFT.

## 6.0 IMPLICATIONS

6.1 Policy - the Single Outcome Agreement (SOA) and Economic Development Strategy and Action Plan support improvements in the digital infrastructure.

6.2 Financial - There is a request of £25k from the established Digital Exclusion Fund that has available funds.

6.3 Legal - Legal implications as this is a joint procurement exercise.

6.4 HR - Better mobile connectivity will benefit our staff in terms of accessibility and safety when they are delivering services to remote communities.

6.5 Fairer Scotland Duty:

6.5.1 Equalities - the differing nature of the deployment of new technology has the potential to lead to inequalities in terms of access to digital services including those which support business and personal development.

6.5.2 Socio-economic Duty - there is an overall risk that the economic and social benefits rising from modern digital infrastructure are not fully realised.

6.5.3 Islands - There are risks that those areas which do not benefit from digital infrastructure could become less attractive locations within which to live and work which could have implications in relation to the SOA objective of growing the population.

6.6 Climate Change - The ability to access online services/meetings will limit the requirements to travel reducing an individual's carbon footprint.

6.7 Risk - The various programmes are reliant on new technology and innovation which is developing rapidly. Some projects are reliant on commercial operator decisions to invest whilst grant funding is necessary for many aspects of digital infrastructure improvement in Argyll. These aspects all create a level of uncertainty around the extent of infrastructure improvements.

6.8 Customer Service - improvements in broadband and mobile technology improve the opportunities for digital based customer services.

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

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

10th January 2024

**For further information:-**

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**ARGYLL AND BUTE COUNCIL** **Policy and Resources Committee**

**Customer Support Services** **15th February 2024**

**People Strategy and Strategic Workforce Planning Priorities 2024-2028**

## 1.0 EXECUTIVE SUMMARY

This report sets out the Council's updated strategic people objectives for the period to 2028. These have been developed in consultation with department management teams across the Council. The updated people objectives reflect the principles of the Connect for Success operating model set out by the Chief Executive to support delivery of the Corporate plan.

The purpose of this report is to present two documents that outline the Council's strategic people priorities for the period up until 2028. It is recommended that the Policy and Resources Committee approve the People Strategy and note Strategic Workforce Planning Priorities for the period 2024-2028.

**ARGYLL AND BUTE COUNCIL** **Policy and Resources Committee**

**Customer Support Services** **15th February 2024**

**People Strategy and Strategic Workforce Planning Priorities 2024-2028**

## 2.0 INTRODUCTION

2.1 This report sets out the Council's updated strategic people objectives for the period up to 2028. These have been developed in consultation with management teams and reflect the principles of Connect for Success. The purpose of this report is to present two documents that outline our strategic people priorities:

- People Strategy (Appendix One)
- Strategic Workforce Planning Priorities (Appendix Two)

## 3.0 RECOMMENDATIONS

3.1 It is recommended the Policy and Resources Committee approve the People Strategy 2024-2028

3.2 It is recommended the Policy and Resources Committee note the Strategic Workforce Planning Priorities for the period 2024-2028

## 4.0 DETAIL

4.1 The council's strategic workforce outcomes have been updated to reflect the principles of Connect for Success which is the desired operating model outlined by the Chief Executive to support delivery of the Council priorities as set out in the Corporate Plan.

4.2 The People Strategy states the Council's strategic workforce priorities for the period up to 2028. The strategic workforce planning priorities review workforce trends and set out the Council's high level assumptions relating to the workforce. These workforce planning assumptions will be reviewed and updated annually. The purpose of these documents is to make sure the Council has a workforce in place that can deliver on our overall corporate and strategic objectives in a way that demonstrates best value.

4.3 In the interest of rationalising the number of strategic plans, it is proposed a single annual delivery plan will be agreed which will include actions to deliver on the People Strategy and any specific actions arising from our annual review of Strategic Workforce Planning assumptions.

4.4 Policy and Resources Committee are asked to consider the documents in Appendices One and Two and approve the Council's People Strategy 2024-2028.

## 5.0 CONCLUSION

5.1 In conclusion this report outlines the council's updated People Strategy and Strategic Workforce planning priorities and proposes a single annual plan is developed to support delivery of these.

## 6.0 IMPLICATIONS

6.1 Policy: These documents provide an updated People Strategy and Strategic Workforce Plan

6.2 Financial: None. Budget to support delivery of the People Strategy will come from existing revenue budget.

6.3 Legal: The council must comply with relevant employment law

6.4 HR None specifically from these documents

6.5 Fairer Scotland Duty:

An Equalities and Socio Economic Impact Assessment has been commenced and the working draft is attached to this paper (Appendix three). This will continue to be updated and completed on presentation of the final delivery plan. Specific assessments may be completed for various individual projects or proposals arising from the plan where appropriate.

6.5.1 Equalities - protected characteristics. As above

6.5.2 Socio-economic Duty. As above

6.5.3 Islands. As above

6.6 Climate Change: The hybrid and flexible working approach adopted by the Council is reducing travel and contributing in the Council's overall carbon reduction.

6.7 Risk: These documents support the management of workforce risk

6.8 Customer Service: The underlying principle of the People Strategy is that in creating the right conditions for our employees, the result for customers and service users will be improved quality of service.

**Kirsty Flanagan**

**Executive Director with responsibility for Customer Support Services**

**Policy Lead Alistair Redman**

09/01/2024

**For further information contact:** Carolyn Cairns, HR and OD Manager, Carolyn.cairns@argyll-bute.gov.uk, 01546 604 021

**APPENDICES**

Appendix One: People Strategy 2024-2028

Appendix Two: Strategic Workforce Planning Priorities 2024-2028

Appendix Three: Equalities and Socio Economic Impact Assessment

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# People Strategy 2024 - 2028



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# Argyll and Bute Council People Strategy

Every day our workforce finds creative ways to overcome the challenges of reducing budgets and our vast geography, to deliver services to the communities of Argyll and Bute. As the council transforms its operating model to deliver our **Connect for Success** principles, our people remain the single most important asset we have in delivering on our ambitious corporate outcomes. This **People Strategy** outlines the strategic objectives we will achieve in relation to our people over the period until 2028

Linked to our **People Strategy** are our **Strategic Workforce Planning** priorities. We review our strategic workforce planning outlook and assumptions annually and any actions from this review, will be incorporated into our annual people strategy delivery plan.

| PEOPLE STRATEGY THEME | EXPLANATION | COMMITMENTS OVER THE LIFE OF THE STRATEGY | CONNECT FOR SUCCESS THEME |
|---|---|---|---|
| **Attracting and Keeping Talented people**<br> | In the post-pandemic labour market attracting and retaining talented people is proving challenging in a number of areas: from national shortages in the social work and social care workforce, to the local challenges we face staffing some of our lifeline ferry services to the Islands. Attracting and retaining talent will be key to our council's success over the life of this strategy.<br><br>We have a lot to offer as an employer. Our unique area means we have to find unique and creative ways to deliver our services. We think that makes us stand out as an employer with interesting roles and opportunities. We can directly contribute to the Council's abplace2b aspirations by developing our employer brand and marketing the varied career paths and favourable employment deal on offer by the council and by continuing to develop a pipeline of talent into our workforce through our **Growing Our Own** activities. | Developing and market our employer brand | Purpose and Mission |
| | | Deliver an employment deal that supports business need and workforce planning priorities | Purpose and Mission |
| | | Redesign our approach to recruitment | Purpose and Mission (abplace2b) |
| | | Grow Our Own talent linked to our risk based workforce planning | Purpose and Mission<br>Data and Evidence Driven<br>Agile |
| | | Deliver actions to support our strategic workforce planning priorities | Purpose and Mission<br>Data and Evidence Driven<br>Agile |
| | | Collect and review data to better understand our recruitment and retention challenges | Data and Evidence Driven |

| PEOPLE STRATEGY THEME | EXPLANATION | COMMITMENTS OVER THE LIFE OF THE STRATEGY | CONNECT FOR SUCCESS THEME |
|---|---|---|---|
| **Providing a positive employee experience**  | We want our employees to have a positive experience of working for the council. We know that when our employees have the right tools and a positive working environment they can achieve great things. Our goal is to create an environment where everyone can thrive.<br>The **Connect for Success** programme outlines a desired operating model for the council, built on a culture of trust, inclusion, empowerment, collaboration and learning. We aim to make that the experience of everyone who joins our team. | Provide a safe and healthy working environment | Empowerment |
| | | An employment relationship built on quality conversations, trust and psychological safety | Empowerment |
| | | We are an inclusive employer | One council one place<br>Empowerment |
| | | Develop ways to involve employees and capture their voice | Empowerment<br>Involvement |
| | | Leaders will provide clarity on our goals, priorities and standards empowering employees to find innovative ways of achieving them | Empowerment |
| | | Create agile jobs and ways of working. | Agile |

| PEOPLE STRATEGY THEME | EXPLANATION | COMMITMENTS OVER THE LIFE OF THE STRATEGY | CONNECT FOR SUCCESS THEME |
|---|---|---|---|
| **Creating a One Council, One place culture**  | We have big ambitions for our council and our area and we recognise that working together with each other and with our partners is the best and most effective way to achieve those ambitions. To support our **Connect for Success** programme our leaders will collaborate across team and organisational boundaries for the greater good of our area. They will empower their teams to come up with creative and cost effective approaches to delivering the services that support achievement of our mission and purpose<br><br>As a leader for our area, we want to make it as easy as possible for individuals and groups to work with us in achieving the best outcomes for Argyll and Bute. | Identify opportunities for and ways to make partnership, codesign and collaboration easier | One council one place |

| PEOPLE STRATEGY THEME | EXPLANATION | COMMITMENTS OVER THE LIFE OF THE STRATEGY | CONNECT FOR SUCCESS THEME |
|---|---|---|---|
| **Supporting Learning and Growth**  | We want to encourage and develop a growth mind-set at individual, team and organisational level. We will create a culture where reflection and learning is celebrated and helps us to improve and continuously develop our approach at all levels. Our leaders will take their own development and growth seriously, adopting a growth mindset, championing change and embedding a culture of reflection and learning within their teams. | Embed coaching to support learning and change | Learning council<br>Empowerment |
| | | Redesign our corporate learning programme | Learning council<br>Empowerment |
| | | Redesign our leadership development to deliver our target operating model and make our council a great place to work | Learning council<br>Empowerment |
| | | Acknowledge and celebrate our successes and share learning when things don't go to plan | Learning council<br>Empowerment<br>One council one place |

| PEOPLE STRATEGY THEME | EXPLANATION | COMMITMENTS OVER THE LIFE OF THE STRATEGY | CHANGE PROGRAMME THEME |
|---|---|---|---|
| **Championing Change and Innovation**  | We will continue to champion change and find innovative ways to deliver our services. In the context of a challenging financial climate we will focus on using data and evidence to support our decision making ensuring the changes we make will have the biggest impact on our priorities. | Redesign our approach to performance management to support our target operating model | Purpose and Mission<br>Learning council |
| | | Improve and simplify our people processes | Empowerment<br>Making the most of technology |
| | | Our workforce are digitally enabled | Making the most of Technology |
| | | Our workforce are data literate | Data and Evidence Driven |

CONNECT FOR SUCCESS

# FURTHER INFORMATION

**For further information please contact:**

**HR Advice Line**

**HRemployeerelationsenquiries@argyll-bute.gov.uk**

**Telephone number – 01546 605513 Option 2**

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## Strategic Workforce Planning Priorities 2024-2028

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# Introduction

Attracting and retaining talented people is one of the main strategic objectives set out in our People Strategy. Strong workforce planning ensures we have the right people in the right roles, with the right skills at the right time, and for the right cost. This is crucial to delivering on our priorities in a way that meets our commitment to best value.

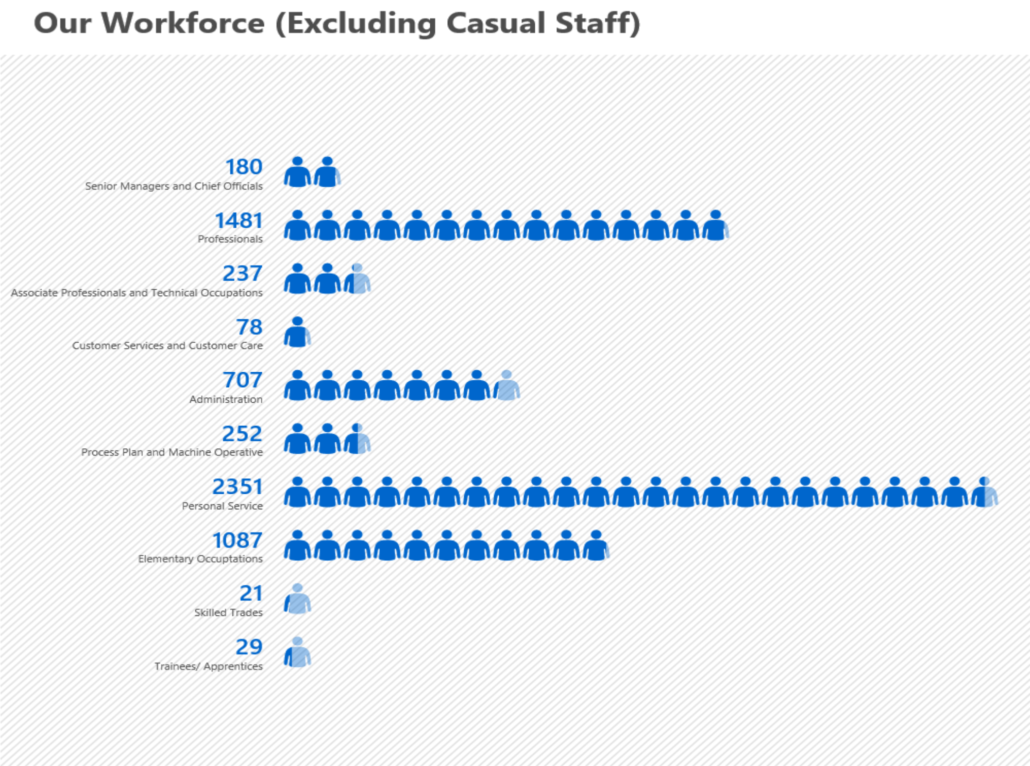
Risk based operational workforce planning conversations at team level help us to idenfity and deliver specific actions that support services ensure they have the people and structure in place to deliver on their objectives now and in the future.

This document outlines our strategic workforce planning priorities for the period to 2028. Annual budget setting creates challenges for longer term strategic workforce planning. Our strategic workforce planning priorities are based on a series of forecasting assumptions which will be reviewed and updated annually. Any specific actions arising from this review will be contained within our annual People Strategy Delivery Plan. The actions outlined in Table One, are included in the People Strategy Delivery plan.

**About Our Workforce**

Our employees work hard every day to deliver services across our substantial geography, including 14% who live and work on our 23 inhabited islands.

**Figure One: Our Workforce Profile**



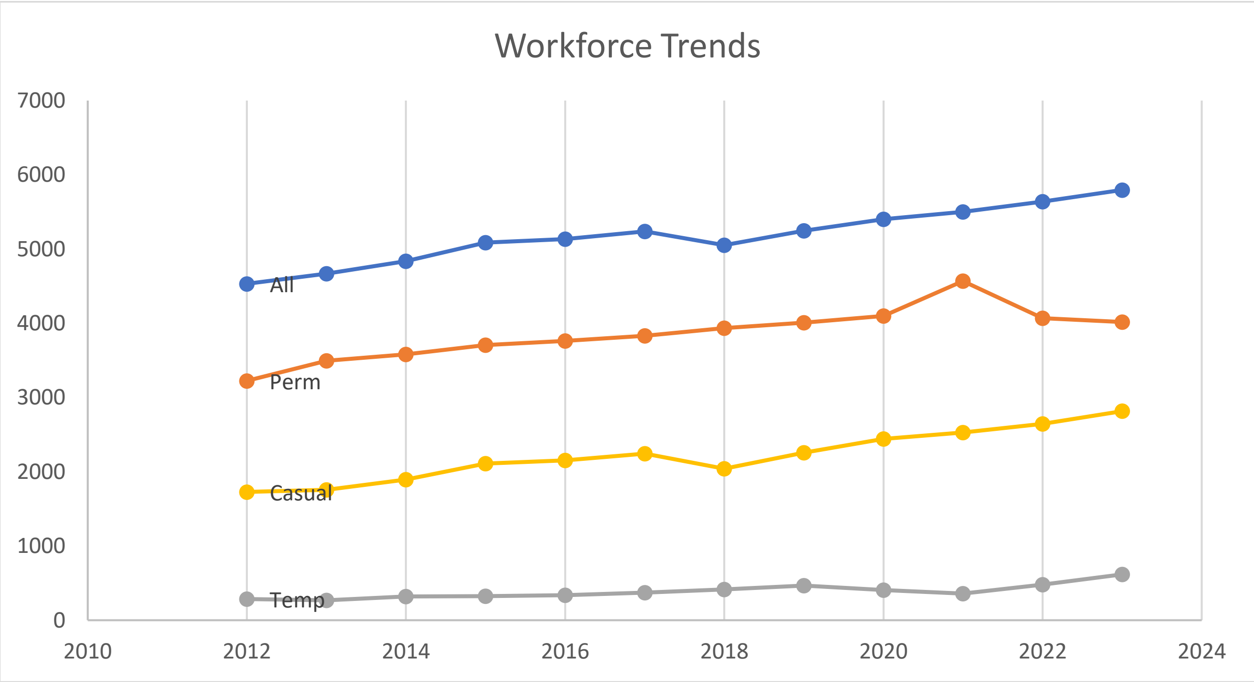
In the period since 2012 the council's overall headcount has increased by 27%. Figure two shows the annual trends since 2012 in each type of employment. Until the Covid 19 pandemic, temporary posts stayed largely consistent in terms of their proportion of the workforce with permanent and casual workers showing a steady increase.

Over the last three years, following a spike in 2021, there has been a decrease in the number of permanent staff to just below pre pandemic levels, and an increase in the number of temporary and casual staff.This can be largely attributed to temporary ringfenced funding for additional projects and specific activities associated with COVID19 recovery and council priorities such as refugee resettlement and the rural growth deal. A total of 15 Modern Apprentices across areas such as early years and digital are also incuded in the increase in the number of temporary posts since 2021.

The main reductions in permanent employees over the last three years have been in professional, personal service (includes roles such as Classroom and ASN Assistants) and elementary occupations (inlcudes roles such as catering and cleaning staff). The main increases in temporary and casual employment have also been within these areas. With roles such as ASN assistants, social workers, catering and cleaning roles examples of those who have seen reductions in permanent numbers and a corresponding increase in temporary or casual arrangements.

Temporary employment can be attractive for those seeking a portfolio career; however, it provides less certainty for employees. Our data shows that turnover in our temporary posts is higher, as those approaching the end of temporary arrangements seek another assignment. The Verity House Agreement, a new partnership between the Scottish Government and Cosla, is expected to allow more flexibility in spend for councils, with less ring-fenced or directed funding. Having more flexibility in funding could reduce the requirement to have such a high number of temporary posts.

**Figure Two: Workforce Trends**



# Workforce Forecasting

## Budget

Despite a challenging financial context the council's overall workforce numbers have not significantly reduced over the last 10 years. However, there has been a shift from permanent employment to more temporary, casual and agency arrangements in some areas of the workforce following the pandemic.

The council's financial outlook predicts the current challenging financial picture will continue, with an estimated mid-range budget gap of £24.7million over the period until 2028/29.

A significant percentage of the council's budget is allocated to staffing costs. A temporary reduction in employer pension contributions will reduce overall staffing costs for the next two years. Our strategic workforce planning priorities are based on an assumption that reducing funds in real terms, will be available for workforce expenditure over the longer term.

Our health of the organisation reporting and workforce planning conversations highlight that capacity is an issue in some areas. Our priority is therefore to manage reducing financial resources in a way that does not negatively impact on the health and wellbeing of our workforce.

To do this we will make the most of the technology available and use data and analytics to help us identify and prioritise activities that will have the biggest impact on our strategic and corporate objectives.

**Making the most of the Technology available**

Technology will play an important part in how the council operates in future. The introduction of MS365 is already transforming the way that teams work and collaborate. It is anticipated that the introduction of tools such as Artificial Intelligence and Robotic Programme Automation will help create capacity and opportunities for role redesign. This will be accompanied by a greater need for digital and programming skills within our workforce.

**Skills (Digital, Data and Quality Conversations)**

As more of our services make the most of the technology available, the requirement for our workforce to be digitally enabled will be paramount. Roles which historically didn't need digital or computer skills, will need a basic level of digital ability in future. A digital skills survey was recently conducted and plans are in development to address the gaps that have been highlighted by this survey.

With resources in short supply we want to make sure that our workforce are putting their efforts towards activities that will have the biggest impact on our corporate priorities. Our Connect for Success change programme supports the use of data and evidence to inform decision making.

With a project in place to create a data platform, it is expected there will be a requirement for increased skills in gathering, analysing and reporting data to inform decision making through tools such as power BI.

A data maturity assessment has taken place across the organisation and actions to identify our data skills needs, will be taken forward with a corresponding update to our corporate training offering. This will ensure our workforce have the skills they need to gather and interpret the data we have. Actions contained within our Data Strategy will support us in this objective.

The tools we use to communicate have increased post pandemic, but quality conversations remain at the heart of everything we do as an organisation. We want to ensure that our workforce are skilled in having quality conversations with our customers, with each other, and with partners and other key stakeholders. We see quality conversations as the basis of developing trust and psychological safety, in turn making sure Argyll and Bute Council is a great place to work, and a great organisation to work with.

## Hybrid and Remote Working

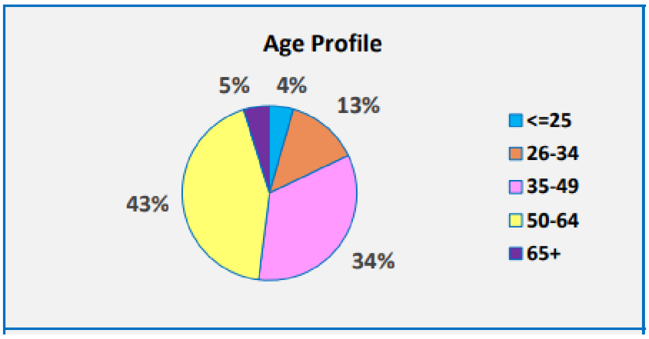
Post pandemic, many of our workforce who were previously office based, have chosen to continue working remotely some or all of the time. We appreciate the value in teams coming together to collaborate and the benefits in allowing employees to work remotely. Our new Hybrid and Flexible working policy promotes choice and flexibility to find the right balance at team level.

Our Modern Workspace project is looking to redesign the council's office spaces to support post pandemic working practices creating spaces for face to face collaboration and hybrid meetings.

Around 51% of our posts are fixed and require the post holder to be at a specific location to carry out their role. For those roles where flexibility over work location is limited, our policy supports a can do approach to finding flexible solutions around when the post holder may be at work.

## Ageing Workforce

**Figure Three: Age Profile**




The average age of a council employee is 46 years

Similar to the other Local Authorities in Scotland, we have an ageing workforce with around half our employees aged 50 or over, and only 4% aged 25 or under. In the last year that picture has remained largely static although there has been a slight increase in the number of employees aged 25 and under.

When split by post occupancy type our permanent workforce has a slightly higher average age than our casual workforce. The average age of our temporary employees is significantly lower at age 40.

Our strategic objectives in relation to our ageing workforce are:

- Managing workforce reductions
- Growing Our Own- creating a pipeline of talent in key areas of continued or increased demand
- Retaining older workers who may otherwise leave in areas of demand by increasing the flexibility available to them

## Managing Workforce Reductions

Our workforce planning assumptions are based on a reducing budget for the workforce in the longer term and an increasing utilisation of technology. In this regard, some of the turnover associated with planned retirements will provide an opportunity to reduce the workforce expenditure in a way that is planned and does not necessitate redeployment or redundancy. Our workforce planning categories allow us to identify categories of post and projected turnover against changes in requirements. This in turn, helps us identify areas of corporate risk.

Work will be done during the life of this document to improve the data and projections on corporate risk areas.

One area of identified risk is in our leadership roles. 56% of our chief officers are aged 55 and over. Therefore leadership skills within our redesigned Argyll and Bute Manager programme will be a focus for delivery over the life of the people strategy. This will ensure we have a pool of talented managers with the appropriate leadership skills to step into senior roles over the next 5 to 10 years

**Growing Our Own (GOO)**

GOO is the council's longstanding approach to developing our own talent. Providing opportunities for local school leavers and existing employees to gain qualifications and work experience related to their personal career aspirations and our workforce planning priorities. Our GOO framework includes, foundation and modern apprentices, student sponsorship, work experience and shadowing, graduate trainees and professional qualifications as well as other bespoke learning.

In recent years the council has earmarked funding to support delivery of GOO opportunities linked to our high risk workforce planning activities at service level. This is over and above the GOO funding allocated by individual teams to support their workforce planning actions.

As part of our operational workforce planning conversations we will seek to quantify the activities taking place at team level to provide an overall picture of the GOO activity taking place across the organisation.

**Retaining older workers**

We value the wealth of experience and knowledge that our older workers have, and with many people choosing to continue working after the traditional retirement age, we want to make it easy for our older workforce to continue to contribute to the Council's success. Chartered Institute of Personnel and Development (CIPD) reports show that the most important consideration for older workers when deciding on work is flexibility. We will therefore focus on understanding what type of flexibility is important, for those considering or approaching retirement.

**Recruitment**

Following the pandemic, the council's overall risk rating in terms of recruitment has been a mixed picture. Six teams within the council have seen a reduction in their risk rating citing the remote working opportunities now available widening the pool of potential candidates. Managers have also highlighted the good work being undertaken by the communications team in promoting our vacancies on social media as having a positive impact on their ability to recruit.

Around 63% of our job applicants already live in Argyll and Bute. We see this as an opportunity to attract applications from out with our area supporting our ABplace2B aspirations.

Nine teams have seen an increase in their recruitment risk rating citing national skills shortages, pay and competition in the labour market, temporary funding for posts, Argyll and Bute's housing emergency and the make-up of our job descriptions/ approach to recruitment as factors contributing to this.

Agency workers are used to fill gaps where Council teams are unable to recruit to vacancies. Our Health of the Organisation reporting shows that spend on agency workers has significantly increased when compared to pre pandemic spend. The increase in agency spend has been mainly within Adult Care, and Development and Economic Growth, both areas which are experiencing national shortages in the labour market. The HR and OD team are undertaking a number of activities, including a review of our approach to recruitment and relocation which are aimed to address or better understand these recruitment challenges.

**Succession Planning**

Our corporate plan sets out the priorities that our Elected Members aim to deliver over the coming years as well and the Chief Executive's desired operating model. This provides a clear direction on what the organisation will require in the coming years.

With leaner structures, reducing budgets and changes in technology likely to transform the types of jobs on offer, we appreciate that a job for life is probably not a realistic prospect in modern

Local Government. However, providing opportunities for employees to grow a career in the council is something we are keen to ensure remains a positive feature of the Council's employment deal.

The Verity House Agreement is expected to provide more flexibility for Local Government with less ring-fenced or directed funding. Our aim is to be an employer for life by creating permanent agile employment opportunities for our workforce to develop skills and knowledge and move around between roles within the organisation.

Our workforce planning conversations indicate that where capacity is an issue due to recruitment shortages etc., the focus on immediate short term service requirements often takes priority over longer term development of employees and trainee posts.

Finding new ways to support informal shadowing and knowledge building and on boarding in a hybrid and remote environment are important deliverables that will be considered as part of our wider review of our GOO framework.

**Wellbeing and Sickness absence**

We care about our employees and their wellbeing. We know that when our employees can bring their best selves to work, our council and our communities benefit from their contributions. High levels of sickness absence contribute to capacity issues in some teams and limit what we can achieve in terms of performance. The graphs below show the Council's work days lost to sickness absence per FTE against a comparison family group of councils and the Scottish council average for teachers and non-teaching staff.

**Figure Four: Teachers Work Days Lost**

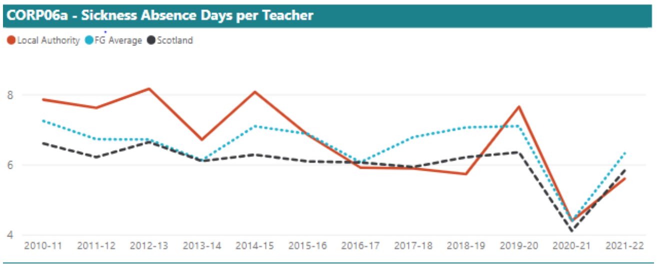
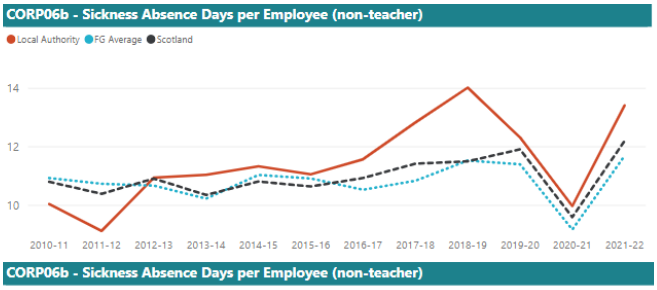



**Figure 5: Scottish Local Government Employee Work Days Lost**




As well as supporting people when they are unwell, the focus of our wellbeing strategy is on prevention. We do this by supporting our workforce to make healthy choices that improve their physical, mental and financial wellbeing.

We also set out in our people strategy our objective to provide fair work. We regularly survey our workforce on the issues that impact their wellbeing. A survey is planned for 2024 and actions arising from that will form part of our delivery plan for future years. In addition we plan to include sickness absence as a category in our workforce planning risk matrix and bring this data into our operational workforce planning conversations.

**Equalities and Equal Pay**

The Council's diversity equality and inclusion policy sets out our intention to ensure equality fairness and inclusion for all those in the Council's employment. We have a segregated workforce in some roles. For example, people working in home care are 99% female. By contrast, employees in Roads and Amenities and IT are predominantly male. The prevalence of females is particularly noticeable within our Education service.

We aim to widen opportunity for people in job roles that they may not have considered otherwise, and create opportunity for all.

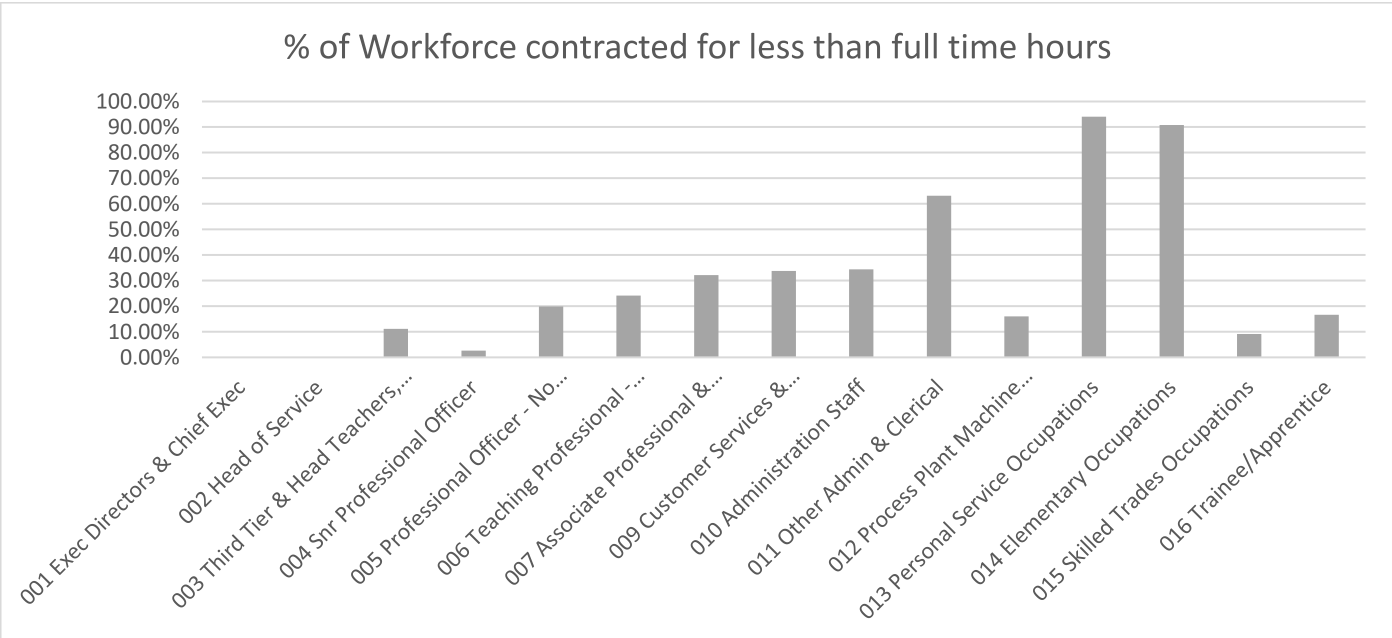
It is hard to make comparisons between 2011 Census data and our workforce data with regard to sex, disability and religion because of the high proportion of missing data and 'prefer not to says' within the workforce data. This is a position shared with other Councils in Scotland. Our aim is to increase the proportion of our workforce who share equalities data to allow of meaningful comparisons.

The council regularly conducts an equal pay audit. The audit explores gender pay gaps, where these manifest within the organisation, and why. The most recent equal pay audit findings provide assurances that our processes and practices around pay and grading are robust with pay gaps arising from structural factors within the wider labour market. Despite these assurances, the audit has made some recommendations including:

- Reviewing what actions can be taken to enable a wider range of employees to progress to roles in higher grades.
- Ensuring decision on Market Supplements are evidence based, apply to all relevant areas of the workforce, and are monitored regularly.
- Reviewing casual appointments

Despite the fact around 52% of our workforce are part time, the prevalence of part time working is not spread evenly across our grading structure as outlined in the Figure Six below.

**Figure Six: Part time workforce by category**



We will review the impact of our newly launched hybrid and flexible working policy to monitor its uptake across the workforce and will undertake work to identify what prevents greater opportunities for part time working throughout the grading structure. We will also review our approach to the identification, authorisation and monitoring of market supplements.

**Strategic Workforce Planning Actions**

The actions outlined in Table One below are specific strategic workforce planning actions identified as a result of our strategic workforce planning priorities. These will be included and monitored as part of our wider people strategy delivery plan.

**Table One: Strategic Workforce Planning Actions**

| Action | Timescale |
|---|---|
| Assess impact of technology (RPA AI etc.) on roles across the organisation by covering in January 2024 WFP forecasting conversations | January 2024 |
| Develop Digital Skills action plan | Plan approved by January 2024 |
| Collate Growing Our Own activity and spend across the organisation via WFP conversations | February 2024 |
| Engage with employees aged 55 and over to better understand the type of flexibility they would value. | Findings reported April 2024 |
| Include data on sickness absence by workforce planning category in workforce planning risk matrix | September 2024 |
| Undertake research into the barriers to part time work in some parts of our grading structure | September 2024 |
| Promote completion of equalities information by employees to ensure we have accurate reporting | May 2024 |
| Research barriers to part time work across the grading structure | September 2024 |
| Develop Council's approach to Market Plussage where labour market forces negatively impact recruitment and/or retention | October 2024 |

## Argyll and Bute Council: Equality and Socio-Economic Impact Assessment

### Section 1: About the proposal

| **Title of Proposal** |
| --- |
| People Strategy and Strategic Workforce Planning Priorities |

| **Intended outcome of proposal** |
| --- |
| Agreed set of strategic workforce planning outcomes and actions to ensure the Council has the workforce in place to deliver on the Corporate priorities. |

| **Description of proposal** |
| --- |
| Development and agreement on Strategic Workforce Planning Priorities and associated delivery plan. |

| **Business Outcome(s) / Corporate Outcome(s) to which the proposal contributes** |
| --- |
| **Connect for Success** |

| **Lead officer details:** | |
| --- | --- |
| Name of lead officer | **Carolyn Cairns** |
| Job title | **HR and OD Manager** |
| Department | **Customer Support Services** |
| **Appropriate officer details:** | |
| Name of appropriate officer | **Jane Fowler** |
| Job title | **Head of Customer Support Services** |
| Department | **Customer Support services** |
| Sign off of EqSEIA |  |
| Date of sign off | 10.01.2024 |

| **Who will deliver the proposal?** |
| --- |
| The custodians of the delivery plan will be the HR and OD team but managers and employees from across the organisation will be involved in the delivery of the plan once agreed. |

### Section 2: Evidence used in the course of carrying out EqSEIA

| **Consultation / engagement** |
| --- |

| |
|---|
| Executive Leadership Team<br>Department Management Teams |

| **Data** |
|---|
| Workforce trends and analysis (workforce planning data)<br>Health of the Organisation Reporting<br>Recruitment data<br>Absence Reporting<br>Qualitative data from workforce planning conversations with third tier managers<br>Feedback from surveys conducted relating to Our Modern Workspace |

| **Other information** |
|---|
| Equalities Mainstreaming report and Equal Pay audit |

| **Gaps in evidence** |
|---|
| Our equalities data about our workforce has a high proportion of missing data and prefer not to say which makes it difficult to compare our data to the Census information. |

## Section 3: Impact of proposal

**Impact on service users:**

| | Negative | No impact | Positive | Don't know |
|---|---|---|---|---|
| **Protected characteristics:** | | | | |
| Age | | | x | |
| Disability | | | x | |
| Ethnicity | | | x | |
| Sex | | | x | |
| Gender reassignment | | | x | |
| Marriage and Civil Partnership | | | x | |
| Pregnancy and Maternity | | | x | |
| Religion | | | x | |
| Sexual Orientation | | | x | |
| **Fairer Scotland Duty:** | | | x | |
| Mainland rural population | | | x | |
| Island populations | | | x | |
| Low income | | | x | |
| Low wealth | | | x | |
| Material deprivation | | | x | |
| Area deprivation | | | x | |
| Socio-economic background | | | x | |
| Communities of place | | | x | |
| Communities of interest | | | x | |

| **If you have identified any impacts on service users, explain what these will be.** |
|---|

| |
|---|
| The intention of strong workforce planning is to improve the quality of service to our service users by ensuring we have the workforce required to deliver on our commitments set out in the Corporate plan and other strategic documents. |

| **If any 'don't know's have been identified, at what point will impacts on these groups become identifiable?** |
|---|
| |

**Impact on service deliverers (including employees, volunteers etc):**

| | **Negative** | **No impact** | **Positive** | **Don't know** |
|---|---|---|---|---|
| **Protected characteristics:** | | | | |
| Age | | | x | |
| Disability | | | x | |
| Ethnicity | | | x | |
| Sex | | | x | |
| Gender reassignment | | | x | |
| Marriage and Civil Partnership | | | x | |
| Pregnancy and Maternity | | | x | |
| Religion | | | x | |
| Sexual Orientation | | | x | |
| **Fairer Scotland Duty:** | | | | |
| Mainland rural population | | x | | |
| Island populations | | x | | |
| Low income | | x | | |
| Low wealth | | x | | |
| Material deprivation | | x | | |
| Area deprivation | | x | | |
| Socio-economic background | | x | | |
| Communities of place | | x | | |
| Communities of interest | | x | | |

**If you have identified any impacts on service deliverers, explain what these will be.**

**Age**
We have an aging workforce and a varied picture in terms of possible reductions in requirements for skills in some areas and increase in demand for others within the context of an assumed reduction in total workforce budget in the longer term. The strategic priorities aim to improve flexibility for older workers to stay in work where they want to and continue to use Growing Our own to create opportunities for younger workforce. Older people are generally noted as those who are more commonly negatively impacted by digital exclusion. The work associated with our Digital Skills action plan aims to improve confidence in digital skills for our entire workforce and may have a positive impact on older sections of our workforce who may fall into this category.

**Other protected Characteristics**

We have noted that a lack of data means we find it challenging to identify meaningful comparisons for some protected characteristic. The proposal within the document to

| |
|---|
| encourage completion of this information with a view to improving our data is expected to allow us to identify any issues and actions that could subsequently have a positive impact where required. |

| **If any ‘don’t knows have been identified, at what point will impacts on these groups become identifiable?** |
|---|
| |

| **How has ‘due regard’ been given to any negative impacts that have been identified?** |
|---|
| No negative impacts have been identified to do date. Further review will be undertaken during the development of the detailed delivery plan. |

## Section 4: Interdependencies

| | |
|---|---|
| **Is this proposal likely to have any knock-on effects for any other activities carried out by or on behalf of the council?** | None |

| **Details of knock-on effects identified** |
|---|
| |

## Section 5: Monitoring and review

| **How will you monitor and evaluate the equality impacts of your proposal?** |
|---|
| Annual measures of the key outcomes set out in the people strategy will support monitoring and review. |

**ARGYLL AND BUTE COUNCIL** **POLICY & RESOURCES COMMITTEE**

**CLIMATE CHANGE BOARD** **15th February 2024**

**CLIMATE CHANGE BOARD UPDATE & DECARBONISATION TRACKER**

## 1.0 EXECUTIVE SUMMARY

1.1 Argyll and Bute Council continues to address climate change themes through its established Climate Change Board, and to take action informed by the Decarbonisation Plan 2022-25 which is underpinned by the Decarbonisation Tracker.

1.2 Recent severe weather events in Argyll and Bute have confirmed the need to focus upon adaptation to the unavoidable impacts of climate change. Use of Adaptation Scotland resources and toolkits, and taking up membership of the Public Sector Climate Adaptation Network, will support progress in developing climate change adaptation plans.

1.3 The annual Public Bodies Climate Change Duties Report for 2022/23 has been submitted by Argyll and Bute Council. Headline data confirms that Argyll and Bute Council's carbon emissions for the reporting period has reduced to 26,512 tonnes of carbon dioxide equivalent, continuing the downwards trend from 2015/16 baseline reporting year.

1.4 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 full Decarbonisation Tracker update attached at Appendix A.

**ARGYLL AND BUTE COUNCIL** **POLICY & RESOURCES COMMITTEE**

**CLIMATE CHANGE BOARD** **15th February 2024**

**CLIMATE CHANGE BOARD UPDATE & DECARBONISATION TRACKER**

## 3.0 INTRODUCTION

3.1 The Climate Change Board reports progress to the Policy and Resources Committee on a regular basis. This report outlines overarching activities of the Climate Change Board to the Council and is useful to provide an update of key contributors to the Council's climate actions. The Council's Decarbonisation Plan 2022-25 aligns with the Council's main emissions sources, and maps out actions required to achieve net zero by 2045.

## 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 - Climate Change Adaptation**

5.1 Severe rainfall experienced across Argyll and Bute in October 2023 has highlighted the seriousness of impacts and risks associated with climate change. The region experienced a number of landslips, and significant surface flooding impacting the road network, communities, business and access to essential services.

5.2 Adaptation to the unavoidable impacts of climate change is critical to ensuring resilience to the projected changes in our weather. Climate projections for the West of Scotland confirm that we are likely to experience:

- Warmer and drier summers
- Milder wetter winters, with less snow and frost

- More severe rainfall events
- More variable weather
- Increasing sea levels

This creates challenges in safeguarding our buildings, assets, transport infrastructure and ensuring the Council can continue to deliver essential services when and where these are needed. In recognition of this, Argyll and Bute Council identified climate change adaptation as one of the six themes within its Decarbonisation Plan 2022 - 2025.

5.3 In October 2023, Argyll and Bute Council was accepted to join the Public Sector Climate Adaptation Network, facilitated by Adaptation Scotland. Through participation with the Network, the Council will benefit from:

- Training and skills development covering topics such as risk assessment, public engagement and project planning
- Advice and support on using the Adaptation Scotland Capability Framework and Benchmarking Tool
- Opportunities to network and receive peer support
- Space to reflect on learning and share experience with others

5.4 Argyll & Bute Council's Climate Change Officer continues to progress work on the Adaptation Scotland Starter Pack and Benchmarking Tool to review and assess the Council's climate change adaptation capabilities. Participation in the Public Sector Climate Adaptation Network will support this process.

**B - Public Bodies Climate Change Duties Report**

5.5 Public sector bodies play a key role in meeting Scotland's climate change legislation that sets out a key target date for net zero emissions for all greenhouse gases by 2045. Public bodies are required to report annually on compliance with climate change duties established under the Climate Change (Scotland) Act 2009. Mandatory reporting commenced in 2015/16.

5.6 Argyll and Bute Council has completed and submitted the annual Public Bodies Climate Change Duties Report for 2022/23. This was completed with data and narrative input from cross-Council services and submitted to the Sustainable Scotland Network ahead of deadline in November 2023. Headline data confirms that the Council's total carbon emissions for the year 2022/23 is 26,512 tonnes of carbon dioxide equivalent ($tCO_2e$). This represents a reduction of 1,705 $tCO_2e$ compared to 2021/22 total emissions (28,217 $tCO_2e$). Further analysis of the Council's emissions data will be provided in a future Policy and Resource's Committee report.

5.7 Sustainable Scotland Network is currently completing a quality assurance process across all Public Bodies Climate Change Duties Reports. An Analysis Report identifying key trends and examples of good practice will be published by Sustainable Scotland Network in Spring 2024.

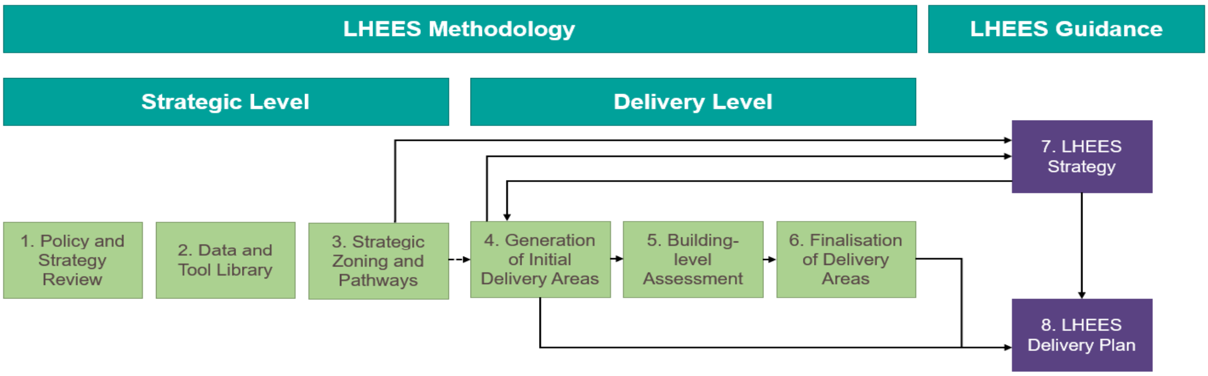
5.8 With regards to continuous improvement, the Council has shared its 2022/23 Public Bodies Climate Change Duties Report with North Ayrshire Council as continuation of a reciprocal peer review process established last year. Feedback from last year's peer review process has informed this year's submission.

**C – Local Heat and Energy Efficiency Strategy (LHEES)**

5.9 The Local Heat and Energy Efficiency Strategy (LHEES) aims to decarbonise heat in buildings and improve energy efficiency across the local authority area. The process involves local authorities identifying how each segment of the building stock needs to change to meet national objectives, including achieving zero greenhouse gas emissions in the building sector and removing poor energy efficiency as a driver of fuel poverty. In addition, strategic decarbonisation zones must be identified, and the necessary measures for reducing building emissions within each zone must be outlined. Finally, the LHEES must prioritise areas for delivery based on national and local policies. The LHEES also provides a strategic plan for directing government funding and private investment towards decarbonising heat.

5.10 The process includes several stages, starting broadly and becoming more focused and action-oriented. Please refer to Figure 1.

Figure 1: The LHEES process




Due to tight timelines for the LHEES, the Council is collaborating with northern Scottish councils through the HUB North network to attempt to reduce the time required for each stage.

5.11 The Council has completed the first three stages of the LHEES, namely the Policy and Strategy Review, the creation of a Data and Tools Library, and the identification of Strategic Zones and Pathways. Two additional stages, the

Generation of Initial Delivery Areas and the Building Level Assessment, are partially complete and the remainder is expected to be concluded by mid-January. Stage 6 is currently in the planning phase, and stakeholder workshops will take place in February, these workshops will assist us to finalise the delivery areas. The final two stages are anticipated to be completed late /spring early summer.

## D - Scottish Government Energy Efficient Scotland: Area Based Scheme

5.12 To date, since 1st July 2023, Argyll and Bute Council has spent £870,000 of a £1,979,827 budget awarded by the Scottish Government Energy Efficient Scotland – Area Based Scheme (ABS), insulating privately owned and privately rented properties in mainland and island addresses.

5.13 Non-means tested grants of between £9,000 and £21,000 are available to all eligible households for the application of insulation, significantly reducing household consumption of energy on a “Fabric First” basis and contributing towards the Scottish Government carbon reduction targets. Additionally, a joint project in conjunction with Argyll Community Housing Association in Bute and Tarbert was awarded a grant of £633,600.

## E - Carbon Neutral Islands Programme

5.14 The Scottish Government Carbon Neutral Islands project aims to support six islands to become carbon neutral by 2040. The six islands participating in the programme are Islay, Barra, Great Cumbrae, Hoy, Raasay and Yell. Each island has completed carbon audits, developed community climate change action plans and climate change investment strategies which will identify learning and good practice that can be shared with other Scottish islands.

5.15 Argyll and Bute Council will sit on the newly formed Local Authority Advisory Group with the aim of supporting implementation of the Carbon Neutral Island’s project, ensuring alignment and co-ordination with wider Local Authority activity, and reciprocal sharing of information.

## F - 20 Minute Neighbourhoods

5.16 The Scottish Government defines the concept of 20 Minute Neighbourhoods as: ‘where people can meet their needs within a 20 minute walk from their house – enabling people to live better, healthier lives and supporting our net zero ambitions.’

5.17 In support of both local businesses and the 20 Minute Neighbourhood concept, the Council has continued to support the Argyll and Bute Gift Card. In the pre-Christmas period, the Council ran a competition to design the next batch of cards and promoted the Argyll & Bute Gift Card online.

**G – Argyll and the Isles Coast and Countryside Trust (ACT) Climate Change Projects Update**

5.18 Argyll and the Isles Coast and Countryside Trust (ACT) has established two new projects complementing ongoing work on climate change:

- Argyll and Bute Climate Action – Community Planning Partnership Climate Change Strategy
- ABCAN (Argyll & Bute Climate Action Network) Hub, funded by the Scottish Government

5.19 The purpose of the Argyll and Bute Climate Action – Community Planning Partnership Climate Change Strategy project is to undertake a climate risk assessment for Argyll & Bute as a region and to develop a Climate Change Strategy and Action Plan comprising an integrated set of adaptation, mitigation and engagement actions. Argyll & Bute Council with other Community Planning Partnership partners have provided funding for a Project Manager for two years, with a Steering Group drawn from the Climate Change Working Group of the Community Planning Partnership. The Project Manager is employed by Argyll and the Isles Coast and Countryside Trust (ACT), and started in post on 30 October 2023.

5.20 The emphasis of early phase activity has been to learn from existing initiatives to inform development of a methodology appropriate to the specific needs of Argyll and Bute and the timescale for the exercise. This will build upon and add value to existing climate-related work and duties across the region rather than replicate or replace activity. Next steps include an engagement programme, continuation of audit and gap analysis, mitigation and adaptation risk and opportunity methodology development. This project will continue to report in detail to the Argyll and Bute Community Planning Partnership.

5.21 The new ABCAN Hub project will give a voice to community-led climate action, help to co-ordinate activities and support communities in progressing towards a net zero Argyll and Bute. Additionally, it will raise awareness of carbon impacts, and mitigate key climate themes. With Scottish Government funding, the ABCAN Hub project will establish a network of hubs based in each locality, providing staff resource to co-ordinate and build on current climate activities, deliver carbon literacy training, facilitate climate conversations, provide seed funding for climate mitigation, engage with hard-to-reach groups and identify opportunities for partnership working. The project is overseen by a collaboration between ACT, Argyll & Bute Third Sector Interface and Time for Change Argyll & Bute, and is part of ACT's ongoing ACT Now project. The ABCAN Hub project will ensure that Argyll & Bute has a cohesive approach to tackling climate change in its communities.

5.22 The ABCAN Hub project is ideally placed to support the Argyll and Bute Community Planning Partnership Climate Action project with grassroots engagement, alongside other Climate Action Hubs in Scotland.

## 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:

7.5.1 Equalities - protected characteristics – None.

7.5.2 Socio-economic Duty – None.

7.5.3 Islands – None.

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

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

7.8 Customer Service – None.

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

**Policy Lead Climate Change & Environment, Councillor Ross Moreland**

15 January 2024

**For Further Information:-**

Ross McLaughlin, Head of Commercial Services
Helensburgh and Lomond Civic Centre
ross.mclaughlin@argyll-bute.gov.uk

**APPENDICES**

Appendix A – Climate Change Decarbonisation Tracker – February 2024

**Appendix A – Climate Change Tracker**

| ACTION | LEAD (L) AND PARTNERS | TARGET or MILESTONE | FUNDING | COMMENTS |
|---|---|---|---|---|
| **W1 –Develop and Implement Waste Strategy** | (L) Roads and Amenity Services, Community, commercial customers | Implementation of the Waste Strategy transitioning to Landfill ban compliant Residual Waste Recovery solutions by 2025. | External funding and support being sought from the Scottish Government | Please see Environment, Development & Infrastructure Reports – links below: WASTE PPP UPDATE.pdf (argyll-bute.gov.uk) Waste Update – EDI committee 1/6/2023 WASTE PPP UPDATE.pdf (argyll-bute.gov.uk) Waste Update – EDI committee 31/8/2023 WASTE UPDATE - EDI Nov 2023.pdf (argyll-bute.gov.uk) Waste Update – EDI committee 30/11/2023 |
| **W2 – Promote the Waste Hierarchy through community Education** | (L) Roads and Amenity Services | Evidence of community Education | Not secured | 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. Advised that this action has paused/stopped. |
| **W3 – Reduce Council use of disposable and single use plastics across all departments and settings** | (L) Procurement and Commercial Services, all Council Services | Adoption of new working practices and procurement | No specific funding in place, research required to impact on operation costs | A report on Single Use Plastic went to the Policy and Resources Committee on 9 December 2021, and the following recommendations were approved:<br>• Note and consider that the various Services that currently purchase SUP products consider whether these products are essential |

| ACTION | LEAD (L) AND PARTNERS | TARGET or MILESTONE | FUNDING | COMMENTS |
|---|---|---|---|---|
| | | | | 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.<br>• 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."<br>• Note and consider that the Commodity Sourcing Strategy templates used for Regulated Procurements have been updated to include a question regarding SUP. |

| ACTION | LEAD (L) AND PARTNERS | TARGET or MILESTONE | FUNDING | COMMENTS |
|---|---|---|---|---|
| | | | | 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. |
| 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 | Full implementation of Cashless Catering and Pre-ordering system is completed. |
| 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 early 2024. |
| 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).<br>Funding for project implementation will come from Council approved capital allocations:<br>• Climate Change 20/21 - £500K | 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 Progress update.pdf (argyll-bute.gov.uk), four final mini projects, |

| ACTION | LEAD (L) AND PARTNERS | TARGET or MILESTONE | FUNDING | COMMENTS |
|---|---|---|---|---|
| | | | • Climate Change 21/22 - £600K<br>• Asset Sustainability – £175K | 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 was installed 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: Scotland's Public Sector Heat Decarbonisation Fund \| Salix Finance. A bid was submitted by the 5/12/23 fund deadline (value £460K with the Council needing to contribute 20% of that). Bid outcomes will be communicated February 2024.<br><br>In addition to the above, the procurement sourcing strategy for the next batch of sites, using designation NDEEF2, is under way. A spend to save investment of £2Million is being targeted. |
| 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. | 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. |

| ACTION | LEAD (L) AND PARTNERS | TARGET or MILESTONE | FUNDING | COMMENTS |
|---|---|---|---|---|
| | | | | The potential for a large solar pv ground array at the Kilmory Estate is currently being limited due to electric grid constraints – engagement with SSEN is ongoing to try to identify solutions.<br>The Council now has 27no solar pv installations in operation amounting to over 1.3MW capacity. |
| **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.<br>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 date since 1st July 2023 Argyll and Bute Council has spent £870,000 of a £1,979,827 budget awarded by the Scottish Governments Energy Efficient Scotland – Area Based Scheme (ABS), insulating privately owned and privately rented properties in mainland and island addresses. Non-means tested grants |

| ACTION | LEAD (L) AND PARTNERS | TARGET or MILESTONE | FUNDING | COMMENTS |
|---|---|---|---|---|
| | | | | of between £9,000 and £21,000 are available to all eligible households for the application of insulation, significantly reducing household consumption of energy on a "Fabric First" basis contributing towards both the Councils and Scottish Governments carbon reduction targets. Additionally, a joint project in conjunction with Argyll Community Housing Association in Bute and Tarbert was awarded a grant of £633,600. |
| **E6 – Complete LED streetlight replacement programme** | (L) Roads and Infrastructure Services | Evidence of delivery of projects | Fully funded through prudential borrowing | Contractors have now commenced works in the Lorn Area to progress the last installation phase of the project. Works have gone well though there is still approx.230 Luminaires to be upgraded to LED in the Lorn Area – The Luminaires are on order – Works should be completed early 2024. The Council has 14442 streetlights in total so carbon emissions have already been greatly reduced by the LED Upgrade Project.<br>2022/23 figures were $CO_2$ totals 673 tonnes, this has been reducing year on year, back in 2015/16 figures were $CO_2$ Totals 3140 tonnes.<br>2023/24emissions are forecast to be reduced again. YTD (End Of October – Carbon Totals 334) |

| ACTION | LEAD (L) AND PARTNERS | TARGET or MILESTONE | FUNDING | COMMENTS |
|---|---|---|---|---|
| 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, the next meeting is planned for March 2024. Current ongoing project by SSE Networks for renewal of powerlines between Inveraray and Crossaig, further works to follow to increase capacity to 275kv. The outline business case for Islay Energy System work through the Rural Growth Deal has been submitted to Government. The Islay Carbon Neutral Islands project has produced an action plan and we are awaiting further information from the Scottish Government to understand how this is expected to be taken forward. |
| 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 mid 2020s. 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. |
| 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 | There is a further report on this going to EDI in March. The project has slipped against the original project timeline due to the project manager being away on a short-term |

| ACTION | LEAD (L) AND PARTNERS | TARGET or MILESTONE | FUNDING | COMMENTS |
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| | | | | secondment and staff time having been taken up with the October weather event and the RIS service review. The project manager is now back in post and looking to restart progress meetings etc and revise the project plan. The data gathering around our routes and the cleansing and verification of the data is proving more onerous than originally thought but this is a key step to provide the system with the correct foundations. The work to cleanse the data with the support of the contracted supplier is ongoing, and the second workstream to bring in the hardware for RCVs is about to begin. |
| T3 – Develop an electric vehicle infrastructure strategy | (L) Roads and Infrastructure Services | Evidence of delivery of projects | Part for current financial year<br><br>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<br>Ultimately the cost recovery model | The strategy and expansion plan is in place – we cannot move forward with a delivery programme until such time as our funding from SG is confirmed. The national EVIF programme is seeing some delays and changes in guidance and application process. All Councils are in the same position and we are in discussions with TS/SG on how the programme will operate going forward and when we are likely to see a funding award.<br><br>We have, through a separate fund accessed via HiTRANS, progressed the installation of 8 new rapid |

| ACTION | LEAD (L) AND PARTNERS | TARGET or MILESTONE | FUNDING | COMMENTS |
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| | | | | chargers across the area in the last quarter of 2023 and these are coming on stream which brings our network up to 37 chargers.<br><br>We are also continuing to progress installs at Council hub offices with the next sites being {Union St Rothesay and Kintyre House Campbeltown |
| T4 – Support Digital by Default theme Service Review & Recovery Plan to reduce need to travel | All Council Departments | Evidence of delivery of projects | Part for current financial year | Council is adopting 'Our Modern Workspace' programme and Digital First approach as services change and evolve post pandemic. |
| T5 – Develop new active travel plans for Council buildings and our towns | (L) Economic Development | Evidence of delivery of projects | No active travel funding is provided by Council.<br><br>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.<br><br>2022/23 Progress<br><br>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, | 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 private cars, particularly multiple car households.<br>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 |

| ACTION | LEAD (L) AND PARTNERS | TARGET or MILESTONE | FUNDING | COMMENTS |
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| | | | requiring 22 separate competitive challenge funding applications to 8 separate funds.<br><br>Projects funded via the active travel team within Strategic Transportation in 2022/23 included:<br>• First two sections of high-quality segregated cycleway in Argyll and Bute constructed at Helensburgh Waterfront and Ralston Road, Campbeltown in 2022/23.<br>• Significant upgrade to path network in Castle Gardens, Dunoon.<br>• New cycle and scooter storage and access at Castlehill School, Campbeltown.<br>• New cycle parking at the community owned Port Ellen Playing Fields Community Development, Islay.<br>• Funded Cycling UK to run the Dunoon Cycle Bothy<br>• Funded ACT to upcycle 65 bikes to return to the local Mid-Argyll Community and to assist children of refugees in Oban to have opportunity to cycle.<br>• Funded ACT to deliver Carbon Literacy training to over 30 people.<br>• Creation of new Smartphone Apps for Tobermory and Bowmore (adding to the existing popular | 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.<br><br>**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.<br><br>**Active Travel Delivery Plan:**<br>Following approval of Active Travel Strategy, an Active Travel Delivery Plan will be developed to create a prioritised list of active travel projects for the whole of Argyll and Bute.<br><br>**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 |

| ACTION | LEAD (L) AND PARTNERS | TARGET or MILESTONE | FUNDING | COMMENTS |
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| | | | apps for Campbeltown, Dunoon, Helensburgh, Oban and Rothesay)<br>• Printed Active Travel Map Helensburgh<br>• Design work progressed for ambitious walking and cycling projects including:<br>- Dunoon, Town Centre to Hunters Quay Active Travel route.<br>- Helensburgh: Helensburgh – Cardross – Dumbarton Cyclepath and Helensburgh – Garelochhead Cycleway.<br>- Islay, Bowmore to Bridgend Path (with Islay Community Access Group).<br>- Jura, Craighouse to Corran Sands Active Travel Improvements.<br>- Lochgilphead: Front Green to Crinan Canal and Town Centre to Joint Campus Active Travel Routes.<br>- Rothesay, Town Centre to Joint Campus Active Travel Improvements.<br>- Oban, Oban to Ganavan Sands Active Travel Improvements and Community engagement to identify desire for future active travel improvements in Oban. | 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.<br><br>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 secured to enable the Active Travel Plans for towns to be updated.<br><br>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 |

| ACTION | LEAD (L) AND PARTNERS | TARGET or MILESTONE | FUNDING | COMMENTS |
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| | | | | 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 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. |

| ACTION | LEAD (L) AND PARTNERS | TARGET or MILESTONE | FUNDING | COMMENTS |
|---|---|---|---|---|
| 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 environmental sustainability projects with ACT and partners | (L) Climate Change Board, ACT and partners | Delivery of projects | Limited funding via ACT for existing projects | SSEN compensatory planting – Phase 1 and 2 complete at Kilmory.<br><br>ACT has completed 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 and form part of the landscape scale rainforest restoration project in West Cowal. The other Argyll landscape scale project ACT is involved with is Knapdale. These are 2 of the 7 focus rainforest projects in Scotland supported by the Alliance for Scotland's Rainforest. https://savingscotlandsrainforest.org.uk/projects<br><br>ACT has entered agreement with Mastercard's Priceless Planet Coalition to plant 100,000 native trees in West Cowal over the coming 5 years. Sites are confirmed and legal agreements being finalised. This planting will offer opportunities for carbon credits for landowners. |

| ACTION | LEAD (L) AND PARTNERS | TARGET or MILESTONE | FUNDING | COMMENTS |
|---|---|---|---|---|
| | | | | ACT is hosting the Community Planning Partnership's Climate Action Manager who will be developing a Climate Action Strategy and Action Plan over the next 2 years. In addition, ACT has partnered with the Third Sector Interface and Time for Change to become the ABCAN (Argyll and Bute Climate Action Network) Hub. The Hub team will engage with communities and organisations to encourage and support activity and engage with the strategic work of CPP supported post.<br><br>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.<br><br>Carbon Literacy Training – Cooler Futures schools programme and ACT Outdoors STEM subject delivery offered with the ACTNow project. ACT keen to support Argyll and Bute Council in achieving Carbon Literate Organisation silver accreditation. |

| ACTION | LEAD (L) AND PARTNERS | TARGET or MILESTONE | FUNDING | COMMENTS |
|---|---|---|---|---|
| | | | | ACT delivering Bikes Back to the Community with the support of Smarter Choices, Smarter Places funding.<br>ACT has two electric bikes available for groups and businesses and Councillors/Council officers to trial.<br><br>ACT is the lead partner in a successful Alliance for Scotland's Rainforest bid to the Facility for Investment Ready Nature in Scotland fund– to facilitate private finance investment into habitat restoration. Contracts to research Project Standards and Integrity Charter, an Enterprise Model and apply to a pilot area within Argyll are underway. Concludes March 2025.<br><br>ACT is preparing a proposal to Argyll and Bute Council to establish a Woodland Enterprise Hub at Kilmory (adjacent to MAKI Pups site) which will be the base and training site for ACT Rainforest Squad who can offer woodland management services. This project has been supported by an award from the National Heritage Lottery Fund, and DRAX who has supported ACT to establish a Tree Nursery as part of the proposal. |

| ACTION | LEAD (L) AND PARTNERS | TARGET or MILESTONE | FUNDING | COMMENTS |
|---|---|---|---|---|
| COMM1- **Develop and deliver Communications Plan to support Decarbonisation Plan** | (L) Climate Change Board and Communications Team | Delivery of Communications Plan | Part of Communications Support | **External communications**<br>We continue to promote actions the council is taking, and actions that others can take, to develop climate-friendly Argyll and Bute. For example:<br>• Promoting easier recycling on Coll and Tiree<br>• HMPA SG consultation response<br>• Council calls for ban on single use disposable vapes<br>• Council and ATC nomination for Planning Awards for Argyll rainforest project<br>• Council achieves bronze carbon literate award<br>• Council calls for clarity on deposit return scheme<br>• Promotion of home efficiency projects – insulated over 160 households to date<br>• Landfill ban – request meeting with SG Minister<br>• Food waste service campaign to encourage more Helensburgh and Lomond residents to use their caddies – 'Bucket Load of Good'<br>• Promotion of ongoing Campbeltown Flood Prevention Scheme<br>• Free active travel apps |

| ACTION | LEAD (L) AND PARTNERS | TARGET or MILESTONE | FUNDING | COMMENTS |
| --- | --- | --- | --- | --- |
| | | | | • Hermitage Park green flag status<br>• Funding for additional EV charging points<br>• Increased funding announcement for Energy Efficiency Scheme<br>• Green Summer campaign – series of posts encouraging people to adopt small changes<br>- School uniform recycling scheme<br>- Plastic free picnics<br>- International plastic free bag day<br>- Shop Local<br>- Reduce fast fashion<br>- Active travel maps<br>- National Marine Week<br>- World Conservation Day<br>• New Campbeltown cycle path<br>• Dunoon active travel route consultation<br>• Helensburgh active travel route consultation<br>• Supporting Communities Fund.<br>• Highlighted Corporate Plan including climate action<br>• Built environment Planning Awards |

| ACTION | LEAD (L) AND PARTNERS | TARGET or MILESTONE | FUNDING | COMMENTS |
|---|---|---|---|---|
| | | | | • Transport Scotland funding for cleaner, greener council fleet<br>• Lochgilphead Active Travel consultation and reminders<br>• Installation of solar panels at council offices<br>• Net zero target commitments<br>• Improvements at household waste recycling centres<br>• Council agrees projects to address biodiversity loss<br>• Better journeys campaign – to encourage more people to mix and match journeys - teasers before official launch in January 2024<br>• Christmas recycling tips<br>• Cascade – have a greener Christmas<br>• Cascade – tips for leftovers |
| 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 | 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.<br>The dedicated Climate Change funding opportunities search, available through the signposting |

| ACTION | LEAD (L) AND PARTNERS | TARGET or MILESTONE | FUNDING | COMMENTS |
|---|---|---|---|---|
| | | | | page, is conducted and an updated document produced on a regular basis.<br><br>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) |
| **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.<br>Completed – next review Dec 2024 |

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**ARGYLL & BUTE COUNCIL** **POLICY AND RESOURCES COMMITTEE**

**LEGAL AND REGULATORY SUPPORT** **15 FEBRUARY 2024**

**EXTRACT OF MINUTE OF ENVIRONMENT, DEVELOPMENT AND INFRASTRUCTURE COMMITTEE HELD ON 30 NOVEMBER 2023**

## 5. ARGYLL AND BUTE HOUSING EMERGENCY

(b) **Project Officer Resource**

The Committee gave consideration to a report proposing the allocation of a Project Officer to accelerate the progress of the interventions agreed by the Committee in June 2023 to address the Housing Emergency in Argyll and Bute.

**Decision**

The Environment, Development and Infrastructure Committee agreed to recommend to the Policy and Resources Committee that the Council recruit a Project Officer to assist in accelerating the work to address the Housing Emergency, with funding for the post being drawn from the Council's Priorities Investment Fund.

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

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**ARGYLL AND BUTE COUNCIL** | **ENVIRONMENT, DEVELOPMENT AND INFRASTUCTURE COMMITTEE**

**DEVELOPMENT AND ECONOMIC GROWTH** | **30 NOVEMBER 2023**

## HOUSING EMERGENCY – PROJECT OFFICER RESOURCE

## 1.0 INTRODUCTION

1.1 Following the declaration of the Housing Emergency, the Housing Group has met, and officers continue to work at speed to explore and develop the potential interventions that have been requested. There is an emerging need for the Council to be more consistently proactive in its approach to facilitating housing sites both affordable and private and to develop innovative proposals in sufficient detail to enable their robust justification. The existing resources of the Services involved are not able to move these forward at the speed required by the Housing Emergency. It is suggested that the allocation of a Project Officer will assist in accelerating progress.

## 2.0 RECOMMENDATION

Members of the Environment, Development and Infrastructure Committee are asked to:-

i. agree and recommend to the Policy and Resources Committee that the Council recruit a Project Officer to assist in accelerating the work of the Housing Emergency with funding for this post to be drawn down from the Council's Priorities Investment Fund.

## 3.0 DETAIL

3.1 Following the declaration of a Housing Emergency, the Housing Group has met and officers continue to progress the work proposed in the Environment, Development and Infrastructure (EDI) Committee.

3.2 As a result of the Housing Emergency an increased focus is being applied to all matters which will assist accelerated delivery of improved housing options within Argyll and Bute, and this work is very broad ranging in scope. In addition, given the known difficulties in delivering the current housing land supply within the two main settlements of Oban and Helensburgh, it is likely to get more challenging.

3.3 There is a need for the Council to be more consistently proactive in its approach to facilitating housing sites, both affordable and private. The Council has previously only undertaken such action sporadically, Dunbeg Kirk Road Improvement being an example. This proactive approach is necessary both because of the increasing costs and complexities of development, and the pressures the housing system is under. To do so consistently, at scale and at speed is beyond the existing staff resources of the services likely to be involved (Planning, Roads, Estates, Legal Services).

3.4 Immediate interventions are the proactive facilitation of existing potential housing sites through acquisition of land and provision of road improvements via potential Compulsory Purchase Order (CPO). Some housing sites exist which have already been extensively considered and explored and it is likely that the only feasible solution for each is through the CPO route.

3.5 The sites have planning support in principle for the delivery of housing and have been identified in various ways within our LDP and SHIP. The two sites in Oban also have notional allocations of HIF funding from Scottish Government to pay for the infrastructure improvements. Given the housing emergency, there is a fairly solid policy argument to justify pursuing a CPO route, albeit it will need to be twin tracked with ongoing discussion with the developers and landowners. However in order to pursue this it is first necessary to establish with more detailed design work that the proposed outline solutions are physically deliverable before the Council can be requested to make a firm decision to pursue a Compulsory Purchase Order (CPO) route, and to consider the legal process in order to establish that we have laid the necessary justification. This work can reasonably be initiated now but will require resources to pursue it.

3.6 It is requested that a Project Officer be appointed to concentrate on developing these matters in the first instance. The Project Officer would likely be, though not necessarily, a property professional (Surveyor / Planner / Engineer), preferable with experience of bringing forward development sites and or delivering CPOs or other land assembly exercise. If this is a temporary post it is suggested 3 years as a minimum will allow progress on some of the substantive issues. An LGE11/12 grade is considered appropriate, along with supporting budget for laptop/phone/travel, a budget of £200,000 would be required. In addition it is anticipated that there may be subsequent requests for research & capital costs as the various projects are developed, but at present there is insufficient detail to estimate these. This could be substantial depending on what works are prioritised and funding cannot be sourced elsewhere i.e. spend to save; RGD; Scottish Government and Strategic Housing Fund.

3.7 The continuing work of the Housing group will additionally generate numerous other work streams to support potential radical interventions in the short to medium term and the proposed Project Officer can be utilised to contribute to / lead some or all of these. Some options include:

- Exploring a Council buy back and resale scheme of second homes or holiday lets which come to the market, adding a primary occupancy burden before re-sale, thus directly bringing properties back in to residential use. This could capitalize on the potential effect of short term licensing, the introduction of planning control areas, and potential changes to the Council tax and NDR regimes.

- Facilitating private new build sites through purchase (and re-sale) or underwriting private units for sale, or delivering infrastructure: Craignure; Port Ellen, Bowmore Masterplan, and Dunbeg.
- Developing a Council civils contracting arm available to plug the gap in the local contractor market.
- Supporting specific research for Strategic Land Identification at scale near Oban & Helensburgh. PLDP2 commits us to deliver the OSDF and HSDF to identify land for growth for the next 20-40 years. Work has started in the planning policy team but will require support and funding to carry out specialist research (transport assessments, infrastructure and junction feasibilities, Flood Studies etc…). Collectively these studies will be looking to identify land for as much as 4000 units which would create the scale to justify strategic infrastructure investment (subject to separate project mandate submission).

## 4.0 CONCLUSION

4.1 Work is underway at pace by the Housing Group, as required by ELT and the declaration of a Housing Emergency. There is a need for a more consistent proactive approach to facilitating both private and affordable housing development and to continue to investigate and develop the innovative interventions that are expected, in adequate detail to robustly justify their recommendation. The existing resources of the Services involved are not able to move these forward at the speed required by the Housing Emergency, and it is suggested the allocation of a Project Officer will assist in accelerating progress funded from the Council's Priorities Investment Fund.

## 5.0 IMPLICATIONS

5.1 Policy – The ongoing activity is consistent with current Council priorities and the Local Housing Strategy vision and outcomes which are directly aligned with the overarching objectives of the Outcome Improvement Plan, in particular Outcome 2 – we have infrastructure that supports sustainable growth.

5.2 Financial – The post and supporting budget will cost £200,000 over a 3 year period with a recommendation that this is funded from the Council's Priorities Investment Fund.

5.3 Legal – None.

5.4 HR – Creation of a temporary post for a period of 3 years.

5.5 Equalities (Fairer Duty Scotland) – The activity outlined in the report is consistent with aims and objectives set out in the local housing strategy, which is subject to an EQIA.

5.5.1 Equalities – Protected Characteristics – There are targets set within the SHIP to deliver housing which meet the needs of specialist groups.

5.5.2 Social-Economic Characteristics – The delivery of affordable housing across Argyll and Bute facilitates socio-economic opportunities for all. The SHIP links with the Child Poverty Strategy.

5.5.3 Islands – The delivery of affordable housing across Argyll and Bute facilitates socio-economic opportunities for all. The SHIP links with the Child Poverty Strategy.

5.6 Risk – Takes longer to progress with interventions to deal with the Housing Emergency.

5.7 Climate Change – The Council is committed to working towards net zero.

5.8 Customer Service – None.

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

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

October 2023

For further information contact:

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# Policy and Resources Committee Work Plan 2024-2025

| **This is an outline plan to facilitate forward planning of reports to the Policy and Resources Committee.** | | | | | |
|---|---|---|---|---|---|
| **Date** | **Report Title** | **Dept/Section** | **How Often?** | **Date Due** | **Comments** |
| 15 February 2024 | Financial Report Monitoring Pack | Financial Services | Every meeting except May | 16 January 2024 | |
| | Budget 2024-2025 | Financial Services | | | |
| | Treasury Management Strategy and Investment Strategy | Financial Services | | | |
| | Scottish Welfare Fund – Financial Position | Financial Services | | | |
| | Strategic Events and Festivals Fund – Round 6 2024/25 | Development and Economic Growth | | | |
| | Crown Estate Allocation Update | Development and Economic Growth | | | |
| | Argyll and Bute Mobile Coverage Mapping | Development and Economic Growth | | | |
| | Oban and Helensburgh Strategic Development Framework | Development and Economic Growth / Roads and Infrastructure | | | |
| | People Strategy and Strategic Workforce Planning Priorities 2024-28 | Customer Support Services | | | |
| | Climate Change Board Update and Decarbonisation Tracker | Commercial Services | | | |
| | Housing Emergency – Project Officer Resource | Recommendation from EDI 30/11/23 | | | |

# Policy and Resources Committee Work Plan 2024-2025

| **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** |
| 9 May 2024 | Budget Outlook | Financial Services | | 9 April 2024 | |
| | Budget Approach for future years | Financial Services | | | |
| **Date** | **Report Title** | **Dept/Section** | **How Often?** | **Date Due** | **Comments** |
| 15 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 | | | |
| **Date** | **Report Title** | **Dept/Section** | **How Often?** | **Date Due** | **Comments** |
| 10 October 2024 | Financial Report Monitoring Pack | Financial Services | | 10 September 2024 | |
| | Budget Outlook | Financial Services | | | |
| **Date** | **Report Title** | **Dept/Section** | **How Often?** | **Date Due** | **Comments** |

# Policy and Resources Committee Work Plan 2024-2025

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|---|---|---|---|---|---|
| **This is an outline plan to facilitate forward planning of reports to the Policy and Resources Committee.** | | | | | |
| 5 December 2024 | Financial Report Monitoring Pack | Financial Services | | 5 November 2024 | |
| | Budget Outlook | Financial Services | | | |
| | Budget Update 2025/26 | Financial Services | | | |
| | Annual Review of Procurement Strategy and Sustainable Procurement Policy | Legal and Regulatory Support | | | |
| **Future Items – Date to be determined.** | | | | | |
| | Key Performance Indicators FQ2 – 2022/2023 – changing to Corporate Outcome Indicators | Customer Support Services | Annual | | |
| | Historic Environment Scotland Heritage and Place Programme – Opportunity for Place Based Heritage Funding | Development and Economic Growth | | | |
| | UK Shared Prosperity Fund – Argyll and Bute Investment Plan | Development and Economic Growth | | | Regular updates to be provided. Agreed 11.08.2022 |
| | Rothesay 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. |
| | Single Authority Model Update | | | | 07.12.23 Agreed further report to be provided following the completion of work to articulate the benefits and key objectives associated with each option. |

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