

FINANCIAL REPORTS MONITORING PACK – 31 DECEMBER 2020

1. INTRODUCTION

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

- Revenue Budget Monitoring Report as at 31 December 2020
- Monitoring of Policy Savings Options as at 31 December 2020
- Monitoring of Financial Risks as at 31 December 2020
- Capital Plan Monitoring Report as at 31 December 2020
- Treasury Monitoring Report as at 31 December 2020
- Reserves and Balances as at 31 December 2020

2. DETAIL**2.1 Revenue Budget Monitoring Report**

2.1.1 This report provides a summary of the current revenue budget monitoring position to ensure net expenditure is contained within budget. It provides corporate and departmental information with comparisons on a forecast outturn and a year to date basis.

2.1.2 There is a forecast overspend of £5.124m as at the end of December 2020. There are two main factors contributing to this forecast:

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

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

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

- 2.1.4 There is a year to date overspend of £0.397m. More focus is on the forecast outturn position, hence why sometimes the year to date position is not updated. The year to date variances mainly relate to the timing of income and expenditure, recharging of costs to capital and the impact of COVID-19.

Health and Social Care Partnership (HSCP) – Financial Update

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

2.2 Monitoring of Policy Savings Options

- 2.2.1 The purpose of this report is to provide Members with an update on the implementation and delivery of the Service Package Policy Options:
- agreed by Council in February 2020
 - agreed in February 2019 that were either not delivered in 2019-20 or have further increases in value in 2020-21 onwards
 - agreed in February 2018 with further increases in value in 2020-21 onwards.
- 2.2.2 The savings options will be reported as being delivered, on track to be delivered, still to be implemented, being developed, potential shortfall or delayed.
- 2.2.3 Of the 66 savings options, 55 have already been delivered, 1 is on track to be delivered as per their timescale, 4 have a potential shortfall and 6 are delayed.
- 2.2.4 The table below outlines the progress as at 31 December 2020 for the new policy savings options agreed in February 2020.

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

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

2.2.5 For savings options agreed in February 2018 and February 2019, we are reporting on an exception basis. Those that are already delivered or on track to be delivered are not included in the analysis below.

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

2.2.6 In total, there are four savings categorised as having a potential shortfall and six currently delayed. These are summarised in Section 3.8 of the Service Package Policy Options Report and further information is contained within Appendices 4a to 4i of that report.

2.3 Monitoring of Financial Risks

2.3.1 This report outlines the process and approach developed in carrying out a financial risks analysis and provides an update on the current assessment of financial risks.

2.3.2 There are also COVID-19 specific financial risks that have not been captured within the Financial Risks report. Appendix 1 of this pack outlines the financial impact for the Council due to additional costs as a result of the immediate response to the COVID-19 pandemic.

2.3.3 There are 5 Council wide revenue risks identified for 2020-21 currently amounting to £3.110m. The risk in relation to Council Tax has been categorised as Almost Certain because it has been included as an adverse projection in the monitoring and noted as a financial impact of COVID-19 within Appendix 1 of the Financial Reports Monitoring Pack. All other Council wide risks have been classified as unlikely. The risk in relation to the IJB referring to the Council for additional funding was previously categorised as possible due to the outturn over the previous three years, however, it has been confirmed that the mobilisation plan will be fully funded by the Scottish Government thus removing the risk of them reverting to the Council for any additional funding in 2020-21.

2.3.4 There are currently 39 departmental risks totalling £3.540m. One of the 39 departmental risks are categorised as likely with no risks categorised as

almost certain. These will continue to be monitored and action taken to mitigate or manage these risks.

2.3.5 The top 3 risks in terms of their likely financial impact are noted in the table below.

SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	LIKELIHOOD	FINANCIAL IMPACT £000
Commercial Services	Property - Central Repairs	Increased demands on central as a result of the decrease in capital funding available and increases in supplier/contractor charges.	3	300
Roads and Infrastructure Services	Roads Maintenance - Bridges, Culverts & Sea Defences	Extreme localised weather may result in loss of bridge, culvert, road or sea defence.	3	300
Roads and Infrastructure Services	Roads Maintenance - Roads Network	Adverse weather conditions result in deterioration of the road network necessitating greater spend on repair of defects.	3	230

2.3.6 There have been no changes to the departmental risks since the financial risks report as at the end of October 2020 which was reported to the Policy and Resources Committee on 10 December 2020

2.4 Capital Plan Monitoring Report

2.4.1 This report provides a summary of the current capital plan monitoring position. Information is provided in terms of monitoring year to date budget, current full year budget, future years total budget and funding and non-financial in terms of project performance.

2.4.2 Actual net expenditure to date is £10.380m compared to a budget for the year to date of £10.338m giving rise to an overspend for the year to date of £0.042m (0.4%). There are a number of small variances contributing to this year to date position.

2.4.3 The forecast outturn for 2020-21 is a forecast net expenditure of £12.357m compared to an annual budget of £18.718m giving rise to a forecast underspend for the year of £6.361m (34.0%).

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

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

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

2.4.5 In respect of total project performance, there are 151 projects within the capital plan, 136 are complete or on target, 9 are off target and recoverable and 6 projects are off track. Of the 9 projects that are off target and recoverable, 5 are specifically linked to delays due to the COVID-19 pandemic. Of the 6 projects that are off track, 4 are linked to overspends due to the COVID-19 pandemic along with other contributing factors.

2.5 Treasury Monitoring Report

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

2.5.2 The net movement in external borrowing for the period 1 November 2020 to 31 December 2020 was an increase of £0.038m.

2.5.3 Borrowing is above the Capital Financing Requirement for the period to 31 December 2020. At this stage in the financial year capital expenditure is below target and due to delays as a result of the COVID-19 pandemic it is likely to continue to be below target for the remainder of the year.

2.5.4 The levels of investments were £108.5m at 31 December 2020. The rate of return achieved was 0.494% which compares favourably with the target 7 day LIBID rate which was -0.090%.

2.6 Reserves and Balances

2.6.1 This report summarises the overall level of reserves and balances and monitors the spending of the earmarked reserves, providing detailed information on the unspent budget earmarked balances.

2.6.2 The Council has a total of £269.579m unusable reserves that are not backed with resources. They are required purely for accounting purposes.

2.6.3 As 31 March 2020, the Council had a total of £55.892m of usable reserves. Of this:

- £1.843m relates to the Repairs and Renewals Fund
- £4.379m relates to Capital Funds
- £49.670m was held in the General Fund, with £43.375m of this balance earmarked for specific purposes.

2.6.4 Of the earmarked balance of £43.375m:

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

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

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

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

2.7. VIREMENTS OVER £0.200m (Revenue)

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

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

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

3. RECOMMENDATIONS

3.1 It is recommended that the Policy and Resources Committee:

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

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

4. IMPLICATIONS

- 4.1 Policy – None.
- 4.2 Financial - Outlines the revenue and capital monitoring for 2020-21 as at 31 December 2020.
- 4.3 Legal - None.
- 4.4 HR - None.
- 4.5 Fairer Scotland Duty - None.
- 4.6 Risk - Risks are included in financial risks report.
- 4.7 Customer Service - None.

Kirsty Flanagan
Section 95 Officer
8 February 2021

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

Appendix 1 – Impact of COVID-19

2020-21 FINANCIAL IMPACT OF COVID-19

Appendix 1

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

Overall Position:

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

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

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

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

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

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

Key Highlights as at December 2020:

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

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

Key Financial Successes:

Performance against budget for 2019-20 was an overall net favourable position of £0.502m underspend. This breaks down as:

- £0.626m net underspend in relation to Council service departmental expenditure
- £0.976m net underspend in relation to other central costs
- £0.101m additional income through the Business Rates Incentive Scheme (BRIS)
- £1.141m overspend within Social Work
- £0.060m under-recovery of Council Tax income.

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

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

The additional costs are being closely evaluated and monitored throughout the year and a working group has been established to consider the funding options available to mitigate the gap created by COVID-19.

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

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

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

Continue to work closely with the CFO of the IJB to ensure that early indication of financial outturn is known and corrective action is agreed as appropriate to reduce the risk to the Council.

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

The Council are currently in the process of identifying savings to address the 2021/22 estimated budget gap including a programme of service redesign and council wide 2% efficiency savings.

Maintaining or improving the level of service income recovered, for example planning, building standards and car parking.

Actively monitor income recovery and ensure Council fees and charges policies are reviewed.

Managing spend in service areas which are demand led and, to some extent, outwith service control, for example Winter Maintenance.

Use risk based approach to budget monitoring to focus additional attention to these areas.

Ongoing requirement to fund unavoidable increases in areas like employee costs, utility costs etc.

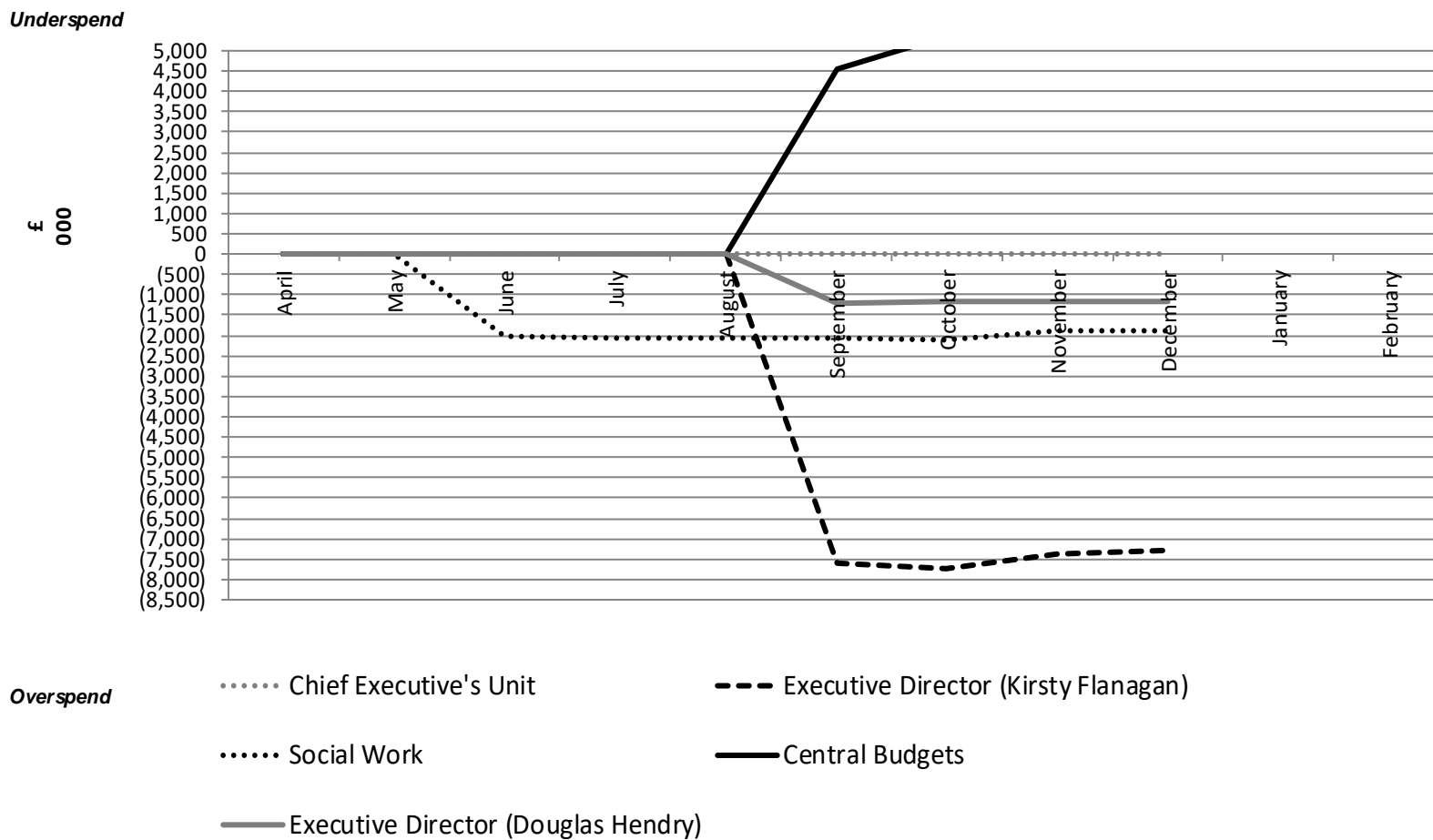
Ensure emerging issues are highlighted as soon as possible so that the financial impact can be reported through the budget monitoring and preparation processes.

Forecast Outturn Position

There is a forecast underspend for 2020-21 of £5.124m as at the end of December 2020 and the main variances are noted below.

Current Forecast Outturn Variance with change from previous month						
Department	Annual Budget £'000	Forecast Outturn £'000	Current Forecast Variance £'000	Previous Forecast Variance £'000	Change £000	Explanation
Chief Executive's Unit	5,403	5,403	0	0	0	A forecast underspend is projected for cost centres within Chief Executive's Unit but the forecast variance for this is covered via the 'underspends on travel due to COVID-19' variance through Central Budgets
Executive Director (Douglas Hendry)	118,111	119,275	(1,164)	(1,164)	0	Education are reporting a £0.500m overspend due to under recovery of income totalling £0.229m for School Meals and Music Tuition as a result of COVID-19 restrictions and an overspend in Residential Schools of £0.091m, Minor Repairs in Schools of £0.150m and £0.030m in School Clothing Grants. Commercial Services are reporting a £0.740m overspend due to COVID-19, made up of £0.372m overspend on Community Food, £0.255m loss of catering and rental income, £0.100m unbudgeted return from Lockdown costs and £0.012m slippage on Savings Target CS03 Property Maintenance. Legal and Regulatory Support are reporting a projected underspend of £0.076m which relates to the recognised saving of £0.176m on the NPDO schools insurances offset by £0.100m loss of licensing income due to COVID-19.
Executive Director (Kirsty Flanagan)	46,791	54,087	(7,296)	(7,396)	100	The forecast overspend is largely down to the effect of COVID-19 and its resulting cost pressures. These mainly result from loss of income due to the pandemic.
Social Work	60,041	61,920	(1,879)	(1,879)	0	The forecast overspend is due to a combination of forecast slippage on the delivery of agreed savings and high demand for services.
Central Budgets	27,600	22,263	5,337	5,337	0	The forecast variance recognises slippage on funding received in relation to COVID-19 that was not allocated for specific service areas and is therefore sitting at the centre to help offset the variances within the departmental budgets (£4.548m), underspends on staff travel due to COVID-19 (£0.500m) underspends on utility costs due to closures due to COVID-19 (£0.296m) and an overspend from costs of the COVID Caring for People team temporarily set up in response to the pandemic (£0.007m)
Financed By	(257,946)	(257,824)	(122)	(720)	598	Projected loss of Council Tax income because of lower collections as a result of COVID-19 - there has been improvement in collection rates during December and a notification of extra funding in relation to Council Tax reduction from the Government since last report.
Total	0	5,124	(5,124)	(5,822)	698	

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

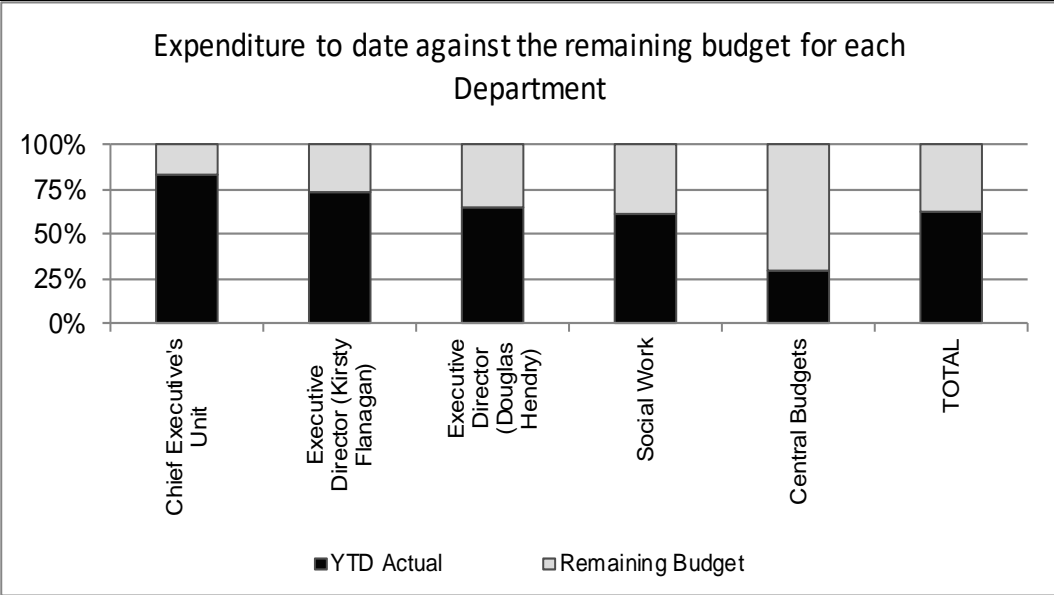


Further information on the departmental forecast variances is included later on in the report.

Year to Date Position

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

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



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

OBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AT 31 DECEMBER 2020

	YEAR TO DATE POSITION				CURRENT PROJECTED FINAL OUTTURN			
	YTD Actual	YTD Budget	YTD Variance	Variance	Annual Budget	Forecast Outturn	Forecast Variance	Variance
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
<u>Departmental Budgets</u>								
Chief Executive's Unit	4,504	4,522	18	0.4%	5,403	5,403	0	0.0%
Executive Director (Kirsty Flanagan)	34,594	31,767	(2,827)	(8.9%)	46,791	54,087	(7,296)	(15.6%)
Executive Director (Douglas Hendry)	76,697	77,777	1,080	1.4%	118,111	119,275	(1,164)	(1.0%)
Social Work	37,008	35,793	(1,215)	(3.4%)	60,041	61,920	(1,879)	(3.1%)
Total Departmental Budgets	152,803	149,859	(2,944)	(2.0%)	230,346	240,685	(10,339)	(4.5%)
<u>Central Budgets</u>								
Other Operating Income and Expenditure	1,234	3,464	2,230	64.4%	5,796	459	5,337	92.1%
Joint Boards	1,120	1,118	(2)	(0.2%)	1,472	1,472	0	0.0%
Non-Controllable Costs	5,995	6,314	319	5.1%	20,332	20,332	0	0.0%
Total Central Budgets	8,349	10,896	2,547	23.4%	27,600	22,263	5,337	19.3%
TOTAL NET EXPENDITURE	161,152	160,755	(397)	(0.3%)	257,946	262,948	(5,002)	(1.9%)
<u>Financed By</u>								
Aggregate External Finance	(143,691)	(143,691)	0	0.0%	(202,527)	(202,527)	0	0.0%
Local Tax Requirement	(47,671)	(47,671)	0	0.0%	(52,369)	(52,247)	(122)	0.2%
Contributions to General Fund	0	0	0	0.0%	3,036	3,036	0	0.0%
Earmarked Reserves	0	0	0	0.0%	(6,086)	(6,086)	0	0.0%
Total Funding	(191,362)	(191,362)	0	0.0%	(257,946)	(257,824)	(122)	0.1%
(Deficit)/Surplus for Period	(30,210)	(30,607)	(397)		0	5,124	(5,124)	

SUBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AS AT 31 DECEMBER 2020

	YEAR TO DATE POSITION				CURRENT PROJECTED FINAL OUTTURN			
	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000	Variance %	Annual Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Variance %
Subjective Category								
Employee Expenses	109,026	111,811	2,785	2.5%	157,651	156,773	878	0.6%
Premises Related Expenditure	9,459	10,232	773	7.6%	15,539	15,500	39	0.3%
Supplies and Services	15,743	16,056	313	2.0%	25,777	24,151	1,626	6.3%
Transport Related Expenditure	7,535	8,173	638	7.8%	16,990	16,451	539	3.2%
Third Party Payments	140,063	138,051	(2,012)	(1.5%)	191,990	194,299	(2,309)	(1.2%)
Capital Financing	0	0	0	0.0%	13,895	13,895	0	0.0%
TOTAL EXPENDITURE	281,826	284,323	2,497	0.9%	421,842	421,069	773	0.2%
Income	(312,036)	(314,930)	(2,894)	0.9%	(421,842)	(415,347)	(6,495)	1.5%
(Deficit)/Surplus for Period	(30,210)	(30,607)	(397)		0	5,722	(5,722)	

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

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

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

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

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

CHIEF EXECUTIVE'S UNIT – AS AT 31 DECEMBER 2020

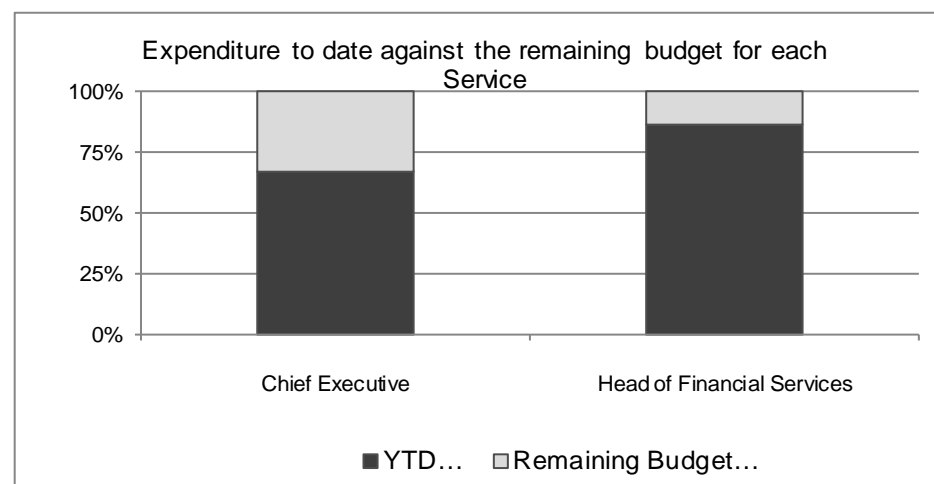
The detailed projections behind this report indicate an underspend of £0.043m for Chief Executive's Unit but due to the underspend on staff travel being processed as a forecast variance against a central budget line (see Corporate Overview Central Budgets) there are no forecast variances reported directly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

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

Forecast Outturn Position

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

Year to Date Position



Key Financial Successes:

The department are currently forecasting that spend will be in line with budget for 2020-21.

All savings options have been delivered.

The department outturn position at the end of 2019-20 was an overspend of £0.007m. This resulted from an underspend of £0.203m offset by reserves of £0.210m earmarked to support information management which are reported within the Chief Executive's Unit department.

Key Financial Challenges:

To continue to deliver high quality support service function during a time of continued budget cuts and significant financial challenges and resource pressure as a result of COVID-19.

Proposed Actions to address Financial Challenges:

Ensure team are operating as efficiently and effectively as possible to enable continued support to departments with reduced resources by building resilience and knowledge sharing across the team.

CHIEF EXECUTIVE'S UNIT – OBJECTIVE SUMMARY AS AT 31 DECEMBER 2020

Business Outcome	Service Area	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Central/Management Costs	Central/Management Costs	204	205	1	0.5%	297	297	0	0.0%	Outwith reporting criteria
BO104 - Our communities are protected and supported	Community Development and Grants to Third Sector	278	287	9	3.1%	388	388	0	0.0%	Outwith reporting criteria
BO109 - All our adults are supported to realise their potential	Social Enterprise	29	49	20	40.8%	62	62	0	0.0%	Profiling difference on Payments to Other Bodies
BO116 - We engage and work with our customers, staff and partners	Community Planning	77	79	2	2.5%	128	128	0	0.0%	Outwith reporting criteria
Chief Executive Total		588	620	32	5.2%	875	875	0	0.0%	
BO101 - We ensure information and support is available for everyone	Money Skills Argyll	92	0	(92)	0.0%	0	0	0	0.0%	Due to timing difference between expenditure and income
BO102 - We provide support, prevention and opportunities to help people make better lifestyle choices	Benefits including Scottish Welfare Fund	1,785	1,875	90	4.8%	1,844	1,844	0	0.0%	Benefits Admin has underspends coming from supplies and services and travel budgets and additional grant income. Within Scottish Welfare fund timing of spend/profiling.
BO110 - We support businesses, employment and development opportunities	Creditors and NDR relief	104	108	4	3.7%	355	355	0	0.0%	Outwith reporting criteria
BO115 - We are efficient and cost effective	Accounting and Budgeting and Revenues and Benefits	1,935	1,919	(16)	(0.8%)	2,329	2,329	0	0.0%	Outwith reporting criteria
Head of Financial Services Total		3,916	3,902	(14)	(0.4%)	4,528	4,528	0	0.0%	
GRAND TOTAL		4,504	4,522	18	0.4%	5,403	5,403	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 2020

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	3,147	3,041	(106)	(3.5%)	4,332	4,332	0	0.0%	There are adverse variances from Money Skills Argyll due to timing differences between income and expenditure and within Local Tax due to extra hours to support the distribution of COVID-19 Business Grants.
Premises	0	0	0	0.0%	0	0	0	0.0%	Outwith reporting criteria
Supplies and Services	191	238	47	19.8%	510	510	0	0.0%	Budget profiling on postages and printing costs
Transport	10	35	25	71.4%	50	50	0	0.0%	Numerous accumulating variances on staff travel
Third Party	15,756	16,273	517	3.2%	25,043	25,043	0	0.0%	There is a favourable variance of £478k against Housing Benefits Private (contra with Income) and against Scottish Welfare fund (due to profiling).
Income	(14,600)	(15,065)	(465)	3.1%	(24,532)	(24,532)	0	0.0%	There are adverse variances against Housing Benefits Private (£471k - contra with Third Party Payments) and in Money Skills Argyll due to the timing difference between expenditure and income
Totals	4,504	4,522	18	0.4%	5,403	5,403	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 2020

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
			0	0.0%	

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

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

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

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

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

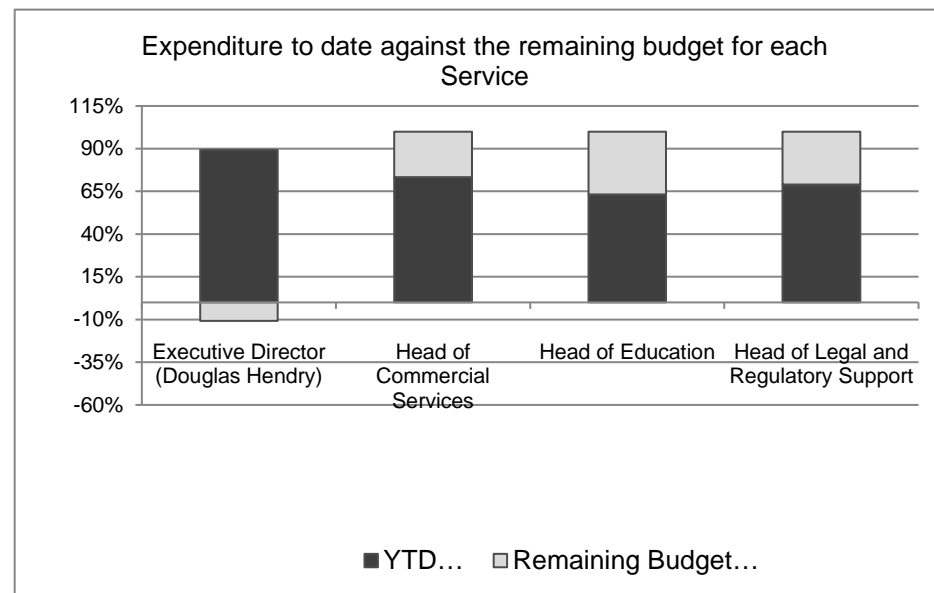
The areas of non COVID overspend relate to overspends on minor repairs, higher demand for residential placements and clothing grants offset by underspends through successful contract management in relation to insurance.

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

Forecast Outturn Position

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

Year to Date Position



Key Financial Successes: The 2019-20 year-end consolidated outturn position was an under spend of £0.625m. This was mainly due to deductions and delays in the Hub Schools contract and as a result lower than expected insurance and utility cost savings arising as a result of the annual renegotiation of insurance costs which forms part of the contract management arrangements which are in place for the NPDO. Additional rental income was collected by the One Council Property Team as well as savings on the Surplus Property Account. Additional unbudgeted income was received during the year from electricity feed in tariff schemes which had not been available to the department in previous years.	
Key Financial Challenges:	Proposed Actions to address Financial Challenges:
The impact of COVID-19	Costs are being contained where possible. A cross party informal working group has been established to consider the council wide in year budget gap.
Impact of numbers/uptake in demand led service areas like catering, design services and licensing.	Continually refine/develop systems to accurately calculate forecast outturns and the impact on the future financial outlook.
Support longer term service re-design project for Catering and Cleaning services to ensure efficiencies and financial savings are secured for the Council as well as delivering the expansion of free school meals as part of the delivery of 1140 hours of Early Learning and Childcare. Success of the re-design project is dependent on buy-in from Argyll & Bute Health and Social Care Partnership.	Effective working with consultants and support with implementation of preferred service delivery method.
New legislative/policy requirements not fully funded by Scottish Government which put additional burdens on the Council. For example, additional demands from IJB and unknown impact of new education arrangements on all support services.	Analysis of new obligations and whether they incur additional costs not met through increased grant.
Ensuring the Education service can continue to contribute to Council savings programmes whilst adhering to Scottish Government national initiatives (i.e. maintaining Pupil Teacher ratio across the service).	Provide the Education Transformation Board with robust financial information which allows informed decisions be made to ensure deliverable savings options are presented, developed and implemented.
The Council has a requirement to deliver 1140 hours of Early Learning and Childcare by 2021. The deadline has been extended from 2020 due to the outbreak of COVID-19. The Scottish Government committed to funding this with additional resources based on individual implementation plans with funding confirmed to 2021-22. The current uncertainty around service delivery models and delays in building works due to the pandemic have put further pressure on the project costs and implementation plan.	Analysis of new obligations required around delivery models and potential costs of delays in building works due to the pandemic. Robust service costings, financial monitoring and timely reporting to ensure the service can deliver the project within the financial resources available.

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

Business Outcome	Service Area	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Central/Management Costs	Central/Management Costs	232	225	(7)	(3.1%)	204	204	0	0.0%	Outwith reporting criteria
Executive Director (Douglas Hendry) Total		232	225	(7)	(3.1%)	204	204	0	0.0%	
Central/Management Costs	Central/Management Costs	163	177	14	7.9%	247	247	0	0.0%	Outwith reporting criteria
BO107 - The support and lifestyle needs of our children, young people, and their families are met	Catering and Cleaning	1,011	814	(197)	(24.2%)	1,176	1,723	(547)	(46.5%)	YTD variance caused by expenditure relating to the Community Food Project and under recovery of school meal income due to School closures.
BO113 - Our infrastructure is safe and fit for the future	Catering and Cleaning, CHORD, Property and Leisure	2,238	2,672	434	16.2%	3,304	3,497	(193)	(5.8%)	YTD Variance caused by budget profile of the Property - Internal Fees cost centre, a journal has now been processed to reduce this variance. Also underspends within Cleaning staff costs and the Asbestos cost centres are contributing to the underspend.
BO116 - We engage and work with our customers, staff and partners	Schools Support Development	3,328	3,374	46	1.4%	4,468	4,468	0	0.0%	Outwith reporting criteria
Head of Commercial Services Total		6,740	7,037	297	4.2%	9,195	9,935	(740)	(8.0%)	
BO106 - Our looked after young people are supported by effective corporate parenting	Education Psychologists and Residential Accommodation	1,280	1,186	(94)	(7.9%)	1,789	1,880	(91)	(5.1%)	YTD overspend within Residential Schools budget due to increased demand for service. Forecast variance has been processed to reflect estimated outturn position.
BO107 - The support and lifestyle needs of our children, young people, and their families are met	Early Years and Community Learning	1,433	1,549	116	7.5%	9,904	9,904	0	0.0%	The main contributing factors to the YTD underspend of £116k is within the Pre-five units where new staffing structures are not all

										fully in place. The budget profile will be rectified in January.
BO108 - All our children and young people are supported to realise their potential	Primary and Secondary Education	53,239	53,416	177	0.3%	77,356	77,765	(409)	(0.5%)	The main contributing factors to the YTD underspend are variances within employee and income budgets in schools. Part of the variance is due to budget profiling and outstanding budget adjustments which will be refined within the January period. Under the Scheme of Devolved School Management (DSM) schools are permitted flexibility at the end of the year. The above underspends are partially offset by loss of income from school meals and music tuition, overspends in school repairs, clothing grants and the cost of the 'No Detriment in Pay Scheme', which have all been reported as a forecast variance of £409k. Additionally, hardship payments have been made from Primary HQ and SG funding to cover has still to be received.
BO116 - We engage and work with our customers, staff and partners	Regional Improvement Collaborative	30	27	(3)	(11.1%)	53	53	0	0.0%	YTD overspend is due to budget profiling which will be rectified in January.
BO117 - We encourage creativity and innovation to ensure our workforce is fit for the future	Education Support	460	304	(156)	(51.3%)	377	377	0	0.0%	The main contributing factors to the year to date over spend are: (1) The purchase of education licenses. Budget requires to be identified to fund these licenses (2) Covid costs have been coded to Education HQ for PPE etc which will be offset from logistics money for the safe opening of schools.
Central/Management Costs	Central/Management Costs	265	238	(27)	(11.3%)	350	350	0	0.0%	The YTD overspend of £27k is due to legal fees.

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

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

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

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

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

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

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

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	62,088	62,998	910	1.4%	88,109	88,203	(94)	(0.1%)	<p>Non Education: YTD underspend of £117k, represented by a £103k underspend in Commercial Services, £42k underspend in LRS offset by £29k overspend in Directorate. The YTD underspends are mainly due to delays in filling staff vacancies.</p> <p>Education: YTD underspend of £792k is due to £850k underspend in employee budgets within schools, Pre-5 Units and learning centres. Under the scheme of Devolved School Management (DSM) schools are permitted flexibility at the end of the year so no Forecast Variance is required. Offset by overspends in Primary PEF budgets of £52k and other small under and overspends which are profile related and will be rectified in January.</p>
Premises	3,256	3,561	305	8.6%	5,899	6,049	(150)	(2.5%)	<p>Non Education: £284k underspend in Commercial Services which is mainly in relation to shared offices, surplus properties and Live Argyll facilities, reduced expenditure due to office/premises closures. Education: YTD underspend of £19k is mainly due to a reduction in refuse collection charges while schools were closed. This is offset by an overspend in school repairs of £54k. A forecast variance has been processed to recognise the pressure on the school repairs budget.</p>
Supplies and Services	8,001	7,410	(591)	(8.0%)	12,923	13,469	(546)	(4.2%)	<p>Non Education: £115k YTD overspend in Commercial Services, this is made up of an overspend of £675k in the Community Food Project and £123K overspend in COVID return from lockdown costs offset by an underspend of £683k in catering purchases due to school/office closures and reductions in school meal uptake. Some of these costs will be offset by grant claims to the Scottish Government. Offset by a YTD underspends in both Legal and Regulatory Support of £58k and also £22k within Directorate.</p> <p>Education: A YTD overspend of £556k is mainly due to Covid spend on PPE, IT Equip and Educational Equipment in preparation for blended learning/safe return to school and will be offset from logistics funding, flexibility or reserves as well as an YTD overspend on Educational Licenses</p>
Transport	137	269	132	49.1%	487	487	0	0.0%	<p>Non Education: YTD underspend of £84k due to reduction in travel as a consequence of COVID-19.</p> <p>Education: YTD underspend of £48k is due to travel reduction as a consequence of COVID19</p>
Third Party	25,785	26,306	521	2.0%	39,690	39,635	55	0.1%	<p>Non Education: YTD underspend of £657k within NPDO/Hub-DBFM schools contracts (see Objective Summary explanation for NPDO and Hub Schools service area).</p> <p>Education: The YTD overspend of £135k is due to an overspend in clothing grants of £23k and £40k in Schools Residential budget. A forecast variance has be processed to recognise these pressures. £24k is due to the payment of a transitional support grant to early years providers, the remainder of the grant will be paid out following a reconciliation in January/February. The further £48k is profile related and will be rectified in January.</p>
Income	(22,570)	(22,767)	(197)	0.9%	(28,997)	(28,568)	(429)	1.5%	<p>Non Education: YTD overspend of £42k which relates to Commercial Services, £255k Property Services internal income processed over budget which offsets the, £580k due to loss of school meal variable bid income and non education catering income offset by £146k grant income for Free School Meals and £211k for Community Food, £53k due to loss of cleaning income and Civic Centre events and £15k recharges to capital not profiled.</p> <p>Education: The YTD overspend of £155k is mainly due to YTD under recovery of Income for School House Rental £32k, £20k Milk Subsidy and Income for music tuition of £82k. The remaining £21k is made up of YTD under/over spends that are profile related and will be rectified in January.</p>
Totals	76,697	77,777	1,080	1.4%	118,111	119,275	(1,164)	(1.0%)	

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.

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

EXECUTIVE DIRECTOR (DOUGLAS HENDRY) – RED VARIANCES AS AT 31 DECEMBER 2020

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

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

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

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

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

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

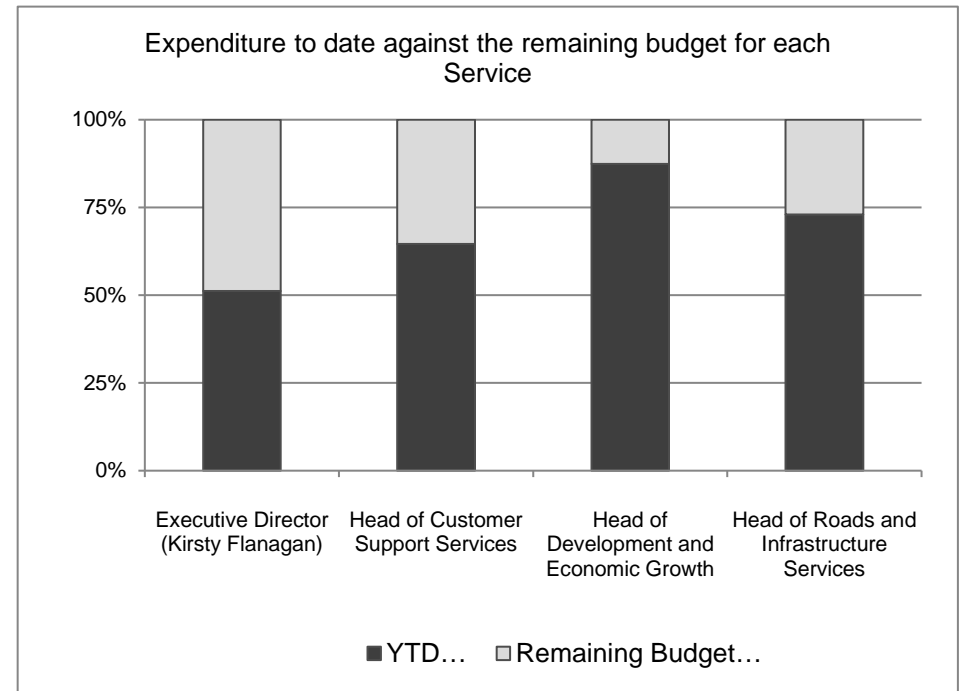
The areas of non COVID overspend relate to overspends in street lighting electricity, cemeteries, waste collection traffic management, glass collection and reduced income due to a reduction in the number of warden posts and under recovery of fish export certificates . These are partially offset by over-recovery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

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

Forecast Outturn Position

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

Year to Date Position



Key Financial Successes:

At the end of financial year 2019-20 the department showed an overall underspend of £0.008m after taking into account all earmarkings. Although there were a number of areas of overspend e.g. increase in the provision for bad debts, fleet repairs and loss of car parking income, these were offset by additional vacancy savings and increased income in Building Standards, Private Water Supplies and Planning. There was also a one off underspend as the payment to Scottish Fire & Rescue was less than the amount previously accrued.

Key Financial Challenges:

The impact of COVID-19

Proposed Actions to address Financial Challenges:

Costs are being contained where possible. A cross party informal working group has been established to consider the council wide in year budget gap.

Department / Service ongoing ability to meet future savings / efficiency requirements.

Monitoring of trend / expenditure levels / service configuration and the Service Packages Policy Options savings process.

Dangerous buildings, there is no budget for this expenditure and the council have no control over the demand for the service.

Building Standards, Legal Services and Financial Services are working closely to manage debt recovery and to consider other options to minimise corporate risk exposure.

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

- Island haulage costs
- Uncertainty with recycling income/ gate fee costs due to the volatility of the market
- Challenges in the legislative changes around the disposal of Biodegradable Municipal Waste

To closely monitor all service components of Waste Management and review Waste Strategy in conjunction with our contractual partner Renewii (previously Shanks).

Winter Maintenance costs are difficult to estimate as they are very much dependant on the weather.

Close monitoring of Winter Maintenance and reporting of the financial implications through budget monitoring process. The Council agreed the winter policy, setting out the intervention level and locations to be treated. The numbers of treatments are determined by weather conditions. The current budget provision provides for 58 full equivalent runs. There is a sophisticated weather monitoring system in place consisting of several weather stations, this is supported by a forecasting and metrological service which is collaboratively procured by West of Scotland local authorities.

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

Business Outcome	Service Area	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Central/Management Costs	Central/Management Costs	176	173	(3)	(1.7%)	344	251	93	27.0%	Outwith reporting criteria
Executive Director (Kirsty Flanagan) Total		176	173	(3)	(1.7%)	344	251	93	27.0%	
BO101 - We ensure information and support is available for everyone	Customer Service Centre, Registrars and HR Employee Relations	1,275	1,191	(84)	(7.1%)	1,693	1,869	(176)	(10.4%)	Loss of income due to COVID-19.
BO112 - Argyll and Bute is promoted to everyone	Bord na Gaidhlig	12	12	0	0.0%	12	12	0	0.0%	Outwith reporting criteria
BO113 - Our infrastructure is safe and fit for the future	ICT	2,146	2,043	(103)	(5.0%)	3,785	3,785	0	0.0%	Payment for Forcepoint web security paid in advance. Prepayment will be processed at year end.
BO115 - We are efficient and cost effective	HR operations, payroll and system development	784	754	(30)	(4.0%)	972	1,007	(35)	(3.6%)	Outwith reporting criteria
BO116 - We engage and work with our customers, staff and partners	Communications team and HR HSCP	220	231	11	4.8%	333	333	0	0.0%	Outwith reporting criteria
BO117 - We encourage creativity and innovation to ensure our workforce is fit for the future	HR project teams and improvement and organisational development	475	558	83	14.9%	851	851	0	0.0%	Training centre has received income ahead of profile plus 3rd party payments behind profile.
Central/Management Costs	Central/Management Costs	226	224	(2)	(0.9%)	311	311	0	0.0%	Outwith reporting criteria
Head of Customer Support Services Total		5,138	5,013	(125)	(2.5%)	7,957	8,168	(211)	(2.7%)	
BO102 - We provide support, prevention and opportunities to help people make better lifestyle choices	Private Water Supplies and Welfare Reform	28	34	6	17.7%	4	4	0	0.0%	Reduced activity due to covid-19.

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

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

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

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

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

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

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

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

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

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	22,468	23,192	724	3.1%	32,973	33,083	(110)	(0.3%)	Vacancy savings caused by delays in filling posts as a result of COVID-19, reduction in overtime and training
Premises	1,323	1,386	63	4.6%	2,846	2,908	(62)	(2.2%)	Reduction in central repairs due to COVID-19 partially offset by an increase in street lighting electricity costs.
Supplies and Services	5,566	5,551	(15)	(0.3%)	8,480	8,498	(18)	(0.2%)	Outwith reporting criteria
Transport	7,044	7,322	278	3.8%	15,493	15,575	(82)	(0.5%)	Reduction in fuel costs partially offset by an increase in vehicle repairs.
Third Party	23,966	22,916	(1,050)	(4.6%)	36,873	37,582	(709)	(1.9%)	Payments to private contractors and internal trading accounts lower due to reduced work being carried out during the pandemic partially offset by increased payments in respect of Homelessness.
Capital Financing	0	0	0	0.0%	1,237	1,237	0	0.0%	Outwith reporting criteria
Income	(25,773)	(28,600)	(2,827)	9.9%	(51,111)	(44,796)	(6,315)	12.4%	Reduction in income across many services as a direct result of COVID-19.
Totals	34,594	31,767	(2,827)	(8.9%)	46,791	54,087	(7,296)	(15.6%)	

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

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

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

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

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

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

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

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

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

SOCIAL WORK – AS AT 31 DECEMBER 2020

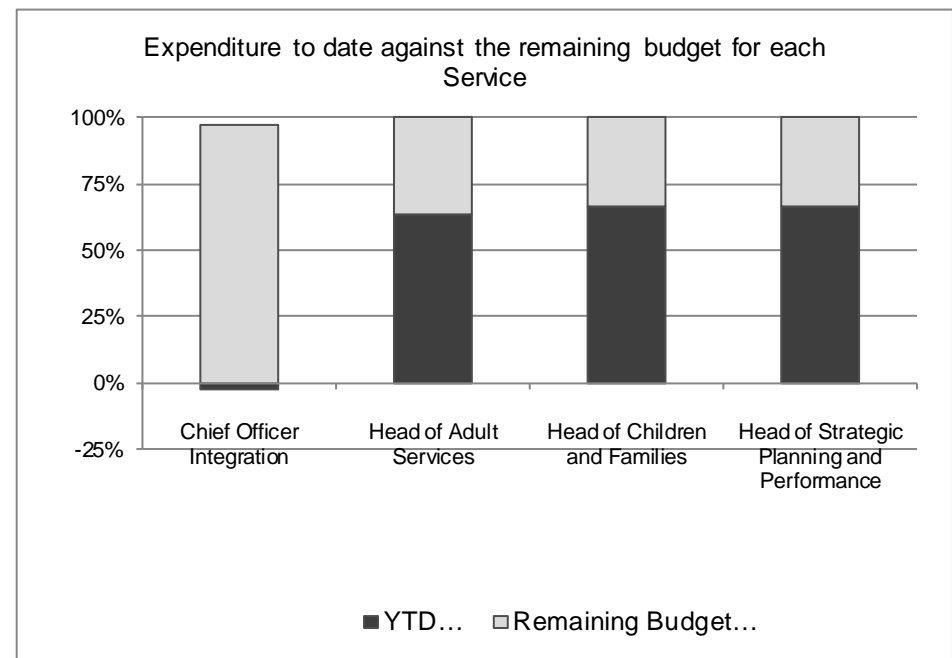
The department is currently forecasting an overspend of £1.879m (3.1%) which is due to a combination of forecast slippage on the delivery of agreed savings and high demand for services partially offset by a forecast higher than budgeted recovery of vacancy savings.

The department has a year to date overspend of £1.215m (3.4%) against budget due to a range of factors, the most significant are slippage on the delivery of agreed savings and a high demand for services. These are partially offset by a higher than expected recovery of vacancy savings at December.

Forecast Outturn Position

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

Year to Date Position



Key Financial Successes:

Reduced the deficit in 2019/20 to £1.141m compared to an outturn deficit in 2018/19 of £3.127m, an improvement of 63.5%.

Key Financial Challenges:	Proposed Actions to address Financial Challenges:
Fully deliver the £2.374m of agreed savings which remain outstanding as at December 2020.	Develop a close working relationship with the HSCP Service Improvement Team in order to effectively support the implementation of a robust performance management mechanism to track the delivery of the savings options.
Development and delivery of future service redesigns which will be necessary to contain service expenditure within the allocated resource in the medium to long term.	Support from finance to assist strategic managers to look beyond the short term to identify and plan the changes which will be needed to address the expected ongoing budget challenge over the next 3 to 5 years.
Support the HSCP through the COVID-19 pandemic. There are additional costs across the HSCP as a direct result as the partnership's response to COVID-19. These costs are captured and reported to the Scottish Government to via Mobilisation Plans.	Support from finance to assist the service in capturing all additional costs associated with the response to COVID-19 to ensure these are included on Scottish Government funding returns.

SOCIAL WORK – OBJECTIVE SUMMARY AS AT 31 DECEMBER 2020

Business Outcome	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Integration HQ	(56)	746	802	107.5%	2,132	220	1,912	89.7%	The YTD variance is due to the over-recovery of agreed vacancy savings (£897k) and over-recovery of charges to clients (£160k) which is a Covid-19 adjustment from Scottish Government funding to offset income loss elsewhere in the service. This is partially offset by slippage on the delivery of agreed efficiency savings (£207k) and overspends on software licences. The forecast underspend reflects unallocated demand pressures for Young Adults, underspends against centrally held contingency funding and over-recovery of vacancy savings (£932k). It also includes forecast Covid-19 funding to adjust for lost income from clients as a result of changes to services during the on-going pandemic (offsetting under-recovery of income can be seen across other services). This is partially offset by provision for bad debts (£80k) and estimated slippage on the delivery of agreed savings (£277k).
Chief Officer Total	(56)	746	802	107.5%	2,132	220	1,912	89.7%	
Service Development	261	266	5	1.9%	394	386	8	2.0%	Outwith reporting criteria.
Head of Strategic Planning and Performance Total	261	266	5	1.9%	394	386	8	2.0%	
Older People	18,974	18,401	(573)	(3.1%)	29,784	30,600	(816)	(2.7%)	The YTD overspend is mainly due to slippage on the delivery of agreed savings (£861k) offset by a YTD underspend on transport related expenditure and YTD over recovery of income in the HSCP care homes. The forecast overspend reflects higher than budgeted demand for homecare and slippage on agreed savings (£1.072m). This is offset by higher than expected income from fees and charges in the HSCP care homes, underspends across the external residential care budgets due to the impact from Covid, and underspends on payments to other bodies within Telecare.

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

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

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%.

SOCIAL WORK – SUBJECTIVE SUMMARY AS AT 31 DECEMBER 2020

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	19,357	20,749	1,392	6.7%	29,244	28,154	1,090	3.7%	The YTD underspend arises due to a number of over and underspends across the service. The most significant underspend relates to YTD over-recovery of vacancy savings (£897k), combined with underspends in Mental Health services, Children & Families area teams and Criminal Justice. The most significant overspends relate to Older People Care Homes, Homecare and Looked After Children. The forecast underspend arises mainly due to the expected over-recovery of vacancy savings (£932k) combined with forecast underspends in the above noted areas partially offset by overspends in Older People and Looked After Children.
Premises	587	556	(31)	(5.6%)	1,057	1,102	(45)	(4.3%)	The YTD overspend arises mainly due to payments for rental costs and cleaning equipment. The forecast overspend is mainly due to forecast overspends on central repairs, rental costs, cleaning equipment and solid fuel charges.
Supplies & Services	1,325	(557)	(1,882)	337.9%	(687)	1,671	(2,358)	343.2%	Both the YTD and forecast variances reflect the YTD and overall estimated slippage on the delivery of agreed savings as at December 2020 and the YTD and forecast overspend on smalls tools and equipment in the Integrated Equipment Store.
Transport	331	494	163	33.0%	694	574	120	17.3%	The YTD underspend arises due to various travel underspends across the service which is to be expected due to the current restrictions on travel due to Covid-19. The forecast year end outturn reflects the continued reduction in travel across the service due to ongoing travel restrictions and an expectation that different ways of working will be adopted as part of the Covid-19 recovery over the longer term, with a contingency for travel expenditure to increase slightly if restrictions ease.
Third Party	34,860	33,594	(1,266)	(3.8%)	50,876	52,531	(1,655)	(3.3%)	The YTD overspend reflects higher than budgeted demand for services. The forecast overspend reflects the higher than budgeted demand for purchased care services in Children's and Adult Services.
Income	(19,452)	(19,043)	409	(2.2%)	(21,143)	(22,112)	969	(4.6%)	Both the YTD and forecast variances reflect an over recovery of income, mainly due to increased income from fees, charges and recharges.
Totals	37,008	35,793	(1,215)	(3.4%)	60,041	61,920	(1,879)	(3.1%)	

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%.

SOCIAL WORK – RED VARIANCES AS AT 31 DECEMBER 2020

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

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

MONITORING OF SERVICE PACKAGE POLICY OPTIONS – 31 DECEMBER 2020

1. EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide Members with an update on the implementation and delivery of the Service Package Policy Options:
- agreed by Council in February 2020
 - agreed in February 2019 that were either not delivered in 2019-20 or have further increases in value in 2020-21 onwards
 - agreed in February 2018 with further increases in value in 2020-21 onwards.
- 1.2 The savings options will be reported as being delivered, on track to be delivered, still to be implemented, being developed, potential shortfall or delayed.
- 1.3 Of the 66 savings options, 55 have already been delivered, 1 is on track to be delivered as per their timescale, 4 have a potential shortfall and 6 are delayed.

MONITORING OF SERVICE PACKAGE POLICY OPTIONS – 31 DECEMBER 2020**2. INTRODUCTION**

- 2.1 The purpose of this report is to provide Members with an update on the implementation and delivery of the Service Package Policy Options:
- agreed by Council in February 2020
 - agreed in February 2019 that were either not delivered in 2019-20 or have further increases in value in 2020-21 onwards
 - agreed in February 2018 that have either not been delivered yet or have further increases in value in 2020-21 onwards.
- 2.2 The savings options will be reported as being delivered, on track to be delivered, still to be implemented, being developed, potential shortfall or delayed.

3. DETAIL

- 3.1 New policy savings options were identified for the three year period 2020-21 to 2022-23 and these were agreed by Council in February 2020. Council agreed to policy savings of £1.406m in 2020-21 rising to £1.593m by 2022-23.
- 3.2 The policy savings options not achieved in 2019-20 or those that have further increase in value in 2020-21 onwards total £1.598m in 2019-20 rising to £2.145m by 2021-22.
- 3.3 The policy saving options not achieved in 2018-19 or those that have further increase in value in 2020-21 onwards total £1.116m in 2018-19 rising to £3.206m by 2020-21.
- 3.4 The savings relevant for 2020-21 have been removed from departmental budgets, however, it is important to monitor whether the saving has actually been delivered to ensure that costs are not continuing resulting in an overspend by the end of the year. It is also important to ensure that any preparatory work required to deliver savings in future years is on track.
- 3.5 Savings have been categorised as follows:

Category	Explanation
Delivered	Savings already delivered in full.
On Track to be Delivered	Saving is in line with profile however the full saving cannot be guaranteed until later in the year.

Still to be Implemented	Planned date of implementation is in the future. Should the implementation date move backwards then this would be classified as delayed.
Being Developed	Further redesign required before option can be implemented.
Potential Shortfall	There is a risk that the original saving will not be achieved in full. Departments are asked to provide further information for any savings within this category.
Delayed	The full saving will not be achieved in line with the original estimated timescale. Departments are asked to provide further information for any savings within this category.

3.6 The table below outlines the progress as at 31 December 2020 for the new policy savings options agreed in February 2020. Further detail is included within Appendix 1.

Category	No of Options	2020-21 £000	2021-22 £000	2022-23 £000
Delivered	22	1,273.1	1,460.2	1,460.2
On Track to be Delivered	0	0.0	0.0	0.0
Still to be Implemented	0	0.0	0.0	0.0
Being Developed	0	0.0	0.0	0.0
Potential Shortfall	0	0.0	0.0	0.0
Delayed	3	133.0	133.0	133.0
Total	25	1,406.1	1,593.2	1,593.2

3.7 For savings options agreed in February 2018 and February 2019, we are reporting on an exception basis. Those that are already delivered or on track to be delivered are not included in the analysis below. Full details of all the savings agreed can be found in Appendices 2 and 3.

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

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

- Potential Shortfall – TB07 Depots - Create one main depot in key areas to reduce costs – It has become apparent that the operating costs of the single redeveloped site in each town will increase reducing the anticipated saving. COVID-19 has also had a detrimental effect on this savings option as construction works were halted at the site in Oban but have now resumed and a cost pressure has been identified.
- Potential Shortfall – CSS08/09 Procurement Savings – this saving is dependent upon the number and type of contracts being tendered for which revenue savings can be achieved. The tendered contracts are funded by either revenue or capital. A number of the revenue based contracts are utilising ring fenced funding which means savings cannot be released for other purposes. The COVID-19 pandemic will also have an impact on the delivery of savings, however Procurement will continue to report on the savings/benefits achieved for each contract.
- Potential Shortfall – TB12b Review charges for stadiums to enable improvement work - shortfall in achieving 2020-21 target due to the closure of facilities due to COVID-19 with no clear indication when they can reopen.
- Potential Shortfall – TB13b Roads and Amenity Services charging (non-statutory services); The original proposal was to introduce charges for providing lighting design; and increase charges by 20% for road construction consents, skips, scaffolds, hoarding, permits and licences. Whilst some additional income has been generated there have been limited opportunities over the last six months and opportunities are expected to be limited over the foreseeable future down in part to the existing resource being fully committed delivering programmes of work in what is effectively a reduced timeframe
- Delayed – DEG05(a) – Building Standards – possible shortfall due to the impact of COVID-19 on the building industry and the number of warrants.
- Delayed (2 savings from same activity) – RAIS09 and TB09 Public Conveniences – The approach agreed by the EDI Committee December 2018 in relation to saving TB09 is being progressed alongside the further saving RAIS09 agreed at the February 2020 Council meeting. Alternatives to turnstiles are being progressed including gated options. With this unexpected change, unforeseen delays have been experienced and this has been further exacerbated by the impact of COVID-19 delaying installation of the door entry systems.
- Delayed – CS03 – Property Maintenance – delays due to complications with the redundancy and selection process will result in the full 2020-21 savings having a shortfall of £0.012m. The complications have been resolved so the full year savings can be made from 2021-22.

- Delayed – TB14 Waste Services; increase commercial income and reduce costs of collection/disposal – as a direct result of COVID-19, commercial trading reduced significantly which has resulted in a corresponding reduction in commercial refuse collection income. It is currently unclear how quickly and to what extent the economy will recover which has a direct link to the refuse collection income.
- Delayed – ED06 Music Instruction – delayed due to ensuring equity of service provision across Argyll and Bute which led to complications with voluntary redundancy but options are now in place to realise the saving in 2021-22.

4. CONCLUSION

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

5. IMPLICATIONS

- | | | |
|-----|----------------------|--|
| 5.1 | Policy | Individual options have policy implications – all have been approved by Members. |
| 5.2 | Financial | Summarises the delivery of the service package policy options. |
| 5.3 | Legal | None. |
| 5.4 | HR | Individual options have HR implications – all have been approved by Members. |
| 5.5 | Fairer Scotland Duty | EQIAs have already been carried out on the options prior to Member approval. |
| 5.6 | Risk | The monitoring process outlined within this report will minimise the risk that the service package policy options are not delivered. |
| 5.7 | Customer Services | None. |

Kirsty Flanagan
Section 95 Officer
8 February 2021

Policy Lead for Financial Services and Major Projects – Councillor Gary Mulvaney

APPENDICES:

- Appendix 1 – Monitoring of Service Package Policy Options Agreed February 2020
 Appendix 2 – Monitoring of Service Package Policy Options Agreed February 2019

Appendix 3 – Monitoring of Service Package Policy Options Agreed February 2018
Appendix 4a – Potential Shortfall – TB07 – Depots
Appendix 4b – Potential Shortfall – CSS08/09 – Procurement Savings
Appendix 4c – Potential Shortfall – TB12b – Stadiums
Appendix 4d - Potential Shortfall – TB13b Roads and Amenity Services charging
Appendix 4e – Delayed – DEG05(a) – Building Standards
Appendix 4f – Delayed – TB09 / RAIS09 – Public Conveniences
Appendix 4g – Delayed – CS03 – Property Officer Team
Appendix 4h – Delayed – TB14 - Waste Services
Appendix 4i – Delayed – ED06 – Music Instruction

MONITORING OF SERVICE PACKAGE POLICY OPTIONS AGREED FEBRUARY 2020
DETAIL

Appendix 1

POSITION AS AT 31 DECEMBER 2020

Template Ref	Department	Service	Service Delivery Area	Savings Option	2020-21	2020-21	2021-22	2021-22	Future Years	Future Years	Status of Implementation
					£000	FTE	£000	FTE	£000	FTE	
CE01(a)	Chief Executives Unit	Chief Executive	Community Development / Community Planning Partnership	Reduction in vacant administrative officer post by 0.4 FTE. Removal of funding to TSI to support Community Development. 10% reduction in funding to Fèisean nan Gàidheal	26.9	0.40	26.9	0.40	26.9	0.40	Delivered
FS01	Chief Executives Unit	Head of Financial Services	Revenues & Benefits Internal Audit Accounting & Budgeting	Removal of vacant 1FTE LGE5 Local Tax Assistant Post. Removal of vacant 0.5FTE LGE9 Internal Audit Post. Reduction in posts due to changing processes, efficiencies and reduction in support	183.0	5.10	189.0	5.10	189.0	5.10	Delivered
CS01	Executive Director (Douglas Hendry)	Head of Commercial Services	Estates & Property Development	Remodel Estates Staff Structure (removal of LGE11 post)	57.0	1.00	57.0	1.00	57.0	1.00	Delivered
CS02	Executive Director (Douglas Hendry)	Head of Commercial Services	Estates, Programme Management and Property Services	Remodel business support in Estates, Programme Management and Property Services	54.0	2.00	54.0	2.00	54.0	2.00	Delivered
CS03	Executive Director (Douglas Hendry)	Head of Commercial Services	Property Maintenance	Remodel Property officer team	79.0	2.00	79.0	2.00	79.0	2.00	Delayed
ED01	Executive Director (Douglas Hendry)	Head of Education	PE Facilities	Removal of centrally held PE budget which is devolved to schools annually	73.0	0.00	73.0	0.00	73.0	0.00	Delivered
ED02	Executive Director (Douglas Hendry)	Head of Education	Enterprise	Removal of budget devolved to schools to enhance teacher posts to PT grade to deliver enterprise. Removal of budget for PPE and equipment required in relation to service delivery by Argyll College	15.6	0.00	25.0	0.00	25.0	0.00	Delivered
ED06	Executive Director (Douglas Hendry)	Head of Education	Quality Assurance and Moderation	Remove budget established to support schools in relation to moderation	27.1	1.00	43.5	1.00	43.5	1.00	Delivered
ED07	Executive Director (Douglas Hendry)	Head of Education	Admin and Finance assistants	Aligning all Area Finance Assistants to term time	11.7	3.00	15.6	3.00	15.6	3.00	Delivered
ED11	Executive Director (Douglas Hendry)	Head of Education	16+ Learning Choices	Removal of vacant 0.1 LGE14 post which was 0.9 grant funded previously (grant now ended)	6.1	0.10	6.1	0.10	6.1	0.10	Delivered
ED15	Executive Director (Douglas Hendry)	Head of Education	Additional Support Needs (activities)	Removal of Additional Support Needs (activities)	5.4	0.00	5.4	0.00	5.4	0.00	Delivered
ED16	Executive Director (Douglas Hendry)	Head of Education	Clerical Assistants (Learning Centres) Primary	Removal of separate clerical assistant budget within Oban Learning Centre (Primary and Secondary) to align with other learning centres.	10.4	0.89	16.7	0.89	16.7	0.89	Delivered
ED18	Executive Director (Douglas Hendry)	Head of Education	Reduction of Education Management Team	Reduction of 2 FTE from the Central Education Management Team	113.0	2.00	151.0	2.00	151.0	2.00	Delivered

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

Appendix 1

POSITION AS AT 31 DECEMBER 2020

Template Ref	Department	Service	Service Delivery Area	Savings Option	2020-21	2020-21	2021-22	2021-22	Future Years	Future Years	Status of Implementation
					£000	FTE	£000	FTE	£000	FTE	
ED19	Executive Director (Douglas Hendry)	Head of Education	Community Learning and Development	Further review of Community Learning and Development	184.3	7.00	246.0	7.00	246.0	7.00	Delivered
ED21	Executive Director (Douglas Hendry)	Head of Education	Early Years Provision	Third Sector Grant removal Review of Early Years staffing	31.5	0.40	60.4	0.40	60.4	0.40	Delivered
L&R01	Executive Director (Douglas Hendry)	Head of Legal and Regulatory Support	Procurement	Realign Team	75.0	1.00	75.0	1.00	75.0	1.00	Delivered
CSS01	Executive Director (Kirsty Flanagan)	Head of Customer Support Services	Communications	Remove vacant Communications Apprentice post budget which has also provided corporate PR materials (banners etc)	16.2	0.60	16.2	0.60	16.2	0.60	Delivered
CSS02	Executive Director (Kirsty Flanagan)	Head of Customer Support Services	Customer Service Centre and Registration Services	Restructure Customer Service Centre Staffing to reflect increased digital customer engagement	35.5	2.00	49.0	2.00	49.0	2.00	Delivered
CSS03	Executive Director (Kirsty Flanagan)	Head of Customer Support Services	ICT	Remove 1 ICT Desktop Engineer post, providing cover from other areas	35.0	1.00	38.0	1.00	38.0	1.00	Delivered
DEG01(a)	Executive Director (Kirsty Flanagan)	Head of Development and Economic Growth	Economic Growth	Removal of LGE11 post in the European and External Policy Team	51.6	0.00	51.6	1.00	51.6	1.00	Delivered
DEG04	Executive Director (Kirsty Flanagan)	Head of Development and Economic Growth	Transformation Projects and Regeneration	Removal of an LGE11 development officer from the Transformation Projects and Regeneration Teams	51.6	1.00	51.6	1.00	51.6	1.00	Delivered
DEG05(a)	Executive Director (Kirsty Flanagan)	Head of Development and Economic Growth	Building Standards	Raise additional fees by adopting the current Building Cost Information Service (BCIS) guide for the cost of building work. Regular service users have been informed of this change.	50.0	0.00	50.0	0.00	50.0	0.00	Delayed
DEG07	Executive Director (Kirsty Flanagan)	Head of Development and Economic Growth	Development and Economic Growth	Removal of Building Standards Manager following 3rd tier management review in Development and Economic Growth	69.2	1.00	69.2	1.00	69.2	1.00	Delivered
RAIS03	Executive Director (Kirsty Flanagan)	Head of Roads and Infrastructure Services	Burials and Cremations	Increase burial charges by 20% and cremation fees by 15%	140.0	0.00	140.0	0.00	140.0	0.00	Delivered
RAIS09	Executive Director (Kirsty Flanagan)	Head of Roads and Infrastructure Services	Public Conveniences	Closure of up to 25 public conveniences subject to ongoing monitoring of use and demand, as per the Environmental, Development and Infrastructure Committee decision in December 2018.	4.0	0.00	4.0	0.00	4.0	0.00	Delayed
TOTAL					1,406.1	31.49	1,593.2	32.49	1,593.2	32.49	

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

POSITION AS AT 31 DECEMBER 2020

Ref	Dept	Service	Service Package	Description of Option	2019-20	2019-20	2020-21	2020-21	Future Years		Status of Implementation
					£000	FTE	£000	FTE	£000	FTE	
PHRS04/07/10	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Biodiversity & Local Development Plan Team & GIS	Reduction of 1 post			63.0	1.0	63.0	1.0	Delivered
PHRS12/13	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Homelessness & Housing Strategy	Transfer £100k for staff costs to SHF	100.0	0.0	100.0	0.0	100.0	0.0	Delivered
PHRS14	Executive Director (Kirsty Flanagan)	Roads and Infrastructure	Marine and Coastal Development	Staffing redesign	46.0	1.0	46.0	1.0	46.0	1.0	Delivered
PHRS16	Executive Director (Douglas Hendry)	Legal and Regulatory Support	Trading Standards	Reduction of 0.5 post	11.3	0.5	15.0	0.5	15.0	0.5	Delivered
EDST02	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Business Gateway	23K reduction in grant funding 19/20 Reduction of 1.8 posts in 21/22	23.0	0.0	23.0	0.0	98.0	1.8	Delivered
EDST03	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Economic Growth (EDST MAN)	Reduction of 1 post	49.0	1.0	49.0	1.0	49.0	1.0	Delivered
EDST05	Executive Director (Kirsty Flanagan)	Roads and Infrastructure	Road Safety Unit	Removal of Service	74.0	1.7	99.0	1.7	99.0	1.7	Delivered
RAS09	Executive Director (Kirsty Flanagan)	Roads and Infrastructure	Roads Management	5% Reduction in staffing costs	39.0	1.0	39.0	1.0	39.0	1.0	Delivered
RAS12	Executive Director (Kirsty Flanagan)	Roads and Infrastructure	Street Lighting	11% reduction to controllable budget	50.0	0.0	50.0	0.0	50.0	0.0	Delivered
RAS15	Executive Director (Kirsty Flanagan)	Roads and Infrastructure	Environmental Warden Service	Reduction of 5 FTE. The service would focus on the income generation elements, including commercial waste agreements. This would be at the expense of the enforcement of dog fouling, littering, fly tipping etc.	105.0	5.0	140.0	5.0	140.0	5.0	Delivered
	Cross Cutting	Cross Cutting	Management/Structure Review	Cross cutting bottom up review of current service delivery arrangements to deliver efficiency and management cost reduction.	375.0	6.0	500.0	6.0	500.0	6.0	Delivered
CSS03/05	Chief Executive's Unit	Financial Services	Admin of CT/HB, collection of CT and domestic Water and Sewerage charges and CT/NDR debt recovery Scottish Welfare Fund (SWF), the Welfare Reform Working Group (WRWG) and the Anti-Poverty Strategy,	Centralise Housing Benefit processing and re-structure teams	125.0	3.6	200.0	5.6	200.0	5.6	Delivered
CSS04	Chief Executive's Unit	Financial Services	NDR, Sundry Debt, BIDs and MACC billing and collection, and Cash Collection	Increase in income and re-structure team	11.0	1.0	21.0	1.0	21.0	1.0	Delivered

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

POSITION AS AT 31 DECEMBER 2020

Ref	Dept	Service	Service Package	Description of Option	2019-20	2019-20	2020-21	2020-21	Future Years	Future Years	Status of Implementation
CSS08/09	All Services	All Services	Procurement Savings	Increased focus by Procurement and Commissioning Team on contract and demand management by services. This will require a redesign of the PCT team but will not alter the overall number of FTE. Cashable savings coming from this new approach will be identified and removed from service budgets.	250.0	0.0	250.0	0.0	250.0	0.0	Potential Shortfall
CSS10	Chief Executive's Unit	Financial Services	Creditor Payments / Payment of Members and staff Expenses	Phased removal of posts due to increased use in electronic systems	16.0	1.0	35.0	1.8	35.0	1.8	Delivered
ED02	Executive Director (Douglas Hendry)	Education	Central/ Management Costs	Removal of vacant posts	49.0	1.5	49.0	1.5	49.0	1.5	Delivered
ED05	Executive Director (Douglas Hendry)	Education	Youth and Adult Learning	Review of Youth and Adult Learning Provision	248.0	10.1	330.0	17.1	330.0	17.1	Delivered
ED06	Executive Director (Douglas Hendry)	Education	Music Instruction	Review of Instrumental Music Provision	27.0	1.0	61.0	TBC	61.0	TBC	Delayed
TOTAL					1,598.3	34.4	2,070.0	44.2	2,145.0	46.0	

MONITORING OF SERVICE PACKAGE POLICY OPTIONS AGREED FEBRUARY 2018

DETAIL

POSITION AS AT 31 DECEMBER 2020

Ref	Dept	Service	Saving	2018-19	2018-19	2019-20	2019-20	2020-21	2020-21	Status of Implementation
				£000	FTE	£000	FTE	£000	FTE	
TB01-1	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Review central support to D&I Services	112.5	4.0	150.0	4.0	150.0	4.0	Delivered
TB03-1	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Raise environmental/animal health fees to match other councils	140.0	0.0	140.0	0.0	140.0	0.0	Delivered
TB04-2	Executive Director (Douglas Hendry)	Legal and Regulatory Support	Trading Standards re-design	27.5	0.6	80.1	1.6	80.1	1.6	Delivered
TB04-4	Executive Director (Douglas Hendry)	Legal and Regulatory Support	Advice Services remodelling	0.0	0.0	57.1	1.0	105.1	2.0	Delivered
TB06-1	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Introduce charges for non-statutory pre-application services for all scales of development.	55.0	0.0	60.0	0.0	65.0	0.0	Delivered
TB06-4	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Reduce planning team leadership posts	0.0	0.0	52.0	1.0	52.0	1.0	Delivered
TB06-5	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Planning technician team reduction	35.0	1.0	88.0	2.0	88.0	2.0	Delivered
TB06-9	Executive Director (Kirsty Flanagan)	Development and Economic Growth	3% increase in charges for street names/numbering	13.0	0.0	21.6	0.0	31.6	0.0	Delivered
TB07	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Create one main depot in key areas to reduce costs	16.5	0.0	115.5	0.0	172.5	0.0	Potential Shortfall
TB08	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Increase parking charges and introduce additional parking charges, to places currently not charging, to keep traffic moving, manage demand for parking, and contribute to maintenance of roads infrastructure.	180.0	(1.0)	180.0	(1.0)	180.0	(1.0)	Delivered

MONITORING OF SERVICE PACKAGE POLICY OPTIONS AGREED FEBRUARY 2018

DETAIL

POSITION AS AT 31 DECEMBER 2020

Ref	Dept	Service	Saving	2018-19	2018-19	2019-20	2019-20	2020-21	2020-21	Status of Implementation
				£000	FTE	£000	FTE	£000	FTE	
TB09	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Public Conveniences - Progress sustainable models including turnstiles and franchising; establish simpler asset transfer process	10.0	0.0	24.0	0.0	24.0	0.0	Delayed
TB10	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Ferry service management and cost recovery	55.0	(1.0)	85.0	(1.0)	110.0	(1.0)	Delivered
TB11	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Commercial approach to piers and harbours charging	284.0	0.0	404.0	0.0	524.0	0.0	Delivered
TB12a	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Provision of enhanced funeral and burial services	(10.0)	(1.0)	35.0	(1.0)	50.0	(1.0)	Delivered
TB12b	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Review charges for stadiums to enable improvement work	10.0	0.0	20.0	0.0	30.0	0.0	Potential Shortfall
TB13b	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Roads & Amenity Services charging (non-statutory services)	10.0	0.0	50.0	0.0	150.0	0.0	Potential Shortfall
TB13c & T	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Combine Roads and Amenity teams into one team and review the services provided.	82.0	2.0	82.0	2.0	164.0	4.0	Delivered
TB14	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Waste services - increase commercial income; reduce costs of collection and disposal	(130.0)	0.0	13.0	0.0	286.0	1.0	Delayed

MONITORING OF SERVICE PACKAGE POLICY OPTIONS AGREED FEBRUARY 2018

DETAIL

POSITION AS AT 31 DECEMBER 2020

Ref	Dept	Service	Saving	2018-19	2018-19	2019-20	2019-20	2020-21	2020-21	Status of Implementation
				£000	FTE	£000	FTE	£000	FTE	
TB15	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Review existing air service contracts and pursue more commercial opportunities	80.0	(1.0)	160.0	(1.0)	298.0	(1.0)	Delivered
TB16-10	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Redesign Economic Development Service to focus on higher impact activities	0.0	0.0	57.0	1.0	218.0	4.0	Delivered
TB17	Executive Director (Douglas Hendry)	Commercial Services	Identify opportunities for office rationalisation and raising income	27.5	0.0	71.5	0.0	121.5	0.0	On Track to be Delivered
TB19	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Transport redesign and cost reduction	71.0	1.0	81.0	1.0	91.0	1.0	Delivered
TB23	Executive Director (Douglas Hendry)	Education	Adjust janitorial staffing deployment following roll reductions in 8 schools	47.0	2.0	75.0	2.0	75.0	2.0	Delivered
TOTAL				1,116.0	6.6	2,101.8	11.6	3,205.8	18.6	

SERVICE PACKAGE SAVING MARKED AS POTENTIAL SHORTFALL

Department:	Executive Director (Kirsty Flanagan)																			
Service:	Roads and Amenity Services																			
Service Package:	Depots																			
Savings Reference:	TB07																			
Description of Option:	Business cost reduction, income generation and maximisation, service redesign and self-funding																			
Saving:	<table border="1"> <thead> <tr> <th>Saving</th> <th>2018-19 £000</th> <th>2019-20 £000</th> <th>2020-21 £000</th> </tr> </thead> <tbody> <tr> <td>Saving approved</td> <td>25</td> <td>115.5</td> <td>172.5</td> </tr> <tr> <td>Saving Achievable</td> <td>25</td> <td>65</td> <td>65</td> </tr> <tr> <td>Shortfall</td> <td>0</td> <td>50.5</td> <td>107.5</td> </tr> </tbody> </table>	Saving	2018-19 £000	2019-20 £000	2020-21 £000	Saving approved	25	115.5	172.5	Saving Achievable	25	65	65	Shortfall	0	50.5	107.5			
Saving	2018-19 £000	2019-20 £000	2020-21 £000																	
Saving approved	25	115.5	172.5																	
Saving Achievable	25	65	65																	
Shortfall	0	50.5	107.5																	
Reason Why there is a Potential Shortfall in the Saving:	<p>When this service package was originally developed it was predicated on the total removal of the smaller depot budget in each area, and the remaining depot budget remaining the same. However, as the programme has developed it has become clear that the operating costs of the redeveloped site in each town will increase – greater electricity consumption, newer, larger facilities bringing with them greater NDR payments etc. That means that part of the ‘saving’ for the vacated depots will need to be reallocated against the single depots.</p> <p>The savings package TB07 also set out that the depot rationalisation programme would run beyond the three year savings horizon, and this remains the case.</p> <p>For the reasons stated above, the initial spend and save profile identified in 2018 has experienced variance.</p> <p>It should be noted that COVID-19 has had a detrimental effect on this savings option as construction works were halted at the site in Oban but have now resumed and a cost pressure has been identified.</p>																			
What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:	<p>At present the Oban depot consolidation is progressing well, with the redeveloped Jackson’s Quarry site set to open for all services by the end of this calendar year.</p> <p>Attention then turns to Lochgilphead which should be completed by the end of financial year 20/21 and start to realise savings.</p>																			

SERVICE PACKAGE SAVING MARKED AS POTENTIAL SHORTFALL

Department:	Cross Council														
Service:	All														
Service Package:	Procurement														
Savings Reference:	CSS08/09														
Description of Option:	Increased focus by Procurement and Commissioning Team on contract and demand management by services. This will require a redesign of the PCT team but will not alter the overall number of FTE. Cashable savings coming from this new approach will be identified and removed from service budgets.														
Saving:	<table border="1"> <thead> <tr> <th>Saving</th> <th>2019-20 £000</th> <th>2020-21 £000</th> </tr> </thead> <tbody> <tr> <td>Saving approved</td> <td>250</td> <td>250</td> </tr> <tr> <td>Saving Achievable</td> <td>50</td> <td>9</td> </tr> <tr> <td>Shortfall</td> <td>200</td> <td>241</td> </tr> </tbody> </table>			Saving	2019-20 £000	2020-21 £000	Saving approved	250	250	Saving Achievable	50	9	Shortfall	200	241
Saving	2019-20 £000	2020-21 £000													
Saving approved	250	250													
Saving Achievable	50	9													
Shortfall	200	241													
Reason Why there is a Potential Shortfall in the Saving:	This saving is dependent on the number and type of contracts being tendered for which have the potential to achieve revenue savings through the procurement process. The target was agreed in 2019-20 by the Council however it has proved harder to achieve than was first anticipated and this is likely to be exacerbated by the impact of COVID-19 with tenders not expected to come in below budget.														
What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:	SMT are giving further consideration as to how this saving can be delivered.														

SERVICE PACKAGE SAVING MARKED AS HAVING A POTENTIAL SHORTFALL

Department:	Executive Director (Kirsty Flanagan)																			
Service:	Roads and Amenity Services																			
Service Package:	Stadiums																			
Savings Reference:	TB12b																			
Description of Option:	Review charges for stadiums to enable improvement work																			
Saving:	<table border="1"> <thead> <tr> <th>Saving</th> <th>2018-19 £000</th> <th>2019-20 £000</th> <th>2020-21 £000</th> </tr> </thead> <tbody> <tr> <td>Saving approved</td> <td>10</td> <td>20</td> <td>30</td> </tr> <tr> <td>Saving Achievable</td> <td>10</td> <td>10</td> <td>10</td> </tr> <tr> <td>Shortfall/(Over recovery)</td> <td>0</td> <td>10</td> <td>20</td> </tr> </tbody> </table>	Saving	2018-19 £000	2019-20 £000	2020-21 £000	Saving approved	10	20	30	Saving Achievable	10	10	10	Shortfall/(Over recovery)	0	10	20			
	Saving	2018-19 £000	2019-20 £000	2020-21 £000																
	Saving approved	10	20	30																
	Saving Achievable	10	10	10																
	Shortfall/(Over recovery)	0	10	20																
Reason Why there is a Potential Shortfall in the Saving:	<p>Possible shortfall in achieving 2020-21 target due reduction in bookings and closure of facilities due to COVID-19.</p> <p>Reduction in usage is due to more clubs booking all weather pitches at high schools.</p> <p>A cost pressure has been identified due to COVID-19. At this point in time it is unclear when these facilities will be able to reopen.</p>																			
What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:	<p>Due to Covid, discussions have stalled with partners in the Oban and Lorn area with regards to Mossfield stadium, to create a sports HUB, attract external funding to improve facilities and therefore attract additional events to the arena. Once restrictions are eased, the users group will reconvene and report to the steering group, which includes Tom Murphy and Paul Martin.</p> <p>There is a very keen users group established which represents various sports and also includes representation from BIDS4OBAN.</p>																			

SERVICE PACKAGE SAVING MARKED AS HAVING A POTENTIAL SHORTFALL

Department:	Executive Director (Kirsty Flanagan)																			
Service:	Roads and Infrastructure Services																			
Service Package:	Roads & Amenity Services charging (non-statutory services)																			
Savings Reference:	TB13b																			
Description of Option:	Introduce or increase charges for non-statutory services; carry out work for other organisations.																			
Saving:	<table border="1"> <thead> <tr> <th>Saving</th> <th>2018-19 £000</th> <th>2019-20 £000</th> <th>2020-21 £000</th> </tr> </thead> <tbody> <tr> <td>Saving approved</td> <td>10</td> <td>50</td> <td>150</td> </tr> <tr> <td>Saving Achievable</td> <td>10</td> <td>50</td> <td>50</td> </tr> <tr> <td>Shortfall/(Over recovery)</td> <td>0</td> <td>0</td> <td>100</td> </tr> </tbody> </table>				Saving	2018-19 £000	2019-20 £000	2020-21 £000	Saving approved	10	50	150	Saving Achievable	10	50	50	Shortfall/(Over recovery)	0	0	100
Saving	2018-19 £000	2019-20 £000	2020-21 £000																	
Saving approved	10	50	150																	
Saving Achievable	10	50	50																	
Shortfall/(Over recovery)	0	0	100																	
Reason Why there is a Potential Shortfall in the Saving:	<p>The original proposal was to introduce charges for providing lighting design; and increase charges by 20% for road construction consents, skips, scaffolds, hoarding, permits and licences.</p> <p>Whilst some additional income has been generated through third party works there have been limited opportunities over the last six months and opportunities are expected to be limited over the foreseeable future down in part to the existing resource being fully committed delivering programmes of work in what is effectively a reduced timeframe (construction works only being given permission to commence from 15 July).</p>																			
What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:	We will continue to seek opportunities to carry out third party work to generate additional income. However, 2020/21 is unlikely to see the £100k 'profit' generated.																			

SERVICE PACKAGE SAVING MARKED AS DELAYED

Department:	Executive Director (Kirsty Flanagan)																		
Service:	Development and Economic Growth																		
Service Package:	Building Standards																		
Savings Reference:	DEG05(a)																		
Description of Option:	Raise additional fees by adopting the current Building Cost Information Service (BCIS) guide for the cost of building work.																		
Saving:	<table border="1"> <thead> <tr> <th>Saving</th> <th>2020-21 £000</th> <th>2021-22 £000</th> <th>2022-23 £000</th> </tr> </thead> <tbody> <tr> <td>Saving approved</td> <td>50</td> <td>50</td> <td>50</td> </tr> <tr> <td>Saving Achievable</td> <td>0</td> <td>50</td> <td>50</td> </tr> <tr> <td>Shortfall/(Over recovery)</td> <td>50</td> <td>0</td> <td>0</td> </tr> </tbody> </table>			Saving	2020-21 £000	2021-22 £000	2022-23 £000	Saving approved	50	50	50	Saving Achievable	0	50	50	Shortfall/(Over recovery)	50	0	0
Saving	2020-21 £000	2021-22 £000	2022-23 £000																
Saving approved	50	50	50																
Saving Achievable	0	50	50																
Shortfall/(Over recovery)	50	0	0																
Reason Why there is a Potential Shortfall in the Saving:	Delay in achieving 2020-21 target due to the impact of Corona Virus on the building industry and the number of warrants. Reservations that the type of applications we receive may not realise sufficient additional income using the BCIS guide. This will be kept under review through the budget monitoring process.																		
What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:	<p>COVID has impacted on warrant and income levels, and indeed the commercial work we were receiving from other local authorities. Economic recovery will take some time and is not fully within our full control. To combat the implications of this the following steps are proposed:</p> <ul style="list-style-type: none"> • There is little if any ability to get these savings back on track in 20-21 but we will continually monitor the situation through budget monitoring. • We will ensure that the BCIS fees are consistently applied • We have written to other local authorities offering our commercial services and seeking clarification on likely demand. This will be ongoing. • If income levels are not being achieved in 21/22, the only option will be to reduce our staffing compliment through not filling vacancies, although this will require careful consideration, or to increase our commercial work. • There is a drive for increased visits for warrants by Building Standards Division, Scottish Government which will create additional work. We are piloting virtual inspections using digital connectivity to find efficiencies to undertake this work, where a virtual inspection is appropriate. 																		

SERVICE PACKAGE SAVING MARKED AS DELAYED

Department:	Executive Director (Kirsty Flanagan)																		
Service:	Roads and Amenity Services																		
Service Package:	Public Conveniences																		
Savings Reference:	TB09 & RAIS09																		
Description of Option:	Progress sustainable models including turnstiles and franchising; establish simpler asset transfer process																		
Saving:	<table border="1"> <thead> <tr> <th>Saving</th> <th>2018-19 £000</th> <th>2019-20 £000</th> <th>2020-21 £000</th> </tr> </thead> <tbody> <tr> <td>Saving approved</td> <td>10</td> <td>24</td> <td>28</td> </tr> <tr> <td>Saving Achievable</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Shortfall</td> <td>10</td> <td>24</td> <td>28</td> </tr> </tbody> </table>			Saving	2018-19 £000	2019-20 £000	2020-21 £000	Saving approved	10	24	28	Saving Achievable	0	0	0	Shortfall	10	24	28
Saving	2018-19 £000	2019-20 £000	2020-21 £000																
Saving approved	10	24	28																
Saving Achievable	0	0	0																
Shortfall	10	24	28																
Reason Why there is a Potential Shortfall in the Saving:	<p>The approach now agreed by the EDI Committee December 2018 is being progressed. Alternatives are being progressed including 'non-turnstile' gated options. With this unexpected change, unforeseen delays have been experienced.</p> <p>A further £4k saving was agreed at the February 2020 budget setting meeting.</p> <p>Due to COVID-19 all the public conveniences have been closed and are only now starting to gradually re-open. However a cost pressure has been identified for the additional cleaning regime which is being put in place to allow this re-opening. The pandemic has also delayed work on installation of the door entry systems which are not expected to be operational until spring 2021, and as such little income generation anticipated until then.</p>																		
What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:	<p>The EDI Committee in December 2018 considered a report reviewing the public convenience asset group. This report has sub-divided that group according to the evidence available on footfall, and has presented members with individual options to consider. This agreed to adopt the principle of charging at high footfall facilities; install honesty boxes at medium footfall facilities; and actively pursue community ownership options at those facilities identified as low use.</p>																		

SERVICE PACKAGE SAVING MARKED AS DELAYED

Department:	Executive Director (Douglas Hendry)																			
Service:	Commercial Services																			
Service Package:	Property Services																			
Savings Reference:	CS03																			
Description of Option:	Remodel Property Officer Team																			
Saving:	<table border="1"> <thead> <tr> <th>Saving</th> <th>2020-21 £000</th> <th>2021-22 £000</th> <th>2023-21 £000</th> </tr> </thead> <tbody> <tr> <td>Saving approved</td> <td>79</td> <td>79</td> <td>79</td> </tr> <tr> <td>Saving Achievable</td> <td>67</td> <td>79</td> <td>79</td> </tr> <tr> <td>Shortfall</td> <td>12</td> <td>0</td> <td>0</td> </tr> </tbody> </table>	Saving	2020-21 £000	2021-22 £000	2023-21 £000	Saving approved	79	79	79	Saving Achievable	67	79	79	Shortfall	12	0	0			
	Saving	2020-21 £000	2021-22 £000	2023-21 £000																
	Saving approved	79	79	79																
	Saving Achievable	67	79	79																
Shortfall	12	0	0																	
Reason Why there is a Potential Shortfall in the Saving:	Delays due to complications with the redundancy and selection process will result in the full 2020-21 savings having a shortfall of around £12k.																			
What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:	These complications have now been resolved, there will be a saving to harvest for 2020-21 and full year savings will be made thereafter.																			

SERVICE PACKAGE SAVING MARKED AS DELAYED

Department:	Executive Director (Kirsty Flanagan)																			
Service:	Roads and Amenity Services																			
Service Package:	Waste																			
Savings Reference:	TB14																			
Description of Option:	Waste services - increase commercial income; reduce costs of collection and disposal																			
Saving:	<table border="1"> <thead> <tr> <th>Saving</th> <th>2018-19 £000</th> <th>2019-20 £000</th> <th>2020-21 £000</th> </tr> </thead> <tbody> <tr> <td>Saving approved</td> <td>-130</td> <td>13</td> <td>286</td> </tr> <tr> <td>Saving Achievable</td> <td>0</td> <td></td> <td></td> </tr> <tr> <td>Shortfall</td> <td>-130</td> <td>tbc</td> <td>tbc</td> </tr> </tbody> </table>	Saving	2018-19 £000	2019-20 £000	2020-21 £000	Saving approved	-130	13	286	Saving Achievable	0			Shortfall	-130	tbc	tbc			
	Saving	2018-19 £000	2019-20 £000	2020-21 £000																
	Saving approved	-130	13	286																
	Saving Achievable	0																		
Shortfall	-130	tbc	tbc																	
Reason Why there is a Potential Shortfall in the Saving:	<p>As a direct result of COVID-19 commercial trading reduced significantly which has resulted in a corresponding reduction in commercial refuse collection income.</p> <p>It is currently unclear how quickly and to what extent the economy will recover which has a direct link to our refuse collection income.</p>																			
What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:	We are continuing to engage with the business community and where possible commercial contracts are being re-established.																			

SERVICE PACKAGE SAVING MARKED AS DELAYED

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

FINANCIAL RISKS ANALYSIS 2020-21

1 EXECUTIVE SUMMARY

- 1.1 The main purpose of this report is to provide a summary of the key financial risks facing the Council.
- 1.2 A number of Council wide risks, both revenue and capital have been identified along with risks for each department and service of the Council. For each departmental risk the financial impact has been quantified and the likelihood assessed based on the standard risk matrix.
- 1.3 The financial impact of COVID-19 has not been captured within this report as it has already been reported within Appendix 1 of the Financial Reports Monitoring Pack Report.
- 1.4 There are 5 Council wide revenue risks identified for 2020-21 currently amounting to £3.110m. The risk in relation to Council Tax has been categorised as Almost Certain because it has been included as an adverse projection in the monitoring and noted as a financial impact of COVID-19 within Appendix 1 of the Financial Reports Monitoring Pack. All other Council wide risks have been classified as unlikely. The risk in relation to the IJB referring to the Council for additional funding was previously categorised as possible due to the outturn over the previous three years, however, it has been confirmed that the mobilisation plan will be fully funded by the Scottish Government thus removing the risk of them reverting to the Council for any additional funding in 2020-21.
- 1.5 There are currently 39 departmental risks totalling £3.540m. Of the 39 departmental risks, one is categorised as likely with no risks categorised as almost certain.
- 1.6 The financial risks are monitored routinely and actions put in place to continue to mitigate the risks.

FINANCIAL RISKS ANALYSIS 2020-21

2. INTRODUCTION

- 2.1 This report outlines the process and approach developed in carrying out a financial risks analysis and provides a note of the current assessment of financial risks for 2020-21.

3 DETAIL

3.1 Introduction

- 3.1.1 The Council is currently in a period of significant financial challenge. In developing its budget to address both restricted resources and cost and demand pressures there are a number of financial risks the Council needs to consider and manage.

- 3.1.2 There are a number of risks that affect the income or expenditure across the whole council and these have been identified. Financial risks have been considered by each department and service of the Council.

- 3.1.3 For each risk, the financial impact has been quantified and the likelihood assessed based on the standard risk matrix as follows:

- 1 – Remote
- 2 – Unlikely
- 3 – Possible
- 4 – Likely
- 5 – Almost Certain

- 3.1.4 The Argyll and Bute Integrated Joint Board (IJB) with responsibility for Social Work and a range of Health services was established and came into effect on 1 April 2016. The IJB is responsible for financial and strategic oversight of these services. It is the responsibility of the IJB to consider the individual financial risks associated with Integration Services and they are therefore not contained within this report. A Council wide risk has been included in respect of the IJB being unable to deliver the social care service within the budget allocated.

3.2 Council Wide Risks

Revenue

- 3.2.1 The estimated level of council tax income is based on current and forecast Band D equivalents and non-payment rates. Current collection rates have been impacted by COVID-19 and an estimated £0.122m has been calculated as the forecast under-recovery for 2020-21 (an income under-recovery projection of £0.612m

offset by additional Scottish Government Funding of £0.490m to meet the increased costs of Council Tax Reduction in light of COVID-19). This figure has been included as an adverse projection in the budget monitoring and noted as a financial impact of COVID-19 within Appendix 1 of the Financial Reports Monitoring Pack.

- 3.2.2 At the budget meeting on 27 February 2020, the Council agreed 25 new policy savings options that would deliver savings over the period 2020-21 to 2022-23. The savings to be delivered in 2020-21 amount to £1.406m. Whilst the Council have a good track record in delivering savings, a 10% shortfall on this savings target would amount to £0.141m. COVID-19 has impacted on the delivery of savings options in 2020-21 and the impact of this has been included in the Council's COSLA returns and in Appendix 1 of the Financial Reports Monitoring Pack.
- 3.2.3 In respect of the Health and Social Care Partnership, it is the responsibility of the Chief Officer and Chief Financial Officer to manage the HSCP financial position. If an overspend is forecast, a budget recovery plan will be prepared and submitted to the IJB, the Council and NHS Highland. Where recovery plans are unsuccessful and an overspend occurs at the financial year end, and there are insufficient reserves to meet the overspend, then the partners will be required to make additional payments to the HSCP. Whilst any additional payments by the Council and NHS Highland will be deducted from future years funding, there is still a financial risk that the Council may have to pay out additional monies in year. At the end of 2019-20 the Social Work overspend was £1.141m. As at 31 December 2020, the net HSCP outturn in 2020-21 is estimated to be a £1.662m overspend however this included undelivered savings. The HSCP has contributed to a local mobilisation plan on a regular basis and it has been confirmed that these plans will be fully funded by the Scottish Government, including the impact of COVID on savings delivery, so this reduces the risk of them reverting to the Council for any additional funding.
- 3.2.4 Utility costs remain a volatile area and it is difficult to accurately predict how the prices for utilities could vary. The outturn in respect of utilities for 2019-20 was an underspend of £0.248m, however, the Council are coming to the end of some utilities contracts and therefore there is a risk that new contracts are more expensive due to rising prices. Due to the volatility of utilities pricing it is very difficult to predict any impact. The financial risk is based on a 10% variation in utility costs and amounts to £0.435m.
- 3.2.5 The Council wide risks are noted within the table below.

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

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

Capital

- 3.2.6 The finance settlement announcement on 6 February 2020 provided details of the Local Government funding for 2020-21 and there is therefore certainty as to what our funding is in respect of General Capital Grant and the specific capital grants already distributed.
- 3.2.7 The capital plan for 2020-21 includes an estimate of £1.202m in respect of capital receipts. This is based on an assessment provided by the Special Projects Team in January 2020. A 10% variation equates to £0.120m and this would require to be managed across the capital programme. There are some known liabilities/risks to the capital programme, however, it was agreed at the budget meeting in February 2020 to use the one-off loans fund reprofiling gain to mitigate these risks. COVID-19 has impacted on the timing of capital receipts, however it is expected that over the entire multi-year capital programme the level of income anticipated will be achieved.

3.3 Departmental/Service Risks

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

Department	1 - Remote		2 - Unlikely		3 - Possible		4 - Likely		5 - Almost Certain		Total	
	No	£000	No	£000	No	£000	No	£000	No	£000	No	£000
Chief Executive's Unit	0	0	1	125	3	215	0	0	0	0	4	340
Executive Director Douglas Hendry	2	20	6	364	8	755	1	200	0	0	17	1,339
Executive Director Kirsty Flanagan	2	120	4	364	12	1,377	0	0	0	0	18	1,861
Total	4	140	11	853	23	2,347	1	200	0	0	39	3,540

- 3.3.2 The current top three risks in terms of the financial impact are noted in the table below.

SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	LIKELIHOOD	FINANCIAL IMPACT £000
Commercial Services	Property - Central Repairs	Increased demands on central as a result of the decrease in capital funding available and increases in supplier/contractor charges.	3	300
Roads and Infrastructure Services	Roads Maintenance - Bridges, Culverts & Sea Defences	Extreme localised weather may result in loss of bridge, culvert, road or sea defence.	3	300
Roads and Infrastructure Services	Roads Maintenance - Roads Network	Adverse weather conditions result in deterioration of the road network necessitating greater spend on repair of defects.	3	230

3.3.3 The current top three risks in terms of the likelihood are noted in the table below.

SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	LIKELIHOOD	FINANCIAL IMPACT £000
Education	Central Repairs	Previously agreed savings result in budget for statutory and emergency repairs only.	4	200
Commercial Services	Property - Central Repairs	Increased demands on central as a result of the decrease in capital funding available and increases in supplier/contractor charges.	3	300
Roads and Infrastructure Services	Roads Maintenance - Bridges, Culverts & Sea Defences	Extreme localised weather may result in loss of bridge, culvert, road or sea defence.	3	300

3.4 Changes to Financial Risks since Budget Pack

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

3.5 Monitoring of Financial Risks

3.5.1 Financial risks will be reviewed and monitored on a two monthly basis and will be included in the pack of financial reports submitted to Policy and Resources Committee.

4 CONCLUSION

4.1 This report summarises the key financial risks facing the Council. There are a number of Council wide risks and 39 departmental risks identified; only 1 of the 39 departmental risks are categorised as likely with no risks categorised as almost certain. The financial risks are monitored routinely and actions put in place to continue to mitigate the risks.

5 IMPLICATIONS

- | | | |
|-----|------------------------|---|
| 5.1 | Policy - | None. |
| 5.2 | Financial - | The financial value of each risk is included within the appendix. |
| 5.3 | Legal - | None. |
| 5.4 | HR - | None. |
| 5.5 | Fairer Scotland Duty - | None. |
| 5.6 | Risk - | Financial risks are detailed within the appendix. |
| 5.7 | Customer Service - | None. |

Kirsty Flanagan
Section 95 Officer
8 February 2021

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

APPENDICES

Appendix 1 – Detail of Department/Service financial risks.

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2020

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 October 2020		As at 31 December 2020	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Executive Director Douglas Hendry	Education	Pre-Five Units - retention of partner providers	Failure in the commissioning or retention of pre-five partner provider units to deliver 1140 hours would result in an increased pressure on the Council to deliver the service.	Annual financial appraisal; Support network; Short-term cash injections.	3	100	3	100
Executive Director Douglas Hendry	Education	Central Repairs	Previously agreed savings result in budget for statutory and emergency repairs only.	Regular liaison with Property Services re prioritisation and commitment of in-year spend.	4	200	4	200
Executive Director Douglas Hendry	Education	Legislative Requirements - Education (Scotland) Act	Education (Scotland) Act 2000 was enacted March 2016. This places additional requirements on Councils in terms of Gaelic Education.	Monitoring developments of the implementation of the Act and statutory guidance produced.	3	50	3	50
Executive Director Douglas Hendry	Education	Legislative Requirements - Children and Young People (Scotland) Act - ELC 1140 hours	The Council has a requirement to deliver 1140 hours of Early Learning and Childcare by 2021. The Scottish Government has committed to funding this and the Council has altered their implementation plan to align it to the Scottish Government funding profile. A risk remains that actual costs of delivery exceed the Government Grant in any given year. For example, if child numbers are higher than estimated, this may require additional staffing which has not been built into the staffing model funded by Scottish Government.	The timeline of the implementation plan has been revised to align with the Scottish Government funding profile. Continuous monitoring and review of the implementation plan and resources.	2	100	2	100
Executive Director Douglas Hendry	Education	ASN Support	Demand for ASN support continues to increase, resulting in an additional resource requirement.	Scottish Government has given additional funding for "additional support needs priority for learning" and this has been built into the budget, this will help reduce the demand risk	3	100	3	100
Chief Executive's Unit	Financial Services	Housing Benefit Subsidy	Loss of Housing Benefit Subsidy due to exceeding LA error threshold.	Processes in place for handling of claims accurately and efficiently.	2	125	2	125
Chief Executive's Unit	Financial Services	Sundry Debt Recovery	Recovery of debt becomes more difficult to pursue in the current economic climate.	Robust monitoring of arrangements with debt collection agency. Joint working with Legal Services to assist services with the recovery of aged debt.	3	85	3	85

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2020

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 October 2020		As at 31 December 2020	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Chief Executive's Unit	Financial Services	Council Tax Debt Collection Recovery	Recovery of debt becomes more difficult to pursue in the current economic climate.	Robust monitoring of arrangements with debt collection agency and performance against target collection rates.	3	100	3	100
Chief Executive's Unit	Financial Services	Non-Domestic Rates Relief	Risk of demand changing due to legislative changes outwith our control or new charitable businesses.	Outwith direct management control.	3	30	3	30
Executive Director Kirsty Flanagan	Customer Support Services	Software Licences	Potential risk of being underlicensed for software which will be identified via software audits.	ICT security and compliance officer in post and duties include review of systems to ensure fully licenced.	2	100	2	100
Executive Director Douglas Hendry	Commercial Services	Property - Central Repairs	Increased demands on central as a result of the decrease in capital funding available and increases in supplier/contractor charges.	Joint strategy with procurement colleagues to reduce potential impact of supplier/contractor charges. Close monitoring of central repairs budgets and commitments and instructing only essential repairs.	3	300	3	300
Executive Director Douglas Hendry	Commercial Services	Catering Costs - Provision of Meals to Early Years Children	The Children and Young People (Scotland) Act places duties on Councils to provide meals in an Early Years setting to entitled children where sessions span over lunch time. The total quantum of funding of £1.2m may not be sufficient to fund the additional costs depending on uptake and the additional costs to support the meal provision in partner provider settings.	Joint strategy with Education colleagues to implement requirements and closely monitor financial implications. Costs likely to be contained within overall early years funding allocation.	3	100	3	100
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	School and Public Transport - provider charges	Increased provider charges	Joint strategy with procurement colleagues to reduce potential impact.	3	150	3	150

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2020

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 October 2020		As at 31 December 2020	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Executive Director Douglas Hendry	Commercial Services	Catering Purchases	Increased supplier charges. This estimate does not include the additional risk to food cost and uptake from the changes to food and drink standards in schools.	Joint strategy with procurement colleagues to reduce potential impact. Control food wastage/portion controls.	2	60	2	60
Executive Director Douglas Hendry	Legal and Regulatory Support	Elections	More than 1 by-election required outwith standard election cycle.	Outwith direct management control.	2	34	2	34
Executive Director Douglas Hendry	Legal and Regulatory Support	Licensing	Reduced numbers of licensing applications leading to reduced income.	Monitoring of trends.	3	30	3	30
Executive Director Douglas Hendry	Legal and Regulatory Support	Children's Panel	Increased number of referrals.	Liaise with Community Services colleagues to maximise council facilities/resources in the first instance.	1	10	1	10
Executive Director Douglas Hendry	Legal and Regulatory Support	Legal Services	Failure to minimise Council wide use of external legal advice.	Ensure legal services are gateway to access all legal advice.	1	10	1	10
Executive Director Douglas Hendry	Legal and Regulatory Support	Contract RPI for NPDO and Hub Schools	Increase in RPI.	Monitoring annual alteration to contract RPI rate and mitigation through financial forecasting and review of existing budget.	2	100	2	100
Executive Director Douglas Hendry	Commercial Services	Surplus Properties	Ongoing market difficulties lead to increased numbers of surplus properties, there are residual running costs associated with surplus properties.	One Council property team now in place.	3	50	3	50
Executive Director Douglas Hendry	Commercial Services	Rental Income from Properties	Due to current economic climate there may be reduced ability to recover rental income from leased properties or place suitable tenants in properties as leases come to an end.	Management of leasehold properties by Estates team, any issues with debt recovery being dealt with in line with Council debt recovery policy.	2	20	2	20
Executive Director Douglas Hendry	Commercial Services	Leisure Trust - Management Fee	Increase in RPI - inflation on Employee Costs.	Monitoring annual alteration to contract RPI rate and mitigation through financial forecasting and review of existing budget.	2	50	2	50

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2020

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 October 2020		As at 31 December 2020	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Executive Director Douglas Hendry	Commercial Services	Leisure Service Level Agreements	Increase in RPI - requests for additional funding.	Monitoring annual alteration to contract RPI rate and mitigation through financial forecasting and review of existing budget.	3	25	3	25
Executive Director Kirsty Flanagan	Development and Economic Growth	Airfields and Air Services - fuel costs	Increased fuel costs on PSO flights being passed onto the Council.	Council have procured self provision fuel tank at Oban Airport and site works are underway. This will reduce external commercial fuel costs.	3	30	3	30
Executive Director Kirsty Flanagan	Development and Economic Growth	Airfields and Air Services - usage	Reduced number of aircraft using the airports.	Monitor usage and market the facilities e.g. through website and Facebook, provision of marketing materials and regular awareness raising events. It is hoped that the supply of fuel at the facility will attract more customers.	2	10	2	10
Executive Director Kirsty Flanagan	Development and Economic Growth	Homelessness Temporary Accommodation Income	Introduction of Universal Credit has an impact on the level and method of benefits recovered for temporarily accommodated individuals.	Provision of Housing Options information and advice service to minimise number of applicants proceeding to full homeless application.	3	25	3	25
Executive Director Kirsty Flanagan	Development and Economic Growth	Dangerous Buildings interventions	Deal in Building Standards with an increasing level of dangerous building work which has significant financial implications for Council	Monitor activity and seek to recover costs from the owner.	3	100	3	100
Executive Director Kirsty Flanagan	Development and Economic Growth	Planning fees reduced by Scottish Government	Planning revenue budgets negatively affected by Better Regulation Bill. Scottish Government reducing planning fees due to poor performance by the Planning Authority.	Maintain high levels of performance as articulated by performance markers detailed in Planning Performance Framework annual report.	1	100	1	100
Executive Director Kirsty Flanagan	Development and Economic Growth	Planning fee shortfalls	Due to downturn in economic / building activity, in particular renewable energy development and other major developments could lead to planning fee income shortfalls leading to revenue budget pressures.	Continue to monitor Development Management income and expenditure tightly and investigate further income generation streams. Lobby Scottish Ministers through professional organisations to increase planning fees to a sustainable level.	3	100	3	100
Executive Director Kirsty Flanagan	Development and Economic Growth	Building Warrant fee shortfalls	Due to downturn in economic / building activity, building warrant fee income shortfalls leading to revenue budget pressures.	Continue to monitor Building Standards income and expenditure tightly and investigate further income generation streams.	3	75	3	75

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2020

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 October 2020		As at 31 December 2020	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Executive Director Kirsty Flanagan	Development and Economic Growth	Animal Health	Carrying out livestock seizure to protect welfare of the animals	Monitor activity and seek to recover costs from the disposal of the animals.	1	20	1	20
Executive Director Kirsty Flanagan	Development and Economic Growth	Environmental Health- export certificates	Downturn in requests for export certificates as a result of UK withdrawal from EU, changes to international trading agreements or business economy	Monitor activity and continue to support businesses through approvals, food safety regulation engagement, and support at 3rd country audits.	2	130	2	130
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Ferry Services - income	Changes to ferry services resulting in reduced passenger income.	Ensure that ferry operators are charged for the correct number of passengers	3	40	3	40
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Roads Maintenance - Roads Network	Adverse weather conditions result in deterioration of the road network necessitating greater spend on repair of defects.	Manage maintenance budgets to ensure that spend is prioritised to deal with safety defects.	3	230	3	230
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Street Lighting	Age of lighting stock requires greater maintenance as health and safety becomes a consideration.	Manage maintenance budgets to ensure that spend is prioritised to deal with safety defects.	3	100	3	100
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Roads Maintenance - Bridges, Culverts & Sea Defences	Extreme localised weather may result in loss of bridge, culvert , road or sea defence.	Routine inspections to deal with potential weak areas - based on a stitch in time repair regime.	3	300	3	300
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Winter Maintenance	Adverse weather conditions which require greater than budgeted number of gritting runs.	Monitor weather conditions and apply gritting policy to minimise costs.	3	200	3	200
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Strathclyde Partnership for Transport (SPT)	SPT have highlighted a significant deficit likely to accrue under the current circumstances due to lack of income. As a partner organisation that normally contributes 1.18% of their running costs, there is a possibility that SPT will make an approach to Argyll and Bute Council to fund up to £124k of the deficit.	At this stage, SPT are making their approaches for assistance directly to Transport Scotland so there is no definite obligation at this time.	2	124	2	124
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Waste Disposal	Re-tender for island haulage and potential for increased prices	Competitive tendering process may assist in minimising the impact of increased prices	3	27	3	27
					39	3,540	39	3,540

CAPITAL BUDGET MONITORING REPORT – 31 DECEMBER 2020

1 EXECUTIVE SUMMARY

1.1 This provides an update on the position of the capital budget as at 31 December 2020. The report provides information on the financial position in respect of the capital plan and also the performance in terms of delivery of capital plan projects.

Variances in the financial position have been split to show the value relating to the impact of the COVID-19 pandemic.

1.2 Financial Position:

- **Current Year to Date** – actual net expenditure to date is £10,380k compared to a budget for the year to date of £10,338k giving rise to an overspend for the year to date of £42k (0.4%).
- **Forecast Outturn for 2020-21** – forecast net expenditure for the full financial year is £12,357k compared to an annual budget of £18,718k giving rise to a forecast underspend for the year of £6,361k (34.0%).
- **Total Capital Plan** – the forecast net project costs on the total capital plan are £207,387k compared to a total budget for all projects of £204,824k giving rise to a forecast overspend for the overall capital plan of £2,563k (1.25%). £1,510k is specifically linked to overspends as a result of the COVID-19 pandemic.

1.3 The largest projects contributing to the total capital plan variance of £2,563k are:

- £2,175k relating to Rothesay Pavilion. Furthermore £1,510k of the overspend within Rothesay Pavilion relates to COVID-19 and is being reported to COSLA via the returns submitted in order to identify the requirement for extra funding in relation to the pandemic. Costs in relation to this project are currently being revised by the Project Manager and an updated position will be provided within the next monitoring period once these have been reviewed. A separate paper on the Rothesay Pavilion project is on the agenda for this Policy and Resources Committee with further updates.
- £330k relating to Early Learning and Childcare. £238k of this relates to old Early Learning and Childcare projects and £92k relates to the current 1140 hours projects.

1.4 Project Managers are working to identify underspends elsewhere within the capital programme to fund the remaining smaller overspends which should remove this element of the projection in future months.

1.5 **Project Delivery:**

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

1.6 **Funding:**

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

Due to the COVID-19 outbreak it is anticipated there will be a significant impact on the estimated capital receipts in 2020-21. It is hoped this will correct itself over the subsequent two years and therefore overall there would be no impact to the longer term capital programme. The position will continue to be monitored on an ongoing basis, however there is an estimated delay of £475k in capital receipts during 2020-21 as a result of this.

2 INTRODUCTION

- 2.1 This provides an update on the position of the capital budget as at 31 December 2020. The report provides information on the financial position in respect of the capital plan and also the performance in terms of delivery of capital plan projects.

Variances in the financial position have been split to show the value relating to the impact of the COVID-19 pandemic.

3 RECOMMENDATIONS

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

4 CURRENT YEAR TO DATE FINANCIAL POSITION

4.1 Overall Position

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

Project/Department Position

4.2

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

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

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

5 FORECAST OUTTURN 2020-21

5.1 Overall Position

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

5.2 Project/Department Position

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

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

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

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

6 TOTAL PROJECT COSTS

6.1 Overall Position

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

The largest projects contributing to the this variance are:

- £2,175k relating to Rothesay Pavilion. Furthermore £1,510k of the overspend within Rothesay Pavilion relates to COVID-19 and is being reported to COSLA via the returns submitted in order to identify the requirement for extra funding in relation to the pandemic. Costs in relation to this project are currently being revised by the Project Manager and an updated position will be provided within the next monitoring period once these have been reviewed.
- £330k relates to Early Learning and Childcare. £238k of this relates to old Early Learning and Childcare projects and £92k relates to the current 1140 hours projects.

6.2 Project Managers are working to identify underspends elsewhere within the capital programme to fund the remaining smaller overspends which should remove this element of the projection in future months.

6.3 Project/Department Position

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

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

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

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

7 TOTAL PROJECT PERFORMANCE

7.1 Overall Position

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

7.2 Project Position

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

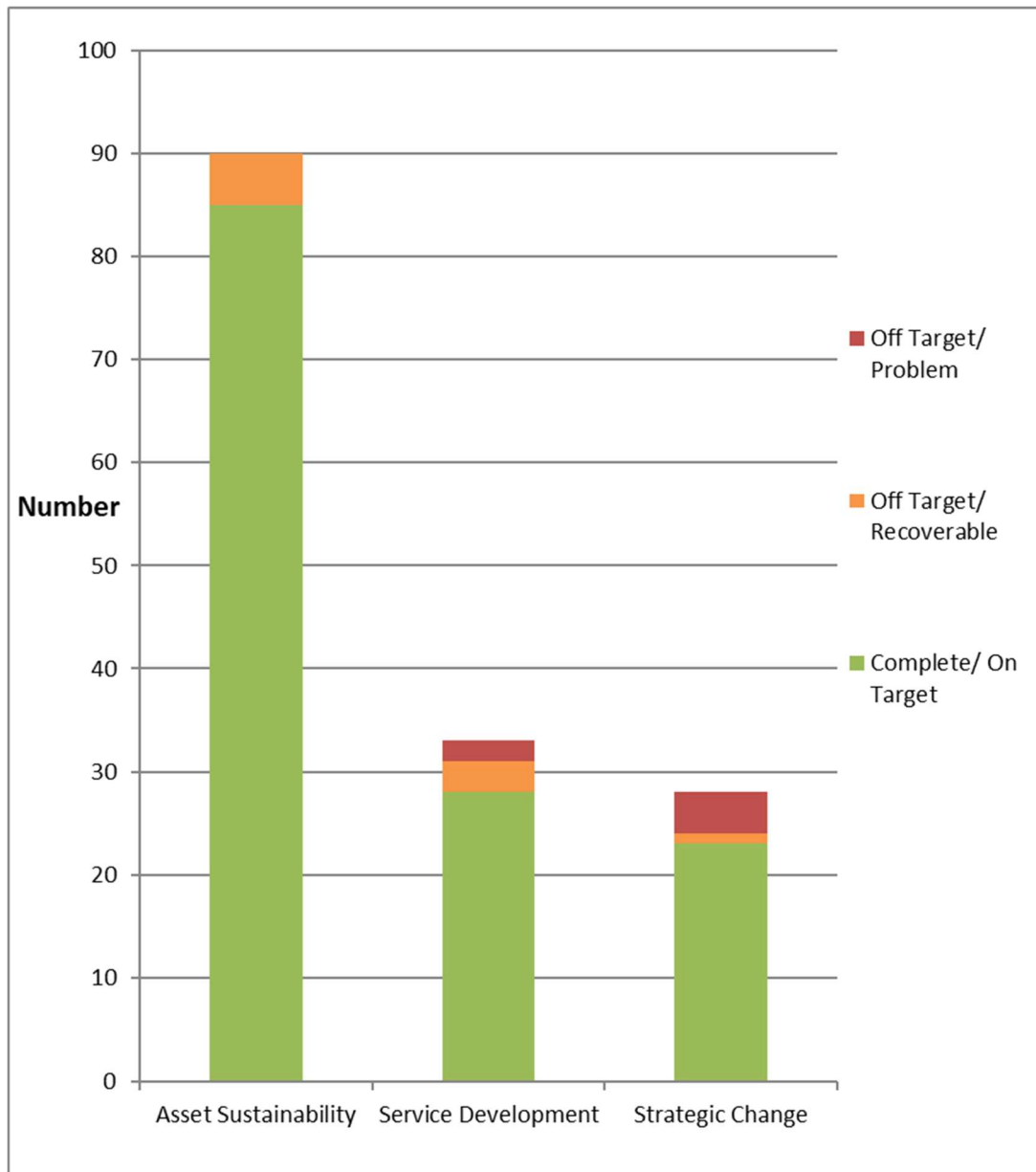
6 projects are off target, 1 of which is linked to overspends due to the COVID-19 pandemic along with other issues out-with and 3 that relate to slippage due to the COVID-19 pandemic.

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

Appendix 7 provides further information in relation to Strategic Change Projects

7.3 Chart of Performance Status

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



8 OFF TRACK PROJECTS

- 8.1 The Off Track projects are noted in the table below and variance reports are included in Appendix 6.

Project Type	Project	What is Off Track?	Explanation
Strategic Change	CHORD Rothesay	Total Project Expenditure	Additional costs due to contractor going into administration and additional works due to asbestos as well as additional costs linked to the COVID-19 pandemic. Costs are currently being revised by the Project Manager as new quotes have been received and an updated position will be provided within the next monitoring period.
Service Development	Early Learning and Childcare	Total Project Expenditure	Acceptable solutions to Early Years requirements are proving more expensive than anticipated and may also include an element of increased cost due to the impact of Covid-19.

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

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

9 STRATEGIC CHANGE PROJECTS

- 9.1 Appendix 7 gives detailed information in respect of the Strategic Change Projects within the Capital Plan. The appendix gives details of the forecast cost of the project against the approved budget, the start and anticipated completion date of the project and an assessment of the risks of the project and if these are not green gives an explanation of the problem.

10 CHANGES TO CAPITAL PLAN

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

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

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

11 FUNDING

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

- 11.2 Due to the COVID-19 outbreak it is anticipated there will be a significant impact on the estimated capital receipts in 2020-21. It is hoped this will correct itself over the subsequent two years and therefore overall there would be no impact to the longer term capital programme. The position will continue to be monitored on an ongoing basis, however there is an estimated delay of £475k in capital receipts during 2020-21 as a result of this.

12 APPENDICES

Appendix 1 – Year to date finance variance explanations

Appendix 2 – Forecast Outturn variance explanations

Appendix 3 – Total Project finance variance explanations

Appendix 4 – Changes to Capital Plan and Financial Impact

Appendix 5 – Capital Funding

Appendix 6 – Off track project variance reports

Appendix 7 – Cumulative spend, completion dates and risks relating to significant capital projects.

Appendix 8 – Financial Summary – Overall

-- Financial Summary – Executive Director Kirsty Flanagan

-- Financial Summary – Executive Director Douglas Hendry

Appendix 9 – Updated/Revised Capital Plan

Kirsty Flanagan
Section 95 Officer
8 February 2021

**Councillor Gary Mulvaney, Depute Council Leader – Policy Lead for
Financial Services and Major Projects**

APPENDIX 1 – Year to Date Finance Variance Explanations

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

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

APPENDIX 2 – Forecast Outturn Variance Explanations

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

Project	Annual Budget £'000	Outturn £'000	(Over)/ Under Forecast Variance COVID-19 Related £'000	(Over)/ Under Forecast Variance Non COVID-19 Related £'000	Total (Over)/ Under Forecast Variance £'000	Explanation
Helensburgh Waterfront Development	6,124	6,878	0	(754)	(754)	Forecast updated in line with contractor spend profile, where favourable progress has been made to date. Budget accelerated from 2021-22.
Helensburgh Waterfront Development – Income	(297)	(132)	0	(165)	(165)	Budget slipped to reflect S75 income won't be received until 2021-22.
CHORD - Rothesay	130	531	(401)	0	(401)	Additional costs due to contractor going into administration and additional works due to asbestos. Costs in relation to this project are currently being revised by the Project Manager and an updated position will be provided within the next monitoring period once these have been reviewed.
CHORD – Rothesay - Income	(1,620)	(806)	0	(814)	(814)	Budget slipped to reflect element of external income won't be received until 2021-22.
Helensburgh Public Realm - Arts Strategy Fund	53	0	0	53	53	Grant fund that will be opened up for applications in future years once staff resources allow.
Burnett Building	136	26	0	110	110	Slippage due to unsatisfactory performance from Consultant Engineer. Survey works now instructed to an alternative consultant.
Secondary Schools	264	127	137	0	137	Unsuccessful tender exercise and Covid-19 meant that school holiday period was missed for works to take place. Budget slipped into 2021-22.
Block Allocation – Shared Offices	486	286	0	200	200	Replacement of suspended ceilings at Kilmory Castle deferred to future years.
Lighting	264	50	0	214	214	Programme of work still to be identified. Budget slipped into 2021-22.
Tigh An Rudha HFE	294	74	100	120	220	Difficulty in procuring specialist designer for sprinkler system and restriction on island visits due

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

APPENDIX 3 – Total Project Finance Variances

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

Project	Capital Plan Budget £'000	Forecast Project Costs £'000	Capital Plan Variance Related to COVID-19 £'000	Capital Plan Variance Non Related to COVID-19 £'000	Total Capital Plan Variance £'000	Explanation
CHORD Rothesay	14,420	16,595	(1,510)	(665)	(2,175)	Additional costs due to contractor going into administration and additional works due to asbestos. Costs in relation to this project are currently being revised by the Project Manager and an updated position will be provided within the next monitoring period once these have been reviewed.
Early Learning and Childcare – 1140 Hours	7,272	7,364	0	(92)	(92)	Acceptable solutions to Early Years requirements are proving more expensive than anticipated and may also include an element of increased cost due to the impact of Covid-19
Early Learning and Childcare – 600 Hours	4,282	4,520	0	(238)	(238)	Overspend in historical ELC projects. Service working to identify where this can be funded from.
Other Variances			0	(58)	(58)	Total value of non-material variances less than +/-£50k
Total			(1,510)	(1,053)	(2,563)	

APPENDIX 4 – Changes to Capital Plan and Financial Impact
OVERALL COST CHANGES

Project	2019-20 £'000	2020-21 £'000	2021-22 £'000	Future Years £'000	Total Capital Plan £'000	Recommendation	Explanation
Total Cost Changes	0	0	0	0	0		

SLIPPAGES AND ACCELERATIONS

Project	2020-21 £'000	2021-22 £'000	2022-23 £'000	Future Years £'000	2020-21 Slippage Related to COVID- 19 £'000	2020-21 Slippage Related to Non COVID- 19 £'000	Total 2020- 21 £'000	Recommendation	Explanation
Flood Prevention	1	(1)			0	1	1	Accelerate budget into 20-21	Previous slippage too high
Campbeltown Old Quay	(43)	43			(43)	0	(43)	Slip budget into 21-22	New contract to be awarded for retention works as agreed with main contractor. Delayed due to Covid-19.
Campbeltown Flood Scheme	(36)	36			(36)	0	(36)	Slip budget into 21-22	Design and topographical surveys delay due to Covid-19.
CHORD - Oban	(666)	666			(240)	(426)	(666)	Slip budget into 21-22	Staff resourcing issues causing delays and COVID-19 impact delaying contract close out.
Primary Schools	(268)	268			(268)	0	(268)	Slip budget into 21-22	Variance due to Impact of Covid-19 and loss of Summer 2020 for execution of works. Expenditure shifted to 21/22.
Secondary Schools	(137)	137			(137)	0	(137)	Slip budget into 21-22	Unsuccessful tender exercise and Covid-19 meant that school holiday period was missed for works to take place.

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

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

CAPITAL PROGRAMME FUNDING

Appendix 5

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

BREAKDOWN OF ADDITIONAL FUNDING

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

OFF TRACK PROJECT

Appendix 6

Project Name: Rothesay Pavilion**Project Manager:** Jonathan M Miles**Risk:** High**Initial Start Date:** 29th November 2017**Proposed End Date:** June 2020 – due to COVID-19 will run beyond this date. Forecast: March 2022.**How this project was initially funded?** 1. A&BC: £5,689,000 (inc. RPC Underwriting £268, 243); 2. HLF: £4,187,500 3. HLF Volunteer Time £50,900; 4. ERDF: £1,055,602; 5. HIE: £750,000; 6. HES: £750,000; 7. RCGF: £625,000; 8. CCF: £600,000 9. West Coast Foundation (Johnny Bute) £116,957; 10. Scottish Landfill Communities Fund: £20,000.**Please detail any additional funding.** N/A**Total Approved Budget: £13,844,959.****Previously Reported Committee and Date:** Bute and Cowal Area Committee: Briefing dated 14th September 2020.**Next Reported Committee and Date:** n/a**Why is the project classified as off target?**

The project is classified as off track as it is running behind schedule and over budget.

What has caused the issue outlined above?

Asbestos removal and reinstatement works in the Main Hall created delays in the project timeline as well as additional costs. The impact of COVID-19 has been significant as the Main Contractor undertaking the works has been placed into administration. This has resulted in additional consultant costs due to work being halted on site and being unable to engage a new contractor due to lockdown restrictions.

What action will be taken to rectify this issue?

The service have developed a 5 Stage plan to deliver the project as outlined in the Committee Briefing dated 14th September 20. They have also modelled various scenarios to provide members with a comparison of the Cost v's Budget position for the original contract with CBC compared to a possible new contract to complete the works. **It must be cautioned that the scenarios are high level soft cost estimates, and do not provide the level of robustness, nor the same degree of cost certainty that a Pre-Tender Estimate will.**

In addition further guidance is being sought from the industry on the impact on productivity and therefore programme, following the introduction of measures as a result of COVID-19.

What are the implications of the action proposed?

The actions being considered will aim to provide the Council with sufficient financial and programme information to make informed decisions on the way forward and mitigate further financial and time risks as far as possible.

OFF TRACK PROJECT

Appendix 6

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

Anticipated overspend.

What has caused the issue outlined above?

Acceptable solutions to Early Years requirements are proving more expensive than anticipated and in the future may also include an element of increased cost due to the impact of Covid-19. However this is not known at this stage therefore none of this overspend has been designated as COVID-19 related at this stage.

What action will be taken to rectify this issue?

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

What are the implications of the action proposed?

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

OFF TRACK PROJECT

Appendix 6

Project Name: Harbour Investment Programme**Project Manager:** Stewart Clark**Risk:** Low**Initial Start Date:** 2016**Proposed End Date:** 2026**How was this project initially funded?** Prudential Borrowing**Please detail any additional funding.** n/a**Previously Reported Committee and Date:** n/a**Next Reported Committee and Date:** n/a**Why is the project classified as off target?**

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

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

What has caused the issue outlined above?

Generally, programme slippage.

What action will be taken to rectify this issue?

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

What are the implications of the action proposed?

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

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

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

OFF TRACK PROJECT

Appendix 6

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

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

What has caused the issue outlined above?

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

What action will be taken to rectify this issue?

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

What are the implications of the action proposed?

Acceleration of project expenditure.

OFF TRACK PROJECT

Appendix 6

Project Name: Fleet – Prudential Borrowing**Project Manager:** John Blake**Risk:** Low**Initial Start Date:** 2018-19**Proposed End Date:** 2021-22**How was this project initially funded?** Prudential Borrowing**Please detail any additional funding.** n/a**Previously Reported Committee and Date:** n/a**Next Reported Committee and Date:** n/a**Why is the project classified as off target?**

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

What has caused the issue outlined above?

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

What action will be taken to rectify this issue?

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

What are the implications of the action proposed?

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

OFF TRACK PROJECT		Appendix 6
Project Name: Oban CHORD	Project Manager: Kirsteen Macdonald	Risk: Low
Initial Start Date: 2016-17	Proposed End Date: 2021-22	
How was this project initially funded? Capital Plan	Please detail any additional funding. n/a	
Previously Reported Committee and Date: n/a	Next Reported Committee and Date: n/a	
Why is the project classified as off target?		
Current year expenditure underspend to be slipped into 2021-22.		
What has caused the issue outlined above?		
Delays due to staff resources being utilised on COVID-19 issues alongside delays in contracts completions due to COVID-19 lockdown restrictions.		
What action will be taken to rectify this issue?		
Budget will be slipped into 2021-22.		
What are the implications of the action proposed?		
n/a		

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

APPENDIX 7

Strategic Change Projects	Capital Expenditure				Dates		Project Risks Identified	Risks
	Prior Years Spend £'000	Current Year Forecast £'000	Total Project Forecast £'000	Total Project Budget £'000	Project Start Date	Estimated Completion Date		Explanation if not Green
CHORD Rothesay	8,104	531	-2,175	16,020	01/04/2015	31/03/2021	Red	Additional costs due to contractor going into administration and additional works due to asbestos. There are also additional costs linked to the COVID-19 pandemic.
Harbour Investment Programme	1,802	860	0	0	01/04/2017	31/03/2028	Red	Design work on Rothesay Harbour complete but majority of works will take place next year.
CHORD Oban	7,129	72	0	7,905	27/10/2016	31/03/2021	Red	Staff resourcing issues causing delays and COVID-19 impact delaying contract close out.
Helensburgh Waterfront Development	1,387	6,878	0	22,367	01/04/2017	31/03/2024	Red	Budget accelerated from future years. Forecast updated in line with contractor spend profile, where favourable progress has been made to date.
Campbeltown Flood Scheme	181	300	0	0	01/08/2016	31/03/2023	Amber	Design and topographical surveys delay due to Covid-19.
Street Lighting LED Replacement	2,700	100	0	0	01/08/2016	31/03/2021	Green	
TIF - Oban Airport Business Park	447	31	0	0	22/01/2015	31/12/2021	Green	
Helensburgh Office Rationalisation	11,500	3	0	11,838	25/04/2013	31/03/2021	Green	
TIF - North Pier Extension	214	0	0	0	06/12/2017	06/12/2021	Green	
TIF - Lorn/Kirk Road	1,959	32	0	0	22/01/2015	31/03/2021	Green	
Dunoon Primary	7,170	301	0	10,869	18/12/2014	30/04/2020	Green	Project essentially complete - final minor snagging works outstanding
Replacement of Oban High	2,496	320	0	3,250	24/04/2014	31/01/2019	Green	Project essentially complete - final minor snagging works outstanding
Campbeltown Schools Redevelopment	1,649	479	0	2,130	16/02/2012	30/11/2018	Green	Project essentially complete - final minor snagging works outstanding
Kirn Primary School	9,878	236	0	10,119	24/04/2014	31/10/2017	Green	Project essentially complete - final minor snagging works outstanding
CHORD Dunoon	12,238	161	0	12,540	03/02/2012	09/03/2018	Green	Project essentially complete - final minor snagging works outstanding
Carbon Management - Group Heating Conversion Project	1,938	10	0	1,948	01/02/2016	31/03/2019	Green	Project is complete
CHORD - Helensburgh	6,483	70	0	6,557	29/09/2011	30/04/2015	Green	Project is complete
Carbon Management - Non Education	14	36	0	50	01/04/2015	31/03/2022	Green	
Carbon Management Business Cases	201	60	0	261	01/02/2014	31/03/2022	Green	
NPDO Schools Solar PV Panel Installations	761	183	0	944	26/06/2014	31/03/2019	Green	Project is complete
Non NPDO Schools Solar PV Panel Installations	400	88	0	488	20/03/2014	31/03/2019	Green	Project is complete
Carbon Management Fuel Conversions	107	0	0	107	01/02/2014	31/03/2019	Green	Project is complete
Carbon Management Capital Property Works 2016/17	19	20	0	39	01/02/2016	31/03/2022	Green	
Kilmory Biomass Carbon Management	956	0	0	956	20/09/2012	31/03/2019	Green	Project is complete
Oil to Gas Heating Conversions	182	5	0	187	01/02/2012	31/03/2021	Green	
Campbeltown Office Rationalisation	595	1	0	596	01/02/2015	31/03/2019	Green	Project is complete
Rothesay Office Rationalisation	0	10	0	10	01/09/2018	31/03/2021	Green	
Dunoon Pier OBC	2,844	0	0	2,844	03/02/2012	26/02/2016	Green	Project is complete
Strategic Change Total	83,354	10,787	-2,175	112,025				

Project Risk Classifications:

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

Amber - Risks are increasing but are still manageable.

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

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT - OVERALL COUNCIL

Appendix 8

FINANCIAL SUMMARY - NET EXPENDITURE

31 December 2020

	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Budget £000s	Actual £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s
EXPENDITURE									
Asset Sustainability Projects									
Executive Director Douglas Hendry	1,106	1,155	(49)	6,623	4,534	2,089	17,992	18,020	(28)
Executive Director Kirsty Flanagan	4,800	4,784	16	7,384	7,171	213	23,769	23,769	0
Asset Sustainability Total	5,906	5,939	(33)	14,007	11,705	2,302	41,761	41,789	(28)
Service Development Projects									
Executive Director Douglas Hendry	965	965	0	1,569	1,395	174	14,086	14,429	(343)
Executive Director Kirsty Flanagan	2,179	2,188	(9)	6,911	3,590	3,321	72,151	72,214	(63)
Service Development Total	3,144	3,153	(9)	8,480	4,985	3,495	86,237	86,643	(406)
Strategic Change Projects									
Campbeltown Schools Redevelopment	372	372	0	479	479	0	2,130	2,130	0
Dunoon Primary	47	47	0	301	301	0	10,869	10,869	0
Replacement of Oban High	187	187	0	320	320	0	3,250	3,250	0
Kirn Primary School	20	20	0	236	236	0	10,119	10,119	0
Carbon Management - Non Education	0	0	0	36	36	0	50	50	0
Carbon Management Business Cases	0	0	0	60	60	0	261	261	0
NPDO Schools Solar PV Panel Installations	0	0	0	183	183	0	944	944	0
Non NPDO Schools Solar PV Panel Installations	0	0	0	88	88	0	488	488	0
Carbon Management Fuel Conversions	0	0	0	0	0	0	107	107	0
Carbon Management Capital Property Works 2016/17	0	0	0	20	20	0	39	39	0
Carbon Management - Group Heating Conversion Project	0	0	0	10	10	0	1,948	1,948	0
Kilmory Biomass Carbon Management	0	0	0	0	0	0	956	956	0
Oil to Gas Heating Conversions	0	0	0	5	5	0	187	187	0
Campbeltown Office Rationalisation	0	0	0	1	1	0	596	596	0
Helensburgh Office Rationalisation	3	3	0	3	3	0	11,838	11,838	0
Rothesay Office Rationalisation	0	0	0	10	10	0	10	10	0
Campbeltown Flood Scheme	158	158	0	336	300	36	1,063	1,063	0
Street Lighting LED Replacement	23	23	0	100	100	0	3,900	3,900	0
Harbour Investment Programme	503	503	0	2,810	860	1,950	90,942	90,942	0
TIF - Lorn/Kirk Road	30	30	0	32	32	0	2,170	2,170	0
TIF - North Pier Extension	0	0	0	0	0	0	560	560	0
TIF - Oban Airport Business Park	0	0	0	31	31	0	590	590	0
CHORD - Helensburgh	0	0	0	70	70	0	6,557	6,557	0
CHORD Dunoon	5	5	0	161	161	0	12,540	12,540	0
CHORD Oban	57	57	0	738	72	666	7,905	7,905	0
CHORD Rothesay	435	435	0	130	531	(401)	13,845	16,020	(2,175)
Helensburgh Waterfront Development	2,088	2,088	0	6,124	6,878	(754)	22,367	22,367	0
Dunoon Pier OBC	0	0	0	0	0	0	2,844	2,844	0
Strategic Change Total	3,928	3,928	0	12,284	10,787	1,497	209,075	211,250	(2,175)
Total Expenditure	12,978	13,020	(42)	34,771	27,477	7,294	337,073	339,682	(2,609)
INCOME									
Asset Sustainability									
Executive Director Douglas Hendry	0	0	0	(381)	(381)	0	(381)	(381)	0
Executive Director Kirsty Flanagan	(146)	(145)	(1)	(2,377)	(2,377)	0	(1,678)	(1,678)	0
Asset Sustainability Total	(146)	(145)	(1)	(2,758)	(2,758)	0	(2,059)	(2,059)	0
Service Development Projects									
Executive Director Douglas Hendry	(1,700)	(1,702)	2	(2,024)	(2,024)	0	(7,626)	(7,626)	0
Executive Director Kirsty Flanagan	(45)	(45)	(0)	(6,133)	(6,179)	46	(14,030)	(14,076)	46
Service Development Total	-1,745	-1,746	1	-8,157	-8,203	46	-21,656	-21,702	46
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	(503)	(503)	0	(2,810)	(2,810)	0	(90,942)	(90,942)	0
01 TIF - Lorn/Kirk Road	0	0	0	(393)	(393)	0	(2,297)	(2,297)	0
H'burgh CHORD Public Realm Imprv	0	0	0	0	0	0	(570)	(570)	0
Helensburgh Waterfront Development	0	0	0	(297)	(132)	(165)	(4,161)	(4,161)	0
Rothesay CHORD	(246)	(246)	0	(1,620)	(806)	(814)	(8,156)	(8,156)	0
CHORD - Dunoon Waterfront	0	0	0	(18)	(18)	0	(28)	(28)	0
CHORD - Oban	0	0	0	0	0	0	(1,624)	(1,624)	0
Strategic Change Total	(749)	(749)	0	(5,138)	(4,159)	(979)	(108,534)	(108,534)	0
Total Income	(2,640)	(2,640)	(0)	(16,053)	(15,120)	(933)	(132,249)	(132,295)	46
Net Total	10,338	10,380	(42)	18,718	12,357	6,361	204,824	207,387	(2,563)

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN										Appendix 8
FINANCIAL SUMMARY NET EXPENDITURE - EXECUTIVE DIRECTOR KIRSTY FLANAGAN										31 December 2020
	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs			
	Budget £000s	Actual £000s	(Over)/Under Variance £000s	Budget £000s	Year End Forecast £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s	
EXPENDITURE										
Asset Sustainability Projects										
Flood Prevention	5	5	0	6	7	(1)	154	154	0	
Helensburgh Flood Mitigation	1	1	0	16	16	0	450	450	0	
Bridge Strengthening	49	33	16	191	191	0	1,683	1,683	0	
Roads Reconstruction	3,562	3,562	0	4,716	4,716	0	16,231	16,231	0	
Roads Reconstruction - Helensburgh CHORD	0	0	0	114	114	0	114	114	0	
Roads Reconstruction - Oban CHORD	0	0	0	52	52	0	52	52	0	
Helensburgh CHORD - Signage etc	0	0	0	10	10	0	10	10	0	
Lighting	0	0	0	264	50	214	514	514	0	
Astro Pitch Repairs	0	0	0	2	2	0	2	2	0	
Oban Play Park	9	9	0	18	18	0	563	563	0	
Environmental Projects	0	0	0	1	1	0	1	1	0	
Public Convenience Upgrades	0	0	0	82	82	0	82	82	0	
Cemetary Houses	0	0	0	25	25	0	25	25	0	
Footway Improvements	0	0	0	53	53	0	303	303	0	
Glengorm - Capping	745	745	0	784	784	0	784	784	0	
Eilean Dhilura Ferry Engine Replacement	0	0	0	100	100	0	100	100	0	
EV Quick Chargers	0	0	0	192	192	0	192	192	0	
Hermitage Park	0	0	0	0	0	0	0	0	0	
Block Allocation - RIS	0	0	0	0	0	0	0	0	0	
Server Sustainability	5	5	0	5	5	0	191	191	0	
PC Replacement	319	319	0	626	626	0	1,040	1,040	0	
Telecomms Network	47	47	0	69	69	0	172	172	0	
Computer Network Security	0	0	0	0	0	0	0	0	0	
MS Exchange & Doc Sharing	58	58	0	58	58	0	58	58	0	
Corporate GIS Portal Rollout	0	0	0	0	0	0	0	0	0	
Block Allocation - ICT	0	0	0	0	0	0	1,048	1,048	0	
Asset Sustainability Total	4,800	4,784	16	7,384	7,171	213	23,769	23,769	0	
Service Development Projects										
Preliminary design for Regional Transport projects	0	0	0	16	16	0	221	221	0	
Campbeltown Old Quay	0	0	0	43	0	43	1,424	1,424	0	
Fleet Management - Prudential Borrowing	0	0	0	3,400	123	3,277	4,861	4,861	0	
Fleet Management	1,110	1,110	0	1,270	1,270	0	2,622	2,622	0	
Lismore Ferry	34	34	0	100	100	0	500	500	0	
Millpark Depot Demolition	0	2	(2)	0	2	(2)	126	128	(2)	
Oban Depot Development Project	547	547	0	608	608	0	2,100	2,100	0	
Lochgilphead Depot Rationalisation	0	7	(7)	(12)	7	(19)	0	19	(19)	
Depot Rationalisation	0	0	0	0	0	0	50	50	0	
Witchburn Road Demolition	0	0	0	0	0	0	155	155	0	
Safe Streets, Walking and Cycling (CWSS)	3	3	0	590	590	0	2,220	2,220	0	
SPT - bus infrastructure	0	0	0	150	150	0	1,555	1,555	0	
Cycleways - H&L (FSPT)	62	62	0	20	62	(42)	2,426	2,468	(42)	
Helensburgh Public Realm - Arts Strategy Fund	0	0	0	53	0	53	53	53	0	
Town Centre Funds	415	415	0	656	645	11	1,475	1,475	0	
Rural Growth Deal	0	0	0	0	0	0	50,000	50,000	0	
Applications Projects	8	8	0	17	17	0	2,363	2,363	0	
Service Development Total	2,179	2,188	(9)	6,911	3,590	3,321	72,151	72,214	(63)	
Strategic Change Projects										
Campbeltown Flood Scheme	158	158	0	336	300	36	1,063	1,063	0	
Street Lighting LED Replacement	23	23	0	100	100	0	3,900	3,900	0	
Harbour Investment Programme	503	503	0	2,810	860	1,950	90,942	90,942	0	
TIF - Lorn/Kirk Road	30	30	0	32	32	0	2,170	2,170	0	
TIF - North Pier Extension	0	0	0	0	0	0	560	560	0	
TIF - Oban Airport Business Park	0	0	0	31	31	0	590	590	0	
Strategic Change Total	714	714	0	3,309	1,323	1,986	99,225	99,225	0	
Total Expenditure	7,693	7,686	7	17,604	12,084	5,520	195,145	195,208	(63)	
INCOME										
Asset Sustainability										
EV Quick Chargers	0	0	0	(192)	(192)	0	(192)	(192)	0	
Roads Reconstruction	(79)	(79)	(0)	(1,304)	(1,304)	0	(1,304)	(1,304)	0	
Environmental Projects	(3)	(3)	(0)	(3)	(3)	0	(3)	(3)	0	
Oban Play Park	(64)	(64)	(0)	(64)	(64)	0	(64)	(64)	0	
Hermitage Park	0	0	0	(115)	(115)	0	(115)	(115)	0	
Glengorm Capping/New Cell - Prudential Borrowing	0	0	0	(699)	(699)	0	0	0	0	
Sale of Plant and Machinery	0	0	0	0	0	0	0	0	0	
Sale of Vehicles	0	0	0	0	0	0	0	0	0	
Asset Sustainability Total	(146)	(145)	(1)	(2,377)	(2,377)	0	(1,878)	(1,878)	0	
Service Development Projects										
Safe Streets, Walking and Cycling	0	0	0	(212)	(212)	0	(1,444)	(1,444)	0	
SPT	0	0	0	(155)	(155)	0	(1,398)	(1,398)	0	
Cycleways - H&L (FSPT)	1	1	(0)	(21)	(21)	0	(2,544)	(2,544)	0	
Town Centre Funds	0	0	0	(184)	(184)	0	(1,475)	(1,475)	0	
Fleet Management - PB	0	0	0	(3,400)	(3,400)	0	(4,861)	(4,861)	0	
Fleet Management	(46)	(46)	0	0	(46)	46	0	(46)	46	
Millpark Depot Demolition Insurance	0	0	0	(52)	(52)	0	(53)	(53)	0	
Oban Depot Development Project	0	0	0	(1,650)	(1,650)	0	(1,650)	(1,650)	0	
Oban Depot Development Project - Appin Depot Sale	0	0	0	(200)	(200)	0	(200)	(200)	0	
Oban Depot Development Project Equipment	0	0	0	(250)	(250)	0	(250)	(250)	0	
Witchburn Road Demolition	0	0	0	(9)	(9)	0	(155)	(155)	0	
Service Development Total	(45)	(45)	(0)	(6,133)	(6,179)	46	(14,030)	(14,076)	46	
Strategic Change Projects										
Campbeltown Flood	0	0	0	0	0	0	(270)	(270)	0	
Harbour PB	(503)	(503)	0	(2,810)	(2,810)	0	(90,942)	(90,942)	0	
01 TIF - Lorn/Kirk Road	0	0	0	(393)	(393)	0	(2,297)	(2,297)	0	
Strategic Change Total	(503)	(503)	0	(3,203)	(3,203)	0	(93,509)	(93,509)	0	
Total Income	(694)	(692)	(2)	(11,713)	(11,759)	46	(109,217)	(109,263)	46	
Net Departmental Total	6,999	6,994	5	5,891	325	5,566	85,928	85,945	(17)	

MONITORING REPORT							Appendix 8		
FINANCIAL SUMMARY NET EXPENDITURE - EXECUTIVE DIRECTOR DOUGLAS HENDRY							31 December 2020		
	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Budget £000s	Actual £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s
EXPENDITURE									
Asset Sustainability									
Education	764	764	0	3,495	1,910	1,585	10,591	10,591	0
Live Argyll	61	62	(1)	490	490	0	1,662	1,664	(2)
Health and Social Care Partnership	165	165	0	767	558	209	2,208	2,219	(11)
Shared Offices	116	164	(48)	1,871	1,576	295	3,531	3,546	(15)
Asset Sustainability Total	1,106	1,155	(49)	6,623	4,534	2,089	17,992	18,020	(28)
Service Development Projects									
Ardrishaig Primary Pre 5 Unit	0	0	0	(2)	0	(2)	0	2	(2)
Bowmore Primary School - Pre 5 Unit	0	0	0	(121)	0	(121)	28	149	(121)
Clyde Cottage - 600 hour provision	0	0	0	(49)	25	(74)	505	579	(74)
Craignish Primary School - Pre 5 Extension	0	0	0	17	0	17	417	400	17
Iona Primary School - Pre 5 Unit	0	0	0	(16)	0	(16)	474	490	(16)
Islay High and Rosneath Primary School Pitches	0	0	0	9	16	(7)	700	707	(7)
Lochgoilhead Primary School - Pre 5 Unit	0	0	0	(3)	0	(3)	388	391	(3)
Park Primary Extension/Pre Fives Unit	0	0	0	5	0	5	346	341	5
Tarbert High School - Biomass enabling work	0	0	0	0	0	0	0	0	0
Sandbank Gaelic Pre Five Unit	0	0	0	16	0	16	507	491	16
Bunessan Primary School - Gaelic Medium Improvements	0	0	0	(95)	0	(95)	25	120	(95)
Early Learning and Childcare	0	0	0	42	0	42	892	850	42
Early Learning and Childcare - 1140 Hours	965	965	0	1,725	1,300	425	7,272	7,364	(92)
Riverside Leisure Centre Refurbishment	0	0	0	(13)	0	(13)	1,232	1,245	(13)
Dunclutha Childrens Home	0	0	0	54	54	0	1,300	1,300	0
Service Development Total	965	965	0	1,569	1,395	174	14,086	14,429	(343)
Strategic Change Projects									
Campbeltown Schools Redevelopment	372	372	0	479	479	0	2,130	2,130	0
Dunoon Primary	47	47	0	301	301	0	10,869	10,869	0
Replacement of Oban High	187	187	0	320	320	0	3,250	3,250	0
Kilmory Primary School	20	20	0	236	236	0	10,119	10,119	0
Carbon Management - Non Education	0	0	0	36	36	0	50	50	0
Carbon Management Business Cases	0	0	0	60	60	0	261	261	0
NPDO Schools Solar PV Panel Installations	0	0	0	183	183	0	944	944	0
Non NPDO Schools Solar PV Panel Installations	0	0	0	88	88	0	488	488	0
Carbon Management Fuel Conversions	0	0	0	0	0	0	107	107	0
Carbon Management Capital Property Works 2016/17	0	0	0	20	20	0	39	39	0
Carbon Management - Group Heating Conversion Project	0	0	0	10	10	0	1,948	1,948	0
Kilmory Biomass Carbon Management	0	0	0	0	0	0	956	956	0
Oil to Gas Heating Conversions	0	0	0	5	5	0	187	187	0
Campbeltown Office Rationalisation	0	0	0	1	1	0	596	596	0
Helensburgh Office Rationalisation	3	3	0	3	3	0	11,838	11,838	0
Rothsay Office Rationalisation	0	0	0	10	10	0	10	10	0
CHORD Oban	57	57	0	738	72	666	7,905	7,905	0
CHORD Rothsay	435	435	0	130	531	(401)	13,845	16,020	(2,175)
CHORD - Helensburgh	0	0	0	70	70	0	6,557	6,557	0
CHORD Dunoon	5	5	0	161	161	0	12,540	12,540	0
Helensburgh Waterfront Deveopment	2,088	2,088	0	6,124	6,878	(754)	22,367	22,367	0
Dunoon Pier OBC	0	0	0	0	0	0	2,844	2,844	0
Strategic Change Total	3,214	3,214	0	8,975	9,464	(489)	109,850	112,025	(2,175)
Total Expenditure	5,285	5,334	(49)	17,167	15,393	1,774	141,928	144,474	(2,546)
INCOME									
Asset Sustainability									
Education	0	0	0	0	0	0	0	0	0
Live Argyll	0	0	0	(381)	(381)	0	(381)	(381)	0
Health and Social Care Partnership	0	0	0	0	0	0	0	0	0
Shared Offices	0	0	0	0	0	0	0	0	0
Asset Sustainability Total	0	0	0	(381)	(381)	0	(381)	(381)	0
Service Development Projects									
Sandbank Gaelic Pre Five Unit	0	0	0	0	0	0	(478)	(478)	0
Bunessan Primary School - Gaelic Medium Improvements	0	0	0	0	0	0	(30)	(30)	0
Early Learning and Childcare	0	0	0	(324)	(324)	0	(818)	(818)	0
Early Years 1140 Hours	(1,700)	(1,702)	2	(1,700)	(1,700)	0	(6,300)	(6,300)	0
Service Development Total	(1,700)	(1,702)	2	(2,024)	(2,024)	0	(7,626)	(7,626)	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	(297)	(132)	(165)	(4,161)	(4,161)	0
Rothsay CHORD	(246)	(246)	0	(1,620)	(806)	(814)	(8,156)	(8,156)	0
CHORD - Dunoon Waterfront	0	0	0	(18)	(18)	0	(28)	(28)	0
CHORD - Oban	0	0	0	0	0	0	(1,624)	(1,624)	0
Strategic Change Total	(246)	(246)	0	(1,935)	(956)	(979)	(15,025)	(15,025)	0
Total Income	(1,946)	(1,948)	2	(4,340)	(3,361)	(979)	(23,032)	(23,032)	0
Net Departmental Total	3,339	3,386	(47)	12,827	12,032	795	118,896	121,442	(2,546)

CAPITAL PLAN 2020-21
Overall Summary

APPENDIX 9

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

Education

Category	Service	Project	Previous				Future Years £000s	Total £000s
			Years £000's	2020-21 £000s	2021-22 £000's	2022-23 £000s		
Asset Sustainability	Education	Asbestos Control/Removal Works	0	7	0	0	0	7
		Block Allocation - Education	0	750	5,080	2,420	0	8,250
		Digital Inclusion 20-21	0	381	0	0	0	381
		Free School Meals	0	14	0	0	0	14
		Homeless Houses - Housing Quality Standard	0	1	0	0	0	1
		Internal Refurbishment Budget	0	17	0	0	0	17
		Pre-5's/Nurseries	0	1	0	0	0	1
		Primary Schools	0	610	1,018	23	0	1,651
		School Houses - Housing Quality Standard	0	2	0	0	0	2
		Secondary Schools	0	127	140	0	0	267
Asset Sustainability Total			0	1,910	6,238	2,443	0	10,591
Service Development	Education	Ardrishaig Primar School - Pre Five Extension	2	-2	0	0	0	0
		Bowmore Primary School - Pre Five Unit	149	-121	0	0	0	28
		Bunessan Primary School - Gaelic Medium Improvements	120	-95	0	0	0	25
		Clyde Cottage - 600 hours provision	554	-49	0	0	0	505
		Craignish Primary School - Pre Five Extension (600 hours funding)	400	17	0	0	0	417
		Early Learning and Childcare	850	42	0	0	0	892
		Early Learning and Childcare - 1140 Hours	2,109	1,300	3,751	112	0	7,272
		Iona Primary School - Pre Five Unit (600 hours funding)	490	-16	0	0	0	474
		Islay High & Rosneath PS Pitches	691	9	0	0	0	700
		Lochgoilhead Primary School - Pre Five Unit (600 hours funding)	391	-3	0	0	0	388
		Park Primary Extension and Pre Fives Unit	341	5	0	0	0	346
Sandbank Gaelic Pre Five Unit	491	16	0	0	0	507		
Service Development Total			6,588	1,103	3,751	112	0	11,554
Strategic Change	Education	Campbeltown Schools Redevelopment	1,651	479	0	0	0	2,130
		Dunoon Primary School	10,176	301	392	0	0	10,869
		Kim Primary School	9,883	236	0	0	0	10,119
		Replacement of Oban High School	2,508	320	422	0	0	3,250
Strategic Change Total			24,218	1,336	814	0	0	26,368

Category	Service	Project	Previous				Future	
			Years £000's	2020-21 £000s	2021-22 £000's	2022-23 £000s	Years £000s	Total £000s
Asset Sustainability	Shared Offices	Argyll House, Dunoon	0	98	0	0	0	98
		Asbestos Capital Property Works	0	57	0	0	0	57
		Block Allocation	0	286	761	561	0	1,608
		Bowmore Area Office	0	73	3	0	0	76
		Burnett Building	0	26	110	3	0	139
		Capital Property Works	0	29	0	0	0	29
		Castle House, Dunoon	0	10	0	0	0	10
		Cleaner Energy	0	500	0	0	0	500
		Dolphin Hall	0	0	0	0	0	0
		Dunoon Office Rationalisation	0	15	205	7	0	227
		Fire Risk Assessment Works	0	60	0	0	0	60
		Hill Street Dunoon Rewire	0	0	33	0	0	33
		Joint Valuation Board	0	39	0	0	0	39
		Kilmory Castle	0	0	0	0	0	0
		Legionella Control Works	0	197	150	0	0	347
		Lorn House, Oban	0	22	0	0	0	22
		Manse Brae District Office	0	15	137	0	0	152
		Manse Brae Roads Office	0	2	0	0	0	2
		Oban Municipal Buildings	0	18	0	0	0	18
		Old Quay Offices, Campbeltown	0	15	0	0	0	15
Rothesay Office Rationalisation	0	30	0	0	0	30		
Tobermory Area Office	0	44	0	0	0	44		
Whitegates Office, Lochgilphead	0	25	0	0	0	25		
Asset Sustainability Total			0	1,561	1,399	571	0	3,531
Strategic Change	Shared Offices	Campbeltown Office Rationalisation	595	1	0	0	0	596
		Carbon Management - Group Heating Conversion Project (Prudentia)	1,938	10	0	0	0	1,948
		Carbon Management Business Cases (FPB)	201	60	0	0	0	261
		Carbon Management Capital Property Works 16/17	19	20	0	0	0	39
		Carbon Management Fuel Conversions (FPB)	107	0	0	0	0	107
		Helensburgh Office Rationalisation (FPB,REC)	11,500	3	335	0	0	11,838
		Kilmory Biomass Project OBC (FPB,REV)	956	0	0	0	0	956
		Non-NPDO Schools PV Panel Installations	400	88	0	0	0	488
		NPDO Schools Solar PV Panel Installations	761	183	0	0	0	944
		Oil to Gas Heating Conversions (FPB)	182	5	0	0	0	187
		Rothesay Office Rationalisation	0	10	0	0	0	10
Strategic Change Total			16,659	380	335	0	0	17,374
Overall Total			16,659	1,941	1,734	571	0	20,905

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

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

Category	Service	Project	Previous	2020-21	2021-22	2022-23	Future Years	Total
			Years £000's	£000s	£000's	£000s	£000s	£000s
Asset Sustainability	RIS	Astro Pitch Repairs	0	2	0	0	0	2
		Block Allocation	0	0	0	0	0	0
		Bridge Strengthening	0	191	992	500	0	1,683
		Cemetery Houses	0	25	0	0	0	25
		Eilean Dhiura Ferry Engine Replacement	0	100	0	0	0	100
		Environmental Projects	0	18	545	0	0	563
		EV Quick Chargers	0	192	0	0	0	192
		Flood Prevention	0	7	147	0	0	154
		Footway Improvements	0	53	0	250	0	303
		Glengorm - Capping	0	784	0	0	0	784
		Helensburgh CHORD - Signage etc	0	10	0	0	0	10
		Helensburgh Flood Mitigation	0	16	424	10	0	450
		Lighting	0	50	214	250	0	514
		Oban Play Park	0	1	0	0	0	1
		Public Convenience Upgrades	0	82	0	0	0	82
		Roads Reconstruction	0	4,716	7,387	4,128	0	16,231
		Roads Reconstruction - Helensburgh CHORD	0	114	0	0	0	114
Roads Reconstruction - Oban CHORD	0	52	0	0	0	52		
Asset Sustainability Total			0	6,413	9,709	5,138	0	21,260
Service Development	RIS	Campbeltown Old Quay	1,381	0	43	0	0	1,424
		Depot Rationalisation	0	0	50	0	0	50
		Fleet Management	0	1,270	352	1,000	0	2,622
		Fleet Management - Prudential Borrowing	1,461	123	3,277	0	0	4,861
		Lismore Ferry Replacement	0	100	400	0	0	500
		Lochgilphead Depot Rationalisation	12	-12	0	0	0	0
		Mill Park Depot Demolition	126	0	0	0	0	126
		Oban Depot Development	1,424	608	68	0	0	2,100
		Preliminary design for Regional Transport projects (tif)	205	16	0	0	0	221
		Witchburn Road Demolition	155	0	0	0	0	155
Service Development Total			4,764	2,105	4,190	1,000	0	12,059
Strategic Change	RIS	Campbeltown Flood Scheme	315	300	448	0	0	1,063
		Harbour Investment Programme PB	4,863	860	11,990	14,870	58,359	90,942
		Street Lighting LED Replacement	3,070	100	730	0	0	3,900
Strategic Change Total			8,248	1,260	13,168	14,870	58,359	95,905
Overall Total			13,012	9,778	27,067	21,008	58,359	129,224

Category	Service	Project	Previous Years £000's	2020-21 £000s	2021-22 £000's	2022-23 £000s	Future Years £000s	Total £000s
Service Development	DEG	Cycleways - H&L (FSPT)	2,406	20	0	0	0	2,426
		Helensburgh Public Realm - Arts Strategy Fund	0	0	53	0	0	53
		Rural Growth Deal	0	0	0	0	50,000	50,000
		Safe Streets, Walking and Cycling (CWSS)	1,630	590	0	0	0	2,220
		SPT - bus infrastructure	1,405	150	0	0	0	1,555
		Town Centre Funds	83	645	747	0	0	1,475
Service Development Total			5,524	1,405	800	0	50,000	57,729
Strategic Change	DEG	01 TIF - Lorn/Kirk Road	2,138	32	0	0	0	2,170
		05 TIF - North Pier Extension	214	0	346	0	0	560
		09 TIF - Oban Airport Business Park	449	31	110	0	0	590
Strategic Change Total			2,801	63	456	0	0	3,320
Overall Total			8,325	1,468	1,256	0	50,000	61,049

Category	Service	Project	Previous	2020-21	2021-22	2022-23	Future	Total
			Years £000's	£000s	£000's	£000s	Years £000s	£000s
Asset Sustainability	HSCP	Ardfenaig	0	15	242	0	0	257
		Block Allocation	0	0	0	561	0	561
		Capital Property Works	0	17	142	0	0	159
		Digitalising telecare	0	100	0	0	0	100
		Eadar Glinn	0	83	40	0	0	123
		Glencruitten Hostel	0	38	0	0	0	38
		Gortonvogie	0	12	0	0	0	12
		Greenwood/Woodlands	0	-9	100	0	0	91
		Kilmory Castle Top Floor Toilet Refurb	0	4	0	0	0	4
		Lochgilphead Resource Centre	0	16	0	0	0	16
		Lorn Resource Centre	0	179	0	0	0	179
		Rothesay Community Education Centre	0	0	0	0	0	0
		Shellach View	0	-2	0	0	0	-2
		Struan Lodge Boiler	0	10	242	0	0	252
		Thomson Home Rothesay	0	10	99	6	0	115
		Tigh An Rudha HFE	0	74	220	9	0	303
Asset Sustainability Total			0	547	1,085	576	0	2,208
Service Development	HSCP	Dunclutha Childrens Home	1,246	54	0	0	0	1,300
Service Development Total			1,246	54	0	0	0	1,300
Overall Total			1,246	601	1,085	576	0	3,508

Category	Service	Project	Previous	2020-21	2021-22	2022-23	Future	Total
			Years £000's	£000s	£000's	£000s	Years £000s	£000s
Asset Sustainability	Live Argyll	Aqualibrium	0	29	0	0	0	29
		Campbeltown Community Centre - Fire Alarm and Door Upgrade	0	14	0	0	0	14
		Campbeltown Museum - Burnet Bldg	0	26	0	0	0	26
		Capital Property Works	0	184	561	561	0	1,306
		Dunoon Community Education Centre	0	0	48	2	0	50
		Helensburgh Library	0	11	0	0	0	11
		Helensburgh Swimming Pool - Roofing	0	9	0	0	0	9
		Inveraray CARS	0	21	0	0	0	21
		Moat Centre (Roofing)	0	5	0	0	0	5
		Riverside Leisure Centre - Cladding Upgrade	0	48	0	0	0	48
		Rothesay Swimming Pool	0	59	0	0	0	59
		Victoria Halls, Helensburgh	0	84	0	0	0	84
Asset Sustainability Total			0	490	609	563	0	1,662
Service Development	Live Argyll	Riverside Leisure Centre Refurbishment	1,245	-13	0	0	0	1,232
Service Development Total			1,245	-13	0	0	0	1,232
Strategic Change	Live Argyll	Carbon Management	14	36	0	0	0	50
Strategic Change Total			14	36	0	0	0	50
Overall Total			1,259	513	609	563	0	2,944

TREASURY MANAGEMENT MONITORING REPORT – DECEMBER 2020

1. EXECUTIVE SUMMARY

- 1.1. This report sets out the Council's treasury management position for the period 1 November 2020 to 31 December 2020 and includes information on:
- Overall borrowing position
 - Borrowing activity
 - Investment activity
 - Economic background
 - Interest rate forecast
 - Prudential Indicators
- 1.2. Estimated borrowing is above the Capital Financing Requirement for the period to 31 December 2020, at this stage in the financial year capital expenditure is below target. It is likely that due to delays caused by the COVID-19 pandemic capital expenditure will continue to be below target for the remainder of the year.
- 1.3. The net movement in external borrowing in the period 1 November 2020 to 31 December 2020 was an increase of £0.038m.
- 1.4. The levels of investments were £108.5m at 31 December 2020. The rate of return achieved was 0.494% which compares favourably with the target 7 day LIBID rate which was -0.090%.

TREASURY MANAGEMENT MONITORING REPORT – DECEMBER 2020

2. INTRODUCTION

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

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

3. DETAIL**Overall Borrowing Position**

3.1. The table below details the estimated capital financing requirement (CFR) and compares this with the estimated level of external debt at 31 March 2020. The CFR represents the underlying need for the Council to borrow to fund its fixed assets and accumulated capital expenditure.

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

- 3.2. Borrowing is above the Capital Financing Requirement for the period to 31 December 2020. Whilst borrowing rates are still comparatively low the Council has significant cash balances which reduces the need to borrow in the short term.
- 3.3. The Council's Treasury Management Strategy states that any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates.
- 3.4. The Council's estimated net capital financing requirement at 31 December is £172.4m. The table below shows how this has been financed. £168.9m is funded by loans and there are substantial internal balances of £112m of which £108.5m are currently invested, as detailed in section 3.7, leaving a net internal balance of £3.5m.

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

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

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

- 3.5. The external borrowing of the Council increased by £0.038m during the period from 1 November 2020 to 31 December 2020.
- 3.6. The table below summarises the movement in the level and rate of temporary borrowing at the start and end of the period.

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

Investment Activity

3.7 The average rate of return achieved in the Council's investments to 31 December 2020 was 0.494% compared to the average LIBID rate for the same period of -0.090% which demonstrates that the Council continues to achieve a reasonable rate of return on its cash investments in spite of the challenging investment market. At 31 December 2020 the Council had £108.5m of short term investments at an average rate of 0.494%. The table below details the counterparties that the investments were placed with, the maturity date, the interest rate and the credit rating applicable for each counterparty.

Counterparty	Maturity	Amount £000	Interest Rate	Rating S&P
Clydesdale Bank	Instant Access	4,504	0.00%	Short Term A-2, Long Term BBB+
Bank of Scotland	95 Day Notice	7,500	0.30%	Short Term A-1, Long Term A+
Santander	95 Day Notice	7,500	0.45%	Short Term A-1, Long Term A
Santander	180 Day Notice	5,000	0.58%	Short Term A-1, Long Term A
Close Bros	14/04/2021	5,000	0.45%	Short Term A-1, Long Term A
Close Bros	11/03/2021	7,500	0.45%	Short Term A-1, Long Term A
Qatar National Bank	04/03/2021	5,000	0.19%	Short Term A-1, Long Term A
Qatar National Bank	09/03/2021	2,500	0.19%	Short Term A-1, Long Term A
Qatar National Bank	10/03/2021	2,500	0.19%	Short Term A-1, Long Term A
Thurrock Borough Council	10/05/2021	5,000	1.05%	AA
Thurrock Borough Council	13/05/2021	5,000	1.05%	AA
Dudley Metropolitan Borough Council	21/04/2021	5,000	1.05%	AA
London Borough of Croydon	22/07/2022	5,000	1.65%	AA
London Borough of Croydon	22/08/2022	2,500	1.65%	AA
Rotherham Metropolitan Borough Council	10/10/2022	7,500	0.90%	AA
Lancashire County Council	22/10/2021	5,000	0.45%	AA
		0		
MMF - BNP Paribas	Call	12,150	0.06%	AAA
MMF - CCLA	Call	14,330	0.05%	AAA
Total		108,484		

- 3.8. All investments and deposits are in accordance with the Council's approved list of counterparties and within the limits and parameters defined in the Treasury Management Practices. The counterparty list is constructed based on assessments by leading credit reference agencies adjusted for additional market information available in respect of counterparties.

Economic and Interest Rate Forecasts

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

Prudential Indicators

- 3.10. The prudential indicators for 2020-21 are attached in Appendix 3.

4. CONCLUSION

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

5. IMPLICATIONS

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

Kirsty Flanagan
Section 95 Officer
8 February 2021

Policy Lead for Financial Services and Major Projects – Councillor Gary Mulvaney

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

Appendix 1 – Economic Background (at 05-01-21)

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

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

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

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

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

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

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

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

Appendix 2 – Interest Rate Forecast (at 09-11-20)

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

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

Additional notes by Link on this forecast table: -

- Please note that we have made a slight change to our interest rate forecasts table above for forecasts for 3, 6 and 12 months. Traditionally, we have used LIBID forecasts, with the rate calculated using market convention of 1/8th (0.125%) taken off the LIBOR figure. Given that all LIBOR rates up to 6m are currently running below 10bps, using that convention would give negative figures as forecasts for those periods. However, the liquidity premium that is still in evidence at the short end of the curve means that the rates actually being achieved by local authority investors are still modestly in positive territory. While there are differences between counterparty offer rates, our analysis would suggest that an average rate of around 10 bps is achievable for 3 months, 10bps for 6 months and 20 bps for 12 months.
- During 2021, Link will be continuing to look at market developments in this area and will monitor these with a view to communicating with clients when full financial market agreement is reached on how to replace LIBOR. This is likely to be an iteration of the overnight SONIA rate and the use of compounded rates and Overnight Index Swap (OIS) rates for forecasting purposes.
- We will maintain continuity by providing clients with LIBID investment benchmark rates on the current basis.

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2024 as economic recovery is expected to be only gradual.

GILT YIELDS / PWLB RATES. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing

expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession.

Gilt yields had, therefore, already been on a generally falling trend up until the coronavirus crisis hit western economies during March. After gilt yields initially spiked upwards in March, we have seen yields fall sharply in response to major western central banks taking rapid policy action to deal with excessive stress in financial markets during March, and starting massive quantitative easing driven purchases of government bonds: these actions also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. At the close on 31st December, all gilt yields from 1 to 8 years were in negative territory, while even 25 year yields were only at 0.84% and the 50 year at 0.64%.

- From the local authority borrowing perspective, HM Treasury imposed two changes of margins over gilt yields for PWLB rates in 2019-20 without any prior warning. The first took place on 9.10.19, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then, at least partially, reversed for some forms of borrowing on 11.3.20, but not for mainstream non-HRA capital schemes. A consultation was then held with local authorities and on 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -
 - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
 - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
 - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

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

Appendix 3 – Prudential Indicators

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

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

Maturity structure of new fixed rate borrowing during 2020/21	upper limit	lower limit
under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	40%	0%
10 years and above	100%	0%

RESERVES AND BALANCES – UPDATE AS AT 31 DECEMBER 2020

1 EXECUTIVE SUMMARY

- 1.1 The main purpose of this report is to advise Members of the overall level of reserves held by the Council as well as providing detail on the monitoring of the earmarked balances held within the General Fund.
- 1.2 The Council has a total of £269.579m unusable reserves that are not backed with resources. They are required purely for accounting purposes.
- 1.3 At 31 March 2020 the Council had a total of £55.892m of usable reserves. Of this:
- £1.843m relates to the Repairs and Renewals Fund
 - £4.379m relates to Capital Funds
 - £49.670m was held in the General Fund, with £43.375m of this balance earmarked for specific purposes.
- 1.4 Of the earmarked balance of £43.375m:
- £26.602m is invested or committed for major initiatives/capital projects
 - £6.086m has already been drawn down
 - £4.437m is still to be drawn down in 2020-21
 - £5.826m is planned to be spent in future years
 - £0.424m is no longer required and has been released back to the general fund
- Appendix 1 provides further information on the unspent budget earmarkings.
- 1.5 The Council's General Fund contingency level is set at 2% of net expenditure for 2020-21 which equates to £4.969m. At the beginning of the financial year there was £1.326m of unallocated General Fund Balance (over and above contingency). After taking into consideration the balances no longer required, the agreed supplementary estimate, the current forecast outturn for 2020-21 and the use of additional government funding related to COVID, the Council is forecast to have a £3.730m contingency balance by the end of the year.

RESERVES AND BALANCES - UPDATE AS AT 31 DECEMBER 2020**2. INTRODUCTION**

- 2.1 This report outlines current balances on the Council's reserves, both usable and unusable. It also provides detail on the monitoring of the earmarked balances within the General Fund.

3. DETAIL**3.1 Types of Reserves**

- 3.1.1 **Usable Reserves** - Councils have powers to establish certain resource backed reserves which can be used to fund expenditure. The powers of councils to establish reserves are laid out in Schedule 3 of the Local Government (Scotland) Act 1975. These allow councils to establish a Renewal and Repairs Fund, Insurance Fund and Capital Fund. Councils can also establish a Useable Capital Receipts Reserve. The Council must also maintain a General Fund and can earmark balances for specific purposes within the General Fund.

- 3.1.2 **Unusable Reserves** – Councils are also required to establish certain reserves that are not backed by resources. They are required purely for accounting purposes and do not represent resources available for councils to utilise. The Pensions Reserve, Revaluation Reserve, Capital Adjustment Account, Financial Instruments Adjustment Account and Accumulated Absences Account are examples of unusable reserves.

3.2 Reserve Balances at 31 March 2020

- 3.2.1 The balances on each type of reserve at 31 March 2020 are set out in the two tables below, updated as per the Audited Accounts for 2019-20.

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

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

- 3.2.2 The Revaluation Reserve represents the unrealised gains in the valuation of fixed assets. The Capital Adjustment Account represents the difference between depreciation based on proper accounting practice and statutory charges for financing capital expenditure. The Financial Instruments Adjustment Account represents the difference between gains and losses on borrowing and statutory capital financing charges. The Pensions Reserve represents the difference between pension costs based on proper accounting practice and payments made for pension costs. The Accumulated Absences Account represents the costed difference between holiday pay entitlement and actual holidays taken at 31 March.
- 3.2.3 The Repairs and Renewals Fund was established to support funding of renewal and replacement of school equipment. Schools can only draw on the Repairs and Renewals Fund to the extent they have previously paid into the Fund and contributions must be contained within schools devolved budgets.
- 3.2.4 The Capital Fund was established to receive all capital receipts generated by the Council and can be used to support the capital plan or meet the principal repayments on loan charges. The Council decides as part of the budget process each year how it wishes to draw funding from the Capital Fund.
- 3.2.5 The Usable Capital Receipts Reserve relates to the accumulated unspent capital receipts from sale of council houses prior to transfer of the housing stock. The reserve forms part of the Council's Strategic Housing Fund and can only be used for investment in social housing. The reserve will be used in accordance with the approach to investing in housing agreed by the Council in August 2012.

3.3 General Fund

- 3.3.1 The General Fund balance at 31 March 2020 can be analysed as follows:

	Balance 31/03/20 £000
Balance on General Fund as at 31 March 2019	49,480
Increase to General Fund balance at end of 2019-20	190
Earmarked Balances	(43,375)
Contingency allowance at 2% of net expenditure	(4,969)
Unallocated balance as at 31 March 2020	1,326

- 3.3.2 The General Fund includes balances that the Council has agreed to earmark for specific purposes. Some of these earmarked balances will be spent during the current financial year and some of them will be held over and spent in later years. The table below shows the balance at 31 March 2020, the amounts that are currently invested or set aside for major initiatives, the amount already spent and planned to be spent in the current year, the amount to be spent in future years and any sums no longer required to be earmarked. Appendix 1 provides further details on the breakdown of unspent budget. Officers have reviewed and updated the spending profiles.

Earmarking Category	Balance 31/03/2020 £000	Invested or committed for major initiatives /capital projects £000	Drawn-down to 2020-21 Budget as at 31/12/20 £000	Still to be drawn-down in 2020-21 £000	Planned Spend Future Years £000	Balance No Longer Required £000
Strategic Housing Fund	7,500	7,268	232			
Investment in Affordable Housing	4,000	3,600				400
Capital Projects	7,452	7,452				
Lochgilphead and Tarbert Regeneration	2,376	2,325	51			
Inward Investment Fund	883	833	50			
Rural Resettlement Fund	152	152				
Asset Management Investment	2,551	2,551				
Piers and Harbours Investment Fund	608	608				
Scottish Government Initiatives	951		806	18	127	
Transformation	73			73		
CHORD	213				213	
DMR Schools	917		915	2		
Energy Efficiency Fund	218			218		
Existing Legal Commitments	644		45	0	599	
Unspent Grant	3,281		2,526	537	218	
Unspent Third Party Contribution	137			118	19	
Previous Council Decision - Other	2,967	1,813	14	374	742	24
Redundancy Provision	2,100		600	0	1,500	
Supporting Organisational Change	500				500	
Spend to Save Route Optimisation	100			100		
Unspent Budget	5,752		847	2,747	2,158	
Totals	43,375	26,602	6,086	4,137	6,076	424

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

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

3.4 Unallocated General Fund Balance

3.4.1 At the Business Continuity Committee meeting on 13 August, the following supplementary estimate for £0.015m was agreed for Export Health Certificates which reduces the unallocated General Fund balance.

3.4.2 The first allocation of the £90m COVID Lost Income Scheme has been confirmed as £2.043m which can be applied to offset the impact of COVID on the revenue position. The Scottish Government has announced a further amount of £110m and whilst this hasn't been distributed, it is expected that the distribution will be similar to the £90m and if this is the case, we will receive £2.497m.

3.4.3 The Loans Fund is projecting increased investment income of £0.300m due to the rate of return achieved by the Council's investments continuing to be higher than the average LIBID rate despite the challenging investment market. This can be utilised to offset the impact of COVID on the revenue position.

3.4.4 The forecast outturn position for Social Work as at the end of December was a £1.879m overspend, which assumed that there would be no funding from Scottish Government in respect of undelivered savings. It has now been confirmed that funding will be made available for the undelivered savings and as a result Social Work would no longer be overspent.

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

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

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

3.5 Loans Fund Review

3.5.1 At the Council meeting on 27 February 2020, it was agreed that the one-off re-profiling gain of £20.561m generated by the loans fund review should be used partly to create a provision for the increasing principal repayments over the next 10 years (£7.649m) with the remainder of the gain (£12.912m) used to fund the known liabilities/cost pressures. The table below shows what has been drawn down against the one-off gain and the remaining balance.

	Agreed Allocation	Transferred to Earmarked Reserves 19-20	Drawn down to 20-21 Budget	Balance Remaining
	£000	£000	£000	£000
Provision for the increasing principal repayments	7,649			7,649
Provision to Support Organisational Change	500	(500)		0

Estimated Cost of 2020-21 redundancies that are part of budget savings proposals	600	(600)		0
Future Redundancies Provision	1,500	(1,500)		0
Spend to Save Route Optimisation	100	(100)		0
Funding Gap in Capital Programme	2,619			2,619
Capital Programme Intolerable Red Risks	574			574
Campbeltown Flood Prevention Scheme	1,406			1,406
Significant Strategic Change Projects *	5,013			5,013
2020-21 Revenue Budget Contribution	600		(600)	0
	20,561	(2,700)	(600)	17,261

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

4. CONCLUSION

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

4.2 As at 31 December 2020 the estimated unallocated General Fund, after taking into consideration the forecast outturn for 2020-21 is £3.730m.

5. IMPLICATIONS

- 5.1 Policy - Earmarked funds and funds set aside for delivery of Single Outcome Agreement are available to support Council Policy.
- 5.2 Financial - Outlines the balances held with the Council's usable and unusable reserves.
- 5.3 Legal - None.
- 5.4 HR - None.
- 5.5 Fairer Scotland Duty- None.
- 5.6 Risk - A contingency of £4.969m (equivalent to 2% of net expenditure) has been set aside as part of the general fund. This has been subject to a risk assessment.
- 5.7 Customer Service - None.

Kirsty Flanagan
Section 95 Officer
8 February 2021

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

APPENDICES

Appendix 1 – Earmarked Reserves breakdown of unspent budget

APPENDIX 1

Earmarked Reserves - Unspent Budget
As at 31 December 2020

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	Remaining Balance	Still to be drawdown in 20/21	Planned to spend in future years	Plans for Use	Amount Planned to be Spent in 2020/21	Amount Planned to be Spent in 2021/22	Amount Planned to be Spent from 2022/23 onwards
001	Chief Executives Unit	Financial Services	CIPFA, equipment and the conversion of paper client records to the CIVICA Electronic Document Management System	40,817	1,035		39,782	39,782	0	CIPFA Training - To fund the professional training costs for staff undertaking the CIPFA professional accountancy qualification. Converting to Digital Records project - This project has been created to convert all the Income Maximisation finance files (Homecare/Adult care etc) to digital. This will be done by employing a temporary admin assistant. Once complete the efficiencies of information flow and access will generate savings within the finance team.	40,817	0	0
002	Chief Executives Unit	Financial Services	Scottish Government Funding - Welfare Reform/Discretionary Housing Payments (agreed at Council February 2014)	18,595			18,595	18,595	0	The Council was allocated additional funding of £550k from the Scottish Government late in 2013-14. This money was allocated to support the Community Learning and Development Team to provide courses to support Universal Credit claimants 2019/2020 to support the recruitment of casual tutors and the purchase and upgrade of laptops. The monies were not utilised however it will now be required to top up the Scottish Welfare Fund and DHP monies for 2020/2021 which will be under more pressure due to Covid-19.	18,595	0	
003	Executive Director (Douglas Hendry)	Commercial Services	Rothsay Pavilion Essential repairs	306,400			306,400	306,400	0	Essential repairs to deal with potential health and safety risks and to avoid further deterioration. Budget provision was approved by the Policy and Resources Committee on 21 August 2014.	306,400	0	0
004	Executive Director (Douglas Hendry)	Commercial Services	Estates - NDR Revaluation Appeals	84,688			84,688	84,688	0	The Council agreed to make provision to meet the cost of appealing Non Domestic Rates (NDR) revaluations which will be imposed from 1st April 2017. It was agreed that £150,000 be earmarked from the favourable 2016-17 outturn position to fund these appeals. The balance of £84,688 is still required for 2020/21 as NDR valuation appeals have been lodged but have not been heard yet. We will not know the level of savings, and in turn the corresponding charge to us, until the appeals are concluded which should be later on this year.	84,688	0	0
005	Executive Director (Douglas Hendry)	Commercial Services	Management of Asbestos	78,156	0		78,156	78,156	0	Providing asbestos management on an ongoing basis by employing 2.5 FTE to ensure compliance with all regulatory requirements.	78,156	0	0
006	Executive Director (Douglas Hendry)	Commercial Services	Provision of Mobile Catering Vans	68,950	68,950		0	0	0	For the purchase of two mobile catering vans that can be used for the provision of school meals, lunches for council workers and refreshments at a range of community events. Due to the unique rural character of Argyll and Bute, the van will act as a means of effective travel between several locations. Income will be generated from using these vans and forms part of the Catering and Cleaning Innovations Project. The order for both mobile catering vans was placed with Vantastec on 26 February 2020 and the manufacture process is currently underway with payment due on receipt of the completed vans.	68,950	0	0
007	Executive Director (Douglas Hendry)	Commercial Services	Site Investigation Works	40,211	34,242		5,969	5,969	0	For Site Investigation works in relation to Tweeddale Street Car Park, Oban and Oban Airport Business Park to explore commercial opportunities to develop the sites and gain revenue income for Argyll and Bute Council.	40,211	0	0
008	Executive Director (Douglas Hendry)	Education	Change in Teachers Pension - Uplift in Employer Contribution	230,000	118,000		112,000	0	112,000	Reports to Policy and Resources Committee earlier in the year outlined the change in teachers pensions anticipated income and expenditure and also the delay in the implementing the new employer contribution rate within 2019. Due to the delay a surplus was created in 2019-20 and it was approved that this be used to help reduce the cost in future years. £0.118m was planned to be used in 2020-21 with the remaining £0.112 used in 2021-22 and this position remains.	118,000	112,000	0
009	Executive Director (Douglas Hendry)	Education	Skype for Business for Education	138,325	138,325		0	0	0	To fund the initial capital costs for the implementation of Skype for Business for Education. This will bring the Education service in line with other council departments and will improve staff collaboration and modernise school telephony to deliver the service more efficiently and cost effectively.	138,325	0	0
010	Executive Director (Kirsty Flanagan)	Customer Support Services	Growing our Own and Modern Apprentices	109,150			109,150	0	109,150	Funding earmarked to support trainee development and modern apprenticeship opportunities based on priority workforce risk areas. These areas have been identified and proposals developed. The money will be allocated in 2021/22 and 2022/23, this has been delayed as a result of covid and concerns regarding supporting apprentices/trainees remotely. This is being addressed and proposals will be agreed for spend in 2021/22 and 2022/23.	0	81,862	27,288
011	Executive Director (Kirsty Flanagan)	Customer Support Services	Business Development Training	57,939	22,816		35,123	3,600	31,523	This budget is funding ongoing leadership development, coaching, action learning sets and commissioned training including Priority Management.	26,416	31,523	0

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	Remaining Balance	Still to be drawdown in 20/21	Planned to spend in future years	Plans for Use	Amount Planned to be Spent in 2020/21	Amount Planned to be Spent in 2021/22	Amount Planned to be Spent from 2022/23 onwards
012	Executive Director (Kirsty Flanagan)	Customer Support Services	Learning and Development	38,108	1,600		36,508	36,508	0	In order to maximise the opportunities and efficiencies of digital learning, this funding is being used for a temporary Digital Learning Officer who will develop new digital materials and systems to optimise and improve digital learning	38,108	0	0
013	Executive Director (Kirsty Flanagan)	Customer Support Services	Transformation and Budget Reconstruction	31,705	31,705		0	0	0	Temporary additional staff to support the effective delivery of employee change processes (increased requirements for redundancy quotes, retirement quotes, job evaluation, redeployment etc) involved in the Council's current Transformation Programme. Due to delays in recruitment this money will not be drawn down until 2020-21 for 2 LGE 6 employees.	31,705	0	0
014	Executive Director (Kirsty Flanagan)	Customer Support Services	Living Wage Consolidation Team	2,345	2,345		0	0	0	Implementation of the living wage project due to start May/June 20 and be completed by April 2021. This will fund printing and postage and other non staffing costs.	2,345	0	0
015	Executive Director (Douglas Hendry)	Commercial Services	Rothsay Pavilion Charity	750,000			750,000	375,000	375,000	Agreed at Council meeting February 2020, £750k additional revenue support subject to conditions which seek to minimise the risk to the Council as far as is reasonably practicable including requirement for adequate business and financial management and regular reporting by RPC.	375,000	375,000	0
016	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Oban TIF (Tax Incremental Financing)	670,986	117,437		553,549	3,549	550,000	Currently we are reviewing this commitment. There is a need to deliver remaining Lorn Arc outcomes to secure £2.6m of potential income over the life of the TIF. Focus is currently on the development of the Oban Strategic Development Framework, the Half Way roundabout and Oban airport Business Park. A meeting is scheduled with the Scottish Futures Trust and the Scottish Government in the 1st quarter of 2020 to determine future direction.	120,986	550,000	0
017	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Royal National Mod	80,000			80,000	20,000	60,000	One off funding allocation for the Royal National Mod agreed as part of the budget setting process for 2019-20. Grant contract issued. Proposed payment of £20k per annum starting 2020/21 (2023/24 final payment of £20k)	20,000	20,000	40,000
018	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Kintyre Recycling Limited	66,000	66,000		0	0	0	Agreed at Council meeting February 2020, one off allocation to Kintyre Recycling Limited for 20/21	66,000	0	0
019	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Fyne Futures	60,000	30,419		29,581	29,581	0	Agreed at Council meeting February 2020, one off allocation to Fyne Futures for 20/21. Fyne Futures ceased operating the recycling service on Bute at the end of March. The service is now undertaken in-house. Partial draw down only required to operate internal service. Staff were Taped across from Fyne Futures which may lead to redundancy costs in 2020-21 for which the remaining unspent earmarking could assist with, if agreement obtained.	60,000	0	0
020	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Argyll and the Isles Tourism Co-operative	30,000	22,500		7,500	7,500	0	Agreed at Council meeting February 2020, one off allocation to Argyll and the Isles Tourism Co-operative for 20/21	30,000	0	0
021	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Development Policy	19,910			19,910	19,910	0	To be used in support of delivering the LDP in general: including developing IT and GIS capabilities required to support publishing the LDP.	19,910	0	0
022	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Oban Strategic Development Framework	12,979			12,979	12,979	0	The Destination and origin survey is underway for a contract price of £62.5k. Work will be complete by the end of the calendar year following analysis of results.	12,979	0	0
023	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	3G pitches / Tarbert Sports Pitches	592,218	60,012		532,206	1,000	531,206	In November 2018, the Council agreed to a maintenance funding package to be progressed for a number of 3G pitches including Tarbert. This funding will provide an estimated 6.5 years' worth of ongoing maintenance up to 2025-26.	61,012	80,420	450,786
024	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Waste Management	194,361			194,361	0	194,361	Will be used towards long term waste management strategy/model, including but not limited to scoping work for the creating of a waste transfer station.	0	194,361	0
025	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Replacement Parking Machines	121,695	121,695		0	0	0	Delivery of parking machines delayed due to Covid-19 lockdown therefore unspent budget required to be carried forward to cover cost when they are finally delivered.	121,695	0	0
026	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Amenity Services introduction of management information system	36,786	995		35,791	9,005	26,786	WDM project now progressing with new Team Leader in post. This earmarking will be utilised in year for development work within the WDM system and for tablets/devices for teams on the ground.	10,000	26,786	0
027	Executive Director (Kirsty Flanagan)	Roads and Infrastructure Services	Street Lighting Survey	31,815			31,815	31,815	0	This earmarking will be utilised to fund the introduction of an apprentice electrician over a 4 year period and the remainder will be utilised to fund training and support for the Trainee Street Lighting Engineer.	31,815	0	0
028	Non Departmental / Chief Executive's Unit	Across Services / Chief Executive's Unit	Information Management (Balance of Funding)	209,844			209,844	209,844	0	To support a number of initiatives in respect of improving the Council's information management in line with the transformation agenda and increasing the pace of change as outlined in the BV Review. The planned initiatives include: Estates Survey work £122k. Digitalisation of Title Deeds £22k. document management and workflow system for Planning, Building Standards and Environmental Health £77k and a balance of funding to explore information management solutions in a strategic and coherent way £209k	209,844	0	0

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	Remaining Balance	Still to be drawdown in 20/21	Planned to spend in future years	Plans for Use	Amount Planned to be Spent in 2020/21	Amount Planned to be Spent in 2021/22	Amount Planned to be Spent from 2022/23 onwards
029	Non Departmental / Executive Director (Douglas Hendry)	Across Services / Commercial Services	Information Management (Estates Survey Work)	121,538			121,538	121,538		To support a number of initiatives in respect of improving the Council's information management in line with the transformation agenda and increasing the pace of change as outlined in the BV Review. The planned initiatives include: Estates Survey work £122k, Digitalisation of Title Deeds £92k, document management and workflow system for Planning, Building Standards and Environmental Health £77k and a balance of funding to explore information management solutions in a strategic and coherent way £209k	121,538	0	0
030	Non Departmental / Executive Director (Douglas Hendry)	Across Services / Legal and Regulatory Services	Information Management (Digitisation of Title Deeds)	92,000			92,000	0	92,000	To support a number of initiatives in respect of improving the Council's information management in line with the transformation agenda and increasing the pace of change as outlined in the BV Review. The planned initiatives include: Estates Survey work £122k, Digitalisation of Title Deeds £92k (delay on spending due to COVID-19), document management and workflow system for Planning, Building Standards and Environmental Health £77k and a balance of funding to explore information management solutions in a strategic and coherent way £209k	0	61,000	31,000
031	Non Departmental / Executive Director (Kirsty Flanagan)	Across Services / Development and Economic Growth	Information Management (Document Management and Workflow for Planning, Building Standards and Environmental Health)	76,618	9,364		67,254	67,254	0	To support a number of initiatives in respect of improving the Council's information management in line with the transformation agenda and increasing the pace of change as outlined in the BV Review. The planned initiatives include: Estates Survey work £122k, Digitalisation of Title Deeds £92k, document management and workflow system for Planning, Building Standards and Environmental Health £77k and a balance of funding to explore information management solutions in a strategic and coherent way £209k	76,618	0	0
032	Non Departmental	Non Departmental	Underwriting development of Rothesay Pavilion	1,000,000			1,000,000	1,000,000	0	Funding to meet additional costs identified as necessary for the refurbishment of Rothesay Pavilion.	1,000,000		0
033	Non Departmental	Non Departmental	Roads Capital Investment	264,000			264,000	264,000	0	Agreed at Council meeting February 2020, a transfer of £264k to Administration priorities to support Roads Capital Investment.	264,000	0	0
034	Non Departmental	Non Departmental	Community Resilience Fund	76,447			76,447	0	76,447	Fund established in 2012/13 to be spent over more than one year. Fund reduced at the Council meeting on 11 February 2016	0	0	76,447
				5,752,586	847,440	0	4,905,146	2,746,673	2,158,473		3,594,113	1,532,952	625,521