

RESERVES AND BALANCES – UPDATED FOR BUDGET PACK 2021-22

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 has a total of £55.892m 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 The Council's General Fund contingency remains at 2% of net expenditure. This monetary level has been adjusted to take account of the revised net revenue expenditure proposed for 2021-22. The revised contingency of 2% of net expenditure amounts to £5.095m.
- 1.5 As at 31 December 2020 the forecast outturn for 2020-21 was estimated to be a deficit of £5.124m. However there have been significant updates to this position since December. In particular:
- an allocation of £2.043m from the COVID lost income scheme and an estimated further allocation of £2.497m
 - estimated increased investment income of £0.300m
 - confirmation that the Scottish Government will fund the undelivered savings in the HSCP mobilisation plan which means Social Work will no longer be overspent.

Once these updates are factored in there is a revised estimated 2020-21 outturn of a £1.595m surplus.

- 1.6 Assessing the adequacy of reserves should take account of the strategic, operational and financial risks facing the Council and should consider both internal and external factors. There are 19 categories included in the risk analysis and 5 have been assessed as low, 4 low/medium, 6 medium and 4 medium/high. The medium/high risks are in respect of the council wide cost risks, the potential impact of the UK's exit from the EU, future funding and the general financial climate. The medium risks relate to cost and demand pressures, inflation, strategic risks, operational risks and the Health and Social Care Partnership financial position.

RESERVES AND BALANCES – UPDATED FOR BUDGET PACK 2021-22**2. INTRODUCTION**

2.1 This report outlines current balances on all of 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 fall into this latter category of accounting 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 table below, updated as per 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 31/03/20	Invested or committed for major initiatives/ capital projects	Drawn- down to 2020-21 Budget as at 31/12/20	Still to be drawn- down in 2020-21	Planned Spend Future Years	Balance no Longer Required
	£000	£000	£000	£000	£000	£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 General Fund contingency is set at 2% of net expenditure for 2020-21 and amounts to £4.969m. This contingency is held to provide a working balance to help cushion the impact of uneven cash flows and cushion the impact of unexpected events. It is up to authorities to make their own judgement on the level of reserves taking local circumstances into account, for example, previous call on contingency and amount of unallocated reserves held. The contingency needs to be updated to reflect the updated budget for 2021-22. The budgeted net expenditure based on the proposed budget contained within the revenue budget overview report is £251.488m. 2% of this balance amounts to £5.030m. There is currently a contingency of £4.969m, therefore £0.061m will require to be moved from the unallocated General Fund balance to supplement the contingency.

3.4.3 The revenue budget position as at 31 December 2020 is estimated to be £5.124m overspent. Although this was the position at the end of December, there have been significant updates to this figure since December and the writing of this report and these are noted below.

- Our share of the £90m COVID Lost Income Scheme has been confirmed as £2.043m.
- The Scottish Government has announced an additional £110m in respect of the Lost Income Scheme. Whilst this hasn't currently 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.

- Estimated 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 despite the challenging investment market.
- 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.

3.4.4 The table below summarises the position of the unallocated General Fund balance taking into consideration the points noted above.

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)
Transfer of contingency to maintain 2% level			(61)
Sub Total			2,074
Forecast Outturn for 2020-21 as at 31 December 2020	Two main factors: Council additional costs and lost income in relation to COVID. Social Work estimated overspend.	(5,124)	
£90m Lost Income Scheme	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,	1,879	

	Social Work will no longer be overspent		
Updated Estimated Forecast Outturn 2020-21			1,595
Estimated Unallocated General Fund Balance as at 31 March 2021			3,669

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.

3.6 Review and Risk Assessment

- 3.6.1 Assessing the adequacy of reserves should take account of the strategic, operational and financial risks facing the Council and should consider both internal and external factors. Appendix 2 to this report identifies the range of issues in terms of budget assumptions and financial standing and management that should be considered in assessing the level of reserves. It relates only to consideration of the contingency to be held in the General Fund balance. A separate financial risk analysis report has been prepared looking at the overall financial risks relating mainly to the revenue budget but notes a couple of risks in respect of the capital budget also.
- 3.6.2 There are 19 categories included in the risk analysis and 5 have been assessed as low, 4 low/medium, 6 medium and 4 medium/high. The medium/high risks are in respect of the council wide cost risks, the potential impact of the UKs exit from the EU, future funding and the general financial climate. The medium risks relate to cost and demand pressures, inflation, strategic risks, operational risks and the Health and Social Care Partnership financial position.
- 3.6.3 Based on the above and taking cognisance of the level of unallocated general fund balance that remains, it is recommended that the contingency for the General Fund balance should be retained at 2%.

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. There is currently an estimated surplus over contingency of £3.669m after adjusting for the forecast outturn for 2020-21.

5. IMPLICATIONS

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| 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- | See Below |
| 5.5.1 | Equalities | None |
| 5.5.2 | Socio-Economic Duty | None |
| 5.5.3 | Islands Duty | None |

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|-----|--------------------|--|
| 5.6 | Risk - | A contingency of £5.030m (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 as at 31 December 2020

Appendix 2 – Risk Assessment for Review of Reserves

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

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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

APPENDIX 2

Risk Assessment for Review of Reserves		
Risk Category	Comment	Assessment
Cost and Demand Pressures	As part of maintaining the medium term budgetary outlook, cost and demand pressures for 2020-21 and beyond have been kept under review. The cost and demand pressures for 2021-22 amount to £1.172m for Council services. A general allowance for unidentified cost and demand pressures has been built into the budget outlook for 2022-23 and future years: £0.250m per annum in the mid-range scenario and £0.500m per annum in the worst case scenario.	Medium (2020-21 Medium)
Service Income	Service income levels have been reviewed as part of constructing the budget. In addition fees and charges have been reviewed. COVID-19 will have a continued detrimental impact on service income and there is no confirmation that any additional funding will be made available for lost income in 2021-22. For this reason, we have changed the overall risk for this factor to Medium	Medium (2020-21 Low)
Council Wide Cost Risks	The financial risk analysis identified 6 council wide cost risks currently amounting to £3.886m. Three (IJB referring to Council for additional funding, the impact of COVID-19 and Council Tax Income) have been categorised as possible. The other three (shortfall in savings options, utility costs and general inflation) have been categorised as unlikely. Although the IJB shortfall is a risk, any additional payment would require to be repaid to the Council from future payments. The financial impact of COVID in 2021-22 will be addressed using financial flexibilities. Due to the impact of COVID and the HSCP financial position, the overall risk for this factor will be left at Medium/High however it is hoped that the financial impact of COVID will be addressed via financial flexibilities.	Medium/High (2020-21 Medium/High)

Risk Assessment for Review of Reserves		
Risk Category	Comment	Assessment
Funding Risks	<p>The Scottish Budget was announced on 28 January 2021 and the finance circular with the local authority allocations issued the same day. Stage 1 of Parliamentary process is due to be announced on 25 February 2021 which may result in additional funding.</p> <p>The other element of funding is Council Tax. There is no proposed increase to Council Tax but collections have been impacted by COVID-19.</p> <p>The impact of COVID-19 could have a significant impact on future years funding – in particular when considering how the UK and Scottish Government seek to pay back the funds made available to combat the impact of COVID-19 and how the economy is going to recover from this pandemic. This could result in future funding reductions that are higher than those experienced in recent years.</p> <p>The General Capital Grant was estimated to remain constant from 2019-20 for the following three years. However the 2020-21 settlement reduced the grant by £2.601m from the 2019-20 amount and the 2021-22 settlement was £2.682m lower than estimate. Confirmation has now been received from the Scottish Government that the indicative General Capital Grant settlements up to 2025-26 will remain constant at the same level as the 2021-22 settlement.</p> <p>As a result of all issues noted above, this risk has been kept as Medium/High.</p>	Medium/High (2020-21 Medium/High)
Savings Risks	<p>The Council agreed to a number of management/operational and policy savings as part of the 2018-19 and 2019-20 budgets that would deliver an additional £0.076m of savings in 2021-22. There are also further savings</p>	Low/Medium (2020-21 Low/Medium)

Risk Assessment for Review of Reserves		
Risk Category	Comment	Assessment
	proposals amounting to £2.834m for 2021-22. The Council have a good track record on delivering savings options and the risk remains and Low/Medium.	
Inflation Rates	<p>Since January 2018 when it was 3%, CPI inflation has continued on a falling trend, reaching 0.3% in November 2020 which is well below the Bank of England target of 2%. This represents a 1.2% decrease since March 2020 predominantly due to the impact of the lockdown brought about by the COVID-19 pandemic.</p> <p>The quarterly meeting of the Bank of England Monetary Policy Committee revised its economic forecasts to take account of the second national lockdown That Committee projected that CPI Inflation would be a bit above its 2% target by the start of 2023 and the “inflation risks were judged to be balanced”. The Council’s Treasury Advisors (Link Asset Services) are of the view that this is optimistic.</p> <p>Hence it would be prudent to consider a level of inflation over above and the unavoidable/ inescapable provision and a general 1% inflation has been included within the worst case scenario for 2022-23 onwards (of £750k per annum). For 2021-22, the inflation estimates are considered to be sufficient.</p>	Medium (2020-21 Medium)
Interest Rates	The Council has a large proportion of its borrowing secured at fixed rates which reduces the risk to increases in interest rates. Borrowing is being managed to reduce where possible surplus cash available for investment subject to working capital/cash flow requirements.	Low (2020-21 Low)

Risk Assessment for Review of Reserves		
Risk Category	Comment	Assessment
	Surplus funds are invested and whilst investment returns are likely to remain low in 2021-22 this is reflective of current market condition. The rate of return achieved by the Council has consistently compared favourably with the target of 7 day LIBID rates. This reduces risk exposure on surplus funds. Current forecasts of interest rates are based on advice from our treasury advisors. Current investment rates are fairly low and therefore there is little scope for them to reduce any further.	
Financial risks	The Council has managed surplus funds invested to reduce exposure to risks associated with money market deposits. It retains a working balance of £10m to meet cash flow needs. Investments are managed based on the credit worthiness of agreed counterparties based on credit scores of recognised agencies. This should avoid having to borrow in an unplanned way from the money markets.	Low (2020-21 Low)
Strategic risks	The strategic risk register is subject to a formal review by SMT bi-annually, and these reviews have already taken place in April and October of 2020. SMT have agreed the current actions to address the risks.	Medium (2020-21 Medium)
Operational risks	Operational risks are reviewed formally each quarter by Departmental Management Teams. Any operational risks that are identified as high are reported to the Strategic Management Team as part of the bi-annual review of the Strategic Risk Register.	Medium (2020-21 Medium)
Impact of UK withdrawal from the EU	In 2017 the Council established the Industry and Regional Development Sounding Board in response to both the EU Referendum and the subsequent UK Industrial Strategy. The Chief Executive established a tactical team to support preparedness for exit from EU and all relevant departments and the Health and Social Care Partnership are representative	Medium/High (2020-21 Medium/High)

Risk Assessment for Review of Reserves		
Risk Category	Comment	Assessment
	on the tactical group. The group prepared and manage an EU exit risk register and action plan and report on progress as a standard agenda item to the SMT. SMT have also approved an entry into the Strategic Risk Register with regards to Withdrawal from the EU. The UK formally left the EU on 31 January 2020 and the tactical team will continue to work to manage the impact and risks this creates for the Council. As there remains much uncertainty over the medium to longer term impact on the Council's financial position the risk assessment has been retained at Medium /High.	
General financial climate	<p>The finance settlement only covers 2021-22 and the Scottish Government is still to meet its commitment to provide a three year settlement. A prudent approach to estimating income from council tax has been taken. Risks arising from inflation, interest rates, cost pressures and demand led pressures have been outlined above.</p> <p>Due to the uncertainties associated with the UK's withdrawal from the EU and the potential medium to longer term impact of COVID-19 on the economy it would be prudent to upgrade this risk to medium/high.</p>	Medium/High (2020-21 Medium)
Availability of contingency funds	The Council currently has sufficient contingency funds to meet its target assuming the use of financial flexibilities to address the financial impact of COVID on the Council's revenue position.	Low (2020-21 Low)
Overall financial standing	The Council has managed to achieve its contingency target in previous years. Actual costs are normally contained within budget. Borrowing costs are largely fixed and exposure to changes in investment rates for surplus cash are minimised. In addition to the contingency there are significant earmarked funds. Cost and demand pressures are identified and provided for if necessary. The financial impact of COVID has increased the risk to the	Low/Medium (2020-21 Low)

Risk Assessment for Review of Reserves		
Risk Category	Comment	Assessment
	Council's reserve position however it is hoped this will be addressed via financial flexibilities. Hence the overall risk for this factor has been changed to Low/Medium.	
Track record in budget management	The Council has a good track record of containing expenditure within budget. The Council is on track to contain costs within budget for 2020-21, after the application of Scottish Government Funding in relation to COVID-19.	Low (2020-21 Low)
Financial information and reporting arrangements	Revenue and capital budgets are monitored on a monthly basis with budget allocated to responsible managers. A risk based approach is taken to budget monitoring and the budget monitoring process is continually being reviewed to identify ongoing improvements.	Low/Medium (2020-21 Low/Medium)
Insurance cover	The Council has adequate insurance cover.	Low (2020-21 Low)
Internal controls	The statement of internal controls identifies a generally adequate control framework although there are areas for improvement. An audit plan is approved and delivered each year to monitor internal controls. The Council's Audit and Scrutiny Committee continues to actively develop and adopt good practice.	Low/Medium (2020-21 Low/Medium)
Health and Social Care Partnership Financial Position	It is prudent to have a factor in terms of the Health and Social Care Partnership financial position. If there is an overspend on Social Work, that cannot be funded by IJB reserves or by an underspend by the other partner body, then the Council will require to give an additional payment. Any additional payment would require to be paid back to the Council in the future. There have been overspends on Social Work in 2017-18 of	Medium (2020-21 Medium)

Risk Assessment for Review of Reserves

Risk Category	Comment	Assessment
	<p>£1.155m, 2018-19 of £3.127m and in 2019-20 of £1.141m. As at 31 March 2020, the Council advanced £4.923m to the HSCP after net repayments to date of £0.500m. The risk is whether the HSCP will be able to repay this and when. As part of the Council's risk analysis we have reported a risk based on the average of the previous three years Social Work overspend - this equates to a £1.808m to the Council in 2021-22.</p> <p>The risk factor remains at Medium at this stage.</p>	