

**UPDATE ON COVID-19 FINANCIAL POSITION**

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**1. EXECUTIVE SUMMARY**

- 1.1 This paper provides an update on the projected impact of the COVID pandemic on the Council's revenue and capital budgets in the current year (2021/22) and future years, the current position of the COVID funding and an update on the latest discussions in respect of the financial flexibilities made available by the Scottish Government.

**2. RECOMMENDATION**

- 2.1 It is recommended that the Policy and Resources Committee:

- a) Approve that the funding uploaded into the 2021/22 budget for COVID related cost pressures that is no longer required (£2.117m) is removed from the 2021/22 budget and transferred into the unallocated COVID funding that is currently held within earmarked reserves.
- b) Approve that the cost pressures identified in relation to capital contract increases, £2.646m as noted in paragraph 3.5.2, is agreed to be added to the capital plan and funded from the £2.5m provision in addition to using a further £0.146m from the unallocated COVID funding in earmarked reserves.
- c) Note that the current estimate of the 2022/23 COVID revenue cost pressures is £0.697m.
- d) Note that it is highly likely that there will be further capital contract increases identified that relate to COVID that will require to be funded.
- e) Note that there remains Scottish Government COVID Funding of £1.684m and £5.400m from the Loans Fund Principal Repayment Holiday (if required) which would be ringfenced for COVID purposes as outlined in para 3.8.2.

**3. DETAIL****3.1 Approved Budget 2021/22**

- 3.1.1 Throughout 2020/21 officers monitored the impact of COVID on the Council's financial position including forecasting the impact it would have in 2021/22

based on a range of assumptions and the information available at the time the forecasts were made. These assumptions were refined on a regular basis as national restrictions changed and the impact on costs and lost income became more apparent.

- 3.1.2 As part of agreeing the 2021/22 budget on 25 February 2021 the Council approved the use of COVID funding as noted in the table below, alongside the funding sources.

	£,000	£,000
2021/22 Revenue Cost Pressure	(5,101)	
2021/22 Capital Cost Pressure	(2,000)	
Provision for COVID Revenue Cost Pressures Beyond 2021/22	(2,500)	
Provision for Capital contract increases as a result of COVID	(2,500)	
Recovery and Renewal activities including Staycation, Education to Support Young People	(1,939)	
Recovery and Renewal Fund	(892)	
<b>Total COVID Expenditure</b>		<b>(14,932)</b>
Estimated Council Share of £259m Non-Recurring COVID Funding announced on 25 January to be paid in 2021-22.	4,609	
Estimated Council Share of £275m Non-Recurring COVID Funding announced on 16 February to be paid in 2020-21.	4,923	
Loans Fund Principal Repayment Holiday	5,400	
<b>Available COVID Funding</b>		<b>14,932</b>
<b>Net Position</b>		<b>0</b>

- 3.1.3 Since setting the budget, officers have continued to monitor the ongoing financial impact of COVID and refined forecasts to reflect further changes in restrictions and the wider impact COVID is having on the cost of capital contracts. The sections below provide an analysis of the extent to which current projections differ from those presented to Council on 25 February 2021.

## 3.2 2021/22 Revenue Cost Pressure

- 3.2.1 The table below summarises the change in the forecast 2021/22 revenue cost pressure from the £5.101m reported to Council on 25 February 2021 to a reduced estimated 2021/22 revenue pressure of £2.984m after applying £2.291m of COVID specific earmarked reserves and £1.175m of additional funding made available by the Scottish Government for additional education cost pressures. This is an improvement in the estimation of £2.117m. More detail is included in Appendix 1 to this report.

	<b>2021/22 Revenue Estimate Feb 2021 Budget  (£,000)</b>	<b>2021/22 Revenue Revised Estimate Sept 2021  (£,000)</b>	<b>Improvement   (£,000)</b>
Lost Income	4,051	2,243	1,808
Impact on 2021/22 Savings	300	300	0
Other Costs	750	472	278
Education Additional Costs	0	3,435	(3,435)
Use of COVID Earmarked Reserves for Education		(2,291)	2,291
Additional COVID Funding for Education	0	(1,175)	1,175
<b>Total</b>	<b>5,101</b>	<b>2,984</b>	<b>2,117</b>

### 3.3 2021/22 Capital Cost Pressure

3.3.1 £2.0m of funding was added to the current capital programme to address COVID pressures that had been identified prior to the 25 February budget. The COVID pressure was identified for Rothesay Pavilion where the contractor had gone into administration after lockdown and this led to significant increased estimates. The funding is fully committed in the capital programme.

### 3.4 Provision for COVID Cost Pressures Beyond 2021/22

3.4.1 In August 2021 officers performed a review to extend the forecasting of the financial impact of COVID on the Council's revenue position until the end of 2022/23 to assess whether the £2.5m provision referenced at paragraph 3.1.2 was sufficient. The table below summarises the estimate for 2022/23 which is netted off by £0.854m COVID specific earmarked reserves and £0.050m of additional funding made available by the Scottish Government for additional education cost pressures. Further detail is contained within Appendix 2. This leaves £1.803m left in the provision for future years revenue pressures.

	<b>2022/23 Revenue Estimate (£,000)</b>
Lost Income	464

Other Costs	373
Education Additional Costs	764
<b>Total</b>	<b>1,601</b>
Use of COVID Earmarked Reserves for Education	(854)
Additional COVID Funding for Education	(50)
<b>2022/23 Estimated Cost Pressure</b>	<b>697</b>
Budget Provision Agreed on 25 February	2,500
<b>Remaining Provision</b>	<b>1,803</b>

### 3.5 Provision for Capital contract increases as a result of COVID

- 3.5.1 At the time of agreeing the budget, officers reported that the impact of COVID on contract costs had created a pressure on the capital budget in relation to Rothesay Pavilion and Council agreed to allocate £2.0m of COVID funding to address that pressure, see paragraph 3.3.1 above. It was also anticipated that this would increase for some time and a further provision for future contract increases of £2.5m was agreed.
- 3.5.2 Prices for capital works are increasing across the country due to issues such as disruptions to supply chains for both labour and materials and longer lead times, in relation to the construction sector and material availability. Project Managers have reviewed the impact this is having on capital projects in the capital programme and the most recent projections estimate an overspend of £2.646m which is based on both known contract/tender increases and estimated increases. The breakdown of this £2.646m is provided in appendix 3.
- 3.5.3 This overspend does not include further COVID pressures that are being dealt with differently as noted below.
- An estimated £0.350m relating to the Harbour Investment Programme as this is expected to be funded by additional borrowing, the cost of which will be met by fees and charges.
  - An estimated £0.631m relating to the Helensburgh Waterfront Development as this forecast can currently be met from the contingency element of that project.
- 3.5.4 There may be a further increase in capital costs in 2021/22 that have not yet been identified. For example, currently there is no forecast impact on ICT costs as there has been no indication of an increase in costs under the existing contract however if there was a shortage of supply then another source may have to be sought which could result in increased costs. It should also be noted that while this paper is specifically identifying cost pressures in relation to COVID, the UK's Withdrawal from the EU and the Suez Canal closure has also had an impact on the cost of capital projects.
- 3.5.5 Based on an estimated increase in capital costs of £2.646m, the provision of £2.5m is fully utilised within 2021/22 and there is an under provision of £0.146m.

3.5.6 It is difficult to predict the extent to which the current market disruptions will still be affecting the cost of capital projects in a further years' time and consequently, Project Managers have not been asked to try and forecast revised capital costs in 2022/23 across the entire capital programme however this will continue to be closely monitored. Some estimates have been made for key projects and these are outlined below. It would be reasonable to expect that the construction sector market will stabilize and prices may start to decrease however given there is a national backlog of capital works it is not considered likely costs will reduce to pre COVID levels. As such, it would be prudent for there to be a provision that continues to be set aside for future capital increases as a result of COVID.

- Higher than originally anticipated increase to Rothesay Pavilion project as a result of COVID. The project team are currently engaging with the framework contractor to establish costs to completion and once this information is available a further report will be presented to Policy and Resources Committee in December.
- Future COVID specific capital pressures are anticipated for future years in relation to the Harbour Investment Programme which are currently estimated at approximately £3m however these are very difficult to quantify at this stage and it may be appropriate that these are funded from increasing the fees and charges in future years.
- Similarly future COVID specific capital pressures are anticipated for future years in relation to the Helensburgh Waterfront Development which are currently estimated at approximately £0.450m but are also very difficult to quantify at this stage.
- There are further projects that have potential COVID specific pressures in future years including the Campbeltown Flood Protection Scheme, Bridge Strengthening and Gartbreck Landfill Site - current estimates suggest they could be in the region of £0.315m in total but again there is limited certainty around these figures at this stage.

### 3.6 Recovery and Renewal Fund Activities and Fund

3.6.1 The Council agreed to a number of Recovery and Renewal activities as part of the budget in 2021/22 that were funded from additional COVID funding. These activities are noted below and currently the allocation is anticipated to be fully committed/spent.

<b>Activity/Initiative</b>	<b>Budget Agreed £000</b>
Staycation and Marketing Argyll and Bute	800
Tackling Digital Exclusion Top-Up Fund	250
Welfare Rights Support	172
Education to Support Young People	600
CHARTS	67
AITC	30
Festive Parking	20

<b>Total</b>	<b>1,939</b>
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3.6.2 The Council agreed to make a provision for future recovery, regeneration and renewal, as well as any future pressures which may arise following the COVID pandemic through a dedicated Recovery and Renewal Fund. This Fund was originally £0.892 when the budget was set in February 2021. It has since been supplemented with £0.476m in relation to a distributional change in general COVID funding and a further £0.712m from additional monies announced by the Scottish Government for COVID on 18 March 2021. This gives a current Recovery and Renewal Fund of £2.080m. At this stage, officers have not brought forward any proposals for use of the Fund and therefore, it currently all remains uncommitted.

### 3.7 COVID Funding Carried forward from 2020/21

3.7 As part of the Council's year end process £13.468m of COVID funding was carried forward and earmarked. A review of the balances has been carried out and currently all balances are committed with the exception of the amount that was unallocated at the end of the year, this remains uncommitted. The table below summarises the balances, shows the amounts drawn down to date and confirms any uncommitted balances following our review. More detail is provided in Appendix 4.

	<b>Earmarked Balance (£,000)</b>	<b>Drawn Down to Date (£,000)</b>	<b>Uncommitted Amount (£,000)</b>
Service Specific Allocation	5,184	1,873	0
Discretionary Fund	1,655	0	0
Unallocated COVID Earmarking	1,230	0	1,230
Funding advised 16 February (£4.923m plus £0.476m for Recovery & Renewal Fund)	5,399	0	0
<b>Total</b>	<b>13,468</b>	<b>1,873</b>	<b>1,230</b>

### 3.8 Overall Summary of Current COVID Financial Position

3.8.1 The table below summarises the current COVID financial position within financial year 2021/22 and beyond.

	<b>COVID Funding (£,000)</b>	<b>Committed as at end Sept 2021 (£,000)</b>	<b>Available (£,000)</b>
2021-22 Revenue Cost Pressures (see para	5,101	2,984	2,117

3.2.1)			
2021-22 Capital Cost Pressures (see para 3.3.1)	2,000	2,000	0
COVID Cost Pressures Beyond 2021/22 (see para 3.4.1)	2,500	697	1,803
Provision for Capital Contract Increases (see para 3.5)	2,500	2,646	(146)*
Recovery and Renewal Activities Agreed as Part of Budget (see para 3.6.1)	1,939	1,939	0
Recovery and Renewal Fund (see para 3.6.2)	2,080	0	2,080
COVID Funding Carried forward from 2020/21 (see para 3.7)	13,468	12,238	1,230
<b>Total</b>	<b>29,588</b>	<b>22,504</b>	<b>7,084</b>

\*Likely to be further capital contract increases beyond 2021/22.

3.8.2 The £7.084m of available funds referenced in the table above are funded as follows:

<b>Source of Funding</b>	<b>£,000</b>	<b>£,000</b>
Loans Fund Principal Repayment Holiday	5,400	
Scottish Government Funding	1,684	
<b>Available Funding</b>		<b>7,084</b>

Therefore the availability of £7.084m assumes the Council will take the principal repayment holiday (as was agreed at the budget meeting on 25 February 2021). The Council is able, before the end of the financial year, to agree to a reduced amount of principal repayment holiday which would reduce the recurring revenue cost pressure that is within the budget outlook (£162k in 2022-23). It should also be noted that this is not funding for general revenue purposes, it's funding that the Scottish Government have given (or approved, in the case of the principal repayment holiday) to assist the Council in its response to the COVID pandemic and therefore needs to be used for COVID related purposes.

### 3.9 Update on Financial Flexibilities

3.9.1 In 2020 the Scottish Government agreed to three financial flexibility arrangements, which had been agreed with UK Treasury for use by Local Authorities to assist with funding the immediate mobilisation effort and the recovery phase of COVID.

1. **Dispensation in 2020/21 and 2021/22** - use capital receipts received. This was of little value to the Council as we already budget for capital receipts and hence this flexibility was not considered a viable option.
2. **Loans Fund Principal Repayment Holiday** - deferral of loans charges in 2020/21 or 2021/22. This is a deferral and the amount of deferred still needs to be repaid over the next 20 years, creating a future year cost pressure. The Council agreed to use this flexibility in 2021/22 as part of the budget agreed in February 2021, however, should other funding be made available, or the service concessions flexibility agreed we may not need to use it. A decision on this can be made later in the year.
3. **Service Concession/Credit Arrangements** - this is a change to accounting treatment to allow the debt (on PPP schools contracts) to be repaid over the life of the asset rather than the contract period. The Council currently pay over 25 years (like many other Councils) but the assets have a life of much longer than this, at least 40 years. There has been significant debate about how this flexibility works and differing views between Directors of Finance and Scottish Government, particularly over it being an annuity repayment and the retrospective adjustment. This still hasn't been resolved and discussions are ongoing. Due to this, no Councils have been able to exercise the financial flexibility yet.

3.9.2 The latest position in relation to the Service Concession/Credit Arrangements is that the Cabinet Secretary wrote to COSLA on 18 August 2021 and agreed some concession to allow Councils to write the principal balance of service concessions over the remaining life of the asset but with no retrospective adjustment. This will have a greater benefit for Councils where the contracts are newer, but for older contracts the benefit will not be as significant. The Council's PPP contract is 15 years old so whilst we would still get some benefit from this agreed concession we would prefer retrospective adjustment to be allowable as this would result in a larger one-off gain and larger future revenue savings. Furthermore it is only the principal element of the repayment that the concession has been agreed to. The payment of the interest element is to remain over the contract period which means there is an inconsistency in how the costs are spread over the repayment period.

3.9.3 Applying the concession retrospectively would create a material one-off fund which would allow the Council the opportunity to increase capital investment at no additional cost to the Scottish Government or local taxpayers, thereby enhancing Local Government's role in supporting economic recovery. It is an accounting adjustment that is consistent with accounting practice and is prudent. COSLA are continuing to engage with the Scottish Government on this matter and any developments will be reported back to the Committee.

### 3.10 Next Steps

- 3.10.1 It is recommended that the funding uploaded into the 2021/22 budget for COVID related cost pressures that is no longer required (£2.117m) is removed from the 2021/22 budget and transferred into the unallocated COVID funding that is currently held within earmarked reserves.
- 3.10.2 It is recommended that the cost pressures identified in relation to capital contract increases, £2.646m as noted in paragraph 3.5.2, is agreed to be added to the capital plan and funded from the £2.5m provision in addition to using a further £0.146m from the unallocated COVID funding in earmarked reserves.
- 3.10.3 Officers will continue to engage with COSLA via the Directors of Finance Group on the service concessions financial flexibility and report back to Members on any update to the position at the next Policy and Resources Committee.
- 3.10.4 As noted in paragraph 3.8.2 the available funding of £7.084m assumes the Council will take the loans fund principal repayment holiday (as was agreed at the budget meeting on 25 February 2021). The Council is able, before the end of the financial year, to agree to a reduced amount of principal repayment holiday which would reduce the recurring revenue cost pressure that is within the budget outlook (£162k in 2022-23). However, it is likely that all or certainly some of the funding will be required, especially if there is no positive conclusion on the service concessions financial flexibility, but it's something that should be kept under close review in order to minimise the recurring revenue pressure to repay the holiday. It should also be noted that although there is funding available of £7.084m, this is not funding for general revenue purposes, it's funding that the Scottish Government have given (or approved, in the case of the principal repayment holiday) to assist the Council in its response to the COVID pandemic and therefore needs to be used for COVID related purposes.
- 3.10.5 Officers will carry out a further review of the COVID funding position, particularly the earmarked reserves to ensure that all the funding is still required and will report back to Policy and Resources Committee in December.

#### **4. CONCLUSION**

- 4.1 This report provides an update on the current COVID funding position and advises that there is currently £7.084m of uncommitted COVID funding. This funding includes the principal repayment holiday of £5.400m which the Council have to repay over the next 20 years. There are also some future capital pressures highlighted in the report and there may well be other pressures that have not currently been identified. This balance also includes the full amount of the Recovery and Renewal Fund as no proposals have been brought forward yet. Officers will continue to keep this position up to date and provide a further report later in the year.

#### **5. IMPLICATIONS**

- 5.1 Policy – No specific policy implications in relation to this paper however any future budget decisions may affect policy.

- 5.2 Financial – The report outlines the current financial position in respect of the additional funding received from Scottish Government for COVID.
- 5.3 Legal - None
- 5.4 HR - None
- 5.5 Fairer Scotland Duty - None
- 5.5.1 Equalities – None
- 5.5.2 Socio-Economic Duty – None
- 5.5.3 Islands Duty - None
- 5.6 Risk – None.
- 5.7 Customer Service - None

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**01 October 2021**

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- Appendix 1 - Revised Estimated 2021/22 COVID Revenue Cost Pressure
- Appendix 2 – Estimated 2022/23 COVID Revenue Cost Pressure
- Appendix 3 – 2021/22 Forecast Capital Overspend due to COVID
- Appendix 4 – Earmarked COVID Funds



Piers & Harbours	Reduced berthing and passenger dues and fish landings	Based on average of 80% income being received which is based on Aug/Sept 2020 income levels and adjusted for Q1 which is expected to have lower income levels due to lockdown restrictions.	2,016	Seeing improvement in Piers and Harbours/Ferries. Difficult to accurately estimate future months until we see the impact of restrictions lifted and how the recent COVID spikes affect future travel.	746	1,270
Development Control	Reduced planning fees and pre-application advice	25% of 2019/20 actuals (£1,244k) not being received.	310	Includes both Planning fees & PreApps. Actuals to July show reduced income which has been projected for remainder of year.	310	0
Commercial Services	Reduced events and income from Kilmory Canteen and HLCC Café	Full loss of income from April to June. From July to March full loss of events income, 70% reduction of income from Kilmory Canteen and 75% reduction from HLCC Café	185	Further reduction in Council café/canteen income at two major offices.	225	(40)
Education	Reduced school meal income	Reduction of 27% in secondary schools and 13% in primary schools based on current reduced uptake of school meals	260	Income reduced further than anticipated. This is due to the closure of classrooms/ schools before the end of term.	416	(156)
Council Wide	Council Tax arrears / collection	N/A	0	Council Tax arrears are likely to continue but at 50% reduced level from last year.	220	(220)
<b>TOTAL LOST INCOME</b>			<b>4,051</b>		<b>2,243</b>	<b>1,808</b>
<b>IMPACT ON SAVING OPTIONS</b>						
Roads	Depot rationalisation program has stalled due to	Savings won't be achieved in 2021/22	100	Savings won't be achieved in 2021/22	100	0

	COVID					
Roads	Traffic Regulation Order/New Roads and Street Works / charging for services	Savings won't be achieved in 2021/22	100	Savings won't be achieved in 2021/22	100	0
Building Control	Building warrants	Savings won't be achieved in 2021/22	100	Savings won't be achieved in 2021/22	100	0
<b>TOTAL IMPACT ON SAVING OPTIONS</b>			<b>300</b>		<b>300</b>	<b>0</b>
<b>OTHER COSTS</b>						
Commercial Services	Reduced catering purchases within schools	Reduction of 27% in secondary schools and 13% in primary schools based on current reduced uptake of school meals	(210)	Reduction in costs due to the closure of classrooms/schools before the end of term.	(240)	30
Commercial Services	Reduction in catering purchases for Café's and events	N/A	0	Applied same margins as 2020/21 between lost income and catering costs	(104)	104
Council Wide	Reduction in travel expenses	N/A	0	APTC - Qtr 1 and 2 based on actual reduction in Q1 compared to 19/20, Qtr 3 75% of that reduction and Q4 50% of that reduction as employees return to offices. Elected members - Q1 based on actual reduction compared to 2019/20, Q2 50% of that reduction, Q3 25% of that reduction, no reduction in Q4. Reduced costs is in addition to the saving option taken as part of agreeing the 2021/22 budget.	(27)	27

Council Wide	Electricity - Council HQ, Offices etc	N/A	0	All utilities excluding E12 and E13 Schools. Basis of calculation is based on info received from energy team but used actuals Q1 replicated for Q2 with mark up for Q3 and Q4	(148)	148
Amenity Services	Increased cost to open all public conveniences with enhanced cleaning	Additional staffing costs and cleaning materials to allow opening of all 58 PC's with an enhanced cleaning regime	338	Assumption that enhanced cleaning will continue until at least 31/3/22. Includes all additional public convenience costs from additional payroll and vehicles costs through to additional cleaning materials. Estimate less than initially projected due to difficulties recruiting temporary posts and existing amenities staff being taken off other amenity work to assist. Donations of hand sanitisers and masks have also reduced costs.	210	128
Council Wide	Additional PPE	Estimation of additional PPE costs across a range of services	120	Assumption that following the lifting of social distancing enhanced PPE and sanitiser costs will reduce as the year progresses. Donations of hand sanitiser and masks has also reduced the cost pressure.	64	56
Pupil Transport	Additional cleaning of home to school transport vehicles	One hour per driver per day to clean vehicles plus consumables	179	Uncertainty around this until new school term starts. Based on number of routes multiplied by school days x £12 (1 hour of time of a driver). Funded by specific additional education funding made available by Scottish Government	140	39
Council Wide	Central Repairs	N/A	0	Outside Contractor quotes approximately 20% higher due to a number of issues. 10% is considered to be due to COVID.	188	(188)

Council Wide	Net of identified pressures under £100k	Various	323	Various - including new pressures for Commercial letting and school letting	389	(66)
<b>TOTAL OTHER COSTS</b>			<b>750</b>		<b>472</b>	<b>278</b>
<b>EDUCATION ADDITIONAL COSTS</b>						
Education	Additional cleaning costs and PPE	N/A	0	Projections for Q2, Q3 and Q4 based on actuals for Q1. Funded by additional education funding made available by Scottish Government.	320	(320)
Education	Reconfiguration Costs (school ventilation, heating storage containers)	N/A	0	5% uplift in heating for ventilation (Windows Open). Funded by specific additional education funding made available by Scottish Government.	122	(122)
Education	Summer activities programme	N/A	0	Based on anticipated costs in Q2. Funded by additional education funding made available by Scottish Government	232	(232)
Education	Free School Meal Provision	N/A	0	Cost of providing FSM during holidays. Funded by additional education funding made available by Scottish Government	317	(317)
Education	Incorporating digital technologies	N/A	0	Cost of purchasing digital devices. Funded by specific additional education funding made available by Scottish Government	179	(179)
Education	Additional staffing costs	N/A	0	Cost of providing additional teachers and support staff. Note this excludes costs and funding associated with the 100 day promise as these are not COVID related. Funded by specific additional education funding made available by Scottish Government	2,265	(2,265)

<b>TOTAL EDUCATION ADDITIONAL COSTS</b>			<b>0</b>		<b>3,435</b>	<b>(3,435)</b>
<b>SUB-TOTAL</b>			<b>5,101</b>		<b>6,450</b>	<b>(1,349)</b>
Education	Additional Funding		0	Additional Funding Received from Scottish Government for COVID issues relating to Education.	(1,175)	1,175
Education	Earmarked reserves		0	Funded from COVID funding received in 2020-21 and carried forward as earmarked reserves for Education.	(2,291)	2,291
<b>GRAND TOTAL</b>			<b>5,101</b>		<b>2,984</b>	<b>2,117</b>

## Appendix 2 – Estimated 2022/23 COVID Revenue Cost Pressure

Service	Description	FOR INFO 2021-22 Revenue Estimate Feb 2021 Budget  (£,000)	FOR INFO 2021/22 Revenue Revised Estimate Sept 2021  (£,000)	2022/23 Forecast (£,000)	Rationale for 2022/23 Forecast
<b>LOST INCOME</b>					
Registrars	Restricted registrar services and fees not increased	180	43	41	NRS fees not increasing
Waste	Reduced commercial waste and recycle income	720	70	35	2022/23 assumption based on 50% of the lost income from 2021/22
Parking	Reduced parking fines and charges	248	213	14	Projections that lost income in 2022/23 will be materially reduced as volume of traffic and tourism increase
Ferry Income	Reduction in income from ferry fares	132	0	0	Ferry fare income returning to normal levels as back to regular timetable
Piers & Harbours	Reduced berthing and passenger dues and fish landings	2,016	746	0	Expectation that there will be a return to normal income levels in 2022/23 as returning to a regular timetable meaning berthing fees will return to previous levels
Development Control	Reduced planning fees and pre-application advice	310	310	0	Expectation that there will be a return to normal income levels in 2022/23

Commercial Services	Reduced events and income from Kilmory Canteen and HLCC Café	185	225	178	Assumption that lost income from canteens in 2022/23 will be 70% of the 2021/22 lost income (£158k) as number of staff working in offices gradually increases. Furthermore events income is expected to pick up over the remainder of 21/22 and into 22/23 as restrictions have been lifted however full recovery is not expected and it is projected there will be 20k of lost income.
Education	Reduced school meal income	260	416	0	Assumption that school meal service will be fully operational in 2022/23
Council Wide	Council Tax arrears / collection	0	220	196	Assumption that CT arrears due to COVID will be approximately 80% of the 2021/22 impact
<b>TOTAL LOST INCOME</b>		<b>4,051</b>	<b>2,243</b>	<b>464</b>	
<b>IMPACT ON SAVING OPTIONS</b>					
Roads	Depot rationalisation program has stalled due to COVID	100	100	0	Any further delay not expected to be COVID related
Roads	Traffic Regulation Order/New Roads and Street Works / charging for services	100	100	0	Any further delay not expected to be COVID related
Building Control	Building warrants	100	100	0	Any further delay not expected to be COVID related
<b>TOTAL IMPACT ON SAVINGS OPTIONS</b>		<b>300</b>	<b>300</b>	<b>0</b>	
<b>OTHER COSTS</b>					
Commercial Services	Reduced catering purchases within schools and for cafes and events	(210)	(344)	(73)	Assumption that catering purchases will increase as number of staff working in offices gradually increases and also events catering expected to pick up over the remainder of 21/22 and into 22/23 as restrictions have been lifted however full recovery not expected.

Council Wide	Reduction in travel expenses	0	(27)	0	Majority of travel expenses taken as a saving when agreeing 2021/22 budget. Small additional saving in 2021/22 not expected to be repeated in 2022/23 as gradual return to offices increases pace.
Council Wide	Electricity - Council HQ, Offices etc	0	(148)	(74)	2022/23 assumption that reductions in utility costs are 50% of the 2021/22 reductions due to gradual return to offices increases pace
Amenity Services	Increased cost to open all public conveniences with enhanced cleaning	338	210	98	2022/23 assumption that enhanced cleaning will reduce but not be totally stopped - based on 50% of 2021/22 pressure plus £24k in lost income due to a potential 3 month slippage in 2022/23 to get new door entry system in due to contractor availability.
Council Wide	Additional PPE	120	64	14	Majority of PPE required in 2022/23 expected to be in education (see separate line) This is PPE for amenity services - Assumption that following the lifting of social distancing enhanced PPE and sanitiser costs will reduce as the year progresses.
Pupil Transport	Additional cleaning of home to school transport vehicles	179	140	140	Uncertain until new school term starts. No. of routes multiplied by school days x £12 (1 hour of time of a driver)
Council Wide	Central Repairs	0	188	141	Expectation that central repair costs will reduce in 2022/23 as markets stabilise and tender prices decrease
Council Wide	Net of identified pressures under £100k	323	389	127	Various items - i.e. School lets, stadium lets pest control refuse collection van costs
<b>TOTAL OTHER COSTS</b>		<b>750</b>	<b>472</b>	<b>373</b>	
<b>OTHER COSTS</b>					
Education	Additional cleaning costs and PPE	0	320	314	Assumed enhanced cleaning continues at same level and same PPE costs as 2021/22

Education	Reconfiguration Costs (school ventilation, heating storage containers)	0	122	100	Additional ventilation requirement extended -minor reduction in forecast costs
Education	Summer activities programme	0	232	0	One off activity in 2021/22
Education	Free School Meal Provision	0	317	0	One off 2021/22 cost pressure
Education	Incorporating digital technologies	0	179	0	One off 2021/22 cost pressure
Education	Additional staffing costs	0	2,265	350	Additional newly qualified teachers/supply teachers and support staff and Teachers PEF - costed until June 2022
<b>TOTAL EDUCATION COSTS</b>		<b>0</b>	<b>3,435</b>	<b>764</b>	
<b>SUB-TOTAL</b>		<b>5,101</b>	<b>6,450</b>	<b>1,601</b>	
Education – Additional Funding			(1,175)	(50)	Additional Funding Received from Scottish Government for COVID issues relating to Education.
Education – Earmarked Reserves			(2,291)	(854)	Funded from COVID funding received in 2020-21 and carried forward as earmarked reserves for education
<b>GRAND TOTAL</b>		<b>5,101</b>	<b>2,984</b>	<b>697</b>	

### Appendix 3 – 2021/22 Forecast Capital Overspend due to COVID

Capital Project	2021/22 Forecast Overspend due to COVID (£,000)
Education - Primary Schools	260
Education - 1140 Hours Upgrades	387
HSCP - Tigh An Rudha Sprinkler System	79
Roads Reconstruction	1,106
Footways Reconstruction	105
Environmental Projects (Mull Cemetery)	250
Tobermory Car Park	225
Campbeltown Flood Protection Scheme	2
Flood Prevention	114
Bridge Strengthening	101
Rothesay Pontoons	17
<b>Total</b>	<b>2,646</b>

## Appendix 4 – COVID Earmarked Funds

Service	Description	Earmarked Balance (£)	Drawn Down to Date (£)	Uncommitted Amount (£)	Still Required?
<b>SERVICE SPECIFIC ALLOCATION</b>					
Community Planning	COVID-19 - Test and Protect Support	14,000	14,000	0	N/A - Funding Already Used
Financial Services	Flexible Funding for Supporting People while at Tier 4 COVID	538,000	538,000	0	N/A - Funding Already Used
Financial Services	Flexible Food Fund	475,623	87,990	0	Yes - Financial Insecurity funding from Scottish Government routed into the Argyll and Bute Flexible Food Fund is aimed at tackling financial insecurity for adults and families across Argyll and Bute. The project runs to 31 March 2022 and this money will be used to support it.
Financial Services	Housing Benefits Private	79,537	0	0	Yes - Specific funding allocation for DHP to support tenants financially affected by the COVID-19 outbreak to sustain their tenancies. It is expected there will continue to be pressure on this budget during 2021-22
Financial Services	Test and Protect Extension	9,929	0	0	Yes - Funding provided in relation to the Local Self-Isolation Assistance Service. This will be used to support the recruitment of 0.5FTE LGE6 temp post to assist with call volumes in the Scottish Welfare Fund team. Recruitment is currently underway

Education	Logistics Funding - Safe Opening of Schools	1,244,303	0	0	Yes - Committed spend for 2021-22 currently stands at £550k, however this is added to when costs are identified. Further costs will be incurred in 2022-23 for additional cleaning, PPE, Safety checks, infrastructure in schools and any additional transport costs as required. This funding stream spend is subject to SG reporting on request.
Education	Recruitment of Additional Teachers and Support Staff in Schools	1,022,556	653,556	0	Yes - Comprehensive Plan in place to be fully spent by end June 2022. Any slippage in plan will be monitored and plan amended accordingly. Spend on this money is reported quarterly to SG.
Education	Additional Teaching/Support in Schools/Digital Devices/Family Home Learning Support Fund - £45m Grant	683,000	177,497	0	Yes - Comprehensive Plan in place to be fully spent by end June 2022. Any slippage in plan will be monitored and plan amended accordingly. Digital devices have been purchased and spend on additional teachers and support staff is subject to reports to SG. Continuation of funding for additional staffing, teachers, support staff, additional devices for pupils and additional family /home learning programmes.
Education	EDU - Community Mental Health and Wellbeing Support to Children and Young People - Pandemic Funding	147,551	147,551	0	N/A - Funding Already Used
Education	Unspent COVID funding in schools	140,385	140,385	0	N/A - Funding Already Used
Education	Free School Meals Funding	67,496	67,496	0	N/A - Funding Already Used
Education	Digital Inclusion Funding - Revenue element	27,480	27,480	0	N/A - Funding Already Used

Education	GLOW - Council Funded	19,000	19,000	0	N/A - Funding Already Used
Customer Support Services	Self Isolated Support	43,000	0	0	Yes - These were monies that were provided by Scotgov to fund additional overtime and resources for Shielding/ Caring for People and Test and Protect activities, however low infection rates and therefore demand in A&B meant that this was not required in 2020/21. The funding will therefore be used for Recovery related activities including the recruitment of a Temporary Additional Web Developer to implement the improvements identified by customers in the Customer Engagement Consultation and to mainstream the Coronavirus page content back in to Business as usual. Another portion will be used to fund the Digital Receptionist solution as part of safe re-opening of offices. These posts have now been filled.
Development & Economic Growth	EH Covid Posts	41,145	0	0	Yes - posts have now been filled
Non Departmental	Unallocated Admin Support Grant	374,214	0	0	Yes - this funding to be allocated to services who have been involved in the administration of a range of COVID grant schemes
Non Departmental	Capital pressure	257,000	0	0	Yes - Pressure identified on the 20-21 COSLA COVID costs spreadsheets - requires to be earmarked to be drawn down when required against the Capital Plan
<b>TOTAL SERVICE SPECIFIC ALLOCATION</b>		<b>5,184,219</b>	<b>1,872,955</b>	<b>0</b>	
<b>OTHER ALLOCATIONS</b>					

Non Departmental	Business Support - Discretionary Fund	1,655,337	0	0	Yes - Discretionary Fund being fully disbursed through grant scheme
Non Departmental	Unallocated General COVID Funding	1,229,921	0	1,229,921	This funding originated from the general COVID allocations provided or passed on by the Scottish Government. The unallocated balance of £1.229m being held as funding for future COVID purposes.
Non Departmental	Share of £275m announced on 16 February – once distributed, this increased to £5.399m and additional £0.476m was put towards Recovery and Renewal Fund	5,399,000	0	0	
<b>TOTAL OTHER ALLOCATIONS</b>		<b>8,284,258</b>	<b>0</b>	<b>1,229,921</b>	
<b>GRAND TOTAL</b>		<b>13,468,477</b>	<b>1,872,955</b>	<b>1,229,921</b>	