

FINANCIAL REPORTS MONITORING PACK – 31 DECEMBER 2021

1. INTRODUCTION

1.1 This report provides a summary of the financial monitoring reports as at the end of December 2021. There are six detailed reports, setting out the position as at 31 December 2021, which are summarised in this Executive Summary:

- Revenue Budget Monitoring Report
- Monitoring of Policy Savings Options
- Monitoring of Financial Risks
- Capital Plan Monitoring Report
- Treasury Monitoring Report
- Reserves and Balances

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

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

2.1.2 There is a forecast underspend of £0.192m as at the end of December 2021. This results from:

- £0.386m over-recovery of Council tax income
- £0.200m underspend against NDR budgets
- £0.069m from an over-recovery of income projected for appraisal of water supplies partially offset by an under-recovery of income against planning pre-application income
- £0.280m overspend in Social Work and is due to a combination of a high demand for services and some forecast slippage on the delivery of agreed savings.
- £0.183m overspend relating to the potential impact of the 2021-22 COSLA Pay offer

2.1.3 There is a year to date overspend of £2.582m. 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.

- 2.1.4 With regard to the ongoing financial impact of COVID-19, a separate report will be presented to this meeting of the Policy and Resources Committee which provides an update on the latest projections and the extent to which the monies put aside when setting the 2021/22 budget have been/are expected to be utilised.

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 £0.280m for 2021-22 (£0.280m overspend for Social Work and £0m for Health). The IJB approved a Financial Recovery Plan on 15 September 2021 and the social work forecast outturn has improved since it was agreed. The Chief Financial Officer of the IJB is confident that the spend will be brought in line with budget by the end of the financial year.

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 2021 or agreed by Council in previous years which have either not been delivered yet or have increases in value in 2021-22 onwards.
- 2.2.2 The savings options are reported as being delivered, on track to be delivered, still to be implemented, being developed, potential shortfall or delayed.
- 2.2.3 The table below outlines the progress as at 31 December 2021 for the new policy savings options agreed in February 2021.

Category	No of Options	2020-21 £000	2021-22 £000	2022-23 £000
Delivered	10	246.4	305.4	313.4
On Track to be Delivered	7	148.0	213.0	213.0
Still to be Implemented	2	87.1	294.7	414.3
Being Developed	0	0.0	0.0	0.0
Potential Shortfall	1	76.0	76.0	76.0
Delayed	0	0.0	0.0	0.0
Total	20	557.5	889.1	1,016.7

- 2.2.4 For savings options agreed in February 2018, 2019 and 2020, we are reporting on an exception basis. Those that are already delivered are not included in the analysis below.

Category	No of Options	2020-21 £000	2021-22 £000	2022-23 £000
On Track to be Delivered	1	121.5	121.5	121.5
Potential Shortfall	3	352.5	352.5	352.5
Delayed	2	74.0	74.0	74.0
Total	6	548.0	548.0	548.0

2.2.5 In total, there are four savings categorised as having a potential shortfall and two currently delayed. These are summarised in Section 3.9 of the Service Package Policy Options Report and further information is contained within Appendices 3a to 3f 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 5 Council wide revenue risks identified for 2021-22 currently amounting to £1.963m.

2.3.3 There are currently 41 departmental risks totalling £3.715m. One of the 41 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.

2.3.4 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 repairs 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
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2.3.5 There have been three changes to the departmental risks since the report as presented to the Policy and Resources Committee on 9 December 2021. These are outlined in paragraph 3.4.1 of the Financial Risks Report.

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 At the budget setting meeting on 25 February 2021, the Council agreed to provide a £2.5m provision for the increase in capital contract costs as a result of COVID-19 and the extent to which the monies put aside have been/are expected to be utilised are detailed within a separate report on COVID cost pressures presented to the Policy and Resources Committee on 14 October 2021. At this meeting the Committee approved for the £2.5m to be added to the capital programme plus a further £0.146m. This allocation has now been added to the capital plan budget.

2.4.3 Actual net expenditure to date is £26.829m compared to a budget for the year to date of £26.535m giving rise to an overspend for the year to date of £0.294m (1.1%). The variance results from the value of Millpark Depot insurance settlement and capital receipt being less than anticipated and also an accumulation of non-material variances in other projects.

2.4.4 The forecast outturn for 2021-22 is a forecast net expenditure of £35.593m compared to an annual budget of £40.871m giving rise to a forecast underspend for the year of £5.278m (12.9%).

2.4.5 The forecast total net projects costs on the capital plan are £177.855m compared to a total budget for all projects of £176.358m giving rise to a forecast overspend for the overall capital plan of £1.497m (0.85%).

2.4.6 In respect of total project performance, there are 170 projects within the capital plan, 131 are complete or on target, 29 are off target and recoverable and 10 projects are off track.

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 October 2021 to 31 December 2021 was an increase of £0.034m.
- 2.5.3 Borrowing is below the Capital Financing Requirement for the period to 31 December 2021. At this stage in the financial year capital expenditure continues to be below target. Due to delays as a result of the COVID-19 pandemic, capital expenditure has been relatively low over the last twelve months.
- 2.5.4 The levels of investments were £111.2m at 31 December 2021. The rate of return achieved was 0.437% which compares favourably with the target 7 day LIBID rate which was -0.012%.

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 £260.585m unusable reserves that are not backed with resources. They are required purely for accounting purposes.
- 2.6.3 At 31 March 2021, the Council had a total of £84.785m of usable reserves. Of this:
- £2.134m relates to the Repairs and Renewals Fund
 - £4.406m relates to Capital Funds
 - £78.245m was held in the General Fund, with £71.888m of this balance earmarked for specific purposes.
- 2.6.4 Of the earmarked balance of £71.888m:
- £26.091m is invested or committed for major initiatives/capital projects
 - £19.727m has already been drawn down
 - £10.085m is still to be drawn down in 2021-22
 - £15.785m is planned to be spent in future years
 - £0.200m 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 2021	This is the balance that is unallocated over and above the 2% contingency which amounts to £5.032m		1,325
HSCP repayment towards previous year overspends	Agreed repayment within 21-22 financial year		200

Earmarked Balances no longer required	Per paragraph 3.3.3 of the Reserves Report – amounts previously earmarked that can be released back to the general fund		200
Current Forecast Outturn for 2021-22 as at 31 December 2021			192
Estimated Unallocated General Fund Balance as at 31 March 2022			1,917

2.6.6 It can be seen that, after taking into consideration the HSCP repayment and the current forecast outturn for 2021-22, the Council is forecast to have a £1.917m surplus over contingency.

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 2021, there are no virements requiring authorisation.

3. RECOMMENDATIONS

3.1 It is recommended that the Policy and Resources Committee:

- a) Consider the revenue budget monitoring report as at 31 December 2021
- b) Note the progress with the policy savings options as at 31 December 2021
- c) Note the financial risks for 2021-22
- d) Note the capital plan monitoring report as at 31 December 2021 and approve the proposed changes to the capital plan outlined in Appendix 4 of that report.
- e) Note the treasury monitoring report as at 31 December 2021
- f) Consider the reserves and balances report as at 31 December 2021

g) Note there are no revenue virements over £0.200m during November and December.

4. IMPLICATIONS

4.1	Policy –	None.
4.2	Financial -	Outlines the revenue and capital monitoring for 2021-22 as at 31 December 2021.
4.3	Legal -	None.
4.4	HR -	None.
4.5	Fairer Scotland Duty -	None.
4.5.1	Equalities – protected characteristics -	None.
4.5.2	Socio-economic Duty -	None.
4.5.3	Islands -	None.
4.6	Climate Change -	None.
4.7	Risk -	Risks are included in financial risks report.
4.8	Customer Service -	None.

Kirsty Flanagan
Section 95 Officer
10 February 2022

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

2021-22 Overall Position:

There is a forecast underspend of £0.192m as at the end of December 2021. There is forecast overspend of £0.280m from Social Work due to a combination of a high demand for services and some forecast slippage on the delivery of agreed savings and a forecast underspend of £0.069m from Executive Director Kirsty Flanagan relating to a projected over-recovery of income for appraisal of water supplies. Within Central Budgets, there is a projected underspend against NDR budgets of £0.200m and a projected overspend of £0.183m relating to the potential impact of the 2021-22 COSLA Pay offer. Council Tax Income is projected to over-recover by £0.386m, this is due to an in-year increase in the number of band D equivalent domestic dwellings on the roll this year compared to previous years.

There is a year to date underspend of £2.582m. More focus is on the forecast outturn position, hence why sometimes the year to date position is not updated. The year to date variances within the departments mainly relate to the timing of income and expenditure and the recharging of costs to capital.

Key Highlights as at December 2021:

- The forecast outturn is an underspend of £0.192m which results from an underspend of £0.472m for Council services and an overspend of £0.280m coming from Social Work. The IJB approved a Financial Recovery Plan on 15 September 2021 and the projections have improved since this was agreed (£0.426m overspend projection at September and £0.349m at October). We will continue to engage with the CFO of the IJB to ensure that early indication of financial outturn is known and report on progress.

Key Financial Successes:

Performance against budget for 2020-21 was an overall net favourable position of £0.188m underspend after adjusting for year end earmarking. This breaks down as:

- £0.003m net underspend in relation to Council service departmental expenditure
- £0.230m net underspend in relation to other central costs
- £0.045m under-recovery of Council Tax income.

Key Financial Challenges:

Proposed Actions to address Financial Challenges:

Ongoing consideration of the financial impact of COVID on the Council's revenue position.

Continue to identify additional costs as a consequence of COVID to ensure earmarked COVID funds are applied appropriately.

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

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

Continue to work closely with the CFO of the IJB to ensure that early indication of 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, as whilst a balanced 2021-22 budget was agreed in February 2021 there are still budget gaps in future years	The Council will continue to progress savings options identified in 2020-21 that require further development and seek to identify further savings through themed reviews and business process reviews.
Maintaining or improving the level of service income recovered, for example planning, building standards and car parking.	Actively monitor income recovery and ensure Council fees and charges policies are 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.

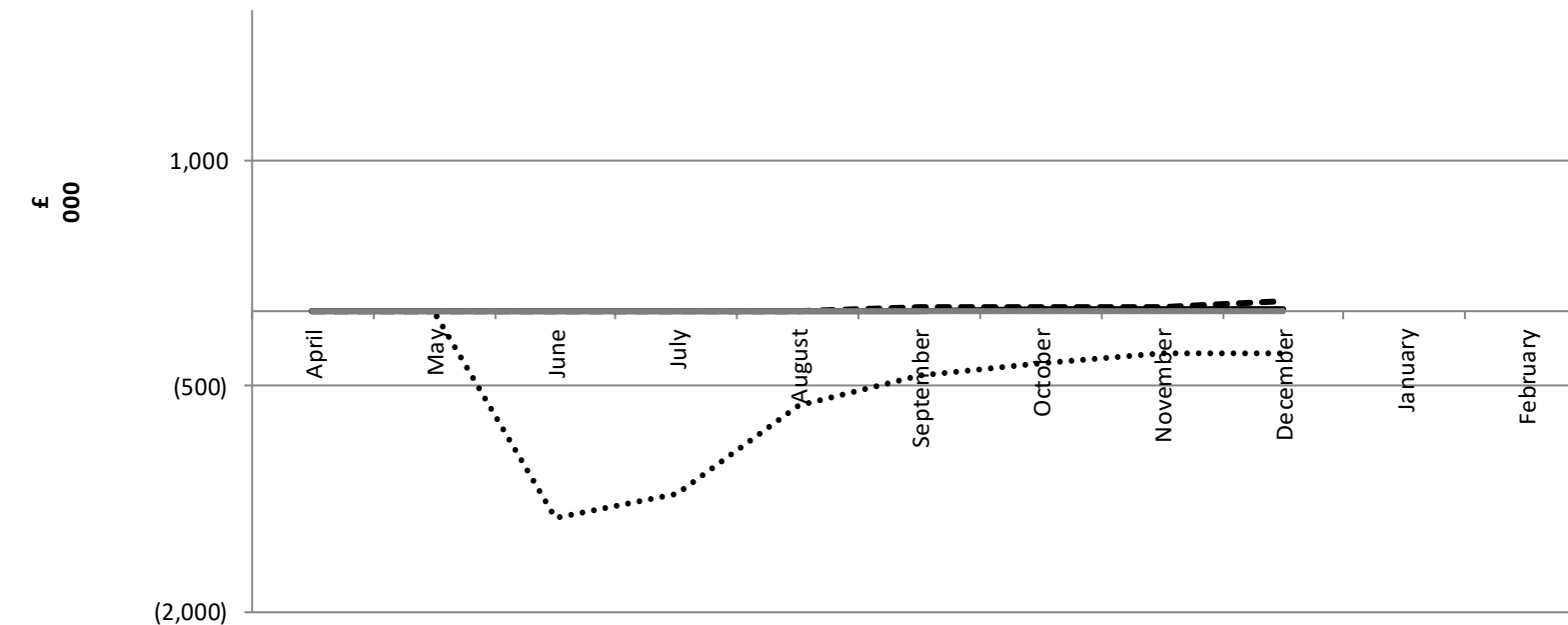
Forecast Outturn Position

There is a forecast underspend for 2021-22 of £0.192m as at the end of December 2021. 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	7,511	7,511	0	0	0	
Executive Director (Douglas Hendry)	127,923	127,923	0	0	0	
Executive Director (Kirsty Flanagan)	50,950	50,881	69	28	41	The forecast underspend comes from over-recovery of income projected for appraisal of water supplies partially offset by an under-recovery of income against planning pre-application income.
Social Work	64,812	65,092	(280)	(280)	0	The forecast overspend is due to a combination of a high demand for services and some forecast slippage on the delivery of agreed savings.
Central Budgets	24,799	24,782	17	17	0	The forecast underspend arises from a projected underspend on NDR budgets (£200k) offset by recognition of the projected cost of the current COSLA pay offer in respect of 2021-22 (£183k)
Financed By	(275,995)	(276,381)	386	0	386	There is forecast over-recovery of Council Tax income mainly due to an in year increase in the number of band D equivalent domestic dwellings on the roll this year compared to previous years.
Total	0	(192)	192	(235)	427	

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

Underspend



Overspend

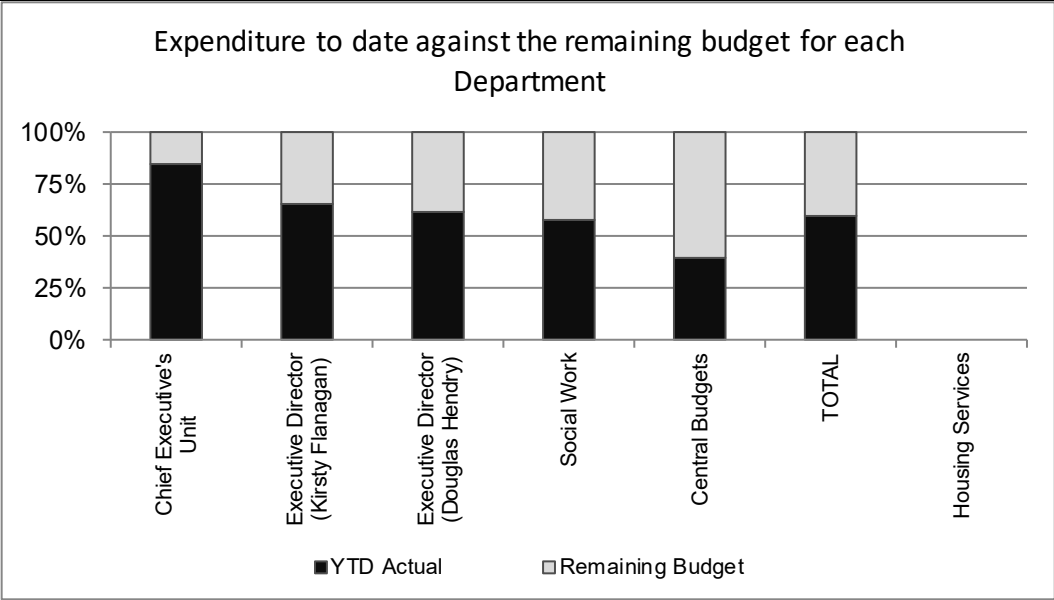
- Chief Executive's Unit
- Social Work
- Executive Director (Douglas Hendry)
- - - Executive Director (Kirsty Flanagan)
- Central Budgets

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 2021 is an underspend of £2.582m and the main variances are noted below.

Department	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000	Explanation
Chief Executive's Unit	6,402	6,436	34	The YTD underspend can be attributed to underspends in travel budgets and profiling on pay inflation budgets
Executive Director (Douglas Hendry)	78,732	81,531	2,799	The YTD underspend can partly be attributed to budget profiling - there is £0.884m of pay inflation budgets that will be fully utilised when the pay award is paid to employees, £0.334m of SQA invoices that are held pending the outcome of negotiations for a reduction in charge and an underspend in schools. Under the Scheme of Devolved School Management, schools are permitted flexibility at the end of the year so no forecast variance is required.
Executive Director (Kirsty Flanagan)	33,415	34,810	1,395	The YTD underspend is mainly due to the Coastal Communities income received that has not yet been spent.
Social Work	37,393	37,546	153	The YTD overspend is mainly due to the timing of payments and budget profiling across services, the YTD over-recovery of vacancy savings and lower than normal travel and staffing costs offset by higher than budgeted demand for services across Adult and Children Services and slippage on the delivery of savings.
Central Budgets	9,926	8,127	(1,799)	The YTD overspend is mainly due to costs in relation to COVID-19 for which earmarkings/funding require to be drawn down to offset.
Total Net Expenditure	165,868	168,450	2,582	



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

OBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AT 31 DECEMBER 2021

	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	%
Departmental Budgets								
Chief Executive's Unit	6,402	6,436	34	0.5%	7,511	7,511	0	0.0%
Executive Director (Kirsty Flanagan)	33,415	34,810	1,395	4.0%	50,950	50,881	69	0.1%
Executive Director (Douglas Hendry)	78,732	81,531	2,799	3.4%	127,923	127,923	0	0.0%
Social Work	37,393	37,546	153	0.4%	64,812	65,092	(280)	(0.4%)
Total Departmental Budgets	155,942	160,323	4,381	2.7%	251,196	251,407	(211)	(0.1%)
Central Budgets								
Other Operating Income and Expenditure	2,670	782	(1,888)	(241.4%)	1,718	1,901	(183)	(10.7%)
Joint Boards	1,067	1,135	68	6.0%	1,496	1,496	0	0.0%
Non-Controllable Costs	6,189	6,210	21	0.3%	21,585	21,385	200	0.9%
Total Central Budgets	9,926	8,127	(1,799)	(22.1%)	24,799	24,782	17	0.1%
TOTAL NET EXPENDITURE	165,868	168,450	2,582	1.5%	275,995	276,189	(194)	(0.1%)
Financed By								
Aggregate External Finance	(134,011)	(134,011)	0	0.0%	(214,520)	(214,520)	0	0.0%
Local Tax Requirement	(49,195)	(49,195)	0	0.0%	(52,639)	(53,025)	386	(0.7%)
Contributions to General Fund	0	0	0	0.0%	10,891	10,891	0	0.0%
Earmarked Reserves	0	0	0	0.0%	(19,727)	(19,727)	0	0.0%
Total Funding	(183,206)	(183,206)	0	0.0%	(275,995)	(276,381)	386	(0.1%)
(Deficit)/Surplus for Period	(17,338)	(14,756)	2,582		0	(192)	192	

SUBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AS AT 31 DECEMBER 2021

	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	112,504	115,820	3,316	2.9%	164,253	164,152	101	0.1%
Premises Related Expenditure	10,635	10,850	215	2.0%	16,389	16,344	45	0.3%
Supplies and Services	17,425	14,903	(2,522)	(16.9%)	23,532	24,919	(1,387)	(5.9%)
Transport Related Expenditure	9,253	8,594	(659)	(7.7%)	17,359	17,248	111	0.6%
Third Party Payments	131,132	106,315	(24,817)	(23.3%)	166,681	167,016	(335)	(0.2%)
Capital Financing	0	0	0	0.0%	14,867	14,867	0	0.0%
TOTAL EXPENDITURE	280,949	256,482	(24,467)	(9.5%)	403,081	404,546	(1,465)	(0.4%)
Income	(298,288)	(271,239)	27,049	(10.0%)	(403,081)	(404,738)	1,657	(0.4%)
(Deficit)/Surplus for Period	(17,338)	(14,756)	2,582		0	(192)	192	

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 2021

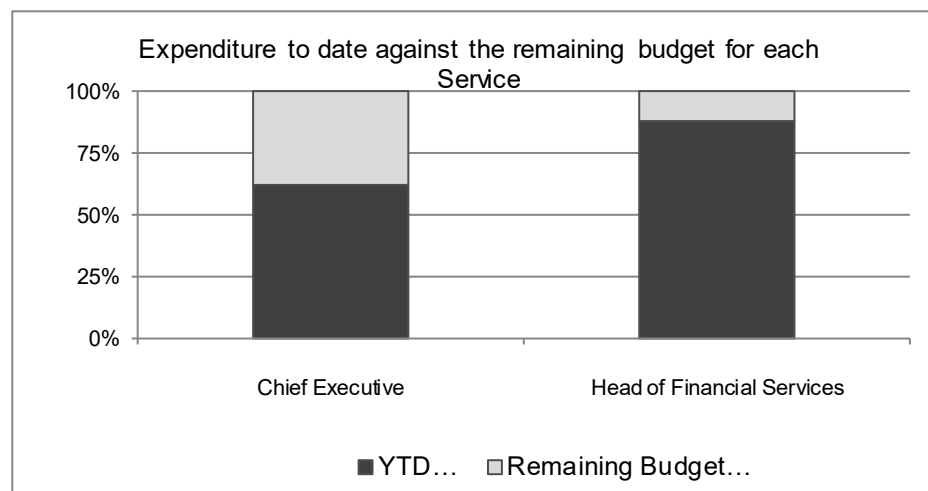
The department is currently forecasting spend in line with budget.

The department has a year to date underspend of £0.034m (0.5%) which can be attributed to underspends in travel budgets and also profiling on pay inflation budgets.

Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Chief Executive	916	916	0	0	0
Head of Financial Services	6,595	6,595	0	0	0
Totals	7,511	7,511	0	0	0

Year to Date Position



Key Financial Successes:

- The department are currently forecasting that spend will be in line with budget for 2021-22.
- All savings options have been delivered.
- The department 2020-21 outturn position was an overspend of £0.039m. This resulted from an underspend of £1.282m offset by reserves of £1.321m earmarked due to unspent COVID-19 specific funding and for other auto-carry forwards.

Key Financial Challenges:

To continue to deliver a 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.

	Carry out a business process review of the Revs and Bens function to determine if there is scope to deliver the service in a more cost effective manner.
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CHIEF EXECUTIVE'S UNIT – OBJECTIVE SUMMARY AS AT 31 DECEMBER 2021

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	218	218	0	0.0%	314	314	0	0.0%	Outwith reporting criteria
BO104 - Our communities are protected and supported	Community Development and Grants to Third Sector	276	294	18	6.1%	425	425	0	0.0%	Outwith reporting criteria
BO109 - All our adults are supported to realise their potential	Social Enterprise	28	30	2	6.7%	61	61	0	0.0%	Outwith reporting criteria
BO116 - We engage and work with our customers, staff and partners	Community Planning	46	51	5	9.8%	116	116	0	0.0%	Outwith reporting criteria
Chief Executive Total		568	593	25	4.2%	916	916	0	0.0%	
BO101 - We ensure information and support is available for everyone	Money Skills Argyll	1	0	(1)	0.0%	0	0	0	0.0%	Outwith reporting criteria
BO102 - We provide support, prevention and opportunities to help people make better lifestyle choices	Benefits including Scottish Welfare Fund	3,621	3,615	(6)	(0.2%)	3,622	3,622	0	0.0%	Outwith reporting criteria
BO110 - We support businesses, employment and development opportunities	Creditors and NDR relief	120	120	0	0.0%	366	366	0	0.0%	Outwith reporting criteria
BO115 - We are efficient and cost effective	Accounting and Budgeting and Revenues and Benefits	2,092	2,108	16	0.8%	2,607	2,607	0	0.0%	Outwith reporting criteria
Head of Financial Services Total		5,834	5,843	9	0.2%	6,595	6,595	0	0.0%	
GRAND TOTAL		6,402	6,436	34	0.5%	7,511	7,511	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 2021

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	3,228	3,243	15	0.5%	4,610	4,610	0	0.0%	Outwith reporting criteria
Premises	0	0	0	0.0%	0	0	0	0.0%	Outwith reporting criteria
Supplies and Services	226	233	7	3.0%	554	554	0	0.0%	Outwith reporting criteria
Transport	6	23	17	73.9%	32	32	0	0.0%	Outwith reporting criteria
Third Party	16,238	16,052	(186)	(1.2%)	27,203	27,203	0	0.0%	A variance of £187k on Housing Benefits Private (contra with income)
Income	(13,297)	(13,116)	181	(1.4%)	(24,886)	(24,886)	0	0.0%	A variance of £196k on Housing Benefits Private (contra with income) and numerous small accumulating favourable variances
Totals	6,402	6,436	34	0.5%	7,511	7,511	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 2021

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 2021

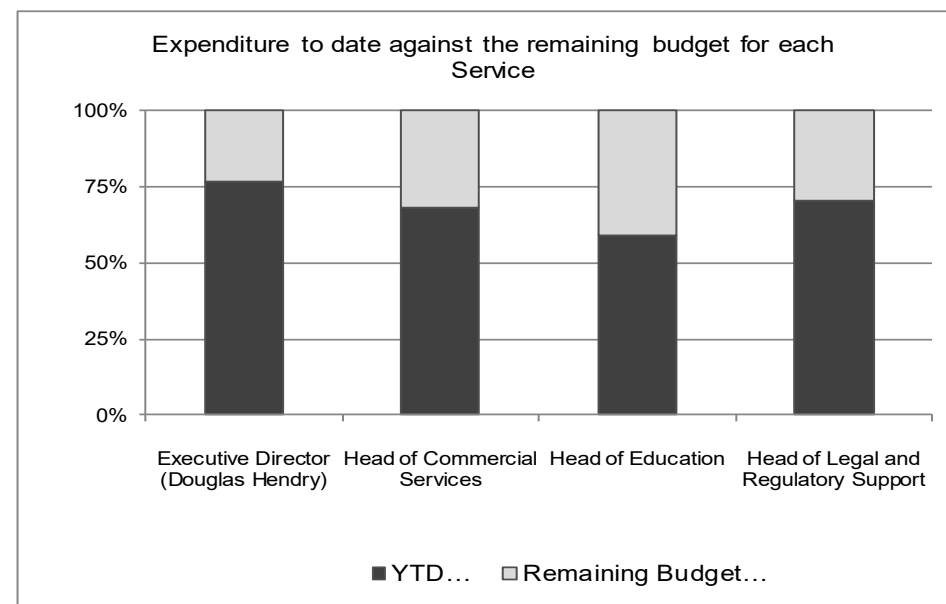
The department is currently forecasting spend in line with budget.

The department has a year to date (YTD) underspend of £2.799m (3.4%). This is partly due to budget profiling, £0.884m pay inflation budget that will be fully utilised when pay award is paid to employees, £0.334m of SQA Invoices that are held pending the outcome of negotiations for a reduction in charge and an under spend in schools. Under the Scheme of Devolved School Management schools are permitted flexibility at the end of the year so no forecast variance is required.

Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Executive Director (Douglas Hendry)	293	293	0	0	0
Head of Commercial Services	8,901	8,901	0	0	0
Head of Education	99,712	99,712	0	0	0
Head of Legal and Regulatory Support	19,017	19,017	0	0	0
Totals	127,923	127,923	0	0	0

Year to Date Position



Key Financial Successes:

The 2020-21 year-end consolidated outturn position was an under spend of £0.019m after adjusting for earmarkings. This was mainly due to effective contract management of NPDO and Hub Schools contracts, including lower than expected insurance premium as a result of the annual renegotiation of insurance costs. Costs of Covid being contained and minimised where possible, by staff from all areas of the service who were unable to carry out their normal tasks, assisting in planning, implementing and delivering a wide range of additional services to communities and businesses through lockdown. Commercial Services - under spends in catering and cleaning services and an over recovery of feed in tariff income.

Key Financial Challenges:	Proposed Actions to address Financial Challenges:
The impact of COVID-19	Costs are being contained where possible.
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.
The introduction of the Statutory Guidance supporting Nutritional Requirements for Food and Drink in Schools (Scotland) Regulations 2020, may impact on the cost of producing school meals and also the uptake.	Monitor and report on the impact on costs and on income as the year progresses
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 and the phased expansion in Primary Schools. 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 may put additional burdens on the Council. For example, the introduction of free school meal payments for holidays and proposed increase in school clothing grants.	Analysis of new obligations and whether they incur additional costs not met through increased grant.
The Council has a requirement to deliver 1140 hours of Early Learning and Childcare by 2021. The deadline was 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 2021

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	225	236	11	4.7%	293	293	0	0.0%	Outwith Reporting Criteria
Executive Director (Douglas Hendry) Total		225	236	11	4.7%	293	293	0	0.0%	
Central/Management Costs	Central/Management Costs	278	246	(32)	(13.0%)	345	345	0	0.0%	The YTD overspend of £32k is due to consultant costs which will be covered by an Earmarked Reserve and budget will be drawn down in the January period to reduce this variance.
BO107 - The support and lifestyle needs of our children, young people, and their families are met	Catering and Cleaning	(18)	18	36	200.0%	414	414	0	0.0%	The YTD variance is due to a £26k over recovery in income which is profile related and a £41k underspend in staff costs. This is partially offset by a £16K overspend in consultant payments which will be recharged to NHS and a £14K overspend within travel costs.
BO113 - Our infrastructure is safe and fit for the future	Catering and Cleaning, CHORD, Property and Leisure	2,348	2,151	(197)	(9.2%)	3,504	3,504	0	0.0%	The YTD variance is mainly due to a delay in processing an income Journal for Property - Internal Fees income. This £354k variance will be rectified in the January period. This variance is partially offset by a £48k underspend within Asbestos Management that is profile related, 91k underspend within shared offices and an £18k over recovery of income within the Utility fund.
BO116 - We engage and work with our customers, staff and partners	Schools Support Development	3,459	3,412	(47)	(1.4%)	4,638	4,638	0	0.0%	Outwith Reporting Criteria

Head of Commercial Services Total		6,067	5,827	(240)	(4.1%)	8,901	8,901	0	0.0%	
BO106 - Our looked after young people are supported by effective corporate parenting	Education Psychologists and Residential Accommodation	1,195	1,143	(52)	(4.6%)	1,715	1,715	0	0.0%	There is a YTD over spend of £72k within the Residential Schools Budget. This budget area is being closely monitored. This overspend is being offset slightly by an underspend in Psychological Services staffing due to a vacancy and pay inflation budgets.
BO107 - The support and lifestyle needs of our children, young people, and their families are met	Early Years and Community Learning	1,688	1,974	286	14.5%	13,955	13,955	0	0.0%	The main contributing factor to the YTD underspend of £286k is within the Pre-5 Units where expected new staffing structures are not all fully in place. The budget profile will be refined through January.
BO108 - All our children and young people are supported to realise their potential	Primary and Secondary Education	55,248	57,457	2,209	3.8%	83,026	83,026	0	0.0%	The main contributing factors to the YTD underspend of £2.209m are: £796k underspend in pay inflation budgets which will be rectified when pay settlements are paid out. A further £1.042m underspend falls within the Scheme of Devolved School Management, under the scheme schools are permitted flexibility at the end of the year. £0.321m underspend in Additional Support for Learning and £0.082m in PEF which are both profile related and will be refined through January.
BO116 - We engage and work with our customers, staff and partners	Regional Improvement Collaborative	88	88	0	0.0%	33	33	0	0.0%	Outwith reporting Criteria
BO117 - We encourage creativity and innovation to ensure our workforce is fit for the future	Education Support	597	504	(93)	(18.5%)	639	639	0	0.0%	The main contributing factor to this YTD overspend position is overspends in Education Licences of £59k. Budget requires to be identified to fund these overspends. £56k of Covid expenditure has been coded to

										Education Support that requires funds to be journalled from covid funding streams to cover. This will be rectified in January. The overspend position is offset by small underspends which are also profile related and will be refined through January.
Central/Management Costs	Central/Management Costs	251	242	(9)	(3.7%)	344	344	0	0.0%	Outwith Reporting Criteria
Head of Education Total		59,067	61,408	2,341	3.8%	99,712	99,712	0	0.0%	
BO102 - We provide support, prevention and opportunities to help people make better lifestyle choices	Housing and Regulatory Services	232	235	3	1.3%	342	342	0	0.0%	Outwith Reporting Criteria
BO104 - Our communities are protected and supported	Civil Contingencies & Anti Social Behaviour	150	145	(5)	(3.5%)	226	226	0	0.0%	Outwith Reporting Criteria
BO110 - We support businesses, employment and development opportunities	Licensing, Procurement and Commissioning	474	510	36	7.1%	893	893	0	0.0%	Outwith Reporting Criteria
BO111 - We influence and engage with businesses and policy makers	Trading Standards	156	153	(3)	(2.0%)	243	243	0	0.0%	Outwith Reporting Criteria
BO113 - Our infrastructure is safe and fit for the future	NPDO and Hub Schools	10,906	11,473	567	4.9%	14,991	14,991	0	0.0%	Received £248k insurance saving for NPDO schools of which £120k is already utilised to reduce budget. NPDO settlement received for historic disputed deductions of £38k. The balance of the YTD underspend is mainly due to delayed utility invoicing for

										Water, Gas and Electricity.
BO115 - We are efficient and cost effective	Democratic Services, Governance & Legal Services	959	1,017	58	5.7%	1,546	1,546	0	0.0%	The YTD underspend of £58k is due to a number of small profiling variances that will be refined through January monitoring period.
BO116 - We engage and work with our customers, staff and partners	Members Services and Community Councils	357	368	11	3.0%	529	529	0	0.0%	Outwith Reporting Criteria
Central/Management Costs	Central/Management Costs	139	159	20	12.6%	247	247	0	0.0%	Outwith Reporting Criteria
Head of Legal and Regulatory Support Total		13,373	14,060	687	4.9%	19,017	19,017	0	0.0%	
GRAND TOTAL		78,732	81,531	2,799	3.4%	127,923	127,923	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%.

EXECUTIVE DIRECTOR (DOUGLAS HENDRY) – SUBJECTIVE SUMMARY AS AT 31 DECEMBER 2021

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	63,814	65,996	2,182	3.3%	92,720	92,720	0	0.0%	<p>Non-Education: YTD underspend of £110k of which £87k is due to pay inflation which will be eliminated when pay agreements have been paid out. The remaining £23k is due to delays in recruitment.</p> <p>Education: The main contributing factors for the YTD underspend of £2.072m are: Primary Schools - £469k , Secondary Schools - £1.289k , Pre-5 Units - £291k. £796k of this total is an underspend in the Pay Inflation budgets that will be eliminated when pay agreements have been reached.</p>
Premises	4,039	4,106	67	1.6%	7,146	7,146	0	0.0%	<p>Non-Education: The YTD underspend of £97k is mainly due to an underspend of £46k within shared office accommodation and is a result of staff mainly still working from home and offices being closed. Also an underspend of £49k in Asbestos Management which is profile related and will be refined in January.</p> <p>Education: £29k YTD over spend is due to minor repairs budget for primary schools.</p>
Supplies and Services	7,635	7,789	154	2.0%	13,065	13,065	0	0.0%	<p>Non-Education: YTD underspend of £1k is comprised of small variances across a number of cost centres and is profile related.</p> <p>Education: The YTD underspend of £153k is mainly due to underspends in Pupil Equity Funding Budgets and are all profile related and will be rectified in January.</p>
Transport	192	197	5	2.5%	304	304	0	0.0%	Outwith Reporting Criteria
Third Party	27,933	28,650	717	2.5%	45,225	45,225	0	0.0%	<p>Non-Education: YTD underspend of £431k is mainly in NPDO and results from an Insurance saving of £248k. The balance of the NPDO YTD underspend is due to delays in utility invoicing for water, gas and electricity.</p> <p>Education: YTD underspend of £286k with the main contributing factors being: £443k underspend due to SQA payments held pending ongoing negotiations for a reduction. Offset by overspend in Education Residential Placements of £70k and £20k overspend in home and hospital tuition due to higher than anticipated demand on service. A number of small variances make up the remainder and are all profile related and will be refined through January.</p>
Income	(24,881)	(25,207)	(326)	1.3%	(30,537)	(30,537)	0	0.0%	<p>Non-Education: The £201k YTD under recovery of income is mainly due to the property fee journal not being processed in December, this will be rectified through January.</p> <p>Education: The £125k YTD under recovery of income is due to cafe catering sales which is profile related and will be refined through January.</p>
Totals	78,732	81,531	2,799	3.4%	127,923	127,923	0	0.0%	

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

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

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

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

EXECUTIVE DIRECTOR (DOUGLAS HENDRY) – RED VARIANCES AS AT 31 DECEMBER 2021

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 (KIRSTY FLANAGAN) – AS AT 31 DECEMBER 2021

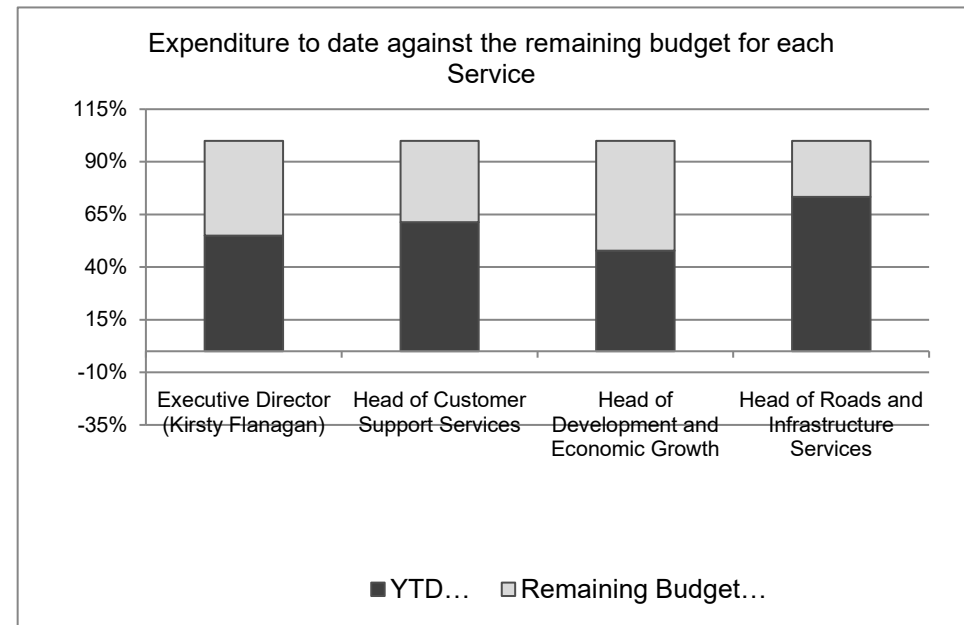
The department is currently forecasting an underspend of £0.069m (0.1%). There is an over-recovery of income projected for appraisal of water supplies partially offset by an under-recovery of income against planning pre-application income.

The department has a year to date underspend of £1.395m (4.0%). This is mainly due to Coastal Communities income received that has not yet been spent.

Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Executive Director (Kirsty Flanagan)	311	311	0	0	0
Head of Customer Support Services	8,090	8,090	0	0	0
Head of Development and Economic Growth	11,373	11,304	69	28	41
Head of Roads and Infrastructure Services	31,176	31,176	0	0	0
Totals	50,950	50,881	69	28	41

Year to Date Position



Key Financial Successes:

At the end of financial year 2020-21 the department showed an overall underspend of £0.022m after taking into account all earmarkings. The main underspends were Waste Variation monies from Renewi, over-recovered vacancy savings, an underspend in SPT and a decrease in the bad debt provision. The main overspends were in Winter Maintenance, Street Lighting Electricity and Glass Collection. Overall there was a favourable net position.

Key Financial Challenges:	Proposed Actions to address Financial Challenges:
The impact of COVID-19	Costs are being contained where possible.
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.
<p>Due to the nature of the various components of Waste Management there are ongoing challenges with:</p> <ul style="list-style-type: none"> • Introduction of the Deposit Return Scheme • Uncertainty with recycling income/ gate fee costs due to the volatility of the market • Challenges in the legislative changes around the disposal of Biodegradable Municipal Waste 	To closely monitor all service components of Waste Management and review Waste Strategy in conjunction with our contractual partner Renewi (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 2021

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	171	176	5	2.8%	311	311	0	0.0%	Underspends in Training and Travel. Pay inflation not yet paid.
Executive Director (Kirsty Flanagan) Total		171	176	5	2.8%	311	311	0	0.0%	
BO101 - We ensure information and support is available for everyone	Customer Service Centre, Registrars and HR Employee Relations	1,166	1,319	153	11.6%	1,784	1,784	0	0.0%	Registrar income ahead of profile (£50k). Employee underspend in Registrars (£60k). Self Isolated Support Grant not yet spent (£52k).
BO112 - Argyll and Bute is promoted to everyone	Bord na Gaidhlig	(3)	3	6	200.0%	3	3	0	0.0%	Grant income received ahead of expenditure.
BO113 - Our infrastructure is safe and fit for the future	ICT	2,156	2,569	413	16.1%	3,877	3,877	0	0.0%	Profiling for PFN and Microsoft Enterprise Agreement
BO115 - We are efficient and cost effective	HR operations, payroll and system development	748	717	(31)	(4.3%)	1,020	1,020	0	0.0%	Outwith reporting criteria
BO116 - We engage and work with our customers, staff and partners	Communications team and HR HSCP	185	190	5	2.6%	285	285	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	478	582	104	17.9%	832	832	0	0.0%	Staff Training Course Fees behind profile. Profile will be updated for next monitoring period.
Central/Management Costs	Central/Management Costs	226	205	(21)	(10.2%)	289	289	0	0.0%	Overspend in Salary costs. To be met from vacancy savings.
Head of Customer Support Services Total		4,956	5,585	629	11.3%	8,090	8,090	0	0.0%	

BO102 - We provide support, prevention and opportunities to help people make better lifestyle choices	Private Water Supplies and Welfare Reform	29	44	15	34.1%	7	7	0	0.0%	Payments to third parties for grants are behind profile.
BO103 - We enable a choice of suitable housing options	Homelessness and Housing Support Services	4,503	4,990	487	9.8%	5,086	5,086	0	0.0%	Private Sector Housing Grants behind profile.
BO104 - Our communities are protected and supported	Environmental Health	593	710	117	16.5%	1,219	1,142	77	6.3%	Additional income for appraisal of water supplies and fish exports. Reduction in staff costs due to delays in recruitment. The forecast variance relates to appraisal of water supplies and fish export income forecasting above budget, offset with additional employee costs
BO105 - Our natural and built environment is protected and respected	Building Standards	(32)	(65)	(33)	50.8%	(65)	(65)	0	0.0%	Under recovery of Income offset with reduction in staff costs due to delays in recruitment.
BO110 - We support businesses, employment and development opportunities	Development Policy. Development Management and Economic Development	1,715	1,959	244	12.5%	2,546	2,554	(8)	(0.3%)	Staycation funding still to be allocated to budget & Inveraray Avenue Screen grant income still to be received from HES. Development Management employee underspend. The forecast variance relates to Planning Pre-Application income which is forecasting to be under budget.
BO111 - We influence and engage with businesses and policy makers	European Team and Economic Development Intelligence	190	158	(32)	(20.3%)	230	230	0	0.0%	Funding for 1 staff member in European Team still to be agreed.
BO112 - Argyll and Bute is promoted to everyone	T&L Regeneration, Town Centre Fund, Events and Festivals, CWSS and Timber Transport	(2,840)	528	3,368	637.9%	658	658	0	0.0%	Place Based Investment income (£480k), Community Renewals Fund income (£1,269k) and Coastal Communities Fund income (£1,635k) received against

										zero budget with no expenditure yet (£480k).
BO113 - Our infrastructure is safe and fit for the future	Projects, TIF and Airports	848	966	118	12.2%	1,188	1,188	0	0.0%	Employee underspends in TIF-Lorn Arc and Rothesay Pavilion.
Central/Management Costs	Central/Management Costs	425	325	(100)	(30.8%)	504	504	0	0.0%	AITC Staycation funding still to be allocated to budget.
Head of Development and Economic Growth Total		5,431	9,615	4,184	43.5%	11,373	11,304	69	0.6%	
BO104 - Our communities are protected and supported	Public Transport	5,469	5,703	234	4.1%	2,534	2,534	0	0.0%	Payments to public transport operators behind profile. Possible underspend will be used to fund overspend in Pupil Transport.
BO113 - Our infrastructure is safe and fit for the future	Road & Lighting, Roads Design, Network & Environment & Marine Services	5,240	1,658	(3,582)	(216.0%)	10,374	10,374	0	0.0%	Increase expenditure in Roads Operational holding account as a result of increased capital program which will be offset with income from capital (£2,718k). Profile of Roads and Lighting Maintenance expenditure ahead of profile (£329k). YTD overspend in Pupil Transport (£159k) which should be covered by underspend in Public Transport at end of year. Quarterly grant for Ferries due (£138k), additional ferry repairs (£70k), under recovery of berthing fees (£125k)
BO114 - Our communities are cleaner and greener	Amenity Services & Waste Disposal	10,554	10,865	311	2.9%	15,441	15,441	0	0.0%	Partly relates to sale of lair income which is 20% ahead of income from last financial year, projection to be updated during January. Remainder relates to Flood Prevention and Coastal Protection being behind profile (£208k).

BO115 - We are efficient and cost effective	Fleet & Waste Collection	(368)	(830)	(462)	55.7%	185	185	0	0.0%	Fleet management adverse variance relates to higher cost of vehicles repairs due to older vehicles being retained in relation to COVID (£190k), additional Hire and Lease costs (£157k), fuel recharge being behind profile (£148k), awaiting grant income for Electric vehicles (£81k). This is partially offset by Waste Collection income being ahead of profile (£106k) with any additional income being used to fund overspends elsewhere in Waste.
Central/Management Costs	Central/Management Costs	1,962	2,038	76	3.7%	2,642	2,642	0	0.0%	Vacancies within Roads and Amenity Management.
Head of Roads and Infrastructure Services Total		22,857	19,434	(3,423)	(17.6%)	31,176	31,176	0	0.0%	
GRAND TOTAL		33,415	34,810	1,395	4.0%	50,950	50,881	69	0.1%	

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

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

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

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

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

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

EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – SUBJECTIVE SUMMARY AS AT 31 DECEMBER 2021

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	23,436	24,405	969	4.0%	34,655	34,665	(10)	(0.0%)	Vacancies within Roads Operational Holding Account and Infrastructure Design which will be offset with a reduction in income (£377k). Vacancies in Registrars (£60k), Development Management (£70k), Rothesay Pavilion (£67k), TIF Lorn Arc (£42k) and Development Policy (£52k). Pay Inflation not yet been awarded (£276k).
Premises	1,497	1,557	60	3.9%	2,868	2,868	0	0.0%	CRA spend behind profile.
Supplies and Services	7,606	6,065	(1,541)	(25.4%)	8,569	8,569	0	0.0%	Roads & Quarry Materials costs in Operational holding account ahead of profile due to increased capital programme which will be offset by additional income from capital.
Transport	8,702	7,890	(812)	(10.3%)	16,128	16,129	(1)	(0.0%)	External Plant Hires in Operational Holding Account ahead of profile due to increased capital programme which will be offset by additional income (£400k). Vehicle repair costs within Fleet ahead of profile (£190k) - will closely monitor over coming months. Additional vehicle leasing and hire costs which will be offset with additional income (£186k).
Third Party	30,609	26,300	(4,309)	(16.4%)	38,273	38,273	0	0.0%	Additional Roads and Lighting Maintenance costs due to increase in capital budget which will be offset with increase in income (£2,334k). HEEPS expenditure allocated with zero budget (£2,232k) which will be offset with grant income.
Capital Financing	0	0	0	0.0%	1,237	1,237	0	0.0%	Outwith reporting criteria
Income	(38,435)	(31,407)	7,028	(22.4%)	(50,780)	(50,860)	80	(0.2%)	Additional income in the Roads Operational Holding Account from capital due to increased budget (£1,614k). HEEPS (£2,158k), Coastal Communities (£1,635) Community Renewal Fund (£1,269) and Place Based Investment (£480k) income received with zero budget
Totals	33,415	34,810	1,395	4.0%	50,950	50,881	69	0.1%	

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

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

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

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

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

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

EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – RED VARIANCES AS AT 31 DECEMBER 2021

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Environmental Health	(45)	(148)	103	(228.9%)	Additional income from Water Appraisals.

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

SOCIAL WORK – AS AT 31 DECEMBER 2021

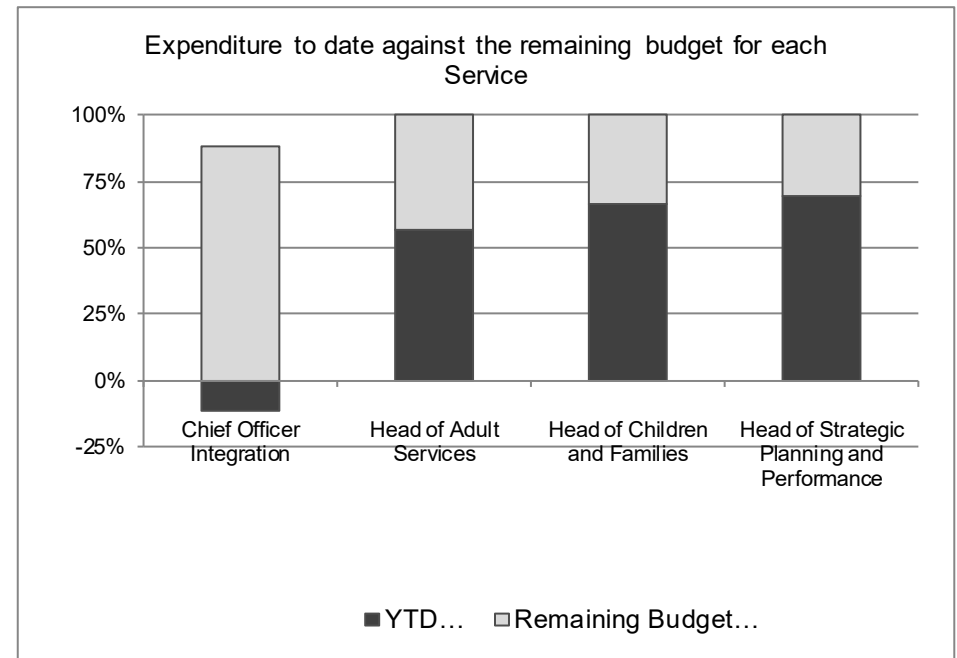
The department is currently forecasting an overspend of £0.280m (0.4%) which is due to a combination of a high demand for services and forecast slippage on the delivery of agreed savings. The IJB approved a Financial Recovery Plan on 15 September 2021 and the projections have improved since this was agreed (£0.426m overspend projection at September and £0.349m at October). We will continue to engage with the CFO of the IJB to ensure that early indication of financial outturn is known and report on progress.

The department has a year to date underspend of £0.153m (0.4%) which is mainly due to the timing of payments and budget profiling across services, the YTD over-recovery of vacancy savings and lower than normal travel and staffing costs, offset by higher than budgeted demand for services across Adult and Children Services and slippage on the delivery of savings.

Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Chief Officer Integration	906	(171)	1,077	1,076	1
Head of Adult Services	49,100	50,438	(1,338)	(1,337)	(1)
Head of Children and Families	14,369	14,396	(27)	(27)	0
Head of Strategic Planning and Performance	437	429	8	8	0
Totals	64,812	65,092	(280)	(280)	0

Year to Date Position



Key Financial Successes:

Delivered an underspend, after automatic earmarkings and the planned repayment of £0.500m to the Council for prior year deficits, of £1.906m in contrast to the overspend of £1.141m in 2019/20, a swing of £3.047m year on year, equivalent to 4.9% of the approved annual budget for 2020/21.

Key Financial Challenges:	Proposed Actions to address Financial Challenges:
Deliver the outstanding savings total for 2021/22 of £2.113m (as at May 2021).	Maintain a close working relationship with the HSCP Service Improvement Team in order to quickly and efficiently identify and assess options for delivering the outstanding savings.
Development and delivery of future service redesigns which will be necessary to contain service expenditure within the allocated resource 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 challenges 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 of the partnership's response to COVID-19. These costs are captured and reported to the Scottish Government via the Mobilisation Plan return.	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 2021

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	(139)	762	901	118.2%	906	(171)	1,077	118.9%	The YTD underspend is due to the over-recovery on vacancy savings (£414k), Covid-19 funding to adjust for lost income from clients (£235k) and underspends on centrally held funds (£415k). These are partially offset by slippage against budget savings (£131k). The forecast underspend reflects additional Covid-19 funding to adjust for lost income from clients (£296k) - which offsets reductions in income receipts in service areas - as well as forecast underspends on centrally held funds (£549k). The forecast also includes a forecast over-recovery on vacancy savings (£527k) which is partially offset by bad debt provision (£70k), slippage on agreed budget savings (£175k) and estimated additional provision for the outstanding pay settlement (£77k).
Chief Officer Total	(139)	762	901	118.2%	906	(171)	1,077	118.9%	
Service Development	302	310	8	2.6%	437	429	8	1.8%	Outwith reporting criteria.
Head of Strategic Planning and Performance Total	302	310	8	2.6%	437	429	8	1.8%	
Older People	18,940	19,297	357	1.9%	33,761	32,983	778	2.3%	The YTD underspend is due to underspends on the Homecare, Care Home Placement and Telecare budgets. These are partially offset by the under-delivery on budget savings within Older People (£496k) and use of agency staff in the assessment and care management teams (£120k). The forecast underspend is due to underspends across the Care Home Placement and Homecare budgets and higher than budgeted income collected from fees and charges in the HSCP Care Homes and Telecare. These are partially offset by forecast overspends on Progressive Care, Respite, the under-recovery of client income in non-residential services and forecast slippage on budget savings (£662k).

Physical Disability	1,582	1,376	(206)	(15.0%)	2,361	2,746	(385)	(16.3%)	The YTD overspend is due to demand driven overspends in Supported Living and an overspend on equipment purchases within the Integrated Equipment Store. The forecast overspend is due to higher than budgeted demand for Supported Living (£274k), Respite (£6k) and higher than budgeted equipment purchasing in the Integrated Equipment Service (£116k). These are offset slightly by a forecast underspend in the Residential Care Budget (£10k).
Learning Disabilities	5,607	4,607	(1,000)	(21.7%)	10,414	11,913	(1,499)	(14.4%)	The YTD overspend is due to demand for services within Supported Living (£902k) as well as slippage against budget savings (£372k). This is partially offset by underspends on Respite (£72k) and Day Services (£47k) due to demand and changes in the ways in which services as being delivered. The forecast overspend reflects higher than budgeted demand for services in Supported Living (£1.045m) and Joint Residential (£89k) combined with forecast slippage on savings (£441k). This is partially offset by forecast underspends on Respite (£83k) due to current known demand for services.
Mental Health	1,232	970	(262)	(27.0%)	1,990	2,282	(292)	(14.7%)	The YTD overspend is due to higher than budgeted demand for services within Supported Living, Residential Care and Respite. The forecast overspend reflects higher than budgeted demand for services in Supported Living (£44k), Respite (£8k), staffing overspends in assessment and care management teams (£18k) and Residential Placements (£219k).
Central/Management Costs	350	373	23	6.2%	574	514	60	10.5%	The YTD variance is outwith reporting criteria. The forecast underspend reflects lower than budgeted payments to third parties due to the end of contracted spend (£25k). In addition, at the end of this contract term the third party returned unspent funds of £28k resulting in one-off unbudgeted income.
Head of Adult Services Total	27,711	26,623	(1,088)	(4.1%)	49,100	50,438	(1,338)	(2.7%)	

Looked After Children	4,976	4,999	23	0.5%	7,118	7,395	(277)	(3.9%)	The YTD variance is outwith reporting criteria. The forecast overspend is due to demand for External Residential Placements (£579k) as well as forecast staffing overspends in the Children's Houses (£109k) and overspends in the Hostels on staff and utilities as well as slippage on agreed budget savings (£12k). These are partially offset by forecast underspends in Fostering (£257k), Supporting Young People Leaving Care (£74k) and Adoption (£69k) due to lower than budgeted service demand as well as additional income from external adoption placements and the Home Office for UASC activity.
Child Protection	2,086	2,210	124	5.6%	3,263	3,166	97	3.0%	The YTD underspend is due to underspends on staffing and staff travel and subsistence costs in the Area Teams as well as YTD underspends in Contact & Welfare due to demand for services an timing of payments in the Child Protection Committee. The forecast underspend is due to current known demand for Contact and Welfare services as well as forecast underspends on Payments to Other Bodies in the Child Protection Committee.
Children with a Disability	471	542	71	13.1%	868	849	19	2.2%	The YTD underspend is due to timing of payments and services to Ardlui and across Children with a Disability. The forecast variance is outwith reporting criteria.
Criminal Justice	30	103	73	70.9%	117	34	83	70.9%	The YTD underspend is due to underspends on staffing and staff travel and subsistence costs. The forecast underspend is due to staff vacancies and staffing related spending reductions elsewhere in the budget, such as staff travel and subsistence costs as well as underspends on payments to other bodies.
Central/Management Costs	1,956	1,997	41	2.1%	3,003	2,952	51	1.7%	The YTD variance is outwith reporting criteria. The forecast underspend is due to lower than budgeted payments to other bodies as well as underspends on supplies and services across the social work admin teams.
Head of Children and Families and Community Justice Total	9,519	9,851	332	3.4%	14,369	14,396	(27)	(0.2%)	
	37,393	37,546	153	0.4%	64,812	65,092	(280)	(0.4%)	

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 2021

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	20,077	20,333	256	1.3%	29,243	28,950	293	1.0%	The YTD underspend is due to a number of over and underspends across the service. The most significant YTD underspends relate to Children & Families Area Teams, Criminal Justice and LD Resource/Day Centres. The most significant YTD overspends relate to Older People Care Homes (partially offset by COVID 19 funding described in the income section below) and Looked After Children. The forecast underspend is due mainly due to the forecast over-recovery of vacancy savings (£527k) combined with forecast underspends in the above noted areas partially offset by overspends in Older People Care Homes (partially offset by COVID 19 funding described in the income below) and Looked After Children.
Premises	718	598	(120)	(20.1%)	1,045	1,200	(155)	(14.8%)	The YTD overspend arises mainly due to overspends on rent, safety and grounds maintenance, cleaning equipment and central repairs costs. The forecast overspend arises due to forecast overspends on the areas noted above as well as other property costs (purchase of new generator for an HSCP residential unit). These are partially offset by a forecast underspend on heating oils and gas.
Supplies & Services	1,169	151	(1,018)	(674.2%)	316	1,701	(1,385)	(438.3%)	The YTD overspend reflects slippage on the achievement of budget savings (£1.024m). The forecast overspend is mainly due to forecast slippage on budget savings (£1.298m) and a forecast overspend on the purchase of equipment in the Integrated Equipment store.
Transport	346	452	106	23.5%	653	541	112	17.2%	The YTD underspend is due to various travel underspends across the service which is to be expected due to the restrictions on travel due to Covid-19 and changes to how staff are working which have affected travel activity as well as the current level of staffing vacancies in area teams. The forecast year end outturn reflects the continued reduction in travel costs across the service due to current reduced activity and an expectation that different ways of working will continue to reduce future spending on travel.
Third Party	33,607	33,652	45	0.1%	53,756	54,091	(335)	(0.6%)	The YTD underspend reflects timing of payments across services and subsequent budget profiling. The forecast year end overspend reflects the higher than budgeted demand for purchased care services in Children and Adults services.
Income	(18,524)	(17,640)	884	(5.0%)	(20,201)	(21,391)	1,190	(5.9%)	Both the YTD and forecast over recovery of income is mainly due to increased income from fees, charges and recharges and increased income to front line services from COVID 19 which offsets increased spending on, for example, enhanced cleaning activity in care homes, increased spending on PPE across the service, and backfill for staff absent due to COVID etc.
Totals	37,393	37,546	153	0.4%	64,812	65,092	(280)	(0.4%)	

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 2021

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Chief Officer	1,538	461	1,077	70.0%	The forecast underspend reflects additional Covid-19 funding to adjust for lost income from clients (£296k) - which offsets reductions in income receipts in service areas - as well as forecast underspends on centrally held funds (£549k). The forecast also includes a forecast over-recovery on vacancy savings (£527k) which is partially offset by bad debt provision (£70k), slippage on agreed budget savings (£175k) and estimated additional provision for the outstanding pay settlement (£77k).
Looked After Children	7,129	7,406	(277)	(3.9%)	The forecast overspend is due to demand for External Residential Placements (£579k) as well as forecast staffing overspends in the Children's Houses (£109k) and overspends in the Hostels on staff and utilities as well as slippage on agreed budget savings (£12k). These are partially offset by forecast underspends in Fostering (£257k), Supporting Young People Leaving Care (£74k) and Adoption (£69k) due to lower than budgeted service demand as well as additional income from external adoption placements and the Home Office for UASC activity.
Child Protection	3,264	3,167	97	3.0%	The forecast underspend is due to current known demand for Contact and Welfare services as well as forecast underspends on Payments to Other Bodies in the Child Protection Committee.
Criminal Justice	117	34	83	70.9%	The forecast underspend is due to staff vacancies and staffing related spending reductions elsewhere in the budget, such as staff travel and subsistence costs as well as underspends on payments to other bodies.
Children and Families Central Management Costs	3,003	2,952	51	1.7%	The forecast underspend is due to lower than budgeted payments to other bodies as well as underspends on supplies and services across the social work admin teams.
Older People	39,617	38,838	779	2.0%	The forecast underspend is due to underspends across the Care Home Placement and Homecare budgets and higher than budgeted income collected from fees and charges in the HSCP Care Homes and Telecare. These are partially offset by forecast overspends on Progressive Care, Respite, the under-recovery of client income in non-residential services and forecast slippage on budget savings (£662k).

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

MONITORING OF SERVICE PACKAGE POLICY OPTIONS – 31 DECEMBER 2021

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 2021 or agreed by Council in previous years which have either not been delivered yet or have increases in value in 2021-22 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.

MONITORING OF SERVICE PACKAGE POLICY OPTIONS – 31 DECEMBER 2021**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 2021 or agreed by Council in previous years which have either not been delivered yet or have increases in value in 2021-22 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 2021-22 to 2023-24 and these were agreed by Council in February 2021. Council agreed to policy savings of £0.558m in 2021-22 rising to £1.017m by 2023-24.
- 3.2 The policy savings options not achieved in 2020-21 or those that have further increase in value in 2021-22 onwards total £1.015m.
- 3.3 The policy savings options not achieved in 2019-20 or those that have further increase in value in 2021-22 total £0.159m.
- 3.4 The policy saving options agreed in 2018-19 but not yet delivered amount to £0.784m.
- 3.5 The 2021-22 savings have been removed from departmental budgets, however, it is important to monitor whether the saving has actually been delivered to ensure that costs are not continuing resulting in an overspend by the end of the year. It is also important to ensure that any preparatory work required to deliver savings in future years is on track.
- 3.6 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.

- 3.7 The table below outlines the progress as at 31 December 2021 for the new policy savings options agreed in February 2021. Further detail is included within Appendix 1.

Category	No of Options	2021-22 £000	2022-23 £000	2023-24 £000
Delivered	10	246.4	305.4	313.4
On Track to be Delivered	7	148.0	213.0	213.0
Still to be Implemented	2	87.1	294.7	414.3
Being Developed	0	0.0	0.0	0.0
Potential Shortfall	1	76.0	76.0	76.0
Delayed	0	0.0	0.0	0.0
Total	20	557.5	889.1	1,016.7

- 3.8 For savings options agreed in February 2018, 2019 and 2020, we are reporting on an exception basis. Those that are already delivered are not included in the analysis below. Details of the savings can be found in Appendix 2.

Category	No of Options	2021-22 £000	2022-23 £000	2023-24 £000
On Track to be Delivered	1	121.5	121.5	121.5
Potential Shortfall	3	352.5	352.5	352.5
Delayed	2	74.0	74.0	74.0
Total	6	548.0	548.0	548.0

3.9 There are four savings categorised as having a potential shortfall and two currently delayed as summarised below. Further information is contained within Appendices 3a to 3f

- 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. The Oban site has now all but completed and a saving will be realised against the operating budget of the vacated depot site, which will partially cover some of the required saving.
- 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 through third party works, there have been limited opportunities over the last 2 years and opportunities are expected to be limited over the foreseeable future.
- Potential Shortfall – TB12b Stadiums – shortfall in achieving target due to reduction in bookings and closure of facilities due to COVID-19. This was recognised with an allocation of a COVID-19 cost pressure for 2021-22 budget.
- Potential Shortfall – R&I17 Public Transport fare scale increase – due to operators being in receipt of COVID Service Recovery Grant from the Scottish Government, they are unable to increase prices as part of the terms and conditions of the grant.
- Delayed – DEG05 – Building Standards – delay in achieving target due to the impact of COVID-19 on the building industry and number of warrants.
- Delayed – TB09 – Public Conveniences – We prepared information to go to tender for door access control systems, however; at that time [summer/autumn 2020] feedback from the market was that suppliers were furloughed. The aim was for work to be delivered by the end of the financial year, however due to procurement delays and the tender only expected to go out in Feb/March 2022, the installation will be undertaken during 2022-23 instead. This will be dependent on suitable tender returns and availability of materials.

4. CONCLUSION

4.1 This report outlines the progress of the Service Package Policy Options as at 31 December 2021.

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.
5.5.1	Equalities – protected characteristics -	None.
5.5.2	Socio-economic Duty -	None.
5.5.3	Islands -	None.
5.6	Climate Change -	None.
5.7	Risk	The monitoring process outlined within this report will minimise the risk that the service package policy options are not delivered.
5.8	Customer Services	None.

Kirsty Flanagan
Section 95 Officer
10 February 2022

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

APPENDICES:

Appendix 1 – Monitoring of Service Package Policy Options Agreed February 2021

Appendix 2 – Monitoring of Outstanding Service Package Policy Options from Previous Years

Appendix 3a – Potential Shortfall – TB07 – Depots

Appendix 3b – Potential Shortfall – TB13b – Roads and Amenity Services Charging

Appendix 3c – Potential Shortfall – TB12b – Stadiums

Appendix 3d – Potential Shortfall – R&I17 – Public Transport

Appendix 3e – Delayed – DEG05 – Building Standards

Appendix 3f – Delayed – TB09 – Public Conveniences

**MONITORING OF SERVICE PACKAGE POLICY OPTIONS AGREED FEBRUARY 2021
DETAIL**

Appendix 1

POSITION AS AT 31 DECEMBER 2021

Template Ref	Department	Service	Service Delivery Area	Savings Option	2021-22	2021-22	2022-23	2022-23	Future Years	Future Years	Status of Implementation
					£000	FTE	£000	FTE	£000	FTE	
FSS01	Chief Executives Unit	Head of Financial Services	Financial Services - Accounting and Budgeting	Removal of 0.5 LGE post which was being filled by a temporary member of staff. Post no longer required due to more efficient digital working. Small portion of salary saving invested in software	12.0	0.50	12.0	0.50	12.0	0.50	Delivered
FSS03	Chief Executives Unit	Head of Financial Services	Financial Services - Accounting and Budgeting	Staff changes in creditors with a part time retirement (0.6FTE) replaced by a full time appointment (1FTE) at a lower grade plus one officer reducing weekly hours by one day (0.2FTE). Overall increase of 0.2 FTE. Also removal of small overtime budget and summer student budget	3.1	-0.20	3.1	-0.20	3.1	-0.20	Delivered
FSS04	Chief Executives Unit	Head of Financial Services	Financial Services - Accounting and Budgeting	One officer reducing to a four day week	6.0	0.20	6.0	0.20	6.0	0.20	Delivered
PROP01	Executive Director Douglas Hendry	Head of Commercial Services	Commercial Services	Rationalisation of the Council's property estate over a three year programme to identify properties which can either be disposed of or used to generate commercial income	86.6	2.50	294.2	4.00	413.8	4.00	Still to be Implemented
ED5	Executive Director Douglas Hendry	Head of Education	Education	Review and reduce Clerical Support Entitlement using updated school rolls.	76.0	5.69	121.0	5.69	121.0	5.69	Delivered
LRS04	Executive Director Douglas Hendry	Head of Legal and Regulatory	Legal and Regulatory	Review of Trading Standards - restructure ensuring ongoing capability to deliver service and deliver feed regulations across Argyll & Bute/west Dunbartonshire for Food Standards Scotland.	36.4	1.00	36.4	1.00	36.4	1.00	Delivered
CSS02	Executive Director Kirsty Flanagan	Head of Customer Support Services	Customer Support Services	Voluntary Redundancy of a LGE6 in anticipation in volume and as an efficiency resulting for more online transactions and activity	28.8	1.00	28.8	1.00	28.8	1.00	Delivered
CSS04	Executive Director Kirsty Flanagan	Head of Customer Support Services	Customer Support Services - Printroom	Removal of vacant Clerical Assistant LGE3 in Printroom in response to reduction in print volumes	22.2	1.00	22.2	1.00	22.2	1.00	Delivered
DEG02	Executive Director Kirsty Flanagan	Head of Development and Economic Growth	Development and Economic Growth - Strategic Transportation	Reduction to overtime budget in the provision of fire cover at the airports for weather delayed flights. Arrangements are in place that staff no longer remain at the airport and there is a cut-off period.	22.0	0.00	22.0	0.00	22.0	0.00	On Track to be Delivered
DEG07	Executive Director Kirsty Flanagan	Head of Development and Economic Growth	Development and Economic Growth - Development Management	Additional income through fees and charges for s64 Non-Material Amendment Submissions, non e-planning application submissions and property history searches	11.0	0.00	20.0	0.00	28.0	0.00	Delivered

**MONITORING OF SERVICE PACKAGE POLICY OPTIONS AGREED FEBRUARY 2021
DETAIL**

Appendix 1

POSITION AS AT 31 DECEMBER 2021

Template Ref	Department	Service	Service Delivery Area	Savings Option	2021-22	2021-22	2022-23	2022-23	Future Years	Future Years	Status of Implementation
					£000	FTE	£000	FTE	£000	FTE	
DEG10	Executive Director Kirsty Flanagan	Head of Development and Economic Growth	Development and Economic Growth - Regulatory Services	Maximise income through additional private water supplies income from risk assessments of supplies and introducing a new charge for the provision of shellfish movement documents	12.5	0.00	17.5	0.00	17.5	0.00	Delivered
R&I01	Executive Director Kirsty Flanagan	Head of Roads and Infrastructure Services	Roads and Infrastructure Operations	Stop nursery growing service	10.0	1.00	10.0	1.00	10.0	1.00	On Track to be Delivered
R&I03	Executive Director Kirsty Flanagan	Head of Roads and Infrastructure Services	Roads and Infrastructure Network and Standards	Administrative support - rationalise across service	20.0	2.00	50.0	2.00	50.0	2.00	On Track to be Delivered
R&I04	Executive Director Kirsty Flanagan	Head of Roads and Infrastructure Services	Roads and Infrastructure Network and Standards	Fees and charges - commercial waste, TTROs, permits/licenses. Access to debt recovery systems will assist. One post created as a spend to save	10.0	-1.00	25.0	-1.00	25.0	-1.00	On Track to be Delivered
R&I05	Executive Director Kirsty Flanagan	Head of Roads and Infrastructure Services	Roads and Infrastructure Design Team	Design service fees - bringing in line with industry standards and reduce cost of consultancy. Two posts created as a spend to save	30.0	-2.00	50.0	-2.00	50.0	-2.00	On Track to be Delivered
R&I09	Executive Director Kirsty Flanagan	Head of Roads and Infrastructure Services	Roads and Infrastructure Operations	Road inspections find and fix - reduce reactive work by proactivity. Moving to AI technology as technology develops	40.0	1.00	40.0	1.00	40.0	1.00	On Track to be Delivered
R&I15	Executive Director Kirsty Flanagan	Head of Roads and Infrastructure Services	Roads and Infrastructure	Emergency services support and fuel provision from our fuel supplies	0.5	0.00	0.5	0.00	0.5	0.00	Still to be Implemented
R&I16	Executive Director Kirsty Flanagan	Head of Roads and Infrastructure Services	Roads and Infrastructure	Introduce new fees for electric vehicle charging	16.0	0.00	16.0	0.00	16.0	0.00	On Track to be Delivered
R&I17	Executive Director Kirsty Flanagan	Head of Roads and Infrastructure Services	Roads and Infrastructure	Public transport fare scale increase	76.0	0.00	76.0	0.00	76.0	0.00	Potential Shortfall
DBD03	Non Departmental	Non Departmental	Elected Members	Elected Members Travel and Subsistence	38.4	0.00	38.4	0.00	38.4	0.00	Delivered
TOTAL					557.5	12.69	889.1	14.19	1,016.7	14.19	

**MONITORING OF OUTSTANDING SERVICE PACKAGE POLICY OPTIONS FROM PREVIOUS YEARS
DETAIL**

Appendix 2

POSITION AS AT 31 DECEMBER 2021

Template Ref	Saving Agreed	Department	Service	Service Delivery Area	Savings Option	2021-22	2021-22	2022-23	2022-23	Future Years	Future Years	Status of Implementation
						£000	FTE	£000	FTE	£000	FTE	
TB17	Feb-18	Executive Director Douglas Hendry	Property Services	Commercial Services	Identify opportunities for office rationalisation and raising income	121.5	0.00	121.5	0.00	121.5	0.00	On Track to be Delivered
TB07	Feb-18	Executive Director Kirsty Flanagan	Depots	Roads and Infrastructure Services	Create one main depot in key areas to reduce costs	172.5	0.00	172.5	0.00	172.5	0.00	Potential Shortfall
TB13b	Feb-18	Executive Director Kirsty Flanagan	Roads and Infrastructure	Roads and Infrastructure Services	Roads & Amenity Services charging (non-statutory services)	150.0	0.00	150.0	0.00	150.0	0.00	Potential Shortfall
TB12b	Feb-18	Executive Director Kirsty Flanagan	Amenity Services	Roads and Infrastructure Services	Review charges for stadiums to enable improvement work	30.0	0.00	30.0	0.00	30.0	0.00	Potential Shortfall
DEG05(a)	Feb-20	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
TB09	Feb-18	Executive Director Kirsty Flanagan	Public Conveniences	Roads and Infrastructure Services	Public Conveniences - Progress sustainable models including turnstiles and franchising; establish simpler asset transfer process	24.0	0.00	24.0	0.00	24.0	0.00	Delayed
TOTAL						548.0	0.0	548.0	0.0	548.0	0.0	

SERVICE PACKAGE SAVING MARKED AS POTENTIAL SHORTFALL

Department:	Executive Director (Kirsty Flanagan)																			
Service:	Roads and Infrastructure 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 onwards £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 onwards £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 onwards £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. 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. The depot rationalisation scheme in Oban has now all but completed and a saving will be realised there against the operating budget of the vacated depot site.</p> <p>Without significant levels of capital investment it will not be possible to proceed with further depot consolidation projects, therefore operating cost savings cannot be realised as we will not be able to reduce our asset portfolio because sites we retain will need to be suitably redeveloped in order to accommodate all services in a single site per town.</p> <p>For the reasons stated above, the initial spend and save profile identified in 2018 has experienced variance and is now considered to not be fully deliverable within a reasonable timescale without capital investment</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 the main contract has now concluded and a separate contract has all but completed.</p>
<p>What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:</p>	<p>Attention now turns to progressing a depot consolidation scheme in Lochgilphead and work is progressing to outline various funding options for discussion. A project is also underway for Bowmore which will draw on some external funding to help facilitate a single depot whilst freeing up land in Bowmore for housing.</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 Onwards £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 Onwards £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 Onwards £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>Due to several adverts for a street lighting designer identifying no suitable candidate, in 2019 RIS undertook the training of a new Grow Your Own staff member who will require 3-4 years to qualify as a Lighting Designer. The projected savings will not be deliverable for 2021-2022 year. The member of staff training is currently on maternity leave, due to return by summer 2022, which has also further delayed any saving generated income.</p> <p>Whilst some additional income has been generated through third party works there have been limited opportunities over the last 2 years and opportunities are expected to be limited over the foreseeable future.</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, 2021/22 is unlikely to see the £100k 'profit' generated.																			

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 Onwards £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 Onwards £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 Onwards £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>Shortfall in achieving 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 bookings will use the full facilities available e.g. changing rooms. No large events taking place during 2021-22.</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.</p> <p>There is a very keen users group established which represents various sports and also includes representation from BIDS4OBAN.</p> <p>A cost pressure of £20k for COVID-19 was allocated in 2021-22 which eliminated this shortfall for this current year.</p>																			

SERVICE PACKAGE SAVING MARKED AS HAVING A POTENTIAL SHORTFALL

Department:	Executive Director (Kirsty Flanagan)																			
Service:	Roads and Infrastructure Services																			
Service Package:	Public Transport																			
Savings Reference:	R&I17																			
Description of Option:	Public Transport Fare Scale Increase																			
Saving:	<table border="1"> <thead> <tr> <th>Saving</th> <th>2021-22 £000</th> <th>2022-23 £000</th> <th>2023-24 Onwards £000</th> </tr> </thead> <tbody> <tr> <td>Saving approved</td> <td>76</td> <td>76</td> <td>76</td> </tr> <tr> <td>Saving Achievable</td> <td>0</td> <td>76</td> <td>76</td> </tr> <tr> <td>Shortfall</td> <td>76</td> <td>0</td> <td>0</td> </tr> </tbody> </table>	Saving	2021-22 £000	2022-23 £000	2023-24 Onwards £000	Saving approved	76	76	76	Saving Achievable	0	76	76	Shortfall	76	0	0			
	Saving	2021-22 £000	2022-23 £000	2023-24 Onwards £000																
	Saving approved	76	76	76																
	Saving Achievable	0	76	76																
Shortfall	76	0	0																	
Reason Why there is a Potential Shortfall in the Saving:	Currently operators are in receipt of COVID Service Recovery Grant from Transport Scotland. The conditions of this ties them into a fixed farescale until end of March 2022, with no provision to increase fares.																			
What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:	Discussions are ongoing with operators and Transport Scotland on terms and conditions of CSG beyond March 2022.																			

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>0</td> <td>50</td> </tr> <tr> <td>Shortfall/(Over recovery)</td> <td>50</td> <td>50</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	0	50	Shortfall/(Over recovery)	50	50	0
Saving	2020-21 £000	2021-22 £000	2022-23 £000																
Saving approved	50	50	50																
Saving Achievable	0	0	50																
Shortfall/(Over recovery)	50	50	0																
Reason Why there is a Potential Shortfall in the Saving:	Delay in achieving target due to the impact of Coronavirus 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"> • 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 complement 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																		
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 Onwards £000</th> </tr> </thead> <tbody> <tr> <td>Saving approved</td> <td>10</td> <td>24</td> <td>24</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>24</td> </tr> </tbody> </table>	Saving	2018-19 £000	2019-20 £000	2020-21 Onwards £000	Saving approved	10	24	24	Saving Achievable	0	0	0	Shortfall	10	24	24		
	Saving	2018-19 £000	2019-20 £000	2020-21 Onwards £000															
	Saving approved	10	24	24															
	Saving Achievable	0	0	0															
Shortfall	10	24	24																
Reason Why there is a Potential Shortfall in the Saving:	Due to COVID-19 all the public conveniences were closed during 2020-21 and re-opened during the first quarter of 2021-22. A cost pressure was identified and allocated for the additional cleaning regime put in place to allow for re-opening. The pandemic has also delayed work on installation of the door entry systems which are not expected to be operational until 2022 and as such little income generation anticipated during 2021-22.																		
What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:	We prepared information to go to tender for door access control systems, however; at that time [summer/autumn 2020] feedback from the market was that suppliers were furloughed. The plan was to test the market availability by the end of summer 2021, however, this has been delayed. Officers are engaged in pulling information together at the moment however, the tender is now unlikely to go out until Feb/March 2022. The aim was for work to be delivered by the end of the financial year, however, given the delay the installation will be undertaken during 2022-23 instead. This will be dependent on suitable tender returns and also availability of materials. Officers are aware of the need to get this saving back on track and progress matters at pace, and will be regularly reporting back to DMT on the progress.																		

FINANCIAL RISKS ANALYSIS 2021-22

1 EXECUTIVE SUMMARY

- 1.1 The main purpose of this report is to provide a summary of the key financial risks facing the Council.
- 1.2 A number of Council wide risks, both revenue and capital have been identified along with risks for each department and service of the Council. For each departmental risk the financial impact has been quantified and the likelihood assessed based on the standard risk matrix.
- 1.3 There are 5 Council wide revenue risks identified for 2021-22 currently amounting to £1.963m.
- 1.4 There are currently 41 departmental risks totalling £3.715m. Of the 41 departmental risks, one is categorised as likely with no risks categorised as almost certain.
- 1.5 The financial risks are monitored routinely and actions put in place to continue to mitigate the risks.

FINANCIAL RISKS ANALYSIS 2021-22

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 2021-22.

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. This reflects our most recent experience in

terms of the council tax base and likely collection rates. A 1% variation in council tax income amounts to approximately £0.529m.

- 3.2.2 At the budget meeting on 25 February 2021, the Council agreed 20 new policy savings options that would deliver savings over the period 2021-22 to 2023-24. The savings to be delivered in 2021-22 amount to £0.558m. Whilst the Council have a good track record in delivering savings, a 10% shortfall on this savings target would amount to £0.056m.
- 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. As at 31 December 2021, the net HSCP outturn in 2021-22 is estimated to be a £0.280m overspend (£0.280m from Social Work and £0m from Health).
- 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 2020-21 was an underspend of £0.420m, 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 £0.348m.
- 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	2	529
10% shortfall on Savings Options	2	56
IJB refer to Council for additional funding to deliver social work services	3	280
Energy costs increase by 10% greater than anticipated	2	348
1% variation of General Inflation Risk	4	750
Total		1,963

Capital

- 3.2.6 The finance settlement announcement on 1 February 2021 provided details of the Local Government funding for 2021-22 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 2021-22 includes an estimate of £0.855m in respect of capital receipts. This is based on an assessment provided by the Special Projects Team in January 2021. A 10% variation equates to £0.085m and this would require to be managed across the capital programme.

The updated position from the Special Projects Team in January 2022 suggests there has in fact been a reduction in anticipated capital receipts in 2021-22 however this appears just to be a delay rather than a permanent reduction and over the life of the entire capital programme there is no overall impact.

3.2.8 General feedback from Project Managers indicates that price increases and uncertainty are being experienced as well as disruptions to the supply chain and longer lead times, particularly in relation to the construction sector and material availability. While it has been possible to estimate the impact of this on some projects, and therefore include those projections within the capital monitoring report, for others it has been more difficult and an overspend has not been forecast at this stage but there are likely to be further significant financial impacts not yet reported within the following projects:

- Rothesay Pavilion
- Harbour Investment Programme
- Helensburgh Waterfront Development
- Campbeltown Flood Scheme
- Bridge Strengthening
- Gartbreck Landfill Site

3.2.9 For those liabilities/risks to the capital programme that were known at the start of 2021-22 it was agreed at the budget meeting in February 2021 to use amounts from the Unallocated General Fund, the 2021-22 Revenue Surplus, COVID-19 specific funding and additional borrowing to mitigate these risks.

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	1	125	0	0	3	215	0	0	0	0	4	340
Executive Director Douglas Hendry	2	20	10	790	9	905	1	100	0	0	22	1,815
Executive Director Kirsty Flanagan	3	250	2	110	10	1,200	0	0	0	0	15	1,560
Total	6	395	12	900	22	2,320	1	100	0	0	41	3,715

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 repairs 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 It is worth Members noting that repairing the recent storm damage that occurred recently to Bute Sea Wall is likely to cost in excess of £1m. As a result, consideration has been given to the level of risk in this service area and this will be reflected in the 2022-23 financial risks.

3.3.4 The one risk classified as likely is:

SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	LIKELIHOOD	FINANCIAL IMPACT £000
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.	4	100

3.3.5 There has been a future risk identified in relation to a potential increase in tipping fees and haulage costs for the Helensburgh and Lomond residual waste. This has been a result of the Council's current supplier Barr Environmental losing a tribunal relating to the underpayment of landfill tax. Barr are appealing the decision and the appeal will not be heard until March 2022, therefore the potential extra risk will not materialise until 2022-23 year.

3.4 Changes to Financial Risks since Budget Pack

- 3.4.1 There have been three changes to the departmental risks since the financial risks report as presented to the Policy and Resources Committee on 9 December 2021, as follows:
- The removal of the risk added last report for £0.150m relating to a potential increase to tipping fees and haulage costs for the Helensburgh and Lomond residual waste. The risk has been removed because the Barr appeal will not take place until March, therefore any financial risk will not occur until 2022-23.
 - The risk in relation to Catering Costs for Changes to Food and Drink in Schools Standards has been reduced from Likely to Unlikely and the value reduced from £0.150m to £0.050m because it has been a number of months since implementation
 - The risk in relation to Strathclyde Partnership for Transport (SPT) looking to partner organisations to help fund their deficit has been removed as their shortfall has now been funded by Transport Scotland.

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 41 departmental risks identified; only 1 of the 41 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. |
| 5.5.1 | Equalities – protected characteristics - | None. |
| 5.5.2 | Socio-economic Duty - | None. |
| 5.5.3 | Islands - | None. |
| 5.6 | Climate Change - | None. |
| 5.7 | Risk - | Financial risks are detailed within the appendix. |
| 5.8 | Customer Service - | None. |

**Kirsty Flanagan
Section 95 Officer
10 February 2022**

**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 2021

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 October 2021		As at 31 December 2021	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
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.	1	125	1	125
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	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
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 Douglas Hendry	Commercial Services	Property - Central Repairs	Increased demands on central repairs 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 Douglas Hendry	Commercial Services	Catering Costs – Changes to Food and Drink in Schools Standards	The Scottish Government reviewed the regulations that govern the food and drinks currently provided in schools. The proposed changes were published in June 2019, with a revised implementation date of Easter 2021. The revised standards focus on reducing sugar, reducing red meat and red processed meat and increasing fibre. As a consequence of this it is anticipated there will be a reduction in uptake of school meals and an increase in the cost of producing school meals.	The regulations were implemented Easter 2021 and there is a need to work with Education colleagues to ensure the maximum uptake of school meals in secondary schools is achieved as well as securing best price available. This is very challenging given the reduction in secondary school meal uptake due to COVID.	4	150	2	50

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2021

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 October 2021		As at 31 December 2021	
					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.	4	100	4	100
Executive Director Douglas Hendry	Commercial Services	Catering - Implementation of Universal Free School Meals in Primary Schools	The Scottish Government may not give the local authority adequate funds to support the policy	Catering Manager sits on National Operational Delivery Group	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	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 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	Education	Central Repairs	Increased demands on budget as a result of increase in statutory and emergency repairs and increases in supplier/contractor charges.	Regular liaison with Property Services re prioritisation and commitment of in-year spend.	2	100	2	100
Executive Director Douglas Hendry	Education	ASN Support	Demand for ASN support continues to increase, resulting in an additional resource requirement. The effect of COVID-19 has further increased demand on this service.	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	200	3	200
Executive Director Douglas Hendry	Education	Pre-Five Units - retention of partner providers	Failure in the commissioning or retention of pre-five partner provider units to deliver 1140 hours would result in an increased pressure on the Council to deliver the service.	Annual financial appraisal; Support network; Short-term cash injections.	3	100	3	100

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2021

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 October 2021		As at 31 December 2021	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
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	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	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	Legal and Regulatory Support	Elections	More than 1 by-election required outwith standard election cycle.	Outwith direct management control.	2	45	2	45
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	Legal Services - Litigation	Increased number of litigation cases.	Ensure Legal Services are gateway to access all legal advice and advice is sought at earliest opportunity.	3	50	3	50
Executive Director Douglas Hendry	Legal and Regulatory Support	NPDO/Hub DBFM contract management efficiencies	Reduction in ability to generate contract management efficiencies.	Monitoring annual efficiencies generated and mitigation through robust contract management and application of contract specifications/requirements.	2	50	2	50

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2021

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 October 2021		As at 31 December 2021	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Executive Director Douglas Hendry	Legal and Regulatory Support	NPDO - Reduction in insurance savings within NPDO Schools	Increase in insurance costs as a result of Covid-19 and flood claims.	Monitoring annual alteration to contract insurance rate and mitigation through financial forecasting and review of existing budget.	2	75	2	75
Executive Director Douglas Hendry	Legal and Regulatory Support	Hub DBDA/DBFM Schools - Litigation	Increased risk of the requirement to litigate to conclude final capital contract payments due.	Monitoring claims and mitigation through robust challenge of any additional claims.	2	150	2	150
Executive Director 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 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.	1	130	1	130
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
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

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2021

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 October 2021		As at 31 December 2021	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
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	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	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	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	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	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	Residual Waste H&L	There is a potential increase to tipping fees and haulage costs for the Helensburgh and Lomond residual waste, following the Council's current supplier Barr Environmental losing a tribunal relating to the underpayment of landfill tax. Barr are appealing the decision however, if unsuccessful, the Council may need to source alternative locations for tipping residual waste and may incur additional transport costs to new tipping sites. The Barr appeal will not take place until March, therefore any financial risk will not occur until 2022-23	Barr Environmental are currently appealing the decision and the Council are monitoring developments in that regard and assessing alternative delivery models	4	150		

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2021

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 October 2021		As at 31 December 2021	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
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		
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	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
					43	4,089	41	3,715

CAPITAL BUDGET MONITORING REPORT – 31 DECEMBER 2021

1.0 EXECUTIVE SUMMARY

1.1 This provides an update on the position of the capital budget as at 31 December 2021. 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.

1.2 Financial Position:

- **Current Year to Date** – actual net expenditure to date is £26,829k compared to a budget for the year to date of £26,535k giving rise to an overspend for the year to date of £294k (1.1%).
- **Forecast Outturn for 2021-22** – forecast net expenditure for the full financial year is £35,593k compared to an annual budget of £40,871k giving rise to a forecast underspend for the year of £5,278k (12.9%).
- **Total Capital Plan** – forecast total net project costs on the total capital plan are £177,855k compared to a total budget for all projects of £176,358k giving rise to a forecast overspend for the overall capital plan of £1,497k (0.85%).

1.3 Project Delivery:

- **Asset Sustainability** – Out of 100 projects there are 81 projects (81%) on track, 18 projects (18%) off track but recoverable and 1 project off track (1%).
- **Service Development** - Out of 41 projects there are 27 projects (66%) on track, 9 projects (22%) off track but recoverable and 5 projects (12%) off track.
- **Strategic Change** – Out of 29 projects there are 23 projects (79%) on track, 2 projects (7%) off track but recoverable and 4 projects (14%) off track.

1.4 The Capital Programme is funded by various income streams as detailed in Appendix 5.

1.5 Due to the COVID-19 outbreak there has been a reduction in anticipated capital receipts in 2021-22 however this appears just to be a delay rather than a permanent reduction and over the life of the entire capital programme there is no overall impact. The position will continue to be monitored on an ongoing basis.

CAPITAL BUDGET MONITORING REPORT – 31 DECEMBER 2021

2.0 INTRODUCTION

- 2.1 This provides an update on the position of the capital budget as at 31 December 2021. 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.
- 2.2 Following the recent decision at Policy and Resources Committee on 9th December 2021, the Rothesay Pavilion project is on pause whilst potential funding options are being considered. No further updates will be provided via the Capital Budget Monitoring until such times as a decision is made in regards to progressing the project. More detail is provided at Appendix 6.
- 2.3 A £1m cost pressure has been included within this report in relation to repairs to the Bute Sea Wall. Recent severe storm damage has resulted in emergency works being carried out and a permanent solution is currently being developed. No budget has been identified for this project and whilst the costs are unknown at this stage, they are estimated to be in excess of £1m.
- 2.4 Project Managers were asked to identify specific COVID-19 impacts on the capital programme. At the budget meeting on 25 February 2021, the Council agreed to provide a £2.5m provision for the increase in capital contract costs as a result of COVID-19 and the extent to which the monies put aside have been/are expected to be utilised were detailed within a separate report on COVID cost pressures presented to Policy and Resources Committee on 14th October 2021. At this meeting the Committee approved for the £2.5m to be added to the capital programme plus a further £0.146m. This allocation has now been added to the capital plan budget.

It should be noted that for some projects an overspend has not been forecast but there are likely to be significant financial impacts, as follows:

- Rothesay Pavilion – the COVID-19 pressure was identified for Rothesay Pavilion prior to the 25 February budget where the contractor had gone into administration after lockdown and this led to significant increased estimates. £2m of funding was added to the current capital programme and is fully committed. As stated above the project is currently on hold however COVID-19 costs in the region of £967k are estimated to be incurred by the end of 2021-22. There are likely to be costs during the 'pause' phase and future COVID-19 related costs are unknown at this stage.
- Harbour Investment Programme – the COVID-19 pressure for the current year has been estimated at £350k however this is expected to be funded by additional borrowing, the cost of which will be met via Fees and Charges. Therefore while this additional cost has been included within this report the additional borrowing to fund this has also been added so no overall pressure is detailed. Furthermore, additional pressures are anticipated for future years which are currently estimated at approximately £3m however

these are difficult to quantify at this stage and are not yet included within this report.

- Helensburgh Waterfront Development – COVID-19 related costs are estimated to be in the region of £1.067m to the end of 2021-22 and £517k in future years. There is limited certainty as to actual cost pressure faced by the Council at this stage as commercial negotiations are ongoing with the contractor to determine which costs they are entitled to and which can be covered within the project contingency.
- There are 3 projects that have potential pressures in future years due to COVID-19 which are not yet recorded within the figures in this report as they are uncertain at this stage. They include Campbeltown Flood Protection Scheme, Bridge Strengthening and Gartbreck Landfill Site and current estimates suggest they could be in the region of £162k in total but again there is limited certainty around these figures at this stage.

2.5 The Scottish Government announced earlier this year that, from August 2021, all P4 primary school pupils and pupils in special schools will be entitled to free school meals, and from January 2022 all P5 pupils are entitled to a free school meal. Further rollout to include P6 and P7 would require significant capital works at various locations across the school estate including investment in kitchen equipment, refurbishment or redesign. The Council has been asked to submit capital and revenue forecasts to the Scottish Government for this school meal expansion and initial capital estimates are £9.1m which includes £4m for a new Central Production Unit. The estimated capital ask to the Scottish Government across all Scottish local authorities is £206m and it is the service's understanding that the Scottish Government has set aside significantly less for this policy commitment. The Scottish Government are engaging with local authorities over their estimates and it is expected that an announcement of the funding for the further expansion to P6 and P7 will be within the next few months.

3.0 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.

4.0 CURRENT YEAR TO DATE FINANCIAL POSITION

4.1 Overall Position

Actual net expenditure to date is £26,829k compared to a budget for the year to date of £26,535k giving rise to an overspend for the year to date of £294k (1.1%).

4.2 Project/Department Position

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

	Year to Date Budget £'000	Year to Date Actual £'000	Variance £'000
Project Type:			
Asset Sustainability	11,133	11,140	(7)
Service Development	6,637	6,932	(295)
Strategic Change	8,765	8,756	9
Total	26,535	26,829	(294)
Service:			
ICT	1,046	1,046	0
Education	5,023	5,036	(13)
Live Argyll	196	202	(6)
Health & Social Care Partnership	0	0	0
Shared Offices	75	75	(0)
Roads & Infrastructure	10,836	11,007	(171)
Development & Economic Growth	887	999	(112)
CHORD	8,472	8,463	9
Total	26,535	26,829	(294)

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

5.0 FORECAST OUTTURN 2021-22

5.1 Overall Position

Forecast net expenditure for the full financial year is £35,593k compared to an annual budget of £40,871k giving rise to a forecast underspend for the year of £5,278k (12.9%).

£1,806k of the current year underspend is attributable to COVID-19 related slippage in expenditure.

5.2 Project/Department Position

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

Project Type:	Annual Budget £'000	Forecast Outturn £'000	Forecast Variance COVID-19 Related £'000	Forecast Variance Non COVID-19 Related £'000	Forecast Variance £'000
Asset Sustainability	22,484	19,662	658	2,164	2,822
Service Development	6,358	5,695	52	611	663
Strategic Change	12,029	10,236	1,096	697	1,793
Total	40,871	35,593	1,806	3,472	5,278
Service:					
ICT	1,274	1,271	0	3	3
Education	9,423	8,777	658	(12)	646
Live Argyll	545	491	0	54	54
Health & Social Care Partnership	541	392	0	149	149
Shared Offices	2,467	2,089	0	378	378
Roads & Infrastructure	15,677	12,974	773	1,930	2,703
Development & Economic Growth	2,212	1,587	52	573	625
CHORD	8,732	8,012	323	397	720
Total	40,871	35,593	1,806	3,472	5,278

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

6.0 TOTAL PROJECT COSTS

6.1 Overall Position

Forecast total net project costs on the total capital plan are £177,855k compared to a total budget for all projects of £176,358k giving rise to a forecast overspend for the overall capital plan of £1,497k (0.85%).

It should be noted that the total project costs include £2,646k of COVID-19 related expenditure for which funding has been allocated as described at section 2.2 above.

6.2 Project/Department Position

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

Project Type:	Capital Plan Budget £'000	Forecast Project Costs £'000	Capital Plan Variance COVID-19 Related £'000	Capital Plan Variance Non COVID-19 Related £'000	Total Capital Plan Variance £'000
Asset Sustainability	54,585	55,491	0	(906)	(906)
Service Development	17,794	18,385	0	(591)	(591)
Strategic Change	103,979	103,979	0	0	0
Total	176,358	177,855	0	(1,497)	(1,497)
Service:					
ICT	5,144	5,144	0	0	0
Education	43,057	43,069	0	(12)	(12)
Live Argyll	3,175	3,194	0	(19)	(19)
Health & Social Care Partnership	3,814	3,814	0	0	0
Shared Offices	21,363	21,363	0	0	0
Roads & Infrastructure	40,916	42,251	0	(1,335)	(1,335)
Development & Economic Growth	4,033	4,164	0	(131)	(131)
CHORD	54,856	54,856	0	0	0
Total	176,358	177,855	0	(1,497)	(1,497)

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

7.0 TOTAL PROJECT PERFORMANCE

7.1 Overall Position

There are 170 projects within the Capital Plan, 131 are Complete or On Target, 29 are Off Target and Recoverable and 10 are Off Track.

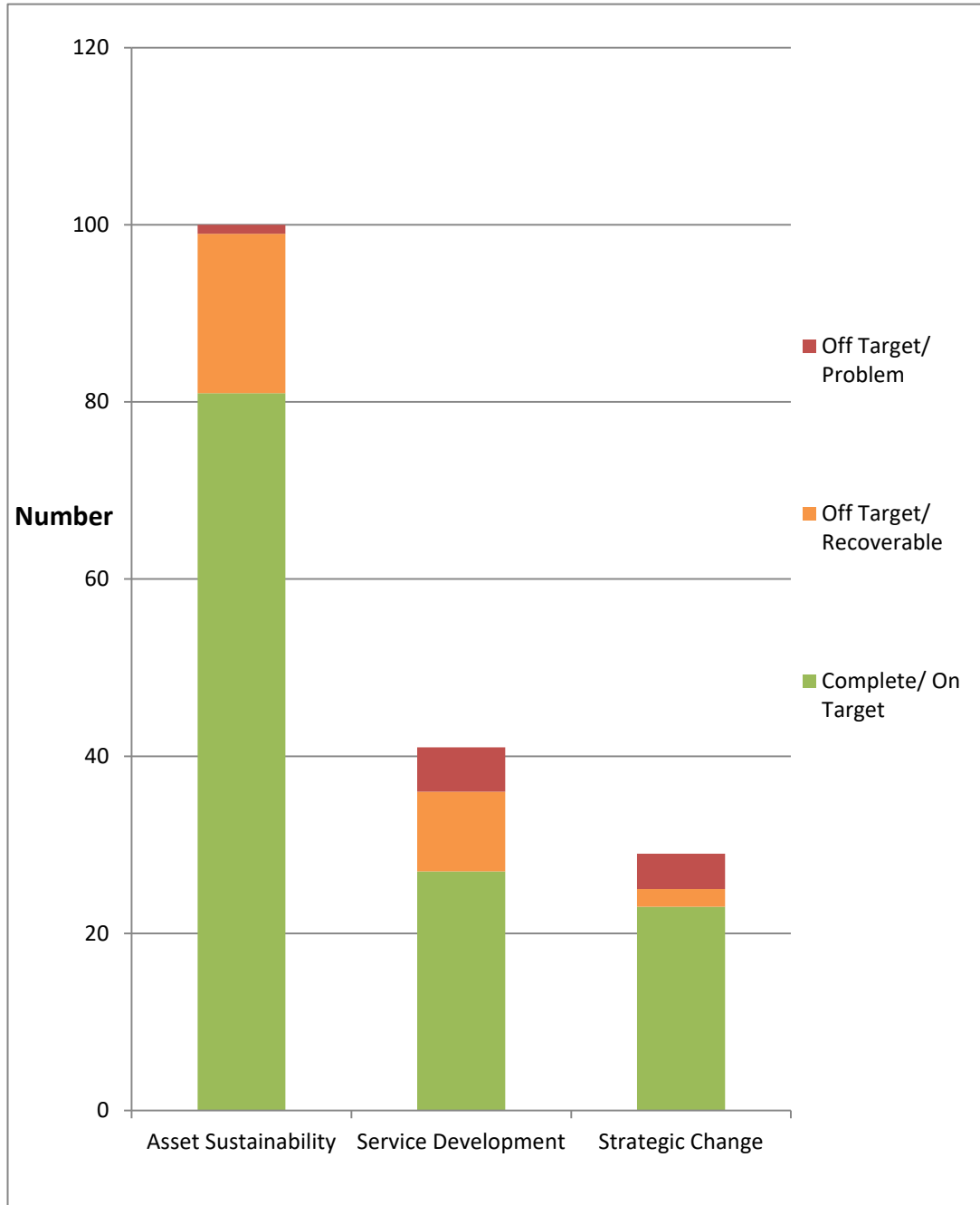
7.2 Project Position

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

Project Type:	Complete/ On Target	Off Target/ Recoverable		Off Target/ Problem		Total
		COVID -19 Related	Non- COVID -19 Related	COVID -19 Related	Non- COVID -19 Related	
Asset Sustainability	81	1	17	0	1	100
Service Development	27	1	8	1	4	41
Strategic Change	23	1	1	3	1	29
Total	131	3	26	4	6	170
Service:						
ICT	5	0	1	0	1	7
Education	28	1	1	1	0	31
Live Argyll	20	0	5	0	0	25
Health & Social Care Partnership	15	0	2	0	0	17
Shared Offices	29	0	3	0	1	33
Roads & Infrastructure	23	0	9	1	3	36
Development & Economic Growth	9	1	4	0	1	15
CHORD	2	1	1	2	0	6
Total	131	3	26	4	6	170

7.3 Chart of Performance Status

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



8.0 OFF TRACK PROJECTS

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

Project Type	Project	What is Off Track?	Explanation
Strategic Change	CHORD Rothesay	Project Timescale and Risks	Contractor going into administration and Covid-19 has led to increased timescales and costs. Project now paused as result of previous committee decision whilst funding options are considered.
Service Development	Depot Rationalisation – Oban Depot Redevelopment/ Jackson's Quarry	Total Project Expenditure	Value of Mill Park Depot insurance settlement and anticipated capital receipt less than anticipated.
Service Development	Hermitage Park	Total Project Expenditure	Contractor dispute leading to rising costs.
Service Development	Early Learning and Childcare - 1140 Hours	Current Year Expenditure	Shortage of labour and materials in construction sector is causing delays.
Service Development	ICT Applications	Current Year Expenditure	Slippage due to Cashless Catering/CareFirst procurement and go-live delays.
Strategic Change	Shared Offices – Helensburgh Office	Current Year Expenditure	Ongoing legal dispute is preventing finalisation of contract.
Strategic Change	Street Lighting LED Replacements	Current Year Expenditure	Project delayed due to Covid-19 impact on internal resources.
Strategic Change	CHORD Oban	Current Year Expenditure	Delays in remedying defects at the Transit Berthing Facility and instructing building services works at Visitor Centre.
Asset Sustainability	Bute Sea Wall	Total Project Expenditure	No budget has been identified for this project and whilst the costs are unknown at this stage, they are estimated to be in excess of £1m.

9.0 STRATEGIC CHANGE PROJECTS

- 9.1 Appendix 7 gives detailed information in respect of the Strategic Change Projects within the Capital Plan. The appendix gives details of the forecast cost of 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.

10.0 CHANGES TO CAPITAL PLAN

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

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

Department	Prev. Agreed Changes 2021-22 £'000	21-22 £'000 COVID-19 Related	21-22 £'000 Non COVID-19 Related	22-23 £'000	23-24 £'000	Future Years £'000	Total £'000
Asset Sustainability	2,497	(658)	(3,070)	3,722	6	0	0
Service Development	696	(52)	(1,202)	1,254	0	0	0
Strategic Change	(2,349)	(1,096)	(697)	1,793	0	0	0
Total	844	(1,806)	(4,969)	6,769	6	0	0
Service:							
ICT	(3)	0	(3)	3	0	0	0
Education	790	(658)	0	658	0	0	0
Live Argyll	(50)	0	(73)	73	0	0	0
Health & Social Care Partnership	(221)	0	(149)	143	6	0	0
Shared Offices	(6)	0	(378)	378	0	0	0
Roads & Infrastructure	(2,112)	(773)	(3,265)	4,038	0	0	0
Development & Economic Growth	1,993	(52)	(704)	756	0	0	0
Major Projects	453	(323)	(397)	720	0	0	0
Total	844	(1,806)	(4,969)	6,769	6	0	0

11.0 FUNDING

- 11.1 The Capital Programme is funded by various income streams as detailed in Appendix 5.
- 11.2 Due to the COVID-19 outbreak there has been a reduction in anticipated capital receipts in 2021-22 however this appears just to be a delay rather than a permanent reduction and over the life of the entire capital programme there is no overall impact. The position will continue to be monitored on an ongoing basis.

12.0 IMPLICATIONS

- 12.1 Policy
- 12.2 Financial
- 12.3 Legal
- 12.4 HR
- 12.5 Fairer Scotland Duty
- 12.5.1 Equalities – protected characteristics
- 12.5.2 Socio-economic Duty
- 12.5.3 Islands
- 12.6 Climate Change
- 12.7 Risk
- 12.8 Customer Service

Kirsty Flanagan
Section 95 Officer
21 January 2022

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

For further information contact: Anne Blue, Interim Head of Financial Services

APPENDICES

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

APPENDIX 1 – Year to Date Financial Variance Explanations

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

Project	YTD Budget £'000	YTD Actual £'000	(Over)/ Under Variance £'000	Explanation
Depot Rationalisation – Oban/Jackson's Quarry	32	289	(257)	Value of Mill Park Depot insurance settlement and anticipated capital receipt less than expected.
Variances under £50k			(37)	Total value of non-material variances less than +/-£50k
Total			(294)	

APPENDIX 2 – Forecast Outturn Variance Explanations

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

Project	Annual Budget £'000	Outturn £'000	(Over)/ Under Forecast Variance COVID-19 Related £'000	(Over)/ Under Forecast Variance Non COVID- 19 Related £'000	Total (Over)/ Under Forecast Variance £'000	Explanation
ICT PC Replacement	432	522		(90)	(90)	Spend accelerated due to early availability of devices originally planned for bonded storage and deployment in 22-23.
ICT Applications	953	860	0	93	93	Procurement delays causing slippage of Cashless Catering project, go-live delays causing slippage of CareFirst project
Primary Schools	3,153	2,900	253	0	253	Shortage of labour and materials in construction sector is delaying projects.
Early Learning and Childcare – 1140 Hours Upgrades	3,605	3,200	405	0	405	Shortage of labour and materials in construction sector is delaying projects.
Thomson Home, Rothesay	109	9	0	100	100	Project delayed by current review of care home provision by HSCP.
Helensburgh Office Rationalisation	330	30	0	300	300	Continuing legal dispute is preventing finalisation of contract.
Roads Reconstruction	12,169	11,200	0	969	969	Increased programme largely on track, small number of schemes have slipped into 21-22.
Roads Reconstruction – Oban CHORD Works	52	0	0	52	52	Residual CHORD funding - projects slipped due to competing demands.
Street Lighting	264	70	0	194	194	Project plan currently being developed and budgets are being reprofiled accordingly.
Environmental Projects	813	40	0	773	773	Mull Cemetery Extension to be delivered alongside Tobermory Car Park, for which tender process has not yet been concluded.
Footway Improvements	910	600	0	310	310	Increased programme largely on track, some schemes have slipped into 21-22.
Street Lighting LED Replacement	807	34	773	0	773	Project delayed due to Covid-19. Consultants now appointed to progress.
CHORD – Oban	655	0	295	360	655	Delays in remedying defects at the Transit Berthing Facility and instructing building services works at Visitor Centre.

Depot Rationalisation – Oban/Jackson's Quarry	(202)	318		0	(520)	(520)	Overspend within the Depot Rationalisation project due to increased costs and the value of Mill Park Depot insurance settlement less than anticipated. Proposal to vire budget to this project from the Eilean Dhuira Ferry Engine Replacement project is included for approval at Appendix 4.
Hermitage Park	0	69		0	(69)	(69)	Contractor dispute leading to rising costs. Total project forecast overspend as estimated by lead architect.
Eilean Dhuira Ferry Engine Replacement	100	0		0	100	100	Project complete and costs met by revenue budget therefore capital budget no longer required. Proposal to vire this budget to the Depot Rationalisation programme is included for approval at Appendix 4.
Tobermory Car Park	1,000	43		0	957	957	Tender process not yet concluded - anticipated earliest site start May 2022.
Dunoon STEM Hub	490	49		0	441	441	Delay in assembling the RIBA Concept Design Team. Project now underway and due to complete in 22-23.
Dunoon Cycle Bothy	279	16		0	263	263	Delay due to unexpected works being identified.
Helensburgh Public Realm - Arts Strategy Fund	53	1		52	0	52	Due to Covid restrictions works on the Helensburgh Outdoor Museum were unable to proceed.
Bute Sea Wall Repairs	0	1,000		0	(1,000)	(1,000)	Severe weather combined with high tide has resulted in collapse of sea wall on Bute and significant damage to adjacent footway and road. No budget has been identified for this project and although costs are unknown at this stage they are estimated to be in excess of £1m.
Other Variances under £50k				28	239	267	
Total				1,806	3,472	5,278	

APPENDIX 3 – Total Project Finance Variances

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

Project	Capital Plan Budget £'000	Forecast Project Costs £'000	(Over)/ Under Forecast Variance COVID-19 Related £'000	(Over)/ Under Forecast Variance Non COVID-19 Related £'000	Total (Over)/ Under Forecast Variance £'000	Explanation
Depot Rationalisation – Oban/Jackson's Quarry	1,863	2,383	0	(520)	(520)	Overspend within the Depot Rationalisation project due to increased costs and the value of Mill Park Depot insurance settlement less than anticipated. Proposal to vire budget to this project from the Eilean Dhuira Ferry Engine Replacement project is included for approval at Appendix 4.
Eilean Dhuira Ferry Engine Replacement	100	0	0	100	100	Project complete and costs met by revenue budget therefore capital budget no longer required. Proposal to vire this budget to the Depot Rationalisation programme is included for approval at Appendix 4.
Hermitage Park	0	69	0	(69)	(69)	Contractor dispute leading to rising costs. Total project forecast overspend as estimated by lead architect.
Bute Sea Wall Repairs	0	1,000	0	(1,000)	(1,000)	Severe weather combined with high tide has resulted in collapse of sea wall on Bute and significant damage to adjacent footway and road. No budget has been identified for this project and although costs are unknown at this stage they are estimated to be in excess of £1m.
Other Variances under £50k			0	(8)	(8)	
Total			0	(1,497)	(1,497)	

SLIPPAGES AND ACCELERATIONS

Project	2021-22 £'000	2022-23 £'000	2023-24 £'000	Future Years £'000	Total Capital Plan £'000	2021-22 COVID-19 Slippage £'000	2021-22 Non COVID-19 Slippage £'000	Recommendation	Explanation
CHORD - Helensburgh	(28)	28	0	0	0	(28)	0	Slip budget into 22-23	Awaiting priced options from consultant for art installation.
CHORD - Dunoon	(37)	37	0	0	0	0	(37)	Slip budget into 22-23	Ongoing issues with water ingress may require works to be instructed into next financial year.
CHORD - Oban	(655)	655	0	0	0	(295)	(360)	Slip budget into 22-23	Delays in remedying defects at the Transit Berthing Facility and instructing building services works at Visitor Centre.
Street Lighting LED Replacement	(773)	773	0	0	0	(773)	0	Slip budget into 22-23	Project delayed due to Covid-19. Consultants now appointed to progress.
Roads Reconstruction	(969)	969	0	0	0	0	(969)	Slip budget into 22-23	Increased programme largely on track, small number of schemes have slipped into 21-22.
Roads Reconstruction - Oban CHORD Works	(52)	52	0	0	0	0	(52)	Slip budget into 22-23	Residual CHORD funding - projects slipped due to competing demands.

Roads Reconstruction - Helesburgh CHORD works	(10)	10	0	0	0	0	(10)	Slip budget into 22-23	Residual CHORD funding - projects slipped due to competing demands.
Street Lighting	(194)	194	0	0	0	0	(194)	Slip budget into 22-23	Project plan is currently being developed and budget reprofiled accordingly.
Environmental Projects	(773)	773	0	0	0	0	(773)	Slip budget into 22-23	Mull Cemetery Extension to be delivered alongside Tobermory Car Park, for which tender process has not yet been concluded.
Footways Improvements	(310)	310	0	0	0	0	(310)	Slip budget into 22-23	Increased programme largely on track, some schemes have slipped into 21-22.
Tobermory Car Park	(957)	957	0	0	0	0	(957)	Slip budget into 22-23	Tender process not yet concluded - anticipated earliest site start May 2022.
Dunoon Cycle Bothy	(263)	263	0	0	0	0	(263)	Slip budget into 22-23	Delay due to unexpected works being identified.
Dunoon STEM Hub	(441)	441	0	0	0	0	(441)	Slip budget into 22-23	Delay in assembling the RIBA Concept Design Team. Project now underway and due to complete in 22-23.
Helensburgh Public Realm - Arts Strategy Fund	(52)	52	0	0	0	(52)	0	Slip budget into 22-23	Due to Covid restrictions works on the Helensburgh Outdoor Museum were unable to proceed
Primary Schools	(253)	253	0	0	0	(253)	0	Slip budget into 22-23	Impact of Covid-19 on construction industry has resulted in some projects being delayed.

Early Learning and Childcare - 1140 Hours	(405)	405	0	0	0	(405)	0	Slip budget into 22-23	Impact of Covid-19 on construction industry has resulted in some projects being delayed.
Rothesay Swimming Pool	(25)	25	0	0	0	0	(25)	Slip budget into 22-23	Project financially complete, remaining budget slipped whilst it is being determined if this can be vired to other projects.
Dunoon Community Education Centre	(48)	48	0	0	0	0	(48)	Slip budget into 22-23	Works on hold until the future of the building is determined.
Greenwood/Woodlands	(49)	49	0	0	0	0	(49)	Slip budget into 22-23	Works slipped to dovetail with future requirements in order to minimise operational disruption.
Thomson Home Rothesay	(100)	94	6			0	(100)	Slip budget into future years	Delayed by current review of care home provision by HSCP.
Kilmory Castle	(45)	45	0	0	0	0	(45)	Slip budget into 22-23	Funding slipped to allow Phase 1 and 2 to occur as one continuous contract now programmed for 22/23.
Manse Brae District Office	(8)	8	0	0	0	0	(8)	Slip budget into 22-23	Scope of works has been amended and final payment now due in 22-23.
Whitegates Offices, Lochgilphead	(25)	25	0	0	0	0	(25)	Slip budget into 22-23	Remaining budget slipped whilst it is being determined if this can be vired to other projects.
Helensburgh Office Rationalisation	(300)	300	0	0	0	0	(300)	Slip budget into 22-23	Continuing legal dispute is preventing finalisation of contract.

PC Replacement	90	(90)	0	0	0	0	90	Accelerate budget from 22-23	Early availability of devices originally planned for bonded storage and deployment in 22-23.
Applications	(93)	93	0	0	0	0	(93)	Slip budget into 22-23	Combination of slippage on Carefirst/Cashless Catering project payments.
Total Slippages & Accelerations	(6,775)	6,769	6	0	0	(1,806)	(4,969)		

CAPITAL PROGRAMME FUNDING

Appendix 5

	Current Year (2021-22)					2022-23					2023-24				
	Approved Capital Funding	Carry Forwards from 20-21	Slippage / Acceleration	Additional Funding	Updated Capital Funding Available	Estimated Capital Funding	Carry Forwards from 20-21	Slippage / Acceleration	Additional Funding	Updated Capital Funding Available	Estimated Capital Funding	Carry Forwards from 20-21	Slippage / Acceleration	Additional Funding	Updated Capital Funding Available
General Capital Grant	9,596	0	0	0	9,596	9,596	0	0	0	9,596	9,596	0	0	0	9,596
Transfer to Revenue for Private Sector Housing Grant (PSHG)	-1,033	-677	0	0	-1,710	-1,033	0	0	0	-1,033	-1,033	0	0	0	-1,033
Capital Receipts	855	158	0	0	1,013	855	0	0	0	855	855	0	0	0	855
Flooding Allocation	155	0	0	0	155	155	0	0	0	155	155	0	0	0	155
Ring Fenced Capital Grant	501	0	0	1,467	1,968	0	0	4,282	4,282	0	0	0	0	0	0
Restricted Funding	7,300	4,394	-2,307	3,739	13,126	0	100	1,186	100	1,386	0	150	1,000	0	1,150
Funded by Reserves	12,861	1,060	-356	2,048	15,613	0	0	320	334	654	0	0	36	0	36
Additional Funding from Revenue	0	135	0	0	135	0	0	0	0	0	0	0	0	0	0
Insurance	650	1,031	0	0	1,681	0	0	0	0	0	0	0	0	0	0
Harbour Investment Programme	11,990	209	-2,973	350	9,576	14,870	0	10,410	0	25,280	7,525	0	9,375	0	16,900
Prudential Borrowing	18,572	-9,112	-8,727	0	733	546	9,988	4,490	0	15,024	427	1,254	3,325	0	5,006
Loans Fund Review	5,293	100	0	0	5,393	0	0	0	0	0	0	0	0	0	0
COVID Funding	2,000	0	-475	2,646	4,171	0	0	475	0	475	0	0	0	0	0
	68,740	-2,702	-14,838	10,250	61,450	24,989	10,088	16,881	4,716	56,674	17,525	1,404	13,736	0	32,665

BREAKDOWN OF ADDITIONAL FUNDING

Additional Funding	2021-22	2022-23	2023-24	Source	Month Reported
Dunoon STEM Hub	490	100		Grant Funding	Jun-21
Dunoon Cycle Bothy	209			Grant Funding	Jun-21
Tobermory Car Park	775			Grant Funding	Jun-21
Footways Improvements	260			Reserves	Jul-21
Rothsay Harbour Pontoons	254			Grant Funding	Jul-21
Roads Reconstruction	1,249			Grant Funding	Jul-21
Lochgilphead Front Green	1,648	34		Reserves	Jul-21
Lochgilphead Front Green	13			Third Party Contribution	Jul-21
Lismore Ferry	120			Scottish Government	Jul-21
Play Park Refurbishment	76			Scottish Government	Aug-21
Appin Cemetery Extension	20			Third Party Contribution	Aug-21
Electric Vehicle Chargers	68			Grant Funding	Aug-21
Dunoon Cycle Bothy	70			Grant Funding	Aug-21
Hermitage Park	28			Grant Funding	Aug-21
Helensburgh Waterfront Development	163			Grant Funding	Aug-21
Harbour Investment Programme	350			Additional Borrowing	Aug-21
Ardrishaig North Public Realm Project	140	300		Reserves	Sep-21
Ardrishaig North Public Realm Project	100			Grant Funding	Sep-21
Bowmore Public Realm	93			Grant Funding	Sep-21
Howie Park	24			Grant Funding	Sep-21
Hermitage Park	6			Grant Funding	Sep-21
Covid-19 Funding Allocated to Capital Plan	2,646			Reserves	Oct-21
Nature Restoration Fund	108			Scottish Government	Oct-21
CO2 Monitoring in Schools	115			Scottish Government	Oct-21
Local Bridge Maintenance Fund	1,168	4282		Scottish Government	Nov-21
Gaelic Capital Grant Fund	38			Scottish Government	Nov-21
Helensburgh Waterfront Development	19			Live Argyll	Dec-21
Total	10,250	4,716	0		

OFF TRACK PROJECT		Appendix 6
Project Name: Rothesay Pavilion	Project Manager: Jonathan M Miles	Risk: High
Initial Start Date: 29 th November 2017	Proposed End Date: To be determined.	
<p>How this project was initially funded?</p> <ol style="list-style-type: none"> 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 <p>Total Initial Approved Budget: £13,845k</p>	<p>Please detail any additional funding:</p> <ol style="list-style-type: none"> 1. Additional budget agreed at 20-21 Budget: £3,337,000 2. Approval to borrow up to £3,114,00 Best Case Anticipated Cost Recovery/Additional Funding (Unsecured): 3. Performance Bond £1,069,000 4. Contractual Claim for Damages £135,000 5. Collateral Warranties and Professional Indemnity Claims £2,100,000 (Secured): 6. Additional HES Grant Funding £63,000 (Budgeted at £100,000) <p>Total Additional Funding: £6,741k</p> <p>Total Current budget: £20,586k</p>	
Previously Reported Committee and Date: Policy & Resources Committee 9 December 2021.	Next Reported Committee and Date: To be confirmed	
<p>Why is the project classified as off target?</p> <p>Report to Policy & Resources Committee on 9 December 2021 advised An Anticipated Final Cost (AFC) for the Project of £32,171,000, which is £11,812,000 above the 'worst case' Budget (£20,296,000), approved by Council in February 2021, i.e. if full Cost Recovery is not achieved.</p>		
<p>What has caused the issue outlined above?</p> <p>The impact of COVID-19 has been significant. The site was closed in March 20 followed by the Main Contractor being placed into administration in April 20. This resulted in additional security, remedial repairs, temporary building fabric, engineering service and heating protection works (incl. utility costs) to protect the Councils investment in the asset. Also: increased Project and Design Consultant staff costs due to repatriation of Sub-Contractors plant & equipment including a detailed reassessment of the building & engineering service works completed and still to be finished; specification and administration of temporary repairs, winterisation works to protect the fabric including developing the tender documentation for the works to completion; and global construction sector price volatility as the world economies seek to recover from the impacts of COVID.</p>		

What action will be taken to rectify this issue?

The Policy and Resources Committee agreed the recommendations in the Report of 9 December 2021, including:

*'2.2. Agree officers recommendations at paragraphs 3.26 and 3.27, to endorse the options set out at sub-paragraphs B1 through B.6 **and to pause the project at this time**, and in the interim seek additional funding sources including pursuing other partners, reprioritising other funding, possible use of COVID funding, and the pursuit of cost recovery through commercial and/or legal routes.'*

What are the implications of the action proposed?

The actions instigated will aim to provide the Council and Partners with sufficient financial and programme information to make an informed decision, in due course, as to the way forward with the aim of mitigating further financial and time risks as far as possible.

OFF TRACK PROJECT

Appendix 6

Project Name: Depot Rationalisation**Project Manager:** Mark Calder**Risk:** Low**Initial Start Date:** 2016**Proposed End Date:** Overall programme ongoing.**How was this project initially funded?** Insurance settlement, capital receipts, block allocation.**Please detail any additional funding.** The project includes the addition of EVCs which are 100% externally funded**Previously Reported Committee and Date:****Next Reported Committee and Date:****Why is the project classified as off target?**

The Council has settled the insurance claim element of the project. The insurance claim does not cover the total project costs because we choose to utilise the insurance money as part of a scheme to relocate and rationalise depot sites.

What has caused the issue outlined above?

Due to increased costs and the insurance claim in relation to Mill Park Depot providing a lower sum than the total expenditure on the depot rationalisation/consolidation project in Oban.

What action will be taken to rectify this issue?

Options are being considered by the service to fund the gap, including the possibility of utilising future lease income and borrowing.

Included within this report for approval is a proposal to vire £100k of budget from the Eilean Dhaira Ferry Engine Replacement project. This project is now complete, the costs of which were met by the revenue budget. If approved, this will partially offset the overspend within Depots.

What are the implications of the action proposed?

If borrowing is considered, it is hoped that there would be minimal impact on the existing revenue budget as the proposal would be to utilise new income.

OFF TRACK PROJECT		Appendix 6
Project Name: Hermitage Park	Project Manager: Audrey Martin	Risk: Low
Initial Start Date: The project was given permission to start by NLHF on 6 th May 2016.	Proposed End Date: The capital project has now completed however is dependent on a court case action.	
How was this project initially funded? National Lottery Heritage funding of £2.3m, £280k council and a number of other funders.	Please detail any additional funding.	
Previously Reported Committee and Date: General report as part of Transformation Projects and Regeneration EDI September 2021.	Next Reported Committee and Date: This will be when the court case is concluded.	
Why is the project classified as off target? Total project overspend forecast of £69k.		
What has caused the issue outlined above? An increase of the capital costs due to unforeseen circumstances during the building of the Pavilion. Furthermore, the contractor is pursuing a court action against the Council regarding costs they believe are due to them. As this is ongoing no forecast has been included for this as the outcome is unknown at this stage.		
What action will be taken to rectify this issue? Over the period of the capital development and delivery officers have accessed a number of funding streams to provide additional funding however there are no funders who will cover these additional costs.		
What are the implications of the action proposed? Funding will be required from council to cover the additional costs.		

OFF TRACK PROJECT

Appendix 6

Project Name: Early Learning and Childcare – 1140 Hours**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.** Education Revenue Contribution**Previously Reported Committee and Date:** n/a**Next Reported Committee and Date:** n/a**Why is the project classified as off target?**

Anticipated slippage of £405k to 22-23.

What has caused the issue outlined above?

The construction industry has suffered a shortage of labour and materials the impact of which has been exacerbated by the excess of projects resulting from those carried over from 20-21 combined with those due in 21-22 competing for resources. The result of this is that some project progress will no longer occur in 21-22 therefore the related expenditure will now occur in 22-23

What action will be taken to rectify this issue?

The service will re-programme the affected project and re-profile expenditure to reflect the anticipated outcome.

What are the implications of the action proposed?

Increase in resource requirement to deliver slipped project alongside 22-23 programmed work.

OFF TRACK PROJECT	Appendix 6	
Project Name: ICT – Application Projects	Project Manager: Dave Hanley (Cashless Catering) / Dougie Hunter (Eclipse)/ Dorothy Allan (Estore)	Risk: Low
First Added to Capital Plan: Programme added 2021-22		
How is this project funded? Service Development Capital / Income from NHS		
<p>Why is the project classified as off target?</p> <p>Predicted slippage of 93k in relation to Cashless Catering/school payments, CareFirst and ICON Estore projects.</p>		
<p>What has caused the issue outlined above?</p> <ol style="list-style-type: none"> (1) Some deliverable dates within the Cashless Catering and Online Payments for schools project plan have been exceeded due to delays in finalising the Scotland XL procurement framework and as there is no option for direct award, timescales for contract award have increased. Increased delivery timescales and global chip shortages has also impacted on slippage. (2) The replacement of CareFirst with Eclipse will extend beyond the end of this financial year. Go Live is not scheduled until the end of June and the HSCP has now paused all non essential works to focus on the operational response to the COVID pandemic. The total slippage is now £100k. This slippage is entirely funding from the HSCP income contribution to the ICT capital programme for this project as the Council capital contribution has been fully spent. (3) Civica have been working to introduce new Card payment gateway services with Verifone (replacing Mastercard). This is a prerequisite to the upgrade works required for Estore introduction. There has been significant delay in the verifone changes which need to be in place prior to the end of March 2022. The Council's Estore implementation will only begin in earnest when Civica resource is available on completion of these works. This represents a slippage of 36k to 2022/23. 		
<p>What action will be taken to rectify this issue?</p> <p>Budget will be slipped into 2022-23 accordingly.</p>		
<p>What are the implications of the action proposed?</p> <p>None.</p>		

OFF TRACK PROJECT		Appendix 6
Project Name: Helensburgh Office Rationalisation	Project Manager: Brian Gray	Risk: High
Initial Start Date: 2016-17	Proposed End Date: 2022-23	
How was this project initially funded? Capital Programme	Please detail any additional funding.	
Previously Reported Committee and Date: n/a	Next Reported Committee and Date: n/a	
Why is the project classified as off target? Final expenditure on project now anticipated to occur in 22-23.		
What has caused the issue outlined above? Continuing legal dispute is preventing finalisation of contract.		
What action will be taken to rectify this issue? The service will re-programme the affected project and re-profile expenditure to reflect the anticipated outcome.		
What are the implications of the action proposed? Increase in resource requirement to deliver slipped project alongside 22-23 programmed work.		

OFF TRACK PROJECT		Appendix 6
Project Name: Street Lighting LED	Project Manager: Kevin McIntosh	Risk: Low
Initial Start Date: 2017	Proposed End Date: Dec 2022	
How was this project initially funded? Prudential Borrowing	Please detail any additional funding.	
Previously Reported Committee and Date: N/A	Next Reported Committee and Date: N/A	
<p>Why is the project classified as off target?</p> <p>£773,000 of expenditure has been delayed to 2022-23.</p>		
<p>What has caused the issue outlined above?</p> <p>Due to resourcing issues caused by the Covid-19 pandemic progress of the project has been delayed.</p>		
<p>What action will be taken to rectify this issue?</p> <p>Consultants have recently been appointed to assist in progressing the project and developing tender documents for the next phase of delivery, focusing on the Oban area, with installation works expected to commence in early 2022-23 following contract award. This will be followed by procurement of decorative lighting and a program of column replacements.</p> <p>Budget will be slipped accordingly.</p>		
<p>What are the implications of the action proposed?</p> <p>Low Risk – Areas to be upgraded currently have street lights – Energy Savings are not being realised but current energy costs mean we would not be receiving the savings that were forecast pre the project being delayed. Carbon Reductions will not be achieved until the project completes.</p>		

OFF TRACK PROJECT		Appendix 6
Project Name: Oban CHORD	Project Manager: John Gordon/Kirsteen MacDonald	Risk: LOW
Initial Start Date: July 2014	Proposed End Date: 2022-23	
How was this project initially funded? CHORD	Please detail any additional funding.	
Previously Reported Committee and Date: 11 March 2020 Oban, Lorne and the Isles Area Committee	Next Reported Committee and Date: As required	
Why is the project classified as off target?		
No expenditure forecast in current year – budgets slipped into 22-23.		
What has caused the issue outlined above?		
<p>The 4 elements to the CHORD works in Oban: (1) Public Realm Phase 1; (2) Public Realm Phase 2; (3) Transit Berthing Facility; and (4) Maritime Visitor Facility have achieved Practical Completion, and progressed into the operational phase. Residual expenditure is linked to the following:</p> <ul style="list-style-type: none"> • Transit Berthing Facility – rectification of Defect 55. The cause of the defect must be ascertained so that we can assess; (a) whether this is specific to the two pontoons in question, or whether there is scope for similar issues to arise elsewhere in the facility; and (2) develop a scope of requirements for suitable mitigation measures to rectify the defect. The COVID Pandemic initially prevented access to the facility for the contractor and Inspection Engineers, and subsequently there has been a difference of opinion between the Employer and the Contractor as to the findings in the Inspection Engineers report. The Council has taken the decision to appoint its own suitably qualified and experienced marine engineer to investigate and make recommendations as to appropriate rectification works. As this is a specialist area of engineering, it has taken longer than expected to procure these services, however we expect to conclude a contract award by the end of the current financial year. • Maritime Visitor Facility – follow on works in respect of building services are to be specified and procured, however for this to happen the building needs to be operating at normal capacity, to enable the engineers to determine the specifics of our technical requirements. The COVID pandemic has meant that the facility has not been operating under normal operational parameters, but it is hoped that as we move from managing a pandemic to living with an endemic COVID situation, normal operating parameters will be re-introduced enabling the requirements to be specified and instructed in FY22/23. • Full Economic Benefits Analysis and Evaluation of CHORD – Oban, covering all of the projects. This exercise is generally carried out 12-18months after the end of the Defects Rectification Period, and once the facilities etc have been in normal operations for an extended period. The technical issues noted above, as well as the general impact of the COVID Pandemic, mean that this exercise has been delayed until we emerge from the COVID restrictions. 		
What action will be taken to rectify this issue?		
<ul style="list-style-type: none"> • Transit Berthing Facility – Project Manager is working with colleagues in the Procurement and Commissioning Team to finalise the award of the specialist maritime engineering consultancy contract as a matter of urgency, and subsequently to agree appropriate rectification works through agreement with the Works Contract Administrator and Contractor. • Maritime Visitor Facility – the key driver for this is the Governments decisions on regulations and guidance for managing COVID, which is out with our control. The Project Manager will move to instruct the works as soon as practical. • Economic Benefits Analysis – will be instructed as soon as practical 		
What are the implications of the action proposed?		
Require to slip budget from 21-22 to 22-23.		

OFF TRACK PROJECT		Appendix 6
Project Name: A884 Ardbeg Seawall, Isle of Bute	Project Manager: Elsa Simoes	Risk: HIGH
Initial Start Date: December 2021	Proposed End Date: TBC	
How was this project initially funded? No budget identified.	Please detail any additional funding: N/A	
Previously Reported Committee and Date: N/A	Next Reported Committee and Date: N/A	
<p>Why is the project classified as off target?</p> <p>No budget has been identified for this project, the cost of which is estimated to be in excess of £1m.</p>		
<p>What has caused the issue outlined above?</p> <p>Recent severe weather (Storm Barra) combined with high tide and wave overtopping resulted in partial collapse of the A884 Ardbeg Seawall on Bute and significant damage to the adjacent footway, utilities and drainage. Emergency works have been carried to provide temporary protection. Surveys and investigations are being planned to enable design of a permanent solution.</p>		
<p>What action will be taken to rectify this issue?</p> <p>The project has been highlighted as a cost pressure at the Council Budget meeting on 24th February 2022.</p>		
<p>What are the implications of the action proposed?</p> <p>If funding is allocated by Members during the Budget Setting process the pressure will be removed and allow works to be completed.</p>		

Strategic Change Projects	Capital Expenditure				Dates		Risks	
	Prior Years Spend £'000	Current Year Forecast £'000	Total Project Forecast £'000	Total Project Budget £'000	Project Start Date	Original Estimated Completion Date	Project Risks Identified	Explanation
CHORD Rothesay	8,104	6,025	20,586	20,586	01/04/2015	31/03/2022	Red	Contractor going into administration, additional asbestos works and Covid-19 has led to increased timescales and requirement to re-tender.
CHORD Oban	7,129	0	7,905	7,905	27/10/2016	31/03/2022	Red	Issues with contract close out impacting on timescales.
Street Lighting LED Replacement	2,700	34	3,900	3,900	01/08/2016	30/03/2022	Red	Impact of Covid-19 on internal resources has caused delivery to slip.
Helensburgh Office Rationalisation	11,500	30	11,838	11,838	25/04/2013	31/03/2022	Red	Project subject to legal dispute.
CHORD Dunoon	12,238	23	12,504	12,504	03/02/2012	09/03/2018	Amber	Main contract complete and retentions paid. Landscaping and remediation works ongoing but issues with water ingress may require works in 22-23.
CHORD - Helensburgh	6,483	2	6,557	6,557	29/09/2011	30/04/2015	Amber	Main contract complete. Art project originally proposed for 21-22 now slipped into 22-23.
Helensburgh Waterfront Deveopment	1,387	10,875	22,367	22,367	01/04/2017	31/03/2024	Green	Forecast has increased for current year based on most up to date cash flow information from contractor. Budget to be accelerated from future years.
Harbour Investment Programme	1,802	9,576	91,292	91,292	01/04/2017	31/03/2028	Green	Works expected to commence towards the end of the year and awaiting information for vessel designs.
Dunoon Primary	7,170	523	10,869	10,869	18/12/2014	30/04/2020	Green	Physically complete - financial sums outstanding.
Kim Primary School	9,878	213	10,119	10,119	24/04/2014	31/10/2017	Green	Physically complete - financial sums outstanding.
Carbon Management Business Cases	201	60	261	261	01/02/2014	31/03/2022	Green	
Campbeltown Flood Scheme	181	525	1,190	1,190	01/08/2016	31/03/2023	Green	
TIF - Oban Airport Business Park	447	7	590	590	22/01/2015	31/03/2022	Green	
TIF - North Pier Extension	214	0	214	214	06/12/2017	06/12/2021	Green	Complete.
TIF - Lorn/Kirk Road	1,959	1	2,170	2,170	22/01/2015	31/03/2021	Green	Complete.
TIF - Halfway House Roundabout	0	640	640	640	tbc	tbc	Green	
Replacement of Oban High	2,496	508	3,250	3,250	24/04/2014	31/01/2019	Green	Physically complete - financial sums outstanding.
Campbeltown Schools Redevelopment	1,649	76	2,130	2,130	16/02/2012	30/11/2018	Green	Physically complete - financial sums outstanding.
Carbon Management - Group Heating Conversion Project	1,938	10	1,948	1,948	01/02/2016	31/03/2022	Green	Complete.
Carbon Management - Non Education	14	21	50	50	01/04/2015	31/03/2022	Green	Projects being determined.
NPDO Schools Solar PV Panel Installations	761	100	944	944	26/06/2014	31/03/2022	Green	
Non NPDO Schools Solar PV Panel Installations	400	88	488	488	20/03/2014	31/03/2022	Green	
Carbon Management Fuel Conversions	107	0	107	107	01/02/2014	31/03/2019	Green	Complete.
Carbon Management Capital Property Works 2016/17	19	20	39	39	01/02/2016	31/03/2022	Green	
Kilmory Biomass Carbon Management	956	0	956	956	20/09/2012	31/03/2019	Green	Complete.
Oil to Gas Heating Conversions	182	5	187	187	01/02/2012	31/03/2022	Green	
Campbeltown Office Rationalisation	595	1	596	596	01/02/2015	31/03/2019	Green	Complete.
Rothesay Office Rationalisation	0	10	10	10	01/09/2018	31/03/2022	Green	
Dunoon Pier OBC	2,844	0	2,844	2,844	03/02/2012	26/02/2016	Green	Project complete.
Strategic Change Total	83,354	29,373	216,551	216,551				

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 2021

	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Budget £000s	Actual £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s
EXPENDITURE									
Asset Sustainability Projects									
Executive Director Douglas Hendry	2,931	2,938	(7)	7,346	6,799	547	20,622	20,628	(6)
Executive Director Kirsty Flanagan	8,536	8,536	0	17,668	15,393	2,275	36,493	37,393	(900)
Asset Sustainability Total	11,467	11,474	(7)	25,014	22,192	2,822	57,115	58,021	(906)
Service Development Projects									
Executive Director Douglas Hendry	2,286	2,298	(12)	3,838	3,458	380	14,956	14,981	(25)
Executive Director Kirsty Flanagan	5,591	5,927	(336)	8,007	7,820	187	29,983	30,645	(662)
Service Development Total	7,877	8,225	(348)	11,845	11,278	567	44,939	45,626	(687)
Strategic Change Projects									
Campbeltown Schools Redevelopment	0	0	0	76	76	0	2,130	2,130	0
Dunoon Primary	3	3	0	523	523	0	10,869	10,869	0
Replacement of Oban High	2	2	0	508	508	0	3,250	3,250	0
Kirn Primary School	110	110	0	213	213	0	10,119	10,119	0
Carbon Management - Non Education	0	0	0	21	21	0	50	50	0
Carbon Management Business Cases	0	0	0	60	60	0	261	261	0
NPDO Schools Solar PV Panel Installations	0	0	0	100	100	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	0	0	(0)	330	30	300	11,838	11,838	0
Rothsay Office Rationalisation	0	0	0	10	10	0	10	10	0
Campbeltown Flood Scheme	135	135	0	525	525	0	1,190	1,190	0
Street Lighting LED Replacement	2	2	0	807	34	773	3,900	3,900	0
Harbour Investment Programme	919	919	0	9,576	9,576	0	91,292	91,292	0
TIF - Lorn/Kirk Road	0	0	0	1	1	0	2,170	2,170	0
TIF - North Pier Extension	0	0	0	0	0	0	214	214	0
TIF - Oban Airport Business Park	6	6	0	7	7	0	590	590	0
TIF - Halfway House Roundabout	35	35	0	640	640	0	640	640	0
CHORD - Helensburgh	0	0	0	30	2	28	6,557	6,557	0
CHORD Dunoon	5	5	0	78	41	37	12,522	12,522	0
CHORD Oban	0	0	0	655	0	655	7,905	7,905	0
CHORD Rothsay	332	332	0	6,025	6,025	0	20,586	20,586	0
Helensburgh Waterfront Development	8,360	8,351	9	10,875	10,875	0	22,367	22,367	0
HWD - Landscaping and Lighting	0	0	0	163	163	0	163	163	0
HWD - FFE (Funded by LA)	1	1	0	19	19	0	19	19	0
Dunoon Pier OBC	0	0	0	0	0	0	2,844	2,844	0
Strategic Change Total	9,910	9,901	9	31,366	29,573	1,793	216,751	216,751	0
Total Expenditure	29,254	29,600	(346)	68,225	63,043	5,182	318,805	320,398	(1,593)
INCOME									
Asset Sustainability									
Executive Director Douglas Hendry	0	0	0	0	0	0	0	0	0
Executive Director Kirsty Flanagan	(334)	(334)	0	(2,530)	(2,530)	0	(2,530)	(2,530)	0
Asset Sustainability Total	(334)	(334)	0	(2,530)	(2,530)	0	(2,530)	(2,530)	0
Service Development Projects									
Executive Director Douglas Hendry	(38)	(38)	0	(173)	(173)	0	(7,475)	(7,475)	0
Executive Director Kirsty Flanagan	(1,202)	(1,255)	53	(5,314)	(5,410)	96	(19,670)	(19,766)	96
Service Development Total	-1,240	-1,293	53	(5,487)	(5,583)	96	(27,145)	(27,241)	96
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	(919)	(919)	0	(9,576)	(9,576)	0	(91,292)	(91,292)	0
01 TIF - Lorn/Kirk Road	0	0	0	(648)	(648)	0	(2,617)	(2,617)	0
H'burgh CHORD Public Realm Imprv	0	0	0	0	0	0	(570)	(570)	0
Helensburgh Waterfront Development	0	0	0	(4,153)	(4,153)	0	(4,161)	(4,161)	0
HWD - Landscaping and Lighting	(163)	(163)	0	(163)	(163)	0	(163)	(163)	0
HWD - FFE (Funded by LA)	0	0	0	(19)	(19)	0	(19)	(19)	0
Rothsay CHORD	(63)	(63)	(0)	(4,778)	(4,778)	0	(11,560)	(11,560)	0
CHORD - Dunoon Waterfront	0	0	0	0	0	0	(10)	(10)	0
CHORD - Oban	0	0	0	0	0	0	(1,624)	(1,624)	0
Strategic Change Total	(1,145)	(1,145)	(0)	(19,337)	(19,337)	0	(112,772)	(112,772)	0
Total Income	(2,719)	(2,771)	52	(27,354)	(27,450)	96	(142,447)	(142,543)	96
Net Total	26,535	26,829	(294)	40,871	35,593	5,278	176,358	177,855	(1,497)

MONITORING REPORT										Appendix 8
FINANCIAL SUMMARY NET EXPENDITURE - EXECUTIVE DIRECTOR DOUGLAS HENDRY										31 December 2021
	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs			
	Budget £000s	Actual £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s	
EXPENDITURE										
Asset Sustainability										
Education	2,660	2,661	(1)	4,479	4,226	253	11,877	11,877		0
Live Argyll	196	202	(6)	537	470	67	1,893	1,899		(6)
Health and Social Care Partnership	0	0	0	487	338	149	2,514	2,514		0
Shared Offices	75	75	0	1,843	1,765	78	4,338	4,338		0
Asset Sustainability Total	2,931	2,938	(7)	7,346	6,799	547	20,622	20,628		(6)
Service Development Projects										
Ardershaig Primary Pre 5 Unit	0	0	0	0	0	0	2	2		0
Bowmore Primary School - Pre 5 Unit	0	0	0	0	0	0	149	149		0
Clyde Cottage - 600 hour provision	2	2	0	25	25	0	579	579		0
Craighish Primary School - Pre 5 Extension	0	0	0	0	0	0	400	400		0
Iona Primary School - Pre 5 Unit	0	0	0	0	0	0	490	490		0
Islay High and Rosneath Primary School Pitches	14	26	(12)	14	26	(12)	707	719		(12)
Lochgoilhead Primary School - Pre 5 Unit	0	0	0	0	0	0	391	391		0
Park Primary Extension/Pre Fives Unit	0	0	0	0	0	0	341	341		0
Tarbert High School - Biomass enabling work	0	0	0	0	0	0	0	0		0
Sandbank Gaelic Pre Five Unit	0	0	0	0	0	0	491	491		0
Bunessan Primary School - Gaelic Medium Improvements	0	0	0	0	0	0	120	120		0
Early Learning and Childcare	0	0	0	0	0	0	850	850		0
Early Learning and Childcare - 1140 Hours	2,270	2,270	0	3,605	3,200	405	7,751	7,751		0
CO2 Monitoring - Covid Mitigation in Schools	0	0	0	115	115	0	115	115		0
Bowmore Primary School - Gaelic Medium Grant	0	0	0	38	38	0	38	38		0
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	2,286	2,298	(12)	3,838	3,458	380	14,956	14,981		(25)
Strategic Change Projects										
Campbeltown Schools Redevelopment	0	0	0	76	76	0	2,130	2,130		0
Dunoon Primary	3	3	0	523	523	0	10,869	10,869		0
Replacement of Oban High	2	2	0	508	508	0	3,250	3,250		0
Kirn Primary School	110	110	0	213	213	0	10,119	10,119		0
Carbon Management - Non Education	0	0	0	21	21	0	50	50		0
Carbon Management Business Cases	0	0	0	60	60	0	261	261		0
NPDO Schools Solar PV Panel Installations	0	0	0	100	100	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	0	0	(0)	330	30	300	11,838	11,838		0
Rothsay Office Rationalisation	0	0	0	10	10	0	10	10		0
CHORD Oban	0	0	0	655	0	655	7,905	7,905		0
CHORD Rothsay	332	332	0	6,025	6,025	0	20,586	20,586		0
CHORD - Helensburgh	0	0	0	30	2	28	6,557	6,557		0
CHORD Dunoon	5	5	0	78	41	37	12,522	12,522		0
Helensburgh Waterfront Deveopment	8,360	8,351	9	10,875	10,875	0	22,367	22,367		0
HWD - Landscaping and Lighting	0	0	0	163	163	0	163	163		0
HWD - FFE (Funded by LA)	1	1	0	19	19	0	19	19		0
Dunoon Pier OBC	0	0	0	0	0	0	2,844	2,844		0
Strategic Change Total	8,813	8,804	9	19,810	18,790	1,020	116,755	116,755		0
Total Expenditure	14,030	14,040	(10)	30,994	29,047	1,947	152,333	152,364		(31)
INCOME										
Asset Sustainability										
Education	0	0	0	0	0	0	0	0		0
Live Argyll	0	0	0	0	0	0	0	0		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	0	0	0	0	0		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	(135)	(135)	0	(629)	(629)		0
Early Years 1140 Hours	0	0	0	0	0	0	(6,300)	(6,300)		0
Bowmore Primary School - Gaelic Medium Grant	(38)	(38)	0	(38)	(38)	0	(38)	(38)		0
Service Development Total	(38)	(38)	0	(173)	(173)	0	(7,475)	(7,475)		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	(4,153)	(4,153)	0	(4,161)	(4,161)		0
HWD - Landscaping and Lighting	(163)	(163)	0	(163)	(163)	0	(163)	(163)		0
HWD - FFE (Funded by LA)	0	0	0	(19)	(19)	0	(19)	(19)		0
Rothsay CHORD	(63)	(63)	(0)	(4,778)	(4,778)	0	(11,560)	(11,560)		0
CHORD - Dunoon Waterfront	0	0	0	0	0	0	(10)	(10)		0
CHORD - Oban	0	0	0	0	0	0	(1,624)	(1,624)		0
Strategic Change Total	(226)	(226)	(0)	(9,113)	(9,113)	0	(18,593)	(18,593)		0
Total Income	(264)	(264)	(0)	(9,286)	(9,286)	0	(26,068)	(26,068)		0
Net Departmental Total	13,766	13,776	(10)	21,708	19,761	1,947	126,265	126,296		(31)

CAPITAL PLAN 2021-22
Overall Summary

APPENDIX 9

Service	Previous Years £000's	2021-22 £000s	2022-23 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s	Total £000s
Education	33,043	8,938	4,415	4,273	0	0	50,669
Shared Offices	16,667	2,089	2,475	481	0	0	21,712
ICT	1,360	1,662	1,376	983	0	0	5,381
RIS	16,027	26,855	40,048	25,579	31,600	2,422	142,531
DEG	12,747	3,917	1,710	186	0	0	18,560
HSCP	1,246	392	1,729	447	0	0	3,814
Live Argyll	1,274	472	998	431	0	0	3,175
CHORD	51,630	17,125	3,923	285	0	0	72,963
Overall Total	133,994	61,450	56,674	32,665	31,600	2,422	318,805

Education

Category	Service	Project	Previous				Future	Total
			Years £000's	2021-22 £000s	2022-23 £000s	2023-24 £000s	Years £000s	
Asset Sustainability	Education	Asbestos Control/Removal Works	0	7	0	0	0	7
		Block Allocation - Education	0	390	2,826	4,231	0	7,447
		Digital Inclusion 20-21	0	9	0	0	0	9
		Free School Meals	0	14	0	0	0	14
		Homeless Houses - Housing Quality Standard	0	1	0	0	0	1
		Internal Refurbishment Budget	0	7	0	0	0	7
		Pre-5's/Nurseries	0	1	0	0	0	1
		Primary Schools	0	2,900	521	23	0	3,444
		School Houses - Housing Quality Standard	0	135	50	0	0	185
Secondary Schools	0	762	0	0	0	762		
Asset Sustainability Total			0	4,226	3,397	4,254	0	11,877
Service Development	Education	Ardrishaig Primar School - Pre Five Extension	2	0	0	0	0	2
		Bowmore Primary School - Gaelic Medium Grant	0	38	0	0	0	38
		Bowmore Primary School - Pre Five Unit	149	0	0	0	0	149
		Bunessan Primary School - Gaelic Medium Improvements	120	0	0	0	0	120
		Clyde Cottage - 600 hours provision	554	25	0	0	0	579
		CO2 Monitoring - Covid Mitigation in Schools	0	115	0	0	0	115
		Craignish Primary School - Pre Five Extension (600 hours funding)	400	0	0	0	0	400
		Early Learning and Childcare	850	0	0	0	0	850
		Early Learning and Childcare - 1140 Hours	3,514	3,200	1,018	19	0	7,751
		Iona Primary School - Pre Five Unit (600 hours funding)	490	0	0	0	0	490
		Islay High & Rosneath PS Pitches	693	14	0	0	0	707
		Lochgoilhead Primary School - Pre Five Unit (600 hours funding)	391	0	0	0	0	391
		Park Primary Extension and Pre Fives Unit	341	0	0	0	0	341
Sandbank Gaelic Pre Five Unit	491	0	0	0	0	491		
Service Development Total			7,995	3,392	1,018	19	0	12,424
Strategic Change	Education	Campbeltown Schools Redevelopment	2,054	76	0	0	0	2,130
		Dunoon Primary School	10,346	523	0	0	0	10,869
		Kirn Primary School	9,906	213	0	0	0	10,119
		Replacement of Oban High School	2,742	508	0	0	0	3,250
Strategic Change Total			25,048	1,320	0	0	0	26,368
Overall Total			33,043	8,938	4,415	4,273	0	50,669

Category	Service	Project	Previous				Future	
			Years £000's	2021-22 £000s	2022-23 £000s	2023-24 £000s	Years £000s	Total £000s
Asset Sustainability	Shared Offices	Argyll House, Dunoon	0	6	0	0	0	6
		Asbestos Capital Property Works	0	57	0	0	0	57
		Block Allocation	0	15	15	431	0	461
		Bowmore Area Office	0	16	60	0	0	76
		Burnett Building	0	36	75	0	0	111
		Capital Property Works	0	29	0	0	0	29
		Castle House, Dunoon	0	10	0	0	0	10
		Cleaner Energy	0	1,100	175	0	0	1,275
		Dunoon Office Rationalisation	0	20	200	7	0	227
		Fire Risk Assessment Works	0	20	0	0	0	20
		Hill Street Dunoon Rewire	0	33	0	0	0	33
		Joint Valuation Board	0	39	0	0	0	39
		Kilmory Castle	0	30	1,351	43	0	1,424
		Legionella Control Works	0	271	0	0	0	271
		Lorn House, Oban	0	0	22	0	0	22
		Manse Brae District Office	0	36	111	0	0	147
		Manse Brae Roads Office	0	2	0	0	0	2
		Oban Municipal Buildings	0	0	16	0	0	16
		Old Quay Offices, Campbeltown	0	15	0	0	0	15
		Rothesay Office Rationalisation	0	30	0	0	0	30
Tobermory Area Office	0	0	42	0	0	42		
Whitegates Office, Lochgilphead	0	0	25	0	0	25		
Asset Sustainability Total			0	1,765	2,092	481	0	4,338
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)	11,508	30	300	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	100	83	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			16,667	324	383	0	0	17,374
Overall Total			16,667	2,089	2,475	481	0	21,712

Category	Service	Project	Previous	2021-22	2022-23	2023-24	Future	Total
			Years £000's	£000s	£000s	£000s	Years £000s	£000s
Strategic Change	CHORD	CHORD - Dunoon	12,435	41	46	0	0	12,522
		CHORD - Helensburgh -Public Realm Imprv	6,527	2	28	0	0	6,557
		CHORD - Oban	7,250	0	655	0	0	7,905
		CHORD - Rothesay	14,024	6,025	537	0	0	20,586
		Helensburgh Waterfront Development	8,550	10,875	2,657	285	0	22,367
		HWD - FFE	0	19	0	0	0	19
		HWD - Landscaping and Lighting	0	163	0	0	0	163
		OBC for Dunoon Pier	2,844	0	0	0	0	2,844
Strategic Change Total			51,630	17,125	3,923	285	0	72,963
Overall Total			51,630	17,125	3,923	285	0	72,963

Category	Service	Project	Previous	2021-22	2022-23	2023-24	Future	Total
			Years £000's	£000s	£000s	£000s	Years £000s	£000s
Asset Sustainability	ICT	Block Allocation - ICT	0	0	722	919	0	1,641
		PC Replacement	0	522	0	0	0	522
		Server Sustainability	0	120	2	64	0	186
		Telecomms Network	0	160	0	0	0	160
Asset Sustainability Total			0	802	724	983	0	2,509
Service Development	ICT	Applications Projects	1,360	860	652	0	0	2,872
Service Development Total			1,360	860	652	0	0	2,872
Overall Total			1,360	1,662	1,376	983	0	5,381

Category	Service	Project	Previous	2021-22	2022-23	2023-24	Future Years	Total
			Years £000's	£000s	£000s	£000s	£000s	£000s
Asset Sustainability	RIS	Bridge Strengthening	0	345	1,361	350	0	2,056
		Coastal Protection	0	0	0	100	0	100
		Eilean Dhiura Ferry Engine Replacement	0	100	0	0	0	100
		Environmental Projects	0	40	773	100	0	913
		EV Quick Chargers	0	118	0	0	0	118
		Flood Prevention	0	379	194	305	0	878
		Footway Improvements	0	600	560	0	0	1,160
		Glengorm - Capping	0	82	0	0	0	82
		Glengorm - Cell and Transfer Station (PB)	0	292	643	0	0	935
		Helensburgh CHORD - Signage etc	0	0	10	0	0	10
		Helensburgh Flood Mitigation	0	95	353	0	0	448
		Lighting	0	70	444	150	0	664
		Local Bridge Maintenance Fund	0	55	1,185	4,210	0	5,450
		Roads Reconstruction	0	11,200	5,097	3,449	0	19,746
		Roads Reconstruction - Helensburgh CHORD	0	114	0	0	0	114
Roads Reconstruction - Oban CHORD	0	0	52	0	0	52		
Tobermory Car Park	0	43	957	0	0	1,000		
Asset Sustainability Total			0	13,691	11,629	8,664	0	33,984
Service Development	RIS	Campbeltown Old Quay	1,381	0	43	0	0	1,424
		Fleet Management	1,264	1,595	0	0	0	2,859
		Fleet Management - Prudential Borrowing	1,461	1,158	2,242	0	0	4,861
		Jackson's Quarry Refurbishment	0	32	0	0	0	32
		Lismore Ferry Replacement	157	463	0	15	0	635
		Lochgilphead Depot Rationalisation	19	0	0	0	0	19
		Mill Park Depot Demolition	126	0	0	0	0	126
		Oban Depot Development	2,065	-234	0	0	0	1,831
		Preliminary design for Regional Transport projects (tif)	205	16	0	0	0	221
		Witchburn Road Demolition	158	-1	0	0	0	157
Service Development Total			6,836	3,029	2,285	15	0	12,165
Strategic Change	RIS	Campbeltown Flood Scheme	584	525	81	0	0	1,190
		Harbour Investment Programme PB	5,514	9,576	25,280	16,900	34,022	91,292
		Street Lighting LED Replacement	3,093	34	773	0	0	3,900
Strategic Change Total			9,191	10,135	26,134	16,900	34,022	96,382
Overall Total			16,027	26,855	40,048	25,579	34,022	142,531

Category	Service	Project	Previous	2021-22	2022-23	2023-24	Future	Total
			Years £000's	£000s	£000s	£000s	Years £000s	£000s
Service Development	DEG	Ardrishaig North Active Travel	0	240	300	0	0	540
		Cycleways - H&L (FSPT)	2,525	100	100	150	0	2,875
		Dunoon Cycle Bothy	0	16	263	0	0	279
		Dunoon STEM Hub	0	49	541	0	0	590
		Helensburgh Public Realm - Arts Strategy Fund	0	1	52	0	0	53
		Hermitage Park	3,245	0	0	0	0	3,245
		Nature Restoration Fund	0	108	0	0	0	108
		Safe Streets, Walking and Cycling (CWSS)	1,949	373	0	0	0	2,322
		SPT - bus infrastructure	1,405	0	0	0	0	1,405
Town Centre Funds	757	2,382	354	36	0	3,529		
Service Development Total			9,881	3,269	1,610	186	0	14,946
Strategic Change	DEG	01 TIF - Lorn/Kirk Road	2,169	1	0	0	0	2,170
		05 TIF - North Pier Extension	214	0	0	0	0	214
		09 TIF - Oban Airport Business Park	483	7	100	0	0	590
		TIF - Halfway House Roundabout	0	640	0	0	0	640
Strategic Change Total			2,866	648	100	0	0	3,614
Overall Total			12,747	3,917	1,710	186	0	18,560

Category	Service	Project	Previous	2021-22	2022-23	2023-24	Future	Total
			Years £000's	£000s	£000s	£000s	Years £000s	£000s
Asset Sustainability	HSCP	Ardfenaig	0	57	200	0	0	257
		Block Allocation	0	0	561	431	0	992
		Capital Property Works	0	139	0	0	0	139
		Digitalising telecare	0	0	100	0	0	100
		Eadar Glinn	0	0	116	0	0	116
		Glencruitten Hostel	0	38	0	0	0	38
		Gortonvogie	0	12	0	0	0	12
		Greenwood/Woodlands	0	40	51	0	0	91
		Kilmory Castle Top Floor Toilet Refurb	0	4	0	0	0	4
		Lochgilphead Resource Centre	0	16	0	0	0	16
		Struan Lodge Boiler	0	0	252	0	0	252
		Thomson Home Rothesay	0	9	100	6	0	115
		Tigh An Rudha HFE	0	23	349	10	0	382
Asset Sustainability Total			0	338	1,729	447	0	2,514
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	392	1,729	447	0	3,814

Category	Service	Project	Previous	2021-22	2022-23	2023-24	Future	Total
			Years £000's	£000s	£000s	£000s	Years £000s	£000s
Asset Sustainability	Live Argyll	Aqualibrium	0	28	0	0	0	28
		Campbeltown Community Centre - Fire Alarm and Door Upgrade	0	16	0	0	0	16
		Campbeltown Museum - Burnet Bldg	0	12	0	0	0	12
		Capital Property Works	0	108	923	431	0	1,462
		Dunoon Community Education Centre	0	0	50	0	0	50
		Helensburgh Swimming Pool - Roofing	0	23	0	0	0	23
		Inveraray CARS	0	21	0	0	0	21
		Lochgilphead Community Ed Centre	0	8	0	0	0	8
		Lochgilphead Library Relocation	0	25	0	0	0	25
		Moat Centre (Roofing)	0	5	0	0	0	5
		Queen's Hall - Partition Wall	0	6	0	0	0	6
		Riverside Leisure Centre - Cladding Upgrade	0	47	0	0	0	47
		Riverside Leisure Centre - Spa Pool Upgrade	0	20	0	0	0	20
		Rothesay Swimming Pool	0	30	25	0	0	55
		The Moat Centre - Heating Upgrade	0	16	0	0	0	16
		The Moat Centre - Window Upgrade	0	8	0	0	0	8
		Victoria Hall, Campbeltown	0	30	0	0	0	30
		Victoria Halls, Helensburgh	0	61	0	0	0	61
Asset Sustainability Total			0	464	998	431	0	1,893
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	29	21	0	0	0	50
Strategic Change Total			29	21	0	0	0	50
Overall Total			1,274	472	998	431	0	3,175

TREASURY MANAGEMENT MONITORING REPORT – 31 DECEMBER 2021

1. EXECUTIVE SUMMARY

- 1.1. This report sets out the Council's treasury management position for the period 1 October 2021 to 31 December 2021 and includes information on:
- Overall borrowing position
 - Borrowing activity
 - Investment activity
 - Economic background
 - Interest rate forecast
 - Prudential Indicators
- 1.2. Estimated borrowing is below the Capital Financing Requirement for the period to 31 December 2021, at this stage in the financial year capital expenditure is below target. Due to delays caused by the COVID-19 pandemic capital expenditure has been relatively low over the last twelve months.
- 1.3. The net movement in external borrowing in the period 1 October 2021 to 31 December 2021 was an increase of £0.034m.
- 1.4. The levels of investments were £111.2m at 31 December 2021. The rate of return achieved was 0.437% which compares favourably with the target 7 day LIBID rate which was -0.012%.

17 FEBRUARY 2022

TREASURY MANAGEMENT MONITORING REPORT – 31 DECEMBER 2021

2. INTRODUCTION

2.1. This report sets out the Council's treasury management position for the period 1 October 2021 to 31 December 2021 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 2021. The CFR represents the underlying need for the Council to borrow to fund its fixed assets and accumulated capital expenditure.

	Forecast 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000
CFR at 1 April	296,662	296,803	326,384
Net Capital Expenditure	10,309	40,304	21,906
Less Loans Fund Principal Repayments	(5,353)	(5,626)	(5,913)
Less: NPDO Repayment	(4,815)	(5,097)	(5,307)
Estimated CFR 31 March	296,803	326,384	337,070
Less Funded by NPDO	(119,544)	(114,729)	(109,632)
Estimated Net CFR 31 March	177,259	211,655	227,438
Estimated External Borrowing at 31 March	168,879	190,080	204,303
Gap	8,380	21,575	23,135

- 3.2. Borrowing is below the Capital Financing Requirement for the period to 31 December 2021. 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 2021 is £177.3m. The table below shows how this has been financed. £168.7m is funded by loans and there are substantial internal balances of £119.7m of which £111.2m are currently invested, leaving a net internal balance of £8.5m.

	31/10/2021	Position at 31/12/21
	£000	£000
Loans	168,742	168,776
Net Internal Balances	14,101	8,483
Total CFR	182,843	177,259

- 3.5. During the period from 1 October to 31 December 2021, £0.043m of loans were repaid and new borrowing of £0.077m was taken. This was made up of renewal of local bonds and some new temporary borrowing, the analysis of the movement in borrowing is shown in the table below:

	Actual £000
External Loans Repaid 1st October 2021 to 31st December	-43
Borrowing undertaken 1st October 2021 to 31st December 2021	77
Net Movement in External Borrowing	34

- 3.6. The external long term borrowing of the Council remained constant during the period from 1 October 2021 to 31 December 2021.
- 3.7. 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 2021	567	0.00%
Temp borrowing at 31st December 2021	602	0.00%

Investment Activity

3.8 The average rate of return achieved in the Council's investments to 31 December 2021 was 0.437% compared to the average LIBID rate for the same period of -0.012% 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 2021 the Council had £111.2m of short term investments at an average rate of 0.437%. 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	4,356	0.15%	Short Term A-2, Long Term A-
Santander	180 Day Notice	5,000	0.58%	Short Term A-1, Long Term A
Goldman Sachs	180 Day Notice	5,000	0.26%	Short Term A-1, Long Term A+
Close Bros	31/01/2022	2,500	0.25%	Short Term A-1, Long Term A
Close Bros	19/04/2022	7,500	0.35%	Short Term A-1, Long Term A
Close Bros	14/02/2022	5,000	0.25%	Short Term A-1, Long Term A
Goldman Sachs	11/05/2022	5,000	0.32%	Short Term A-1, Long Term A+
National Bank of Kuwait	17/05/2022	5,000	0.25%	Short Term A-1, Long Term A
Qatar National Bank	07/03/2022	5,000	0.24%	Short Term A-1, Long Term A
Qatar National Bank	09/02/2022	2,500	0.24%	Short Term A-1, Long Term A
Qatar National Bank	10/03/2022	2,500	0.24%	Short Term A-1, Long Term A
Qatar National Bank	22/04/2022	5,000	67.00%	Short Term A-1, Long Term A
AL Ryan Bank	07/06/2022	5,000	0.40%	Short Term A-1, Long Term A+
AL Ryan Bank	02/02/2022	5,000	0.18%	Short Term A-1, Long Term A+
AL Ryan Bank	02/02/2022	5,000	0.18%	Short Term A-1, Long Term A+
First Abu Dhabi Bank	08/08/2022	5,000	24.00%	Short Term A-1+, Long Term AA-
Toronto Dominion	13/10/2022	5,000	0.50%	Short Term A-1+, Long Term 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
Cheshire West & Chester Council	12/01/2023	2,500	0.90%	AA
MMF - CCLA	Call	11,220	0.09%	AAA
MMF - Morgan Stanley	Call	0	0.00%	AAA
Total		111,186		

- 3.9 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

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

Prudential Indicators

- 3.11 The prudential indicators for 2021-22 are attached in Appendix 3.

4. CONCLUSION

- 4.1 In the period from 1 October 2021 to 31 December 2021, the Council's borrowing increased by £0.034m, it is currently below the Capital Financing Requirement. There are substantial internal balances, of which £111.2m is currently invested. The investment returns were 0.437% which is above the target of -0.0.12 %.

5. IMPLICATIONS

5.1	Policy -	None
5.2	Financial -	None
5.3	Legal -	None
5.4	HR -	None
5.5	Fairer Scotland Duty -	None
5.5.1	Equalities – protected characteristics -	None
5.5.2	Socio-Economic Duty	None
5.5.3	Islands Duty -	None
5.6	Climate -	None
5.7	Risk -	None
5.8	Customer Service -	None

Kirsty Flanagan
Section 95 Officer
10 February 2022

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

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

Appendix 1 – Economic Background (at 20-12-21)

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

MPC meeting 16th December 2021

- The Monetary Policy Committee (MPC) voted 8-1 to **raise Bank Rate by 0.15% from 0.10% to 0.25%** and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.
- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over **the end of the furlough scheme on 30th September** without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.
- On 10th December we learnt of the disappointing 0.1% m/m rise in GDP in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.
- On 14th December, the labour market statistics for the three months to October and the single month of October were released. The fallout after the furlough scheme ended on 30th September, (about one million people were still on furlough), was smaller and shorter than the Bank of England had feared: unemployment did not increase hugely in October. Indeed, vacancies rose to a record 1.219m in the three months to November showing there were acute shortages of labour.
- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron in late November potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.
- On 15th December we had the CPI inflation figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).
- Other elements of inflation are also transitory e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues have reduced during the second half of 2021 and are likely to clear during 2022 when prices would be expected to subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.
- The Government has stepped in with some fiscal support for the economy, targeted mainly at the hospitality sector. Due to the huge cost of such support to date, it is likely to remain being limited and targeted on narrow sectors. The Government may well, therefore, effectively leave

it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!

- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a surprise increase in Bank Rate from 0.10% to 0.25%. What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".
- On the other hand, it did also comment that "the Omicron variant is likely to weigh on near-term activity". But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation from Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)
- On top of that, there were no references in December to inflation being expected to be below the 2% target in two years' time, which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.
- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only a "modest tightening" in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times in 2022 to 0.75% or 1.00%.
- In as much as a considerable part of the inflationary pressures at the current time are indeed transitory, and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.
- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).
- The MPC's forward guidance on its intended monetary policy on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -

1. Placing the focus on raising Bank Rate as “the active instrument in most circumstances”.
 2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
 3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
 4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.
- COVID-19 vaccines. These have been the game changer which had enormously boosted confidence that life in the UK could largely return to normal during the second half of 2021 after a third wave of the virus threatened to overwhelm hospitals in the spring. The bursting onto the scene of the Omicron mutation at the end of November had threatened to cancel the Christmas holidays, but the Government decided not to impose more severe restrictions in the hope that this mild, but highly contagious variant, would not overwhelm hospitals. The big question is whether further mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

US. See comments below on US treasury yields.

EU. The ECB joined with the Fed by also announcing on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases during the first half of 2022. Although headline inflation reached 4.9% in November, over half of that was due to energy but oil and gas prices are expected to fall sharply after the winter. As overall inflation will fall back sharply during 2022, it is likely that the ECB will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below its target rate of 2% despite all the ECB's major programmes of monetary easing by cutting rates into negative territory and providing QE support.

China. The pace of economic growth has now fallen back after the initial surge of recovery from the pandemic and China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. However, with Omicron having now spread to China and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future; this strategy poses a potential renewed threat to world supply chains. The People's Bank of China made a start in December 2021 on cutting its key interest rate to encourage flagging economic growth.

Japan. 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy is rebounding rapidly now that the bulk of the population is fully vaccinated, and new virus cases have plunged. However, Omicron could reverse the success of 2021 in combating Covid. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon.

World growth. World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

Appendix 2 – Interest Rate Forecast

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. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast on 20th December is compared below to the last forecast (29th September) in the previous quarter. A comparison of these forecasts shows that PWLB rates have fallen, more so in the longer maturities, and show a speed up in the rate of increase in Bank Rate as inflation is now posing a greater risk. Some of the fall in PWLB rates during December was probably due to window dressing by pension and investment funds preparing their finances for the year and quarter end position for 2021 on 31st December: it was therefore expected that part of those falls would be unwound in the new year.

Link Group Interest Rate View 20.12.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Link Group Interest Rate View 29.9.21										
	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	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

Additional notes by Link on this forecast table: -

- LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.
- Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.
-

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 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged until it raised it from 0.10% to 0.25% at the MPC meeting of 16th December 2021.

A summary overview of the future path of Bank Rate

- In December 2021, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak between 5 and 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.
- However, rising gas and electricity prices last October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflationary pressures.
- On the other hand, consumers are sitting on around £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next downturn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid mutations remain a major potential downside threat in all three years as we ARE likely to get further mutations. How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December 2021. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon - in line with whatever the new news is.

Forecasts for PWLB rates and gilt and treasury yields

The current PWLB rates are set as margins over gilt yields 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)

Gilt yields. Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. Our forecasts show a steady, but slow, rise in both Bank Rate and PWLB rates during the forecast period to March 2025 but there will doubtless be a lot of unpredictable volatility during this forecast period.

Upside risk to gilt yield forecasts. While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. **As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields.** This is a significant upward risk exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.

US treasury yields. During 2020, US President Biden and the Democratic party pushed through a huge programme of fiscal stimulus and are still trying to get another major package approved – the American Families Plan; this is still caught up in political haggling. Financial markets were alarmed that all this stimulus was happening at a time when:-

1. A fast vaccination programme had enabled a rapid opening up of the economy during 2021.
2. The economy was growing strongly during the first half of 2021 although it has weakened overall during the second half.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries.
4. And the Fed was still providing substantial stimulus through monthly QE purchases during 2021.

It was not much of a surprise that a combination of these factors would eventually cause an excess of demand in the economy which generated strong inflationary pressures. This has eventually been recognised by the Fed at its recent December meeting with an aggressive response to damp inflation down during 2022 and 2023.

At its 3rd November Fed meeting, the Fed decided to make a start on tapering its \$120bn per month of QE purchases so that they ended next June. However, at its **15th December meeting** it doubled the pace of tapering so that they will end all purchases in February. These purchases are currently acting as downward pressure on treasury yields and so it would be expected that Treasury yields will rise over the taper period, all other things being equal. It also forecast that it expected there would be three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy.

Downside risk to gilt yield forecasts. There are also possible downside risks from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to monitor.

Significant risks to the forecasts

- COVID vaccines do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation.
- The pandemic causes major long-term scarring of the economy.
- The Government implements an austerity programme that suppresses GDP growth.

- The MPC tightens monetary policy too early – by raising Bank Rate or unwinding QE.
- The MPC tightens monetary policy too late to ward off building inflationary pressures.
- Major stock markets e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market sell-offs on the general economy.
- Geo-political risks - on-going global power influence struggles between Russia/China/US/Iran.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

The balance of risks to medium to long term PWLB rates: -

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

A new era – a fundamental shift in central bank monetary policy

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on ‘achieving broad and inclusive “maximum” employment in its entirety’ in the US before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be ‘sustainably over 2%’ and the ECB now has a similar policy.
- **For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.**
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

Appendix 3 – Prudential Indicators

PRUDENTIAL INDICATOR	2021-22	2021-22	2022-23	2023-24
(1). EXTRACT FROM BUDGET				
	Forecast Outturn £'000	Original Estimate £'000	Forecast Outturn £'000	Forecast Outturn £'000
Capital Expenditure				
Non - HRA	10,309	23,264	40,304	21,906
TOTAL	10,309	23,264	40,304	21,906
Ratio of financing costs to net revenue stream				
Non - HRA	4.30%	4.30%	4.22%	4.13%
Net borrowing requirement				
brought forward 1 April *	296,662	285,516	298,612	326,384
carried forward 31 March *	296,803	298,612	326,384	337,070
in year borrowing requirement	141	13,096	27,772	10,686
In year Capital Financing Requirement				
Non - HRA	141	13,096	27,772	10,686
TOTAL	141	13,096	27,772	10,686
Capital Financing Requirement as at 31 March				
Non - HRA	296,803	298,612	326,384	337,070
TOTAL	296,803	298,612	326,384	337,070

PRUDENTIAL INDICATOR	2021-22	2022-23	2023-24
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£'M	£'M	£'M
Authorised limit for external debt -			
borrowing	201	215	219
other long term liabilities	123	118	113
TOTAL	324	333	332
Operational boundary for external debt -			
borrowing	196	210	214
other long term liabilities	120	115	110
TOTAL	316	325	324
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 2021

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 £260.585m unusable reserves that are not backed with resources. They are required purely for accounting purposes.
- 1.3 At 31 March 2021 the Council had a total of £84.785m of usable reserves. Of this:
- £2.134m relates to the Repairs and Renewals Fund
 - £4.406m relates to Capital Funds
 - £78.245m was held in the General Fund, with £71.888m of this balance earmarked for specific purposes.
- 1.4 Of the earmarked balance of £71.888m:
- £26.091m is invested or committed for major initiatives/capital projects
 - £19.727m has already been drawn down
 - £10.085m is still to be drawn down in 2021-22
 - £15.785m is planned to be spent in future years
 - £0.200m 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 2021-22 which equates to £5.032m. At the beginning of the financial year there was £1.325m of unallocated General Fund Balance (over and above contingency). After taking into consideration the HSCP repayment, the balances no longer required and the current forecast outturn for 2021-22, Council is forecast to have a £1.917m surplus over contingency.

RESERVES AND BALANCES - UPDATE AS AT 31 DECEMBER 2021**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 2021

- 3.2.1 The balances on each type of reserve at 31 March 2021 are set out in the two tables below, updated as per the Audited Accounts for 2020-21.

Unusable Reserves	£000
Revaluation Reserve	135,392
Capital Adjustment Account	217,237
Financial Instruments Adjustment Account	(2,524)
Pensions Reserve	(82,314)
Accumulated Absences Account	(7,206)
Total Unusable Reserves	260,585

Usable Reserves	£000
Repairs and Renewals Fund	2,134
Capital Fund and Usable Capital Receipts Reserve	4,406
General Fund	78,245
Total Usable Reserves	84,785
Total Reserves	345,370

- 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 2021 can be analysed as follows:

	Balance 31/03/21 £000
Balance on General Fund as at 31 March 2020	49,670
Increase to General Fund balance at end of 2020-21	28,575
Earmarked Balances	(71,888)
Contingency allowance at 2% of net expenditure	(5,032)
Unallocated balance as at 31 March 2021	1,325

- 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 2021, 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 31/03/2021 - per year end published report	Transfers between categories	Invested or committed for major initiatives /capital projects	Drawn-down to 2021-22 Budget as at 31/12/21	Still to be drawn-down in 2021-22	Planned Spend Future Years	Balance no Longer Required
	£000	£000	£000	£000	£000	£000	£000
Strategic Housing Fund	7,126		4,739	2,387			
Investment in Affordable Housing	3,500		3,300				200
Capital Projects	7,452		1,873	5,579			
Lochgilphead and Tarbert Regeneration	2,272		2,258	14			
Support for Rural Growth Deal	1,195		1,145	50			
Asset Management Investment	2,573		2,573				
Piers and Harbours Investment Fund	970		970				
Scottish Government Initiatives	1,116	-14		503	-319	918	
Transformation	73				73	0	
CHORD	262				0	262	
DMR Schools	1,020			639	164	217	
Energy Efficiency Fund	218				0	218	
Existing Legal Commitments	588			56	0	532	
Unspent Grant	8,393	2	950	6,053	1,304	88	
Unspent Third Party Contribution	144	-42		25	35	42	
Previous Council Decision - Other	5,664		4,126	572	198	768	
Redundancy Provision	1,899				500	1,399	
Supporting Organisational Change	499	1,200		79	21	1,599	
Spend to Save Route Optimisation	100				0	100	
Timing Delay	107				107	0	
COVID-19	13,469		257	2,298	6,395	4,519	
Unspent Budget	13,248	-1,200	3,900	1,472	1,560	5,116	
HSCP Reserves		54			47	7	
Totals	71,888	0	26,091	19,727	10,085	15,785	200

3.3.3 There is a balance no longer required within Investment in Affordable Housing of £0.200m – this earmarked balance provides cash backed reserves for the loans to registered social landlords. It is estimated that as at 31 March 2022, the balance on the remaining loans will be £3.300m, therefore £0.200m can be released back to the general fund.

3.3.4 Further details on the COVID earmarkings are in Appendix 2.

3.4 Unallocated General Fund Balance

- 3.4.1 The Council's General Fund contingency is set at 2% of net expenditure for 2021-22 and amounts to £5.032m. At the beginning of the financial year there was £1.325m of unallocated General Fund Balance (over and above contingency). After taking into consideration the HSCP repayment, the balances no longer required and the current forecast outturn for 2021-22, the Council is forecast to have a £1.917m surplus over contingency.

Heading	Detail	£000
Unallocated General Fund as at 31 March 2021	This is the balance that is unallocated over and above the 2% contingency, which amounts to £5.032m	1,325
HSP repayment towards previous year overspends	Agreed repayment within 2021-22 Financial year	200
Earmarked Balances no longer required	Per paragraph 3.3.3 – amounts previously earmarked that can be released back to the general fund	200
Current Forecast Outturn for 2021-22 as at 31 December 2021		192
Estimated Unallocated balance as at 31 March 2022		1,917

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 / 20-21 Budget	Transferred to Earmarked Reserves / 21-22 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)	0
Campbeltown Flood Prevention Scheme	1,406			1,406
Significant Strategic Change Projects	5,013		(2,856)	2,157
2020-21 Revenue Budget Contribution	600	(600)		0
	20,561	(3,300)	(3,430)	13,831

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 2021 the estimated unallocated General Fund, after taking into consideration the forecast outturn for 2021-22 is £1.917m.

5. IMPLICATIONS

- 5.1 Policy - Earmarked funds and funds set aside for delivery of Single Outcome Agreement are available to support Council Policy.
- 5.2 Financial - Outlines the balances held with the Council's usable and unusable reserves.
- 5.3 Legal - None.
- 5.4 HR - None.
- 5.5 Fairer Scotland Duty- None.
- 5.5.1 Equalities – protected characteristics - None.
- 5.5.2 Socio-economic Duty - None.
- 5.5.3 Islands - None.
- 5.6 Climate Change - None.
- 5.7 Risk - A contingency of £5.032m (equivalent to 2% of net expenditure) has been set aside as part of the general fund. This has been subject to a risk assessment.
- 5.8 Customer Service - None.

Kirsty Flanagan
Section 95 Officer
10 February 2022

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

APPENDICES

Appendix 1 – Earmarked Reserves breakdown of unspent budget

Appendix 2 – Earmarked Reserves breakdown of COVID earmarkings

APPENDIX 1

Earmarked Reserves - Unspent Budget
As at 31 December 2021

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	New earmarking during 21/22	Remaining Balance	Still to be drawdown in 21/22	Planned to spend in future years	Plans for Use	Amount Planned to be Spent in 2021/22	Amount Planned to be Spent in 2022/23	Amount Planned to be Spent from 2023/24 onwards
001	Chief Executives Unit	Financial Services	CIPFA	37,476	3,621		33,855	15,117	18,738	CIPFA Training - To fund the professional training costs for staff undertaking the CIPFA professional accountancy qualification.	18,738	18,738	0
002	Chief Executives Unit	Financial Services	Scottish Government Funding - Welfare Reform/Discretionary Housing Payments (agreed at Council February 2014)	18,595			18,595	0	18,595	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 2021/22 which will be under more pressure due to Covid-19.	0	18,595	0
003	Executive Director (Douglas Hendry)	Commercial Services	Rothsay Pavilion Charity	750,000			750,000	0	750,000	Agreed at Council meeting February 2020, £750k additional revenue support subject to conditions which seek to minimise the risk to the Council as far as is reasonably practicable including requirement for adequate business and financial management and regular reporting by RPC.	0	375,000	375,000
004	Executive Director (Douglas Hendry)	Commercial Services	Rothsay Pavilion Essential repairs	306,400			306,400	0	306,400	Essential repairs to deal with potential health and safety risks and to avoid further deterioration. Budget provision was approved by the Policy and Resources Committee on 21 August 2014.	0	306,400	0
005	Executive Director (Douglas Hendry)	Commercial Services	Demolition of former Lochgilphead Primary and Rothsay Secondary School	250,000			250,000	150,000	100,000	It is proposed that £250,000 be earmarked from the revenue budget underspend within Commercial Services in 2020-21 to fund the demolition of the former Lochgilphead Primary School and former Rothsay Academy (subject to the removal of the listing).	150,000	100,000	0
006	Executive Director (Douglas Hendry)	Commercial Services	Purchase of Catering Equipment	108,000			108,000	108,000	0	The earmarked funds will be used to purchase additional and replacement kitchen equipment in school kitchens across Argyll and Bute to enable implementation of the first phase of free school meals extension to pupils in Primary Schools from August 2021.	108,000	0	0
007	Executive Director (Douglas Hendry)	Commercial Services	Estates - NDR Revaluation Appeals	84,688			84,688	0	84,688	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 2021/22 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. Ryden are awaiting outcome of further citations which will incur fees.	0	84,688	0
008	Executive Director (Douglas Hendry)	Commercial Services	Management of Asbestos	39,096			39,096	0	39,096	Providing asbestos management on an ongoing basis by employing 2.5 FTE to ensure compliance with all regulatory requirements.	0	39,096	0
009	Executive Director (Douglas Hendry)	Commercial Services	Site Investigation Works	26,313	5,900		21,013	21,013	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. HUB North were instructed to procure contractors to undertake the site investigations and work commenced in March 2020. This is still ongoing.	26,313	0	0
010	Executive Director (Douglas Hendry)	Education	Education Transformation Fund	317,656	42,905		274,751	24,751	250,000	At the Council meeting on 27 February 20, it was agreed to input £400k into Education Digital Learning. The additional funds to be spent across 20/21 and 21/22, as part of the ongoing transformation work in the Education service, focussing on digital and virtual learning technology and the development of learning clusters.	67,656	250,000	
011	Executive Director (Douglas Hendry)	Education	Skype for Business for Education / Digital Projects (Skype for Business)	168,325	108,814		59,511	59,511	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.	168,325	0	0
012	Executive Director (Douglas Hendry)	Education	Change in Teachers Pension - Uplift in Employer Contribution	112,000	112,000		0	0	0	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.	112,000	0	0
013	Executive Director (Douglas Hendry)	Education	Education Learning Estate Condition Surveys	100,000			100,000	30,000	70,000	It is proposed that £100,000 be earmarked from the revenue budget underspend within Education in 2020-21 to fund the delivery of School Core Facts (SCF) compliant Condition Surveys for prioritised School Buildings.	30,000	70,000	0
014	Executive Director (Douglas Hendry)	Legal and Regulatory Services	Education Purchasing Officers	210,000			210,000	0	210,000	The earmarked funds will be used to fund an education purchasing team within the Procurement Service for two years. The team will embed good procurement practice, train headteachers on current procurement process requirements, develop spend plans that evidence best value.	0	90,000	120,000
015	Executive Director (Douglas Hendry)	Legal and Regulatory Services	Transformation Agenda QIO	100,000	22,732		77,268	7,009	70,259	Ongoing funding for the QIO post to lead the implementation of the service transformation programme. The QIO will assist the Executive Director to deliver the Council's transformation agenda by developing, analysing and monitoring initiatives and projects which deliver the vision, values and strategic objectives of the Council.	29,741	70,259	0
016	Executive Director (Kirsty Flanagan)	Customer Support Services	Growing our Own and Modern Apprentices	109,150			109,150	11,498	97,652	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.	11,498	97,652	0
017	Executive Director (Kirsty Flanagan)	Customer Support Services	Learning and Development	36,508			36,508	36,508	0	In order to maximise the opportunities and efficiencies of digital learning, this funding will be used to support the extension of digital learning in order to deliver the Digital Learning Strategy, which was approved in FQ4 2021.	36,508	0	0
018	Executive Director (Kirsty Flanagan)	Customer Support Services	Implementation of Gaelic Language Plan	30,000			30,000	30,000	0	Agreed at Council Meeting February 2021. Provision of funding for delivery and implementation of the council's Gaelic Language Plan in recognition of the contribution that Gaelic makes to economic growth and to the tourism sector, and to enable delivery of key activities within the plan which currently receive no revenue funding.	30,000	0	0

019	Executive Director (Kirsty Flanagan)	Customer Support Services	Business Development Training	29,723	1,150		28,573	28,573	0	This budget is funding ongoing leadership development, coaching, action learning sets and commissioned training including Priority Management.	29,723	0	0
020	Executive Director (Kirsty Flanagan)	Customer Support Services	Living Wage Consolidation Team	2,345			2,345	2,345	0	The living wage project was programmed to run until 1st April 2021. The key target of consolidating the Living Wage into the Pay and Grading system on 1st April was met, but some other aspects of the project, including LGE14 re-evaluation and the implementation of revised Conditions of Service have been delayed due to Covid. This money will be spent on correspondence, postage etc to implement the final stages of the project.	2,345	0	0
021	Executive Director (Kirsty Flanagan)	Development & Economic Growth	Strategic Events & Festivals	60,614			60,614	0	60,614	At the Council meeting on 25 February 21, a decision was taken to agree £90k funding for Events and Festivals for 22-23, in order that the application process can commence during 21-22 and that this agreed figure be augmented by any underspend remaining from the 20-21 financial year	60,614		
022	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Oban TIF (Tax Incremental Financing)	539,219			539,219	59,000	480,219	Will be used to fund the TIF Programme office for a further 3 years as well as the programme office for Rural Growth Deal beyond the funding that was agreed at Council for this in February 2021.	59,000	480,219	0
023	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Royal National Mod	60,000	20,000		40,000	0	40,000	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	20,000
024	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Development Policy	19,910			19,910	0	19,910	To be used in support of delivering the LDP in general: including developing IT and GIS capabilities required to support publishing the LDP.	0	19,910	0
025	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Climate Change	500,000			500,000	430,000	70,000	At the Council meeting on 27 February 20, it was agreed to input £500k budget to mitigate the impacts of weather related damage and climate change with specific emphasis on gully cleaning and drainage improvements. Spend has been delayed due to COVID and the intention is to spend the funds on 2 Gully Motors plus staff over next 2 years	430,000	70,000	
026	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Green Transport Initiatives	400,000			400,000	0	400,000	At the Council meeting on 27 February 20, it was agreed to input £400k in Green transport, investment in footway and cycle path maintenance supporting the healthy wellbeing and green agenda. Spend has been delayed due to COVID and this will be taken forward in 21-22. £260k Footways Reconstruction programme now agreed across the four areas, £140k Ardrishaig North Project.	0	400,000	
027	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Waste Variation Monies	1,492,997			1,492,997	0	1,492,997	This would be used to fund/part-fund various waste infrastructure projects that will support the council's compliance with the 2025 ban on the Landfill of Biodegradable Municipal Waste, including the development of landfill cell construction works at Gartbreck.	0	746,499	746,498
028	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	3G pitches / Tarbert Sports Pitches	507,385	80,627		426,758	1,000	425,758	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.	81,627	88,373	337,385
029	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Replacement Signage and Bins	200,000			200,000	200,000	0	To replace street litter bins and key road signage. This would help to reduce future budget pressures for replacements of bins and signs and would also help to enhance the streetscape and general appearance of the area by refreshing the street furniture	200,000	0	0
030	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Ferry Maintenance	196,000	196,000		0	0	0	Repairs to ferry delayed until 2021-22	196,000	0	0
031	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Waste Management	194,361			194,361	30,000	164,361	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.	30,000	164,361	0
032	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Purchase and installation of parking machines	115,000			115,000	115,000	0	Purchase and installation of 40 parking meters due to delays caused by covid	115,000	0	0
033	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Amenity Services introduction of management information system	35,791	7,692		28,099	0	28,099	Delay with introduction of amenity time recording system, spend unlikely to be incurred until 2022-23 for handheld devices and software.	7,692	28,099	0
034	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Fyne Futures	24,870	24,780		90	90	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 2020. The service is now undertaken in-house. Partial draw down only required to operate internal service. Staff were Tused across from Fyne Futures which may lead to redundancy costs in 2021-22 for which the remaining unspent earmarking could assist with.	24,870	0	0
035	Non Departmental	Non Departmental	Roads Capital Investment	2,400,000	700,000		1,700,000	0	1,700,000	Agreed at Council meeting February 2020, a transfer of £264k to Administration priorities to support Roads Capital Investment. This has been built into the capital plan and drawn down in 21-22. The total investment to capital was £2.4m but only the part from the General fund reserve was recognised. The revenue budget allocation of £2.136m recognised at year end 20-21.	700,000	1,700,000	0
036	Non Departmental	Non Departmental	Underwriting development of Rothesay Pavilion	1,000,000			1,000,000	0	1,000,000	Funding to meet additional costs identified as necessary for the refurbishment of Rothesay Pavilion.	0	1,000,000	0
037	Non Departmental	Non Departmental	Property Capital Investment	500,000			500,000	0	500,000	Agreed Council meeting February 2020 - an allocation from the Revenue Budget to Property Capital. Additional funds available in 21/22 to support shift from fossil fuels to clean energy alternatives across our offices and schools.	0	500,000	0
038	Non Departmental	Non Departmental	Digital Projects (General Provision to be allocated)	103,545			103,545	0	103,545	To deliver a number of Digital Service Transformation Projects, specifically in Education and Customer Support Services, but also to reserve a further amount to support priority digital transformation projects identified in Departmental ICT programmes, that have not yet started due to resource constraints. The specific projects include: Supply Staff Booking System £0.035m, Skype for Business (for Education) £0.030m, Enhancing Curriculum Choice and Equity of Provision £0.080m, Digital Customer Engagement Developments £0.073m, Replacement of Learning Management System £0.030m, increase in Schools Bandwidth £0.063mand a general provision still to be allocated £0.189m. Further allocation to Hybrid Council Meetings agreed October 2021 (£0.085m)	0	103,545	0
039	Executive Director (Douglas Hendry)	Legal and Regulatory Services	Hybrid Council meetings	85,000	30,000		55,000	15,000	40,000	Per paper agreed at SMT October 2021 - allocation from Digital Projects (General Provision to be allocated). To fund the costs of livestreaming of Council meetings.	45,000	40,000	0
040	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	76,447	0
041	Non Departmental / Chief Executive's Unit	Across Services / Chief Executive's Unit	Information Management (Balance of Funding)	209,844			209,844	0	209,844	To support a number of initiatives in respect of improving the Council's information management in line with the transformation agenda and increasing the pace of change as outlined in the BV Review. The planned initiatives include: Estates Survey work £122k, Digitalisation of Title Deeds £92k, document management and workflow system for Planning, Building Standards and Environmental Health £77k and a balance of funding to explore information management solutions in a strategic and coherent way £209k	0	209,844	0
042	Non Departmental / Executive Director (Douglas Hendry)	Across Services / Commercial Services	Information Management (Estates Survey Work)	50,090	17,393		32,697	19,000	13,697	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	36,393	13,697	0

043	Non Departmental / Executive Director (Douglas Hendry)	Across Services / Education	Digital Projects (Enhancing Curriculum Choice & Equity of Provision)	80,000	80,000		0	0	0	To deliver a number of Digital Service Transformation Projects, specifically in Education and Customer Support Services, but also to reserve a further amount to support priority digital transformation projects identified in Departmental ICT programmes, that have not yet started due to resource constraints. The specific projects include: Supply Staff Booking System £0.035m, Skype for Business (for Education) £0.030m, Enhancing Curriculum Choice and Equity of Provision £0.080m, Digital Customer Engagement Developments £0.073m, Replacement of Learning Management System £0.030m, Increase in Schools Bandwidth £0.063m and a general provision still to be allocated £0.189m	80,000	0	0
044	Non Departmental / Executive Director (Douglas Hendry)	Across Services / Education	Digital Projects (Supply Staff Booking System)	35,000			35,000	0	35,000	To deliver a number of Digital Service Transformation Projects, specifically in Education and Customer Support Services, but also to reserve a further amount to support priority digital transformation projects identified in Departmental ICT programmes, that have not yet started due to resource constraints. The specific projects include: Supply Staff Booking System £0.035m, Skype for Business (for Education) £0.030m, Enhancing Curriculum Choice and Equity of Provision £0.080m, Digital Customer Engagement Developments £0.073m, Replacement of Learning Management System £0.030m, Increase in Schools Bandwidth £0.063m and a general provision still to be allocated £0.189m	0	35,000	0
045	Non Departmental / Executive Director (Douglas Hendry)	Across Services / Legal and Regulatory Services	Information Management (Digitalisation 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
046	Non Departmental / Executive Director (Kirsty Flanagan)	Across Services / Customer Support Services	Digital Projects (Digital Customer Engagement Projects)	73,000			73,000	73,000	0	To deliver a number of Digital Service Transformation Projects, specifically in Education and Customer Support Services, but also to reserve a further amount to support priority digital transformation projects identified in Departmental ICT programmes, that have not yet started due to resource constraints. The specific projects include: Supply Staff Booking System £0.035m, Skype for Business (for Education) £0.030m, Enhancing Curriculum Choice and Equity of Provision £0.080m, Digital Customer Engagement Developments £0.073m, Replacement of Learning Management System £0.030m, Increase in Schools Bandwidth £0.063m and a general provision still to be allocated £0.189m	73,000	0	0
047	Non Departmental / Executive Director (Kirsty Flanagan)	Across Services / Customer Support Services	Digital Projects (Increase in Schools Bandwidth)	63,455			63,455	63,455	0	To deliver a number of Digital Service Transformation Projects, specifically in Education and Customer Support Services, but also to reserve a further amount to support priority digital transformation projects identified in Departmental ICT programmes, that have not yet started due to resource constraints. The specific projects include: Supply Staff Booking System £0.035m, Skype for Business (for Education) £0.030m, Enhancing Curriculum Choice and Equity of Provision £0.080m, Digital Customer Engagement Developments £0.073m, Replacement of Learning Management System £0.030m, Increase in Schools Bandwidth £0.063m and a general provision still to be allocated £0.189m	63,455	0	0
048	Non Departmental / Executive Director (Kirsty Flanagan)	Across Services / Customer Support Services	Digital Projects (Replacement Learning Management System)	30,000			30,000	30,000	0	To deliver a number of Digital Service Transformation Projects, specifically in Education and Customer Support Services, but also to reserve a further amount to support priority digital transformation projects identified in Departmental ICT programmes, that have not yet started due to resource constraints. The specific projects include: Supply Staff Booking System £0.035m, Skype for Business (for Education) £0.030m, Enhancing Curriculum Choice and Equity of Provision £0.080m, Digital Customer Engagement Developments £0.073m, Replacement of Learning Management System £0.030m, Increase in Schools Bandwidth £0.063m and a general provision still to be allocated £0.189m	30,000	0	0
049	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)	67,254	19,544		47,710		47,710	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	19,544	47,710	0
							0	0	0				
							0	0	0				
							0	0	0				
				12,048,057	1,472,558	0	10,575,499	1,559,870	9,015,629		3,032,428	7,385,746	1,629,883

APPENDIX 2

COVID earmarkings at 31 December 2021

Description	Opening Balance	New earmarking during 21/22	Balance	Transfers	Budget Drawdown	Balance at 31/12/21	Committed	Uncommitted
COVID-19 - Test and Protect Support	14,000		14,000		14,000	0	0	0
Flexible Funding for Supporting People while at Tier 4 COVID	538,000		538,000		538,000	0	0	0
Flexible Food Fund	475,623		475,623		192,310	283,313	283,313	0
Housing Benefits Private	79,537		79,537			79,537	79,537	0
Test and Protect Extension	9,929		9,929			9,929	9,929	0
Logistics Funding - Safe Opening of Schools	1,244,303		1,244,303			1,244,303	1,244,303	0
Recruitment of Additional Teachers and Support Staff in Schools	1,022,556		1,022,556		653,556	369,000	369,000	0
Additional Teaching/Support in Schools/Digital Devices/Family Home Learning Support Fund - £45m Grant - £45m	683,000		683,000		177,497	505,503	505,503	0
EDU - Community Mental Health and Wellbeing Support to Children and Young People - Pandemic Funding	147,551		147,551		147,551	0	0	0
Unspent COVID funding in schools	140,385		140,385		140,385	0	0	0
Free School Meals Funding	67,496		67,496		67,496	0	0	0
Digital Inclusion Funding - Revenue element	27,480		27,480		27,480	0	0	0
GLOW - Council Funded	19,000		19,000		19,000	0	0	0
Self Isolated Support	43,000		43,000			43,000	43,000	0
EH Covid Posts	41,145		41,145			41,145	41,145	0
Unallocated Admin Support Grant	374,214		374,214		10,111	364,103	364,103	0
Capital pressure	257,000		257,000			257,000	257,000	0
SUBTOTAL - SPECIFIC ALLOCATIONS	5,184,219	0	5,184,219	0	1,987,386	3,196,833	3,196,833	0
Business Support - Discretionary Fund	1,655,337		1,655,337			1,655,337	1,655,337	0
SUBTOTAL - DISCRETIONARY FUND	1,655,337	0	1,655,337	0	0	1,655,337	1,655,337	0
Unallocated General COVID Funding	1,229,921	2,127,500	3,357,421			3,357,421	2,252,000	1,105,421
SUBTOTAL - UNALLOCATED COVID EARMARKING	1,229,921	2,127,500	3,357,421	0	0	3,357,421	2,252,000	1,105,421
COVID Funding Share of £275m funding received 20-21 - original estimate per 21-22 Budget Motion	4,923,000		4,923,000	(4,923,000)		0	0	0
COVID Funding Share of £275m funding received 20-21 - additional allocation above estimate used in Budget Motion	476,000		476,000	(476,000)		0	0	0
COVID Funding Balance of Budget Motion - Share of 21-22 £259m funding allocation (£4.609m) plus the difference between the Loans Fund Principal Repayment Holiday (£5.400m) less the revenue COVID pressures input (£5.101) less the Festive Parking input into the revenue budget (£0.020m)		4,888,000	4,888,000	(4,888,000)		0	0	0
COVID Funding - Additional £40m GRG		712,000	712,000	(712,000)		0	0	0
						0		0
COVID Funding commitments			0			0		0
2021-22 Capital Cost Pressures			0	2,000,000		2,000,000	2,000,000	0
COVID Cost Pressures Beyond 2021/22			0	2,500,000		2,500,000	1,540,000	960,000
Provision for Capital Contract Increases			0	2,500,000		2,500,000	2,500,000	0
Recovery and Renewal Fund			0	2,080,000	98,000	1,982,000	110,000	1,872,000

Description	Opening Balance	New earmarking during 21/22	Balance	Transfers	Budget Drawdown	Balance at 31/12/21	Committed	Uncommitted
Reallocation of COVID funding to new Capital pressures to be agreed at February 22 meeting							(3,000,000)	3,000,000
			0			0		0
<u>Recovery and Renewal Activities</u>			0			0		0
Staycation and Marketing Argyll and Bute			0	800,000		800,000	800,000	0
Tackling Digital Exclusion Top-Up Fund			0	250,000		250,000	250,000	0
Welfare Rights Support			0	172,000		172,000	172,000	0
Education to Support Young People			0	600,000	212,801	387,199	387,199	0
CHARTS			0	67,000		67,000	67,000	0
AITC			0	30,000		30,000	30,000	0
SUBTOTAL - FUNDING WITH SPECIFIC COMMITMENTS	5,399,000	5,600,000	10,999,000	0	310,801	10,688,199	4,856,199	5,832,000
TOTAL	13,468,477	7,727,500	21,195,977	0	2,298,187	18,897,790	11,960,369	6,937,421