

RESERVES AND BALANCES – UPDATED FOR BUDGET PACK 2022-23

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 usable reserves. Of this:
- £2.134m related to the Repairs and Renewals Fund
 - £4.406m related to Capital Funds
 - £78.245m was held in the General Fund with £71.888m of this balance earmarked for specific purposes.
- 1.4 The Council's General Fund contingency remains at 2% of net expenditure. This monetary level has been adjusted to take account of the revised net revenue expenditure proposed for 2022-23. The revised contingency of 2% of net expenditure amounts to £5.250m.
- 1.5 As at 31 December 2021 the forecast outturn for 2021-22 was estimated to be a surplus of £0.192m but this includes an overspend within Social Work of £0.280m. Given that the CFO of the IJB is confident that expenditure will be brought back into line with budget by the year end, an adjusted figure of £0.472m surplus is included in these figures. As a result, the forecast surplus over contingency at 31 March 2022 is estimated to be £1.979m, however, this is an estimated position and subject to change.
- 1.6 Assessing the adequacy of reserves should take account of the strategic, operational and financial risks facing the Council and should consider both internal and external factors. There are 19 categories included in the risk analysis and 5 have been assessed as low, 4 low/medium, 6 medium, 3 medium/high and one high. The medium/high risks are in respect of the potential impact of the UKs exit from the EU, future funding and the general financial climate. The high risk relates to inflation rates.

RESERVES AND BALANCES – UPDATED FOR BUDGET PACK 2022-23**2. INTRODUCTION**

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

3. DETAIL**3.1 Types of Reserves**

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

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

3.2 Reserve Balances at 31 March 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 Investment in Affordable Housing £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.

3.4 Unallocated General Fund Balance

3.4.1 The General Fund contingency is set at 2% of net expenditure for 2021-22 and amounts to £5.032m. This contingency is held to provide a working balance to help cushion the impact of uneven cash flows and cushion the impact of unexpected events. It is up to authorities to make their own judgement on the level of reserves taking local circumstances into account, for example, previous call on contingency and amount of unallocated reserves held. The contingency needs to be updated to reflect the updated budget for 2022-23. The budgeted net expenditure based on the proposed budget contained within the revenue budget overview report is £262.509m. 2% of this balance amounts to £5.250m. There is currently a contingency of £5.032m, therefore £0.218m will require to be moved from the unallocated General Fund balance to supplement the contingency.

3.4.2 The revenue budget position as at 31 December 2021 was estimated to be £0.192m underspent, however, this is subject to change, particularly as the last three months of the financial year are the time of winter maintenance and the level of expenditure is difficult to predict. An adjustment in relation to the HSCP overspend is being made for the purpose of the year end estimated outturn on the basis that the CFO of the IJB is confident that expenditure will be brought back into line with budget by the year end. This results in an adjusted Forecast Outturn for 2021-22 of £0.472m.

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

Heading	Detail	£000
Unallocated General Fund as at 31 March 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 2021-22 financial year	200
Earmarked Balances no longer required	Per paragraph 3.3.3 – amounts previously earmarked that can be released back to general fund	200
Transfer of contingency to maintain 2% level	Per paragraph 3.4.1	(218)
Forecast Outturn for 2021-22 as at 31 December 2021	Adjusted for the IJB position per paragraph 3.4.2	472
Estimated Unallocated General Fund Balance as at 31 March 2022		1,979

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

3.6 Review and Risk Assessment

3.6.1 Assessing the adequacy of reserves should take account of the strategic, operational and financial risks facing the Council and should consider both internal and external factors. Appendix 2 to this report identifies the range of issues in terms of budget assumptions and financial standing and management that should be considered in assessing the level of reserves. It relates only to consideration of the contingency to be held in the General Fund balance. A separate financial risk analysis report has been prepared looking at the overall financial risks relating mainly to the revenue budget but notes a couple of risks in respect of the capital budget also.

3.6.2 There are 19 categories included in the risk analysis and 5 have been assessed as low, 4 low/medium, 6 medium, 3 medium/high and one high. The medium/high risks are in respect of the potential impact of the UKs exit from the EU, future funding and the general financial climate. The high risk relates to inflation rates.

3.6.3 Based on the above and taking cognisance of the level of unallocated general fund balance that remains, it is recommended that the contingency for the General Fund balance should be retained at 2%.

4. CONCLUSION

4.1 The report outlines the overall reserves and balances for the Council covering the purpose and level of each reserve. It also provides detail as to expenditure against earmarked balances held within the General Fund. There is currently an estimated surplus over contingency of £1.979m after adjusting for the forecast outturn for 2021-22.

5. IMPLICATIONS

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| 5.1 | Policy - | Earmarked funds and funds set aside for delivery of Single Outcome Agreement are available to support Council Policy. |
| 5.2 | Financial - | Outlines the balances held with the Council's usable and unusable reserves. |
| 5.3 | Legal - | None. |
| 5.4 | HR - | None. |
| 5.5 | Fairer Scotland Duty- | See Below |
| 5.5.1 | Equalities | None |
| 5.5.2 | Socio-Economic Duty | None |
| 5.5.3 | Islands Duty | None |
| 5.6 | Climate Change | None |
| 5.7 | Risk - | A contingency of £5.250m (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 as at 31 December 2021

Appendix 2 – Risk Assessment for Review of Reserves

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	Far 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	0
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

Risk Assessment for Review of Reserves		
Risk Category	Comment	Assessment
Cost and Demand Pressures	As part of maintaining the medium term budgetary outlook, cost and demand pressures for 2021-22 and beyond have been kept under review. The cost and demand pressures for 2022-23 amount to £0.962m for Council services. A general allowance for unidentified cost and demand pressures has been built into the budget outlook for 2023-24 and future years: £0.250m per annum in the mid-range scenario and £0.500m per annum in the worst case scenario.	Medium (2021-22 Medium)
Service Income	Service income levels have been reviewed as part of constructing the budget. In addition fees and charges have been reviewed. COVID-19 will have a continued detrimental impact on service income and there is no confirmation that any additional funding will be made available for lost income in 2022-23.	Medium (2021-22 Medium)
Council Wide Cost Risks	<p>The financial risk analysis identified 7 council wide cost risks currently amounting to £4.820m. Five (pay award exceeding 2%, IJB referring to Council for additional funding, utilities, Council Tax Income and the impact of COVID-19) have been categorised as possible. The other two (shortfall in savings options and general inflation) have been categorised as unlikely.</p> <p>Although the IJB shortfall is identified as a risk, any additional payment would require to be repaid to the Council from future payments. Due to a more stable estimated financial position for the HSCP and the impact of COVID being funded in 2022-23, the overall risk for this factor has been reduced to Medium.</p>	Medium (2021-22 Medium/High)

Risk Assessment for Review of Reserves		
Risk Category	Comment	Assessment
Funding Risks	<p>The Scottish Budget was announced on 9 December 2021 and the finance circular with the local authority allocations issued on 20 December 2021.</p> <p>The other element of funding is Council Tax. There is a proposed increase to Council Tax of 3%. Collection rates have been impacted by COVID-19 but growth in the total net billed and the Scottish Government Low Income Pandemic Support Payment (LIPP) helped during 2021-22 with the value being recovered.</p> <p>The impact of COVID-19 could have a significant impact on future years funding – in particular when considering how the UK and Scottish Government seek to pay back the funds made available to combat the impact of COVID-19 and how the economy is going to recover from this pandemic. This could result in future funding reductions that are higher than those experienced in recent years.</p> <p>The Scottish Government undertook a Capital Spending Review in 2020-21 which provided an outline five-year indicative allocation for general capital grant. It suggested that the settlement in 2021-22 would remain constant until 2025-26 therefore this was used as the basis for funding the Capital Programme over the next five years. However, the 2022-23 settlement was £0.027m less than 2021-22 therefore it is uncertain if further reductions may occur in future years.</p> <p>As a result of all issues noted above, this risk has been kept as Medium/High.</p>	Medium/High (2021-22 Medium/High)
Savings Risks	The Council agreed to a number of management/operational and policy savings as part of the 2021-22 budget that would deliver an additional	Low/Medium (2021-22 Low/Medium)

Risk Assessment for Review of Reserves		
Risk Category	Comment	Assessment
	£0.081m of savings in 2022-23. There are also further savings proposals amounting to £2.802m for 2022-23. The Council have a good track record on delivering savings options and the risk remains and Low/Medium.	
Inflation Rates	<p>Between November 2020 and November 2021, CPI inflation has increased by 5.1%. The economic effects of COVID-19 have been uneven, with significant changes in both demand and supply, as well as their composition, over time and this has led to a volatile evolution of price pressures.</p> <p>CPI inflation is expected to remain around 5% through the majority of the winter period and peak at around 6% in April 2022.</p> <p>Hence it would be prudent to consider a level of inflation over above and the unavoidable/ inescapable provision and a general 1% inflation has been included within the worst case scenario for 2022-23 onwards (of £750k per annum). For 2021-22, the inflation estimates are considered to be sufficient.</p>	High (2021-22 Medium)
Interest Rates	<p>The Council has a large proportion of its borrowing secured at fixed rates which reduces the risk to increases in interest rates. Borrowing is being managed to reduce where possible surplus cash available for investment subject to working capital/cash flow requirements.</p> <p>Surplus funds are invested and whilst investment returns are likely to remain low in 2021-22 this is reflective of current market conditions. The rate of return achieved by the Council has consistently compared favourably with the target of 7 day LIBID rates. This reduces risk exposure on surplus funds. Current forecasts of interest rates are based on advice from our treasury</p>	Low (2021-22 Low)

Risk Assessment for Review of Reserves		
Risk Category	Comment	Assessment
	advisors. Current investment rates are fairly low and therefore there is little scope for them to reduce any further.	
Financial risks	The Council has managed surplus funds invested to reduce exposure to risks associated with money market deposits. It retains a working balance of £10m to meet cash flow needs. Investments are managed based on the credit worthiness of agreed counterparties based on credit scores of recognised agencies. This should avoid having to borrow in an unplanned way from the money markets.	Low (2021-22 Low)
Strategic risks	The strategic risk register is subject to a formal review by SMT bi-annually, and these reviews have already taken place in April and October of 2021. SMT have agreed the current actions to address the risks.	Medium (2021-22 Medium)
Operational risks	Operational risks are reviewed formally each quarter by Departmental Management Teams. Any operational risks that are identified as high are reported to the Strategic Management Team as part of the bi-annual review of the Strategic Risk Register.	Medium (2021-22 Medium)
Impact of UK withdrawal from the EU	<p>On the 31st December 2020, with the Transition Period concluding, EU Law jurisdiction in the UK, and access to the EU Single Market ended. The UK-EU Trade Cooperation Agreement (TCA) agreed on 24th December 2020 and ratified by the UK Parliament on 30th December (European Union (Future Relationship) Act 2020) covered the most urgent matters.</p> <p>The UK Government has decided to further delay some elements of the new import controls to July 2022 (originally schedule for October 2021). These delays have exacerbated uncertainty in terms of the future impact of import control measures on food supply chains and what that will mean for Argyll and Bute in terms of the ongoing recovery of agri-food sector, in particular,</p>	Medium/High (2021-22 Medium/High)

Risk Assessment for Review of Reserves		
Risk Category	Comment	Assessment
	throughout 2022. The EU Withdrawal Tactical Group continues to update and monitored such risks on an ongoing basis. On this basis, the overall risk assessment is still Medium/High	
General financial climate	<p>The finance settlement only covers 2022-23 and the Scottish Government is still to meet its commitment to provide a three year settlement. A prudent approach to estimating income from council tax has been taken. Risks arising from inflation, interest rates, cost pressures and demand led pressures have been outlined above.</p> <p>Due to ongoing uncertainties associated with the UK's withdrawal from the EU and the potential medium to longer term impact of COVID-19 on the economy it would be prudent to retain this risk to medium/high.</p>	Medium/High (2021-22 Medium/High)
Availability of contingency funds	The Council currently has sufficient contingency funds to meet its target assuming the use of financial flexibilities to address the financial impact of COVID on the Council's revenue position.	Low (2021-22 Low)
Overall financial standing	The Council has managed to achieve its contingency target in previous years. Actual costs are normally contained within budget. Borrowing costs are largely fixed and exposure to changes in investment rates for surplus cash are minimised. In addition to the contingency there are significant earmarked funds. Cost and demand pressures are identified and provided for if necessary.	Low/Medium (2021-22 Low/Medium)
Track record in budget management	The Council has a good track record of containing expenditure within budget. The Council is on track to contain costs within budget for 2021-22 however the Social Work element of the Health and Social Care Partnership is overspent, which has an impact on the Council's General Fund.	Low (2021-22 Low)

Risk Assessment for Review of Reserves		
Risk Category	Comment	Assessment
Financial information and reporting arrangements	Revenue and capital budgets are monitored on a monthly basis with budget allocated to responsible managers. A risk based approach is taken to budget monitoring and the budget monitoring process is continually being reviewed to identify ongoing improvements.	Low/Medium (2021-22 Low/Medium)
Insurance cover	The Council has adequate insurance cover.	Low (2021-22 Low)
Internal controls	The statement of internal controls identifies a generally adequate control framework although there are areas for improvement. An audit plan is approved and delivered each year to monitor internal controls. The Council's Audit and Scrutiny Committee continues to actively develop and adopt good practice.	Low/Medium (2021-22 Low/Medium)
Health and Social Care Partnership Financial Position	It is prudent to have a factor in terms of the Health and Social Care Partnership financial position. If there is an overspend on Social Work, that cannot be funded by IJB reserves or by an underspend by the other partner body, then the Council will require to give an additional payment. Any additional payment would require to be paid back to the Council in the future. As at 31 March 2021, the Council advanced £2.759m to the HSCP after net repayments to date of £2.689m. The risk is whether the HSCP will be able to repay this and when. As part of the Council's risk analysis we have reported a risk based on the average of the previous three years Social Work outturns - this equates to a £1.090m to the Council in 2022-23. The risk factor remains at Medium at this stage.	Medium (2021-22 Medium)