

RESERVES AND BALANCES – UPDATED FOR BUDGET PACK 2023-24

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 £394.480m unusable reserves that are not backed with resources. They are required purely for accounting purposes.
- 1.3 At 31 March 2022 the Council had a total of £103.183m usable reserves. Of this:
- £2.682m related to the Repairs and Renewals Fund
 - £4.414m related to Capital Funds
 - £96.087m was held in the General Fund with £88.990m 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 2023-24. The revised contingency of 2% of net expenditure amounts to £5.684m.
- 1.5 As at 31 December 2022 the forecast outturn for 2022-23 was estimated to be an underspend of £3.408m, 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. This underspend is as a result of the treasury gain of £5.398m due to receiving a discount on the early repayment of three PWLB loans offset by £1.491m recognised for the net expected shortfall in funding from the 2022-23 pay award and other forecast overspends within the Departments totalling £0.499m. As a result, the forecast surplus over contingency at 31 March 2022 is estimated to £8.109m, 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, 3 low/medium, 7 medium and 4 medium/high. The medium/high risks are in respect of the potential impact of the UK exit from the EU, future funding, inflation rates and the general financial climate.

RESERVES AND BALANCES – UPDATED FOR BUDGET PACK 2023-24**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 2022

- 3.2.1 The balances on each type of reserve at 31 March 2022 are set out in the two tables below, updated as per the Audited Accounts for 2021-22.

Unusable Reserves	£000
Revaluation Reserve	157,645
Capital Adjustment Account	241,327
Financial Instruments Adjustment Account	(2,198)
Pensions Reserve	4,634
Accumulated Absences Account	(6,928)
Total Unusable Reserves	394,480

Usable Reserves	£000
Repairs and Renewals Fund	2,682
Capital Fund and Usable Capital Receipts Reserve	4,414
General Fund	96,087
Total Usable Reserves	103,183
Total Reserves	497,663

- 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 2022 can be analysed as follows:

	Balance 31/03/22 £000
Balance on General Fund as at 31 March 2021	78,245
Increase to General Fund balance at end of 2021-22	17,842
Earmarked Balances	(88,990)
Contingency allowance at 2% of net expenditure	(5,256)
Unallocated balance as at 31 March 2022	1,841

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 2022, 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 31/03/2022 - per year end published report	Transfers between categories	Invested or committed for major initiatives /capital projects	Drawn-down to 2022-23 Budget as at 31/12/22	Still to be drawn-down in 2022-23	Planned Spend Future Years	Released to General Fund
	£000	£000	£000	£000	£000	£000	£000
Strategic Housing Fund	6,590		6,126	464			
Investment in Affordable Housing	3,300		3,200				100
Capital Projects	24,722		22,565	2,157			
Lochgilphead and Tarbert Regeneration	2,271		2,271				
Support for Rural Growth Deal	1,058		894	164			
Asset Management Investment	2,607		2,607				
Piers and Harbours Investment Fund	1,643		1,643				
Scottish Government Initiatives	3,141			1,403	221	1,517	
CHORD	349				83	266	
DMR Schools	1,982			538	1,270	174	
Energy Efficiency Fund	218					218	
Existing Legal Commitments	475			15	15	445	
Unspent Grant	12,834		950	1,644	2,852	7,388	
Unspent Third Party Contribution	166				89	77	
Previous Council Decision - Other	4,343	-55	1,969	215	309	1,770	25
Redundancy Provision	1,732				150	1,582	
Supporting Organisational Change	1,588			141	59	1,388	
Spend to Save Route Optimisation	100				25	75	
Timing Delay	499					499	
Hemitage Park	4					4	
COVID-19	8,964		257	2,994	1,733	3,569	411
Unspent Budget	10,404	55	1,400	870	1,774	6,398	17
Totals	88,990	0	43,882	10,605	8,580	25,370	553

3.3.3 Investment in Affordable Housing £0.100m – this earmarked balance provides cash backed reserves for the loans to registered social landlords. It is

estimated that as at 31 March 2023, the balance on the remaining loans will be £3.200m, therefore £0.100m can be released back to the general fund.

- 3.3.4 Due to there being no planned expenditure, an earmarking for capital expenditure on a leased property of £0.025m has been released back to the general fund.
- 3.3.5 In 2020-21 and 2021-22, the Council received allocations for the administration of Business Support Grants which currently sit within the COVID-19 earmarked reserves. There is a balance remaining of £0.411m which is no longer required for this purpose and is being released to the General Fund.
- 3.3.6 The last of the redundancy payments in relation to the Kintyre Recycling unspent budget earmarking have been drawn down so remaining balance of £0.017m 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 2022-23 and amounts to £5.256m. 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 2023-24. The budgeted net expenditure based on the proposed budget contained within the revenue budget overview report is £284.206m. 2% of this balance amounts to £5.684m. There is currently a contingency of £5.256m, therefore £0.428m 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 2022 was estimated to be £3.408m 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. Note that this underspend is largely as a result of the treasury gain of £5.398m due to receiving a discount on the early repayment of three PWLB loans offset by £1.491m recognised for the net expected shortfall in funding from the 2022-23 pay award plus other forecast variances within the Departments netting to a £0.499m overspend.
- 3.4.3 The Current Forecast Outturn at December includes an overspend against the Social Work service of £0.253m. 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 using slippage from growth projects and anticipated additional funding allocations. Social Work began to accumulate reserves at 31 March 2022 therefore it is expected that any residual overspend that materialises would be covered from those reserves and the General Fund of the Council would not be impacted.
- 3.4.4 The table below summarises the position of the unallocated General Fund balance taking into consideration the points noted above.

Heading	Detail	£000
Unallocated General Fund as at 31 March 2022	This is the balance that is unallocated over and above the 2% contingency which amounts to £5.256m	1,841
Budgeted allocation to General Fund for 2022-23 Budget	Per the Budget Motion at Council on 24 February 2022	2,482
Earmarked Balances no longer required	Per paragraph 3.3.3 to 3.3.6 – amounts previously earmarked that can be released back to general fund	553
Transfer of contingency to maintain 2% level	Per paragraph 3.4.1	(428)
Forecast Outturn for 2022-23 as at 31 December 2022	Per paragraph 3.4.2	3,408
Social Work outturn adjustment	Per paragraph 3.4.3	253
Estimated Unallocated General Fund Balance as at 31 March 2023		8,109

3.4.5 The HSCP in partnership with the Council are looking to engage with Hub North to develop a strategic business case relating to the provision of services for older adults and other vulnerable people across Argyll and Bute. One of the several options anticipated to be considered in this piece of work is the possibility of a 'Care Village' development on part of the Lochgilphead hospital site. The cost associated with this is £0.100m and it is recommended that this is funded from the estimated unallocated General Fund balance.

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 / 21-22 Budget	Transferred to Earmarked Reserves / 22-23 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)	0
Significant Strategic Change Projects	5,013	(2,856)		2,157
2020-21 Revenue Budget Contribution	600	(600)		0
	20,561	(6,730)	(1,406)	12,425

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, 3 low/medium, 7 medium and 4 medium/high. The medium/high risks are in respect of the potential impact of the UK exit from the EU, future funding, inflation rates and the general financial climate.
- 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 £8.109m after adjusting for the forecast outturn for 2022-23 and the estimated impact of pay awards still to be settled.

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-	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 £5.684m (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
Executive Director/Section 95 Officer
9 February 2023

Policy Lead for Finance and Commercial Services: Councillor Gary Mulvaney

APPENDICES

Appendix 1 – Earmarked Reserves breakdown of unspent budget as at 31 December 2022

Appendix 2 – Risk Assessment for Review of Reserves

For further information contact Anne Blue, Head of Financial Services
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APPENDIX 1

Earmarked Reserves - Unspent Budget
As at 31 December 2022

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	New earmarking during 22-23	Remaining Balance	Still to be drawn down in 22-23	Planned to spend in future years	Plans for Use	Amount Planned to be Spent in 2022-23	Amount Planned to be Spent in 2023-24	Amount Planned to be Spent from 2023-24 onwards
001	Chief Executive's Unit	Community Planning	Communities and Partnership Team	8,855	0			8,855	8,855	0	The funds have originated from externally sourced income due to an employee being seconded to the Scottish Community Development Centre (SCDC). The funds will be used to support the team in relation to meeting its priorities of Building Back Better (Communities), Climate Change and the review of the Argyll and Bute Outcome Improvement Plan.	8,855	0	0
002	Chief Executive's Unit	Community Planning	Gaelic Development	8,235				8,235	8,235	0	To fund Gaelic specific work and project work of the Community Planning Partnership including the development of the new 10 year Outcome Improvement Plan	8,235	0	0
003	Chief Executive's Unit	Financial Services	Financial Systems	114,000	80,252			33,748	33,748	0	To fund the completion of the implementation of the Oracle Fusion Financial Management System, a software update for cash receipting to ensure card payments can still be taken and the procurement and implementation of a new system to manage the requirements of the IFRS16 Leases accounting standard.	114,000	0	0
004	Chief Executive's Unit	Financial Services	Accounting and Budgeting Team Resilience	95,000	64,336			30,664	0	30,664	To fund the implementation of a new staffing structure in 2022/23 as agreed at ELT on 12 April 2022. This will provide funding to cover the additional staffing costs in 2022/23 and the training costs over the period 2022/23 to 2026/27	64,336	16,664	14,000
005	Chief Executive's Unit	Financial Services	CIPFA	32,530	3,565			28,965	2,000	26,965	CIPFA Training - To fund the professional training costs for staff undertaking the CIPFA professional accountancy qualification.	5,565	6,000	20,965
006	Chief Executive's 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 2023/24 earmarking ref 008 and 012 as it is likely that given the current cost of living crisis that more people will be in need of support through these funds	0	18,595	0
007	Executive Director (Douglas Hendry)	Across Services / Education	Digital Projects (Supply Staff Booking System)	35,000	9,900			25,100	0	25,100	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	9,900	9,900	15,200
008	Executive Director (Douglas Hendry)	Commercial Services	Rothesay Pavilion Charity	750,000				750,000	90,000	660,000	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.	90,000	660,000	0
009	Executive Director (Douglas Hendry)	Commercial Services	Demolition of former Lochgilphead Primary and Rothesay Secondary School	320,000				320,000	105,000	215,000	To fund the demolition of the former Lochgilphead Primary School and former Rothesay Academy (subject to the removal of the listing).	105,000	215,000	0
010	Executive Director (Douglas Hendry)	Commercial Services	Rothesay 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	0	306,400
011	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 were imposed from 1st April 2017. The remaining funds were carried forward to the 2023 revaluation cycle however a recent change in position by the Scottish Government may restrict the appeals which can be made. This is still under discussion and Gerald Eve Surveyors have been appointed as specialist advisers on this matter. In the event that appeals are limited there may be an opportunity to utilise Gerald Eve for more general valuation advice subject to Procurement approval.	0	84,688	0

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	New earmarking during 22-23	Remaining Balance	Still to be drawn down in 22-23	Planned to spend in future years	Plans for Use	Amount Planned to be Spent in 2022-23	Amount Planned to be Spent in 2023-24	Amount Planned to be Spent from 2023-24 onwards
012	Executive Director (Douglas Hendry)	Commercial Services	Site Investigation Works	21,013				21,013	21,013	0	For Site Investigation works in relation to Tweeddale Street Car Park and Oban Airport Business Park, exploring commercial opportunities to develop the sites and raise revenue income for Argyll and Bute Council. HUB North were instructed to procure contractors to undertake the site investigations these are now complete. The remainder of the budget is intended to be utilised for other site investigation and pre-development works to further develop commercial opportunities across the council area.	21,013	0	0
013	Executive Director (Douglas Hendry)	Commercial Services	Catering and Cleaning Restructure Costs	17,000	17,000			0	0	0	To support the catering and cleaning team restructure	17,000	0	0
014	Executive Director (Douglas Hendry)	Education	Education Transformation Fund	187,526	40,852			146,674	0	146,674	At the Council meeting on 27 February 2020, it was agreed to input £400k into Education Digital Learning. The additional funds have been spent in 20/21, 21/22 and 22/23 as part of the ongoing transformation work in the Education service, focussing on digital and virtual learning technology and the development of learning clusters. This will continue into 2023/24.	40,852	146,674	0
015	Executive Director (Douglas Hendry)	Education	Education Learning Estate Condition Surveys	77,440	46,853			30,587	30,587	0	To fund the delivery of School Core Facts (SCF) compliant Condition Surveys for prioritised School Buildings.	77,440	0	0
016	Executive Director (Douglas Hendry)	Education	Skype for Business for Education / Digital Projects (Skype for Business)	10,000				10,000	10,000	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. A balance has been released back to the general fund because the rollout project is almost complete with only £0.01m expected spend in 22/23.	10,000	0	0
017	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	105,000	105,000
018	Executive Director (Douglas Hendry)	Legal and Regulatory Services	NDR - One off contribution to 22/23 Budget	200,000	200,000			0	0	0	To fund one off operational saving CS04 agreed for the 2022/23 budget.	200,000	0	0
019	Executive Director (Douglas Hendry)	Legal and Regulatory Services	NPDO Schools Contract	166,000	166,000			0	0	0	To fund one off operational saving LRS01 agreed for the 2022/23 budget	166,000	0	0
020	Executive Director (Douglas Hendry)	Legal and Regulatory Services	Transformation Agenda QIO	100,259	74,274			25,985	0	25,985	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.	74,274	25,985	0
021	Executive Director (Douglas Hendry)	Legal and Regulatory Services	Digital Projects: Hybrid Council meetings	55,000				55,000	30,000	25,000	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.	30,000	25,000	0
022	Executive Director (Douglas Hendry)	Legal and Regulatory Services	Councillor IT Equipment	65,000				65,000	25,000	40,000	To meet the cost of provision of IT equipment for all new Elected Members as a result of the Local Government Election in May 2022.	25,000	25,000	15,000
023	Executive Director (Douglas Hendry)	Legal and Regulatory Services	Debt Counselling & Welfare Rights	27,025				27,025	5,573	21,452	To meet the cost of a Debt Counselling and Welfare Rights Management System.	5,573	5,965	15,487
024	Executive Director (Douglas Hendry)	Legal and Regulatory Services	Community Safety Partnership	16,000				16,000	0	16,000	To earmark the Community Safety Partnership funding received for 2021/22 to be used for Community Safety Partnership purposes. These monies will be spent on future Community Safety requirements – most likely to be additional CCTV spend as required - Likely to be amalgamated with 076 in future.	0	16,000	0
025	Executive Director (Kirsty Flanagan)	Customer Support Services	Microsoft 365	300,000				300,000	0	300,000	To be added to existing earmarked reserves to meet increasing MS365 licensing costs from 2022/23 onwards	0	0	300,000
026	Executive Director (Kirsty Flanagan)	Customer Support Services	Growing our Own and Modern Apprentices	109,150				109,150	95,790	13,360	Funding earmarked to support trainee development and modern apprenticeship opportunities based on priority workforce risk areas. These areas have been identified and proposals developed. £95,790 to be spent in 22/23 and £13,360 to be spent in 23/24 to fund a graduate trainee and 3 apprentices to deliver trainee development and modern apprenticeship opportunities	95,790	13,360	0

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027	Executive Director (Kirsty Flanagan)	Customer Support Services	Security Operations Centre Subscription	76,455				76,455	0	76,455	There is a requirement to pay for a 3-year subscription at £60,000 per annum with a cost pressure being added to the ICT revenue budget to cover the costs from year 4 onwards. There is unallocated funding of £103,545 from the earmarking (172) created at 2020/21 year end for 'Digital Projects' combined with this earmarking to cover these costs for 3 years.		16,455	60,000
028	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 20/21.	36,508	0	0
029	Executive Director (Kirsty Flanagan)	Customer Support Services	Implementation of Gaelic Language Plan	30,000				30,000	0	30,000	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.	0	30,000	0
030	Executive Director (Kirsty Flanagan)	Customer Support Services	Establishing HR Service Centre	30,000				30,000	18,000	12,000	To facilitate the implementation of technical efficiency improvements and new processes	18,000	12,000	0
031	Executive Director (Kirsty Flanagan)	Customer Support Services	Business Development Training	27,601				27,601	1,000	26,601	This budget is funding ongoing leadership development, coaching, action learning sets and commissioned training including Priority Management.	1,000	26,601	0
032	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Oban TIF (Tax Incremental Financing)	709,700				709,700	60,000	649,700	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.	60,000	116,000	533,700
033	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Strategic Events & Festivals	115,764				115,764	35,000	80,764	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. At 24 February 22, decision made to agree £90k for 23/24, in order that the application process can commence during 22/23 and that this agreed figure be augmented by any underspend remaining from the 21/22 financial year	35,000	80,764	0
034	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Island Post	50,461				50,461	0	50,461	To fund a temporary post at LGE11 to assist with the National Islands Plan Implementation Route Map 2020-2025.	0	50,461	0
035	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Royal National Mod	40,000				40,000	20,000	20,000	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	0
036	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. £640k for Capital works on Gartbreck completed in 2022/23, reserve will be drawn down for this in 2023/24.	0	1,066,000	426,997
037	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Climate Change	500,000				500,000	500,000	0	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. Vehicles have been received and budget will be drawn down to cover their cost. The remaining budget will be used towards running the vehicles.	500,000		0
038	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	3G pitches / Tarbert Sports Pitches	427,286	44,660			382,626	5,340	377,286	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. Final draw down for 22/23 will be done closer to year end once final costs are confirmed.	50,000	90,000	287,286
039	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Green Transport Initiatives	400,000				400,000	260,000	140,000	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 23/24. £260k Footways Reconstruction programme now spent and will be drawn down against capital programme during 23/24. £140k Ardrishaig North Project will be spent in 22/23 and drawn down in 23/24.	260,000	140,000	0
040	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Waste Strategy	363,000	56,070			306,930	49,211	257,719	To fund/part-fund various waste projects that will support the council's compliance with the 2025 ban on the Landfill of Biodegradable Municipal Waste. Final draw down in 22/23 for Welfare Units at Waste Disposal sites on Mull and Tیره and Shed Improvements on Tیره once final invoices are received.	105,281	129,000	128,719
041	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Waste Management	256,753	10,040			246,713	19,960	226,753	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 at Helensburgh. Consultancy fees and ground investigation works in 22/23 to be drawn down once final invoice is received.	30,000	135,000	91,753

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	New earmarking during 22-23	Remaining Balance	Still to be drawn down in 22-23	Planned to spend in future years	Plans for Use	Amount Planned to be Spent in 2022-23	Amount Planned to be Spent in 2023-24	Amount Planned to be Spent from 2023-24 onwards
042	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Replacement Signage and Bins	135,366				135,366	135,366	0	Replacing key road signage. This will help to reduce future budget pressures for replacement of signs and would also help to enhance the streetscape and general appearance of the area. The bulk of Road signs have been delivered and installation is now in progress and will be completed during 2022/23.	135,366	0	0
043	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Kintyre Recycling Redundancy Costs	36,000	19,588	16,412		0	0	0	To fund redundancy costs associated with Kintyre Recycling.	19,588	0	0
044	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Amenity Services introduction of management information system	28,099				28,099	0	28,099	Delay with introduction of amenity time recording system due to increased costs. Discussions ongoing to find alternative cheaper solution.	0	28,099	0
045	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	0	1,000,000
046	Non Departmental	Non Departmental	Loans Fund	385,279				385,279	0	385,279	At the Council Budget meeting on 24 February 2022, Saving FS01, a Loans Fund Management/Operational saving for 22/23 budget of £0.500m was agreed with at least £0.200m to come from underspends in 21/22. The underspend position for 21/22 is £0.385m and this earmarking is being released as a saving to help bridge the 2023/24 budget gap.	0	385,279	0
047	Non Departmental	Non Departmental	Utilities	283,000				283,000	283,000	0	To contribute towards the expected adverse impact on the 2022/23 budget of utility costs inflation as per Budget Pack. Funding will be drawn down by the end of March 2023.	283,000	0	0
048	Non Departmental	Non Departmental	Digital Projects (General Provision to be allocated)	103,545				103,545	60,000	43,545	It has been agreed to use the balance of this earmarking towards the Security Operations Centre Subscription unspent budget request - per Appendix 2.1 This sum plus earmarked reserve (85) combine to £180k and will cover the subscription for 3 years 22/23 / 23/24 / 24-25	60,000	43,545	0
049	Non Departmental	Non Departmental	Community Resilience Fund	76,447				76,447	0	76,447	Fund established in 2012/13 to be spent over more than one year. Fund reduced at the Council meeting on 11 February 2016	0	0	76,447
050	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	0	209,844
051	Non Departmental / Executive Director (Douglas Hendry)	Across Services / Commercial Services	Information Management (Estates Survey Work)	12,697				12,697	0	12,697	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	0	12,697	0
052	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	92,000	0
053	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 Customer Engagement. These include £25.5k for an upgrade to contact centre systems (Converse), £9.7k for a voice chatbot pilot, £15k for Alexa smartspeaker services, £22.8k for Proactive Notification Service (Eloqua). All of these have been implemented in 2022/23 and will be drawn down in January.	73,000	0	0
054	Non Departmental / Executive Director (Kirsty Flanagan)	Across Services / Customer Support Services	Digital Projects (Increase in Schools Bandwidth)	63,455				63,455	0	63,455	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	63,455	0

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	New earmarking during 22-23	Remaining Balance	Still to be drawn down in 22-23	Planned to spend in future years	Plans for Use	Amount Planned to be Spent in 2022-23	Amount Planned to be Spent in 2023-24	Amount Planned to be Spent from 2023-24 onwards
055	Non Departmental / Executive Director (Kirsty Flanagan)	Across Services / Customer Support Services	Digital Projects (Replacement Learning Management System)	11,470				11,470	11,470	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	11,470	0	0
056	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)	57,491	36,314			21,177	0	21,177	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	36,314	21,177	0
				10,458,934	869,704	16,412	0	9,572,818	2,033,656	7,539,162		2,903,360	3,932,364	3,606,798

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 2022-23 and beyond have been kept under review. The cost and demand pressures for 2023-24 amount to £4.428m for Council services which includes an additional pressure equivalent to 0.5% of the Council budget. A general allowance for unidentified cost and demand pressures has been built into the budget outlook for 2024-25 and future years: £0.250m per annum in the mid-range scenario and £0.500m per annum in the worst case scenario.	Medium (2022-23 Medium)
Service Income	Service income levels have been reviewed as part of constructing the budget. In addition fees and charges have been reviewed. The long term effects of the COVID-19 pandemic and the impact of high inflation on the cost of living for customers are likely to affect the uptake of some Council services and the amount of income generated.	Medium (2022-23 Medium)
Council Wide Cost Risks	<p>The financial risk analysis identified 6 council wide cost risks currently amounting to £5.621m as follows:</p> <ul style="list-style-type: none"> The pay award exceeding 3.5% has been categorised as likely with an assessed financial impact of £2.200m based on the estimated cost of a 5% uplift being agreed with Trade Unions. This assessment is based on a combination of the ongoing high levels of inflation and the outcomes to date of the 2022/23 pay negotiations which have been settled for SJC staff but are ongoing in relation to the Teachers and Chief Officers pay settlements; 	Medium (2022-23 Medium)

Risk Assessment for Review of Reserves		
Risk Category	Comment	Assessment
	<ul style="list-style-type: none"> • Four risks covering utility costs, the IJB referring to Council for additional funding, Council Tax Income and a general inflationary risk have been categorised as possible with a combined assessed financial impact of £3.408m; and • The risk of a shortfall in savings options being delivered fully has been categorised as unlikely with an assessed financial impact of £0.013m. 	
Funding Risks	<p>The Scottish Budget was announced on 15 December 2022 and the finance circular with the local authority allocations issued on 20 December 2022.</p> <p>The other element of funding is Council Tax. There is a proposed increase to Council Tax of 4.33%. Collection rates have been negatively impacted by the ongoing cost of living crisis affecting households with high levels of inflation caused by the long term effects on the UK economy of the COVID-19 pandemic, Brexit and the ongoing conflict in Ukraine.</p> <p>In May 2022 the Scottish Government published the Investing in Scotland's Future: Resource Spending Review which was intended to provide a guide to the Scottish Government's funding envelope over the period 2022/23 to 2026/27. For local Government, the review suggested that funding for local government would be on a flat cash basis until at least 2025/26. Given the ongoing significant impact of high inflation on local government costs, a flat cash position means a real terms reduction in the spending power of Councils and, subsequently, the Council is likely to continue to have make challenging decisions about service delivery in order to stay within its future budgets.</p>	Medium/High (2022-23 Medium/High)

Risk Assessment for Review of Reserves		
Risk Category	Comment	Assessment
	<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, there has been some variation in 2022/23 (less than the 2021/22 baseline by £0.027m) and 2023/24 (more than the 2021/22 baseline by £0.020m) which creates some uncertainty regarding future funding allocations, however these variations have been minimal.</p> <p>As a result of all issues noted above, this risk has been kept as Medium/High.</p>	
Savings Risks	<p>The Council agreed to a number of management/operational and policy savings as part of previous budgets that would deliver an additional £0.151m of savings in 2023-24. There are also further savings proposals amounting to £9.426m for 2023-24 which includes £4.831m arising from new service concession arrangements for NPDO schools, which is guaranteed to be delivered, leaving a balance of £4.595m to be delivered by services. The Council has a good track record on delivering savings options but due to the value of savings to be achieved, the risk is increased to Medium.</p>	Medium (2022-23 Low/Medium)
Inflation Rates	<p>Between November 2021 and November 2022, CPI inflation has increased by 10.7%. The volatile evolution of price pressures has occurred due to soaring energy prices, triggered in large part by the war in Ukraine, coupled with rising interest rates and global supply chain bottlenecks.</p> <p>The Bank of England Monetary Policy Committee reported in November 2022 that the Bank expects inflation (CPI) to reduce during 2023/24 to</p>	Medium/High (2022-23 High)

Risk Assessment for Review of Reserves		
Risk Category	Comment	Assessment
	<p>around 4% by the 1st quarter of 2024. However, the forecast suggests that the pace of the reduction is likely to be slow with the most significant reduction not forecast until late 2023.</p> <p>Given the volatility of inflation levels in the last year and the ongoing challenges facing the UK economy it would be prudent to consider a level of inflation over above and the unavoidable/ inescapable provision and a general 2% inflation has been included within the worst case scenario for 2023-24 onwards (of £800k per annum). For 2023-24, despite the overall rate of inflation being forecast to reduce over the year, officers expect that inflationary pressures on utility costs will continue to be a point of financial pressure throughout the year and Finance staff will work in conjunction with colleagues in Property Services to monitor the situation very closely.</p>	
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 although investment returns have increased in 2022/23, the Council return is currently below the target SONIA rate but this is due to market fluidity and is not a regular occurrence. Current forecasts of interest rates are based on advice from our treasury advisors. Current investment rates are forecast to improve as interest rates increase – assuming no change in direction by the Bank of England – and the Council will continue to look for the best rates of return for new investments.</p>	Low (2022-23 Low)
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	Low (2022-23 Low)

Risk Assessment for Review of Reserves		
Risk Category	Comment	Assessment
	£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.	
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 2022. SMT have agreed the current actions to address the risks.	Medium (2022-23 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 (2022-23 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>While it is not easy to disentangle the impact of EU Exit, COVID-19 and the situation in Ukraine, it is clear that the local Argyll and Bute economy has witnessed the anticipated impacts from the trade friction caused by replacing membership of the EU Single Market and Customs Union with a relatively narrowly drawn Free Trade Agreement.</p> <p>The UK Government has decided to further delay some elements of the new import controls into 2023. These delays have exacerbated uncertainty in terms of the future impact of import control measures on food supply chains</p>	Medium/High (2022-23 Medium/High)

Risk Assessment for Review of Reserves		
Risk Category	Comment	Assessment
	<p>and what that will mean for Argyll and Bute in terms of the ongoing recovery of agri-food sector.</p> <p>A major concern at present is the skills gaps and recruitment challenges faced by a number of sectors, such as hospitality, care and construction, which are of key importance to the Argyll and Bute economy and communities. This is further exacerbated by the cost of living crisis for many residents and communities, coupled with a cost of doing business crisis, due to the significant and spiralling inflationary cost pressures and availability of goods and labour, which has been a direct impact from EU Exit as well as the unrest in the external environment.</p> <p>On this basis, the overall risk assessment is still Medium/High.</p>	
General financial climate	<p>The finance settlement only covers 2023-24 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, the potential medium to longer term impact of COVID-19 and high inflation and interest levels on the economy it would be prudent to retain this risk to medium/high.</p>	Medium/High (2022-23 Medium/High)
Availability of contingency funds	The Council currently has sufficient contingency funds to meet its target.	Low (2022-23 Low)

Risk Assessment for Review of Reserves		
Risk Category	Comment	Assessment
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 at the moment, as the Council's need to borrow is currently very low due to the high levels of funds it is holding, and improvements in the rates of return for the investments made by the Treasury team are generating better than budgeted returns with the surplus funds generated supporting the Council's overall financial position.. In addition to the contingency there are significant earmarked funds. Cost and demand pressures are identified and provided for if necessary and the impacts of inflationary changes are continually monitored and adjusted for in the Council's financial forecasts	Low/Medium (2022-23 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 2022-23 however the Social Work element of the Health and Social Care Partnership is forecasting a modest overspend, however, this is expected to be managed within the Health and Social Care Partnership.	Low (2022-23 Low)
Financial information and reporting arrangements	Revenue and capital budgets are monitored on a monthly basis with budget allocated to responsible managers. A risk based approach is taken to budget monitoring and the budget monitoring process is continually being reviewed to identify ongoing improvements.	Low/Medium (2022-23 Low/Medium)
Insurance cover	The Council has adequate insurance cover.	Low (2022-23 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	Low/Medium (2022-23 Low/Medium)

Risk Assessment for Review of Reserves		
Risk Category	Comment	Assessment
	Audit and Scrutiny Committee continues to actively develop and adopt good practice.	
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 within 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 part of the Council's risk analysis we have reported a risk of £1m to the Council in 2023-24. The risk factor remains at Medium at this stage.	Medium (2022-23 Medium)