

**FINANCIAL REPORTS MONITORING PACK – 31 DECEMBER 2022**

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**1. INTRODUCTION**

1.1 This report provides a summary of the financial monitoring reports as at the end of December 2022. There are five detailed reports, setting out the position as at 31 December 2022, which are summarised in this Executive Summary:

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

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

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

2.1.2 There is a forecast underspend of £3.408m as at the end of December 2022. The key variances are:

- £3.666m underspend in central budgets with the largest variances relating to a one-off treasury gain of £5.398m due to receiving a discount on the early repayment of PWLB loans and £1.491m recognised in relation to the net expected funding shortfall from the 2022-23 pay award. Note that the £1.491m will be attributed to the relevant services, as opposed to sitting in the centre as it currently does, when the pay awards are finalized. There are further numerous other variances within this service area, including overspends within Elected Members due to the pay award and within utilities and insurances due to price pressures. There are underspends from the joint boards, unfunded pensions and NDR budgets where payments out are lower than available budget.
- £0.740m overspend due to an under-recovery of income in Piers and Harbours, an overspend in Waste employee costs due to sickness absence cover, landfill tax increases and a back-payment for an increased tonnage rate for Waste Disposal from one of our suppliers. These are partially offset with additional income in Crematoria, Commercial Waste, Building Control and Private Water Supply Appraisals plus an underspend in Directorate due to budget no longer needed.
- £0.597m underspend is due to underspends in employee budgets which are not included within the Scheme of Devolved School Management, partially

offset by an overspend within the Residential School Budget and Home and Hospital Tuition.

- £0.253m overspend due to a high demand for services and use of agency staff within Social Work
- £0.138m over-recovery of Council Tax

2.1.3 The forecast overspend includes the projected impact of the 2022-23 pay settlement:

- The Scottish Government agreed to provide an additional £140m of recurring resource from 2022-23 to support the settlement and a further £120.6m of capital funding in 2022-23 and 2023-24 which will be baselined as General Revenue Grant from 2024-25 onwards. It was agreed at Policy and Resources on 8 December 2022 that a proportionate share of the funding is transferred over to the Health and Social Care Partnership (HSCP) and these budget adjustments have been processed.
- The Teachers and Chief Officers pay awards are still under negotiation.
- There remains a budget pressure that both the Council and the HSCP will require to fund. The estimated gap for the Council is £1.491m and the HSCP £0.334m. The Council gap is calculated with the assumption that the Teachers and Chief Officers pay award is on the same basis as the SJC pay award so could be subject to change if negotiations result in an increased amount.
- The projected impact of £1.491m for the Council has been included in the forecast outturn reported at 31 December 2022.

2.1.4 There is a year to date underspend of £6.806m. More focus is on the forecast outturn position, hence why sometimes the year to date position is not updated. The year to date variances mainly relate to the timing of income and expenditure and recharging of costs to capital.

2.1.5 With regard to the ongoing financial impact of COVID-19, there are £8.965m of reserves committed to manage the impact of the pandemic. The detail behind these commitments is contained within Appendix 2 of the Reserves and Balances report.

2.1.6 Total policy savings relevant to 2022-23 financial year amount to £1.560m. The table below outlines their progress as at 31 December 2022.

Category	No. of Options	2022-23 £000	2022-23 FTE	2023-24 £000	2023-24 FTE	Future Years £000	Future Years FTE
Delivered	10	367.0	1.4	375.0	1.4	375.0	1.4
On Track to be Delivered	6	350.0	0.5	353.0	0.5	356.0	0.5
Still to be Implemented	1	0.5	0.0	0.5	0.0	0.5	0.0
Being Developed	0	0.0	0.0	0.0	0.0	0.0	0.0
Potential Shortfall	6	818.2	0.0	937.8	0.0	937.8	0.0
Delayed	1	24.0	0.0	24.0	0.0	24.0	0.0
<b>TOTAL</b>	<b>24</b>	<b>1,559.7</b>	<b>1.9</b>	<b>1,690.3</b>	<b>1.9</b>	<b>1,693.3</b>	<b>1.9</b>

2.1.7 For those savings approved prior to February 2022, there are six savings categorised as having a shortfall and one currently delayed.

### **Health and Social Care Partnership (HSCP) – Financial Update**

2.1.8 The forecast outturn position at the end of December is an estimated overspend of £0.598m for 2022-23 (£0.253m for Social Work and £0.345m for Health). 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.

## **2.2 Monitoring of Financial Risks**

2.2.1 This report outlines the process and approach developed in carrying out a financial risks analysis and provides an update on the current assessment of financial risks.

2.2.2 There are 5 Council wide revenue risks identified for 2022-23 currently amounting to £2.290m.

2.2.3 There are currently 41 departmental risks totalling £4.935m. Of the 41 departmental risks, one is categorised as almost certain and 4 are categorised as likely. These will continue to be monitored and action taken to mitigate or manage these risks.

2.2.4 The top three risks in terms of the financial impact are noted in the table below.

SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	LIKELIHOOD	FINANCIAL IMPACT £000
Roads and Infrastructure Services	Roads Maintenance - Bridges, Culverts & Sea Defences	Extreme localised weather may result in loss of bridge, culvert, road or sea defence.	3	750
Roads and Infrastructure Services	Roads Materials - Bitumen	Increased cost of asphalt material due to price of crude oil rising. Discussions emerging from the industry about possible rationing of bitumen which, if applied, will affect our programmes due to availability	3	400
Roads and Infrastructure Services	Winter Maintenance	Adverse weather conditions which require greater than budgeted number of gritting runs.	3	365

2.2.5 There has been 1 change to the departmental risks since the report as presented to the Policy and Resources Committee on 8 December 2022. These are outlined in paragraph 3.4.1 of the Financial Risks Report.

## **2.3 Capital Plan Monitoring Report**

- 2.3.1 This report provides a summary of the current capital plan monitoring position. Information is provided in terms of monitoring year to date budget, current full year budget, future years total budget and funding and non-financial in terms of project performance.
- 2.3.2 At the budget setting meeting on 25 February 2021, the Council agreed to provide a £2.5m provision for the increase in capital contract costs as a result of COVID-19 and following agreement at the Policy and Resources Committee on 14 October 2021, this, plus a further £0.146m, was added to the capital programme. At the budget meeting in February 2022 an additional £3.9m was set aside for further capital contract increases including up to £1.2m for Campbeltown Flood Scheme.
- 2.3.3 There are likely to be further financial pressures facing the capital programme that are not able to be quantified at this stage largely relating to inflationary increases in the construction industry and supply chain issues.
- 2.3.4 Actual net expenditure to date is £19.846m compared to a budget for the year to date of £19.186m giving rise to an overspend for the year to date of £0.660m (3.44%).
- 2.3.5 The forecast outturn for 2022-23 is a forecast net expenditure of £33.440m compared to an annual budget of £39.014m giving rise to a forecast underspend for the year of £5.574m (14.29%).
- 2.3.6 The forecast total net projects costs on the capital plan are £180.736m compared to a total budget for all projects of £180.009m giving rise to a forecast overspend for the overall capital plan of £0.727m (0.40%).
- 2.3.7 In respect of total project performance, there are 162 projects within the capital plan, 140 are complete or on target, 8 are off target and recoverable and 14 projects are off track.

## **2.4 Treasury Monitoring Report**

- 2.4.1 This report provides information on the current levels and recent transactions in relation to the capital financing limit, total borrowing, temporary borrowing and long term borrowing and investments.
- 2.4.2 The net movement in external borrowing for the period 1 November 2022 to 31 December 2022 was a decrease of £9.98m.
- 2.4.3 Borrowing is below the Capital Financing Requirement for the period to 31 December 2022. This is due to the repayment of long term PWLB borrowing earlier in the year offset by the need to take temporary borrowing for cash flow purposes.
- 2.4.4 The levels of investments were £99.1m at 31 December 2022. The average rate of return achieved was 2.869% which is below the target SONIA (Sterling Overnight Index Average) rate for the same period of 3.202%.

## 2.5 Reserves and Balances

- 2.5.1 This report summarises the overall level of reserves and balances and monitors the spending of the earmarked reserves, providing detailed information on the unspent budget earmarked balances.
- 2.5.2 The Council has a total of £394.480m unusable reserves that are not backed with resources. They are required purely for accounting purposes.
- 2.5.3 At 31 March 2022, the Council had a total of £103.183m of usable reserves. Of this:
- £2.682m relates to the Repairs and Renewals Fund
  - £4.414m relates to Capital Funds
  - £96.087m was held in the General Fund, with £88.990m of this balance earmarked for specific purposes.
- 2.5.4 Of the earmarked balance of £88.990m:
- £43.882m is invested or committed for major initiatives/capital projects
  - £10.605m has already been drawn down
  - £8.580m is still to be drawn down in 2022-23
  - £25.370m is planned to be spent in future years
  - £0.553m has been released back to the general fund
- 2.5.5 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 paragraphs 3.3.3 to 3.3.5 – amounts previously earmarked that can be released back to the general fund	553
Current Forecast Outturn for 2022-23 as at 31 December 2022	Note, this includes an overspend of £0.253m against Social Work	3,408

Social Work outturn adjustment	Per paragraph 3.4.2 - Social Work hold reserves so would be expected to cover their overspend	253
<b>Estimated Unallocated balance as at 31 March 2023</b>		<b>8,537</b>

2.5.6 It can be seen that, after taking into consideration the Budget Motion, the current forecast outturn for 2022-23, the balances no longer required and the expected adjustment in relation to the Social Work outturn, the Council is forecast to have a £8.537m surplus over contingency.

## 2.6 VIREMENTS OVER £0.200m (Revenue)

2.6.1 Virement is the process of transferring budget between cost centres, services or departments or between capital projects. The Council's constitution notes that virements over £0.200m require approval by Council. This section of the report will be used to outline revenue virements in the period that require approval. Capital virements are included within the capital monitoring report.

2.6.2 For the periods November and December, there are 3 virements requiring authorisation:

- 0.216m reallocation of carers budgets within Social Work
- 0.358m between Roads and Infrastructure and Other Operating Income and expenditure to correct a coding error in piers and harbours inflation
- 0.417m recognised within Social Work for the increased costs of the pay award

## 3. RECOMMENDATIONS

3.1 It is recommended that the Policy and Resources Committee:

- a) Consider the revenue budget monitoring report as at 31 December 2022
- b) Note the financial risks for 2022-23
- c) Note the capital plan monitoring report as at 31 December 2022 and approve the proposed changes to the capital plan outlined in Appendix 4 of that report.
- d) Note the treasury monitoring report as at 31 December 2022
- e) Consider the reserves and balances report as at 31 December 2022
- f) Recommend to Council that the revenue virements over £0.200m during November and December 2022 are approved

#### **4. IMPLICATIONS**

4.1	Policy –	None.
4.2	Financial -	Outlines the revenue and capital monitoring for 2022-23 as at 31 December 2022
4.3	Legal -	None.
4.4	HR -	None.
4.5	Fairer Scotland Duty -	None.
4.5.1	Equalities – protected characteristics -	None.
4.5.2	Socio-economic Duty -	None.
4.5.3	Islands -	None.
4.6	Climate Change -	None.
4.7	Risk -	Risks are included in financial risks report.
4.8	Customer Service -	None.

**Kirsty Flanagan**  
**Executive Director /Section 95 Officer**  
**13 January 2023**

**Policy Lead for Finance and Commercial Services - Councillor Gary Mulvaney**

For further information contact Anne Blue, Head of Financial Services  
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**2022-23 Overall Position:**

There is an overall forecast underspend of £3.408m as at the end of December 2022. Central Budgets are projecting a £3.666m underspend with the largest variances relating to a treasury gain of £5.398m due to receiving a discount on the early repayment of three PWLB loans offset by £1.491m recognised in relation to the net expected shortfall in funding from the 2022-23 pay award. Note that the £1.491m will be attributed to the relevant services, as opposed to sitting in the centre as it currently does, when the pay awards are finalised. There are further numerous offsetting variances, including overspends within Elected Members due to the pay award and within utilities and insurances due to price pressures and underspends from the Joint Boards, Unfunded Pensions and NDR budgets where payments out are lower than available budget. Within Executive Director Kirsty Flanagan, there is a forecast overspend of £0.740m due to an under-recovery of income in Piers and Harbours, an overspend in Waste employee costs due to sickness absence cover, landfill tax increases and a back-payment for an increased tonnage rate for Waste Disposal from one of our suppliers. These are partially offset with additional income in Crematoria, Commercial Waste, Building Control and Private Water Supply Appraisals plus an underspend in Directorate due to budget no longer needed. Within Social Work, there is a forecast overspend of £0.253m due to a high demand for services and agency staff costs. Within Executive Director Douglas Hendry, there is a forecast underspend of £0.597m, this is due to underspends in employee budgets which are not included within the Scheme of Devolved School Management, partially offset by an overspend within the Residential School Budget and Home and Hospital Tuition. There is a projected over-recovery of Council tax of £0.138m

There is a year to date underspend of £6.806m. The year to date variances within the departments tend to relate to the timing of income and expenditure and costs to capital not recharged yet.

**Key Highlights as at December 2022:**

- There has been a one-off treasury gain that was achieved in October by repaying some PWLB loans early to take advantage of a discount in the repayment. There was a short window of opportunity for these transactions brought about by the volatility at Westminster which affected the interest rates.
- The expected total shortfall of all pay awards has been built into the projection for December (£1.491m).

**Key Financial Successes:**

Performance against budget for 2021-22 was an overall net favourable position of £1.630m underspend after adjusting for year-end earmarking. This breaks down as:

- £0.815m net underspend in relation to Council service departmental expenditure
- £0.432m net overspend in relation to other central costs
- £1.247m over-recovery of Council Tax income.



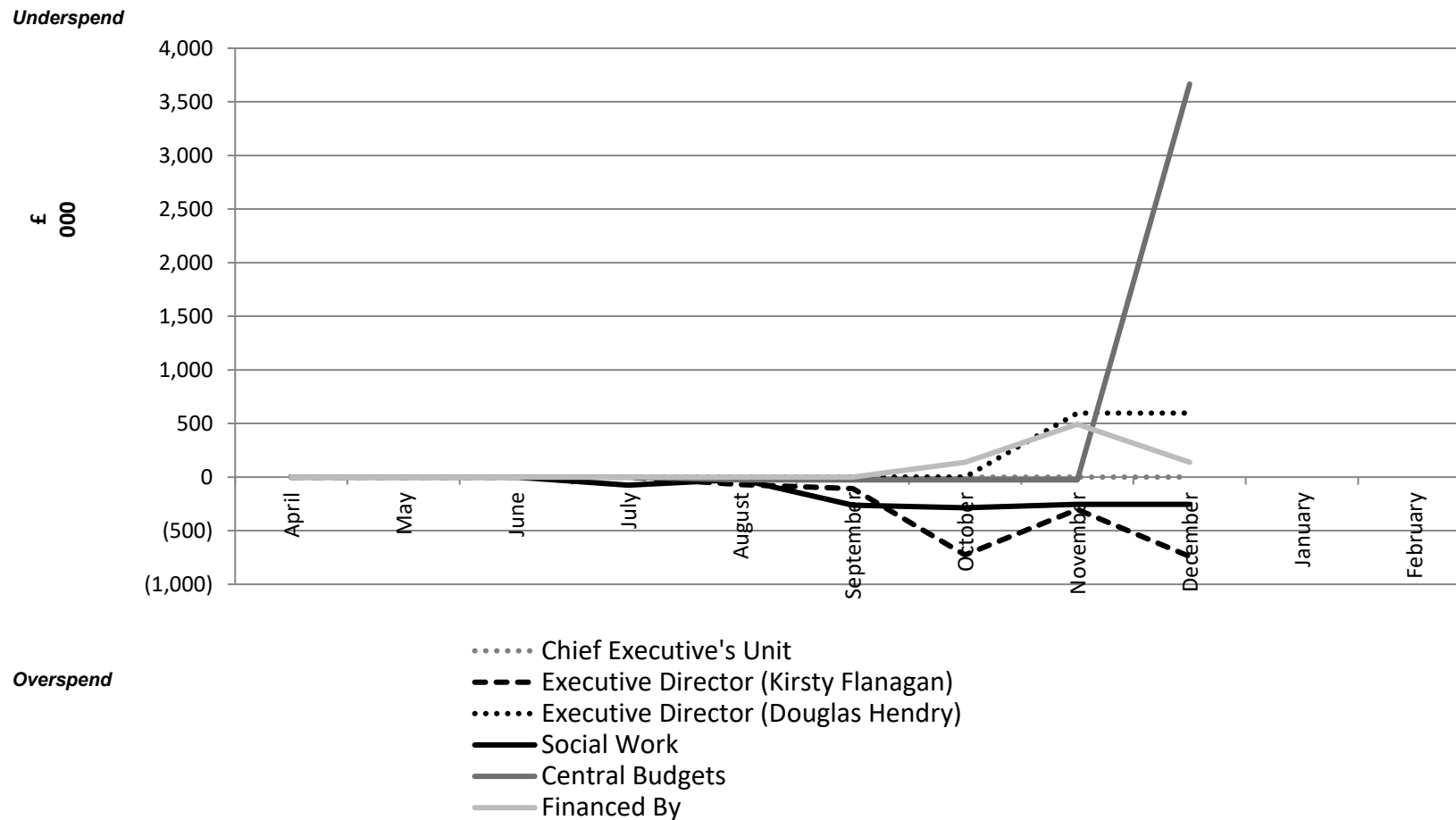
<b>Key Financial Challenges:</b>	<b>Proposed Actions to address Financial Challenges:</b>
Ongoing consideration of the financial impact of COVID on the Council's revenue position.	Continue to identify additional costs as a consequence of COVID to ensure earmarked COVID funds are applied appropriately.
Achieving a favourable year-end position and achieving savings targets in light of council wide risks to expenditure.	Robust monitoring of the financial position and delivery of savings to ensure budget issues inform the budget monitoring process.
Monitoring Social Work expenditure and more widely the IJB position as any overspend will transfer back to partner bodies in the first instance.	Continue to work closely with the CFO of the IJB to ensure that early indication of any potential adverse financial outturn is known and corrective action is agreed as appropriate to reduce the risk to the Council.
Identifying further savings and delivering services more efficiently with less resources, as whilst a balanced 2022-23 budget was agreed in February 2022 there are still budget gaps in future years.	The Council will continue to progress savings options identified in 2021-22 that require further development and seek to identify further savings through themed reviews and business process reviews.
Maintaining or improving the level of service income recovered, for example planning, building standards and car parking.	Actively monitor income recovery and ensure Council fees and charges policies are regularly reviewed.
Managing spend in service areas which are demand led and, to some extent, outwith service control, for example Winter Maintenance.	Use risk based approach to budget monitoring to focus additional attention on these areas.
Ongoing requirement to fund unavoidable inflationary increases in areas like utility costs, fuel, food etc. This is impacted further by the availability of supply as a result of the COVID-19 pandemic, UK exit from the European Union, Russia's invasion of Ukraine and sanctions on Russian owned entities to name a few influencing factors.	Ensure emerging issues are highlighted as soon as possible so that the financial impact can be reported through the budget monitoring and preparation processes.
Cost of living crisis impacting on pay inflation negotiations which could result in pay awards above what is deemed affordable.	Ensure emerging issues are highlighted as soon as possible so that the financial impact can be reported through the budget monitoring and preparation processes.

## Forecast Outturn Position

There is a forecast overspend of £0.499m for 2022-23 as at the end of December 2022

Department	Annual Budget £'000	Forecast Outturn £'000	Current Forecast Variance £'000	Previous Forecast Variance £000	Change £000	Explanation
Chief Executive's Unit	7,652	7,652	0	0	0	
Executive Director (Douglas Hendry)	128,603	128,006	597	597	0	Underspend is due to underspends in employee budgets which are not included within the Scheme of Devolved School Management, partially offset by an overspend within the Residential School Budget and Home and Hospital Tuition.
Executive Director (Kirsty Flanagan)	48,922	49,662	(740)	(302)	(438)	Overspend due to an under-recovery of income in Piers and Harbours, an overspend in Waste employee costs due to sickness absence cover, landfill tax increases and a back-payment for an increased tonnage rate for Waste Disposal from one of our suppliers. These are partially offset with additional income in Crematoria, Commercial Waste, Building Control and Private Water Supply Appraisals plus an underspend in Directorate due to budget no longer needed.
Social Work	73,823	74,076	(253)	(253)	0	Overspend due to high demand for services and agency staff costs.
Central Budgets	23,709	20,043	3,666	(26)	3,692	There is a large one-off Loans Fund gain due to early repayment of loans resulting in a discount in the repayment and other smaller underspends against joint boards, unfunded pensions and NDR budgets where payments out are lower than available budget. There are overspends due to the projected Teachers and Chief Officers pay awards yet to be decided, Elected Members pay award being higher than the available budget and also from utilities and insurances due to price pressures.
Financed By	(282,709)	(282,847)	138	493	(355)	Projected over-recovery of Council tax has been reduced due to recent recovery levels being lower than expected
<b>Total</b>	<b>0</b>	<b>(3,408)</b>	<b>3,408</b>	<b>509</b>	<b>2,899</b>	

### Forecast outturn position for each Department from the start of the financial year

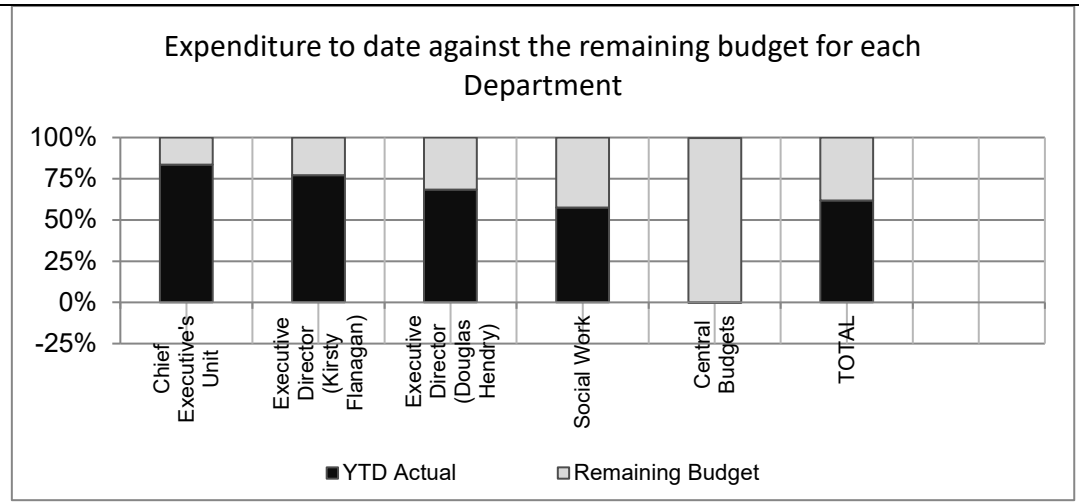


Further information on the departmental forecast variances is included later on in the report.

## Year to Date Position

The year to date position as at the end of December 2022 is an underspend of £6.806m and the main variances are noted below.

Department	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000	Explanation
Chief Executive's Unit	6,392	6,391	(1)	The YTD overspend can be attributed to profiling issues
Executive Director (Douglas Hendry)	88,063	88,574	511	The YTD underspend position is mainly due to underspends in employee budgets. The underspends in school and learning centre employee budgets fall within the Scheme of Devolved School Management in schools which are permitted flexibility at the end of the year so no forecast variance for this part of the underspend is required. The remaining variances are mainly profile related and will be refined through January.
Executive Director (Kirsty Flanagan)	37,757	34,340	(3,417)	The YTD overspend is mainly due to income being behind profile in the Roads Operational Holding Account due to Capital project timing which is difficult to profile and the under-recovery of income in Piers and Harbours
Social Work	42,538	43,839	1,301	The YTD underspend can be attributed to timings of payments and profiling issues and demand for purchased Children's Services. This is partially offset by high demand for services across Adult Services and staffing pressures, including the use of agency staff, across Homecare and Older People Residential Units
Central Budgets	(67)	8,345	8,412	The YTD underspend can be attributed to timings of payments and profiling issues. A large proportion of the YTD can be attributed to the one-off Loans Fund gain resulting from early repayment of loans £5.398m
Funding	(186,801)	(186,801)	0	
<b>Total Net Expenditure</b>	<b>(12,118)</b>	<b>(5,312)</b>	<b>6,806</b>	



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

## OBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AS AT 31 DECEMBER 2022

	YEAR TO DATE POSITION				CURRENT PROJECTED FINAL OUTTURN			
	YTD Actual	YTD Budget	YTD Variance	Variance	Annual Budget	Forecast Outturn	Forecast Variance	Variance
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
<b><u>Departmental Budgets</u></b>								
Chief Executive's Unit	6,392	6,391	(1)	(0.0%)	7,652	7,652	0	0.0%
Executive Director (Kirsty Flanagan)	37,757	34,340	(3,417)	(10.0%)	48,922	49,662	(740)	(1.5%)
Executive Director (Douglas Hendry)	88,063	88,574	511	0.6%	128,603	128,006	597	0.5%
Social Work	42,538	43,839	1,301	3.0%	73,823	74,076	(253)	(0.3%)
<b>Total Departmental Budgets</b>	<b>174,750</b>	<b>173,144</b>	<b>(1,606)</b>	<b>(0.9%)</b>	<b>259,000</b>	<b>259,396</b>	<b>(396)</b>	<b>(0.2%)</b>
<b><u>Central Budgets</u></b>								
Other Operating Income and Expenditure	(1,364)	1,093	2,457	224.8%	2,248	4,202	(1,954)	(86.9%)
Joint Boards	940	1,122	182	16.2%	1,496	1,325	171	11.4%
Non-Controllable Costs	357	6,130	5,773	94.2%	19,965	14,516	5,449	27.3%
<b>Total Central Budgets</b>	<b>(67)</b>	<b>8,345</b>	<b>8,412</b>	<b>100.8%</b>	<b>23,709</b>	<b>20,043</b>	<b>3,666</b>	<b>15.5%</b>
<b>TOTAL NET EXPENDITURE</b>	<b>174,683</b>	<b>181,489</b>	<b>6,806</b>	<b>3.8%</b>	<b>282,709</b>	<b>279,439</b>	<b>3,270</b>	<b>1.2%</b>
<b><u>Financed By</u></b>								
Aggregate External Finance	(140,228)	(140,228)	0	0.0%	(219,325)	(219,325)	0	0.0%
Local Tax Requirement	(46,573)	(46,573)	0	0.0%	(55,262)	(55,400)	138	(0.3%)
Contributions to General Fund	0	0	0	0.0%	2,482	2,482	0	0.0%
Earmarked Reserves	0	0	0	0.0%	(10,604)	(10,604)	0	0.0%
<b>Total Funding</b>	<b>(186,801)</b>	<b>(186,801)</b>	<b>0</b>	<b>0.0%</b>	<b>(282,709)</b>	<b>(282,847)</b>	<b>138</b>	<b>(0.1%)</b>
<b>(Deficit)/Surplus for Period</b>	<b>(12,118)</b>	<b>(5,312)</b>	<b>6,806</b>		<b>0</b>	<b>(3,408)</b>	<b>3,408</b>	

## SUBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AS AT 31 DECEMBER 2022

	YEAR TO DATE POSITION				CURRENT PROJECTED FINAL OUTTURN			
	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000	Variance %	Annual Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Variance %
<b>Subjective Category</b>								
Employee Expenses	122,672	124,395	1,723	1.4%	177,744	179,795	(2,051)	(1.2%)
Premises Related Expenditure	12,120	11,660	(460)	(4.0%)	16,867	17,365	(498)	(3.0%)
Supplies and Services	19,617	18,610	(1,007)	(5.4%)	25,061	25,469	(408)	(1.6%)
Transport Related Expenditure	10,050	8,957	(1,093)	(12.2%)	17,317	17,495	(178)	(1.0%)
Third Party Payments	117,938	117,457	(481)	(0.4%)	171,200	171,720	(520)	(0.3%)
Capital Financing	3,336	0	(3,336)		14,039	14,039	0	0.0%
<b>TOTAL EXPENDITURE</b>	<b>285,733</b>	<b>281,079</b>	<b>(4,654)</b>	<b>(1.7%)</b>	<b>422,228</b>	<b>425,883</b>	<b>(3,655)</b>	<b>(0.9%)</b>
Income	(297,851)	(286,391)	11,460	(4.0%)	(422,228)	(429,291)	7,063	(1.7%)
<b>(Deficit)/Surplus for Period</b>	<b>(12,118)</b>	<b>(5,312)</b>	<b>6,806</b>		<b>0</b>	<b>(3,408)</b>	<b>3,408</b>	

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

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

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

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

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

## CHIEF EXECUTIVE'S UNIT – AS AT 31 DECEMBER 2022

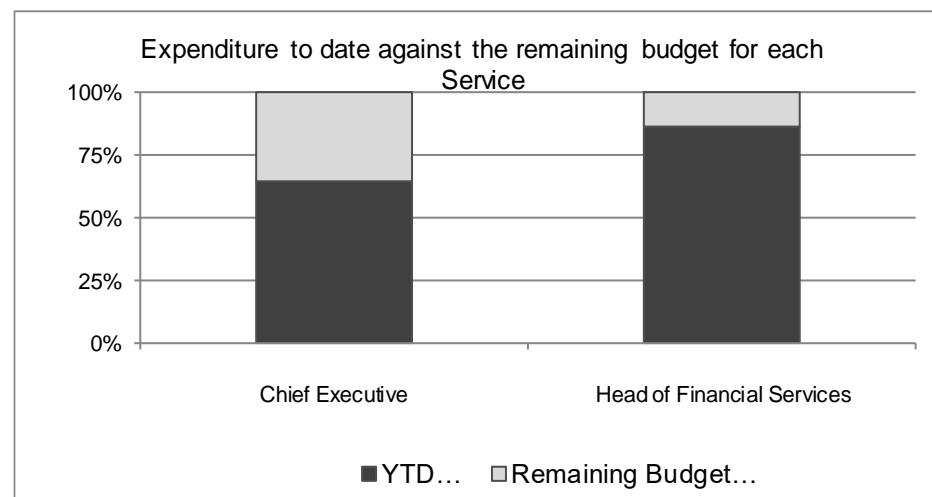
The department is currently forecasting spend in line with budget.

The department has a year to date overspend of £0.001m.

### Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Chief Executive	959	959	0	0	0
Head of Financial Services	6,693	6,693	0	0	0
<b>Totals</b>	<b>7,652</b>	<b>7,652</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Year to Date Position



#### Key Financial Successes:

- All savings options have been delivered.
- The department's 2021-22 outturn position was an underspend of £0.018m. This resulted from an overall underspend of £2.013m offset by earmarking of £1.769m due to auto-carry forwards including unspent grants and COVID-19 funding and £0.226m of unspent budget earmarkings.

#### Key Financial Challenges:

To continue to deliver a high quality support service function during a time of substantial uncertainty and challenge arising from continuing reductions in funding whilst costs are increasing due to high inflation and service demand caused by world events including the COVID-19 pandemic and the conflict in Ukraine.

#### Proposed Actions to address Financial Challenges:

Ensure the team is operating as efficiently and effectively as possible to enable continued support to departments with reduced resources by building resilience through knowledge sharing across the team and maximising the benefits to the service from the implementation of the Oracle Fusion Financial Ledger System.



Carry out a business process review of the Revenues and Benefits function to determine if there is scope to deliver the service in a more cost effective manner.

Work collaboratively with other services of the Council to identify opportunities to improve the operational and financial efficiency of services and to support evidence based decision making.

## CHIEF EXECUTIVE'S UNIT – OBJECTIVE SUMMARY AS AT 31 DECEMBER 2022

Service Area	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Chief Executive	266	264	(2)	(0.8%)	387	387	0	0.0%	Outwith Reporting Criteria
Community Planning & Development	354	372	18	4.8%	572	572	0	0.0%	Outwith Reporting Criteria
	<b>620</b>	<b>636</b>	<b>16</b>	<b>2.5%</b>	<b>959</b>	<b>959</b>	<b>0</b>	<b>0.0%</b>	
Accounting & Budgeting	1,860	1,866	6	0.3%	2,493	2,493	0	0.0%	Outwith Reporting Criteria
Internal Audit & Fraud	213	216	3	1.4%	228	228	0	0.0%	Outwith Reporting Criteria
Revenues & Benefits	2,015	2,063	48	2.3%	2,248	2,248	0	0.0%	Outwith Reporting Criteria
Scottish Welfare Fund	1,684	1,610	(74)	(4.6%)	1,724	1,724	0	0.0%	LACER Fund overspent, correction journal to be processed due to mis-codings and earmarked reserves to be drawn down.
	<b>5,772</b>	<b>5,755</b>	<b>(17)</b>	<b>(0.3%)</b>	<b>6,693</b>	<b>6,693</b>	<b>0</b>	<b>0.0%</b>	
	<b>6,392</b>	<b>6,391</b>	<b>(1)</b>	<b>(0.0%)</b>	<b>7,652</b>	<b>7,652</b>	<b>0</b>	<b>0.0%</b>	

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

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

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

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

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

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

## CHIEF EXECUTIVE'S UNIT – SUBJECTIVE SUMMARY AS AT 31 DECEMBER 2022

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	3,907	3,864	(43)	(1.1%)	5,482	5,482	0	0.0%	Outwith Reporting Criteria
Premises	0	0	0	0.0%	0	0	0	0.0%	Outwith Reporting Criteria
Supplies and Services	310	334	24	7.2%	678	678	0	0.0%	Outwith Reporting Criteria
Transport	9	24	15	62.5%	32	32	0	0.0%	Underspend on staff travel budgets.
Third Party	15,766	18,448	2,682	14.5%	26,326	26,326	0	0.0%	An underspend of £2.755m on Housing benefits (offset against income) offset by numerous accumulating variances coming to an overspend of £0.073m
Income	(13,600)	(16,279)	(2,679)	16.5%	(24,866)	(24,866)	0	0.0%	An overspend of £2.750m on Housing Benefits (offset against third party payments) offset by numerous accumulating variances coming to an underspend of £0.071m
<b>Totals</b>	<b>6,392</b>	<b>6,391</b>	<b>(1)</b>	<b>(0.0%)</b>	<b>7,652</b>	<b>7,652</b>	<b>0</b>	<b>0.0%</b>	

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

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

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

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

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

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

## CHIEF EXECUTIVE'S UNIT – RED VARIANCES AS AT 31 DECEMBER 2022

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
			0	0.0%	

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

## EXECUTIVE DIRECTOR (DOUGLAS HENDRY) – AS AT 31 DECEMBER 2022

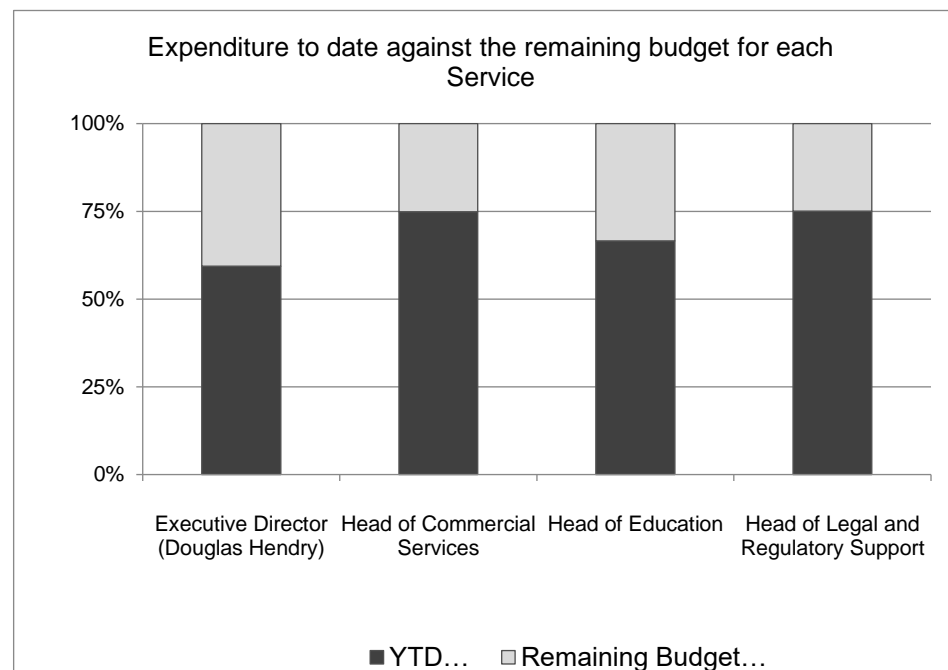
The department is currently forecasting an underspend of £0.597m (0.5%) for the year. This is due to underspends in employee budgets which are not included within the Scheme of Devolved School Management, partially offset by an overspend within the Residential School Budget and Home and Hospital Tuition.

The department has a year to date (YTD) underspend of £0.511m (0.6%). The year to date underspend position is mainly due to underspends in employee budgets. The underspends in school and learning centre employee budgets fall within the Scheme of Devolved School Management in schools which are permitted flexibility at the end of the year so no forecast variance for this part of the underspend is required. The remaining variances are mainly profile related and will be refined through January.

### Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Executive Director (Douglas Hendry)	443	443	0	0	0
Head of Commercial Services	10,258	10,258	0	0	0
Head of Education	98,725	98,128	597	597	0
Head of Legal and Regulatory Support	19,177	19,177	0	0	0
<b>Totals</b>	<b>128,603</b>	<b>128,006</b>	<b>597</b>	<b>597</b>	<b>0</b>

### Year to Date Position



### Key Financial Successes:

The 2021-22 year-end consolidated outturn position was an under spend of £0.223m after adjusting for earmarkings. This was due to the effective contract management of NPDO and Hub School contracts, including a lower than expected insurance premium as a result of the annual renegotiation of insurance costs. The costs of COVID were contained and minimised where possible across departments, with staff

from all areas of the service assisting in planning, implementing and delivering a wide range of additional services in schools and communities and helping businesses through the return from lockdown.

<b>Key Financial Challenges:</b>	<b>Proposed Actions to address Financial Challenges:</b>
The ongoing impact of COVID-19	Costs are being contained where possible.
Impact of numbers/uptake in demand led service areas like catering, design services and licensing.	Continually refine/develop systems to accurately calculate forecast outturns and the impact on the future financial outlook.
Manage the impact of the Statutory Guidance supporting Nutritional Requirements for Food and Drink in Schools (Scotland) Regulations 2020, on the cost of producing school meals and also the uptake.	Monitor and report on the impact on costs and on income as the year progresses.
Support longer term service re-design project for Catering and Cleaning services to ensure efficiencies and financial savings are secured for the Council as well as delivery of free school meals for 1140 hours of Early Learning and Childcare and the phased universal free school meals expansion in Primary Schools.	Effective working with partners and support with implementation of service delivery method. Continual monitoring and review of budgets.
Legislative/policy requirements not fully funded by Scottish Government which may put additional burdens on the Council. For example, the introduction of free school meal payments for holidays.	Analysis of new obligations and whether they incur additional costs not met through increased grant.
The Council has a requirement to deliver 1140 hours of Early Learning and Childcare. The initial funding from Scottish Government was based on individual implementation plans with funding confirmed up to March 2022. The ring fenced grant has been reduced in 2022-23 and an exercise is required to ensure that the service can be delivered efficiently and effectively within this reduced funding allocation.	Robust service costings, financial monitoring and timely reporting to ensure the service can continue to deliver the service within the financial resources available.
Impact of high inflationary uplifts within the NPDO/HUB School contracts.	Ensuring continued effective contract management of NPDO/HUB Schools to minimise the impact of high inflationary uplifts.

## EXECUTIVE DIRECTOR (DOUGLAS HENDRY) – OBJECTIVE SUMMARY AS AT 31 DECEMBER 2022

Service	Service Area	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Executive Director (Douglas Hendry)	Central/Management Costs	263	270	7	2.6%	443	443	0	0.0%	Outwith Reporting Criteria
		<b>263</b>	<b>270</b>	<b>7</b>	<b>2.6%</b>	<b>443</b>	<b>443</b>	<b>0</b>	<b>0.0%</b>	
Head of Commercial Services	Catering	369	474	105	22.2%	1,206	1,206	0	0.0%	The YTD underspend is partially due to the profiling of catering purchases which will be refined through January and underspends on staffing due to vacancies and delays in recruitment.
Head of Commercial Services	Central/Management Costs	898	812	(86)	(10.6%)	1,104	1,104	0	0.0%	The YTD overspend in Cleaning and Catering HQ is due to staff costs - virement for new post to be processed in January and costs relating to Our Modern Workspace project have to be transferred to the capital budget which will eliminate the overspend. The remainder is due to profiling of One Council Property income which will be refined through January.
Head of Commercial Services	CHORD	92	61	(31)	(50.8%)	26	26	0	0.0%	The YTD overspend in CHORD is due to income profiling which will be refined through January.
Head of Commercial Services	Cleaning	127	186	59	31.7%	524	524	0	0.0%	The YTD underspend is due to reduced use of bank staff which will be given up for vacancy savings in January.
Head of Commercial Services	Culture, Heritage, Recreation & Sport	4,490	4,424	(66)	(1.5%)	5,815	5,815	0	0.0%	The YTD overspend is due to higher than anticipated essential central repair costs within council buildings.

Head of Commercial Services	Events & Commercial Catering	190	71	(119)	(167.6%)	138	138	0	0.0%	The YTD overspend is due to an under recovery of income caused by the closure of the Civic Centre Café which has now reopened for staff only and reduced footfall within Kilmory Canteen. There is also an under recovery of income within Events as a result of the slow recovery from the pandemic.
Head of Commercial Services	Property Portfolio	(95)	(161)	(66)	41.0%	(194)	(194)	0	0.0%	The YTD overspend is due to upgrading work within Dunoon Food Bank and re-instatement costs for 83-85 East Clyde Street.
Head of Commercial Services	Property Services	879	728	(151)	(20.7%)	660	660	0	0.0%	The YTD overspend is largely due to a variance within Renewable Energy due to a delay in the receipt of income from renewable schemes.
Head of Commercial Services	Shared Offices	727	777	50	6.4%	979	979	0	0.0%	The YTD underspend is due to the profiling of the central repairs budget which will be refined through January.
		<b>7,677</b>	<b>7,372</b>	<b>(305)</b>	<b>(4.1%)</b>	<b>10,258</b>	<b>10,258</b>	<b>0</b>	<b>0.0%</b>	
Head of Education	Additional Support for Learning	7,109	7,307	198	2.7%	10,380	10,380	0	0.0%	The YTD underspend is due to delays in recruitment within Pupil Support Teachers and Additional Support Needs Assistants.
Head of Education	Central/Management Costs	1,474	1,459	(15)	(1.0%)	2,047	2,047	0	0.0%	Outwith Reporting Criteria
Head of Education	Community Learning & Development	6	5	(1)	(20.0%)	1	1	0	0.0%	The YTD overspend is due to the budget profile and will be refined through January.
Head of Education	COVID	1,010	706	(304)	(43.1%)	1,217	1,217	0	0.0%	The YTD overspend is due to the budget profile of Covid funding which will be refined through January.
Head of Education	Early Learning & Childcare	3,039	3,189	150	4.7%	9,118	9,118	0	0.0%	The YTD underspend is due to the delay in staffing structures being fully implemented. There is also an underspend in healthy snacks which is profile related and will be refined through January according to pupil numbers.



Head of Education	Primary Education	25,488	24,831	(657)	(2.7%)	35,437	35,437	0	0.0%	The YTD overspend of £657k is mainly due to the late receipt of income from the SG for PEF and the budget profile will be adjusted to reflect this. There is also an overspend within Primary HQ due to higher than anticipated minor repairs within schools.
Head of Education	Pupil Support	1,667	1,638	(29)	(1.8%)	2,528	2,831	(303)	(12.0%)	There is a YTD overspend of £30k in Schools Residential Placements and £5k in Home and Hospital Tuition, offset by other small YTD underspends. It is likely that both will continue to be a pressure through 2022/23 and a forecast projection to reflect this has been processed.
Head of Education	Schools - Central Services	1,372	1,915	543	28.4%	2,548	2,148	400	15.7%	The YTD underspend is due to £91k income being received for STEM projects that requires profiling. Budget held centrally following a review of school formula and profiling within the SEEMIS budget which will be refined through January. The forecast underspend is due to funding held centrally which has been freed up following the review of the teacher staffing formulas and the annual review of school entitlements.
Head of Education	Secondary Education	24,559	25,261	702	2.8%	35,449	34,949	500	1.4%	The YTD underspend is mainly due to underspends within secondary schools staffing budgets. Under the Scheme of Devolved School Management (DSM) schools are permitted flexibility at yearend, therefore no forecast variance has been processed in relation to this. There are a number of staffing underspends (that do not fall within DSM) due to funding held centrally which has been freed up following the review of the teacher staffing

										formulas and the annual review of school entitlements. A forecast variance has now been processed to reflect the expected year end position. Both above are partially offset by the late receipt of PEF funding from the SG and the budget profile will be refined through January.
		<b>65,724</b>	<b>66,311</b>	<b>587</b>	<b>0.9%</b>	<b>98,725</b>	<b>98,128</b>	<b>597</b>	<b>0.6%</b>	
Head of Legal & Regulatory Support	Central/Management Costs	175	177	2	1.1%	263	263	0	0.0%	Outwith Reporting Criteria
Head of Legal & Regulatory Support	Community Safety	124	97	(27)	(27.8%)	177	177	0	0.0%	The YTD overspend is profile related and will be refined through January.
Head of Legal & Regulatory Support	Elections	234	206	(28)	(13.6%)	386	386	0	0.0%	The YTD overspend is due to budget profiling which will be refined through January.
Head of Legal & Regulatory Support	Governance	492	517	25	4.8%	791	791	0	0.0%	Outwith Reporting Criteria
Head of Legal & Regulatory Support	Governance, Risk & Safety	394	394	0	0.0%	554	554	0	0.0%	Outwith Reporting Criteria
Head of Legal & Regulatory Support	Legal Services	367	394	27	6.9%	679	679	0	0.0%	Outwith Reporting Criteria
Head of Legal & Regulatory Support	NPDO and Hub Schools	11,287	11,467	180	1.6%	14,424	14,424	0	0.0%	The YTD underspend is due to profiling of Third Party Payments and the timing of associated recharge income from Education.
Head of Legal & Regulatory Support	Procurement, Commercial and Contract Management	745	802	57	7.1%	1,160	1,160	0	0.0%	The YTD underspend is due to delays in filling vacancies within Procurement and Commissioning.
Head of Legal & Regulatory Support	Trading Standards & Advice Services	581	567	(14)	(2.5%)	743	743	0	0.0%	Outwith Reporting Criteria
		<b>14,399</b>	<b>14,621</b>	<b>222</b>	<b>1.5%</b>	<b>19,177</b>	<b>19,177</b>	<b>0</b>	<b>0.0%</b>	
		<b>88,063</b>	<b>88,574</b>	<b>511</b>	<b>0.6%</b>	<b>128,603</b>	<b>128,006</b>	<b>597</b>	<b>0.5%</b>	

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

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

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

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

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

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

## EXECUTIVE DIRECTOR (DOUGLAS HENDRY) – SUBJECTIVE SUMMARY AS AT 31 DECEMBER 2022

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	67,571	70,127	2,556	3.6%	99,229	98,329	900	0.9%	<p><b>Non-Education:</b> The YTD overspend of £21k is due to an overspend of £83k within Commercial Services catering and events offset by an underspend of £62k within Legal and Regulatory due to delays in recruitment in Procurement and Commissioning.</p> <p><b>Education:</b> The YTD underspend of £2.577m is largely due to employee budgets within schools and learning centres which is higher as pay award has not been agreed yet. Under the Scheme of Devolved School Management (DSM) schools are permitted flexibility at yearend, therefore no forecast variance has been processed in relation to this. There a number of staffing underspends that do not fall within DSM and a forecast variance has now been processed to reflect year end position.</p>
Premises	5,297	4,857	(440)	(9.1%)	7,349	7,349	0	0.0%	<p><b>Non-Education:</b> The YTD overspend of £76k is largely due to contractor costs for surplus properties.</p> <p><b>Education:</b> The YTD overspend of £364k is in part due to demolition costs for Hermitage PS and other school estate property adaptations not covered by the CRA budgets. Position will be monitored in relation to potential recovery of insurance monies in respect of Hermitage PS.</p>
Supplies and Services	8,613	9,020	407	4.5%	11,988	11,988	0	0.0%	<p><b>Non-Education:</b> The YTD overspend of £239k is profile related and will be refined through January..</p> <p><b>Education:</b> The YTD underspend of £646k is mainly due to the profiling of Pupil Equity Funding Expenditure Budget Allocations from the Scottish Government and the SEEMIS budget which will all be refined through January.</p>
Transport	273	232	(41)	(17.7%)	353	353	0	0.0%	<p><b>Non-Education:</b> The YTD overspend of £6k is profile related and will be refined through January.</p> <p><b>Education:</b> The YTD overspend of £35k is due to higher than anticipated staff travel costs including acting posts and additional costs of school to college transport/ASN support.</p>
Third Party	30,200	29,598	(602)	(2.0%)	41,021	41,324	(303)	(0.7%)	<p><b>Non-Education:</b> The YTD overspend of £68k is due to budget profiling that requires refining through January.</p> <p><b>Education:</b> The YTD overspend of £534k is largely down to profiling within COVID budgets, 100 day promise funding and Universal Free School Meal Expansion which will be refined through January. There is also a YTD overspend within the Schools Residential Budget for which a forecast variance has been processed.</p>
Income	(23,891)	(25,260)	(1,369)	5.4%	(31,337)	(31,337)	0	0.0%	<p><b>Non-Education:</b> The £333k YTD over-recovery is due to NPDO recharges to Education and profiling within Catering, Cleaning and shared offices. This is partially offset by YTD under-recovery within Renewable Energy due to income profiling and accruals.</p> <p><b>Education:</b> The £1.701m YTD under-recovery of income is mainly due to late receipt of £1.4m income from the SG for PEF funding, the budget profile will be refined through January, and the profiling of school meal income in Primary and Secondary Schools which will also be refined through January.</p>
<b>Totals</b>	<b>88,063</b>	<b>88,574</b>	<b>511</b>	<b>0.6%</b>	<b>128,603</b>	<b>128,006</b>	<b>597</b>	<b>0.5%</b>	

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

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

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

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

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

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

## EXECUTIVE DIRECTOR (DOUGLAS HENDRY) – RED VARIANCES AS AT 31 DECEMBER 2022

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Education - Pupil Support	2,433	2,736	(303)	(12.5%)	Higher than anticipated demand for placements within Residential Schools (£268k) and Home and Hospital Tuition (£35k).
Education - Schools - Central Services	2,521	2,121	400	15.9%	Forecast underspend in employee costs due to funding held centrally which has been freed up following the review of the teacher staffing formulas and the annual review of school staffing entitlements.
Education - Secondary Education	35,364	34,864	500	1.4%	Forecast underspend in employee costs due to funding held centrally which has been freed up following the review of the teacher staffing formulas and the annual review of school entitlements.

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

## EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – AS AT 31 DECEMBER 2022

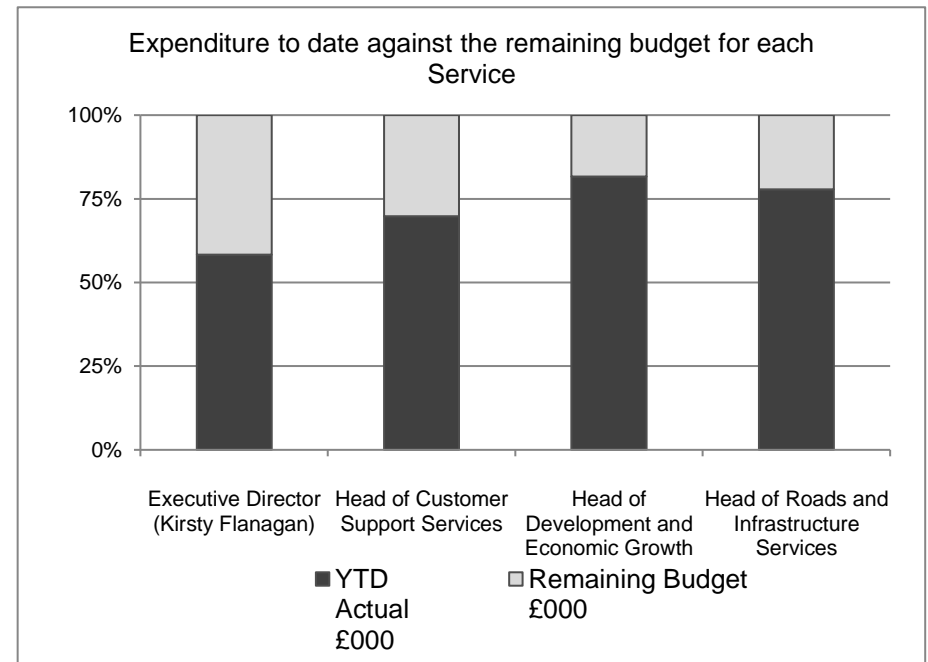
The department is currently forecasting an overspend of £0.740m (1.5%) for the year. This is due to an under-recovery of income in Piers and Harbours, an overspend in Waste employee costs due to sickness absence cover, landfill tax increases and a back-payment for an increased tonnage rate for Waste Disposal from one of our suppliers. These are partially offset with additional income in Crematoria, Commercial Waste, Building Control and Private Water Supply Appraisals plus an underspend in Directorate due to budget no longer being needed.

The department has a year to date overspend of £3.417m (10.0%). This is mainly due to income being behind profile in the Roads Operational Holding Account due to Capital project timing, which is difficult to profile, and the under-recovery of income in Piers and Harbours.

### Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Executive Director (Kirsty Flanagan)	331	199	132	132	0
Head of Customer Support Services	8,055	7,995	60	0	60
Head of Development and Economic Growth	10,151	10,124	27	420	(393)
Head of Roads and Infrastructure Services	30,385	31,344	(959)	(854)	(105)
<b>Totals</b>	<b>48,922</b>	<b>49,662</b>	<b>(740)</b>	<b>(302)</b>	<b>(438)</b>

### Year to Date Position



### Key Financial Successes:

At the end of financial year 2021-22 the department showed an overall underspend of £0.574m after taking into account all earmarkings. The main underspends were due to the over-recovery of vacancy savings, additional income in Environmental Health from Private Water Supply Appraisals and additional Planning Fee income which was partially offset by the under-recovery of Building Warrant income. Overall there was a favourable net position.

<b>Key Financial Challenges:</b>	<b>Proposed Actions to address Financial Challenges:</b>
The impact of COVID-19	Costs are being monitored and contained where possible.
Department / Service ongoing ability to meet future savings / efficiency requirements.	Monitoring of trends / expenditure levels / service configuration and the Service Packages Policy Options savings process.
Dangerous buildings costs as there is no budget for this expenditure and the council has no control over the demand for the service.	Building Standards, Legal Services and Financial Services are working closely to manage debt recovery and to consider other options to minimise corporate risk exposure.
<p>Due to the nature of the various components of Waste Management there are ongoing challenges with:</p> <ul style="list-style-type: none"> <li>• The introduction of the Deposit Return Scheme</li> <li>• Uncertainty with recycling income/ gate fee costs due to the volatility of the market</li> <li>• Challenges in the legislative changes around the disposal of Biodegradable Municipal Waste</li> </ul>	To closely monitor all service components of Waste Management and review the Waste Strategy in conjunction with our contractual partner Renewi (previously Shanks).
Winter Maintenance costs are difficult to estimate as they are very much dependant on the weather.	Close monitoring of Winter Maintenance and reporting of the financial implications through the budget monitoring process. The Council agreed the winter policy, setting out the intervention level and locations to be treated. The number of treatments is determined by weather conditions. The current budget provision provides for 58 full equivalent runs. There is a sophisticated weather monitoring system in place consisting of several weather stations, this is supported by a forecasting and meteorological service which is collaboratively procured by West of Scotland local authorities.
Rising cost of materials across the service will result in a reduction in activity or overspends. Specifically there have been significant increases in the price of salt and bitumen in recent months.	Costs are monitored regularly and contained as much as possible, with any unavoidable overspends highlighted as soon as known.



## EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – OBJECTIVE SUMMARY AS AT 31 DECEMBER 2022

Service	Service Area	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Executive Director (Kirsty Flanagan)	Central/Management Costs	193	168	(25)	(14.9%)	331	199	132	39.9%	The YTD overspend is due to one-off consultancy costs. Forecast variance relates to budget harvested across the department from previous years which is no longer needed.
		<b>193</b>	<b>168</b>	<b>(25)</b>	<b>(14.9%)</b>	<b>331</b>	<b>199</b>	<b>132</b>	<b>39.9%</b>	
Head of Customer Support Services	Central/Management Costs	126	120	(6)	(5.0%)	164	164	0	0.0%	Outwith Reporting Criteria.
Head of Customer Support Services	Communications	170	220	50	22.7%	311	311	0	0.0%	The YTD underspend is due to a vacancy in the Communications Team being used to fund agency staff for the remainder of the year.
Head of Customer Support Services	Customer Service Centres	1,144	1,020	(124)	(12.2%)	1,379	1,379	0	0.0%	Drawdown from earmarking to be done in relation to Main/dev comp software. Under recovery of income in print room.
Head of Customer Support Services	HR	1,575	1,508	(67)	(4.4%)	2,145	2,085	60	2.8%	Profiling of Income recharges. Vacancy Savings needing realligned.
Head of Customer Support Services	ICT	2,599	2,573	(26)	(1.0%)	4,015	4,015	0	0.0%	Outwith Reporting Criteria.
Head of Customer Support Services	Registrars	9	6	(3)	(50.0%)	41	41	0	0.0%	Minor variance relating to income timing.
		<b>5,623</b>	<b>5,447</b>	<b>(176)</b>	<b>(3.2%)</b>	<b>8,055</b>	<b>7,995</b>	<b>60</b>	<b>0.7%</b>	
Head of Development & Economic Growth	Airports	981	930	(51)	(5.5%)	1,182	1,182	0	0.0%	Petrol stock purchased in advance of resale.
Head of Development	Building Control	(321)	(100)	221	(221.0%)	(93)	(113)	20	(21.5%)	Variance due to over-recovery of Building Warrant income.

& Economic Growth											Forecast variance less than YTD due to timing and profile of income budget.
Head of Development & Economic Growth	Central/Management Costs	403	421	18	4.3%	590	590	0	0.0%		Outwith Reporting Criteria.
Head of Development & Economic Growth	Culture & Heritage	141	104	(37)	(35.6%)	218	218	0	0.0%		Expenditure for Events and Festivals - earmarked reserve to be drawn down to cover.
Head of Development & Economic Growth	Development Management	(448)	122	570	467.2%	264	264	0	0.0%		Additional Planning Fee income which is planned to be used to fund additional resources.
Head of Development & Economic Growth	Development Policy	302	302	0	0.0%	428	428	0	0.0%		Outwith Reporting Criteria.
Head of Development & Economic Growth	Economic Development	2,452	2,775	323	11.6%	2,853	2,853	0	0.0%		Income for Islands Infrastructure Fund and Place Based Investment received in advance of payments offset against outstanding claims for UK Community Renewal Fund.
Head of Development & Economic Growth	Environmental Health	873	818	(55)	(6.7%)	1,236	1,229	7	0.6%		Delay in Private Water Supply grant. Forecast variance relates to additional income for Water Supply Appraisals offset with a reduction in Fish Export income and additional expenditure for supplies and services.
Head of Development & Economic Growth	Environmental Initiatives	105	82	(23)	(28.1%)	117	117	0	0.0%		Profile of third party payment.
Head of Development & Economic Growth	Housing	3,539	3,399	(140)	(4.1%)	3,130	3,130	0	0.0%		HEEPS expenditure incurred in advance of income being claimed for which is offset against an underspend in Private Sector Housing Grant payments.
Head of Development & Economic Growth	Private Landlords	(11)	0	11	0.0%	0	0	0	0.0%		Outwith Reporting Criteria.

Head of Development & Economic Growth	Transportation Policy	275	159	(116)	(73.0%)	226	226	0	0.0%	Expenditure incurred for CWSS and SUSTRANS prior to grant being claimed.
		<b>8,291</b>	<b>9,012</b>	<b>721</b>	<b>8.0%</b>	<b>10,151</b>	<b>10,124</b>	<b>27</b>	<b>0.3%</b>	
Head of Roads & Infrastructure Services	Amenity	2,911	2,798	(113)	(4.0%)	3,255	3,356	(101)	(3.1%)	Forecast variance relates to an over-recovery of income in Crematoria offset with overspends in employee costs, under-recovery of income in Parks for Hire of Facilities income, Pest Control for external income and Public Convenience income.
Head of Roads & Infrastructure Services	Car Parking	(430)	(578)	(148)	25.6%	(604)	(604)	0	0.0%	Under-recovery of DPE income partially offset with additional parking income and underspend in Car Park Maintenance.
Head of Roads & Infrastructure Services	Central/Management Costs	2,346	2,328	(18)	(0.8%)	2,869	2,869	0	0.0%	Outwith Reporting Criteria.
Head of Roads & Infrastructure Services	Depots	283	212	(71)	(33.5%)	(469)	(469)	0	0.0%	Additional costs for Kilmory Depot for rationalisation project.
Head of Roads & Infrastructure Services	Fleet & Transport	6,766	6,308	(458)	(7.3%)	8,720	8,720	0	0.0%	Overspend due to vehicle repairs in Fleet, additional staff costs in Pupil Transport which are partially offset with an underspend in Public Transport.
Head of Roads & Infrastructure Services	Infrastructure	572	509	(63)	(12.4%)	722	722	0	0.0%	Profile of budget out of line with payments.
Head of Roads & Infrastructure Services	Marine	(3,550)	(4,105)	(555)	13.5%	(3,871)	(3,432)	(439)	11.3%	Under-recovery of income in Piers and Harbours.
Head of Roads & Infrastructure Services	Network & Traffic Management	164	78	(86)	(110.3%)	139	139	0	0.0%	Under-recovery of income for Traffic Regulation Orders and New Roads and Street Works Act.

Head of Roads & Infrastructure Services	Road Safety	77	90	13	14.4%	145	145	0	0.0%	Minor underspend in supplies and services.
Head of Roads & Infrastructure Services	Roads & Lighting	6,291	4,009	(2,282)	(56.9%)	6,371	6,371	0	0.0%	Delays in recharges to capital budget resulting in a reduction in income in the Roads Operational Holding Account, this should be rectified as we continue through the year and the recharges are processed.
Head of Roads & Infrastructure Services	Waste	8,220	8,064	(156)	(1.9%)	13,108	13,527	(419)	(3.2%)	Forecast overspend relates to additional expenditure due to increased disposal fees, offset against additional income received for Commercial Refuse.
		<b>23,650</b>	<b>19,713</b>	<b>(3,937)</b>	<b>(20.0%)</b>	<b>30,385</b>	<b>31,344</b>	<b>(959)</b>	<b>(3.2%)</b>	
		<b>37,757</b>	<b>34,340</b>	<b>(3,417)</b>	<b>(10.0%)</b>	<b>48,922</b>	<b>49,662</b>	<b>(740)</b>	<b>(1.5%)</b>	

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

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

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

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

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

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

## EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – SUBJECTIVE SUMMARY AS AT 31 DECEMBER 2022

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	25,933	26,181	248	1.0%	37,163	37,077	86	0.2%	Underspend in Roads Operational Holding Account which will be offset against reduction in income. Forecast variance relates to savings in transport and staff training offset against additional staffing costs in Waste to cover sickness absence.
Premises	1,606	1,591	(15)	(0.9%)	3,034	3,034	0	0.0%	Outwith Reporting Criteria.
Supplies and Services	8,464	7,368	(1,096)	(14.9%)	10,189	10,192	(3)	(0.0%)	Material expenditure in the Roads Operational Holding Account higher than the profiled budget due to high level of capital expenditure, this will be offset with an increase in income as recharges are processed against capital throughout the year. Forecast variance relates to small overspend for Environmental Health for Sampling costs.
Transport	9,328	8,190	(1,138)	(13.9%)	16,051	16,302	(251)	(1.6%)	Overspend due to vehicle repairs and additional external leases. Forecast variance relates to Waste vehicle repairs and fuel costs.
Third Party	32,175	27,933	(4,242)	(15.2%)	39,525	40,127	(602)	(1.5%)	Recharges from Roads Operational Holding Account higher than the profiled budget, this will be offset with an increase in income as recharges are processed. Various grant payments made in Economic Development and Housing which are offset against actual income received. Forecast variance relates to Waste Disposal payment regarding increased disposal fees and additional staffing recharges in Amenity and Waste to cover sickness absence.
Capital Financing	0	0	0	0.0%	1,979	1,979	0	0.0%	Outwith Reporting Criteria.
Income	(39,749)	(36,923)	2,826	(7.7%)	(59,019)	(59,049)	30	(0.1%)	Forecast variance relates to an under-recovery of income in Piers and Harbours offset with an over-recovery of Commercial Refuse Income in Waste, Water Supply Appraisals and Crematorium income. YTD variance also includes a delay in recharges to capital resulting in a reduction in income in the Roads Operational Holding Account offset against income for Islands Infrastructure Fund and Place Based Investment received in advance of payments.
<b>Totals</b>	<b>37,757</b>	<b>34,340</b>	<b>(3,417)</b>	<b>(10.0%)</b>	<b>48,922</b>	<b>49,662</b>	<b>(740)</b>	<b>(1.5%)</b>	

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## EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – RED VARIANCES AS AT 31 DECEMBER 2022

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Directorate	132	0	132	100.0%	Unallocated budget saving.
HR	93	33	60	64.5%	Reduction in staff training.
Crematoria	(496)	(581)	85	(17.1%)	Additional income in Cardross Crematorium.
Environmental Health	(66)	(116)	50	(75.8%)	Additional income for Appraisal of Water Supplies.
Planning	(1,181)	(1,236)	55	(4.7%)	Additional planning fee income.
Waste Collection	34	84	(50)	(147.1%)	Overspend in vehicle repairs.
Waste Collection	470	551	(81)	(17.2%)	Overspend in fuel.
Waste Collection	(1,692)	(2,112)	420	(24.8%)	Additional income for Commercial Refuse.
Waste Disposal	189	523	(334)	(176.7%)	Additional expenditure for increase in disposal fees.
Waste Disposal PPP	6,487	6,571	(84)	(1.3%)	Landfill tax increase due to banding changes.
Marine	(1,656)	(1,217)	(439)	26.5%	Under-recovery of income.

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

## SOCIAL WORK – AS AT 31 DECEMBER 2022

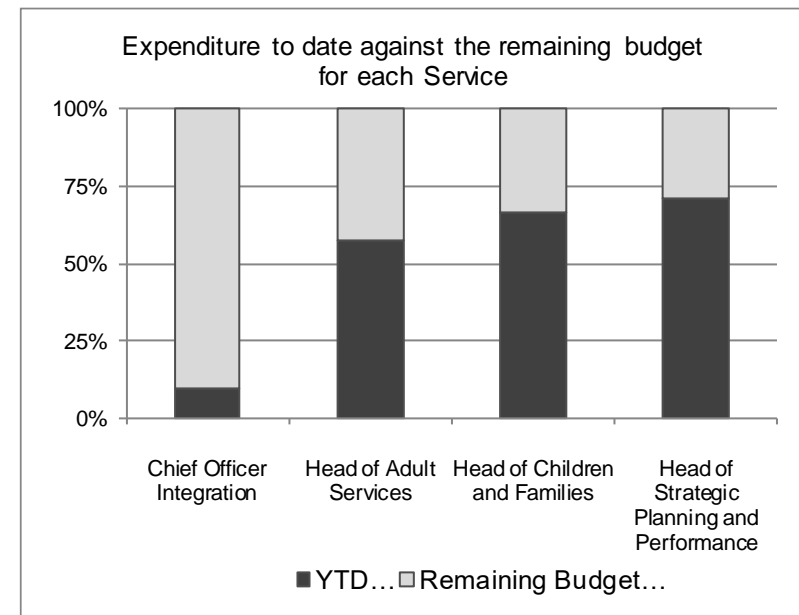
The department is currently forecasting an overspend of £0.253m (0.3%) which is mainly due to high demand for services and the use of agency staff to fill staffing recruitment and retention gaps across Adult Services.

The department has a year to date underspend of £1.301m (3.0%) which is mainly due to the timing of payments, budget profiling across services and demand for purchased Children’s Services. This is partially offset by high demand for services across Adult Services and staffing pressures, including the use of agency staff, across Homecare and Older People Residential Units.

### Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Chief Officer Integration	2,790	490	2,300	2,300	0
Head of Strategic Planning and Performance	455	450	5	5	0
Head of Health and Community Care	38,003	39,162	(1,159)	(1,159)	0
Head of Acute and Complex Care	17,156	18,866	(1,710)	(1,710)	0
Head of Children and Families	15,419	15,108	311	311	0
<b>Totals</b>	<b>73,823</b>	<b>74,076</b>	<b>(253)</b>	<b>(253)</b>	<b>0</b>

### Year to Date Position



### Key Financial Successes:

Delivered an underspend at the end of 2021/22 after automatic earmarkings and full repayment of £2.759m of debt owed to the Council for prior year deficits. This should allow for future investment and transformation across Social Work with prior year deficits now fully repaid.

<b>Key Financial Challenges:</b>	<b>Proposed Actions to address Financial Challenges:</b>
Deliver the outstanding savings total for 2022/23 of £0.425m (as at December 2022).	Maintain a close working relationship with the HSCP Service Improvement Team in order to quickly and efficiently identify and assess options for delivering the outstanding savings.
Development and delivery of future service redesigns which will be necessary to contain service expenditure within the allocated resource in the medium to long term.	Support from finance to assist strategic managers to look beyond the short term to identify and plan the changes which will be needed to address the expected ongoing budget challenge over the next 3 to 5 years.
Support the HSCP through the recovery from the COVID-19 pandemic. There have been additional costs and pressures across the HSCP as a direct result of the partnership's response to COVID-19. These costs are captured and reported to the Scottish Government via Mobilisation Plans.	Support from finance to assist the service in capturing details of all additional costs associated with the response to COVID-19 to ensure these are included in Scottish Government funding returns.
Use of agency staff to support service delivery across Social Work, but particularly in Older People services, due to recruitment and retention challenges within the service. Year to date spend £1.247m, with a forecast spend of £1.576m at December 2022.	Close working relationship with the HSCP to support the costing of a recovery plan to stabilise the service and ensure it is operationally and financially sustainable.



## SOCIAL WORK – OBJECTIVE SUMMARY AS AT 31 DECEMBER 2022

Service	Service Area	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Chief Officer Integration	Integration Headquarters	225	282	57	20.2%	449	445	4	0.9%	The YTD position is as a result of over-recovery of income for a post recharged to Scottish Government partially offset by timing of payments to Health Boards. The forecast variance is outwith reporting criteria.
Chief Officer Integration	Social Work Central Support	52	1,126	1,074	95.4%	2,341	45	2,296	98.1%	The YTD variance is due to underspends on centrally held funds (£1.432m) and YTD underspends on central repairs (£21k) combined with income over-recovery for Covid-19 income loss from charges to clients and funding for Staff Bonus Payments (£54k). This is partially offset by YTD overspend on Covid-19 expenditure due to timing of receipt of funding allocations (£273k) and YTD vacancy savings under-recovery (£140k). These will both be rectified in January through budget profiling and funding allocations. The forecast underspend reflects forecast underspends on centrally held funds (£2.1m) combined with forecast over-recovery on vacancy savings (£650k) and additional Covid-19 funding (£54k). This is partially offset by a £500k provision for the unfunded impact of the 2022/23 pay award across Social Work.
		<b>277</b>	<b>1,408</b>	<b>1,131</b>	<b>115.6%</b>	<b>2,790</b>	<b>490</b>	<b>2,300</b>	<b>99.0%</b>	
Head of Strategic Planning & Performance	Management & Central Costs	301	313	12	3.8%	431	424	7	1.6%	Outwith reporting criteria.
Head of Strategic	Service Development	22	21	(1)	(4.8%)	24	26	(2)	(8.3%)	Outwith reporting criteria.

Planning & Performance										
		323	334	11	(0.9%)	455	450	5	(6.7%)	
Head of Health and Community Care	Management & Central Costs	330	400	70	17.5%	489	487	2	0.4%	The YTD position is due to an over-recovery of income as a result of a post recharge to Scottish Government combined with budget profiling and timing of payments to third parties. The forecast variance is outwith reporting criteria.
Head of Health and Community Care	Older People Care	21,505	22,006	501	2.3%	37,514	38,675	(1,161)	(3.1%)	The YTD underspend is a result of an over-recovery of income in Homecare, Care Home Placements and Residential Units and payroll underspends in the Assessment and Care Management teams due to staff vacancies and posts being filled by NHS staff. This is further increased by budget profiling/timing of payments for purchased services in Older People. This is partially offset by YTD overspends on staffing in Homecare and Residential Units (including spend on agency) and as a result of demand for Care Home Placements. The forecast overspend reflects demand for Care Home Placements and Homecare as well the use of Agency staff across Assessment and Care Management, Homecare and Residential Units.
		<b>21,835</b>	<b>22,406</b>	<b>571</b>	<b>2.6%</b>	<b>38,003</b>	<b>39,162</b>	<b>(1,159)</b>	<b>(3.0%)</b>	
Head of Acute and Complex Care	Learning Disabilities	6,700	5,898	(802)	(13.6%)	12,032	13,479	(1,447)	(12.0%)	The YTD overspend is due to demand for services within Supported Living and Residential Placements combined with slippage against budget savings targets (£261k). This is partially offset by underspends in the Day Services. The forecast overspend reflects higher than budgeted demand for services in Supported Living (£663k) and Joint Residential (£527k) combined with slippage in

										achievement of budget savings (£305k). This is partially offset by forecast underspends on Day Services.
Head of Acute and Complex Care	Management & Central Costs	69	90	21	23.3%	126	122	4	3.2%	The YTD position is as a result of budget profiling and timing of payments to third parties and on staff training. The forecast variance is outwith reporting criteria.
Head of Acute and Complex Care	Mental Health	1,280	1,217	(63)	(5.2%)	2,343	2,444	(101)	(4.3%)	The YTD overspend is due to budget profiling and timing of income receipts and payments to other bodies for purchased services. The forecast overspend reflects higher than budgeted demand for services in Supported Living (£19k) and Residential Placements (£85k).
Head of Acute and Complex Care	Physical Disability	1,801	1,765	(36)	(2.0%)	2,655	2,821	(166)	(6.3%)	Outwith reporting criteria. The forecast overspend reflects higher than budgeted demand for services in Supported Living (£85k) and Residential Placements (£80k).
		<b>9,850</b>	<b>8,970</b>	<b>(880)</b>	<b>2.5%</b>	<b>17,156</b>	<b>18,866</b>	<b>(1,710)</b>	<b>(19.4%)</b>	
Head of Children & Families	Child Protection	2,070	2,183	113	5.2%	3,259	3,228	31	1.0%	The YTD underspend is due budget profiling and timing of payments to other bodies and health boards as well as underspends on staff travel and subsistence all partially offset by timing of receipt of income from other bodies. The forecast variance is outwith reporting criteria.
Head of Children & Families	Children with a Disability	584	665	81	12.2%	964	966	(2)	(0.2%)	The YTD underspend is as a result of budget profiling and timing of payments to other bodies. The forecast variance is outwith reporting criteria.
Head of Children & Families	Criminal Justice	40	64	24	37.5%	126	110	16	12.7%	The YTD underspend is as a result of staff turnover and vacancies combined with underspends on staff travel and subsistence as a result. The forecast underspend is on payments to other local authorities combined with staff travel and

										subsistence partially offset by a forecast overspend on payroll costs.
Head of Children & Families	Looked After Children	5,313	5,563	250	4.5%	7,792	7,502	290	3.7%	The YTD underspend is due to underspends in Fostering and Adoption due to demand for these services combined with underspends on Residential Placements and over-recovery of income in Supporting Young People Leaving Care from the Home Office for UASC. This is all partially offset by overspends on staff costs in the Children's Houses and Hostels. The forecast underspend reflects demand for Fostering, Adoption and Residential Placements as well as over-recovery of income across Supporting Young People Leaving Care for UASC activity from the Home Office. This is partially offset by overspends in the Children's Houses and Hostels on payroll costs and on service provision at Castlewood Court.
Head of Children & Families	Management & Central Costs	2,246	2,246	0	0.0%	3,278	3,302	(24)	(0.7%)	Outwith reporting criteria.
		<b>10,253</b>	<b>10,721</b>	<b>468</b>	<b>4.4%</b>	<b>15,419</b>	<b>15,108</b>	<b>311</b>	<b>2.0%</b>	
<b>GRAND TOTAL</b>		<b>42,538</b>	<b>43,839</b>	<b>1,301</b>	<b>3.0%</b>	<b>73,823</b>	<b>74,076</b>	<b>(253)</b>	<b>(0.3%)</b>	

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## SOCIAL WORK – SUBJECTIVE SUMMARY AS AT 31 DECEMBER 2022

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	22,870	22,335	(535)	<b>(2.4%)</b>	32,419	33,907	(1,488)	<b>(4.6%)</b>	Both the YTD overspend and forecast overspend is due to overspends in Residential Units (both children and adults) and across Homecare as a result of use of bank, agency staff and overtime.
Premises	802	711	(91)	<b>(12.8%)</b>	1,140	1,299	(159)	<b>(14.0%)</b>	The YTD overspend is as a result of budget profiling on the refuse collection budgets and overspends on rental costs. The forecast overspend is due to rental costs across the Service and utility costs at the Hostels.
Supplies & Services	1,393	1,017	(376)	<b>(37.0%)</b>	1,000	1,391	(391)	<b>(39.1%)</b>	The YTD overspend reflects slippage on the achievement of budget savings and YTD overspends on small tools and equipment due to timing of purchases at the Equipment Store, staff subsistence at Tigh a Rudha, laundry costs at Ardfenaig and fees in relation to the transfer of Kintyre Care Centre. The forecast overspend is mainly due to forecast slippage on budget savings (£305k) combined with overspends on staff subsistence at Tigh a Rudha and across various other supplies and services at the Adult Services Residential Units.
Transport	408	475	67	<b>14.1%</b>	631	557	74	<b>11.7%</b>	The YTD underspend is due to various travel underspends across the service which is to be expected due to the changes to travel habits as a result of Covid-19 and the current level of staffing vacancies across the service. The forecast year end outturn reflects the continued reduction in travel costs across the service and an expectation that different ways of working will continue to reduce future spending on travel.
Third Party	38,634	39,917	1,283	<b>3.2%</b>	62,248	62,034	214	<b>0.3%</b>	The YTD underspend reflects timing of payments across services and subsequent budget profiling as well as YTD underspends on unallocated centrally held funding. The forecast underspend is as a result of demand for purchased care services across Fostering and Adoption as well as underspends on unallocated centrally held funding. This is partially offset by

									demand for purchased care services across Adult Services.
Income	(21,569)	(20,616)	953	<b>(4.6%)</b>	(23,615)	(25,112)	1,497	<b>(6.3%)</b>	Both the YTD and forecast over recovery of income is mainly due to increased income from fees, charges and recharges.
<b>Totals</b>	<b>42,538</b>	<b>43,839</b>	<b>1,301</b>	<b>3.0%</b>	<b>73,823</b>	<b>74,076</b>	<b>(253)</b>	<b>(0.3%)</b>	

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## SOCIAL WORK – RED VARIANCES AS AT 31 DECEMBER 2022

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Social Work Central Support	2,341	45	2,296	98.1%	The forecast underspend reflects forecast underspends on centrally held funds (£2.1m) combined with forecast over-recovery on vacancy savings (£650k) and additional Covid-19 funding (£54k). This is partially offset by a £500k provision for the unfunded impact of the 2022/23 pay award across Social Work.
Looked After Children	7,792	7,502	290	3.7%	The forecast underspend reflects demand for Fostering, Adoption and Residential Placements as well as over-recovery of income across Supporting Young People Leaving Care for UASC activity from the Home Office. This is partially offset by overspends in the Children's Houses and Hostels on payroll costs and on service provision at Castlewood Court.
Older People	37,514	38,675	(1,161)	(3.1%)	The forecast overspend reflects demand for Care Home Placements and Homecare as well the use of Agency staff across Assessment and Care Management, Homecare and Residential Units.
Physical Disability	2,655	2,821	(166)	(6.3%)	The forecast overspend reflects higher than budgeted demand for services in Supported Living (£85k) and Residential Placements (£80k).
Learning Disability	12,032	13,479	(1,447)	(12.0%)	The forecast overspend reflects higher than budgeted demand for services in Supported Living (£663k) and Joint Residential (£527k) combined with slippage in achievement of budget savings (£305k). This is partially offset by forecast underspends on Day Services.
Mental Health	2,343	2,444	(101)	(4.3%)	The forecast overspend reflects higher than budgeted demand for services in Supported Living (£19k) and Residential Placements (£85k).

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

## MONITORING OF SAVINGS – AS AT 31 DECEMBER 2022

New policy savings were identified for the three year period 2022-23 to 2024-25 and these were agreed by Council in February 2022. Council agreed to policy savings of £0.280m in 2022-23 rising to £0.286m by 2024-25.

The position of historical policy saving options is as follows:

- 2021/22 – those not delivered or that have further increase in value in 2022-23 onwards total £0.732m
- 2020/21 – those not delivered total £0.050m
- 2019/20 – all delivered
- 2018/19 - those not delivered total £0.498m

The 2022-23 savings have been removed from departmental budgets, however, it is important to monitor whether the saving has actually been delivered to ensure that costs are not continuing resulting in an overspend by the end of the year. It is also important to ensure that any preparatory work required to deliver savings in future years is on track.

There are six savings categorised as having a potential shortfall and one currently delayed as summarised below:

<b>Saving</b>	<b>Saving Agreed</b>	<b>Status</b>	<b>Detail</b>	<b>Shortfall/ Delayed Value</b>
TB07 – Depots	Feb-18	Potential Shortfall - there is a risk that the original saving will not be achieved in full.	Create one main depot in key areas to reduce costs – it has become apparent that the operating costs of the single redeveloped site in each town will increase, reducing the anticipated saving. Work ongoing on a depot consolidation scheme in Lochgilphead and work is progressing to outline various funding options for discussion. A project is also underway for Bowmore.	£107,500
TB13b Roads and Amenity Services charging (non-statutory services)	Feb-18	Potential Shortfall - there is a risk that the original saving will not be achieved in full.	The original proposal was to introduce charges for providing lighting design and increase charges by 20% for road construction consents, skips, scaffolds, hoarding, permits and licences. Whilst some additional income has been generated through third party works, opportunities are expected to be limited over the foreseeable future due to staff shortages and other competing demands.	£100,000



TB12b Stadiums	Feb-18	Potential Shortfall - there is a risk that the original saving will not be achieved in full.	Discussions had stalled with partners in the Oban and Lorn area with regard to Mossfield stadium to create a sports Hub, attract external funding to improve facilities and therefore attract additional events to the arena. The users group has now reconvened and will be reporting to the steering group. It should be noted there is generally a downturn in usage of pitches partly due to more clubs booking all weather pitches at high schools and the loss of a well established club disbanding which will result in the loss of income. The Mossfield Sport Group have highlighted that certain clubs along with the Shinty Associations have expressed concerns with regards to the condition of the Pavilion and changing facilities and this is likely to impact on income. East King Street bookings have reduced due to the condition of the changing facilities and clubs having to play their fixtures elsewhere.	£30,000
DEG05 – Building Standards	Feb-20	Potential Shortfall - there is a risk that the original saving will not be achieved in full.	Building market has slowed due to the increase in cost and availability of some materials. Reservations that the type of applications we receive may not realise sufficient additional income using the BCIS guide.	£50,000
TB09 – Public Conveniences	Feb-18	Delayed - The full saving will not be achieved in line with the original estimated timescale.	Tender returns for the PC charging infrastructure were significantly over budget. Additional funding has now been confirmed via the Coastal Communities Fund which will allow us to deliver the full scheme of 16 PCs. This was confirmed in mid-December which will allow us to let the contract and proceed. This saving will not be achieved this financial year but we would expect at this stage infrastructure to be in place for the start of 23/24 financial year and for the saving to be achieved thereafter.	£24,000
TB17 - Office Rationalisation and Income Generation	Feb-18	Potential Shortfall - there is a risk that the original saving will not be achieved in full.	Analysis of both PROP01 and TB17 has shown that there has been a number of offices that were identified for closure, leasing or sale that are no longer closing, therefore the full saving will not be realised.	£69,000
PROP01 - Office Rationalisation	Feb-21	Potential Shortfall - there is a risk that the original saving	The rationalisation programme has been delayed due to the volume of information required to determine the number of office spaces required for continued service delivery. Analysis	£213,000

		will not be achieved in full.	of both PROP01 and TB17 has shown that there were a number of offices that were identified for closure, leasing or sale that are no longer closing, therefore the full saving will not be realised. Whilst the Our Modern Workspace project is progressing, it is unlikely that overall utilities savings can be achieved given the current pricing and inflationary increases and a change in third party demand for disposals due to economic conditions is likely to impact on NDR savings.	
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All policy saving options previously agreed are noted in the table below for information.

Template Ref	Saving Agreed	Service	Savings Option	2022-23	2022-23	Status of Implementation
				£000	FTE	
<b>Chief Executive's Unit</b>						
FS02	Feb-22	Financial Services	Reduction of vacant 0.4FTE Local Tax Assistant role	10.0	0.40	Delivered
<b>Executive Director Douglas Hendry</b>						
PROP01	Feb-21	Commercial Services	Rationalisation of the Council's property estate over a three year programme to identify properties which can either be disposed of or used to generate commercial income	294.20	4.0	Potential Shortfall
TB17	Feb-18	Commercial Services	Identify opportunities for office rationalisation and raising income	121.50	0.0	Potential Shortfall
CS01	Feb-22	Commercial Services	Climate Change & Resource Efficiency	63.0	0.00	On Track to be Delivered
CS03	Feb-22	Commercial Services	Stretch Targets for One Council Income & Events	20.0	0.00	On Track to be Delivered
ED5	Feb-21	Education	Review and reduce Clerical Support Entitlement using updated school rolls.	121.00	5.7	Delivered
ED01	Feb-22	Education	Removal of Community Learning Development Manager Post	66.5	1.00	Delivered
<b>Executive Director Kirsty Flanagan</b>						
CSS03	Feb-22	Customer Support Services	Restructure of CSP/Registration Team at Helensburgh Civic Centre	19.0	0.50	Delivered
DEG01	Feb-22	Development and Economic Growth	Crown Estate Administration Contribution to Project Delivery	101.0	0.00	On Track to be Delivered
DEG05(a)	Feb-20	Development and Economic Growth	Raise additional fees by adopting the current Building Cost Information Service (BCIS) guide for the cost of building work. Regular service users have been informed of this change.	50.00	0.0	Potential Shortfall
DEG02	Feb-21	Development and Economic Growth	Reduction to overtime budget in the provision of fire cover at the airports for weather delayed flights. Arrangements are in place that staff no longer remain at the airport and there is a cut-off period.	22.00	0.0	Delivered
DEG07	Feb-21	Development and Economic Growth	Additional income through fees and charges for s64 Non-Material Amendment Submissions, non e-planning application submissions and property history searches	20.00	0.0	Delivered
DEG10	Feb-21	Development and Economic Growth	Maximise income through additional private water supplies income from risk assessments of supplies and introducing a new charge for the provision of shellfish movement documents	17.50	0.0	Delivered
TB07	Feb-18	Roads and Infrastructure Services	Create one main depot in key areas to reduce costs	172.50	0.0	Potential Shortfall
TB13b	Feb-18	Roads and Infrastructure Services	Roads & Amenity Services charging (non-statutory services)	150.00	0.00	Potential Shortfall
R&I17	Feb-21	Roads and Infrastructure Services	Public transport fare scale increase	76.00	0.0	On Track to be Delivered
R&I03	Feb-21	Roads and Infrastructure Services	Administrative support - rationalise across service	50.00	2.0	Delivered
R&I05	Feb-21	Roads and Infrastructure Services	Design service fees - bringing in line with industry standards and reduce cost of consultancy. Two posts created as a spend to save	50.00	-2.0	On Track to be Delivered
R&I09	Feb-21	Roads and Infrastructure Services	Road inspections find and fix - reduce reactive work by proactivity. Moving to AI technology as technology develops	40.00	1.0	On Track to be Delivered
TB12b	Feb-18	Roads and Infrastructure Services	Review charges for stadiums to enable improvement work	30.00	0.0	Potential Shortfall
R&I04	Feb-21	Roads and Infrastructure	Fees and charges - commercial waste, TTROs, permits/licenses. Access to debt	25.00	-1.0	Delivered

**FINANCIAL RISKS ANALYSIS 2022-23**

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**1 EXECUTIVE SUMMARY**

- 1.1 The main purpose of this report is to provide a summary of the key financial risks facing the Council.
- 1.2 A number of Council wide risks, both revenue and capital have been identified along with risks for each department and service of the Council. For each departmental risk the financial impact has been quantified and the likelihood assessed based on the standard risk matrix.
- 1.3 There are 5 Council wide revenue risks identified for 2022-23 currently amounting to £2.290m.
- 1.4 There are currently 41 departmental risks totalling £4.935m. Of the 41 departmental risks, one is categorised as almost certain and 4 are categorised as likely.
- 1.5 The financial risks are monitored routinely and actions put in place to continue to mitigate the risks.

**FINANCIAL RISKS ANALYSIS 2022-23**

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**2. INTRODUCTION**

- 2.1 This report outlines the process and approach developed in carrying out a financial risks analysis and provides a note of the current assessment of financial risks for 2022-23.

**3 DETAIL**

**3.1 Introduction**

- 3.1.1 The Council is currently in a period of significant financial challenge. In developing its budget to address both restricted resources and cost and demand pressures there are a number of financial risks the Council needs to consider and manage.

- 3.1.2 There are a number of risks that affect the income or expenditure across the whole council and these have been identified. Financial risks have been considered by each department and service of the Council.

- 3.1.3 For each risk, the financial impact has been quantified and the likelihood assessed based on the standard risk matrix as follows:

- 1 – Remote
- 2 – Unlikely
- 3 – Possible
- 4 – Likely
- 5 – Almost Certain

- 3.1.4 The Argyll and Bute Integrated Joint Board (IJB) with responsibility for Social Work and a range of Health services was established and came into effect on 1 April 2016. The IJB is responsible for financial and strategic oversight of these services. It is the responsibility of the IJB to consider the individual financial risks associated with Integration Services and they are therefore not contained within this report. A Council wide risk has been included in respect of the IJB being unable to deliver the social care service within the budget allocated.

**3.2 Council Wide Risks**

**Revenue**

- 3.2.1 Utility costs remain a volatile area and it is difficult to accurately predict how the prices could vary. The outturn in respect of utilities for 2021-22 was an underspend of £0.310m which was partly due to fixed price contracts that had

been secured which have now expired. With the volatility of utilities pricing it is very difficult to predict the impact going forward but a financial risk based on a 20% variation in utility costs amounts to £0.706m.

- 3.2.2 The estimated level of council tax income is based on current and forecast Band D equivalents and non-payment rates. This reflects our most recent experience in terms of the council tax base and likely collection rates. A 1% variation in council tax income amounts to approximately £0.553m.
- 3.2.3 At the budget meeting on 24 February 2022, the Council agreed 6 new policy savings options that would deliver savings over the period 2022-23 to 2024-25. The savings to be delivered in 2022-23 amount to £0.280m. Whilst the Council have a good track record in delivering savings, a 10% shortfall on this savings target would amount to £0.028m.
- 3.2.4 In respect of the Health and Social Care Partnership, it is the responsibility of the Chief Officer and Chief Financial Officer to manage the HSCP financial position. If an overspend is forecast, a budget recovery plan will be prepared and submitted to the IJB, the Council and NHS Highland. Where recovery plans are unsuccessful and an overspend occurs at the financial year end, and the HSCP has insufficient reserves to meet the overspend, then the partners will be required to make additional payments to the HSCP. Whilst any additional payments by the Council and NHS Highland will be deducted from future years funding, there is still a financial risk that the Council may have to pay out additional monies in year. As at 31 December 2022, the net HSCP outturn in 2022-23 is estimated to be a £598m overspend (£0.253m from Social Work and £345m from Health).
- 3.2.5 There is an ongoing requirement to fund unavoidable inflationary cost increases in areas like fuel, food etc. This has been predominantly caused by the lack of availability of supply of labour and materials as a result of the COVID-19 pandemic, the UK exit from the European Union, Russia's invasion of Ukraine and sanctions on Russian owned entities. The Bank of England are currently forecasting that inflation will continue to rise until around Quarter 1 of 2023 where after they forecast that it will start to fall. We will continue to closely monitor the situation and update our financial forecasts using the best information available to us.
- 3.2.6 The Council wide risks are noted within the table below.

<b>Description</b>	<b>Likelihood</b>	<b>Assessed Financial Impact £000</b>
Energy costs increase by 20% greater than anticipated	3	706
1% variation in Council Tax Income	2	553
10% shortfall on Savings Options	2	28
IJB refer to Council for additional funding to deliver social work services	3	253
1% variation of General Inflation Risk	4	750
<b>Total</b>		<b>2,290</b>

## Capital

- 3.2.7 The finance settlement announcement on 20 December 2021 provided details of the Local Government funding for 2022-23 and there is therefore certainty as to what our funding is in respect of General Capital Grant and the specific capital grants already distributed.
- 3.2.8 The capital plan for 2022-23 includes an estimate of £1.387m in respect of capital receipts. This is based on an assessment provided by the Special Projects Team in January 2022. A 10% variation equates to £0.139m and this would require to be managed across the capital programme.
- 3.2.9 General feedback from Scotland Excel and the Project Managers indicates that price increases and uncertainty are being experienced as well as disruptions to the supply chain and longer lead times, particularly in relation to the construction sector and material availability. This can be attributed to a number of factors such as the COVID-19 pandemic, UK exit from the European Union, Russia's invasion of Ukraine and sanctions on Russian owned entities, to name a few.
- 3.2.10 The increased rate of inflation impacts costs such as energy prices, labour, packaging and transport. These all have an effect on the overall contract price and make it extremely challenging to manage expenditure and the availability of supply.
- 3.2.11 While it has been possible to estimate the impact of these pressures on some projects, and therefore include those projections within the capital monitoring report, for others it has been more difficult and an overspend has not been forecast at this stage but there are likely to be further significant financial impacts not yet reported within the following projects:
- Rothesay Pavilion
  - Harbour Investment Programme
  - Helensburgh Waterfront Development
  - Universal Free School Meals
- 3.2.12 For those liabilities/risks to the capital programme that were known at the start of 2022-23 it was agreed at the budget meeting in February 2022 to use amounts from the Unallocated General Fund, the 2021-22 Revenue Surplus, COVID-19 specific funding and additional borrowing to mitigate these risks.

### 3.3 Departmental/Service Risks

3.3.1 The detail of each departmental financial risk is included within Appendix 1. The following table provides a summary of the number of risks within each department and likelihood category with the financial impact.

Department	1 - Remote		2 - Unlikely		3 - Possible		4 - Likely		5 - Almost Certain		Total	
	No	£000	No	£000	No	£000	No	£000	No	£000	No	£000
Chief Executive's Unit	1	125	0	0	2	115	0	0	1	345	4	585
Executive Director Douglas Hendry	2	20	7	545	9	870	4	380	0	0	22	1,815
Executive Director Kirsty Flanagan	3	160	3	240	9	2,135	0	0	0	0	15	2,535
<b>Total</b>	<b>6</b>	<b>305</b>	<b>10</b>	<b>785</b>	<b>20</b>	<b>3,120</b>	<b>4</b>	<b>380</b>	<b>1</b>	<b>345</b>	<b>41</b>	<b>4,935</b>

3.3.2 The current top three risks in terms of the financial impact are noted in the table below.

SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	LIKELIHOOD	FINANCIAL IMPACT £000
Roads and Infrastructure Services	Roads Maintenance - Bridges, Culverts & Sea Defences	Extreme localised weather may result in loss of bridge, culvert, road or sea defence.	3	750
Roads and Infrastructure Services	Roads Materials - Bitumen	Increased cost of asphalt material due to price of crude oil rising. Discussions emerging from the industry about possible rationing of bitumen which, if applied, will affect our programmes due to availability	3	400
Roads and Infrastructure Services	Winter Maintenance	Adverse weather conditions which require greater than budgeted number of gritting runs.	3	365

3.3.3 The risks which are almost certain and likely are noted below:



SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	LIKELIHOOD	FINANCIAL IMPACT
				£000
Commercial Services	Catering Costs – Changes to Food and Drink in Schools Standards	The Scottish Government reviewed the regulations that govern the food and drinks currently provided in schools. The proposed changes were published in June 2019 and were implemented from Easter 2021. The revised standards focus on reducing sugar, reducing red and red processed meat and increasing fibre. Thus far, there has been an increase in costs and a reduction in demand for school meals.	4	150
Commercial Services	Catering Purchases	Increased supplier charges. This estimate does not include the additional risk to food cost and uptake from the changes to food and drink standards in schools.	4	100
Legal and Regulatory Support	Contract RPI for NPDO and Hub Schools	Increase in RPI would result in higher costs.	4	100
Legal and Regulatory Support	Licensing	Reduced numbers of licensing applications leading to reduced income.	4	30

### 3.4 Changes to Financial Risks since last report

3.4.1 There has been 1 change to the departmental risks since the financial risks report was presented to the Policy and Resources Committee on 8 December 2022, as follows:

- The risk in relation to council tax collection has had the financial impact reduced from £0.500m to £0.345m due to a recent improvement in summonsed debt recovery by the sheriff officer.

### 3.5 Monitoring of Financial Risks

3.5.1 Financial risks will be reviewed and monitored on a two monthly basis and will be included in the pack of financial reports submitted to Policy and Resources Committee.

### **3.6 Potential Future Risks**

- 3.6.1 At the Policy and Resource meeting on 13<sup>th</sup> October 2022, it was discussed that the Dunbartonshire and Argyll and Bute Valuation Joint Board would be publishing new NDR rates for 2023-24 to 2025-26 at the end of November. There is a risk of increased NDR costs across the Council's buildings and schools in 2023-24 year onwards due to an increase in rateable value on the NDR roll. The government has announced a transitional relief scheme and the Council will consider its position in respect of appealing any increases to the valuation of its land and heritages.
- 3.6.2 Within Customer Support Services, there is a risk in relation to the cost of additional bandwidth required to deliver the Education Digital Strategy due to a more digitalised learning curriculum. It is uncertain when this risk will arise.

## **4 CONCLUSION**

- 4.1 This report summarises the key financial risks facing the Council. There are a number of Council wide risks and 41 departmental risks identified; one is categorised as almost certain and 4 are categorised as likely. The financial risks are monitored routinely and actions put in place to continue to mitigate the risks.

## **5 IMPLICATIONS**

- |       |  |   |
|-------|--|---|
| 5.1   | Policy -                                 | None.   |
| 5.2   | Financial -                              | The financial value of each risk is included within the appendix. |
| 5.3   | Legal -                                  | None.   |
| 5.4   | HR -                                     | None.   |
| 5.5   | Fairer Scotland Duty -                   | None.   |
| 5.5.1 | Equalities – protected characteristics - | None.   |
| 5.5.2 | Socio-economic Duty -                    | None.   |
| 5.5.3 | Islands -                                | None.   |
| 5.6   | Climate Change -                         | None.   |
| 5.7   | Risk -                                   | Financial risks are detailed within the appendix.                 |
| 5.8   | Customer Service -                       | None.   |

**Kirsty Flanagan**  
**Executive Director/Section 95 Officer**  
**13 January 2023**

**Policy Lead for Finance and Commercial Services - Councillor Gary Mulvaney**

## **APPENDICES**

Appendix 1 – Detail of Department/Service financial risks

For further information contact Anne Blue, Head of Financial Services  
anne.blue@argyll-bute.gov.uk

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2022

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATING ACTIONS IN PLACE	As at 31 October 2022		As at 31 December 2022	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Chief Executive's Unit	Financial Services	Council Tax Debt Collection Recovery	Recovery of debt becomes more difficult to pursue in the current economic climate. This is in relation to historical debt that has accumulated over many years therefore any adverse collection rates will impact on the year end debt provision as opposed to the in-year financial position, hence no forecast variance has been reported within the current year.	Robust monitoring of arrangements with debt collection agency and performance against target collection rates.	5	500	5	345
Chief Executive's Unit	Financial Services	Housing Benefit Subsidy	Loss of Housing Benefit Subsidy due to exceeding LA error threshold.	Processes in place for handling of claims accurately and efficiently.	1	125	1	125
Chief Executive's Unit	Financial Services	Sundry Debt Recovery	Recovery of debt becomes more difficult to pursue in the current economic climate.	Robust monitoring of arrangements with debt collection agency. Joint working with Legal Services to assist services with the recovery of aged debt.	3	85	3	85
Chief Executive's Unit	Financial Services	Non-Domestic Rates Relief	Risk of demand changing due to legislative changes outwith our control or new charitable businesses.	Outwith direct management control.	3	30	3	30
Executive Director Douglas Hendry	Commercial Services	Property - Central Repairs	Increased demands on central repairs as a result of the decrease in capital funding available and increases in supplier/contractor charges.	Joint strategy with procurement colleagues to reduce potential impact of supplier/contractor charges. Close monitoring of central repairs budgets and commitments and instructing only essential repairs.	3	300	3	300
Executive Director Douglas Hendry	Commercial Services	Catering Costs – Changes to Food and Drink in Schools Standards	The Scottish Government reviewed the regulations that govern the food and drinks currently provided in schools. The proposed changes were published in June 2019 and were implemented from Easter 2021. The revised standards focus on reducing sugar, reducing red and red processed meat and increasing fibre. Thus far, there has been an increase in costs and a reduction in demand for school meals.	There is a need to work with Education colleagues to ensure the maximum uptake of school meals in secondary schools is achieved. This is very challenging given the reduction in secondary school meal uptake due to COVID.	4	150	4	150
Executive Director Douglas Hendry	Commercial Services	Catering Costs - Provision of Meals to Early Years Children	The Children and Young People (Scotland) Act places duties on Councils to provide meals in an Early Years setting to entitled children where sessions span over lunch time. The total quantum of funding of £1.2m may not be sufficient to fund the additional costs depending on uptake and the additional costs to support the meal provision in partner provider settings.	Joint strategy with Education colleagues to implement requirements and closely monitor financial implications. Costs likely to be contained within overall early years funding allocation.	2	100	2	100
Executive Director Douglas Hendry	Commercial Services	Catering Purchases	Increased supplier charges. This estimate does not include the additional risk to food cost and uptake from the changes to food and drink standards in schools.	Joint strategy with procurement colleagues to reduce potential impact. Control food wastage/portion controls.	4	100	4	100

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2022

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATING ACTIONS IN PLACE	As at 31 October 2022		As at 31 December 2022	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Executive Director Douglas Hendry	Commercial Services	Catering - Implementation of Universal Free School Meals in Primary Schools	The Scottish Government may not give the local authority adequate funds to support the policy	Catering Manager sits on National Operational Delivery Group	2	100	2	100
Executive Director Douglas Hendry	Commercial Services	Surplus Properties	Ongoing market difficulties lead to increased numbers of surplus properties, there are residual running costs associated with surplus properties.	One Council property team now in place.	3	50	3	50
Executive Director Douglas Hendry	Commercial Services	Leisure Service Level Agreements	Increase in RPI resulting in requests for additional funding.	Monitoring annual alteration to contract RPI rate and mitigation through financial forecasting and review of existing budget.	2	25	2	25
Executive Director Douglas Hendry	Commercial Services	Rental Income from Properties	Due to current economic climate there may be reduced ability to recover rental income from leased properties or place suitable tenants in properties as leases come to an end.	Management of leasehold properties by Estates team, any issues with debt recovery being dealt with in line with Council debt recovery policy.	2	20	2	20
Executive Director Douglas Hendry	Education	Central Repairs	Increased demands on budget as a result of increase in statutory and emergency repairs and increases in supplier/contractor charges.	Regular liaison with Property Services re prioritisation and commitment of in-year spend.	2	100	2	100
Executive Director Douglas Hendry	Education	ASN Support	Demand for ASN support continues to increase, resulting in an additional resource requirement. The effect of COVID-19 has further increased demand on this service.	Scottish Government has given additional funding for "additional support needs priority for learning" and this has been built into the budget, this will help reduce the demand risk	3	100	3	100
Executive Director Douglas Hendry	Education	Pre-Five Units - retention of partner providers	Failure in the commissioning or retention of pre-five partner provider units to deliver 1140 hours would result in an increased pressure on the Council to deliver the service.	Annual financial appraisal; Support network; Short-term cash injections.	3	100	3	100
Executive Director Douglas Hendry	Education	Legislative Requirements - Children and Young People (Scotland) Act - ELC 1140 hours	The Council has been required to deliver 1140 hours of Early Learning and Childcare since August 2021. The Scottish Government has committed to funding this and the Council has altered the implementation plan to align it to the Scottish Government funding profile. A risk remains that actual costs of delivery exceed the Government Grant in any given year. For example, if child numbers are higher than estimated, this may require additional staffing which has not been built into the staffing model funded by Scottish Government.	Continuous monitoring and review of the implementation plan, usage and resources.	3	100	3	100

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2022

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATING ACTIONS IN PLACE	As at 31 October 2022		As at 31 December 2022	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Executive Director Douglas Hendry	Education	Legislative Requirements - Education (Scotland) Act	Education (Scotland) Act 2000 was enacted March 2016. This places additional requirements on Councils to carry out assessments of the need for the provision of Gaelic Medium Primary Education (GMPE) and the duty to support and promote Gaelic Education. May lead to additional staffing requirements.	Monitoring developments of the implementation of the Act and statutory guidance produced and adhered too.	3	50	3	50
Executive Director Douglas Hendry	Legal and Regulatory Support	Hub DBDA/DBFM Schools - Litigation	Increased risk of the requirement to litigate to conclude final capital contract payments due.	Monitoring claims and mitigation through robust challenge of any additional claims.	2	150	2	150
Executive Director Douglas Hendry	Legal and Regulatory Support	Contract RPI for NPDO and Hub Schools	Increase in RPI would result in higher costs.	Monitoring annual alteration to contract RPI rate and mitigation through financial forecasting and review of existing budget.	4	100	4	100
Executive Director Douglas Hendry	Legal and Regulatory Support	NPDO - Reduction in insurance savings within NPDO Schools	Increase in insurance costs as a result of Covid-19 and flood claims.	Monitoring annual alteration to contract insurance rate and mitigation through financial forecasting and review of existing budget.	3	75	3	75
Executive Director Douglas Hendry	Legal and Regulatory Support	Legal Services - Litigation	Increased number of litigation cases.	Ensure Legal Services are gateway to access all legal advice and that advice is sought at earliest opportunity.	3	50	3	50
Executive Director Douglas Hendry	Legal and Regulatory Support	NPDO/Hub DBFM contract management efficiencies	Reduction in ability to generate contract management efficiencies.	Monitoring annual efficiencies generated and mitigation through robust contract management and application of contract specifications/requirements.	2	50	2	50
Executive Director Douglas Hendry	Legal and Regulatory Support	Elections	More than 1 by-election required outwith standard election cycle.	Outwith direct management control.	3	45	3	45
Executive Director Douglas Hendry	Legal and Regulatory Support	Licensing	Reduced numbers of licensing applications leading to reduced income.	Monitoring of trends and reporting the financial impact in the budget monitoring.	4	30	4	30
Executive Director Douglas Hendry	Legal and Regulatory Support	Children's Panel	Increased number of referrals increasing costs through increases in the running costs.	Maximise the use of council facilities/resources for panel session in the first instance.	1	10	1	10
Executive Director Douglas Hendry	Legal and Regulatory Support	Legal Services	Failure to minimise Council wide use of external legal advice.	Ensure legal services are gateway to access all legal advice.	1	10	1	10
Executive Director Kirsty Flanagan	Customer Support Services	Software Licences	Potential risk of being under licensed for software which will be identified via software audits which would incur additional costs.	ICT security and compliance officer in post and duties include review of systems to ensure fully licenced.	2	100	2	100
Executive Director Kirsty Flanagan	Development and Economic Growth	Environmental Health- export certificates	Downturn in requests for export certificates as a result of UK withdrawal from EU, changes to international trading agreements or business economy. Reduction in demand creates a budget pressure on environmental health budget.	Monitor income and resources required for export health certificates/attestations required to support the export market. Continue with food safety regulation activities associated and support at 3rd country audits. Pursue debt rigorously with key customers through seeking regular payments.	2	130	2	130

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2022

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATING ACTIONS IN PLACE	As at 31 October 2022		As at 31 December 2022	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Executive Director Kirsty Flanagan	Development and Economic Growth	Dangerous Buildings interventions	Building Standards having to deal with an increasing level of dangerous building work which has significant financial implications for Council.	Monitor activity and seek to recover costs from the owner.	3	100	3	100
Executive Director Kirsty Flanagan	Development and Economic Growth	Planning fees reduced by Scottish Government	Scottish Government reducing planning fees due to poor performance by the Planning Authority. Details of national Planning Performance Co-ordinator and Fee Reform still awaited.	Maintain high levels of performance as articulated by performance markers detailed in Planning Performance Framework annual report.	1	100	1	100
Executive Director Kirsty Flanagan	Development and Economic Growth	Planning fee shortfalls	Due to downturn in economic / building activity, in particular renewable energy development and other major developments could lead to planning fee income shortfalls leading to revenue budget pressures.	Current income levels are looking more positive, however, we are dependent on some high value applications coming in which if don't materialise, will impact the overall position. Will continue to monitor Development Management income and expenditure tightly and investigate further income generation streams.	1	50	1	50
Executive Director Kirsty Flanagan	Development and Economic Growth	Building Warrant fee shortfalls	Due to loss of commercial income and downturn in economic / building activity, building warrant fee income shortfalls leading to revenue budget pressures.	Continue to monitor Building Standards income and expenditure tightly and investigate further income generation streams.	3	100	3	100
Executive Director Kirsty Flanagan	Development and Economic Growth	Homelessness Temporary Accommodation Income	Unpredictable number of Homeless applications. Inability to recover rent. Increase costs of property maintenance and tenancy change over.	Provision of Housing Options information and advice service to minimise number of applicants proceeding to full homeless application. Implementation of Rapid Rehousing Plan.	3	50	3	50
Executive Director Kirsty Flanagan	Development and Economic Growth	Animal Health	Carrying out livestock seizure to protect welfare of the animals	Monitor activity and seek to recover costs from the disposal of the animals.	1	10	1	10
Executive Director Kirsty Flanagan	Development and Economic Growth	Airfields and Air Services - usage	The PSO for the existing air service to Coll and Colonsay operating from Connel Airport is due for renewal in October 2023. Possibility that this will create a budget pressure for a new contract to be established to serve the needs of the island communities.	Tenders have been received and are currently at the evaluation process with Procurement. Once this process is complete, a more definitive position will be known.	2	10	2	10
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Roads Maintenance - Bridges, Culverts & Sea Defences	Extreme localised weather may result in loss of bridge, culvert, road or sea defence. The recent storm damage to Bute Sea Wall is likely to cost in excess of £1m to repair so the value on this risk has been updated for 22-23 in recognition of the potential costs associated with this risk	Routine inspections to deal with potential weak areas - based on a stitch in time repair regime.	3	750	3	750

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2022

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATING ACTIONS IN PLACE	As at 31 October 2022		As at 31 December 2022	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Residual Waste H&L and Tiree	There is a potential increase to tipping fees and haulage costs for H&L residual waste. The Council's supplier Barr Environmental (contract to end of 2023) lost a tribunal relating to the underpayment of landfill tax, which may have led to the Council having to source alternatives at a higher cost. Barr appealed the decision which was heard in the Spring and they won the case which should have reduced or eliminated this financial risk. However, the Scottish Government laid an Amendment Order on Friday 1 July 2022 which came into force at 1700 on 1 July which indicates that Landfill tax will be due on materials previously not chargeable and we have now received notification of an increase in the cost which officers are currently assessing	Officers currently assessing the potential impact on the Council.				
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Roads Materials - Bitumen	Increased cost of asphalt material due to price of crude oil rising. Discussions emerging from the industry about possible rationing of bitumen which, if applied, will affect our programmes due to availability	Increased costs are currently being managed but with further increases likely, this is being closely monitored by managers to evaluate the impact.	3	400	3	400
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Winter Maintenance	Adverse weather conditions which require greater than budgeted number of gritting runs.	Monitor weather conditions and apply gritting policy to minimise costs.	3	365	3	365
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Roads Maintenance - Roads Network	Adverse weather conditions result in deterioration of the road network necessitating greater spend on repair of defects.	Manage maintenance budgets to ensure that spend is prioritised to deal with safety defects.	3	230	3	230
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Street Lighting	Age of lighting stock requires greater maintenance as health and safety becomes a consideration.	Manage maintenance budgets to ensure that spend is prioritised to deal with safety defects.	3	100	3	100
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Ferry Services - income	Changes to ferry services resulting in reduced passenger income.	Closely monitor passenger number information coming from CalMac to identify any emerging trends with reducing passenger numbers.	3	40	3	40
					<b>41</b>	<b>5,090</b>	<b>41</b>	<b>4,935</b>

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**CAPITAL BUDGET MONITORING REPORT – 31 DECEMBER 2022**

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**1.0 EXECUTIVE SUMMARY**

1.1 This report provides an update on the position of the capital budget as at 31 December 2022. The report provides information on the financial position in respect of the capital plan and also the performance in terms of delivery of capital plan projects.

**1.2 Financial Position:**

- **Current Year to Date** – actual net expenditure to date is £19,846k compared to a budget for the year to date of £19,186k giving rise to an overspend for the year to date of £660k (3.44%).
- **Forecast Outturn for 2022-23** – forecast net expenditure for the full financial year is £33,440k compared to an annual budget of £39,014k giving rise to a forecast underspend for the year of 5,574k (14.29%).
- **Total Capital Plan** – forecast total net project costs on the total capital plan are £180,736k compared to a total budget for all projects of £180,009k giving rise to a forecast overspend for the overall capital plan of £727k (0.40%).

**1.3 Project Delivery:**

- **Asset Sustainability** – Out of 94 projects there are 81 projects (86%) on track, 3 projects (3%) off track but recoverable and 10 projects off track (11%).
- **Service Development** - Out of 41 projects there are 37 projects (90%) on track, 3 projects (7.5%) off track but recoverable and 1 project (2.5%) off track.
- **Strategic Change** – Out of 27 projects there are 22 projects (81%) on track, 2 projects (7.5%) are off track but recoverable and 3 projects (11.5%) off track.

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

1.5 Originally the Council was projecting £1,387k of capital receipts this financial year. However, to date only £170k has been received and it is unlikely that the original projection of £1,387k will be met. The Estates team are currently in the process of updating their asset sale projections as part of the budget setting process and this is likely to result in a lower level of anticipated capital receipts over the life of the programme.



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**CAPITAL BUDGET MONITORING REPORT – 31 DECEMBER 2022**

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**2.0 INTRODUCTION**

- 2.1 This report provides an update on the position of the capital budget as at 31 December 2022. The report provides information on the financial position in respect of the capital plan and also the performance in terms of delivery of capital plan projects.
- 2.2 Following the decision at Policy and Resources Committee on 9 December 2021, the Rothesay Pavilion project is on pause whilst potential funding options are being considered. The financial information included within this report therefore excludes amounts relating to Rothesay Pavilion.
- 2.3 A £1m cost pressure was identified during 2021-22 in relation to repairs to the A884 Ardbeg Sea Wall, where severe storm damage resulted in failure of the sea wall on Bute. Emergency works were carried out and a permanent solution is currently being developed. Additional funding of £1m was allocated for this purpose at the Council meeting on 24 February 2022 however there remains a risk that costs will exceed this. It was agreed at Environment, Development and Infrastructure Committee on 2 June 2022 that the Chair would approach the Scottish Government with a view to securing additional resources to support the scheme.
- 2.4 Project Managers were asked to identify specific Covid-19 impacts on the capital programme. At the budget meeting on 25 February 2021, the Council agreed to provide £2.5m of funding and following agreement at the Policy and Resources Committee on 14 October 2021, this, plus a further £0.146m, was added to the capital programme.

Furthermore, at the budget meeting on 24 February 2022, an additional £3.9m was set aside for future capital contract increases. This includes up to £1.2m for Campbeltown Flood Scheme, the final costs of which are estimated to be £15.215m. The Scottish Government will fund 80% of scheme costs with the Council expected to contribute an estimated £3.043m.

- 2.5 The impact of the pandemic along with the UK exit from the European Union, the Russian invasion of Ukraine and sanctions on Russian owned entities has seen significant price increases as well as disruptions to the supply chain and longer lead in times. The increased rate of inflation impacts costs such as energy prices, labour, packaging and transport. These all have an effect on the overall contract price and make it extremely challenging to manage expenditure and the availability of supply.

As a result of this it should be noted that there are likely to be other significant financial impacts which are not quantifiable at this stage, as follows:

- Rothesay Pavilion – project currently paused due to increased costs as a result of the main contractor being placed into administration in March 2020.
- Harbour Investment Programme – likely to be contractual cost increases in future years (expected to be funded from increased fees and charges).

- Helensburgh Waterfront Development – commercial negotiations are ongoing with the main contractor to determine the financial impact.
- Universal Free School Meals – delayed roll out to P6 and P7 and uncertain capital funding levels available from Scottish Government (delay not mentioned as part of Resource Spending Review).
- Other general construction inflationary increases.

### 3.0 RECOMMENDATIONS

- 3.1 Note the contents of this report and the financial summaries as detailed in Appendix 8 and approve the proposed changes to the capital plan detailed in Appendix 4.

### 4.0 CURRENT YEAR TO DATE FINANCIAL POSITION

#### 4.1 Overall Position

Actual net expenditure to date is £19,846k compared to a budget for the year to date of £19,183k giving rise to an overspend for the year to date of £660k (3.44%).

#### 4.2 Project/Department Position

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

<b>Project Type:</b>	<b>Year to Date Budget £'000</b>	<b>Year to Date Actual £'000</b>	<b>Variance £'000</b>
Asset Sustainability	11,339	11,380	(41)
Service Development	2,674	2,698	(24)
Strategic Change	5,173	5,768	(595)
<b>Total</b>	<b>19,186</b>	<b>19,846</b>	<b>(660)</b>
<b>Service:</b>			
ICT	647	647	0
Education	3,742	3,724	18
Live Argyll	171	175	(4)
Health & Social Care Partnership	152	155	(3)
Shared Offices	123	137	(14)
Roads & Infrastructure	9,494	9,559	(65)
Development & Economic Growth	1,386	1,383	3
CHORD	3,471	4,066	(595)
<b>Total</b>	<b>19,186</b>	<b>19,846</b>	<b>(660)</b>

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

## 5.0 FORECAST OUTTURN 2022-23

### 5.1 Overall Position

Forecast net expenditure for the full financial year is £33,440k compared to an annual budget of £39,014k giving rise to a forecast underspend for the year of £5,574k (14.29%).

### 5.2 Project/Department Position

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

<b>Project Type:</b>	<b>Annual Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Variance COVID-19 Related £'000</b>	<b>Forecast Variance Non COVID-19 Related £'000</b>	<b>Forecast Variance £'000</b>
Asset Sustainability	21,558	18,128	0	3,430	3,430
Service Development	4,626	4,704	0	(78)	(78)
Strategic Change	12,830	10,608	0	2,222	2,222
<b>Total</b>	<b>39,014</b>	<b>33,440</b>	<b>0</b>	<b>5,574</b>	<b>5,574</b>
<b>Service:</b>					
ICT	1,243	1,243	0	0	0
Education	6,336	6,348	0	(12)	(12)
Live Argyll	580	566	0	14	14
Health & Social Care Partnership	613	638	0	(25)	(25)
Shared Offices	4,240	2,256	0	1,984	1,984
Roads & Infrastructure	19,481	16,308	0	3,173	3,173
Development & Economic Growth	2,602	2,602	0	0	0
CHORD	3,919	3,479	0	440	440
<b>Total</b>	<b>39,014</b>	<b>33,440</b>	<b>0</b>	<b>5,574</b>	<b>5,574</b>

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

## 6.0 TOTAL PROJECT COSTS

### 6.1 Overall Position

Forecast total net project costs on the total capital plan are £180,736k compared to a total budget for all projects of £180,009k giving rise to a forecast overspend for the overall capital plan of £727k (0.40%).

### 6.2 Project/Department Position

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

<b>Project Type:</b>	<b>Capital Plan Budget £'000</b>	<b>Forecast Project Costs £'000</b>	<b>Capital Plan Variance COVID-19 Related £'000</b>	<b>Capital Plan Variance Non COVID-19 Related £'000</b>	<b>Total Capital Plan Variance £'000</b>
Asset Sustainability	52,093	52,100	0	(7)	(7)
Service Development	19,261	19,339	0	(78)	(78)
Strategic Change	108,655	109,297	0	(642)	(642)
<b>Total</b>	<b>180,009</b>	<b>180,736</b>	<b>0</b>	<b>(727)</b>	<b>(727)</b>
<b>Service:</b>					
ICT	5,007	5,007	0	0	0
Education	42,072	42,084	0	(12)	(12)
Live Argyll	3,368	3,374	0	(6)	(6)
Health & Social Care Partnership	4,222	4,232	0	(10)	(10)
Shared Offices	21,507	21,514	0	(7)	(7)
Roads & Infrastructure	54,711	54,777	0	(66)	(66)
Development & Economic Growth	5,284	5,284	0	0	0
CHORD	43,838	44,464	0	(626)	(626)
<b>Total</b>	<b>180,009</b>	<b>180,736</b>	<b>0</b>	<b>(727)</b>	<b>(727)</b>

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

## 7.0 TOTAL PROJECT PERFORMANCE

### 7.1 Overall Position

There are 162 projects within the Capital Plan, 140 are Complete or On Target, 8 are Off Target and Recoverable and 14 are Off Track.

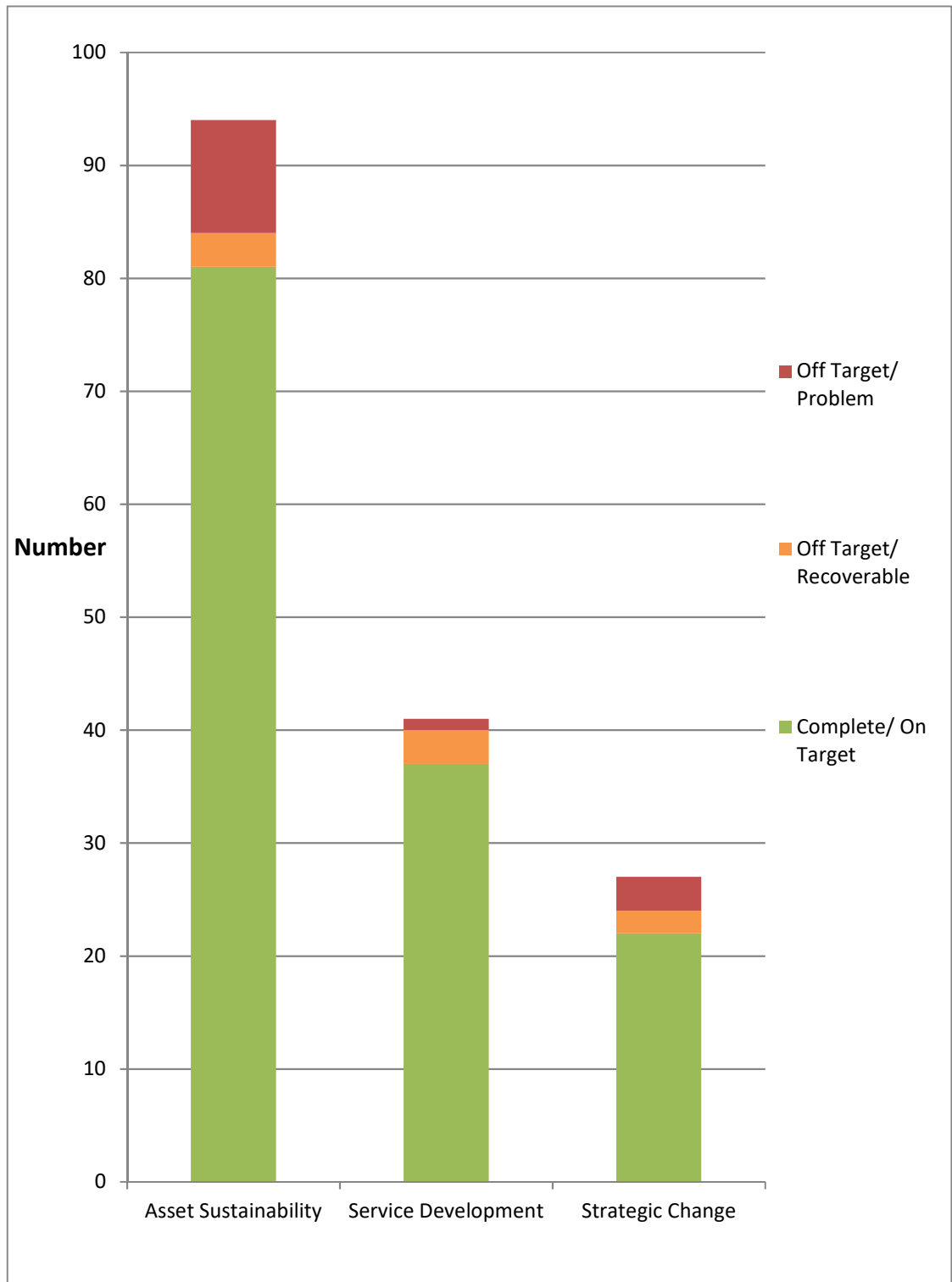
### 7.2 Project Position

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

<b>Project Type:</b>	<b>Complete/ On Target</b>	<b>Off Target/ Recoverable</b>	<b>Off Target/ Problem</b>	<b>Total</b>
Asset Sustainability	81	3	10	94
Service Development	37	3	1	41
Strategic Change	22	2	3	27
<b>Total</b>	<b>140</b>	<b>8</b>	<b>14</b>	<b>162</b>
<b>Service:</b>				
ICT	6	0	1	7
Education	29	1	0	30
Live Argyll	27	1	0	28
Health & Social Care Partnership	18	1	0	19
Shared Offices	18	0	4	22
Roads & Infrastructure	25	3	7	35
Development & Economic Growth	15	1	0	16
CHORD	2	1	2	5
<b>Total</b>	<b>140</b>	<b>8</b>	<b>14</b>	<b>162</b>

### 7.3 Chart of Performance Status

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



## 8.0 OFF TRACK PROJECTS

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

<b>Project Type</b>	<b>Project</b>	<b>What is Off Track?</b>	<b>Explanation</b>
Major Projects	Helensburgh Waterfront Development	Current Year and total project expenditure	Overspend due to multiple global issues as well as delays in connection to mains electricity supply which led to temporary power supplies to maintain the timeliness of the program. Elements relating to COVID-19 currently being projected and will be updated for next update.
Asset Sustainability	Bowmore Area Office	Current year expenditure	Budget slipped due to timescale delays. Slippage from 22-23 to 23-24.
Asset Sustainability	Burnett Building	Current year expenditure	Budget slipped due to timescale delays. Slippage from 22-23 to 23-24.
Asset Sustainability	Kilmory Castle	Current year expenditure	Budget slipped due to timescale delays. Slippage from 22-23 to 23-24.
Asset Sustainability	Our Modern Workspace	Current year expenditure	Budget slipped due to timescale delays. Slippage from 22-23 to 23-24.

Asset Sustainability	Flood Prevention	Current year expenditure	Project timescales for construction has caused slippages into 23-24 following the studies provided by consultant.
Asset Sustainability	Costal Change Adaptation	Current year expenditure	Budget slipped due to timescale delays. Slippage from 22-23 to 23-24.
Asset Sustainability	Bute Sea Wall Repairs	Current year expenditure	Slippage from 22-23 to 23-24 due to timescale delays. Construction contract to be progressed in 2023/24.
Asset Sustainability	Helensburgh Flood Mitigation	Current year expenditure	Tender abandoned due to high costs received. Slipped budget into 23-24 to allow project to be retendered.
Asset Sustainability	Bridge Strengthening	Current year expenditure	Acceleration from 23-24 to 22-23. Reversed a portion of the November slippage to cover CY costs which were still to clear the ledger.
Asset Sustainability	Local Bridge Maintenance Fund	Current year expenditure	Project delayed to allow appropriate studies to be undertaken in advance of construction. Slippage from 22-23 to 23-24.



Service Development	Oban Depot Development Project	Current year expenditure and total project expenditure	Project is overspent in 22-23 and total project lifetime.
Strategic Change	Campbeltown Flood Scheme	Current year expenditure	Slippage from 22-23 to 23-24 due to change in contractor cash flow predictions.
CHORD	Kilmory Business Park Phase 2AA	Current year expenditure	Delays in planning application has caused slippage from 22-23 to 23-24. Works anticipated to start at the end of FQ2 23-24

## 9.0 STRATEGIC CHANGE PROJECTS

- 9.1 Appendix 7 gives detailed information in respect of the Strategic Change Projects within the Capital Plan. The appendix gives details of the forecast cost of each project against the approved budget, the start and anticipated completion date of the project and an assessment of the risks of the project and, if these are not green, gives an explanation of the problem.

## 10.0 CHANGES TO CAPITAL PLAN

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

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

Department	Prev. Agreed Changes 2022-23	2022-23	2023-24	2024-25	Future Years	Total Capital Plan
	£'000	£'000	£'000	£'000	£'000	£'000
Asset Sustainability	(4,486)	(3,437)	3,437	0	0	0
Service Development	(874)	0	0	0	0	0
Strategic Change	(32,024)	(2,864)	2,864	0	0	0
<b>Total</b>	<b>(37,384)</b>	<b>(6,301)</b>	<b>6,301</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Service:</b>						
ICT	(275)	0	0	0	0	0
Education	239	0	0	0	0	0
Live Argyll	(655)	(20)	20	0	0	0
Health & Social Care Partnership	(1,494)	15	(15)	0	0	0
Shared Offices	43	(1,991)	1,991	0	0	0
Roads & Infrastructure	(35,686)	(3,239)	3,239	0	0	0
Development & Economic Growth	(718)	0	0	0	0	0
Major Projects	1,162	(1,066)	1,066	0	0	0
<b>Total</b>	<b>(37,384)</b>	<b>(6,301)</b>	<b>6,301</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 11.0 FUNDING

11.1 The Capital Programme is funded by various income streams as detailed in Appendix 5. Additional funding of £96,000 has been drawn down from Earmarked Reserves to fund the Lochgilphead Primary School Demolition.

11.2 Originally the Council was projecting £1,387k of capital receipts this financial year. However, to date only £170k has been received and it is unlikely that the original projection of £1,387k will be met. The Estates team are currently in the process of updating their asset sale projections as part of the budget setting process and this is likely to result in a lower level of anticipated capital receipts over the life of the programme.

## 12.0 IMPLICATIONS

12.1 Policy – Monitors progress against the capital plan.

12.2 Financial – Monitors funding and commitments of the capital plan.

12.3 Legal – Available funding may not address all Statutory and Regulatory requirements in relation to Health and Safety.

- 12.4 HR – Available funding may have an impact on the sustainability of the Property Design Team and Infrastructure Design Team.
- 12.5 Fairer Scotland Duty – None.
  - 12.5.1 Equalities – protected characteristics – None.
  - 12.5.2 Socio-economic Duty – None.
  - 12.5.3 Islands – None.
- 12.6 Climate Change – The Council is committed to addressing climate change via projects within the capital plan.
- 12.7 Risk – There are risks around increasing capital contract costs and the level and timing of capital receipts.
- 12.8 Customer Service – None.

**Kirsty Flanagan**  
**Executive Director / Section 95 Officer**  
**13 January 2023**

**Policy Lead for Finance and Commercial Services – Councillor Gary Mulvaney**

## **APPENDICES**

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

For further information contact: Anne Blue, Head of Financial Services  
[anne.blue@argyll-bute.gov.uk](mailto:anne.blue@argyll-bute.gov.uk)

**APPENDIX 1 – Year to Date Financial Variance Explanations**

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

<b>Project</b>	<b>YTD Budget £'000</b>	<b>YTD Actual £'000</b>	<b>(Over)/ Under Variance £'000</b>	<b>Explanation</b>
Helensburgh Waterfront Development	3,078	3,704	(626)	Overspend on project, details provided in Variance report.
Oban Depot Development Project	76	17	(59)	Overspend on project due to additional requests made by the service for the project. These additional works are to be funded from revenue, the transfer is still to take place.
Other variances under £50k			25	Total value of non-material variances less than +/-£50k
<b>Total</b>			<b>(660)</b>	

**APPENDIX 2 – Outturn Variance Explanations**

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

<b>Project</b>	<b>Annual Budget £'000</b>	<b>Outturn £'000</b>		<b>(Over)/ Under Forecast Variance COVID-19 Related £'000</b>	<b>(Over)/ Under Forecast Variance Non COVID-19 Related £'000</b>	<b>Total (Over)/ Under Forecast Variance £'000</b>	<b>Explanation</b>
Helensburgh Waterfront Development	3,078	3,704		0	(626)	(626)	Overspend on project, details provided in Variance report.
Oban Depot Development	17	76		0	(59)	(59)	Overspend on project due to additional requests made by the service for the project. These additional works are to be funded from revenue, the transfer is still to take place.
Burnett Building	110	0		0	110	110	Budget slipped due to timescale delays.
Kilmory Castle	1,368	2		0	1,366	1,366	Budget slipped due to timescale delays.
Flood Prevention	349	10		0	349	349	Project timescales for construction has caused slippages into 23-24 following the studies provided by consultant.
Bridge Strengthening	156	215		0	(59)	(59)	Partial reversal of November slippage to cover costs which were still to come through.

Campbeltown Flood Scheme	5,756	3,958		0	1,798	1,798	Slippage due to change in contractor cash flow predictions.
Helensburgh Flood Mitigation	332	4		0	328	328	Delays in tender process has caused slippage into 23-24
Local Bridge Maintenance Fund	712	475		0	237	237	Project delayed to allow appropriate studies to be undertaken in advance of construction.
Bute Sea Wall Repairs	575	148		0	427	427	Project timescale delays has caused budget to slip to 23-24
Bowmore Area Office	76	0		0	76	76	Project timescale delays has caused budget to slip to 23-24
Kilmory Business Park Phase 2AA	1,120	54		0	1,066	1,066	Project timescale delays has caused budget to slip to 23-24
Coastal Change Adaptation	159	0		0	159	159	Project timescale delays has caused budget to slip to 23-24
Our Modern Workspace	549	110		0	439	439	Project timescale delays has caused budget to slip to 23-24
Other variances under £50k				0	(37)	(37)	Total value of non-material variances less than +/- £50k.
<b>Total</b>				<b>0</b>	<b>5,574</b>	<b>5,574</b>	

**APPENDIX 3 – Total Project Finance Variances**

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

<b>Project</b>	<b>Capital Plan Budget £'000</b>	<b>Forecast Project Costs £'000</b>	<b>(Over)/ Under Forecast Variance COVID-19 Related £'000</b>	<b>(Over)/ Under Forecast Variance Non COVID-19 Related £'000</b>	<b>Total (Over)/ Under Forecast Variance £'000</b>	<b>Explanation</b>
Helensburgh Waterfront Development	22,740	23,366	0	(626)	(626)	Overspend on project, details provided in Variance Report
Oban Depot Development	2,117	2,176	0	(59)	(59)	Overspend on project due to additional requests made by the service for the project. These additional works are to be funded from revenue, the transfer is still to take place.
Other variances under £50k				(42)	(42)	Total value of non-material variances less than +/- £50k. Project Managers are working to reduce these small individual overspends by identifying underspends elsewhere within the capital plan.
<b>Total</b>				<b>(727)</b>	<b>(727)</b>	

**APPENDIX 4 – Changes to Capital Plan and Financial Impact**

**OVERALL COST CHANGES**

Project	2022-23 £'000	2023-24 £'000	2024-25 £'000	Future Years £'000	Total Capital Plan £'000	Recommendation	Explanation
<b>Total Cost Changes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		

**SLIPPAGES AND ACCELERATIONS**

Project	2022-23 £'000	2023-24 £'000	2024-25 £'000	Future Years £'000	2022-23 Slippage Related to COVID-19 £'000	2022-23 Slippage Related to Non COVID- 19 £'000	Total 2022-23 £'000	Recommendation	Explanation
Kilmory Business Park Phase 2AA	(1,066)	1,066	0	0	0	(1,066)	(1,066)	Slip budget into future years.	Budget slipped to 23-24 due to timescales and project capacity
Flood Prevention	(349)	349	0	0	0	(349)	(349)	Slip budget into future years.	Project slipped to 23-24 due to timescales and project capacity
Coastal Change Adaption	(159)	159	0	0	0	(159)	(159)	Slip budget into future years.	Project slipped to 23-24 due to no valid tender bidders.
Bute Sea Wall Repairs	(427)	427	0	0	0	(427)	(427)	Slip budget into future years.	Project timescale delays has caused budget to slip to 23-24
Helensburgh Flood Mitigation	(328)	328	0	0	0	(328)	(328)	Slip budget into future years.	Project timescale delays has caused budget to slip to 23-24
Local Bridge Maintenance Fund	(237)	237	0	0	0	(237)	(237)	Slip budget into future years.	Project timescale delays has caused budget to slip to 23-24
Campbeltown Flood Scheme	(1,798)	1,798	0	0	0	(1,798)	(1,798)	Slip budget into future years.	Project timescale delays has caused budget to slip to 23-24
Bridge Strengthening	59	(59)	0	0	0	59	59	Accelerate from 2023-24	Reverse part of slippage processed in previous report to



									cover costs still to be processed.
Greenwood/Woodlands	15	(15)	0	0	0	15	15	Accelerate from 2023-24	Accelerate from 23-24 to cover forecasted expenditure.
Bowmore Area Office	(76)	76	0	0	0	(76)	(76)	Slip budget into 2023-24	Project timescale delays has caused budget to slip to 23-24
Burnett Building	(110)	110	0	0	0	(110)	(110)	Slip budget into 2023-24	Project timescale delays has caused budget to slip to 23-24
Our Modern Workspace	(439)	439	0	0	0	(439)	(439)	Slip budget into 2023-24	Project timescale delays has caused budget to slip to 23-24
Kilmory Castle	(1,366)	1,366	0	0	0	(1,366)	(1,366)	Slip budget into 2023-24	Project timescale delays has caused budget to slip to 23-24
Victoria Hall, Campbeltown	(20)	20	0	0	0	(20)	(20)	Slip budget into 2023-24	Project timescale delays has caused budget to slip to 23-24
<b>Total Slippages and Accelerations</b>	<b>(6,301)</b>	<b>6,301</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,301)</b>	<b>(6,301)</b>		
<b>Net Impact of Changes</b>	<b>(6,301)</b>	<b>6,301</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,301)</b>	<b>(6,301)</b>		

**CAPITAL PROGRAMME FUNDING**

	2022-23					2023-24					2024-25				
	Estimated Capital Funding	Carry Forwards from 21-22	Slippage / Acceleration	Additional Funding	Updated Capital Funding Available	Estimated Capital Funding	Carry Forwards from 21-22	Slippage / Acceleration	Additional Funding	Updated Capital Funding Available	Estimated Capital Funding	Carry Forwards from 21-22	Slippage / Acceleration	Additional Funding	Updated Capital Funding Available
General Capital Grant	9,569	0	0	0	9,569	9,569	0	0	157	9,726	9,569	0	0	235	9,804
Transfer to Revenue for Private Sector Housing Grant (PSHG)	-1,033	0	0	0	-1,033	-1,033	0	0	0	-1,033	-1,033	0	0	0	-1,033
Capital Receipts	1,387	0	0	0	1,387	1,095	0	0	0	1,095	0	0	0	0	0
Flooding Allocation	155	0	0	0	155	155	0	0	0	155	155	0	0	0	155
Ring Fenced Capital Grant	4,656	2,722	0	268	7,646	0	5,728	0	0	5,728	0	0	0	0	0
Restricted Funding	1,486	609	-210	2,876	4,761	1,150	0	210	0	1,360	0	0	0	0	0
Funded by Reserves	3,145	4,388	-1,256	1,385	7,662	36	172	-75	0	133	0	0	1,331	0	1,331
Additional Funding from Revenue	0	0	0	12	12	0	0	0	25	25	0	0	0	0	0
Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Harbour Investment Programme	31,180	2,484	-28,038	0	5,626	16,900	0	5,335	0	22,235	31,600	0	-4,575	0	27,025
Prudential Borrowing	15,528	3,352	-17,241	-350	1,289	5,006	-1,429	17,241	-25	20,793	27	0	0	0	27
Loans Fund Review	0	4,025	0	0	4,025	0	0	0	0	0	0	0	0	0	0
COVID Funding	1,640	2,167	0	0	3,807	0	0	0	0	0	0	0	0	0	0
	<b>67,713</b>	<b>19,747</b>	<b>-46,745</b>	<b>4,191</b>	<b>44,906</b>	<b>32,878</b>	<b>4,471</b>	<b>22,711</b>	<b>157</b>	<b>60,217</b>	<b>40,318</b>	<b>0</b>	<b>-3,244</b>	<b>235</b>	<b>37,309</b>

**BREAKDOWN OF ADDITIONAL FUNDING**

Additional Funding	2022-23	2023-24	Source	Reported
C'town Museum LA income	40		Live Argyll	Jun-22
H&L/Rosneath Cycleways	140		SPT	Jun-22
Nature Restoration Fund	238		Scottish Government	Jun-22
Rothesay Pontoons	315		Grant Funding	Jun-22
Ardrishaig North	280		Grant Funding	Jun-22
Lismore Ferry	7		External Income	Jun-22
Lochgilphead PS Demolition	11		Reserves	Jun-22
Fleet Management	499		Reserves	Jul-22
Roads Reconstruction	958		STTS	Jul-22
Gartrechk Landfill	640		Reserves	Aug-22
Lochgilphead Primary School Demolition	143		Reserves	Sep-22
Lochgilphead Depot	37		Revenue Funding	Oct-22
Kilmory Business Park	979		Grant Funding	Oct-22
Helensburgh Waterfront Development	183		Grant Funding	Nov-22
Lochgilphead PS Demolition	96		Reserves	Dec-22
Tobermory Car Park	-375		Grant Funding	Dec-22
<b>Total</b>	<b>4,191</b>	<b>0</b>		

OFF TRACK PROJECT		Appendix 6
<b>Project Name:</b> Bridge Strengthening & Replacement Programme and Local Bridge Maintenance Fund	<b>Project Manager:</b> Elsa Simoes	<b>Risk:</b> Low
<b>Initial Start Date:</b> 2000	<b>Proposed End Date:</b> Ongoing	
<b>How was this project initially funded?</b> Block Allocation	<b>Please detail any additional funding.</b> Local Bridge Maintenance Fund – Scottish Government Funding	
<b>Previously Reported Committee and Date:</b>	<b>Next Reported Committee and Date:</b>	
<b>Why is the project classified as off target?</b>  <i>Jan 23:</i> (BSRP: £59k pulled forward from 23/24 to 22/23 – reversed a portion of November slippage to cover CY costs) LBMF: £237k slipped from 22/23 to 23/24  <i>Dec 22:</i> BSRP: £1,297k slipped from 22/23 to 23/24 LBMF: £525k slipped from 22/23 to 23/2		
<b>What has caused the issue outlined above?</b>  <i>Jan 22:</i> Due to departmental workload, construction contracts for a number of projects have been moved from 2022/23 to 2023/24: <ul style="list-style-type: none"> <li>• 00019-41 A815-230 Cothouse Bridge – LBMF</li> <li>• 00019-38 B840-140 Ardchonnell Bridge - LBMF</li> <li>• 00019-43 B842-150 Whitestone Bridge - LBMF</li> </ul> Capital Monitoring Report updated accordingly.  <i>Dec 22:</i> Infrastructure Design successfully secured £5.45m funding from Scottish Government’s Local Bridge Maintenance Fund to deliver strengthening & replacement schemes not able to be funded in the short term through the existing capital Bridge Strengthening & Replacement Programme due to the large estimated costs. Following the award of a number of Services Contracts to progress studies for the four replacement schemes and five strengthening schemes under LBMF, the programme for delivery of the schemes has been revised with a clear timeline for delivery developed. Capital Monitoring Report updated accordingly.		
<b>What action will be taken to rectify this issue?</b>  <i>Jan 23:</i> Budgets will be slipped into 23-24 accordingly.  <i>Dec 22:</i> Budgets will be slipped into 23-24 accordingly.		
<b>What are the implications of the action proposed?</b>  <i>Jan 23:</i> None – projects on track to be delivered.  <i>Dec 22:</i> None – projects on track to be delivered.		

OFF TRACK PROJECT		Appendix 6
<b>Project Name:</b> Bute Seawall Repairs	<b>Project Manager:</b> Elsa Simoes	<b>Risk:</b> Low
<b>Initial Start Date:</b> Dec 2021	<b>Proposed End Date:</b> Ongoing	
<b>How was this project initially funded?</b> Block Allocation	<b>Please detail any additional funding.</b> N/A	
<b>Previously Reported Committee and Date:</b> N/A	<b>Next Reported Committee and Date:</b> N/A	
<b>Why is the project classified as off target?</b>		
<p><i>Jan 23:</i> £427k slipped from 22/23 to 23/24</p> <p><i>Dec 22:</i> £175k slipped from 22/23 to 23/24</p>		
<b>What has caused the issue outlined above?</b>		
<p><i>Jan 23:</i> Temporary Works with GeoRope still ongoing. Permanent Works still under surveys, consultation and design stage. Construction contract to be progressed in 2023/24 Capital Monitoring Report updated accordingly.</p> <p><i>Dec 22:</i> Temporary Works with GeoRope ongoing. Permanent Works still under surveys, consultation and design stage. £175k moved to next FY to allow tender to be progressed into 2023/24 (rather than only 2022/23) Capital Monitoring Report updated accordingly.</p>		
<b>What action will be taken to rectify this issue?</b>		
<p><i>Jan 23:</i> Budgets will be slipped into 23-24 accordingly.</p> <p><i>Dec 22:</i> Budgets will be slipped into 23-24 accordingly.</p>		
<b>What are the implications of the action proposed?</b>		
<p><i>Jan 23:</i> None – project on track to be delivered.</p> <p><i>Dec 22:</i> None – project on track to be delivered.</p>		

<b>OFF TRACK PROJECT</b>		<b>Appendix 6</b>
<b>Project Name:</b> Campbeltown Flood Scheme	<b>Project Manager:</b> Jamie Salmon	<b>Risk:</b> <b>Low</b>
<b>Initial Start Date:</b> June 2016	<b>Proposed End Date:</b> Mar 2026	
<b>How was this project initially funded?</b> Scottish Government Grant 80%/Council Contribution 20%	<b>Please detail any additional funding.</b>	
<b>Previously Reported Committee and Date:</b>	<b>Next Reported Committee and Date:</b>	
<b>Why is the project classified as off target?</b>		
Move £1.798m (of £5.756m) from FY22/23 to FY 23/24		
<b>What has caused the issue outlined above?</b>		
<p><i>Jan 23</i>  Move £1.798m (of £5.756m) from FY22/23 to FY 23/24  Full update of future years forecasts – Total Project Forecast and Budget remain the same</p> <ul style="list-style-type: none"> <li>• Contractor submitted updated Cashflow prediction considering full programming of works phases.</li> <li>• Following reprogramming of works costs for Public Utility works moved from FY22/23 to FY23/24.</li> <li>• Still awaiting Consultant's cashflow predictions which shall allow further refining of project cashflow.</li> <li>• Capital Monitoring Report updated accordingly.</li> </ul> <p><i>Dec 22</i>  Move £3,342m (of £9.098m) from FY22/23 to FY 23/24:</p> <ul style="list-style-type: none"> <li>• Later award of Construction Contract than programmed.</li> <li>• Phasing of works confirmed by Contractor which allows development of associated cashflow prediction.</li> <li>• Construction commenced on site and Contractor submitted Cashflow prediction.</li> <li>• Capital Monitoring Report updated accordingly.</li> </ul>		
<b>What action will be taken to rectify this issue?</b>		
<p><i>Jan 23</i>  Move £1.798m from FY22/23 to FY 23/24:</p> <ul style="list-style-type: none"> <li>• Budget will be slipped into 23-24 accordingly.</li> <li>• Full update of future years forecasts – Total Project Forecast and Budget remain the same</li> <li>• Slip / Pull forward accordingly</li> </ul> <p><i>Dec 22</i>  Move £3,342m (of £9.098m) from FY22/23 to FY 23/24:</p> <ul style="list-style-type: none"> <li>• Budget will be slipped into 23-24 accordingly.</li> </ul>		
<b>What are the implications of the action proposed?</b>		
<p><i>Jan 23</i>  Move £1.798m (of £5.756m) from FY22/23 to FY 23/24 &amp; Full update of future years forecasts – Total Project Forecast and Budget remain the same</p> <ul style="list-style-type: none"> <li>• None – project on track to be delivered as per outline business case.</li> </ul> <p><i>Dec 22</i>  Move £3,342m (of £9.098m) from FY22/23 to FY 23/24:</p> <ul style="list-style-type: none"> <li>• None – project on track to be delivered as per outline business case.</li> </ul>		

OFF TRACK PROJECT		Appendix 6
<b>Project Name:</b> Flood Prevention 0100	<b>Project Manager:</b> Elsa Simoes	<b>Risk:</b> Low
<b>Initial Start Date:</b> 2020/21	<b>Proposed End Date:</b> Ongoing	
<b>How was this project initially funded?</b> Block Allocation	<b>Please detail any additional funding.</b> N/A	
<b>Previously Reported Committee and Date:</b> N/A	<b>Next Reported Committee and Date:</b> N/A	
<b>Why is the project classified as off target?</b> <i>Jan 23:</i> £349k slipped from 22/23 to 23/24  <i>Dec 22:</i> £115k slipped from 22/23 to 23/24		
<b>What has caused the issue outlined above?</b> <i>Jan 23:</i> £349k moved to next FY for Etrickdale, Tigh Dearg Road, Lochavullin, Rothesay FPS construction following ongoing studies by Consultant (rather than construction in 2022/23). Capital Monitoring Report updated accordingly.  <i>Dec 22:</i> £115k moved to next FY for Etrickdale construction following ongoing studies by Consultant (rather than construction in 2022/23). Capital Monitoring Report updated accordingly.		
<b>What action will be taken to rectify this issue?</b> <i>Jan 23:</i> Budgets will be slipped into 23-24 accordingly.  <i>Dec 22:</i> Budgets will be slipped into 23-24 accordingly.		
<b>What are the implications of the action proposed?</b> <i>Jan 23:</i> None – project on track to be delivered.  <i>Dec 22:</i> None – project on track to be delivered.		

OFF TRACK PROJECT		Appendix 6
<b>Project Name:</b> Helensburgh Flood Mitigation	<b>Project Manager:</b> Elsa Simoes	<b>Risk:</b> Low
<b>Initial Start Date:</b> 2018/19	<b>Proposed End Date:</b> Ongoing	
<b>How was this project initially funded?</b> Block Allocation	<b>Please detail any additional funding.</b> N/A	
<b>Previously Reported Committee and Date:</b> N/A	<b>Next Reported Committee and Date:</b> N/A	
<b>Why is the project classified as off target?</b>  <i>Jan 23:</i> £328k slipped from 22/23 to 23/24  <i>Dec 22:</i> £100k slipped from 22/23 to 23/24		
<b>What has caused the issue outlined above?</b>  <i>Jan 23:</i> Tender for works abandoned due to high costs received. To be retendered in 23-24. £328k moved to next FY to allow scheme to be retendered. Capital Monitoring Report updated accordingly.  <i>Dec 22:</i> Tender for works abandoned due to high costs received. To be retendered in 22-23. £100k moved to next FY to allow scheme to be retendered Capital Monitoring Report updated accordingly.		
<b>What action will be taken to rectify this issue?</b>  <i>Jan 23:</i> Budgets will be slipped into 23-24 accordingly.  <i>Dec 22:</i> Budgets will be slipped into 23-24 accordingly.		
<b>What are the implications of the action proposed?</b>  <i>Jan 23:</i> None – project on track to be delivered.  <i>Dec 22:</i> None – project on track to be delivered.		

<b>OFF TRACK PROJECT</b>		<b>Appendix 6</b>
<b>Project Name:</b> Kilmory Business Park – Phase 2AA: Essential Infrastructure Works	<b>Project Manager:</b> John Gordon	<b>Risk:</b> Low
<b>Initial Start Date:</b> 1 April 2021	<b>Proposed End Date:</b> September 2024	
<b>How was this project initially funded?</b>  Argyll & Bute Council (Crown Estates)                    £ 150,000 Highlands & Islands Enterprise                            £ 150,000 M&K MacLeod Ltd    £ 850,000 Scottish Government (RCGF) <u>£ 650,000</u> <div style="text-align: right;">Total    <u>£1,800,000</u></div>	<b>Please detail any additional funding.</b>  Scottish Government (RCGF)                                    £ 179,000  <div style="text-align: right;"><b>Total    £1,979,000</b></div>	
<b>Previously Reported Committee and Date:</b>  Policy & Resources Committee 8-Dec-22 (as part of the Capital Budget Monitoring pack)	<b>Next Reported Committee and Date:</b>  Policy & Resources Committee Feb-23	
<b>Why is the project classified as off target?</b>  Capital Budget Allocation for FY22/23 is £1,102,000, based on the original programme forecast for the implementation of the works commencing in September 2022. The revised forecast expenditure for FY22/23 is circa £36,000.  £1,066,000 of capital to be carried forward into FY23/24.		
<b>What has caused the issue outlined above?</b>  M&K Macleod submitted formal Planning Application in April 2022, however due to wider issues with the availability of Planning Authority resources, and the volume of applications that they were dealing with, the formal Decision was not published until 21 December 2022. M&K Macleod have been unable to progress other statutory consents, and therefore the technical design solution for the works, until the Planning Application was decided. The focus through FQ4 FY22/23 will be on progressing statutory consents with Transport Scotland, Argyll & Bute Council (RAS) and Scottish Water to enable implementation of the physical works in FY23/24, currently estimated as having a start date at the end of FQ2 FY23/24.		
<b>What action will be taken to rectify this issue?</b>  Programme has had to be revised with major expenditure not now expected until FQ2/FQ3 in FY23/24. Approximately £1.066million will need to be carried forward from FY22/23 to FY23/24.		



**What are the implications of the action proposed?**

A&BC will need to slip Crown Estate Funding of £150,000 from FY22/23 to FY23/24.

The RCGF Funding of £829,000 was paid to A&BC in FQ1 of FY22/23 and, therefore some £739,000 may need to be carried over into FY23/24

The Highlands and Islands Funding of £150,000 has yet to be claimed by A&BC therefore there are no implications in respect of this funding

We are awaiting revised programme from M&K MacLeod Limited, along with cashflow profile following on from publication of Planning Decision, and subsequent agreements with the other statutory bodies, which should be available for the beginning of FY23/24

**OFF TRACK PROJECT**

Appendix 6

**Project Name: Burnett Building Structural Alterations****Project Manager: Rhona Mitchell****Risk:****Initial Start Date: 2021****Proposed End Date: TBC****How was this project initially funded? Capital****Please detail any additional funding. n/a****Previously Reported Committee and Date:****Next Reported Committee and Date:****Why is the project classified as off target?****Works complete – Account still open and not finalised****What has caused the issue outlined above?**

Structural Works (£120k) –The proposal to appoint a multi-disciplinary team through Lot 11 of the Edinburgh Framework failed therefore another route will need to be developed to outsource the design of this project. The Failed Procurement Report (FPR) was signed off on 2 August 2022. This project also includes internal work associated with Our Modern Workspace so this along with the proposed structural works will be delayed. No further progress on this project at this stage.

**What action will be taken to rectify this issue?**

Further dialogue to progress in conjunction with OMW works.

**What are the implications of the action proposed?**

Works to recommence on completion of OMW works.

<b>OFF TRACK PROJECT</b>		<b>Appendix 6</b>
<b>Project Name:</b> Bowmore Area Office	<b>Project Manager:</b> Rhona Mitchell	<b>Risk:</b>
<b>Initial Start Date:</b> not yet progressed	<b>Proposed End Date:</b> March 23/24 if works instructed to proceed	
<b>How was this project initially funded?</b> Capital	<b>Please detail any additional funding.</b> n/a	
<b>Previously Reported Committee and Date:</b>	<b>Next Reported Committee and Date:</b>	
<b>Why is the project classified as off target?</b> Works have not progressed initially as a consequence of COVID, exact details of entrance not agreed, OWM works		
<b>What has caused the issue outlined above?</b> Discussion around if the building is to remain open given uncertainty of the development of Kilarrow and the office rationalisation/OMW works currently progressing		
<b>What action will be taken to rectify this issue?</b> Works can progress if necessary – further guidance required		
<b>What are the implications of the action proposed?</b> Progressing may result in abortive works or value spent on an asset due to be removed from Council portfolio.		

<b>OFF TRACK PROJECT</b>		<b>Appendix 6</b>
<b>Project Name:</b> Kilmory castle, Lochgilphead	<b>Project Manager:</b> Rhona Mitchell	<b>Risk:</b>
<b>Initial Start Date:</b> not yet progressed	<b>Proposed End Date:</b> March 23/24 if works instructed to proceed	
<b>How was this project initially funded?</b> Capital	<b>Please detail any additional funding.</b> n/a	
<b>Previously Reported Committee and Date:</b>	<b>Next Reported Committee and Date:</b>	
<b>Why is the project classified as off target?</b> Works have not progressed initially as a consequence of COVID, OWM works		
<b>What has caused the issue outlined above?</b> Discussion around revised design of building given the development of the office rationalisation/OMW programme currently progressing but still to define the use of the Castle office areas		
<b>What action will be taken to rectify this issue?</b> Works can progress once new design layouts are agreed in conjunction with OMW		
<b>What are the implications of the action proposed?</b> Progressing may result in abortive works or value spent on an asset due to be removed from Council portfolio.		

**OFF TRACK PROJECT****Appendix 6****Project Name:** Helensburgh Waterfront Development**Project Manager:** Andrew Collins**Risk:** **Med****Initial Start Date:** Construction Phase commenced 31 August 2020**Proposed End Date:** Practical Completion of Section 2 of the Construction Phase is on programme for mid February 2023**How was this project initially funded?**

Prudential Borrowing - £16.255 million

S75 Funding - £0.195 million

Capital Receipt (Retail Development) - £1.000 million

**Please detail any additional funding:**

UKG LIBOR Funding - £5.000 million

SportScotland - £0.100 million

Place Based Investment - £0.163 million

Live Argyll (FF&amp;E) - £0.344 million

Place Based Investment - £0.090 million

Crown Estates Funding - £0.093 million

**Previously Reported Committee and Date:**

Helensburgh &amp; Lomond Area Committee – 20 September 2022

**Next Reported Committee and Date:**

TBC – subject to conclusion of commercial claim negotiations as between Contractor and Employer

**Why is the project classified as off target?**

Reporting an overspend against approved budget.

**What has caused the issue outlined above?**

A combination of factors including: delays in achieving permanent connection to mains electrical supply, which required the provision of temporary power supplies and heating to maintain overall contract programme; conformance by the Contractor with the Scottish Government COVID Regulations pertaining to construction sites; impact of a number of external international/global factors e.g. COVID-19, BREXIT, Russian Invasion of Ukraine on the availability and cost of essential construction sector materials, resources, plant and equipment.

**What action will be taken to rectify this issue?**

We are currently awaiting the formal assessment of the Contractors contractual claim by our appointed Cost Consultants, which will enable us to undertake and conclude the commercial negotiations with them as to the final contract sum. Additionally we are assessing all commercial/legal options to address issues of underperformance on the delivery of services etc., and which have had a detrimental impact upon the project costs e.g. the delay in achieving the permanent connection to the mains electrical supply

**What are the implications of the action proposed?**

We have previously reported to Committees of the Council that, whilst the value of the Construction Contract, at Award Stage was £19,971,918.51, given the global health pandemic and other economic impacts which have emerged since the Contract Award, the Anticipated Final Cost for the Contract and therefore the project was likely to increase. We are working with the Contractor, Heron Bros Ltd, to ensure that any claims for Extensions of Time, and/or Loss and Expense, are properly and fully substantiated and assessed in accordance with the requirements of the Contract. This work stream is on-going and its' outcome will be reported to the relevant committees of the Council in due course. It is therefore likely that we may require to secure additional budget support, and which could include funds from the COVID specific additional funding that the Council has been in receipt of.

**OFF TRACK PROJECT****Appendix 6****Project Name:** Oban Depot Development Project**Project Manager:** Mark Calder**Risk:** Low**Initial Start Date:** August 2019**Proposed End Date:** TBC**How was this project initially funded?**

Insurance Claim - £1.681 million

**Please detail any additional funding.**

Prudential Borrowing - £0.42 million

Block Allocation - £0.032 million

Capital Receipt (Appin Depot – anticipated) £0.150 million

**Previously Reported Committee and Date:****Next Reported Committee and Date:****Why is the project classified as off target?**

Reporting an overspend against approved budget.

**What has caused the issue outlined above?**

Additional works were requested by the operations team which exceeded the original building refurbishment contract. These works were agreed on the basis that they would be absorbed by the service. Some costs are attributed to Electric Vehicle charger installations which will be claimed against an external fund.

**What action will be taken to rectify this issue?**

Funding for the additional works will be transferred from the service to the Oban Depot Development Project for the additional works, as agreed.

**What are the implications of the action proposed?**

Transfer of funding from the service to the Oban Depot Development Project for the additional works requested will eliminate the overspend.

Strategic Change Projects - Cumulative Spend, Start/Finish Dates and Project Risks

APPENDIX 7

Strategic Change Projects	Capital Expenditure				Dates		Risks	
	Prior Years Spend £'000	Current Year Forecast £'000	Total Project Forecast £'000	Total Project Budget £'000	Project Start Date	Estimated Completion Date	Project Risks Identified	Explanation
Helensburgh Waterfront Development	1,387	3,704	23,366	22,740	01/04/2017	31/03/2024	Red	Current overspend being investigated by Project Manager with Contractor.
Campbeltown Flood Scheme	181	3,958	15,215	15,215	01/08/2016	31/03/2023	Red	Contractor's updated programming of work moved Public Utility works from 22/23 to 23/24
CHORD Oban	7,129	651	7,905	7,905	27/10/2016	31/03/2022	Amber	Issues with contract close out impacting on timescales.
TIF - Halfway House Roundabout	0	47	640	640	tbc	tbc	Amber	Scope of project still to be determined - budget to be reprofiled.
Harbour Investment Programme	1,802	5,626	91,292	91,292	01/04/2017	31/03/2028	Green	Budget slipped into future years.
Dunoon Primary	7,170	304	10,869	10,869	18/12/2014	30/04/2020	Green	Physically complete - negotiations with contractor delaying payment of final sums outstanding.
Kim Primary School	9,878	99	10,119	10,119	24/04/2014	31/10/2017	Green	Physically complete - negotiations with contractor delaying payment of final sums outstanding.
Replacement of Oban High	2,496	136	3,250	3,250	24/04/2014	31/01/2019	Green	Physically complete - negotiations with contractor delaying payment of final sums outstanding.
Street Lighting LED Replacement	2,700	791	3,900	3,900	01/08/2016	31/12/2022	Green	Tender for final package of works still to be awarded.
Helensburgh Office Rationalisation	11,500	310	11,838	11,838	25/04/2013	31/12/2022	Green	Project subject to legal dispute.
CHORD Dunoon	12,238	55	12,522	12,522	03/02/2012	09/03/2018	Green	Main contract complete and retentions paid. Landscaping and remediation works ongoing but issues with water ingress may require works in 22-23.
Kilmory Business Park Phase 2AA	0	54	1,129	1,129	01/02/2022	01/09/2023	Green	Development Agreement still to be concluded.
Carbon Management Business Cases	201	60	261	261	01/02/2014	31/12/2022	Green	Budget to be reprofiled pending development of new projects.
Carbon Management - Group Heating Conversion Project	1,938	10	1,948	1,948	01/02/2016	31/12/2022	Green	Complete.
Carbon Management - Non Education	14	21	50	50	01/04/2015	31/12/2022	Green	Projects being determined.
NPDO Schools Solar PV Panel Installations	761	183	944	944	26/06/2014	31/12/2022	Green	Budget to be reprofiled pending development of new projects.
Non NPDO Schools Solar PV Panel Installations	400	88	488	488	20/03/2014	31/12/2022	Green	Budget to be reprofiled pending development of new projects.
Carbon Management Capital Property Works 2016/17	19	20	39	39	01/02/2016	31/12/2022	Green	Budget to be reprofiled pending development of new projects.
Oil to Gas Heating Conversions	182	5	187	187	01/02/2012	31/12/2022	Green	Budget to be reprofiled pending development of new projects.
Dunoon Pier OBC	2,844	0	2,844	2,844	03/02/2012	26/02/2016	Green	Project complete.
Campbeltown Office Rationalisation	595	1	596	596	01/02/2015	31/03/2019	Green	Complete.
TIF - Oban Airport Business Park	447	101	590	590	22/01/2015	31/12/2022	Green	
Campbeltown Schools Redevelopment	1,649	76	2,130	2,130	16/02/2012	30/11/2018	Green	Physically complete - negotiations with contractor delaying payment of financial sums outstanding.
CHORD - Helensburgh	6,483	28	6,557	6,557	29/09/2011	30/04/2015	Green	Main contract complete. Art project originally proposed for 21-22 now slipped into 22-23.
TIF - North Pier Extension	214	0	214	214	06/12/2017	06/12/2021	Green	Complete.
TIF - Lorn/Kirk Road	1,959	1	2,170	2,170	22/01/2015	31/03/2021	Green	Complete.
Carbon Management Fuel Conversions	107	0	107	107	01/02/2014	31/03/2019	Green	Complete.
Kilmory Biomass Carbon Management	956	0	956	956	20/09/2012	31/03/2019	Green	Complete.
Clean Energy	0	567	745	729	tbc	tbc	Green	
Clean Energy 2022-23	0	500	500	500	tbc	tbc	Green	
<b>Strategic Change Total</b>	<b>75,250</b>	<b>17,396</b>	<b>213,371</b>	<b>212,729</b>				

Project Risk Classifications:

**Green** - Risks can be managed and are viewed as stable or reducing.

**Amber** - Risks are increasing but are still manageable.

**Red** - Risks are increasing or have increased to such an extent they may affect delivery of the project.



ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT - OVERALL COUNCIL										Appendix 8
FINANCIAL SUMMARY - NET EXPENDITURE										31 December 2022
	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs			
	Budget £000s	Actual £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s	
<b>EXPENDITURE</b>										
<b>Asset Sustainability Projects</b>										
Executive Director Douglas Hendry	2,770	2,811	(41)	8,150	6,161	1,989	19,258	19,265	(7)	
Executive Director Kirsty Flanagan	8,914	8,914	0	15,423	13,982	1,441	34,850	34,850	0	
<b>Asset Sustainability Total</b>	<b>11,684</b>	<b>11,725</b>	<b>(41)</b>	<b>23,573</b>	<b>20,143</b>	<b>3,430</b>	<b>54,108</b>	<b>54,115</b>	<b>(7)</b>	
<b>Service Development Projects</b>										
Executive Director Douglas Hendry	948	948	0	1,255	1,267	(12)	15,157	15,169	(12)	
Executive Director Kirsty Flanagan	1,795	1,860	(65)	6,417	6,483	(66)	33,010	33,076	(66)	
<b>Service Development Total</b>	<b>2,743</b>	<b>2,808</b>	<b>(65)</b>	<b>7,672</b>	<b>7,750</b>	<b>(78)</b>	<b>48,167</b>	<b>48,245</b>	<b>(78)</b>	
<b>Strategic Change Projects</b>										
Campbeltown Schools Redevelopment	38	38	0	76	76	0	2,130	2,130	0	
Dunoon Primary	257	257	0	304	304	0	10,869	10,869	0	
Replacement of Oban High	100	100	0	136	136	0	3,250	3,250	0	
Kirn Primary School	65	65	0	99	99	0	10,119	10,119	0	
Carbon Management - Non Education	0	0	0	21	21	0	50	50	0	
Carbon Management Business Cases	0	0	0	60	60	0	261	261	0	
NPDO Schools Solar PV Panel Installations	0	0	0	183	183	0	944	944	0	
Non NPDO Schools Solar PV Panel Installations	0	0	0	88	88	0	488	488	0	
Carbon Management Fuel Conversions	0	0	0	0	0	0	107	107	0	
Carbon Management Capital Property Works 2016/17	0	0	0	20	20	0	39	39	0	
Carbon Management - Group Heating Conversion Project	0	0	0	10	10	0	1,948	1,948	0	
Kilmory Biomass Carbon Management	0	0	0	0	0	0	956	956	0	
Oil to Gas Heating Conversions	0	0	0	5	5	0	187	187	0	
Campbeltown Office Rationalisation	0	0	0	1	1	0	596	596	0	
Helensburgh Office Rationalisation	10	10	0	310	310	0	11,838	11,838	0	
Clean Energy	0	0	0	551	567	(16)	729	745	(16)	
Clean Energy 2022-23	0	0	0	500	500	0	500	500	0	
Campbeltown Flood Scheme	1,130	1,130	0	5,756	3,958	1,798	15,215	15,215	0	
Street Lighting LED Replacement	101	101	0	791	791	0	3,900	3,900	0	
Harbour Investment Programme	294	294	0	5,626	5,626	0	91,292	91,292	0	
TIF - Lorn/Kirk Road	0	0	0	1	1	0	2,170	2,170	0	
TIF - North Pier Extension	0	0	0	0	0	0	214	214	0	
TIF - Oban Airport Business Park	0	0	0	101	101	0	590	590	0	
TIF - Halfway House Roundabout	1	1	0	47	47	0	640	640	0	
CHORD - Helensburgh	0	0	0	28	28	0	6,557	6,557	0	
CHORD Dunoon	15	17	(2)	55	55	0	12,522	12,522	0	
CHORD Oban	16	16	0	651	651	0	7,905	7,905	0	
Helensburgh Waterfront Development	3,078	3,704	(626)	3,078	3,704	(626)	22,740	23,366	(626)	
HWD - FFE (Funded by LA)	344	306	38	344	344	0	350	350	0	
Kilmory Business Park Phase 2AA	18	18	0	1,120	54	1,066	1,129	1,129	0	
Dunoon Pier OBC	0	0	0	0	0	0	2,844	2,844	0	
<b>Strategic Change Total</b>	<b>5,467</b>	<b>6,057</b>	<b>(590)</b>	<b>19,962</b>	<b>17,740</b>	<b>2,222</b>	<b>213,079</b>	<b>213,721</b>	<b>(642)</b>	
<b>Total Expenditure</b>	<b>19,894</b>	<b>20,590</b>	<b>(696)</b>	<b>51,207</b>	<b>45,633</b>	<b>5,574</b>	<b>315,354</b>	<b>316,081</b>	<b>(727)</b>	
<b>INCOME</b>										
<b>Asset Sustainability</b>										
Executive Director Douglas Hendry	0	0	0	0	0	0	0	0	0	
Executive Director Kirsty Flanagan	(345)	(345)	0	(2,015)	(2,015)	0	(2,015)	(2,015)	0	
<b>Asset Sustainability Total</b>	<b>(345)</b>	<b>(345)</b>	<b>0</b>	<b>(2,015)</b>	<b>(2,015)</b>	<b>0</b>	<b>(2,015)</b>	<b>(2,015)</b>	<b>0</b>	
<b>Service Development Projects</b>										
Executive Director Douglas Hendry	0	(38)	38	0	0	0	(7,771)	(7,771)	0	
Executive Director Kirsty Flanagan	(69)	(72)	3	(3,046)	(3,046)	0	(21,135)	(21,135)	0	
<b>Service Development Total</b>	<b>(69)</b>	<b>(110)</b>	<b>41</b>	<b>(3,046)</b>	<b>(3,046)</b>	<b>0</b>	<b>(28,906)</b>	<b>(28,906)</b>	<b>0</b>	
<b>Strategic Change Projects</b>										
Helensburgh Office Rationalisation	0	0	0	0	0	0	(349)	(349)	0	
Dunoon Primary	0	0	0	0	0	0	(137)	(137)	0	
Campbeltown Flood	0	0	0	0	0	0	(270)	(270)	0	
Harbour PB	(294)	(294)	0	(5,626)	(5,626)	0	(91,292)	(91,292)	0	
01 TIF - Lorn/Kirk Road	0	0	0	(149)	(149)	0	(2,167)	(2,167)	0	
H'burgh CHORD Public Realm Imprv	0	0	0	0	0	0	(570)	(570)	0	
Helensburgh Waterfront Development	0	0	0	(378)	(378)	0	(6,676)	(6,676)	0	
HWD - FFE (Funded by LA)	0	5	(5)	0	0	0	(350)	(350)	0	
Kilmory Business Park Phase 2AA	0	0	0	(979)	(979)	0	(979)	(979)	0	
CHORD - Dunoon Waterfront	0	0	0	0	0	0	(10)	(10)	0	
CHORD - Oban	0	0	0	0	0	0	(1,624)	(1,624)	0	
<b>Strategic Change Total</b>	<b>(294)</b>	<b>(289)</b>	<b>(5)</b>	<b>(7,132)</b>	<b>(7,132)</b>	<b>0</b>	<b>(104,424)</b>	<b>(104,424)</b>	<b>0</b>	
<b>Total Income</b>	<b>(708)</b>	<b>(744)</b>	<b>36</b>	<b>(12,193)</b>	<b>(12,193)</b>	<b>0</b>	<b>(135,345)</b>	<b>(135,345)</b>	<b>0</b>	
<b>Net Total</b>	<b>19,186</b>	<b>19,846</b>	<b>(660)</b>	<b>39,014</b>	<b>33,440</b>	<b>5,574</b>	<b>180,009</b>	<b>180,736</b>	<b>(727)</b>	

MONITORING REPORT		Appendix 8							
FINANCIAL SUMMARY NET EXPENDITURE - EXECUTIVE DIRECTOR KIRSTY FLANAGAN		31 December 2022							
	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Budget €000s	Actual €000s	(Over)/Under €000s	Budget €000s	Forecast €000s	(Over)/Under €000s	Budget €000s	Forecast €000s	(Over)/Under €000s
<b>EXPENDITURE</b>									
<b>Asset Sustainability Projects</b>									
Flood Prevention	4	4	0	359	10	349	1,084	1,084	0
Coastal Protection	0	0	0	15	15	0	200	200	0
Coastal Change Adaptation	0	0	0	159	0	159	159	159	0
Bute Sea Wall Repairs	59	59	0	575	148	427	750	750	0
Helensburgh Flood Mitigation	0	0	0	332	4	328	432	432	0
Bridge Strengthening	209	209	0	156	215	(59)	2,049	2,049	0
Local Bridge Maintenance Fund	150	150	0	712	475	237	5,447	5,447	0
Roads Reconstruction	6,663	6,663	0	8,679	8,679	0	16,294	16,294	0
Roads Reconstruction - Helensburgh CHORD	0	0	0	0	0	0	47	47	0
Roads Reconstruction - Oban CHORD	0	0	0	3	3	0	3	3	0
Helensburgh CHORD - Signage etc	0	0	0	0	0	0	10	10	0
Lighting	0	0	0	140	140	0	1,040	1,040	0
Environmental Projects	0	0	0	734	734	0	934	934	0
Play Park Refurbishment	0	0	0	0	0	0	938	938	0
Public Convenience Upgrades	0	0	0	82	82	0	82	82	0
Footway Improvements	162	162	0	269	269	0	269	269	0
Glengorm - Capping	0	0	0	82	82	0	82	82	0
Glengorm - Cell and Transfer Station (PB)	1,102	1,102	0	1,200	1,200	0	1,200	1,200	0
EV Quick Chargers	0	0	0	93	93	0	93	93	0
Tobermory Car Park	74	74	0	576	576	0	576	576	0
Active Travel	0	0	0	370	370	0	500	500	0
Bin Replacement Programme	0	0	0	100	100	0	100	100	0
Server Sustainability	4	4	0	187	187	0	251	251	0
PC Replacement	466	466	0	522	522	0	522	522	0
Telecomms Network	21	21	0	78	78	0	98	98	0
Computer Network Security	0	0	0	0	0	0	0	0	0
MS Exchange & Doc Sharing	0	0	0	0	0	0	0	0	0
Corporate GIS Portal Rollout	0	0	0	0	0	0	0	0	0
Block Allocation - ICT	0	0	0	0	0	0	1,690	1,690	0
<b>Asset Sustainability Total</b>	<b>8,914</b>	<b>8,914</b>	<b>0</b>	<b>15,423</b>	<b>13,982</b>	<b>1,441</b>	<b>34,850</b>	<b>34,850</b>	<b>0</b>
<b>Service Development Projects</b>									
Preliminary design for Regional Transport projects	0	0	0	16	16	0	221	221	0
Campbelltown Old Quay	0	0	0	43	43	0	1,424	1,424	0
Fleet Management - Prudential Borrowing	0	0	0	1,187	1,187	0	4,861	4,861	0
Fleet Management	174	174	0	499	499	0	3,358	3,358	0
Lismore Ferry	13	19	(6)	13	19	(6)	666	672	(6)
Oban Depot Development Project	17	76	(59)	17	76	(59)	2,117	2,176	(59)
Lochgilhead Depot Rationalisation	0	0	0	9	9	0	37	37	0
Jackson's Quarry Refurbishment	0	0	0	0	0	0	285	285	0
Witchburn Road Demolition	0	0	0	(1)	0	(1)	157	158	(1)
Safe Streets, Walking and Cycling (CWSS)	0	0	0	544	544	0	2,878	2,878	0
SPT - bus infrastructure	0	0	0	0	0	0	1,405	1,405	0
Cycleways - H&L (FSPT)	3	3	0	240	240	0	3,112	3,112	0
Helensburgh Public Realm - Arts Strategy Fund	0	0	0	51	51	0	53	53	0
Town Centre Funds	768	768	0	1,054	1,054	0	3,876	3,876	0
Dunoon Cycle Bothy	215	215	0	266	266	0	279	279	0
Dunoon STEM Hub	30	30	0	603	603	0	608	608	0
Ardisraig North Active Travel	396	396	0	712	712	0	880	880	0
Nature Restoration Fund	0	0	0	346	346	0	346	346	0
Gibraltar Street Public Realm Improvements	23	23	0	248	248	0	250	250	0
Hermitage Park	0	0	0	69	69	0	3,314	3,314	0
West Coast UAV Innovation Logistics and Training Hub	0	0	0	0	0	0	0	0	0
Applications Projects	156	156	0	592	502	90	2,883	2,883	0
<b>Service Development Total</b>	<b>1,795</b>	<b>1,859</b>	<b>(66)</b>	<b>6,417</b>	<b>6,453</b>	<b>(66)</b>	<b>33,010</b>	<b>33,076</b>	<b>(66)</b>
<b>Strategic Change Projects</b>									
Campbelltown Flood Scheme	1,130	1,130	0	5,756	3,958	1,798	15,215	15,215	0
Street Lighting LED Replacement	101	101	0	791	791	0	3,900	3,900	0
Harbour Investment Programme	294	294	0	5,626	5,626	0	91,292	91,292	0
TIF - Lorn/Kirk Road	0	0	0	1	1	0	2,170	2,170	0
TIF - North Pier Extension	0	0	0	0	0	0	214	214	0
TIF - Oban Airport Business Park	0	0	0	101	101	0	590	590	0
TIF - Halfway House Roundabout	1	1	0	47	47	0	640	640	0
<b>Strategic Change Total</b>	<b>1,526</b>	<b>1,526</b>	<b>0</b>	<b>12,322</b>	<b>10,524</b>	<b>1,798</b>	<b>114,021</b>	<b>114,021</b>	<b>0</b>
<b>Total Expenditure</b>	<b>12,235</b>	<b>12,300</b>	<b>(65)</b>	<b>34,162</b>	<b>30,989</b>	<b>3,173</b>	<b>181,881</b>	<b>181,947</b>	<b>(66)</b>
<b>INCOME</b>									
<b>Asset Sustainability</b>									
EV Quick Chargers	0	0	0	(97)	(97)	0	(97)	(97)	0
Roads Reconstruction	(345)	(345)	0	(958)	(958)	0	(958)	(958)	0
Glengorm Cappina/New Cell - Prudential Borrowing	0	0	0	(560)	(560)	0	(560)	(560)	0
Tobermory Car Park	0	0	0	(400)	(400)	0	(400)	(400)	0
Play Park Renewal	0	0	0	0	0	0	0	0	0
Sale of Plant and Machinery	0	0	0	0	0	0	0	0	0
Sale of Vehicles	0	0	0	0	0	0	0	0	0
<b>Asset Sustainability Total</b>	<b>(345)</b>	<b>(345)</b>	<b>0</b>	<b>(2,015)</b>	<b>(2,015)</b>	<b>0</b>	<b>(2,015)</b>	<b>(2,015)</b>	<b>0</b>
<b>Service Development Projects</b>									
Applications Projects	0	0	0	(46)	(46)	0	(437)	(437)	0
Safe Streets, Walking and Cycling	0	(3)	3	(550)	(550)	0	(2,483)	(2,483)	0
SPT	0	0	0	0	0	0	(1,243)	(1,243)	0
Cycleways - H&L (FSPT)	0	0	0	(240)	(240)	0	(3,212)	(3,212)	0
Town Centre Funds	0	0	0	(382)	(382)	0	(1,794)	(1,794)	0
Dunoon STEM Hub	0	0	0	(100)	(100)	0	(608)	(608)	0
Ardisraig North Active Travel	(50)	(50)	0	(65)	(65)	0	(50)	(50)	0
Dunoon Cycle Bothy	0	0	0	(209)	(209)	0	(279)	(279)	0
Gibraltar Street Public Realm Improvements	0	0	0	0	0	0	(250)	(250)	0
Hermitage Park	0	0	0	0	0	0	(3,245)	(3,245)	0
Fleet Management - PB	0	0	0	(1,187)	(1,187)	0	(4,861)	(4,861)	0
Fleet Management	(8)	(8)	0	0	0	0	0	0	0
Lochgilhead Depot Rationalisation	0	0	0	(1)	(1)	0	(1)	(1)	0
Milpark Depot Demolition Insurance	0	0	0	0	0	0	(53)	(53)	0
Oban Depot - Mill Park Insurance Claim	0	0	0	0	0	0	(1,681)	(1,681)	0
Oban Depot - Appin Depot Sale	0	0	0	(150)	(150)	0	(150)	(150)	0
Lismore Ferry	(11)	(11)	0	(131)	(131)	0	(631)	(631)	0
Witchburn Road Demolition	0	0	0	0	0	0	(157)	(157)	0
<b>Service Development Total</b>	<b>(68)</b>	<b>(72)</b>	<b>3</b>	<b>(3,046)</b>	<b>(3,046)</b>	<b>0</b>	<b>(21,136)</b>	<b>(21,136)</b>	<b>0</b>
<b>Strategic Change Projects</b>									
Campbelltown Flood	0	0	0	0	0	0	(270)	(270)	0
Harbour PB	(294)	(294)	0	(5,626)	(5,626)	0	(91,292)	(91,292)	0
01 TIF - Lorn/Kirk Road	0	0	0	(149)	(149)	0	(2,187)	(2,187)	0
<b>Strategic Change Total</b>	<b>(294)</b>	<b>(294)</b>	<b>0</b>	<b>(5,775)</b>	<b>(5,775)</b>	<b>0</b>	<b>(93,729)</b>	<b>(93,729)</b>	<b>0</b>
<b>Total Income</b>	<b>(708)</b>	<b>(711)</b>	<b>3</b>	<b>(10,836)</b>	<b>(10,836)</b>	<b>0</b>	<b>(116,879)</b>	<b>(116,879)</b>	<b>0</b>
<b>Net Departmental Total</b>	<b>11,527</b>	<b>11,589</b>	<b>(62)</b>	<b>23,326</b>	<b>20,153</b>	<b>3,173</b>	<b>65,002</b>	<b>65,068</b>	<b>(66)</b>

MONITORING REPORT

Appendix 8

FINANCIAL SUMMARY NET EXPENDITURE - EXECUTIVE DIRECTOR DOUGLAS HENDRY

31 December 2022

	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Budget £000s	Actual £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s
<b>EXPENDITURE</b>									
<b>Asset Sustainability</b>									
Education	2,334	2,354	(20)	4,520	4,520	0	11,000	11,000	0
Live Argyll	171	175	(4)	559	545	14	2,073	2,079	(6)
Health and Social Care Partnership	152	155	(3)	559	584	(25)	2,922	2,932	(10)
Shared Offices	113	127	(14)	2,512	512	2,000	3,263	3,254	9
<b>Asset Sustainability Total</b>	<b>2,770</b>	<b>2,811</b>	<b>(41)</b>	<b>8,150</b>	<b>6,161</b>	<b>1,989</b>	<b>19,258</b>	<b>19,265</b>	<b>(7)</b>
<b>Service Development Projects</b>									
Ardershaig Primary Pre 5 Unit	0	0	0	0	0	0	2	2	0
Bowmore Primary School - Pre 5 Unit	0	0	0	0	0	0	149	149	0
Clyde Cottage - 600 hour provision	0	0	0	23	23	0	579	579	0
Craignish Primary School - Pre 5 Extension	0	0	0	0	0	0	400	400	0
Iona Primary School - Pre 5 Unit	0	0	0	0	0	0	490	490	0
Islay High and Rosneath Primary School Pitches	0	0	0	(12)	0	(12)	707	719	(12)
Lochgillhead Primary School - Pre 5 Unit	0	0	0	0	0	0	391	391	0
Park Primary Extension/Pre Fives Unit	0	0	0	0	0	0	341	341	0
Sandbank Gaelic Pre Five Unit	0	0	0	0	0	0	491	491	0
Bunessan Primary School - Gaelic Medium Improvements	0	0	0	0	0	0	120	120	0
Early Learning and Childcare	0	0	0	0	0	0	850	850	0
Early Learning and Childcare - 1140 Hours	945	945	0	1,036	1,036	0	7,751	7,751	0
CO2 Monitoring - Covid Mitigation in Schools	3	3	0	116	116	0	192	192	0
Early Learning and Childcare - 1140 Hours - CFCR	0	0	0	0	0	0	111	111	0
Bowmore Primary School - Gaelic Medium Grant	0	0	0	38	38	0	38	38	0
Riverside Leisure Centre Refurbishment	0	0	0	0	0	0	1,245	1,245	0
Dunclutha Childrens Home	0	0	0	54	54	0	1,300	1,300	0
<b>Service Development Total</b>	<b>948</b>	<b>948</b>	<b>0</b>	<b>1,255</b>	<b>1,267</b>	<b>(12)</b>	<b>15,157</b>	<b>15,169</b>	<b>(12)</b>
<b>Strategic Change Projects</b>									
Campbeltown Schools Redevelopment	38	38	0	76	76	0	2,130	2,130	0
Dunoon Primary	257	257	0	304	304	0	10,869	10,869	0
Replacement of Oban High	100	100	0	136	136	0	3,250	3,250	0
Kirn Primary School	65	65	0	99	99	0	10,119	10,119	0
Carbon Management - Non Education	0	0	0	21	21	0	50	50	0
Carbon Management Business Cases	0	0	0	60	60	0	261	261	0
NPDO Schools Solar PV Panel Installations	0	0	0	183	183	0	944	944	0
Non NPDO Schools Solar PV Panel Installations	0	0	0	88	88	0	488	488	0
Carbon Management Fuel Conversions	0	0	0	0	0	0	107	107	0
Carbon Management Capital Property Works 2016/17	0	0	0	20	20	0	39	39	0
Carbon Management - Group Heating Conversion Project	0	0	0	10	10	0	1,948	1,948	0
Kilmory Biomass Carbon Management	0	0	0	0	0	0	956	956	0
Oil to Gas Heating Conversions	0	0	0	5	5	0	187	187	0
Campbeltown Office Rationalisation	0	0	0	1	1	0	596	596	0
Helensburgh Office Rationalisation	10	10	0	310	310	0	11,838	11,838	0
Clean Energy	0	0	0	551	567	(16)	729	745	(16)
Clean Energy 2022-23	0	0	0	500	500	0	500	500	0
CHORD Oban	16	16	0	651	651	0	7,905	7,905	0
CHORD - Helensburgh	0	0	0	28	28	0	6,557	6,557	0
CHORD Dunoon	15	17	(2)	55	55	0	12,522	12,522	0
Helensburgh Waterfront Deveopment	3,078	3,704	(626)	3,078	3,704	(626)	22,740	23,366	(626)
HWD - FFE (Funded by LA)	344	306	38	344	344	0	350	350	0
Kilmory Business Park Phase 2AA	18	18	0	1,120	54	1,066	1,129	1,129	0
Dunoon Pier OBC	0	0	0	0	0	0	2,844	2,844	0
<b>Strategic Change Total</b>	<b>3,941</b>	<b>4,531</b>	<b>(590)</b>	<b>7,640</b>	<b>7,216</b>	<b>424</b>	<b>99,058</b>	<b>99,700</b>	<b>(642)</b>
<b>Total Expenditure</b>	<b>7,659</b>	<b>8,290</b>	<b>(631)</b>	<b>17,045</b>	<b>14,644</b>	<b>2,401</b>	<b>133,473</b>	<b>134,134</b>	<b>(661)</b>
<b>INCOME</b>									
<b>Asset Sustainability</b>									
Education	0	0	0	0	0	0	0	0	0
Live Argyll	0	0	0	0	0	0	0	0	0
<b>Asset Sustainability Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Service Development Projects</b>									
Sandbank Gaelic Pre Five Unit	0	0	0	0	0	0	(485)	(485)	0
Bunessan Primary School - Gaelic Medium Improvements	0	0	0	0	0	0	(30)	(30)	0
Early Learning and Childcare	0	0	0	0	0	0	(918)	(918)	0
Early Years 1140 Hours	0	0	0	0	0	0	(6,300)	(6,300)	0
CO2 Monitoring - Covid Mitigation in Schools	0	(38)	38	0	0	0	0	0	0
Bowmore Primary School - Gaelic Medium Grant	0	0	0	0	0	0	(38)	(38)	0
<b>Service Development Total</b>	<b>0</b>	<b>(38)</b>	<b>38</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(7,771)</b>	<b>(7,771)</b>	<b>0</b>
<b>Strategic Change</b>									
Helensburgh Office Rationalisation	0	0	0	0	0	0	(349)	(349)	0
Dunoon Primary School	0	0	0	0	0	0	(137)	(137)	0
H'burgh CHORD Public Realm Imprv	0	0	0	0	0	0	(570)	(570)	0
Helensburgh Waterfront Development	0	0	0	(378)	(378)	0	(6,676)	(6,676)	0
HWD - FFE (Funded by LA)	0	5	(5)	0	0	0	(350)	(350)	0
CHORD - Dunoon Waterfront	0	0	0	0	0	0	(10)	(10)	0
CHORD - Oban	0	0	0	0	0	0	(1,624)	(1,624)	0
Kilmory Business Park Phase 2AA	0	0	0	(979)	(979)	0	(979)	(979)	0
<b>Strategic Change Total</b>	<b>0</b>	<b>5</b>	<b>(5)</b>	<b>(1,357)</b>	<b>(1,357)</b>	<b>0</b>	<b>(10,695)</b>	<b>(10,695)</b>	<b>0</b>
<b>Total Income</b>	<b>0</b>	<b>(33)</b>	<b>33</b>	<b>(1,357)</b>	<b>(1,357)</b>	<b>0</b>	<b>(18,466)</b>	<b>(18,466)</b>	<b>0</b>
<b>Net Departmental Total</b>	<b>7,659</b>	<b>8,257</b>	<b>(598)</b>	<b>15,688</b>	<b>13,287</b>	<b>2,401</b>	<b>115,007</b>	<b>115,668</b>	<b>(661)</b>

**CAPITAL PLAN 2022-23**  
**Overall Summary**

**APPENDIX 9**

<b>Service</b>	<b>Previous Years £000's</b>	<b>2022-23 £000s</b>	<b>2023-24 £000s</b>	<b>2024-25 £000s</b>	<b>2025-26 £000s</b>	<b>2026-27 £000s</b>	<b>Total £000s</b>
Education	36,575	6,336	4,843	2,226	0	0	49,980
Shared Offices	16,687	2,249	2,492	428	0	0	21,856
ICT	2,126	1,289	1,258	771	0	0	5,444
RIS	21,002	25,352	46,349	33,028	30,091	0	155,822
DEG	15,435	4,282	898	0	0	0	20,615
HSCP	1,246	628	1,920	428	0	0	4,222
Live Argyll	1,274	560	1,106	428	0	0	3,368
CHORD	48,486	4,210	1,351	0	0	0	54,047
<b>Overall Total</b>	<b>142,831</b>	<b>44,906</b>	<b>60,217</b>	<b>37,309</b>	<b>30,091</b>	<b>0</b>	<b>315,354</b>

Category	Service	Project	Previous	2022-23	2023-24	2024-25	2025-26	2026-27	Total
			Years	£000s	£000s	£000s	£000s	£000s	£000s
<b>Asset Sustainability</b>	<b>Education</b>	Asbestos Control/Removal Works	0	7	0	0	0	0	7
		Block Allocation - Education	0	12	4,231	2,226	0	0	6,469
		Digital Inclusion 20-21	0	9	0	0	0	0	9
		Free School Meals	0	14	0	0	0	0	14
		Homeless Houses - Housing Quality Standard	0	1	0	0	0	0	1
		Internal Refurbishment Budget	0	7	0	0	0	0	7
		Lochgilphead Primary School Demolition	0	246	0	0	0	0	246
		Pre-5's/Nurseries	0	1	0	0	0	0	1
		Primary Schools	0	3,354	23	0	0	0	3,377
		School Houses - Housing Quality Standard	0	26	0	0	0	0	26
Secondary Schools	0	843	0	0	0	0	843		
<b>Asset Sustainability Total</b>			<b>0</b>	<b>4,520</b>	<b>4,254</b>	<b>2,226</b>	<b>0</b>	<b>0</b>	<b>11,000</b>
<b>Service Development</b>	<b>Education</b>	Ardrihaig Primar School - Pre Five Extension	2	0	0	0	0	0	2
		Bowmore Primary School - Gaelic Medium Grant	0	38	0	0	0	0	38
		Bowmore Primary School - Pre Five Unit	149	0	0	0	0	0	149
		Bunessan Primary School - Gaelic Medium Improvements	120	0	0	0	0	0	120
		Clyde Cottage - 600 hours provision	556	23	0	0	0	0	579
		CO2 Monitoring - Covid Mitigation in Schools	76	116	0	0	0	0	192
		Craignish Primary School - Pre Five Extension (600 hours funding)	400	0	0	0	0	0	400
		Early Learning and Childcare	850	0	0	0	0	0	850
		Early Learning and Childcare - 1140 Hours	6,696	1,036	19	0	0	0	7,751
		Early Learning and Childcare - 1140 Hours - CFCR	111	0	0	0	0	0	111
		Iona Primary School - Pre Five Unit (600 hours funding)	490	0	0	0	0	0	490
		Islay High & Rosneath PS Pitches	719	-12	0	0	0	0	707
		Lochgailhead Primary School - Pre Five Unit (600 hours funding)	391	0	0	0	0	0	391
		Park Primary Extension and Pre Fives Unit	341	0	0	0	0	0	341
		Sandbank Gaelic Pre Five Unit	491	0	0	0	0	0	491
<b>Service Development Total</b>			<b>11,392</b>	<b>1,201</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,612</b>
<b>Strategic Change</b>	<b>Education</b>	Campbeltown Schools Redevelopment	2,054	76	0	0	0	0	2,130
		Dunoon Primary School	10,365	304	200	0	0	0	10,869
		Kirn Primary School	10,020	99	0	0	0	0	10,119
		Replacement of Oban High School	2,744	136	370	0	0	0	3,250
<b>Strategic Change Total</b>			<b>25,183</b>	<b>615</b>	<b>570</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26,368</b>
<b>Overall Total</b>			<b>36,575</b>	<b>6,336</b>	<b>4,843</b>	<b>2,226</b>	<b>0</b>	<b>0</b>	<b>49,980</b>

Category	Service	Project	Previous	2022-23	2023-24	2024-25	2025-26	2026-27	Total
			Years £000's	£000s	£000s	£000s	£000s	£000s	£000s
Asset Sustainability	Shared Offices	Argyll House, Dunoon	0	12	0	0	0	0	12
		Asbestos Capital Property Works	0	51	0	0	0	0	51
		Block Allocation	0	0	193	398	0	0	591
		Bowmore Area Office	0	0	76	0	0	0	76
		Burnett Building	0	0	110	0	0	0	110
		Capital Property Works	0	38	0	0	0	0	38
		Fire Risk Assessment Works	0	14	0	0	0	0	14
		Helensburgh and Lomond Civic Centre - Emergency Heating Pipewc	0	43	0	0	0	0	43
		Hill Street Dunoon Rewire	0	33	0	0	0	0	33
		Kilmory Castle	0	2	1,409	0	0	0	1,411
		Legionella Control Works	0	215	0	0	0	0	215
		Manse Brae District Office	0	1	0	0	0	0	1
		Manse Brae Roads Office	0	2	0	0	0	0	2
Our Modern Workspace	0	110	526	30	0	0	666		
<b>Asset Sustainability Total</b>			<b>0</b>	<b>521</b>	<b>2,314</b>	<b>428</b>	<b>0</b>	<b>0</b>	<b>3,263</b>
Strategic Change	Shared Offices	Campbeltown Office Rationalisation	595	1	0	0	0	0	596
		Carbon Management - Group Heating Conversion Project (Prudentia	1,938	10	0	0	0	0	1,948
		Carbon Management Business Cases (FPB)	201	60	0	0	0	0	261
		Carbon Management Capital Property Works 16/17	19	20	0	0	0	0	39
		Carbon Management Fuel Conversions (FPB)	107	0	0	0	0	0	107
		Cleaner Energy	0	551	178	0	0	0	729
		Cleaner Energy 2022-23	0	500	0	0	0	0	500
		Helensburgh Office Rationalisation (FPB,REC)	11,528	310	0	0	0	0	11,838
		Kilmory Biomass Project OBC (FPB,REV)	956	0	0	0	0	0	956
		Non-NPDO Schools PV Panel Installations	400	88	0	0	0	0	488
NPDO Schools Solar PV Panel Installations	761	183	0	0	0	0	944		
Oil to Gas Heating Conversions (FPB)	182	5	0	0	0	0	187		
<b>Strategic Change Total</b>			<b>16,687</b>	<b>1,728</b>	<b>178</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,593</b>
<b>Overall Total</b>			<b>16,687</b>	<b>2,249</b>	<b>2,492</b>	<b>428</b>	<b>0</b>	<b>0</b>	<b>21,856</b>

Category	Service	Project	Previous	2022-23	2023-24	2024-25	2025-26	2026-27	Total
			Years £000's	£000s	£000s	£000s	£000s	£000s	£000s
Strategic Change	CHORD	CHORD - Dunoon	12,467	55	0	0	0	0	12,522
		CHORD - Helensburgh -Public Realm Imprv	6,529	28	0	0	0	0	6,557
		CHORD - Oban	7,254	651	0	0	0	0	7,905
		Helensburgh Waterfront Development	19,377	3,078	285	0	0	0	22,740
		HWD - FFE	6	344	0	0	0	0	350
		Kilmory Business Park Phase 2AA	9	54	1,066	0	0	0	1,129
		OBC for Dunoon Pier	2,844	0	0	0	0	0	2,844
<b>Strategic Change Total</b>			<b>48,486</b>	<b>4,210</b>	<b>1,351</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>54,047</b>
<b>Overall Total</b>			<b>48,486</b>	<b>4,210</b>	<b>1,351</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>54,047</b>

Category	Service	Project	Previous	2022-23	2023-24	2024-25	2025-26	2026-27	Total
			Years £000's	£000s	£000s	£000s	£000s	£000s	£000s
<b>Asset Sustainability</b>	<b>ICT</b>	Block Allocation - ICT	0	0	919	771	0	0	1,690
		PC Replacement	0	522	0	0	0	0	522
		Server Sustainability	0	187	64	0	0	0	251
		Telecomms Network	0	78	20	0	0	0	98
<b>Asset Sustainability Total</b>		<b>0</b>	<b>787</b>	<b>1,003</b>	<b>771</b>	<b>0</b>	<b>0</b>	<b>2,561</b>	
<b>Service Development</b>	<b>ICT</b>	Applications Projects	2,126	502	255	0	0	0	2,883
<b>Service Development Total</b>			<b>2,126</b>	<b>502</b>	<b>255</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,883</b>
<b>Overall Total</b>			<b>2,126</b>	<b>1,289</b>	<b>1,258</b>	<b>771</b>	<b>0</b>	<b>0</b>	<b>5,444</b>



Category	Service	Project	Previous	2022-23	2023-24	2024-25	2025-26	2026-27	Total
			Years £000's	£000s	£000s	£000s	£000s	£000s	£000s
Asset Sustainability	RIS	Bin Replacement Programme	0	100	0	0	0	0	100
		Bridge Strengthening	0	215	1,484	350	0	0	2,049
		Bute Sea Wall Repairs	0	148	602	0	0	0	750
		Coastal Change Adaptation	0	0	159	0	0	0	159
		Coastal Protection	0	15	85	100	0	0	200
		Environmental Projects	0	734	100	100	0	0	934
		EV Quick Chargers	0	93	0	0	0	0	93
		Flood Prevention	0	10	769	305	0	0	1,084
		Footway Improvements	0	269	0	0	0	0	269
		Glengorm - Capping	0	82	0	0	0	0	82
		Glengorm - Cell and Transfer Station (PB)	0	1,200	0	0	0	0	1,200
		Helensburgh CHORD - Signage etc	0	0	10	0	0	0	10
		Helensburgh Flood Mitigation	0	4	428	0	0	0	432
		Investment in Active Travel	0	370	130	0	0	0	500
		Lighting	0	140	750	150	0	0	1,040
		Local Bridge Maintenance Fund	0	475	4,972	0	0	0	5,447
		Play Park Renewal	0	0	312	235	391	0	938
		Public Convenience Upgrades	0	82	0	0	0	0	82
		Roads Reconstruction	0	8,679	4,203	3,412	0	0	16,294
		Roads Reconstruction - Helensburgh CHORD	0	0	47	0	0	0	47
Roads Reconstruction - Oban CHORD	0	3	0	0	0	0	3		
Tobermory Car Park	0	576	0	0	0	0	576		
<b>Asset Sustainability Total</b>			<b>0</b>	<b>13,195</b>	<b>14,051</b>	<b>4,652</b>	<b>391</b>	<b>0</b>	<b>32,289</b>
Service Development	RIS	Campbeltown Old Quay	1,381	43	0	0	0	0	1,424
		Fleet Management	2,859	499	0	0	0	0	3,358
		Fleet Management - Prudential Borrowing	2,674	1,187	1,000	0	0	0	4,861
		Jackson's Quarry Refurbishment	285	0	0	0	0	0	285
		Lismore Ferry Replacement	618	13	15	20	0	0	666
		Lochgilphead Depot Rationalisation	29	8	0	0	0	0	37
		Oban Depot Development	2,100	17	0	0	0	0	2,117
		Preliminary design for Regional Transport projects (tif)	205	16	0	0	0	0	221
		Witchburn Road Demolition	158	-1	0	0	0	0	157
<b>Service Development Total</b>			<b>10,309</b>	<b>1,782</b>	<b>1,015</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>13,126</b>
Strategic Change	RIS	Campbeltown Flood Scheme	878	3,958	9,048	1,331	0	0	15,215
		Harbour Investment Programme PB	6,706	5,626	22,235	27,025	29,700	0	91,292
		Street Lighting LED Replacement	3,109	791	0	0	0	0	3,900
<b>Strategic Change Total</b>			<b>10,693</b>	<b>10,375</b>	<b>31,283</b>	<b>28,356</b>	<b>29,700</b>	<b>0</b>	<b>110,407</b>
<b>Overall Total</b>			<b>21,002</b>	<b>25,352</b>	<b>46,349</b>	<b>33,028</b>	<b>30,091</b>	<b>0</b>	<b>155,822</b>

Category	Service	Project	Previous	2022-23	2023-24	2024-25	2025-26	2026-27	Total
			Years £000's	£000s	£000s	£000s	£000s	£000s	£000s
Service Development	DEG	Ardrishaig North Active Travel	0	712	168	0	0	0	880
		Cycleways - H&L (FSPT)	2,722	240	150	0	0	0	3,112
		Dunoon Cycle Bothy	13	266	0	0	0	0	279
		Dunoon STEM Hub	5	603	0	0	0	0	608
		Gibraltar Street Public Realm Improvements	2	248	0	0	0	0	250
		Helensburgh Public Realm - Arts Strategy Fund	2	51	0	0	0	0	53
		Hermitage Park	3,245	69	0	0	0	0	3,314
		Nature Restoration Fund	0	346	0	0	0	0	346
		Safe Streets, Walking and Cycling (CWSS)	2,334	544	0	0	0	0	2,878
		SPT - bus infrastructure	1,405	0	0	0	0	0	1,405
		Town Centre Funds	2,792	1,054	30	0	0	0	3,876
		West Coast UAV Innovation Logistics and Training	0	0	0	0	0	0	0
<b>Service Development Total</b>			<b>12,520</b>	<b>4,133</b>	<b>348</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17,001</b>
Strategic Change	DEG	01 TIF - Lorn/Kirk Road	2,169	1	0	0	0	0	2,170
		05 TIF - North Pier Extension	214	0	0	0	0	0	214
		09 TIF - Oban Airport Business Park	489	101	0	0	0	0	590
		TIF - Halfway House Roundabout	43	47	550	0	0	0	640
<b>Strategic Change Total</b>			<b>2,915</b>	<b>149</b>	<b>550</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,614</b>
<b>Overall Total</b>			<b>15,435</b>	<b>4,282</b>	<b>898</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,615</b>

Category	Service	Project	Previous	2022-23	2023-24	2024-25	2025-26	2026-27	Total
			Years						
			£000's	£000s	£000s	£000s	£000s	£000s	£000s
Asset Sustainability	HSCP	Ardfenaig	0	43	87	0	0	0	130
		Block Allocation	0	0	577	428	0	0	1,005
		Capital Property Works	0	0	96	0	0	0	96
		Digitalising telecare	0	0	100	0	0	0	100
		Dunoon Hostel	0	33	0	0	0	0	33
		Eadar Glinn	0	0	196	0	0	0	196
		East King Street Childrens Hospital	0	90	0	0	0	0	90
		Glencruitten Hostel	0	115	0	0	0	0	115
		Gortonvogie	0	0	80	0	0	0	80
		Greenwood/Woodlands	0	105	119	0	0	0	224
		Rothesay Community Education Centre	0	0	0	0	0	0	0
		Shellach View	0	65	0	0	0	0	65
		Struan Lodge Boiler	0	42	222	0	0	0	264
		Thomson Home Rothesay	0	0	125	0	0	0	125
		Tigh An Rudha HFE	0	80	302	0	0	0	382
Tobermory Top Flat	0	0	0	0	0	0	0		
<b>Asset Sustainability Total</b>			<b>0</b>	<b>574</b>	<b>1,920</b>	<b>428</b>	<b>0</b>	<b>0</b>	<b>2,922</b>
<b>Service Development</b>	<b>HSCP</b>	Dunclutha Childrens Home	1,246	54	0	0	0	0	1,300
<b>Service Development Total</b>			<b>1,246</b>	<b>54</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,300</b>
<b>Overall Total</b>			<b>1,246</b>	<b>628</b>	<b>1,920</b>	<b>428</b>	<b>0</b>	<b>0</b>	<b>4,222</b>

Category	Service	Project	Previous	2022-23	2023-24	2024-25	2025-26	2026-27	Total
			Years £000's	£000s	£000s	£000s	£000s	£000s	£000s
Asset Sustainability	Live Argyll	Aqualibrium	0	56	0	0	0	0	56
		Campbeltown Museum - Burnet Bldg	0	0	38	0	0	0	38
		Capital Property Works	0	0	976	428	0	0	1,404
		Inveraray CARS	0	21	0	0	0	0	21
		Kintyre Community Education Centre - Lift Shaft Refurbishment	0	30	0	0	0	0	30
		Lochgilphead Library Relocation	0	52	0	0	0	0	52
		Riverside Leisure Centre - Cladding Upgrade	0	1	45	0	0	0	46
		Riverside Leisure Centre - Spa Pool Upgrade	0	80	0	0	0	0	80
		Rothsay Swimming Pool	0	0	27	0	0	0	27
		The Moat Centre - Gym Store	0	35	0	0	0	0	35
		Victoria Halls, Helensburgh	0	80	20	0	0	0	100
<b>Asset Sustainability Total</b>			<b>0</b>	<b>539</b>	<b>1,106</b>	<b>428</b>	<b>0</b>	<b>0</b>	<b>2,073</b>
<b>Service Development</b>	<b>Live Argyll</b>	Riverside Leisure Centre Refurbishment	1,245	0	0	0	0	0	1,245
<b>Service Development Total</b>			<b>1,245</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,245</b>
<b>Strategic Change</b>	<b>Live Argyll</b>	Carbon Management	29	21	0	0	0	0	50
<b>Strategic Change Total</b>			<b>29</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50</b>
<b>Overall Total</b>			<b>1,274</b>	<b>560</b>	<b>1,106</b>	<b>428</b>	<b>0</b>	<b>0</b>	<b>3,368</b>

**TREASURY MANAGEMENT MONITORING REPORT – 31 DECEMBER 2022**

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**1. EXECUTIVE SUMMARY**

- 1.1. This report sets out the Council's treasury management position for the period 1 November 2022 to 31 December 2022 and includes information on:
- Overall borrowing position
  - Borrowing activity
  - Investment activity
  - Economic background
  - Interest rate forecast
  - Prudential Indicators
- 1.2. Borrowing is below the Capital Financing Requirement for the period to 31 December 2022. This is due to the repayment of long term PWLB borrowing earlier in the year offset by the need to take temporary borrowing for cash flow purposes.
- 1.3. The net movement in external borrowing in the period 1 November 2022 to 31 December 2022 was a decrease of £9.98m.
- 1.4. The levels of investments were £99.1m at 31 December 2022. The rate of return achieved was 2.869% which is below the target SONIA rate which was 3.202%.

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**TREASURY MANAGEMENT MONITORING REPORT – 31 DECEMBER 2022**


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**2. INTRODUCTION**

2.1. This report sets out the Council's treasury management position for the period 1 November 2022 to 31 December 2022 and includes information on:

- Overall borrowing position
- Borrowing activity
- Investment activity
- Economic background
- Interest rate forecast
- Prudential Indicators

**3. DETAIL****Overall Borrowing Position**

3.1. The table below details the estimated capital financing requirement (CFR) and compares this with the estimated level of external debt at 31 March 2022. The CFR represents the underlying need for the Council to borrow to fund its fixed assets and accumulated capital expenditure.

	Forecast 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000
CFR at 1 April	309,092	305,839	337,480
Net Capital Expenditure	6,915	43,028	27,052
Less Loans Fund Principal Repayments	(5,353)	(5,507)	(5,788)
Less: NPDO Repayment	(4,815)	(5,880)	(6,038)
<b>Estimated CFR 31 March</b>	<b>305,839</b>	<b>337,480</b>	<b>352,706</b>
Less Funded by NPDO	(116,681)	(117,064)	(112,184)
<b>Estimated Net CFR 31 March</b>	<b>189,158</b>	<b>220,416</b>	<b>240,522</b>
Estimated External Borrowing at 31 March	142,158	172,154	202,135
<b>Gap</b>	<b>47,000</b>	<b>48,262</b>	<b>38,387</b>

- 3.2. Borrowing is below the Capital Financing Requirement for the period to 31 December 2022. This is due to the repayment of long term PWLB borrowing earlier in the year offset by the need to take temporary borrowing for cash flow purposes. The gap that the Council is under borrowed by is due to the decision to repay long term debt and potentially not take any new borrowing due to high borrowing rates at present
- 3.3. The Council's Treasury Management Strategy states that any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates.
- 3.4. The Council's estimated net capital financing requirement at 31 December 2022 is £189.2m. The table below shows how this has been financed. £144.1m is funded by loans and there are substantial internal balances of £144.1m of which £99.1m are currently invested, leaving a net internal balance of £45m.

	Position at 31/10/22	Position at 31/12/22
	£000	£000
Loans	154,069	144,094
Net Internal Balances	18,360	45,064
<b>Total CFR</b>	<b>172,429</b>	<b>189,158</b>

- 3.5. During the period from 1 November to 31 December 2022, £20.001m of loans were repaid and new borrowing of £10.025m was taken. This was mainly made up of the repayment of long temporary borrowing of £20m, partly funded by new temporary borrowing of £10m. The balance relates to the renewal of local bonds and some new temporary borrowing, the analysis of the movement in borrowing is shown in the table below:

	Actual £000
External Loans Repaid 1st November 2022 to 31st December 2022	(20,001)
Borrowing undertaken 1st November 2022 to 31st December 2022	10,025
<b>Net Movement in External Borrowing</b>	<b>(9,976)</b>

- 3.6. The table below summarises the movement in the level and rate of temporary borrowing at the start and end of the period.

	£000	% Rate
Temp borrowing at 31st October 2022	20,515	1.26%
Temp borrowing at 31st Decemberr 2022	10,515	2.57%

## Investment Activity

- 3.7. The average rate of return achieved in the Council's investments to 31 December 2022 was 2.869% compared to the Sterling Overnight Index Average (SONIA) rate for the same period of 3.202%. The Council rate of return is less than SONIA due to the rapid rise in interest rates in 2022 which increased SONIA faster than the Council was able to redeem its investments at lower rates. At 31 October 2022 the Council had £99.1m of short term investments at an average rate of 2.869%. The table below details the counterparties that the investments were placed with, the maturity date, the interest rate and the credit rating applicable for each counterparty.

Counterparty	Maturity	Amount £000	Interest Rate	Rating S&P
Clydesdale Bank	Instant	6,921	3.40%	Short Term A-2, Long Term A-
First Abu Dhabi bank	20/01/2023	5,000	1.00%	Short Term A-1+, Long Term AA-
National Bank of Kuwait	11/04/2023	7,500	2.08%	Short Term A-1, Long Term A
First Abu Dhabi bank	10/05/2023	5,000	2.11%	Short Term A-1+, Long Term AA-
Close Bros	31/02/2023	2,500	2.00%	Short Term A-1, Long Term A+
AL Ryan Bank	02/02/2023	5,000	2.45%	Short Term A-1, Long Term A+
First Abu Dhabi bank	10/08/2023	5,000	3.12%	Short Term A-1+, Long Term AA-
Australia and New Zealand Banking Group	23/02/2023	5,000	3.01%	Short Term A-1+, Long Term AA-
Australia and New Zealand Banking Group	06/10/2023	5,000	4.99%	Short Term A-1+, Long Term AA-
Toronto Dominion Bank	13/10/2023	5,000	5.25%	Short Term A-1+, Long Term AA-
Cheshire West & Chester Council	12/01/2023	2,500	0.90%	AA
Cambridgeshire County Council	22/07/2024	5,000	1.00%	AA
Slough Borough Council	26/05/2023	5,000	2.10%	AA
Slough Borough Council	29/06/2023	5,000	2.10%	AA
Thurrock Borough Council	31/07/2023	5,000	3.00%	AA
Thurrock Borough Council	19/09/2023	5,000	3.50%	AA
Spelthorn Borough Council	03/04/2023	5,000	3.00%	AA
London Borough of Croydon	10/10/2024	5,000	4.10%	AA
Barnsley Metropolitan Borough Council	20/02/2023	5,000	3.60%	AA
Money Market Fund - BNP Paribas	Call	4,700	3.50%	AAA
<b>Total</b>		<b>99,121</b>		

- 3.8. All investments and deposits are in accordance with the Council's approved list of counterparties and within the limits and parameters defined in the Treasury Management Practices. The counterparty list is constructed based on assessments by leading credit reference agencies adjusted for additional market information available in respect of counterparties.

## Economic and Interest Rate Forecasts

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

## Prudential Indicators

- 3.10. The prudential indicators for 2022-23 are attached in Appendix 3.



#### **4. CONCLUSION**

- 4.1 In the period from 1 November 2022 to 31 December 2022, the Council's borrowing decreased by £9.98m and is currently below the Capital Financing Requirement. There are substantial internal balances, of which £99.1m is currently invested. The investment returns were 2.869% which is below the target of 3.202%.

#### **5. IMPLICATIONS**

5.1	Policy –	None.
5.2	Financial –	Complies with Annual Treasury Strategy.
5.3	Legal –	None.
5.4	HR –	None.
5.5	Fairer Duty Scotland –	None.
5.5.1	Equalities – protected characteristics –	None.
5.5.2	Socio-economic Duty –	None.
5.5.3	Islands –	None.
5.6	Climate Change –	None.
5.7	Risk –	None.
5.8	Customer Service –	None.

**Kirsty Flanagan**  
**Executive Director/Section 95 Officer**  
**13 January 2023**

**Policy Lead for Finance and Commercial Services - Councillor Gary Mulvaney**

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

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## Appendix 1 – Economics Update (at 31-12-22)

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

- The third quarter of 2022/23 saw:
  - A 0.5% m/m rise in GDP in October, mostly driven by the reversal of bank holiday effects;
  - Signs of economic activity losing momentum as households increased their savings;
  - CPI inflation fell to 10.7% in November after peaking at 11.1% in October;
  - A small loosening in the labour market which pushed the unemployment rate up to 3.7% in October;
  - Interest rates rose by 125bps over Q4 2022, taking Bank Rate to 3.50%;
  - Reduced volatility in UK financial markets but a waning in global risk appetite.
- GDP fell by 0.3% q/q in Q3 2022 (ending 30<sup>th</sup> September), which probably marked the start of the UK recession. About half of that decline was the effects of the extra bank holiday in September for the Queen's funeral. The unwinding of those bank holiday effects meant that GDP rebounded in October and explained at least 0.3 percentage points (ppts) of the 0.5% m/m rise. Accordingly, if GDP were to avoid falls of more than 0.2% m/m in November and December, then GDP over Q4 as a whole could avoid a contraction, which would prevent a recession in 2022.
- However, at 49.0 in December, the flash composite activity PMI stayed below the "boom-bust" level of 50 and pointed to a small 0.1% q/q contraction in GDP in Q4. Consumer confidence was -42 in December and stayed close to its record low of -49 in September. Strike action could be another small drag and may mean that GDP is 0.0% to 0.5% lower than otherwise in December. GDP is projected to contract marginally in Q4 by around 0.1% q/q.
- Meanwhile, the 0.4% m/m fall in retail sales volumes in November only reversed some of the 0.9% m/m rise in October. That left sales volumes 4.5% below their level at the start of the year. Indeed, the rise in the household saving rate from 6.7% in Q2 to 9.0% in Q3 implied that higher interest rates are encouraging households to save more. And a larger-than-usual £6.2bn rise in cash in household bank accounts in October may imply households have started to increase their precautionary savings.
- There were signs that the labour market was loosening gradually going into the final quarter of 2022. Although employment in the three months to October rose by 27,000, the fall in the composite PMI employment balance in December took it into contractionary territory and suggests that labour demand will cool. Meanwhile, labour supply improved as inactivity fell by 76,000 in the three months to October. That helped drive a rise in the unemployment rate from 3.6% in September to 3.7% in October. The number of job vacancies in November fell for the sixth consecutive month and were 18% below their peak in May.
- Crucially, though, wage growth remained resilient. Average earnings growth, excluding bonuses, grew by 0.7% m/m in October, above the 2022 monthly average of 0.5% m/m. That drove the 3my rate up to 6.2%, well above the rates of 3-3.5% consistent with inflation at its 2% target. Wage growth is likely to slow gradually in the coming months as the labour market loosens further but if extensive strike action is successful in achieving large pay increases, then wage growth could be a bit stronger for longer.
- CPI inflation peaked in October at a 41-year high of 11.1% and fell to 10.7% in November. Goods price inflation, which is driven largely by global factors, has peaked. The sharp rises in energy prices in 2022 mean that energy price inflation will fall sharply in 2023. Meanwhile, the large fall in agricultural prices since May means that food price inflation should start to decline soon. What's more, upward pressure on goods price inflation from global supply shortages is fading quickly.

- Domestic inflation pressures also eased in Q4. The 0.2% m/m rise in core CPI inflation in November was the smallest monthly gain since August 2020 and drove a fall in core CPI inflation from 6.5% in October to 6.3% in November. Services CPI inflation was stable at 6.3% in November despite the resilience of wage growth. And the easing of price expectations in the Bank of England's Decision Maker Panel survey in November suggests that inflation may become less persistent.
- The Chancellor's Autumn Statement on 17<sup>th</sup> November succeeded in restoring the government's fiscal credibility in the eyes of the financial markets without deepening the recession. The total fiscal consolidation package of £54.9bn (1.8% of GDP) in 2027/28 made the outlook for fiscal policy much tighter than at the beginning of Q4. The package was heavily backloaded, with net handouts of £3.8bn (0.15% of GDP) in 2023/24 and £0.3bn (0.01% of GDP) in 2024/25, and most of the tightening kicking in after 2024/25. The largest fiscal support was the extension of the Energy Price Guarantee for another 12 months, until April 2024, although at a higher price cap of £3,000 from April 2023 rather than £2,500. At the same time, Chancellor Hunt loosened the fiscal rules by requiring debt as a percentage of GDP to be falling in five years' time, rather than three. The Office of Budget Responsibility (OBR) estimated that the Chancellor will meet this new rule with a slim £9.2bn (0.3% of GDP) to spare.
- With fiscal policy now doing much less to fan domestic inflation pressures, we think Bank Rate will peak at 4.50%, or at least close to that figure. Despite stepping up the pace of policy tightening to a 75-basis point (bps) rate hike in November, taking Bank Rate from 2.25% to 3.00%, the MPC's communication was dovish. The MPC pushed back heavily against market rate expectations, which at the time were for Bank Rate to peak at 5.25%. The Bank's new forecasts predicted a deeper and longer recession than the analyst consensus, of eight quarters and with a peak-to-trough fall in real GDP of 2.9%.
- The Bank sounded dovish again in December when it slowed the pace of tightening with a 50bps rate rise, from 3.00% to 3.50%. Two members, Dhingra and Tenreyro, voted to leave rates unchanged, judging that the current level of Bank Rate was sufficient to bring inflation back to target. That said, the rest of the MPC appeared to suggest that further rate hikes would be necessary. We expect that the majority of the MPC will need to see stronger signs that activity is slowing, the labour market is loosening, and wage growth is slowing before stopping rate rises. As such, we expect that the MPC will deliver three further rate hikes in February, March and May, taking Bank Rate to a peak of 4.50% but with the pace of increase reducing to 25bps in March and May.
- Gilt yields have fallen sharply since their highs following the "mini-budget" on 23<sup>rd</sup> September as government fiscal credibility has been largely restored with the resignation of Truss-Kwarteng and the fiscal consolidation package announced at the Autumn Statement on 17<sup>th</sup> November. Indeed, the 10-year yield fell from a peak of 4.55% to about 3.60% now, while the 30-year yield fell from 5.10% to 3.90%. Admittedly, yields rose by around 50bps in December, partially on the back of a global rise in yields. But if we are right in thinking Bank Rate will fall back in 2024 and 2025 then gilt yields will probably fall over the next two years, with the 10-year yield slipping from around 3.60% now to 3.30% by the end of 2023 and to 2.80% by the end of 2024.
- Lower volatility in gilt markets in Q4 meant that the Bank of England was able to stop its purchases of long-term gilts for financial stability reasons as planned on 14<sup>th</sup> October. It was also able to begin active gilt sales in November, albeit with a focus on shorter dated gilts. So far quantitative tightening has had little influence on short-term money markets. But as it is still an experiment, the risk of a widespread tightening in financial conditions remains.
- The restoration of fiscal credibility boosted the pound and the FTSE 100 early in Q4. While much of the benefit passed in the first half of Q4, sterling continued to rally against a softer dollar. Our colleagues at Capital Economics do not think that the global recession is fully priced into markets, and so expect a further fall in risk appetite to boost safe haven demand for the dollar and weigh on the pound. They are expecting the pound to fall from \$1.19 now to \$1.10 in mid-2023, before climbing to \$1.15 by the end of 2023 as the prospect of lower interest rates and a recovery in global economic growth buoys equity prices.

- Through December, the rally in the FTSE 100 petered out as investors have become increasingly concerned by the prospect of a global recession. However, the relatively dovish tone of the Bank of England, compared to the Federal Reserve and the ECB meant that UK equities held up better than other developed market indices. Indeed, at 7,452 at the December month end, the FTSE 100 is only marginally below its peak of 7,568 on 5<sup>th</sup> December, while the S&P 500 is around 4% lower over the same period. Nevertheless, there is a great deal of uncertainty as to which direction markets will move in 2023 and at what pace. Continued volatility is anticipated.

### **MPC meetings 3<sup>rd</sup> November and 15<sup>th</sup> December 2022**

- On 3<sup>rd</sup> November, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 75 basis points to 3.00%, and on 15<sup>th</sup> December moved rates up a further 50 basis points to 3.50%. The later increase reflected a split vote – six members voting for a 50 basis points increase, one for 75 basis points and two for none.
- Nonetheless, the UK government appears more settled now, with Rishi Sunak as Prime Minister, and Jeremy Hunt as Chancellor. Having said that, a multitude of strikes across several public services and the continued cost-of-living squeeze is going to make for a difficult backdrop to maintain fiscal rectitude without pushing the economy into anything worse than a mild recession.
- Of course, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has led with increases of 425 basis points in 2022 and is expected to increase rates further in 2023. Similarly, the ECB has also started to tighten monetary policy, albeit from an ultra-low starting point, as have all the major central banks apart from Japan (although the BoJ has “tightened” its policy by widening the accepted yield levels for 10yr JGBs, from 0.25% to 0.5% on 20<sup>th</sup> December). Arguably, though, it is US monetary policies that are having the greatest impact on global bond markets.
- What happens in Ukraine will also impact the global economy, but particularly in Europe. The search for alternative providers of energy, other than Russia, will take both time and effort. The weather will also play a large part in how high energy prices stay and for how long.

## Appendix 2 – updated Interest Rate Forecast (19-12-22)

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1<sup>st</sup> November 2012.

The latest forecast, made on 19<sup>th</sup> December, sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is also providing a limited package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices. PWLB rates reflect a less elevated yield curve than prevailed under the Truss/Kwarteng government, and the 17<sup>th</sup> of November Autumn Statement made clear the government's priority is the establishment and maintenance of fiscal rectitude. In addition, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control.

Our current and previous PWLB rate forecasts below are based on the Certainty Rate.

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
<b>BANK RATE</b>	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
<b>BANK RATE</b>	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

## A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- Our central forecast for interest rates was most recently updated on 19<sup>th</sup> December and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened but the Government's policy of emphasising fiscal rectitude will probably mean Bank Rate will not need to increase to further than 4.5%.
- Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- The CPI measure of inflation looks to have peaked at 11.1% in Q4 2022 (currently 10.7%). Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market.
- Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started and will focus on the short, medium and longer end of the curve in equal measure now that the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy are firmly in the rear-view mirror.
- In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)
- On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

## PWLB RATES

- The yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.10% to 4.80%.
- We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

### The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside.

### Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- **The Bank of England** acts too quickly, or too far, over the next year to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- **Geopolitical risks**, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

**Upside risks to current forecasts for UK gilt yields and PWLB rates: -**

- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project or even necessitates a further series of increases in Bank Rate.
- **The Government** acts too quickly to cut taxes and/or increases expenditure in light of the cost-of-living squeeze.
- **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer term **US treasury yields** rise strongly and pull gilt yields up higher than currently forecast.
- Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields consequently.

### Appendix 3 – Prudential Indicators

PRUDENTIAL INDICATOR	2022-23	2022-23	2023-24	2024-25
<b>(1). EXTRACT FROM BUDGET</b>				
	<b>Forecast Outturn</b>	<b>Original Estimate</b>	<b>Forecast Outturn</b>	<b>Forecast Outturn</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Capital Expenditure</b>				
Non - HRA	6,915	51,699	43,028	27,052
<b>TOTAL</b>	<b>6,915</b>	<b>51,699</b>	<b>43,028</b>	<b>27,052</b>
<b>Ratio of financing costs to net revenue stream</b>				
Non - HRA	2.70%	2.70%	4.56%	4.57%
<b>Net borrowing requirement</b>				
brought forward 1 April *	309,092	292,303	305,839	337,480
carried forward 31 March *	305,839	333,145	337,480	352,706
<b>in year borrowing requirement</b>	<b>(3,253)</b>	<b>40,842</b>	<b>31,641</b>	<b>15,226</b>
<b>In year Capital Financing Requirement</b>				
Non - HRA	(3,253)	40,842	31,641	15,226
<b>TOTAL</b>	<b>(3,253)</b>	<b>40,842</b>	<b>31,641</b>	<b>15,226</b>
<b>Capital Financing Requirement as at 31 March</b>				
Non - HRA	305,839	333,145	337,480	352,706
<b>TOTAL</b>	<b>305,839</b>	<b>333,145</b>	<b>337,480</b>	<b>352,706</b>



PRUDENTIAL INDICATOR	2022-23	2023-24	2024-25
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£'M	£'M	£'M
<b>Authorised limit for external debt -</b>			
borrowing	228	252	272
other long term liabilities	120	121	116
<b>TOTAL</b>	<b>348</b>	<b>373</b>	<b>388</b>
<b>Operational boundary for external debt -</b>			
borrowing	223	247	267
other long term liabilities	117	118	113
<b>TOTAL</b>	<b>340</b>	<b>365</b>	<b>380</b>
<b>Upper limit for fixed interest rate exposure</b>			
Principal re fixed rate borrowing	190%	190%	190%
<b>Upper limit for variable rate exposure</b>			
Principal re variable rate borrowing	60%	60%	60%
<b>Upper limit for total principal sums invested for over 364 days</b> (per maturity date)	£20m	£20m	£20m

<b>Maturity structure of new fixed rate borrowing during 2022/23</b>	upper limit	lower limit
under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	40%	0%
10 years and above	100%	0%

**RESERVES AND BALANCES – UPDATE AS AT 31 DECEMBER 2022**

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**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 of usable reserves. Of this:

- £2.682m relates to the Repairs and Renewals Fund
- £4.414m relates to Capital Funds
- £96.087m was held in the General Fund, with £88.990m of this balance earmarked for specific purposes.

1.4 Of the earmarked balance of £88.990m:

- £43.882m is invested or committed for major initiatives/capital projects
- £10.605m has already been drawn down
- £8.580m is still to be drawn down in 2022-23
- £25.370m is planned to be spent in future years
- £0.553m has been released back to the general fund

Appendix 1 provides further information on the unspent budget earmarkings and Appendix 2 provides further information on the COVID earmarkings.

1.5 The Council's General Fund contingency level is set at 2% of net expenditure for 2022-23 which equates to £5.256m. At the beginning of the financial year there was £1.398m of unallocated General Fund Balance (over and above contingency). At the Council meeting on 24 February 2022 it was agreed that the budgeted revenue surplus of £2.482m would be transferred into the general fund. After taking this into consideration alongside the current forecast outturn for 2022-23, the balances no longer required and the expected adjustment in relation to the Social Work outturn, the Council is estimated to have a £8.537m surplus over contingency.

**RESERVES AND BALANCES - UPDATE AS AT 31 DECEMBER 2022****2. INTRODUCTION**

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

**3. DETAIL****3.1 Types of Reserves**

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

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

**3.2 Reserve Balances at 31 March 2022**

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

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

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

- 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:

	<b>Balance 31/03/22 £000</b>
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)
<b>Unallocated balance as at 31 March 2022</b>	<b>1,841</b>

- 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 earmarkings.

Officers have reviewed and updated the spending profiles. Appendix 2 provides further details on the breakdown of COVID reserves.

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	
Hermitage 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
<b>Totals</b>	<b>88,990</b>	<b>0</b>	<b>43,882</b>	<b>10,605</b>	<b>8,580</b>	<b>25,370</b>	<b>553</b>

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 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 Council's General Fund contingency is set at 2% of net expenditure for 2022-23 and amounts to £5.256m. At the beginning of the financial year there was £1.841m of unallocated General Fund Balance (over and above contingency). After taking into consideration the budgeted allocation to the General Fund agreed by Council on 24 February 22 and the current forecast outturn position for 2022-23, the Council is forecast to have a £8.511m surplus over 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. As 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 paragraphs 3.3.3 to 3.3.6 – amounts previously earmarked that	553

	can be released back to the general fund	
Current Forecast Outturn for 2022-23 as at 31 December 2022	Per paragraph 3.4.2. Note, this includes an overspend of £0.253m against Social Work.	3,408
Social Work outturn adjustment	Per paragraph 3.4.3 - Social Work hold reserves so would be expected to cover the overspend	253
<b>Estimated Unallocated balance as at 31 March 2023</b>		<b>8,537</b>

### 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
	<b>20,561</b>	<b>(6,730)</b>	<b>(1,406)</b>	<b>12,425</b>

#### **4. CONCLUSION**

- 4.1 The report outlines the overall reserves and balances for the Council covering the purpose and level of each reserve. It also provides detail as to expenditure against earmarked balances held within the General Fund.
- 4.2 As at 31 December 2022 the estimated unallocated General Fund, after taking into consideration the budget motion, the current forecast outturn for 2022-23, the balances no longer required, a one-off gain from the Loans Fund and the expected adjustment in relation to the Social Work outturn, the Council is estimated to have a £8.537m surplus over contingency.

#### **5. IMPLICATIONS**

- |       |  |  |
|-------|--|--|
| 5.1   | Policy -                                 | Earmarked funds and funds set aside for delivery of Single Outcome Agreement are available to support Council Policy.                                      |
| 5.2   | Financial -                              | Outlines the balances held with the Council's usable and unusable reserves.  |
| 5.3   | Legal -                                  | None.  |
| 5.4   | HR -                                     | None.  |
| 5.5   | Fairer Scotland Duty-                    | None.  |
| 5.5.1 | Equalities – protected characteristics - | None.  |
| 5.5.2 | Socio-economic Duty -                    | None.  |
| 5.5.3 | Islands -                                | None.  |
| 5.6   | Climate Change -                         | None.  |
| 5.7   | Risk -                                   | A contingency of £5.256m (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**  
**10 February 2023**

**Policy Lead for Finance and Commercial Services - Councillor Gary Mulvaney**

#### **APPENDICES**

- Appendix 1 – Earmarked Reserves breakdown of unspent budget  
Appendix 2 – Earmarked Reserves breakdown of COVID earmarkings

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

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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 Ardrihaig 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 Tiree and Shed Improvements on Tiree 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

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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

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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
				<b>10,458,934</b>	<b>869,704</b>	<b>16,412</b>	<b>0</b>	<b>9,572,818</b>	<b>2,033,656</b>	<b>7,539,162</b>		<b>2,903,360</b>	<b>3,932,364</b>	<b>3,606,798</b>

APPENDIX 2

COVID  
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 drawdown 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	Community Planning - temp post to support communities	55,000				55,000	55,000	0	As agreed at Policy & Resources committee on 9 December 2021, allocation of £0.055m to a post to support the economic and social recovery together with the building back stronger themes.	55,000	0	0
002	Chief Executive's Unit	Community Planning	COVID-19 - Test and Protect Support	44,047	0			44,047	44,047	0	Funding provided in relation to the Local Self-Isolation Assistance Service. The Community Planning and Development Team will work with community groups to support their community response and resiliency to Test and Protect and the longer term impacts of COVID-19 on local community organisations.	44,047	0	0
003	Chief Executive's Unit	Financial Services	LACER Fund	797,720	797,720			0	0	0	The Council meeting on 28 April 2022, it was agreed that Local Authority Covid Economic Recovery (LACER) Funding is to be used to distribute Scotland Loves Local cards to CTR recipients. This will take place in June 2022 giving Economic Development time to encourage the Co-op to sign up to accept the cards. Actual spend on this fund is £841,317, the overspent balance will be funded from a combination of the Recovery and Renewal Fund (£36,713 as agreed at P+R Committee in December 2022) and Benefits earmarking 008 (£6,884).	797,720	0	0
004	Chief Executive's Unit	Financial Services	Housing Benefits Private	231,027				231,027	84,884	146,143	Specific funding allocation for Housing Benefit including DHP. Funds will be used to continue to support vulnerable people initially financially affected by the COVID-19 outbreak but now facing the cost of living crisis to sustain their tenancies. There is a projected overspend of £133,000 in SWF fund for 22/23 and it is expected that this pressure will continue into 23/24. £55,000 will be taken from earmarking ref 012 and £78,000 from this earmarking to cover the projected SWF overspend in 22/23. In addition £6,884 of funds will be used to offset the overspend on the Scotland Loves Local Cards in the LACER fund (earmarking ref 007). The remaining £109,430 will be used to support DHP/SWF spend in 23/24.	84,884	146,143	0
005	Chief Executive's Unit	Financial Services	Flexible Food Fund	510,573	224,164			286,409	92,792	193,617	Financial Insecurity funding from Scottish Government routed into the Argyll and Bute Flexible Food and Fuel Fund (ABFFFF) is aimed at tackling financial insecurity for adults and families across Argyll and Bute. Working in partnership with the Community Food Forum, Bute Advice Centre and Allenergy, households with low incomes and no access to cash savings can apply for immediate financial support. The Fund helps support daily living expenses. In the period from 10 January 2021 to 30 November 2022 client gain in extra benefits income for families was £2.25 million with 1,550 families had been supported. The project has been extended to 31 March 2025 with funding coming from the UK Shared Prosperity Fund and this earmarking to support it. It is proposed that underspends from the Flexible Funding for Supporting People at tier 4 COVID will be used to support this project over the next two years to cover a funding gap of £50,000. The Scottish Government have provided this funding and have endorsed this award winning project promoting it as part of the solution to end the need for foodbanks nationally.	316,956	108,000	85,617

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006	Chief Executive's Unit	Financial Services	Flexible Funding for Supporting People while at Tier 4 COVID	167,983	65,537			102,446	37,446	65,000	Funding from SG to strengthen local authority responses to meet emerging needs and support people in their communities struggling with the restrictions and guidance at all protection levels re COVID, particularly those at risk through health and social inequalities. This support could cover the same types of support. In June 2021 the Council agreed to support 20 projects led by a range of Council officers, officers from the HSCP and members of the third sector to deliver wide ranging support across our region. Projects will come to a conclusion on 31 March 2023 with the exception of one HSCP project which will spend its remaining £15,000 in 23/24. Projected underspend is £65,000 in total. A report will be presented to ELT after yeared givign them a full update on the use of the funds and recommending that the remaining balance of £50,000 be transferred to the earmarked reserve supporting the Argyll and Bute Flexible Food and Fuel Fund through to 31 March 2025 (earmaking ref 009). SG has indicated that they support this project and the use of funds.	102,983	65,000	0
007	Chief Executive's Unit	Financial Services	Self Isolated Support Grant	16,000				16,000	1,000	15,000	Unspent admin funding for processing Self isolation Support Grants. Only £1,000 required in 2022/2023. Scheme now closed, balance of funding should be added to the Scottish Welfare Fund earmarking ref 012 to support vulnerable customers affected by the Cost of Living Crisis with Crisis Grants	1,000	15,000	0
008	Chief Executive's Unit	Financial Services	Test and Protect Extension	9,929				9,929	9,929	0	Funding provided in relation to the Local Self-Isolation Assistance Service. This has been used to support the recruitment of 0.5FTE LGE6 temp post to assist with call volumes in the Scottish Welfare Fund team in 2022/23 - reserve will be drwn down by year end.	9,929	0	0
009	Executive Director (Douglas Hendry)	Education	Logistics Funding - Safe Opening of Schools	940,605	98,089			842,516	108,911	733,605	Scottish Government funding to ensure the safe opening and operation of schools. Includes transport, PPE, cleaning, ventilation and expansion of estate. It is likely that any unused balances would have to be returned to the Scottish Government.	207,000	733,605	0
010	Executive Director (Douglas Hendry)	Education	Additional Teaching/Support in Schools/Digital Devices/Family Home Learning Support Fund - £45m Grant	488,310	488,310			0	0	0	Continuation of funding for additional staffing, teachers, support staff, additional devices for pupils and additional family /home learning programmes.	488,310	0	0
011	Executive Director (Douglas Hendry)	Education	COVID 19 - Education Recovery - Additional Staff in School and ELC settings	373,346	373,346			0	0	0	To employ a variety of school staff to meet the needs of children and young people in their local areas and ensure that levels of teaching and support staff in schools can be maintained. Funding will also be used to support the transition from ELC to primary school.	373,346	0	0
012	Executive Director (Douglas Hendry)	Education	Education to Support Young People	321,816	178,310			143,506	0	143,506	As agreed at the Council Meeting on 25 February 2021 with an original allocation of £0.600m. Agrees to fund a package of measures to boost the wellbeing and build back the resilience of young people, in particular those most vulnerable, following the Covid-19 pandemic, including counselling and increased provision of childcare for children under three. Notes that the Scottish Government is yet to confirm details of funding for similar initiatives and, should our investment in children's wellbeing qualify for this funding, the balance will be re-allocated to the Recovery and Renewal Fund.	178,310	87,307	56,199
013	Executive Director (Douglas Hendry)	Education	Recruitment of Additional Teachers and Support Staff in Schools	136,715	136,715			0	0	0	Fund additional teachers and support staff.	136,715	0	0

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014	Executive Director (Douglas Hendry)	Education	EDU - Community Mental Health and Wellbeing Support to Children and Young People - Pandemic Funding	49,756	49,756			0	0	0	Scottish Government/COSLA Initiative to support the work under the Children and Young People's Mental Health and Wellbeing Programme grant split in 2020/21 with £183,750 of the fund utilised by local collaborative partnerships for supporting children, families and carers through the pandemic. The Scottish Government has agreed for the balance to be spent in 2022/23.	49,756	0	0
015	Executive Director (Douglas Hendry)	Legal and Regulatory Services	Welfare Rights Support	172,000				172,000	38,954	133,046	As agreed at the Council Meeting on 25 February 2021 - an allocation of £0.172m. As part of our focus on Improving Opportunities for People and Communities, agrees to provide additional resources to proactively support people experiencing poverty and hardship, by investing in two additional Welfare Rights support staff for two years.	38,954	77,908	55,138
016	Executive Director (Douglas Hendry)	Legal and Regulatory Services	LACER Funding - Advice Services	130,000	130,000			0	0	0	Local Authority COVID Economic Recovery (LACER) Funding for Welfare Rights - All Energy, Bute Advice, Citizens Advice	130,000	0	0
017	Executive Director (Kirsty Flanagan)	Customer Support Services	Self Isolated Support / Self Isolated Support Grant (HR)	115,000				115,000	115,000	0	These were monies that were provided by Scotgov to fund additional overtime and resources for Shielding/Caring for People and Test and Protect activities, however efficient delivery practices in A&B meant that this was not required in 2020/21 or 2021/22. The funds are being used for a number of Customer Service and Business efficiency related projects including £68,000 will be used to fund a system and consultancy of RPA (robotic process automation) and application development. £49,750 will be drawn down in January. The remaining training and consultancy will hopefully be completed this year. £42,500 has been allocated to a full corporate website upgrade and renewal using specialist web resources. £30k of this will be drawn down in January and the rest on website launch in February. The remaining £4.5k is for the remaining milestones on the Digital Reception Project and will be drawn down in March.	115,000	0	0
018	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Staycation and Marketing Argyll and Bute	592,013	156,342			435,671	135,671	300,000	As agreed at the Council Meeting on 25 February 2021 with an original allocation of £0.800m. This will include provision of additional waste disposal facilities and other facilities that will be informed by the Motorhome and Informal Camping Survey.	292,013	300,000	0
019	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Tackling Digital Exclusion Top-Up Fund	250,000				250,000	40,000	210,000	As agreed at the Council Meeting on 25 February 2021. Establishes the Tackling Digital Exclusion Top Up Fund to support communities and in some cases individuals that are missing out on national programmes due to logistics and economies of scale. While vouchers are available from the UK and Scottish Governments in some cases these do not cover the full cost of infrastructure builds. £40k anticipated spend by 31 March 2023.	40,000	210,000	0
020	Executive Director (Kirsty Flanagan)	Development and Economic Growth	LACER Funding (Small Business Development Grant)	200,000	69,413			130,587	130,587	0	Local Authority COVID Economic Recovery Fund grant. This funding will provide funding of between £500 and £5,000 to help existing micro and small businesses to improve their resilience or growth via projects to implement green initiatives, implement digital development, implement marketing improvements and improve efficiency/innovation. Fully committed and all payment should be made and draw down processed prior to 31 March 2023.	200,000	0	0
021	Executive Director (Kirsty Flanagan)	Development and Economic Growth	LACER Funding (Sector Support Grant)	150,000	17,100			132,900	57,900	75,000	Local Authority COVID Economic Recovery Fund grant. This will provide funding, either part of the small business development grant or standalone, to help micros and small business to implement projects that contribute to the sector as well as benefitting the business, for example: Tourism and hospitality, food and drink or retail. With option to provide additional business support to hard hit areas including Bute and Kintyre where unemployment remains higher than average - support via specialist advice, locally tailored grants to meet local priorities and targeted marketing activity.	75,000	75,000	0



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022	Executive Director (Kirsty Flanagan)	Development and Economic Growth	LACER Funding (New Enterprise Support Grant)	120,000	45,000			75,000	65,000	10,000	Local Authority COVID Economic Recovery Fund grant. This funding would provide £3,000 grants to help new businesses start up and establish. Fund fully committed, although there might be slight delay in getting all payments made and some may come out of 23-24.	110,000	10,000	0
023	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Staycation Investment per budget pack February 22	100,000				100,000	0	100,000	As agreed at Council on 24 February 2022, Staycation investment £0.100m. Augments the 2021/22 £0.5m staycation initiative with an additional investment of £100k, including support for community groups and partners in the provision of facilities which can support increasing staycation visitor numbers during the 2022/23 and 2023/24 seasons.	0	100,000	0
024	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Economic Development - temp post to support economic recovery	55,000				55,000	0	55,000	As agreed at Policy & Resources committee on 9 December 2021, allocation of £0.055m to a post to support the economic and social recovery together with the building back stronger themes.	0	55,000	0
025	Executive Director (Kirsty Flanagan)	Development and Economic Growth	EH Covid Posts	41,145				41,145	41,145	0	Funding for 2 posts for 2 years. Recruitment unsuccessful, agency staff have been used instead. Draw down will be processed once final costs known at end of year.	41,145	0	0
026	Executive Director (Kirsty Flanagan)	Development and Economic Growth	LACER Funding (Shop Local)	40,000				40,000	15,000	25,000	Local Authority COVID Economic Recovery Fund grant. This funding would provide funding to continue the Shop Local scheme into 2022/23 and 2023/24, buying additional cards and allow the cards to gather momentum and support local businesses.	15,000	25,000	0
027	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Tenant Hardship Fund	30,000	30,000			0	0	0	Grant received from Scottish Government to support tenants suffering hardship due to COVID-19. Claims have been made and Housing are in the process of paying these out and all claims will be settled during 2022/23.	30,000	0	0
028	Executive Director (Kirsty Flanagan)	Development and Economic Growth	LACER Funding (Gypsy Travellers)	10,000				10,000	5,500	4,500	Local Authority COVID Economic Recovery Fund grant. This funding would pay for MECOPP (Minority Ethnic Carers of People Project) to engage with the Gypsy Travellers community on the important subject of the cost of living increases, fuel poverty and the impact of factors such as their remote rural locations and the facilities available to them for everyday living have on their livelihoods. Claim for 22/23 awaited from ACHA, earmarking will be drawn down once received and paid.	5,500	4,500	0
029	Non Departmental	Across Departments	COVID Cost Pressures Beyond 2021/22	370,000	77,000			293,000	293,000	0	As agreed at the Council Meeting on 25 February 2021 (£2.5m) with the value reduced to £0.370m based on more up to date projections at year end 2021/22. Allocation of COVID funding to projected 22/23 Revenue Cost Pressures	370,000	0	0
030	Non Departmental	Non Departmental	Recovery and Renewal Fund	1,547,000				1,547,000	186,713	1,360,287	As agreed at Council on 24 February 2022, Recovery and Renewal Fund £1.547m. This is provision for future recovery, regeneration and renewal, as well as any future pressures which may arise following the Covid-19 pandemic through a dedicated Recovery and Renewal Fund. Proposals for use of this fund to be brought forward by officers to the Policy and Resources Committee. To include in the first instance options for maximising Argyll and Bute's potential as a green, connected staycation destination of choice, requesting that officers bring to the Environment, Development and Infrastructure Committee a report on use of external funding sources and other opportunities for improving the electric vehicle charging network.	186,713	1,360,287	0
031	Non Departmental	Non Departmental	Unallocated Admin Support Grant	411,285		411,285		0	0	0	Funding to support the delivery of the Business Grants to local businesses, partially used during 20/21 and 21/22. The unused balance to be returned to the General Fund in 2022/23.	0	0	0
032	Non Departmental	Non Departmental	Capital pressure	257,000				257,000	0	257,000	Pressure identified on the 20/21 COSLA COVID costs spreadsheets - requires to be earmarked to be drawn down when required against the Capital Plan	0	257,000	0
033	Non Departmental	Non Departmental	Levelling up Fund bids per P&R February 22	150,000				150,000	150,000	0	As agreed at Policy & Resources committee on 17 February 2022, an allocation of up to £0.150m to support Levelling Up Fund bids	150,000	0	0

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034	Non Departmental	Non Departmental	CHARTS per budget pack February 22	75,000	50,000			25,000	25,000	0	As agreed at Council on 24 February 2022, investment in CHARTS £0.075m. To support the organisation in delivering targeted support, in communities, to the culture, arts and heritage sector as part of its plans to contribute to overall economic recovery.	75,000	0	0
035	Non Departmental	Non Departmental	CHARTS	7,000	7,000			0	0	0	As agreed at the Council Meeting on 25 February 2021. Allocation of COVID funding to CHARTS £0.067m, with the balance of £0.007m carried into 2022/23. The allocation was to ensure that Argyll and Bute's culture, heritage and arts sector can make a contribution to our overall recovery and renewal.	7,000	0	0
				<b>8,965,270</b>	<b>2,993,802</b>	<b>411,285</b>	<b>0</b>	<b>5,560,183</b>	<b>1,733,479</b>	<b>3,826,704</b>		<b>4,727,281</b>	<b>3,629,750</b>	<b>196,954</b>