

FINANCIAL REPORTS MONITORING PACK – 31 AUGUST 2023

1. INTRODUCTION

1.1 This report provides a summary of the financial monitoring reports as at the end of August 2023. There are five detailed reports, setting out the position as at 31 August 2023, 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 £0.009m as at the end of August 2023. The key variances are:

- Underspend of £0.400m from Education due to slippage on Scottish Government 100 day Promise funding due to delays in recruitment
- Underspend of £0.400m from Executive Director Kirsty Flanagan in respect of an over-recovery of vacancy savings
- Overspend of £0.400m from Piers and Harbours due to an under-recovery of berthing income
- Overspend of £0.309m from Schools Residential placements due to a higher than budgeted demand for this service
- Overspend of £0.042m from Pupil Transport due to an overspend against staffing costs for driver/escorts
- Under-recovery of £0.040m door entry income for public conveniences (indicative start date of September for door entry installs)

2.1.3 There is a year to date overspend of £1.957m. 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.

- 2.1.4 With regard to the ongoing financial impact of COVID-19, there are £5.512m 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.
- 2.1.5 Total policy savings relevant to 2023-24 financial year amount to £6.953m. The table below outlines their progress as at 31 August 2023.

Category	No. of Options	2023-24 £000	2023-24 FTE	2024-25 £000	2024-25 FTE	Future Years £000	Future Years FTE
Delivered	9	1,012.5	(0.7)	1,030.0	(0.7)	1,030.0	(0.7)
On Track to be Delivered	5	5,487.0	9.4	5,490.0	11.9	5,588.0	12.4
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
Will not be achieved	2	248.5	0.0	248.5	0.0	248.5	0.0
Potential Shortfall	2	180.0	0.0	180.0	0.0	180.0	0.0
Delayed	1	24.0	0.0	24.0	0.0	24.0	0.0
TOTAL	20	6,952.5	8.7	6,973.0	11.2	7,071.0	11.7

- 2.1.6 There are two savings marked as not going to be achieved. A cost pressure has been recognised in 2024-25 for one of these and the other will be met by underspends within the Service which will remove these savings targets. Two further savings are categorised as having a shortfall and one is currently delayed.

Health and Social Care Partnership (HSCP) – Financial Update

- 2.1.7 The forecast outturn position at the end of August is an estimated overspend of £0.900m for 2023-24 (forecast to come in on budget for Social Work and overspend of £0.900m for Health). The HSCP's financial position will continue to be monitored and Financial Services staff will engage with the HSCP Chief Financial Officer to ensure that mitigation actions are in place to address the deficit and ensure that no additional funding is required from the Council.

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 6 Council wide revenue risks identified for 2023-24 currently amounting to £3.661m.
- 2.2.3 There are currently 41 departmental risks totalling £5.550m. Of the 41 departmental risks, 5 are categorised as likely. These will continue to be monitored and action taken to mitigate or manage these risks.

2.2.4 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	Waste PPP - Indexation	Historical payments made towards Waste PPP based on indexation rates have been challenged by Renewi resulting in a potential cost to the council.	3	586
Roads and Infrastructure Services	Winter Maintenance	Adverse weather conditions which require greater than budgeted number of gritting runs.	4	365

2.2.5 There have been 3 changes to the departmental risks since the report as presented to the Policy and Resources Committee on 10 August 2023. 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 In recent years, the Council has agreed additional funding for the capital programme totalling £10.803m to address specific costs related to dealing with COVID, inflationary pressures arising as a consequence of the factors detailed in paragraph 2.3.3 below and other cost pressures on the capital plan. To date, £8.1m has been allocated to projects leaving a balance of £2.703m available for allocation as required.

2.3.3 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.

- 2.3.4 Actual net expenditure to date is £14.178m compared to a budget for the year to date of £14.135m giving rise to an overspend for the year to date of £0.043m (0.30%).
- 2.3.5 The forecast outturn for 2023-24 is a forecast net expenditure of £43.149m compared to an annual budget of £43.618m giving rise to a forecast underspend for the year of £0.469m (1.08%).
- 2.3.6 The forecast total net projects costs on the capital plan are £215.191m compared to a total budget for all projects of £215.138m giving rise to a forecast overspend for the overall capital plan of £0.053m (0.02%).
- 2.3.7 In respect of total project performance, there are 156 projects within the capital plan, 153 are complete or on target, 2 are off target and recoverable and 1 project is 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 July 2023 to 31 August 2023 was a decrease of £7m.
- 2.4.3 Borrowing is below the Capital Financing Requirement for the period to 31 August 2023, at this stage in the financial year capital expenditure is below target. Capital expenditure continued to be lower than anticipated over the last twelve months however there is an expectation this will increase back up again over 2023-24 which will continue to be monitored closely
- 2.4.4 The levels of investments were £96.750m at 31 August 2023. The average rate of return achieved was 4.991% which is below the target SONIA (Sterling Overnight Index Average) rate for the same period of 5.168%.

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 £666.354m unusable reserves that are not backed with resources. They are required purely for accounting purposes.
- 2.5.3 At 31 March 2023, the Council had a total of £93.828m of usable reserves. Of this:
- £2.916m relates to the Repairs and Renewals Fund
 - £4.503m relates to Capital Funds
 - £86.409m was held in the General Fund, with £79.466m of this balance earmarked for specific purposes.

2.5.4 Of the earmarked balance of £79.466m:

- £37.047m is invested or committed for major initiatives/capital projects
- £3.411 has already been drawn down
- £25.559m is still to be drawn down in 2023-24
- £13.449m is planned to be spent in future years.

2.5.5 During 2023-24, the amount of £2.619m which was previously agreed to be utilised from the one-off reprofiling gain from the Loans Fund Review was drawn down into Earmarked Reserves to be used to fund the Capital Programme as detailed in paragraph 3.5.1. This results in the total earmarked balance increasing to £82.085m with the amount invested or committed for major initiatives/capital projects as at August increasing to £39.666m.

2.5.6 The table below summarises the position of the unallocated General Fund balance. Further explanation of the figures can be found at Section 3.4 of the Reserves and Balances report.

Heading	Detail	£000
Unallocated General Fund as at 31 March 2023	This is the balance that is unallocated over and above the 2% contingency, which amounts to £5.691m	1,252
Budgeted allocation to General Fund for 2023-24 Budget	Per the Budget Motion at Council on 23 February 2023	19
Current Forecast Outturn for 2023-24 as at 31 August 2023	Per paragraph 2.1.2	9
Social Work outturn adjustment	Social Work would expect to transfer any surplus to internal reserves	(0)
Allocation from unallocated general fund balance	Per EDI committee decision re floral displays	(8)
Estimated Unallocated balance as at 31 March 2024		1,272

2.5.6 It can be seen that, after taking into consideration the Budget Motion, the current forecast outturn for 2023-24, the expected adjustment in relation to the Social Work outturn, the Council is forecast to have a £1.272m 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 period July and August, there are 3 virements requiring authorisation:

- £0.311m harvested within Social Work against the vacancy savings target for the August period
- £0.732m moved from Chief Officer Integration to Head of Health and Community Care to recognise Scottish Government Multi-Disciplinary Team funding and spend
- £0.950m moved between cost centres within Social Work to recognise Scottish Government Care at Home expenditure

3. RECOMMENDATIONS

3.1 It is recommended that the Policy and Resources Committee:

- a) Consider the revenue budget monitoring report as at 31 August 2023
- b) Note the financial risks for 2023-24
- c) Note the capital plan monitoring report as at 31 August 2023 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 August 2023
- e) Consider the reserves and balances report as at 31 August 2023
- f) Recommend to Council that the revenue virements over £0.200m during July and August 2023 are approved

4. IMPLICATIONS

4.1	Policy –	None.
4.2	Financial -	Outlines the revenue and capital monitoring for 2023-24 as at 31 August 2023
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
8 September 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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2023-24 Overall Position:

There is a forecast underspend of £0.009m as at the end of August 2023. Within Executive Director Douglas Hendry, there is a forecast underspend of £0.091m due to slippage in utilisation of 100 day promise funding offset by an overspend within Residential Schools due to a higher than budgeted demand for this service. Within Executive Director Kirsty Flanagan, there is a forecast overspend of £0.082m due to an under-recovery of berthing income in Piers and Harbours, an under-recovery of income in Public Conveniences and an overspend in Pupil Transport driver/escort costs. These are partially offset with an over-recovery of vacancy savings and an underspend in Public Transport payments to operators. Social Work is currently forecasting to break even at the end of the financial year. This is due to a combination of the over-recovery of vacancy savings, income from fees, charges and recharges and the use of non-recurring reserves to offset cost pressures arising from a high demand for services and the use of agency staff to fill staffing recruitment and retention gaps across adult services.

There is a year to date underspend of £1.957m. 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 August 2023:

- Council services are projecting an underspend of £0.009m as at 31 August 2023. It is early in the budget monitoring process and projections will be refined for the next monitoring report.

Key Financial Successes:

Performance against budget for 2022-23 was an overall net favourable position of £3.326m underspend after adjusting for year-end earmarking. This breaks down as:

- £0.347m net underspend in relation to Council service departmental expenditure
- £6.937m net underspend in relation to other central costs largely due to a one-off treasury gain as a result of a discount on the early repayment of loans
- £0.652m over-recovery of Council Tax income
- £4.610m of unspent budget earmarkings

Key Financial Challenges:

Addressing the long-term impact of the COVID pandemic on service demand and the increasing challenges facing departments across the Council in relation to the recruitment and retention of suitably qualified and experienced staff.

Achieving a favourable year-end position and achieving savings targets in light of council wide risks to expenditure.

Proposed Actions to address Financial Challenges:

Engagement and monitoring of both issues with departments to assess how these challenges are affecting service capacity and capability, staff attendance, utilisation of agency staff and costs. Collaboration with services and other back-office teams to consider and develop mitigating actions.

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

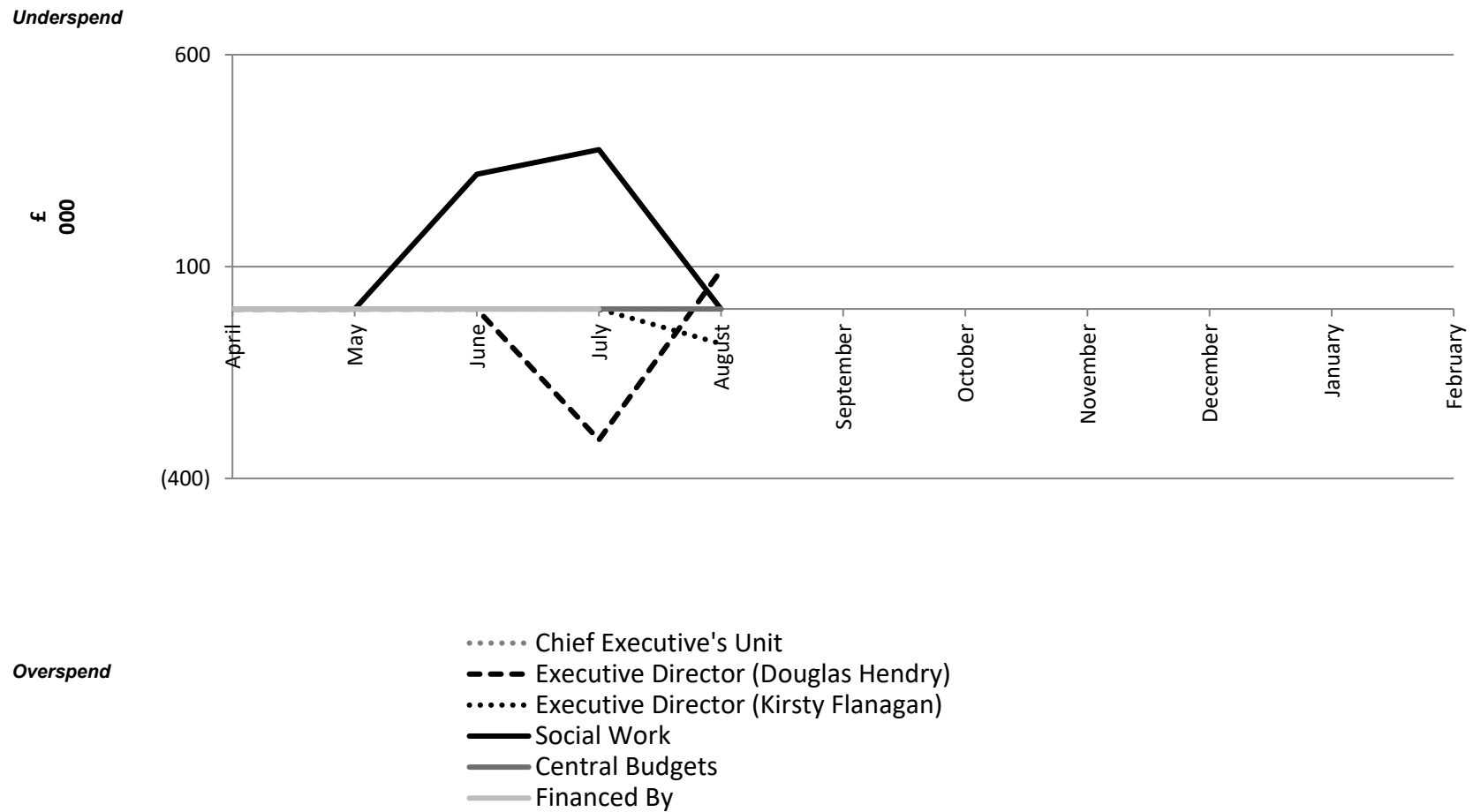
Monitoring Social Work expenditure and more widely the IJB position as any overspend will transfer back to partner bodies in the first instance.	Continue to work closely with the CFO of the IJB to ensure that early indication of any potential adverse financial outturn is identified and corrective action 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 2023-24 budget was agreed in February 2023 there are still budget gaps in future years.	The Council will continue to progress savings options identified, refine options 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 a 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 because 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 evaluated and 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 evaluated and reported through the budget monitoring and preparation processes.

Forecast Outturn Position

There is a forecast underspend of £0.009m for 2023-24 as at the end of August 2023

Department	Annual Budget £'000	Forecast Outturn £'000	Current Forecast Variance £'000	Previous Forecast Variance £000	Change £000	Explanation
Chief Executive's Unit	1,038	1,038	0	0	0	
Executive Director (Douglas Hendry)	131,942	131,851	91	(309)	400	The projected underspend is due to slippage in the use of 100 day promise funding offset by an overspend within Residential School Budgets due to a higher than budgeted demand for this service.
Executive Director (Kirsty Flanagan)	54,759	54,841	(82)	0	(82)	The projected overspend is due to an under-recovery of berthing income in Piers & Harbours, an under-recovery of income in Public Conveniences and an overspend in Pupil Transport driver/escort costs. These are partially offset with an over-recovery of vacancy saving and an underspend in Public Transport payments to operators.
Social Work	76,118	76,118	0	376	(376)	The department is currently forecasting to break even at the end of the financial year. This is due to a combination of the over-recovery of vacancy savings, income from fees, charges and recharges and the use of non-recurring reserves to offset cost pressures due to high demand for services and the use of agency staff to fill staffing recruitment and retention gaps across Adult Services.
Central Budgets	26,640	26,640	0	0	0	
Financed By	(290,497)	(290,497)	0	0	0	
Total	0	(9)	9	67	(58)	

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



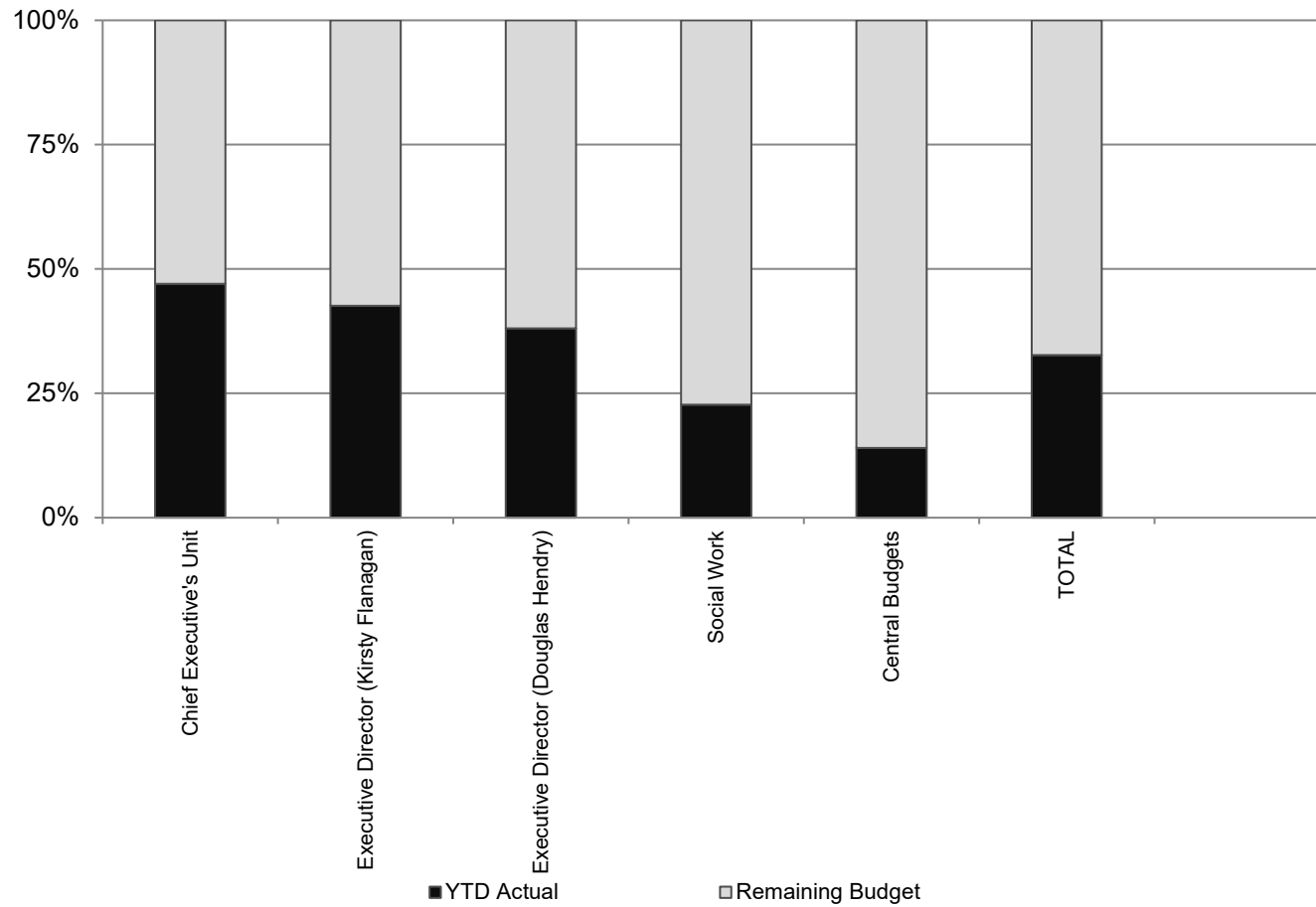
Further information on the departmental forecast variances is included later on in the report.

Year to Date Position

The year to date position as at the end of August 2023 is an underspend of £1.957m and the main variances are noted below.

Department	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000	Explanation
Chief Executive's Unit	488	460	(28)	The year to date overspend can be attributed to a profiling issue from the new Shared Prosperity Fund. A new cost centre will be set up to recognise costs/income from this scheme and correct the profile issues causing the variance.
Executive Director (Douglas Hendry)	50,209	51,536	1,327	The year to date underspend position is due to receipt of historic utility refunds, underspends in Education within employee budgets, this is partially offset by the overspend within the Residential Schools budget. The underspends in School and Learning Centre 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.
Executive Director (Kirsty Flanagan)	23,312	23,443	131	The year to date underspend is mainly due to the timing of income in comparison to the budget profile partially offset by expenditure incurred which is funded by grant income which has not been received.
Social Work	17,313	17,150	(163)	The year to date overspend is mainly due to the use of agency staff across Homecare and Older People Residential Units.
Central Budgets	3,735	4,425	690	The year to date underspend can be attributed to profiling issues.
Funding	(120,823)	(120,823)	0	
Total Net Expenditure	(25,766)	(23,809)	1,957	

Expenditure to date against the remaining budget for each Department



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

OBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AS AT 31 AUGUST 2023

	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	%
<u>Departmental Budgets</u>								
Chief Executive's Unit	488	460	(28)	(6.1%)	1,038	1,038	0	0.0%
Executive Director (Douglas Hendry)	50,209	51,536	1,327	2.6%	131,942	131,851	91	0.1%
Executive Director (Kirsty Flanagan)	23,312	23,443	131	0.6%	54,759	54,841	(82)	(0.2%)
Social Work	17,313	17,150	(163)	(1.0%)	76,118	76,118	0	0.0%
Total Departmental Budgets	91,322	92,589	1,267	1.4%	263,857	263,848	9	0.0%
<u>Central Budgets</u>								
Other Operating Income and Expenditure	(1,954)	(2,205)	(251)	11.4%	3,921	3,921	0	0.0%
Joint Boards	626	623	(3)	(0.5%)	1,496	1,496	0	0.0%
Non-Controllable Costs	5,063	6,007	944	15.7%	21,223	21,223	0	0.0%
Total Central Budgets	3,735	4,425	690	15.6%	26,640	26,640	0	0.0%
TOTAL NET EXPENDITURE	95,057	97,014	1,957	2.0%	290,497	290,488	9	0.0%
<u>Financed By</u>								
Aggregate External Finance	(90,545)	(90,545)	0	0.0%	(226,268)	(226,268)	0	0.0%
Local Tax Requirement	(30,278)	(30,278)	0	0.0%	(59,301)	(59,301)	0	0.0%
Contributions to General Fund	0	0	0	0.0%	(1,517)	(1,517)	0	0.0%
Earmarked Reserves	0	0	0	0.0%	(3,411)	(3,411)	0	0.0%
Total Funding	(120,823)	(120,823)	0	0.0%	(290,497)	(290,497)	0	0.0%
(Deficit)/Surplus for Period	(25,766)	(23,809)	1,957		0	(9)	9	

SUBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AS AT 31 AUGUST 2023

	YEAR TO DATE POSITION				CURRENT PROJECTED FINAL OUTTURN			
	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000	Variance %	Annual Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Variance %
Subjective Category								
Employee Expenses	70,496	71,166	670	0.9%	188,731	188,422	309	0.2%
Premises Related Expenditure	9,748	9,985	237	2.4%	19,031	19,327	(296)	(1.6%)
Supplies and Services	10,295	11,202	907	8.1%	24,901	24,949	(48)	(0.2%)
Transport Related Expenditure	5,383	5,066	(317)	(6.3%)	17,636	17,578	58	0.3%
Third Party Payments	66,476	64,666	(1,810)	(2.8%)	173,541	174,705	(1,164)	(0.7%)
Capital Financing	942	0	(942)		14,523	14,523	0	0.0%
TOTAL EXPENDITURE	163,340	162,085	(1,255)	(0.8%)	438,363	439,504	(1,141)	(0.3%)
Income	(189,106)	(185,894)	3,212	(1.7%)	(438,363)	(439,513)	1,150	(0.3%)
(Deficit)/Surplus for Period	(25,766)	(23,809)	1,957		0	(9)	9	

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 AUGUST 2023

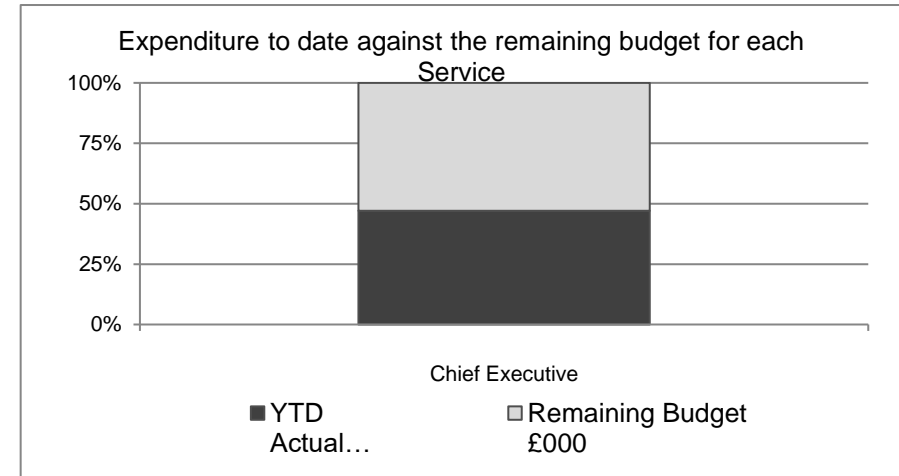
The department is currently forecasting spend in line with budget.

The department has a year to date overspend of £0.028m which can be attributed to profiling issues.

Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Chief Executive	1,038	1,038	0	0	0
Totals	1,038	1,038	0	0	0

Year to Date Position



Key Financial Successes:

- All savings options have been delivered.
- The department's 2022-23 outturn position was an underspend of £0.017m. This resulted from an overall underspend of £0.087m offset by earmarking of £0.070m due to auto-carry forwards including unspent grants and third party contributions.

Key Financial Challenges:

To continue to deliver a high-quality service to support community engagement and participation.

To continue to deliver a high quality support service function to community organisations and community planning partners during a time of challenge arising from continuing reductions in funding.

Proposed Actions to address Financial Challenges:

Regular monitoring, reflection and improvement cycle on service provision to ensure most efficient use of staffing and financial resources to meet national and local policy requirements for quality engagement.

Seek to work in partnership with third sector organisations such as the TSI in Argyll and Bute to efficiently deliver full package of support to community organisations. Within the partnership working of the

	CPP we seek to establish working groups and collate resources within this to deliver high quality solutions to identified needs.
Demands for funding from community applications to the Supporting Communities Fund higher than available annual funds by about 40%.	Continue to monitor fund criteria adapting this to align with priority outcomes for Argyll & Bute and continue to support groups to seek alternative sources of funding from our database of funding providers.

CHIEF EXECUTIVE'S UNIT – OBJECTIVE SUMMARY AS AT 31 AUGUST 2023

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	158	155	(3)	(1.9%)	419	419	0	0.0%	Outwith Reporting Criteria
Community Planning & Development	330	305	(25)	(8.2%)	619	619	0	0.0%	Outwith Reporting Criteria
	488	460	(28)	(6.1%)	1,038	1,038	0	0.0%	

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

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

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

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

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

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

CHIEF EXECUTIVE'S UNIT – SUBJECTIVE SUMMARY AS AT 31 AUGUST 2023

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	335	335	0	0.0%	887	887	0	0.0%	Outwith Reporting Criteria
Supplies and Services	5	5	0	0.0%	12	12	0	0.0%	Outwith Reporting Criteria
Transport	4	6	2	33.3%	14	14	0	0.0%	Underspend on staff travel budgets.
Third Party	167	131	(36)	(27.5%)	142	142	0	0.0%	Grants have been paid out in relation to the Shared Prosperity Fund. A new cost centre will be set up during September to recognise all costs/income relating to this scheme which will rectify the profiling issues causing the YTD variance.
Income	(23)	(17)	6	(35.3%)	(17)	(17)	0	0.0%	Income has been received in relation to the Shared Prosperity Fund. A new cost centre will be set up during September to recognise all costs/income relating to this scheme which will rectify the profiling issues causing the YTD variance.
Totals	488	460	(28)	(6.1%)	1,038	1,038	0	0.0%	

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

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

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

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

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

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

CHIEF EXECUTIVE'S UNIT – RED VARIANCES AS AT 31 AUGUST 2023

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 AUGUST 2023

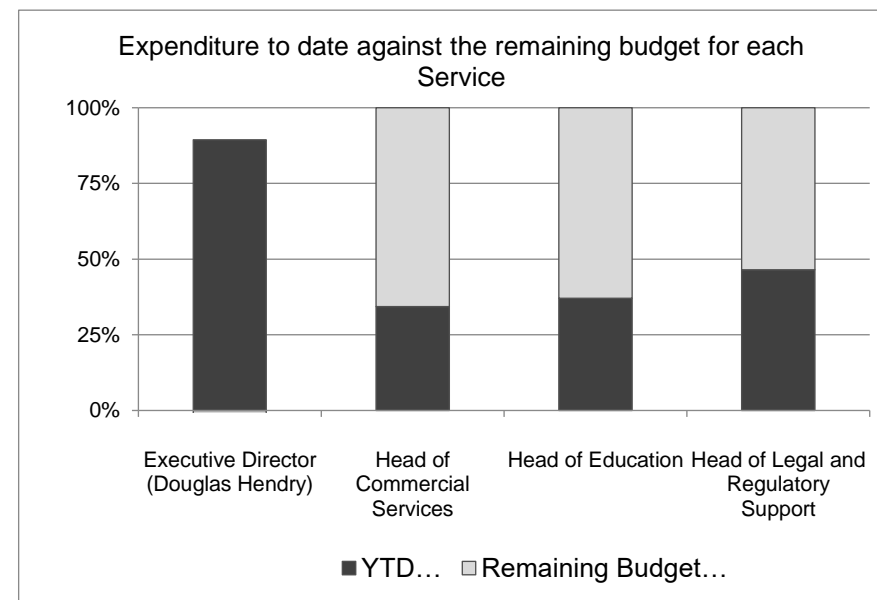
The department is currently forecasting an underspend of £0.091m which is due to slippage in the utilisation of 100 day promise funding offset by an overspend within Residential School Budgets due to a higher than budgeted demand for this service.

The department has a year to date (YTD) underspend of £1.327m (2.6%). The year to date underspend position is due to receipt of historic utility refunds, underspends in Education within employee budgets, this is partially offset by the overspend within the Residential Schools budget. The underspends in School and Learning Centre 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.

Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Executive Director (Douglas Hendry)	126	126	0	0	0
Head of Commercial Services	11,689	11,689	0	0	0
Head of Education	104,175	104,084	91	(309)	400
Head of Legal and Regulatory Support	15,952	15,952	0	0	0
Totals	131,942	131,851	91	(309)	400

Year to Date Position



Key Financial Successes:

The 2022-23 year-end consolidated outturn position was an under spend of £2.202m after adjusting for automatic earmarking. Contributing factors included:

- 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.
- Successful negotiations with utility suppliers achieved both historic water charge refunds and ongoing reductions to water rates.
- Implementation of NDEEF project resulting in recurring annual saving in utilities and a significant contribution to meeting Net Zero targets.

<ul style="list-style-type: none"> Income generation within Early Years. Increased rental income within One Council Property. 	
Key Financial Challenges:	Proposed Actions to address Financial Challenges:
<p>The legacy impact of COVID-19 on our young learners has led to an increased demand on the additional support need functions of the Education Service in response to the growing health and wellbeing needs of our young people and their families.</p>	<p>Analysis and review of delivery models, robust costings of any service redesign required and continual monitoring of associated budgets</p>
<p>Impact of the current cost of living crisis on the cost of the school day for learners and their families.</p>	<p>Work with schools to ensure effective use of PEF to close the poverty related attainment gap and identify other funding sources to ensure equity of experience for all children.</p>
<p>Impact of the current cost of living crisis on uptake in demand led service areas like catering, design services and licensing.</p>	<p>Continually refine/develop systems to accurately forecast outturns and the impact on the future financial outlook. Strategies in place to redesign services in line with future demand.</p>
<p>Ensure that Catering and Cleaning Services remain efficient and effective given the requirement to increase free school meal provision for P6/7 and Early Years, the impact of high inflation on produce and a requirement to adhere to the Statutory Guidance supporting Nutritional Requirements for Food and Drink in Schools (Scotland) Regulations 2020.</p>	<p>Support a longer-term service re-design project, including collaborative working with partners and cross department support with implementation of revised service delivery models. Continual monitoring and review of costs and budgets, ensuring that any efficiencies and savings are secured for the Council</p>
<p>Manage delivery of legislative/policy requirements that may not be fully funded by Scottish Government therefore placing additional burdens on the Council, for example, expansion of Universal Free School Meals for P6 and 7s.</p>	<p>Analysis of new obligations and whether they incur additional costs not met through increased funding allocations. Work will be designed and implemented in the most effective way within resource availability.</p>
<p>The Council has a requirement to deliver 1140 hours of Early Learning and Childcare (ELC). The ring-fenced grant was reduced in 2022-23 and again this year, reducing funding by £1.478m.</p>	<p>Robust service costings, financial monitoring and timely reporting to ensure the service can be delivered within the financial resources available. Medium term forecasting on population to shape ongoing service redesign. Analysis of potential to extend income generation using “spare” capacity to trial paid care for under 2’s</p>
<p>Impact of high inflationary uplifts within the NPDO/HUB School contracts.</p>	<p>Ensuring continued effective contract management of NPDO/HUB Schools to minimise the impact of high inflationary uplifts.</p>

EXECUTIVE DIRECTOR (DOUGLAS HENDRY) – OBJECTIVE SUMMARY AS AT 31 AUGUST 2023

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	143	149	6	4.0%	126	126	0	0.0%	Outwith Reporting Criteria
		143	149	6	4.0%	126	126	0	0.0%	
Head of Commercial Services	Catering	158	270	112	41.5%	1,302	1,302	0	0.0%	The YTD underspend is due to the timing of income and expenditure.
Head of Commercial Services	Central/Management Costs	570	545	(25)	(4.6%)	1,792	1,792	0	0.0%	Outwith Reporting Criteria
Head of Commercial Services	CHORD	55	21	(34)	(161.9%)	35	35	0	0.0%	The YTD overspend is due to the timing of income and expenditure.
Head of Commercial Services	Cleaning	(83)	141	224	158.9%	599	599	0	0.0%	The YTD underspend is due to the timing of income and the reduced use of bank staff.
Head of Commercial Services	Culture, Heritage, Recreation & Sport	2,429	2,400	(29)	(1.2%)	5,915	5,915	0	0.0%	Outwith Reporting Criteria
Head of Commercial Services	Events & Commercial Catering	105	(6)	(111)	1850.0%	3	3	0	0.0%	The YTD overspend is due to timing of income, under recovery of income and high staff costs within Commercial Café's. Finance assisted management to look at cashflows, pricing, menu's and staffing model to recover current position.
Head of Commercial Services	Property Portfolio	(90)	(45)	45	(100.0%)	(191)	(191)	0	0.0%	The YTD underspend is due to the timing of income and expenditure.
Head of Commercial Services	Property Services	379	473	94	19.9%	726	726	0	0.0%	The YTD underspend is due to receipt of historic water refunds.
Head of Commercial Services	Shared Offices	494	469	(25)	(5.3%)	1,508	1,508	0	0.0%	Outwith Reporting Criteria
		4,017	4,268	251	5.9%	11,689	11,689	0	0.0%	

Head of Education	Additional Support for Learning	4,102	4,263	161	3.8%	11,366	11,366	0	0.0%	The YTD underspend is due to delays in recruitment of ASN Assistants which may be offset by additional pay still to be coded against Pupil Support Teachers next month.
Head of Education	Central/Management Costs	956	928	(28)	(3.0%)	2,287	2,287	0	0.0%	Outwith Reporting Criteria
Head of Education	Community Learning & Development	9	2	(7)	(350.0%)	13	13	0	0.0%	The YTD overspend is due to the timing of income and expenditure.
Head of Education	COVID	48	55	7	12.7%	55	55	0	0.0%	Funds to be drawn from Covid earmarkings to match expenditure which will eliminate adverse variance monthly.
Head of Education	Early Learning & Childcare	(883)	(796)	87	(10.9%)	9,544	9,544	0	0.0%	YTD underspend of £106k in employee budgets in ELC settings due to delays in recruitment. There is also a YTD underspend of £63k in materials budgets within ELC settings which is profile-related. This will be rectified in the September period. The above underspends are partially offset by a YTD overspend in the premises budget in the 1140 cost centre. Earmarked reserve funding will be drawn down in September to rectify this variance.
Head of Education	Primary Education	16,116	16,352	236	1.4%	38,197	38,197	0	0.0%	The YTD underspend is due to the timing of income and expenditure.
Head of Education	Pupil Support	805	821	16	2.0%	2,633	2,942	(309)	(11.7%)	The YTD underspend is due to the current budget profile which will be refined through September. This will change the true YTD variance to a £128k overspend in Schools Residential Budget due to a higher demand for service than budget allows. A forecast variance of £309k has been recorded through the ledger reflecting this position.

Head of Education	Schools - Central Services	922	937	15	1.6%	2,341	1,941	400	17.1%	The YTD underspend is due to the current budget profile which will be refined through September. This will change the true YTD variance to a £166k underspend due to slippage in the use of 100 day promise funding for additional teachers and support staff. This funding will be fully utilised in 2024-25.
Head of Education	Secondary Education	16,567	16,867	300	1.8%	37,739	37,739	0	0.0%	The YTD underspend position is largely due to underspends within Secondary schools staffing budgets. Under the Scheme of Devolved School Management (DSM) schools are permitted flexibility at year end, therefore no forecast variance has been processed in relation to this.
		38,642	39,429	787	2.0%	104,175	104,084	91	0.1%	
Head of Legal & Regulatory Support	Central/Management Costs	92	100	8	8.0%	271	271	0	0.0%	Outwith Reporting Criteria
Head of Legal & Regulatory Support	Community Safety	96	95	(1)	(1.1%)	176	176	0	0.0%	Outwith Reporting Criteria
Head of Legal & Regulatory Support	Elections	2	5	3	60.0%	36	36	0	0.0%	The YTD underspend is due to the timing of income and expenditure.
Head of Legal & Regulatory Support	Governance	161	176	15	8.5%	771	771	0	0.0%	Outwith Reporting Criteria
Head of Legal & Regulatory Support	Governance, Risk & Safety	196	212	16	7.6%	577	577	0	0.0%	Outwith Reporting Criteria
Head of Legal & Regulatory Support	Legal Services	186	195	9	4.6%	750	750	0	0.0%	Outwith Reporting Criteria
Head of Legal & Regulatory Support	NPDO and Hub Schools	6,055	6,242	187	3.0%	11,517	11,517	0	0.0%	The YTD underspend is due to receipt of historic water refunds and the timing of income and expenditure.

Head of Legal & Regulatory Support	Procurement, Commercial and Contract Management	393	447	54	12.1%	1,216	1,216	0	0.0%	The YTD underspend is due to delays in recruitment of staff.
Head of Legal & Regulatory Support	Trading Standards & Advice Services	226	218	(8)	(3.7%)	638	638	0	0.0%	Outwith Reporting Criteria
		7,407	7,690	283	3.7%	15,952	15,952	0	0.0%	
		50,209	51,536	1,327	2.6%	131,942	131,851	91	0.1%	

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

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

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

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

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

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

EXECUTIVE DIRECTOR (DOUGLAS HENDRY) – SUBJECTIVE SUMMARY AS AT 31 AUGUST 2023

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	40,274	41,205	931	2.3%	105,418	105,018	400	0.4%	<p>Non Education: The YTD underspend of £347k is made up of a £116k underspend in Legal and Regulatory Support due to delays in recruitment and a £229k underspend in Commercial Services due to delays in recruitment and lower than anticipated use of bank budgets in catering and cleaning. This will reduce in September as vacancy savings are removed and budgets reduced.</p> <p>Education: £584k underspend is mainly within staffing budgets in schools and learning centres. 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.</p>
Premises	3,161	3,186	25	0.8%	7,932	7,932	0	0.0%	Outwith Reporting Criteria
Supplies and Services	4,712	5,632	920	16.3%	13,299	13,299	0	0.0%	<p>Non Education: The YTD underspend of £155k is mainly within Catering Services and is due to the timing of income and expenditure.</p> <p>Education: £765k underspend is due to the timing of income and expenditure within Pupil Equity Funding.</p>
Transport	147	140	(7)	(5.0%)	338	338	0	0.0%	Outwith Reporting Criteria
Third Party	19,729	19,775	46	0.2%	41,764	42,073	(309)	(0.7%)	Outwith Reporting Criteria
Income	(17,814)	(18,402)	(588)	3.2%	(36,809)	(36,809)	0	0.0%	<p>Non Education: The £178k under recovery of income is due to the profile of income from school meals, the under recovery of income from Commercial Catering and Events which is being closely monitored and the timing of income and expenditure within Renewable Energy.</p> <p>Education: The £410k under recovery of income is due to the timing of income within school meals.</p>
Totals	50,209	51,536	1,327	2.6%	131,942	131,851	91	0.1%	

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

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

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

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

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

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

EXECUTIVE DIRECTOR (DOUGLAS HENDRY) – RED VARIANCES AS AT 31 AUGUST 2023

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Education - Pupil Support	2,633	2,942	(309)	(11.7%)	Higher than budgeted demand for placements within Residential Schools.
Education - Schools Central Services	2,341	1,941	400	17.1%	Slippage in the use of 100 day promise funding for additional teachers and support staff that will be fully utilised in 2024-25.

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

EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – AS AT 31 AUGUST 2023

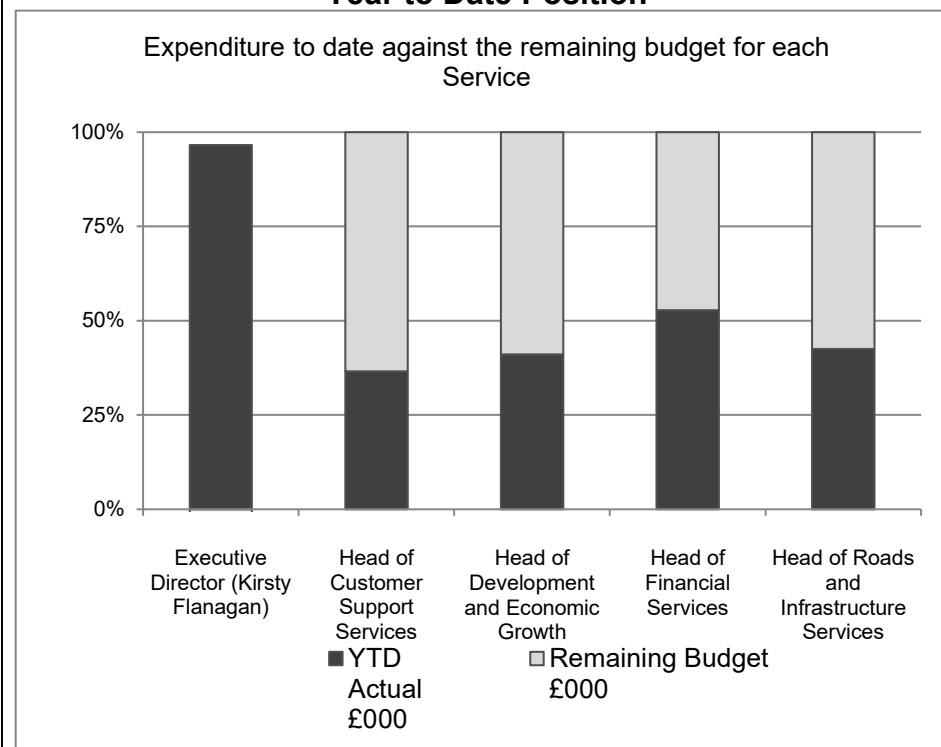
The department has a forecast overspend of £0.082m. This is due to an under-recovery of berthing income in Piers & Harbours, an under-recovery of income in Public Conveniences and an overspend in Pupil Transport driver/escort costs. These are partially offset with an over-recovery of vacancy saving and an underspend in Public Transport payments to operators.

The department has a year to date underspend of £0.131m (0.6%). This is mainly due to the timing of income received in comparison to budget profile partially offset by expenditure funded from grant income that has not yet been received.

Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Executive Director (Kirsty Flanagan)	110	(290)	400	0	400
Head of Customer Support Services	8,962	8,962	0	0	0
Head of Development and Economic Growth	7,960	7,960	0	0	0
Head of Financial Services	5,830	5,830	0	0	0
Head of Roads and Infrastructure Services	31,897	32,379	(482)	0	(482)
Totals	54,759	54,841	(82)	0	(82)

Year to Date Position



Key Financial Successes:

During 2022-23 the department had an over-recovery of Planning Fee and Building Warrant income, an over-recovery of NDR commission due to a successful debt recovery campaign during the year focusing on high level debts plus an over recovery of vacancy savings.

Key Financial Challenges:	Proposed Actions to address Financial Challenges:
Ensuring that services spend to budget and do not overspend after the department had an overspend of £1.5m after automatic earmarkings in 2022-23.	Detailed monitoring in the key areas overspent in 2022-23 to flag up concerns early and mitigate before becoming an overspend.
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.
Rising cost of materials, software and consultancy services across the service will result in a reduction in activity or overspends.	Costs are monitored regularly and contained as much as possible, with any unavoidable overspends highlighted as soon as known.
Financial Services 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 ongoing high levels of inflation and service demand caused by world events.	<p>Ensure the team is operating as efficiently and effectively as possible by building resilience across the team and working collaboratively with other services of the Council to support evidence-based decision making.</p> <p>Carry out the improvements identified during the Revenue and Benefits Business Process Review to maximise income generation and deliver efficiencies in service provision.</p>
Winter Maintenance costs are difficult to estimate as they are very much dependant on the weather.	Close monitoring of Winter Maintenance activity 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.
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.

Due to the nature of the various components of Waste Management there are ongoing challenges with:

- The introduction of the Deposit Return Scheme
- Uncertainty with recycling income/ gate fee costs due to the volatility of the market
- Challenges in the legislative changes around the disposal of Biodegradable Municipal Waste

To closely monitor all service components of Waste Management and review the Waste Strategy in conjunction with our contractual partner Renewi (previously Shanks).

EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – OBJECTIVE SUMMARY AS AT 31 AUGUST 2023

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	114	114	0	0.0%	110	(290)	400	363.6%	Based on the ytd vacancy savings recovered, it is currently anticipated that an over recovery is likely to be achieved in the region of £400K.
		114	114	0	0.0%	110	(290)	400	363.6%	
Head of Customer Support Services	Central/Management Costs	56	58	2	3.5%	174	174	0	0.0%	Outwith Reporting Criteria.
Head of Customer Support Services	Communications	102	119	17	14.3%	324	324	0	0.0%	Underspend in employee costs due to vacancy which will be used to cover future consultancy costs.
Head of Customer Support Services	Customer Service Centres	507	500	(7)	(1.4%)	1,484	1,484	0	0.0%	Outwith Reporting Criteria.
Head of Customer Support Services	HR	916	1,027	111	10.8%	2,593	2,593	0	0.0%	Underspend due to timing of income in comparison to profiling of budget which will be rectified over the financial year.
Head of Customer Support Services	ICT	1,740	1,738	(2)	(0.1%)	4,331	4,331	0	0.0%	Outwith Reporting Criteria.
Head of Customer Support Services	Registrars	(43)	3	46	1533.3%	56	56	0	0.0%	Underspend due to timing of income in comparison to profiling of budget and employee vacancies which will be rectified over the financial year.
		3,278	3,445	167	4.9%	8,962	8,962	0	0.0%	
Head of Development & Economic Growth	Airports	482	460	(22)	(4.8%)	1,210	1,210	0	0.0%	Outwith Reporting Criteria.
Head of Development & Economic Growth	Building Control	(138)	(106)	32	(30.2%)	(103)	(103)	0	0.0%	Profile of income budget out of alignment with actual income received - will be kept under review and adjusted if the variance becomes material to

										the Department's overall position.
Head of Development & Economic Growth	Central/Management Costs	213	200	(13)	(6.5%)	581	581	0	0.0%	Outwith Reporting Criteria.
Head of Development & Economic Growth	Culture & Heritage	78	81	3	3.7%	228	228	0	0.0%	Outwith Reporting Criteria.
Head of Development & Economic Growth	Development Management	(154)	(96)	58	(60.4%)	(21)	(21)	0	0.0%	Variance is due to the timing of receipts for planning income received. Schedule of expected Planning Applications to be reviewed later in the year to determine any potential over-recovery.
Head of Development & Economic Growth	Development Policy	152	144	(8)	(5.6%)	394	394	0	0.0%	Outwith Reporting Criteria.
Head of Development & Economic Growth	Economic Development	264	713	449	63.0%	1,183	1,183	0	0.0%	Grant income for Place Based Investment and Scottish Govt Islands Programme received in advance of expenditure.
Head of Development & Economic Growth	Environmental Health	390	407	17	4.2%	1,249	1,249	0	0.0%	Outwith Reporting Criteria.
Head of Development & Economic Growth	Environmental Initiatives	44	44	0	0.0%	120	120	0	0.0%	Outwith Reporting Criteria.
Head of Development & Economic Growth	Housing	1,905	1,761	(144)	(8.2%)	2,883	2,883	0	0.0%	Expenditure for HEEPS incurred in advance of grant claim.
Head of Development & Economic Growth	Private Landlords	(151)	0	151	0.0%	0	0	0	0.0%	Income from Short Term Lets received in advance with no budget allocation. Budget will be added for next reporting period.
Head of Development & Economic Growth	Transportation Policy	184	88	(96)	(109.1%)	236	236	0	0.0%	Expenditure for Sustrans and CWSS incurred in advance of grant claim.

		3,269	3,696	427	11.6%	7,960	7,960	0	0.0%	
Head of Financial Services	Accounting & Budgeting	949	992	43	4.3%	2,674	2,674	0	0.0%	Outwith Reporting Criteria.
Head of Financial Services	Internal Audit & Fraud	122	121	(1)	(0.8%)	339	339	0	0.0%	Outwith Reporting Criteria.
Head of Financial Services	Revenues & Benefits	1,784	1,811	27	1.5%	2,123	2,123	0	0.0%	Outwith Reporting Criteria.
Head of Financial Services	Scottish Welfare Fund	223	192	(31)	(16.2%)	694	694	0	0.0%	Overspend within LACER - awaiting funds being returned to offset.
		3,078	3,116	38	1.2%	5,830	5,830	0	0.0%	
Head of Roads & Infrastructure Services	Amenity	1,781	1,529	(252)	(16.5%)	3,147	3,187	(40)	(1.3%)	Income budget profile out of alignment with actual expected income for Cemeteries and Crematoria. Overspend in Parks due to CRA works and Earmarked Reserve to be drawdown to fund 3G pitch costs. Public Convenience income due to delay with fitting of door charging mechanisms - forecast variance entered for £40K under-recovery.
Head of Roads & Infrastructure Services	Car Parking	(111)	(271)	(160)	59.0%	(576)	(576)	0	0.0%	Electric Vehicle Charger electricity and maintenance costs paid in advance of income received from grant claim and charging income.
Head of Roads & Infrastructure Services	Central/Management Costs	1,234	1,217	(17)	(1.4%)	3,040	3,040	0	0.0%	Outwith Reporting Criteria.
Head of Roads & Infrastructure Services	Depots	145	117	(28)	(23.9%)	(429)	(429)	0	0.0%	Delay in rental income and timing of expenditure causing small variance which will be rectified over the financial year.
Head of Roads & Infrastructure Services	Fleet & Transport	3,570	3,512	(58)	(1.7%)	8,682	8,724	(42)	(0.5%)	Forecast variance for overspend for additional Pupil Transport costs which is partially offset against an underspend in Public Transport due to reduction in payments to operators.
Head of Roads & Infrastructure Services	Infrastructure	181	268	87	32.5%	763	763	0	0.0%	Underspend due to timing of Flood and Coastal Protection

										works which will be rectified over the financial year.
Head of Roads & Infrastructure Services	Marine	(1,280)	(2,088)	(808)	38.7%	(4,215)	(3,815)	(400)	9.5%	Overspend due to under-recovery of income from Berthing charges. YTD variance higher than projection due to timing of cash flows in comparison to profiling of budget.
Head of Roads & Infrastructure Services	Network & Traffic Management	103	30	(73)	(243.3%)	164	164	0	0.0%	Overspend due to timing of income in comparison to profiling of budget and will be rectified over the financial year.
Head of Roads & Infrastructure Services	Road Safety	40	46	6	13.0%	111	111	0	0.0%	Small underspend due to timing of PPE purchases.
Head of Roads & Infrastructure Services	Roads & Lighting	4,156	5,148	992	19.3%	7,089	7,089	0	0.0%	Underspend due to timing of income in comparison to profiling of budget, mainly due to recharges made to capital jobs, which will be rectified over the financial year.
Head of Roads & Infrastructure Services	Waste	3,754	3,564	(190)	(5.3%)	14,121	14,121	0	0.0%	Overspend mainly due to timing of commercial refuse collection income, variance has dropped from last month, difficult to predict when income will be received if commercial customers are not paying by direct debit. Overspend also due to use of roads staff to undertake waste duties, currently being monitored.
		13,573	13,072	(501)	(3.8%)	31,897	32,379	(482)	(1.5%)	
		23,312	23,443	131	0.6%	54,759	54,841	(82)	(0.1%)	

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

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

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

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

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

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

EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – SUBJECTIVE SUMMARY AS AT 31 AUGUST 2023

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	15,608	15,703	95	0.6%	43,543	43,333	210	0.5%	Underspend due to vacant posts in HR, which will be used to offset overspends elsewhere in the service. Forecast variance relates to an over-recovery of vacancy savings which is partially offset with an overspend in Pupil Transport costs.
Premises	1,055	1,132	77	6.8%	3,337	3,337	0	0.0%	Underspend due to profile of Street Lighting Electricity and will be rectified over the financial year.
Supplies and Services	4,436	4,242	(194)	(4.6%)	8,886	8,886	0	0.0%	Overspend within Economic Development for expenditure that is funded from grant income.
Transport	4,995	4,644	(351)	(7.6%)	16,229	16,229	0	0.0%	Overspend for vehicle repairs in Fleet, which will be partially offset against additional income for recharges to the services, and external hires within Roads, which will be offset against additional income for recharges to capital.
Third Party	24,703	23,194	(1,509)	(6.5%)	63,391	63,243	148	0.2%	Overspend within Economic Development and Housing for expenditure that is funded from grant income. Forecast variance relates to an underspend in Public Transport payments to bus Operators.
Capital Financing	0	0	0	0.0%	2,398	2,398	0	0.0%	Outwith Reporting Criteria.
Income	(27,485)	(25,472)	2,013	(7.9%)	(83,025)	(82,585)	(440)	0.5%	Timing of income in comparison to profiling of budget in Roads, mainly due to recharges made to capital jobs, which will be rectified over the financial year and unbudgeted income in Economic Development and Housing, which will fund expenditure throughout the year. These are partially offset with under-recovery in Revenues & Benefits due to timing of cashflows and an under-recovery of income from Berthing charges in Piers and Harbours. Forecast variance relates to Piers and Harbour Berthing income under-recovery and under-recovery of Public Convenience income.
Totals	23,312	23,443	131	0.6%	54,759	54,841	(82)	(0.2%)	

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

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

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

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

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

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

EXECUTIVE DIRECTOR (KIRSTY FLANAGAN) – RED VARIANCES AS AT 31 AUGUST 2023

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Vacancy Savings	(251)	(651)	400	(159.4%)	Over-recovery of vacancy savings.
Public Transport	5,266	5,118	148	2.8%	Underspend in Operator Payments.
Pupil Transport	1,020	1,210	(190)	(18.6%)	Overspend in transport costs for drivers/escorts.
Piers & Harbours	(1,839)	(1,439)	(400)	21.8%	Under-recovery of income from Berthing charges.

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

SOCIAL WORK – AS AT 31 AUGUST 2023

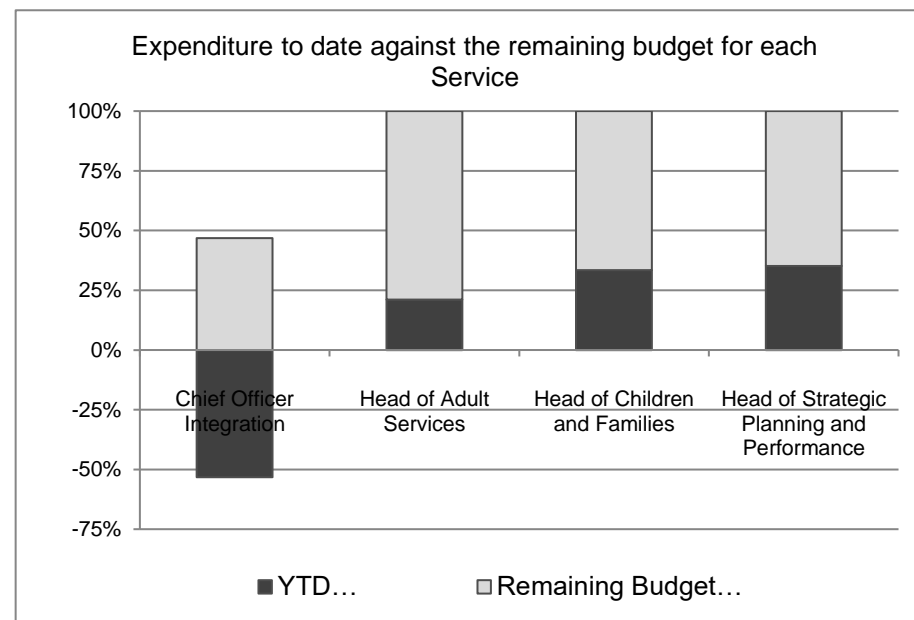
The department is currently forecasting to break even at the end of the financial year. This is due to a combination of the over-recovery of vacancy savings, income from fees, charges and recharges and the use of non-recurring reserves to offset cost pressures due to high demand for services and the use of agency staff to fill staffing recruitment and retention gaps across Adult Services.

The department has a year to date overspend of £163k (1.0%) which is mainly due to 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	(106)	(581)	475	197	278
Head of Strategic Planning and Performance	491	481	10	9	1
Head of Health and Community Care	39,238	40,424	(1,186)	(325)	(861)
Head of Acute and Complex Care	19,987	19,660	327	284	43
Head of Children and Families	16,508	16,134	374	211	163
Totals	76,118	76,118	0	376	(376)

Year to Date Position



Key Financial Successes:

Delivered an underspend of £3.556m at the end of 2022/23 after automatic earmarkings of £1.078m. The total underspend of £4.634m has been transferred to IJB reserves and should allow for future investment and transformation across Social Work.

Key Financial Challenges:	Proposed Actions to address Financial Challenges:
Deliver the outstanding savings total for 2023/24 of £0.939m (as at August 2023).	Maintain a close working relationship with the HSCP Service Improvement Team 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, noting that in year savings still need to be identified for 23/24 to address the 23/24 budget gap, as well as budget gaps in future years.	Support from finance to assist strategic managers to develop and identify further savings and to look beyond the short term to identify and plan the changes which will be needed to address the expected ongoing budget challenges over the current, and future, years.
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 at August 2023 of £1.185m; with a forecast spend of £1.460m by the end of the year.	Close working relationship with the HSCP to support the costing of a plan to stabilise the service and ensure it is operationally and financially sustainable. This includes an exit plan from the reliance on agency staff.
Cost of living crisis affecting pay inflation negotiations and financial sustainability of service providers, which could affect affordability and sustainability of service delivery.	Ensure emerging issues are highlighted as soon as possible so that the financial impact can be evaluated and reported through the budget monitoring and preparation processes.

SOCIAL WORK – OBJECTIVE SUMMARY AS AT 31 AUGUST 2023

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	188	193	5	2.6%	569	582	(13)	(2.3%)	Outwith reporting criteria.
Chief Officer Integration	Social Work Central Support	(1,066)	(844)	222	(26.3%)	(675)	(1,163)	488	(72.3%)	The YTD variance is due to over-recovery on vacancy savings (£203k) combined with underspends on centrally held funding partially offset by a YTD under-recovery on income due to budget profiling. The forecast underspend is due to an over-recovery on vacancy savings (£278k) combined with underspends on centrally held funds, printing & stationery and postages.
		(878)	(651)	227	(23.7%)	(106)	(581)	475	(74.6%)	
Head of Strategic Planning & Performance	Management & Central Costs	161	157	(4)	(2.6%)	457	458	(1)	(0.2%)	Outwith reporting criteria.
Head of Strategic Planning & Performance	Service Development	12	16	4	25.0%	34	23	11	32.4%	The YTD and forecast variance are due to staff vacancies giving both a payroll underspend and an under-recovery on Charges to Health Boards.
		173	173	0	22.5%	491	481	10	32.1%	
Head of Health and Community Care	Management & Central Costs	198	187	(11)	(5.9%)	1,667	1,656	11	0.7%	The YTD variance is a result of timing of payments to third parties. The forecast variance is outwith reporting criteria.
Head of Health and Community Care	Older People	9,796	8,944	(852)	(9.5%)	37,571	38,768	(1,197)	(3.2%)	The YTD variance reflects demand within the care home placement budget and YTD overspends on employee costs due to use of agency staff in residential units and homecare. The forecast overspend reflects demand driven overspends within the care home placement budgets and homecare. High staff costs across HSCP residential units due to agency cover are also contributing to forecast overspend.
		9,994	9,131	(863)	(9.5%)	39,238	40,424	(1,186)	(3.0%)	

Head of Acute and Complex Care	Learning Disabilities	1,343	1,511	168	11.1%	14,292	13,770	522	3.7%	The YTD variance reflects demand for residential placements partially offset by demand for supported living. The forecast underspend reflects known demand for Residential Placements partially offset by overspends on Supported Living and Respite due to demand.
Head of Acute and Complex Care	Management & Central Costs	33	50	17	34.0%	130	122	8	6.2%	The YTD variance is as a result of the timing of payments to third parties. The forecast variance is outwith reporting criteria.
Head of Acute and Complex Care	Mental Health	361	352	(9)	(2.6%)	2,751	2,880	(129)	(4.7%)	The YTD variance is outwith reporting criteria. The forecast overspend reflects higher than budgeted demand for services in Supported Living and Residential Placements. These are partially offset by an underspend on addictions service due to staff vacancies.
Head of Acute and Complex Care	Physical Disability	763	687	(76)	(11.1%)	2,814	2,888	(74)	(2.6%)	The YTD overspend is due to demand driven overspends in Supported Living and Respite and an overspend on equipment purchases within the Integrated Equipment Store. The forecast overspend reflects higher than budgeted demand for Supported Living, Respite and higher than budgeted equipment purchasing in the Integrated Equipment Service. These are offset slightly by a forecast underspends in the Residential Care and ACM Budgets.
		2,500	2,600	100	31.5%	19,987	19,660	327	2.5%	
Head of Children & Families	Child Protection	1,152	1,260	108	8.6%	3,680	3,541	139	3.8%	The YTD variance is a result of payroll underspends due to vacancies as well as underspends on travel and subsistence combined with demand for services across contact & welfare. The forecast underspend reflects demand for contact and welfare services as well as forecast underspends in the Area Teams on payroll costs, payments to other bodies, travel and subsistence.
Head of Children & Families	Children with a Disability	303	312	9	2.9%	985	965	20	2.0%	Outwith reporting criteria.
Head of Children & Families	Criminal Justice	106	169	63	37.3%	224	215	9	4.0%	The YTD variance is as a result of payroll underspends due to vacancies combined with underspends on payments to other bodies.

										The forecast variance is outwith reporting criteria.
Head of Children & Families	Looked After Children	2,815	2,955	140	4.7%	7,854	7,658	196	2.5%	The YTD variance reflects demand for fostering, kinship and adoption placements as well as YTD over-recovery of income for provision of nursery meals. This is combined with payroll underspends due to vacancies and long term absence. The forecast underspend reflects demand for fostering, kinship and adoption placements as well as on supporting young people leaving care. There is also an over-recovery on income from the Home Office for unaccompanied asylum seeking children. This is all partially offset by demand for external residential placements and payroll overspends in the children's houses.
Head of Children & Families	Management & Central Costs	1,148	1,201	53	4.4%	3,765	3,755	10	0.3%	The YTD variance is due to timing of receipt of grant income - in advance of anticipated expenditure - combined with budget profiling and timing of receipt of invoices for payments to health boards. The forecast variance is outwith reporting criteria.
		5,524	5,897	373	6.3%	16,508	16,134	374	2.3%	
GRAND TOTAL		17,313	17,150	(163)	(1.0%)	76,118	76,118	0	0.0%	

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

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

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

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

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

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

SOCIAL WORK – SUBJECTIVE SUMMARY AS AT 31 AUGUST 2023

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	12,985	12,665	(320)	(2.5%)	34,700	35,001	(301)	(0.9%)	The YTD and forecast overspend is due to the use of agency staff across the HSCP (£1.178m YTD variance; £1.452m forecast). This is partially offset by over-recovery on vacancy savings and payroll underspends due to vacancies.
Premises	610	572	(38)	(6.6%)	1,545	1,841	(296)	(19.2%)	The YTD overspend is outwith reporting criteria. The forecast overspend is due to anticipated overspends on utilities due to current market conditions as well as on central repairs and property maintenance. Some of the utility overspend is offset by an over-recovery on income for recharges to other bodies for shared costs.
Supplies & Services	756	724	(32)	(4.4%)	1,179	1,227	(48)	(4.1%)	The YTD and forecast underspends are outwith reporting criteria.
Transport	221	248	27	10.9%	685	627	58	8.5%	The YTD and forecast underspend is due to various travel underspends across the whole department following changes to working practices post Covid-19 and the number of staff vacancies.
Third Party	21,009	20,643	(366)	(1.8%)	62,335	63,338	(1,003)	(1.6%)	The YTD and forecast overspend reflects demand for purchased care services across Adult Services. This is partially offset by underspends in Fostering and Adoption as well as underspends on unallocated centrally held funds.
Income	(18,268)	(17,702)	566	(3.2%)	(24,326)	(25,916)	1,590	(6.5%)	The YTD and forecast over recovery of income is mainly due to increased income from fees, charges and recharges.
Totals	17,313	17,150	(163)	(1.0%)	76,118	76,118	0	0.0%	

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

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

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

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

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

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

SOCIAL WORK – RED VARIANCES AS AT 31 AUGUST 2023

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Social Work Central Support	(675)	(1,163)	488	(72.3%)	The forecast underspend is due to an over-recovery on vacancy savings combined with underspends on centrally held funds.
Older People	37,571	38,768	(1,197)	(3.2%)	The forecast overspend reflects demand driven overspends within the care home placement budgets and homecare. High staff costs across HSCP residential units due to agency cover are also contributing to forecast overspend.
Learning Disability	14,292	13,770	522	3.7%	The forecast underspend reflects known demand for Residential Placements partially offset by overspends on Supported Living and Respite due to demand.
Mental Health	2,751	2,880	(129)	(4.7%)	The forecast overspend reflects higher than budgeted demand for services in Supported Living and Residential Placements combined with overspends on staff costs due to the use of agency staffing. These are partially offset by an underspend on addictions service due to staff vacancies.
Physical Disability	2,814	2,888	(74)	(2.6%)	The forecast overspend reflects higher than budgeted demand for Supported Living, Respite and higher than budgeted equipment purchasing in the Integrated Equipment Service. These are offset slightly by a forecast underspends in the Residential Care and ACM Budgets.
Child Protection	3,680	3,541	139	3.8%	The forecast underspend reflects demand for contact and welfare services as well as forecast underspends in the Area Teams on payroll costs, payments to other bodies, travel and subsistence.
Looked After Children	7,854	7,658	196	2.5%	The forecast underspend reflects demand for fostering, kinship and adoption placements as well as on supporting young people leaving care. There is also an over-recovery on income from the Home Office for unaccompanied asylum seeking children. This is all partially offset by demand for external residential placements and payroll overspends in the children's houses.

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

MONITORING OF SAVINGS – AS AT 31 AUGUST 2023

New policy savings were identified for the three year period 2023-24 to 2025-26 and these were agreed by Council in February 2023. Council agreed to policy savings of £6.145m in 2023-24 rising to £6.260m by 2025-26.

The position of historical policy saving options is as follows:

- 2022/23 – those not delivered or that have further increases in value in 2023-24 onwards total £0.187m
- 2021/22 – those not delivered or that have further increase in value in 2023-24 onwards total £0.195m
- 2020/21 – those not delivered total £0.050m
- 2019/20 – all delivered
- 2018/19 - those not delivered total £0.376m

The 2023-24 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 two savings where the department has indicated they will not be achieved, two are categorised as having a potential shortfall and one is currently delayed as summarised below:

Saving	Saving Agreed	Status	Detail	Shortfall/ Delayed Value
TB07 – Depots	Feb-18	Will not be achieved	<p>Savings to date via the Oban project, tidying up NDR costs from previous disposals and removing security costs.</p> <p>The remainder of the outstanding saving is based on removing the smallest depot budget from each town but we cannot do this without the capital investment to create fit for purpose single depot facilities. Working through possible alternative delivery model and updated business case for Lochgilphead – there is a shortfall between possible capital costs and likely income from vacated sites.</p> <p>This saving will not be achieved and a cost pressure has been put through for this for 2024-25. Work will be ongoing on the depot rationalisation across the area and future savings will be brought once known.</p>	£107,500

R&I17 - Public transport fare scale increase	Feb-21	Will not be achieved	Fare increase did not offset the saving advised by the Stantec review. This saving will not be achieved and a cost pressure has been put through for this for 2024-25.	£29,000
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.	£150,000
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
TB09 – Public Conveniences	Feb-18	Delayed - The full saving will not be achieved in line with the original estimated timescale.	Door access control project has an indicative start date of September for installs. This delay has missed the busy summer months so expected income over winter will be minimal. We have no way to accurately predict income levels but the system allows for regular reporting and itemisation so we will quickly be in a position to profile future income.	£24,000

All policy saving options previously agreed are noted in the table below for information.

Template Ref	Saving Agreed	Service	Savings Option	2023-24	2023-24	Status of Implementation
				£000	FTE	
Executive Director Douglas Hendry						
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	Delivered
EDU2324-001	Feb-23	Education	Estimated saving due to change in pupil numbers	700.00	0.0	Delivered
EDU2324-002	Feb-23	Education	Removal of non-statutory Cultural Coordinator post.	15.00	0.8	Delivered
Executive Director Kirsty Flanagan						
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	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	28.00	0.0	Delivered
DEG01	Feb-22	Development and Economic Growth	Crown Estate Administration Contribution to Project Delivery	104.0	0.00	Delivered
DEG2324-002	Feb-23	Development and Economic Growth	Reduce discretionary budget to minimum. Retain budget to pay memberships to SCDI, SLAED & HOPS but remove remainder of discretionary budget.	21.50	0.0	Delivered
DEG2324-001	Feb-23	Development and Economic Growth	Long-term vacant 0.5FTE building standards surveyors post that arose through an employee reducing their working hours is no longer requires in structure.	24.00	0.5	Delivered
FIS2324-001	Feb-23	Financial Services	Service Concessions - Alteration to accounting treatment to align the repayment of borrowing relating to new schools over their asset life. Guidance from Scottish Government now permits this change of accounting treatment. Further detail will be provided to Council in due course.	4,831.00	0.0	On Track to be Delivered
FIS2324-002	Feb-23	Financial Services	The Service has identified savings through rightsizing of budgets, an organisational restructure with investment in modern apprenticeships and temporary staff designed to boost income from the billing of additional local taxes and the recovery of associated debt. In addition efficiency savings from increased productivity, increased levels of process automation and moving more customers to transact with the service over the internet will allow previously outsourced review works to be carried out internally.	493.00	0.0	On Track to be Delivered
TB07	Feb-18	Roads and Infrastructure Services	Create one main depot in key areas to reduce costs	172.50	0.0	Will not be achieved
TB13b	Feb-18	Roads and Infrastructure Services	Roads & Amenity Services charging (non-statutory services)	150.0	0.00	Potential Shortfall
TB12b	Feb-18	Roads and Infrastructure Services	Review charges for stadiums to enable improvement work	30.00	0.0	Potential Shortfall
TB09	Feb-18	Roads and Infrastructure Services	Public Conveniences - Progress sustainable models including turnstiles and franchising; establish simpler asset transfer process	24.00	0.0	Delayed
R&I17	Feb-21	Roads and Infrastructure Services	Public transport fare scale increase	76.00	0.0	Will not be achieved
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	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
R&I15	Feb-21	Roads and Infrastructure Services	Emergency services support and fuel provision from our fuel supplies	0.50	0.0	Still to be Implemented
RIS2324-001	Feb-23	Roads and Infrastructure Services	Support Communities to move to different approaches to delivering School Crossing Patrols through engagement with Parent Council and Communities.	60.00	8.4	On Track to be Delivered
TOTAL				6,952.5	8.7	

FINANCIAL RISKS ANALYSIS 2023-24

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 6 Council wide revenue risks identified for 2023-24 currently amounting to £3.661m.
- 1.4 There are currently 41 departmental risks totalling £5.550m. Of the 41 departmental risks, 5 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 2023-24

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 2023-24.

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 2022-23 was an overspend of £0.597m which was due to the unprecedented inflationary uplifts within the

energy market although forward purchasing sheltered the Council from the full impact. 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 £0.827m.

- 3.2.2 The SJC pay award for 2023-24 has still to be agreed and this may have an impact on the base budget if the pay award is greater than the total of what has been allowed for in the budget. The Council has set aside budget equivalent to 3.5%, and the Scottish Government has agreed funding equivalent to 2.5%, which gives a total pay award budget equivalent to a 6% increase. This is a situation that will be kept under close review as the pay negotiations advance further. Each 1% costs an additional £0.826m (for SJC employees only). The financial risk is recognised at £0.826m at this stage. It should be noted that the Teachers pay award for 2023-24 is already settled and built into the budget.
- 3.2.3 At the budget meeting on 24 February 2023, the Council agreed 6 new policy savings options that would deliver savings over the period 2023-24 to 2025-26. The savings to be delivered in 2023-24 amount to £6.145m. Whilst the Council have a good track record in delivering savings, a 10% shortfall on this savings target would amount to £0.615m.
- 3.2.4 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 £0.593m.
- 3.2.5 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 August 2023, the net HSCP outturn in 2023-24 is estimated to be a £0.900m overspend (Social Work forecasting a breakeven position and an overspend of £0.900m from Health). As Social Work are currently projecting a breakeven position and the IJB holds significant financial reserves, there is a nil value on the risk.
- 3.2.6 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. Inflation has begun to fall and the Bank of England estimates that it should continue to fall this year. We will continue to closely monitor the situation and update our financial forecasts using the best information available to us. A 1% general inflation increase has been included with a financial impact of £0.800m.

3.2.7 The Council wide risks are noted within the table below.

Description	Likelihood	Assessed Financial Impact £000
Energy costs increase by 20% greater than anticipated	3	827
Pay award exceeding available funding	3	826
10% shortfall on Savings Options	2	615
1% variation in Council Tax Income	2	593
IJB refer to Council for additional funding to deliver social work services	1	0
1% variation of General Inflation Risk	4	800
Total		3,661

Capital

- 3.2.8 The finance settlement announcement on 20 December 2022 provided details of the Local Government funding for 2023-24 and there is therefore certainty as to what our funding is in respect of the General Capital Grant and the specific capital grants already distributed.
- 3.2.9 The capital plan for 2023-24 includes an estimate of £1.195m in respect of capital receipts. This is based on an assessment provided by the Special Projects Team in January 2023. A 10% variation equates to £0.120m and this would require to be managed across the capital programme.
- 3.2.10 General feedback from Scotland Excel and the Project Managers indicates that price increases and uncertainty continue to be 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.
- 3.2.11 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.
- 3.2.12 While it has been possible to estimate the impact of these pressures on some projects, and therefore either include those projections within the capital monitoring report or adjust the capital programme accordingly, for others it is more difficult and no forecast has been projected at this stage but there are likely to be further significant financial impacts not yet reported.
- 3.2.13 Surveys have been completed in the Councils Learning Estates in relation to

Reinforced Autoclaved Aerated Concrete (RAAC) with only 1 building confirmed as having it present. At this stage the impact of this cannot be quantified however this will require additional funding within the capital programme to rectify. The Council is also currently undertaking both desktop and on-site assessments to establish if RAAC is elsewhere in the Estate in over 650 buildings with priority being given to categories of building where there is high and sustained footfall. No RAAC has been confirmed in these categories of building thus far although around 10 require more intrusive survey work to be carried out in coming weeks.

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	0	0	0	0	0	0	0	0	0	0	0	0
Executive Director Douglas Hendry	2	20	6	560	9	720	3	430	0	0	20	1,730
Executive Director Kirsty Flanagan	5	335	2	230	12	2,790	2	465	0	0	21	3,820
Total	7	355	8	790	21	3,510	5	895	0	0	41	5,550

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	Waste PPP - Indexation	Historical payments made towards Waste PPP based on indexation rates have been challenged by Renewi resulting in a potential cost to the council.	3	586
Roads and Infrastructure Services	Winter Maintenance	Adverse weather conditions which require greater than budgeted number of gritting runs.	4	365

3.3.3 The risks which are likely, but not included above, are noted below:

SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	LIKELIHOOD	FINANCIAL IMPACT £000
Council Wide - Commercial Services	Council Wide Central Repairs	Increased demands on central repair budgets (CRA) as a result of a decrease in Capital funding, increase in statutory and emergency repairs and increases in supplier/contractor charges. This impacts on all departments of the Council with a Central Repairs Budget.	4	300
Legal and Regulatory Support	Contract RPI for NPDO and Hub Schools	Increase in RPI would result in higher costs.	4	100
Roads and Infrastructure Services	Street Lighting	Age of lighting stock requires greater maintenance as health and safety becomes a consideration.	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 have been 3 changes to the departmental risks since the financial risks report was presented to the Policy and Resources Committee on 10 August 2023, as follows:

- A new 'Possible' risk of £0.586m has been added for Waste PPP – Indexation, to recognise that historical payments based on indexation rates have been challenged by Renewi resulting in a potential cost to the Council.
- A new 'Possible' risk of £0.164m has been added for Waste – Compost Like Output (CLO). This is an element of waste that has been heat treated and can only be used for landfill site restoration. We are currently producing more CLO than we need and it is building up in our landfill sites. This has been flagged as a concern by SEPA and will need to be removed.
- The risk in relation to Winter Maintenance has been increased from 'Possible' to 'Likely' due to inflationary increases and a trend of increased treatment runs.

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.

3.5.2 During the 2023-24 budget setting process a contingency of £1.4m was agreed which was circa 0.5% of the Councils budget at that time. This was included due to the volatility in prices, the increases in inflation together with continuing increased demand. The risk associated with Winter Maintenance will be monitored closely over the coming months and should it materialise it is recommended that this contingency is used to offset the pressure.

3.6 Potential Future Risks

3.6.1 Scottish Government are, over the next 2 years, proposing to extend funded childcare to all 1 and 2 year olds across Scotland. This brings significant financial and qualitative risks to the service. The needs and legislative requirements for this age range would mean significant capital work across our estate and in many settings there is not the space so extensions would be required. Having this age range in the same play space as 3/4 year olds seriously impacts on the ability of practitioners to effectively support age appropriate learning and play. It is uncertain when this risk will arise.

4 CONCLUSION

4.1 This report summarises the key financial risks facing the Council. There are 6 Council wide risks and 41 departmental risks identified with 5 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
8 September 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 AUGUST 2023

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATING ACTIONS IN PLACE	As at 30 June 2023		As at 31 August 2023	
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Executive Director Douglas Hendry	Commercial Services	Catering Costs - Provision of Meals to Early Years Children	The Children and Young People (Scotland) Act placed duties on Councils to provide meals in an Early Years setting to entitled children where sessions span over lunch time. The total quantum of grant funding is reducing and 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 procurement colleagues to reduce potential impact of supplier charges. Control food wastage/portion controls.	2	100	2	100
Executive Director Douglas Hendry	Commercial Services	Catering Purchases	Increased supplier charges and higher than average inflation on food costs. In addition to this the Scottish Government reviewed the regulations that govern the food and drinks provided in schools and implemented revised regulations. The revised standards focus on reducing sugar, reducing red processed meat and increasing fibre. Thus far, there has been an increase in costs in produce and a reduction in demand for school meals.	Joint strategy with procurement colleagues to reduce potential impact of supplier charges. Control food wastage/portion controls; introduction of online ordering to help manage food waste. Analysis and regular review of menu choices.	2	100	2	100
Executive Director Douglas Hendry	Commercial Services	Catering - Implementation of Universal Free School Meals in Primary Schools for P6 and P7 pupils	The Scottish Government may not give the local authority adequate funds to support the policy to expand free school meals in primary schools to include P6 and P7 pupils (the scheme has already been implemented for P1 to P5 pupils). Although expansion paused for full implementation for P6&7, FSM expanded through entitlement to Scottish Child Payment.	Senior Manager connected into the National Operational Delivery Group. This enables the Council's viewpoint to be considered.	2	100	2	100
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	60	2	60
Executive Director Douglas Hendry	Commercial Services	Surplus Properties	Ongoing market difficulties lead to increased numbers of surplus properties, in addition, as Our Modern Workspace Project gains traction more properties will become surplus to operational requirements. There are residual running costs associated with all surplus properties.	One Council property team in place who will monitor market conditions and work with prospective tenants/ purchasers to let/sell surplus properties.	3	50	3	50
Executive Director Douglas Hendry	Commercial Services	Leisure Service Level Agreements	Increase in RPI and/or other running costs (eg utilities, payroll etc) resulting in requests for additional funding.	Monitoring annual alteration to contract RPI rate, communication with service providers and mitigation through financial forecasting and review of existing budget.	3	50	3	50

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATING ACTIONS IN PLACE	LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Executive Director Douglas Hendry	Council Wide - Commercial Services	Council Wide Central Repairs	Increased demands on central repair budgets (CRA) due to a decrease in Capital funding, increase in statutory and emergency repairs and increases in supplier/contractor charges. This impacts on all departments of the Council with a Central Repairs Budget.	Joint strategy with procurement colleagues to reduce potential impact of supplier/contractor charges. Close monitoring of central repairs budgets and commitments and instructing only statutory tests/inspections and essential repairs.	4	300	4	300
Executive Director Douglas Hendry	Education	ASN Support	Demand for ASN support continues to increase, Scottish Government statistics suggest a 3% year on year increase, resulting in an additional resource requirement. Particularly where gaps in our enhanced provision exist. The medium-term detriments on the development of young children which occurred as a consequence of service closures during the COVID pandemic have increased demands on the service as children require additional support to catch up. The Additional Support for Learning National Implementation plan continues to inform our strategic direction in line with the Angela Morgan Review.	Service is currently looking at alternative options for service delivery to mitigate the inescapable pressures. Continuing to ensure robust assessment of needs, monthly monitoring of budget, any delays in recruitment factored into projections to enable informed decision making on allocation of funding for new/amended /additional support packages.	3	200	3	200
Executive Director Douglas Hendry	Education	Pre-Five Units - retention of partner providers	Failure in the commissioning or retention of pre-five partner provider units to deliver 1140 hours would result in an increased pressure on the Council to deliver the service.	Annual financial appraisal; Support network; Short-term cash injections.	3	100	3	100
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 revised its service model to align it to the Scottish Government's reduced 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 included in the staffing model funded by Scottish Government.	Continuous monitoring and review of the service model, usage and resources.	3	100	3	100
Executive Director Douglas Hendry	Education	Legislative Requirements - Education (Scotland) Act	The Education (Scotland) Act 2000 requires Councils to undertake assessments of the need for the provision of Gaelic Medium Primary Education (GMPE) and the duty to support and promote Gaelic Education. This may lead to additional staffing requirements depending upon the demand for Gaelic from parents.	Continuous monitoring and review of the service model and resources available within budget.	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

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATING ACTIONS IN PLACE	LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Executive Director Douglas Hendry	Legal and Regulatory Support	NPDO - Reduction in insurance savings within NPDO Schools	Increase in insurance costs as a result of the long-term effects of Covid-19 on the insurance market 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	Customer Support Services	Additional Bandwidth for Education	Additional costs required to be incurred in relation to additional bandwidth required to deliver the Education Digital Strategy due to a more digitalised learning curriculum.	Work closely with Education on Digital Devices for All strategy to ensure necessary IT is in place.	3	50	3	50
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
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	Potential that the Scottish Government may reduce planning fees due to poor performance by the Planning Authority. The Scottish Government has recently appointed a national Planning Performance Champion however the detail of how this role intends to incentivise improved/penalise poor performance at a local authority level remains unclear at this time	Maintain high levels of performance as articulated by performance markers detailed in Planning Performance Framework annual report.	1	100	1	100

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATING ACTIONS IN PLACE	LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
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.	1	50	1	50
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	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.	3	345	3	345
Executive Director Kirsty Flanagan	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
Executive Director Kirsty Flanagan	Financial Services	Sundry Debt Recovery	Recovery of debt becomes more difficult to pursue in the current economic climate.	Additional staff are being put in place in the Sundry Debt Team who will work jointly with Legal Services to enhance the robustness of the Council's debt recovery processes.	3	85	3	85
Executive Director Kirsty Flanagan	Financial Services	Non-Domestic Rates Relief	Risk of demand changing due to legislative changes outwith our control for charitable relief for Arms Length External Organisations (ALEO).	Outwith direct management control.	3	30	3	30
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Waste PPP - Indexation	Historical payments made towards Waste PPP based on indexation rates have been challenged by Renewi resulting in a potential cost to the council.	Conversations are in place between Council and Renewi with the aim of minimising the potential impact.			3	586
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Waste - Compost Like Output (CLO)	Compost Like Output is a element of waste that has been heat treated and can only be used for landfill site restoration. Renewi are currently producing more CLO than we need and it is building up in our landfill sites - this has been flagged up a concern by SEPA and will need to be removed.	Discussions ongoing with Renewi and the Council on steps forward and what element the council is responsible for.			3	164

DEPARTMENT	SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATING ACTIONS IN PLACE	LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Roads Maintenance - Bridges, Culverts & Sea Defences	Extreme localised weather may result in loss of bridge, culvert, road or sea defence.	Routine inspections to deal with potential weak areas - based on a stitch in time repair regime.	3	750	3	750
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	4	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	Car Parking Income	Reduced number of visitors to the area and use of council owned car parks resulting in a reduction in income.	Closely monitor income levels throughout the year, especially in high visitor seasons.	3	200	3	200
Executive Director Kirsty Flanagan	Roads and Infrastructure Services	Ferry Services - income	Changes to ferry services resulting in reduced berthing and passenger income.	Closely monitor passenger number information coming from CalMac to identify any emerging trends with reducing passenger numbers.	3	200	3	200
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.	4	100	4	100
					39	4,800	41	5,550

CAPITAL BUDGET MONITORING REPORT – 31 AUGUST 2023

1.0 EXECUTIVE SUMMARY

1.1 This report provides an update on the position of the capital budget as at 31 August 2023. The report provides information on the financial position in respect of the capital plan and the performance in terms of delivery of capital plan projects.

1.2 Financial Position:

- **Current Year to Date** – actual net expenditure to date is £14,178k compared to a budget for the year to date of £14,135k resulting in an overspend for the year to date of £43k (0.30%).
- **Forecast Outturn for 2023-24** – forecast net expenditure for the full financial year is £43,149k compared to an annual budget of £43,618k giving rise to a forecast underspend for the year of £469k (1.08%).
- **Total Capital Plan** – forecast total net project costs on the total capital plan are £215,191k compared to a total budget for all projects of £215,138k giving rise to a forecast overspend for the overall capital plan of £53k (0.02%).

1.3 Project Delivery:

- **Asset Sustainability** – Out of 84 projects there are 84 projects (100%) on track, 0 projects (0%) off track but recoverable and 0 projects off track (0%).
- **Service Development** - Out of 42 projects there are 40 projects (95%) on track, 2 project (5%) off track but recoverable and 0 projects (0%) off track.
- **Strategic Change** – Out of 30 projects there are 29 projects (97%) on track, 0 projects (0%) are off track but recoverable and 1 project (3%) off track.

1.4 The Capital Programme is funded by various income streams as detailed in Appendix 5. Additional funding allocated since the last report has come from revenue contributions for Oban Depot and STTS funding for Roads Reconstruction.

1.5 Capital receipts of £160k have been received so far in 2023-24. The estimated level of receipts will be kept under review as market conditions change, as will values following due diligence undertaken by prospective purchasers on the condition of asset.

CAPITAL BUDGET MONITORING REPORT – 31 AUGUST 2023

2.0 INTRODUCTION

- 2.1 This report provides an update on the position of the capital budget as at 31 August 2023. The report provides information on the financial position in respect of the capital plan and 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 was put on pause whilst potential funding options were being considered. At the budget meeting in February 2023 additional funding was allocated to this project which will allow the project to progress towards success by supporting completion of certain work stages. The financial information included within this report now includes amounts relating to Phase 1 of the Rothesay Pavilion project.
- 2.3 Campbeltown Flood Scheme has seen compensation events raised by the contractor which may result in an overspend within the project. These are currently being discussed with the consultant and cost saving approaches are being sought to bring the project in on budget therefore at this stage no forecast overspend has been included within the figures and the project is still marked as on track. The cost savings are hoped to mitigate these compensation events, though should sufficient savings fail to be identified, an overspend on the project is possible at which point it will be incorporated into the figures within this report.
- 2.4 Surveys have been completed in the Councils Learning Estates in relation to Reinforced Autoclaved Aerated Concrete (RAAC) with only 1 building confirmed as having it present. At this stage the impact of this cannot be quantified however this will require additional funding within the capital programme to rectify. The Council is also currently undertaking both desktop and on-site assessments to establish if RAAC is elsewhere in the Estate in over 650 buildings with priority being given to categories of building where there is high and sustained footfall. No RAAC has been confirmed in these categories of building thus far although around 10 require more intrusive survey work to be carried out in coming weeks.
- 2.5 New Waste legislation has been introduced on the disposal of Persistent Organic Pollutants (POPs). POPs are organic chemical substances which pose a risk to human health and the environment due to their persistence in the environment, bioaccumulation through the food chain and long-range environmental transport across a wide geographical range. These items of waste will need to be stored separately from general waste at landfill sites before being disposed of which will incur additional capital expenditure. Work is ongoing in relation to the impact and costs of this new legislation but early estimates suggest the capital costs will be in the region of £110k.
- 2.6 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.

2.7 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 – despite additional funding being awarded there remains a funding gap to allow full completion of the original intended works.
- Harbour Investment Programme – likely to be contractual cost increases in future years (expected to be funded from increased fees and charges).
- Universal Free School Meals – delayed roll out to P6 and P7 and uncertain capital funding levels available from the Scottish Government. Distributions of 2023-24 funding have not yet been announced.
- Other general construction inflationary increases.

2.8 Although the direct impact of COVID on most local services has reduced or even ceased altogether over the last 12 months, COVID-19 in conjunction with the UK exit from the European Union and the Russian invasion of Ukraine, continues to affect worldwide supply chains.

In recent years additional funding of £10.803m has been allocated to the capital programme for this purpose which has mitigated the impact to date however, as detailed in the table below, only £2.703m remains unallocated to projects facing inflationary pressures.

Funding for Capital Inflationary Pressures	£m
COVID-19 Funding	0.257
February 2021 Budget Meeting - Capital Cost Pressures	4.646
February 2022 Budget Meeting - Capital Cost Pressures	3.900
February 2023 Budget Meeting – Capital Projects Inflation Pressures	2.000
Total Additional Funding Allocated to Capital	10.803
Allocated to Projects within Capital Programme	(5.779)
Committed for future years	(2.321)
Balance Remaining	2.703

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 £14,178k compared to a budget for the year to date of £14,135k resulting in an overspend for the year to date of £43k (0.30%).

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:

Project Type:	Year to Date Budget £'000	Year to Date Actual £'000	Variance £'000
Asset Sustainability	5,493	5,493	0
Service Development	1,656	1,699	(43)
Strategic Change	6,986	6,986	0
Total	14,135	14,178	(43)
Service:			
ICT	353	353	0
Education	2,339	2,382	(43)
Live Argyll	298	298	0
Health & Social Care Partnership	334	334	0
Shared Offices	191	191	0
Roads & Infrastructure	8,667	8,667	0
Development & Economic Growth	500	500	0
CHORD	1,453	1,453	0
Total	14,135	14,178	(43)

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 2023-24

5.1 Overall Position

Forecast net expenditure for the full financial year is £43,149k compared to an annual budget of £43,618k giving rise to a forecast underspend for the year of £469k (1.08%).

5.2 Project/Department Position

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

	Annual Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Project Type:			
Asset Sustainability	25,478	25,478	0
Service Development	86	139	(53)
Strategic Change	18,054	17,532	522
Total	43,618	43,149	469
Service:			
ICT	1,206	1,206	0
Education	6,911	6,954	(43)
Live Argyll	1,291	1,291	0
Health & Social Care Partnership	2,201	2,201	0
Shared Offices	1,904	1,904	0
Roads & Infrastructure	24,834	24,834	0
Development & Economic Growth	(941)	(931)	(10)
CHORD	6,212	5,690	522
Total	43,618	43,149	469

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 £215,191k compared to a total budget for all projects of £215,138k giving rise to a forecast overspend for the overall capital plan of £53k (0.02%).

6.2 Project/Department Position

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

	Capital Plan Budget £'000	Forecast Project Costs £'000	Total Capital Plan Variance £'000
Project Type:			
Asset Sustainability	59,191	59,191	0
Service Development	22,144	22,197	(53)
Strategic Change	133,803	133,803	0
Total	215,138	215,191	(53)
Service:			
ICT	6,144	6,144	0
Education	45,630	45,673	(43)
Live Argyll	2,970	2,970	0
Health & Social Care Partnership	4,752	4,752	0
Shared Offices	23,589	23,589	0
Roads & Infrastructure	59,075	59,075	0
Development & Economic Growth	4,779	4,789	(10)
CHORD	68,199	68,199	0
Total	215,138	215,191	(53)

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 156 projects within the Capital Plan, 153 are Complete or On Target, 2 are Off Target and Recoverable and 1 is Off Track.

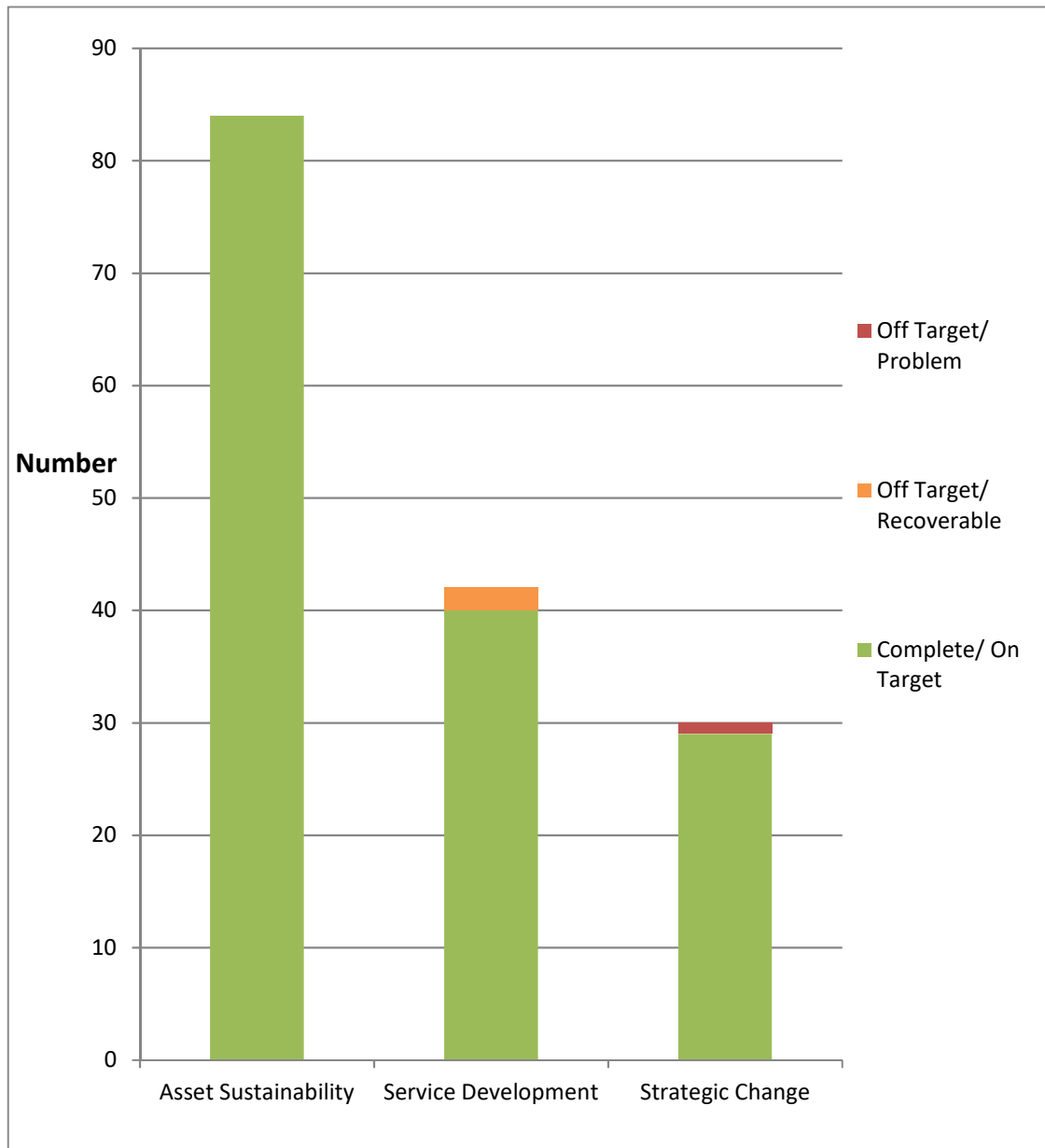
7.2 Project Position

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

Project Type:	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Asset Sustainability	84	0	0	84
Service Development	40	2	0	42
Strategic Change	29	0	1	30
Total	153	2	1	156
Service:				
ICT	7	0	0	7
Education	30	1	0	31
Live Argyll	19	0	0	19
Health & Social Care Partnership	17	0	0	17
Shared Offices	24	0	0	24
Roads & Infrastructure	35	0	0	35
Development & Economic Growth	16	1	0	17
CHORD	5	0	1	6
Total	153	2	1	156

7.3 Chart of Performance Status

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



8.0 OFF TRACK PROJECTS

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

Project Type	Project	What is Off Track?	Explanation
Strategic Change	Kilmory Business Park Phase 2AA	Current year spend	Delays in legal negotiations between the Council and contractor and delays in securing planning permission has led to slippage from 2023-24 as part of project reprofile.

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 gross expenditure capital plan incorporating these proposed changes can be found in Appendix 9.

Department	Prev. Agreed Changes 2023-24	2023-24	2024-25	2025-26	Future Years	Total Capital Plan
	£'000	£'000	£'000	£'000	£'000	£'000
Asset Sustainability	(903)	0	0	0	0	0
Service Development	(111)	0	0	0	0	0
Strategic Change	(368)	(522)	488	34	0	0
Total	(1,382)	(522)	488	34	0	0
Service:						
ICT	(68)	0	0	0	0	0
Education	(903)	0	0	0	0	0
Live Argyll	0	0	0	0	0	0
Health & Social Care Partnership	0	0	0	0	0	0
Shared Offices	(366)	0	0	0	0	0
Roads & Infrastructure	0	0	0	0	0	0
Development & Economic Growth	(45)	0	0	0	0	0
Major Projects	0	(522)	488	34	0	0
Total	(1,382)	(522)	488	34	0	0

11.0 FUNDING

- 11.1 The Capital Programme is funded by various income streams as detailed in Appendix 5. Additional funding allocated since the last report has come from revenue contributions for Oban Depot and STTS funding for Roads Reconstruction.
- 11.2 Capital receipts of £160k have been received so far in 2023-24. The estimated level of receipts will be kept under review as market conditions change, as will values following due diligence undertaken by prospective purchasers on the condition of assets.

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
11 September 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

APPENDIX 1 – Year to Date Financial Variance Explanations

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

Project	YTD Budget £'000	YTD Actual £'000	(Over)/ Under Variance £'000	Explanation
Other variances under £50k			(43)	Total value of non-material variances less than +/-£50k
Total	14,135	14,178	(43)	

APPENDIX 2 – Outturn Variance Explanations

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

Project	Annual Budget £'000	Outturn £'000	(Over)/ Under Forecast Variance COVID-19 Related £'000	(Over)/ Under Forecast Variance Non COVID-19 Related £'000	Total (Over)/ Under Forecast Variance £'000	Explanation
Kilmory Business Park Phase 2AA	1,082	560	0	522	522	Slippage from 2023-24 to 2024-25. Delays in legal negotiations between the Council and contractor and delays in securing planning permission has led to slippage from 2023-24 as part of project reprofile. See variance report for details.
Other variances under £50k			0	(53)	(53)	Total value of non-material variances less than +/- £50k.
Total			0	469	469	

APPENDIX 3 – Total Project Finance Variances

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

Project	Capital Plan Budget £'000	Forecast Project Costs £'000	(Over)/ Under Forecast Variance COVID-19 Related £'000	(Over)/ Under Forecast Variance Non COVID-19 Related £'000	Total (Over)/ Under Forecast Variance £'000	Explanation
Other variances under £50k				(53)	(53)	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.
Total				(53)	(53)	

APPENDIX 4 – Changes to Capital Plan and Financial Impact

OVERALL COST CHANGES

Project	2023-24 £'000	2024-25 £'000	2025-26 £'000	Future Years £'000	Total Capital Plan £'000	Recommendation	Explanation
Total Cost Changes	0	0	0	0	0		

SLIPPAGES AND ACCELERATIONS

Project	2023-24 £'000	2024-25 £'000	2025-26 £'000	Future Years £'000	2023-24 Slippage Related to COVID-19 £'000	2023-24 Slippage Related to Non COVID-19 £'000	Total 2023-24 £'000	Recommendation	Explanation
Kilmory Business Park Phase 2AA	(522)	488	34			(522)	(522)	Slip budget from 2023-24 into 2024-25 and 2025-26.	Delays in legal negotiations between the Council and contractor and delays in securing planning permission has led to slippage from 2023-24 as part of project reprofile. See variance report for details.
Total Slippages and Accelerations	(522)	488	34	0	0	(522)	(522)		
Net Impact of Changes	(522)	488	34	0	0	(522)	(522)		

CAPITAL PROGRAMME FUNDING

	2023-24					2024-25					2025-26				
	Estimated Capital Funding	Carry Forwards from 22-23	Slippage / Acceleration	Additional Funding	Updated Capital Funding Available	Estimated Capital Funding	Carry Forwards from 22-23	Slippage / Acceleration	Additional Funding	Updated Capital Funding Available	Estimated Capital Funding	Carry Forwards from 22-23	Slippage / Acceleration	Additional Funding	Updated Capital Funding Available
General Capital Grant	11,900	0	0	0	11,900	9,851	0	0	0	9,851	10,007	0	0	0	10,007
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	1,195	0	0	0	1,195	350	0	0	0	350	400	0	0	0	400
Flooding Allocation	155	0	0	0	155	155	0	0	0	155	155	0	0	0	155
Ring Fenced Capital Grant	5,800	0	0	0	5,800	304	0	323	400	1,027	0	0	-319	0	-319
Restricted Funding	1,613	0	-522	1,324	2,415	0	0	854	2,065	2,919	0	0	34	50	84
Funded by Reserves	11,909	8,871	0	243	21,023	9,518	289	0	0	9,807	1,175	-155	0	0	1,020
Additional Funding from Revenue	25	0	0	117	142	0	0	0	0	0	0	0	0	0	0
Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Harbour Investment Programme	22,235	-13,035	0	0	9,200	27,025	-5,025	0	0	22,000	29,700	20,300	0	0	50,000
Prudential Borrowing	20,718	-6,345	-1,382	74	13,065	27	6,434	1,016	0	7,477	0	1,388	0	0	1,388
Loans Fund Review	0	131	0	0	131	0	0	0	0	0	0	0	0	0	0
COVID Funding	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	74,517	-10,378	-1,904	1,758	63,993	46,197	1,698	2,193	2,465	52,553	40,404	21,533	-285	50	61,702

BREAKDOWN OF ADDITIONAL FUNDING

Additional Funding	2023-24	2024-25	2025-26	Source	Reported
Tobermory Top Flat - SHF	30			Revenue Funding	Jan-23
Dunoon STEM Hub	50			Revenue Funding	Jan-23
Dunoon STEM Hub	150			Grant Funding	Jan-23
Dunoon Cycle Bothy	145			Grant Funding	Jan-23
Gartbreck - Capping	118			Reserves	Mar-23
Dunoon Cycle Bothy	74			Scottish Government	Mar-23
Tigh Na Rhuda		400	50	Scottish Government	Mar-23
Helensburgh and Rosneath Cycleways		290		SPT	Jun-23
SPT - Bus Infrastructure		25		SPT	Jun-23
Dunoon STEM Hub		1,750		Rural Growth Deal	Jun-23
Rural Growth Deal planning stages	132			Rural Growth Deal	Jun-23
Public Conveniences Upgrade - Coastal Communities Fund	200			Coastal Communities Fund	Jul-23
Tobermory Harbour Wall and Railings, Phase 2	100			Coastal Communities Fund	Jul-23
Tobermory Harbour Wall and Railings, Phase 2	250			Scottish Government	Jul-23
Server Sustainability	95			Earmarked Reserves	Jul-23
Oban Depot Development	67			Revenue Funding	Aug-23
Roads Recon - STTS Funding	347			STTS	Aug-23
Total	1,758	2,465	50		

OFF TRACK PROJECT**Appendix 6****Project Name:** Kilmory Business Park Phase 2AA**Project Manager:** John Gordon**Risk:** High/Low**Initial Start Date:** 1-Apr-21**Proposed End Date:** February 2026**How was this project initially funded?**

ABC (Crown Estates) £150,000

Please detail any additional funding.

Scottish Government (RCGF) £829,000

M&K MacLeod Ltd £850,000

Highlands & Islands Enterprise £150,000

Previously Reported Committee and Date: P&R August 2023 as part of Capital Monitoring**Next Reported Committee and Date:** P&R October 2023 as part of Capital Monitoring**Why is the project classified as off target?**

Capital Monitoring Report had expenditure forecast for FY23/24 of £1.082million. Actual expenditure in FY23/24 is likely to be closer to £0.560million.

What has caused the issue outlined above?

Due to delays in negotiating the various legal agreements between the Council and M&K Macleod Ltd, and securing Planning Permission the overall programme has slipped. The latest Project Programme estimates that construction works, and therefore major expenditure, will commence in P7 Oct-23 and carry on through until P11 Feb-26, with the final release of retentions in P10 Jan-27.

In the absence of the detailed construction phase programme we have profiled expenditure at a flat rate, on basis of £112,000 per month from P8-P12 in FY23/24, £488,000 in FY24/25, and £34,000 in FY25/26 which is the release of retentions 12 months post Practical Completion of the construction Works.

What action will be taken to rectify this issue?

Upon completion of the various legal agreements, the Contractor will be in a position to submit their detailed construction programme and cashflow profile for the construction works. This will be updated with actuals and revised forecasts in line with the Council's standard reporting cycle, which will provide us with greater certainty that the profiles are robust and deliverable.

What are the implications of the action proposed?

The project costs have not increased, this is simply a re-profiling of planned expenditure to reflect the most up to date forecasts and assumptions underpinning the implementation programme.

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	23,415	977	24,392	24,392	01/04/2017	31/03/2024	Green	Physically complete, retentions outstanding
Campbeltown Flood Scheme	4,992	9,860	15,215	15,215	01/08/2016	31/03/2024	Green	Contractor's updated programming of work moved Public Utility works from 22/23 to 23/24
CHORD Oban	7,279	626	7,905	7,905	27/10/2016	31/03/2022	Green	Issues with contract close out impacting on timescales.
TIF - Halfway House Roundabout	66	574	640	640	tbc	tbc	Green	Scope of project still to be determined - budget to be reprofiled.
CHORD Rothesay	15,231	6,737	24,012	24,012	tbc	tbc	Green	Project recommenced.
Harbour Investment Programme	9,200	9,243	91,335	91,335	01/04/2017	31/03/2028	Green	Budget slipped into future years.
Dunoon Primary	10,635	234	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	10,085	34	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	2,844	406	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	3,226	674	3,900	3,900	01/08/2016	31/12/2022	Green	Tender for final package of works still to be awarded.
Helensburgh Office Rationalisation	11,538	300	11,838	11,838	25/04/2013	31/12/2022	Green	Project subject to legal dispute.
CHORD Dunoon	12,495	27	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	47	560	1,129	1,129	01/02/2022	01/09/2023	Green	Development Agreement still to be concluded.
Carbon Management Business Cases	201	0	201	201	01/02/2014	31/12/2022	Green	Budget to be reprofiled pending development of new projects.
Carbon Management - Group Heating Conversion Project	1,938	0	1,938	1,938	01/02/2016	31/12/2022	Green	Complete.
Carbon Management - Non Education	29	21	50	50	01/04/2015	31/12/2022	Green	Projects being determined.
NPDO Schools Solar PV Panel Installations	761	0	761	761	26/06/2014	31/12/2022	Green	Budget to be reprofiled pending development of new projects.
Non NPDO Schools Solar PV Panel Installations	400	0	400	400	20/03/2014	31/12/2022	Green	Budget to be reprofiled pending development of new projects.
Carbon Management Capital Property Works 2016/17	19	0	19	19	01/02/2016	31/12/2022	Green	Budget to be reprofiled pending development of new projects.
Oil to Gas Heating Conversions	182	0	182	182	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	489	56	590	590	22/01/2015	31/12/2022	Green	
Campbeltown Schools Redevelopment	2,092	38	2,130	2,130	16/02/2012	30/11/2018	Green	Physically complete - negotiations with contractor delaying payment of financial sums outstanding.
CHORD - Helensburgh	6,529	28	6,557	6,557	29/09/2011	30/04/2015	Green	Main contract complete. Art project proposed for 23-24.
TIF - North Pier Extension	214	0	214	214	06/12/2017	06/12/2021	Green	Complete.
TIF - Lorn/Kirk Road	2,169	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 - NDEEF1	964	224	1,381	1,381	tbc	31/03/2024	Green	
Clean Energy - NDEEF2	0	50	1,140	1,140	tbc	tbc	Green	
Strategic Change Total	131,542	30,671	239,362	239,362				

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
 FINANCIAL SUMMARY - NET EXPENDITURE

Appendix 8
 31 August 2023

	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Budget £000s	Actual £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s
EXPENDITURE									
Asset Sustainability Projects									
Executive Director Douglas Hendry	2,840	2,840	0	10,602	10,602	0	23,036	23,036	0
Executive Director Kirsty Flanagan	3,083	3,083	0	16,061	16,061	0	37,790	37,790	0
Asset Sustainability Total	5,923	5,923	0	26,663	26,663	0	60,826	60,826	0
Service Development Projects									
Executive Director Douglas Hendry	320	363	(43)	525	568	(43)	16,437	16,480	(43)
Executive Director Kirsty Flanagan	1,391	1,391	0	6,100	6,110	(10)	38,111	38,121	(10)
Service Development Total	1,711	1,754	(43)	6,625	6,678	(53)	54,548	54,601	(53)
Strategic Change Projects									
Campbeltown Schools Redevelopment	0	0	0	38	38	0	2,130	2,130	0
Dunoon Primary	2	2	0	234	234	0	10,869	10,869	0
Replacement of Oban High	0	0	0	406	406	0	3,250	3,250	0
Kirn Primary School	0	0	0	34	34	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	0	0	0	201	201	0
NPDO Schools Solar PV Panel Installations	0	0	0	0	0	0	761	761	0
Non NPDO Schools Solar PV Panel Installations	0	0	0	0	0	0	400	400	0
Carbon Management Fuel Conversions	0	0	0	0	0	0	107	107	0
Carbon Management Capital Property Works 2016/17	0	0	0	0	0	0	19	19	0
Carbon Management - Group Heating Conversion Project	0	0	0	0	0	0	1,938	1,938	0
Kilmory Biomass Carbon Management	0	0	0	0	0	0	956	956	0
Oil to Gas Heating Conversions	0	0	0	0	0	0	182	182	0
Campbeltown Office Rationalisation	0	0	0	1	1	0	596	596	0
Helensburgh Office Rationalisation	0	0	0	300	300	0	11,838	11,838	0
Clean Energy - NDEEF2	0	0	0	50	50	0	1,140	1,140	0
Net Zero	0	0	0	0	0	0	366	366	0
Campbeltown Flood Scheme	5,529	5,529	0	9,860	9,860	0	15,215	15,215	0
Street Lighting LED Replacement	1	1	0	674	674	0	3,900	3,900	0
Harbour Investment Programme	294	294	0	9,243	9,243	0	91,335	91,335	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	1	1	0	56	56	0	590	590	0
TIF - Halfway House Roundabout	0	0	0	574	574	0	640	640	0
CHORD - Helensburgh	0	0	0	28	28	0	6,557	6,557	0
CHORD Dunoon	0	0	0	27	27	0	12,522	12,522	0
CHORD Oban	0	0	0	626	626	0	7,905	7,905	0
CHORD Rothesay	1,424	1,424	0	6,737	6,737	0	24,012	24,012	0
Helensburgh Waterfront Development	29	29	0	977	977	0	24,392	24,392	0
HWD - FFE (Funded by LA)	0	0	0	34	34	0	350	350	0
Kilmory Business Park Phase 2AA	0	0	0	1,082	560	522	1,129	1,129	0
Dunoon Pier OBC	0	0	0	0	0	0	2,844	2,844	0
Strategic Change Total	7,280	7,280	0	31,227	30,705	522	240,078	240,078	0
Total Expenditure	14,914	14,957	(43)	64,515	64,046	469	355,452	355,505	(53)
INCOME									
Asset Sustainability									
Executive Director Douglas Hendry	0	0	0	(128)	(128)	0	(578)	(578)	0
Executive Director Kirsty Flanagan	(430)	(430)	0	(1,057)	(1,057)	0	(1,057)	(1,057)	0
Asset Sustainability Total	(430)	(430)	0	(1,185)	(1,185)	0	(1,635)	(1,635)	0
Service Development Projects									
Executive Director Douglas Hendry	0	0	0	0	0	0	(7,771)	(7,771)	0
Executive Director Kirsty Flanagan	(55)	(55)	0	(6,539)	(6,539)	0	(24,633)	(24,633)	0
Service Development Total	(55)	(55)	0	(6,539)	(6,539)	0	(32,404)	(32,404)	0
Strategic Change Projects									
Helensburgh Office Rationalisation	0	0	0	0	0	0	(349)	(349)	0
Dunoon Primary	0	0	0	0	0	0	(137)	(137)	0
Campbeltown Flood	0	0	0	0	0	0	(270)	(270)	0
Harbour PB	(294)	(294)	0	(9,243)	(9,243)	0	(91,335)	(91,335)	0
01 TIF - Lorn/Kirk Road	0	0	0	(631)	(631)	0	(2,672)	(2,672)	0
H'burgh CHORD Public Realm Imprv	0	0	0	0	0	0	(570)	(570)	0
Helensburgh Waterfront Development	0	0	0	(2,320)	(2,320)	0	(7,979)	(7,979)	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
Strategic Change Total	(294)	(294)	0	(13,173)	(13,173)	0	(106,275)	(106,275)	0
Total Income	(779)	(779)	0	(20,897)	(20,897)	0	(140,314)	(140,314)	0
Net Total	14,135	14,178	(43)	43,618	43,149	469	215,138	215,191	(53)

	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Budget £000s	Actual £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s
EXPENDITURE									
Asset Sustainability									
Education	2,017	2,017	0	5,853	5,853	0	13,403	13,403	0
Live Argyll	298	298	0	1,270	1,270	0	2,125	2,125	0
Health and Social Care Partnership	334	334	0	2,147	2,147	0	3,452	3,452	0
Shared Offices	191	191	0	1,332	1,332	0	4,056	4,056	0
Asset Sustainability Total	2,840	2,840	0	10,602	10,602	0	23,036	23,036	0
Service Development Projects									
Ardishaig 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	0	0	0	556	556	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	0	0	0	719	719	0
Lochgoilhead Primary School - Pre 5 Unit	0	0	0	0	0	0	391	391	0
Park Primary Extension/Pre Fives Unit	0	0	0	0	0	0	341	341	0
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	320	363	(43)	320	363	(43)	7,774	7,817	(43)
CO2 Monitoring - Covid Mitigation in Schools	0	0	0	113	113	0	192	192	0
Early Learning and Childcare - 1140 Hours - CFCR	0	0	0	0	0	0	1,379	1,379	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
Service Development Total	320	363	(43)	525	568	(43)	16,437	16,480	(43)
Strategic Change Projects									
Campbeltown Schools Redevelopment	0	0	0	38	38	0	2,130	2,130	0
Dunoon Primary	2	2	0	234	234	0	10,869	10,869	0
NPDO Schools Solar PV Panel Installations	0	0	0	0	0	0	761	761	0
Non NPDO Schools Solar PV Panel Installations	0	0	0	0	0	0	400	400	0
Carbon Management Fuel Conversions	0	0	0	0	0	0	107	107	0
Carbon Management Capital Property Works 2016/17	0	0	0	0	0	0	19	19	0
Carbon Management - Group Heating Conversion Project	0	0	0	0	0	0	1,938	1,938	0
Kilmory Biomass Carbon Management	0	0	0	0	0	0	956	956	0
Oil to Gas Heating Conversions	0	0	0	0	0	0	182	182	0
Campbeltown Office Rationalisation	0	0	0	1	1	0	596	596	0
Helensburgh Office Rationalisation	0	0	0	300	300	0	11,838	11,838	0
Clean Energy - NDEEF1	0	0	0	224	224	0	1,381	1,381	0
Clean Energy - NDEEF2	0	0	0	50	50	0	1,140	1,140	0
Net Zero	0	0	0	0	0	0	366	366	0
CHORD Oban	0	0	0	626	626	0	7,905	7,905	0
CHORD Rothesay	1,424	1,424	0	6,737	6,737	0	24,012	24,012	0
CHORD - Helensburgh	0	0	0	28	28	0	6,557	6,557	0
CHORD Dunoon	0	0	0	27	27	0	12,522	12,522	0
Helensburgh Waterfront Development	29	29	0	977	977	0	24,392	24,392	0
HWD - FFE (Funded by LA)	0	0	0	34	34	0	350	350	0
Kilmory Business Park Phase 2AA	0	0	0	1,082	560	522	1,129	1,129	0
Dunoon Pier OBC	0	0	0	0	0	0	2,844	2,844	0
Strategic Change Total	1,455	1,455	0	10,819	10,297	522	126,014	126,014	0
Total Expenditure	4,615	4,658	(43)	21,946	21,467	479	165,487	165,530	(43)
INCOME									
Asset Sustainability									
Education	0	0	0	(125)	(125)	0	(125)	(125)	0
Shared Offices	0	0	0	(3)	(3)	0	(3)	(3)	0
Asset Sustainability Total	0	0	0	(128)	(128)	0	(578)	(578)	0
Service Development Projects									
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
Bowmore Primary School - Gaelic Medium Grant	0	0	0	0	0	0	(38)	(38)	0
Service Development Total	0	0	0	0	0	0	(7,771)	(7,771)	0
Strategic Change									
Helensburgh Office Rationalisation	0	0	0	0	0	0	(349)	(349)	0
Dunoon Primary School	0	0	0	0	0	0	(137)	(137)	0
H'burgh CHORD Public Realm Imprv	0	0	0	0	0	0	(570)	(570)	0
Helensburgh Waterfront Development	0	0	0	(2,320)	(2,320)	0	(7,979)	(7,979)	0
HWD - FFE (Funded by LA)	0	0	0	0	0	0	(350)	(350)	0
CHORD - Oban	0	0	0	0	0	0	(1,624)	(1,624)	0
Net Departmental Total	4,615	4,658	(43)	18,519	18,040	479	145,140	145,183	(43)

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT									Appendix 8	
FINANCIAL SUMMARY NET EXPENDITURE - EXECUTIVE DIRECTOR KIRSTY FLANAGAN									31 August 2023	
	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs			
	Budget £000s	Actual £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s	
EXPENDITURE										
Asset Sustainability Projects										
Flood Prevention	29	29	0	807	807	0	1,305	1,305	0	
Coastal Protection	2	2	0	99	99	0	199	199	0	
Coastal Change Adaptation	9	9	0	158	158	0	158	158	0	
Bute Sea Wall Repairs	46	46	0	100	100	0	680	680	0	
Helelsburgh Flood Mitigation	1	1	0	428	428	0	428	428	0	
Bridge Strengthening	161	161	0	1,336	1,336	0	1,686	1,686	0	
Local Bridge Maintenance Fund	66	66	0	1,000	1,000	0	5,203	5,203	0	
Roads Reconstruction	2,064	2,064	0	7,379	7,379	0	15,379	15,379	0	
Roads Reconstruction - Helelsburgh CHORD	0	0	0	47	47	0	47	47	0	
Roads Reconstruction - Oban CHORD	0	0	0	3	3	0	3	3	0	
Helelsburgh CHORD - Signage etc	0	0	0	10	10	0	10	10	0	
Lighting	0	0	0	890	890	0	1,040	1,040	0	
Environmental Projects	191	191	0	650	650	0	1,021	1,021	0	
Play Park Refurbishment	0	0	0	312	312	0	938	938	0	
Public Convenience Upgrades	54	54	0	282	282	0	282	282	0	
Footway Improvements	178	178	0	750	750	0	750	750	0	
Glengorm - Capping	0	0	0	0	0	0	0	0	0	
Glengorm - Cell and Transfer Station (PB)	36	36	0	85	85	0	85	85	0	
Garbreck - Capping	6	6	0	200	200	0	200	200	0	
EV Quick Chargers	0	0	0	62	62	0	62	62	0	
Tobemroy Car Park	0	0	0	96	96	0	96	96	0	
Active Travel	0	0	0	389	389	0	389	389	0	
Block Allocation - RIS	0	0	0	0	0	0	4,268	4,268	0	
Server Sustainability	0	0	0	392	392	0	1,563	1,563	0	
PC Replacement	153	153	0	330	330	0	1,686	1,686	0	
Telecoms Network	87	87	0	256	256	0	312	312	0	
Asset Sustainability Total	3,083	3,083	0	16,061	16,061	0	37,790	37,790	0	
Service Development Projects										
Preliminary design for Regional Transport projects	0	0	0	16	16	0	221	221	0	
Campbelltown Old Quay	0	0	0	0	0	0	1,381	1,381	0	
Fleet Management - Prudential Borrowing	747	747	0	2,187	2,187	0	4,861	4,861	0	
Fleet Management	0	0	0	325	325	0	4,538	4,538	0	
Lismore Ferry	0	0	0	15	15	0	672	672	0	
Oban Depot Development Project	4	4	0	4	4	0	2,184	2,184	0	
Lochgighhead Depot Rationalisation	0	0	0	8	8	0	37	37	0	
Jackson's Quarry Refurbishment	0	0	0	0	0	0	285	285	0	
Witchburn Road Demolition	0	0	0	0	0	0	158	158	0	
Safe Streets, Walking and Cycling (CWSS)	0	0	0	370	370	0	3,383	3,383	0	
SPT - bus infrastructure	0	0	0	0	0	0	1,430	1,430	0	
Cycleways - H&L (FSPT)	0	0	0	300	300	0	3,402	3,402	0	
Helelsburgh Public Realm - Arts Strategy Fund	0	0	0	50	50	0	53	53	0	
Town Centre Funds	199	199	0	708	716	(10)	4,319	4,329	(10)	
Rural Growth Deal	74	74	0	132	132	0	182	182	0	
Dunoon Cycle Bothy	179	179	0	292	292	0	563	563	0	
Dunoon STEM Hub	4	4	0	713	713	0	2,558	2,558	0	
Ardriahaig North Active Travel	71	71	0	112	112	0	880	880	0	
Nature Restoration Fund	0	0	0	346	346	0	346	346	0	
Gibraltar Street Public Realm Improvements	0	0	0	222	222	0	250	250	0	
Hermitage Park	0	0	0	26	26	0	3,388	3,388	0	
Service Development Total	1,391	1,391	0	6,100	6,110	(10)	38,111	38,121	(10)	
Strategic Change Projects										
Campbelltown Flood Scheme	5,529	5,529	0	9,860	9,860	0	15,215	15,215	0	
Street Lighting LED Replacement	1	1	0	674	674	0	3,900	3,900	0	
Harbour Investment Programme	294	294	0	9,243	9,243	0	91,335	91,335	0	
TIF - Lorn/Kirk Road	0	0	0	1	1	0	2,170	2,170	0	
TIF - Oban Airport Business Park	1	1	0	56	56	0	590	590	0	
TIF - Halfway House Roundabout	0	0	0	574	574	0	640	640	0	
Strategic Change Total	5,825	5,825	0	20,408	20,408	0	114,064	114,064	0	
Total Expenditure	10,299	10,299	0	42,569	42,579	(10)	189,965	189,975	(10)	
INCOME										
Asset Sustainability										
EV Quick Chargers	0	0	0	(27)	(27)	0	(27)	(27)	0	
Roads Reconstruction	(430)	(430)	0	(430)	(430)	0	(430)	(430)	0	
Tobemroy Car Park	0	0	0	(400)	(400)	0	(400)	(400)	0	
Asset Sustainability Total	(430)	(430)	0	(1,057)	(1,057)	0	(1,057)	(1,057)	0	
Service Development										
Applications Projects	0	0	0	(46)	(46)	0	(437)	(437)	0	
Safe Streets, Walking and Cycling	0	0	0	(376)	(376)	0	(2,988)	(2,988)	0	
SPT	0	0	0	(25)	(25)	0	(1,268)	(1,268)	0	
Cycleways - H&L (FSPT)	0	0	0	(590)	(590)	0	(3,502)	(3,502)	0	
Town Centre Funds	0	0	0	(625)	(625)	0	(2,237)	(2,237)	0	
Rural Growth Deal	(28)	(28)	0	(152)	(152)	0	(182)	(182)	0	
Dunoon STEM Hub	0	0	0	(2,050)	(2,050)	0	(2,558)	(2,558)	0	
Ardriahaig North Active Travel	0	0	0	0	0	0	(50)	(50)	0	
Dunoon Cycle Bothy	0	0	0	(394)	(394)	0	(563)	(563)	0	
Gibraltar Street Public Realm Improvements	0	0	0	0	0	0	(250)	(250)	0	
Hermitage Park	0	0	0	0	0	0	(3,319)	(3,319)	0	
Fleet Management - PB	0	0	0	(2,187)	(2,187)	0	(4,861)	(4,861)	0	
Fleet Management	(27)	(27)	0	(27)	(27)	0	(27)	(27)	0	
Lochgighhead Depot Rationalisation	0	0	0	0	0	0	0	0	0	
Millpark 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	0	0	0	0	0	0	
Oban Depot - Revenue Contribution	0	0	0	(67)	(67)	0	0	0	0	
Lismore Ferry	0	0	0	0	0	0	(500)	(500)	0	
Witchburn Road Demolition	0	0	0	0	0	0	(157)	(157)	0	
Service Development Total	(65)	(65)	0	(6,539)	(6,539)	0	(24,633)	(24,633)	0	
Strategic Change										
Campbelltown Flood	0	0	0	0	0	0	(270)	(270)	0	
Harbour PB	(294)	(294)	0	(9,243)	(9,243)	0	(91,335)	(91,335)	0	
01 TIF - Lorn/Kirk Road	0	0	0	(631)	(631)	0	(2,672)	(2,672)	0	
Strategic Change Total	(294)	(294)	0	(9,874)	(9,874)	0	(94,277)	(94,277)	0	
Total Income	(779)	(779)	0	(17,470)	(17,470)	0	(119,967)	(119,967)	0	
Net Departmental Total	9,520	9,520	0	25,099	25,109	(10)	69,998	70,008	(10)	

CAPITAL PLAN 2023-24
Overall Summary

APPENDIX 9

Service	Previous Years £000's	2023-24 £000s	2024-25 £000s	2025-26 £000s	2026-27 £000s	2027-28 £000s	Total
Education	39,077	7,014	4,029	3,521	0	0	53,641
Shared Offices	17,661	1,907	3,396	977	0	0	23,941
ICT	2,529	1,252	1,633	1,167	0	0	6,581
RIS	26,197	37,415	37,643	55,028	2,733	0	159,016
DEG	18,331	3,902	2,135	0	0	0	24,368
HSCP	1,246	2,223	828	477	0	0	4,774
Live Argyll	1,274	1,291	428	427	0	0	3,420
CHORD	68,156	8,989	2,461	105	0	0	79,711
Overall Total	174,471	63,993	52,553	61,702	2,733	0	355,452

Category	Service	Project	Previous	2023-24	2024-25	2025-26	2026-27		2027-28	Total
			Years	£000s	£000s		£000s	£000s	£000s	
Asset Sustainability	Education	Asbestos Control/Removal Works		0	7	0	0	0	0	7
		Block Allocation - Education		0	1,408	166	520	0	0	2,094
		Digital Inclusion 20-21		0	9	0	0	0	0	9
		Free School Meals		0	379	900	1,495	0	0	2,774
		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	0	0	0	0	0	0
		Pre-5's/Nurseries		0	0	0	0	0	0	0
		Primary Schools		0	3,370	2,420	1,280	0	0	7,070
		School Houses - Housing Quality Standard		0	13	0	0	0	0	13
		Secondary Schools		0	637	543	226	0	0	1,406
Asset Sustainability Total			0	5,831	4,029	3,521	0	0	13,381	
Service Development	Education	Ardrishaig 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	0	0	0	0	0	556
		CO2 Monitoring - Covid Mitigation in Schools		79	113	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		7,454	320	0	0	0	0	7,774
		Early Learning and Childcare - 1140 Hours - CFCR		1,379	0	0	0	0	0	1,379
		Iona Primary School - Pre Five Unit (600 hours funding)		490	0	0	0	0	0	490
		Islay High & Rosneath PS Pitches		719	0	0	0	0	0	719
		Lochgoilhead 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		
Service Development Total			13,421	471	0	0	0	0	13,892	
Strategic Change	Education	Campbeltown Schools Redevelopment		2,092	38	0	0	0	0	2,130
		Dunoon Primary School		10,635	234	0	0	0	0	10,869
		Kirn Primary School		10,085	34	0	0	0	0	10,119
		Replacement of Oban High School		2,844	406	0	0	0	0	3,250
Strategic Change Total			25,656	712	0	0	0	0	26,368	
Overall Total			39,077	7,014	4,029	3,521	0	0	53,641	

Category	Service	Project	Previous	2023-24	2024-25	2025-26	2026-27	2027-28	Total
			Years £000's	£000s	£000s	£000s	£000s	£000s	£000s
Asset Sustainability	Shared Offices	5-7 East Clyde Street - Coastal Communities Fund	0	0	0	0	0	0	0
		Argyll House, Dunoon	0	9	0	0	0	0	9
		Asbestos Capital Property Works	0	51	0	0	0	0	51
		Block Allocation	0	152	298	427	0	0	877
		Bowmore Area Office	0	76	0	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	130	0	0	0	0	130
		Hill Street Dunoon Rewire	0	33	0	0	0	0	33
		Kilmory Castle	0	0	1,409	0	0	0	1,409
		Legionella Control Works	0	144	0	0	0	0	144
		Manse Brae District Office	0	0	0	0	0	0	0
		Manse Brae Roads Office	0	2	0	0	0	0	2
Our Modern Workspace	0	683	480	0	0	0	1,163		
Asset Sustainability Total		0	1,332	2,297	427	0	0	4,056	
Strategic Change	Shared Offices	Campbeltown Office Rationalisation	595	1	0	0	0	0	596
		Carbon Management - Group Heating Conversion Project (Prudentie	1,938	0	0	0	0	0	1,938
		Carbon Management Business Cases (FPB)	201	0	0	0	0	0	201
		Carbon Management Capital Property Works 16/17	19	0	0	0	0	0	19
		Carbon Management Fuel Conversions (FPB)	107	0	0	0	0	0	107
		Clean Energy - NDEEF1	964	224	193	0	0	0	1,381
		Clean Energy - NDEEF2	0	50	540	550	0	0	1,140
		Helensburgh Office Rationalisation (FPB,REC)	11,538	300	0	0	0	0	11,838
		Kilmory Biomass Project OBC (FPB,REV)	956	0	0	0	0	0	956
		Net Zero	0	0	366	0	0	0	366
		Non-NPDO Schools PV Panel Installations	400	0	0	0	0	0	400
		NPDO Schools Solar PV Panel Installations	761	0	0	0	0	0	761
		Oil to Gas Heating Conversions (FPB)	182	0	0	0	0	0	182
Strategic Change Total		17,661	575	1,099	550	0	0	19,885	
Overall Total		17,661	1,907	3,396	977	0	0	23,941	

Category	Service	Project	Previous Years					Total £000s
			2023-24 £000s	2024-25 £000s	2025-26 £000s	2026-27 £000s	2027-28 £000s	
Strategic Change	CHORD	CHORD - Dunoon	12,495	27	0	0	0	12,522
		CHORD - Helensburgh -Public Realm Imprv	6,529	28	0	0	0	6,557
		CHORD - Oban	7,279	626	0	0	0	7,905
		CHORD - Rothesay	15,231	6,737	1,973	71	0	24,012
		Helensburgh Waterfront Development	23,415	977	0	0	0	24,392
		HWD - FFE	316	34	0	0	0	350
		Kilmory Business Park Phase 2AA	47	560	488	34	0	1,129
		OBC for Dunoon Pier	2,844	0	0	0	0	2,844
Strategic Change Total			68,156	8,989	2,461	105	0	79,711
Overall Total			68,156	8,989	2,461	105	0	79,711

Category	Service	Project	Previous	2023-24 £000's	2024-25 £000s	2025-26 £000s	2026-27 £000s	2027-28 £000s	Total £000s	
			Years							
Asset Sustainability	ICT	Block Allocation - ICT		0	0	0	0	0	0	
		PC Replacement		0	330	784	572	0	0	1,686
		Server Sustainability		0	392	595	576	0	0	1,563
		Telecomms Network		0	256	37	19	0	0	312
Asset Sustainability Total			0	978	1,416	1,167	0	0	3,561	
Service Development	ICT	Applications Projects		2,529	274	217	0	0	0	3,020
Service Development Total				2,529	274	217	0	0	0	3,020
Overall Total				2,529	1,252	1,633	1,167	0	0	6,581

Category	Service	Project	Previous	2023-24	2024-25	2025-26	2026-27	2027-28	Total
			Years £000's	£000s	£000s	£000s	£000s	£000s	£000s
Asset Sustainability	RIS	Block Allocation	0	0	0	4,268	0	0	4,268
		Bridge Strengthening	0	1,336	350	0	0	0	1,686
		Bute Sea Wall Repairs	0	100	580	0	0	0	680
		Coastal Change Adaptation	0	158	0	0	0	0	158
		Coastal Protection	0	99	100	0	0	0	199
		Environmental Projects	0	650	371	0	0	0	1,021
		EV Quick Chargers	0	62	0	0	0	0	62
		Flood Prevention	0	807	305	155	38	0	1,305
		Footway Improvements	0	750	0	0	0	0	750
		Glengorm - Capping	0	0	0	0	0	0	0
		Glengorm - Cell and Transfer Station (PB)	0	85	0	0	0	0	85
		Helensburgh CHORD - Signage etc	0	10	0	0	0	0	10
		Helensburgh Flood Mitigation	0	428	0	0	0	0	428
		Investment in Active Travel	0	389	0	0	0	0	389
		Lighting	0	890	150	0	0	0	1,040
		Local Bridge Maintenance Fund	0	1,000	4,000	203	0	0	5,203
		Plant and Machinery	0	0	0	0	0	0	0
		Public Convenience Upgrades	0	282	0	0	0	0	282
		Roads Reconstruction	0	7,379	8,000	0	0	0	15,379
		Roads Reconstruction - Helensburgh CHORD	0	47	0	0	0	0	47
Roads Reconstruction - Oban CHORD	0	3	0	0	0	0	3		
Tobermory Car Park	0	96	0	0	0	0	96		
Asset Sustainability Total			0	14,883	14,091	5,017	38	0	34,029
Service Development	RIS	Campbeltown Old Quay	1,381	0	0	0	0	0	1,381
		Depot Rationalisation	0	0	0	0	0	0	0
		Fleet Management - Prudential Borrowing	2,674	2,187	0	0	0	0	4,861
		Jackson's Quarry Refurbishment	285	0	0	0	0	0	285
		Lismore Ferry Replacement	637	15	20	0	0	0	672
		Lochgilphead Depot Rationalisation	29	8	0	0	0	0	37
		Oban Depot Development	2,180	4	0	0	0	0	2,184
		Preliminary design for Regional Transport projects (tif)	205	16	0	0	0	0	221
Witchburn Road Demolition	158	0	0	0	0	0	158		
Service Development Total			10,582	2,555	1,200	0	0	0	14,337
Strategic Change	RIS	Campbeltown Flood Scheme	4,992	9,860	352	11	0	0	15,215
		Harbour Investment Programme PB	7,397	9,243	22,000	50,000	2,695	0	91,335
		Street Lighting LED Replacement	3,226	674	0	0	0	0	3,900
Strategic Change Total			15,615	19,777	22,352	50,011	2,695	0	110,450
Overall Total			26,197	37,215	37,643	55,028	2,733	0	158,816

Category	Service	Project	Previous	2023-24	2024-25	2025-26	2026-27	2027-28	Total
			Years £000's	£000s	£000s	£000s	£000s	£000s	£000s
Service Development	DEG	Ardishaig North Active Travel	755	112	13	0	0	0	880
		Cycleways - H&L (FSPT)	2,812	300	290	0	0	0	3,402
		Dunoon Cycle Bothy	259	292	12	0	0	0	563
		Dunoon STEM Hub	95	713	1,750	0	0	0	2,558
		Gibraltar Street Public Realm Improvements	28	222	0	0	0	0	250
		Helensburgh Public Realm - Arts Strategy Fund	3	50	0	0	0	0	53
		Hermitage Park	3,362	26	0	0	0	0	3,388
		Nature Restoration Fund	0	346	0	0	0	0	346
		Rural Growth Deal	50	132	0	0	0	0	182
		Safe Streets, Walking and Cycling (CWSS)	3,013	370	0	0	0	0	3,383
		SPT - bus infrastructure	1,405	0	25	0	0	0	1,430
		Town Centre Funds	3,611	708	0	0	0	0	4,319
Service Development Total			15,393	3,271	2,090	0	0	0	20,754
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	56	45	0	0	0	590
		TIF - Halfway House Roundabout	66	574	0	0	0	0	640
Strategic Change Total			2,938	631	45	0	0	0	3,614
Overall Total			18,331	3,902	2,135	0	0	0	24,368

Category	Service	Project	Previous					Total £000s	
			Years £000's	2023-24 £000s	2024-25 £000s	2025-26 £000s	2026-27 £000s		2027-28 £000s
Asset Sustainability	HSCP	Ardfenaig	0	23	0	0	0	0	23
		Block Allocation	0	784	292	184	0	0	1,260
		Capital Property Works	0	79	0	0	0	0	79
		Digitalising telecare	0	100	0	0	0	0	100
		Dunoon Hostel	0	0	0	0	0	0	0
		Eadar Glinn	0	0	0	0	0	0	0
		East King Street Childrens Home	0	58	0	0	0	0	58
		Glencruitten Hostel	0	81	36	143	0	0	260
		Gortonvogie	0	1	0	0	0	0	1
		Greenwood/Woodlands	0	216	0	0	0	0	216
		Lochgilphead Resource Centre	0	16	0	0	0	0	16
		Rothesay Community Education Centre	0	0	0	0	0	0	0
		Shellach View	0	142	0	0	0	0	142
		Thomson Home Rothesay	0	0	0	0	0	0	0
Tigh An Rudha HFE	0	600	500	150	0	0	1,250		
Tobermory Top Flat	0	22	0	0	0	0	22		
Asset Sustainability Total			0	2,169	828	477	0	0	3,474
Service Development	HSCP	Dunclutha Childrens Home	1,246	54	0	0	0	0	1,300
Service Development Total			1,246	54	0	0	0	0	1,300
Overall Total			1,246	2,223	828	477	0	0	4,774

Category	Service	Project	Previous	2023-24	2024-25	2025-26	2026-27	2027-28	Total
			Years £000's	£000s	£000s	£000s	£000s	£000s	£000s
Asset Sustainability	Live Argyll	Aqualibrium	0	368	20	40	0	0	428
		Corran Halls Gaelic Centre	0	113	46	84	0	0	243
		Inveraray CARS	0	0	0	0	0	0	0
		Kintyre Community Education Centre - Lift Shaft Refurbishment	0	2	0	0	0	0	2
		LA - Indoor Cycles	0	0	0	0	0	0	0
		Lochgilphead Library Relocation	0	14	0	0	0	0	14
		Moat Centre (Roofing)	0	0	0	0	0	0	0
		Queen's Hall - Partition Wall	0	0	0	0	0	0	0
		Riverside Leisure Centre - Health Suite Upgrade	0	204	0	0	0	0	204
		Rothesay Swimming Pool	0	40	25	50	0	0	115
		The Moat Centre - Gym Store	0	0	0	0	0	0	0
		The Moat Centre - Heating Upgrade	0	0	0	0	0	0	0
		The Moat Centre - Window Upgrade	0	0	0	0	0	0	0
Victoria Halls, Helensburgh	0	78	0	0	0	0	78		
Asset Sustainability Total			0	1,270	428	427	0	0	2,125
Service Development	Live Argyll	Riverside Leisure Centre Refurbishment	1,245	0	0	0	0	0	1,245
Service Development Total			1,245	0	0	0	0	0	1,245
Strategic Change	Live Argyll	Carbon Management	29	21	0	0	0	0	50
Strategic Change Total			29	21	0	0	0	0	50
Overall Total			1,274	1,291	428	427	0	0	3,420

TREASURY MANAGEMENT MONITORING REPORT – 31 AUGUST 2023

1. EXECUTIVE SUMMARY

- 1.1. This report sets out the Council's treasury management position for the period 1 July 2023 to 31 August 2023 and includes information on:
- Overall borrowing position
 - Borrowing activity
 - Investment activity
 - Economic background
 - Interest rate forecast
 - Prudential Indicators
- 1.2. Estimated borrowing is below the Capital Financing Requirement for the period to 31 August 2023, at this stage in the financial year capital expenditure is below target. Capital expenditure continued to be lower than anticipated over the last twelve months however there is an expectation this will increase back up again over 2023-24 which will continue to be monitored closely.
- 1.3. The net movement in external borrowing in the period 1 July 2023 to 31 August 2023 was a decrease of £7m.
- 1.4. The levels of investments were £96.750m at 31 August 2023. The rate of return achieved was 4.991% compared to the target SONIA rate which was 5.168%.
- 1.5. The Council has significant cash balances which are invested in accordance with its Annual Treasury Management Strategy on the basis of security first, liquidity second and then return.

TREASURY MANAGEMENT MONITORING REPORT – 31 AUGUST 2023

2. INTRODUCTION

2.1. This report sets out the Council's treasury management position for the period 1 July 2023 to 31 August 2023 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 2023. The CFR represents the underlying need for the Council to borrow to fund its fixed assets and accumulated capital expenditure.

	Forecast	Forecast	Forecast
	2023/24	2024/25	2025/26
	£000	£000	£000
CFR at 1 April	291,782	302,317	319,602
Net Capital Expenditure	22,265	29,477	51,388
Less Loans Fund Principal Repayments	(5,950)	(6,254)	(6,573)
Less: NPDO Repayment	(5,780)	(5,938)	(6,235)
Estimated CFR 31 March	302,317	319,602	358,182
Less Funded by NPDO	(111,564)	(111,784)	(106,846)
Estimated Net CFR 31 March	190,753	207,818	251,336
Estimated External Borrowing at 31 March	176,532	221,513	261,510
Gap	14,221	(13,695)	(10,174)

- 3.2. Borrowing is below the Capital Financing Requirement for the period to 31 August 2023. Whilst borrowing rates are still comparatively low the Council has significant cash balances which reduces the need to borrow in the short term.
- 3.3. The Council's Treasury Management Strategy states that any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates.
- 3.4. The Council's estimated net capital financing requirement at 31 August 2023 is £190.753m. The table below shows how this has been financed. £125.440m is funded by loans and there are substantial internal balances of £162.063m of which £96.750m are currently invested, as detailed in section 3.7, leaving a net internal balance of £65.313m.

	Position at 30/06/23	Position at 31/08/23
	£000	£000
Loans	132,464	125,440
Net Internal Balances	39,965	65,313
Total CFR	172,429	190,753

- 3.5. During the period from 1 July 2023 to 31 August 2023, £7m of loans were repaid and no new borrowing was taken. The analysis of the movement in borrowing is shown in the table below:

	Actual £m
External Loans Repaid 1st July 2023 to 31st August 2023	(7)
Borrowing undertaken 1st July 2023 to 31st August 2023	0
Net Movement in External Borrowing	(7)

- 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 30th June 2023	308	3.40%
Temp borrowing at 31st August 2023	283	4.40%

Investment Activity

- 3.7 The average rate of return achieved in the Council's investments to 31 August 2023 was 4.991% compared to the SONIA (Sterling Overnight Index Average) rate for the same period of 5.168%. The Council's rate of return is marginally less than SONIA due to the rapid rise in interest rates which increased SONIA faster than the Council was able to redeem its existing lower rated investments. At 31 August 2023 the Council had £96,750m of short term investments at an average rate of 4.991%. 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	350	5.15%	Short Term A-2, Long
Australia and New Zealand Banking Group	06/10/2023	5,000	4.99%	Short Term A-1+,
Toronto Dominion Bank	13/10/2023	5,000	5.25%	Short Term A-1+,
Cambridgeshire County Council	22/07/2024	5,000	1.00%	AA
Thurrock Borough Council	19/09/2023	5,000	3.50%	AA
London Borough of Croydon	10/10/2024	5,000	4.10%	AA
National Bank of Kuwait	09/04/2024	7,500	5.13%	Short Term A-1, Long
First Abu Dhabi Bank	09/05/2024	5,000	5.27%	Short Term A-1+,
National Bank of Kuwait	10/11/2023	2,500	5.00%	Short Term A-1, Long
Goldman Sachs	10/11/2023	2,500	4.91%	Short Term A-1, Long
London Borough of Croydon	10/06/2024	5,000	5.30%	AA
Australia and New Zealand Banking Group	13/09/2023	5,000	5.04%	Short Term A-1+,
DBS Bank	13/09/2023	5,000	4.98%	Short Term A-1+,
Close Brothers	31/01/2024	2,500	5.87%	Short Term A-1, Long
First Abu Dhabi Bank	01/02/2024	5,000	5.93%	Short Term A-1+,
First Abu Dhabi Bank	09/08/2024	5,000	6.16%	Short Term A-1+,
Goldman Sachs	16/02/2024	5,000	5.93%	Short Term A-1, Long
Australia and New Zealand Banking Group	16/02/2021	5,000	5.92%	Short Term A-1+,
Money Market Fund - BNP Paribas	Call	14,800	5.26%	AAA
MMF - Invesco AIM	Call	1,600	5.27%	AAA
Total		96,750		

- 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.
- 3.9 The Council has significant cash balances which are invested in accordance with its Annual Treasury Management Strategy. These cash balances are in excess of what is required for normal operating purposes but the economic environment for investments has improved over the last few months with an increase in interest rates, making investing these monies easier than in previous years.

Economic and Interest Rate Forecasts

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

Prudential Indicators

- 3.11 The prudential indicators for 2023-24 are attached in Appendix 3.

4. CONCLUSION

- 4.1 In the period from 1 July 2023 to 31 August 2023, the Council's borrowing decreased by £7m, and is currently below the Capital Financing Requirement. There are substantial internal balances, of which £96,750m is currently invested. The investment returns were 4.991%

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
Section 95 Officer
3 October 2023

Policy Lead for Finance and Commercial Services - Councillor Gary Mulvaney

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

For further information contact Anne Blue, Head of Financial Services
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Appendix 1 – Economics Update (report expected from Link Group mid October 2023 at which point this appendix will be updated)

- The first quarter of 2023/24 saw:
 - A 0.2% m/m rise in real GDP in April, partly due to fewer strikes;
 - CPI inflation falling from 10.1% to 8.7% in April, before remaining at 8.7% in May. This was the highest reading in the G7;
 - Core CPI inflation rise in both April and May, reaching a new 31-year high of 7.1%;
 - A tighter labour market in April, as the 3myy growth of average earnings rose from 6.1% to 6.5%;
 - Interest rates rise by a further 75bps over the quarter, taking Bank Rate from 4.25% to 5.00%;
 - 10-year gilt yields nearing the “mini-Budget” peaks, as inflation surprised to the upside.
- The economy has weathered the drag from higher inflation better than was widely expected. The 0.2% m/m rise in real GDP in April, following March’s 0.3% m/m contraction will further raise hopes that the economy will escape a recession this year. Some of the strength in April was due to fewer strikes by train workers and teachers in that month. Moreover, some of the falls in activity in other areas in April were probably temporary too. Strikes by junior doctors and civil servants contributed to the fall in health output (0.9% m/m) and the meagre 0.1% m/m increase in public administration.
- The fall in the composite Purchasing Managers Index (PMI) from 54.0 in May to a three-month low of 52.8 in June (>50 points to expansion in the economy, <50 points to contraction) was worse than the consensus forecast of 53.6. Both the services and manufacturing PMIs fell. The decline in the services PMI was bigger (from 55.2 to 53.7), but it remains consistent with services activity expanding by an annualised 2%. The fall in the manufacturing PMI was smaller (from 47.1 to 46.2), but it is consistent with the annual rate of manufacturing output falling from -0.8% in April to around -5.0%. At face value, the composite PMI points to the 0.1% q/q rise in GDP in Q1 2023 being followed by a 0.2% q/q gain in Q2 2023.
- Meanwhile, the 0.3% m/m rise in retail sales volumes in May was far better than the consensus forecast of a 0.2% m/m decline and followed the robust 0.5% m/m rise in April. Some of the rise was due to the warmer weather. Indeed, the largest move was a 2.7% m/m jump in non-store sales, due to people stocking up on outdoor-related goods. But department stores also managed to squeeze out a 0.6% m/m rise in sales and the household goods sub-sector enjoyed a reasonable performance too. Overall, the figures were far better than analysts had expected. In addition, the GfK measure of consumer confidence rebounded from -27 to a 17-month high of -24 in June.
- The recent resilience of the economy has been due to a confluence of factors including the continued rebound in activity after the pandemic, households spending some of their pandemic savings, and the tight labour market and government handouts both supporting household incomes. That said, as government support fades, real household incomes are unlikely to grow rapidly. Furthermore, higher interest rates will mean GDP is likely to contract later this year. Our central assumption is that inflation will drop to the 2.0% target only if the Bank triggers a recession by raising rates from 5.00% now to at least 5.5% and keeps rates there until at least mid-2024. Our colleagues at Capital Economics estimate that around 60% of the drag on real activity from the rise in rates has yet to bite, and the drag on the quarterly rate of real GDP growth over the next year may be about 0.2ppts bigger than over the past year.
- The labour market became tighter over the quarter and wage growth reaccelerated. Labour demand was stronger than the consensus had expected. The three-month change in employment rose from +182,000 in March to +250,000 in April. Meanwhile, labour supply continued to recover as the size of the labour force grew by 303,000 in the three months to April. That was supported by a further 140,000 decline in inactivity as people returned to work from retirement and caring responsibilities (while inactivity due to long-term sick continued to rise). But it was not enough to offset the big rise in employment, which meant the unemployment rate fell from 3.9% to 3.8%
- The tighter labour market supported wage growth in April, although the 9.7% rise in the National Living Wage on 1st April (compared to the 6.6% increase in April last year) probably had a lot to do with it too. The 3myy rate of average earnings growth reaccelerated from 6.1% to 6.5% (consensus 6.1%) and UK wage growth

remains much faster than in the US and the Euro-zone. In addition, regular private sector wage growth increased from 7.1% 3my to 7.6%, which left it well above the Bank's forecast for it to fall below 7.0%. Overall, the loosening in the labour market appears to have stalled in April and regular private sector wage growth was well above the Bank's forecast.

- CPI inflation stayed at 8.7% in May (consensus 8.4%) and, perhaps more worryingly, core CPI inflation rose again, from 6.8% to a new 31-year high of 7.1%. The rise in core inflation built on the leap from 6.2% in March to 6.8% and means it is accelerating in the UK while it is slowing in the US and the Euro-zone (both fell to 5.3%). A further decline in fuel inflation, from -8.9% to -13.1%, and the second fall in food inflation in as many months, from 19.3% to 18.7%, explained why overall CPI inflation didn't rise. And the scheduled fall in the average annual utility price from £2,500 to £2,074 on 1st July means overall CPI inflation will probably ease in the coming months. But the problem is that the recent surge in core inflation and the reacceleration in wage growth shows that domestic inflationary pressures are still strengthening.
- This suggests the Bank may have more work to do than the Fed or ECB. Indeed, the Bank of England sounded somewhat hawkish in the June meeting. This came through most in the MPC's decision to step up the pace of hiking from the 25bps at the previous two meetings. The 7-2 vote, with only two members voting to leave rates unchanged at 4.50%, revealed support for stepping up the fight against high inflation.
- That said, the Bank has not committed to raising rates again or suggested that 50bps rises are now the norm. What it did say was that "the scale of the recent upside surprises in official estimates of wage growth and services CPI inflation suggested a 0.5 percentage point increase in interest rates was required at this particular meeting". Moreover, the Committee did not strengthen its forward guidance that any further rate hikes would be conditional on the data. However, it looks highly probable, given the on-going strength of inflation and employment data, that the Bank will need to raise rates to at least 5.5% and to keep rates at their peak until the mid-point of 2024. We still think it is only a matter of time before the rise in rates weakens the economy sufficiently to push it into recession. That is why instead of rising to between 6.00%-6.25%, as is currently priced in by markets, we think rates are more likely to peak between 5.50-6.00%. Our forecast is also for rates to be cut in the second half of 2024, and we expect rates to then fall further than markets are pricing in.
- Growing evidence that UK price pressures are becoming increasingly domestically generated has driven up market interest rate expectations and at one point pushed the 10-year gilt yield up to 4.49% in late June, very close to its peak seen after the "mini-budget". Yields have since fallen slightly back to 4.38%. But growing expectations that rates in the UK will remain higher for longer than in the US mean they are still more than 70 bps above US yields. While higher interest rates are priced into the markets, the likely dent to the real economy from the high level of interest rates is not. That's why we think there is scope for market rate expectations to fall back in 2024 and why we expect the 10-year PWLB Certainty Rate to drop back from 5.20% to 5.00% by the end of this year and to 4.20% by the end of 2024.
- The pound strengthened from \$1.24 at the start of April to a one-year high at \$1.26 in early May, which was partly due to the risks from the global banking issues being seen as a bigger problem for the US than the UK. The pound then fell back to \$1.23 at the end of May, before rising again to \$1.28 in the middle of June as the strong core CPI inflation data released in June suggested the Bank of England was going to have to raise rates more than the Fed or ECB in order to tame domestic inflation. However, sterling's strong run may falter because more hikes in the near term to combat high inflation are likely to weaken growth (and, hopefully, at some point inflation too) to such a degree that the policy rate will probably be brought back down, potentially quite quickly, as the economic cycle trends downwards decisively. This suggests that additional rate hikes are unlikely to do much to boost the pound.
- In early April, investors turned more optimistic about global GDP growth, pushing up UK equity prices. But this period of optimism appears to have been short-lived. The FTSE 100 has fallen by 4.8% since 21st April, from around 7,914 to 7,553, reversing part of the 7.9% rise since 17th March. Despite the recent resilience of economic activity, expectations for equity earnings have become a bit more downbeat. Nonetheless, further down the track, more rate cuts than markets anticipate should help the FTSE 100 rally.

MPC meetings 11th May and 22nd June 2023

- On 11th May, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 25 basis points to 4.50%, and on 22nd June moved rates up a further 50 basis points to 5.00%. Both increases reflected a split vote – seven members voting for an increase and two for none.

- Nonetheless, with UK inflation significantly higher than in other G7 countries, the MPC will have a difficult task in convincing investors that they will be able to dampen inflation pressures anytime soon. Talk of the Bank's inflation models being "broken" is perhaps another reason why gilt investors are demanding a premium relative to US and Euro-zone bonds, for example.
- Of course, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has already hiked short-term rates to a range of 5.00%-5.25%, but a further increase is pencilled in for July, whilst the ECB looks likely to raise its Deposit rate at least once more to a peak of 3.75%, with upside risk of higher to come.

Appendix 2 – Interest Rate Forecast

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 1st November 2012.

The latest forecast, made on 25th September, sets out a view that interest rates have more than likely peaked at 5.25% although there remains an outside chance of one more increase, with the pace of any future decreases determined by wage and inflation data.

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

Link Group Interest Rate View 25.09.23		Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE		5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings		5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings		5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings		5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB		5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB		5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB		5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB		5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

Link Group Interest Rate View 26.06.23		Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
BANK RATE		5.00	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	2.75	2.75	2.50	2.50
3 month ave earnings		5.30	5.60	5.50	5.30	5.00	4.50	4.00	3.50	3.00	2.70	2.60	2.50	2.50
6 month ave earnings		5.80	5.90	5.70	5.50	5.10	4.60	4.00	3.50	3.00	2.70	2.60	2.60	2.60
12 month ave earnings		6.30	6.20	6.00	5.70	5.30	4.80	4.10	3.60	3.10	2.80	2.70	2.70	2.70
5 yr PWLB		5.50	5.60	5.30	5.10	4.80	4.50	4.20	3.90	3.60	3.40	3.30	3.30	3.20
10 yr PWLB		5.10	5.20	5.00	4.90	4.70	4.40	4.20	3.90	3.70	3.50	3.50	3.50	3.40
25 yr PWLB		5.30	5.40	5.20	5.10	4.90	4.70	4.50	4.20	4.00	3.90	3.80	3.80	3.70
50 yr PWLB		5.00	5.10	5.00	4.90	4.70	4.50	4.30	4.00	3.80	3.60	3.60	3.50	3.50

- LIBOR and LIBID rates ceased at the end of 2021. In a continuation of previous views, money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.
- The Link forecast for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- Our central forecast for interest rates was previously updated on 26 June and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. Since then, rates have indeed increased to 5.25% but with data suggesting inflation is dipping, albeit slowly, and that the economy is heading for a shallow recession, further monetary policy tightening above 5.25% is not required, at least for now.
- Accordingly, although we anticipate rates staying on hold for the best part of a year, we also still anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but timing on this will remain 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.
- 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 also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine.

- On the positive side, consumers are still estimated to be sitting on some excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, most of those excess savings 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

- Gilt yield curve movements have narrowed, with the short part of the curve seeing yields fall through recent weeks whilst the longer-end continues to reflect inflation concerns. At the time of writing there is <30 basis points difference between the 5 and 50 year parts of the curve.

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, could keep gilt yields high for longer).
- **The Bank of England** has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession 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.
- **A re-emergence of banking sector fragilities**, which have been successfully addressed in the near-term by central banks and the market generally, but which may require further intervention if short-term interest rates stay elevated for longer than is anticipated.

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

- Despite the recent tightening to 5.25%, the **Bank of England proves too timid** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- **The pound weakens** because of a lack of confidence in the UK Government's pre-election fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer-term **US treasury yields** rise strongly if inflation remains more stubborn there than the market currently anticipates, consequently pulling gilt yields up higher.
- Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields compensating.

Appendix 3 – Prudential Indicators

(1). EXTRACT FROM BUDGET				
	Forecast Outturn	Original Estimate	Forecast Outturn	Forecast Outturn
	£'000	£'000	£'000	£'000
Capital Expenditure				
Non - HRA	23,281	43,110	28,461	51,388
TOTAL	23,281	43,110	28,461	51,388
Ratio of financing costs to net revenue stream				
Non - HRA	4.25%	4.37%	4.40%	4.43%
Net borrowing requirement				
brought forward 1 April *	291,782	304,498	372,359	319,602
carried forward 31 March *	303,333	372,359	319,602	358,182
in year borrowing requirement	11,551	67,861	(52,757)	38,580
In year Capital Financing Requirement				
Non - HRA	11,551	67,861	(52,757)	38,580
TOTAL	11,551	67,861	(52,757)	38,580
Capital Financing Requirement as at 31 March				
Non - HRA	303,333	372,359	319,602	358,182
TOTAL	303,333	372,359	319,602	358,182

PRUDENTIAL INDICATOR	2023-24	2024-25	2025-26
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£'M	£'M	£'M
Authorised limit for external debt -			
borrowing	268	283	305
other long term liabilities	112	113	108
TOTAL	380	396	413
Operational boundary for external debt -			
borrowing	263	278	300
other long term liabilities	109	110	105
TOTAL	372	388	405
Upper limit for fixed interest rate exposure			
Principal re fixed rate borrowing	190%	190%	190%
Upper limit for variable rate exposure			
Principal re variable rate borrowing	60%	60%	60%
Upper limit for total principal sums invested for over 364 days (per maturity date)	£20m	£20m	£20m

Maturity structure of new fixed rate borrowing during 2023/24	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 AUGUST 2023

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 £666.354m unusable reserves that are not backed with resources. They are required purely for accounting purposes.
- 1.3 At 31 March 2023 the Council had a total of £93.828m of usable reserves. Of this:
- £2.916m relates to the Repairs and Renewals Fund
 - £4.503m relates to Capital Funds
 - £86.409m was held in the General Fund, with £79.466m of this balance earmarked for specific purposes.
- 1.4 Of the earmarked balance of £79.466m:
- £37.047m is invested or committed for major initiatives/capital projects
 - £3.411m has already been drawn down
 - £25.559m is still to be drawn down in 2023-24
 - £13.449m is planned to be spent in future years
- 1.5 During 2023-24, the amount of £2.619m which was previously agreed to be utilised from the one-off reprofiling gain from the Loans Fund Review was drawn down into Earmarked Reserves to be used to fund the Capital Programme as detailed in paragraph 3.5.1. This results in the total earmarked balance increasing to £82.085m with the amount invested or committed for major initiatives/capital projects as at August increasing to £39.666m.
- 1.6 The Council's General Fund contingency level is set at 2% of net expenditure for 2023-24 which equates to £5.691m. At the beginning of the financial year there was £1.252m of unallocated General Fund Balance (over and above contingency). After taking into consideration the budgeted allocation to the General Fund agreed by Council on 23 February 2023, the current forecast outturn position for 2023-24 and the proposed allocation for floral displays, the Council is forecast to have a £1.272m surplus over contingency.

RESERVES AND BALANCES - UPDATE AS AT 31 AUGUST 2023**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 2023

- 3.2.1 The balances on each type of reserve at 31 March 2023 are set out in the two tables below, per the Unaudited Accounts for 2022-23.

Unusable Reserves	£000
Revaluation Reserve	174,952
Capital Adjustment Account	268,788
Financial Instruments Adjustment Account	(1,871)
Pensions Reserve	232,073
Accumulated Absences Account	(7,588)
Total Unusable Reserves	666,354

Usable Reserves	£000
Repairs and Renewals Fund	2,916
Capital Fund and Usable Capital Receipts Reserve	4,503
General Fund	86,409
Total Usable Reserves	93,828
Total Reserves	760,182

- 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 2023 can be analysed as follows:

	Balance 31/03/23 £000
Balance on General Fund as at 31 March 2022	96,081
Decrease to General Fund balance at end of 2022-23	(9,672)
Earmarked Balances	(79,466)
Contingency allowance at 2% of net expenditure	(5,691)
Unallocated balance as at 31 March 2023	1,252

- 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 2023, the new amount earmarked from the Loans Fund gain (see section 3.5.1), 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 31/03/2023 - per year end published report	New Earmarkings in year	Invested or committed for major initiatives /capital projects	Drawn-down to 2023-24 Budget as at 31/08/23	Still to be drawn-down in 2023-24	Planned Spend Future Years	Released to General Fund
	£000	£000	£000	£000	£000	£000	£000
Strategic Housing Fund	7,247		7,087	160			
Investment in Affordable Housing	3,163		3,163				
Capital Projects	16,059	2,619	18,678				
Lochgilphead and Tarbert Regeneration	1,460		1,460				
Support for Rural Growth Deal	756		756				
Asset Management Investment	2,098		2,098				
Piers and Harbours Investment Fund	2,789		2,789				
Scottish Government Initiatives	2,834			190	1,724	920	
CHORD	378				150	228	
DMR Schools	1,394			564	797	33	
Energy Efficiency Fund	218				218		
Existing Legal Commitments	476				476		
Unspent Grant	13,179		489	1,429	9,326	1,935	
Unspent Third Party Contribution	265				251	14	
Previous Council Decision - Other	3,808		1,749	172	1,427	460	
Redundancy Provision	1,578				500	1,078	
Supporting Organisational Change	1,426			87	113	1,226	
One Council Property Team	566				189	377	
Fleet - Timing Delay	658				658		
Hermitage Park	19				19		
Electric Vehicle Chargers	17					17	
COVID-19	5,512		257	393	4,265	597	
Unspent Budget	13,566		1,140	416	5,446	6,564	
Totals	79,466	2,619	39,666	3,411	25,559	13,449	0

3.4 Unallocated General Fund Balance

3.4.1 The Council's General Fund contingency is set at 2% of net expenditure for 2023-24 and amounts to £5.691m. At the beginning of the financial year there was £1.252m of unallocated General Fund Balance (over and above contingency). After taking into consideration the budgeted allocation to the General Fund agreed by Council on 23 February 2023 of £0.019m, the current

forecast outturn position for 2023-24 and the proposed allocation for floral displays the Council is forecast to have a £1.272m surplus over contingency.

- 3.4.2 The revenue budget position as at 31 August 2023 was estimated to be a £0.009m underspend.
- 3.4.3 Social Work, as a part of the Integrated Joint Board (IJB), are able to hold any surplus within reserves therefore it is expected that any underspend that materialises would be transferred to the IJB reserves and the General Fund of the Council would not be impacted. Note that as at August, Social Work was projecting a breakeven position.
- 3.4.4 The Environment, Development and Infrastructure Committee on 31 August 2023 agreed to pursue a blended model of options for the provision of floral displays and recommended the additional revenue cost for 2023-24 of £0.008m be funded from the unallocated General Fund and built into the budget outlook estimates for future years.
- 3.4.5 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 2023	This is the balance that is unallocated over and above the 2% contingency, which amounts to £5.691m	1,252
Budgeted allocation to General Fund for 2023-24 Budget	Per the Budget Motion at Council on 23 February 2023	19
Current Forecast Outturn for 2023-24 as at 31 August 2023	Per paragraph 3.4.2.	9
Social Work outturn adjustment	Per paragraph 3.4.3 - Social Work would expect to transfer any surplus to internal IJB reserves	0
Allocation from unallocated general fund balance	Per paragraph 3.4.4	(8)
Estimated Unallocated balance as at 31 March 2024		1,272

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 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 in previous years	Transferred to Earmarked Reserves 23-24	Balance Remaining
	£000	£000	£000	£000
Provision for increasing principal repayments	7,649			7,649
Funding Gap in Capital Programme	2,619		(2,619)	0
Significant Strategic Change Projects	5,013	(2,856)		2,157
Completed Projects	5,280	(5,280)		0
	20,561	(8,136)	(2,619)	9,806

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 August 2023 the estimated unallocated General Fund, after taking into consideration the budget motion, the current forecast outturn for 2023-24 and the proposed allocation for floral displays, the Council is estimated to have a £1.272m 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 £5.691m (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
8 September 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 August 2023

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	New earmarkings in year	Remaining Balance	Still to be drawdown in 23-24	Planned to spend in future years	Plans for Use	Amount Planned to be Spent in 2023-24	Amount Planned to be Spent in 2024-25	Amount Planned to be Spent from 2025/26 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	
002	Executive Director (Douglas Hendry)	Across Services / Education	Digital Projects (Supply Staff Booking System)	25,100	0		25,100	9,900	15,200	To deliver a number of Digital Service Transformation Projects with a commitment of £0.035m towards a Supply Staff Booking system. Phase 1 of the project is nearing completion.	9,900	15,200	
003	Executive Director (Douglas Hendry)	Commercial Services	Rothesay Academy - Demolition and Waste Disposal	953,875	53,495		900,380	60,380	840,000	Since Rothesay Academy was vacated over 15 years ago no site clearance has taken place and there are potential Health and Safety and insurance cover implications due to deterioration of the building. £55,000 earmarking will allow clearance of remaining materials and debris. Also £840,000 to fund estimated future costs of demolition (subject to removal of listed status) to be added to an existing earmarking. There are potential Health and Safety and insurance cover implications due to deterioration of the building.	113,875	840,000	0
004	Executive Director (Douglas Hendry)	Commercial Services	Rothesay Pavilion Charity	750,000	0		750,000	0	750,000	Agreed at Council meeting February 2020, £750k additional revenue support subject to conditions which seek to minimise the risk to the Council as far as is reasonably practicable including requirement for adequate business and financial management and regular reporting by RPC.	0	750,000	
005	Executive Director (Douglas Hendry)	Commercial Services	Rothesay Pavilion Essential repairs	306,400	0		306,400	0	306,400	Essential repairs to deal with potential health and safety risks and to avoid further deterioration. Budget provision was approved by the Policy and Resources Committee on 21 August 2014.	0	306,400	
006	Executive Director (Douglas Hendry)	Commercial Services	Estates - NDR Revaluation Appeals	84,688	0		84,688	84,688	0	The Council agreed to make provision to meet the cost of appealing Non Domestic Rates (NDR) revaluations which were imposed from April 2017. The remaining funds were carried forward to the 2023/24 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.	84,688	0	
007	Executive Director (Douglas Hendry)	Commercial Services	Mid Argyll Community Pool	30,000	0		30,000	30,000	0	At the Council Budget meeting on 23 February 2023, the Council committed to a one-off investment of £0.030m to Mid Argyll Community Pool in response to an external funding request	30,000	0	
008	Executive Director (Douglas Hendry)	Commercial Services	MacTaggart Leisure Islay	30,000	0		30,000	30,000	0	At the Council Budget meeting on 23 February 2023, the Council committed to a one-off investment of £0.030m to MacTaggart Leisure, Islay in response to an external funding request	30,000	0	
009	Executive Director (Douglas Hendry)	Commercial Services	Site Investigation Works	21,013	0		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	
010	Non Departmental / Executive Director (Douglas Hendry)	Across Services / Commercial Services	Information Management (Estates Survey Work)	12,697	0		12,697	12,697	0	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	12,697	0	
011	Executive Director (Douglas Hendry)	Commercial Services	(2023 Contract Inflation Adjustments) MAK/Islay Pools SLA - inflationary increase	9,523	0		9,523	9,523	0	Additional pressure resulting from the February 2023 inflation rate being higher than the assumptions built into the non-pay inflation calculation which went to Council at budget setting and reflects the difference between what was in the budget and what will need to be paid under the SLAs. The February inflation figure wasn't known until the middle of March, after the budget was set, and the recent trend in inflation reductions turned around in February with an increase.	9,523	0	0
012	Executive Director (Douglas Hendry)	Education	ASN Review	1,255,000	0		1,255,000	0	1,255,000	To fund capital costs of ASN adaptations as part of ASN Review to increase equity of provision across Argyll and Bute. This will be subject to a business case as part of the wider ASN review.	0	1,255,000	0
013	Executive Director (Douglas Hendry)	Education	Reduced Teacher Staffing Costs - Strike Action	800,000	0		800,000	0	800,000	To fund one off savings in 2024-25 from the underspend in staffing from strike action.	0	800,000	0
014	Executive Director (Douglas Hendry)	Education	(2023 Digital Projects) School Wi-Fi Upgrades	200,000	10,091		189,909	139,909	50,000	To extend Wi-Fi coverage within school settings through the purchase of additional hardware such as access points, switches and other networking hardware. This will result in more flexible learning spaces and support the growing number of devices within schools.	150,000	50,000	0

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	New earmarkings in year	Remaining Balance	Still to be drawdown in 23-24	Planned to spend in future years	Plans for Use	Amount Planned to be Spent in 2023-24	Amount Planned to be Spent in 2024-25	Amount Planned to be Spent from 2025/26 onwards
015	Executive Director (Douglas Hendry)	Education	Education Transformation Fund	146,579	1,942		144,637	144,637	0	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, focusing on digital and virtual learning technology and the development of learning clusters. This will continue into 2023/24.	146,579	0	
016	Executive Director (Douglas Hendry)	Education	MCR Pathways Pilot	80,000	0		80,000	50,000	30,000	Funding to support implementation of MCR Pathways mentoring programme within three secondary schools for 2023-24 academic year. Funding will allow the employment of a dedicated Co-ordinator within each setting to develop and implement the programme which is designed to benefit care experienced and other disadvantaged pupils through targeted mentoring support.	50,000	30,000	0
017	Executive Director (Douglas Hendry)	Education	Gaelic Specific Grant	30,000	0		30,000	30,000	0	Proposal to fund the continuation of the Principal Teacher Languages (Gaelic focus) post for the 2023-24 academic year to promote and develop Gaelic Medium Education across Argyll and Bute. This earmarking refers to the Council contribution towards the Gaelic grant for 22-23.	30,000	0	0
018	Executive Director (Douglas Hendry)	Education	(2023 Digital Projects) Cashless Catering	30,000	0		30,000	30,000	0	To support the ongoing implementation of the new cashless catering system during the testing and roll out phase.	30,000	0	0
019	Executive Director (Douglas Hendry)	Education	Skype for Business for Education / Digital Projects (Skype for Business)	10,000	0		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 was released back to the general fund in 2021-22 because the rollout project was almost complete with only £0.01m expected spend in 23/24.	10,000	0	
020	Executive Director (Douglas Hendry)	Education	Education Learning Estate Condition Surveys	1,815	0		1,815	1,815	0	To fund the delivery of School Core Facts (SCF) compliant Condition Surveys for prioritised School Buildings.	1,815	0	
021	Executive Director (Douglas Hendry)	Legal and Regulatory Services	Education Purchasing Officers	210,000	0		210,000	105,000	105,000	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.	105,000	105,000	
022	Non Departmental / Executive Director (Douglas Hendry)	Across Services / Legal and Regulatory Services	Information Management (Digitalisation of Title Deeds)	92,000	0		92,000	92,000	0	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	92,000	0	
023	Executive Director (Douglas Hendry)	Legal and Regulatory Services	Councillor IT Equipment	44,557	0		44,557	29,557	15,000	There is currently no budget for the provision and renewal of IT equipment for members. The earmarking identifies a resource to utilise spend for that purpose to ensure that members have continued support in maintaining and replacing vital IT equipment.	29,557	15,000	
024	Executive Director (Douglas Hendry)	Legal and Regulatory Services	Digital Projects: Hybrid Council meetings	43,302	0		43,302	43,302	0	The funding will be used to maintain the ICT equipment used to support the provision of on-line and hybrid Council meetings.	43,302	0	
025	Executive Director (Douglas Hendry)	Legal and Regulatory Services	Debt Counselling & Welfare Rights	21,452	0		21,452	5,965	15,487	To meet the cost of a Debt Counselling and Welfare Rights Management System.	5,965	15,487	
026	Executive Director (Douglas Hendry)	Legal and Regulatory Support	(2023 Contract Inflation Adjustments) NPDO and DBFM School Contracts – inflationary increase	350,000	350,000		0	0	0	Additional pressure resulting from the February 2023 inflation rate being higher than the assumptions built into the non-pay inflation calculation which went to Council at budget setting and reflects the difference between what was in the budget and what will need to be paid under the NPDO/Hub DBFM Schools contracts. The February inflation figure wasn't known until the middle of March, after the budget was set, and the recent trend in inflation reductions turned around in February with an increase.	350,000	0	0
027	Executive Director (Douglas Hendry)	Legal and Regulatory Support	(2023 Digital Projects) Replacement of Council Chambers Online Meeting Equipment	130,000	0		130,000	130,000	0	Current online meeting system is less than resilient and has failed on a number of occasions, leading to issues at strategic committees. A condition assessment by the incumbent maintenance contractor has highlighted that the current equipment is now at end of life and unsupportable due to the obsolescence of the system. Discussions with ICT have taken place to identify a simpler more robust solution to be procured.	130,000	0	0
028	Executive Director (Kirsty Flanagan)	Customer Support Services	(2023 Digital Projects) iTrent Project	332,000	0		332,000	147,000	185,000	Combination of parallel running of the new iTrent system alongside the legacy systems for up to 18 months whilst iTrent is implemented and additional staffing resource to implement iTrent in late June 2024 and support staff for the first 3 months of operation through summer 2024. Total includes £73k from Financial services for funding additional staffing resource to implement the payroll components of the iTrent HR and Payroll System by the end of June 2024 and support staff for the first 3 months of operation during summer 2024.	147,000	185,000	0
029	Executive Director (Kirsty Flanagan)	Customer Support Services	Security Operations Centre Subscription	113,594	0		113,594	53,594	60,000	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.	53,594	60,000	
030	Executive Director (Kirsty Flanagan)	Customer Support Services	Growing our Own and Modern Apprentices	109,150	0		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 23/24 and £13,360 to be spent in 24/25 to fund a graduate trainee and 3 apprentices to deliver trainee development and modern apprenticeship opportunities	95,790	13,360	
031	Non Departmental / Executive Director (Kirsty Flanagan)	Across Services / Customer Support Services	Digital Projects (Increase in Schools Bandwidth)	63,455	0		63,455	63,455	0	To complete one of a number of Digital Service Transformation projects with a commitment of £0.064m to increase Schools Bandwidth.	63,455	0	

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	New earmarkings in year	Remaining Balance	Still to be drawdown in 23-24	Planned to spend in future years	Plans for Use	Amount Planned to be Spent in 2023-24	Amount Planned to be Spent in 2024-25	Amount Planned to be Spent from 2025/26 onwards
032	Executive Director (Kirsty Flanagan)	Customer Support Services	(2023 Digital Projects) Resilient Website Project	60,000	0		60,000	60,000	0	Cybersecurity action to move to a cloud based website platform that would improve resilience and enable service continuity in the event of a cyber attack.	60,000	0	0
033	Executive Director (Kirsty Flanagan)	Customer Support Services	(2023 Digital Projects) Digital Project Officer	60,000	0		60,000	60,000	0	Employ a temporary Digital Project Officer as part of OD changes.	60,000	0	0
034	Executive Director (Kirsty Flanagan)	Customer Support Services	Implementation of Gaelic Language Plan	30,000	0		30,000	30,000	0	Agreed at Council Meeting February 2021. Provision of funding for delivery and implementation of the council's Gaelic Language Plan in recognition of the contribution that Gaelic makes to economic growth and to the tourism sector, and to enable delivery of key activities within the plan which currently receive no revenue funding.	30,000	0	
035	Executive Director (Kirsty Flanagan)	Customer Support Services	(2023 Digital Projects) Digital Engagement Services Developer	28,000	0		28,000	28,000	0	To fund 50% of a new temporary LGE10 post. The post is a Digital Engagement Services Developer that will provide capacity to deliver service efficiencies through the use of the new CREATE/RPA software. The other 50% of the post can be funded from a current vacancy.	28,000	0	0
036	Executive Director (Kirsty Flanagan)	Customer Support Services	Business Development Training	27,601	288		27,313	27,313	0	This budget is funding ongoing leadership development, coaching, action learning sets and commissioned training including Priority Management.	27,601	0	
037	Executive Director (Kirsty Flanagan)	Customer Support Services	Learning and Development	19,436	0		19,436	19,436	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.	19,436	0	
038	Executive Director (Kirsty Flanagan)	Customer Support Services	Establishing HR Service Centre	13,824	0		13,824	13,824	0	To facilitate the implementation of technical efficiency improvements and new processes	13,824	0	
039	Non Departmental / Executive Director (Kirsty Flanagan)	Across Services / Customer Support Services	Digital Projects (Replacement Learning Management System)	11,470	0		11,470	11,470	0	To deliver a number of Digital Service Transformation Projects with an original commitment of £0.030m towards a replacement Learning Management System £0.030m.	11,470	0	
040	Executive Director (Kirsty Flanagan)	Development & Economic Growth	Planning Income (Saving 23-24)	340,000	0		340,000	340,000	0	To fund one off operational saving MGT5 agreed for the 2023/24 budget	340,000	0	0
041	Executive Director (Kirsty Flanagan)	Development & Economic Growth	Planning Income	60,000	0		60,000	60,000	0	To fund additional resources to support and develop the Council's planning service.	60,000	0	0
042	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Oban TIF (Tax Incremental Financing)	385,193	0		385,193	116,000	269,193	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.	116,000	269,193	
043	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Strategic Events & Festivals	80,664	0		80,664	80,664	0	At the Council meeting on 25 February 2021, 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 2022, 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. Applications have been received and payments will be made in 2023-2024.	80,664	0	
044	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Island Post	50,461	0		50,461	50,461	0	To fund a temporary post at LGE11 to assist with the National Islands Plan Implementation Route Map 2020-2025.	50,461	0	
045	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)	21,177	0		21,177	21,177	0	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	21,177	0	
046	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Royal National Mod	20,000	0		20,000	20,000	0	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	0	
047	Executive Director (Kirsty Flanagan)	Financial Services	Financial Systems	33,748	0		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.	33,748	0	
048	Executive Director (Kirsty Flanagan)	Financial Services	Accounting and Budgeting Team Resilience	30,664	0		30,664	16,664	14,000	To fund the implementation of a new staffing structure in 2022/23 as agreed at ELT on 12 April 2022 which has been implemented. The residual funding is being used to meet the costs of ongoing professional accountancy training over the period 2022/23 to 2026/27	16,664	14,000	
049	Executive Director (Kirsty Flanagan)	Financial Services	CIPFA	24,040	0		24,040	6,000	18,040	CIPFA Training - To fund the professional training costs for staff undertaking the CIPFA professional accountancy qualification.	6,000	18,040	
050	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Waste Variation Monies	1,967,056	0		1,967,056	1,329,999	637,057	This will 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. This will include scoping work for the creation of a waste transfer station at Helensburgh and 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).	1,329,999	637,057	
051	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	3G pitches / Tarbert Sports Pitches	375,022	0		375,022	87,736	287,286	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.	87,736	287,286	
052	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Green Transport Initiatives	140,000	0		140,000	140,000	0	At the Council meeting on 27 February 2020, it was agreed to input £400k in Green transport, investment in footway and cycle path maintenance supporting the healthy wellbeing and green agenda. Spend has been delayed due to COVID and this will be taken forward in 23/24. £260k Footways Reconstruction programme now spent and will be drawn down against capital programme during 23/24. £140k Ardrishaig North Project will be spent in 22/23 and drawn down in 23/24.	140,000	0	

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	New earmarkings in year	Remaining Balance	Still to be drawdown in 23-24	Planned to spend in future years	Plans for Use	Amount Planned to be Spent in 2023-24	Amount Planned to be Spent in 2024-25	Amount Planned to be Spent from 2025/26 onwards
053	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Climate Change	81,884	0		81,884	81,884	0	At the Council meeting on 27 February 2020, 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.	81,884	0	
054	Executive Director (Kirsty Flanagan)	Roads & Infrastructure	Amenity Services introduction of management information system	28,099	0		28,099	0	28,099	Delay with introduction of amenity time recording system due to increased costs. Discussions ongoing to find alternative cheaper solution. The software/system being introduced by HR/Payroll during 2023-24 offers a time-recording facility. Although not included in the current HR/Payroll spec, once the new system is up and running, the proposal would be to investigate the time-recording system to see if viable for amenity time recording purposes.	0	28,099	
055	Executive Director (Kirsty Flanagan)	Roads & Infrastructure Services	(2023 Contract Inflation Adjustments) Waste PPP	255,000	0		255,000	255,000	0	Adjustment to inflation included in the budget based on updated RPIX figures at February 2023.	255,000	0	0
056	Non Departmental	Non Departmental	Underwriting development of Rothesay Pavilion	1,000,000	0		1,000,000	0	1,000,000	Funding to meet additional costs identified as necessary for the refurbishment of Rothesay Pavilion.	0	1,000,000	
057	Non Departmental	Non Departmental	Oban TIF (Tax Incremental Financing - Excess NDR)	875,651	0		875,651	291,884	583,767	This is the surplus NDR after paying all Loans Charges in respect of TIF infrastructure projects. This fund will be used in the future as TIF projects are delivered.	291,884	291,884	291,883
058	Non Departmental	Non Departmental	Loans Fund	385,279	0		385,279	385,279	0	At the Council Budget meeting on 24 February 2022, Saving F501, 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.	385,279	0	
059	Non Departmental	Non Departmental	Loans Fund	300,000	0		300,000	300,000	0	To fund one off operational saving MGT3 agreed for the 2023/24 budget	300,000	0	0
060	Non Departmental	Non Departmental	Information Management (Balance of Funding)	209,844	0		209,844	0	209,844	To support a number of initiatives in respect of improving the Council's information management in line with the transformation agenda and increasing the pace of change as outlined in the BV Review. The planned initiatives include: Estates Survey work £122k, Digitalisation of Title Deeds £92k, document management and workflow system for Planning, Building Standards and Environmental Health £77k and a balance of funding to explore information management solutions in a strategic and coherent way £209k	0	209,844	
061	Non Departmental	Non Departmental	Spend to Save Route Optimisation Software	100,000	0		100,000	100,000	0	One-off re-profiling gain as a result of the loans fund review to fund known liabilities/cost pressures as agreed at budget setting meeting in February 2020 - Spend to save route optimisation (£0.100m) which will be spent over 2023/24.	100,000	0	
062	Non Departmental	Non Departmental	Engagement with Hub North re provision of services for older adults and vulnerable people across Argyll and Bute	100,000	0		100,000	100,000	0	At the Council budget meeting February 2023, an allocation of £0.1m from the Unallocated General Fund balance for the Health and Social Care Partnership to engage, in partnership with the Council, with Hub North to develop a strategic business case in relation to the provision of services for Older Adults and other vulnerable people across Argyll and Bute.	100,000	0	
063	Non Departmental	Non Departmental	CHARTS	80,000	0		80,000	80,000	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. At the Council Budget meeting on 23 February 2023, the Council committed to £0.075m one-off investment in CHARTS in response to an external funding request	80,000		
064	Non Departmental	Non Departmental	Community Resilience Fund	76,447	0		76,447	0	76,447	Fund established in 2012/13 to be spent over more than one year. Fund reduced at the Council meeting on 11 February 2016	0	76,447	
				13,565,615	415,816	0	13,149,799	5,585,619	7,564,180		6,001,435	7,272,297	291,883

APPENDIX 2

COVID
As at 31 August 2023

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	New earmarkings in year	Remaining Balance	Still to be drawdown in 23-24	Planned to spend in future years	Plans for Use	Amount Planned to be Spent in 2023-24	Amount Planned to be Spent in 2024-25	Amount Planned to be Spent from 2025/26 onwards
001	Chief Executive's Unit	Community Planning	Community Planning - temp post to support communities	55,000	0			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	
002	Chief Executive's Unit	Community Planning	Covid impacts – support to communities'	49,147	18,336			30,811	30,811	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.	49,147	0	
003	Executive Director (Douglas Hendry)	Education	Logistics Funding - Safe Opening of Schools	699,036	0			699,036	699,036	0	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.	699,036	0	
004	Executive Director (Douglas Hendry)	Education	Additional Teaching/Support in Schools/Digital Devices/Family Home Learning Support Fund -	421,198	37,352			383,846	372,922	10,924	Continuation of funding for additional staffing, teachers, support staff, additional devices for pupils and additional family/home learning programmes.	410,274	10,924	
005	Executive Director (Douglas Hendry)	Education	Education to Support Young People	191,042	160,560			30,482	0	30,482	As agreed at the Council Meeting on 25 February 2021 with an original allocation of £0.600m. Agreed 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.	160,560	30,482	
006	Executive Director (Douglas Hendry)	Education	Recruitment of Additional Teachers and Support Staff in Schools	51,371	0			51,371	51,371	0	Fund additional teachers and support staff.	51,371	0	
007	Executive Director (Douglas Hendry)	Legal and Regulatory Services	Welfare Rights Support	131,634	0			131,634	80,184	51,450	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.	80,184	51,450	
008	Executive Director (Kirsty Flanagan)	Customer Support Services	Self Isolated Support / Self Isolated Support Grant (HR)	65,250	0			65,250	65,250	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. The funds are being used for a number of Customer Service and Business efficiency related projects including a system and consultancy of RPA (robotic process automation) and application development. A full corporate website upgrade and renewal using specialist web resources and the Digital Reception Project.	65,250	0	
009	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Staycation and Marketing Argyll and Bute	389,992	0			389,992	389,992	0	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. 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.	389,992	0	
010	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Tackling Digital Exclusion Top-Up Fund	217,600	0			217,600	217,600	0	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. Expenditure should be incurred during 23-24 to draw down against.	217,600	0	
011	Executive Director (Kirsty Flanagan)	Development and Economic Growth	LACER Funding (Sector Support Grant)	95,398	0			95,398	95,398	0	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. to be split £115,000 Business support via Business Gateway and £35,000 for Shop fronts	95,398	0	
012	Executive Director (Kirsty Flanagan)	Development and Economic Growth	Economic Development - temp post to support economic recovery	55,000	0			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. To be used to fund Settlement Project Support Officer during 23-24.	55,000	0	
013	Executive Director (Kirsty Flanagan)	Development and Economic Growth	EH Covid Posts	37,775	0			37,775	37,775	0	Funding initially for 2 posts for 2 years. Posts were initially recruited to with one leaving and the other going on maternity leave resulting in delays in expenditure. One employee is now back from maternity leave and earmarked reserve will be drawn down to cover their costs in 23-24.	37,775	0	
014	Executive Director (Kirsty Flanagan)	Development and Economic Growth	LACER Funding (New Enterprise Support Grant)	31,159	0			31,159	31,159	0	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, there was a delay in getting all payments made and remainder will be made in 23-24.	31,159	0	
015	Executive Director (Kirsty Flanagan)	Development and Economic Growth	LACER Funding (Shop Local)	26,793	0			26,793	26,793	0	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.	26,793	0	

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	New earmarkings in year	Remaining Balance	Still to be drawdown in 23-24	Planned to spend in future years	Plans for Use	Amount Planned to be Spent in 2023-24	Amount Planned to be Spent in 2024-25	Amount Planned to be Spent from 2025/26 onwards
016	Executive Director (Kirsty Flanagan)	Development and Economic Growth	LACER Funding (Small Business Development Grant)	24,988	0			24,988	24,988	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 with final payments due in 2023-2024.	24,988	0	
017	Executive Director (Kirsty Flanagan)	Financial Services	Housing Benefits Private	321,524	35,640			285,884	285,884	0	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. This earmarking will help offset potential overspend in the DHP/ Scottish Welfare Fund budget going forward.	321,524	0	
018	Executive Director (Kirsty Flanagan)	Financial Services	Flexible Food Fund	194,156	137,445			56,711	-29,445	86,156	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.	108,000	86,156	
019	Executive Director (Kirsty Flanagan)	Financial Services	Flexible Funding for Supporting People while at Tier 4 COVID	76,357	3,069			73,288	73,288	0	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. A report will be presented to members in due course.	76,357	0	
020	Executive Director (Kirsty Flanagan)	Financial Services	Self Isolated Support Grant	5,316	0			5,316	5,316	0	Unspent admin funding for processing Self Isolation Support Grants.	5,316	0	
021	Non Departmental	Non Departmental	Recovery and Renewal Fund	1,547,000	0			1,547,000	1,547,000	0	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. Commitments have been made against this fund as follows: Levelling up bid costs £0.150m, Scotland Loves Local overspend £0.037m and Rothesay Pavilion £1.360m.	1,547,000	0	
022	Non Departmental	Non Departmental	COVID Funding	418,337	0			418,337	0	418,337	Net balance on COVID cost centres at year end 2022/23 with proposals on use to be developed.	0	0	418,337
023	Non Departmental	Non Departmental	Capital pressure	257,000	0			257,000	257,000	0	Pressure identified on the 20/21 COSLA COVID costs spreadsheets - requires to be earmarked to be drawn down when required against the Capital Plan	257,000	0	
024	Non Departmental	Non Departmental	Levelling up Fund bids per P&R February 22	150,000	0			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	
				5,512,073	392,402	0	0	5,119,671	4,522,322	597,349		4,914,724	179,012	418,337