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**ARGYLL AND BUTE COUNCIL**

**COUNCIL**

**FINANCIAL SERVICES**

**27 FEBRUARY 2020**

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**INTRODUCTORY REPORT AND RECOMMENDATIONS FOR BUDGET PAPERS**

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**1. EXECUTIVE SUMMARY**

## **Revenue Budget Overview**

1.8 This report s

- x Policy saving options reported to Council on 22 February 2018 with increased savings in 2020-21 of £1.286m.
- x Policy saving options reported to Council on 21 February 2019 with increased savings in 2020-21 of £0.472m.

1.14 There are a number of measures to balance the budget that are for Council approval, summarised as follows:

- x General inflationary increase to fees and charges resulting in £0.309m of additional income.
- x Increase Council Tax by 3.0% next year resulting in £1.517m of additional income.
- x New management/operational savings reported to Council on 17 October 2019 amounting to £1.371m.
- x New policy savings options within Council control reported to Council on 17 October 2019 and subsequently amended after officers developed them further, amounting to £2.050m.
- x New policy savings options outwith Council control reported to Council on 17 October 2019, subsequently adjusted, amounting to £0.454m.
- x One off fleet savings of £0.278m.
- x Loans fund savings of £2.500m.

1.15 If Members agreed to all the proposals noted within the report, this would produce a balanced budget in 2020-21 with a surplus of £1.570m.

1.16 The budget gap over 2021-22 and 2022-23 across each scenario is summarised in the table below.

<b>Budget Gap</b>	<b>2021-22 £000</b>	<b>2022-23 £000</b>	<b>Total £000</b>
Best Case	4,565	4,525	<b>9,089</b>
Mid-Range	8,241	7,919	<b>16,160</b>
Worst Case	12,768	12,381	<b>25,149</b>

1.17 In addition to approving the £2.500m of loans fund revenue savings highlighted at paragraph 1.14 Council are also asked to consider the most prudent use of the one-off re-profiling gain of £20.561m generated by the loans fund review. It is recommended that a provision is made for the increasing principal repayments over the next 10 years. Based on a recurring loans fund revenue saving of £2.5m a provision of £7.649m would be required. There are known liabilities/cost pressures that Council should give consideration to. These are noted within the table below and it is recommended that the one-off re-profiling gain is used to fund these.

	<b>£000</b>	<b>£000</b>
One-off re-profiling gain	20,561	

1.24 The 5% additional increase over and above general inflation on piers and harbours is estimated to generate additional income of £0.309m which is ring fenced to fund asset improvements.

1.25

expenditure amounts to £4.920m.

1.34 The revenue budget as at 31 December 2019 is estimated to be £2.490m overspent, however, this is subject to change, particularly as the last three months of the financial year are the time of winter maintenance and the level of expenditure is difficult to predict. Furthermore the recently completed review of the Council's Loans Fund is estimated to provide £2.500m in savings in 2019-20 subject to member approval of the policy change.

1.35 The table below summarises the position of the unallocated General Fund balance.

	<b>£000</b>
Unallocated balance as at 31 March 2019	1,706
Balance no longer required	200
Supplementary estimates agreed 27 June 2019	(94)
Transfer of contingency to maintain 2% level	(82)
<b>Revised Unallocated General Fund Balance</b>	<b>1,730</b>
Current Forecast Outturn for 2019-20 as at 31 December 2019	(2,490)
Loans fund review savings	2,500
<b>Estimated Unallocated balance as at 31 March 2020</b>	<b>1,740</b>

## **CAPITAL PACK**

### **Capital Plan Summary**

1.36

- 1.40 The additional Specific Grant monies must be spent on Cycling, Walking and Safer Streets and therefore an additional £0.142m will be built into the programme for this.
- 1.41 The restricted capital funding of £69.606m is noted within Appendix 2 of the Capital Plan Summary Report. This relates to income which is restricted to specific projects and this has been matched with expenditure against the project, thereby showing the gross cost of the project.
- 1.42 A comparison between the capital plan as at December 2019, including the new block allocation for 2022-23 has been compared to the estimated funding and there is gap up to 2022-23 of £2.619m.
- 1.43 As part of the Service Asset Management plans a number of intolerable red risks, amounting to £0.574m have been identified that require additional funding over and above the block allocation. The most significant of these is in relation to the replacement of three key business applications. It is recommended that these risks are funded by one off re-profiling savings as a result of the loans fund review.
- 1.44 There are three cost pressures identified in respect of significant strategic change projects, Lismore Ferry and Campbeltown Flood Protection Scheme. Again, it is recommended that these risks are funded by one off re-profiling savings as a result of the loans fund review.

### **Corporate Asset Management Strategy**

- 1.45 This report outlines the overall approach to managing the asset base of the Council.

### **Corporate Asset Management Plan**

- 1.46 This report identifies key issues for this planning cycle in managing the asset base, the proposed actions and any red risk assets not addressed through the proposed Capital Plan. It includes the Group and Service Asset Management Plan summary templates.

## **2. RECOMMENDATIONS**

- 2.1 It is recommended that the Council:

- a) ~~Note~~ and give consideration to the findings from the Council's budTm ( )T (s)4 10 (22 98.0

discrimination.

- d) Approve a base allocation to the Health and Social Care Partnership of £60.577m for 2020-21. Approve indicative allocations base for 2021-22 and 2022-23 to be £60.577m. The level of future years funding is subject to the level of Scottish Government funding and the Council's overall financial position in future years.
- e) Give consideration to the request made by the Health and Social Care Partnership to revise the current repayment programme to:

	<b>Repayment 2017-18 Overspend £000</b>	<b>Repayment 2018-19 Overspend £000</b>	<b>Repayment 2019-20 Estimated Overspend £000</b>	<b>Total Repayment £000</b>
2020-21	200	300	0	500
2021-22	400	800	0	1,200
2022-23	355	900	0	1,255
2023-24	200	1,127	0	1,327
2024-25	0	0	1,310	1,310
<b>Total</b>	<b>1,155</b>	<b>3,127</b>	<b>1,310</b>	<b>5,592</b>

- f) Approve the adjustment to the Live Argyll Management Fee, resulting in a management fee in 2020-21 of £3.788m.
- g) Approve the revenue estimates for 2020-21 and that consequently the local tax requirement estimated at £52.100m is funded from Council Tax. Approve the



	£000	£000
One-off re-profiling gain	20,561	
Provision for increased principal repayments	(7,649)	
<b>Revised Gain</b>		<b>12,912</b>
<b>Revenue Pressures:</b>		
Provision to Support Organisational Change	(500)	
Estimated cost of 2020-21 redundancies that are part of budget savings proposals	(1,200)	
Future Redundancies provision	(1,500)	
Spend to Save Route Optimisation	(100)	
		<b>(3,500)</b>
<b>Capital Pressures:</b>		
Funding Gap in Capital Programme	(2,619)	
Capital Programme Intolerable Red Risks	(574)	
Lismore Ferry	(200)	
Campbeltown Flood Protection Scheme	(1,406)	
Significant Strategic Change Projects	(4,613)	
		<b>(9,412)</b>
<b>Remaining One</b>		

net expenditure, equivalent to £4.920m and note the report on reserves and balances.

- o) Approve the capital plan as set out in Appendix 3 of the capital plan summary, noting that consideration needs to be given to how the capital programme will be funded in future years, should the funding settlement for 2021-22 and 2022-23 be less than estimated.
- p) Approve the Corporate Asset Management Strategy
- q) Note the Corporate Asset Management Plan and the Asset Group Summaries.

### **3. IMPLICATIONS**

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**Policy Lead for Financial Services and Major Projects: Councillor Gary Mulvaney**