Public Document Pack

Argyll and Bute Council
Comhairle Earra Ghaidheal agus Bhoid

Customer Services
Executive Director: Douglas Hendry

Kilmory, Lochgilphead, PA31 8RT
Tel: 01546 602127 Fax: 01546 604435
DX 599700 LOCHGILPHEAD

20 February 2014

NOTICE OF MEETING

A meeting of the **PERFORMANCE REVIEW AND SCRUTINY COMMITTEE** will be held in the **COMMITTEE ROOM 1, KILMORY, LOCHGILPHEAD** on **THURSDAY, 27 FEBRUARY 2014** at **2:00 PM**, which you are requested to attend.

Douglas Hendry
Executive Director – Customer Services

BUSINESS

1. **APOLOGIES FOR ABSENCE**

2. **DECLARATIONS OF INTEREST**

3. **MINUTES**
   Performance Review and Scrutiny Committee of 21 November 2013 (Pages 1 - 4)

4. (a) **SCRUTINY OF POLICE SCOTLAND**
   Report by Local Police Commander, Police Scotland (Pages 5 - 12)

4. (b) **SCRUTINY OF SCOTTISH FIRE AND RESCUE**
   Report by Area Commander, Scottish Fire and Rescue (Pages 13 - 18)

5. **MAXIMISING ATTENDANCE: COUNCIL PERFORMANCE OCTOBER - DECEMBER 2013**
   Report by Executive Director of Customer Services (Pages 19 - 26)

6. **PERFORMANCE REPORT - FQ3 2013-2014**
   Report by Chief Executive (Pages 27 - 46)

7. **CORPORATE IMPROVEMENT PLAN PROGRESS REPORT**
   Report by Executive Director of Customer Services (Pages 47 - 50)

8. **SINGLE OUTCOME AGREEMENT PROGRESS REPORT**
   Report by Executive Director of Community Services (Pages 51 - 52)

9. TREASURY MANAGEMENT MONITORING REPORT AS AT 31 DECEMBER 2013
Report by Head of Strategic Finance (Pages 53 - 60)

10. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2014-2015
Report by Head of Strategic Finance (Pages 61 - 112)

11. STRATEGIC RISK REGISTER MONITORING REPORT AS AT 31 DECEMBER 2013
Report by Head of Strategic Finance (to follow)

PERFORMANCE REVIEW AND SCRUTINY COMMITTEE

Ian M M Ross (Chair)	Councillor Gordon Blair
Councillor Maurice Corry	Councillor Anne Horn
Councillor Iain MacDonald	Councillor John McAlpine
Councillor Gary Mulvaney	Councillor John Semple
Councillor Sandy Taylor	Paul Connelly
Douglas Cowan	Derek Leslie

Contact: Rebecca Hepburn Tel: 01546 604137

Agenda Item 3

MINUTES of MEETING of PERFORMANCE REVIEW AND SCRUTINY COMMITTEE held in the COUNCIL CHAMBERS, KILMORY, LOCHGILPHEAD on THURSDAY, 21 NOVEMBER 2013

Present: Ian M M Ross (Chair)

Councillor Gordon Blair
Councillor John McAlpine
Councillor Iain MacDonald
Councillor Duncan MacIntyre
Councillor Ellen Morton
Councillor Gary Mulvaney
Councillor Dick Walsh
Paul Connelly, Scottish Fire and Rescue
Douglas Cowan, HIE

Attending: Sally Loudon, Chief Executive
Douglas Hendry, Executive Director of Customer Services
Cleland Sneddon, Executive Director of Community Services
Angus Gilmour, Acting Executive Director of Community Services
Jane Fowler, Head of Improvement and HR
Bruce West, Head of Strategic Finance
Robert Pollock, Head of Economic Development and Strategic Transportation
Jim Smith, Head of Roads and Amenity Services
David Clements, IOD Programme Manager
Patricia O'Neill, Central Governance Manager
Lesley Sweetman, Performance and Business Manager
Fiona Ferguson, Directorate Support Officer
Carolyn McAlpine, HR Officer
John Rae, Scottish Fire and Rescue
Barry McEwan, Police Scotland
Marlene Bailey, Police Scotland

The Chair ruled and the Committee agreed to reverse the order of items 4 and 6 in the published agenda.

1. APOLOGIES FOR ABSENCE

Apologies of absence were intimated by Derek Leslie NHS Highland.

2. DECLARATIONS OF INTEREST

There were no declarations of interest intimated.

3. MINUTES

The Minutes of the Performance Review and Scrutiny Committee of 22 August 2013 were approved as a correct record.

4. ATTENDANCE MANAGEMENT - QUARTERLY UPDATE

The Committee considered a report which provided an update on the Council's performance against targets and performance indicators for maximising attendance during the period July-September 2013.

Decision

The Committee noted the content of the report.

(Ref: Report by Head of Improvement and HR dated 21 November 2013, submitted)

5. (a) **SCRUTINY OF POLICE**

The Committee considered the Police Scotland performance report for FQ2 2013-2014, presented by Barry McEwan who also outlined current manpower planning considerations.

Decision

The Committee noted the contents of the report including the amendments which are required to the Road Safety and Road Crime statistics.

The Committee requested further information on the statistics for alcohol related incidents to be presented at the next meeting of the Committee.

(Ref: Report by Head of Improvement and HR dated 21 November 2013, submitted)

5. (b) **SCRUTINY OF FIRE AND RESCUE**

The Committee considered a report which represents the performance of the Scottish Fire and Rescue Service relative to the priorities and objectives as laid out in the Local Fire Plan for Argyll and Bute 2013-2014.

Decision

The Committee noted the contents of the report.

The Committee registered concern that the Scottish Ambulance Service be brought into the ambit of the CPP.

(Ref: Report by Head of Improvement and HR dated 21 November 2013, submitted)

6. PERFORMANCE REPORT FQ2 2013-2014

The Committee considered the report on Council and Departmental performance with associated scorecards for performance in FQ2 2013-2014.

Decision

The Committee noted the performance updates and the actions being taken to address key challenges.

(Ref: Report by the Chief Executive dated 21 November 2013, submitted)

Councillors Morton and Mulvaney left the meeting during discussion of the above item.

7. TREASURY MANAGEMENT MONITORING REPORT - 30 SEPTEMBER

The Committee considered the Treasury Management Monitoring Report as at 30 September 2013.

The Committee was advised that notice had been served to Barclays as they no longer met the credit rating requirement.

Decision

The Committee noted the contents of the report.

(Ref: Report by Head of Strategic Finance dated 21 November 2013, submitted)

8. CORPORATE IMPROVEMENT PLAN MONITORING REPORT - 30 SEPTEMBER

The Committee considered a report which provided an update on the progress of the Corporate Improvement Plan.

Decision

The Committee noted the contents of the report.

(Ref: Report by Head of Strategic Finance dated 21 November 2013, submitted)

9. STRATEGIC RISK REGISTER MONITORING REPORT - 30 SEPTEMBER

The Committee considered a report which provided an update on the key strategic risks facing the Council, the associated mitigating actions and changes in these risks.

Decision

The Committee noted the contents of the report, in particular the emphasis on challenges facing Argyll and Bute Council associated with population and economic decline.

(Ref: Report by Head of Strategic Finance, dated 21 November 2013, submitted)

10. SINGLE OUTCOME AGREEMENT ANNUAL REPORT 2012-13

The Committee considered the Single Outcome Agreement(SOA) annual reports covering 2012-2013.

Decision

The Committee noted the performance outlined in the SOA Annual Report 2012-2013.

(Ref: Report by Head of Improvement and HR dated 21 November 2013, submitted)

POLICE
SCOTLAND
Keeping people safe

Argyll & Bute
Local Policing Plan 2013-2014

Quarterly Report / Q3

Argyll & Bute COUNCIL

Local Police Commander, Chief Superintendent Barry McEwan

I am pleased to present my Quarter 3 report which will show that our performance during this year continues to be very positive. Again this report will provide an overview of the good work that has been undertaken and highlights what we have achieved so far in Argyll & Bute.

Introduction

Argyll & Bute is the second largest local authority area in Scotland and presents unique challenges in service delivery across a largely rural population including 25 inhabited islands. The 6 major population centres of Oban, Campbeltown, Dunoon, Rothesay, Lochgilphead and Helensburgh have their own challenges with varying levels of crime, disorder and antisocial behaviour.

The rural environment, tranquillity and natural beauty of the area attracts large numbers of visitors requiring us to manage the road network and ensure safety.

Argyll & Bute Area Command has 3 dedicated Area Commanders with responsibility for day-to-day policing functions.

Chief Inspector Alistair Davidson has responsibility for Oban, Lorn and the Isles and he is supported by Inspector Julie McLeish who is responsible for Community Policing.

Chief Inspector Marlene Baillie has responsibility for Mid Argyll, Kintyre and the Islands and she is assisted by Community Inspector Tom Harper.

Chief Inspector Gary Stitt is the Area Commander for Cowal & Bute and he is supported by Inspectors Paul Robertson, Claire Miller and Gordon Anderson who have responsibility for Community Policing in Dunoon, Helensburgh and the Isle of Bute respectively.

Police Scotland

As a single service, Police Scotland has over the past 9 months developed as an organisation and I remain very happy with how my officers, staff and special constables have continued to go about their duty. Organisational change continues to take place but local service delivery remains at the forefront of what we are doing in Argyll & Bute.

My officers and staff continue to focus on the priorities that are of concern to the local communities identified through our ongoing consultations and results are very positive.

Integrity, Fairness and **Respect** are our policing values and the touchstones for all our interactions, forming the basis of everything we do and every decision we reach. By applying our values, we continue to receive public consent through improved relevancy, trust and support.

The following sections provide an update on our current performance in relation to our policing priorities.

Violence, Disorder and Antisocial Behaviour

My officers are dedicated to Keeping People Safe and tackling violent crime, Disorder and Antisocial Behaviour. Our objectives include a commitment to:

- Reduce the number of victims of violent crime.
- Maximise the detection of those persons responsible for serious and violent crime, hate crime and anti-social behaviour.
- Sustain the reduction in the reports of antisocial behaviour, youth disorder and public reports of street drinking.

We have implemented local strategies which have had a significant impact on the level of violent crime in Argyll & Bute and despite the excellent summer weather violence, disorder and anti-social behaviour have fallen.

We have undertaken regular high visibility patrols in the areas which have caused most concern and have used our police powers effectively to detect and deter criminality. By being proactive and intelligence led we have undertaken a significant number of stop searches focusing on the right people in the right places at the right time whereby we have removed weapons, drugs and alcohol from our streets. The following table outlines our achievements:

Violence, Disorder & Antisocial Behaviour			
	Apr 2013 - Dec 2013	Apr 2012 - Dec 2012	% Change
Total No Group1: Crimes of Violence	61	63	-3.2%
Murder	0	1	-100.0%
Attempted Murder	1	5	-80.0%
Culpable Homicide (common law)	0	0	-
Culpable Homicide (other)	1	1	0.0%
Serious Assault detection rate	100.0%	104.2%*	-4.2%
Serious Assault	19	24	-20.8%
Robbery detection rate	100.0%	120.0%*	-20.0%
Robbery	4	5	-20.0%
Petty (Common) assault detection rate	85.7%	84.8%	0.9%
Petty (common) assault	561	612	-8.3%
Stop and searches conducted	9,730	8,456	15.1%
Number of positive stop and searches conducted.	1,560	1,106	41.0%
Number of complaints regarding disorder	3,318	4,652	-28.7%

* **Detection rate above 100.0% owing to historical crimes being detected during the period.**

The above table continues to show that the level of violent crime within Argyll & Bute remains low with **41** fewer victims of violence. There has been a noticeable increase in our Stop Search activity compared to the previous year which would appear to a contributory factor. Furthermore, the number of positive Stop Searches indicates we are targeting the correct individuals at the right time and the right place.

Protecting People

Keeping People Safe is the cornerstone of what we are about in Police Scotland and we are committed to:

- Tackle domestic abuse by prioritising such investigations and increase detections for domestic abuse crimes.
- Increase the detection rate for sexual offences.
- Proactively tackle offenders by increasing the number of bail visits and interventions.
- Protect and support the victims of domestic abuse and sexual crimes to ensure their safety and well-being.

Our partnership working with Advocacy, Support, Safety and Information Services Together (ASSIST) continues to build momentum and provides victims of domestic abuse with increased support and expertise. Through this partnership we are encouraging victims to report historical incidents and increased levels of trust and reassurance are prominent.

Through our established monthly MATAC (Multi Agency Tasking and Coordinating) meeting with partners we focus on our most dangerous perpetrators to mitigate the risk they pose.

In response to feedback from victim groups, Police Scotland also carry out visits to victims following the court appearance of perpetrators to inform them of any bail conditions imposed by the court. We have set ourselves a very challenging target to complete 95% of these visits within 24 hours as experience suggests any further incidents are most likely to happen within this critical time period. We have also a regime of robustly policing such bail conditions where regular visits are made to perpetrators to ensure they are complying.

To enhance our approach to investigating and detecting sexual offences, we have established a dedicated Rape Investigation Unit. This Unit has a number of highly trained officers with significant experience in respect of the investigation of such sensitive crimes and our detection rate in this area has significantly improved. The following table outlines our achievements.

Protecting People			
	Apr 2013 - Dec 2013	Apr 2012 - Dec 2012	% Change
Number of Domestic Abuse Incidents Reported to the Police	570	520	9.6%
Total Crimes and offences in domestic abuse incidents	472	463	1.9%
Total crimes and offences in domestic abuse incidents detection rate	87.6%	86.0%	1.6%
Total Detections for Domestic Bail Offences	44	31	41.9%
Ensure 95% of domestic abuse initial bail checks are conducted within a prescribed timeframe (24hrs)	97.6%	-	-
Number of Group 2 - Crimes of Indecency	101	105	-3.8%
Group 2 crimes detection rate	79.2%	76.2%	3.0%
Rape detection rate	75.0%	68.4%	6.6%

Serious Crime and Responding to National Events

Our commitment to target serious and organised criminals remains and our activity continues to:

- Disrupt serious and Organised Crime Groups through measured and robust interventions focussing on group members.
- Respond to emerging threats from Organised Crime Groups and tackle potential criminal attacks on communities by seizing criminal assets.
- Maximise interventions to deprive Organised Crime Groups of the opportunities to access legitimate contracts.
- Tackle drug misuse by increasing positive partnership interventions against those involved in the supply of drugs.

Within Argyll & Bute we have targeted Organised Crime Groups by focusing on their criminal enterprises and disrupting their activities.

There is currently only one serious and organised crime group being monitored within Argyll and Bute which presents a risk to the local community which is closely monitored by our strict internal governance group through which resources are deployed accordingly. Intelligence does indicate however that numerous persons involved in criminality at this level are resident within some of the main towns. The majority of these individuals are documented primarily in relation to their involvement in the supply and distribution of controlled drugs however some have also previously been linked to acts of serious violence and intimidation, wilful fireraising and more. Work is currently ongoing to improve the current intelligence picture surrounding these individuals with a view to disrupting drug supply lines into the main towns.

The Argyll & Bute Multi-Agency Serious and Organised Crime Strategic Group is now well established and has strengthened our collective ability to disrupt these groups, minimising the risk to our community.

The sale and supply of drugs continues to be a significant concern to us and through our consultations with communities is highlighted as an issue. Our determination to rid communities of those individuals who deal drugs will remain and through intelligence led policing we have and will continue to deal robustly with them.

So far this year:-

- **129** individuals linked to SOC have been arrested
- Through the use of POCA legislation SOC criminals have been deprived of **£ 2,283,616**
- SOCG have been denied legitimate enterprise estimated to be worth **£ 2,823,853**
- YTD there have been **144** drug supply detections.

Argyll & Bute has a number of strategic locations which require an appropriate counter-terrorist response with the ever present threat that exists from internationally inspired terrorism. Moreover, in some parts of the area there remains close affiliation with terrorist groups based in Northern Ireland which needs careful management and intervention to prevent those associations from developing into a threat to the local community.

To successfully challenge this threat we have fully embraced the National “Contest” Strategy and have implemented a Multi Agency CONTEST Group which meets regularly and in partnership progresses all aspects of the ‘4P’ strategy, Prevent, Prepare, Pursue and Protect.

The 2014 Commonwealth Games are now at an advanced stage of planning and we will be supporting our colleagues in Glasgow in their preparations for the delivery of a safe, secure and peaceful games for all. We will also see the Queens Baton Relay pass through Argyll & Bute and partnership planning is well underway to ensure it is an event that is enjoyable and safe for all.

Acquisitive and Road Crime

Acquisitive Crime is constantly an area that requires our full attention with bogus criminals preying on our most vulnerable people, they need to be targeted. We fully recognise the significant consequences victims of Housebreaking experience and this is not only a priority for us but through Operation RAC is now being addressed nationally.

Keeping People Safe on our Roads continues to be addressed, and through our proactive approach we remain committed to influencing and improving driver behaviour.

Our objectives include a commitment to:

- Prioritise the investigation of bogus crimes and housebreakings
- Effectively police the road network to influence driver behaviour, increase safety and disrupt criminals using our roads
- Reduce Casualties and road deaths
- Tackle dangerous driving by increasing detections
- Target speeding offences by increasing detections

High profile operations have been a regular feature this year which has resulted in a number of arrests for bogus crimes. This activity will continue and we will relentlessly pursue those individuals who prey on the elderly and vulnerable in our communities.

The following table outlines our achievements most significantly **21** fewer victims of housebreaking:

Acquisitive Crime			
	Apr 2013 - Dec 2013	Apr 2012 - Dec 2012	% Change
Theft by housebreaking (including attempts) detection rate	29.3%	27.9%	1.4%
Theft by housebreaking (including attempts)	133	154	-13.6%
Theft by shoplifting detection rate	73.9%	80.5%	-6.6%
Theft by shoplifting	134	123	8.9%

Our Road Safety campaign has seen the deployment of officers in line with complaints from the community to address irresponsible driver behaviour. To date the efforts we have invested are encouraging as we challenge drivers through enforcement of legislation.

The tables on the following page outline our achievements:

Road Traffic Casualty Statistics			
	Apr 2013 - Dec 2013	Apr 2012 - Dec 2012	% Change
People Killed/Seriously Injured	53	56	-5.4%
People Slightly Injured	170	180	-5.6%
Children (aged<16) Killed/Seriously Injured	0	5	-100.0%

Whilst the overall number of serious road injuries has reduced we recognise that there has been a rise in the number of people killed this year on our roads. The trunk roads A83 and A85 are the primary locations for such incidents and we are targeting these with high visibility patrols. We also continue to move towards the implementation of a full time dedicated Divisional Road Policing Unit within Argyll & Bute.

Road Safety & Road Crime			
	Apr 2013 - Dec 2013	Apr 2012 - Dec 2012	% Change
Dangerous driving	59	59	0.0%
Speeding	1,648	1,396	18.1%
Disqualified driving	9	12	-25.0%
Driving Licence	116	97	19.6%
Insurance	146	183	-20.2%
Seat Belts	421	449	-6.2%
Mobile Phone	190	309	-38.5%

Increase Public Confidence and Local Engagement

It is of great importance to us that the service we provide receives the consent of our community and through our organisational values based approach, **Integrity, Fairness** and **Respect** we hope to increase public confidence in us. We continue to listen to the views and concerns of our community through consultations, listening events or Police and Community (PAC) meetings. This way we know what local people want us to deal with and that will remain our focus at Divisional and Ward area levels.

Our Consultation Survey completed in October 2013 provided the local community the opportunity to tell us what our priorities should be and to tell us what they think about the service we are providing. The results of that survey will help us shape our plans going forward and provided positive reassurance that our service is addressing the needs of the local community.

In additional to outlining what the community wanted our priorities to be in Argyll & Bute the survey also captured that;

- 31% of people thought crime had decreased
- 53% stated they had not been affected by antisocial behaviour
- 80% had regularly seen uniformed officers patrolling their area
- 78% were aware they had a dedicated Community Policing Team

We are encouraged by this but our determination to increase public confidence will continue.

Conclusion

As Local Police Commander, I am delighted to present this update on our Local Policing Plan for Argyll & Bute. We are continuing to meet the challenges of moving into a single police service for Scotland and demonstrated that policing performance continues to be very strong.

I am happy with our achievements so far and praise the contribution that our partners from across Argyll & Bute have made to support us.

Keeping People Safe is and will remain what we are all about as we continue to deliver the highest possible level of service.

Barry McEwan
Chief Superintendent
Local Police Commander

SCOTTISH
FIRE AND RESCUE SERVICE
Working together for a safer Scotland

Argyll & Bute
COUNCIL

SCOTTISH FIRE & RESCUE SERVICE

Performance Report

Fiscal year 2013 -2014
3rd Quarter - 1st. October to 31st. December 2013

The following pages represent the performance of the Scottish Fire & Rescue Service using the priorities and objectives as laid out in the Local Fire Plan for Argyll & Bute 2013 - 2014

Priority 1 - Reduction of Accidental Dwelling Fires

3 year average	Reduction target	Annual target	Target this quarter	Actual this quarter	Performance indicator	
88	10%	79	20	24	●	RED

Small increase this quarter which included 10 incidents where the fire was 'extinguished before arrival'.
Other incidents included a timber-framed dwelling totally destroyed on Colonsay. The associated issue of water supplies for firefighting has been raised at CPG level and will be discussed at the next MAKI meeting.
The remainder were fairly minor incidents with a further 3 instances involving timber-framed construction.
4 incidents involved fire in the roof/roof space with one of these identified as originating from the chimney/flue of a wood burning stove.
Our Local Area Engagement Team continues to provide the Home Fire Safety Visit service and provides information, as part of our chimney fires initiative, on fire safety involving open fires and wood burners.

Priority 2 - Reduction of Fire Casualties & Fatalities

3 year average	Reduction target	Annual target	Target this quarter	Actual this quarter	Performance indicator	
17	6%	16	4	2	●	GREEN

Pleasing to note this quarter's reduction in fire casualties, both of which only suffered from sligh smoke inhalation and did not require hospital treatment.
Again, the HFSV initiative, and the provision of free smoke alarms, has without doubt contributed to this reduction.

Priority 3 - Reduction of Deliberate Fire Setting

	3 year average	Reduction target	Annual target	Target this quarter	Actual this quarter	Performance indicator	
Primary	32	4%	31	8	5		GREEN
Secondary	105	10%	95	24	6		GREEN

Another welcome reduction across both factors in deliberate fire setting.
Two of the primary incidents involved dwellings with one involving liaison with Police Scotland CID in the investigation.
A further 2 involved the bin shed at Hermitage Academy and the public toilets adjacent to the swimming pool, both in Helensburgh.
The deliberate ignition of a commercial van in Kilmun was the final primary fire.
Deliberate fire multi-agency groups are being established at Helensburgh, Oban, Dunoon and Lochgilphead to address this activity and look ahead to wildfire/muirburn season.

The secondary fires all involved waste bins/rubbish and bushes.
The delivery of fire-related anti-social behaviour interventions continues through engagement at schools in partnership with Police.

Priority 4 - Reduction of Fires in Other Buildings

	3 year average	Reduction target	Annual target	Target this quarter	Actual this quarter	Performance indicator	
Accidental	32	10%	29	7	5		GREEN
Deliberate	7	10%	6	1.6	2		RED

The 2 deliberate fires were those at the public toilets and bin shed detailed above.

Other accidental incidents in the non-domestic setting, such as one involving the electrical junction box at Dunoon Grammar School, are examined as part of a Post Incident Audit process carried out by Fire Safety Enforcement Officers to determine shortfalls in the premises fire risk assessment.

Priority 5 - Reduction of Road Traffic Collisions

3 year average	Reduction target	Annual target	Target this quarter	Actual this quarter	Performance indicator	
79	5%	75	19	20		AMBER

7 of these incidents occurred on the A83 in places ranging from the Rest and be Thankful to Tarbert, with a further 3 on the A85 between Dalmally and Oban.
These incidents produced a total of 14 casualties but, thankfully, with no fatalities recorded.

The trend remains mainly static but multi-agency educational activities (such as the Real-Time Crash Scenario events and Bikers Breakfast) are ongoing, which will complement enforcement activity carried out by Police colleagues, to strive for reduction.

Priority 6 - Reduction of Unwanted False Alarm Signals

	3 year average	Reduction target	Annual target	Target this quarter	Actual this quarter	Performance indicator	
Automatic	742	10%	668	167	242		RED
Malicious	22	9%	20	5	2		GREEN

Pleasing to note the continued reduction in malicious call activity.
Call challenging by our Operations Support Centre colleagues has made a dramatic impact in support of our early intervention activities.

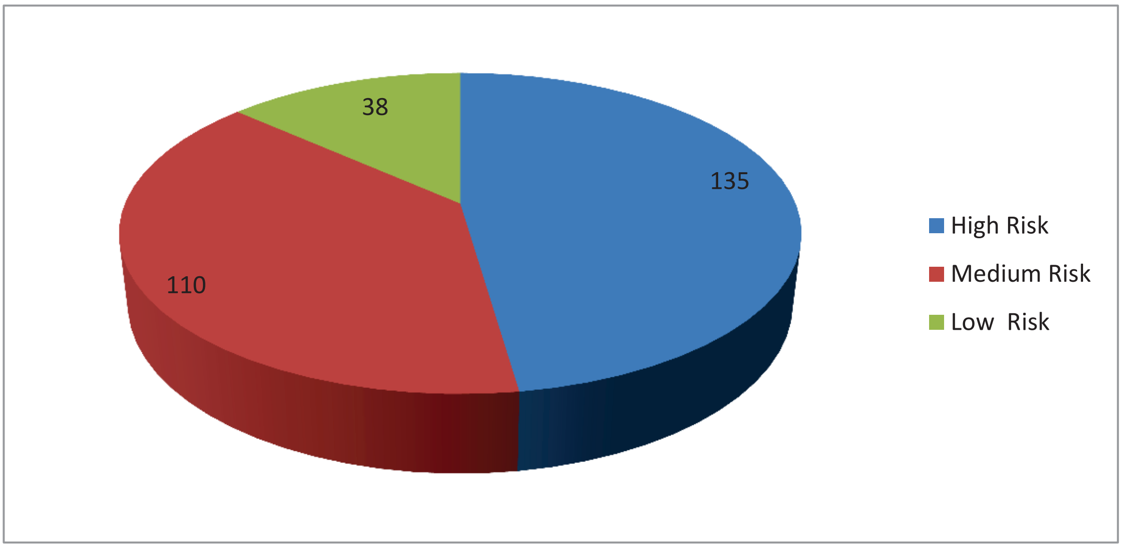
Unwanted fire alarms from premises' alarm systems continue to be dealt with, initially through an engagement process, but elevating to enforcement activity where improvement is not demonstrated.

A great many of these actuations are single events at a high number of premises which, therefore, do not meet the trigger point for action.

Where premises have crossed this threshhold, actions are initiated to effect improvement and reduce demand for our services.

Home Fire Safety Visits

High Risk	Medium Risk	Low Risk
135	110	38



The above figures provide indication that our determination to engage with those at highest risk is bearing fruit.
Predominently high and medium risk visits carried out are testimony to referral processes involving our partner agencies, and post-domestic incident response by our operational crews.

Report Summary

Mostly downward trend due to multiple factors such as SFRS' Autumn Strategy which aimed to decrease bonfires/secondary fires, multi-agency activity in the referral and delivery of Home Fire Safety Visits and ongoing partnership work to address UFAS and RTC demand.

This page is intentionally left blank

ARGYLL AND BUTE COUNCIL **Performance Review and Scrutiny Committee**

IMPROVEMENT AND HR **27TH February 2014**

MAXIMISING ATTENDANCE: COUNCIL PERFORMANCE OCTOBER- DECEMBER 2013

1 INTRODUCTION

1.1 The purpose of this report is to update the Performance Review and Scrutiny (PRS) Committee on the Council's performance against targets and performance indicators for Maximising Attendance during the period October- December 2013.

2 RECOMMENDATION

2.1 It is recommended that the PRS Committee note the content of this report.

3 DETAIL

3.1 Performance October- December 2013

TABLE ONE: PERFORMANCE October- December 2013

	Work Days Lost	Full Time Equivalent Staff	Actual Average days lost per FTE employee	Quarterly Target	Annual Target
Adult Care	1305.10	372.42	3.50	3.20	12.80
Children and Families	912.29	218.62	4.17	2.33	9.30
Community and Culture	372.22	191.41	1.94	2.55	9.30
Education (non-teaching)	1387.53	431.18	3.22	2.60	10.40
Teachers	**1676.99**	**877.82**	**1.91**	**1.81**	**7.25**
COMMUNITY SERVICES (LGE)	**3977.14**	**1213.63**	**3.28**	**2.9**	**11.60**
Customer and Support	384.73	198.64	1.94	1.58	6.30
Governance and Law	84.20	41.2	2.04	1.55	6.20
Facility Services	549.45	264.79	2.08	2.03	8.10
CUSTOMER SERVICES	**1018.38**	**504.58**	**2.02**	**1.83**	**7.30**
Economic Development	165.29	113.59	1.46	1.80	7.20
Planning and Regulatory	229.00	112.27	2.04	1.50	6.00
Roads and Amenity Services (including Performance and Business Improvement)	1534.17	481.97	3.18	2.50	10.00
Development and Infrastructure	**1928.46**	**707.83**	**2.72**	**2.40**	**9.60**
Strategic Finance	139.94	46.94	2.98	1.60	6.40
Directorate& Improvement and HR	71.52	93.11	0.77	1.75	6.98
CEU	**211.46**	**140.05**	**1.51**	**1.70**	**6.80**
Council Total (LGE)	**7135.44**	**2566.09**	**2.78**		
Grand Total (All Staff)	**8812.43**	**3443.91**	**2.56**		

TABLE TWO : PERFOMANCE COMPARISON WITH SAME QUARTER 2012

	Actual average days lost per FTE employee Q3 2012	Actual average days lost per FTE employee Q3 2013
Adult care	5.09	3.50
Children and Families	3.03	4.17
Community and Culture	2.35	1.94
Education (non-teaching)	3.14	3.22
Teachers	**2.13**	**1.91**
COMMUNITY SERVICES (LGE)	**3.56**	**3.28**
Customer and Support	1.42	1.94
Governance and Law	2.37	2.04
Facility Services	2.29	2.08
CUSTOMER SERVICES	**1.98**	**2.02**
Economic Development	2.59	1.46
Planning and Regulatory	0.90	2.04
Roads and Amenity Services (including Performance and Business Improvement)	3.19	3.18
Development and Infrastructure	**2.75**	**2.72**
Strategic Finance	1.47	2.98
Directorate & Improvement and HR	1.65	0.77
CEU	**1.59**	**1.51**
Council Total (LGE)	**2.91**	**2.78**
Grand Total (All staff)	**2.72**	**2.56**

3.2 **Cost of Sickness Absence**

The table below outlines the actual cost of sick pay paid by each service of the Council during October- December 2013.

Table Four: Sick pay by Service October-December 2013

Service	Cost £
Adult Care	136 789.68
Children and Families	74 372.13
Community and Culture	30 199.09
Education (Non-teaching)	86 219.75
Education (Teachers)	248 127.13
Directorate Community Services	109.80
Community Services Total	**575 817.58**
Facility Services	42 508.20
Governance and Law	8 666.22
Customer and Support	29 219.27

Directorate Customer Services	144.79
Customer Services Total	**80 538.48**
Economic Development	17 923.86
Planning and Regulatory	26 189.27
Roads and Amenity Services	111 934.66
Directorate Development and Infrastructure	5 344.13
Development and Infrastructure Total	**161 391.92**
Improvement and HR (including Directorate)	4 814.93
Strategic Finance	17 578.18
Chief Executive's Total	**22 393.11**
Grand Total	**840 141.09**

3.3 **Return to work interviews completed by Service October – December 2013**

In accordance with the Council's Maximising Attendance procedures a return to work interview must be carried out by the line manager after every instance of sickness absence. Services therefore have a 100 % target when it comes to completion of return to work interviews. In order that a return to work interview is meaningful it should ideally be carried out on the day the employee returns to work or as soon as possible thereafter and certainly within three days of the employees return to work.

Table Five below outlines each service's monthly performance with respect to % of return to work interviews carried out during the period October to December and the average length of time for them to be completed in days (including non-work days) following the employees return to work.

Table Five: % return to work interviews completed by Service October- December 2013

		October		November		December	
Department	**Service**	**% RTWI Complete**	**Average Time Taken to complete (Days)**	**% RTWI Complete**	**Average Time Taken to complete (Days)**	**% RTWI Complete**	**Average Time Taken to complete (Days)**
Community Services	Adult Care	59.32	8.20	62.50	4.40	41.38	5.30
	Children and Families	64.00	6.70	67.86	11.10	66.67	4.80
	Community and Culture	76.47	9.20	50.00	5.50	66.67	5.40
	Education	52.52	7.10	63.96	5.90	52.63	4.10
	Total	**57.08**	**7.0**	**62.80**	**6.10**	**47.26**	**4.90**
Customer Services	Customer and Support	88.24	6.50	68.18	4.60	53.33	3.80
	Facility Services	75.00	4.00	79.55	2.90	48.00	2.00
	Governance and Law	100	16.30	100.00	5.00	100.00	1.00
	Directorate/ Special Projects	n/a	n/a	n/a	n/a	na	na
	Total	**80.36**	**5.60**	**76.47**	**3.50**	**51.22**	**2.60**

Development and Infrastructure	Economic Development	50.00	5.00	44.44	3.00	66.67	2.50
	Planning and Regulatory Services	50.00	3.80	66.67	4.80	50.00	5.30
	Roads and Amenity Services	60.00	2.60	76.00	3.30	27.78	3.40
	Directorate/ Performance and Business Improvement	100.00	7.40	100.00	4.00	100.00	2.50
	Total	**61.70**	**3.80**	**72.00**	**3.70**	**47.06**	**3.30**
Chief Executives Unit	Improvement and HR	100.00	1.00	87.50	5.40	100.00	3.20
	Strategic Finance	100.00	3.30	100.00	6.70	100.00	3.00
	Total	**100.00**	**2.40**	**90.91**	**5.80**	**100.00**	**3.20**
Full Council	**Total**	**61.95**	**6.19**	**67.39**	**6.81**	**49.22**	**4.32**

4 Specific Corporate Actions to Maximise Attendance

With over 36 800 work days lost due to sickness absence and sick pay costing £3.4 million in the period April 2012- March 2013, the SMT met in May 2013 and were keen to review spend to save options with a view to putting in place measures that will improve maximising attendance across the Council. The following measures have been put in place the during the course of 2013/14

- ELearning resource in maximising attendance is currently being reviewed and updated in line with revised procedures and will be made compulsory for all managers/ new employees with managerial responsibility
- A temporary HR Assistant has now been appointed to focus on providing support to Community Services in implementing the Council's Maximising Attendance Procedures.
- With stress related absence accounting for almost a quarter of the Council's total sickness absence the SMT has agreed to conduct a stress audit. Action plans to tackle stress will be developed from the results of the audit which is likely to take place during May 2014. This will be part of the Council's wider Wellbeing Agenda which will be launched at the beginning of February and is aimed at promoting a safe and healthy working environment and lifestyle options for all employees.
- Facility within Resourcelink has been developed to monitor the date that Attendance review meetings take place for employees who have met a trigger point for attendance. From April 2014 Reports will be run on a regular basis which will provide valuable management information about the how cases progress through the maximising attendance procedures and the outcomes. In addition, similar to return to work interviews, the reports will highlight where support can be targeted by identifying managers who do not appear to have followed the procedures.

4.1 In conclusion this report has outlined the Councils performance against targets and performance indicators for the period October- December 2013. Appendix One below provides year to date summaries for the period April-December 2013.

5 IMPLICATIONS

Policy	This complies with the Council's Maximising Attendance Policy
Financial	Failure to achieve targets in relation to maximising attendance is likely to have financial implications with respect to the cost of sick pay
HR	Failure to maximise attendance is likely to have an impact on workforce productivity
Legal	None
Equal Opportunities	This complies with the Council's Equalities policy
Risk	High levels of absence present risk to organisational efficiencies
Customer Service	High levels of absence will impact on customer service

Jane Fowler, Head of Improvement and HR
Tel 01546 604466

For further information please contact:
Carolyn McAlpine
HR Officer
01546 604 021

Appendix One: Year to Date Analysis

Table Six: Year to date performance against target by Service

Service	April-June		July-September		October-December		YTD Total		YTD Target
	WDL	ADLPE	WDL	ADLPE	WDL	ADLPE	WDL	ADLPE	
Adult Care	1374.73	3.68	1521.5	4.08	1305.10	3.50	4201.33	11.28	9.66
Children and Families	763.98	3.6	613.36	2.76	912.29	4.17	2289.63	10.47	6.99
Community and Culture	520.00	2.55	381.55	1.94	372.22	1.94	1273.77	6.65	7.65
Education (Non- teaching)	1436.02	2.95	849.03	1.99	1387.53	3.22	3672.58	8.51	7.80
Teachers	**1415.56**	**1.73**	**1127.17**	**1.23**	**1676.99**	**1.91**	**4219.72**	**4.81**	**5.43**
Community Services (non-teaching total)	**4094.73**	**3.21**	**3365.44**	**2.76**	**3977.14**	**3.28**	**11437.31**	**9.42**	**6.00**
Customer and Support	343.86	1.73	228.10	1.14	384.73	1.94	956.69	4.82	4.74
Governance and law	127.00	2.85	100.00	2.35	84.20	2.04	311.20	7.55	4.65
Facility Services	783.42	2.89	484.34	1.88	549.45	2.08	1817.21	6.86	6.09
Customer Services	**1254.28**	**2.44**	**812.44**	**1.62**	**1018.38**	**2.02**	**3085.10**	**6.11**	**5.49**
Economic Development	183.73	1.67	311.17	2.86	165.29	1.46	660.19	5.81	5.40
Planning and Regulatory	152.17	1.38	162.57	1.43	229.00	2.04	543.74	4.84	4.50
Roads and Amenity (including Performance and BI)	1472.19	2.95	1433.24	2.89	1534.17	3.18	4439.60	9.21	7.5
Development and Infrastructure	**1808.09**	**2.51**	**1906.98**	**2.65**	**1928.46**	**2.72**	**5643.53**	**6.56**	**7.2**
Strategic Finance	33.00	0.69	176.57	3.68	139.94	2.98	349.51	7.44	4.80
Improvement and HR (including Directorate)	132.30	1.32	125.9	1.14	71.52	0.77	329.72	3.54	5.25
Chief Executive's Total	**165.30**	**1.12**	**302.47**	**1.96**	**211.46**	**1.51**	**679.23**	**4.85**	**5.10**
Council Total (LGE)	7322.4	2.75	6387.33	2.46	7135.44	2.78	20845.17	**8.12**	7.28
Grand total (All staff)	**8737.96**	**2.47**	**7514.50**	**2.14**	**8812.43**	**2.56**	**25064.89**	**7.27**	

WDL= Work days lost
ADLPE= Average days lost per employee

Table Seven: Year to Date Cost of Sick Pay

Service	April-June	July-Sept	October-December	YTD Total
Adult Care	137 307.67	168 610.48	136 789.68	442 707.83
Children and Families	63 841.36	54 507.33	74 372.13	192 720.82
Community and Culture	32 133.03	28 440.86	30 199.09	90 772.98
Education (Non- teaching)	84 359.67	42 961.42	86 219.75	213 540.84
Teachers	208 951.91	121 276.14	248 127.13	578 355.18
Directorate Community Services	290.95	0.00	109.80	400.75
Community Services Total	**526 884.59**	**415 796.23**	**575 817.58**	**1 518 498.4**
Customer and Support	23 518.58	12 997.22	29 219.27	65 735.07
Governance and law	6 150.33	8 256.18	8 666.22	23 072.73
Facility Services	39 955.05	41 916.36	42 508.20	124 379.61
Directorate Customer Services	51.30	436.08	144.79	632.17
Customer Services	**69 675.26**	**63 605.84**	**80 538.48**	**213 819.58**
Economic Development	6 425.38	20 591.74	17 923.86	44 940.98
Planning and Regulatory	21 147.60	12 943.19	26 189.27	60 280.06
Roads and Amenity (including Performance and BI)	74 262.30	78 317.77	111 934.66	264 514.73
Directorate Development and Infrastructure	3 990.81	2 426.99	5 344.13	11 761.93
Development and Infrastructure	**105 826.09**	**114 279.69**	161 391.92	381 497.7
Strategic Finance	2 754.76	13 925.08	4 814.93	21 494.77
Improvement and HR (including Directorate)	10 253.81	8584.99	17 578.18	36 416.98
Chief Executive's Total	**13 008.57**	**22 510.07**	22 393.11	57 911.75
Grand total (All staff)	**715 394.51**	**616 191.83**	**840 141.09**	**2 171 727.43**

The significant reduction in the work days lost for teachers can be attributed to a change in the way that the definition of work days lost has been interpreted. In line with some other Scottish Local Authorities Argyll and Bute Council now excludes work days lost due to sickness absence which occur during school holidays for term time staff. These sickness days are however still included in the costings as sick pay is still received for these absences.

Agenda Item 6

ARGYLL AND BUTE COUNCIL **PERFORMANCE REVIEW AND SCRUTINY COMMITTEE**

CHIEF EXECUITVE **27 FEBRUARY 2014**

PERFORMANCE REPORT – FQ3 2013-14

1. SUMMARY

The Planning and Performance Management Framework sets out the process for presentation of the council's quarterly performance reports. This paper presents the Council and Departmental performance reports with associated scorecards for performance in FQ3 2013-14 (October - December 2013).

Large scale copies of the scorecards will be available at the meeting.

2. RECOMMENDATIONS

It is recommended that the Committee reviews the reports and scorecards as presented.

Sally Loudon
Chief Executive

For further information contact:
David Clements, I&OD Programme Manager

Departmental performance report for **Community Services**	period **October to December 2013**

Key Successes

- Zero older people awaiting for free personal care within their homes for 0-4 weeks.
- Reduction in the waiting time between a referral for substance misuse and the first treatment to support recovery.
- A member of the Integrated Community Mental Health Team in Lochgilphead was named Mental Health Officer of the Year at the annual Scottish Association of Social Workers (SASW) Mental Health Officers Annual Study Conference.
- 100% of care leavers with a pathway plan. From the age of 15 ½ years we support our looked after children through the transition to independence, which can be particularly difficult for some young people who require considerable support.
- Increase in the number of children on the Child Protection Register (CPR) with no change of social worker.
- 100% children on the Child Protection Register (CPR) with a current risk assessment.
- Increase in the number of adults achieving accredited learning outcomes through community based adult learning (CBAL).
- Increase in the number of children progressing to community clubs.
- Increase in the number of 3rd sector groups receiving support, advice and assistance from the council.
- 100% teaching staff given the opportunity to be part of a teacher learning community.
- 100% schools are undertaking the Suffolk Reading Test by Primary 4.
- Excellent Education Scotland inspection of Drumlemble Primary and Pre 5 unit which found that the school had strong links with the local community and the head teacher had shown commitment to improving approaches to learning and teaching. The school were given 3 'very good' and 4 'good' ratings.
- The number of school leavers moving on to positive destinations increased from 90.1% to 92.5% over the year, the highest percentage ever reported in the authority.

Key Challenges 1. Although performance continues to improve in shifting the balance of care towards care in the community, away from residential units, target has not been met this quarter. The main issue relates to the number of clients that were admitted historically when relatively fit and health who have a long length or stay. 2. Decreasing the number of outstanding case assessments for adult care within 28 days. 3. Although performance has improved this quarter, children and Families failed to achieve target for the % of Scottish Children's Reporter Administration (SCRA) reports submitted on time due to staffing difficulties. 4. Increasing the number of children affected by disability (CABD) with a transition plan. 5. Increasing the number of visits to libraries and leisure centres. 6. Tackling fuel poverty, extreme fuel poverty is on the increase. 7. Increasing the number of looked after and accommodated children (LAAC) assessed for literacy and numeracy at a primary stage. 8. Managing personnel changes and the restructuring in line with the Education Management Review.
Action points to address the challenges 1. Further improvements required in the balance of care for older people and re-design of older people's services in partnership with the CHP in the context of the national Re-Shaping Care agenda. 2. Streamline the process in partnership with Police Scotland by screening referrals in greater detail in order to reduce those cases requiring further investigation which should consequently reduce the workload for main grade social workers. 3. Recruitment of permanent staff to vacant posts. 4. Work in cooperation with colleagues in schools to develop transition plans. 5. Market and promote the facilities available at libraries and leisure centres. 6. Implement revised Home Energy Efficiency Programme Area Based Schemes to combat fuel poverty. 7. Additional training for school staff in the use of assessment materials that can be used routinely in school with looked after children (LAC). Additional assessment material is being provided to all primary schools to support this task. 8. Ensure quality communication and robust engagement to ensure the success of the Education Management Review.

Corporate Objective 1 - Working together to improve the potential of our people	R	↓
CO1 Our children are nurtured so that they can achieve their potential.	A	→
CO2 Our young people have the skills, attitudes and achievements to succeed throughout their ...	A	→
CO3 We have a skilled and competitive workforce capable of attracting employment to Argyll an...	R	↓
CO4 Our people are supported to live more active, healthier and independent lives.	A	→
CO5 We work with our partners to tackle discrimination.	A	↓
CO6 Vulnerable adults, children and families are protected and supported within their communities.	A	→
Corporate Objective 2 - Working together to improve the potential of our communities	A	→
CO7 The places where we live, work and visit are well planned, safer and successful.	A	↓
CO8 Create opportunities for partners and communities to engage in service delivery.	A	↓
CO9 The impact of alcohol and drugs on our communities, and on mental health ... is reduced.	G	↑

Community Services Scorecard 2013-14 FQ3 13/14

Click for Full Outcomes

Corporate Objective 3 - Working together to improve the potential of our area		
CO10 We create the right conditions where existing and new businesses can succeed.	Department's contribution is not measured	
CO11 Argyll and Bute has more new businesses operating in the area, creating more jobs.	Department's contribution is not measured	
CO12 Our transport infrastructure meets the economic and social needs of our communities.	Department's contribution is not measured	
CO13 We contribute to a sustainable environment.	Department's contribution is not measured	
CO14 We make the best use of our built and natural environment.	Department's contribution is not measured	
Corporate Objective 4 - Working together to improve the potential of our organisation	A	↓
CO15 Our services are continually improving.	A	↓
CO16 Our employees have the skills and attitudes to deliver efficient and effective services.	G	→
CO17 We provide good customer service.	Department's contribution is not measured	

Argyll & Bute COUNCIL

...realising our potential together...

RESOURCES

People	*Benchmark*	*Target*	*Actual*	*Status*	*Trend*
Sickness absence CM [LGE]		2.9 Days	3.3 Days	R	↓
Sickness absence CM [teachers]		1.8 Days	1.9 Days	R	↓
PRDs % complete		90 %	50 %	R	

Financial	*Budget*	*Forecast*	Status	Trend
Finance Revenue totals CM	£K 139,153	£K 139,467	A	↑
Capital forecasts - current year CM	£K 0	£K 0		
Capital forecasts - total project CM	£K 0	£K 0		

Efficiency Savings CM		Target	Actual	Status	Trend
	Actions on track	21	16	R	→
	Savings	£K 1,094	£K 846		

Asset Management - Community Services

IMPROVEMENT

						Status	*Trend*
Improvement Plan Outcomes CM		Total No	Off track	On track	Complete		
	Outcomes	26	2	17	7	A	→
CARP Community Services		Total No	Off track	Due	Complete		
		100	59	74	15	R	→

Customer Service CM			Number of consultations	3		
Customer Charter	R	→	Stage 1 complaints	100 %	G	↑
Customer satisfaction			Stage 2 complaints	33 %	R	↑

Community Services Audit Recommendations	Overdue		Due in future		Future - off target	
	0	→	3	↓	0	→

CM Average Demand Risk	Score	10	Appetite	10	→
CM Average Supply Risk	Score	9	Appetite	9	→

Page 31

Community Services Scorecard 2013-14 FQ3 13/14

Scorecard owner

Click for Full Scorecard

CO1 Our children are nurtured so that they can achieve their potential. A ⇨

	Success Measures	On track		
CC01 Young people supported to lead more active / healthier lives	2	2	G	⇨
CF01 The life chances for looked after children are improved	7	2	R	⇩
ED04 Educational additional support needs of children & YP are met	4	3	A	⇩

CO2 Our young people have the skills, attitudes and achievements to succeed throughout their ... A ⇨

	Success Measures	On track		
CF03 Children & families given assistance ... best start in life	5	1	R	⇨
CC05 Young people encouraged & supported to realise ... potential	2	2	G	⇧
ED01 Primary school children ... realise their potential through CfE ...	5	4	A	⇩
ED02 Secondary school children ... realise their potential through CfE	15	9	A	⇨
ED03 ... central management team ensures continuous improvement ...	5	4	A	⇨

CO3 We have a skilled and competitive workforce capable of attracting employment to Argyll an... R ⇩

	Success Measures	On track		
ED05 ... increase number of young people securing positive, sustained destinations	2	1	R	⇩

CO4 Our people are supported to live more active, healthier and independent lives. A ⇨

	Success Measures	On track		
AC01 Community is supported to live active, healthier, independent lives	12	6	A	⇨
CC02 Raised lifelong participation in sport ... healthy lives	2	1	A	⇩

CO5 We work with our partners to tackle discrimination. A ⇩

	Success Measures	On track		
CC03 Adults supported to access 'first steps' learning opportunities ...	2	1	A	⇩

CO6 Vulnerable adults, children and families are protected and supported within their communities. A ⇨

	Success Measures	On track		
AC02 Vulnerable adults at risk are safeguarded	1	1	G	⇨
CC04 Less people will become homeless ... thru proactive approach ...	3	1	R	⇩
CF02 Children, young people and families at risk are safeguarded	4	4	G	⇧

CO7 The places where we live, work and visit are well planned, safer and successful. A ⇩

	Success Measures	On track		
CC07 ... choice of suitable & affordable housing options ...	5	4	A	⇩
CF04 ... making our communities safe from crime, disorder & danger	4			

CO8 Create opportunities for partners and communities to engage in service delivery. A ⇩

	Success Measures	On track		
CC06 Third Sector & communities ... enabled ... developing communities	4	2	A	⇩

CO9 The impact of alcohol and drugs on our communities, and on mental health ... is reduced. G ⇧

	Success Measures	On track		
AC03 The impact of alcohol and drugs ... is reduced	1	1	G	⇧

CO15 Our services are continually improving. A ⇩

	Success Measures	On track		
CC08 Improved literacy, health ... access to ... culture, libraries & museums	4	2	A	⇩

CO16 Our employees have the skills and attitudes to deliver efficient and effective services. G ⇨

	Success Measures	On track		
ED06 Education staff have increased capacity for leadership ...	2	2	G	⇨

Performance Report for **Customer Services**	Period October - December 2013

Key Successes

1. Preferred bidder selected for Scottish Wide Area Network (SWAN) procurement
2. Interactive video kiosks installed
3. Monthly spend on Scottish Welfare Fund reaching allocation
4. Cumulative spend on Discretionary Housing Payments (DHPs) meeting year to date targets
5. Completion of community council election process and implementation of first meetings for new community councils
6. Completion of the extension to Hermitage Primary School, to replace the Victorian annexe building
7. The Catering Service has been awarded the Soil Association's Food for Life Catering Mark Bronze Award for its Primary school meals

Key Challenges

1. Reduce benefits backlogs and Discretionary Housing Payment (DHP) backlogs and improve processing times for new claims
2. Plan for spending additional Discretionary Housing Payments/ welfare reform monies announced 2 October 2013
3. Improve uptake of Council Tax Reduction Scheme (CTRS) as this has fallen adversely affecting council tax collections
4. Progress replacement to Pathfinder North contract
5. Response to the statutory report from the accounts commission including contribution to developing an action plan
6. Introduction of the members Continuing Professional Development toolkit project including 360 feedback
7. Planning for 2014 electoral processes commenced
8. The Scottish Government's recent announcement that all P1 – P3 pupils will receive a free school meal creates a challenge for the service in costing and planning for this change.
9. Delivery of carbon Management Plan target of 20% saving on CO_2 emissions by March 2014.

Action Points to address the Challenges

1. Recruit 2 new staff for Discretionary Housing Payments (DHPs). Further assistance from Capita
2. Progress through new Welfare Reform Working Group sub group and prepare proposals
3. Continue reviewing claimants on Housing Benefit but not on Council Tax Reduction Scheme (CTRS) and contact them as

appropriate to make applications 4. Obtain approval for detailed business case and progress arrangements through Scottish Wide Area Network (SWAN) and Pathfinder North 5. Ongoing dialogue with elected members on structural and process change to address concerns in the report 6. Project plan in place to implement new Continuing Professional Development arrangements with elected members 7. Election team formed and resources issues addressed for specialist support 8. The Catering Service is assessing the likely impact of the increased demand for meals, and is establishing the costs associated with implementing this e.g. food costs, staff, equipment, etc. Close negotiation with Head Teachers will also be necessary, as two sittings may be required in some schools. 9. A number of key projects have had to be deferred due to developments within the Council estate e.g. biomass projects at Oban High School and Campbeltown Grammar School. The 20% reduction target remains. A gap analysis and an assessment of tangible projects including solar photovoltaic (8 Non NPDO and 5 NPDO sites) and biomass conversions (up to 15 subject to business case development) has indicated that the target should be delivered during 2014/15 on the basis that Amenity Services deliver their waste targets.

Corporate Objective 1 - Working together to improve the potential of our people		A ⇨
CO1 Our children are nurtured so that they can achieve their potential.		G ⇨
CO2 Our young people have the skills, attitudes and achievements to succeed throughout their ...	Department's contribution is not measured	
CO3 We have a skilled and competitive workforce capable of attracting employment to Argyll an...	Department's contribution is not measured	
CO4 Our people are supported to live more active, healthier and independent lives.	Department's contribution is not measured	
CO5 We work with our partners to tackle discrimination.	Department's contribution is not measured	
CO6 Vulnerable adults, children and families are protected and supported within their communities.		R ⇨

Corporate Objective 2 - Working together to improve the potential of our communities		R ⇩
CO7 The places where we live, work and visit are well planned, safer and successful.		R ⇩
CO8 Create opportunities for partners and communities to engage in service delivery.		A ⇨
CO9 The impact of alcohol and drugs on our communities, and on mental health ... is reduced.	Department's contribution is not measured	

Customer Services Scorecard 2013-14 FQ3 13/14 Click for Full Outcomes

Corporate Objective 3 - Working together to improve the potential of our area		A ⇨
CO10 We create the right conditions where existing and new businesses can succeed.		A ⇨
CO11 Argyll and Bute has more new businesses operating in the area, creating more jobs.	Department's contribution is not measured	
CO12 Our transport infrastructure meets the economic and social needs of our communities.		A ⇨
CO13 We contribute to a sustainable environment.		A ⇨
CO14 We make the best use of our built and natural environment.	Department's contribution is not measured	

Corporate Objective 4 - Working together to improve the potential of our organisation	A ⇨
CO15 Our services are continually improving.	A ⇧
CO16 Our employees have the skills and attitudes to deliver efficient and effective services.	G ⇨
CO17 We provide good customer service.	A ⇨

...realising our potential together...

RESOURCES					
People	*Benchmark*	*Target*	*Actual*	*Status*	*Trend*
Sickness absence CU		1.83 Days	2.02 Days	R	⇩
PRDs % complete		90 %	92 %	G	
Financial		*Budget*	*Forecast*		
Finance Revenue totals CU		£K 33,025	£K 32,754	R	⇩
Capital forecasts - current year CU		£K 17,013	£K 16,191	A	⇩
Capital forecasts - total project CU		£K 107,586	£K 107,830	A	⇧
Efficiency Savings CU		Target	Actual		
	Actions on track	31	31		
	Savings	£K 671	£K 731	G	⇨
Asset Management - Customer Services					

IMPROVEMENT						*Status* *Trend*
Improvement Plan Outcomes CU	Outcomes	Total No	Off track	On track	Complete	
		22	12	0	10	
CARP Customer Services		Total No	Off track	Due	Complete	
		2	0	0	2	G ⇨

Customer Service CU			Number of consultations		0
Customer Charter		R ⇨	Stage 1 complaints	100 %	G ⇨
Customer satisfaction	98 %	G ⇩	Stage 2 complaints	60 %	R ⇩

Customer Services Audit Recommendations	Overdue		Due in future		Future - off target	
	0	⇨	13	⇧	0	⇧

CU Average Demand Risk	Score	6	Appetite	6	⇨
CU Average Supply Risk	Score	5	Appetite	5	⇨

Page 35

Customer Services Scorecard 2013-14	FQ3 13/14	Click for Full Scorecard
Scorecard owner		

Objective / Measure		Count	Status	Trend
CO1 Our children are nurtured so that they can achieve their potential.			G	⇨
FS01 Children are healthier ... nutritionally balanced school meals	Success Measures	6	G	
	On track	6		⇨
CO6 Vulnerable adults, children and families are protected and supported within their communities.			R	⇨
CS01 Benefits paid promptly whilst minimising fraud	Success Measures	4	R	
	On track	1		⇨
GL06 The best interests of children at risk are promoted	Success Measures	1	R	
	On track	0		⇨
CO7 The places where we live, work and visit are well planned, safer and successful.			R	⇩
FS02 Communities are safer ... through improved facilities	Success Measures	8	A	
	On track	7		⇩
GL04 Improve quality of life & safety of residents & visitors	Success Measures	2	R	
	On track	0		⇨
CO8 Create opportunities for partners and communities to engage in service delivery.			A	⇨
GL05 Electors enabled to participate in the democratic process	Success Measures	1	G	
	On track	1		⇨
GL07 Community Councils are supported	Success Measures	4	R	
	On track	1		⇨

Objective / Measure		Count	Status	Trend
CO10 We create the right conditions where existing and new businesses can succeed.			A	⇨
CS02 Businesses supported in claiming Non Domestic Rates relief	Success Measures	2	G	
	On track	2		⇨
CS03 Maximise opportunities for local businesses to sell to the Council ...	Success Measures	3	R	
	On track	1		⇩
CO12 Our transport infrastructure meets the economic and social needs of our communities.			A	⇨
FS04 School & public transport meets the needs of communities	Success Measures	6	A	
	On track	5		⇨
CO13 We contribute to a sustainable environment.			A	⇨
CS04 Reduced spend on postage and bulk reprographics	Success Measures	1	G	
	On track	1		⇨
FS03 We contribute to the sustainability of the local area	Success Measures	4	A	
	On track	3		⇨

Objective / Measure		Count	Status	Trend
CO15 Our services are continually improving.			A	⇧
CS05 Income from local taxes and sundry debtors is maximised ...	Success Measures	5	A	
	On track	3		⇨
CS06 Increased value is delivered from procurement ...	Success Measures	5	A	
	On track	3		⇨
CS07 Customers can access council services more easily ... service quality	Success Measures	8	A	
	On track	4		⇨
CS08 IT applications & infrastructure available ... and meet business needs	Success Measures	8	G	
	On track	8		⇧
GL03 Members enabled to deal with their caseload	Success Measures	1	R	
	On track	0		⇨
GL09 Provision of high quality ... legal documentation	Success Measures	2	G	
	On track	2		⇧
CO16 Our employees have the skills and attitudes to deliver efficient and effective services.			G	⇨
GL08 Provision of high quality, timely legal advice	Success Measures	2	G	
	On track	2		⇨
CO17 We provide good customer service.			A	⇨
GL01 Framework to support democratic decision making	Success Measures	7	G	
	On track	7		⇧
GL02 Council compliance with governance & info arrangements	Success Measures	4	R	
	On track	2		⇩
GL10 Provision of Liquor & Civic Government Licences	Success Measures	5	A	
	On track	4		⇩

Page 36

Departmental performance report for: **Development and Infrastructure Services**	Period: **October to December 2013**

Key Successes

Roads, transportation and infrastructure

1. The Campbeltown CHORD project was shortlisted for best practice in town centre regeneration at the 2013 SURF Awards in partnership with the Scottish Government. The project also received a Bronze Award for Regeneration at the COSLA Excellence Awards.
2. Dunoon – Wooden Pier Stage 2 application approved for a Scottish Government's Regeneration Award of £350k.
3. Helensburgh – phase 1 West Clyde Street completed.
4. 2013/14 Roads Reconstruction Programme 95% complete at the end of FQ3.
5. Oban - McCaig's Tower Lighting Enhancement project was completed.
6. Routes and Needs Analysis was submitted to Transport Scotland to determine way forward for future Council ferry services.

Economy and partnership working

7. Business Gateway delivered 150 enquiries and 97 appointments (up 3% and 11% respectively on the same quarter last year). 19 new business start-ups and 153 existing businesses were supported through workshops and/or advice. 3 year new business survival stands at 80% against a target of 60% (nationally performance stands at 66%). The combined projected year one FTE jobs created within start-up businesses supported in FQ3 was 18, bringing the year to date total to 83.
8. The Argyll and Bute Employability Team achieved 78 job starts and 131 customer referrals for Argyll and Bute.
9. The Roads Safety Unit has developed and launched iCycle a new road safety resource for P6/7 school children using the latest e-whiteboard technology. Through Transport Scotland the resource has been independently evaluated and has received extremely positive results.
10. The Helensburgh CHORD Shop Fronts Enhancement Initiative was launched.

Environmental, planning and regulatory services

11. The Building Standards Service was awarded the Customer Service Excellence Standard, the Government's official standard for customer service that involved a rigorous two day independent assessment.
12. Development Management continue to report a steady increase in the volume of planning applications and associated fee income with planning application determination performance slightly ahead of target at 76% (target 70%).
13. Reports submitted to Area Committees for approval of the Local Development Plan Schedule 4s.
14. The Argyll and the Isles Coast and Countryside Trust Marketing Tender was awarded.
15. Planning and Performance Framework No. 2 received very positive feedback from the Scottish Government.
16. Agreement reached over the future Amenity Services provision following extensive Area Committee consultation.

Key Challenges 1. To finalise the contractual legal requirements with Shanks necessary to introduce increased recycling services across Mid Argyll, Oban, Lorn and Cowal and in so doing met Zero Waste Legislation. 2. Satisfactorily progress the operational and legislative matters necessary to implement Decriminalised Parking Enforcement. 3. Continuation of Employability Team job start/outcome achievement in light of the reduction in the attachment fee which will drop to zero in June 2014. 4. Engaging growth companies with potential high value start-ups (PHVS) and the Growth Advisory Service remaining a real challenge. 5. Conclude TIF and CHORD Programme Management Resource and Governance planning. 6. Deliver solutions for key listed buildings at risk within Argyll and Bute. 7. Obtain the support of the communities and property owners for THI and Inveraray CARS to secure grants and deliver improvements within set timescales. 8. Obtain clarification over duties under The Flood and Water Management Act. 9. Continue to reduce the cost and impact of absenteeism affecting services with a particular focus on Roads and Amenity Services. 10. Production of a legislative plan addressing High Hedges legislation coming into force in April 2014, necessitating a scheme of delegation, enforcement and support.
Actions to address the Challenges 1. Obtain the necessary approvals with Sharks and their funders or consider alternative courses of action. 2. Ensure there is strict adherence to the Decriminalised Parking Enforcement implementation programme. 3. Closely monitor the Work Programme business model ensuring that the Prime Contractor and customer group needs are achieved whilst developing employer engagement process and In Work Support. 4. £120k package of support launched in November 2013 under Business Gateway Plus having secured ERDF funding with growth potential through the provision of growth grants, workshops and specialist advice being given particular focus. 5. Set and adhere to a clear TIF and CHORD resourcing timetable, identifying a suitable lead officer to bring the programme and governance matters to conclusion. 6. Work in partnership with other council services and external agencies such as HIE, ACHA and Historic Scotland to deliver sustainable solutions. Discussions have recently taken place with Historic Scotland looking at this in a holistic way and prioritising interventions on the basis of agreed outcomes/impacts. 7. Ensure there is a visible presence within the project areas and that there is sufficient support and engagement with communities, property owners and key partners. 8. Work with the local flood district groups and prepare a policy for Member consideration on the Council duties under The Flood and Water Management Act with subsequent service planning taking place to ensure adequate planning and operational provision. 9. Continued focus and rigorous application of the Council’s Maximising Attendance Policy and associated tools to monitor and effectively manage performance at all levels. 10. Implement and refine Scottish Government guidance to meet local needs including updating Scheme of Delegation and new guidance notes and procedures necessary to adequately prepare for the introduction of the High Hedges legislation.

Corporate Objective 1 - Working together to improve the potential of our people	A →
CO1 Our children are nurtured so that they can achieve their potential.	Department's contribution is not measured
CO2 Our young people have the skills, attitudes and achievements to succeed throughout their ...	Department's contribution is not measured
CO3 We have a skilled and competitive workforce capable of attracting employment to Argyll an...	Department's contribution is not measured
CO4 Our people are supported to live more active, healthier and independent lives.	Department's contribution is not measured
CO5 We work with our partners to tackle discrimination.	Department's contribution is not measured
CO6 Vulnerable adults, children and families are protected and supported within their communities.	A →

Corporate Objective 2 - Working together to improve the potential of our communities	A ↓
CO7 The places where we live, work and visit are well planned, safer and successful.	A ↓
CO8 Create opportunities for partners and communities to engage in service delivery.	G →
CO9 The impact of alcohol and drugs on our communities, and on mental health ... is reduced.	Department's contribution is not measured

Development and Infrastructure Scorecard 2013-14 FQ3 13/14 Click for Full Outcomes

Corporate Objective 3 - Working together to improve the potential of our area	A →
CO10 We create the right conditions where existing and new businesses can succeed.	A →
CO11 Argyll and Bute has more new businesses operating in the area, creating more jobs.	A ↓
CO12 Our transport infrastructure meets the economic and social needs of our communities.	A ↓
CO13 We contribute to a sustainable environment.	A →
CO14 We make the best use of our built and natural environment.	A →

Corporate Objective 4 - Working together to improve the potential of our organisation	G →
CO15 Our services are continually improving.	G →
CO16 Our employees have the skills and attitudes to deliver efficient and effective services.	Department's contribution is not measured
CO17 We provide good customer service.	Department's contribution is not measured

...realising our potential together...

RESOURCES

People	*Benchmark*	*Target*	*Actual*	*Status*	*Trend*
Sickness absence DI		2.40 Days	2.72 Days	R	↓
PRDs % complete		90 %	96 %	G	

Financial	*Budget*	*Forecast*	*Status*	*Trend*
Finance Revenue totals DI	£K 32,114	£K 32,157	A	↓
Capital forecasts - current year DI	£K 18,151	£K 17,311	A	↑
Capital forecasts - total project DI	£K 105,024	£K 105,162	A	↓

Efficiency Savings DI		Target	Actual	Status	Trend
	Actions on track	14	12	G	→
	Savings	£K 500	£K 500		

Asset Management - Development & Infrastructure

IMPROVEMENT

					Status	*Trend*
Improvement Plan Outcomes DI	Outcomes	Total No 19	Off track 0	On track 9	Complete 10	A →
CARP Development & Infrastructure		Total No 10	Off track 0	Due 2	Complete 10	G →

Customer Service DI			Number of consultations	1	
Customer Charter		R →	Stage 1 complaints	83 %	G ↑
Customer satisfaction	90 %	G ↓	Stage 2 complaints	100 %	G ↑

Development and Infrastructure Services Audit Recommendations	R	Overdue	Due in future	Future - off target
		1 →	9 →	1 ↓

DI Average Demand Risk	Score	10	Appetite	10	→
DI Average Supply Risk	Score	7	Appetite	7	→

Page 39

Development and Infrastructure Scorecard 2013-14 FQ3 13/14

Click for Full Scorecard

Outcome / Objective	Success Measures	On track	Status	Trend
CO6 Vulnerable adults, children and families are protected and supported within their communities.			A	⇨
PR02 Empowered ... customers ... exercising their legal rights ...	2	1	A	⇨
CO7 The places where we live, work and visit are well planned, safer and successful.			A	⇩
ET02 A&B better connected, safer & more attractive	8	7	A	⇩
PR04 Health, safety etc of people in & around buildings is protected ...	3	3	G	⇨
CO8 Create opportunities for partners and communities to engage in service delivery.			G	⇨
ET04 Harness the potential of the third sector ...	2	2	G	⇨
CO10 We create the right conditions where existing and new businesses can succeed.			A	⇨
PR03 Secure standards re public health & health protection ...	3	2	A	⇩
RA01 Proportionate, safe and available roads infrastructure	4	3	A	⇨
RA02 Road maintenance ... contribute to economic growth ...	2	2	G	⇨
CO11 Argyll and Bute has more new businesses operating in the area, creating more jobs.			A	⇩
ET01 Sustainable economic growth in Argyll and Bute	6	6	G	⇨
PR01 Local economy improved by delivery of sustainable development	3	2	A	⇩
CO12 Our transport infrastructure meets the economic and social needs of our communities.			A	⇩
PR05 Improved & enhanced access to natural environment & green networks	3	3	G	⇨
RA04 Capital projects improve the transport infrastructure ...	4	1	R	⇩
CO13 We contribute to a sustainable environment.			A	⇨
PR06 ... an environment which is safe, promotes health & supports local economy	5	3	A	⇨
RA05 High level of street cleanliness	1	1	G	⇨
RA06 Sustainable disposal of waste	2	2	G	⇨
CO14 We make the best use of our built and natural environment.			A	⇨
ET03 Renewables ... developed ... for the benefit of communities	3	3	G	⇨
PR07 Creation of well designed and sustainable places ...	5	5	A	⇨
CO15 Our services are continually improving.			G	⇨
PR08 Protect health of our communities through effective partnership working	1	1	G	⇨

Page 40

Performance Report for **Chief Executive's**	Period October - December 2013

Key Successes

1. Equalities Forum actively engaging in delivery of equality outcomes
2. Community Planning Activities on track to agreed Scottish Government Improvement Plan at Dec 2013
3. Customer feedback survey from Argyll and Bute Manager programme shows very high satisfaction rates
4. Corporate Improvement Board Project on Business Process Re-engineering is on track and received positive feedback from roads and amenity services
5. Over 80 officers were trained in the new Emergency Response procedures throughout October
6. The Health and Safety team is on track with all health surveillance surveys for audiometry and hand-arm-vibration
7. Excellent progress is being made with the delivery of the Argyll and Bute Manager programme with 86 delegates trained in FQ3
8. Attendance across the IHR service is above target
9. Accounts, budget and treasury success measures generally on track and satisfaction levels above target.
10. Most internal audit success measures on track but overall audit plan is behind schedule.

Key Challenges

1. Health and safety training on responsible persons did not achieve its target. This was due to lower demand in FQ2 which has rolled over into FQ3
2. Number of fire risk assessments carried out was 17, 2 lower than the target of 19. This was as a result of the Fire and Rescue Service recommending that the programme be adjusted to include FRAs of a higher number of more complex buildings than was originally planned.
3. HR/OD Strategy has been to HR Board in draft and final comments were included at the end of the quarter.
4. PRDs have not reached their target in IHR due to absence in some of the teams
5. Audit plans an audit days input behind schedule due staff shortages.
6. Unable to complete summarised audited accounts.
7. Staff absence rate above target due to impact of a few longer term absences – significant impact on figures for a small team.
8. Currently short of PRD target 62% compared to 90%.
9. 3 improvement plan actions off track due to staff vacancies and other activity taking priority eg Oracle Upgrade.
10. 1 overdue and 1 off track audit recommendations.

Action Points to address the Challenges

1. Raise awareness amongst officers in key services areas of the availability of responsible persons training and encourage attendance
2. Continue to work with the Fire and Rescue Service to complete priority FRAs. This may result in the target not being achieved numerically, but the risk to the organisation will have been reduced.
3. HR/OD strategy being considered in final draft at HR Board in January and will be complete by the end of FQ4
4. All IHR managers have been reminded that PRDs are a priority and must be brought back on track by the end of the quarter.
5. Additional input has been secured externally and the audit plan rescheduled – as per report to December Audit Committee.
6. Improve planning and organisation to allow summarised annual accounts to be completed timeously next year.
7. Continue to manage absences in accordance with attendance policy.
8. Plan in place to ensure target achieved by 31 March 2014.
9. Improvement plan actions outstanding carried forward and will be planned better in 2014-15.
10. Firm dates now agreed and resources committed to ensure audit recommendations addressed.

Corporate Objective 1 - Working together to improve the potential of our people	G →
CO1 Our children are nurtured so that they can achieve their potential.	Department's contribution is not measured
CO2 Our young people have the skills, attitudes and achievements to succeed throughout their ...	Department's contribution is not measured
CO3 We have a skilled and competitive workforce capable of attracting employment to Argyll an...	Department's contribution is not measured
CO4 Our people are supported to live more active, healthier and independent lives.	Department's contribution is not measured
CO5 We work with our partners to tackle discrimination.	G →
CO6 Vulnerable adults, children and families are protected and supported within their communities.	Department's contribution is not measured

Corporate Objective 2 - Working together to improve the potential of our communities	A →
CO7 The places where we live, work and visit are well planned, safer and successful.	A →
CO8 Create opportunities for partners and communities to engage in service delivery.	G →
CO9 The impact of alcohol and drugs on our communities, and on mental health ... is reduced.	Department's contribution is not measured

Chief Executive's Scorecard 2013-14 FQ3 13/14 Click for Full Outcomes

Corporate Objective 3 - Working together to improve the potential of our area	
CO10 We create the right conditions where existing and new businesses can succeed.	Department's contribution is not measured
CO11 Argyll and Bute has more new businesses operating in the area, creating more jobs.	Department's contribution is not measured
CO12 Our transport infrastructure meets the economic and social needs of our communities.	Department's contribution is not measured
CO13 We contribute to a sustainable environment.	Department's contribution is not measured
CO14 We make the best use of our built and natural environment.	Department's contribution is not measured

Corporate Objective 4 - Working together to improve the potential of our organisation	R ↓
CO15 Our services are continually improving.	A →
CO16 Our employees have the skills and attitudes to deliver efficient and effective services.	A ↓
CO17 We provide good customer service.	R →

Argyll & Bute COUNCIL

...realising our potential together...

RESOURCES

People	*Benchmark*	*Target*	*Actual*	*Status*	*Trend*
Sickness absence CE		1.7 Days	1.5 Days	G	↑
PRDs % complete		90 %	76 %	R	
Financial	*Budget*		*Forecast*		
Finance Revenue totals CE	£K 5,731		£K 5,571	R	↓
Capital forecasts - current year CE	£K 0		£K 0		
Capital forecasts - total project CE	£K 0		£K 0		

Efficiency Savings CE		Target	Actual	Status	Trend
	Actions on track	14	14		
	Savings	£K 397	£K 418	G	→

IMPROVEMENT *Status Trend*

					Status	Trend
Improvement Plan Outcomes CE	Outcomes	Total No	Off track	On track	Complete	
		24	4	3	17	A →
CARP Chief Executive's		Total No	Off track	Due	Complete	
		2	0	2	2	G →

Customer Service CE			Number of consultations	0		
Customer Charter		R →	Stage 1 complaints	50 %	R	↓
Customer satisfaction	93 %	G ↑	Stage 2 complaints	0 %	G	→

Chief Executive's Audit Recommendations	R	Overdue	Due in future	Future - off target
		3 ↑	18 ↑	1 ↓

CE Average Supply Risk	Score	3	Appetite	3	↑
CE Average Demand Risk	Score	3	Appetite	3	↑

Chief Executive's Scorecard 2013-14 FQ3 13/14

Click for Full Scorecard

Objective		Count	Status
CO5 We work with our partners to tackle discrimination.			G →
IH01 Employees skilled ... to recognise and tackle discrimination	Success Measures	1	G
	On track	1	→

Objective		Count	Status
CO7 The places where we live, work and visit are well planned, safer and successful.			A →
IH04 Communities and employees are prepared to deal with major incidents	Success Measures	3	A
	On track	3	↓
IH05 Healthy & safe environment for employees and service users	Success Measures	7	A
	On track	5	→

Objective		Count	Status
CO8 Create opportunities for partners and communities to engage in service delivery.			G →
IH02 Community planning... delivers on shared outcomes	Success Measures	1	G
	On track	1	→

Objective		Count	Status
CO15 Our services are continually improving.			A →
IH03 Our services are continually improving	Success Measures	3	G
	On track	3	↑
IH08 HR provides efficient transactions and professional advice ...	Success Measures	7	A
	On track	6	→
IH09 We promote a sustainable future for the Gaelic language	Success Measures	1	G
	On track	1	→
SF01 Effective planning, reporting and management of finance ...	Success Measures	22	A
	On track	21	→
SF02 Assurance...that financial and management controls are operating effectively	Success Measures	7	A
	On track	6	→

Objective		Count	Status
CO16 Our employees have the skills and attitudes to deliver efficient and effective services.			A ↓
IH06 Employees have skills/attitudes to deliver efficient/effective services	Success Measures	6	A
	On track	6	↓

Objective		Count	Status
CO17 We provide good customer service.			R →
IH07 We provide good customer services	Success Measures	1	R
	On track	0	→

Performance Report for **Council Scorecard**	Period **October - December 2013**

Key Successes

1. Cumulative spend on Discretionary Housing Payments (DHPs) is meeting targets.
2. Completion of community council election process and implementation of first meetings for new community councils.
3. The proportion of school leavers moving on to positive destinations increased from 90.1% to 92.5% over the year, the highest percentage ever reported in the authority.
4. Business Gateway and the Employability Team report increasing success in supporting businesses and individuals as the economy recovers.
5. The high number of 3rd sector groups receiving support, advice and assistance from the council has been maintained.
6. The Catering Service has been awarded the Soil Association's Food for Life Catering Mark Bronze Award for its Primary school meals.

Key Challenges

1. Sickness absence is high, reducing productivity and efficiency.
2. Progressing health and social care integration with NHS Highland by the implementation date of April 2015.
3. Tackling fuel poverty, extreme fuel poverty is on the increase.
4. Managing personnel changes and the restructuring in line with the Education Management Review.
5. The Scottish Government's recent announcement that all P1 – P3 pupils will receive a free school meal creates a challenge for the service in costing and planning for this change.
6. Progressing the operational and legislative matters necessary to implement Decriminalised Parking Enforcement.

Action Points to address the Challenges

1. Closer management of the sickness absence processes, including Return to Work Interviews, analysis of stress, etc.
2. To develop and agree an Integration Plan with NHS Highland for submission to the Scottish Government setting out the model and arrangements for integration.
3. Implement revised Home Energy Efficiency Programme Area Based Schemes to combat fuel poverty.
4. Ensure quality communication and robust engagement to ensure the success of the Education Management Review.
5. The Catering Service is assessing the likely impact of the increased demand for meals, and is establishing the costs associated with implementing this e.g. food costs, staff, equipment, etc. Close negotiation with Head Teachers will also be necessary, as two sittings may be required in some schools.
6. Delivery of the Decriminalised Parking Enforcement implementation programme.

...realising our potential together...

2013 Corporate Objective 1 - Working together to improve the potential of our people	Status	Trend
CO1 Our children are nurtured so that they can achieve their potential.	A	→
CO2 Our young people have the skills, attitudes and achievements to succeed throughout their ...	A	→
CO3 We have a skilled and competitive workforce capable of attracting employment to Argyll an...	R	↓
CO4 Our people are supported to live more active, healthier and independent lives.	A	→
CO5 We work with our partners to tackle discrimination.	A	↓
CO6 Vulnerable adults, children and families are protected and supported within their communities.	R	→
Objective 1 [People] Corporate Statements 2013		

Overall status for Objective 1: R ↓

2013 Corporate Objective 2 - Working together to improve the potential of our communities	Status	Trend
CO7 The places where we live, work and visit are well planned, safer and successful.	A	→
CO8 Create opportunities for partners and communities to engage in service delivery.	A	→
CO9 The impact of alcohol and drugs on our communities, and on mental health ... is reduced.	G	↑
Objective 2 [Communities] Corporate Statements 2013		

Overall status for Objective 2: A ↑

2013 Corporate Objective 3 - Working together to improve the potential of our area	Status	Trend
CO10 We create the right conditions where existing and new businesses can succeed.	A	→
CO11 Argyll and Bute has more new businesses operating in the area, creating more jobs.	A	↓
CO12 Our transport infrastructure meets the economic and social needs of our communities.	A	→
CO13 We contribute to a sustainable environment.	A	→
CO14 We make the best use of our built and natural environment.	A	→
Objective 3 [Area] Corporate Statements 2013		

Overall status for Objective 3: A →

2013 Corporate Objective 4 - Working together to improve the potential of our organisation	Status	Trend
CO15 Our services are continually improving.	A	→
CO16 Our employees have the skills and attitudes to deliver efficient and effective services.	A	↓
CO17 We provide good customer service.	R	↓
Objective 4 [Organisation] Corporate Statements 2013		

Overall status for Objective 4: R ↓

Council Scorecard 2013-14 FQ3 13/14

IMPROVEMENT

A&B Council Audit Recommendations	Recommendations overdue	Recommendations due in future	Future recommendations off target
	4 ↑	43 ↑	2 ↓

DRAFT Strategic Risk Register 2013 H = M = L =

Risk - % exposure: SRR awaits Council's consideration

Corporate Improvement Plan 2012-15 Actions	Total No	Off track	On track	Complete	
	12	12			

CARP 2013-14 Critical Activity Recovery Plans	Total No	Off track	Due	Complete	Status Trend
	114	59	88	29	R →

OUTCOMES

Customer Service ABC				Number of consultations	4		
Customer Charter		R	→	Stage 1 complaints	87 %	G	↑
Customer satisfaction	94 %	G	↓	Stage 2 complaints	73 %	R	↓

Community Plan & SOA 2012-13: The SOA 2013-23 is under development

RESOURCES

People	*Benchmark*	*Target*	*Actual*	*Status*	*Trend*
HR1 - Sickness absence ABC		2.43 Days	2.56 Days	R	↓
PRDs % complete		90 %	60 %	R	

Financial	*Budget*	*Forecast*	Status	Trend
Finance Revenue totals ABC	£K 253,705	£K 253,631	A	↓
Capital forecasts - current year ABC	£K 35,164	£K 33,502	A	↑
Capital forecasts - total project ABC	£K 212,610	£K 212,992	A	↓

Efficiency Savings ABC		Target	Actual	Status	Trend
	Actions on track	80	73		
	Savings	£K 2,662	£K 2,495	R	→

Assets	*Total Number*	*On track*	*Status*	*Trend*
Community Services red risk assets	0	0		
Customer Services red risk assets	7	7	G	→
Dev't & Infrastructure red risk assets	5	2	R	→

ARGYLL AND BUTE COUNCIL	**PERFORMANCE REVIEW AND SCRUTINY**
CUSTOMER SERVICES	**14 FEBRUARY 2014**

CORPORATE IMPROVEMENT PLAN PROGRESS

1 INTRODUCTION

1.1 This report provides the PRS with an update on the progress of the Corporate Improvement Plan.

2 RECOMMENDATION

2.1 Members note the content of the report.

3 DETAIL

3.1 The current Corporate Improvement Programme has been in place for about 15 months. Progress on the projects that make up the programme has been reviewed regularly by the Corporate Improvement Board according to an agreed timetable.

3.2 In November, the PRS noted a report that highlighted some of the changes to the programme of projects, indicating where there was a change to the project or to the reporting structure/governance required. This reduced the overall number of projects reporting to the Board. The November report also highlighted that the Corporate Improvement Board would be subsumed within SMT, with the SMT agenda focussing on Corporate Improvement Programme activities on a monthly basis. This has now been put in place.

3.3 Corporate Improvement Plan Project Progress Update

Project	Main Objectives	Progress to Date	Status (red, amber, green)
Service Prioritisation	Formerly part of the wider Productivity and Service Improvement Project, this has been identified as a separate project which will develop a	Service prioritisation was put on hold by the council in August. The budget strategy was agreed by the council in November. It states that service prioritisation is	Green

	framework/process to deliver budget savings over the next 5-7 years.	important to ensuring that council resources are aligned to the SOA. Delivery plans for this are currently being developed and are due to be completed by end of May 2014.	
Workforce Planning	Workforce Planning will be incorporated in the overall service prioritisation project. It will deliver an overall approach, guidance, training and toolkit.	A workforce planning framework, as developed by the IS, has been introduced to the council and will be the subject of an intensive workshop at the March COSO meeting.	Green
BPR	Business Process Re-engineering (BPR) was formerly part of the wider Productivity and Service Improvement Project. It is now being implemented as an individual project. The project is using lean management techniques to improve efficiencies in services.	A trainer facilitator has been engaged and a BPR team of corporate and service officers has been identified. An initial programme of reviews has been started across 6 service areas. These are making good progress and delivering early, positive results.	Green
Asset Management	Carry out an assessment of the council's current Service Asset Management Plans and ascertain whether this is a way of delivering asset management that better coordinates the requirements of the council as a whole	A review of the council's asset management processes was agreed by the Asset management board and is now in place. A revised approach to developing asset management plans has also been put in place for the 2014/15 budget process.	Green
Customer Management	Council wide development of customer service. Ongoing implementation of the customer	The Customer Service Centre and Registration Service review is complete and final implementation is now	Green

	management phase of process for change. Customer Service Centre and Registration Service Service Review. Web and Intranet development	being monitored.	
ICT Development and Information Management	Proactively looking at ICT innovations and assess potential value of these. Work with services to develop and deliver projects for how ICT could bring efficiencies to services. Improving information management.	The ICT Strategy was approved by Council in September. A range of investigations are continuing which aim to exploit innovative and available technologies to improve service delivery.	Green
Support Service review (Phase 2)	The Support Services Phase 2 project was looking at the most effective way for the council to deliver support.	A preferred option was approved by the Support Services Review Board in November and implemented in January. This resulted in IHR moving to Customer Services and Community Planning moving to Community and Culture. The project is now complete	Green
Procurement and Sourcing Strategies	Ongoing improvement of Procurement Capability Assessment score. Controlling procurement costs through retendering, looking at demand/need for quality/volume of goods and services and specification. Develop service sourcing strategies (over a three year period)	Contract management meetings are regularly taking place based on the level of risk and contract value. New sourcing strategies are being developed in the new format.	Green

4 CONCLUSION

4.1 The Corporate Improvement Programme is making good progress against its targets. Of the seven projects in the programme all are on track and green.

5 IMPLICATIONS

5.1	Policy	None directly from this report but the corporate Improvement Programme sets out the policy for corporate improvement across the council
5.2	Financial	None directly from this report, but securing financial savings is a key aspect of the Corporate Improvement Programme
5.3	HR	None directly from this report, but there will be HR implications from some of the project activities in the programme.
5.4	Legal	None directly from this report
5.5	Equal Opportunities	Compliance with equalities policy is implemented through EQIAs in all Corporate Improvement Programme projects.
5.6	Risk	None directly from this report but risk is considered as an integral part of the project management approach used in delivery of the Corporate Improvement Programme.
5.7	Customer Service	None directly from this report, but Customer Management is one of the projects in the Corporate Improvement Plan.

Jane Fowler, Head of Improvement and HR
Tel 01546 604466

Agenda Item 8

ARGYLL AND BUTE COUNCIL **PERFORMANCE REVIEW AND SCRUTINY COMMITTEE**

COMMUNITY AND CULTURE **27 FEBRUARY 2014**

PROGRESS REPORT ON SINGLE OUTCOME AGREEMENT 2013-23

1 INTRODUCTION

1.1 This paper updates the PRS Committee on progress that has been made on developing the Argyll and Bute 2013-23 Single Outcome Agreement.

2 RECOMMENDATION

2.1 It is recommended that the PRS Committee
- (i) Note the progress that has been made in developing the Argyll and Bute Single Outcome Agreement 2013-23
- (ii) Note that the preparation of the delivery plans for the 6 outcomes is well underway informed by the community consultation events.

3 DETAIL

3.1 Development of the Single Outcome Agreement 2013-23 and the delivery plans for the 6 outcomes contained within continues to be positive.

3.2 The Single Outcome Agreement 2013-23 for Argyll and Bute Community Planning Partnership was submitted to the Scottish Government for Quality Assurance in July 2013 and feedback has now been received

3.3 The feedback was positive and allowed a timetable of development actions to be prepared to achieve a finalised Single Outcome Agreement with delivery plans for each of the six outcomes by May 2014.

3.4 Consultation is underway at a local level with local community planning events being held across Argyll and Bute. The information gathered at these events will help to inform the delivery plans.

3.5 In addition, as part of the Council's consultation exercise on the 2014/15 budget the Council asked for comments on the 6 outcomes and this feedback will also help to inform the delivery plans

3.6 Once the SOA and delivery plans are approved they will be issued to the Scottish Government. The process for monitoring and managing performance on its delivery will then be developed and reported to the PRS Committee.

4 CONCLUSION

4.1 The Argyll and Bute Single Outcome Agreement 2013-23 has been developed and considered by Council. The Quality Assurance process with Scottish Government is now complete. The delivery plans for the 6 outcomes are now being prepared, informed by the local consultation events. Once agreed, a process for monitoring and managing their delivery will be developed and reported to the PRS Committee.

5 IMPLICATIONS

Policy	The SOA will set the strategic context for the council and partner policy for the next 10 years.
Financial	The outcomes in the SOA will shape the spend of the council and partner organisations.
HR	None
Legal	The council is required under the Local Government Scotland Act 2003 to initiate and facilitate community planning.
Equal Opportunities	The SOA is compliant with and promotes equal opportunities as set out in the Equalities Act 2010
Customer Services	A clear and strategic SOA supports the further development of quality customer service across Argyll and Bute.
Risk	Failure to develop an appropriate SOA will put service delivery that improves outcomes for people in Argyll and Bute at risk.

Cleland Sneddon
Executive Director Community Services

For further information contact:
Donald MacVicar
Head of Community and Culture
Tel 01546 604364

Agenda Item 9

ARGYLL AND BUTE COUNCIL | **PERFORMANCE REVIEW AND SCRUTINY COMMITTEE**

HEAD OF STRATEGIC FINANCE | **27 FEBRUARY 2014**

TREASURY MANAGEMENT MONITORING REPORT – 31 DECEMBER 2013

1 SUMMARY

1.1 This report summarises the monitoring as at 31 December 2013 of the Council's:

- Overall Borrowing Position
- Borrowing Activity
- Investment Activity
- Economic Forecast
- Prudential Indicators.

2 RECOMMENDATIONS

2.1 The treasury management monitoring report is noted.

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 the 31 March 2014. The CFR represents the underlying need for the Council to borrow to fund its fixed assets and accumulated capital expenditure.

	Forecast 2013/14 £000's	**Budget 2013/14 £000's**	**Forecast 2014/15 £000's**	**Forecast 2015/16 £000's**
CFR at 1 April	258,398	271,150	256,373	269,280
Net Capital Expenditure	16,016	19,586	30,499	27,160
Less Loans Fund Principal Repayments	(18,041)	(18,041)	(17,592)	(12,123)
Estimated CFR 31 March	**256,373**	**272,695**	**269,280**	**284,317**
Less Funded by NPDO	(79,218)	(79,218)	(77,968)	(76,718)
Estimated Net CFR 31 March	**177,155**	**193,477**	**191,312**	**207,599**
Estimated External Borrowing at 31 March	161,250	170,407	175,407	180,407
Gap	**15,905**	**23,070**	**15,905**	**27,192**

3.2 Borrowing is currently estimated to be below the CFR for the period to 31 March 2014. This reflects the approach taken to minimise surplus cash on deposit in order to avoid overdue exposure to investment / credit worthiness risks. However if it becomes clear that longer term interest rates are due to increase significantly the position will be reviewed to ensure the Council locks in funding at low interest rates.

3.3 The Council's estimated net capital financing requirement at the 31 December 2013 is £176.380m. The table below shows how this has been financed. Whilst borrowing is less than CFR there are substantial internal balances (mainly the General Fund) of which £53m is currently invested.

	Position at 30/9/2013 £000's	**Position at 31/12/2013 £000's**
Loans	160,598	161,211
Internal Balances	78,597	68,232
Less Investments & Deposits	(59,167)	(53,063)
Total	180,028	176,380

Borrowing Activity

3.4 The table below summarises the borrowing and repayment transactions in the period 1 October 2013 to 31 December 2013.

	Actual £000's
External Loans Repaid 1 October to 31 Dcember 2013	58
Borrowing undertaken 1 October to 31 December 2013	671
Net Movement in External Borrowing	**613**

3.5 No local bonds were repaid in the period 1 October 2013 to 31 December 2013.

3.6 No new local bonds were taken out in the period 1 October 2013 to 31 December 2013.

3.7 The table below summarises the movement in level and rate of temporary borrowing at the start and end of the quarter. Owing to the levels of internal balances and surplus cash temporary borrowing has been minimal. The increase includes an additional £620k received for the Section 75 Agreement in respect of the Waitrose development which has been placed on temporary deposit.

	£000s	**% Rate**
Temp borrowing at 1 October 2013	727	0.49%
Temp borrowing at 31 December 2013	1,340	0.53%

Investment Activity

3.8 The average rate of return achieved on the Council's investments to 31 December 2013 was 0.784% compared to the average LIBID rate for the same period of 0.348% which demonstrates that the Council is achieving a reasonable rate of return on its cash investments. At the 31 December 2013 the Council had £53m of short term investment at an average rate of 0.784%. 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 of the counterparties.

<table>
<tr><th>Counterparty</th><th>Maturity</th><th>Amount £000s</th><th>Interest Rate</th><th>Rating</th></tr>
<tr><td>Bank of Scotland</td><td>Instant Access</td><td>5,500</td><td>0.40%</td><td rowspan="3">Short Term A-1, Long Term A</td></tr>
<tr><td>Bank of Scotland</td><td>31/10/2014</td><td>5,000</td><td>0.98%</td></tr>
<tr><td>Bank of Scotland</td><td>16/12/2014</td><td>5,000</td><td>0.98%</td></tr>
<tr><td>Royal Bank of Scotland</td><td>Instant Access</td><td>1,500</td><td>0.50%</td><td rowspan="2">Short Term A-2, Long Term A-</td></tr>
<tr><td>Royal Bank of Scotland</td><td>95 Days Notice</td><td>15,000</td><td>0.80%</td></tr>
<tr><td>Clydesdale Bank</td><td>Instant Access</td><td>7,063</td><td>0.50%</td><td>Short Term A-2, Long Term BBB+</td></tr>
<tr><td>Handelsbanken</td><td>Instant Access</td><td>11,500</td><td>0.55%</td><td rowspan="3">Short Term A-1+, Long Term AA-</td></tr>
<tr><td>Handelsbanken</td><td>10 Day Notice</td><td>1,000</td><td>0.65%</td></tr>
<tr><td>Handelsbanken</td><td>30 Day Notice</td><td>1,000</td><td>0.70%</td></tr>
<tr><td>Santander</td><td>Instant Access</td><td>500</td><td>0.40%</td><td>Short Term A-1, Long Term A</td></tr>
<tr><td>Total</td><td></td><td>53,063</td><td></td><td></td></tr>
</table>

3.9 The deposit with the Clydesdale Bank of £7.063m exceeded the limit of £5m due to the receipt of income during the Council closedown for the Christmas period, this increased to £9.998m on the 2nd of January when Council Tax income was received. Cash was transferred to another counterparty on the 3rd of January to bring the balance below the £5m limit but a further £803k of income was received after the cut off time for transferring funds outwith the Clydesdale Bank which was swept into the Instant Access Account in order to receive interest over the weekend. A further transfer was carried out of Monday the 6th of January to reduce the balance to under the £5m limit.

3.10 All other 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.

3.11 The Council opened an Instant Access Account and 10 and 35 Day Notice Accounts with Svenska Handelsbanken AB a Swedish bank in October and November 2013 and placed cash on deposit with them on the 18th of December. The bank is well rated and meets the credit worthiness requirements for placing funds up to 100 days. The bank was chosen as it is offering reasonable rates of return and meets the requirements of the Annual Investment Strategy for the diversification of counterparties.

3.12 The current market conditions have made investment decisions more difficult as the number of counterparties which meet the Council's parameters has reduced making it harder to achieve reasonable returns while limiting the exposure to any one institution.

3.13 In response to the low investment returns available in the market and the reduced likelihood of increases in base rate it has been decided to place fixed deposits with the part nationalised banks for periods up to 12 months to increase returns without significantly increasing the risks associated with the investments.

Economic Forecast

3.14 The economic background for the period to 30 December 2013 is shown in appendix 1.

Prudential Indicators

3.15 The prudential indicators for 2013-14 are attached in appendix 2.

4 IMPLICATIONS

Policy -	None
Financial –	None
Legal -	None
HR -	None
Equalities -	None
Risk -	None
Customer Service -	None

For further information please contact Bruce West, Head of Strategic Finance 01546-604220

Bruce West
Head of Strategic Finance
28 January 2014

Appendix 1

Economic background:

- The fourth quarter of 2013 saw:
    - Signs that GDP growth may have accelerated;
    - Evidence pointed to a moderation of household spending growth;
    - Inflation fell to its lowest level since November 2009;
    - Unemployment approached the MPC's 7% forward guidance threshold;
    - The MPC maintained the stance of monetary policy;
    - 10-year gilt yields rose to 3% and the FTSE 100 reach 6749;
    - The Federal Reserve decided to reduce the size of its monthly asset purchases by $10bn (from $85bn to $75bn).
- After growing at a healthy quarterly rate of 0.8% in Q3, some of the early signs are that GDP growth was even stronger in the final quarter of last year. On the basis of past form, the CIPS/Markit business activity surveys point to quarterly GDP growth of around 1.5% in the final quarter. The official data available for the fourth quarter so far have also been encouraging. For example, if October's 0.4% monthly expansion in industrial output was matched in the final two months of the year, quarterly growth in Q4 would have been almost 1%.
- Household spending growth, though, may have slowed. Numerous indicators of retail sales, including the official measure and those produced by the CBI and BRC, suggest that consumer spending growth was weak in the first two months of Q4. This is not to say the consumer recovery has run its course. Indeed, the CBI survey showed a strong pick-up in sales in December. And the official measure of retail sales in the same month will be boosted by the inclusion of 'Black Friday' (despite this actually falling in the last week of November) which more timely data suggests saw a strong surge in sales. But it would take monthly growth of 1.6% in December for retail sales just to flat line in Q4 as a whole.
- Nevertheless, growth in sales off the high street may not have done so badly. For instance, although growth in new car registrations slowed in Q4, it remained fairly strong, achieving 7% annual growth in December. So it still seems likely that overall household spending rose in the fourth quarter.

- Although it is still high, the unemployment rate has been falling quickly towards the Monetary Policy Committee's (MPC) 7% threshold for re-assessing the stance of monetary policy. Employment rose by 250,000 in the three months to October, the largest quarterly gain since mid-2010. This brought the unemployment rate down to 7.4%, compared to a rate of 7.7% in the three months to July. What's more, the ONS' experimental single-month estimate of unemployment reached 7% in October.
- The decline in unemployment, which has been faster than the MPC predicted in November, has prompted overnight index swap markets to price in a rate rise as soon as Q1 2015. But Committee members have increasingly emphasised that the 7% unemployment rate is a threshold for reconsidering policy, rather than a trigger for raising rates. Indeed, the Bank's Chief Economist Spencer Dale said that interest rates would remain low not just until unemployment had dropped, but also until the economy had "seen a prolonged period of strong growth...[and] real incomes are higher".
- The recent fall in, and improvement in the outlook for, inflation, suggests that interest rates will probably remain on hold even if the unemployment rate falls quickly to the 7% threshold. Indeed, CPI inflation has fallen quite sharply, reaching 2.1% in November. This was the lowest rate in four years. A number of factors contributed to this. Falling commodity prices put downward pressure on food and petrol prices, while sterling's 7% appreciation on a trade-weighted basis since its low point in July may have helped core inflation to fall. Admittedly, CPI inflation might have ticked up again in December when energy companies raised their prices. But inflation should continue to fall after that, given that commodity prices have been flat over the past year or so and sterling's recent strength has reduced import prices, which should begin feed into prices on the high street.
- The housing market continued to recover in Q4, supported by the earlier implementation of the mortgage guarantee element of the Government's Help to Buy Scheme. Prices rose at an annual rate of 8.4% and 6.4% in November according to the Halifax and Nationwide measures, respectively. And would-be buyers continue to enter the market more quickly than sellers, with the RICS survey pointing to further price rises. The cost of new mortgages remains low, too, with the quoted interest rate on a 5-year fixed mortgage at a 75% loan-to-value ratio at 3.36% in November, 2 basis points lower than the average in Q3 and 81 basis points lower than when the Funding for Lending Scheme (FLS) was introduced in July 2012. But talk of a housing bubble on the national level still seems to be wide of the mark, with prices well below their pre-crisis peak in real terms. Moreover, the FLS was adjusted so that it no longer provides cheap finance for mortgages.

- Meanwhile, there were few surprises in the Autumn Statement. The Chancellor announced a fiscally neutral package of policies, with measures to ease the cost of households' utility bills offset by further spending cuts. More bullish forecasts from the OBR left expected public borrowing over the next five years £73 billion lower than projected in the March Budget. All this left Mr Osborne expected to meet his primary fiscal mandate to balance the cyclically adjusted current budget in five years a year early, though he still misses the supplementary target for the debt to GDP ratio to be falling in 2015/16.
- Internationally, the biggest news was the Federal Reserve's decision at its December meeting to begin tapering its asset purchases. Although the announcement that the Fed's monthly purchases would be reduced by $10bn was not the consensus view, which saw tapering beginning in the early part of 2014, it was not a big surprise. The decision reflected the relative strength of the US labour market, which on average added over 200,000 jobs per month in the four months up to November.
- Markets took the Fed's move in their stride, with equities and bond yields up slightly on the day. Over the quarter, equities performed well domestically and overseas as economic prospects improved. The FTSE 100 was up by 4.4% to 6749, while the S&P 500 rose by almost 10%. Gilt yields also rose, with the ten-year rate ending Q4 28 basis points higher at 3%, having closely tracked US Treasury yields. Sterling rose by 2.3% against the dollar to finish the year at 1.66, while it rose by 0.5% against the euro to 1.20.
- Activity indicators in the Eurozone point towards continued weak, albeit positive, economic growth in the fourth quarter of 2013 after a mere 0.1% quarterly expansion in Q3. And disinflationary pressures are intense. Although CPI inflation rose from 0.7% to 0.9% in November, it remains well below the ECB's target of below but close to 2%. This is despite the ECB cutting its main refinancing rate by 25 basis points to 0.25% in November.

APPENDIX 2 : PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2013/14	2013/14	2014/15	2015/16
(1). EXTRACT FROM BUDGET AND RENT SETTING REPORT				
	Original Estimate	**Forecast Outturn**	**Forecast Outturn**	**Forecast Outturn**
Capital Expenditure	**£'000**	**£'000**	**£'000**	**£'000**
Non - HRA	35,045	33,402	50,185	44,218
TOTAL	35,045	33,402	50,185	44,218
Ratio of financing costs to net revenue stream				
Non - HRA	10.69%	10.69%	10.45%	10.22%
Net borrowing requirment				
brought forward 1 April *	271,150	271,150	272,695	279,355
carried forward 31 March *	272,695	272,695	279,355	278,621
in year borrowing requirement	1,545	1,545	6,660	(734)
In year Capital Financing Requirement				
Non - HRA	1,545	1,545	6,660	(734)
TOTAL	1,545	1,545	6,660	(734)
Capital Financing Requirement as at 31 March				
Non - HRA	272,695	272,695	279,355	278,621
TOTAL	272,695	272,695	279,355	278,621
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p
Increase in Council Tax (band D) per annum	6.28	6.28	17.68	1.15

PRUDENTIAL INDICATOR	2013/14	2014/15	2015/16
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	**£'000**	**£'000**	**£'000**
Authorised limit for external debt -			
borrowing	231,000	240,000	240,000
other long term liabilities	95,000	95,000	95,000
TOTAL	326,000	335,000	335,000
Operational boundary for external debt -			
borrowing	226,000	235,000	235,000
other long term liabilities	94,000	94,000	94,000
TOTAL	320,000	329,000	329,000
Upper limit for fixed interest rate exposure			
Principal re fixed rate borrowing	180%	140%	140%
Upper limit for variable rate exposure			
Principal re variable rate borrowing	90%	90%	90%
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 2012/13	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	80%	0%

Agenda Item 10

ARGYLL AND BUTE COUNCIL	PERFORMANCE REVIEW AND SCRUTINY COMMITTEE
STRATEGIC FINANCE	27 FEBRUARY 2014

TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY

1 INTRODUCTION

1.1 The attached Treasury Management Strategy Statement and Annual Investment Strategy sets out the strategy and investment products which will be used to manage the Council's treasury transactions for the year.

1.2 The Council currently complies with the Code of Practice on Treasury Management. A revised code has been prepared which changes the wording of the Treasury Management Policy Statement and the Council should adopt the revised wording.

2 RECOMMENDATIONS

2.1 The Treasury Management Strategy Statement and Annual Investment Strategy are forwarded to Council for approval.

2.2 The Treasury Management Policy Statement is forwarded to Council for approval.

3 DETAIL

3.1 The Council requires to approve a Treasury Management Strategy Statement and Annual Investment Strategy in advance of the start of the each financial year. The statement sets out the Council's strategy for borrowing and investment for the forthcoming year along with the Council's Prudential Indicators.

3.2 As part of the scrutiny of the Treasury Management Strategy Statement and Annual Investment Strategy the Performance Review and Scrutiny Committee are being asked to review the attached strategies and comment on it before it is submitted to Council for approval.

3.3 The Treasury Management Strategy Statement and Annual Investment Strategy meet the requirements of the CIPFA Code of Practice on Treasury Management in Local Authorities.

4 CONCLUSION

4.1 The paper meets the requirements of the Treasury Management Code of Practice and the Investment Regulations.

Policy – Sets the policy for Borrowing and Investment Decisions
Financial – Sets the limits for maximum financial exposure for Borrowing and Investment
Legal – None
HR – None
Equalities – None
Risk – Sets the limits for maximum financial exposure for Borrowing and Investment
Customer Service - None

For further information please contact Bruce West, Head of Strategic Finance 01546-604220

Bruce West,
Head of Strategic Finance

Treasury Management Strategy Statement

and Annual Investment Strategy 2014-15

INDEX

1 INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

CIPFA defines treasury management as:

> *"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

1.2 Reporting requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) **-** The first, and most important report covers:

- the capital plans (including prudential indicators);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.3 Treasury Management Strategy for 2014/15

The strategy for 2014/15 covers two main areas:

Capital issues
- the capital plans and the prudential indicators..

Treasury management issues
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government in Scotland Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and Scottish Government Investment Regulations.

1.4 Treasury management consultants

The Council uses Capita Asset Services (Sector) as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2 THE CAPITAL PRUDENTIAL INDICATORS 2014/15 – 2016/17

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans.

Capital expenditure £'000	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Community Services	7,926	8,657	11,312	21,213	37
Customer Services	3,205	8,364	9,632	3,699	0
Development and Infrastructure Services	24,009	17,360	29,241	19,306	2,160
Unallocated Capital	0	0	0	0	10,000
Total	**35,140**	**34,381**	**50,185**	**44,218**	**12,197**

Other long term liabilities. The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a borrowing need.

Capital expenditure £'000	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Total cap. expenditure	35,140	34,381	50,185	44,218	12,197
Financed by:					
Capital receipts	153	1,199	1,334	4,390	7,960
Capital grants	11,428	8,926	12,887	11,756	10,140
Capital reserves					
Revenue	1,650	4,960	1,155	286	0
Net financing need for the year	**21,909**	**19,296**	**34,809**	**27,786**	**-5,903**

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as scheduled debt amortisation (loans pool charges) broadly reduces the borrowing need in line with each assets life.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £79.6m of such schemes within the CFR.

The Council is asked to approve the CFR projections below:

£'000	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Capital Financing Requirement					
Opening CFR	256,617	258,398	258,871	275,239	291,241
Closing CFR	258,398	258,871	275,239	291,241	274,554
Movement in CFR	**1,781**	**473**	**16,368**	**16,002**	**-16,687**

Movement in CFR represented by					
Net financing need for the year (above)	21,909	19,296	34,809	27,786	-5,903
Less Scheduled debt Amortisation	20,128	18,823	18,441	11,784	10,784
Movement in CFR	**1,781**	**473**	**16,368**	**16,002**	**-16,687**

2.3 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end investment balances.

Year End Resources £'000	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Expected investments	**49,031**	**35,000**	**20,000**	**15,000**	**10,000**

2.4 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

2.5 Ratio of financing costs to net revenue stream.

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Non-HRA	10.80%	11.15%	10.98%	8.24%	7.96%

The estimates of financing costs include current commitments and the proposals in this budget report.

2.6 Incremental impact of capital investment decisions on council tax.

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

£	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Council tax - band D	47.93	42.23	69.61	60.80	-12.92

3 Treasury Management Strategy

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2013, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£'000	**2011/12 Actual**	**2012/13 Estimate**	**2013/14 Estimate**	**2014/15 Estimate**	**2015/16 Estimate**
External Debt					
Debt at 1 April	160,407	160,615	161,315	169,315	177,315
Change in Debt	208	700	8,000	8,000	
Other long-term liabilities (OLTL) at 1 April	82,618	81,169	79,603	78,055	76,507
Change in OLTL	-1,449	-1,566	-1,548	-1,548	-1,548
Actual gross debt at 31 March	**241,784**	**240,918**	**247,370**	**253,822**	**252,274**
The Capital Financing Requirement	**258,398**	**258,871**	**275,239**	**291,241**	**274,554**
Under / (over) borrowing	**16,614**	**17,953**	**27,869**	**37,419**	**22,280**

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Head of Strategic Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational Boundary £'m	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Debt	179	198	215	200
Other long term liabilities	80	78	77	75
Total	259	276	292	275

The Authorised Limit for External Borrowing. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit (Affordable Capital Expenditure Limit) determined under section 35 (1) of the Local Government in Scotland Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following Authorised Limit:

Authorised Limit £'m	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Debt	184	203	220	205
Other long term liabilities	83	81	80	78
Total	267	284	300	283

The limits above will require to be amended when the Council approves the full business cases in respect of the New Schools and Lorn Arc projects as these will change the forecasts of capital expenditure and increase the Council's borrowing requirement.

3.3 Prospects for interest rates

The Council has appointed Capita Asset Services (Sector) as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Appendix 1 draws together a number of current City forecasts for the short term (Bank Rate) and longer fixed interest rates.

The following table gives the Capita Asset Services (Sector) central view.

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Mar 2014	0.50	2.50	4.40	4.40
Jun 2014	0.50	2.60	4.50	4.50
Sep 2014	0.50	2.70	4.50	4.50
Dec 2014	0.50	2.70	4.60	4.60
Mar 2015	0.50	2.80	4.60	4.70
Jun 2015	0.50	2.80	4.70	4.80
Sep 2015	0.50	2.90	4.80	4.90
Dec 2015	0.50	3.00	4.90	5.00
Mar 2016	0.50	3.10	5.00	5.10
Jun 2016	0.75	3.20	5.10	5.20
Sep 2016	1.00	3.30	5.10	5.20
Dec 2016	1.00	3.40	5.10	5.20
Mar 2017	1.25	3.40	5.10	5.20

Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth has rebounded during 2013 to surpass all expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are also currently very positive in indicating that growth prospects are strong for 2014, not only in the UK economy as a whole, but in all three main Capita Asset Services (Sector)s, services, manufacturing and construction. This is very encouraging as there does need to be a significant rebalancing of the economy away from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established. One drag on the economy is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. This therefore means that labour productivity must improve significantly for this situation to be corrected by the warranting of increases in pay rates. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.

The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- As for the Eurozone, concerns have subsided considerably in 2013. However, sovereign debt difficulties have not gone away and major concerns could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;

- Investment returns are likely to remain relatively low during 2014/15 and beyond;

- Borrowing interest rates have risen significantly during 2013 and are on a rising trend. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring even higher borrowing costs, which are now looming ever closer, where authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt, in the near future;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

Against this background and the risks within the economic forecast, caution will be adopted with the 2014/15 treasury operations. The Head of Strategic Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

Treasury Management Limits on Activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

%	2014/15	2015/16	2016/17
Interest rate exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	195%	190%	190%
Limits on variable interest rates based on net debt	60%	60%	60%
Maturity structure of fixed interest rate borrowing 2013/14			
		Lower	**Upper**
Under 12 months		0%	30%
12 months to 2 years		0%	30%
2 years to 5 years		0%	30%
5 years to 10 years		0%	40%
10 years and above		0%	80%

3.5 Policy on Borrowing in Advance of Need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt Rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Council at the earliest meeting following its action.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy

The Council's investment policy has regard to the Scottish Government's Investments Investment (Scotland) Regulations (and accompanying Finance Circular) and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second and then return.

In accordance with guidance from the Scottish Government and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Using the Capita Asset Services (Sector) ratings service potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Furthermore, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" (CDS) and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors, Capita Asset Services (Sector) in producing its colour codings which show the varying degrees of suggested creditworthiness.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

The intention of the strategy is to provide security of investment and minimisation of risk.

Investment instruments identified for use in the financial year are listed in appendices 5.3 and 5.4. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

4.2 Creditworthiness policy

This Council applies the creditworthiness service provided by Capita Asset Services (Sector). This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;

- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years
- Dark pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- Light pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

The Capita Asset Services (Sector) creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of short term rating F1, long term rating A-, viability rating of A-, and a support rating of 1 There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Capita Asset Services (Sector) creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that supporting government.

4.3 Country limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of *AA+* based on the lowest available rating. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.5. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4.4 Council Permitted Investments

The Investments Regulations (Code on the Investment of Money by Local Authorities) requires the Council approval of all the types of investments to be used and set appropriate limits for the amount that can be held in each investment type. These types of investments are termed permitted investments and any investments used which has not been approved as a permitted investment will be considered ultra vires.

The permitted investment which may be used in the forthcoming year:

Cash Type Instruments

a. Deposits with the Debt Management Account Facility (UK Government);

b. Deposits with other local authorities or public bodies;

c. Money Market Funds;

d. Call account deposit accounts with financial institutions (banks and building societies);

e. Term deposits with financial institutions (banks and building societies);

f. UK Government Gilts and Treasury Bills;

g. Supranational Bonds (e.g. World Bank)

h. Certificates of deposits with financial institutions (banks and building societies);

i. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.);

j. Corporate Bonds;

k. Bond Funds;

l. Property Funds;

Other Funds

m. Investment properties;

n. Loans to third parties, including soft loans;

o. Loans to local authority company;

p. Shareholdings in a local authority company;

q. Non-local authority shareholdings.

Details of the risks, mitigating controls and limits associated with each of these permitted categories are shown in Appendix 5.4.

Common Good permitted investments are also shown at Appendix 5.4, and where applicable the same counterparty selection criteria will be applied.

For those permitted cash type investments the Head of Strategic Finance will maintain a counterparty list in compliance with the counterparty selection criteria as stated above. These criteria select which counterparties the Council choose from, rather than defining what its investments are.

4.5 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment returns expectations. Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 1 of 2015. Bank Rate forecasts for financial year ends (March) are:

- 2013/14 0.50%
- 2014/15 0.50%
- 2015/16 0.50%
- 2016/17 1.25%

There are upside risks to these forecasts (i.e. start of increases in Bank Rate occurs sooner) if economic growth remains strong and unemployment falls faster than expected. However, should the pace of growth fall back, there could be downside risk, particularly if Bank of England inflation forecasts for the rate of fall of unemployment were to prove to be too optimistic.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to three months during each financial year for the next four years are as follows:

2014/15	0.50%
2015/16	0.50%
2016/17	1.00%
2017/18	2.00%

Investment treasury indicator and limit - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

Maximum principal sums invested > 364 days			
£m	**2013/14**	**2014/15**	**2015/16**
Principal sums invested > 364 days	£20	£20	£20

For its cash flow generated balances, the Council will seek to utilise its business reserve accounts, 10, 15, 35 and 95 day notice accounts, money market funds and short-dated deposits (overnight to 364 days) in order to benefit from the compounding of interest.

4.6 End of Year Investment Report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

4.7 External Fund Managers

The Council at present does not use a fund manager but it is the intention to consider the use of a manager during 2014-15.

4.8 Policy on the Use of External Service Providers

The Council uses Capita Asset Services (Sector) as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed, documented and subjected to regular review.

4.9 Scheme of Delegation

Please see Appendix 5.6.

4.10 Role of the Section 95 Officer

Please see Appendix 5. 7.

4.11 Treasury Management Policy

Please see Appendix 5.8.

5 Appendices

1. Interest rate forecasts
2. Economic background
3. Treasury management practice (TMP1) – permitted investments
4. Treasury management practice (TMP1) – Credit and Counterparty Risk Management
5. Approved countries for investments
6. Treasury management scheme of delegation
7. The treasury management role of the section 95 officer
8. Treasury Management Policy Statement

5.1 APPENDIX: Interest Rate Forecasts 2014 – 2017

Bank Rate	NOW	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.00%	1.25%
UBS	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	-	-	-	-	-
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	-	-	-	-	-

5yr PWLB Rate	NOW	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	2.63%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.40%
UBS	2.63%	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Economics	2.63%	2.60%	2.60%	2.60%	2.60%	2.70%	2.80%	3.00%	3.20%	-	-	-	-	-

10yr PWLB Rate	NOW	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	3.72%	3.60%	3.70%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.20%	4.30%	4.30%	4.40%	4.50%
UBS	3.72%	3.70%	3.80%	3.90%	4.05%	4.05%	4.30%	4.55%	4.55%	-	-	-	-	-
Capital Economics	3.72%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	4.05%	-	-	-	-	-

25yr PWLB Rate	NOW	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	4.35%	4.40%	4.50%	4.50%	4.60%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.10%
UBS	4.35%	4.55%	4.55%	4.80%	4.80%	5.05%	5.05%	5.30%	5.30%	-	-	-	-	-
Capital Economics	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%	4.45%	-	-	-	-	-

50yr PWLB Rate	NOW	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	4.31%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.20%
UBS	4.31%	4.45%	4.45%	4.70%	4.70%	4.90%	4.90%	5.05%	5.05%	-	-	-	-	-
Capital Economics	4.31%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.60%	-	-	-	-	-

5.2 APPENDIX: Economic Background

THE UK ECONOMY

Economic growth. Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth strongly rebounded in 2013 - quarter 1 (+0.3%), 2 (+0.7%) and 3 (+0.8%), to surpass all expectations as all three main sectors, services, manufacturing and construction contributed to this strong upturn. The Bank of England has, therefore, upgraded growth forecasts in the August and November quarterly Inflation Reports for 2013 from 1.2% to 1.6% and for 2014 from 1.7% to 2.8%, (2015 unchanged at 2.3%). The November Report stated that: -

> *In the United Kingdom, recovery has finally taken hold. The economy is growing robustly as lifting uncertainty and thawing credit conditions start to unlock pent-up demand. But significant headwinds — both at home and abroad — remain, and there is a long way to go before the aftermath of the financial crisis has cleared and economic conditions normalise. That underpins the MPC's intention to maintain the exceptionally stimulative stance of monetary policy until there has been a substantial reduction in the degree of economic slack. The pace at which that slack is eroded, and the durability of the recovery, will depend on the extent to which productivity picks up alongside demand. Productivity growth has risen in recent quarters, although unemployment has fallen by slightly more than expected on the back of strong output growth.*

Forward surveys are currently very positive in indicating that growth prospects are also strong for 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. This is very encouraging as there does need to be a significant rebalancing of the economy away from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established. One drag on the economy is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. This therefore means that labour productivity must improve significantly for this situation to be corrected by the warranting of increases in pay rates.

Forward guidance. The Bank of England issued forward guidance in August which stated that the Bank will not start to consider raising interest rates until the jobless rate (Labour Force Survey / ILO i.e. not the claimant count measure) has fallen to 7% or below. This would require the creation of about 750,000 jobs and was forecast to take three years in August, but revised to possibly quarter 4 2014 in November. The UK unemployment rate has already fallen to 7.4% on the three month rate to October 2013 (although the rate in October alone was actually 7.0%). The Bank's guidance is subject to three provisos, mainly around inflation; breaching any of them would sever the link between interest rates and unemployment levels. This actually makes forecasting Bank Rate much more complex given the lack of available reliable forecasts by economists over a three year plus horizon. The recession since 2007 was notable for how unemployment did NOT rise to the levels that would normally be expected in a major recession and the August Inflation Report noted that productivity had sunk to 2005 levels. There has, therefore, been a significant level of retention of labour, which will mean that there is potential for a significant amount of GDP growth to be accommodated without a major reduction in unemployment. However, it has been particularly encouraging that the strong economic growth in 2013 has also been accompanied by a rapid increase in employment and forward hiring indicators are also currently very positive. It is therefore increasingly likely that early in 2014, the MPC will need to amend its forward guidance by reducing its 7.0% threshold rate and/or by adding further wording similar to the Fed's move in December (see below).

Credit conditions. While Bank Rate has remained unchanged at 0.5% and quantitative easing has remained unchanged at £375bn in 2013, the Funding for Lending Scheme (FLS) was extended to encourage banks to expand lending to small and medium size enterprises. The second phase of Help to Buy aimed at supporting the purchase of second hand properties, will also start in earnest in January 2014. These measures have been so successful in boosting the supply of credit for mortgages, and so of increasing house purchases, (though levels are still far below the pre-crisis level), that the Bank of England announced at the end of November that the FLS for mortgages would end in February 2014. While there have been concerns that these schemes are creating a bubble in the housing market, house price increases outside of London and the south-east have been much weaker. However, bank lending to small and medium enterprises continues to remain weak and inhibited by banks still repairing their balance sheets and anticipating tightening of regulatory requirements.

Inflation. Inflation has fallen from a peak of 3.1% in June 2013 to 2.1% in November. It is expected to remain near to the 2% target level over the MPC's two year time horizon.

AAA rating. The UK has lost its AAA rating from Fitch and Moody's but that caused little market reaction.

THE GLOBAL ECONOMY

The Eurozone (EZ). The sovereign debt crisis has eased considerably during 2013 which has been a year of comparative calm after the hiatus of the Cyprus bailout in the spring. In December, Ireland escaped from its three year EZ bailout programme as it had dynamically addressed the need to substantially cut the growth in government debt, reduce internal price and wage levels and promote economic growth. The EZ finally escaped from seven quarters of recession in quarter 2 of 2013 but growth is likely to remain weak and so will dampen UK growth. The ECB's pledge to buy unlimited amounts of bonds of countries which ask for a bail out has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2012 figures) of Greece 176%, Italy 131%, Portugal 124%, Ireland 123% and Cyprus 110%, remain a cause of concern, especially as many of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are continuing to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US. Greece remains particularly vulnerable and continues to struggle to meet EZ targets for fiscal correction. Whilst a Greek exit from the Euro is now improbable in the short term, as Greece has made considerable progress in reducing its annual government deficit and a return towards some economic growth, some commentators still view an eventual exit as being likely. There are also concerns that austerity measures in Cyprus could also end up in forcing an exit. The question remains as to how much damage an exit by one country would do and whether contagion would spread to other countries. However, the longer a Greek exit is delayed, the less are likely to be the repercussions beyond Greece on other countries and on EU banks.

Sentiment in financial markets has improved considerably during 2013 as a result of firm Eurozone commitment to support struggling countries and to keep the Eurozone intact. However, the foundations to this current “solution” to the Eurozone debt crisis are still weak and events could easily conspire to put this into reverse. There are particular concerns as to whether democratically elected governments will lose the support of electorates suffering under EZ imposed austerity programmes, especially in countries like Greece and Spain which have unemployment rates of over 26% and unemployment among younger people of over 50%. The Italian political situation is also fraught with difficulties in maintaining a viable coalition which will implement an EZ imposed austerity programme and undertake overdue reforms to government and the economy. There are also concerns over the lack of political will in France to address issues of poor international competitiveness,

USA. The economy has managed to return to robust growth in Q2 2013 of 2.5% y/y and 4.1% y/y in Q3, in spite of the fiscal cliff induced sharp cuts in federal expenditure that kicked in on 1 March, and increases in taxation. The Federal Reserve therefore decided in December to reduce its $85bn per month asset purchases programme of quantitative easing by $10bn. It also amended its forward guidance on its pledge not to increase the central rate until unemployment falls to 6.5% by adding that there would be no increases in the central rate until ‘well past the time that the unemployment rate declines below 6.5%, especially if projected inflation continues to run below the 2% longer run goal’. Consumer, investor and business confidence levels have all improved markedly in 2013. The housing market has turned a corner and house sales and increases in house prices have returned to healthy levels. Many house owners have, therefore, been helped to escape from negative equity and banks have also largely repaired their damaged balance sheets so that they can resume healthy levels of lending. All this portends well for a reasonable growth rate looking forward.

China. There are concerns that Chinese growth could be on an overall marginal downward annual trend. There are also concerns that the new Chinese leadership have only started to address an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

Japan. The initial euphoria generated by “Abenomics”, the huge QE operation instituted by the Japanese government to buy Japanese debt, has tempered as the follow through of measures to reform the financial system and the introduction of other economic reforms, appears to have stalled. However, at long last, Japan has seen a return to reasonable growth and positive inflation during 2013 which augurs well for the hopes that Japan can escape from the bog of stagnation and deflation and so help to support world growth. The fiscal challenges though are huge; the gross debt to GDP ratio is about 245% in 2013 while the government is currently running an annual fiscal deficit of around 50% of total government expenditure. Within two years, the central bank will end up purchasing about Y190 trillion (£1,200 billion) of government debt. In addition, the population is ageing due to a low birth rate and, on current trends, will fall from 128m to 100m by 2050.

CAPITA ASSET SERVICES FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.

There could well be volatility in gilt yields over the next year as financial markets anticipate further tapering of asset purchases by the Fed. The timing and degree of tapering could have a significant effect on both Treasury and gilt yields. Equally, while the political deadlock and infighting between Democrats and Republicans over the budget has almost been resolved the raising of the debt limit, has only been kicked down the road. A final resolution of these issues could have a significant effect on gilt yields during 2014.

The longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in economic recovery is also likely to compound this effect as a continuation of recovery will further encourage investors to switch back from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly weighted. However, only time will tell just how long this period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the EZ debt crisis, or a break-up of the EZ, but rather that there will be a managed, albeit painful and tortuous, resolution of the debt crisis where EZ institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the EZ will be tepid for the next couple of years and some EZ countries experiencing low or negative growth, will, over that time period, see a significant increase in total government debt to GDP ratios. There is a significant danger that these ratios could rise to the point where markets lose confidence in the financial viability of one, or more, countries. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a resurgence of the EZ debt crisis. While the ECB has adequate resources to manage a debt crisis in a small EZ country, if one, or more, of the large countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to EZ politicians.

Downside risks currently include:

- UK strong economic growth is currently very dependent on consumer spending and recovery in the housing market. This is unlikely to endure much beyond 2014 as most consumers are maxed out on borrowing and wage inflation is less than CPI inflation, so disposable income is being eroded.
- A weak rebalancing of UK growth to exporting and business investment causing a major weakening of overall economic growth beyond 2014
- Weak growth or recession in the UK's main trading partners - the EU and US, depressing economic recovery in the UK.
- Prolonged political disagreement over the raising of the US debt ceiling.
- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations.
- A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in

the ability of the ECB and Eurozone governments to deal with the potential size of the crisis.

- The potential for a significant increase in negative reactions of populaces in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- The Italian political situation is frail and unstable; this will cause major difficulties in implementing austerity measures and a programme of overdue reforms. Italy has the third highest government debt mountain in the world.
- Problems in other Eurozone heavily indebted countries (e.g. Cyprus and Portugal) which could also generate safe haven flows into UK gilts, especially if it looks likely that one, or more countries, will need to leave the Eurozone.
- A lack of political will in France, (the second largest economy in the EZ), to dynamically address fundamental issues of low growth, poor international uncompetitiveness and the need for overdue reforms of the economy.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Geopolitical risks e.g. Syria, Iran, North Korea, which could trigger safe haven flows back into bonds.

The potential for upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- A sharp upturn in investor confidence that sustainable robust world economic growth is firmly expected, causing a surge in the flow of funds out of bonds into equities.
- A reversal of Sterling's safe-haven status on a sustainable improvement in financial stresses in the Eurozone.
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.
- In the longer term – an earlier than currently expected reversal of QE in the UK; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.

5.3 APPENDIX: Treasury Management Practice (TMP1) - Permitted Investments

This Council approves the following forms of investment instrument for use as permitted investments as set out in table 1 and 2.

Treasury risks
All the investment instruments in tables 1 and 2 are subject to the following risks: -

1. **Credit and counter-party risk:** this is the risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the organisation particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources. There are no counterparties where this risk is zero although AAA rated organisations have a very high level of creditworthiness.

2. **Liquidity risk:** this is the risk that cash will not be available when it is needed. While it could be said that all counterparties are subject to at least a very small level of liquidity risk as credit risk can never be zero, in this document, liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument. However, it has to be pointed out that while some forms of investment e.g. gilts, CDs, corporate bonds can usually be sold immediately if the need arises, there are two caveats: - a. cash may not be available until a settlement date up to three days after the sale b. there is an implied assumption that markets will not freeze up and so the instrument in question will find a ready buyer. The column in tables 1 and 2 headed as 'market risk' will show each investment instrument as being instant access, sale T+3 = transaction date plus 3 business days before you get cash, or term i.e. money is locked in until an agreed maturity date.

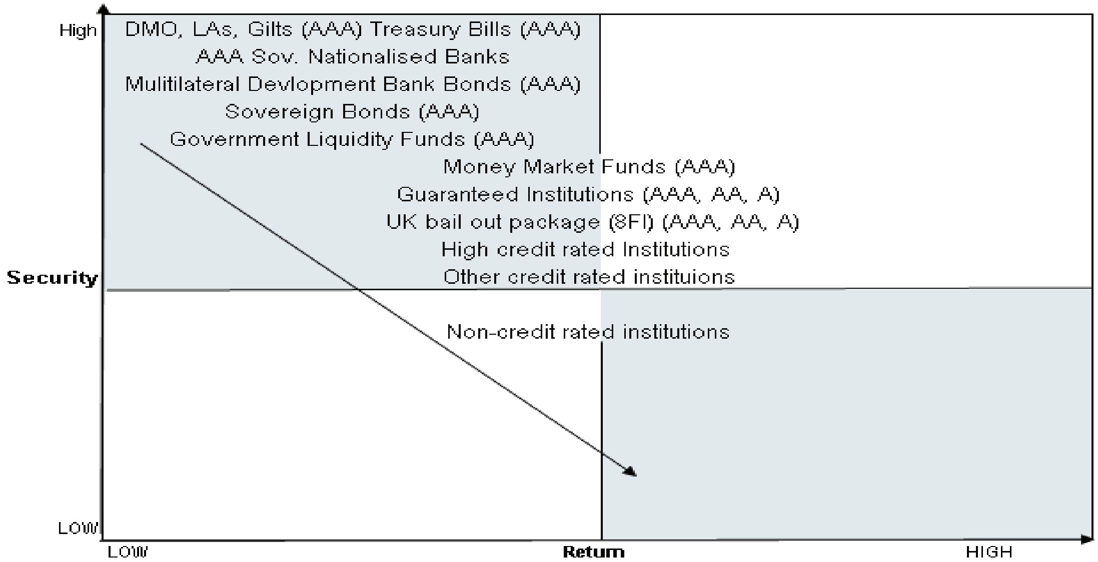
3. **Market risk:** this is the risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately. However, some cash rich local authorities may positively want exposure to market risk e.g. those investing in investment instruments with a view to obtaining a long term increase in value.

4. **Interest rate risk**: this is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. This authority has set limits for its fixed and variable rate exposure in its Treasury Indicators in this report. All types of investment instrument have interest rate risk.

5. **Legal and regulatory risk:** this is the risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

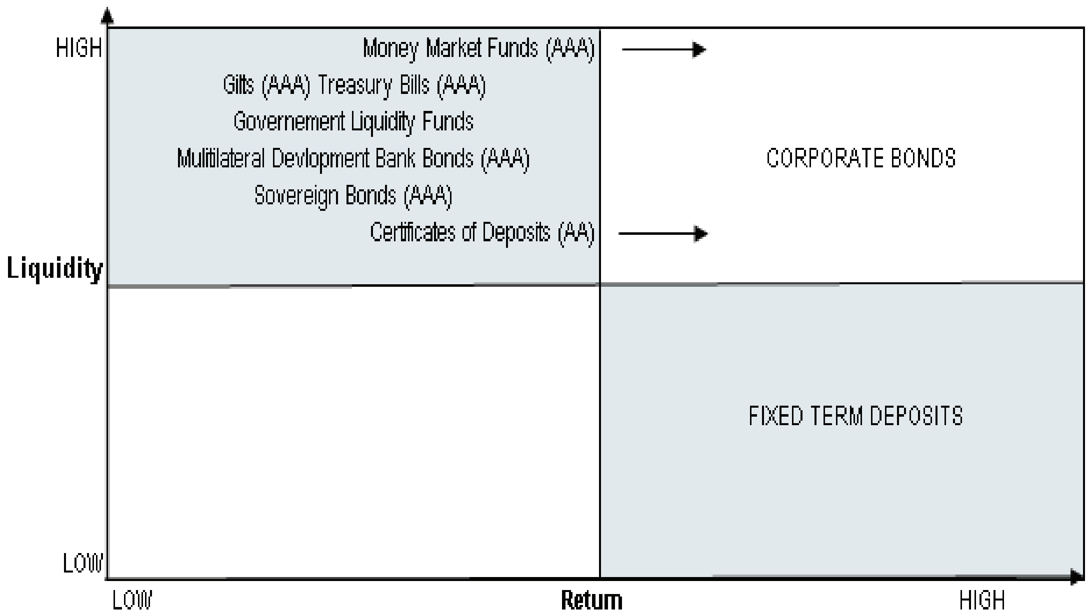
The graph below summarises the risk exposure of various types of investment instrument. It shows that as you move from top to bottom, so the level of credit risk increases. However, moving from top to bottom also results in moving towards the right i.e. returns increase. The overall message is: -

- low risk = low rate of return
- higher risk = higher rate of return



The next graph shows the other message: -

- high liquidity = low return
- low liquidity = higher returns



Controls on treasury risks

1. **Credit and counter-party risk:** this authority has set minimum credit criteria to determine which counterparties and countries are of high creditworthiness to enable investments to be made safely. See paragraphs 4.2 and 4.3.

2. **Liquidity risk:** this authority has a cash flow forecasting model to enable it to determine how long investments can be made for and how much can be invested.

3. **Market risk:** this authority does not purchase investment instruments which are subject to market risk in terms of fluctuation in their value.

4. **Interest rate risk**: this authority manages this risk by having a view of the future course of interest rates and then formulating a treasury management strategy accordingly which aims to maximise investment earnings consistent with control of risk or alternatively, seeks to minimise expenditure on interest costs on borrowing. See paragraph 4.4.

5. **Legal and regulatory risk:** this authority will not undertake any form of investing until it has ensured that it has all necessary powers and also complied with all regulations. All types of investment instruments

Unlimited investments

Regulation 24 states that an investment can be shown in tables 1 and 2 as being 'unlimited' in terms of the maximum amount or percentage of the total portfolio that can be put into that type of investment. However, it also requires that an explanation must be given for using that category.

The authority has given the following types of investment an unlimited category: -

1. **Debt Management Agency Deposit Facility.** This is considered to be the lowest risk form of investment available to local authorities as it is operated by the Debt Management Office which is part of H.M. Treasury i.e. the UK Government's AA+ rating stands behind the DMADF. It is also a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts.

2. **High credit worthiness banks and building societies.** See paragraph 4.2 for an explanation of this authority's definition of high credit worthiness. While an unlimited amount of the investment portfolio may be put into banks and building societies with high credit worthiness, the authority will ensure diversification of its portfolio ensuring that no more than £30m of the total portfolio can be placed with any one institution or group.

Objectives of each type of investment instrument

Regulation 25 requires an explanation of the objectives of every type of investment instrument which an authority approves as being 'permitted':-

1. DEPOSITS

The following forms of 'investments' are actually more accurately called deposits as cash is deposited in an account until an agreed maturity date or is held at call.

a) **Debt Management Agency Deposit Facility.** This offers the lowest risk form of investment available to local authorities as it is effectively an investment placed with the Government. It is also easy to use as it is a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts. As it is low risk it also earns low rates of interest. However, it is very useful for authorities whose overriding priority is the avoidance of risk at a time when many authorities are disappointed at the failure in 2008 of credit ratings to protect investors from the Icelandic bank failures and are both cautious about other forms of investing and are prepared to bear the loss of income to the treasury management budget compared to earnings levels in previous years. The longest term deposit that can be made with the DMADF is 6 months.

b) **Term deposits with high credit worthiness banks and building societies.** See paragraph 4.7 for an explanation of this authority's definition of high credit worthiness. This is the most widely used form of investing used by local authorities. It offers a much higher rate of return than the DMADF (dependent on term) and now that measures have been put in place to avoid over reliance on credit ratings, the authority feels much more confident that the residual risks around using such banks and building societies are at a low, reasonable and acceptable level. The authority will ensure diversification of its portfolio of deposits ensuring that no more than £30m of the total portfolio can be placed with any one institution or group. In addition, longer term deposits offer an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing therefore, offers a lot of flexibility and higher earnings than the DMADF. Where it is restricted is that once a longer term investment is made, that cash is locked in until the maturity date.

c) **Call accounts with high credit worthiness banks and building societies.** The objectives are as for 1b. but there is instant access to recalling cash deposited. This generally means accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit. However, there are a number of call accounts which at the time of writing, offer rates 2 – 3 times more than term deposits with the DMADF. Some use of call accounts is highly desirable to ensure that the authority has ready access to cash when needed to pay bills.

d) **Fixed term deposits with variable rate and variable maturities (structured deposits).** This line encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide councils with greater flexibility to adopt new instruments as and when they are brought to the market. However, this does mean that members ought to be informed as to what instruments are presently under this generic title so that they are aware of the current situation, and that they are informed and approve of intended changes in an appropriate manner.

e) **Collateralised deposits.** These are deposits placed with a bank which offers collateral backing based on LOBOs borrowed by local authorities. Such deposits are effectively lending to a local authority as that is the ultimate security.

2. DEPOSITS WITH COUNTERPARTIES CURRENTLY IN RECEIPT OF GOVERNMENT SUPPORT / OWNERSHIP

These banks offer another dimension of creditworthiness in terms of Government backing through either direct (partial or full) ownership or the banking support package. The view of this authority is that such backing makes these banks attractive institutions with whom to place deposits, and that will remain our view if the UK sovereign rating were to be downgraded in the coming year.

a. **Term deposits with high credit worthiness banks which are fully or semi nationalised.** As for 1b. but Government ownership partial or full implies that the Government stands behind this bank and will be deeply committed to providing whatever support that may be required to ensure the continuity of that bank. This authority considers this indicates a low and acceptable level of residual risk.

b. **Term deposits with high credit worthiness banks and building societies which are specified as being eligible for support by the UK Government.** As for 2a. but Government stated support implies that the Government stands behind eligible banks and building societies and will be deeply committed to providing whatever support that may be required to ensure the continuity of such institutions. This authority considers this indicates a low and acceptable level of residual risk.

c. **Fixed term deposits with variable rate and variable maturities (structured deposits).** This line encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide councils with greater flexibility to adopt new instruments as and when they are brought to the market. However, this does mean that members ought to be informed as to what instruments are presently covered under this generic title so that they are aware of the current situation, and that they are informed and approve of intended changes in an appropriate manner.

3. COLLECTIVE INVESTMENT SCHEMES STRUCTURED AS OPEN ENDED INVESTMENT COMPANIES (OEICS)

a. **Government liquidity funds.** These are very similar to money market funds (see below) but only invest in government debt issuance with highly rated governments. They offer a lower rate of return than MMFs but slightly higher than the returns from the DMADF.

b. **Money Market Funds (MMFs).** By definition, MMFs are AAA rated and are widely diversified, using many forms of money market securities including types which this authority does not currently have the expertise or risk appetite to hold directly. However, due to the high level of expertise of the fund managers and the huge amounts of money invested in MMFs, and the fact that the weighted average maturity (WAM) cannot exceed 60 days, MMFs offer a combination of high security, instant access to funds, high diversification and good rates of return compared to equivalent instant access facilities. They are particularly advantageous in falling interest rate environments as their 60 day WAM means they have locked in investments earning higher rates of interest than are currently available in the market. MMFs also help an authority to diversify its own portfolio as e.g. a £2m investment placed directly with HSBC is a 100% risk exposure to HSBC whereas £2m invested in a MMF may end up with say £10,000 being invested with HSBC through the MMF. For authorities particularly concerned with risk exposure to banks, MMFs offer an effective way of minimising risk exposure while still getting much better rates of return than available through the DMADF. They also offer a constant Net Asset Value (NAV) i.e. the principal sum invested has high security.

c. **Enhanced cash funds.** These funds are similar to MMFs, can still be AAA rated but have variable Net Asset Values (NAV) as opposed to a traditional MMF which has a stable NAV. They aim to achieve a higher yield and to do this either take more credit risk or invest out for longer periods of time, which means they are more volatile. These funds can have WAM's and Weighted Average Life (WAL's) of 90 – 365 days or even longer. Their primary objective is yield and capital preservation is second. They therefore are a higher risk than MMFs and correspondingly have the potential to earn higher returns than MMFs.

d. **Gilt funds.** These are funds which invest only in U.K. Government gilts. They offer a lower rate of return than bond funds but are highly rated both as a fund and through investing only in AAA rated gilts. They offer a higher rate of return than investing in the DMADF but they do have an exposure to movements in market prices of assets held.

e. **Bond funds.** These invest in both government and corporate bonds. This therefore entails a higher level of risk exposure than gilt funds and the aim is to achieve a higher rate of return than normally available from gilt funds by trading in bonds. They do have an exposure to movements in market prices of assets held so do not offer constant Net Asset Value.

4. SECURITIES ISSUED OR GUARANTEED BY GOVERNMENTS

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it matures or is sold. The annual earnings on a security is called a yield i.e. it is normally the interest paid by the issuer divided by the price you paid to purchase the security unless a security is initially issued at a discount e.g. treasury bills..

b. **Treasury bills.** These are short term bills (up to 12 months) issued by the Government and so are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales could incur a net cost during the period of ownership.

c. **Gilts.** These are longer term debt issuance by the UK Government and are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales may incur a net cost. The advantage over Treasury bills is that they generally offer higher yields the longer it is to maturity (for most periods) if the yield curve is positive.

d. **Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government** (refers solely to GEFCO - Guaranteed Export Finance Corporation). This is similar to gilt due to the explicit Government guarantee.

e. **Sovereign bond issues (other than the UK govt) denominated in Sterling.** As for gilts but issued by other nations. AAA rated issues are just as secure as UK Government gilts but the advantage of these securities is they offer a slightly higher yield.

f. **Bonds issued by Multi Lateral Development Banks (MLDBs).** These are similar to c. and e. above but are issued by MLDBs which are guaranteed by sovereign states with a high sovereign rating e.g. European Investment Bank. The advantages of these securities is they are more secure than UK Government gilts, as they are guaranteed by more than one AAA rated government, and offer a slightly higher yield.

5. SECURITIES ISSUED BY CORPORATE ORGANISATIONS

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it is sold. The annual earnings on a security is called a yield i.e. is the interest paid by the issuer divided by the price you paid to purchase the security. These are similar to the previous category but corporate organisations can have a wide variety of credit worthiness so it is essential for local authorities to only select the organisations with the highest levels of credit worthiness. Corporate securities are generally a higher risk than government debt issuance and so earn higher yields.

a. **Certificates of deposit (CDs).** These are shorter term securities issued by deposit taking institutions (mainly banks) so they can be sold if there is a need for access to cash at any point in time. However, that liquidity comes at a price so the yield is less than placing a deposit with the same bank as the issuing bank.

b. **Commercial paper.** This is similar to CDs but is issued by commercial organisations or other entities. Maturity periods are up to 365 days but commonly 90 days.

c. **Corporate bonds.** These are (long term) bonds (usually bearing a fixed rate of interest) issued by a company or other non-government issuer in order to raise capital for the institution as an alternative to issuing shares or borrowing from banks. They are generally seen to be of a lower creditworthiness than government issued debt and so usually offer higher rates of yield.

d. **Floating rate notes.** These are bonds on which the rate of interest is established periodically with reference to short-term interest rates.

6. OTHER

a. **Property fund.** This is a collective investment fund specialising in property. Rather than owning a single property with all the risk exposure that means to one property in one location rising or falling in value, maintenance costs, tenants actually paying their rent / lease etc, a collective fund offers the advantage of diversified investment over a wide portfolio of different properties. This can be attractive for authorities who want exposure to the potential for the property sector to rise in value. However, timing is critical to entering or leaving this sector at the optimum times of the property cycle of rising and falling values unless a long term commitment is made to retain exposure to the property market.

Table 1: permitted investments in house – Common Good

This table is for use by the in house treasury management team.

1.1 Deposits

	Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Debt Management Agency Deposit Facility	--	term	no	100	2 years
Term deposits – local authorities	--	term	no	100	2 years
Call accounts – banks and building societies	Green	instant	no	100	Call
Term deposits – banks and building societies	Green	term	no	100	2 years
Fixed term deposits with variable rate and variable maturities: - Structured deposits.	Green	term	no	50	2 years
Collateralised deposit	AAA	term	no	50	1 year

1.2 Deposits with counterparties currently in receipt of government support / ownership

	Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
UK nationalised banks	Blue	term	no	100	1 year
Banks nationalised by high credit rated (sovereign rating) countries – non UK	AA+	term	no	100	1 year
Government guarantee (explicit) on ALL deposits by high credit rated (sovereign rating) countries	AA+	term	no	100	1 year
UK Government support to the banking Capita Asset Services (Sector) (implicit guarantee)	UK sovereign rating	term	no	100	1 year
Fixed term deposits with variable rate and variable maturities: - Structured deposits	Sovereign rating	term	no	100	1 year

1.3 Collective investment schemes structured as Open Ended Investment Companies (OEICs)

	Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
1. Government Liquidity Funds	AAA	instant	No see note A	100	1 year
2. Money Market Funds	AAA	instant	No see note A	100	1 year
3. Enhanced cash funds	AAA	T+>1	yes	100	1 year
4. Gilt Funds	AAA	T+>1	yes	100	1 year
5. Bond Funds	AAA	T+>1	yes	100	1 year

Note A: the objective of this fund to maintain the net asset value but they hold assets which can vary in value. However, the credit rating agencies require the fluctuation in unit values held by investors to vary by almost zero.

1.4 Securities issued or guaranteed by governments

	Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Treasury Bills	UK sovereign rating	Sale T+1	yes	100	1 year
UK Government Gilts	UK sovereign rating	Sale T+1	yes	100	1 year
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government (refers solely to GEFCO - Guaranteed Export Finance Corporation)	UK sovereign rating	Sale T+3	yes	100	1 year
Sovereign bond issues (other than the UK govt)	AAA	Sale T+1	yes	80	1 year
Bonds issued by multilateral development banks	AAA	Sale T+1	yes	80	1 year

1.5 Securities issued by corporate organisations

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee	UK sovereign rating	Sale T+1	yes	80	2 years
Certificates of deposit issued by banks and building societies	UK sovereign rating	Sale T+1	yes	50	2 years
Commercial paper issuance covered by a specific UK Government (explicit) guarantee	UK sovereign rating	Sale T+1	yes	50	2 years
Commercial paper other	AA	Sale T+1	yes	20	2 years
Corporate Bonds issuance covered by UK Government (implicit) guarantee	UK sovereign rating	Sale T+3	yes	50	2 years
Corporate Bonds other	AA	Sale T+3	yes	20	2 years
Other debt issuance by UK banks covered by UK Government (explicit) guarantee	UK sovereign rating	Sale T+3	yes	80	2 years

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

1.6 Other

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Property funds	--	T+4	yes	100	5 years

Table 2: permitted investments for use by cash fund managers – Common Good

2.1 Deposits

	Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Term deposits – local authorities	--	term	no	100	2 years
Call accounts – banks and building societies	Green	instant	no	100	Call
Term deposits – banks and building societies	Green	term	no	100	2 years
Collateralised deposit	UK sovereign rating	term	no	50	1 year

2.2 Deposits with counterparties currently in receipt of government support / ownership

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
UK part nationalised banks	Blue	Term or instant	no	100	1 year
Banks part nationalised by high credit rated (sovereign rating) countries – non UK	AA+	Term or instant	no	100	1 year
Government guarantee (explicit) on ALL deposits by high credit rated (sovereign rating) countries	Sovereign	Term or instant	no	100	1 year

If forward deposits are to be made, the forward period plus the deal period should not exceed one year in aggregate.

2.3 Collective investment schemes structured as Open Ended Investment Companies (OEICs)

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
1. Government Liquidity Funds	AAA	instant	No see note A	100	1 year
2. Money Market Funds	AAA	instant	No see note A	100	1 year
3. Enhanced cash funds	AAA	T+>1	yes	100	1 year
4. Gilt Funds	AAA	T+>1	yes	100	1 year
5. Bond Funds	AAA	T+>1	yes	100	1 year

Note A: the objective of this fund to maintain the net asset value but they hold assets which can vary in value. However, the credit rating agencies require the fluctuation in unit values held by investors to vary by almost zero.

2.4 Securities issued or guaranteed by governments

	Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Treasury Bills	UK sovereign rating	Sale T+1	Yes	100	1 year
UK Government Gilts	UK sovereign rating	Sale T+1	Yes	100	1 year
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government (refers solely to GEFCO - Guaranteed Export Finance Corporation)	UK sovereign rating	Sale T+3	Yes	100	1 year
Sovereign bond issues (other than the UK govt)	AAA	Sale T+1	Yes	80	1 year
Bonds issued by multilateral development banks	AAA	Sale T+1	Yes	80	1 year

2.5 Securities issued by corporate organisations

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee	UK sovereign rating	Sale T+1	yes	80	2 year
Certificates of deposit issued by banks and building	AA	Sale T+1	yes	50	2 years
Commercial paper issuance covered by a specific UK Government (explicit) guarantee	UK sovereign rating	Sale T+1	yes	50	2 years
Commercial paper other	AA	Sale T+1	yes	20	2 years
Corporate Bonds issuance covered by UK Government (implicit) guarantee	UK sovereign rating	Sale T+3	yes	50	2 years
Corporate Bonds other	AA	Sale T+3	yes	20	2 year
Other debt issuance by UK banks covered by UK Government (explicit) guarantee	UK sovereign rating	Sale T+3	yes	50	2 years
Floating Rate Notes	AA	Sale T+1	yes	80	2 years

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

5.4 APPENDIX: Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

Argyll and Bute Council and Common Good Funds Permitted Investments, Associated Controls and Limits

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
Cash type instruments				
a. Deposits with the Debt Management Account Facility (UK Government) (**Very low risk)**	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.	£unlimited, maximum 6 months.	£unlimited, maximum 6 months.
b. Deposits with other local authorities or public bodies **(Very low risk)**	These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply. Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.	Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment. Non- local authority deposits will follow the approved credit rating criteria.	£unlimited, maximum 1 year.	£unlimited, maximum 1 year.
c. Money Market Funds (MMFs) **(Very low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMFs are Constant Net Asset Value (CNAV), and the fund has a “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.	£10m	100%

	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
d. Call account deposit accounts with financial institutions (banks and building societies) **(Low risk depending on credit rating)**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. The selection defaults to the lowest available credit rating to provide additional risk control measures. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.
e. Term deposits with financial institutions (banks and building societies) **(Low to medium risk depending on period & credit rating)**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. The selection defaults to the lowest available credit rating to provide additional risk control measures. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
f. Government Gilts and Treasury Bills **(Very low risk)**	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates (no loss if these are held to maturity).	Little counterparty mitigating controls are required, as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures.	£10m, maximum 1 year.	100%, maximum 1 years.
g. Certificates of deposits with financial institutions **(Low risk)**	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than categories (a), (b) and (c) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will normally be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. The selection defaults to the lowest available credit rating to provide additional risk control measures. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	£5m, maximum 1 year.	20%, maximum 1 year.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
h. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) **(Low to medium risk depending on period & credit rating)**	These tend to be medium to low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement of the counterparty (penalties may apply).	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. The selection defaults to the lowest available credit rating to provide additional risk control measures. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.
i. Corporate bonds **(Medium to high risk depending on period & credit rating)**	These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. The selection defaults to the lowest available credit rating to provide additional risk control measures. Corporate bonds will be restricted to those meeting the base criteria. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	£1m, maximum 1 year.	20%, maximum 1 year.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
Other types of investments				
j. Investment properties	These are non-service properties which are being held pending disposal or for a longer term rental income stream. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids).	In larger investment portfolios some small allocation of property based investment may counterbalance/compliment the wider cash portfolio. Property holding will be re-valued regularly and reported annually with gross and net rental streams.	£20m	20%.
k. Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.	£10m, maximum 5 years.	10% maximum 5 years.
l. Shareholdings in a local authority company	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	50%.	20%.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
m. Non-local authority shareholdings	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be liquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	5%.	100%.
n. Loans to third parties as part of the Council's Empty Homes Strategy	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Head of Strategic Finance approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£1.5m and a maximum of 10 years.	
o. Loans to third parties as part of the Council's SHF Front Funding Facility	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Head of Strategic Finance approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£5m and a maximum of 3 years.	

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
p. Loans to third parties as part of the Council's Long Term Loan Funding to RSL's	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Head of Strategic Finance approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£5m and a maximum of 30 years.	

The Monitoring of Investment Counterparties - The status of counterparties will be monitored regularly. The Council receives credit rating and market information from Capita Asset Services (Sector), including when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Head of Strategic Finance, and if required new counterparties which meet the criteria will be added to the list.

Use of External Fund Managers – It is the Council's plan to consider the use external fund managers for part of its investment portfolio. The fund managers are contractually committed to keep to the Council's investment strategy. The performance of each manager is reviewed at least annually by the Head of Strategic Finance and the managers are contractually required to comply with the annual investment strategy.

5.5 APPENDIX: Approved Countries for Investments

Based on lowest available rating

AAA

- Australia
- Canada
- Denmark
- Finland
- Germany
- Luxembourg
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Hong Kong
- Netherlands
- U.K.
- U.S.A.

5.6 APPENDIX: Treasury Management Scheme of Delegation

(i) The Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(ii) The Performance Review and Scrutiny Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

(iii) The Audit Committee

- Review the overall internal and management control framework related to the treasury function.
- Review internal and external audit reports related to treasury management.
- Review provision in the internal and external audit plans to ensure there is adequate audit coverage of treasury management.
- Monitor progress with implementing recommendations in internal and external audit reports.

5.7 APPENDIX: The Treasury Management Role of the Section 95 Officer

The Head of Strategic Finance:-

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- reviewing and considering risk management in terms of treasury activities.

The nominated Elected Member (Council Leader/Policy Lead Strategic Finance):-

- acting as spokesperson for treasury management.
- taking a lead for elected members in overseeing the operation of the treasury function.
- review the treasury management policy, strategy and reports.
- support and challenge the development of treasury management.

5.8 APPENDIX: Treasury Management Policy Statement

1. This organisation defines its treasury management activities as: “The management of the authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.”

The policy in respect of borrowing and investments is to minimise the cost of borrowing and maximise investment returns commensurate with the mitigation of risk.

This page is intentionally left blank