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

19 February 2015

NOTICE OF MEETING

A meeting of the **PERFORMANCE REVIEW AND SCRUTINY COMMITTEE** will be held in the **COUNCIL CHAMBERS, KILMORY, LOCHGILPHEAD** on **THURSDAY, 26 FEBRUARY 2015** at **10:30 AM**, 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 20 November 2014. (Pages 1 - 10)

4. **SCRUTINY OF POLICE SCOTLAND**
   Report by Local Police Commander, Police Scotland (Pages 11 - 22)

5. **SCRUTINY OF SCOTTISH FIRE AND RESCUE**
   Report by Local Senior Officer, Scottish Fire and Rescue (Pages 23 - 32)

6. **STRATEGIC RISK REGISTER**
   Report by Head of Strategic Finance (Pages 33 - 46)

7. **TREASURY MANAGEMENT MONITORING REPORT 31 DECEMBER 2014**
   Report by Head of Strategic Finance (Pages 47 - 62)

8. **TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY**
   Report by Head of Strategic Finance (Pages 63 - 112)

9. **PERFORMANCE REPORT FQ3 2014 - 15**
   Report by Chief Executive (Pages 113 - 130)

10. **PLANNING AND PERFORMANCE MANAGEMENT FRAMEWORK - REVISION**
Report by Executive Director – Customer Services (Pages 131 - 152)

11. **LOCAL GOVERNMENT BENCHMARKING FRAMEWORK**
Report by Executive Director – Customer Services (Pages 153 - 168)

12. **CORPORATE IMPROVEMENT PROGRAMME PROGRESS**
Report by Executive Director – Customer Services (Pages 169 - 178)

13. **MAXIMISING ATTENDANCE: COUNCIL PERFORMANCE OCTOBER - DECEMBER 2014**
Report by Executive Director – Customer Services (Pages 179 - 186)

14. **CAPITAL ROADS RECONSTRUCTION PROGRAMME 2014/15 AND ROAD ANNUAL STATUS & OPTIONS REPORT (ASOR)**
Report by Executive Director – Development and Infrastructure Services (Pages 187 - 300)

15. **PERFORMANCE REVIEW AND SCRUTINY COMMITTEE WORKPLAN** (Pages 301 - 304)

PERFORMANCE REVIEW AND SCRUTINY COMMITTEE

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

Contact: Shona Marshall Tel:01546 604407

Agenda Item 3

MINUTES of MEETING of PERFORMANCE REVIEW AND SCRUTINY COMMITTEE held in the COUNCIL CHAMBERS, KILMORY, LOCHGILPHEAD on THURSDAY, 20 NOVEMBER 2014

Present: Ian M M Ross (Chair)

Councillor Maurice Corry
Councillor Anne Horn
Councillor Iain MacDonald
Councillor John McAlpine
Councillor Sandy Taylor
Paul Connelly
Douglas Cowan

Attending: Cleland Sneddon, Executive Director – Community Services
Bruce West, Head of Strategic Finance
Jane Fowler, Head of Improvement and HR
Patricia O'Neill, Central Governance Manager
Chief Superintendent Helen Swann, Police Scotland
Chief Inspector Marlene Baillie, Police Scotland
Graham Houston, Scottish Police Authority
David Clements, Programme Manager
Lesley Sweetman, Performance and Business Manager
Helen MacLeod, Community Services
Shona Laird, Customer Services

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Gordon Blair and Christina West, NHS Highland.

2. DECLARATIONS OF INTEREST

There were no declarations of interest intimated.

3. MINUTES

The Minutes of the meeting of the Performance Review and Scrutiny Committee held on 28 August 2014 were approved as a correct record.

4. SCRUTINY OF POLICE SCOTLAND

The Chair welcomed Chief Superintendent Helen Swann, Local Police Commander, Police Scotland to the meeting.

The Chief Superintendent gave a brief outline of senior staff posts and their key priorities for policing in Argyll and Bute, and then went on to present the second quarterly report for Argyll and Bute for 2014/15 to the Committee.

The report detailed statistics on;

- Road Safety & Road Crime
- Violence, Disorder & Antisocial Behaviour
- Public Protection; and
- Major Crime and Counter Terrorism

A new drink drive limit was to be introduced in Scotland on 5 December 2014 and a national media campaign to raise public awareness on this was being promoted by the Scottish Government. Police Scotland supported the campaign and confirmed that Officers were equipped to implement new procedures arising from the changes. It was anticipated that 88% of the adult population in Scotland would be reached by the implementation date.

Councillor Anne Horn joined the meeting at this point.

A National Child Abuse Investigation Unit was being set up, and the Chief Superintendent informed members that it had been a priority in Argyll and Bute to improve Police attendance at child case conferences. As a result there had been full police attendance at all recent cases.

Recommendations from a recent HMICS and crime register report were being addressed. The Chief Superintendent pointed out that there had been shortcomings in auditing and technical recording procedures only and not in the methods used to help victims of crime.

Members praised those involved in community policing, and also the use of unmarked cars to help improve public confidence and reduce road traffic incidents. It was noted however that in some instances due to the severity and location of a road traffic accident, long diversions would continue to be imposed to enable attendance by emergency services and to ensure public safety.

Chief Inspector Marlene Baillie informed Members that a report on local area policing was to be submitted to the Community Planning Partnership meeting in December 2014 which would contain more local operational detail. An update would be provided at a future meeting.

Members were also reassured that Police Scotland had procedures in place, in conjunction with multi-agency operations, to deal with any terrorism threats.

Decision

The Committee;

1. noted the contents of the report; and

2. agreed that Chief Superintendent investigate whether future reports could include more detailed traffic statistics to include incidents on the use of mobile phones and non use of seatbelts; the percentage of special constables in Argyll and Bute; and also figures on anti-social behaviour.

(Reference: Report by Local Police Commander dated November 2014, submitted)

At this point the Chair ruled and the Committee agreed that Item no. 6 on the Agenda (Scottish Police Authority Policing Performance Report) be taken as Item no. 5.

5. SCOTTISH POLICE AUTHORITY POLICING PERFORMANCE REPORT

The Scottish Police Authority (SPA) has a Performance Framework in place which includes the preparation and presentation of national police performance information.

The Chair welcomed G Houston, Scottish Police Authority to the meeting to speak to a report which provided strategic level performance information at a national level and the comparative information for Argyll and Bute for the period April to June 2014.

G Houston introduced himself to the Committee as being a Board member of the SPA and contact on the Authority for the areas of Argyll and Bute and East and West Dunbartonshire. He explained the role and make up of the SPA which also included the Forensic Service and was independent of Police Scotland.

The SPA role included;

- holding the Chief Constable to account
- scrutiny of Police Scotland to ensure that any decisions taken were accountable to the budget and population
- administering independent custody visitors
- protecting human rights
- securing best value balanced against the cost of the police service
- engagement

Police Scotland faced financial and budgetary challenges with significant savings having to be met by 2026. A 5 - 10 year strategy and strategic reform programme was being put in place which included scrutiny programmes, working with local partners and a review of the standing firearms authority. The introduction of a new computer system, voluntary severance and early retirement packages were underway to help meet savings.

The delivery of services by Police Scotland would have to be reviewed to take into account external factors such as changes in demographics and an aging population. Police Scotland would also have to be more pro-active rather than re-active to concerns of local areas. Operating with consent of the community to get the right balance of skills and powers for preventative policing, value for money and engaged policing with shared local and national interests and shared governance. The SPA would be concentrating on police accountability, ensuring local needs were being met and provide sufficient information to local authorities and organisations on how local priorities were to be met and delivered.

Referring to the savings having to be met by Police Scotland, Members noted that there was no risk in the foreseeable future for front line posts as there were a range of options to be addressed including the development of an estates strategy.

Members went on to query as to why use and costs of specialist services were no longer being recorded as a KPI in the report. G Houston explained that as Police Scotland was now a national force these figures were consolidated. The Chief Superintendent informed Members that any requests for specialist services were dealt with by local commanders through access to Fair Share and mutual aid. This highlighted where the need for resources was required rather than having requests recorded as a target indicator.

Responding to a query on Violence, Disorder and Anti-Social behaviour G Houston confirmed that licensing policies would continue to be dealt with on a local basis. The Chief Superintendent highlighted that prevention of disorder in town centres was a priority, and that trends related to the Argyll and Bute area were carefully monitored.

The Chair thanked representatives from the Police Authority and Police Scotland for their informative reports.

Decision

The Committee;

1. noted the report;

2. agreed that G Houston ask the Chief Constable where information relating to formal requests for specialist services may be recorded in a report;

3. agreed that the narrative of future reports include local performance rates in addition to national performance rates for the same time period; and

4. Noted that the Chief Superintendent and G Houston would pass on to their respective organisation Members praise for the work being carried out by community police in Argyll and Bute.

(Reference: Report by Scottish Police Authority dated 27 August 2014, submitted)

Councillor John McAlpine left the meeting at this point.

6. SCRUTINY OF SCOTTISH FIRE AND RESCUE

The Committee considered a report, presented by Paul Connelly, Local Senior Officer, which provided an update to the Committee on the performance of the Scottish Fire and Rescue Service in the Argyll and Bute area from April to September 2014 inclusively. It outlined the progress in the delivery of local priorities as set out within the Local Fire and Rescue Plan and the Scottish Fire and Rescue Service framework document.

Members noted the overall trend as being one of a reducing fire risk profile. Referring to the LPI8 Members were informed that consideration was being given to bringing staff in from a Community Action Team in central Scotland to enable all visits being generated by the ongoing media campaign for free Home Fire Safety Visits initiative to be carried out. The Local Senior Officer also confirmed that new build houses located some way from a water appliance were required to have 50,000 litres of water available nearby. This was being addressed by encouraging the creation of "duck ponds" close to houses.

Decision

The Committee noted the contents of the report.

(Reference: Report by Local Senior Officer, Scottish Fire and Rescue dated 20 November 2014, submitted)

7. TREASURY MANAGEMENT MONITORING REPORT 31 AUGUST 2014

A report setting out the Council's treasury management position for the period 1 July 2014 to 31 August 2014 was considered. The report provided information on the Council's overall borrowing position, borrowing activity, investment activity and prudential indicators.

Decision

The Committee noted the content of the report.

At this point the Chair on behalf of the Committee thanked Bruce West, Head of Strategic Finance for his contribution to the Committee over the years and wished him all the best in his new role.

(Reference: Report by the Head of Strategic Finance dated November 2014, submitted)

8. PERFORMANCE REPORT FQ2 2014-15

The Committee considered the Council and Departmental performance reports with associated scorecards for performance in FQ2 2014-15 (July – September 2014).

Following a query on the Community Services Scorecard, the Executive Director of Community Services agreed to send a request to ACHA, Home Argyll and all Registered Social Landlords asking them to provide further information on their housing allocation system and would respond to Councillor Maurice Corry and Councillor Anne Horne.

Discussion then took place on the difficulties being experienced both in the public and private sectors to recruit to particular professions and the steps being taken by the Council to address these.

L Sweetman confirmed that arrangements be put in place to bring a report to the next meeting of the Committee on feedback received from the Argyll and Bute Economic Summit held on 29 October 2014.

Members also noted that a report would be brought to a future meeting of the Environment, Development and Infrastructure Committee which would include information relating to planning consents on the basis of scale, their prospective developments and any underlying issues as to lack of development. The Head of Economic Development and Strategic Transportation could update Members on this at the next PRS Committee.

Decision

The Committee reviewed the reports and scorecards as presented noting the content thereof.

(Reference: Report by Chief Executive dated November 2014and Council and Departmental Performance Reports and associated scorecards for FQ2 2014 – 15 (July – September 2014), submitted)

9. MAXIMISING ATTENDANCE: COUNCIL PERFORMANCE (JULY - SEPTEMBER 2014)

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 2014.

The Head of Improvement and HR stated disappointment in the attendance figures shown in the report. Responding to a query she explained the processes and procedures involved in the reporting of absences and return to work interviews. Members expressed dissatisfaction with the fact that the Council's target for 100% return to work interviews was not being met.

Decision

The Committee noted the contents of the report and registered their concern at the lack of progress in maximising attendance despite the excellent effort in systems and support.

(Reference: Report by Head of Improvement and HR dated November 2014, submitted)

10. CORPORATE IMPROVEMENT PROGRAMME PROGRESS

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

Decision

The Committee noted the contents of the report.

(Reference: Report by Head of Improvement and HR dated November 2014, submitted)

Councillor Iain Angus MacDonald left the meeting at this point.

11. LOCAL GOVERNMENT BENCHMARKING FRAMEWORK

As part of the agreement by the Committee to review the Local Government Benchmarking Framework in four sections over a year, the Committee considered the second section in respect of Culture & Leisure, Environmental Services, Corporate Assets and Economic Development.

Members expressed serious concerns over the Local Government Benchmarking Framework (LGBF). It was noted however that this was a statutory framework from which the Council could benefit by sharing information with and learning from other similar sized local authorities, but greater clarity was required to inform the Committee on the comparability of that data.

Lesley Sweetman confirmed that she would investigate; how the Councils capital investment on road maintenance over the last three years compared to other local authorities; how their road conditions had improved in relation to Argyll and Bute Council's 3%; the actual amounts invested and actual improvements by local authorities and feed this information back to the Committee.

Decision

The Committee noted the contents of the report and recognised it as a work in progress.

(Reference: Report by Head of Improvement and HR dated November 2014, submitted)

Douglas Cowan left the meeting at this point.

12. PUBLIC PERFORMANCE REPORTING FRAMEWORK

As part of the statutory duty relating to Public Performance Reporting (PPR) the Council publishes performance information. The Committee considered the updated findings of a recent review of PPR, a draft Framework for PPR, and an action plan for improvement in line with the Account Commission's report and recommendations.

Decision

The Committee noted the:-

1. findings of the PPR review;

2. proposed PPR framework as part of the Planning and Performance Management Framework; and

3. proposed PPR improvement Action Plan.

(Reference: Report by Head of Improvement and HR dated November 2014, submitted)

Councillor Sandy Taylor left the meeting at this point.

13. PERFORMANCE REVIEW AND SCRUTINY COMMITTEE DEVELOPMENT DAY AND WORK PLAN

The Committee considered a report on the Committee Development Day and the outcomes including a draft work plan.

Decision

The Committee:-

1. noted the report;

2. address the improvement actions in paragraph 4.6 and agreed the actions at 4.6 as follows;

    - 4.6.1 to recommend to Council the appointment of a Vice-Chairman;
    - 4.6.2 to audit the performance review activity of other Council Committees prior to any other re-consideration of the Committees' terms of reference;
    - 4.6.3 to prepare a scrutiny work plan/programme ensuring co-ordination with Audit Committee work plan;
    - 4.6.4 not to create any additional management positions in regard to Performance Review and Scrutiny;
    - 4.6.5 to prepare a training and development plan for PRS (to include training on scrutiny of Police and Fire);
    - 4.6.6 to review the lead-in time for reports/papers to Committee to enable greater time for consideration prior to the meeting;
    - 4.6.7 to consider a pre-meeting of Members immediately prior to the Committee, noting that there is already facility for Committee Members to have supported access to Pyramid data in the hour prior to the Committee;

3. agreed the draft work plan; and

4. agreed that the Health and Social Care Integration policy paper shown in the PRS Workplan for February 2015 be moved to the August 2015 meeting.

(Reference: Report by Executive Director – Customer Services dated

November 2014, submitted)

This page is intentionally left blank

Agenda Item 4

POLICE SCOTLAND
Keeping people safe

Argyll & Bute
Local Policing Plan 2014 – 2017

Quarterly Report / Q3 – 2014/15

Argyll & Bute COUNCIL

Local Police Commander, Chief Superintendent Helen Swann

As Divisional Commander for Argyll and West Dunbartonshire division I am pleased to present the third quarterly report for Argyll and Bute for 2014/15 which is the second performance year for the newly created Police Service of Scotland. This report details crime issues identified over the previous 3 months and sets out our priorities for the forthcoming period.

As outlined in the Local Policing Plan for Argyll and Bute our focus - **Keeping People Safe** – and the policing principals which it encapsulates continues to be at the centre of all police activity carried out across Argyll and Bute. Public consultation, partnership working and our own detailed crime analysis has determined that the priorities for local police during 2015 will be as follows:-

- ***Road Safety & Road Crime***
- ***Violence, Disorder & Antisocial Behaviour***
- ***Public Protection***
- ***Major Crime and Counter Terrorism***
- ***Acquisitive Crime***

These priorities are aligned to Argyll & Bute's Single Outcome Agreement 2014 – 2017. National performance frameworks have been developed in order to measure progress, monitor activity, identify key areas where resources need to be focused and demonstrate how successful we are in meeting our key priorities and objectives. Policing plans that were put in place for each of the Multi Member Wards within the Argyll & Bute boundary are in the process of being reviewed to ensure new and emerging issues within local towns and communities within Argyll & Bute continue to be addressed.

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.

Produced by Police Scotland Analysis & Performance Unit on 19th January 2015.
All statistics are provisional and should be treated as management information. All data are sourced from Police Scotland internal systems and are correct as at 2nd January 2015.

Introduction

Argyll and Bute has continued to experience a significant downward trend in all crime categories over the year to date period considered in this report (1st April 2014 – 31st December 2014) and more notably across the 5 year average. This is reflected in the positive results in the most recent Police Scotland Public Consultation. Produced in December 2014, results show that across Argyll and Bute the proportion of residents indicating that police listen to their concerns and are dealing with issues that affect their local area remains relatively high at 66.6% and 61.5% respectively, despite a slight reduction compared to the previous year. Similarly, a high percentage (68%) of residents agreed or strongly agreed that they had confidence in police. Local newspapers and leaflet drops remain the most effective methods of communication with members of the local community followed by social networking. Road Safety/Road Crime continues to be the top priority identified by local communities across Argyll and Bute, specifically speeding and dangerous driving. Drug dealing/misuse and crimes relating to violence and antisocial behaviour respectively, also remain key priorities.

Local Area Commanders Chief Inspector Marlene Baillie and Chief Inspector Gary Stitt have responsibility for addressing these crime issues and concerns as they arise on a day to day basis. Chief Inspector Baillie has the responsibility for Oban, Lorn and the Isles and Mid Argyll supported by Inspector Mark Stephen (Campbeltown & Lochgilphead) and Inspector Julie McLeish (Oban). Chief Inspector Stitt is supported by Inspector Paul Robertson (Dunoon & Rothesay) and Inspector Claire Miller (Helensburgh). These dedicated area Inspectors lead the local Community Policing Teams to ensure our efforts and attention remain focused on the needs and expectations of the local community.

In addition to day to day policing carried out by Community Investigation Units and Response Policing, officers within Argyll and Bute Command Area respond to developing events and seasonal demands that require additional attention and policing. Over this period additional officers have been deployed to address increased demand in relation to events such as Fireworks Night and the Festive period where there is a likelihood of an increase in antisocial and violent behaviour.

Special Constables

Argyll and Bute Command Area currently has 27 Special Constables who will attend for duties on a regular basis. The majority of the officers are imbedded into the local Response Groups and perform regular patrols with local officers. There are also a number of Special Constables who work on the outlying islands who perform a key role in providing a policing response to the local community. Special Constables are an important addition to the police family within Argyll and Bute and dedicate much of there spare time to ensuring we are 'Keeping People Safe'. They regularly support core policing within Argyll and Bute and provide a very welcome addition to regular patrols. Special Constables also deploy to divisional events and operations when required and available.

Strengthening Local Policing (Proposal)

Argyll and West Dunbartonshire Division is committed to continually looking at ways in which we can make improvements to the policing service we provide to our local communities, and one such way is a recent proposal to merge Argyll and West Dunbartonshire (L Division) with Renfrewshire and Inverclyde (K Division). The proposal highlights compelling opportunities to strengthen local policing by creating consistency and removing duplication of work, with increased resilience and access to specialist staff. Furthermore the proposal would present the opportunity to streamline senior management posts in one single division, creating efficiency savings and the allocation of front line officers to enhance the service provided.

To ensure we are fully sighted on the views and feedback from all our local communities, we are currently consulting Elected Members, Community Councils, our partners and key stakeholders at various levels. We have already held meetings and circulated information to these groups intended to explain the rationale behind the proposal. Consultation is ongoing and this will be crucial in ensuring we are fully informed of all the associated benefits and risks.

Firearms Licensing

On 5 January 2015, a letter was sent by email to stakeholders regarding the National Firearms Licensing Communication Strategy. This letter detailed the proposed changes to the structure of firearms licensing and was sent to all Members of Parliament, Members of the Scottish Parliament and Local Authority Councillors. In addition to this the Divisional Commander personally briefed the Chief Executive of the Local Authority. The letter provided a full explanation of the proposed changes to Elected Members and invited them to contact the division should they have any questions regarding these. To date no enquiries have been received.

Produced by Police Scotland Analysis & Performance Unit on 19th January 2015.
All statistics are provisional and should be treated as management information. All data are sourced from Police Scotland internal systems and are correct as at 2nd January 2015.

Road Safety & Road Crime

As mentioned previously, road safety and road crime remains the top priority for local communities across Argyll and Bute. The implementation of the dedicated Road Policing Unit continues to yield noticeable results. Dedicated Road Policing Officers continue to routinely patrol the main crash routes providing a highly visible presence targeted at preventing road crashes and influencing driver behaviour.

Performance YTD figures indicate significant reductions in road casualties, this is shown in following table:-

Road Traffic Casualty Statistics	Apr 2014 - Dec 2014	Apr 2013 - Dec 2013	Victims
People Killed	4	10	6 fewer
People Seriously injured	39	47	8 fewer
People Slightly Injured	158	181	23 fewer
Children (aged<16) Killed	0	0	None
Children (aged<16) Seriously Injured	1	0	1 more
Road Safety & Road Crime	**Apr 2014 - Dec 2014**	**Apr 2013 - Dec 2013**	**% Change**
Dangerous driving	66	60	10.0%
Speeding	1,623	1,689	-3.9%
Disqualified driving	5	9	-44.4%
Driving Licence	94	116	-19.0%
Insurance	140	147	-4.8%
Seat Belts	288	429	-32.9%
Mobile Phone	169	192	-12.0%

Increased pro-activity at problematic road crash locations has influenced the overall number of road traffic offences being detected however it is of note that dangerous driving offences have increased by 10% and speeding detections remain high, albeit slightly below the figure recorded at the same period last year.

Priorities determined by the Local Policing Plan 2014 – 2017 continue to be at the forefront of operational activity:-

- ***To work with partners to develop a strategy to reduce the numbers of those killed and seriously injured on the Argyll and Bute road network.***
- ***To increase enforcement activity to improve driver behaviour.***
- ***To improve road safety through enhanced partnership working and preventative initiatives within the community.***

Produced by Police Scotland Analysis & Performance Unit on 19th January 2015.
All statistics are provisional and should be treated as management information. All data are sourced from Police Scotland internal systems and are correct as at 2nd January 2015.

This year has seen a change in the method of recording interaction between drivers by Road Policing Officers. We now record not only the geographical areas that the officers are conducting their business but also, in terms of offences detected, the how many drivers are being dealt with by enforcement and how many receive a recorded warning. Speeding offences is perhaps the best example of this where drivers who while driving in excess of the speed limit for the area are within the Lord Advocates guidelines for non prosecution are stopped and given a formal warning, educated as to the dangers of such actions and encouraged to change their driving behaviour. The main objectives behind these changes are to influence driver behaviour, reduce the average speed of motorists at any given location but also to show that discretion is still a valuable police tool to be used in road safety.

Focused Police Activity

Multi Agency Road Safety Partnership

Police Scotland continues to work with the Argyll Multi Agency Road Safety Partnership with the next meeting scheduled at the end of January 2015. A review of contingency plans and diversion routes has taken place involving Police Scotland, BEAR Scotland on behalf of Transport Scotland and Argyll and Bute Council Roads Department.

In partnership with BEAR Scotland through traffic management and utilising crash data, extensive works have been undertaken on the A83 between Cairndow and Inveraray with a new road surface being laid, Strone Point being reengineered and ongoing works to improve sightlines and junction access at Loch Fyne Oyster Bar. This area has seen been the location of numerous serious crashes in recent years and recent works coupled with increased marked and unmarked patrols on this stretch of road has seen a significant drop in injury crashes.

Winter Road Safety

This year Argyll and Bute Council have moved from a winter treatment system utilising the "Iceman" computer system to a new web based system called "Vaisala". This system has been rolled out to Road Policing Officers across the division and selective divisional officers at area command level. Unlike Iceman, this system does not only record planned treatments in the forecast of snow/ice, but can be reviewed to allow for better planning due to changing conditions or needs as a result of incidents for example.

Festive Road Safety Campaign

The Festive Road Safety Campaign which took place between 5th December 2014 – 2nd January 2015 focused on vehicle safety, drink and drug driving to detect and deter drink/drug driving and improved safety by enforcement of construction and use offences yielded good results; eight persons were reported for drink/drug driving over the campaign period.

Violence, Disorder and Antisocial Behaviour

During the 3 month reporting period, crimes and incidents of violence, disorder and antisocial behaviour have continued in a downward trend. The total number of Group 1 crimes of violence remains relatively low when compared to other local authority areas and significantly below the figure recorded YTD last year. The following table shows our performance YTD as at 31st December:-

Produced by Police Scotland Analysis & Performance Unit on 19th January 2015.
All statistics are provisional and should be treated as management information. All data are sourced from Police Scotland internal systems and are correct as at 2nd January 2015.

Violence, Disorder & Antisocial Behaviour	Apr 2014 - Dec 2014	Apr 2013 - Dec 2013	Victims
Total No Group1: Crimes of Violence	39	62	23 fewer
Murder	1	0	1 more
Attempted Murder	1	1	same number
Culpable Homicide (common law)	1	0	1 more
Culpable Homicide (other)	2	1	1 more
Serious Assault detection rate	94.4%	100.0 %	
Serious Assault	18	18	same number
Robbery detection rate	100.0 %	100.0 %	
Robbery	1	4	3 fewer
Common assault detection rate	85.7%	85.8%	
Common assault	517	558	41 fewer
Stop and searches conducted	6,072	9,748	
Number of positive stop and searches conducted.	1,327	1,561	
Number of complaints regarding disorder	2,494	2,917	423 fewer
Number of detections for Consuming Alcohol in a designated place (where appropriate byelaws exist)	158	194	36 fewer

Crimes involving low level violence and antisocial behaviour (ASB) have also seen significant reductions across the YTD period; common assault crimes have reduced by 7.3%, complaints regarding disorder have reduced by 14.5% and ASB incidents reported by members of the public have reduced by 5.7% (from 2498 down to 2354). Whilst the overall number of stop searches conducted has also reduced considerably compared to the year to date figure last year, the positive ratio has improved from 16% to 21.8% indicating that police activity is being targeted more effectively.

Police Scotland continues to work towards achieving the objectives set out in the Argyll and Bute Local Policing Plan to reduce violence, disorder and ASB :-

- ***To reduce the number of victims of violent crime.***
- ***To reduce the number of reported incidents of antisocial behaviour.***
- ***To impact on alcohol related violence, antisocial behaviour and disorder with particular emphasis in and around licensed premises.***
- ***To increase the number of people detected for violent and domestic crime.***

Effective use of the Divisional Violence Prevention Strategy and Directed Policing Plans, which are informed by analytical products produced at a local level, ensures

Produced by Police Scotland Analysis & Performance Unit on 19th January 2015.
All statistics are provisional and should be treated as management information. All data are sourced from Police Scotland internal systems and are correct as at 2nd January 2015.

local officers continue to manage the threat and risk posed by specific individuals and identified problematic locations.

In line with Police Scotland's ongoing Campaign against Violence (CAV), Argyll and Bute Command Area regularly deploy officers from elsewhere in Scotland within the Helensburgh area to provide assistance to the division in relation to antisocial behaviour and violent crime.

Focused Police Activity
Town Centre Action Plans
Given that most antisocial behaviour, disorder and violence occurs within the town centres of Argyll, police activity continues to focus on these areas. Several operations have taken place in and around licensed premises utilising metal detection devices to assist in detecting those individuals who carry weapons and also utilising drug detection tactics to identify premises where drug misuse occurs. Such operations not only deter antisocial behaviour, disorder and violence they create opportunities for effective and coordinated partnership working.

Multi Agency Antisocial behaviour Group
A number of local Multi Agency Antisocial Behaviour Tasking Groups are in place across Argyll and are working very effectively. Such groups ensure that a coordinated and focused approach is taken to addressing antisocial behaviour within our communities and tackle issues ranging from disorder hotspots to tenants who persist in engaging in antisocial behaviour within their dwelling to the annoyance and disturbance of others.

Licensing
To compliment the work ongoing by local officers, the Divisional Licensing Department continues to work with licensed premises throughout Argyll to ensure a responsible attitude is taken by license holders in respect of the management of their respective premises. Work is currently ongoing to enhance the Pub Watch Schemes across all town centres of Argyll in order that a consistent approach is taken and that communication between license holders is improved and coordinated.

Protecting Vulnerable People

Protecting those most vulnerable within all communities of Argyll & Bute remains at the heart of our commitment to Keep People Safe. The following table details our performance YTD as at 31st December 2014:-

Public Protection	Apr 2014 - Dec 2014	Apr 2013 - Dec 2013	Victims
Number of Group 2 - Crimes of Indecency	67	100	33 fewer
Group 2 crimes detection rate	73.1%	80.0%	
Rape detection rate	41.2%	90.0%	

The total number of Group 2 crimes of indecency has reduced considerably compared to the previous year to date period with 33 fewer victims. Although below target, the detection rate for Group 2 crimes remains relatively high at 73.1% and 41.2%.

Produced by Police Scotland Analysis & Performance Unit on 19th January 2015.
All statistics are provisional and should be treated as management information. All data are sourced from Police Scotland internal systems and are correct as at 2nd January 2015.

As set out in the Local Policing Plan 2014 – 2017, our priorities for the forthcoming period remain unchanged:-

- ***To work with our partners to identify those children, young people and vulnerable adults who are most at risk and through joint action reduce that risk.***

- ***To continue to develop proactive strategies to deal with managed offenders, particularly those that present the greatest threat, risk and harm.***

- ***To increase the number of persons detected for sexual crimes.***

- ***Together with partner agencies, strive to provide a better quality of service to the victims of sexual crime.***

Focused Police Activity

MATAC

MATAC (Multi Agency Tasking and Coordinating) meetings continue to be held on a monthly basis at Dumbarton Police Office and are attended by representatives from Police, ASSIST, Housing and Crown Office and Procurator Fiscal's Office. High tariff offenders are discussed at this meeting and actions are delegated to respective agencies with the intention to target the offender and reduce the danger to the victim. Previous partners are identified and interviewed to ascertain if they too have been victims of domestic abuse. MATAC has been highly successful in the apprehension of a number of high tariff offenders.

MARAC

Plans are progressing to introduce MARAC (Multi Agency Risk Assessment Conference) within Argyll and Bute. These meetings are typically held on a monthly basis and are also attended by representatives from a number of agencies. Victims of domestic abuse are discussed at this meeting and plans are developed to provide support and safety for these victims.

Festive Domestic Abuse Campaign

Police Scotland initiated a Festive Campaign which lasted 13 days from 21 December 2014. A number of local initiatives were implemented including the execution of a high volume of warrants. Domestic offenders were targeted during this period and the warrants initiative was highly successful. All domestic offenders were visited to ensure that they were complying with bail conditions and curfews and warning letters were handed to all persons arrested for domestic related incidents.

Domestic Abuse Leaflets

A successful bid was made and community planning funds obtained to print domestic abuse leaflets. These leaflets provided contact numbers for a number of local support agencies. They have been distributed throughout the division in Community Centres, Health Centres etc. Various support agencies have highly commended these leaflets.

Major Crime and Counter Terrorism

Keeping people safe by reducing the threat posed from organised crime groups and terrorism across Argyll and Bute remains a high priority for all local police officers. In respect of terrorism, recent events in Paris highlight the necessity for vigilance at all times. Police Scotland continues to target and disrupt the activities those involved at a local level through focused and robust interventions based on the objectives set out in the local policing plan:-

- ***To disrupt organised crime groups by targeting individuals, the businesses they operate and their access to public contracts.***
- ***To target those individuals who are intent on supplying drugs.***
- ***Through education and partnership, reduce the impact that serious and organised crime and terrorism has on our communities.***
- ***Through the Multi-Agency Serious and Organised Crime and Contest Groups, raise awareness and improve information sharing between agencies.***

The most recent intelligence assessment (December 2014) of those involved in Serious and Organised Crime (SOC) in Argyll and Bute indicates the current picture remains unchanged. There continues to be 2 identified SOC Groups in operation within the area however both are assessed to present a Low Risk to the local communities within Argyll & Bute. These groups continue to be closely monitored through a robust internal governance group which manages and directs activity in relation to any actionable intelligence to ensure police activity is focused on those individuals that pose the greatest threat, risk and harm.

The crime of choice for many individuals linked to SOC within Argyll and Bute is the supply and distribution of controlled drugs. Furthermore, results from the recent public consultation survey carried out in December 2015 indicate that drug dealing/misuse continues to have a significant impact on local communities across Argyll and Bute. Whilst there has been a noticeable reduction in the number of drug supply detections, shown below, tackling those involved in this form of criminality continues to be prioritised.

Serious & Organised Crime		Apr 2014 - Dec 2014	Apr 2013 - Dec 2013	% Change
22	Number of detections for drugs supply, drugs productions, drugs cultivation	35	59	-40.7%

Focused Police Activity

Shop a Dealer Campaign

Work is ongoing to improve detections for drug supply across Argyll and Bute and a pro-active policing plan has been developed which incorporates a media strategy to highlight the "SHOP A DEALER" campaign and engagement with the local community in order to improve the current intelligence picture. Intelligence development work continues in order to scope the full extent of SOC within the area.

Multi Agency Serious and Organised Crime and Counter Terrorism Group

The joint Multi-Agency Counter Terrorism and Serious and Organised Crime Group is now well established and multi agency sub groups created, with chair persons identified, to ensure clear direction is provided in respect of partnership work to tackle issues surrounding recruitment and support of organised criminality/terrorist groups, the gathering and dissemination of intelligence to the correct partner agencies and preparation to strengthen our resilience and emergency procedures to reduce the risk and mitigate against any long term loss should the worst occur. Individuals continue to be proactively targeted, and where possible, arrested or charged in connection with criminality. In addition, every step is being taken to prevent such groups taking advantage of public finance and benefiting from public sector contracts.

HMNB Clyde
HMNB Clyde, Faslane which is within the Argyll and Bute Command Area poses a unique and demanding policing issue with regular demonstrations been organised and held outside the base. Officers were deployed to a planned demonstration at Faslane on Sunday 30th November 2014 when over 1500 protestors turned out. This was the largest protest for 2 years. Officers were deployed to this event in order to prevent any antisocial behaviour or acts of disorder and also minimise the disruption to the local community.

Prevent Activity
Argyll and Bute Youth services have agreed for Police Scotland to present an ACT Now presentation to its youth mentors training weekend with a view to carrying out further inputs to community groups throughout the Argyll & Bute area.

Acquisitive Crime

Police Scotland remains committed to achieving the objectives set out in the Local Policing Plan in relation to acquisitive crime. These are as follows:

- ***To reduce the number of housebreakings and improve detection rates.***

- ***To target individuals involved in doorstep crime and support the victims through partnership working.***

The following table shows our performance across the current YTD period:-

Acquisitive Crime	Apr 2014 - Sept 2014	Apr 2013 - Sept 2013	Victims
Theft by housebreaking (including attempts)	92	98	6 fewer
Doorstep / Bogus Crimes	3	2	1 more

Across the year to date period acquisitive crime levels have continued in a downward trend with an overall reduction of around 9% compared to the same comparative period last year. Housebreaking crimes have reduced by 6.1% and to date around 31.2% of all crimes reported have been detected.

Focused Police Activity
Housebreaking
Housebreaking and associated crimes impact greatly on the victims, irrespective of whether the crime occurs at a private or business address. The personal and intrusive nature of the crime combined with loss of personal possessions often leaves a lasting impact on the victim. In the majority of cases the home targeted will be unoccupied minimising the risk of capture to the perpetrator during the commission of the crime. The investigation of all instances of housebreaking is a divisional priority

with a high standard of investigation expected commensurate with the nature of the crime.

The initial response to any housebreaking call is afforded priority status and the attending officers and supervisors must ensure the scene is properly preserved, with scene examination conducted for all instances of housebreaking and associated crimes to maximise the opportunity for retrospective detections. Whilst crime levels have slightly reduced, this will continue to be reinforced and advanced, supported by a standardised response for victims, ensuring all reports of housebreaking across Argyll and Bute are fully investigated, with continued focus on detecting offenders who engage in this type of criminality.

Operation Quarterlight

On 20th January 2015, Police Scotland launched Operation Quarterlight, a national campaign to tackle car crime and vehicle theft across the country. Operation Quarterlight will be implemented throughout Scotland to identify and target those responsible for vehicle break-ins and thefts. Officers will focus on the prevention of vehicle crime by engaging with partners, key stakeholders and members of the public. By changing habits, and working in partnership, vehicle crime can be prevented.

In Argyll and Bute, there has been an increase in plant theft, quad bikes, trailers and diesel, particularly in the winter months. The local farming community is one area that has been targeted. Local policing along with the divisional roads policing, will continue to target individuals involved in this type of crime, with regular road blocks and linking in with the communities providing prevention information. Prevention is key and the local communities are being encouraged to ensure their equipment and vehicles are kept in a secure location and that their keys are kept out of sight.

Conclusion

As Local Police Commander, I am delighted to present this update on our Local Policing Plan for Argyll and Bute 2014-17. We are continuing to meet the challenges we face and while our policing performance continues to be strong we will always strive to improve across all areas.

I am happy with our achievements so far and thank our partners from across Argyll and Bute for their support and contribution.

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

Helen Swann
Chief Superintendent
Local Police Commander

Produced by Police Scotland Analysis & Performance Unit on 19th January 2015.
All statistics are provisional and should be treated as management information. All data are sourced from Police Scotland internal systems and are correct as at 2nd January 2015.

Service Delivery Area –West

Argyll & Bute Local Fire and Rescue Plan

Performance Report (April – December 2014)

CONTENTS

Foreword

This local performance report for Argyll & Bute covers Quarter 1 - Quarter 3 for the reporting year; April – December 2014 inclusively.

The Local Fire Plan 2014 – 17 sets out the priorities for the next 3 years in order that the Fire and Rescue Service will meet the objectives of the West Dunbartonshire Single Outcome Agreement 2014 - 17. This has seen the creation of Local Performance Indicators (LPI) that provides a focus on delivering these priorities and has been set at a challenging level intended to deliver a meaningful difference to our communities and staff alike.

It is pleasing to report, following analysis of the LPI's, that the overall trend is one of a reducing fire risk profile. Of the 8 KPI's, 5 have been assessed as Green, and 2 at Amber and 1 has been assessed as Red.

There has been a reduction in accidental dwelling house fires and it is pleasing to report no fire fatalities occurred during this reporting period. Fire casualties who have suffered from the minor effects of fires in dwellings, remains consistent with the three yearly averages.

Responses and attendance at Automatic Fire Alarms (AFA) calls remain at a high level, however, through our policies and procedures we are beginning to see a slight decrease on numbers previously reported.

The heart of our campaign for safer communities is our FREE Home Fire Safety Visits initiative. These are carried out by our staff to reduce the number of fires and casualties within the home. We will continue to target those homes which are deemed to be at the highest risk and we believe that partnership is key to the improved safety of our community.

Paul Connelly
LOCAL SENIOR OFFICER

Section 1 Introduction

This report provides detail on the performance of the Scottish Fire and Rescue Service in the Argyll & Bute area. In doing so it outlines our progress in the delivery of local priorities as set out within the Local Fire and Rescue Plan and the Scottish Fire and Rescue Service framework document.

The outcomes and measures provided in this report details a blend of quantitative and qualitative information to support committee members in their local scrutiny role.

The Service aspires to deliver very high standards to our communities and our current performance is testament to the commitment, professionalism and dedication of our staff and the positive local partnerships embedded within the Argyll & Bute Community Safety working groups.

However, we recognise that wherever our performance falls short of expectations we will respond promptly to address the areas of concern.

The report contains a series of Local Performance Indicators (LPI) that provides an assessment of the fire risk within Argyll & Bute by:

- Subdividing the various fire related incidents into meaningful categories
- Setting out our direction of travel in reducing that risk
- Contextualising the fire risk profile
- Confirming the continued proactive measures that the Scottish Fire and Rescue Service are implementing.

Section 2 Performance Criteria

Each LPI has been set a challenging performance target which aims to deliver continuous improvement.

Our current suite of targets is not necessarily permanent and will be kept under continual review to reflect that risk reduction is a continual and dynamic process in an ever changing environment

Local Performance Indicator Target

LPI 1	Accidental Dwelling Fires	*comparing a three year rolling average deliver a reduction*
LPI 2	Deliberate Dwelling Fires	*comparing a three year rolling average deliver a reduction*
LPI 3	Fatalities Dwelling Fires	*comparing a three year rolling average deliver a reduction*
LPI 4	Non-Fatal Fire Casualties	*comparing a three year rolling average deliver a reduction*
LPI 5	Deliberate Fire Setting	*comparing a three year rolling average deliver a reduction*
LPI 6	Casualties - Non Fire Emergencies	*comparing a three year rolling average deliver a reduction*
LPI 7	Automatic Fire Alarms	*comparing a three year rolling average deliver a reduction.*
LPI 8	Home Fire Safety Visits	*Deliver to target as set by Protection and Prevention Directorate*

We have employed a Red, Amber, and Green (RAG) performance status measure that is primarily based against the previous rolling average of three years incident data.

This allows us to take into account seasonal and yearly fluctuations within each LPI by allowing for deviation from normal activity levels.

The Service has not used a percentage criterion for its RAG assessment. This is due to a number of the LPI's already having a relatively low baseline in terms of number of incidents i.e. a reduction from eight to four incidents within a limited timescale would show a 50% decrease and not necessarily provide a true reflection of the risk level.

Detailed below is an explanation of the RAG rating:

Red:	The risk level is greater than our target over the three year period
Amber:	The risk level is marginally out with our target over the three year period
Green:	The risk level is in line or better for our target over the three year period

Alongside each LPI in Section 3 we have provided further context within a situational assessment that provide the necessary information for the committee to scrutinise the Service's current performance.

Section 3 Performance Outcomes & Measures

Determining how successful the Service is in reducing the fire risk profile within Argyll & Bute is a complex task.

There are many factors that may impact on our ability to reduce fire risk. External environmental factors such as deprivation, substance dependency and lifestyle to name but a few can influence the fire risk profile within the area.

In recent years, positive progress has been delivered in reducing the fire risk profile and our task remains to continuously improve these risk levels further.

The current Service approach to risk reduction is to pro-actively focus our activities on our neighbourhoods whom statistically are at higher risk from fire and identifying vulnerable persons within our communities.

Working locally with our partners is a key element in delivering improved safety outcomes.

The RAG assessment highlights the continual improvements that have been made during this reporting period and identifies areas where future work is required to be carried out.

Local Performance Summary Table

LPI	Risk	RAG status
01	Accidental Dwelling Fires	
02	Deliberate Dwelling Fires	
03	Fatalities from Dwelling Fires	
04	Non-Fatal Fire Casualties	
05	Deliberate Fire Setting	
06	Casualties from Non Fire Emergencies	
07	Automatic Fire Alarms	
08	Home Fire Safety Visits	

Detailed below is an outline of each LPI with an assessment of progress against the risk reduction target and outcome we are seeking to deliver with a situational analysis sets out the response to the assessment.

LPI 01 – Accidental Dwelling Fires

LPI Assessment:

The same Year to Date (YTD) period average over the last three years confirms a **downward** trend in relation to the number of accidental dwelling house fires.

The average over the last three years for Q1, Q2 & Q3 is 58, whilst this YTD there have been **55** accidental dwelling house fires.

Situational Analysis:

We are taking a proactive approach to reducing the fire risk by targeting higher risk areas and identifying, with support from our partners, high risk individuals. This is the main theme of our Home Fire Safety Visit initiative and is key to reduce fires and fire deaths in our communities.

Operational crews are increasing the number of home fire safety visits in our relatively higher risk neighbourhoods with a view to reducing the risk of fire within the home.

Operational crews and partner agencies continue to refer higher risk vulnerable persons and are subject to a multi-agency case conference to ensure individuals and the community remain safe from fire.

LPI 02 – Deliberate Dwelling Fires

LPI Assessment:

The same YTD period average over the last three years confirms a **static** trend in relation to the number of deliberate dwelling fires.

The average over the last three years for Q1, Q2 & Q3 is 7 and this YTD there have been 7 deliberate dwelling house fires.

Situational Analysis:

This number is relatively low when compared to other Local Authority areas; we will continue to work with our partners in Police Scotland to ensure that it remains low by ensuring all incidents are fully investigated as to the cause and origin.

LPI 03 – Fatalities Dwelling Fires

LPI Assessment:

It is pleasing to report that there have been **no** fatal fire casualties in this YTD.

Situational Analysis:

Although the zero fire fatalities is pleasing to note the Service is not being complacent. We are increasing our community safety activities within areas where there is the highest risk of a dwelling house fire occurring.

LPI 04 – Fire Casualties (incl. precautionary check-up)

LPI Assessment:

The same YTD period average over the last three years confirms a **static** trend in relation to the number of Non-Fatal Fire Casualties.

The average over the last three years for Q1, Q2 & Q3 is 11, whilst this YTD there have been 11 Fire Casualties.

Situational Analysis:

To place into context it is worth highlighting the difference between frequency and severity. In the majority of cases, the fire casualties recorded required only minor first aid treatment at the scene.

This highlights the effective use of smoke detectors in alerting occupants to the situation and also to the speed and weight of attack of fire and rescue resources available.

LPI 05 – Deliberate Fire Setting

LPI Assessment:

The same YTD period average over the last three years confirms a **downward** trend in relation to Deliberate Fire Setting.

The average for Deliberate Primary Fire Setting over the last three years for Q1, Q2 & Q3 is 15 and this YTD there have been 13 Deliberate Primary Fires.

The average for Deliberate Secondary Fire Setting over the last three years for Q1, Q2 & Q3 is 49 and this YTD there have been 36 Deliberate Secondary Fires.

.

Situational Analysis:

This LPI includes deliberate primary and secondary fires. A primary fire is designated as a fire that involves a building or property and a secondary fire is defined as a fire in refuse or on grass or heathland. These are an indication of Anti-Social Behaviour and/or criminal acts.

To reduce the risk of deliberate other building fires we are utilising the support of our

partners working within the CPP to identify derelict or vacated properties and make them secure. Operational crews are engaging in a variety of multi-agency youth diversionary projects e.g. Young Firefighters Schemes and Fire reach programmes. A wetter spring time saw a reduction in the number of grass and heath fires experienced, this increased slightly through the summer, however it is pleasing to note that Q2 and Q3 are showing a reducing trend.	

LPI 06 – Casualties from Non Fire Emergencies

LPI Assessment: The same YTD period average over the last three years confirms an **upward** trend in relation to Casualties from Non-Fire Emergencies (for RTC) The average for Casualties from Non-Fire Emergencies (non-fatal casualties for RTC) over the last three years for Q1, Q2 & Q3 is 43 and this YTD there have been **46** Casualties from 60 Road Traffic Collisions (RTC).	⬆
Situational Analysis: This LPI includes casualties from emergencies that do not include fire i.e. RTC, flooding and other forms of entrapment. These forms of emergencies are known as Special Services. Our performance in the YTD has seen a slight increase overall in all Special Services attended to **183** incidents in Q1, Q2 & Q3, up from a 3 year average of 176. However this year's activity with regards to RTCs show's 60 incidents attended compared to last year's figure of 65. Analysis shows that Mid Argyll remains the hotspot for activity and the A82 and A83 remain the worst affected roads for RTCs. A recent initiative by Police Scotland to reinstate the Road Policing Group should act as the impetus for all partners within the CPP to see this as a main piece of work to improve our performance.	

LPI 07 – Automatic Fire Alarms

LPI Assessment: The same YTD period average over the last three years confirms a **downward** trend in relation to Automatic Fire Alarms. The average for Automatic Fire Alarms over the last three years for Q1, Q2 & Q3 is 824 and this YTD there have been **796** Automatic Fire Alarm actuations.	⬇
Situational Analysis: The Service aims to focus on reducing the number of AFA's during 2014-15 supported by applying national policy and process to assure a consistent approach. This direction of travel is pleasing to note.	

LPI 08 – Home Fire Safety Visits

LPI Assessment:	
The same YTD period average over the previous three years confirms an **upward** trend in relation to the number of Home Fire Safety Visits completed. The SFRS have set a challenging target of increasing the number and quality of Home Fire Safety Visits within the Argyll & Bute area in this reporting year. In Q1, Q2 & Q3 our operational crews and Community Action Teams have carried out **840** home visits which is an increase from the previous year's figure of 778. From these visits 516 homes were deemed as high risk, 258 at medium risk and 66 at low risk. This number, whilst significant, has unfortunately fallen slightly short of the target set for the area.	⬆
Situational Analysis: Home Fire Safety Visits are free for everyone within our communities, they remain our prime means of contacting the public to ensure that they are safe from fire and other hazards in the home and we urge all partners to assist in the process of referring people for a Home Fire safety Visit. We will continue to target those deemed at highest risk within our community.	

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

STRATEGIC FINANCE | **26 FEBRUARY 2015**

STRATEGIC RISK REGISTER – 6 MONTHLY REVIEW

1. Executive Summary

1.1 This report is a review of the recently agreed Strategic Risk Register (SRR) and is prepared as per the agreed reporting 6 monthly reporting cycle.

1.2 The revised strategic risk register was agreed by Council in June 2014 is updated on a live basis and is formally reviewed twice yearly, in August (post year-end) and in February as part of budget planning process.

1.3 The process for reviewing the strategic risk register is outlined below:

- Designated risk owner to update on an ongoing basis in consultation with appropriate chief officers /service managers and policy leads.
- SMT to review progress / update report.
- Strategic Risk Group reviews the SRR at its scheduled meetings.
- Policy and Resources Committee to consider update reports.
- Performance Review and Scrutiny Committee to consider update reports

1.4 Each of the risks, their scoring and associated mitigations has been reviewed on an individual basis. There are no material changes to the risks identified and included in the register. Both raw and residual scores have been reviewed and current levels are assessed as appropriate. A number of updates have been made to the mitigations, both current and planned. These changes reflect progress made to date and in a number of cases highlight next step actions.

1.5 In order to further support active risk management and the review / monitoring process, a risk appetite framework is being developed and will be incorporated into future reviews.

1.6 Appendix 1 details the strategic risk register which is currently showing 1 red risk being Population and Economic Decline and 14 risks in the amber category.

2. RECOMMENDATIONS

2.1 Members are asked to note the content of the updated Strategic Risk Register.

3 CONCLUSION

3.1 This report provides members with assurance that the Strategic risk register continues to be actively monitored.

4. IMPLICATIONS

4.1 Policy – None directly but the SRR should be used to assist the Council in setting and reviewing its strategic direction and performance.

4.2 Financial – None directly from this report but effective risk management assists with effective governance and stewardship of council resources

4.3 Personnel – None

4.4 Equal Opportunities – None

4.5 Legal – None.

4.6 Risk – The report sets out the strategic risks facing the Council

4.7 Customer Service – None.

Bruce West
Head of Strategic Finance

For further information contact: Kevin Anderson, Tel 01369 708505
kevin.anderson@argyll-bute.gov.uk

APPENDICES

Appendix 1 – Strategic Risk Register

UPDATED STRATEGIC RISK REGISTER – APPENDIX 1													
Risk Ref	**Description Of Risk**	**Example Consequences**	**Gross Risk**			**Desired Outcome**	**Current Mitigations**	**Planned Mitigations**	**Residual Risk**			**Risk Owner**
			Li	**Im**	**Sc**				**Li**	**Im**	**Sc**	
1. Population and economic decline	Projected population decline and potential economic decline and failure to identify relevant factors causing the decline and the need to develop and strategies and action plans to address that decline in an effective manner.	Sustained economic decline and population loss, particularly amongst our economically active generations results in a circle of decline with reduced employment, lower earnings, failing businesses and poor perception of the area. Population decline reduces Government funding and reduces scope for efficiencies and economies of scale. Combined population and economic decline may increase the need and costs for services	5	4	20	Sustainable economic growth and population growth in Argyll and Bute with a focus on economically active generations.	Single outcome agreement targets population and economic recovery. Strategic Economic Development Action Plan (EDAP). Argyll and Bute Development Plan implementation. Some CHORD works and additional area regeneration works. Economic Sustainable Forum	Relevant CPP policies and strategies underpin a business friendly ethos. Implementation of local development plans Action SOA delivery plans Deliver area based economic development action plans Holistic approach to economic development and regeneration Maximise funding levered in from external sources to support economic development	4	4	16	Director of Development and Infrastructure Head of Economic Development and Strategic Transport

Risk Ref	Description Of Risk	Example Consequences	Gross Risk			Desired Outcome	Current Mitigations	Planned Mitigations	Residual Risk			Risk Owner
2. Condition and suitability of overall Council infrastructure and asset base.	Infrastructure and asset base does not meet current and future requirements. Infrastructure and asset base is not being used or managed efficiently or effectively. .	Infrastructure and asset base do not support overall Council objectives. Infrastructure and asset base do not support delivery of service outcomes. Infrastructure and asset base is allowed to deteriorate resulting in cost, lost opportunities and wasted resource.	4	4	16	The Council has an infrastructure and asset base that is maintained, safe, efficient and fit for purpose and which supports development of the area and achievement of objectives.	Corporate Plan and Service Plans. (actions) Capital planning and monitoring process. Asset Management planning process. Project prioritisation process Business case prepared with regard to asset sustainability, service development and strategic change.	Improve linkage between assets and infrastructure and Corporate and Service plans Improved Life Cycle Planning Improved Asset Condition Surveys Robust Implementation of prioritisation process.	3	4	12	Executive Director of Development and Infrastructure Head of Facility Services.
3. External – built environment non-council assets and infrastructure	Our built environment is not maintained to an adequate standard and does not support investment or regeneration aspirations. Built environment deteriorates to levels where intervention is required.	We do not have a built environment which supports sustainable growth. Communities and public sector partners fail to make the best use of our natural and built environment.	4	4	16	We have an environment which supports sustainable growth. Communities and public sector partners make the best use of our natural and built environment with clear plans for development and investment	Townscape Heritage Initiative THI – Conservation Area Regeneration Scheme. CARS – Building Standards Area Teams	Physical Regeneration programmes focused on enhancing and maintaining the built environment including THI and CARS	3	4	12	Executive Director of Development and Infrastructure

Risk Ref	Description Of Risk	Example Consequences	Gross Risk			Desired Outcome	Current Mitigations	Planned Mitigations	Residual Risk			Risk Owner
4. Welfare reform	Implementation of welfare reform is not managed well resulting in increased poverty and deprivation or short term crisis.	Increase in demand or costs for Council services. Financial crisis and hardship for individuals. Adverse impact on local economic development. Adverse impact on communities. Potential widening of inequalities gap.	5	4	20	Well managed implementation of welfare reform in a way that minimises impact on individuals and communities but does not create a financial burden for the Council.	Separate project established to manage welfare reform with clear plans, resources and risks identified. Joint working with DWP, CPP and other Agencies to plan response to potential impact. Discussions on-going at national level re local services support framework which will lead to targeted support. USDL trial (Universal Services Delivered Locally) to work with individuals and families in need of money management support and/or digital access and training.	Mapping of the existing network of support available in all areas of Argyll and Bute across all sectors. Work closely with all stakeholders in relation to the implementation of Universal Credit in Argyll and Bute in 2015	3	4	12	Head of Customer and Support Services

Risk Ref	Description Of Risk	Example Consequences	Gross Risk			Desired Outcome	Current Mitigations	Planned Mitigations	Residual Risk			Risk Owner
5. Political leadership	Political instability resulting in a lack of collective strategic leadership by councillors.	Loss of Strategic direction. Deterioration in performance. Negative impact on reputation.	4	5	20	Improved Strategic focus. Performance level maintained and improved.	Administration in place with working majority. Revised political management arrangements agreed at Council on 23 January 2014. Action plan to address issues set out in Audit Scotland statutory report approved by Council 23 Jan 14.	On-going Members seminar programme and support from Improvement Service secured in order to take forward aspects of elected member development.	3	4	12	Chief Executive
6. Finance – Income and funding	A major reduction in income /funding as result of a reduction in grant funding. This may arise from global or local economic circumstances, government policy on public sector budgets and funding or data that determines grant funding formula.	Lack of income /funding to support Council objectives. Requirement to reduce service provision or budget allocations. Reduced income may impact on performance levels.	4	4	16	The Councils finances are managed effectively.	Effective framework for longer term financial planning that takes account of longer term funding projections. Monitoring of grant funding formula. Research opportunities for maintaining or enhancing government funding to the Council.	Actions to improve current income streams. Actions to attract new income streams. Targeted Investment in specific areas /initiatives	3	4	12	Head of Strategic Finance and Head of Customer and Support Services

Risk Ref	Description Of Risk	Example Consequences	Gross Risk			Desired Outcome	Current Mitigations	Planned Mitigations	Residual Risk			Risk Owner
7. Health and social care integration	Implementation of health and social care integration is not managed effectively.	Unable to proceed with health and social care integration on a managed basis and/or in accordance with timescales. Integration has a negative impact on health and social care service delivery.	4	4	16	Planned and managed implementation of health and social care.	A separate project has been established to focus on implementation and identifying and addressing any issues arising. Clear Project Governance Agreed project plan Creation of Shadow Board	Delivery of Integration project plan. Establish Strategic Planning group Integration Scheme submitted to Scottish Government Preparation of 3 year Strategic Plan Agree Senior Management Structure	3	4	12	Executive Director – Community Services
8. Reputation	The Council fails to maximise its profile at national level. Trust and Integrity of the Council is undermined leading to diminishing reputation resulting in negative external scrutiny. Council fails to maintain its general reputation with residents, the Community and the wider Local Government	Reputation declines. Negative impact on morale. Poor reputation undermines action being taken to target population and economic growth. Increased risk of audit and inspection activity.	4	4	16	The reputation of the Council is protected and enhanced.	Community Engagement Strategy. Improved Communications Strategy. Planning and performance management framework to ensure services properly planned and managed and performance targets achieved.	Action plan to improve customer services. Employee survey to develop internal communication. Update approach to reporting performance. Increase options for communication with citizens through improved communications strategy.	3	4	12	Head of Improvement and HR

Risk Ref	Description Of Risk	Example Consequences	Gross Risk			Desired Outcome	Current Mitigations	Planned Mitigations	Residual Risk			Risk Owner
9. Demographic change	The Council fails to recognise, plan and deliver services in a way that takes account of demographic trends.	Mismatch of resources and service requirements. Services not configured to meet user/citizen requirements.	4	4	16	Performance of key priority services and other key areas identified by the public maintained or improved	Monitoring of population trends. Corporate and service plans. Planning and performance management framework (PPMF). Community Engagement Strategy. Workforce planning.	Continued workforce planning. Corporate and service planning.	3	4	12	Head of Improvement and HR
10. Finance - expenditure	Expenditure is estimated to exceed available resource and the Council is facing a considerable funding gap in the medium term. Expenditure continues to rise against an increasing demand for services.	Resources need to be diverted. Reduced levels of performance. Expenditure exceeds available resource Services are unable to make required efficiencies	3	4	12	The Councils finances are managed effectively.	Revenue and capital budget monitoring and preparation including review of base budget, inflation, cost and demand pressures. Maintaining an adequate contingency within General Fund reserve. Procurement Strategy	Service Choices process being developed. Efficiency monitoring process integrated into routine budget monitoring Exploration of shared services (shared cost) opportunities	3	4	12	Head of Strategic Finance
11. Partnership governance	Inadequate Partnership Governance Arrangements. Risk that partnership	Lack of Accountability. Lack of democratic input to key decisions.	4	3	12	Effective and efficient Partnership which is both accountable and democratic and focused on	Single Outcome Agreement Clear line of sight from SOA to individual partner contributions	Single Outcome Agreement Delivery Plans	3	3	9	Head of Community and Culture. Head of Governance and Law

	arrangements are poorly defined and constituted leading to an inability to deliver outcomes and objectives or being democratically deficient	Partnership viewed as having failed and not achieving objectives. Wasted resources and effort. Reputational damage.				delivering outcomes.	CPP governance arrangements and partnership agreement. Area community planning groups					
Risk Ref	**Description Of Risk**	**Example Consequences**	**Gross Risk**			**Desired Outcome**	**Current Mitigations**	**Planned Mitigations**	**Residual Risk**			**Risk Owner**
12. Engagement and alignment of service delivery.	The Council fails to understand service user needs and align service delivery to meet these.	Gaps between community needs and Council services. Also impacts on reputation.	3	4	12	The Council understands local needs and aligns service deliver accordingly.	Community Engagement Strategy. Customer service board and action plans. Scorecard analysis Operation & development of: Panels & Forums - Young Peoples Panel - Youth Website - Citizens Panel etc	Planning for Our Future consultation exercise	2	4	8	Executive Director Customer Services. All Heads of Service

Risk Ref	Description Of Risk	Example Consequences	Gross Risk			Desired Outcome	Current Mitigations	Planned Mitigations	Residual Risk			Risk Owner
13. Leadership and management	A lack of Strategic Leadership and Direction will have a negative impact on the ability of the Council to set out strategic objectives and then align service delivery and resources to ensure these objectives are achieved. May also the impact on development of the community planning partnership. Risk that organisation is not focussed on outcomes /objectives resulting in poor decision making and inadequate governance arrangements	No clear strategic direction/set of objectives. Objectives not achieved as services and resources are not fully aligned to objectives. Opportunities missed to demonstrate community leadership. Confidence in, and reputation of, the Council harmed. Fail to adapt to changing environmental, social and economic conditions. Fail to meet service needs of citizens.	3	4	12	The Council has a clear strategic direction and service and resources are aligned to ensure Council objectives are achieved.	Corporate Plan sets out overall Council objectives. Community Plan/SOA sets out CPP objectives with clear links to Council contributions Corporate Improvement Plan. PPMF and service planning and performance monitoring to ensure service outcomes and activity is aligned with Council and Government objectives and performance is meeting targets. Community engagement and consultation to understand activity local needs. Corporate plan	Delivery Plans for Single outcome agreement.	2	4	8	Chief Executive

Risk Ref	Description Of Risk	Example Consequences	Gross Risk			Desired Outcome	Current Mitigations	Planned Mitigations	Residual Risk			Risk Owner
14. Civil contingency and business continuity	The arrangements in place for civil contingencies and business continuity are not effect tive.	Ineffective management of major emergencies affecting Council services and communities in Argyll and Bute in response to a major emergency. Incident and recovery phase of an emergency lead to greater inconvenience and hardship and a longer timescale for return to normal. Council unable to effectively deliver its own services as a result of an emergency.	3	4	12	Effective plans and procedures in place to respond to a major event affecting Council services and/or the general public.	On-going training programme in place and continual update of Emergency Plans and procedures. Recent review of business continuity arrangements.. All critical activities identified. West of Scotland local resilience partnership EMST regular meetings Regular testing of procedures Regular training Community resilience plans.	Emergency Planning Test events. Regular Critical Activity Recovery Plan (CARP) updates. Further roll out of community resilience partnership programme	2	4	8	Head of Governance and Law

Risk Ref	Description Of Risk	Example Consequences	Gross Risk			Desired Outcome	Current Mitigations	Planned Mitigations	Residual Risk			Risk Owner
15. Management of services and resources	Services and resources are not effectively managed. Services fail to achieve agreed performance levels and as a result are not contributing fully to Council objectives Resources are poorly managed with result that agreed outcomes and objectives are not fully achieved. Unable to achieve continuous improvement and improve effectiveness and efficiency.	Poor performance. Increased costs. Negative publicity. Unable to demonstrate best value.	3	3	9	Performance targets achieved. Performance improves over time and compared to others. Improved use and management of resources.	PPMF and service planning Regular performance monitoring and review. Performance scorecards and Pyramid. Corporate Improvement Plan and monitoring of progress. Effective communications team Argyll and Bute Manager Programme.	Continued roll out and development of Argyll and Bute Manager Programme Further development and continued implementation of Attendance Management Policy	2	3	6	Executive Directors Heads of Service

Li = Likelihood
Im = Impact
Sc = Score

Risk Assessment Matrix – Appendix 2			
Likelihood		Impact	
Score	Description	Score	Description
1	Remote – Very unlikely to ever happen.	1	None – minimal impact on objectives, budget, people and time
2	Unlikely – Not expected but possible.	2	Minor – 1%/10% budget, first aid, minor impact objectives,1wk/3 months delay.
3	Moderate – May happen occasionally.	3	Moderate – 10%/30% budget, medical treatment required, objectives partially achievable, 3/12 months delay.
4	Likely – Will probably occur at some time.	4	Major – 30%/70% budget, permanent harm, significant impact on service delivery, 1/2 years delay.
5	Almost certain – Will undoubtedly happen and possibly frequently	5	Catastrophic – Over 70% budget, death, unable to fulfil obligations, over 2 years delay.

A combined score of 15 or more is classed as a red risk.
A combined score of between 6 and 14 is classed as an amber risk.
A combined score of less than 5 or less is classed as a green risk.

This page is intentionally left blank

 Agenda Item 7

ARGYLL AND BUTE COUNCIL	**PERFORMANCE REVIEW AND SCRUTINY COMMITTEE**
STRATEGIC FINANCE	**26 FEBRUARY 2015**

TREASURY MANAGEMENT MONITORING REPORT 31 DECEMBER 2014

1. EXECUTIVE SUMMARY

1.1 This report is for noting its sets out the Council's treasury management position for the period 1 November 2014 to 31 December 2014 and includes information on:

- Overall Borrowing Position
- Borrowing Activity
- Investment Activity
- Economic Background
- Interest Rate Forecast
- Prudential Indicators.

1.2 The Council has made one repayment of long term debt of £505k to PWLB during the period. Due to a reduced Capital Financing Requirement (CFR) of £256m at 31 March 2014 and a reduction of £17m in the forecast capital expenditure the estimated CFR for 31 March 2015 has reduced from £275m to £257m from that predicted in the budget at February 2014.

1.3 In respect of investment activity the level of investments have decreased by £1.9m from £53.5m at 31 October 2014 to £51.6m at 31 December 2014. The rate of return achieved was 0.725% which compares favourably with the target of 7 day LIBID which was 0.355%.

1.4 As part of a policy of increasing the diversification of investments during the period the Council opened two Money Market Funds:

- Insight Liquidity fund (Class3)
- Invesco AIM Short term investment

1.5 During the period the Council reduced its investments held in Handelsbanken by £5m, placed two tranches of £2.56m with Santander on a 95 Days deposit rate of bank+10bps (0.60%) Santander has a short term rating of A-1 and a long terms rating of A.

1.6 As the Council was closed over the festive period the limit on the amount of money which could be held with the Clydesdale Bank was temporarily increased to £10m due to the fact that the Council would receive Revenue Support Grant and Council Tax income. The balance on the Clydesdale Bank at the 4th of January 2015 was £8.48m this was reduced to £1.25m on the 5th of January when the limit reverted to £5m.

ARGYLL AND BUTE COUNCIL **POLICY AND RESOURCES COMMITTEE**

STRATEGIC FINANCE **5 FEBRUARY 2015**

TREASURY MANAGEMENT MONITORING REPORT 31 DECEMBER 2014

2. INTRODUCTION

2.1 This report summarises the monitoring as at 31 December 2014 of the Council's:

- Overall Borrowing Position
- Borrowing Activity
- Investment Activity
- Economic Background
- Interest Rate Forecast
- Prudential Indicators.

3. RECOMMENDATIONS

3.1 The treasury management monitoring report is noted.

4. DETAIL

Overall Borrowing Position

4.1 The table below details the estimated capital financing requirement (CFR) and compares this with the estimated level of external debt at the 31 March 2015. The CFR represents the underlying need for the Council to borrow to fund its fixed assets and accumulated capital expenditure.

	Forecast 2014/15 £000's	Budget 2014/15 £000's	Forecast 2015/16 £000's	Forecast 2016/17 £000's
CFR at 1 April	256,463	258,871	257,943	272,866
Net Capital Expenditure	19,921	34,809	26,707	2,440
Less Loans Fund Principal Repayments	(18,441)	(18,441)	(11,784)	(10,784)
Estimated CFR 31 March	**257,943**	**275,239**	**272,866**	**264,522**
Less Funded by NPDO	(79,603)	(79,603)	(78,055)	(76,507)
Estimated Net CFR 31 March	**178,340**	**195,636**	**194,811**	**188,015**
Estimated External Borrowing at 31 March	161,235	161,315	169,315	177,315
Gap	**17,105**	**34,321**	**25,496**	**10,700**

4.2 Borrowing is currently estimated to be below the CFR for the period to 31 March 2015. 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 likely to increase significantly the position will be reviewed to ensure the Council locks in funding at low interest rates.

4.3 The Council's estimated net capital financing requirement at the 31 December 2014 is £180.445m. The table below shows how this has been financed. Whilst borrowing is less than the CFR there are substantial internal balances (mainly the General Fund) of which £51.6m is currently invested.

	Position at 31/10/2014 £000's	**Position at 31/12/2014 £000's**
Loans	161,236	161,242
Internal Balances	72,729	72,729
Less Investments & Deposits	(53,520)	(51,605)
Total	**180,445**	**182,366**

Borrowing Activity

4.4 The table below summarises the borrowing and repayment transactions in the period 1 November 2014 to 31 December 2014.

	Actual £000's
External Loans Repaid 1st November 2014 to 31st December 2014	505
Borrowing undertaken 1st November 2014 to 31st December 2014	511
Net Movement in External Borrowing	**6**

4.5 No Local Bonds were repaid in the period 1 November 2014 to 31 December 2014.

4.6 One new local bond was taken out in the period 1 November 2014 to 31 December 2014.

4.7 The table below summarises the movement in level and rate of temporary borrowing at the start and end of the period. Owing to the levels of internal balances and surplus cash temporary borrowing has been minimal.

	£000s	**% Rate**
Temp borrowing at 31st October 2014	1,365	0.30%
Temp borrowing at 31st December 2014	1,358	0.30%

Investment Activity

4.8 The average rate of return achieved on the Council's investments to 31st December 2014 was 0.725% compared to the average LIBID rate for the same period of 0.355% which demonstrates that the Council is achieving a reasonable rate of return on its cash investments. At the 31 December 2014 the Council had

£51.6m of short term investment at an average rate of 0.757%. 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.

Counterparty	Maturity	Amount £000s	Interest Rate	Rating
Bank of Scotland	Instant Access	50	0.40%	Short Term A-1, Long Term A
Bank of Scotland	07/01/2015	5,000	0.95%	
Bank of Scotland	23/01/2015	5,000	0.95%	
Bank of Scotland	31/10/2015	5,000	1.00%	
Royal Bank of Scotland	Instant Access	50	0.25%	Short Term A-2, Long Term A-
Clydesdale Bank	Instant Access	5,005	0.50%	Short Term A-2, Long Term BBB+
Goldman Sachs	05/02/2015	5,000	0.745%	Short Term A-1, Long Term A
Handelsbanken	35 Day Notice	5,000	0.65%	Short Term A-1+, Long Term AA-
Santander	Instant Access	50	0.40%	Short Term A-1, Long Term A
DZ Bank	14/09/2015	5,000	0.92%	Short Term A-1+, Long Term AA-
Deutsche Bank	65 Day Notice	5,000	0.633%	Short Term A-1, Long Term A
Santander	95 Day Notice	2,500	0.600%	Short Term A-1, Long Term A
Santander	96 Day Notice	2,500	0.600%	Short Term A-1, Long Term A
MMF - BNP Paribas	Instant Access	1,500	0.457%	AAA
MMF - Federated	Instant Access	0	0.448%	AAA
MMF - Ignis	Instant Access	5,000	0.471%	AAA
Total		**51,655**		

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

4.10 As part of a policy of increasing the diversification of investments during the period the Council opened two Money Market Funds:

- Insight Liquidity fund (Class3)
- Invesco AIM Short term investment

4.11 On 11th November the Council placed £2.5m with Santander in a 95 Day Notice (no partial withdrawals) account at a rate of 0.60% (base+10bpts). Santander has a short term rating of A-1 and long term rating of A

4.12 On 13th November the Council placed a second £2.5m with Santander in a 95 Day Notice (no partial withdrawals) account at a rate of 0.60% (base+10bpts). Santander has a short term rating of A-1 and long term rating of A

4.13 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.

4.14 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 and highly rated banks for periods up to 12 months to increase returns without significantly increasing the risks associated with the investments.

4.15 As the Council was closed over the festive period the limit on the amount of money which could be held with the Clydesdale Bank was temporarily increased to £10m due to the fact that the Council would receive Revenue Support Grant and Council Tax income. The balance on the Clydesdale Bank at the 4th of January 2015 was £8.48m this was reduced to £1.25m on the 5th of January when the limit reverted to £5m.

Economic and Interest Rate Forecasts

4.16 The economic background at 31 December 2014 is shown in appendix 1 with the interest rate forecast in appendix 2.

Prudential Indicators

4.17 The prudential indicators for 2013-14 are attached in appendix 3.

5. CONCLUSION

5.1 The Council has taken new long term borrowing of £511k and made repayments of £505k during the two months to 31 December 2014. The investment returns were 0.725% which is above the target of 0.355%.

5.2 During the period the Council further diversified its investments by opening two Money Market Funds and placing funds with Santander.

6. IMPLICATIONS

6.1	Policy –	None.
6.2	Financial -	None
6.3	Legal -	None.
6.4	HR -	None.
6.5	Equalities -	None.
6.6	Risk -	None.
6.7	Customer Service -	None.

Bruce West, Head of Strategic Finance
Dick Walsh Council Leader and Policy Lead for Strategic Finance

For further information please contact Bruce West, Head of Strategic Finance 01546-604151.

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

Appendix 1

Economic background:

- During the quarter ended 31st December 2014:
    - Indicators pointed to another quarter of strong GDP growth;
    - Further robust increases in household spending;
    - Jobs growth and real wages picked up;
    - CPI inflation fell to 1%;
    - Further dovish signals from the MPC;
    - The trend in public finance finally started to improve; and
    - The ECB was still struggling to stimulate demand in the euro-zone.
- Following healthy quarterly GDP growth of 0.7% in Q3 of 2014, indicators suggest that growth should broadly maintain this pace in the fourth quarter. On the basis of past form, the CIPS/Markit business surveys point to a quarterly increase in GDP of around 1% in Q4. Admittedly, this indicator has proved to be overly optimistic in recent months. But others, such as the Bank of England's Agents' score and the EC Economic Sentiment Indicator, also suggest that the recovery remained strong in Q4. What's more, the trade deficit narrowed to £2bn in October following a sharp drop in the value of oil imports, reflecting recent falls in the oil price.
- Meanwhile, the recovery in consumer spending appears to have gathered pace in Q4 as real wages continued to rise and consumers' discretionary spending power was boosted by the drop in oil prices. Retail sales volumes rose by an annual 4.6% and 6.4% in October and November respectively. Granted, December's sales volumes are likely to be weaker as a result of sales brought forward into November by heavy "Black Friday" discounting. But the underlying picture for Q4 as a whole continues to look strong.
- What's more, non-high street spending remained robust too. Annual growth in new car registrations averaged around 11% in October and November. While the Bank of England's Agents' measure of consumer services turnover has weakened a touch, it still points to healthy growth in spending in the fourth quarter.
- The consumer recovery has been supported by further improvements in the labour market. Employment rose by 114,000 in the three months to October, and surveys suggest that jobs growth could have strengthened even further in the remaining months of the quarter. Granted, the headline ILO (three month average) unemployment rate in October did not manage

to fall any further from September's 6%. But based on the strength of survey measures of firms' employment plans and the 26,900 monthly fall in the claimant count in November, the headline unemployment rate looks likely to have dropped further over the remainder of the quarter. However, the most encouraging news on the labour market has been the sustained recovery in real wage growth. Annual growth in earnings (excluding bonuses) reached 1.8% in October and so exceeded CPI inflation of 1.3% in the same month.

- Meanwhile, inflation eased further below the 2% target to just 1.0% in November as a result of lower petrol prices, a drop in food prices and competitive pressures which have forced retailers to pass on recent falls in import prices to consumers.
- Accordingly, it is perhaps not surprising that the two hawks that emerged at August's MPC meeting have yet to convince other members to join them in voting for rate hikes. Indeed, the minutes of December's MPC meeting acknowledged "promising" signs that pay growth had strengthened by more than it had anticipated. However, it also noted that a recent modest recovery in productivity meant that "domestic cost growth remained lower than would be consistent with the inflation target", suggesting that the first rate hike remains a few months away yet.
- Meanwhile, November's borrowing figures finally brought some good news on public finances. Borrowing in the year to date on the "PSNB excluding public sector banks" measures fell below last year's equivalent figure for the first time this year. Nonetheless, in order to meet the target set out in the 2014 Budget for borrowing to be 6% lower this year, it would need to be a chunky £5.6bn or 27% lower in the remaining four months of the fiscal year than it was in 2013/14.
- The housing market has continued to cool over the final quarter of 2014. According to Nationwide, house prices rose by only 0.3% in November. What's more, the more stable 3m/3m growth rate eased to 0.9%, the lowest reading since June 2013. Moreover, mortgage approvals fell to a sixteen-month low of 59,426 in October. The continued slowdown in the housing market seems to have been primarily driven by weaker demand. Indeed, the sustained weakness in approvals is in line with other measures, such as the RICS housing market survey, that show new buyer demand easing rapidly.
- Internationally, the 231,000 increase in US non-farm payrolls in November provided another encouraging sign on the strength of the recovery. And November's 1.3% monthly rise in industrial production also added to the positive story on the US economy's strength. Meanwhile, the latest statement from the US Fed dropped the language that it would be a "considerable time" before it began to raise rates from near-zero and

replaced it with the assessment that it "can be patient in beginning to normalise the stance of monetary policy", giving the Fed more flexibility to move sooner on interest rates if necessary. However, in her post-meeting press conference, Fed Chair Janet Yellen stressed that while everything would come down to the strength of economic data, as things stand now, the FOMC was "unlikely to begin the normalisation process for at least the next couple of meetings".

- By contrast, activity indicators for the euro-zone suggest that the region has continued to struggle. December's flash euro-zone PMI survey suggested that the euro-zone economy probably lost steam in the fourth quarter, following lacklustre quarterly GDP growth of just 0.2% in Q3. Meanwhile, headline inflation has remained dangerously weak, falling from 0.4% in October to 0.3% in November, leaving it well below the ECB's target of "below, but close to, 2%". Meanwhile, the latest figures show that the ECB's efforts to revive the euro-zone have so far proved rather ineffective. Banks borrowed just €130bn of a possible €317bn in the ECB's second Targeted Longer-Term Refinancing Operation (TLTRO). The ECB remains some way from its target to expand its balance sheet by £1tn, strengthening our view that a full-blown QE programme, including sovereign bonds, will be required.
- In the UK, equities continued to underperform other major advanced markets despite the UK's strong growth prospects. The FTSE 100 has ended the fourth quarter broadly where it started it at about 6,600. The underperformance seems to primarily reflect falls in the oil price and continued weak earnings, potentially as a result of sterling's strength. Meanwhile, 10-year gilt yields have edged down from 2.31% at the end of Q3 to 1.88% at present. And finally, sterling has fallen slightly against the euro, from €1.28 at the end of Q3 to €1.27. And rising interest rate expectations in the US relative to the UK have pushed cable down, with the pound falling from $1.62 to $1.55 over the same period.

Appendix 2

Interest Rate Forecast:

Our treasury management advisers, Capita Asset Services have provided us with the following update to their interest rate forecasts.

Change in market sentiment and outlook

- The plunge in the price of oil has been the major surprise of the last three months. This will reduce inflation and stimulate the economies of oil importing countries.
- There is a downside to the plunge in oil prices in terms of a sharp increase in the risk of emerging country debt default and emerging country oil producing corporate defaults. This could have a knock on effect on western banks who have lent to these areas and to hedge, pension and investment funds which have been wrong footed by holding debt or equities in these areas.
- Greece: the anti EU and anti austerity party Syriza is likely to be the strongest party in the January 25 general election. However, the Eurozone has put in place sufficient firewalls that a Greek exit would have little direct impact on the rest of the EZ and the Euro. The indirect effect is more problematic to quantify as such an election result would be likely to strengthen support for anti EU and anti austerity political parties in many EU countries. Italy is the greatest risk as it has the third biggest debt mountain in the world and has shown little progress so far in undertaking fundamental reforms to improve the competitiveness of the economy.
- UK GDP growth forecasts have recently been more subdued although growth will still remain strong, but not as strong as previously expected.
- The political risks around the UK general election in May 2015 have increased with the likely result now being very hard to predict.
- A combination of the above factors has caused us to put back the start of increases in Bank Rate from Q2 2015 to Q4 with knock on delays on increases in following years.
- We have also had to bring our short term PWLB forecasts down to reflect current abnormally low levels which are unsustainably low. However, how quickly or slowly they will unwind is very hard to predict.

The one area of resoundingly good news over the last three months has been that the American economy is well on track to making a full recovery from the financial crash. GDP growth rates (annualised) for Q2 and Q3 of 4.6% and

5.0% have been stunning and hold great promise for strong growth going forward and further falls in unemployment. It is therefore confidently predicted that the Fed. will start on the first increase in the Fed. rate by the middle of 2015. In contrast, the surge in UK growth during 2014 appears to have diminished (Q1 0.7%, Q2 0.9%, Q3 0.7%) and the year on year rate has subsided from 3.2% in Q2 to 2.6% in Q3. Forward indicators are also revealing some cooling of prospects going forward, though lets still keep hold of the fact that this remains strong growth by UK standards, but not as strong as previously forecast.

In consequence, it is now the US which is most likely to be putting central rates up before the UK. The prospects for the UK are somewhat mixed. The hoped for rebalancing of the economy towards greater reliance on exports is not happening and the UK faces an uphill struggle with its main trading partner, the EU now expected to resort to full blown quantitative easing (QE) early in 2015 in order to stimulate the economy to rise above near stagnation. However, UK consumer confidence is still buoyant although the housing market looks as if it is also cooling with house price rises and new mortgage approvals both subsiding. UK consumers are obviously benefiting from the fall in the oil price with overall inflation falling to 1.0% in November, the lowest rate since September 2002. It is also forecast to stay around the same level for the best part of a year.

Nevertheless, the beneficial effect of the fall in oil prices will fall out after twelve months, so inflation will rise as a result after then, although it is still expected to remain at or near 2%. What this does mean, however, is that average wage increases are likely to exceed inflation for the coming year and so increase the disposable income of consumers. This, in turn, will underpin domestic demand and support GDP growth. Looking further forward, whichever political party or coalition comes to power after the general election in May 2015 will still have to decide what balance of government spending cuts and / or tax increases will be needed to bring the public sector net borrowing deficit down. This will likely mean an erosion of overall consumer disposable income although further falls in unemployment will counteract some of this effect. The Bank of England therefore faces an incredibly delicate task of balancing the pros and cons of when to start on increasing Bank Rate, especially knowing that many consumers are still heavily indebted and very vulnerable to increases in borrowing rates.

A further factor affecting financial markets and the confidence of UK producers is the increase in political risk. The UK faces a general election where the outcome looks very hard to predict as to the knock on effects on the UK economy.

As for the MPC, their last minutes appeared to show a consolidation of support for holding off on increasing Bank Rate due to the fall in inflation caused by the fall in oil prices. They will also be focusing in 2015 on how quickly wage inflation increases and said it needed to pick up further in order to meet the 2% inflation target. This resulted in financial market investors pushing back their bets on the timing of the next interest rate hike to late 2015 / early 2016. Our view has also shifted in this forecast to a first increase in Q4 2015 rather than Q2 2015.

CAPITA ASSET SERVICES FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data transpires over 2015. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. 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, or the safe haven of bonds.

The overall 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 eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current 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. There is an increased risk that Greece could end up leaving the Euro but if this happens, the EZ now has sufficient fire walls in place that a Greek exit would have little immediate direct impact on the rest of the EZ and the Euro. It is therefore expected that there will be an overall managed, albeit painful and tortuous, resolution of any EZ debt crisis that may occur 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 weak at best for the next couple of years with some EZ countries experiencing low or negative growth, which will, over that time period, see an 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, especially if growth disappoints and / or efforts to reduce government deficits fail to deliver the necessary reductions. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a sharp 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 larger 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:

- The situation over Ukraine poses a major threat to EZ and world growth if it was to deteriorate into economic warfare between the West and Russia where Russia resorted to using its control over gas supplies to Europe.
- Fears generated by the potential impact of Ebola around the world.

- UK strong economic growth is currently mainly dependent on consumer spending and the potentially unsustainable boom in the housing market. The boost from these sources is likely to fade after the strong surge in growth in the first half of 2014.
- A weak rebalancing of UK growth to exporting and business investment causing a weakening of overall economic growth beyond 2014.
- Weak growth or recession in the UK's main trading partner - the EU, inhibiting economic recovery in the UK.
- 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.
- Recapitalisation of European banks requiring more government financial support.
- Lack of support by populaces in Eurozone countries for austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face major challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- Italy: the political situation has improved but it remains to be seen whether the new government is able to deliver the austerity programme required and a programme of overdue reforms. Italy has the third highest government debt mountain in the world.
- France: after being elected on an anti-austerity platform, President Hollande has embraced a €50bn programme of public sector cuts over the next three years. However, there could be major obstacles in implementing this programme. Major overdue reforms of employment practices and an increase in competiveness are also urgently required to lift the economy out of stagnation.
- Monetary policy action failing to stimulate sustainable growth and to combat the threat of deflation in western economies, especially the Eurozone and Japan.
- Heightened political risks in the Middle East and East Asia could trigger safe haven flows into bonds.
- There are also increasing concerns at the reluctance of western central banks to raise interest rates significantly for some years,

plus the huge QE measures which remain in place (and likely to be added to by the ECB in the near future). This has created potentially unstable flows of liquidity searching for yield and, therefore, heightened the potential for an increase in risks in order to get higher returns. This is a return to a similar environment to the one which led to the 2008 financial crisis.

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

- An adverse reaction by financial markets to the result of the UK general election in May 2015 and the economic and debt management policies adopted by the new government
- ECB either failing to carry through on recent statements that it will soon start quantitative easing (purchase of government debt) or severely disappointing financial markets with embarking on only a token programme of minimal purchases which are unlikely to have much impact, if any, on stimulating growth in the EZ. (It should be noted that the Bundesbank and most German politicians have been very opposed to the concept of QE.)
- A sudden reversal of Russian policy on military intervention in eastern Ukraine caused by the likelihood of, or actual, severe damage done to the Russian economy by a prolonged depression in oil prices and by sanctions.
- A sudden reversal of Iranian policy on developing militarised nuclear capability caused by the likelihood of, or actual, severe damage done to the Iranian economy by a prolonged depression in oil prices and by sanctions.
- The commencement by the US Fed. of increases in the central rate in 2015 causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities, leading to a sudden flight from bonds to equities
- A surge in investor confidence that a return to robust world economic growth is imminent, causing a flow of funds out of bonds into equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

We would, however, remind clients of the view that we have expressed in our previous interest rate revision newsflashes of just how unpredictable PWLB rates and bond yields are at present. We are experiencing exceptional levels of volatility which are highly correlated to geo-political and sovereign debt crisis developments. Our revised forecasts are based on the Certainty Rate (minus 20 bps) which has been accessible to most authorities since 1st November 2012.

APPENDIX 3 : PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2014/15	2014/15	2015/16	2016/17
(1). EXTRACT FROM BUDGET AND RENT SETTING REPORT				
	Original Estimate	Forecast Outturn	Forecast Outturn	Forecast Outturn
Capital Expenditure	£'000	£'000	£'000	£'000
Non - HRA	50,185	38,732	42,822	14,353
TOTAL	50,185	38,732	42,822	14,353
Ratio of financing costs to net revenue stream				
Non - HRA	10.98%	10.98%	8.24%	7.96%
Net borrowing requirment				
brought forward 1 April *	258,871	258,871	254,823	269,746
carried forward 31 March *	275,239	254,823	269,746	261,402
in year borrowing requirement	16,368	(4,048)	14,923	(8,344)
In year Capital Financing Requirement				
Non - HRA	16,368	(4,048)	14,923	(8,344)
TOTAL	16,368	(4,048)	14,923	(8,344)
Capital Financing Requirement as at 31 March				
Non - HRA	275,239	254,823	269,746	261,402
TOTAL	275,239	254,823	269,746	261,402
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p
Increase in Council Tax (band D) per annum	69.61	36.77	58.44	5.33

PRUDENTIAL INDICATOR	2014/15	2015/16	2016/17
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£'000	£'000	£'000
Authorised limit for external debt -			
borrowing	203,000	220,000	205,000
other long term liabilities	81,000	80,000	78,000
TOTAL	284,000	300,000	283,000
Operational boundary for external debt -			
borrowing	198,000	215,000	200,000
other long term liabilities	78,000	77,000	75,000
TOTAL	276,000	292,000	275,000
Upper limit for fixed interest rate exposure			
Principal re fixed rate borrowing	195%	190%	190%
Upper limit for variable rate exposure			
Principal re variable rate borrowing	60%	60%	60%
Upper limit for total principal sums invested for over 364 days (per maturity date)	£20m	£20m	£20m

Maturity structure of new fixed rate borrowing during 2014/15	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%

This page is intentionally left blank

Agenda Item 8

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

STRATEGIC FINANCE | **26 FEBRUARY 2015**

TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY

1. EXECUTIVE SUMMARY

1.1 This covering report is the Executive Summary for the Treasury Management Strategy Statement and Annual Investment Strategy which sets out the strategy for borrowing and investing for the year. The types and limits on the use of investment products which will be used to manage the Council's treasury transactions for the year are included within the Annual Investment Strategy.

1.2 The Council currently complies with the Code of Practice on Treasury Management.

1.3 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.

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

1.5 The draft Treasury Management Strategy, Annual Investment Strategy and Treasury Policy Statement will be presented to for approval:

- Policy and Resources Committee on 5 February 2015
- Council on 12 February 2015

1.6 As part of the scrutiny of the Treasury Management Strategy Statement and Annual Investment Strategy the Performance Review and Scrutiny Committee is asked to review the attached document and comment on it with any amendments required being brought to Policy and Resources Committee in March and Council in April for consideration.

1.7 The major changes to the Annual Treasury Strategy from 2014-15 are in the Treasury Indicators to reflect the expected movements in the Council's Capital Financing Requirement. In terms of the Investment Strategy the changes are in the limit per counterparty which has been reduced from £30m to £20m to reflect the diversification policy and to limit Money Market Funds to £10m per fund.

1.8 The Council as part of delivering the single outcome agreement agreed to consider Investing for Income, as this programme develops it may require changes to be made to the Treasury and Investment Strategies. Any amendments required will be brought to Council for approval.

2. RECOMMENDATIONS

2.1 The recommendation is that the Treasury Management Strategy Statement and Annual Investment Strategy are approved.

3. IMPLICATIONS

3.1	Policy –	Sets the policy for Borrowing and Investment Decisions
3.2	Financial -	Sets the limits for maximum financial exposure for Borrowing and Investment
3.3	Legal -	None.
3.4	HR -	None.
3.5	Equalities -	None.
3.6	Risk -	Sets the limits for maximum financial exposure for Borrowing and Investment
3.7	Customer Service -	None.

Bruce West, Head of Strategic Finance
Dick Walsh Council Leader and Policy Lead for Strategic Finance
28 January 2015

For further information please contact Bruce West, Head of Strategic Finance 01546-604151.

Treasury Management Strategy Statement

and Annual Investment Strategy 2015-16

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).

In year treasury management reporting –Members will be updated with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision at each meeting of the Policy and Resources Committee.

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 2015/16

The strategy for 2015/16 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 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 2015/16 – 2017/18

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.

The table below summarises the 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	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Total cap. expenditure	32,685	37,903	45,505	20,273	10,140
Financed by:					
Capital receipts	271	1,334	4,390	7,693	0
Capital grants	10,998	15,608	14,122	10,140	10,140
Capital reserves					
Revenue	3,910	1,160	286	0	0
Net financing need for the year	17,506	19,801	26,707	2,440	0

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	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Capital Financing Requirement					
Opening CFR	258,398	256,463	257,943	274,366	275,852
Closing CFR	256,463	257,943	274,366	275,852	276,628
Movement in CFR	**-1,935**	**1,480**	**16,423**	**1,486**	**776**

Movement in CFR represented by					
Net financing need for the year (above)	17,506	19,801	26,707	2,440	-140
Less Scheduled debt Amortisation	19,441	18,441	11,784	10,784	9,784
Movement in CFR	**-1,935**	**1,360**	**14,923**	**-8,344**	**-9,924**

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	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Expected investments	**44,350**	**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.

%	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Ratio	11.15%	10.98%	8.24%	7.96%	7.55%

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.

£	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Council tax - band D	37.52	36.27	60.46	26.31	22.62

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 2014, 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	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
External Debt					
Debt at 1 April	161,181	161,955	162,655	172,655	182,655
Change in Debt	774	700	10,000	10,000	5,000
Other long-term liabilities (OLTL) at 1 April	81,170	79,605	78,057	76,509	74,961
Change in OLTL	-1,565	-1,548	-1,548	-1,548	-1,548
Actual gross debt at 31 March	**241,560**	**240,712**	**249,164**	**257,616**	**261,068**
The Capital Financing Requirement	**256,463**	**257,943**	**274,366**	**275,852**	**276,628**
Under / (over) borrowing	**14,903**	**17,231**	**25,202**	**18,236**	**15,560**

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 2015/16 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	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Debt	179	198	215	210
Other long term liabilities	80	80	80	80
Total	259	278	295	290

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	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Debt	184	203	220	215
Other long term liabilities	83	83	83	83
Total	267	286	303	298

3.3 Prospects for interest rates

The Council has appointed Capita Asset Services 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
Dec 2014	0.50	2.50	3.90	3.90
Mar 2015	0.50	2.70	4.00	4.00
Jun 2015	0.75	2.70	4.10	4.10
Sep 2015	0.75	2.80	4.30	4.30
Dec 2015	1.00	2.90	4.40	4.40
Mar 2016	1.00	3.00	4.50	4.50
Jun 2016	1.25	3.10	4.60	4.60
Sep 2016	1.25	3.20	4.70	4.70
Dec 2016	1.50	3.30	4.70	4.70
Mar 2017	1.50	3.40	4.80	4.80
Jun 2017	1.75	3.50	4.80	4.80
Sep 2017	2.00	3.50	4.90	4.90
Dec 2017	2.25	3.50	4.90	4.90
Mar 2018	2.50	3.50	5.00	5.00

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 and especially during 2014, 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 2015, particularly in the services and construction sectors. However, growth in the manufacturing sector and in exports has weakened during 2014 due to poor growth in the Eurozone. There does need to be a significant rebalancing of the economy away from consumer spending to manufacturing, business investment and exporting in order for this initial stage in the recovery to become more firmly established. One drag on the economy is that wage inflation has been lower than CPI inflation so eroding disposable income and living standards, 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 warranting increases in pay rates. In addition, the encouraging rate at which unemployment has been falling must eventually feed through into pressure for wage increases, though current views on the amount of hidden slack in the labour market probably means that this is unlikely to happen in the near future.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 in respect of a major crisis subsided considerably in 2013. However, the downturn in growth and inflation during the second half of 2014, and worries over the Ukraine situation, Middle East and Ebola, have led to a resurgence of those concerns as risks increase that it could be heading into deflation and a triple dip recession since 2008. Sovereign debt difficulties have not gone away and major concerns could return in respect of individual 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. 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 2015/16 and beyond;

- Borrowing interest rates have been volatile during 2014 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. During July to October 2014, a building accumulation of negative news has led to an overall trend of falling rates. 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 higher borrowing costs in later times, when councils will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;

- 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 2015/16 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:

%	2015/16	2016/17	2017/18
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 2015/16			
		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

The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. More recently, in response to the evolving regulatory regime, the agencies have indicated they may remove these "uplifts". This process may commence during 2014/15 and / or 2015/16. The actual timing of the changes is still subject to discussion, but this does mean immediate changes to the credit methodology are required.

It is important to stress that the rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the implied level of sovereign support that has been built into ratings through the financial crisis. The eventual removal of implied sovereign support will only take place when the regulatory and economic environments have ensured that financial institutions are much stronger and less prone to failure in a financial crisis.

Both Fitch and Moody's provide "standalone" credit ratings for financial institutions. For Fitch, it is the Viability Rating, while Moody's has the Financial Strength Rating. Due to the future removal of sovereign support from institution assessments, both agencies have suggested going forward that these will be in line with their respective Long Term ratings. As such, there is no point monitoring both Long Term and these "standalone" ratings.

Furthermore, Fitch has already begun assessing its Support ratings, with a clear expectation that these will be lowered to 5, which is defined as "A bank for which there is a possibility of external support, but it cannot be relied upon." With all institutions likely to drop to these levels, there is little to no differentiation to be had by assessing Support ratings.

As a result of these rating agency changes, the credit element of our future methodology will focus solely on the Short and Long Term ratings of an institution. Rating Watch and Outlook information will continue to be assessed where it relates to these categories. This is the same process for Standard & Poor's that we have always taken, but a change to the use of Fitch and Moody's ratings. Furthermore, we will continue to utilise CDS prices as an overlay to ratings in our new methodology.

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 criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. This withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions. This will result in the key ratings used to monitor counterparties being the Short Term and Long Term ratings only. Viability, Financial Strength and Support Ratings previously applied will effectively become redundant. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.

As with previous practice, ratings will 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" and overlay that information on top of the credit ratings.

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.

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. 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 F1 and a Long Term rating of A-. 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 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:

- 2015/16 1.00%
- 2016/17 1.50%
- 2017/18 2.50%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate occurs later) if economic growth weakens. However, should the pace of growth quicken, there could be an upside risk.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next eight years are as follows:

- 2015/16 0.90%
- 2016/17 1.50%
- 2017/18 2.00%
- 2018/19 2.50%
- 2019/20 3.00%
- 2020/21 3.00%
- 2021/22 3.25%
- 2022/23 3.25%
- Later years 3.50%

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	**2015/16**	**2016/17**	**2017/18**
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 for investment of its surplus cash but makes use of Money Market Funds to enhance diversification of investments. The Council approved the use of external investment manager CCLA to manage the investments of the following trust funds and charities:

- Oban Common Good
- Campbeltown Common Good
- The Argyll Education Trust
- The MacDougall Trust

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 – 2018

PWLB rates and forecast shown below have taken into account the 20 basis point reduction.

Capita Asset Services Interest Rate View	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank Rate View	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	2.00%	2.25%	2.50%
3 Month LIBID	0.50%	0.60%	0.80%	0.90%	1.10%	1.30%	1.40%	1.60%	1.90%	2.10%	2.10%	2.30%	2.40%	2.60%
6 Month LIBID	0.70%	0.80%	1.00%	1.10%	1.20%	1.40%	1.50%	1.80%	2.00%	2.20%	2.30%	2.50%	2.70%	2.80%
12 Month LIBID	0.90%	1.00%	1.20%	1.30%	1.40%	1.70%	1.80%	2.10%	2.20%	2.30%	2.40%	2.60%	2.80%	3.00%
5yr PWLB Rate	2.50%	2.70%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.50%	3.50%	3.50%
10yr PWLB Rate	3.20%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.20%	4.30%	4.30%
25yr PWLB Rate	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	5.00%
50yr PWLB Rate	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	5.00%
Bank Rate														
Capita Asset Services	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	2.00%	2.25%	2.50%
Capital Economics	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	-	-	-	-	-
5yr PWLB Rate														
Capita Asset Services	2.50%	2.70%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.50%	3.50%	3.50%
Capital Economics	2.30%	2.60%	2.80%	3.00%	3.20%	3.40%	3.50%	3.60%	3.70%	-	-	-	-	-
10yr PWLB Rate														
Capita Asset Services	3.20%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.20%	4.30%	4.30%
Capital Economics	3.05%	3.25%	3.45%	3.60%	3.80%	3.85%	3.90%	3.95%	4.05%	-	-	-	-	-
25yr PWLB Rate														
Capita Asset Services	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	5.00%
Capital Economics	3.70%	3.95%	4.05%	4.15%	4.25%	4.35%	4.45%	4.55%	4.60%	-	-	-	-	-
50yr PWLB Rate														
Capita Asset Services	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	5.00%
Capital Economics	3.80%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	-	-	-	-	-

5.2 APPENDIX: Economic Background

UK. After strong UK GDP growth in 2013 at an annual rate of 2.7%, and then in 2014 0.7% in Q1, 0.9% in Q2 2014 (annual rate 3.2% in Q2), Q3 has seen growth fall back to 0.7% in the quarter and to an annual rate of 2.6%. It therefore appears that growth has eased since the surge in the first half of 2014 leading to a downward revision of forecasts for 2015 and 2016, albeit that growth will still remain strong by UK standards. For this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster than expected. The MPC is now focusing on how quickly slack in the economy is being used up. It is also particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back significantly above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Unemployment is expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in wage growth at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

Also encouraging has been the sharp fall in inflation (CPI), reaching 1.0% in November 2014, the lowest rate since September 2002. Forward indications are that inflation is likely to remain around or under 1% for the best part of a year. The return to strong growth has helped lower forecasts for the increase in Government debt over the last year but monthly public sector deficit figures during 2014 have disappointed until November. The autumn statement, therefore, had to revise the speed with which the deficit is forecast to be eliminated.

The Eurozone (EZ). The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In November 2014, the inflation rate fell further, to reach a low of 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB took some rather limited action in June and September 2014 to loosen monetary policy in order to promote growth. It now appears likely that the ECB will embark on full quantitative easing (purchase of EZ country sovereign debt) in early 2015.

Concern in financial markets for the Eurozone subsided considerably after the prolonged crisis during 2011-2013. However, sovereign debt difficulties have not gone away and major issues 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 for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. The ECB's pledge in 2012 to buy unlimited amounts of bonds of countries which ask for a bailout 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 (2013 figures) of Greece 180%, Italy 133%, Portugal 129%, Ireland 124% and Cyprus 112%, remain a cause of concern, especially as some 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 likely to continue 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: the general election due to take place on 25 January 2015 is likely to bring a political party to power which is anti EU and anti-austerity. However, if this eventually results in Greece leaving the Euro, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. However, the indirect effects of the likely strengthening of anti EU and anti-austerity political parties throughout the EU is much more difficult to quantify. 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 which have high unemployment rates. There are also major concerns as to whether the governments of France and Italy will effectively implement austerity programmes and undertake overdue reforms to improve national competitiveness. These countries already have political parties with major electoral support for anti EU and anti-austerity policies. Any loss of market confidence in either of the two largest Eurozone economies after Germany would present a huge challenge to the resources of the ECB to defend their debt.

USA. The U.S. Federal Reserve ended its monthly asset purchases in October 2014. GDP growth rates (annualised) for Q2 and Q3 of 4.6% and 5.0% have been stunning and hold great promise for strong growth going forward. It is therefore confidently forecast that the first increase in the Fed. rate will occur by the middle of 2015.

China. Government action in 2014 to stimulate the economy appeared to be putting the target of 7.5% growth within achievable reach but recent data has indicated a marginally lower outturn for 2014, which would be the lowest rate of growth for many years. There are also concerns that the Chinese leadership has only started to address an unbalanced economy which is heavily over 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. Japan is causing considerable concern as the increase in sales tax in April 2014 has suppressed consumer expenditure and growth to the extent that it has slipped back into recession in Q2 and Q3. The Japanese government already has the highest debt to GDP ratio in the world.

CAPITA ASSET SERVICES FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data transpires over 2015. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. 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, or the safe haven of bonds.

The overall 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 eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current 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. There is an increased risk that Greece could end up leaving the Euro but if this happens, the EZ now has sufficient fire walls in place that a Greek exit would have little immediate direct impact on the rest of the EZ and the Euro. It is therefore expected that there will be an overall managed, albeit painful and tortuous, resolution of any EZ debt crisis that may occur 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 weak at best for the next couple of years with some EZ countries experiencing low or negative growth, which will, over that time period, see an 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, especially if growth disappoints and / or efforts to reduce government deficits fail to deliver the necessary reductions. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a sharp 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 larger 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 to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK strong economic growth is weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Monetary policy action failing to stimulate sustainable growth and to combat the threat of deflation in western economies, especially the Eurozone and Japan.

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

- An adverse reaction by financial markets to the result of the UK general election in May 2015 and the economic and debt management policies adopted by the new government
- ECB either failing to carry through on recent statements that it will soon start quantitative easing (purchase of government debt) or severely disappointing financial markets with embarking on only a token programme of minimal

purchases which are unlikely to have much impact, if any, on stimulating growth in the EZ.

- The commencement by the US Federal Reserve of increases in the central rate in 2015 causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities, leading to a sudden flight from bonds to equities.
- A surge in investor confidence that a return to robust world economic growth is imminent, causing a flow of funds out of bonds into equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

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.

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 £20m 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 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 sovereign 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.

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 £20m 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. 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 that this indicates a low and acceptable level of residual risk.

b. **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 the same as money market funds (see below) but only invest in government debt issuance with highly rated governments. Due to the higher quality of underlying investments, they offer a lower rate of return than MMFs. However, their net return is typically on a par with the DMADF, but with instant access.

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 capabilities 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.

c. **Enhanced cash funds.** These funds are similar to MMFs, can still be AAA rated but have Variable Net Asset Values (VNAV) as opposed to a traditional MMF which has a Constant Net Asset Value (CNAV). 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 highly rated government securities. 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 can 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 non-government bonds.

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** e.g. National Rail. This is similar to a 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. Use limited to issues of nations with at least the same sovereign rating as for the UK.

f. **Bonds issued by Multi Lateral Development Banks (MLDBs).** These are similar to c. and e. above but are issued by MLDBs which are typically guaranteed by a group of sovereign states e.g. European Bank for Reconstruction and Development.

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 financial institutions). They are negotiable instruments, so can be sold ahead of maturity and also purchased after they have been issued. However, that liquidity can come at a price, where the yield could be marginally 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 financial institution, 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. Typically, the minimum investment time horizon for considering such funds is at least 3-5 years.

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 per fund.	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, per counterparty 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.	£5m, 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.	£10m	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 – The Council at present does not use a fund manager for investment of its surplus cash but makes use of Money Market Funds to enhance diversification of investments. The Council approved the use of external investment manager CCLA to manage the investments of the following trust funds and charities:

- Oban Common Good
- Campbeltown Common Good
- The Argyll Education Trust
- The MacDougall Trust

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 Fitch rating.

AAA

- Australia
- Canada
- Denmark
- Finland
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.S.A.

AA+

- Hong Kong
- U.K.

5.6 APPENDIX: Treasury Management Scheme of Delegation

(i) The Council

- 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.

(ii) The Policy and Resources Committee

- receiving and reviewing reports on treasury management policies, practices and activities;
- recommending approval of annual strategy.
- Recommending approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and recommending approval;
- recommending approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations.

(iii) The Performance Review and Scrutiny Committee

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

(iv) 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.

ARGYLL AND BUTE COUNCIL

PERFORMANCE REVIEW AND SCRUTINY COMMITTEE

CHIEF EXECUTIVE

26 FEBRUARY 2015

PERFORMANCE REPORT – FQ3 2014-15

1. SUMMARY

1.1 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 2014-15 (October - December 2014).

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

Sally Loudon
Chief Executive

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

CHIEF EXECUTIVE **26 FEBRUARY 2015**

PERFORMANCE REPORT – FQ3 2014-15

2. SUMMARY

2.1 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 2014-15 (October - December 2014).

3. RECOMMENDATIONS

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

Sally Loudon
Chief Executive

Departmental performance report for: **Development and Infrastructure Services**	Period: **October to December 2014**

Key successes

1. The council played a central role in delivering the Argyll and Bute Sustainable Economic Summit attracting over 200 delegates and bringing together local and national politicians, businesses and partner agencies. Consensus and commitment was given to growing the population and local economy with partners committing resources to deliver this.

2. An increase of 31% in recycling tonnages was recorded in the first two months of the new recycling service provided to 13,000 households in the Mid Argyll and Lorn areas. Excellent inter-service working has been credited for delivering this significant service change and sustainable approach to reduction in waste to landfill.

3. Dangerous road defects continue to decline, with year on year reductions demonstrating the continued effectiveness of the roads capital reconstruction investment. Year to date, emergency road repairs have more than halved on the previous year with 102 repairs made in 2014/15 compared to 213 in 2013/14 and more so when compared with the 817 repairs in the same period prior to the programme starting in 2009/10. This year's roads capital reconstruction programme was 96% complete at the end of this period and remains on track to successfully deliver £6.9M of roads improvements as part of a combined 3 year programme worth £22.4M.

4. Planning application approval target of 95% was exceeded for 8th consecutive quarter, placing this council amongst the leading planning authorities in Scotland. The average number of weeks to determine applications was 10.3 weeks against a target of 12 weeks, which also places the council amongst the highest performing in Scotland. Building warrant and building completion certificates issued rose by 17% and 28% respectfully on the same period last year and performance was excellent with all targets achieved.

5. Customer feedback for Planning Services indicates high levels of satisfaction and this has been independently endorsed by the Scottish Government through the Planning Performance Framework noting that this council has a “clear open for business approach and has embedded performance and a customer service culture”. Planning Services Building Standards team was re-awarded the Government’s Customer Service Excellence Award with every requirement met in full. The Assessor reported “a first class level of customer service and that accreditation was thoroughly deserved”.

6. The Local Development Plan now moves forward for adoption following approval by the council. The Scottish Government reporter found it is a strategy for sustainable economic growth that is backed by effective allocations and an action programme for delivery. The Planning Service also concluded the Biodiversity Activity Report which was submitted to the Scottish Government and the Historic Environment Heritage Strategy which will be presented to council in April and then to COSLA.

7. Listed Building consent was secured for the Rothesay Pavilion and funding was secured from the Regional Capital Grant Fund for £625K and also the Coast and Countryside Trust for £600K bringing the current secured funding to £3,125M towards the project target of £8M with a number of other significant funding applications decisions imminent.

8. A further 159 housing completions were delivered during this period, bringing the year to date total to 277 and on course to exceed the annual target of 300.

9. Regeneration investment in Campbeltown is in excess of £7M to date, with two further Townscape Heritage Initiatives moving into the construction phase during this period, the Town Hall which will provide a new community hub with office accommodation and conference facilities; and a vacant, Grade 2 tenement at Cross/Main Street, which was had been in a state of disrepair for over a decade with a Dangerous Buildings Notice served, now being regenerated to create 4 residential properties and 2 commercial premises following the successful asset transfer from the council to the South Kintyre Development Trust.

10. Business Gateway supported 29 new business start-ups during this period and has achieved 95% of the annual target. Support for existing businesses continues show no signs of abating with 222 businesses supported this quarter, bringing the year to date performance 145% above target.

11. One year survival rate for new businesses supported by Business Gateway in Argyll and Bute increased to 83%. The latest three year survival rate also increased to 81%. New businesses supported to start this quarter have a combined annual turnover projection of £1.25M and a projected 34 new jobs.

12. Superfast Broadband is a priority for the area and council with a number of broadband projects are already activity supported by officers. Good progress has been made with Cardross becoming the first settlement with the 'Rest of Scotland project' to receive superfast broadband. Superfast Broadband was also made available in Oban as part of their commercial rollout in partnership with Highland and Islands Enterprise. Community Broadband Scotland supported GigaPlus Argyll through the initial stage of procurement as part of their Argyll Isles project. Helensburgh town centre Wi-Fi project went to procurement; and the Vodafone Rural completion promoted to community groups provided equipment to 3 successful communities which currently experience poor mobile reception.

13. A new Community Benefit agreement with Scottish Power Renewables in relation to Beinn-An-Turic was agreed in principle and will be formally approved in FQ4, 2015 with benefit backdated to June 2014.

14. Responses were provided to 14 new filming enquiries. 13 productions were filmed during this period including 15 days in and around Dunoon that involved a cast and crew of 40; filming in and around Rhu involved a cast and crew of approximately 90 for 8 days, both productions are considered to deliver short and long term economic benefits to the area.

15. Economic opportunities continue to explored between Glasgow and Oban Airports with discussions ongoing over a new route between Glasgow and Oban and possibly beyond, to the Isles. Complimenting Oban's Business Development Plan this exciting opportunity builds upon the continued service improvements and performance of Oban Airport, where passenger numbers grew 12.8% when comparing with the same quarter in the previous year, with a total of 3,516 passengers carried during 2014, compared to 3,334 during 2013.

Key challenges

1. Delivery of the key outcomes of the Single Outcome Agreement associated with the economy as endorsed by the 2014 Economic Summit including the creation of the Argyll and Bute Economic Forum supporting population growth.
2. Addressing the budget challenges associated with extreme weather events and prolonged provision of winter services, whilst satisfying stakeholder expectations and keeping Argyll and Bute open, safe and accessible.
3. Securing £3.34M of Heritage Lottery and Highlands for the Rothesay Pavilion improvements.
4. Securing EU funding support for future business support activities and employability.
5. Meeting revised targets set for the Employability Team by Working Links due to a change in measurement set by the Department of Work and Pensions.
6. Securing multi million investment needed to accommodate the larger passenger and vehicle ferry the 'Isle of Lewis' in order that it can operate on the Oban to Mull - Craignure route.
7. As part of the Scottish Ferry Services Plan (2013-2022) progress the transfer of responsibilities to Transport Scotland for ferry services Port Askaig to Feolin, Port Appin to Lismore Point, Cuan to Luing and Ellenabeich to Easdale.
8. Successful implementation of increased recycling services for the Cowal area commencing in April 2015.
9. Progressing workforce planning with a view to mitigating future service resourcing challenges.
10. Reviewing the arrangements as a Food Authority in light of the new Food Standards Scotland body which will be formed through statute and come into effect in March 2015.
11. Ensuring that the increased activity in public utility road openings associated the roll out of Superfast Broadband across Argyll is effectively controlled whilst supporting this key economic driver.
12. Reducing the costs and impact of absenteeism on services.

Actions to address the challenges

1. Prioritise the work of the Argyll and Bute Economic Forum bringing expertise from key sectors together to achieve all of the ambitions associated with population and economic growth to the area.
2. Ensure the emergency and winter service planning is effective in order to maximise efficiency and minimise unforeseen expenditure. Provide timely and effective communications including communications over service disruptions. Provide improved information over the resources required to keep Argyll and Bute open, safe and accessible.
3. Progress the Rothesay Pavilion Stage 2 application with compelling stakeholder communication and excellent project management.
4. Engage with Government consultations to ensure that new programmes accommodate the activity Business Gateway and the council seeks to access funding under the competitiveness strategic intervention.
5. Closely monitor the Work Programme business model ensuring all processes continue to meet the needs of the Prime Contractor and customer groups as outlined in the revised Employability project improvement plan.
6. Identify essential works necessary to accommodate the Isle of Lewis ferry service the Oban to Mull route ascertaining costs and engage with Transport Scotland regarding the funding required.
7. Following consultation with Luing, Lismore, Easdale and Jura community councils produce a financial model forming the basis of negotiation between the Council and Transport Scotland prior to agreeing any transfer.
8. Communicate planned recycling service changes with all stakeholders and finalise operational arrangements associated with service changes.
9. Progress workforce planning in a manner which will safeguard essential services against loss of a skilled and knowledgeable staff taking account and addressing an ageing workforce, recruitment and retention challenges and training and up-skilling needs.
10. Prepare for external audit by the Food Standards Agency, reviewing existing arrangements against the Codes of Practice for Food Law and considering how changes introduced by the new Food Body will impact on Environmental Health and to a lesser extent Trading Standards for feeding stuffs.
11. Continue to work with Local and West of Scotland Roads and Utility Companies addressing resourcing and performance concerns.
12. Increase efforts to minimise the impact of absenteeism both financially and operationally through the continued rigorous application of the council's Maximising Attendance Policy.

Development and Infrastructure Scorecard 2014-15

FQ3 14/15

Click for Full Outcomes

...realising our potential together...

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 does not contribute directly to this Outcome
CO2 Our young people have the skills, attitudes and achievements to succeed throughout their ...	Department does not contribute directly to this Outcome
CO3 We have a skilled and competitive workforce capable of attracting employment to Argyll an...	Department does not contribute directly to this Outcome
CO4 Our people are supported to live more active, healthier and independent lives.	Department does not contribute directly to this Outcome
CO5 We work with our partners to tackle discrimination.	Department does not contribute directly to this Outcome
CO6 Vulnerable adults, children and families are protected and supported within their communities.	G →

Corporate Objective 2 - Working together to improve the potential of our communities	G →
CO7 The places where we live, work and visit are well planned, safer and successful.	G →
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 does not contribute directly to this Outcome

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	R →
CO15 Our services are continually improving.	R →
CO16 Our employees have the skills and attitudes to deliver efficient and effective services.	Department does not contribute directly to this Outcome
CO17 We provide good customer service.	Department does not contribute directly to this Outcome

RESOURCES

People	*Benchmark*	*Target*	*Actual*	*Status*	*Trend*
Sickness absence DI		2.60 Days	3.08 Days	R	↓
PRDs % complete		90 %	84 %	R	

Financial	*Budget*	*Forecast*	Status	Trend
Finance Revenue totals DI	£K 31,093	£K 31,725	R	↓
Capital forecasts - current year DI	£K 20,165	£K 22,987	R	↓
Capital forecasts - total project DI	£K 99,543	£K 104,708	R	↑

Efficiency Savings DI		Target	Actual	Status	Trend
	Actions on track	7	4		
	Savings	£K 49	£K 49	G	→

IMPROVEMENT

						Status	*Trend*
Improvement Plan Outcomes DI		Total No	Off track	On track	Complete		
	Outcomes	21	1	9	11	A	→
CARP Development & Infrastructure		Total No	Off track	Due	Complete		
		10	0	10	10	G	→

Customer Service DI				Number of consultations
Customer Charter		G	↑	Stage 1 complaints
Customer satisfaction	88 %	G	↓	Stage 2 complaints

Development and Infrastructure Services Audit Recommendations	R	Overdue		Due in future		Future - off target	
		1	↑	10	↓	1	↓

DI Average Demand Risk	Score	9	Appetite	9	↓
DI Average Supply Risk	Score		Appetite		

Page 119

Development and Infrastructure Scorecard 2014-15 FQ3 14/15 Click for Full Scorecard

Outcome	Success Measures	On track	Status	Trend
CO6 Vulnerable adults, children and families are protected and supported within their communities.			G	→
PR02 Empowered ... customers ... exercising their legal rights ...	2	2	G	→
CO7 The places where we live, work and visit are well planned, safer and successful.			G	→
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 ...	3	3	G	→
CO10 We create the right conditions where existing and new businesses can succeed.			A	→
PR03 Secure standards re public health & health protection ...	3	3	G	→
RA01 Proportionate, safe and available infrastructure	4	3	A	→
RA02 Roads maintenance strategies ... contribute to economic growth ...	2	1	A	↓
RA03 Reliable, safe and efficient vehicles fleet	2	1	A	↓

Outcome	Success Measures	On track	Status	Trend
CO11 Argyll and Bute has more new businesses operating in the area, creating more jobs.			A	→
ET01 Sustainable economic growth in Argyll and Bute	9	6	A	→
PR01 Local economy improved by delivery of sustainable development	4	4	G	→
CO12 Our transport infrastructure meets the economic and social needs of our communities.			A	→
ET02 A&B better connected, safer & more attractive	9	8	A	↓
PR05 Improved & enhanced access to natural environment & green networks	2	1	A	↓
RA04 Capital projects improve the transport infrastructure	4	4	G	↑
CO13 We contribute to a sustainable environment.			A	→
PR06 ... an environment which is safe, promotes health & supports local economy	3	2	A	→
RA05 High level of street cleanliness	1	1	G	→
RA06 Sustainable disposal of waste	2	2	G	→

Outcome	Success Measures	On track	Status	Trend
CO14 We make the best use of our built and natural environment.			A	→
ET03 Renewables ... developed ... for the benefit of communities	2	2	G	→
PR07 Creation of well designed and sustainable places ...	4	3	A	→
CO15 Our services are continually improving.			R	→
PR08 Protect health of our communities through effective partnership working	1	0	R	→

Performance Report for **Customer Services**	Period October – December 2014

Key Successes

1. The Argyll and Bute Manager programme was recognised with a Bronze COSLA Excellence Award for developing a workforce for the future.
2. The Council achieved bronze accreditation from Healthy Working Lives as part of our ongoing work to improve employee wellbeing.
3. Procurement Capability Assessment carried out and increased score of 72% achieved, up from 63% last year
4. Universal Support Delivered Locally trial well under way with triage being carried out at job centres, by ACHA, NHS and council.
5. Housing Benefit subsidy audit for 2013-14 signed off by Department of Work and Pensions with no changes
6. Successful pilot of free school meals for all P1-P3 pupils in preparation for full implementation from January 2015
7. Oban North and Lorn and South Kintyre by election completed

Key Challenges

1. Satisfaction with Argyll and Bute Manager e-learning modules has dipped resulting in overall satisfaction level falling below target. The face to face courses continue to attract very positive feedback, above the target.
2. Secure new IT services contract from Argyll Community Housing Association – tender submitted, and short leeted
3. Achieve re-accreditation for Public Services Network (expires 26 January 2015)
4. Delivery of carbon Management Plan target of 20% saving on CO2 emissions to a revised date of March 2015.
5. Preparation for the delivery of free school meals to all P1-P3 pupils from January 2015.
6. Tight timescales for procuring Mid Argyll School and local transport contracts due to previous operator’s notice to terminate.
7. Withdrawal of commercial transport service in Cowal area by operator, outwith Council control.

Action Points to address the Challenges

1. The team will review the feedback from the customer evaluations, identify the reasons for the lower levels of satisfaction and will build improvements to the e learning modules as appropriate.
2. Respond to clarifications and carry out post tender negotiations if selected
3. Submission made 24 December. Respond to enquiries.
4. Gap analysis undertaken and projects including 5 NPDO School Solar PV installations, up to 13 biomass installations and alternative waste collection, have been identified to meet the target. Where necessary, business cases to be developed with a view to securing savings in 2014/15 and delivering the projects on site in the summer of 2015.
5. Continuation of a multi service implementation group to scope out financial and operational issues, and ensure that the plans are on track to ensure P1-P3 free school meals are delivered
6. Working closely with Procurement Team to ensure no break in Service.
7. Working closely with local transport forum to ensure service disruption is minimised.

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 does not contribute directly to this Outcome	
CO2 Our young people have the skills, attitudes and achievements to succeed throughout their ...		G →
CO3 We have a skilled and competitive workforce capable of attracting employment to Argyll an...	Department does not contribute directly to this Outcome	
CO4 Our people are supported to live more active, healthier and independent lives.	Department does not contribute directly to this Outcome	
CO5 We work with our partners to tackle discrimination.		
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.	Department does not contribute directly to this Outcome	

Customer Services Scorecard 2014-15	FQ3 14/15	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 does not contribute directly to this Outcome	
CO12 Our transport infrastructure meets the economic and social needs of our communities.		G →
CO13 We contribute to a sustainable environment.		G ↑
CO14 We make the best use of our built and natural environment.	Department does not contribute directly to this Outcome	

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.		A ↓
CO17 We provide good customer service.		A ↑

...realising our potential together...

RESOURCES

People	*Benchmark*	*Target*	*Actual*	*Status*	*Trend*
Sickness absence CU		1.88 Days	2.35 Days	R	↓
PRDs % complete		90 %	90 %	G	

Financial	*Budget*	*Forecast*		
Finance Revenue totals CU	£K 39,047	£K 38,344	R	↑
Capital forecasts - current year CU	£K 18,964	£K 19,298	A	↑
Capital forecasts - total project CU	£K 112,461	£K 111,095	R	↓

Efficiency Savings CU		Target	Actual		
	Actions on track	19	16		
	Savings	£K 186	£K 186	G	→
Asset Management - Customer Services 2014-15				G	

IMPROVEMENT *Status Trend*

Improvement Plan Outcomes CU	Outcomes	Total No	Off track	On track	Complete	
		68	8	0	17	A →
CARP Customer Services		Total No	Off track	Due	Complete	
		4	0	4	4	G →

Customer Service CU			Number of consultations	1
Customer Charter	G	→	Stage 1 complaints	
Customer satisfaction 87 %	G	↓	Stage 2 complaints	

Customer Services Audit Recommendations	R	Overdue		Due in future		Future - off target	
		3	↓	15	↑	0	→

CU Average Demand Risk	Score	4	Appetite	4	↑
CU Average Supply Risk	Score	7	Appetite	7	↓

Page 122

Objective	Success Measures	On track	Status	Trend
CO2 Our young people have the skills, attitudes and achievements to succeed throughout their ...			G	→
FS01 Children are healthier ... nutritionally balanced school meals	6	6	G	→

Objective	Success Measures	On track	Status	Trend
CO5 We work with our partners to tackle discrimination.				
IH01 We recognise and tackle discrimination and promote equality	2	1	A	↓

Objective	Success Measures	On track	Status	Trend
CO6 Vulnerable adults, children and families are protected and supported within their communities.			A	→
CS01 Benefits paid promptly whilst minimising fraud	6	5	A	→
GL06 The best interests of children at risk are promoted	1	1	G	→

Objective	Success Measures	On track	Status	Trend
CO7 The places where we live, work and visit are well planned, safer and successful.			A	→
FS02 Communities are safer ... through improved facilities	9	7	A	↓
GL04 Improve quality of life & safety of residents & visitors	3	2	A	→
IH02 Communities and employees are prepared to deal with major incidents	3	2	A	↓
IH03 Employees/service users are not exposed to unacceptable H&S risks	5	3	A	↓

Objective	Success Measures	On track	Status	Trend
CO8 Create opportunities for partners and communities to engage in service delivery.			A	→
GL05 Electors enabled to participate in the democratic process	2	2	G	→
GL07 Community Councils are supported	4	3	A	→

Objective	Success Measures	On track	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	2	2	G	→
CS03 Maximise opportunities for SME's to sell to the Council ...	4	1	R	→

Objective	Success Measures	On track	Status	Trend
CO12 Our transport infrastructure meets the economic and social needs of our communities.			G	→
FS04 School & public transport meets the needs of communities	3	3	G	→

Objective	Success Measures	On track	Status	Trend
CO15 Our services are continually improving.			A	→
CS05 Income from local taxes and sundry debtors is maximised ...	5	2	R	↓
CS06 Increased value is delivered from procurement ...	5	4	A	→
CS07 IT applications & infrastructure available ... and meet business needs	8	8	G	→
GL03 Members enabled to deal with their caseload	1	0	R	→
GL09 Provision of high quality ... legal documentation	2	2	G	→
IH04 Services and employees are supported to deliver improvement and change	10	6	A	→
IH05 Our customers and employees are informed and engaged	8	6	A	→
IH06 The Gaelic language is supported and promoted	1	1	G	→

Customer Services Scorecard 2014-15 FQ4 14/15

Scorecard owner

Click for Full Scorecard

Objective	Success Measures	On track	Status	Trend
CO17 We provide good customer service.			A	→
CS08 Customers can access council services more easily ... service quality	11	7	G	↑
GL01 Framework to support democratic decision making	10	7	A	→
GL02 Council compliance with governance & info arrangements	5	2	R	↓
GL10 Timely provision of Liquor Licences & Civic Government Licences to the public	5	4	A	→

Objective	Success Measures	On track	Status	Trend
CO16 Our employees have the skills and attitudes to deliver efficient and effective services.			A	→
GL08 Provision of high quality, timely legal advice	2	2	G	→
IH07 Employees have skills/attitudes to deliver efficient/effective services	4	3	A	↓

Objective	Success Measures	On track	Status	Trend
CO13 We contribute to a sustainable environment.			G	→
CS04 Reduced spend on postage and bulk reprographics	1	1	G	↑
FS03 We contribute to the sustainability of the local area	5	5	G	→

Page 123

Departmental performance report for **Community Services**	period **October to December 2014**

Key Successes

- Zero older people waited longer than 4 weeks for a free personal care package to be put in place within their own homes.
- Decrease in the average number of days between an initial referral and an Adult Protection case conference taking place to 2 days.
- Agreement from the Policy and Resources Committee to develop a new children's home at Dunclutha in Dunoon.
- 100% of care leavers with a pathway plan.
- 100% of children on the Child Protection Register with a current Risk Assessment.
- 63 new affordable specially designed new homes and affordable social sector new builds were built along with 60 empty homes being brought back into use.
- Agreement from the Community Services Committee to invest £361,000 towards building 5 new houses for rent in Islay. The first houses to be built for rental purposes on the island for over 30 years.
- An increase in the number of adults achieving accredited learning outcomes through community based adult learning from 53 to 173 over the period.
- 100% positive HMIE school evaluations for primary schools.
- 100% of timescales for Statutory Coordinated Support Plans met.
- Cardross Primary School won Microsoft's Kodu Kup for designing a computer game using Microsoft software.
- Excellent results in the recent Mystery Shopping Exercise for Customer Care.
- Announcement that 5 projects from Community Services are guaranteed a Bronze award at this year's national COSLA Awards.

Key Challenges

1. Progressing the integration of Health and Social Care Services.
2. Overall numbers of delayed discharge clients are slightly above target due to the increasing number of admissions to hospital and Adults With Incapacity cases that require a court process prior to discharge.
3. Reducing the number of days lost through sickness absence across Community Services.
4. Preparation for the Joint Inspection of Older Persons health and social care services.
5. Implementation of Children and Families Service Review and Education Management Review.
6. Maintaining the Community Payback Order service within Oban and Mid Argyll given staffing turnover and vacancies.
7. Recruitment of foster carers.
8. Increasing the percentage of children on the Child Protection Register (CPR) with a completed Child Protection (CP) plan, which has remained under target for the last 2 quarters, reflecting the increasing levels of quality assurance activity prior to signing off

completed plans.

9. The success of securing permanent places (adoption) for looked after children has impacted the number of foster families available to take placements.
10. The percentage of children affected by disability receiving community based support has reduced, this is a reflection of the unexpected trend towards greater numbers of service users choosing residential respite rather than community based support.
11. Increasing participation in sport and athlete development within restricted budgets.
12. Delivery of Commonwealth Games Legacy Plan within existing resources.
13. Monitoring the allocation of Registered Social Landlord (RSL) lets to homeless households. However it is worth noting that this is partly attributable to the increase in the number of new housing completions in the quarter.
14. Reviewing the implementation of the new National Qualifications.
15. Meeting the requirements of current and new legislation e.g. Self Directed Support Act, Children and Young People's Act 2014, etc.
16. Recruitment issues for both in house and commissioned care at home services impacting on range of care options available in certain areas
17. Demographic changes giving rise to growth in service demand.
18. Achieving target for the completion of PDRs during the quarter. Please note that all teaching staff are now subject to The Professional Update process as part of their professional registration. This process replicates the PRD process for teaching staff and therefore the PRD figures for both Education and the wider Community Services reflects this.

Action points to address the challenges

1. Timescale for integration has been established as April 2015. A body corporate model has been agreed with the scope of the partnership currently being decided. Shadow board to be established imminently, project team established and Chief Officer post appointed.
2. A development session facilitated by the Joint Improvement Team (JIT) in September 2014 will be followed through with the assistance of the JIT during the first half of 2015.
3. Continue to work to ensure that return to work interviews are completed for all periods of sickness absence by targeting individual Managers and Team Leaders in the context of performance. Staff to be offered appropriate support in the management of this issue.
4. Ensuring there is appropriate resource in place for the preparation for the Joint Inspection of Older Persons health and social care services.
5. Recruiting and retaining staff who focus on developing consistency and quality.
6. Continue to work with the Council's HR service to advertise and recruit into vacant posts within the Oban and Mid Argyll areas.
7. The Fostering and Adoption service is currently undertaking a recruitment campaign. Preparation for foster carers is being run throughout Argyll and Bute however it will take 6 months before new carers are approved by the Fostering and Adoption Panel.
8. There are currently 21 families going through the assessment process which will enhance the capacity for foster placements

and permanency for looked after children.

9. Improvement of quality assurance procedures prior to final sign off for Child Protection Plans. Practice Leads will review the quality of plans with frontline staff.
10. Continue to support service users to express personal choice through the implementation of Self Directed Support.
11. Discussions being held with COSLA in relation to rural transport costs and 2014 Legacy in relation to athlete development and support.
12. Ongoing discussions taking place with RSL partners to ensure homeless households maintain priority in relation to future allocations.
13. Work in partnership with schools, clubs and communities to maximise use of volunteers and resources.
14. Continue to support work on curriculum design to reflect the new Curriculum for Excellence framework and training on the new secondary benchmarking toolkit.
15. Produce a programme of awareness and training sessions on the implication of the legislation. Work closely with colleagues in amenity services to produce a plan of action for the implications of Free School Meals for P1-P3.
16. Working with IRISS along with commissioned care at home providers to better coordinate resources and to improve recruitment into care at home posts.
17. Ongoing service redesign (all care groups) to try to mitigate growth in service demand.
18. The Improvement and Organisational Development service will liaise with Education to figure out how the issue mentioned above is best reflected in next year's scorecard.

Community Services Scorecard 2014-15	FQ3 14/15	Click for Full Outcomes

Objective / Outcome	Status	Trend
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.	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...	G	↑
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.	G	→
CO9 The impact of alcohol and drugs on our communities, and on mental health ... is reduced.	G	→

Objective / Outcome	Status	Trend
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 does not contribute directly to this Outcome	
CO11 Argyll and Bute has more new businesses operating in the area, creating more jobs.	Department does not contribute directly to this Outcome	
CO12 Our transport infrastructure meets the economic and social needs of our communities.	Department does not contribute directly to this Outcome	
CO13 We contribute to a sustainable environment.	Department does not contribute directly to this Outcome	
CO14 We make the best use of our built and natural environment.	Department does not contribute directly to this Outcome	
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.	G	↑
CO17 We provide good customer service.	G	→

...realising our potential together...

RESOURCES

People	*Benchmark*	*Target*	*Actual*	*Status*	*Trend*
Sickness absence CM [LGE]		3.5 Days	3.0 Days	G	↓
Sickness absence CM [teachers]		1.6 Days	2.5 Days	R	↓
PRDs % complete		90 %	57 %	R	

Financial	*Budget*	*Forecast*	Status	Trend
Finance Revenue totals CM	£K 138,031	£K 138,636	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	14	11		
	Savings	£K 563	£K 563	G	→

	Status
Asset Management - Community Services 2014-15	G

IMPROVEMENT

						Status	*Trend*
Improvement Plan Outcomes CM		Total No	Off track	On track	Complete		
	Outcomes	76	0	34	42	A	→
CARP Community Services		Total No	Off track	Due	Complete		
		105	0	18	18	G	↑

Customer Service CM		Number of consultations	4
Customer Charter		Stage 1 complaints	
Customer satisfaction		Stage 2 complaints	

Community Services Audit Recommendations	Overdue		Due in future		Future - off target	
	0	→	7	↓	0	→

CM Average Demand Risk	Score		Appetite		
CM Average Supply Risk	Score		Appetite		

Page 127

Community Services Scorecard 2014-15 FQ3 14/15

Scorecard owner

Click for Full Scorecard

Outcome / Measure	Success Measures	On track	RAG	Trend
CO1 Our children are nurtured so that they can achieve their potential.			A	⇨
CC01 Young people supported to lead more active / healthier lives	2	1	A	⇩
CF01 The life chances for looked after children are improved	6	2	A	⇨
ED04 Educational additional support needs of children & YP are met	3	3	G	⇨
CO2 Our young people have the skills, attitudes and achievements to succeed throughout their ...			A	⇨
CC05 Young people encouraged & supported to realise their potential	2	2	G	⇨
CF03 Children & families given assistance ... best start in life	4	2	A	⇨
ED01 Primary school children are enabled to increase levels of attainment ...	4	4	G	⇨
ED02 Secondary school children are enabled to increase levels of attainment ...	10	10	G	⇨
CO3 We have a skilled and competitive workforce capable of attracting employment to Argyll an...			G	⇧
ED05 An effective system for Opportunities for All will operate in all secondary schools	3	3	G	⇧

Outcome / Measure	Success Measures	On track	RAG	Trend
CO4 Our people are supported to live more active, healthier and independent lives.			A	⇨
AC01 Community is supported to live active, healthier, independent lives	10	7	A	⇨
CC02 Raised lifelong participation in sport ... healthy lives	2	2	G	⇨
CO5 We work with our partners to tackle discrimination.			A	⇩
CC03 Our adults are supported to access learning opportunities ...	2	2	G	⇨
CC08 Improved literacy, health ... access to ... culture, libraries & museums	4	2	A	⇩
CO6 Vulnerable adults, children and families are protected and supported within their communities.			A	⇨
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	5	3	A	⇨
CO7 The places where we live, work and visit are well planned, safer and successful.			A	⇨
CC07 People access a choice of suitable & affordable housing options ...	3	3	G	⇨
CF04 ... making our communities safe from crime, disorder & danger	4	2	A	⇧

Outcome / Measure	Success Measures	On track	RAG	Trend
CO8 Create opportunities for partners and communities to engage in service delivery.			G	⇨
CC06 Third Sector & communities ... enabled ... developing communities	2	2	G	⇨
CO9 The impact of alcohol and drugs on our communities, and on mental health ... is reduced.			G	⇨
AC03 The impact of alcohol and drugs ... is reduced	1	1	G	⇨
CO15 Our services are continually improving.			G	⇨
ED03 Education Central Management Team ensures continuous improvement ...	3	3	G	⇨
CO16 Our employees have the skills and attitudes to deliver efficient and effective services.			G	⇧
ED06 Education staff have increased capacity for leadership ...	5	5	G	⇧
CO17 We provide good customer service.			G	⇨
ED07 Customer Service is improved	1	1	G	⇨

Page 128

Performance Report for **Council Scorecard**	Period **October- December 2014**

Key Successes

1. The council played a central role in delivering the Argyll and Bute Sustainable Economic Summit attracting over 200 delegates and bringing together local and national politicians, businesses and partner agencies. Consensus and commitment was given to growing the population and local economy with partners committing resources to deliver this.
2. Dangerous road defects continue to decline, with year on year reductions demonstrating the continued effectiveness of the roads capital reconstruction investment.
3. Listed Building consent was secured for the Rothesay Pavilion and funding was secured from the Regional Capital Grant Fund for £625K and also the Coast and Countryside Trust for £600K bringing the current secured funding to £3,125M towards the project target of £8M with a number of other significant funding applications decisions imminent.
4. A further 159 housing completions were delivered during this period, bringing the year to date total to 277
5. 63 new affordable specially designed new homes and affordable social sector new builds were built along with 60 empty homes being brought back into use.
6. Oban North and Lorn and South Kintyre by election completed

Key Challenges

1. Reducing the impact on service delivery of high levels of sickness absence
2. Delivery of the key outcomes of the Single Outcome Agreement associated with the economy as endorsed by the 2014 Economic Summit including the creation of the Argyll and Bute Economic Forum supporting population growth.
3. Preparation for the delivery of free school meals to all P1-P3 pupils from January 2015.
4. Progressing the integration of Health and Social Care Services.
5. Reported performance of PRD completions is below target.

Action Points to address the Challenges

1. Increase focus on understanding the drivers of sickness and address these through senior and front line management
2. Prioritise the work of the Argyll and Bute Economic Forum bringing expertise from key sectors together to achieve all of the ambitions associated with population and economic growth to the area.
3. Continuation of a multi service implementation group to scope out financial and operational issues, and ensure that the plans are on track to ensure P1-P3 free school meals are delivered
4. Timescale for integration has been established as April 2015. A body corporate model has been agreed with the scope of the partnership currently being decided. Shadow board to be established imminently, project team established and Chief Officer post appointed.
5. A new approach is being adopted to bring the performance back on target by FQ4. Departments are re-profiling their targets to align with the Service Planning process.

2014 Corporate Objective 1 - Working together to realise the potential of our people	A	→
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...	G	↑
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	→
2014 Objective 1 Corporate Statements [re People]		

2014 Corporate Objective 2 - Working together to realise 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	→
2014 Objective 2 Corporate Statements [re Communities]		

...realising our potential together...

2014 Corporate Objective 3 - Working together to realise 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	→
2014 Objective 3 Corporate Statements [re Area]		

2014 Corporate Objective 4 - Working together to realise 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.	A	→
CO17 We provide good customer service.	A	→
2014 Objective 4 Corporate Statements [re Organisation]		

Council Scorecard 2014-15 FQ3 14/15

IMPROVEMENT

A&B Council Audit Recommendations	Recommendations overdue	Recommendations due in future	Future recommendations off target
	4 ↓	37 ↓	1 ↓

Strategic Risk Register 2013-17	H = 1	M = 14	L = 0

Risk - % exposure	FQ3 14/15	FQ4 14/15
	43 %	

	Total No	Off track	On track	Complete		
Corporate Improvement Plan 2012-15 Actions	7	0	5	2	G	→

	Total No	Off track	Due	Complete		
CARP 2013-15 Critical Activity Recovery Plans	120	0	33	33	G	↑

OUTCOMES

Customer Service ABC				Number of consultations	5
Customer Charter		R	→	Stage 1 complaints	
Customer satisfaction	87 %	G	↓	Stage 2 complaints	

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	2.75 Days	R	↓
PRDs % complete		90 %	66 %	R	

Financial	*Budget*	*Forecast*		
Finance Revenue totals ABC	£K 248,915	£K 248,713	A	↓
Capital forecasts - current year ABC	£K 39,129	£K 42,285	R	↑
Capital forecasts - total project ABC	£K 212,004	£K 215,803	R	↓

Efficiency Savings ABC		Target	Actual		
	Actions on track	41	32		
	Savings	£K 819	£K 819	G	→

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

ARGYLL AND BUTE COUNCIL	**PERFORMANCE REVIEW AND SCRUTINY COMMITTEE**
CUSTOMER SERVICES	**26 FEBRUARY 2015**

PLANNING AND PERFORMANCE MANAGEMENT FRAMEWORK - REVISION

1.0 EXECUTIVE SUMMARY

This report presents the Performance Review and Scrutiny Committee with an updated version of the Council's Planning and Performance Management Framework. The framework has been updated to reflect the changes to Political Management Arrangements in the Council and the role of Strategic Committees.

The report recommends that the PRS Committee to note and comment on the revised framework.

.

ARGYLL AND BUTE COUNCIL

CUSTOMER SERVICES

PERFORMANCE REVIEW AND SCRUTINY COMMITTEE
26 FEBRUARY 2015

PLANNING AND PERFORMANCE MANAGEMENT FRAMEWORK - REVISION

2. INTRODUCTION

2.1 The Planning and Performance Management Framework (PPMF) provides guidance and authority for robust performance planning and reporting. A revised PPMF was considered by SMT in July 2014, which incorporated changes to team scorecards and reflected the new Single Outcome Agreement. Further consultation and engagement on the PPMF since then has been undertaken and a revised PPMF is now attached for the PRS to note and comment on.

2.2 The main area for improvement to the PPMF relates to the incorporation of the changes to the council's Political Management Arrangements and the introduction of performance scrutiny to the Strategic Committees.

3. RECOMMENDATIONS

3.1 It is recommended that the PRS Committee notes and comments on the revised PPMF

4. DETAIL

4.1 The Council's Strategic Management Team considered a revised version of the PPMF in July 2014. This meeting also considered a paper on improved elected member scrutiny. SMT agreed that the PPMF should be further reviewed to take into account enhanced elected member scrutiny and the changes to Political Management Arrangements. It was also agreed that a group of Heads of Service would meet to review the role of elected members and performance management in terms of the PPMF.

4.2 The group met in August and participants noted the positive engagement by members on performance management and scrutiny at the Strategic Committee Development Days that were underway at the time. In addition to this meeting, consultation took place at Departmental Management Teams and further comments were collated. The findings in summary were:

- The presentation of scorecards at Strategic Committees provides enhanced opportunities for elected member engagement in performance review and scrutiny
- The scrutiny by members of local area scorecards is an important element of member engagement in performance management of services locally

- The specified content of service plans in the PPMF is too complex and should be simplified to consist of (a) Service Outcomes, (b) detailed Success Measures with targets, timescales and benchmarks and (c) summarised Risks.
- Other sections should be delivered separately
- The Service Improvement Plan should incorporate the Customer Service Development Plan
- Detailed Operational Risk Registers should continue to be developed aligned to and informing Service Outcomes, but not included in the Service Plan in full. They will continue to be developed with the Risk Manager and available through Service and Departmental scorecards in Pyramid.
- Team scorecards are now delivering a much improved suite of measures for services to manage performance but are not required as an integral part of published service plans.

4.3 Performance management and scrutiny was considered and discussed at each of the Strategic Committee Development days. Feedback from members can be summarised as follows:

- Members appreciate the clear illustration of the PPMF in showing the strategic context for performance management at a service, team and individual level
- Members are keen to continue to have supported access to the performance information that is presented on scorecards
- Members find focussing on a particular area of service delivery more conducive to good scrutiny than being presented with multiple scorecards.
- Members recognise that there is a robust system of performance scrutiny by senior management and that their role is an enhancement to that
- Members would like to have more input into the content of the scorecards/service plans and measures, particularly where they have a policy interest
- Members would like ongoing continued support and training on performance scrutiny

4.4 The revised PPMF attached to this paper seeks to pick up the feedback from senior officers and from members and incorporates it in a refreshed and relevant document, which sets the framework for the ongoing process of performance management and scrutiny.

4.5 The changes to the Political Management Arrangements introduce additional layers of scrutiny to council activities. This additional activity is intended to complement the work and the remit of the Performance Review and Scrutiny Committee.

5.0 CONCLUSION

5.1 The PPMF is periodically revised to ensure appropriate guidance and authority for all planning and performance management matters. This most recent revision takes into account feedback from Strategic Committee Development days, officer input through Departmental Management Teams and incorporates the enhanced role of elected members as a result of the revised political management arrangements.

6.0 IMPLICATIONS

6.1 **Policy** The PPMF provides the policy framework for all performance management related matters.

6.2 **Financial** The PPMF sets out the planning framework for budgeted service delivery by council services

6.3 **Legal** The Council has a duty under the Local Government Act to deliver Best Value

6.4 **HR** The PPMF sets out the framework for the HR resource available to deliver services

6.5 **Equalities** The PPMF is compliant with the council's equality duties

6.6 **Risk** The PPMF mitigates risk around planning and budgeting

6.7 **Customer Service** None

Executive Director of Customer Services

February 2015

For further information contact: Jane Fowler, Head of Improvement and HR

APPENDICES

Appendix 1 – Revised Planning and Performance Management Framework

APPENDIX 1

Argyll and Bute Council

Planning and Performance Management Framework

October 2014

Contact: Jane Fowler
Head of Improvement & HR

Planning and Performance Management Framework

Table of Contents

1 Introduction

This document sets out the Planning and Performance Management Framework (PPMF) for Argyll and Bute Council.

The Local Government in Scotland Act 2003 creates a duty for Councils to make arrangements which secure Best Value. Best Value is continuous improvement in the performance of the Council's functions. In measuring the improvement of the performance of a Council's functions the Act says: "regard shall be had to the extent to which the outcomes of that performance have been improved". It is also a duty to make arrangements to report to the public the outcome of the performance of the Council's functions.

The Council has adopted this PPMF to ensure that services are focused on continuous improvement.

1.1 PPMF Scope and Content

The following topics are included in the framework:

1. How the Council plans and manages performance at each level, from Community Planning Partnership to individual employees.
2. The annual planning and performance reporting cycles including alignment with financial planning.
3. Links between PPMF and improvement drivers such as audits, feedback, reviews and risk management.
4. Reporting performance to the public.
5. The Council's performance management software, Pyramid.

1.2 Scorecards

Planning at each level is accompanied by a performance scorecard incorporating the following themes:

a) Outcomes
b) Resources
c) Improvement

1.3 Status, trends and benchmarking

Measures demonstrating progress within the above themes include data on:

a) Current status vs target, with a commentary if off-track
b) Trends over time
c) Benchmarks, including the Local Government Benchmarking Framework (LGBF)

1.4 Quality Control

Guidance for creating plans and performance scorecards is available from the Improvement & Organisational Development (I&OD) Team. Each department has identified a lead officer with responsibility to support managers in performance management within the service and/or department.

1.5 Evaluating the Framework

This PPMF is subject to review on a regular basis to ensure that the process:

- continues to be appropriate for the Council
- is helping to achieve real improvement to Council services
- demonstrates Best Value.

The I&OD Team will take a lead to review this framework and report to the Strategic Management Team.

1.6 Resources and Help

For queries about and feedback on the framework, contact the key officer for the relevant department:

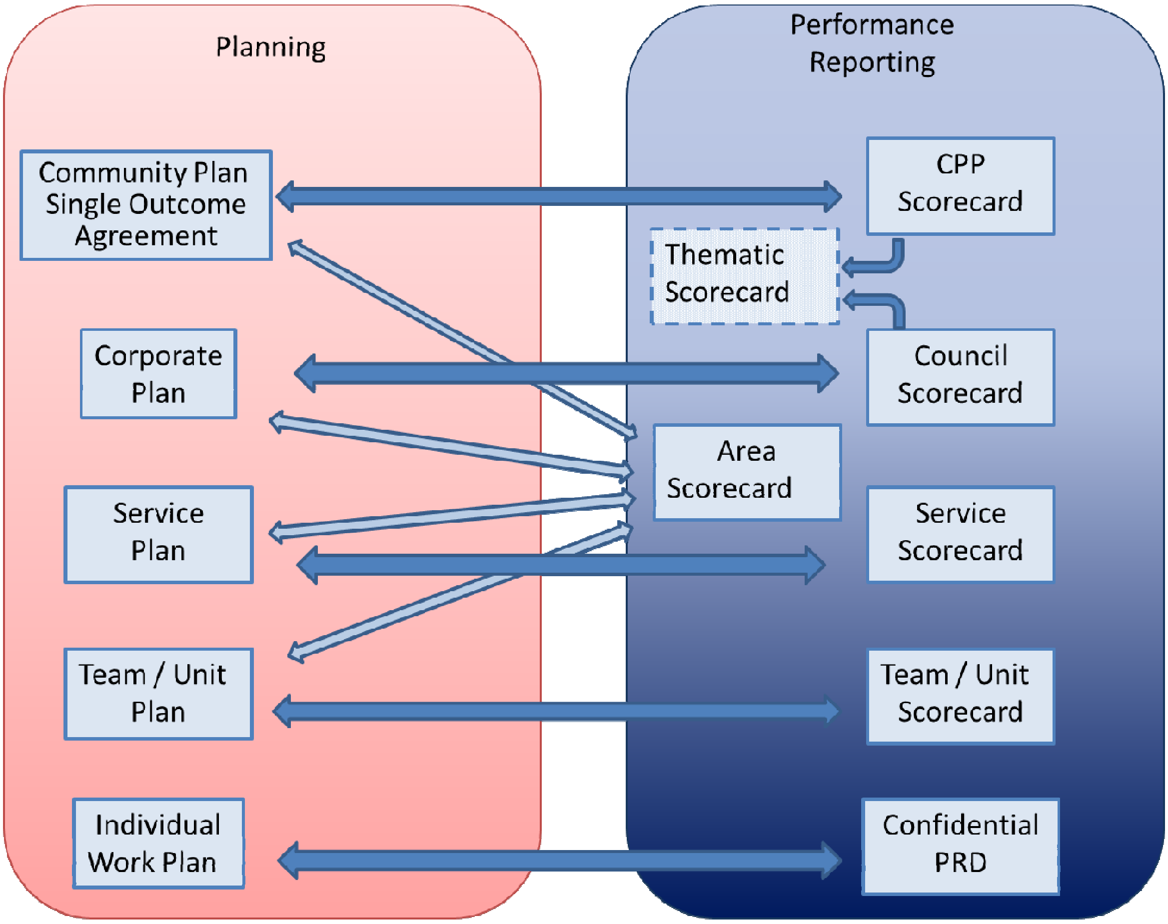
Community Services	Helen MacLeod
Community Planning	Samantha Quarton
Customer Services	Fiona Ferguson
Development & Infrastructure Services	Lesley Sweetman

or contact the I&OD Programme Manager:

David Clements
Kilmory, ext 4205
david.clements@argyll-bute.gov.uk

2 PPMF Overview – The Big Picture

This diagram illustrates planning and performance reporting at every level of the Council.



2.1 Performance Management

Performance of each plan is reported in a **performance scorecard**. See **Section 9** for details of scorecards.

Performance scorecards are monitored on a cyclical basis as detailed in **Section 6** of this document.

3 Improvement through Planning and Performance Management

The PPMF is a core component of the Council's improvement process, helping to ensure delivery of the Corporate Improvement Plan. The framework draws together many activities to ensure that improvement is taking place in a coordinated manner, including:

- Scrutiny of the higher level plans, e.g. Single Outcome Agreement and Corporate Plan, via performance scorecards
- Engagement with stakeholders
- Productivity and efficiency including demonstration of value for money
- Improvement plans (including corporate and service improvement plans) resulting from:
    - Audits
    - Inspections
    - Reviews
    - Customer service improvement
    - Customer engagement and feedback
    - Sustainability and equalities impact assessments
    - PSIF – CPP/Council/Service regular self-assessment to assist and lead improvements
- Risk based planning based on the strategic and operational risk registers and associated mitigation actions
- Key performance measures, including LGBF and data from partners
- Focus on other performance information as appropriate/topical.

Related to the above, annual service plans include the following for each service:

- Service overview
- Service outcomes contributing to council outcomes
- Revenue and capital budgets allocated by service outcome and thus attributable to council outcomes
- Service measures demonstrating fulfilment of service outcomes

The service plans are informed by

- Operational risk register
- Benchmarking of processes and of service delivery

The service plans are supported in their delivery by

- Service improvement plans incorporating Customer service development plans, employee and customer feedback, self evaluation, audit and inspection
- Team plans within the service

4 Role of Elected Members

Elected Members have a crucial, and sometimes statutory, role in the Planning and Performance Management Framework. Member agree the Single Outcome Agreement, Corproate Plan and Service Plans.

4.1 Council

- Agrees the Corporate Plan and sets the budget through approval of service plans.

4.2 Policy and Resources Committee

- Has delegated powers as a committee of the council
- Scrutinises performance of strategic finance and Customer Services through scorecards and reporting

4.3 Community Services Committee

- Has delegated powers as a committee of the council
- Scrutinises performance of Commnunity Services through scorecards and reporting

4.4 Economy, Development and Infrastructure Committee

- Has delegated powers as a committee of the council
- Scrutinises performance of Commnunity Services through scorecards and reporting

4.5 Performance Review and Scrutiny Committee (PRS)

- Has delegated powers as a committee of the Council.
- Monitors strategic performance through the council scorecard, which includes the Council's Corporate Plan and the Community Plan / Single Outcome Agreement.
- Scrutinises service performance through the departmental scorecards.
- Scrutinises the council's activities
- Reports findings and makes recommendations to Council.

4.6 Area Committees

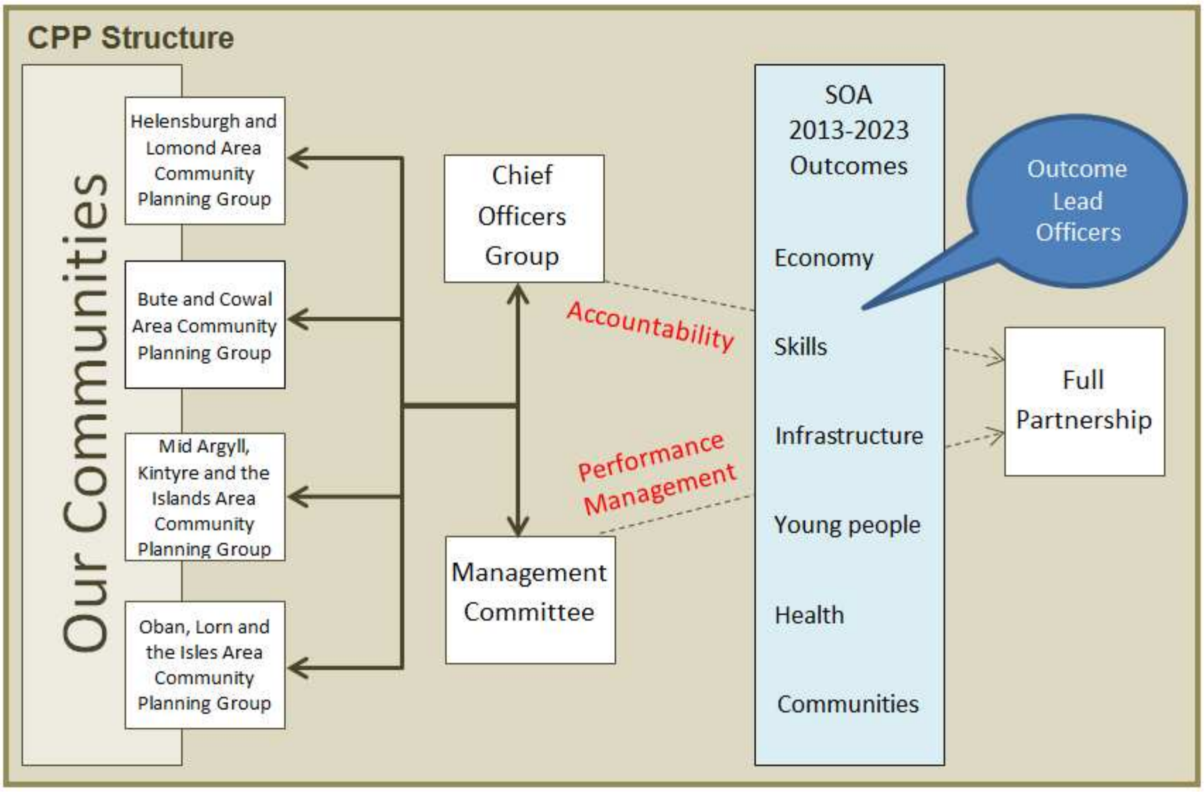
- Set and scrutinise Area Scorecards.
- Work with the Area Community Planning Groups (ACPGs) linked to the Council's Area Committees to ensure that policy objectives are being met.

4.7 Policy Lead Councillors

- Policy Leads have a role in setting the policy direction for service plans in their portfolio to Council and to PRS if requested. They may wish to use existing Departmental or service scorecards or commission new ones.

5 Community Planning and Performance Management

The PPMF provides links between the priorities and performance of the Strategic Partnerships and the Area Community Planning Groups (ACPGs).



The Community Planning Partnership (CPP) Management Committee monitors the Community Plan / Single Outcome Agreement (CP/SOA) which includes a set of CPP outcomes which appear on the CPP scorecard.

Community planning partners monitor their own performance and report progress to the CPP Management Committee through the CP Outcome Lead officers, who facilitate updates to the CPP scorecard.

The public sector partners form a Community Planning Chief Officers Group (CP COG) to address issues specific to them.

The vision, priorities and objectives within the CP/SOA influence the Council's Corporate Plan and its service plans and those of its partners.

6 Annual Planning and Performance Reporting Cycles

6.1 Service Planning and Finance

The integration of service planning and finance is a key part of the Planning and Performance Management Framework (PPMF). In practice this means calculating the costs of proposed outcomes; aligning outcome-setting with budget-setting, so that outcomes are resourced and can be achieved.

An end-of-year service performance review takes place each FQ1 based on guidance from SMT, informing the annual review of the Corporate Plan and the following year's planning process. It also contributes to Public Performance Reporting.

Guidance on the process and timetable for corporate/service planning and budgeting is issued annually by SMT.

6.2 Performance Management Cycle

Performance management occurs at all levels of the organisation with scorecards containing information appropriate to the topic / management level in the organisation.

Performance scorecards are reviewed as follows:

Scorecard	Review cycle	Who Reviews
Community Planning Partnership Scorecard	quarterly	CPP Management Committee
Council Scorecard	quarterly	SMT and the PRS Committee
Departmental Scorecard*	quarterly	Chief Executive, Strategic Committees and the PRS Committee
Service Scorecard	quarterly	Departmental Executive Director
Area Scorecard	quarterly	Area Community Planning Group (ACPG) Area Committee
Team Scorecard	quarterly	Head of Service Team Leader
Thematic and Other Scorecards	As requested	Optionally, Policy Leads may wish to review specific scorecards at their meetings.

* Departmental scorecards are each accompanied by a detailed quarterly report.

7 Public Performance Reporting

The Council's Public Performance Reporting Framework sets out the basis for making information available in a way which is engaging and relevant to service users, including providing online access to information derived from the Council, Departmental and Area Scorecards and the Annual Performance Reviews.

8 Pyramid Performance Management System

The Council has a performance management software system called Pyramid, which is used to record performance information and generate performance scorecards. The system includes Council, Department, Service and Area Scorecards to provide the key management information required at all levels in the organisation and to measure achievement of Corporate Plan and CP/SOA deliverables.

The Council provides an interface to enable community planning partners to record the performance management information required to measure their contribution to CP/SOA outcomes.

For more information, contact the relevant Programme Manager:

David Clements
Kilmory, ext4205
david.clements@argyll-bute.gov.uk

9 Planning and Performance Management Scorecards

9.1 Community Planning

Stakeholders	All formal community planning partners, service users and communities
Vision	Argyll and Bute Community Plan / Single Outcome Agreement (CP/SOA)
Plan and priorities	As vision, above
Translates downwards:	CP/SOA informs Council Corporate Plan (and in turn Council's Service plans) and those of partners. Appropriate CP/SOA Outcome indicators tracked in Pyramid

Performance Reporting

Type of report	Performance scorecard on the CP/SOA
Measurements	Indicators as defined by CP partners' outcome lead officers
Reviewed by	Community Planning Management Committee, Public annually
Scorecard outcomes	As determined by Community Planning partners, based on the CP/SOA

9.2 Corporate Planning

Stakeholders	Council including Area Committees, PRS Committee, SMT, service users, communities
Vision	**Realising Our Potential Together** Aligned CP/SOA and Council's Corporate Plan informed through Community Engagement Strategy.
Plan and priorities	CP/SOA and Council's Corporate Plan
Translates downwards:	Council's service plans, designed to deliver corporate outcomes. Service plans in turn inform team plans and individual work programmes. Corporate outcomes may also be supported by thematic scorecards e.g. Customer Service, Asset Management, Efficiencies, Equalities and Sustainability.

Performance Reporting

Type of report	Council, departmental, service, area and thematic scorecards
Reviewed by	• Council scorecard to SMT and the PRS Committee • Departmental scorecards to Chief Executive and the PRS Committee • Service scorecards to DMTs • Area scorecard to Area Committee • Public reporting on website • Thematic scorecards are addenda to above scorecards. (See also Sections 4.4 and 6.2 above.)
Council Scorecard themes and measures	Outcomes • Corporate Plan objectives and outcomes • Customer service and engagement • CP/SOA outcomes Resources • People - PRDs, absence • Financial - capital, revenue, efficiency savings • Assets - condition, suitability, risks Improvement • Internal Audit • Risk using Strategic and Operational Risk Registers • Corporate Improvement Plan • Critical Activity Recovery Plans (CARPs) • Service and other reviews as appropriate.

9.3 Departmental Planning

Stakeholders	DMTs and PRS Committee
Vision	From Corporate Plan and CP/SOA
Plan and priorities	Departmental contribution to council outcomes.
Translates downwards	Service plans identify budgeted outcomes to support the departmental contribution to the outcomes in the Corporate Plan.

Performance reporting

Type of report	Departmental scorecard.
Reviewed by	Departmental scorecard to Chief Executive and the PRS Committee.
Departmental Scorecard themes and measures	Outcomes • Departmental performance – contribution to Council objectives and outcomes • Customer service and engagement Resources • People - PRDs, absence • Financial - capital, revenue, efficiency savings • Assets - condition, suitability, risks Improvement • Internal Audit • Risk, using operation risk registers (ORRs) • Critical activity recovery plans (CARPs) • Service improvement plans • Service and other reviews as appropriate.

9.4 Service Planning

Stakeholders	SMT, DMTs and PRS Committee
Vision	From Corporate Plan and CP/SOA
Plan and priorities	Service plan containing budgeted service outcomes
Translates downwards	Team plans identify activities to support service outcomes

Performance reporting

Type of report	Service scorecard.
Reviewed by	Service scorecard to DMTs Key information from service scorecards incorporated into departmental scorecard to the PRS Committee
Service Scorecard themes and measures	Outcomes • Service performance – contribution to Council Outcomes • Customer service and engagement Resources • People - PRDs, absence • Financial - capital, revenue, efficiency savings Improvement • Internal Audit • Risk, using operation risk register (ORR) • Service improvement plans • Critical activity recovery plans (CARPs) • Service and other reviews as appropriate.

9.5 Team Planning

Stakeholders	Heads of service, team or unit managers (including head teachers)
Vision	From Corporate Plan and service plans
Plan and priorities	Team, unit or school plan containing a set of 8-10 success measures, including key Service success measures.
Translates downwards	Links to individual work plans aligning personal professional development ultimately towards achieving the corporate vision of the Council

Performance reporting

Type of report	Scorecard based on plans above
Reviewed by	Head of service and appropriate manager, quarterly
Team scorecard themes and measures	Team scorecards report Outcomes • Service Performance – Service and Team success measures Resources • People – PRDs (and sickness absence when this can be reliably reported at Team level), • Financial – revenue

9.6 Individual Planning

Individual Planning will follow the established Performance Review and Development process (PRD). In order to preserve confidentiality the detail of an individual PRD will not be recorded in a performance scorecard, and will not be included as part of the public performance reporting.

However, statistics on the number of PRDs carried out in each Team and Service will be reported in team, service, departmental and council scorecards.

Stakeholders	Manager and individual
Vision	From corporate, service and team plans
Plan and priorities	Performance Review and Development / Continuous Professional Development Plan

Performance reporting

Type of report	PRD meeting with manager
Reviewed by	Per PRD process
PRD themes and measures	Regular progress reviews with managers per PRD process. No strictly defined indicators
Mechanism	Performance Review and Development or Continuous Professional Development A scorecard is not used for individual PRDs however overall PRD statistics are tracked via higher level and thematic scorecards. The PRD is used to discuss progress against individual targets and supporting actions to improve.

9.7 Area Planning

Stakeholders	Area Community Planning Groups (ACPGs) Area Committees Services and Teams
Vision	Corporate Plan, CP/SOA
Plan and priorities	For Area Committees, their priorities are represented on the area scorecards via specific performance measures
Translates outwards	Area priorities may influence service and team plans and may require area-level measures to be reported. They may also cause thematic scorecards to be created as appropriate.

Performance reporting

Type of report	Area scorecard
Reviewed by	Area Community Planning Group Area Committee
Area Scorecard themes and measures	Outcomes • Key success measures as agreed by the reviewers.

This page is intentionally left blank

Agenda Item 11

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

CUSTOMER SERVICES | **26 FEBRUARY 2015**

Local Government Benchmarking Framework

---

1. Summary

The PRS Committee agreed to review the Local Government Benchmarking Framework (LGBF) in four sections over the year. This paper addresses the third section, giving consideration to Corporate Services and all Satisfaction data.

The Executive Director, Customer Services will speak to the indicators at the meeting.

Douglas Hendry
Executive Director, Customer Services

For further information
Jane Fowler
Head of Improvement and HR

ARGYLL AND BUTE COUNCIL

CUSTOMER SERVICES

PERFORMANCE REVIEW AND SCRUTINY COMMITTEE

26 FEBRUARY 2015

Local Government Benchmarking Framework

2. SUMMARY

2.1 This paper sets out the third set of the suite of indicators for the Local Government Benchmarking Framework (LGBF) for consideration by the PRS Committee. The Executive Director, Customer Services will speak to the indicators at the meeting.

3. RECOMMENDATIONS

3.1 It is recommended that the Committee notes the content of this report.

4. DETAIL

4.1 The PRS Committee agreed to give consideration to Corporate Services and all Satisfaction measures at this meeting.

4.2 The LGBF is an ambitious attempt to provide comparative information relating to all 32 Scottish councils. There are acknowledged disparities in population profile, size and density; size of budget and levels of deprivation. Therefore any serious ambition to learn from other councils and improve services to our communities needs to be more focused on councils with similar characteristics. To allow for this, and to create groups of a manageable size, each council has been positioned into a Family Group of eight councils.

4.3 The indicators for Corporate Services relate to our Family Group of Aberdeenshire, Dumfries & Galloway, Western Isles, Highland, Orkney, Scottish Borders and Shetland.

4.4 We can see from the benchmarking data that although there has been a very slight rise in the costs of Corporate Services in the last reported year, overall since 2010/11 there has been a reduction of 36% in the proportionate costs of corporate support. This reflects the significant efficiencies in corporate support that have been implemented through the Council's modernisation process of centralisation and the subsequent service review process, which saw 20% removed from all support services. See Chart 1.

4.5 Performance relating to Council Tax collection continues to show improvement, both in terms of the amount collected and the cost of collection.

4.6 Invoices paid within 30 days is important for suppliers of goods and services – our performance against this indicator continues to improve.

4.7 Sickness absence is poor and is reported to the PRS Committee in greater detail quarterly.

4.8 The Improvement Service has been leading a working group to consider improvements to gathering Satisfaction data. This work was expected to be further forward by now, but the progress report has been delayed. Local customer satisfaction, from direct services users, shows much better performance and is included in Service and Departmental scorecards.

5. CONCLUSION

5.1 The Local Government Benchmarking Framework is a positive development in improving services. Family Groups are bringing together service experts to improve understanding of best practice, leading to improved services for our communities.

Douglas Hendry
Executive Director, Customer Services

For further information
Jane Fowler
Head of Improvement and HR

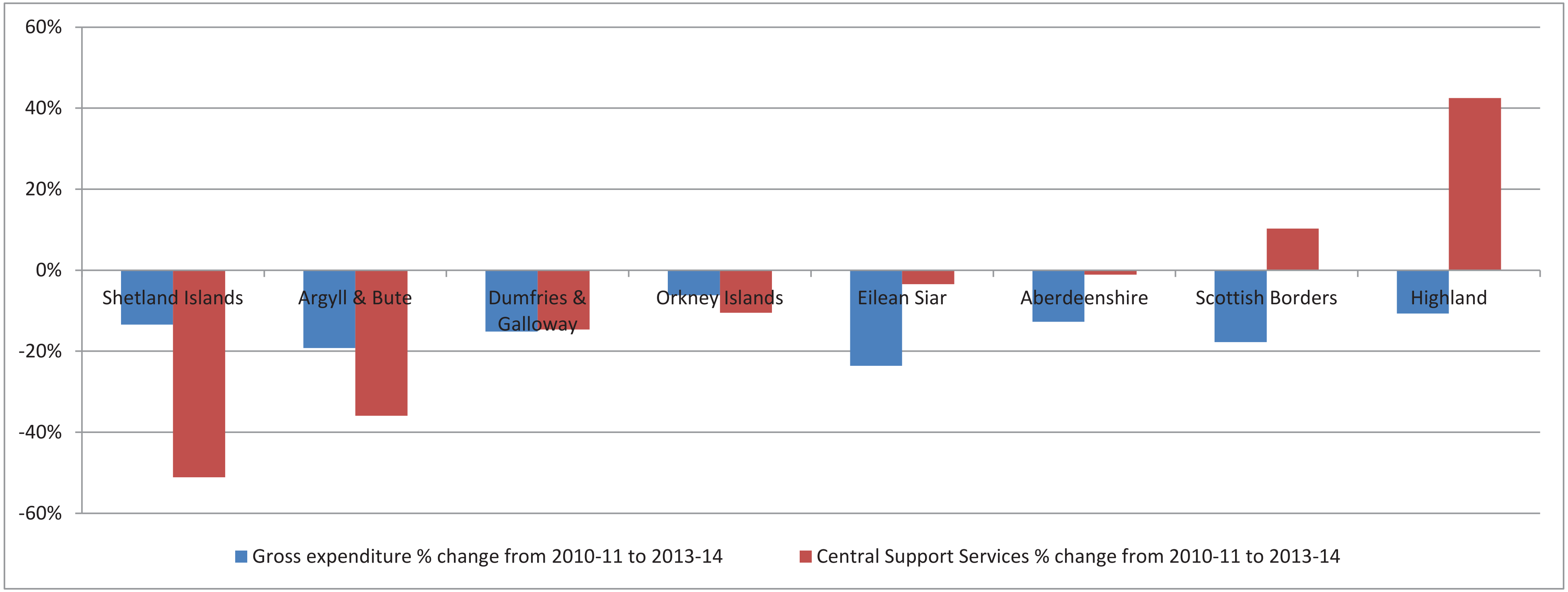
Local Government Benchmarking Framework – selected indicator set for Argyll and Bute Council

Trend arrow indicates change in Rank (↑ = improvement: → = no change: ↓ = decline: X = new indicator - no change available)

Code	Corporate Service Indicator	Rank 2013/14	Trend
CORP 1	Support services as a % of Total Gross expenditure	18	↑
CORP 2	Cost of Democratic Core per 1,000 population	29	↑
CORP 3b	The percentage of the highest paid 5% of employees who are women	23	↑
CORP 4	The cost per dwelling of collecting Council Tax	7	↓
CORP 5b2	Domestic Noise) Average time (hours) between time of complaint and attendance on site, for those requiring attendance on site	26	↑
CORP 6	Sickness Absence Days per Employee	26	↓
CORP 7	Percentage of income due from Council Tax received by the end of the year	9	↑
CORP 8	Percentage of invoices sampled that were paid within 30 days	14	↑

Code	Satisfaction Indicator	Rank 2013/14	Trend
CHN 10	% of Adults Satisfied with Local Schools	14	↑
SW 4	% of Adults satisfied with social care or social work services	16	↑
C&L 5a	% of adults satisfied with libraries	18	↑
C&L 5b	% of adults satisfied with parks and open spaces	20	↑
C&L 5c	% of adults satisfied with museums and galleries	32	→
C&L 5d	% of adults satisfied with leisure facilities	32	→
ENV 7a	% of adults satisfied with refuse collection	10	↓
ENV 7b	% of adults satisfied with street cleaning	17	↓

Chart 1 – percentage change in Gross Expenditure and Central Support Costs between 2010/11 and 2013/14



-

CORP 1

Local Authority	2010/11	Rank	2011/12	Rank	2012/13	Rank	2013/14	Rank	Change 2010/11-2013/14	Change in rank 2010/11-2013/14	Change 2012/13-2013/14	Change in rank 2012/13-2013/14
	Support services as a % of Total Gross expenditure											
Aberdeenshire	4.26	14	4.32	16	6.48	30	4.83	18	0.57	4	-1.65	-12
Argyll & Bute	8.49	30	6.15	25	5.93	25	6.73	26	-1.76	-4	0.80	1
Dumfries & Galloway	4.25	13	4.16	11	4.58	18	4.27	9	0.02	-4	-0.30	-9
Eilean Siar	6.44	28	6.87	30	6.24	27	8.14	32	1.70	4	1.90	5
Highland	4.73	18	6.81	29	7.29	31	7.54	30	2.82	12	0.26	-1
Orkney Islands	5.77	26	5.14	21	5.14	21	5.50	22	-0.27	-4	0.37	1
Scottish Borders	5.62	25	6.30	27	6.10	26	7.54	29	1.92	4	1.44	3
Shetland Islands	0.00	1	7.84	32	2.08	1	4.53	13	4.53	12	2.46	12
Scotland	4.57		4.77		4.67		5.13		0.56		0.45	

-

CORP 2

Cost of Democratic Core per 1,000 population

Local Authority	2010/11	Rank	2011/12	Rank	2012/13	Rank	2013/14	Rank	% Value Change 2010/11-2013/14	Change in rank 2010/11-2013/14	% Value Change 2012/13-2013/14	Change in rank 2012/13-2013/14
Aberdeenshire	36064.77	19	29515.35	12	36714.41	21	45801.97	26	27.00	7	24.75	5
Argyll & Bute	5033.63	1	44915.73	27	46317.61	25	46893.81	29	831.61	28	1.24	4
Dumfries & Galloway	42216.07	26	35647.71	21	46356.83	26	40094.50	23	-5.03	-3	-13.51	-3
Eilean Siar	106605.57	30	113266.87	30	106422.35	30	105437.96	30	-1.10	0	-0.92	0
Highland	31575.15	14	35827.67	22	43355.80	22	44176.86	24	39.91	10	1.89	2
Orkney Islands	334162.11	31	156746.03	31	123966.56	31	131942.51	31	-60.52	0	6.43	0
Scottish Borders	52928.15	28	42227.13	26	48447.81	29	38069.73	20	-28.07	-8	-21.42	-9
Shetland Islands	346294.64	32	383911.11	32	241447.65	32	295431.03	32	-14.69	0	22.36	0
Scotland	33475.42		31468.94		31778.46		32076.88		-4.18		0.94	

Page 159

-

CORP 3b

The percentage of the highest paid 5% of employees who are women

Local Authority	2010/11	Rank	2011/12	Rank	2012/13	Rank	2013/14	Rank	Change 2010/11-2013/14	Change in rank 2010/11-2013/14	Change 2012/13-2013/14	Change in rank 2012/13-2013/14
Aberdeenshire	57.71	1	60.07	1	55.00	3	61.84	1	4.13	0	6.84	-2
Argyll & Bute	34.97	29	41.41	27	43.23	26	45.65	23	10.68	-6	2.42	-3
Dumfries & Galloway	45.28	19	45.95	20	46.42	21	47.52	19	2.24	0	1.11	-2
Eilean Siar	33.96	30	33.93	30	34.88	30	32.50	30	-1.46	0	-2.38	0
Highland	45.70	18	54.01	3	46.01	22	46.72	22	1.02	4	0.71	0
Orkney Islands	28.28	31	27.17	31	26.14	31	25.00	31	-3.28	0	-1.14	0
Scottish Borders	40.76	24	41.63	24	41.31	27	41.01	28	0.26	4	-0.30	1
Shetland Islands	23.81	32	21.28	32	23.78	32	24.03	32	0.22	0	0.25	0
Scotland	46.26		48.50		48.71		50.70		4.44		1.99	

-

CORP 4

The cost per dwelling of collecting Council Tax

Local Authority	2010/11	Rank	2011/12	Rank	2012/13	Rank	2013/14	Rank	% Value Change 2010/11-2013/14	Change in rank 2010/11-2013/14	% Value Change 2012/13-2013/14	Change in rank 2012/13-2013/14
Aberdeenshire	11.40	10	9.10	8	10.41	11	9.60	11	-15.78	1	-7.78	0
Argyll & Bute	11.95	11	7.22	5	8.61	6	8.25	7	-30.97	-4	-4.22	1
Dumfries & Galloway	9.82	7	10.63	12	10.30	10	9.58	10	-2.50	3	-6.99	0
Eilean Siar	22.15	30	19.50	30	29.23	32	23.20	32	4.74	2	-20.64	0
Highland	15.19	25	18.71	29	15.52	23	14.22	24	-6.35	-1	-8.35	1
Orkney Islands	26.56	32	24.20	32	20.14	29	20.46	31	-22.98	-1	1.58	2
Scottish Borders	11.33	9	8.46	6	7.82	4	6.72	3	-40.69	-6	-14.09	-1
Shetland Islands	14.39	20	12.81	17	15.75	25	8.67	8	-39.78	-12	-44.97	-17
Scotland	13.81		13.15		13.29		12.13		-12.19		-8.78	

Page 161

-

CORP 5b2

(Domestic Noise) Average time (hours) between time of complaint and attendance on site, for those requiring attendance on site

Local Authority	2010/11	Rank	2011/12	Rank	2012/13	Rank	2013/14	Rank	% Value Change 2010/11-2013/14	Change in rank 2010/11-2013/14	% Value Change 2012/13-2013/14	Change in rank 2012/13-2013/14
Aberdeenshire	65.00	24	72.00	26	150.00	30	120.00	29	84.62	5	-20.00	-1
Argyll & Bute	10.70	11	10.50	13	122.90	29	52.40	26	389.72	15	-57.36	-3
Dumfries & Galloway					0.80	8	1.10	14			37.50	6
Eilean Siar	9.30	10	8.00	11	16.00	18	9.40	20	1.08	10	-41.25	2
Highland	22.00	14	28.00	20	19.00	20	119.00	28	440.91	14	526.32	8
Orkney Islands	475.13	27	255.00	28	599.00	31	495.00	30	4.18	3	-17.36	-1
Scottish Borders	264.00	26	37.40	22	34.40	23	46.31	25	-82.46	-1	34.62	2
Shetland Islands			0.10	1	48.00	26	1488.00	31			3000.00	5
Scotland	47.84		31.58		43.21		80.73		68.75		86.84	

Page 162

-

CORP 6

Sickness Absence Days per Employee

Local Authority	2010/11	Rank	2011/12	Rank	2012/13	Rank	2013/14	Rank	% Value Change 2010/11-2013/14	Change in rank 2010/11-2013/14	% Value Change 2012/13-2013/14	Change in rank 2012/13-2013/14
Aberdeenshire	8.62	4	8.58	6	8.71	3	8.40	4	-2.52	0	-3.49	1
Argyll & Bute	9.55	15	8.77	9	10.24	22	9.94	26	4.16	11	-2.92	4
Dumfries & Galloway	10.04	21	9.64	23	9.80	18	9.88	24	-1.61	3	0.81	6
Eilean Siar	12.08	31	12.45	31	9.67	14	9.50	21	-21.36	-10	-1.82	7
Highland	9.38	13	8.45	5	8.68	1	7.86	2	-16.25	-11	-9.51	1
Orkney Islands	9.30	12	9.24	14	8.86	6	8.60	5	-7.52	-7	-2.93	-1
Scottish Borders	10.43	26	9.38	19	10.55	25	9.88	23	-5.33	-3	-6.33	-2
Shetland Islands	11.31	29	12.03	30	11.22	28	9.67	22	-14.44	-7	-13.78	-6
Scotland	9.80		9.30		9.79		9.24		-5.66		-5.60	

Page 163

-

CORP 7

Percentage of income due from Council Tax received by the end of the year

Local Authority	2010/11	Rank	2011/12	Rank	2012/13	Rank	2013/14	Rank	Change 2010/11-2013/14	Change in rank 2010/11-2013/14	Change 2012/13-2013/14	Change in rank 2012/13-2013/14
Aberdeenshire	95.81	12	96.20	10	96.25	11	96.19	10	0.38	-2	-0.06	-1
Argyll & Bute	96.15	10	96.12	11	96.28	10	96.30	9	0.15	-1	0.02	-1
Dumfries & Galloway	95.53	13	95.71	14	95.78	13	96.04	12	0.52	-1	0.26	-1
Eilean Siar	94.60	19	94.60	21	95.17	20	95.20	18	0.59	-1	0.03	-2
Highland	95.40	14	95.50	17	95.59	15	95.49	16	0.09	2	-0.10	1
Orkney Islands	97.56	1	97.53	3	98.08	1	97.72	3	0.15	2	-0.36	2
Scottish Borders	96.45	8	96.45	9	96.57	7	96.65	6	0.20	-2	0.07	-1
Shetland Islands	96.43	9	96.55	8	96.49	8	96.64	7	0.21	-2	0.15	-1
Scotland	94.70		95.10		95.16		93.08		-1.62		-2.08	

Page 164

-

CORP 8

Percentage of invoices sampled that were paid within 30 days

Local Authority	2010/11	Rank	2011/12	Rank	2012/13	Rank	2013/14	Rank	Change 2010/11-2013/14	Change in rank 2010/11-2013/14	Change 2012/13-2013/14	Change in rank 2012/13-2013/14
Aberdeenshire	87.33	23	87.73	19	87.97	22	87.00	25	-0.33	2	-0.97	3
Argyll & Bute	88.99	17	85.91	22	89.77	19	92.39	14	3.40	-3	2.63	-5
Dumfries & Galloway	91.68	7	91.29	11	88.21	21	89.33	23	-2.35	16	1.12	2
Eilean Siar	88.43	20	85.74	24	93.68	6	94.40	8	5.98	-12	0.72	2
Highland	89.71	15	92.25	8	90.72	14	93.33	12	3.62	-3	2.60	-2
Orkney Islands	77.69	31	79.65	32	78.45	32	76.88	32	-0.81	1	-1.57	0
Scottish Borders	91.16	9	91.06	13	90.28	17	90.17	21	-1.00	12	-0.11	4
Shetland Islands	85.46	24	81.92	30	84.86	26	85.02	29	-0.44	5	0.16	3
Scotland	89.50		90.20		90.47		91.93		2.43		1.46	

CHN 10

% of Adults Satisfied with Local Schools									
2010/11	**Rank**	**2012/13**	**Rank**	**2013/14**	**Rank**	**Change 2010/11-2013/14**	**Change in rank 2010/11-2013/14**	**Change 2012/13-2013/14**	**Change in rank 2012/13-2013/14**
81.5%	24	84%	18	84%	14	2.5%	+10	0.0	+4

SW4

% of Adults satisfied with social care or social work services									
2010/11	**Rank**	**2012/13**	**Rank**	**2013/14**	**Rank**	**Change 2010/11-2013/14**	**Change in rank 2010/11-2013/14**	**Change 2012/13-2013/14**	**Change in rank 2012/13-2013/14**
59.3%	24	56%	21	57%	16	-2.3%	+8	1.0	+5

C&L5a

% of adults satisfied with libraries									
2010/11	**Rank**	**2012/13**	**Rank**	**2013/14**	**Rank**	**Change 2010/11-2013/14**	**Change in rank 2010/11-2013/14**	**Change 2012/13-2013/14**	**Change in rank 2012/13-2013/14**
75.3%	32	61%	32	81%	18	5.7%	+14	20.0	+14

C&L5b

% of adults satisfied with parks and open spaces									
2010/11	**Rank**	**2012/13**	**Rank**	**2013/14**	**Rank**	**Change 2010/11-2013/14**	**Change in rank 2010/11-2013/14**	**Change 2012/13-2013/14**	**Change in rank 2012/13-2013/14**
70.3%	32	65%	32	84%	20	13.7%	+12	19.0	+12

C&L5c

% of adults satisfied with museums and galleries

2010/11	Rank	2012/13	Rank	2013/14	Rank	Change 2010/11-2013/14	Change in rank 2010/11-2013/14	Change 2012/13-2013/14	Change in rank 2012/13-2013/14
50.0%	31	39%	32	42%	32	-8.0%	-1	3.0	0

C&L5d

% of adults satisfied with leisure facilities

2010/11	Rank	2012/13	Rank	2013/14	Rank	Change 2010/11-2013/14	Change in rank 2010/11-2013/14	Change 2012/13-2013/14	Change in rank 2012/13-2013/14
59.9%	31	52%	32	65%	32	5.1%	-1	13.0	0

ENV7a

% of adults satisfied with refuse collection

2010/11	Rank	2012/13	Rank	2013/14	Rank	Change 2010/11-2013/14	Change in rank 2010/11-2013/14	Change 2012/13-2013/14	Change in rank 2012/13-2013/14
89.2%	6	90%	5	90%	10	0.8%	-4	0.0	-5

ENV7b

% of adults satisfied with street cleaning

2010/11	Rank	2012/13	Rank	2013/14	Rank	Change 2010/11-2013/14	Change in rank 2010/11-2013/14	Change 2012/13-2013/14	Change in rank 2012/13-2013/14
79.2%	7	79%	8	77%	17	-2.2%	-10	-2.0	-9

This page is intentionally left blank

ARGYLL AND BUTE COUNCIL	**PERFORMANCE REVIEW AND SCRUTINY COMMITTEE**
CUSTOMER SERVICES	**26 FEBRUARY 2015**

CORPORATE IMPROVEMENT PROGRAMME PROGRESS

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to advise the Performance Review and Scrutiny Committee of the progress made on the Corporate Improvement Programme.

ARGYLL AND BUTE COUNCIL	**PERFORMANCE REVIEW AND SCRUTINY COMMITTEE**
CUSTOMER SERVICES	**26 FEBRUARY 2015**

CORPORATE IMPROVEMENT PROGRAMME PROGRESS

2.0 SUMMARY

2.1 In May 2014, the PRS Committee noted a report that provided an update on the progress of the Corporate Improvement Programme and requested that further details of each of the projects that are being undertaken as part of the Corporate Improvement Programme be provided at a future meeting. This report provides the PRS Committee with an update on the progress of the Corporate Improvement Programme.

3.0 RECOMMENDATION

It is recommended that the PRS Committee:

3.1 Note the progress that has been made in delivering the Corporate Improvement Programme

3.2 Note that officers are currently carrying out work to develop an updated Corporate Improvement Programme

4.0 DETAIL

4.1 The current Corporate Improvement Programme has been in place for over 2 years. Progress on the projects that make up the programme had initially been reviewed regularly by the Corporate Improvement Board and the SMT. Regular updates have been presented to the PRS Committee.

4.2 The Corporate Improvement Programme was developed to take account of:

- The challenging outlook for public sector finances which suggests medium to longer term reduction in funding.
- Our commitment on working together to improve the potential of our organisation including the following:
  - We engage with our partners, our communities and our customers to deliver high quality, continually improving, efficient and responsive services.

- Our employees have the skills and attitudes to deliver efficient and effective services.
- Our customers have accurate, accessible and up-to-date information about our organisation and the services that we provide.

- Improvement opportunities identified through corporate performance reviews undertaken by Internal Audit.
- Other areas for improvement opportunities identified by SMT.

4.3 Corporate Improvement Programme Objectives

Taking into account these issues, the Corporate Improvement programme was designed to be a change programme to co-ordinate and challenge activity in the Council to ensure:

- We are well positioned to meet future financial challenges
- We secure improvements in the management and use of corporate resources
- We secure improvements in service efficiency and effectiveness
- We place customer requirements at the centre of business transformation
- We build on the good work from the transformation programme.

4.4 The Corporate Programme initially consisted of 12 improvement projects, which are listed in Table 1.

4.5 As the projects have progressed and been completed, the ongoing governance for the activities and improvements arising from the projects has agreed in order to mainstream these as ‘business as usual’ for the organisation.

4.6 Corporate Improvement Programme – Next Steps

The majority of the improvement projects in the Improvement Programme have been completed and mainstreamed. The outlook for the council has changed since it was developed, with adoption of the Single Outcome Agreement and clear objectives for achieving it. The Council has agreed its approach to delivering the SOA through the Planning Our Future paper agreed by the Policy and resources Committee in December 2015. This will include the service choices process and will influence the next iteration of the Council’s approach to Corporate Improvement.

4.7 The SMT will be reviewing the Corporate Improvement Programme progress and bringing forward recommendations on the future implementation of corporate improvement. This will be reported to the PRS Committee in due course.

Table 1 - CORPORATE IMPROVEMENT PROGRAMME PROJECTS UPDATE

Project	Main Objectives	Progress to Date
1a Productivity and Service Improvement - Service Prioritisation	Formerly part of the wider Productivity and Service Improvement Project, Service Prioritisation, now called Service Choices, is separate project to develop a framework/process to prioritise services over the next 3-5 years within the budget constraints faced by the council.	The budget strategy 'Planning for our Future' was approved by Policy and resources Committee on 18 December 2014. This included a paper setting out the approach and timetable for Service Choices. This involves a 3 stage process which will conclude in time for budget reductions to be implemented from April 2016. The council has a target to reduce spend by £25-£35 million on its revenue budget. As there is no scope for reduction of this scale through efficiencies, a process of choosing which services and what level of service will be provided in future is being implemented. The first stage of consultation to gauge the views of the public starts in January 2015. This will inform the initial stage of the process.
1b Productivity and Service Improvement - BPR	Business Process Re-engineering (BPR) was formerly part of the wider Productivity and Service Improvement Project. It is now being implemented as a standalone project. A preferred methodology using lean management techniques was selected by SMT to improve efficiencies in services.	BPR has been rolled out across a number of services and has brought real efficiencies to processes, saving time and other resources. Progress with the BPR programme is now reported to the HR Board. Highlight reports are presented to the HR Board at every

Table 1 - CORPORATE IMPROVEMENT PROGRAMME PROJECTS UPDATE		
Project	**Main Objectives**	**Progress to Date**
		meeting and thereafter to SMT (Corporate Improvement). New BPR's have to be signed off by the HR Board and a detailed benefits report presented. This is now business as usual.
2 Workforce Planning	Workforce Planning was established as a standalone project to ensure clear planning for the councils future workforce and deliver an overall approach, develop guidance, provide training and establish a toolkit for services. This will now be incorporated in the overall Service Choices project.	The approach to workforce planning, including the overall mechanism and toolkit, was agreed by the council in 2012. Data for all services has been uploaded into the workforce planning tool and this will be used as the Service Choices process is rolled out. This will ensure that the workforce of the future meets the needs of the council's priority services.
3 Asset Management	This project was designed to carry out an assessment of the council's current Service Asset Management Plans and ascertain whether identify a way of delivering asset management that better coordinates the requirements of the council as a whole.	The process of asset management has been significantly improved as a result of the focus on it from the Corporate Improvement Plan. The Asset Management Board oversees corporate decision making and each service and department now has a corporate asset management which is updated and presented to the Policy and Resources Committee. The project as originally envisaged has moved to business as usual.

Table 1 - CORPORATE IMPROVEMENT PROGRAMME PROJECTS UPDATE		
Project	**Main Objectives**	**Progress to Date**
		Further development of the Asset management strategy will be linked to Service Choices as it develops
4 Customer Management	Council wide development of customer service was identified in the original shared services diagnostic. It was then incorporated into Process for Change and fundamental improvements to the way the council does its business and engages with customers were made. This was then developed into a follow on stage which incorporated the Customer Service Centre and Registration Service Review. Continued development of the Council's Web and Intranet services. Establishment of continuous improvement arrangements for the council wide development of customer service.	All except two deliverables from the original project scope have been delivered and the project was formally closed. The continual development of Customer Service is now managed by the Customer Service Board (CSB) which ensures delivery of the two outstanding items. The CSB will report upwards to SMT via: • The minutes of CSB meetings • Quarterly update of the CS Development Plan Tracker • Quarterly update of the CS balanced scorecard • Decision making reports on key developments and procurements This is now business as usual.
5 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.	Highlight reports are submitted to the Information Management Project Board on a monthly basis. • The draft Information Asset Register for Adult Services is almost complete. • The creation of the draft IAR for Children & Families and Criminal Justice is complete.

Table 1 - CORPORATE IMPROVEMENT PROGRAMME PROJECTS UPDATE

Project	Main Objectives	Progress to Date
		• An initial meeting with Education has identified collators and guidance distributed accordingly. A schedule of workshops and meetings is in place. • LYNC 2013 has been rolled out to 344 users in total as part of the Highland Council pilot. • The redrafting of the Business Case is ongoing. This is now business as usual.
6 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)	A complete review of the procurement and commissioning service was undertaken as part of the Corporate Improvement Programme. Sourcing templates were developed, Procurement Capability Assessments have exceeded targets and Scotland Excel have recognised the significant improvements to procurement by the Council. The project was signed off by the SMT and this is now Business as Usual.
7 Employee and Elected Member Development	This project had a 2 part element. The Employee development element implemented Argyll and Bute Manager and Leadership Programmes The Elected member element of this project included the agreement by council of a development programme for	Now operating as business as usual Programme agreed by council and now being implemented

Table 1 - CORPORATE IMPROVEMENT PROGRAMME PROJECTS UPDATE

Project	Main Objectives	Progress to Date
	elected members including PDPs and programmes of seminars	
8 Health and Social Care Integration	To oversee the integration of health and social care	Transferred to Health and Social Care Integration Programme Board
9 Support Service Review Phase 2	To review Support Services	Complete
10 Equalities	To improve and mainstream equalities across the council	Complete
11 Outcome Planning for CPP	To deliver an outcomes focussed community plan and Single outcome Agreement	Complete
12 Environmental Sustainability	To ensure that sustainable development is mainstreamed across council services.	Complete – work carried out with Argyll and Bute Social Enterprise Forum and Toolkit developed.

5. CONCLUSION

5.1 This paper provides an update on the progress made against the Corporate Improvement Programme and the next steps for corporate improvement.

6.0 IMPLICATIONS

6.1	Policy	None directly from this report
6.2	Financial	None directly from this report, but securing financial savings is a key aspect of the Corporate Improvement Programme.
6.3	Legal	None directly from this report
6.4	HR	None directly from this report, but there will be HR implications from some of the project activities in the programme.
6.5	Equalities	Compliance with equalities policy is implemented through EqIAs in all Corporate Improvement Programme projects.
6.6	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.
6.7	Customer Service	None directly from this report, but Customer Management is one of the projects in the Corporate Improvement Programme.

Douglas Hendry
Executive Director, Customer Services

Jane Fowler, Head of Improvement and HR, 01546 604323

This page is intentionally left blank

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

CUSTOMER SERVICES **26 February 2015**

MAXIMISING ATTENDANCE: COUNCIL PERFORMANCE OCTOBER – DECEMBER 2014

1 EXECUTIVE SUMMARY

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 2014. Please find below a summary of the attendance information within this report.

	Q1 2014/2015			Q2 2015/2015			Q3 2014/2015			Q3 2013/2014		
Average Days Lost per FTE	2.46			2.29			2.75			2.56		
Total Cost of Sick Pay	£721,875			£756,216			£865,840			£840,141		
	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Oct	Nov	Dec
% of RTWI completed	77%	73%	75%	79%	86%	76%	79%	88%	87%	62%	67%	49%
Average Number of days taken to complete	6.8	4.5	4.1	5.3	4.8	4.7	5.1	5.4	5.9	6.2	6.8	4.3

1.2 The report also details progress made with the corporate actions to maximise attendance.

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

MAXIMISING ATTENDANCE: COUNCIL PERFORMANCE OCTOBER – DECEMBER 2014

2 INTRODUCTION

2.1 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 2014.

At the last Performance Review and Scrutiny Committee it was agreed that the format of the report would be reviewed. This report provide PRS Committee with the essential high level information in order to carry out scrutiny of council employee absence.

3 RECOMMENDATION

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

4 DETAIL

4.1 The Quarterly targets in table three below have been calculated by dividing the annual service specific target by 4. However, it should be noted that absence trends show fluctuations across the quarters. Historically, council wide absence figures have dipped in Quarter two and peaked in Quarter four with the exception of services dominated by term-time staff. Table One outlines the performance of each service against the quarterly targets year to date and the same quarter last year. The arrow denotes whether the actual average days lost per FTE employee in Q3 is higher than the target set.

Table One: Performance October - December 2014

	Actual Average days lost per FTE employee in Q1 2014/15	Actual Average days lost per FTE employee in Q2 2014/15	Actual Average days lost per FTE employee in Q3 2014/15		Target Days lost per FTE Employee per quarter 2014/15	Actual Average days lost per FTE employee in Q3 2013/14
Adult Care	4.24	4.72	4.49	↑	3.73	4.08
Children & Families	4.04	3.65	3.52	↑	3.50	2.76
Community & Culture	2.43	1.91	1.01	↓	2.01	1.94
Education (non-teaching)	2.16	1.18	2.33	↓	3.70	1.99
COMMUNITY SERVICES (non teaching)	**3.18**	**2.81**	**2.98**	**↓**	**3.48**	**2.76**
COMMUNITY SERVICES (teaching)	**1.83**	**1.58**	**2.49**	**↑**	**1.63**	**1.23**
Customer & Support	1.29	0.9	1.31	↓	1.60	1.14
Governance & Law	0.32	0.61	1.65	↑	1.53	2.35

Facility Services	2.79	2.69	3.90	↑	2.30	1.88
Improvement & HR & Directorate	0.41	2.85	1.26	↓	1.50	1.14
CUSTOMER SERVICES	**1.71**	**1.94**	**2.35**	**↑**	**1.88**	**1.54**
Economic Development	3.19	2.05	1.45	↓	1.88	2.86
Planning & Regulatory	1.6	1.93	0.71	↓	1.50	1.43
Roads & Amenity Services (including Performance & Business Improvement)	2.8	2.84	3.97	↑	3.00	2.89
DEVELOPMENT & INFRASTRUCTURE	**2.66**	**2.58**	**3.08**	**↑**	**2.60**	**2.65**
Strategic Finance	1.66	1.97	1.04	↓	2.35	3.68
COUNCIL TOTAL	**2.46**	**2.29**	**2.75**	**↑**	**2.55**	**2.14**

4.4 The table below outlines the actual cost of sick pay paid by each service of the Council during each quarter in 2014/2015 and compares it with the same quarter last year.

Table Two: Sick pay by Service July - September 2014

Service	Total Cost of Absence Q1 2014/2015 £	Total Cost of Absence Q2 2014/2015 £	Total Cost of Absence Q3 2014/2015 £	Total Cost of Absence Q3 2013/2014 £
Adult Care	138,804	200,614	173,357	136,790
Children & Families	70,818	73,205	71,392	74,372
Community & Culture	30,685	39,843	12,518	30,199
Education (non-teaching)	57,074	30,550	62,133	86,220
Teachers	237,587	199,612	286,485	248,127
Community Services Total	**534,968**	**543,824**	**605,885**	**575,708**
Customer & Support	21,150	15,648	19,671	29,219
Governance & Law	994	662	2,200	8,666
Facility Services	46,047	42,654	59,381	42,508
Improvement & HR & Directorate	2,922	8,497	18,837	5,069
Customer Services Total	**71,113**	**67,461**	**100,089**	**85,462**
Economic Development	9,285	17,338	14,589	17,924
Planning & Regulatory	12,072	17,512	6,971	26,189
Roads & Amenity Services (including Performance & Business Improvement)	88,456	100,039	133,669	117,279
Development & Infrastructure Total	**109,813**	**134,889**	**155,229**	**161,392**
Strategic Finance	5,982	10,044	4,637	17,578
COUNCIL TOTAL	**721,876**	**756,218**	**865,840**	**840,140**

4.5 **Return to work interviews completed by Service July – September 2014**

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.

In the columns marked A table five below outlines each service's true monthly performance with respect to percentage of return to work interviews carried out, in the third quarter of the year, and the average length of time for them to be completed in days (including non-work days) following the employees return to work (as reported on 18th of the following month).

In the columns marked B table five outlines each services' cumulative monthly performance with respect to percentage of return of work interviews carried out, in the third quarter of the year (as at 28/01/2015). There may be a decrease in the cumulative figures due to absences having been reported after the monthly return to work report is run (18th of every month) and the return to work has not been carried out.

Table Three:

% Return to work interviews completed by Service Q3 October – December 2014

		A		B	A		B	A	
		Oct-14		Cumulative Oct 14	Nov-14		Cumulative Nov 14	Dec-14	
Department	**Service**	**%RTWI complete**	**Average Time Taken to complete (Days)**	**%RTWI complete**	**%RTWI complete**	**Average Time Taken to complete (Days)**	**%RTWI complete**	**%RTWI complete**	**Average Time Taken to complete (Days)**
Community Services	Adult Care	65	5.60	92	91	6.10	90	75	7.00
	Children and Families	72	7.70	77	89	5.60	93	93	5.20
	Community and Culture	76	3.30	90	91	6.40	100	100	4.30
	Education	77	5.70	93	83	6.20	92	91	6.80
	Total	**73**	**5.70**	**88**	**85**	**6.20**	**92**	**88**	**6.40**
Customer Services	Customer and Support	86	2.60	100	100	4.60	100	92	2.90
	Facility Services	98	3.40	100	98	2.70	100	92	6.10
	Governance and Law	67	2.00	100	50	3.00	50	100	2.70
	Directorate/Special Projects				100	1.00	100	100	1.00
	Improvement and HR	100	6.50	100	100	2.20	100	75	2.00
	Total	**94**	**4.10**	**100**	**98**	**3.10**	**100**	**92**	**4.70**
Development and Infrastructure	Economic Development	100	4.60	100	86	2.70	86	100	1.00
	Planning and Regulatory Services	67	2.00	100	91	7.50	91	75	4.30
	Roads and Amenity Services	83	4.80	94	82	3.20	93	68	4.40

	Directorate/ Performance and Business Improvement	88	4.00	100	100	3.40	100	100	8.50
	Total	**86**	**4.50**	**96**	**86**	**4.10**	**92**	**72**	**4.60**
Chief Executives Unit	Directorate				100	3.50	100	75	2.60
	Strategic Finance	100	2.60	100	100	7.50	100	100	2.00
	Total	**100**	**2.60**	**100**	**100**	**5.50**	**100**	**80**	**2.50**
	Council Total	**79**	**5.10**	**91**	**88**	**5.40**	**93**	**87**	**5.90**

Page 184

4.6 Specific Corporate Actions to Maximise Attendance

Having reviewed the Council's absence information for 2013/14 the Strategic Management team (SMT) are keen to ensure that Argyll and Bute Council targets resources as effectively as practicable to maximise attendance and have agreed to put in place the following measures during the course of 2014/15

- An analysis of initial findings from the Stress Audit was presented to SMT and COG. The findings of the stress audit have been combined with the findings of the Employee Survey and a Corporate Audit Action Plan has been developed to address the areas of concern following analysis of the findings.
- A new Stress at Work policy is in draft policy and will be agreed an implemented during the course of 2014/15. This draft policy proposes to introduce a risk assessment framework with clear guidelines for managing stress at work.
- A group has been set up with representatives from each department and the Trade Unions to review the Maximising Attendance procedures with a view to clarifying areas of ambiguity and further improving guidance and tools for managers and staff. This is almost at its conclusion.
- Quarterly reports are now available on Occupational Health provision showing the use of OHP, outcomes and turnaround times.
- HR are working with OHP provider to develop joint presentations on Attendance and the use of OH to maximise attendance targeting areas of poor performance in the hope this will support managers to improve the management of the attendance of their teams.
- Healthy Work Lives Group comprises representatives from all services across the council. The group promotes positive and proactive activities to improve employee's health. There is a Healthy Working Lives page on the hub and the council has been successful in achieving a Healthy Working Lives bronze award from NHS.

6 CONCLUSION

6.1 In conclusion this report has outlined the Councils performance against targets and performance indicators for the period October - December 2014. Appendix One attached provides year to date summaries for the period October - December 2014.

7 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

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

DEVELOPMENT AND INFRASTRUCTURE SERVICES **26 FEBRUARY 2015**

CAPITAL ROADS RECONSTRUCTION PROGRAMME 2014/15 AND ROAD ANNUAL STATUS AND OPTIONS REPORT (ASOR)

1.0 EXECUTIVE SUMMARY

1.1 As Scotland's second largest local authority, our road network extends some 1400 miles and it is the largest and most valuable asset in Argyll and Bute, with an estimated value of over £2.5billion.

Our unique geography, with over a third of our road network on islands, presents challenges to the ongoing maintenance of the network in terms of both costs and logistics, particularly when it comes to resurfacing work, where materials have to be sourced from mainland suppliers then transported to the islands by sea.

The importance of our transport infrastructure has been recognised by our communities in a Citizens Panel survey earlier this year and was also highlighted by key players from local and national government as well as business experts at the recent Argyll and Bute Economic Summit, hosted by the Community Planning Partnership.

The road network is responsible for conveying the vast majority of our visitors and the freight that is crucial to supporting our economy and can provide the ideal tool to market Argyll as a great place to live in, to work in and to visit. Its significance cannot be overstated.

The council has made a major investment of over £23million in the last three financial years, including this one, which improved the overall condition of our road network. This successful investment project has seen a mix of resurfacing work, patching, surface dressing and in-situ surface recycling throughout the council area.

Using the Road Condition Index (RCI), we can see that the road network has improved, on average, by over 3% because of the roads reconstruction programme. It is worth noting that prior to the investment the RCI was declining, with the investment and treatments that trend has been reversed and we now have a positive direction of travel with further improvements forecast as the lag between surfacing works and condition surveys catch up.

It should, however, be noted that this system, developed by the Society of Chief Officers of Transportation in Scotland (SCOTS), does not necessarily take into account the unique topography of Argyll and Bute and can indicate that some of our roads are in a red condition when they are, in fact, entirely serviceable. The methodology also considers all ‘A’ designated roads in the same way, whereas in practical terms these roads can differ greatly, from Great Western Road in Glasgow to an ‘A’ road on Jura.

In practical terms this investment means there are now more roads throughout the council area regarded to be in green or good condition and, more importantly, fewer roads in the red or at risk state. Almost 90% of our ‘A’ class roads are in good or fair condition. By the end of 2014/15 we will have upgraded almost 360 miles or 25% of our road network, including over a third of our ‘A’ designated roads.

The ASOR also provides benchmarking data between Argyll and Bute and its family group.

2.0 RECOMMENDATION

2.1 That the Performance Review and Scrutiny Committee:

(i) Notes the Annual Status and Options Report and the positive analytical feedback it provides with regard to the effectiveness of the Council’s Roads Asset Management and Maintenance Strategy and associated Roads Reconstruction Programme.

(ii) Notes the progress of the Roads Reconstruction Programme for 2014–15.

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

DEVELOPMENT AND INFRASTRUCTURE SERVICES | **26 FEBRUARY 2015**

CAPITAL ROADS RECONSTRUCTION PROGRAMME 2014/15 AND ROAD ANNUAL STATUS AND OPTIONS REPORT (ASOR)

1. INTRODUCTION

1.1 This report provides an analysis of some of the data presented in the Roads Annual Status and Options Report (ASOR). The ASOR presents a summary of the Council's road assets as at April 2014. It provides information, based upon current available data, on the condition of the asset and future options which can be considered in terms of investment.

1.2 This report advises the Performance Review and Scrutiny Committee of the progress being made with regard to the delivery of the Roads Reconstruction Programme for 2014/15. The programme has been delivered in line with the Roads Asset Management and Maintenance Strategy which was approved by Council in October 2012. The strategy aligns with primary outcomes set out within the Single Outcome Agreement (SOA) in terms of the economy and infrastructure, and ensures that the Council's financial resources are used wisely to *"fix the roads - not fill the pot holes"*.

2. RECOMMENDATION

2.1 That the Performance Review and Scrutiny Committee:

(i) Notes the Annual Status and Options Report and the positive analytical feedback it provides with regard to the effectiveness of the Council's Roads Asset Management and Maintenance Strategy and associated Roads Reconstruction Programme.

(ii) Notes the progress of the Roads Reconstruction Programme for 2014-15.

3. DETAIL

Roads Asset Management & Maintenance Strategy

Capital Investment totalling £29.55M

3.1 In 2011, following the Roads Operations Service Review, the Council decided to focus investment in upgrading its strategic A class roads, and subsequently delivered a £7M programme of works which made an immediate and positive impact on the roads network. In February 2012, the Council approved a further £21M investment programme for roads reconstruction for 2012-15. Additional Scottish Government funding of £0.35M in 12/13 and £1.20M in 13/14 has been allocated as further investment to the roads reconstruction programme.

Road Annual Status and Options Report (ASOR)

3.2 Audit Scotland has provided guidance on the steps councils should consider adopting in terms of effective road asset management. The Society of Chief Officers of Transportation Scotland (SCOTS) has been working with local authorities and Audit Scotland to develop a nationally consistent framework for the development of Road Asset Management Plans (RAMPs) to assist in this process. As a foundation document for future roads asset management planning, the structure of the Annual Status and Options Report (ASOR) was developed through SCOTS and was introduced into local authorities in 2013. The Council's second ASOR (2014), which is at Appendix 1, provides a baseline from which annual asset management reporting and planning can be developed. The ASOR provides a summary of each asset group (Carriageways, Footways, Structures, Street Lighting, Traffic Signals and Street Furniture) in terms of condition and compliance with repair standards. The ASOR reports on the impact of the previous year's investment programme, which along with other relevant data, will inform the Council with regard to the effectiveness of the delivery of its policy objectives, and the development of future roads infrastructure investment options.

3.3 The ASOR also provides a detailed analysis of performance for a number of areas including:

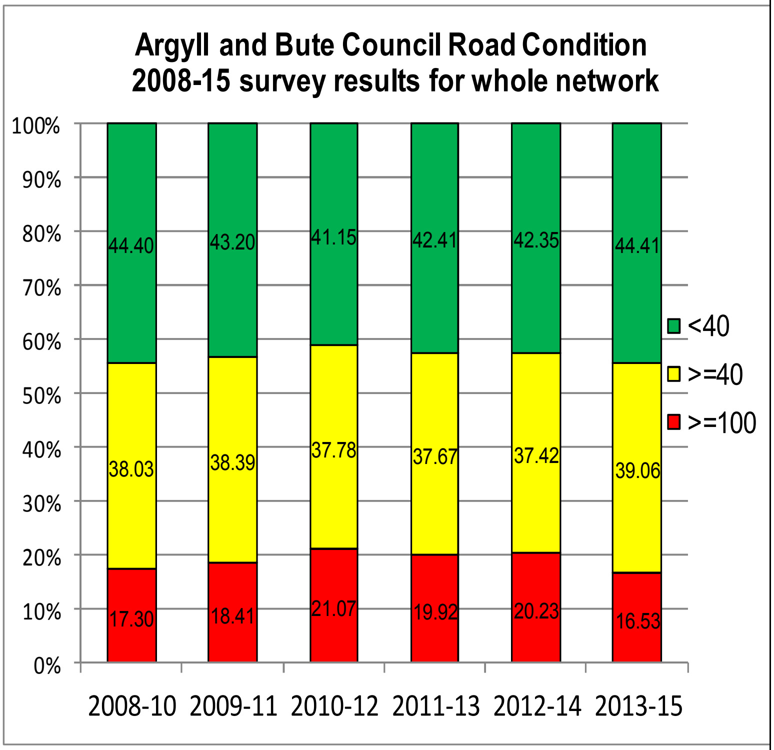
Road Condition Index (RCI) – Annual Road Condition Survey

The annual survey of the roads in all the 32 Scottish Authorities scans 100% of the A class in one direction, 50% of the B class, 25% of the C class and 10% of the unclassified roads. The annual survey results are reported based on an average of 2 years results. This 2 year average can distort the actual condition with recent resurfacing works not being reflected in the result due to a time lag in reporting and averaging.

To provide baseline positions across the entire road network a full network survey of Argyll and Bute's roads was carried out in 2010 and a further full network survey carried out in summer 2014. The full network surveys have been completed to allow more detailed year on year comparisons of network condition to be made.

The survey, which is an automated scanning process carried out with vehicle mounted equipment, collects data for a number of conditions including, rutting, cracking, edge deterioration, longitudinal profile, potholes etc. A road Condition Index (RCI) is allocated to each section of road based on combined results from the elements of the surveys. The RCI has 3 rankings:- Red (in need of works), Amber (preventive works recommended) and Green (good condition). The survey and results do not necessarily take into account the unique topography of Argyll and Bute and can indicate that some of our roads are in a red condition when they are, in fact, entirely serviceable. The methodology also considers all 'A' designated roads in the same way, whereas in practical terms these roads can differ greatly, from Great Western Road in Glasgow to an 'A' road on Jura.

The following table details the red, amber, green and RCI scores for Argyll and Bute between 2008–10 to 2013–15 based on the 2 year average. The table indicates that the RCI was declining. With the investment and treatments that trend has been reversed and we now have a positive direction of travel with further improvements forecast as the lag between surfacing works and condition surveys catch up.



The data represented is collected using a nationally accepted specification. The survey results for A, B, C and U roads are based upon machine surveys.

Not all of the road network is surveyed each year. The survey is carried out on 100% of A Class (in one direction only), 50% B Class, 25% C Class and 10% U Class. The annual results are reported based on an average of 2 years results.

Additional survey works were also undertaken in 2010-12 and 2013-15 to provide full network coverage and direct comparison of condition against roads reconstruction investment. This has provided confirmation of the improvement achieved through investment and delivery of the roads reconstruction programme.

Arrest in the decline in road condition

Table 3.10.3 on page 14 of the ASOP provides a comparison between the 2010 and 2014 surveys. These survey results confirm the reduction in reds and ambers overall and the increase in greens. The number of Category 1 and 2 defects between 2009/10 to 2013/14 has been reported in Table 3.11 of the ASOR. These figures show a reduction overall in the number of reactive repairs carried out since the increased capital investment in 2011 confirming that our approach of "*fixing the roads - not filling the pot holes"* is reducing the amount of reactive work by focusing on the planned more permanent works.

The road condition at 2010/11 was declining rapidly, in part due to the severe winters between 2009–2011. The investment and strategy has been successful in changing the downward trend to an upward one which has seen an overall improvement in the condition and a change from the negative downward trend to a positive upward trend.

Benchmarking

Argyll and Bute are working nationally with both SCOTS and APSE to produce a consistent approach to benchmarking. Currently annual performance data is collated by SCOTS and made available through APSE. However, analysis into the data collection suggests that there is not always a consistent approach with some authorities including items such as central overhead, preparatory works etc. and others not. Work is ongoing nationally to produce the performance data consistently to enable more fitting comparisons to be made.

The ASOR provides benchmarking data between Argyll and Bute and its family group. The RCI results for Scottish Rural Group Authorities (Argyll & Bute, Borders, Angus, Aberdeenshire, Moray, Dumfries & Galloway & Highland) are detailed in the table.

With the lag between surfacing works, the condition surveys and the RCI results, future RCI results are expected to improve and reflect the noticeable improvement to carriageway condition on the ground.

Despite the success of our roads capital programme and the general improvement in our road condition there is continuing need to invest in order to enhance the network further.

Table 3.13 in the ASOP details unit rates for surface treatment types. These rates indicate that costs in Argyll and Bute are broadly comparable to other similar authorities. However, some caution should be given to these costs as there is often a variance in terms of how costs are presented. Argyll and Bute incur additional costs for island and remote working due to logistics.

Roads Reconstruction Programme

3.4 The Roads Reconstruction Programme has been structured in accordance with the Roads Asset Management and Maintenance Strategy (2012). The focus of the Roads Reconstruction Programme has been to recover the network through the delivery of a mix of carriageway resurfacing, patching/surface dressing and in situ road surface recycling; designed to seal the road to stop the ingress of water, improve ride quality and reduce the amount of reactive repair required. Proportionate scrub clearance, ditching/drainage works, minor realignments and improvements to sight lines have also been carried out in conjunction with the surfacing works to leave a ‘finished’ job.

Roads Reconstruction Programme – Works Completed 2011-14

3.5 The summary table below highlights the positive and visible impact of the works undertaken to date. On completion of this year's capital programme the Council will have upgraded over a third of its "A" class roads and almost 580km of roads in total since 2011/12.

Table 3.7 Roads Reconstruction Programme – Works Completed 2011-15

Road category	Treatment % 2011/12	Treatment % 2012/13	Treatment % 2013/14	Treatment % 2014/15	Total Treatment Length	Total Treatment as a % of network length 2011-14
A	55.76 km = 10.01%	93.37 km = 16.76%	47.42 km = 8.51%	26.12 km = 4.69%	**222.67 km**	**39.98%**
B	26.846 km = 4.37%	58.912 km = 9.60%	25.96 km = 4.23%	68.29 km = 11.13%	**180.01 km**	**29.33%**
C	12.374 km = 2.85%	4.008km = 0.92%	7.99 km = 1.84%	14.46 km = 3.33%	**38.83 km**	**8.94%**
U	18.860 km = 2.60%	17.553 km = 2.42%	43.60 km = 6.01%	57.52 km = 7.93%	**137.53 km**	**18.97%**
					579.04 km	**24.85%**

Note: for the purposes of comparison, the network length has been left as 2,330.194km, i.e. the section of the A83 that was trunked remains within the total network length.

3.6 The current capital investment programme to 2015/16 will allow the Council to upgrade over 45% of its class A roads and 35% of its class B roads by 2016; which in line with the SOA outcomes will make a significant and positive impact upon the local economy, connectivity and the quality of life of our communities.

3.7 To date, over the course of the 3 year programme, significant work has been carried out to mainland strategic routes including the: A814, A818 (Helensburgh and Lomond) A815, A886 (Bute and Cowal), A819, A816 (Oban Lorn and the Isles & Mid Argyll), A83 (Mid Argyll, Kintyre and Islay): and on strategic island routes including A849, A884, A848 (Mull) and A846, A847 (Islay). As part of this financial year's programme we have been successful in securing a match funding grant of some £800,000 to strengthen and provide additional passing places on the B836 Glen Lean route. The grant funding has been provided by the Argyll Timber Transport Group. This improved route will provide access across the Cowal peninsula allowing timber to be harvested and taken to Sandbank for onward transport by sea. Also this financial year over £1M of the OLI capital allocation has been invested in a comprehensive surface dressing programme on Tiree. This treatment has sealed the road surface and improved the skid resistance of the islands roads and will reduce the amount of reactive maintenance required in future years.

4 CONCLUSION

4.1 The Council's Annual Status and Options Report, provides objective analytical based evidence that confirms that the Roads Asset Management and Maintenance Strategy, approved by Council in October 2012, and the associated targeting of capital and revenue expenditure and focus on productivity, is proving to be effective.

4.2 This report advises Members of the good progress being made with regard to the delivery of the Roads Reconstruction Programme for 2014/15. The report also confirms that since its inception in 2011, the overall strategic programme will have upgraded almost 40% of the Class A road network and nearly 30% of the Class B road network by the end of this financial year. This strategic infrastructure investment programme underpins the Single Outcome

5 IMPLICATIONS

5.1	Policy	Works assessed and carried out under the current Roads Asset Management and Maintenance Plan and delivered in accordance with the principles of the Roads Asset Management and Maintenance Strategy.
5.2	Financial	Programme based on capital allocation for years 2011 /12 – 2015.
5.3	Personnel	Reconstruction works delivered by a combination of in-house Roads Operations team, Partnership Contractor and specialist contractors for surface dressing and in-situ recycling.
5.4	Equalities Impact Assessment	None
5.5	Legal	None
5.6	Risk	Completed works will reduce requirement to repair and maintain existing carriageway deterioration.
5.7	Customer Service in travel	Improved road assets will provide an overall improvement time and quality of driven and walking journeys.

6 APPENDIX

Appendix 1 Road Annual Status and Options Report 2014

Executive Director of Development & Infrastructure
Policy Lead Councillor Ellen Morton
January 2015

For further information contact: Jim Smith, Head of Roads and Amenity Services
Tel: 01546 604324

Appendix 1

Road Asset Management Plan:

Argyll and Bute Council

Annual Status and Options Report:

October 2014

Author	John MacCormick
Owner	Head of Roads & Amenity Services
Date	October 2014
Version	Draft 1.1

Document Information

Title	Road Asset Management Plan - Annual Status and Options Report
Author	John MacCormick
Description	The document enables authorities to report the current condition of their Road assets to management and Elected Members and to structure and present options for future investment based upon the predicted condition and level of performance possible for different budget levels.

Document History

Version	Status	Date	Author	Changes from Previous Version
1.0	Draft	Oct 2014	J.MacCormick	Not applicable
1.1	Draft	Oct 2014	J.MacCormick	Head of Service revisions added
1.2				
1.3				
1.4				
1.5				

Document Control

Version	Status	Date	Authorised for Issue by Departmental Management Team
			Comment – Confirm document control authorisation

Contents

1 Executive Summary

As Scotland's second largest local authority, our road network extends some 1400 miles and is the largest and most valuable asset in Argyll and Bute, with an estimated value of over £2.5billion.

Our unique geography, with over a third of our road network on islands, presents challenges to the ongoing maintenance of the network in terms of both costs and logistics, particularly when it comes to resurfacing work, where materials have to be sourced from mainland suppliers then transported to the islands by sea.

Connectivity is absolutely vital and is clearly a key economic driver for the area, keeping communities connected, allowing for the transport of goods, for commuting, for living and for working in our stunning area.

The importance of our transport infrastructure has been recognised by our communities in a Citizens Panel survey earlier this year and was also highlighted by key players from local and national government as well as business experts at the recent Argyll and Bute Economic Summit, hosted by the Community Planning Partnership.

The road network is responsible for conveying the vast majority of our visitors and the freight that is crucial to supporting our economy and can provide the ideal tool to market Argyll as a great place to live in, to work in and to visit. Its significance cannot be overstated.

A major part of the council's Lorn Arc regeneration initiative funded through the Tax Incremental Finance (TIF) scheme is the development of the road network around Oban. These improvements will allow for the free and easy movement of traffic around Oban, unlocking the huge development opportunities around renewables and marine science, allowing for access to new business parks and housing developments.

The council has made a major investment of over £23million in the last three financial years, including this one, which improved the overall condition of our road network. This successful investment project has seen a mix of resurfacing work, patching, surface dressing and in-situ surface recycling throughout the council area.

Using the Road Condition Index (RCI), the nationally accepted methodology for establishing the fitness of a road network, we can see that the road network has improved, on average, by over 3% because of the roads reconstruction programme.

It should, however, be noted that this system, developed by the Society of Chief Officers of Transportation in Scotland (SCOTS), does not necessarily take into account the unique topography of Argyll and Bute and can indicate that some of our roads are in a red condition when they are, in fact, entirely serviceable. The methodology also considers all 'A' designated roads in the same way, whereas in practical terms these roads can differ greatly, from Great Western Road in Glasgow to an 'A' road on Jura.

In practical terms this investment means there are now more roads throughout the council area regarded to be in green or good condition and, more importantly, fewer roads in the red or at risk state. Almost 90% of our 'A' class roads are in good or fair condition. By the end of 2014/15 we will have upgraded almost 360 miles or 25% of our road network, including over a third of our 'A' designated roads.

By the end of financial year 15/16 we will have upgraded around 45% of our 'A' roads and 35% of our 'B' roads. Over the course of the three year programme to date we have upgraded a number of strategic routes such as:

- In Helensburgh and Lomond the A814 and the A818
- In Bute and Cowal the A815 and A886
- In Oban, Lorn and the Isles the A819 and A816
- In Mid-Argyll, Kintyre and the Islands the A83 south of Kennacraig prior to its trunking
- On Mull the A848. A884 and the A848
- On Islay the A846 and the A847
- We have also upgraded the B836 Glen Lean route across the Cowal peninsula, opening up the route for timber transport

Despite the success of our roads capital programme and the general improvement in our road condition there is a continuing need to invest in order to enhance the network further, in line with the Scottish national average.

By their very nature roads will deteriorate over time, mainly as a result of traffic and water penetration, although a number of factors will affect the speed of this weakening. The value of regular preventative maintenance is difficult to quantify exactly, however, it is a generally accepted principle that regular low-cost preventative maintenance is the most effective way to maintain a road network. In practical terms, if we spend regularly on maintaining the integrity of a given road this will be cheaper than not maintaining it and having to carry out a full reinstatement some time down the line. Adequate preventative maintenance is the key to avoiding future financial liabilities for the council.

This report gives a detailed summary of the council's road assets (including structures such as bridges and walls, streetlights, street furniture and traffic lights) as of April 2014, and a range of future investment options.

The detail of this report is based on the current available data; a full survey of the network has started this year, the results of which will be used to inform a more detailed benchmarking in future years.

1.1 Options

The options presented for each asset group consider that funding will continue at its current level, give details of the indicative costs of maintaining our current standards and predict the effects of budget changes. Where possible the impact of each option is assessed in terms of the service for users, the future financial risks for the council and the condition of the assets and provides a number of scenarios based on levels of investment and treatment types.

This report is designed to help inform members' future investment decisions and highlights the significant risks to the integrity of the road network as well as the council's reputation and the long-term financial liabilities should we not continue to invest in our roads infrastructure in the short to medium term.

1.2 Grant Aided Expenditure (GAE)

Grant Aided Expenditure (GAE) and Special Islands Needs Allowance (SINA) are the first steps in the calculation of the General Revenue Grant (GRG) which each local authority receives annually from the Scottish Government. GAE is split into 94 individual service level GAE 'lines' (for example, Primary School Teaching Staff) each with its own methodology and these lines are summed to give GAE totals for each authority.

GAE is a systematic means of allocating the pre-determined Spending Review funding totals equitably amongst local authorities based on a 'client group' approach. The Client Group approach is an evidence-based method used to estimate relative proportions for local authorities of individual GAE lines. The method takes into account variations in demands for services and the costs of providing them to a similar standard, and with a similar degree of efficiency.
The GAE allocation for Argyll and Bute Council over the period 2012-15 for all transport lines is detailed in Table 1.2a below. It should be noted that values do not reflect any changes due to the recent Trunking of the A83 Kennacraig to Campbeltown Road.

Table 1.2a GRANT AIDED EXPENDITURE

Local Government Finance Settlement 2012 - 2015

GAE Category	**2012-13 (£000`s)**	**2013-14 (£000`s)**	**2014-15 (£000`s)**
Road Maintenance	£7,419	£7,419	£7,419
Winter Maintenance	£2,576	£2,576	£2,576
Road Lighting	£1,302	£1,302	£1,302
Road Administration	£1,594	£1,594	£1,594
Sub Total	**£12,891**	**£12,891**	**£12,891**
Support for Buses	£498	£495	£491
Concessionary Fares	£542	£543	£541
Support for Ferries	£898	£898	£898
Support for Airports and Harbours etc	£467	£467	£467
Support of Glasgow Underground	£110	£110	£110
Grand Total GAE Allocation	**£15,405**	**£15,402**	**£15,398**

Comment – Rounding of values may influence totals

Data Source – 'Green Book' for Grant Aided Expenditure 2012-15

It is important to note that individual service GAE allocations are not, and have never been, budgets or spending targets but are simply an allocation methodology designed to distribute the overall levels of resources to be made available. They are not intended to be used by local authorities to allocate resources. The decisions about the amounts allocated to individual services are made entirely by the local authority on the basis of local needs, having first fulfilled its statutory obligations and the jointly agreed set of national and local priorities.

The budget allocations made by Argyll and Bute Council in respect of the road asset are detailed within Table 1.2b below. The values for financial year 2012-13 are actual spend.

Table 1.2b Argyll and Bute Council Budget Spend and Allocation

Category	2012-13 (£000`s)	2013-14 (£000`s)	2014-15 (£000`s)
Revenue Budget	**Spend**	**Spend**	**Budget Allocation**
Road Maintenance (Carriageways, Footways, Structures, Street Furniture)	£4.756	£4.544	£4.200
Winter Maintenance	£2.534	£2.034	£1.250
Road Lighting (Street Lighting , Traffic Signals)	£0.408	£0.436	£0.104
Revenue Total	**£7.698**	**£7.014**	**£5.554**
Capital Budget			
Road Maintenance (Carriageways, Footways, Structures, Street Furniture)	£9.605	£8.873	£7.109
Road Lighting (Street Lighting , Traffic Signals)	0.693	£0.620	0.709
Capital Total	**£10.298**	**£9.424**	**£7.818**
Grand Total	**£17.996**	**£16.438**	**£13.372**

Comment – 2012-13 & 2013-14 Values are Annual Spend.

Data Source – WGA

1.3 Road Asset Status Summary

The current status of each asset group is:

Carriageways
– There is a noticeable improvement to the condition of the road network, particularly the strategic road network following the recovery programme.Latest RCI results are – A Class 46.23%, B Class 63.18% C Class 60.60% U Class 53.38 % which shows an average 3.29% improvement across all road classes following delivery of the roads reconstruction programme. Full details are included in table 3.10.3. – The latest Road Condition Index (RCI) results (Oct 2014) following a full network survey shows a marked improvement reflecting the positive impact made from the £21m investment in the roads reconstruction programme approved by council in February 2012. – Lower revenue funding reduces the amount of preventative maintenance that can be afforded and accelerates the deterioration rate of the road asset leading to increased reactive maintenance costs and greater demand for capital investment to restore asset condition. It is false economy to reduce preventative maintenance as any savings realised in the short term will only incur several times greater expense in the longer term. Adequate preventative maintenance is the key to realising the greatest annual savings and minimising the whole life cost of sustaining assets for this and future generations. – The milder climate is increasing vegetation growth on road verges which may affect forward visibility and other drainage assets. A review of the current verge maintenance strategy / regime / practice will be carried out to establish what level of work is required to ensure the continued safety of road users. – Investment levels are insufficient to sustain current asset condition and consideration is being given to exploring alternative funding options such as funding carriageway patching works from capital in order to release revenue for more preventative maintenance to slow down asset deterioration. Alternatively increasing GAE allocation for proactive maintenance would help to ensure that the fundamental basics such as ditching and drainage works are delivered. – The Road Asset Management and Maintenance Strategy will be reviewed to reflect changes in future investment levels and derive the best value possible from available funding. This combined with a revised Road Asset Management Plan will provide a longer term view and a clearer indication of the levels of service that can be afforded in future years.
Footways
– Footway maintenance is undertaken based on information from regular safety inspections (combined with carriageways) and in response to reported defects. It is proposed that a detailed footway inventory be established and this coupled with a condition survey will allow investment needs to be determined and a programme of reconstruction and resurfacing works developed. It is proposed that a programme of footway works be combined with the roads reconstruction programme. This will be based on proportionate treatments that extend service life of the asset, reduce reactive maintenance and will also reduce the potential for public liability claims.

Street Lighting

− One of our priorities is to provide an accurate lighting inventory. The existing lighting inventory is not accurate and a high proportion of the stock is in a poor condition (estimated at around 30%).
− Whilst there has been year on year cable replacement, much of the existing cable network is owned and maintained by Scottish Power and in general is 5th core. The current inventory is (approximately);
    - 13,000 lighting units
    - 800 illuminated traffic signs
    - 200 illuminated bollards
− One of our significant costs, which are increasing, is energy. In order to make accurate returns to our energy supplier, which will help to reduce our on-going costs we need to carry out an accurate inventory collection. In order to gather accurate inventory information (which could also be used for considering future maintenance options) various survey techniques are being appraised with a view to carrying out a survey and updating the inventory in 2014. A report was considered at the August ED&I Committee setting out the approach for lighting where a comprehensive inventory survey is carried out followed by an energy consumption model. From this a business case will be produced setting out the options for lighting options in the future.

Structures
− The structures inventory includes 907 bridges which have passed the Construction and Use Regulations Bridge Assessment (44Tonnes), 24 bridges or approximately 2.5% of the overall assets have not passed the assessment. 6 Bridges have special monitoring regimes in place. (Increased inspection frequency, surveying, etc), 10 bridges are subject to weight restrictions (excluding acceptable weight restrictions e.g where a suitable alternative route exists) and 1 bridge is subject to width restriction. − Work is on-going to update the bridges inventory. Known retaining walls will be added to the inventory with any unchartered walls and structures being added as and when found. − Knowledge of coastal infrastructure is very limited and needs to be increased. We estimate that there is 214km of Council road within 25metres of the High Water mark and we currently have asset details of 5% of this length. Surveying assets is time consuming and consideration is being given to the use of electronic survey methods which can be deployed on small boats to ascertain the extent and condition of coastal protection assets. This will allow a programme of prioritised maintenance to be developed to ensure the continued protection of the carriageway asset and to avoid more expensive reactive repairs as a result of severe weather events. − Increased use of asset management techniques based on assessment of asset condition can improve the forward planning of asset maintenance and the potential use of cheaper treatments earlier in the deterioration cycle to preserve asset condition and reduce reactive maintenance costs.

Traffic Signals
− This is the smallest asset group with only 11 pedestrian crossings and 6 controlled junctions within Argyll. − It is proposed to collect the asset condition as part of the lighting asset inventory collection. − Maintenance is historically only been carried out in response to reported defects or system failure mainly by external contractors. − New development may require additional controlled junctions or the refurbishment of existing systems to meet the demands of increased traffic flows etc. Any additional expenditure from such projects will, in general, be sought from developers contributions to assist with the future maintenance liabilities.
Street Furniture
Street furniture inventory data will also be collected as part of the street lighting data collection process.

1.4 Option Summary

The options assessed are summarised as follows:

Carriageways					
No.	**Options**		**Predicted Condition (RCI)**		**Comment**
	Description	**Annual Funding**	**Year 1 2015**	**Year 20 2035**	
1	Continuation of current funding. Capital treatments spread across Amber 1, 2 and Red RCI condition bands	Capital £4.0m Revenue £ 4.2m **	55.6% (54.71%)*	62.76% (61.87%)*	Carriageway condition is predicted to deteriorate undermining the previous £21m investment in roads reconstruction projects.
2	Continuation of current funding Capital prioritised towards treatment of all RCI condition bands but with increased priority on amber 2 condition and less on red condition.	Capital £4.0m Revenue £4.2m **	55.6% (54.71%)*	61.63% (60.74%)*	Carriageway condition is predicted to deteriorate at a marginally slower rate than option 1.
3	Continuation of current funding with Capital prioritised towards treatment of amber RCI condition bands only. available funding split 80% amber 2 RCI condition and 20% amber 1 RCI condition.	Capital £4.0m Revenue £5.0m **	55.6% (54.71%)*	49.18% (48.29%)*	Carriageway condition is predicted to improve in terms of RCI through investment in cheaper treatments earlier in the deterioration cycle. However this option does not provide funding for routes in the poorest condition which will incur increasing costs for reactive maintenance.
4	Continuation of current funding with capital prioritised towards treatment of Red and Amber 1 condition bands (worst condition	Capital £4.0m Revenue £4.2m**	55.6% (54.71%)*	77.22% (76.33%)*	Carriageway condition is predicted to deteriorate significantly. This option demonstrates the need to prioritise investments towards more preventative

	routes)				maintenance earlier in the deterioration cycle.
5	Steady State	Capital £8.0m Revenue £4.2m**	55.6% (54.71%)*	55.6% (54.71%)*	SCOTS Estimated steady state calculation required to maintain current condition across all RCI condition bands, Red, Amber 1 & 2
6	Continuation of current funding as per option 3 with the addition of Structural Patching funded from Capital investment.	Capital £4.0m Capital £1.3m Revenue £4.3m	This option offers a potential mechanism to increase funding for essential preventative maintenance within Revenue budget to extend service life of assets and uses Capital funding for structural patching to tackle the increasing reactive maintenance costs on worst condition roads.		
RCI = Road Condition Index = percentage of the asset in need of maintenance (combined red + amber condition bands) **Note – Revenue budget figures are estimated and may be subject to change. *Note – RCI values from SCOTS cost projection tool calculation which are based on road surface area.					

Footways					
No.	**Options**		**Predicted Condition (FCI)**		**Comment**
	Description	**Annual Funding**	**Year1 2015**	**Year 20 2035**	
1	**Assumed Steady State** (Based on criteria within – Table 4.8.1a)	Capital £353k Revenue N/A	N/A	N/A	Estimated by officers to be required to replace surfacing on average every 60 years
2	Current Funding	Capital £0k Revenue £156k	N/A	N/A	Current Capital funding does not provide any investment in surface renewal.
FCI = Footway Condition Index = the percentage of footway in a deteriorated condition (functional and structural deterioration added together) Footway condition surveys are not currently undertaken. **Comment** – Steady state figure is based on estimated values and therefore may be subject to change as more detailed data becomes available.					

Street Lighting					
No.	**Options**		**Predicted Condition (SLCI)**		**Comment**
	Funding	**Annual Funding**	**Yr1 2015**	**Year 20 2035**	
1	Assumed Steady State	Capital £960k	N/A	N/A	Capital Investment based on Annual Depreciation Table 5.2.1. Street Lighting Valuation.
		Revenue £500k*			
2	Current Funding	Capital £529k			
		Revenue £104k			
	*Note – Value is estimated The ongoing lighting project will provide a range of delivery and funding options for lighting. Comment – There is currently insufficient data to provide future predictions of funding need and investment options.				

Structures					
No.	**Options**		**Predicted Condition (STCI)**		**Comment**
	Description	**Annual Funding**	**Yr1 2015**	**Year 20** 2035	
1	Current Funding 2015-16	Capital £685k Revenue £225k	N/A	N/A	
2	Assumed Steady State	Planned/Capital £1.0m*	N/A	N/A	Estimated by officers to be required to maintain stock in a reasonable condition
		Revenue £500k*			
	*Note – Figures are estimated and may be subject to change Comment – Cost projection tools are currently not sufficiently sophisticated to enable prediction of future condition and funding need based on present structures data.				

Traffic Signals					
No.	**Options**		**Predicted Condition (TSCI)**		**Comment**
	Description	**Annual Funding**	**Year1 2015**	**Year 20 2035**	
1	Assumed Steady State	Capital £23.5k	N/A	N/A	Capital investment based Annual Depreciation Table 7.2.2 Asset Valuation
2	Current Funding	Capital £180k			Capital investment for traffic Safety measures (Signing, Lines, Anti-Skid surfacing etc) This budget provides a wide range of safety related works - not necessarily Traffic Signals
		Revenue £30k			
TSCI – Traffic Signal Condition Indicator Comment – Funding is currently controlled via Street Lighting and Traffic and Development					

Street Furniture					
No.	**Options**		**Predicted Condition (SFCI)**		**Comment**
	Description	**Annual Funding**	**Year1 2015**	**Year 20 2035**	
1	Assumed Steady State	Capital £287k	N/A	N/A	Capital investment based Annual Depreciation Table 8.7 Asset Valuation
		Revenue not known			
2	Current Funding 2015/16	Capital £0k			Capital investment for Traffic management (RARP)
		Revenue £5k			
SFCI – Street Furniture Condition Indicator					

1.5 Recommended Option

1. Maintaining good access is crucial to sustaining our communities and Argyll and Bute Council roads are considered to be in the poorest condition in terms of the national road condition index. The recovery strategy set out in the Roads Maintenance and Management Strategy approved by council in 2012 has delivered a noticeable improvement and has provided a steady state condition over two consecutive years.

   The benefits delivered through the recovery strategy though can only be continued with sustained investment in roads reconstruction combined with increased preventative maintenance to retard asset deterioration and accelerate improvement.

   Recommend – continued focus on delivering the recovery strategy combined with emphasis on increasing preventative maintenance activities to prolong asset service life.

2. Reductions in revenue budgets counteract the need to increase the use of preventative maintenance to prolong the service life of assets and delay the need for capital investment to restore asset condition. It is vital that efforts are made to increase available funding to facilitate a more proactive approach through adequate preventative maintenance earlier in the deterioration cycle. Asset maintenance is constant, lower investment in preventative maintenance now, necessitates several times greater expense than any savings realised later.

   Recommend consideration be given to a higher proportion of GAE allocation being made available for essential preventative maintenance or alternatively funding structural patching from capital instead of revenue budgets.

3. Maintaining current capital budget levels of around (£7.0m) would enable a year on year improvement to the condition of the road asset. Revenue funded maintenance raises the greatest concern as the current level of investment allows around 56% of activity (RAMP 2004) to be completed. This focuses the current level of revenue investment more towards safety and serviceability of the asset rather than ensuring sufficient investment in preventative maintenance undertaken to preserve assets and alleviate increasing pressure for capital borrowing to restore asset condition. Notwithstanding the noticeable improvement to the condition of the road network the maintenance backlog for Argyll and Bute identified by SCOTS has grown to over £209m (SCOTS Headline Backlog Figure Calculated 2013). It is worth stating that this is considered a theoretical value based on significant overlays being applied rather than structural patching, overlays and surface dressing which are the general treatments carried out in our existing strategy based on network recovery.

   Recommend – continued focus on safety and serviceability of the asset with a review of service standards to establish appropriate, proportionate and affordable levels of service for core maintenance activities.

4. Footways – Overall condition is generally considered to be fair although only safety inspections are carried out, condition surveys are not currently undertaken and therefore condition can only be estimated based on local engineering judgement. Maintenance is currently undertaken to correct safety defects and failed areas. Footway inventory needs to be collected and a suitable condition index established to enable assessment of investment need and a proportionate programme of improvement works developed.

Recommend detailed footway inventory and suitable condition survey be undertaken to assess future investment needs.

5. Street Lighting – Carry out an accurate inventory collection to be used to inform a business case for future investment options. Rising energy costs and an ageing asset profile are presently the greatest challenge facing street lighting.
 Recommend – That a detailed inventory collection recently completed is used to provide an up to date energy model and business case for future delivery.

6. Structures - Inventory to be updated to allow a business case approach for future investment decisions. Inventory and condition details on coastal protection assets need to be captured to assess and prioritise maintenance needs to ensure adequate protection against severe weather events.
 Recommend structures inventory to updated and consideration is given to the procurement of a bespoke survey of coastal protection assets to inform future maintenance needs.

7. Traffic Signals – Inventory and condition survey to be updated as part of the lighting inventory exercise.
 Recommend signals inventory to be updated.

8. Street Furniture – Street furniture inventory is not complete. Street furniture inventory items to be collected as part of the street lighting data collection. Street furniture is considered generally to be a lower risk and therefore a lower priority than other road related inventory items. General safety condition issues are picked up as part of the routine safety inspection regime.
 Recommend sufficient data is captured to allow more detailed analysis to be undertaken.

9. Preventative maintenance is the key to delivering minimal whole life costs through the extended life of asset components. Affordable service standards for core maintenance activities need to be agreed and supported where required with adequate funding.
 Recommend regular reporting of performance on the physical quantities and actual costs for core maintenance tasks against agreed service standards to clearly demonstrate value and delivery of essential road maintenance services within our communities.

2 Introduction

This report presents a summary of the council's Road assets as at April 2014. It

- Describes the current condition of the asset.
- Details the service that the asset and a range of budgets are able to provide.
- Presents the options available for the future.

The report complements the Road Asset Management Plan (RAMP). It provides information that will enable choices to be made about future levels of investment in the highway asset.

2.1 Options

The report presents where current data allows, the following options as a minimum for each asset group:

- A continuance of current funding levels.
- The predicted cost of maintaining current standards.
- Predicted effect of specified budget changes.

Options are presented separately for carriageways, footways, street lighting, structures, traffic management systems and street furniture based on current levels of data. The number of options will be extended as data becomes available. The groupings match those used in the CIPFA Transport Asset Code for financial reporting.

2.2 Long Term Forecasts

As highway assets deteriorate slowly it is not possible to determine the impact of a level of investment by looking at the next couple of years. The report therefore includes where available data permits forecasts covering a 20 year period to ensure that decisions can be taken with an understanding of their long term implications.

2.3 Impacts

The report includes, where possible, an assessment of the impacts associated with the options presented.

2.4 Limitations

In some instances the level of detail that it is appropriate to present, for both the options and their impacts, is hindered by an absence of data. A number of proposed improvements to the asset data held by the council are required in order to improve the accuracy of the predictions included in future versions of this report. These are detailed in the improvement actions in section 9 of the Road Asset Management Plan (RAMP).

The following sections present the options for each asset type.

3 Carriageways

3.1 The Asset

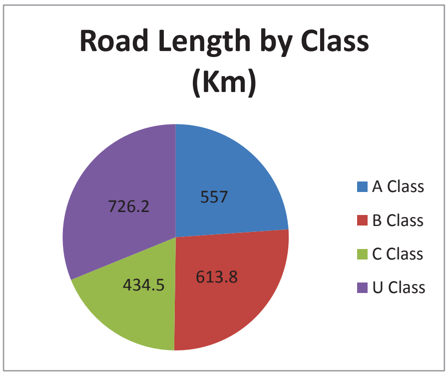
The council's carriageway asset as at 1st April 2014 totals 2,332 km and is detailed in Table 3.1 below. The asset length therefore includes the A83 Kennecraig to Campbeltown road (52 km) which has been trunked on 4th August 2014 and the maintenance responsibility for this road now lies with Transport Scotland. The change in asset length will be detailed in future versions of this report as shown in green text in table 3.1 below.

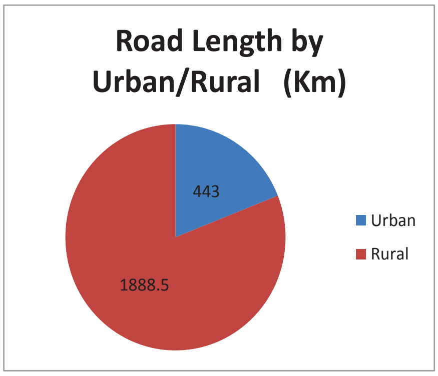
Table 3.1 Carriageway Asset Length

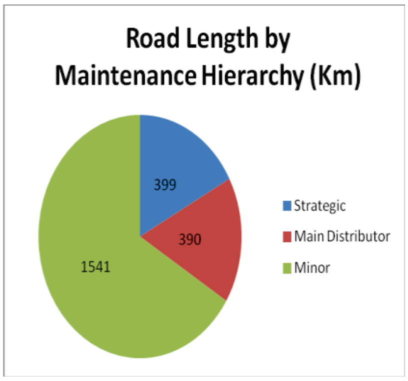
Class	Urban (km)	Rural (km)	Totals by Class (Km)
A	85.700	471.300	**557.0** (505)
B	43.100	570.700	**613.8**
C	42.000	392.500	**434.5**
U	272.200	454.000	**726.2**
Total By Urban/Rural	**443.0**	**1888.5**	**2331.5** (2279.5)

Data source – Public List of Roads

Note – Revised road lengths due to A83 Kennecriag- Campbeltown Rd being trunked are shown in brackets with green text







There is **865** Km or **37%** of Argyll and Bute Council carriageway assets located on islands.

This is a significant portion of the network and incurs increased costs in delivering essential maintenance tasks particularly with regard to resurfacing works where materials have to be sourced from mainland suppliers and rely heavily on the availability of suitable ferry services.

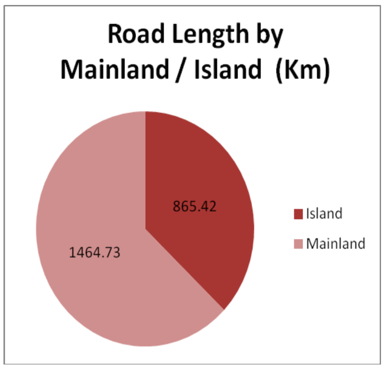


Table 3.1a below details the roads on peat within Argyll and Bute.

There are 657 Km or 28% of Argyll and Bute carriageway assets that are founded on peat. This incurs increased maintenance costs in addressing regular defects to sustain the passage of vehicles and requires restrictions on the weight of vehicles using the route. These restrictions can have an impact on businesses and employment within the area.

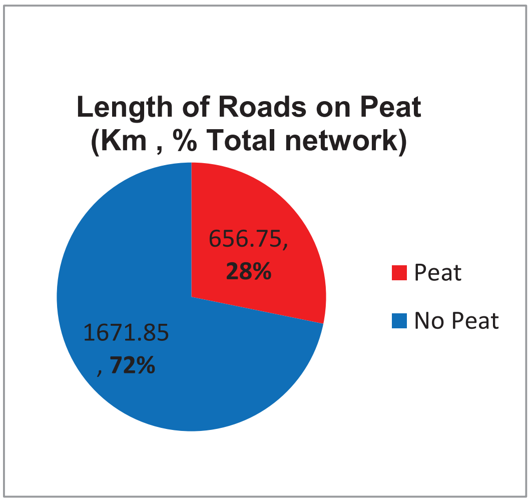
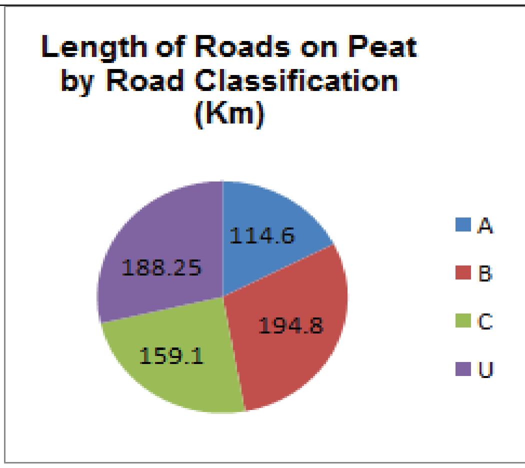


Table 3.1a Roads on Peat

Number of Lanes	A Roads	B Roads	C Roads	U Roads	Total Length
Single Track	38.8	189.7	158.4	186.3	573.2
Two Lane	75.8	5.1	0.7	1.95	83.55
Totals	**114.6**	**194.8**	**159.1**	**188.25**	**656.75**

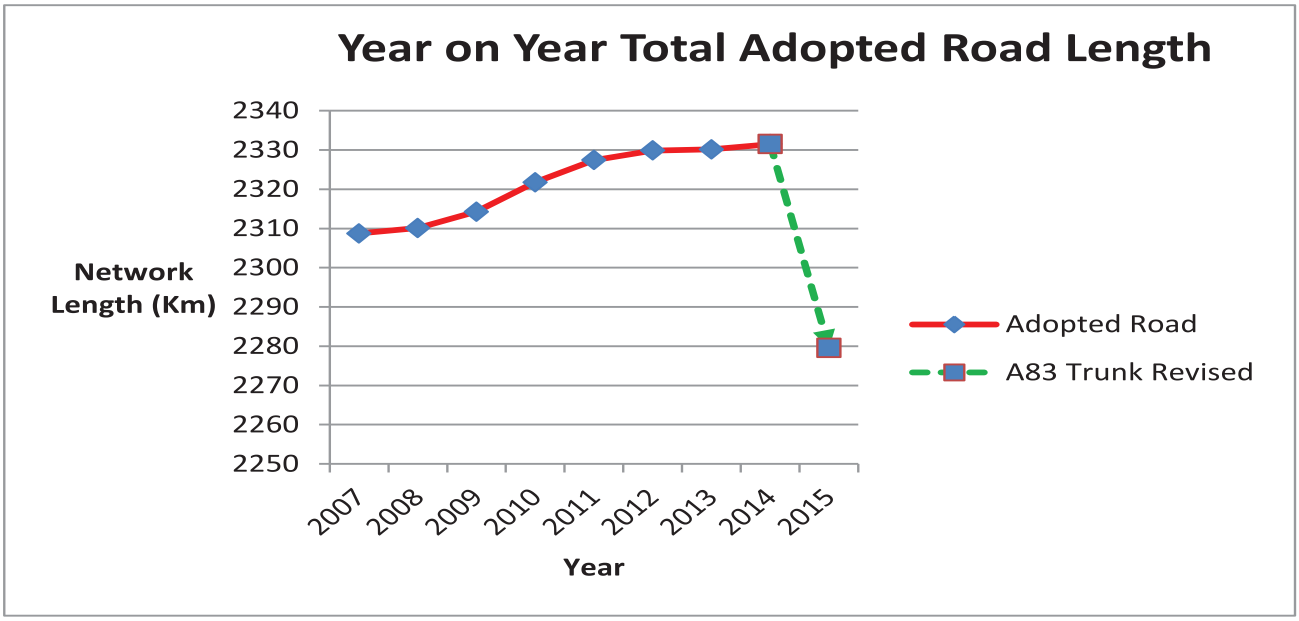


3.2 Asset Growth

The length of carriageway maintained by the council increased by 18.48 km between 2008 – 14 mainly as a result of adoption of housing estates and new developments. New road adoptions may not initially require significant maintenance however routes containing street lighting have an immediate effect on maintenance budgets through increased energy use. The data relates to Road lengths maintained by the council as at 1st April 2014 and therefore still includes the A83 Kennecraig to Campletown road although since being trunked on August 4th 2014 the maintenance responsibility now lies with Transport Scotland. The asset growth is detailed in Table 3.2 below:

Table 3.2 Asset Growth

THE ASSET	Route Type		Growth Statistics (2008-14)		2008		2014	
	Environment	Class	Length (Km)	% Percentage	length (Km)	% of network	length (Km)	% of network
	RURAL	A	-6.88	-0.30%	478.183	20.71%	471.3	20.41%
		B	-0.40	-0.02%	571.103	24.74%	570.7	24.72%
		C	-2.29	-0.10%	394.792	17.10%	392.5	17.00%
		U	0.68	0.03%	453.322	19.64%	454	19.66%
		Total	**-8.90**	-0.39%	**1897.4**	**82.18%**	**1888.5**	**81.80%**
	URBAN	A	6.87	0.30%	78.827	3.41%	85.7	3.71%
		B	2.90	0.13%	40.199	1.74%	43.1	1.87%
		C	5.79	0.25%	36.212	1.57%	42	1.82%
		U	14.72	0.64%	257.48	11.15%	272.2	11.79%
		Total	**30.28**	1.31%	**412.718**	**17.88%**	**443**	**19.19%**
	TOTAL NETWORK (KM)		**21.38**	**0.93%**	**2310.12**		**2331.50**	



3.3 Asset Value

The council's carriageway asset was valued at 1st April 2014 in accordance with the CIPFA Transport Asset Code for Whole of Government Accounts (WGA) and is detailed within Table 3.3 below.

Table 3.3 Carriageway Asset Valuation: April 2014

Classification	Gross Replacement Cost (GRC)	Depreciated Replacement Cost (DRC)	Annualised Depreciation (AD)
Total	£2,599,497,606	£2,307,301,691	£20,534,996

Data source – WGA valuation spreadsheet 2014

3.4 Annualised Depreciation and Useful Life of Treatments

The Annualised Depreciation (AD) is the aggregated cost of all capital replacement/treatments needed to maintain/restore the assets service potential over the lifecycle, spread over the estimated number of years of the cycle. In other words it is the estimated value of the annual level of investment needed in capital resurfacing treatments.

The calculation of the AD has been established by the CIPFA Transport Asset Code and provides a consistent methodology for local authorities to value their assets in compliance with Whole of Government Accounts (WGA) requirements. The method assumes that the top 100mm of each pavement will be replaced on average every 21 years.

The CIPFA Transport Asset Code uses a value of 21 years useful life for surface treatments which may be considered more appropriate to roads with higher volumes of traffic than Argyll and Bute. The method was therefore re calculated using various values for the useful life and the results are detailed in Table 3.4 below.

Table 3.4 Annual Depreciation Cost versus Surface Treatment Useful Life

Estimated Useful Life of Treatments (Years)	Annual Depreciation (AD)	Estimated Useful Life of Treatments (Years)	Annual Depreciation (AD)
25	£17,249,396	65	£6,634,383
30	£14,374,497	70	£6,160,499
35	£12,320,997	75	£5,749,799
40	£10,780,873	80	£5,390,436
45	£9,582,998	85	£5,073,352
50	£8,624,694	90	£4,791,499
55	£7,840,635	95	£4,539,315
60	£7,187,248	100	£4,312,349

Data source – WGA valuation spreadsheet 2014

In theory the AD represents the average annual investment required in renewal of the carriageway surfacing (100mm) over a given time period. The AD and Steady State however are not the same as both are based on two different calculation processes. AD figure is based on CIPFA Transport Asset Code replacing surfaces every 21 years whereas Steady State is for a much reduced treatment regime aimed at maintaining existing road condition at minimal expense.

3.5 Maintenance Backlog

The Scottish Road Machine Condition Survey (SRMCS) is used annually to determine a Road Condition Indicator (RCI) value for each local authority road network. From these results a financial model was developed to determine the budget required to remove the Headline Backlog. The headline backlog is the cost of achieving in one year a network free from any sections in an amber or red condition using the latest survey data. The figure has been calculated using the 2012 SRMCS data. The previous 2011 headline backlog figure (£162,377,018) has been re-calculated using 2010 condition data, 2012 carriageway areas, and 2012 treatment rates and adjusted for inflation to allow the current and previous backlog figures to be compared. The results for Argyll and Bute Headline Backlog are detailed in Table 3.5 below:

Table 3.5 Maintenance Backlog

	Headline Backlog		
	2011	2013	Change between 2011 - 2013
Argyll and Bute	£222,670,161 (£162,377,018)	£209,911,106	- £12,590,055
Comment – 2011 figure in brackets has been re-calculated using 2010 condition data, 2012 areas and treatment rates then adjusted for inflation to allow results to be compared. Data source – SCOTS using 2012 SRMCS data			

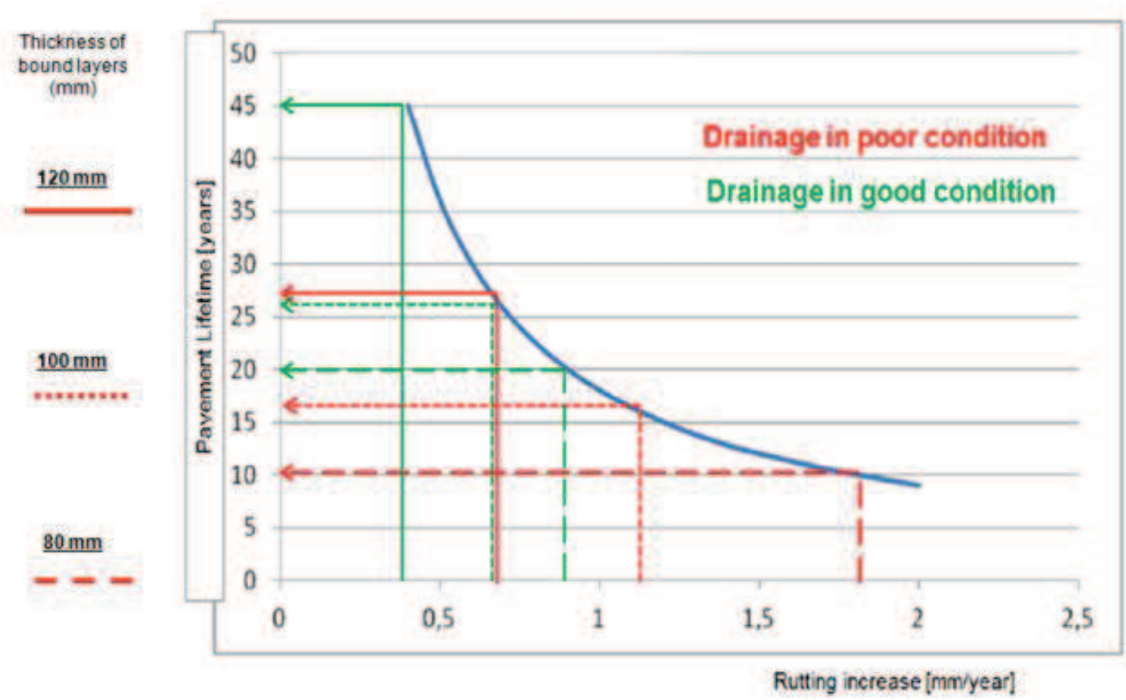
Although treating all the amber and red condition road sections in one year is not a practical maintenance option the headline backlog is a useful figure for comparing one year with another and gauging the scale of investment needed to bring the road asset to good condition. However because of the lower traffic volumes it is considered that the figure for Argyll and Bute is overstated although it meets Audit Scotlands requirement to calculate a figure using a commonly accepted methodology.

3.6 Drainage Management and Pavement Lifetime

Research is now available to support Road Engineers opinion that road drainage is the most significant individual factor affecting the long term performance of a road. Drainage has a great influence for example on bearing capacity, frost heaves and permanent deformations of the road and sections with poor drainage can always be considered the “weakest link” when discussing pavement lifetime.

Pavement lifetime can be described as a function of the annual increase in roughness and rutting values as well as cracking. If drainage can be kept in good condition, the annual rut depth growth can be significantly reduced. This means a longer pavement lifetime, and at least 20 – 35% savings in annual paving costs.

To demonstrate the potential extension of pavement life that can be achieved with good drainage the research carried out a range of calculations on the effect of road drainage to pavement lifetime using typical traffic volumes (Annual Average Daily Traffic (AADT) 500 including 5% HGV) and pavement structure. The results are illustrated below.



For many years preventative maintenance budgets have been steadily reduced. Maintaining drainage systems does not only include undertaking routine inspection and cleaning schedules but also carrying out adequate verge maintenance which has also been subject to long term budget reductions, propagating the growth of vegetation within watercourses which directly affects water flow, access for cleaning and ultimately pavement life. Capital roads reconstruction schemes have generally taken a holistic approach and have included ditching and drainage to leave a finished job and to ensure that the fundamental objective of removing surface water is achieved.

Water is by far one of the most destructive elements which can cause serious damage to a road very quickly.

Photo 3.6a shows the extent of flooding damage to a slip road onto the the A9 at Raigmore in Inverness (2002) which closed the road for several days. The damage was caused by a blocked drain and demonstrates just how powerful water can be when simple preventative maintenance measures are neglected.

Photo 3.6a

It is vital therefore that adequate provision and focus is given to undertaking sufficient preventative maintenance measures to ensure road drainage systems are working effectively to maximise pavement life and reduce the whole life cost of providing a sustainable road network that is fit for purpose and available for future generations.

Further information on the research can be obtained at www.roadex.org

3.7 Investment

To provide context for the funding need predictions (options) historical investment levels in carriageways are given below.

3.7.1 Historical Investment

Historical investment in the carriageway asset is detailed in Table 3.7.1 below:

Table 3.7.1 Investment Levels							
Year	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**
Capital Spend	£1.89m	£3.16m	£7.02m	£4.64m	£8.11m	£9.05m	£8.26m
Revenue	£3.43m	£2.32m	£3.13m	£6.02m	£4.80m	£4.23m	£3.96m
Total Spend	£5.32m	£5.48m	£10.15m	£10.66m	£12.91m	£13.28m	£12.22m
Data source – Finance end of year accounts							

The average capital investment on planned maintenance and surface treatments over the last 5 years at approximately £7.4m pa equates to 36.1% of the estimated annualised depreciation (based on CIPFA Transport Asset Code). However, recent investment levels have delivered a steady state/marginal improvement in RCI which aligns with the SCOTS cost projection tool predictions of £6.35 - £8m estimated investment required for steady state condition across all RCI condition bands

3.7.2 Last Year's Investment

During 2013-14 the investment in the carriageway asset was as shown in Table 3.7.2 below:

Table 3.7.2 Previous Years Investment 2013/14				
Category of Maintenance Work	**Revenue Spend (£)**	**Capital Spend (£)**	**Total Spend**	**Percentage of Total Spend**
Planned Maintenance	£1,177,668	£8,257,750	£9,435,418	77%
Reactive Maintenance	£866,250		£866,250	7%
Routine Maintenance	£1,911,269		£1,911,269	16%
Total	**£3,955,187**	**£8,257,750**	**£12,212,937**	**100%**
Data source – R10 Road Maintenance / APSE Return / WGA				

In 2013-2014 £12.2m was invested in maintenance of the carriageway asset. This represents 59.5% of the estimated annual depreciation of £20,534,996 (CIPFA Transport Asset Code). Our delivery strategy aims to reduce reactive work further.

These are initial estimates and will be refined in future years. However based upon this method of calculation current investment levels are predicted to lead to reducing asset value/deteriorating condition as the current levels of renewal as shown below are longer than this.

3.8 Output

Output from investment during 2013-14 is detailed within Table 3.8 below;

Table 3.8 Output from Investment (2013/14) Argyll and Bute Council Roads Reconstruction Programme		
Category		**Output**
Capital	**£8.26m**	
Capital schemes (planned maintenance)	Add Cost	– Resurface 10.28 Km (46070 Sqm) Helensburgh & Lomond – Resurface 8.88 Km (49367 Sqm) Bute & Cowal – Resurface 12.63 Km (66658 Sqm) Mid Argyll & Kintyre – Resurface 13.22 Km (67000 Sqm) Oban & Lorn – **Total 45.01 Km (229095 Sqm)** – **Note** – A number of schemes include edge strengthening works.
Capital surface dressing	**Add Cost**	– Surface Dressing 8.15Km (46774 Sqm) Helensburgh & Lomond – Surface Dressing 8.29 Km (48058 Sqm) Bute & Cowal – Surafce Dressing 8.49 Km (48469 Sqm) Mid Argyll & Kintyre – Surface Dressing 18.80 Km (93700 Sqm) Oban & Lorn – **Total 43.72 Km (237001 Sqm)**
Revenue		
Reactive Repairs		– Potholing - £702k – Boundary fences/walls - £2k – Sweeping & Cleaning - £2k – Emergency Incidents - £65k – Summer Standby - £77k
Routine -		– Jet Patcher - £518k – Culverts - £273k – Ditches - £506k – Grass cutting - £209k – Scrub/Tree Maintenance - £75k – Road Markings - £105k – Gully Emptying - £225k
Planned Maintenance	£1.18m	– Patching - £1.18m
Data source – R10 Road Maintenance, Road Operations Manager Note – Works costs includes all associated scheme works ie. Traffic management, road markings, accommodation works, drainage, landscape works, ironwork, site supervision etc. **Note – All measurements and costs are indicative only and should not be used for any other purpose. The values are derived from current available data at the time of this report and subject to verification.** Work is currently on going to link the WDM system with the council's TOTAL financial system. One of the outcomes from this will be true unit costs for each scheme carried out.		

3.9 Carriageway Surfacing Renewal

3.9.1 Carriageway Surface Dressing

The frequency of surface dressing treatments is detailed in Table 3.9.1 below:

Table 3.9.1 Surface Dressing Renewal

Year	Length Treated (Km)	Percentage of Network Length	Network Renewal Rate (Years)
2007/08	69.87	2.9%	33
2008/09	79.99	3.4%	29
2009/10	42.5	1.8%	55
2010/11	39.08	1.7%	60
2011/12	77.8	3.3%	30
2012/13	96.24	4.1%	24
2013/14	43.72	1.9%	53

Based on previous years treatments, on average, investment levels allow for surface dressing treatments once every **40** Years. Desired interval is 10 – 15 years.

Data source – Road Operations Manager

3.9.2 Carriageway Resurfacing

The frequency of resurfacing treatments is detailed in Table 3.9.2 below:

Table 3.9.2 Carriageway Resurfacing Treatments

Year	Length Treated (Km)	Percentage of Network Length	Network Renewal Rate (Years)
2007/08	28.4	1.2%	82
2008/09	24.81	1%	94
2009/10	47.43	2%	49
2010/11	58.78	2.5%	40
2011/12	64	2.7%	36
2012/13	42.8*	1.8% *	54*
2013/14	45	1.9%	52

Based on previous years treatments, on average investment levels allow for renewal of carriageway surfacing once every **58** Years (2007-12). Desired interval is 25 – 40 years.

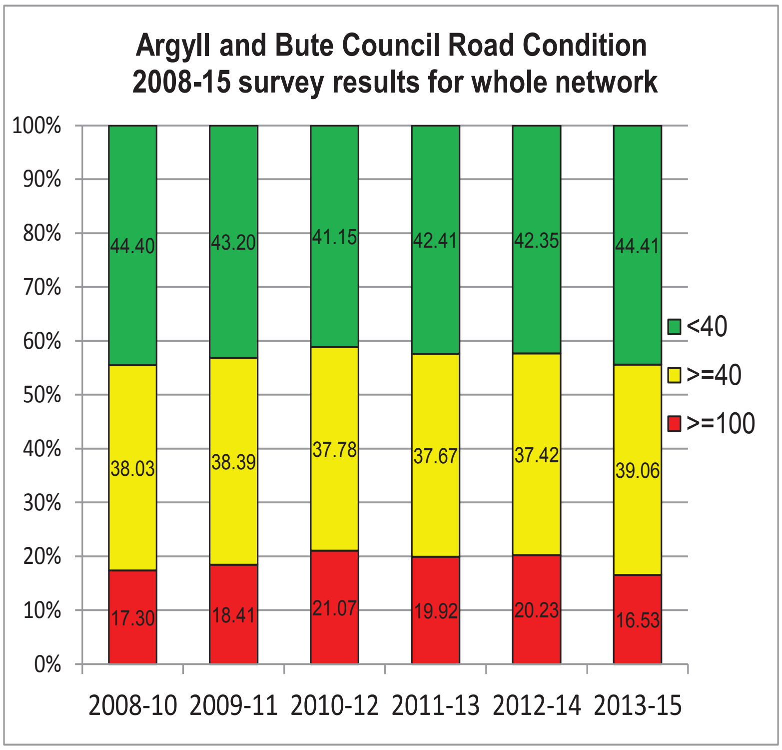
* Note - values need to be verified.

Data source – Road Operations Manager

3.10 Condition

The Scottish Road Maintenance Condition Survey (SRMCS) is the main method of condition assessment of the road network. The survey method is undertaken throughout Scotland to a nationally accepted standard. Red condition represents lengths of road in need of maintenance/resurfacing etc, amber represents road lengths in need of investigation for potential maintenance i.e. some but not all of these road lengths will warrant treatment in the short term.

Road Condition Survey results for Argyll and Bute from 2008 – 2015 are shown below;

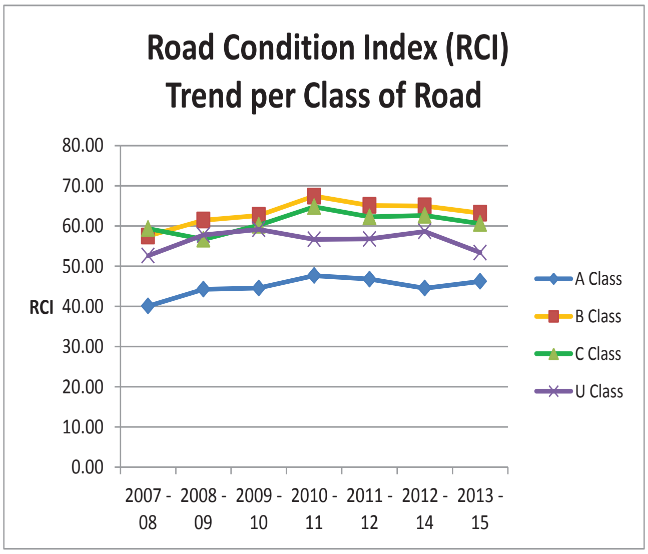


The data represented is collected using a nationally accepted specification. The survey results for A, B, C and U roads are based upon machine surveys.

Not all of the road network is surveyed each year. The survey is carried out on 100% of A Class (in one direction only), 50% B Class, 25% C Class and 10% U Class. The annual results are reported based on an average of 2 years results.

Additonal survey works were also undertaken in 2010-12 and 2013-15 to provide full network coverage and direct comparison of condition against roads reconstruction investment. This has provided confirmation of the improvement achieved through investment and delivery of the roads reconstruction programme.

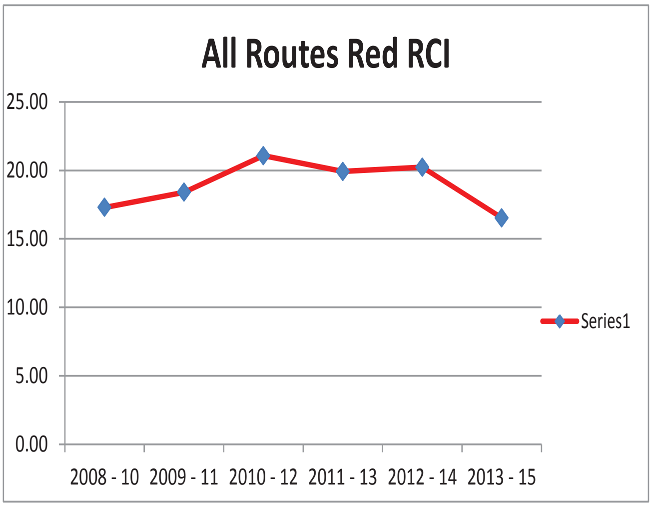
3.10.1 Condition Trend



The historical trend in condition across each class of road is shown and can be summarised as follows:

- A roads have seen a steady reduction in deterioration rate with condition now more or less steady state.
- B & C roads have seen a marked improvement on previous year.
- U roads have improved on previous year.

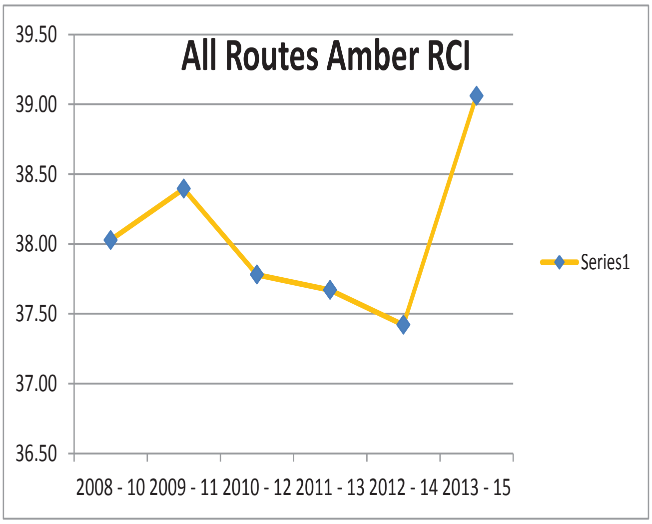
In general terms recent investment has made a substantial contribution to improving the whole network.



The historical trend in condition for all routes in red condition band can be summarised as follows:

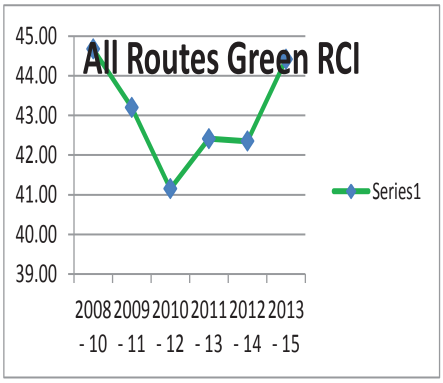
The all routes red condition RCI has been improving over the past 3 years reflecting recent investment in the roads reconstruction programme.

All Routes Red RCI				
2009-11	**2010-12**	**2011-13**	**2012-14**	**2013-15**
18.41	21.07	19.92	20.23	16.53



The all routes amber condition RCI has shown an initial improvement year on year however the latest results show a partial increase.

All Routes Amber RCI				
2009-11	**2010-12**	**2011-13**	**2012-14**	**2013-15**
38.39	37.78	37.67	37.42	39.06



The all routes green condition RCI has shown an initial deterioration in condition with a steady improvement over the last 3 years which can be attributed to the recent investment and delivery of the roads reconstruction programme.

All Routes Green RCI				
2009-11	**2010-12**	**2011-13**	**2012-14**	**2013-15**
43.2	41.15	42.41	42.35	44.4

The RCI condition results by Road Class are shown in Table 3.10.1 below;

Table 3.10.1 Road Condition Index (RCI) Results by Road Class 2012/13

	Class A		Class B		Class C		Class U			**Whole Network**	
RCI =	Length (Km)	%	Length (Km)	%	Length (Km)	%	Length (Km)	%		**Length (Km)**	%
>=100	61.88	11.11	126.75	20.65	85.99	19.79	110.9	15.27		**385.52**	**16.53**
>=40	195.62	35.12	261.05	42.53	177.32	40.81	276.75	38.11		**910.74**	**39.06**
<40	299.5	53.77	226.0	36.82	171.19	39.40	338.55	46.62		**1035.24**	**44.41**

Note – Road lengths have been corrected to match List of Roads data.
Data source – SRMCS results

The RCI condition results by Rural / Urban are shown in Table 3.10.2 below;

Table 3.10.2 Road Condition Index (RCI) Results by Urban/Rural 2012/13

	Urban		Rural			**Whole Network**	
RCI =	Length (Km)	%	Length (Km)	%		**Length (Km)**	%
>=100	21.57	4.87	361.27	19.13		**382.84***	**16.42***
>=40	140.12	31.63	769.00	40.72		**909.12***	**39.00***
<40	281.31	63.5	758.23	40.15		**1039.54***	**44.58***

Note – Road lengths have been corrected to match List of Roads data.

* Note values may be different to that in table 3.10.1 due to the accumulated effect of rounding.

Data source – SRMCS results

The annual network surveys were extended for the 2010-12 and 2013-15 results to provide as far as practicable two full network surveys which could be used to provide a direct comparison of road condition results following investment in the roads reconstruction programme approved by council in February 2012. The results provide confirmation that investment targeted through the Road Asset Management and Maintenance Strategy and delivered via the roads reconstruction programme has provided improvements averaging 3.29% RCI across each road class as detailed in table 3.10.3 below;

Table 3.10.3

	2010-12 Survey				2013-15 Survey				
Road Classification	Road Condition Index				Road Condition Index				Difference
	Red	Amber	Green	RCI	Red	Amber	Green	RCI	RCI
A	13.48	34.18	52.34	47.66	11.11	35.12	53.77	46.23	1.43%
B	26.22	41.2	32.58	67.42	20.65	42.53	36.82	63.18	4.24%
C	23.72	41.05	35.23	64.77	19.79	40.81	39.4	60.6	4.17%
U	20.98	35.7	43.32	56.68	15.27	38.11	46.62	53.38	3.30%

Note - RCI condition has improved on average by 3.29% within each road class as a result of the invetsment and delivery of the road reconstruction programme approved by council in February 2012

3.11 Ractive Repairs

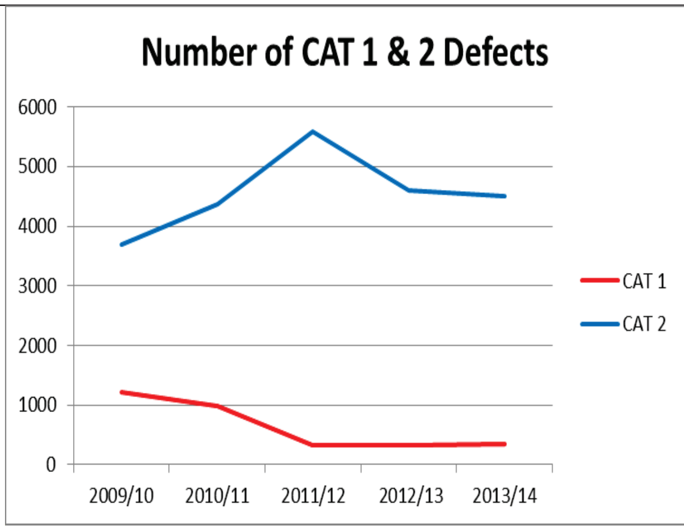
The figures above are based upon a set of defects that can be measured by a machine survey (SCANNER) and not necessarily all the defects that may exist on a section of road. A full picture of the condition of the carriageway asset also needs to take into account the amount of reactive repair that is undertaken e.g. pothole repairs, patching and other small scale maintenance works. Table 3.11 below details the number of Cat 1 defects reported to APSE/SCOTS since 2008/09.

Table 3.11 Number of defects (Carriageway)

	2009/10	2010/11	2011/12	2012/13	2013/14
CAT 1E	15	15	37	124	89
CAT 1	1206	974	280	203	261
Total CAT 1	**1221**	**989**	**317**	**327**	**350**
CAT 2	3700	4366	5591	4591	4508

Data source – APSE, WDM

Carriageway Cat 1 defects have reduced significantly since the harsh winters of 2009 and 2010. The number of Cat 2 defects provides an indicative measure of the scale of carriageway deterioration.

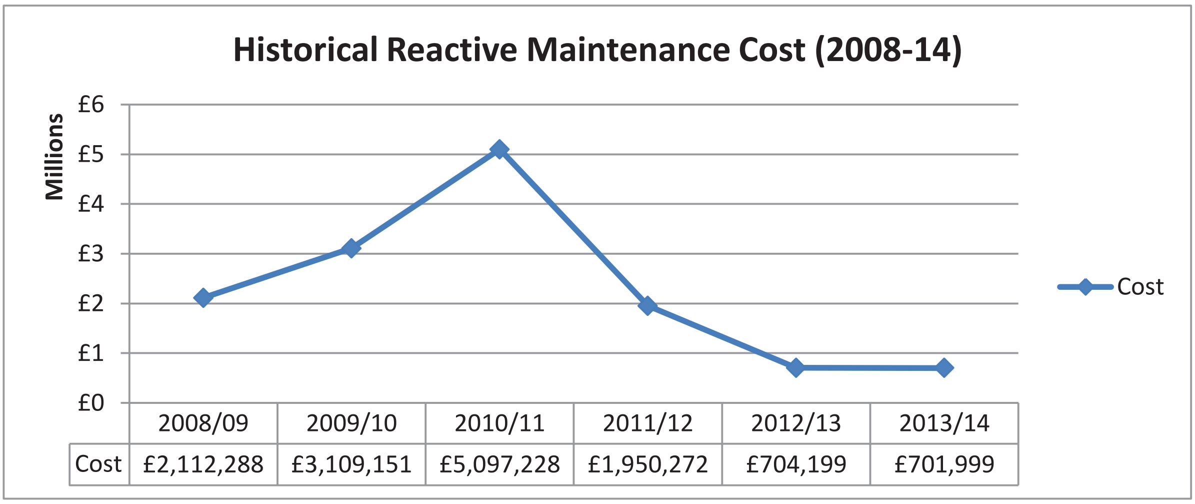


3.11.1 Reactive Maintenance cost

Table 3.11.1 below details the cost of reactive maintenance as reported to APSE/SCOTS.

Table 3.11.1 Historical Reactive Maintenance Cost

2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
£2,112,288	£3,109,151	£5,097,228	£1,950,272	£704,199	£701,999
Comment – Figures reported to APSE					



Reactive Maintenance costs increased sharply over two consecutive winters exposing the weak resilience of the asset to harsh weather conditions. Costs have been significantly reduced however they remain an area of concern and require close monitoring.

Reactive maintenance costs as reported by APSE are the highest in Scotland within the family group – Rural. Table 3.11.2 below details reactive maintenance costs compared with other Scottish Councils (APSE National Output Report for 2011/12)

<table>
<tr><th colspan="7">Table 3.11.2 Reactive Maintenance Cost per Kilometre Network</th></tr>
<tr><th rowspan="2">Council</th><th rowspan="2">Cost per Km of Reactive Maintenance</th><th rowspan="2">% Budget spent on Reactive Maintenance</th><th rowspan="2">Road Condition Indicator (RCI)</th><th colspan="2">Family Group Averages</th></tr>
<tr><th colspan="2">Average Reactive Maintenance Cost/Km</th></tr>
<tr><td>Aberdeenshire</td><td>£437</td><td>17.06%</td><td>24.3%</td><td>Average</td><td>£447</td></tr>
<tr><td>Angus</td><td>£709</td><td>13.52%</td><td>27.9%</td><td>High</td><td>£837</td></tr>
<tr><td>Argyll and Bute</td><td>£837</td><td>16.31%</td><td>57.6%</td><td>Low</td><td>£102</td></tr>
<tr><td>Scottish Borders</td><td>£235</td><td>11.63%</td><td>41.7%</td><td colspan="2">Average Reactive Maintenance Percentage</td></tr>
<tr><td>Highland</td><td>£607</td><td>27.94%</td><td>33.2%</td><td>Average</td><td>14.81%</td></tr>
<tr><td>Moray</td><td>£102</td><td>3.61%</td><td>26.1%</td><td>High</td><td>27.94%</td></tr>
<tr><td>Perth & Kinross</td><td>No Data</td><td>No Data</td><td>35.3%</td><td>Low</td><td>3.61%</td></tr>
</table>

Note – Based on APSE National Report 2011/12 Scottish Family Group – Rural

Comment – The results do not necessarily provide a true comparison of costs. The SCOTS /APSE group are currently in discussion with local authorities to agree which costs/activities are to be included for benchmarking purposes in order to compare like with like.

3.12 Performance in completing repairs

Relevant performance indicators relating to the carriageway are detailed within Table 3.12 below;

Table 3.12 SCOTS RAMP Core performance

Performance Indicator	2010-11	2011-12	2012-13	2013-14	Comments
% of Cat 1 defects made safe within response times.	84 %	100%		90%	
% of safety inspections completed on time	61%	64%		n/a	
Total number of Cat 1 defects	972	317	327	350	
Total number of 3rd party claims	182	199	95	314	
Average response time to completion of non-planned salting treatment (Hours)	2.25	2.25	2.25	2.25	
% of occasions that target response times for pre salting specified in Winter Maintenance Plan were met	86 %	N/A	100%	100%	
% of network salted regularly	52%	52%	52%	52%	
% of carriageway network that should be considered for maintenance treatment (RCI)	56.8%	58.85%	57.6%	55.6%	

Data source – Road Operations manager, WDM

3.13 Benchmarking

A benchmarking questionnaire was sent to 14 different councils across England, Scotland and Wales in December 2012. Three councils returned information as detailed in Table 3.13 below;

Table 3.13 Benchmarking

BENCHMARK	Argyll and Bute Council			Highland Council		Devon County Council		Scottish Borders	
Length of all roads maintained (km)	2329			6,742				2962	
Area (square km)	6909			30,659		6564		4732	
Population	90,900			212,000		750,100		112430	
Population density (people/square km)	13			9		114		24	
% of road network which should be considered for maintenance	A class: 42.7% (9.23% red, 33.47% amber) B class: 57.81% (15.05% red, 42.76% amber) C Class: 59.91% (19.22% red, 40.69% amber) Unclassified: 57.58% (17.13 % red, 40.45% amber)			A class: 24.6% (3.08% red, 21.56% amber) B class:33.5% (5.6% red, 27.89% amber) C Class: 34.6% (7.22% red,27.39% amber) Unclassified: 36.4% (7.65 % red,28.72% amber)		A class 26.2% (3.6% R, 23.6% A) – 2012/3 results better B class 28.2% (4.1% R, 24.1% A) – 2012/13 results better C class 56% (19.2% red, 36.8% amber) no 2012/13 yet UnClass 72.1% (31.8R, 40.3%A) no 2012/13 yet		A Class: 26.5% (4.07% red, 22.44% amber) B Class: 38.6% (5.64% red, 32.93% amber) C Class: 39.5% (6.44% red, 33.09% amber) Unclassified: 47.2% (10.63 % red, 36.56% amber)	
Unit costs	**Treatment Type**	**Description of Treatment**	**Unit Rate £/m²**	**Description of Treatment**	**Unit Rate £/m²**	**Description of Treatment**	**Unit Rate £/m²**	**Description of Treatment**	**Unit Rate £/m²**
carriageway surface treatment	**Surface dressing**	Pre patch + Premium SD	5	Pre patch + SD (Surfix 80)	3	Cat 3-6 inc lining Cat 3-6 rno lining Patching	£4.32/m2 £3.50/m2 £2/ m2 of SD		4.5
	Thin/micro surface	25mm overlay	9.5	Not Used	Not Used	6mm SMA 53psv 50-500 sqm band	£10.44/m2		
	Thin overlay	40mm overlay	12.5	40mm overlay	14	10mm AC 53psv 5-50band	£12.04/m2		27.5

Page 233

Table 3.13 Benchmarking (Cont)										
Benchmark		**Argyll and Bute Council**		**Highland Council**		**Devon County Council**		**Scottish Borders Council**	
	Treatment Type	**Description of Treatment**	**Unit Rate £/m²**	**Description of Treatment**	**Unit Rate £/m²**	**Description of Treatment**	**Unit Rate £/m²**	**Description of Treatment**	**Unit Rate £/m²**
Carriageway Surface Treatment	**Structural overlay**	100mm overlay	27.5	100mm overlay	21	60mm/40mm x 10mm AC 53psv 5-50sqm band	£27.67/m2		
	Thin inlay	40mm inlay	14.5	40mm inlay	16	10mm AC 53psv + milling 5-50 sqm	£13.71/m2		32
	Moderate inlay	60mm inlay	22.5	60mm inlay	21	10mm AC 53psv 5-50 sqm band + regulating 20mm + milling	£19.69/m2		
	Structural inlay	100mm inlay	39.13	100mm inlay	36	60mm/40mm x 10mm AC 53psv + milling 5-50 sqm	£31.64/m2		35
	Full reconstruction	1.5 wide flex-edge strength/deep patching	104.27	Per m²	Estimate £134.00 (Can't afford to do this anymore)	Excav to 450mm + disposal. Sub base 250mm + 100mm base + 60mm binde + 40mm AC 53psv 5-50 sqm band.	£78.72/m2		110

Table 3.13 Benchmarking (Cont)

	Treatment Type	Description of Treatment	Unit Rate	Description of Treatment	Unit Rate	Description of Treatment	Unit Rate	Description of Treatment	Unit Rate
Other Treatments	**Footway**	Reconstruction (m^2)	£18.13/sq.m	Per m^2	£20.00	F1 fway/ F1A fway	£24.29/ 17.29 m2		
	Drainage	Clear ditch including offlet	£1865.47/km		Not Available	Type 4 road Type 5 road	£659/km £646/km		
	Gully	Clean gully no.	£7.844/ea	Clean only, no jetting	Aver £7.50 per pot	Type 4/ Type 5	£7.26/ £4.50 each	Clean gully no.	£7.844/ea
	Grass verge	Safely cut verge km	£32.8/km*		Not available	Type 4/ Type 5	£53.38/£22.78 per km		
	Weed killing	m^2	£0.125/sq.m	m^2	£0.13/m^2		Dayworks?		
	Pot hole (cat/response)	no	£50.00/ea**		Depends on size of pothole but say £36.00 each		£45.00 each		

*grass verge safety cut, rate for 1 cut, 1 swathe

**Pot hole is an approximate average. Rate can vary across Areas and urban/rural spit

3.14 Winter Maintenance

Maintenance of the road network also includes reacting to adverse weather conditions and in particular winter maintenance. A benchmarking questionnaire was sent to 14 different councils across England, Scotland and Wales with three councils returning info as detailed in Table 3.14 below;

Table 3.14 Benchmarking Winter Maintenance

Benchmark	Argyll and Bute Council	Highland Council	Devon County Council	Scottish Borders Council
Response time winter maintenance	Actual response time in hours for completion of planned pre-salting: 1.55 Average response time in hours (including allowed mobilisation time for now): 2.5 Planned salting (priority routes): 31no.	2.5 hours 3.0 hours 42 Priority 1 routes	Contractual response time: 1 hour Treatment time allowed: 3 hours in normal conditions Typical average treatment time: 2:40 Primary routes: 37	Actual response time in hours for completion of planned pre-salting: 2 Average response time in hours (including allowed mastering time for now): 2.5 Planned salting (priority routes): 33no.
% of main network subject to salting regime (winter maintenance)	52%	98%	21%	37%
Annual cost of salting per km of network salted 2011/12	£8.67/km for 20g/sq.m treatment	Unknown	£5.48/Treated km Free Run = £1.11/km	
Gritting mileage	Mileage of gritting on planned routes: 94075 miles Treatment mileage of gritting vehicles on planned routes: 45547 miles	Unknown Unknown	Total mileage on planned routes: 2,506 Treated mileage~: 1648	Mileage of gritting on planned routes: 214139 miles Treatment mileage of gritting vehicles on planned routes: 132846 miles

3.15 Investment Options

The investment options for carriageways focus on the options available for planned maintenance in capital funded surfacing treatments only using the SCOTS cost projection tool.

3.15.1 Reactive Maintenance

The impact of changes in condition resulting from differing levels of planned maintenance should be felt in the level of reactive maintenance required. The data held on reactive repairs is however not sufficiently robust to enable a relationship to be derived between measured condition and the extent of defects and subsequent reactive repairs. It is however logical to assume that if the carriageway asset is in a more deteriorated state as evidenced from measured condition then a higher level of minor defects and required reactive repairs will occur. This risk has been expressed qualitatively in this report.

3.15.2 Winter Maintenance

The winter maintenance service is generally provided between 1st November and mid to end of April although these dates may be varied slightly to accommodate unexpected weather patterns. The service is delivered in accordance with the Winter Maintenance Policy within the requirements of the Drivers` Hours Regulations and Working Time Directive. The service plays a vital role in ensuring communities and businesses can function normally during periods of adverse weather conditions.

Budgets for the provision of winter services are difficult to plan considering our unpredictable climate and are therefore generally based on an “average winter” or 58 planned treatment runs.

Service resilience is the greatest concern as year on year budget reductions take effect. Gritter numbers have been reduced to a level where there are now only two spare vehicles available for the whole of Argyll. Minor breakdowns therefore can have a significant effect on service delivery and compliance with agreed target levels of service. The ability to sustain service delivery during widespread severe weather events is also compromised by Driver Hours Regulations coupled with reduced LGV driver numbers. Put simply there is an inadequate number of drivers and second men to sustain continuous operations on a widespread adverse weather event. Additional resources provided in these conditions are likely to result in an overspend of the core budget.

Details of performance indicators for winter maintenance as reported to APSE over the previous four years are detailed in Table 3.14.2 below;

Table 3.15.2 Winter Maintenance					
Performance Indicator	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**
Km of total carriageway network treated on receipt of an adverse weather forecast	1205	1205	1205	1205	1205
Km travelled to achieve the above treatment. (i.e. include non-treated lengths)	2491	2491	2491	2491	2491
Route efficency	48.37%	48.37%	48.37%	48.37%	48.37%
Number of precautionary treatment routes	31	31	31	31	31
Number of gritters available	37	33	33	33	33
Total number of planned treatment runs	99	108	59	106	65
Actual number of days on which any non-planned winter maintenance function was carried out during year	21	27	6	17	0
Total aggregate annual treatment mileage travelled by all gritting vehicles on all planned routes	76357	83439	72875	80261	50688
Total tonnage of salt used on carriageways	18744	19727	10431	17777	9962
Total Winter actual spend carriageways (All inclusive - Administration, Salt Sorage , Vehicle maintenance, Fuel, Labour, Training, Weather stations, Communication systems, Vehicle tracking, Gritter hire, Weather forecasting etc)	£3,060,675	£3,402,695	£1,670,677	£2,534,435	£2,034,463
Average Cost per Planned treatment run (all inclusive)	£30,915.91	£31,506.44	£28,316.56	£23,910	£31,299
Average cost per mile of planned treatment (all inclusive)	£40.08	£40.78	£22.93	£31.58	£40.14

3.15.3 Regular Preventative Maintenance

The value of regular preventative maintenance is difficult to measure, however it`s contribution to lowering the whole of life costs of sustaining an asset cannot be underestimated although it is seldom realised. The deterioration process of a road is constant and regular low cost preventative maintenance activities are essential to abate it`s progress and minimise expense.

To better understand the contribution and impact regular preventative maintenance can make in reducing annual maintenance costs it is perhaps worth explaining the road deterioration process for a typical road network.

Figure 3.15.3a -*This photo depicts a recently resurfaced urban road in good condition*

Roads deteriorate over time mainly as a result of water and traffic, although many different factors may influence the rate at which a road deteriorates. Materials, volume and weight of traffic, climate, oil spillage and level of maintenance all play a part in the service life and sustainability of the road network.

Water can cause deterioration of the road surface, embankments and even the road sub base, as well as damage to the physical road structures. This happens either through erosion, whereby the road material is washed away and physical structures are undermined, or through stagnation, whereby the road and the base of the physical structures are weakened under the influence of the water. In the case of traffic, the deterioration is caused by the wear or loss of surface material as a result of the vehicle tyres, and the deformation of the road surface by the weight of the vehicles, leading to cracks, ruts, potholes and corrugations.

These two causes of road deterioration tend to aggravate each other, as a road weakened by water is more susceptible to damage by vehicles, whilst road deformation by vehicles can prevent surface water from flowing safely away from the road, resulting in increased erosion and water stagnation.

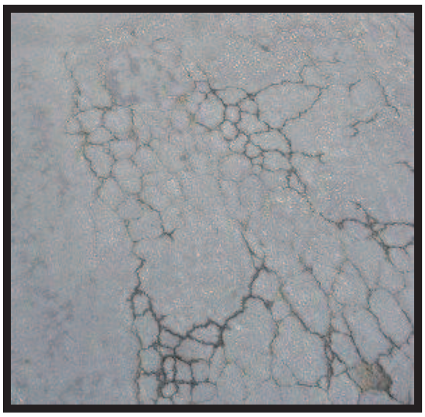


Figure 3.15.3b – *Surface cracking*

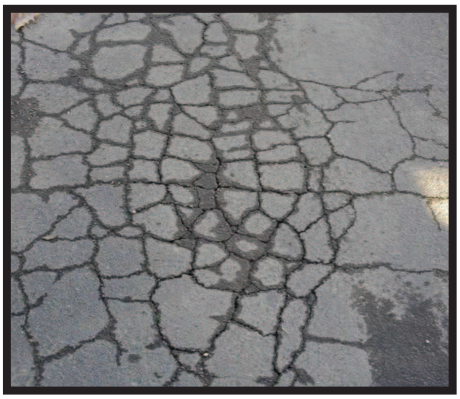


Figure 3.15.3c – Increased cracking

Road deterioration is not generally visible until the first cracks on the road surface appear, indicating a problem and allowing water to penetrate the road structure, thus accelerating the deterioration of the carriageway. Figure 3.15.3b shows the initial stage of deterioration which can best be seen when the road surface begins to dry out after a period of rain.

As water penetrates the road surface it begins to affect the road structure, the area of cracking increases and becomes more susceptible to frost damage or potholing. Figure 3.15.3c shows how the level of cracking intensifies with time.

Figure 3.15.3d – *Surface begins to pothole and rut.*

Figure 3.15.3e – *Surface begins to pothole between areas already patched.*

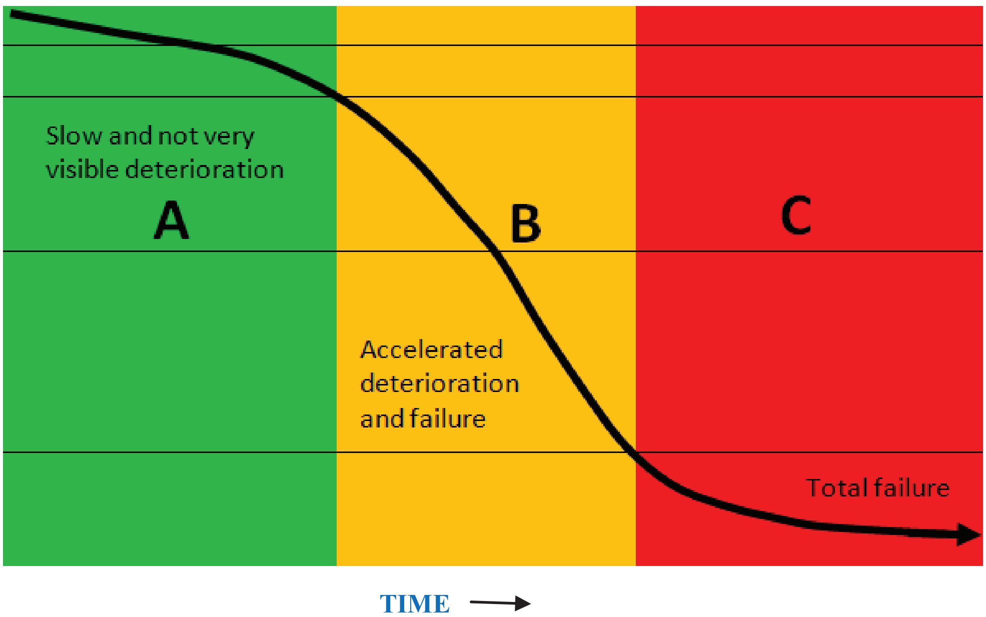
Figure 3.15.3d shows how the weakened road surface now begins to pothole and rut, which in turn prevents water from draining, forming a puddle which traffic pumps further into the road surface and structural layers. With the road continuing to deteriorate, material loss accelerates, potholes form between areas already repaired and more water penetrates the surface (Figure3.15.3e) increasing the defective area requiring reactive repairs to mitigate damage claims.

Over a period of time the defects become so numerous and widespread that the entire road is affected and is in a very poor condition. This results in the whole area needing to be resurfaced or reconstructed to eliminate damage claims, reduce reactive maintenance and restore asset condition. At this stage the rate of deterioration generally slows down, mainly because there is little left to deteriorate (Figures 3.15.3f & g)

Figure 3.15.3f – Defects become more widespread.

Figure 3.15.3g – Whole road surface needs replaced.

The road deterioration process is illustrated in the graph below and shows the deterioration as a black line with the steepness representing the rate of deterioration. The deterioration is generally slow at first and not very visible, taking the form of wear and tear and minor damage to the road surface and the drainage system (Phase A). The road user tends not to notice the deterioration, despite the gradual increase of isolated minor failures. As a result, the deterioration may remain unchecked during this phase, resulting in the road deteriorating from a good to fair condition. At this time the deterioration tends to increase in speed, as the road base and the foundations of the physical road structures start to become affected (Phase B). This is especially due to water, which is no longer guided safely away from the road as a result of deterioration of the surfacing and drainage system, and remains on the road or causes erosion,



thus damaging and weakening the road and making it more susceptible to damage by traffic. Although the damage to the road is very localised at the beginning of this phase, it spreads out until the entire road can be said to be in poor condition. Once the road condition has become very poor, the deterioration tends to decrease, mainly because there is little left to deteriorate (Phase C).

Poor road condition results in longer travel times, more damage claims and increased costs, and in the end may result in traffic and transport ceasing altogether when the road is no longer motorable.

The condition of the road can be improved by carrying out corrective maintenance. Repairs are made to the road surface, drainage system and the other physical road structures. The improved road condition generally results in lower travel times and reduced costs with a decrease in the speed of road deterioration as the deterioration process starts from scratch. The more deteriorated the road is, however, the more intensive and thus costly the repairs will be. For instance, corrective maintenance when the road is still in good or fair condition (Figure3.15.3j - arrow 1) may entail repairing potholes, small areas of patching to the road surface and minor repairs to the drainage system and other road structures, whereas corrective maintenance carried out once the road is already in poor condition (Figure 3.15.3j - arrow 2), is likely to entail larger areas of patching or complete resurfacing of large stretches of road, and possibly re-establishing an effective drainage system with localised edge strengthening works. The distance from the black line indicating the road condition, to the desired good or very good condition of the road is therefore indicative of the level of corrective maintenance required, and thus for the cost of this maintenance. Corrective maintenance needs to be carried out repeatedly, and although maintenance carried out when the road is still in good to fair condition will have to be repeated more frequently, this results in lower overall maintenance costs and better overall road conditions than waiting till the road has deteriorated to a poor condition.

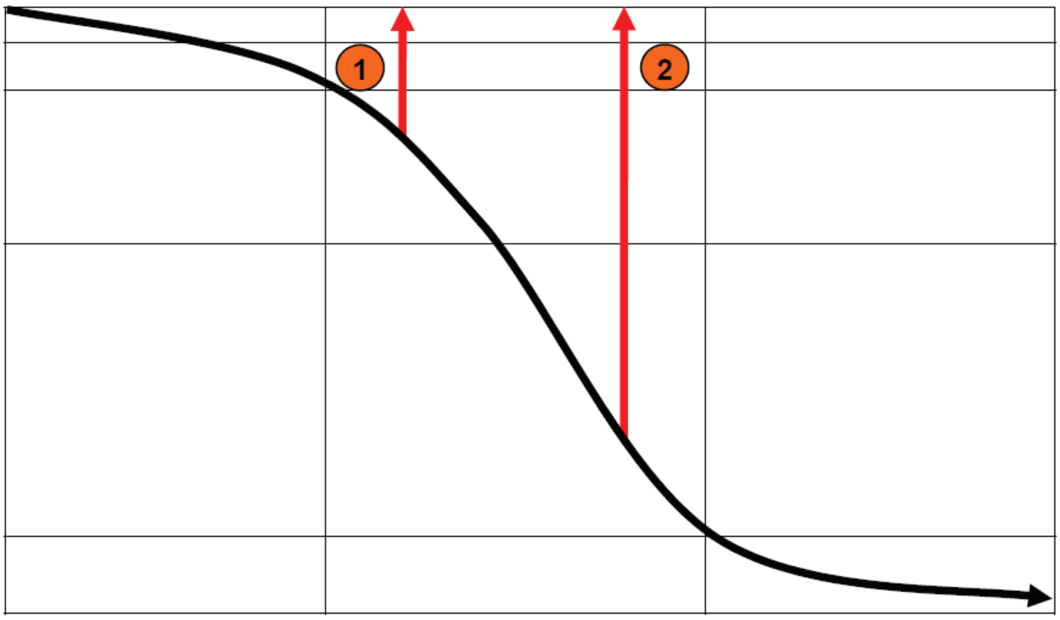


Figure 3.15.3 j – Corrective Maintenance

Apart from corrective maintenance once the road has already deteriorated, it is possible to carry out preventative maintenance aimed at slowing down the rate of deterioration of the road. Such maintenance is often carried out on a continuous regular basis and consists primarily of clearing and cleaning activities aimed at preventing damage to the road i.e. Drainage: - Cleaning offlets, road gullies, ditches, culvert inlets and outfalls. Verges and embankments: - cutting grass and scrub. Road surface: - repairing potholes, loose manhole covers, sealing cracks in order to prevent more serious damage from occurring. As a result of such preventative maintenance activities, the rate of deterioration of the road is slowed down considerably, as can be seen in the graph below (Figure 3.15.3 k - arrow 3). Consequently, corrective maintenance is required less frequently (Figure 3.15.3 k - arrow 1) leading to reduced maintenance costs, and the road is generally in better condition, resulting in lower travel times, reduced claims and lower overall costs.

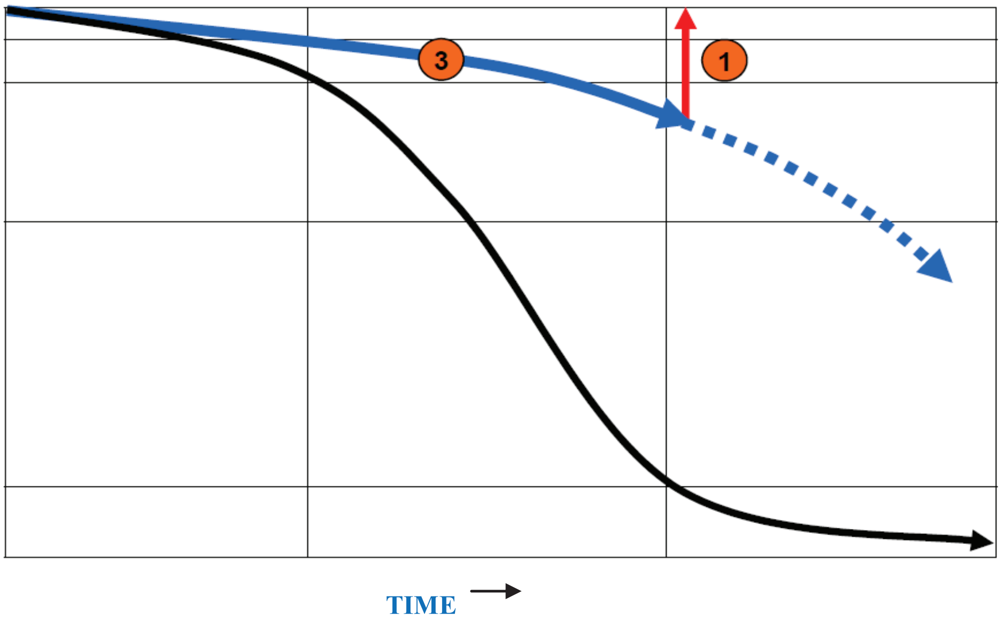


Figure 3.15.3 k - Preventative Maintenance

Put simply, investing in preventative maintenance is the key to realising savings over the longer term. The savings are generated through preventative maintenance lengthening the service life of assets, therefore extending the period between corrective maintenance treatments and significantly reducing the whole life cost of maintaining the asset.

It is imperative that the importance of carrying out regular preventative maintenance is clearly understood and recognition of contribution routine and cyclic maintenance activities make to sustaining the assets integrity and value cannot be overlooked if minimal whole life costs are to be realised.

3.16 Road Maintenance Cycle

In highway maintenance, the most important balance is that between planned, preventative and reactive repairs. If preventative maintenance on any asset is less than adequate, this can initiate a “vicious cycle” where reactive repairs soak up an ever increasing proportion of available preventative maintenance budgets.

The resulting deterioration in road condition and increase in reactive repairs have an impact on all road users and therefore on the economy generally in terms of increased vehicle running costs, increased journey times and decreased journey reliability. Figure 3.17a below illustrates the vicious cycle inadequate maintenance.

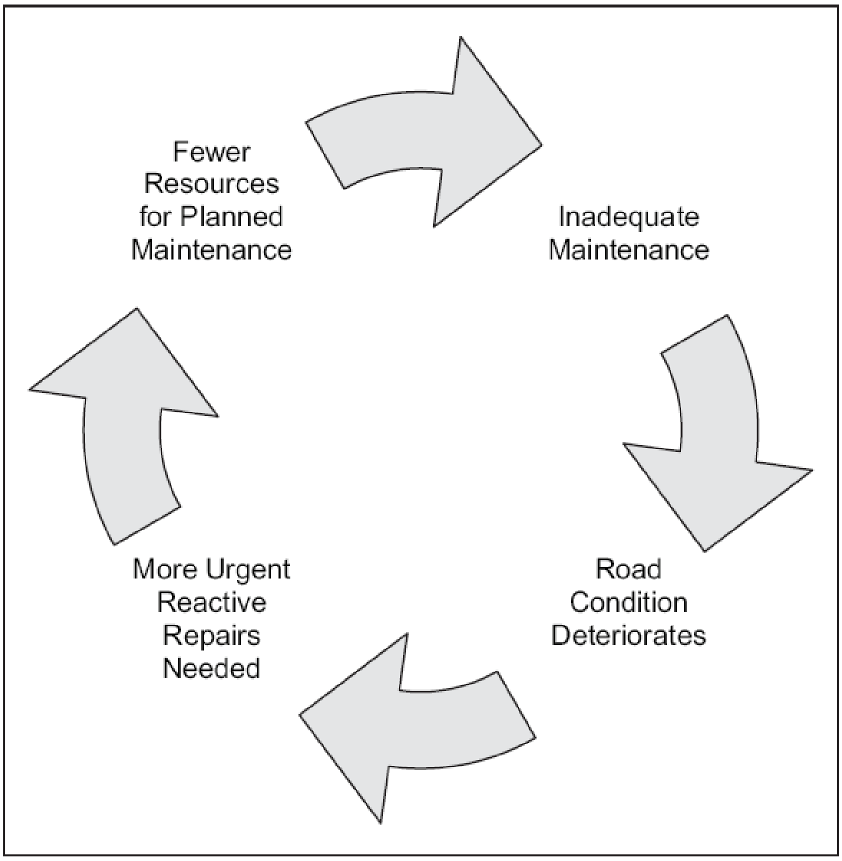


Figure 3.17a The Vicious Cycle of Inadequate Maintenance

Once commenced this vicious cycle can be a very difficult to break and requires a change in approach. There will always be a time when prompt action is required to attend to a particular issue. However it should not become normal practice for maintenance tasks to be postponed until such times as prompt action is required at the expense of planned works currently being undertaken.

The pre- planning of works is essential to realise the best outcome and minimise cost. This can be done through the development of agreed levels of service for core maintenance activities and requires data on inventory, funding and the desired frequency of service for each activity. This data allows the ability to determine the annual quantity of works that can be afforded, therefore permitting forward works programmes to be developed and schedules of work issued.

Monitoring of these core maintenance activities works will provide performance data which can be used to, update annual programmes, determine budget requirements and demonstrate service delivery and value for money as well as supporting the development of a sound business case for future investment needs.

3.16.1 Structural Patching

Roads deteriorate over time and require constant regular maintenance to slow the rate of deterioration, extend service life, delay the need for corrective treatments and therefore reduce the whole life cost of sustaining asset condition.

One treatment option available is structural patching which can be used to treat localised areas of defective surfacing to restore asset condition, reduce the need for potential reactive maintenance and prolong service life of the asset.

Undertaking structural patching can be more expensive (per Sqm) than resurfacing the carriageway but less area needs to be treated therefore reducing the overall cost. Patching will also target specific areas of road that are in the red RCI condition band only whereas resurfacing a section of road may be cheaper (per Sqm) but may incur treatment of a combination of red, amber and green condition bands. There is a balance that has to be struck between when to patch or resurface which is best determined by experienced road maintenance practitioners. Generally the decision will be based around a cost/benefit analysis of each treatment option. Structural patching is a useful treatment in targeting 100% red condition band areas and maximising impact on RCI.

Currently patching is funded generally from the revenue maintenance budget with only a small percentage of structural maintenance having been funded through capital. Consideration should be given to funding these works from Capital budgets where works can be shown to significantly increase the life of the asset.. This would provide more scope for revenue funding to be utilised for increased preventative maintenance that will preserve asset condition and help avoid entering the vicious cycle of inadequate maintenance with the resultant increase in costs and deterioration of the asset.

3.16.2 Waste Reduction – Use of Innovative Materials & Processes

Road maintenance can be costly and we must constantly seek out ways and means of minimising expense. Waste reduction coupled with a government desire to reduce carbon emissions requires us to look closely at our maintenance operations to identify any potential savings and reduce waste.

One newly developed product called RoadCem is currently being considered for potential use on public roads particularly for use on islands where bituminous material supply is dependent on mainland suppliers and suitable ferry services.

RoadCem enables the binding of nearly all kinds of materials to form a suitable road, making use of in situ materials such as clay, sand and peat. This principle makes the supply or disposal of materials unnecessary.

RoadCem claims to be;

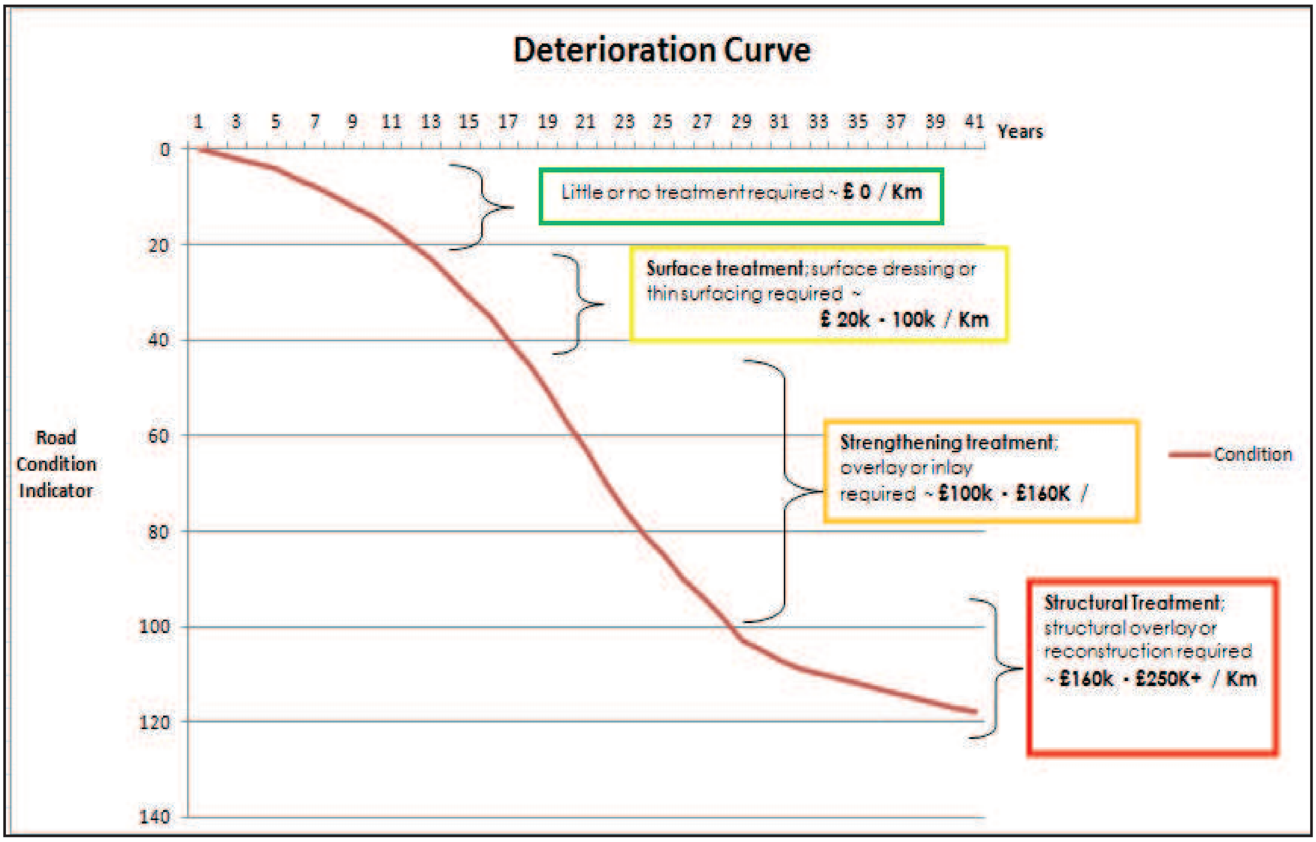
- Cost-effective
- Shorter construction time
- Use of in situ materials
- Use of secondary materials
- Durability and quality
- Used worldwide in extreme areas

The RoadCem product has been successfully used worldwide for the stabilisation of earthworks, road building and hydraulic engineering projects and is currently being considered for a trial in conjunction with the timber industry. This will allow the product to be evaluated for its suitability for use on the public road network as well as considering its potential to reduce future road maintenance costs. A suitable demonstration site is being sought to enable the process to be monitored for suitability and cost effectiveness.

3.17 Planned Maintenance Projections

The following projections have been prepared using a spreadsheet projection model provided by SCOTS. The spreadsheet uses deterioration profiles from the guidance document Technical Note 46 – Part 1 Financial Information to support Asset Management – Guidance notes for UKPMS Developers for 2010/11. This document provides a deterioration curve which is used to calculate the change in condition over time. The profile has been amended to reflect a more realistic reflection of deterioration based upon the actual levels of deterioration being recorded in recent survey results.

The curve below illustrates the way in which carriageways deteriorate over time along with potential treatments and estimated costs to restore network condition.



Initially carriageway pavements deteriorate very little as illustrated by the flatness of the curve in the first years. During this period little or no treatment is required.

1. Initial deterioration then occurs in the surface layers. During this period the surface can be restored using a surface dressing or a thin surfacing (Surface Treatment 25 – 60mm). These treatments are comparatively cheap. This period of deterioration therefore offers an opportunity for cost effective

preventative maintenance via the use of these treatments as a strategy to prevent more deep seated and expensive treatments being necessary to extend service life.

2. If a preventative treatment is not applied deterioration continues and increases causing deeper distresses in the pavement. Pavements in this middle level of deterioration become unsuitable for preventative maintenance treatments such as surface dressing. Such treatments could be applied but would have a very limited life, much shorter than their normal expected life. Pavements in the middle levels of deterioration are usually restored using resurfacing treatments of inlays or overlays (Strengthening Treatment 60 – 100mm) .
3. If a resurfacing treatment is not applied at this middle level and further deterioration occurs, structural damage to the pavement can occur requiring more extensive treatments to be required comprising of deep overlays or inlays (Structural Treatment > 100mm) or in some circumstances reconstruction.

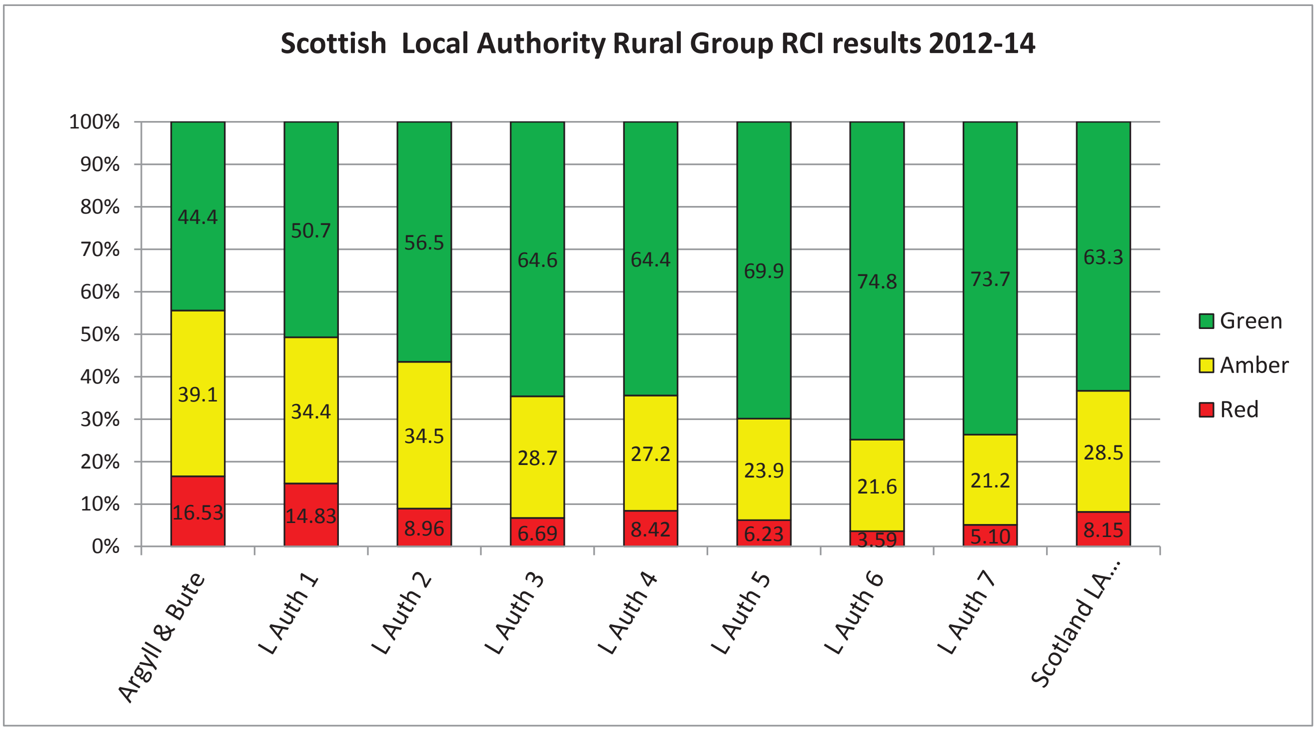
Deterioration curves following this pattern of deterioration have been used on the cost projection models in this report.

3.17.1 Investment Options Compared To Other Local Authorities.

The 2012-14 RCI results for all 32 Scottish Local Authorities were obtained to determine investment options against desired goals and objectives. Each authority is placed within one of five groups – Island, Rural, Semi-Rural, Urban or City to facilitate comparisons of data between authorities with similar characteristics. The recent investment in roads reconstruction has produced a year on year visible improvement in the actual road condition. **With the lag between surfacing works, the condition surveys and the RCI results, future RCI results are expected to improve and reflect the noticeable improvement to carriageway condition on the ground.** The RCI results for Scottish Rural Group Authorities (Argyll & Bute, Borders, Angus, Aberdeenshire, Moray, Dumfries & Galloway & Highland) are detailed in Table 3.15.5a and graphically below;

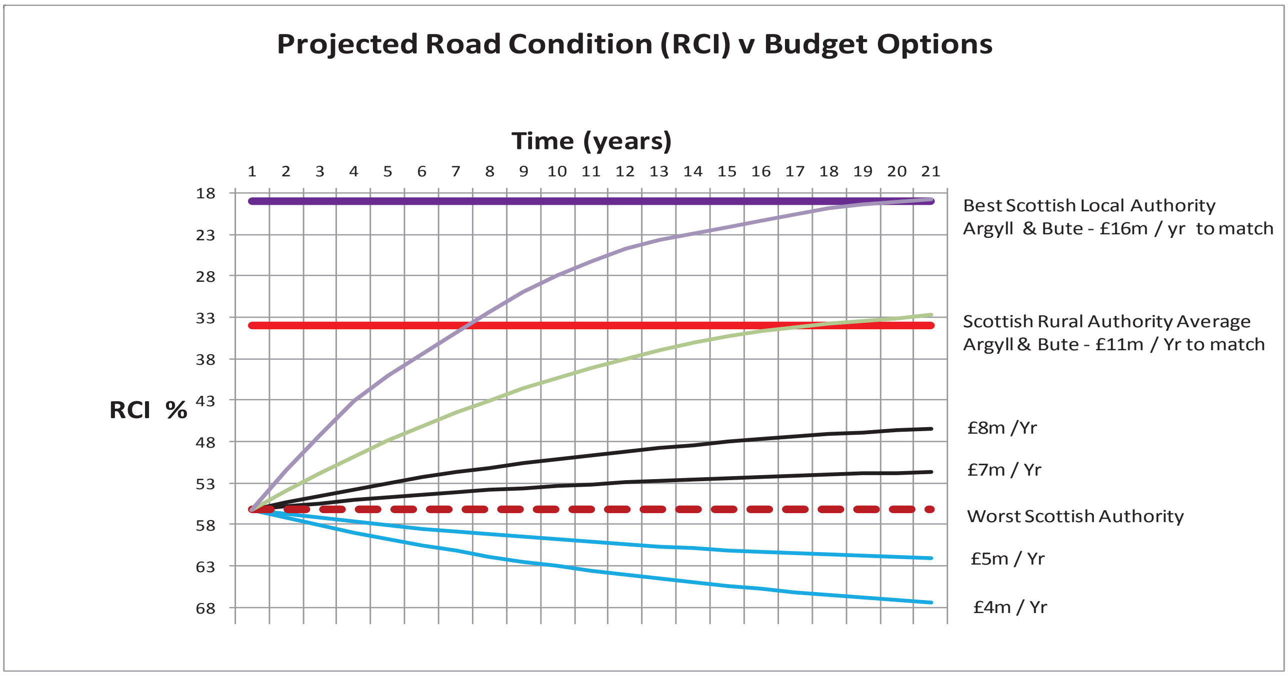
Table 3.15.5a Rural Scottish Local Authority RCI 2012-14 results

Ranking Position	Rural Scottish Authority	Network Condition			
		Red	Amber	Green	RCI
32nd	Argyll & Bute (2013-15 results)	16.53	39.1	**44.4**	**55.6**
31th	Local Authority 1	14.83	34.4	**50.7**	**49.3**
22nd	Local Authority 2	8.96	34.5	**56.5**	**43.5**
16th	Local Authority 3	6.69	28.7	**64.6**	**35.4**
19th	Local Authority 4	8.42	27.2	**64.4**	**35.6**
14th	Local Authority 5	6.23	23.9	**69.9**	**30.1**
3rd	Local Authority 6	3.59	21.6	**74.8**	**25.2**
9th	Local Authority 7	5.10	21.2	**73.7**	**26.3**
19th	**Scotland LA Average**	**8.15**	**28.5**	**63.3**	**36.7**



The recent £21m investment approved by council in February 2012 for the roads reconstruction programme has seen a noticeable improvement in road condition. This improvement has been confirmed via a full network condition survey carried out in late summer 2014.

The SCOTS cost projection model as described in the following sections (3.15.6 – 3.15.13) was used to project road condition RCI results for several different budget options over a 20 year period and the results were compared with other Scottish Local Authorities RCI results. The following graph indicates the predicted funding levels required to meet desired targets within a given timescale based on the SCOTS cost projection tool calculations for carriageway resurfacing works only.



3.17.2 Cost Projection Modelling for Carriageway Resurfacing Treatments

The SCOTS financial modelling tool has been revised and updated as part of a continuous improvement process. This has been achieved through the submission of robust and detailed historical carriageway data from a number of authorities which has permitted comparisons to be made between the modelling tool predictions and the actual condition over time to be evaluated. The exercise showed that the original modelling tool predicted a slightly greater deterioration rate than was actually the case and has therefore been updated to take account of the evaluation findings. The tool will be regularly reviewed over time as more data becomes available and will continue to improve.

The revised modelling tool has been used to assess future carriageway condition in relation to carriageway treatments and costs and presents a range of investment options for consideration.

Estimated costs of treatments have been used for each class of road to calculate the amount of works that can be undertaken for each of the budget options. The works that can be afforded and their predicted effect on condition are deducted from the deteriorated condition to predict future condition in each year.

The estimated unit rates and surface treatments entered to the modelling tool are shown in Table 3.15.6 below.

Table 3.15.6 SCOTS cost projection tool unit rates

Treatment Type	Description of Treatment	Unit Rate (£/sqm)
Surface Dressing	Pre-Patch & Premium SD	£5.00
Thin / Micro surface	25mm Thin surfacing	£12.50
Thin Overlay	40mm Overlay	£15.40
Moderate Overlay	60mm Overlay	£28.44
Structural Overlay	100mm Overlay	£46.61
Thin Inlay	40mm Inlay	£18.50
Moderate Inlay	60mm Inlay	£30.00
Structural Inlay	100mm Inlay	£48.00
Fully Reconstructed	1.5m wide Flex-Edge Strength/Deep Patching	£104.27

Data source – Estimated average rates derived from mixed sources

The spreadsheet produces predictions of future condition based upon average deterioration rates and the cost of treatment. Both of these inputs may vary in the future.

Steady State

The spreadsheet also computes a steady state calculation which is based upon prevention is better than cure approach. The calculation estimates the amount of surface treatment and resurfacing required to prevent condition bands of Amber 1 and 2 getting any bigger or moving to a red condition. This means that a regime of much lesser treatment much less frequently than every 21 years (CIPFA Annual Depreciation Calculation) is used. This is felt to be more realistic. In reality of course some "red" condition roads would be treated BUT roads are not in a single red, amber or green condition they are a combination along the length, also for many authorities strengthening treatment is often a similar treatment to resurfacing and the price difference between treating a road after it has become red rather than prior to it entering red is nominal. As such as a crude estimate of steady state it is a simple calculation the logic of which can be explained. It may be on the optimistic side but until more data is collected and reviewed this cannot be accurately assessed.

The results should be read in that context.

Investment Options presented.

The SCOTS cost projection tool has been used to present four different investment options based on the current available capital funding of £4.0m. These options illustrate the affect that different maintenance strategies can have on road condition based on the same level of funding. The maintenance strategies available within the SCOTS cost projection tool are user defined based on prioritising available funding towards Strengthening, Resurfacing or Surface Treatments.
The options considered are as follows;

Option 1 – considers continuation of current funding across all treatments (Treats Red, Amber 1 & 2 condition bands).
Option 2 – considers reducing strengthening and increasing funding of surface treatments (Treats Red, Amber 1 & 2 condition bands).
Option 3 – considers funding 80% surface and 20% surfacing treatments (Treats Amber 1 & 2 condition bands only).
Option 4 - considers funding strengthening and resurfacing treatments only (Treats Red & Amber 1 condition bands).

The model uses the allocated funding for each road class to treat the RCI condition bands as follows;

- Funding for surface treatments is used to treat amber 2 condition band.
- Funding for resurfacing treatments is used to treat amber 1 condition band.
- Funding for strengthening treatments is used to treat red condition band.

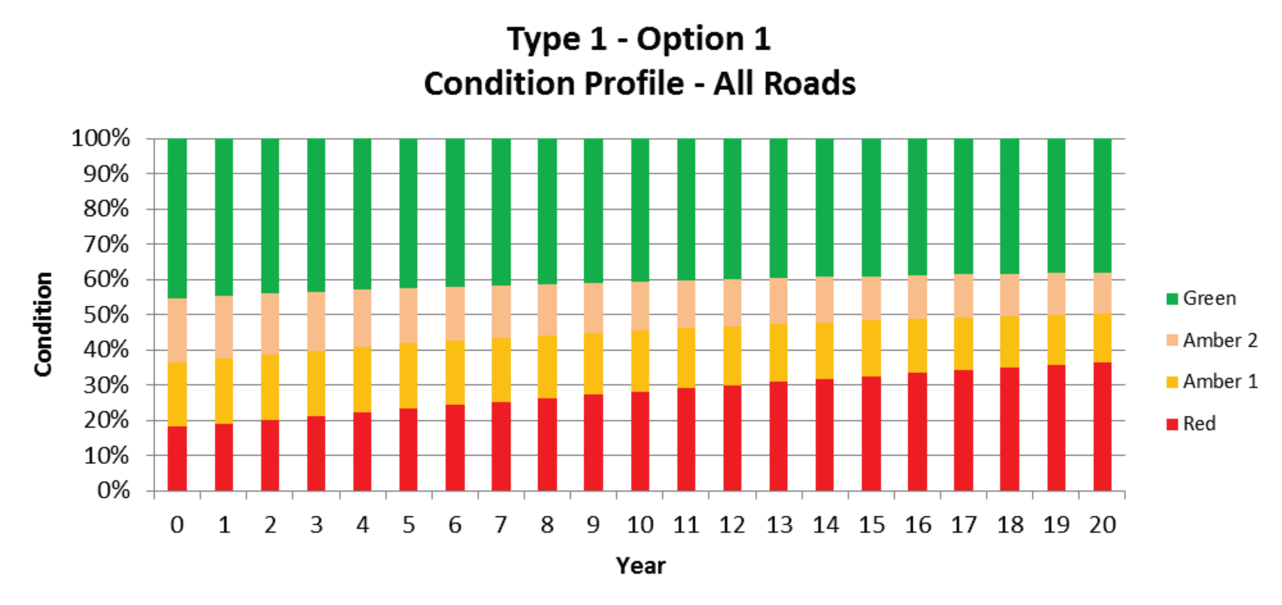
3.18 Option 1 – Continuation of Current Funding £4.0m across all treatments

		Option 1	Continuation of Current Funding	
Year 1 Budget: Type 1 - Option 1		**£4,000,000**		
Category	**U-R**	**Strengthening Treatment**	**Resurfacing Treatment**	**Surface Treatment**
Principal (A) Roads (cat 2)	Urban	£50,000	£300,000	
	Rural	£300,000	£600,000	£500,000
Classified (B) Roads (cat 3a)	Urban	£50,000	£100,000	
	Rural	£100,000	£300,000	£250,000
Classified (C) Roads (cat 3b)	Urban	£50,000	£100,000	
	Rural	£100,000	£300,000	£350,000
Unclassified Roads (cat 4a & 4b)	Urban	£50,000	£100,000	
	Rural	£50,000	£100,000	£250,000
Treatment Totals		**£750,000**	**£1,900,000**	**£1,350,000**

Continuation of current funding at £4.0m is lower than the predicted steady state budget (Preventative) of £8.0m and is delivered across all treatments. Model treats all condition bands.

The SCOTS model predicts that this level of funding and will result in continued asset deterioration with increased reactive maintenance costs and a potential increase in insurance claims.

The predicted RCI at the end of 20 years would be 61.87% or a 7.17% deterioration on current condition.



This option demonstrates the effect of under investment which will allow the current road condition to deteriorate significantly, propagating increased potholes and reactive maintenance costs whilst escalating the risk of insurance claims for damage.

This option illustrates that current funding levels will also undermine the recent £21m investment in roads reconstruction over the previous three years and will impact on the progress already made in arresting deterioration of the road network. Options 2,3 & 4 show how the RCI results can be affected by prioritising available funding towards different treatments.

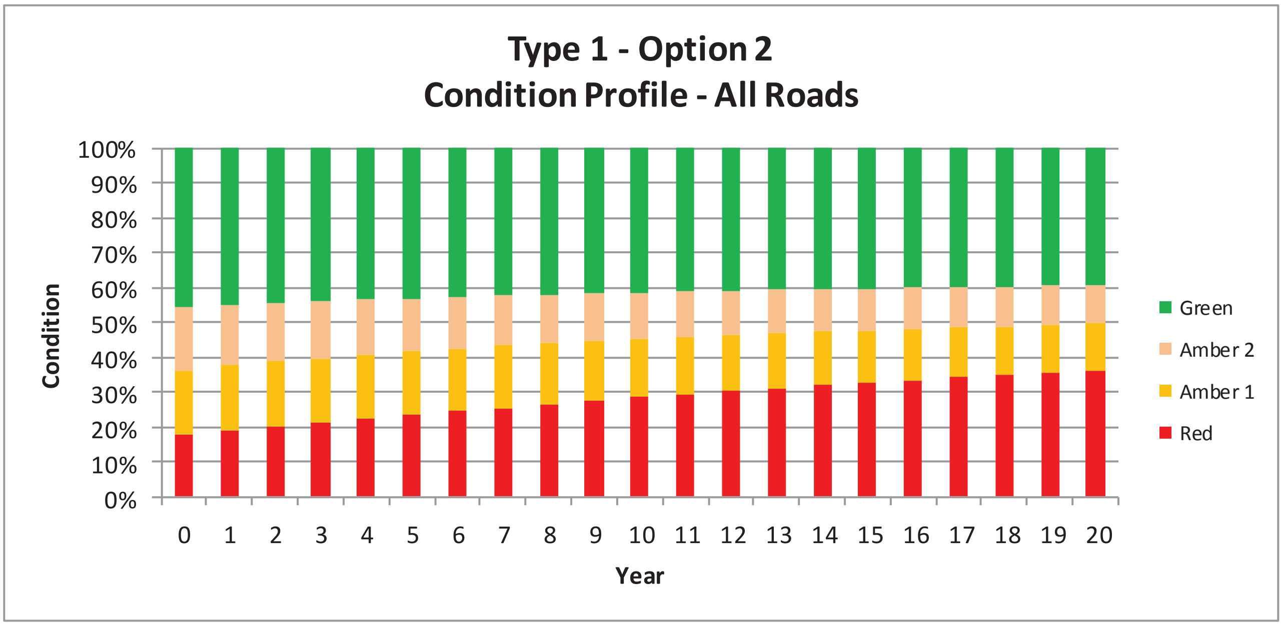
3.19 Option 2 – Continuation of Current Funding £4.0m with increased surface treatments

		Option 2	Increase Preventative	
Year 1 Budget: Type 1 - Option 1		£4,000,000		
Category	**U-R**	**Strengthening Treatment**	**Resurfacing Treatment**	**Surface Treatment**
Principal (A) Roads (cat 2)	Urban	£100,000	£400,000	
	Rural	£250,000	£700,000	£800,000
Classified (B) Roads (cat 3a)	Urban		£150,000	
	Rural	£100,000	£200,000	£300,000
Classified (C) Roads (cat 3b)	Urban		£100,000	
	Rural		£100,000	£250,000
Unclassified Roads (cat 4a & 4b)	Urban		£200,000	
	Rural		£100,000	£250,000
Treatment Totals		**£450,000**	**£1,950,000**	**£1,600,000**

Continuation of current funding at £4.0m is lower than the predicted steady state budget (Preventative) of £8.0m. Available funding is prioritised towards increased surface treatments and reduced strengthening.(Model treats more amber less red condition)

The SCOTS model predicts that this level of funding will result in continued asset deterioration with only a marginal improvement on option 1 RCI at end of 20 years.

The predicted RCI at the end of 20 years would be 60.74% or a 6.03% deterioration on current condition.



This option shows a slight improvement on RCI over 20 years compared with Option 1 however funding is lower than steady state and deterioration of the asset will continue with increased demand for reactive maintenance.

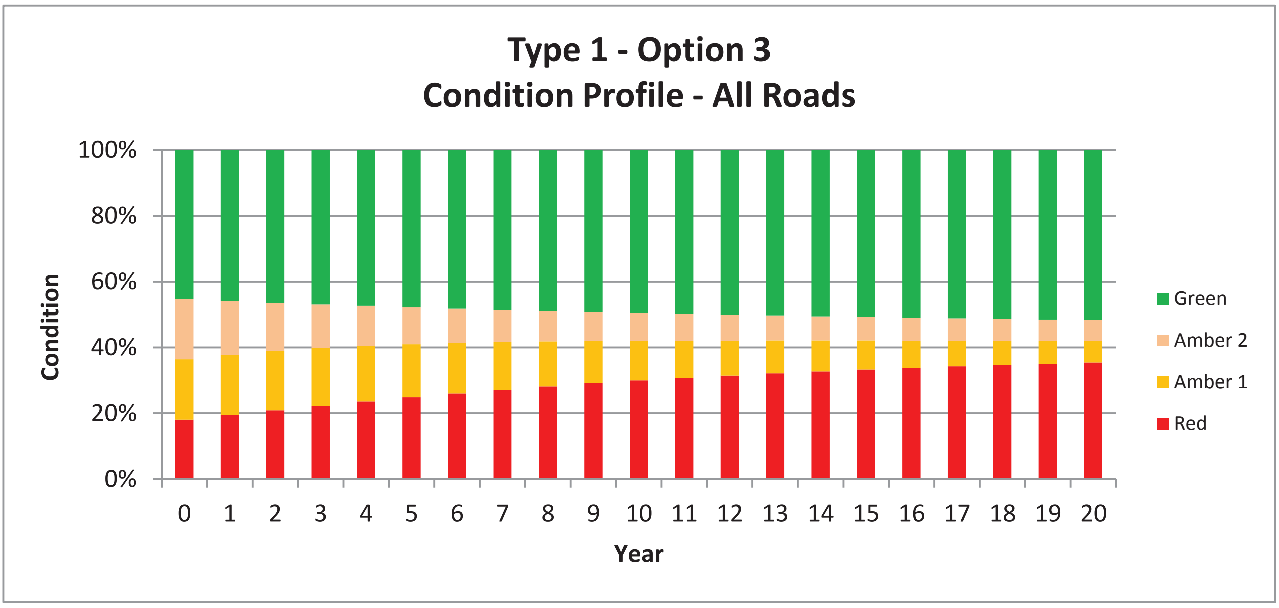
3.20 Option 3 – Continuation of Current Funding £4.0m with 80% surface and 20% resurfacing treatments

		Option 3	80/20 Preventative	
Year 1 Budget: Type 1 - Option 1		£4,000,000		
Category	U-R	Strengthening Treatment	Resurfacing Treatment	Surface Treatment
Principal (A) Roads (cat 2)	Urban		£100,000	£400,000
	Rural		£350,000	£1,400,000
Classified (B) Roads (cat 3a)	Urban		£30,000	£120,000
	Rural		£120,000	£480,000
Classified (C) Roads (cat 3b)	Urban		£20,000	£80,000
	Rural		£70,000	£280,000
Unclassified Roads (cat 4a & 4b)	Urban		£40,000	£160,000
	Rural		£70,000	£280,000
Treatment Totals		£0	£800,000	£3,200,000

Continuation of current funding at £4.0m is lower than the predicted steady state budget (Preventative) of £8.0m. Available funding is prioritised 80% on surface and 20% resurfacing treatments with no strengthening treatments. Model treats amber 1 & 2 condition bands only.

The SCOTS model predicts that this level of funding will result in an improved RCI over the 20 year period although the length of road within red condition band will increase.

The predicted RCI at the end of 20 years would be 48.29% or a 6.42% improvement on current condition.



This option demonstrates the effect of prioritising funding towards more preventative treatments and treating only the amber condition bands (80% amber 2 and 20% amber 1). The model predicts an improvement in the overall RCI however roads within the red condition band would remain untreated and will continue to deteriorate necessitating increased reactive maintenance.

This option shows the best option to improve RCI however the natural tendency is to prioritise treatments towards roads in the worst condition.

3.21 Option 4 – Continuation of Current Funding £4.0m with increased strengthening and resurfacing treatments and no surface treatments.

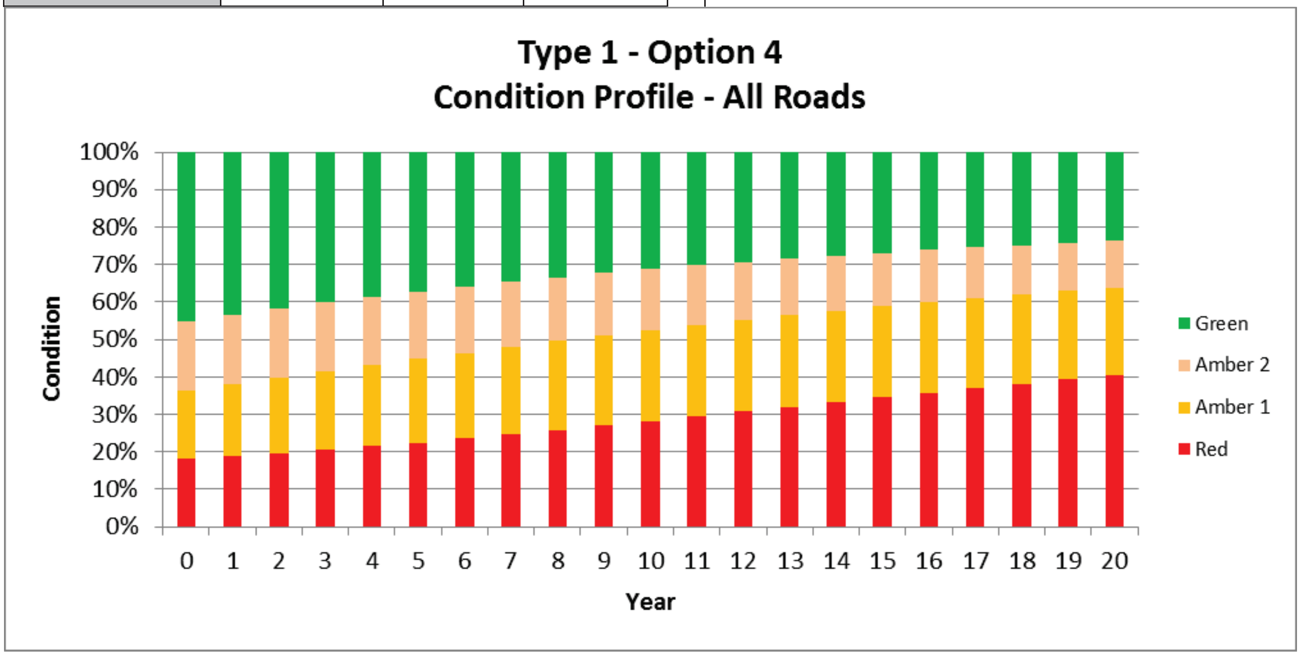
		Option 4	Increased Strengthening	
Year 1 Budget: Type 1 - Option 1		**£4,000,000**		
Category	**U-R**	**Strengthening Treatment**	**Resurfacing Treatment**	**Surface Treatment**
Principal (A) Roads (cat 2)	Urban	£150,000	£400,000	
	Rural	£550,000	£800,000	
Classified (B) Roads (cat 3a)	Urban	£50,000	£150,000	
	Rural	£200,000	£450,000	
Classified (C) Roads (cat 3b)	Urban	£50,000	£100,000	
	Rural	£200,000	£400,000	
Unclassified Roads (cat 4a & 4b)	Urban	£50,000	£200,000	
	Rural	£50,000	£200,000	
Treatment Totals		**£1,300,000**	**£2,700,000**	**£0**

Continuation of current funding at £4.0m is lower than the predicted steady state budget (Preventative) of £8.0m. Available funding is prioritised towards resurfacing and strengthening treatments only. The model treats red and amber 1 condition bands only.

The SCOTS model predicts option 4 as having the greatest deterioration and the worst RCI over 20 years.

The predicted RCI at the end of 20 years would be 76.33% or a 21.62% deterioration on current condition.

£0



This option demonstrates the effect of prioritising funding towards roads in the poorest condition and clearly shows this will give the worst outcome for available funding. This is because prioritising funding towards routes in the poorest condition requires more expensive treatments and therefore less area can be attended. Meanwhile roads in good condition that could be maintained using much cheaper treatments are left unattended and continue to deteriorate more rapidly, necessitating the use of more expensive treatments to restore asset condition later in the deterioration cycle.

The SCOTS cost projection tool has been developed to provide predictions of future asset condition to assist decision makers making more informed choices. The model predictions are based around current available asset data from many local authorities and will be continually updated to ensure that model predictions match as closely as possible with actual road condition. There are other modelling tools available that use different criteria to predict future asset condition however it is felt that the SCOTS model because it has been developed in conjunction with Scottish local authorities actual data provides the most accurate predictions.

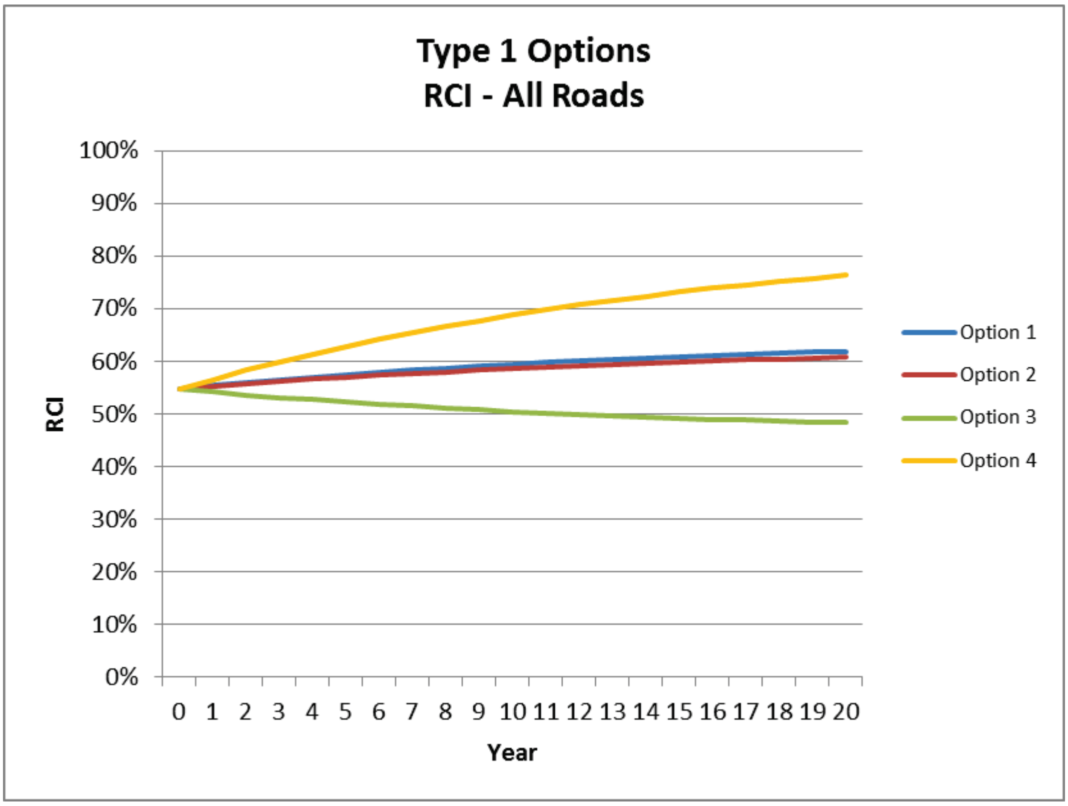
A key issue to note is that the latest SCOTS model predicts that an estimated steady state figure of £8.0m is required to maintain current road surface condition RCI. This has increased from previous model (£6.35m) due to an increase in treatment rates. Considering the models accuracy the recent £21m investment in roads reconstruction averaging £7.0m each year has arrested deterioration and provided a steady state RCI for two consecutive years. This would suggest that the SCOTS model predictions between £6.35 & £7.0m are quite reliable.

The latest SCOTS model provides the opportunity to compare four different maintenance scenarios based on the same funding. The four options presented provide an indication of how different treatment strategies can affect the RCI over time. Table 3.21 below details the predicted RCI results for all options over a twenty year period based on available funding of £4.0m. It should be noted that the year 0 RCI (54.71%) is different than reported RCI condition of 55.6%. This is because the reported RCI is based on network length whereas the SCOTS cost projection tool uses network area to calculate RCI.

Table 3.21 SCOTS Cost Projection Model Predicted RCI results

All Roads RCI (Type1)				
Year	**Option 1**	**Option 2**	**Option 3**	**Option 4**
0	54.71%	54.71%	54.71%	54.71%
1	55.34%	55.22%	54.15%	56.55%
2	55.93%	55.70%	53.62%	58.27%
3	56.48%	56.14%	53.12%	59.89%
4	57.00%	56.56%	52.66%	61.41%
5	57.48%	56.96%	52.23%	62.84%
6	57.93%	57.33%	51.82%	64.18%
7	58.35%	57.68%	51.45%	65.44%
8	58.74%	58.01%	51.09%	66.62%
9	59.11%	58.32%	50.76%	67.73%
10	59.45%	58.61%	50.46%	68.78%
11	59.77%	58.89%	50.17%	69.76%
12	60.07%	59.15%	49.90%	70.68%
13	60.35%	59.39%	49.65%	71.55%
14	60.61%	59.62%	49.41%	72.36%
15	60.86%	59.83%	49.19%	73.13%
16	61.09%	60.04%	48.99%	73.85%
17	61.30%	60.23%	48.79%	74.53%
18	61.51%	60.41%	48.62%	75.16%
19	61.70%	60.58%	48.45%	75.76%
20	61.87%	60.74%	48.29%	76.33%
RCI Difference Years 0-20	**- 7.16%**	**- 6.03%**	**+ 6.42%**	**- 21.62%**

The four options are presented graphically in terms of RCI for all roads below.



The model shows options one and two as having similar outcomes with both showing a continuing deterioration of the network in line with funding being less than the estimated steady state figure.

The model clearly shows option three as being the best. This option prioritises funding towards the use of cheaper treatments earlier in the deterioration cycle, therefore retarding deterioration and preserving roads already in reasonable condition whilst delaying the need for expensive corrective maintenance treatments. This option does not however provide any funding for roads in poorer condition or in the red condition band and these routes will continue to require reactive maintenance.

Option four demonstrates that prioritising funding towards roads in the poorest condition will deliver the worst outcome in terms of RCI. This option is provided because the natural tendency is for funding to be directed towards treating the worst condition sections of road. The model illustrates that this does not necessarily make the best use of available funding.

Populating the model provides useful comparisons between different funding options in order to derive the best value for money in terms of improving the RCI. It is obvious from the model that prioritising funding towards treatments earlier in the deterioration cycle will deliver the best opportunity of providing a sustainable asset for minimum expense.

The model also validates the opinion of road maintenance practitioners that maintenance strategies and available funding should be directed towards slowing down the rate of deterioration through increased preventative maintenance aimed at preserving or extending the service life of assets. This in turn will facilitate the opportunity to make the most of available investment in roads maintenance and will deliver the best outcome in terms of improving road condition and contributing to the economic health and well-being of Argyll and Bute.

3.22 Road Condition Profiling – Funding Prioritisation

In the context of road maintenance the timing of maintenance treatments is critical to achieving best value in terms of whole life costing. A cheaper treatment carried out on a road which is still in good condition can be seen as wasteful "why spend money on a good road?" equally, leaving the treatment until the road is in a very poor state will incur the use of more expensive treatments and therefore a shorter length afforded to be treated. The key is achieving the right treatment at the right time on the right road.

A simple cost projection modelling tool has been created to illustrate how the timing of maintenance treatments can influence the road condition indicator (RCI) over time. The spreadsheet allows the facility for different configurations of budgets, lifecycles and maintenance treatments to be input with the results shown as a graphical prediction of the Road Condition Indicator (RCI) profile based on three different funding priorities over a period of time.

The spreadsheet undertakes calculations as follows;

1. Total available funding is prioritised in the order preventative, reactive with any available balance used for the selected treatments.
2. The funding is prioritised from three different perspectives, either green, amber or red condition routes first to generate a condition profile over time.
3. It is assumed that all treatments that can be afforded will result in that length of road being in green condition.
4. It is assumed that all treatments that cannot be afforded will be result in that length of road being added to the nest lower condition band.

This condition profiling tool demonstrates how the same level of funding can influence the road condition profile depending on which road condition band is targeted for treatment.

The modelling tool has been input with data to represent a typical road network (not Argyll and Bute data) in order to demonstrate the process.

EXECTUTIVE SUMMARY - FUNDING PRIORITISATION - ROAD CONDITION PROFILES

ROAD NETWORK DATA		
Enter the total length of Road Network to be profiled	2330	Km
Enter the percentage of the Road network defined as **GREEN** within the Road Condition Indicator (RCI) Survey for the commencement year of plan	43.0%	%
Enter the percentage of the Road network defined as **AMBER** within the Road Condition Indicator (RCI) Survey for the commencement year of plan	36.0%	%
Enter the percentage of the Road network defined as **RED** within the Road Condition Indicator (RCI) Survey for the commencement year of plan	21.0%	%
Enter the cost per kilometre of annual routine maintenance as defined within the Roads Asset Maintenance Plan (RAMP)	£1,843	£/Km

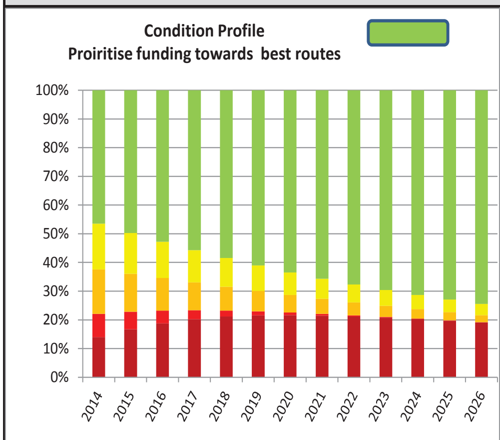
TREATMENT COST DATA		
Enter the cost per kilometre to **PATCH** 5% of the carriageway surface area at 40mm deep	£12,500	£/Km
Enter the cost per kilometre **SURFACE DRESS** the existing carriageway as per the current design guide.	£21,741	£/Km
Enter the cost per kilometre to **RESURFACE** the existing carriageway at 40mm thick.	£118,926	£/Km
Enter the cost per kilometre to **PATCH, REGULATE & RESURFACE** the carriageway at 100mm thick	£161,158	£/Km
Enter the cost per kilometre to **PROVIDE DRAINAGE , RECONSTRUCT**(Edge strengthning) **REGULATE & RESURFACE** the carriageway at 100mm thick.	£244,535	£/Km

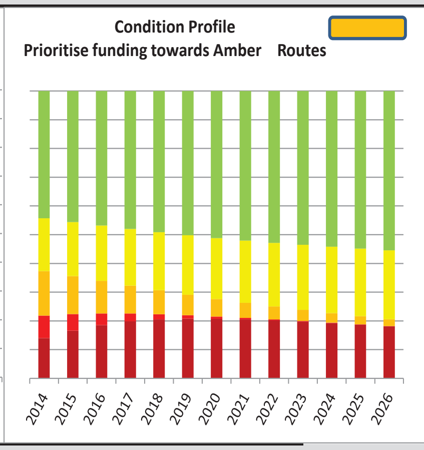
NETWORK LIFECYCLE DATA		
Enter the predicted duration that the road network will remain in **GOOD CONDITION** assuming initial new construction.	18	Yrs
Enter the predicted duration that the road network will remain in **FAIR CONDITION** assuming initial new construction.	9	Yrs
Enter the predicted duration that the road network will remain in **POOR CONDITION** assuming initial new construction.	7	Yrs
Enter the predicted duration that the road network will remain in **VERY POOR CONDITION** assuming initial new construction.	3	Yrs
Enter the predicted duration that the road network will remain in **FAILED CONDITION** assuming initial new construction.	3	Yrs
LIFECYCLE OF ROAD NETWORK	40	Yrs

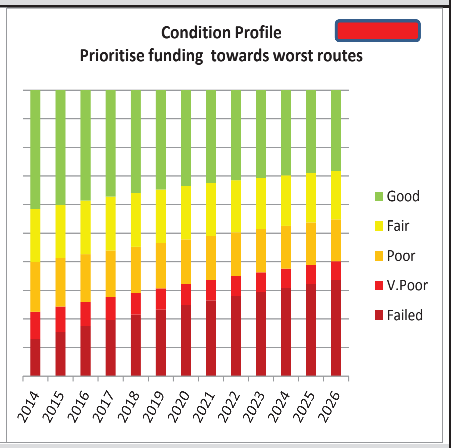
REACTIVE MAINTENANCE DATA		
Enter percentage allowance for reactive works to be added to Routine Maintenance for a Road network in **GOOD CONDITION.**	0	%
Enter percentage allowance for reactive works to be added to Routine Maintenance for a Road network in **FAIR CONDITION.**	25	%
Enter percentage allowance for reactive works to be added to Routine Maintenance for a Road network in **POOR CONDITION.**	50	%
Enter percentage allowance for reactive works to be added to Routine Maintenance for a Road network in **VERY POOR CONDITION.**	75	%
Enter percentage allowance for reactive works to be added to Routine Maintenance for a Road network in **FAILED CONDITION.**	100	%

BUDGET DATA		
Enter the annual budget available -	**REVENUE**	£6,400,000
Enter the annual budget available -	**CAPITAL**	£5,000,000
TOTAL BUDGET AVAILABLE		£11,400,000

TIMESCALE	
Enter the year of commencement of plan	2014







PREDICTED RCI CONDITION PROFILE FOR YEAR							2026
PRIORITISE FUNDING TOWARDS	**BEST**		**AMBER**			**WORST**	
Percentage of the Road network defined as **GREEN** within the Road Condition Indicator (RCI) Survey	74.5%	%	54.8%	%		28.2%	%
Percentage of the Road network defined as **AMBER** within the Road Condition Indicator (RCI) Survey	6.3%	%	26.4%	%		31.6%	%
Percentage of the Road network defined as **RED** within the Road Condition Indicator (RCI) Survey	19.2%	%	18.8%	%		40.1%	%

It can be seen from the spreadsheet output that targeting where available funding is spent can have a significant influence on road condition.

In the network represented for profiling the predicted RCI results favours prioritising treatments towards good or green RCI roads as the best option RCI 25.5%. Prioritising in favour of amber condition bands shows RCI 45.2% whereas prioritising red condition bands shows RCI 71.8%.

However it is a natural tendency for treatments to be focused on sections of road that have already failed or are in the poorest condition although as can be seen in the modelling tool this will not necessarily tackle the overall network condition and it will continue to deteriorate.

This tool supports the SCOTS cost projection tool in demonstrating that the main issue is ensuring that adequate preventative maintenance is undertaken to preserve asset condition and extend expected service life. Understanding this message is the key to realising our potential to reduce whole life costs to a level that can be sustained within the constraints of available budgets.

3.23 Impacts

Currently insufficient data is available to determine the relationship between measured condition and the amount of reactive repair on the network. It is however logical to expect that a network in a more deteriorated condition will create an increased need for reactive repair. Recent atypically harsh winters have illustrated that the network is not resilient. Deterioration of condition as predicted in most of the options above can be expected to exacerbate this vulnerability.

It is probable that lower investment levels, i.e. lower than the maintain current condition option will lead to an increase in reactive repairs, possibly have a knock on effect into 3rd party claims costs and result in lower levels of public satisfaction with carriageways.

3.24 New Roads and Streetworks Act and Scottish Roadworks Register

All Roads Authorities have a statutory obligation to co-ordinate, monitor and inspect the works of others in the roads community. This requires the council to manage and co-ordinate their works, the works of external contractors and public utility companies in accordance with the New Roads and Streetworks Act 1991.

The aim is to minimise disruption and delay to road users and to improve the quality and longevity of reinstatement works within the highway boundary. Section 118 (1) of the New Roads and Street Works Act 1991 states that the Roads Authority has a duty to use its best endeavours to co-ordinate the execution of works of all kinds in the roads under its responsibility;

- In the interest of safety
- To minimise the inconvenience to persons using the road (having regard, in particular to the needs of the disabled) and,
- To protect the structure and integrity of the road including any apparatus within it.

3.24.1 Utility Company Activity

Actual start notices of intended works are detailed within table 3.17.1 below;

Table 3.17.1 Actual Start Notices Issued in each area for utility activity 2013-14

Utility Company	Bute	Cowal	Helensburgh	Kintyre	Mid Argyll	Lorn	Mull	Islay	Totals
Scottish Water	13	33	78	32	38	43	14	17	**268**
BT	2	59	154	46	34	54	15	14	**378**
SGN	6	20	18	14	0	8	0	0	**66**
S&S - Scottish Power	13	14	21	8	16	3	0	6	**81**
Totals 2013-14	**34**	**126**	**271**	**100**	**88**	**108**	**29**	**37**	**793**
Totals from previous year 2012-13	**83**	**317**	**227**	**89**	**86**	**109**	**32**	**47**	**990**

Data source – NRSWA Co-ordinator

3.24.2 Utility Inspections

In accordance with the New Roads and Streetworks Act 1990 the council carries out several types of inspection to ensure compliance with the Act and to monitor the quality of reinstatements undertaken by utility companies. Table 3.17.2 below details the type and number of inspections carried out during 2013-14.

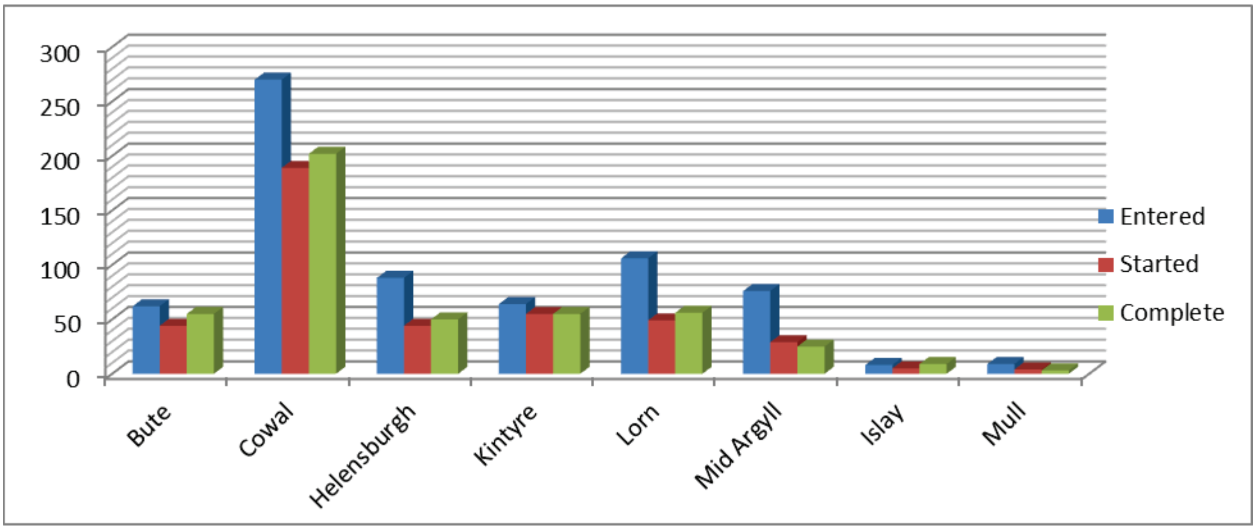
Table 3.17.2 Inspections

Inspection Type	Bute	Cowal	Helensburgh	Kintyre	Mid Argyll	Lorn	Mull	Islay	Totals
Sample									
A - Works in Progress	13	34	67	2	14	6	1	1	**138**
B – Within 6 Months	11	16	44	14	18	2	1	1	**107**
C – Prior to end of Guarantee	9	34	42	6	15	23			**129**
Defects									**374**
DAR – Defective Apparatus reported		11		5					**364 (2012-13)**
DAT – Defective apparatus 3rd party report	7	25	5	6		2		1	
D/A2 – Defect follow up report	22	161	4	19		1			
D/2 – Defect follow up inspection	1	21	23	14					
D/3 – Defect completion inspection		1	16	10					
T/A – Target sample A inspection		1	2						
TPR – Third party report all categories		6	3						
RTN – Routine inspection all categories		2	1			4			
Totals 2013-14	**63**	**312**	**207**	**76**	**47**	**38**	**2**	**3**	
Totals from previous year 2012-13	**49**	**191**	**200**	**313**	**47**	**56**	**2**	**1**	

Data source - NRSWA Co-ordinator

3.24.3 Register of Council Works

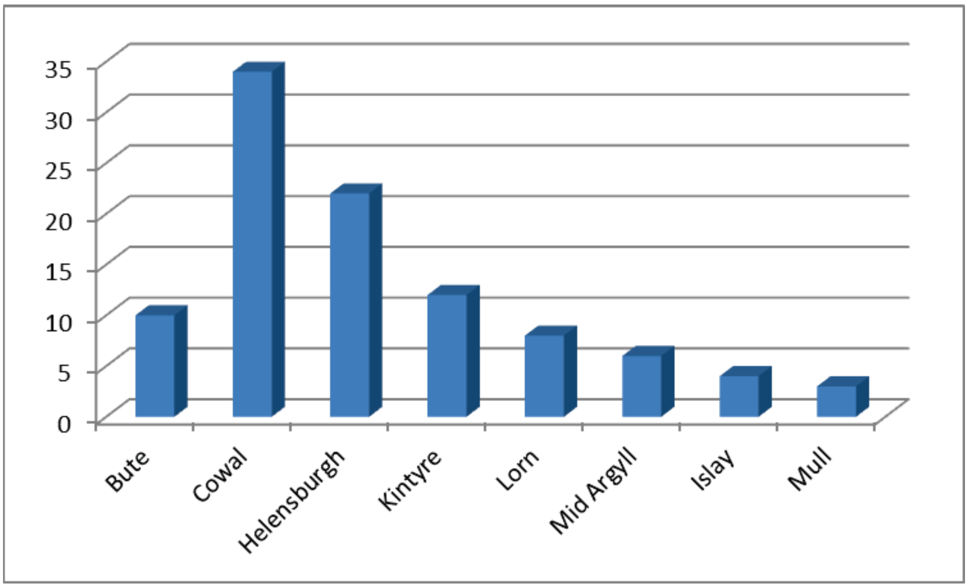
It is also a requirement for the council to enter some works (Type that require advance notification) on the Scottish Roadworks Register. The graph below illustrates the noticing activity for works being undertaken by the council.



There may be some variation between the number of notices entered, started and completed on the register. Reasons for this include; Weather, Budgetary constraints, works rescheduled or perhaps works have been cancelled.

3.24.4 Road Opening permits, Skips, Scaffolds and Parades

The Roads Authority is also responsible for logging permissions and permits on the Scottish Roadworks Register – Skips, Scaffolds Road Opening Permits and Parades. The graph below shows the level of such activity for 2013-14 within each council area.

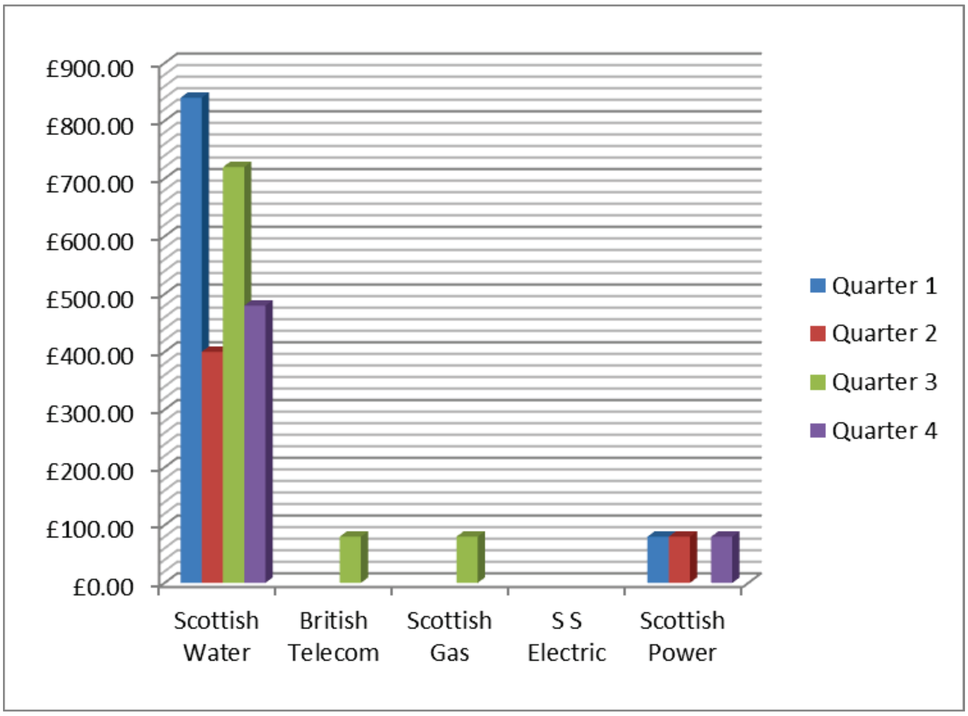


3.24.5 Inspection Fees and Penalties for Non Compliance

The council in exercising its duty to co-ordinate, monitor and inspect utility works can recoup some of the associated management costs through an agreed system of inspection fees, fixed penalty notices and an associated fine for any breach of legislation regards the Scottish Roadworks Register.

Roads Authorities are not currently served with fixed penalty notices but can currently be fined up to £50,000 (potential increase to £200k) by the Commissioner for poor performance.

The graph below shows the costs recouped from each utility company in fines for Fixed Penalty Notices during 2013-14.



The income generated from the chargeable inspections and fees contributes to funding service provision.

3.24.6 Utility Coring Results

Results from the national coring exercise demonstrate an overall improvement in the quality of utility reinstatements undertaken within Argyll and Bute Council between 2006 – 2012. This in part can be attributed to the council having a dedicated team of Inspectors focusing solely on utility works. This developed a good working relationship with contracting companies and ensured quality reinstatements were being delivered. The coring results are detailed within Table 3.17.6 below;

Table 3.17.6 Percentage Failed Utility Coring Results				
Year	**2006**	**2008**	**2010**	**2012**
British Telecom (BT)	50	0	0	0
SGN	37.5	33.33	0	0
Scottish Power (SP)	16.67	37.5	0	0
Scottish & Southern Electricity (SSE)	36.36	33.3	0	0
Scottish Water (SW)	58.33	0	7.69	5
THUS	44.44			
Data source - NRSWA Co-ordinator				

3.25 Loss

Options for changes to 3rd party claims/loss costs have not been explored as part of this carriageway annual assessment. Table 3.18 below details the historical claims data reported to APSE.

Table 3.18 Third Party Claims

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Number of claims received	57	103	182	199	95	144
Number of claims settled	12	21	17	35	16	19
Value of settled claims	£1442.08	£2318.41	£8132.74	£9,308	£6,151.18	£4,629.40
Number of Non-Repudiated 3rd party claims settled in previous 3 years	31	43	50	73	68	70

3.26 Operating Costs

Options for changes to operating costs have not been explored as part of this annual assessment. However as more data is captured on maintenance activities, overheads and other fixed costs will need to be assessed to identify any potential saving in the provision of a best value service.

3.27 Improvement Actions

The following actions are recommended to improve the accuracy of carriageway asset data in future versions of this report

- Inventory collection to fully populate database.
- Improved record keeping of all maintenance works including capital reconstruction within WDM particularly physical quantities.

– Currently carriageway condition is reported via the Road Condition Index (RCI) which relates only to surface condition. Good drainage of the carriageway is also vital to prolonging service life and minimising whole life costs and consideration should be given to establishing a condition index and regular survey of drainage assets to establish necessary investment needs and works programmes.

3.28 Option Summary

A summary of the aforementioned investment options is detailed below and within the Executive Summary.

Carriageways					
No.	**Options**		**Predicted Condition (RCI)**		**Comment**
	Description	**Annual Funding**	**Year 1 2015**	**Year 20 2035**	
1	Continuation of current funding. Capital treatments spread across Amber 1, 2 and Red RCI condition bands	Capital £4.0m Revenue £ 4.2m **	55.6% (54.71%)*	62.76% (61.87%)*	Carriageway condition is predicted to deteriorate undermining the previous £21m investment in roads reconstruction projects.
2	Continuation of current funding Capital prioritised towards treatment of all RCI condition bands but with increased priority on amber 2 condition and less on red condition.	Capital £4.0m Revenue £4.2m **	55.6% (54.71%)*	61.63% (60.74%)*	Carriageway condition predicted to deteriorate at a marginally slower rate than option 1.
3	Continuation of current funding with Capital prioritised towards treatment of amber RCI condition bands only. available funding split 80% amber 2 RCI condition and 20% amber 2 RCI condition.	Capital £4.0m Revenue £5.0m **	55.6% (54.71%)*	49.18% (48.29%)*	Carriageway condition predicted to improve in terms of RCI through investment in cheaper treatments earlier in the deterioration cycle. However this option does not provide funding for routes in the poorest condition which will incur increasing costs for reactive maintenance.

4	Continuation of current funding with capital prioritised towards treatment of Red and Amber 1 condition bands (worst condition routes)	Capital £4.0m Revenue £4.2m**	55.6% (54.71%)*	77.22% (76.33%)*	Carriageway condition is predicted to deteriorate significantly. This option demonstrates the need to prioritise investments towards more preventative maintenance earlier in the deterioration cycle.
5	Steady State	Capital £8.0m Revenue £4.2m**	55.6% (54.71%)*	55.6% (54.71%)*	SCOTS Estimated steady state calculation required to maintain current condition across all RCI condition bands, Red, Amber 1 & 2
6	Continuation of current funding as per option 3 with the addition of Structural Patching funded from Capital investment.	Capital £4.0m Capital £1.3m Revenue £4.3m	This option offers a potential mechanism to increase funding for essential preventative maintenance within Revenue budget to extend service life of assets and uses Capital funding for structural patching to tackle the increasing reactive maintenance costs on worst condition roads.		

RCI = Road Condition Index = percentage of the asset in need of maintenance (combined red + amber condition bands)

**Note – Revenue budget figures are estimated and may be subject to change.

*Note – RCI values from SCOTS cost projection tool calculation which are based on road surface area.

4 Footways & Footpaths

4.1 The Asset

The council's footways (path adjacent to carriageway) asset totals 943km. The quantities of footway are estimated using formulae from Whole of Government Accounts (WGA) valuation based on Carriageway lengths and Rural/Urban environment. The formulae applied are footway length = double urban carriageway length and/or Footway length = 3% of Rural carriageway length. These formulae were applied to the carriageway hierarchy and detailed in Table 4.1a below. These quantities will be reviewed and updated as more inventory data is collected.

Table 4.1a Footways Quantities by Hierarchy

Footway Hierarchy	Length (m)	Area (sqm)
Category 1A	171,400	428,500
Category 1	86,200	155,160
Category 2	84,000	126,000
Category 3	56,655	79,317
Category 4	544,400	653,280
Total	**942,655**	**1,442,257**

Comment – Hierarchy is from Well Maintained Highways Cop. Quantities are estimated and will be updated as data becomes available.

The council's Footpath (path remote from carriageway) asset is detailed within the Public List of Roads and totals 8.34Km as in Table 4.1b below;

Table 4.1b All Footpath Quantities

Quantity	Length (m)	Area (sqm)
All Footpaths	8,344	10,013
Total	**8,344**	**10,013**

Data Source - Public List of Roads
Note – Area is estimated based on average width of 1.2m

4.2 Asset Value

The council's footways assets were valued in accordance with the CIPFA Transport Asset Code and are detailed in Table 4.2 below;

Table 4.2 Footway Asset Valuation: 2013/14 as at 1st April 2014

Classification	Gross Replacement Cost (GRC)	Depreciated Replacement Cost (DRC)	Annualised Depreciation (AD)
Footways	£144,225,700	£118,722,697	£2,307,611
Footpaths	£1,001,280	£781,799	£16,020
Total	**£145,226,980**	**£119,504,496**	**£22,323,631**

Data source – WGA valuation spreadsheet 2014

4.3 Maintenance Backlog

There is insufficient data available to calculate the footway asset maintenance backlog.

4.4 Investment

4.4.1 Historical Investment

Historical investment in footways has been as shown in Table 3.2 below;

Table 4.4.1 Historical Investment in Footway Asset							
	2007-2008	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**
Footways (Revenue)	£166,202	£138,791	£215,907	£186,990	£61,675	£226,263	£187,066
Footways (Capital)	£10,875	£25,056	Nil	£144,057	£0 *	£271,265	£81,609
Cycleways (Capital)	£90,505**	Nil	Nil	£552,449**	£0 *	£93,954	

* Note - Value needs confirmation
** Note – Value may include works on non-adopted cycleways

Data source – Finance end of year accounts

4.4.2 Last Year's investment

During 2013-14 the investment in the footway asset was as detailed in Table 4.4.2 below;

Table 4.4.2 Previous Years Investment 2013/14		
Cost of All Maintenance Work on Footway	**Spend (£)**	**Percentage of Total F/way Spend**
Cost of Planned Maintenance	£81,609	30.4 %
Cost of Reactive Maintenance	£122,090	45.4 %
Cost of Routine Maintenance	£64,976	24.2 %
Total	**£268,675**	**100 %**

Data Source – WGA / APSE returns

Note - Planned maintenance may include works externally funded on non- adopted cycleways.

The average annual capital invested in footway maintenance/renewals over the period 2007 – 2014 was £76k (Total £532,852 / 7 years). This equates to a renewal rate of approx. once every 280 years. (Note: this is based on Footway Surface Treatment (FST) being the only planned treatment undertaken on footways and asset data within Table 4.8.1a Estimated Steady State).

4.5 Output

Output from investment during 2013-14 is detailed in Table 4.5 below. The Table will be populated as more data becomes available.

Table 4.5 Output from Investment		
Category		**Output**
Capital	**£82k**	
Capital schemes (planned maintenance)	£82k	– Jarvisfield Mull £18k – Westfield Cowal £15k – Bute various £7k – East Clyde St Helensburgh £13k – East King St Helensburgh £30k For Discussion – difference in cost
Externally funded schemes		
Revenue	**£186k**	
Routine Maintenance	£64k	– Weed Spraying - £64k
Reactive Maintenance	£122k	– Footways/Kerbs & Cycleway Patching - £122k
Data source – Road Operations Manager, R10 Maintenance.		

4.6 Condition

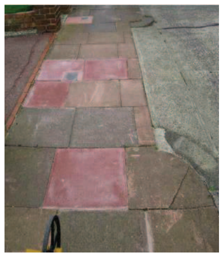
There is currently no footway condition survey undertaken therefore a detailed analysis of the assets condition cannot be undertaken.

4.6.1 Condition Index

Asset condition data is a valuable tool which can be used to predict and report on future funding needs. It also provides information on whether current investment levels are adequate to ensure the asset is fit for purpose and meets user requirements or whether it is deteriorating or improving. There is an obvious need to assess the condition of the footway asset in order that investment needs can be determined and planned maintenance programmed. The SCOTS forum has been developing a cost effective method of implementing the assessment of footway condition using existing road inspectors and a simple condition index which is based on the Footway Network Survey (FNS) methodology.

The condition index provides a four level indicator as detailed in Table 4.6.1 below.

Table 4.6.1 Footway Condition Index

Condition Level		Description	Examples	Comment	
1		As New	Brand New footway, recently resurfaced or good sound condition with no defects.		
2		Aesthetically Impaired	Sound footways with patching, Modular footways with sound bituminous patches. Modular footways with elements of different colour/age/material.		
3		Functionally Impaired	Cracked but level flags/blocks. Minor surface deterioration/fretting/cracking		
4		Structurally Unsound	Cracked uneven slabs Major fretting and potholing Poor shape , potential trip hazards etc		

Implementing the use of the footway condition index will require some in-house training to develop a consistent approach delivering reliable results that can be used to determine future investment need.

There is also potential for this simple condition index to be applied to practically any asset including ditches, safety barriers, cattle grids Etc. with the advantage that it may be carried out through the course of existing inspection schedules.

4.7 Reactive Repairs

Table 4.4.2 above shows that £122,090 (45.4% of available budget) was spent on reactive maintenance in 2013/14.

4.8 Options: Planned Maintenance

There is currently insufficient data available to project future condition and maintenance costs. The only option presented is an estimated steady state budget based on current available data.

4.8.1 Steady State

The following steady state projection is based upon estimated asset length (moderate confidence), estimated average width and estimated unit rate for the replacement of surfacing materials along with Engineers estimate for expected service life (60years) of surfaces. The basis of the calculation is detailed within Table 4.8.1a below, illustrated graphically and tabulated for various expected service life scenarios in Table 4.8.1b. These calculations will be updated in future versions of this report as more detailed data on the footway asset becomes available.

Table 4.8.1a Estimated Steady State Budget					
Asset Inventory (estimated)					
Asset Length		**Average Width**		**Total Area**	
942	Km	1.5	m	1413000	Sqm
Estimated unit rate for surfacing		**Expected Service Life**		**Annual Surfacing Quantity**	
£15.00	Sqm	60	Years	23550	Sqm
Estimated Steady State Budget				Annual Resurfacing length	
£353,250				**15.70**	**Km**

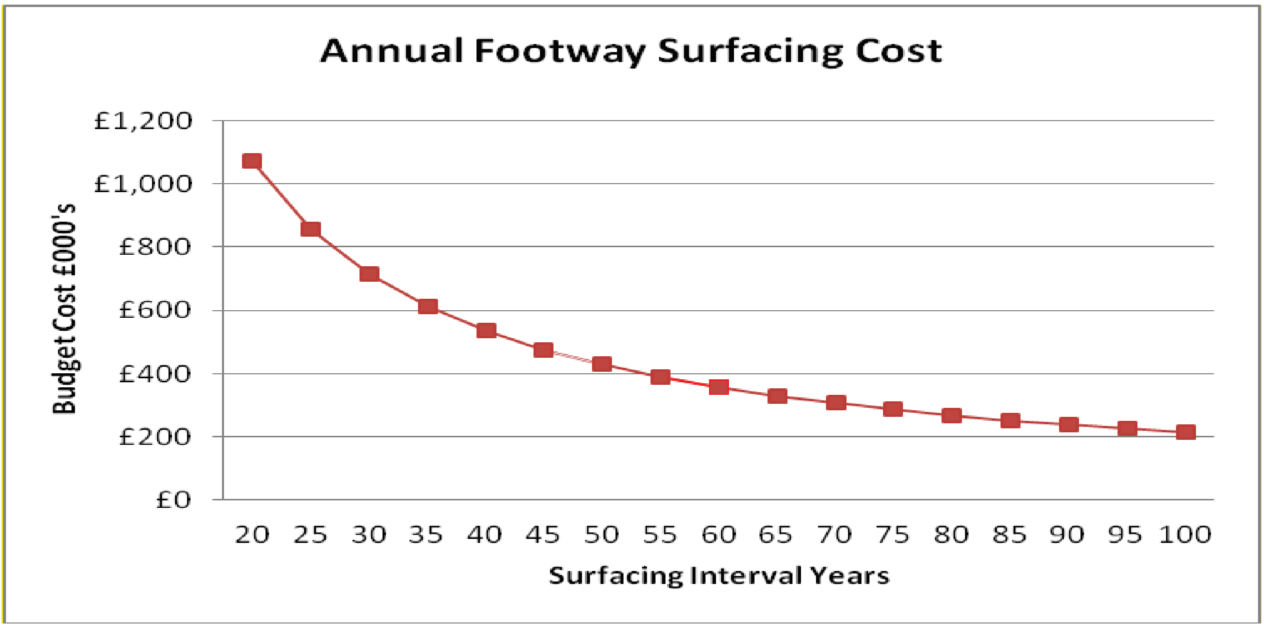


Table 4.8.1b Expected Service Life versus Estimated Annual Budget				
Expected Service Life	**Annual Budget Required**		**Expected Service Life**	**Estimated Annual Budget**
20	£1,072,913		65	£330,127
25	£858,330		70	£306,546
30	£715,275		75	£286,110
35	£613,093		80	£268,228
40	£536,456		85	£252,450
45	£476,850		90	£238,425
50	£429,165		95	£225,876
55	£390,150		100	£214,583
60	£357,638		135	£158,950
			300	£71,527
Note - values based on Table 4.8.1a data.				

4.9 Improvement Actions

There is merit in collecting additional data on the footway asset to permit more detailed reporting on the assets future maintenance requirements. The actions required to project future investment needs include;

- The extent and size of the asset should be determined through a programme of detailed inventory collection.
- A suitable condition index combined with a survey of the asset is required to quantify maintenance needs.
- The existing maintenance hierarchy should be reviewed to align with the functionality and scale of use of the asset.
- Capturing maintenance cost data to allow accurate financial modelling using SCOTS cost projection tools.

More detailed investment options can be developed as this data becomes available.

4.10 Option Summary

Footways					
No.	**Options**		**Predicted Condition (FCI)**		**Comment**
	Description	**Annual Funding**	**Year1 2015**	**Year 20 2035**	
1	**Assumed Steady State** (Based on criteria within – Table 4.8.1a)	Capital £353k Revenue N/A	N/A	N/A	Estimated by officers to be required to replace surfacing on average every 60 years
2	Current Funding	Capital £0k Revenue £156k	N/A	N/A	Current Capital funding does not provide any investment in surface renewal.

FCI = Footway Condition Index = the percentage of footway in a deteriorated condition (functional and structural deterioration added together)

Footway condition surveys are not currently undertaken.

Comment – Steady state figure is based on estimated values and therefore may be subject to change as more detailed data becomes available.

5 Street Lighting

5.1 The Asset

The council's street lighting assets are detailed within Table 5.1 below:

Table 5.1 Street Lighting Asset Inventory	
Street Lighting Columns by Material Type	
Material Type	**Total**
Non Galvanised Steel	
Galvanised Steel	9693
Concrete	92
Aluminium	3680
Cast Iron	
Wood Poles	445
Wall Brackets	1225
Total	**15135**

Street Lighting Lamp Assets					
Lamp Type	**UMSUG Assessed Circuit Wattage (W)**				**Total**
	0-50W	**50-100W**	**100W-150W**	**150W+**	
SON (High Pressure Sodium vapour)		9332	42	3048	12422
SOX (Low pressure Sodium Vapour)	399	1261	164	1	1825
HQI (High Intensity discharge ?)				3	3
TH		80			80
MCF	150				150
TUN	13	12	8		33
TOTAL					**14513**

Street Lighting Cable Assets	
Location	**Total (m)**
Carriageway (based on 10% asset length)	41730
Footway (based on 50% asset length)	208650
Verge (based on 40% asset length)	166920
Total (based on estimated 30 Lin m per S/L column)	**417.3 Km**
Asset growth	Over the last 5 years the street lighting asset has grown by (Data not currently available % & Qty) lighting columns primarily due to estate adoptions.

5.2 Asset Value

The Council's street lighting asset was valued in accordance with the CIPFA Transport Infrastructure Asset Code and a summary of the results detailed in Table 5.2.1 below;

Table 5.2.1 Street Lighting Asset Valuation				
Street Lighting Assets	**Gross Replacement Cost (GRC)**	**Depreciated Replacement Cost (DRC)**	**Accumulated Consumption (AC)**	**Annualised Depreciation (AD)**
Columns	£36,818,493	£20,627,214	£16,191,278	£801,010
Luminares	£2,902,600	£1,517,630	£1,384,970	£145,130
Illuminated Signs	£250,000	£87,500	£162,500	£12,500
Illuminated Bollards	£35,700	£17,970	£17,730	£3,570.
Total	**£40,006,793**	**£22,250,315**	**£17,756,478**	**£962,211**

AD is the average amount by which the asset will depreciate in one year if there is no investment in renewal of the asset. It is based upon replacement of components at the end of Expected Service Life (ESL).

A detailed valuation of the street lighting column asset is shown in Table 5.2.2 below;

Table 5.2.2 Street Lighting Column Valuation				
Street Lighting Column Assets	**Gross Replacement Cost**	**Depreciated Replacement Cost**	**Annualised Depreciation Cost**	**Total Depreciation**
Non Galvanised Steel	£0	£0	£0	£0
Galvanised Steel	£9,345,674	£3,299,693	£311,522	£6,045,981
Concrete	£85,344	£54,051	£2,845	£31,293
Aluminium (pre 2000)	£2,996,830	£1,311,113	£74,921	£1,685,717
Cable Assets	£0	£0	£0	£0
Cable under Carriageway	£0	£0	£0	£0
Cable under Footway	£0	£0	£0	£0
Cable under Verge				
Other Street Lighting Assets	£2,772,000	£1,824,900	£46,200	£947,100
Wall Bracket	£12,390,000	£8,156,750	£206,500	£4,233,250
Wooden Pole	£8,400,000	£5,530,000	£140,000	£2,870,000
Total	**£36,818,493**	**£20,627,215**	**£801,011**	**£16,191,278**

Unit rates used to compile valuation are shown in Table 5.2.3 below;

Table 5.2.3 Unit Rates Used For Street Lighting Asset Valuation					
Column Material	**Height (m)**	**Supply**	**Renewal Rate**	**Basis**	**Comment**
Galvanised Steel	5	Private Supply	£761.00	Average Rate	Unit rates are based on average cost of replacement – All new Columns being galvanised steel.
		DNO Supply	£1,311.00	Average Rate	
	6	Private Supply	£794.00	Average Rate	
		DNO Supply	£1,344.00	Average Rate	
	8	Private Supply	£1,069.00	Average Rate	
		DNO Supply	£1,619.00	Average Rate	
	10	Private Supply	£1,250.00	Average Rate	
		DNO Supply	£1,800.00	Average Rate	
All Luminaires		All units	£200/ each	Estimated average	
Cable	Carriageway	All	£66.00	Average Rate	
	Footway	All	£59.00	Average Rate	
	Verge	All	£50.00	Average Rate	
Wall Bracket	inc. surface cabling / supply	Private Supply	£400.00	Estimated	
		DNO Supply	£400.00	Estimated	

5.3 Condition

The condition of lighting assets is normally judged on the age of the asset and whether it has exceeded its design life. Detailed condition data for the council street lighting asset is hindered by the absence of records relating to installation dates for each asset type. Currently there is only data available over approx the past decade and therefore the condition data presented within this report is based on the following assumption. Where no data relating to an asset is available the inventory quantity for that item will be evenly distributed over the full estimated service life period for that asset. The assumed age profile of the street lighting column asset is shown below;

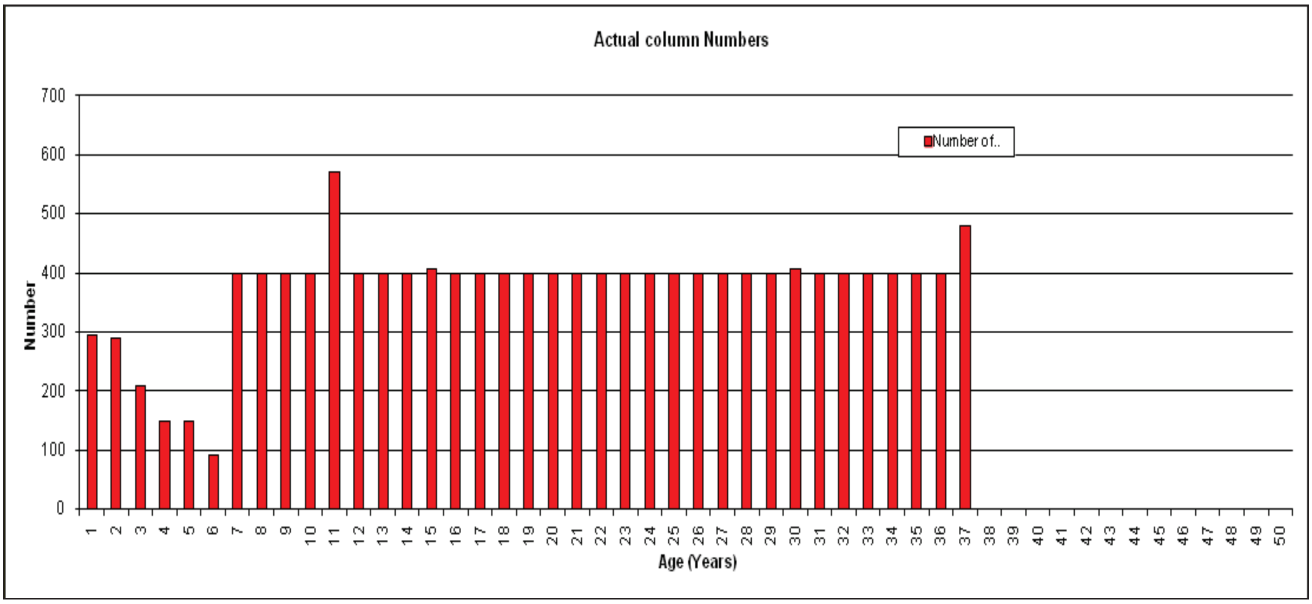


Table 5.3 below details the average expected service lives (ESL) of street lighting components.

Table 5.3 Average Expected Service Life (Years) By Material Type	
Column Type	**ESL (Years)**
Non Galvanised Steel	20
Galvanised Steel	40
Concrete	30
Aluminium	40
Stainless Steel	70
Cast Iron	100
Other (Wall Mounted Equipment)	25

5.3.1 Structural Condition

There is currently no programme of structural testing carried out on lighting columns other than a visual inspection.

5.4 Lanterns /Equipment Age and Obsolescence

Luminaires and other equipment have a finite life. They can require replacement either as a result of reaching the end of their service life or as a result of becoming obsolete/in need of replacement with more modern equipment. Luminaires and other equipment are routinely replaced discretely from the columns they are fixed to. The current lamp inventory is shown in Table 5.1 above.

5.5 Age Profile

The age profile of the lighting asset is generally unknown with many of the asset components considered to be beyond their ESL. Data on the age of components exists only for recent works within last ten years approx therefore confidence in the age profile is low.

In addition to columns and lamps a length of street lighting cable is owned by the council as shown/estimated in Table 4.1 above. The cable infrastructure is considered by officers to be well past its design life with reactive repairs to 5th core failures increasing. The 5th core cable network is owned and maintained by Scottish and Southern Electricity(SSE) and this can lead to lengthy delays in returning sections of street lighting to working order whilst SSE undertake repair. It can also entail the need for Argyll and Bute Council to install new cabling along a whole street or section, often at short notice to rectify lighting system 5th core failures.

5.6 Asset Growth

There is insufficient data available at present to determine growth statistics.

5.7 Energy Use and Cost

Increasing energy costs are a significant challenge requiring increased investment in low energy components to offset costs. This coupled with a desire to reduce carbon adds greater pressure to invest wisely in asset renewal/replacement.
The cost of energy is calculated based on the total wattage of street lamps and other illuminated signs, actual charge per unit and estimated annualised burning hours.

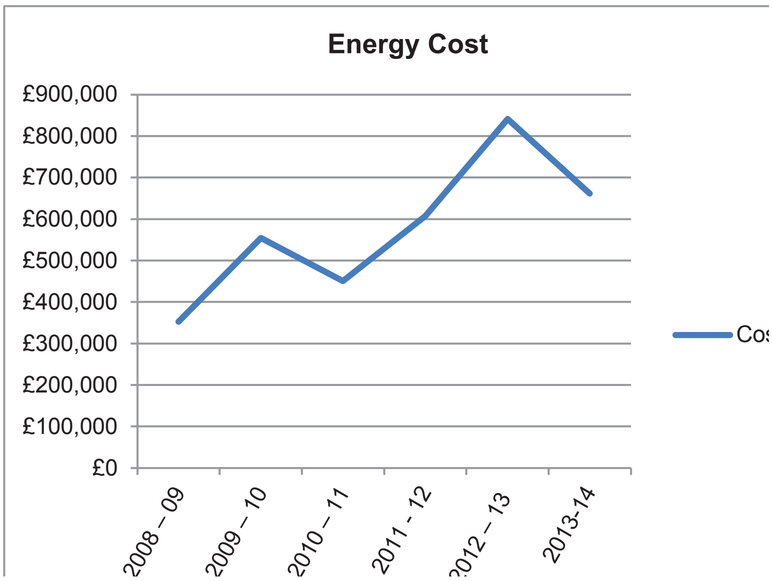
.

Table 5.7 below details historical energy costs since 2008.

Table 5.7 Street Lighting Energy Costs

Year	Cost
2008 – 09	£352,316
2009 – 10	£553,971
2010 – 11	£450,379
2011 - 12	£607,005
2012 – 13	£841,333
2013 - 14	£661,513

Data Source – Finance



Energy costs in financial 2013-14 have been reduced through the wider use of low energy lamp replacements and the renewal of energy supply contract. Energy costs still present a significant challenge and need to be closely monitored to ensure they are kept to a minimum and that investment is targeted towards reducing annual expenditure.

5.8 Performance

Basic safety is delivered via a regime of visual inspection, electrical testing and reactive repair. Statistics illustrating current performance in meeting standards for reactive repair and testing as defined by our maintenance agreement, electrical wiring regulations and the recommendations of the Institute of Lighting Professionals are shown in table 5.8 below;

	Table 5.8 Performance Indicators			
Indicator	**2010-11 results**	**2011-12 results**	**2012 – 13 Results**	**Comments**
Number/Percentage of Street lights with a valid electrical certificate	2500/18.5 %			2500/13465 columns
Number of street lighting faults	1999			
Number of Dark lamps reported	1449	1701		
Percentage of dark lamps restored to working condition within 5 days	76%	93%		
Number of 5th core cable failures requiring replacement.	52	98		Likely to increase each year due to poor cable circuitry condition which is far exceeding its design life expectancy
Average time to repair lamps	N/A	N/A		No data

5.9 Benchmarking

A benchmarking questionnaire was sent to 14 different councils across England, Scotland and Wales in December 2012 with three councils returning information as detailed in Table 5.9 below;

Table 5.9 Benchmarking

	Argyll and Bute Council	Highland Council	Devon County Council	Scottish Borders
Number of lighting units	14813	51,283	76549	
Spending street lighting (Capital and Revenue) 2011/12	Revenue: £375,000.00 Capital: £530,000.00	Revenue - £1,044,000 Capital- £500K	Revenue: £4,634,100.00 Capital: £300,000.00	Revenue: £716,298.00 Capital: £350,000.00
Actual charge per unit (electricity supplier) 2011/12	£ 12p/kwH	12P/Kwhr	£ 9p/kwH for first six months and £ 10.5p/kwH for remainder.	8.8p/kwH
Age profile of lighting columns	30% over 40 years 20% 30 - 40 years 10% 20 - 30 years 40% under 20 years	4% 16% 20% 60%	35% over 30 years 4% 25 - 30 years 7% 20 – 25 years 54% under 20 years	7% over 40 years 1.5% 30 - 40 years 43.5% 20 - 30 years 48% under 20 years
Street lighting **– the % of all street lighting repairs completed within 7 days**	95% (check pyramid)	94%	2011/12: 99.36% (5 day response)	NO DATA
Traffic light repairs **– the % of all traffic light repairs completed within 48 hours**	100%	100%	Our standard is **4 hour** response – we achieve 87%. So we probably achieve 100% in 48 hours	NOT RECORDED

5.10 Investment in Lighting

5.10.1 Historical investment

Historical investment in lighting has been as shown in the table 5.10.1 below:

Table 5.10.1 Historical investment

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Capital	£376,871	£585,647	£740,616	£729,376	£532,925	£551,264
Revenue	£1,115,590	£619,130	£623,624	£815,379	£375,416	£356,724

5.10.2 Last Year's investment

During 2013-14 the investment in the street lighting asset was as shown in table 5.10.2 below;

Table 5.10.2 Previous Years Investment 2013/14

Cost of All Maintenance Work on Street Lighting	Spend (£)	Percentage of Total Spend
Planned Maintenance (Capital)	£551k	60.6%
Reactive Repairs (Revenue)	£284k	31.2%
Routine Maintenance (Revenue)	£73k	8.2%
Total	**£908k**	**100%**

Data source – Finance, Street lighting.

* Values include for works on Traffic Signal Asset.

5.11 Output from Investment

The output from investment in during 2013-14 is detailed in Table 5.11 below;

Table 5.11 Output from Investment		
Category		**Output**
Capital	**£552k**	– Mid Argyll, Kintyre & Islands (£64k) – Oban, Lorn & Isles (£83k) – Bute & Cowal (£172k) – Lomond (£233k)
Revenue	**£357k**	
Reactive Repairs	£284k	– Mid Argyll, Kintyre & Islands (£69k) – Oban, Lorn & Isles (£39k) – Bute & Cowal (£98k) – Lomond (£78k)
Routine maintenance	£73k	– Mid Argyll, Kintyre & Islands (£21k) – Oban, Lorn & Isles (£19k) – Bute & Cowal (£19k) – Lomond (14k)
Total Investment	**£909k**	Capital + Revenue

Data source – Finance, Street lighting
Costs include for all works (cabling, columns, lanterns, trench reinstatement, site supervison etc)
Note – All measurements and costs are indicative only and should not be used for any other purpose. They are based on data available at time of this report and subject to verification.

5.12 Investment Options

An updated inventory survey is proposed. This will allow a detailed business case to be produced detailing investment opportunities and options.

5.13 Predicted Future Funding Need

Future funding needs can only be accurately predicted once an up to date asset inventory has been established. Appraisal of the current options is taking place with a view to carrying out the inventory update in 2014/15.

5.14 Maintenance/Cost Impacts

The impact on reactive maintenance costs attributed to more columns exceeding their expected service life cannot be quantified at this time. Further work needs to be undertaken to understand the relationship between street lighting asset (column) age/condition and corresponding reactive maintenance costs if these impacts are to be understood better.

5.15 Improvement Actions

The following actions are recommended to improve the accuracy of future versions of this report;

- Inventory collection to fully populate WDM database.
- Provide IT link between WDM and TOTAL to enable true unit costs to be produced.

- Improved record keeping of all maintenance works including capital replacement within WDM.
- There is merit in attempting to establish a more accurate age profile of the street lighting asset in order to facilitate using the SCOTS cost projection and energy modelling tools to predict future investment needs. This exercise would attribute an installation date based on available records or officer opinion and would allow more comprehensive reporting of the asset condition and investment needs.

5.16 Option Summary

<table>
<tr><th colspan="6">Street Lighting</th></tr>
<tr><th>No.</th><th colspan="2">Options</th><th colspan="2">Predicted Condition (SLCI)</th><th>Comment</th></tr>
<tr><th></th><th>Funding</th><th>Annual Funding</th><th>Yr1 2015</th><th>Year 20 2035</th><th></th></tr>
<tr><td rowspan="2">1</td><td rowspan="2">Assumed Steady State</td><td>Capital £960k</td><td rowspan="4">N/A</td><td rowspan="4">N/A</td><td rowspan="2">Capital Investment based on Annual Depreciation Table 5.2.1. Street Lighting Valuation.</td></tr>
<tr><td>Revenue £500k*</td></tr>
<tr><td rowspan="2">2</td><td rowspan="2">Current Funding</td><td>Capital £529k</td><td rowspan="2"></td></tr>
<tr><td>Revenue £104k</td></tr>
<tr><td></td><td colspan="5">*Note – Value is estimated
Comment – There is currently insufficient data to provide future predictions of funding need and investment options.</td></tr>
</table>

6 Structures

6.1 The Asset

The structures listed within this report relate only to structures owned and maintained by the Council which form an integral part of the carriageway asset. It does not include;

- Structures not owned or maintained by Argyll and Bute Council.
- Structures located on the Trunk road network which are maintained by Transport Scotland.
- Structures located on private roads or maintained by others
- Buildings or property

6.2 Inventory

The authority's structures asset is detailed in Table 6.2 below:

Table 6.2 Structures Assets

Type of Structure	Description	Number of Structures
Bridge	Road over Road	5
	Road over Rail	7
	Road over River single span	852
	Road over River two or more spans	53
	Footbridge	14 (see note 3)
	Total Number of Bridge Structures	**931**
Retaining Walls		Approx length 118Km or 1500 No.
Culverts		360 [see Note 2}
Other Structures		See Note 1

Notes; 1. There are other owners of structures on the network, e.g. Network Rail for which some financial liability may rest with the council. There are also a number of coastal structures.

2. Culverts of span 0.9m – 1.5m total span only. However, the database is not complete. Culverts of lesser spans are not currently recorded.
3. Some footbridges are located remotely from the road asset on unadopted footpaths. These structures may have ownership/maintenance liability to be resolved.

6.3 Growth

Inventory data is being colleced to present in future versions of this report although there is not expected to be much change year on year.

6.4 Asset Value

The Councils structures assets were valued in 2012/13 and are detailed within Table 6.4 below;

Table 6.4 Structures Asset Valuation: 2011/12			
Classification	**Gross Replacement Cost (GRC)**	**Depreciated Replacement Cost (DRC)**	**Annualised Depreciation (AD)**
Total	£685,133,500		

The Depreciated Replacement Cost (DRC) has not been calculated due to insufficient data
The Annualised Depreciation (AD) calculation has not been calculated as the methodology is still under development and review by CSS Wales.

6.5 Inspection

The inspection regime applied to the structures stock is as illustrated below:

Table 6.5 Inspections		
Performance Indicator	**APSE Ref.**	**No.**
Number of general inspections scheduled to be undertaken.	SNGIS	380
Number of general inspections undertaken on time.	SNGIU	Unavailable
The frequency of general inspections (in years)	SFGIS	2

6.6 Structural Condition: Failed Assessment/Strength

A number of structures on the network have failed structural assessment (40T). These are potentially in need of strengthening works and are detailed in Table 6.6a below;

Table 6.6a Assessment Statistics		
Performance Indicator	**APSE Ref.**	**No.**
Number of council owned / maintained bridges that failed assessment	BSBFA	24
Number of privately owned bridges within council's road network that failed assessment (passed 3t assessment)	BSPFA	3
Number of council owned / maintained bridges subject to monitoring/special inspection regimes	BSBSI	6

For some of the structures included in the statistics above a continuance of the special monitoring/special inspection regime is acceptable in the short term as shown in Table 6.6b below;

Table 6.6b Weight Restrictions		
Type of Restriction	**APSE Ref.**	**No.**
Council owned / maintained weight restricted bridges (excluding acceptable weight restriction)	NBWRB	10
Council owned / maintained height / width restricted bridges	NBHWR	1 [See Note]
Note - Ownership uncertain – to be determined		

6.7 Current Structural Condition

6.7.1 Bridge Stock Indicator

The bridge condition indicator scores for the structures stock computed using inspection results up to and including 2013/14 are detailed in Table 6.7.1 and graphically from WDM database below.

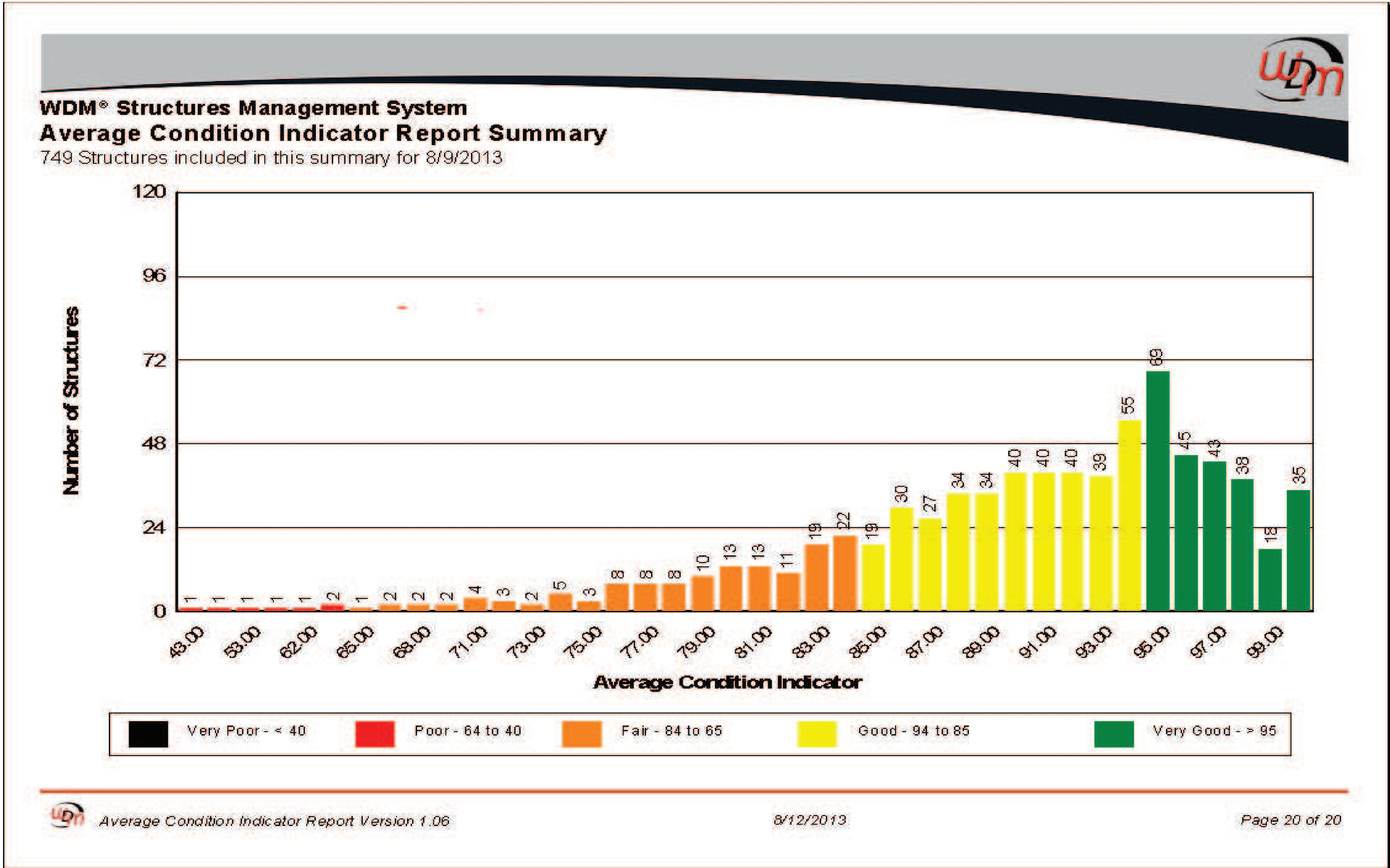
Table 6.7.1 Bridge Stock Condition Indicator				
Bridge Stock Indicator	**2010/11**	**2011/12**	**2012/13**	**2013/14**
BSCIave	N/A	92	90.75	
BSCIcrit	N/A	N/A	85.65	

- BSCIave: The bridge stock condition indicator (ave) is the numerical value of a bridge stock evaluated as an average of the bridge condition indicator values weighted by the deck area of each bridge.
- BSCIcrit: The bridge stock indictor (crit) is the numerical value of the critical condition index for the bridge stock evaluated using the BCIcrit values for each bridge.

6.8 Output from Investment

The output from investment in during 2013-14 is detailed in Table 6.8 below;

Table 6.8 Output from Investment		
Category		**Output**
Capital	**£533k**	– A83 Beachmeanach ~ Bridge Replacement – U44 Soroba Lane ~ Bridge Replacement and new footbridge – A817 Ballevoulin ~ Bridge Waterproofing/resurfacing – U25 Kilbride Bridge ~ propping. – Preliminary design work
Revenue	**£447k**	– Bridge and Retaining Wall Assessment £39,000; – Bridge Maintenance Works £163,500 – Bridge Inspections £54,000 – Abnormal Load Routing £8,000 – Management of Structures £6,500 – Planned inspections and works £176,000
Reactive Repairs	£370k	– Emergency inspections and works £370,000.
Total Investment	**£1.35m**	Capital + Revenue
Data source – Design Services		


WDM® Structures Management System
Average Condition Indicator Report Summary
749 Structures included in this summary for 8/9/2013
Number of Structures
Average Condition Indicator
Very Poor - < 40
Poor - 64 to 40
Fair - 84 to 65
Good - 94 to 85
Very Good - > 95
Average Condition Indicator Report Version 1.06
8/12/2013
Page 20 of 20

6.9 Specific Issues with Structures Stock

- There is currently insufficient data available at time of this report to detail any specific issues with structures stock.

6.10 Options

Structures						
No.	**Options**		**Predicted Condition (STCI)**		**Comment**
	Description	**Annual Funding**	**Yr1 2015**	**Year 20** 2035	
1	Current Funding 2013-14	Capital £685k Revenue £225k	N/A	N/A	
2	Assumed Steady State	Planned/Capital £1.0m*	N/A	N/A	Estimated by officers to be required to maintain stock in a reasonable condition
		Revenue £500k*			
	*Note – Figures are estimated and may be subject to change Comment – Cost projection tools are currently not sufficiently sophisticated to enable prediction of future condition and funding need based on present structures data.				

7 Traffic Signals

7.1 The Asset

The council's Traffic Signal assets are made up of:

- 6 number of junctions
- 13 number pedestrian crossings

These are detailed in Table 7.1 below;

Table 7.1 Traffic Management System Quantities

Location	Pedestrian Crossing	Controlled Junction	Poles	Signal Heads
Oban, Lorn & Isles	3	1	15	24
Helensburgh & Lomond	6	4	51	97
Cowal & Bute	0	1	8	16
Mid Argyll, Kintyre & Islay	2	0	6	14
Totals	**11**	**6**	**80**	**151**
Comment – Data is based on current available data				

7.2 Asset Value

Estimated replacement rates for the traffic signals asset are shown in Table 7.2.1 below;

Table 7.2.1 Estimated Replacement Rates

Traffic Signal (Junction) Subtypes	Estimated Replacement Cost (Equipment)	Estimated Replacement Cost (Civils)
Minor Junction		
Medium Junction	£18,000	£15,000
Major Junction		
Complex Junction		
Traffic Signal (Pedestrian Crossing) Subtypes		
Single Carriageway	£15,000	£8,000
Double Carriageway		

The Traffic Signals asset was valued using estimated rates from Table 7.2.1 in March 2014 and is detailed in Table 7.2.2 below;

Table 7.2.2 Asset Valuation

Traffic Signal Types	Quantity	Gross Replacement Cost (GRC)	Depreciated Replacement Cost (DRC)	Accumulated Consumption (AC)	Annualised Depreciation (AD)
Junctions	6	£198,000	£66,750	£131,250	£10,500
Pedestrian Crossings	11	£253,000	£148,350	£104,650	£12,650
Total	**17**	**£451,000**	**£215,100**	**£235,900**	**£23,150**

Annualised Depreciation (AD) is the average amount by which the asset will depreciate in one year if there is no investment in renewal of the asset.

7.3 Equipment Condition / Age

The average expected service lives (ESL) for traffic signal assets are detailed in table 7.3 below;

Table 7.3 Average Expected Service Life

Signal Type	Equipment	Civil Component
Junction	18	20
Pedestrian Crossing	20	20

7.4 Asset Growth

There is insufficient data available to present asset growth figures although it is generally expected to remain more or less constant unless new development requires changes to be made.

7.5 Routine and Reactive Repairs

Basic safety is delivered via a regime of visual inspection, electrical testing and reactive repair. The inspection regime, defect definition and response times used are defined in SCC Traffic Signal Maintenance Contract and meet DfT guidance.

7.6 Maintenance Backlog

The maintenance backlog has not been computed.

7.7 Investment in Traffic Signals

7.7.1 Historical investment

Historical investment in traffic signals has been as shown in Table 7.7.1 below:

Table 7.7.1 Historical Investment

Budget Head	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Capital							
Revenue	£289	Nil	£12,000	£26,607	£25,417	£32,640	£147,797

Data source – WGA / APSE returns

7.8 Previous Years Investment

During 2013-14 investment in the Traffic Signal asset was as shown in Table 7.8 below;

Table 7.8 Previous Years Investment

Cost of all Maintenance Work	Spend	Percentage of Total Spend
Planned Maintenance	£68,750	46.5%
Reactive Maintenance	£79,047	53.5%
Routine Maintenance		
Total	**£147,797**	**100%**

Data Source – WGA/APSE returns

* Note - Value to be confirmed

7.9 Output From Investment

Table 8.5 Output from Investment (2013/14)

Category		Output
Capital	**£68,750**	
Capital schemes (planned maintenance)	£68,750	NEED SCHEME DETAILS
Revenue	**£79,047**	
Reactive Repairs	£79,047	– Repairs to traffic signals

Data source – WGA

7.10 Traffic Signal Equipment Age

In general the majority of the traffic signal asset is reaching or has exceeded its Expected Service life (ESL). Each junction has been subject to various upgrades over many years and are now a conglomerate of components of varying ages with any renewals/upgrades often having being funded by new development.

7.11 Predicted Future Funding Need

Data will be collected to predict future funding need and will be used to enhance the information detailed in Table 7.2.2.

7.12 Maintenance/Cost Impacts

The impact on reactive maintenance costs attributed to more traffic signal equipment exceeding their expected service life cannot be quantified at this time. Further work will be undertaken to understand the relationship between traffic signal asset age/condition and corresponding reactive maintenance costs if these impacts are to be understood better.

7.13 Improvement Actions

The following actions are recommended to improve the accuracy of future versions of this report;

- Inventory collection to fully populate WDM database.
- Improved record keeping of maintenance works within WDM.

7.14 Options

Traffic Signals

No.	**Options**		**Predicted Condition (TSCI)**		**Comment**
	Description	**Annual Funding**	**Year1 2015**	**Year 20 2035**	
1	Assumed Steady State	Capital £23.5k	N/A	N/A	Capital investment based Annual Depreciation Table 7.2.2 Asset Valuation
2	Current Funding	Capital £180k			Capital investment for traffic Safety measures (Signing, Lines, Anti-Skid surfacing etc) not necessarily Traffic Signals
		Revenue £30k			

TSCI – Traffic Signal Condition Indicator

Comment – Funding is currently controlled via Street Lighting and Traffic and Development

8 Street Furniture

8.1 The Asset

The Street Furniture assets included in this report are;

Table 8.1 Street Furniture Assets Included		
Level 1 : Asset Type	**Level 2: Asset Group**	**Components**
Street Furniture	– Traffic Signs – Safety Fences – Pedestrian Barriers – Bollards – Grit Bins – Cattle Grids – Verge Marker Posts	Sign Poles, Clips, Base Plates, Foundations, other fixings.

The following Street Furniture assets are not included:

- Refuse Bins
- Bus Stops/Shelters
- Seating
- Gates
- Public Utility Apparatus
- Street furniture not owned or maintained by Argyll and Bute Council
- Street Furniture located on Trunk Roads
- Weather Stations

8.2 Quantities

The quantities of Street Furniture asset included are based on current inventory records which are not fully complete and are being updated as new data becomes available.

Table 8.2 Street Furniture Quantities		
Street Furniture Assets	**Quantity of Assets**	**Unit**
Traffic Signs (non-illuminated)	4950	Number
Safety Fences	59135	Length (m)
Pedestrian Barriers	857	Length (m)
Bollards	267	Number
Grit Bins	578	Number
Cattle Grids	161	Number
Verge Marker Posts	2322	Number
Weather Stations	0	Number
Total	**68131**	

8.3 Asset Growth

There is currently insufficient data available to present growth statistics for the asset.

8.4 Asset Value

The asset valuation is based on existing inventory data, estimated renewal rates and service lives. It should therefore be considered as an estimated value only.

Table 8.4 Street Furniture Valuation

Street Furniture Assets	Gross Replacement Cost	Depreciated Replacement Cost	Annualised Depreciation Cost	Total Depreciation
Traffic Signs (non-illuminated)	£1,237,500.00	£587,875.00	£61,875.00	£649,625.00
Safety Fences	£5,913,500.00	£2,513,237.50	£147,837.50	£3,400,262.50
Pedestrian Barriers	£85,700.00	£40,742.50	£2,142.50	£44,957.50
Street Name Plates	£0.00	£0.00	£0.00	£0.00
Bins	£0.00	£0.00	£0.00	£0.00
Bollards	£53,400.00	£27,180.00	£1,780.00	£26,220.00
Bus Shelters	£0.00	£0.00	£0.00	£0.00
Grit Bins	£87,800.00	£39,590.00	£4,390.00	£48,210.00
Cattle Grids	£1,610,000.00	£829,400.00	£64,400.00	£780,600.00
Gates	£0.00	£0.00	£0.00	£0.00
Trees	£0.00	£0.00	£0.00	£0.00
Seating	£0.00	£0.00	£0.00	£0.00
Verge Marker Posts	£69,660.00	£29,034.00	£4,644.00	£40,626.00
Weather Stations	£0.00	£0.00	£0.00	£0.00
Total	**£9,057,560.00**	**£4,067,059.00**	**£287,069.00**	**£4,990,501.00**

Data Source – WGA

8.5 Output from Investment

Previous year's investment in Street Furniture is detailed in Table 8.5 below;

Table 8.5 Output from Investment (2013/14)

Category		Output
Capital	**£ 0K**	
Capital schemes (planned maintenance)		
Revenue	**£168k**	
Reactive Maintenance		– Cattlegrids - £40192 – Traffic Signs - £94736 – Safety Fences - £28473 – Pedestrian Guardrails - £2587 – Street Name Plates - £1921
Total Investment	**£168k**	

Data source – R10 Road Maintenance, Road Operations Manager

8.6 Condition

At present there is no condition surveys undertaken for street furniture assets. Assets are generally repaired in response to reported defects or safety inspections with renewals at end of service life. Table 8.6 below details the estimated expected service lives of street furniture assets used to calculate Whole of Government Accounts (WGA).

Table 8.6 Street Furniture Useful Lives

Street Furniture Assets	Useful Life	Basis
Traffic Signs (non-illuminated)	20	Local Engineer Estimate
Safety Fences	40	Local Engineer Estimate
Pedestrian Barriers	40	Local Engineer Estimate
Street Name Plates	0	0
Bins	0	0
Bollards	30	Local Engineer Estimate
Bus Shelters	0	0
Grit Bins	20	Local Engineer Estimate
Cattle Grids	25	Local Engineer Estimate
Gates	0	0
Trees	0	0
Seating	0	0
Verge Marker Posts	15	Local Engineer Estimate
Weather Stations	0	0

8.7 Previous Years Investment

During 2013-14 the investment in the street furniture asset was as shown in Table 8.7 below;

Table 8.7 Previous Years Investment 2013/14

Category of Maintenance Work	Revenue Spend (£)	Capital Spend (£)	Total Spend (£)	Percentage of Total Spend
Planned Maintenance	£0	£0	£0	0%
Reactive Maintenance	£167,909	£0	£167,909	100%
Routine Maintenance	£0	£0	£0	0%
Total	**£167,909**	**£0**	**£167,909**	**100%**

Data source – R10 Road Maintenance / APSE Return / WGA

In 2013-2014 there was no investment in planned maintenance/renewal of street furniture assets. This represents an unsustainable future investment plan considering the estimated annual depreciation of £287,069 (CIPFA Transport Asset Code).

8.8 Predicted Future Funding Need

There is currently insufficient data available to predict future funding need other than Annual Depreciation as calculated for Whole of Government Accounts (WGA) as detailed in Table 8.4 above.

8.9 Improvement Actions

The following actions are recommended to improve the accuracy of street furniture asset data in future versions of this report.

- Inventory collection to fully populate database.
- Condition data to assess investment needs.
- Unit Rates for renewal/replacement based on actual service delivery.
- Improved financial and physical works records.

8.10 Options

<table>
<tr><th colspan="6">Street Furniture</th></tr>
<tr><th>No.</th><th colspan="2">Options</th><th colspan="2">Predicted Condition (SFCI)</th><th>Comment</th></tr>
<tr><th></th><th>Description</th><th>Annual Funding</th><th>Year1 2015</th><th>Year 20 2035</th><th></th></tr>
<tr><td rowspan="2">1</td><td rowspan="2">Assumed Steady State</td><td>Capital £287k</td><td rowspan="4">N/A</td><td rowspan="4">N/A</td><td rowspan="2">Capital investment based Annual Depreciation Table 8.7 Asset Valuation</td></tr>
<tr><td>Revenue not known</td></tr>
<tr><td rowspan="2">2</td><td rowspan="2">Current Funding 2015/16</td><td>Capital £0k</td><td rowspan="2">Capital investment for Traffic management (RARP)</td></tr>
<tr><td>Revenue £5k</td></tr>
<tr><td colspan="6">SFCI – Street Furniture Condition Indicator</td></tr>
</table>

9 Photographs

9.1 Road Resurfacing

These images detail typical resurfacing works being carried out as part of the Roads Reconstruction Programme.

Argyll and Bute have invested in two paving machines to increase the capability and responsiveness of the in house surfacing squads.

9.2 Road widening and visibility improvement

Improvement works being carried out to allow localised road widening and improve safety through increasing forward visibility.

9.3 Edge Strengthening and Drainage

Edge strengthening and ditching work. These works will be followed up with surface treatments in subsequent years such as surface dressing. This will seal the road surface, improve skid resistance, and prolong the life of the asset through planned and proportionate works.

9.4 Winter Maintenance

9.5 Street lighting

Replacement LED street lighting installed in Kilkerran Road Campbeltown. Works consisted of installing new columns, LED lanterns and new ducting and cabling.

9.6 Structures

New Bridge constructed on A83 just north of Muasdale in Kintyre in July/August 2013

Performance Review and Scrutiny Committee Workplan 2014-15

February 2015: This is an outline plan to facilitate forward planning of reports to the Performance Review and Scrutiny Committee

Committee Date	Report Description	Lead Service	Regularity of occurrence/ consideration	Date for Reports to Committee Services	Additional Comment
26 Feb 2015					
	Attendance Management	Improvement & HR	Quarterly Report	17 February 2015	
	Scrutiny of Police Scotland	Improvement & HR/Police	Quarterly Report	17 February 2015	Local Policing Plan Performance
	Scrutiny of Scottish Fire and Rescue	Improvement & HR/Fire	Quarterly Report	17 February 2015	Local Fire Plan Performance
	Quarterly performance reports and scorecards	Chief Executive/ Improvement & HR	Quarterly Report	17 February 2015	
	Strategic Risk Register	Strategic Finance	6 monthly Report	17 February 2015	
	Corporate Improvement Programme	Customer Services	Quarterly Report	17 February 2015	
	Treasury Management monitoring report	Strategic Finance	Quarterly Report	17 February 2015	
	Treasury Management Strategy and Annual Investment Strategy	Strategic Finance	Annual Report	17 February 2015	
	Local Government Benchmarking Framework (LGBF)	Improvement & HR		17 February 2015	Corporate Services; Customer Satisfaction
	Planning and Performance Management Framework - Revision	Customer Services		17 February 2015	

	Capital Roads Reconstruction Programme 2014/15 & Road Annual Status & Options Report (ASOR)	Development and Infrastructure Services		17 February 2015	
28 May 2015					
	Attendance Management	Improvement & HR	Annual Report	19 May 2015	
	Scrutiny of Police Scotland -	Improvement & HR/Police	Quarterly Report	19 May 2015	Local Policing Plan performance
	Police Scotland	Improvement & HR/Police	Annual Report	19 May 2015	Local Policing Plan 2015 - 18
	Scrutiny of Scottish Fire and Rescue	Improvement & HR/Fire	Annual Report	19 May 2015	Local Fire Plan performance
	Scottish Fire and Rescue	Improvement & HR/Fire	Annual Report	19 May 2015	Local Fire and Rescue Plan 2015 - 18
	Quarterly performance reports and scorecards	Chief Executive/ Improvement & HR	Quarterly Report	19 May 2015	
	Corporate Improvement Programme	Customer Services	Quarterly Report	19 May 2015	
	Treasury Management monitoring report	Strategic Finance	Quarterly Report	19 May 2015	
	Local Government Benchmarking Framework (LGBF)	Improvement & HR		19 May 2015	Full 4-year dataset; Family Group ranking
	Health and Social Care Integration	Community Services		19 May 2015	
27 August 2015					
	Attendance Management	Improvement & HR	Quarterly Report	18 August 2015	
	Scrutiny of Police Scotland	Improvement & HR/ Police	Annual Report	18 August 2015	Local Policing Plan performance
	Scrutiny of Scottish Fire and Rescue	Improvement & HR/Fire	Quarterly Report	18 August 2015	Local Fire Plan performance
	Quarterly performance reports and scorecard	Chief Executive/ Improvement & HR	Annual Reporting	18 August 2015	
	Strategic Risk Register	Strategic Finance	6 monthly Report	18 August 2015	

	Corporate Improvement Programme	Customer Services	Quarterly Report	18 August 2015	
	Treasury Management monitoring report	Strategic Finance	Quarterly Report	18 August 2015	
	Council Annual Report		Annual	18 August 2015	
	SOA Annual Report		Annual	18 August 2015	
	Service Annual Performance Reviews		Annual	18 August 2015	
	Alcohol and Drugs Partnership update	Community Services		18 August 2015	
	Local Government Benchmarking Framework (LGBF)	Improvement & HR/ Community Services		18 August 2015	Children's Services; Social Work; Family Groups
19 November 2015					
	Attendance Management	Improvement & HR	Quarterly Report	10 November 2015	
	Scrutiny of Police Scotland	Improvement & HR/Police	Quarterly Report	10 November 2015	Local Policing Plan performance
	Scrutiny of Scottish Fire and Rescue	Improvement & HR/Fire	Quarterly Report	10 November 2015	Local Fire Plan performance
	Quarterly performance reports and scorecards	Chief Executive/ Improvement & HR	Quarterly Report	10 November 2015	
	Corporate Improvement Programme	Improvement & HR	Quarterly Report	10 November 2015	
	Treasury Management monitoring report	Strategic Finance	Quarterly Report	10 November 2015	
Future Items					
	Single Outcome Agreement (SOA)				
	National Audit Report areas for scrutiny				

This page is intentionally left blank