

**EXECUTIVE SUMMARY AND INTRODUCTORY REPORT - FINANCIAL REPORT MONITORING PACK – JANUARY 2015**

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**1. INTRODUCTION**

- 1.1 This report introduces the full package of papers included in the financial reports monitoring pack. There are six reports included within the financial reports monitoring pack as follows:
- Revenue Budget Monitoring Report as at 31 January 2015
  - Monitoring of 1% Savings for 2014-15 and 2015-16
  - Monitoring of Financial Risks
  - Reserves and Balances
  - Capital Plan Monitoring Report as at 31 January 2015
  - Treasury Monitoring Report as at 31 January 2015
- 1.2 Revenue Budget Monitoring Report – this report provides a summary of the current revenue budget monitoring position to ensure net expenditure is contained within budget. It provides corporate and departmental information with comparisons on a forecast outturn and a year to date basis. The projected year end outturn at 31 January 2015 is an overall underspend of £0.841m. The Council agreed at the Council meeting on 12 February to approve a three year funding provision of £70,000 to Advice Services and this was to be funded from the underspend in 2014-15. The revised underspend is therefore, £0.771m. There are overspends in respect of adult care, refuse collection and coastal protection works, shortfall in car parking income, unrecoverable costs for dangerous buildings, winter maintenance, additional holiday pay costs and severance. These overspends are offset by savings within school and public transport, a significant saving in respect of utility costs, an underspend within early years, over recovery of vacancy savings, increased Council Tax income due to increased collections in older years.
- 1.3 Monitoring of 1% Savings for 2014-15 and 2015-16 – this report provides a summary of the progress towards the savings target for 2014-15 and 2015-16. The budget savings required for 2014-15 based on 1% savings are £1.822m all savings have been secured with no policy implications. Services have now identified savings for 2015-16. £2.312mm (63.5%) of savings options for 2015-16 are already secured or being implemented. The remaining £1.332m (36.5%) are being developed. £1.032m of the savings options being developed have no policy implications. One saving option has policy implications (saving ref EDUC07).
- 1.4 Monitoring of Financial Risks - this report outlines the process and approach developed in carrying out a financial risks analysis and provides

an update on the current assessment of financial risks. Whilst a total of 58 financial risk areas have been identified only 10 are classed as likely with a potential impact of £2.561m. These will continue to be monitored and action taken to mitigate or manage these risks.

- 1.5 Reserves and Balances – this report summarises the overall level of reserves and balances and monitors the spending of the earmarked reserves. The Council has usable reserves of £48.526m. Most of these are earmarked for specific purposes. The General Fund contingency level remains at 1.5% of net expenditure. There is currently an estimated surplus over contingency of £10.380m and this is being directed towards the delivery of the Single Outcome Agreement.
- 1.6 Capital Plan Monitoring Report – this report provides a summary of the current capital plan monitoring position. Information is provided in terms of monitoring year to date budget, current full year budget, future years total budget and funding and non-financial in terms of project performance. Year to date expenditure is ahead of budget by £2.561m. The forecast outturn for the year is additional expenditure of £2.533m as a result of additional income and funding transferred from leasing. There are 5 projects classed as off track.
- 1.7 Treasury Monitoring – this report provides information on the current levels and recent transactions in relation to the capital financing limit, total borrowing, temporary borrowing and long term borrowing and investments. There have been no significant new borrowings or repayments in the period to January. Borrowing is estimated to be around £22.3m below the capital financing requirement by 31 March 2015. Investments at 31 January were £54.0m with a return for the last quarter of 0.666% compared to the average 7 day rate of 0.354%.

## **2. RECOMMENDATIONS**

- 2.1 Members to note the revenue budget monitoring report as at 31 January 2015
- 2.2 Members to note the progress towards the 1% savings target for 2014-15 and 2015-16 and to approve the policy option referenced EDUC07.
- 2.3 Members to note the current assessment of the Council's financial risks.
- 2.4 Members to note the overall level of reserves and balances and note the monitoring of the earmarked reserves. Members to note the change in profiles as noted in paragraphs 3.3.6 to 3.3.11 in the reserves and balances report.
- 2.5 Members to note the capital plan monitoring report as at 31 January 2015
- 2.6 Members to note the treasury monitoring report as at 31 January 2015.

### **3. IMPLICATIONS**

- |     |                    |  |
|-----|--------------------|--|
| 3.1 | Policy –           | None.  |
| 3.2 | Financial -        | Outlines the revenue and capital monitoring for 2014-15 as at 31 January 2015.<br>Good progress is being made in respect of the 1% savings target. |
| 3.3 | Legal -            | None.  |
| 3.4 | HR -               | Individual savings may have human resource implications and these would have been discussed with the Trade Unions.                                 |
| 3.5 | Equalities -       | Individual savings may have equality implications and equality impact assessments would have been carried out where required.                      |
| 3.6 | Risk -             | Details of financial risks are included within the report.   |
| 3.7 | Customer Service - | None.  |

**Steve Barrett**  
**Interim Head of Strategic Finance**  
**17 February 2015**



**Overall Position:**

- The current forecast outturn position is a projected underspend of £841k, the previously reported position in the December period was a projected overspend of £202k, reflecting a £639k increase to the previously reported underspend. Of this underspend £70k was approved to be earmarked at the Council budget meeting in February 2015 to support advice centres over the next 3 years. Therefore the adjusted projected underspend position is an underspend of £771k.
- There is a year to date deficit of £130k with the profiled Year to Date budget being less than the Year to Date expenditure.

**Key Highlights for January 2015:**

- In the January period the adjusted projected year-end outturn position is an underspend of £771k, this position will be monitored and any changes reported through monthly budget monitoring.
- The year to date variance has decreased from a year to date deficit of £981k in December to a year to date deficit of £130k in December, further information on year to date variances is included in the departmental financial summaries.

**Key Financial Successes:**

Departmental expenditure for 2013-14 was kept within budget, with an underspend of £0.842m for controllable spend across departments. The General Fund balance decreased by £2.097m in 2013-14, this is a reduction to the forecast position and includes £10.427m of revenue expenditure funded from the General Fund during 2013-14. This is despite having significant challenges to meet with implementing savings. Departments are on track to meet the savings target for 2014-15 and have developed plans to meet 2015-16 targets.

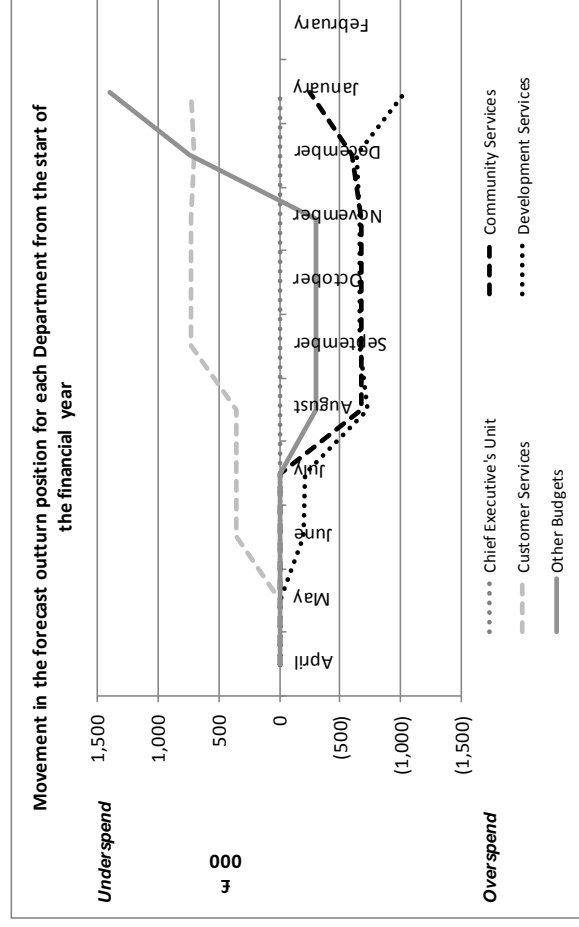
**Key Financial Challenges:**

Maintaining favourable year-end balanced position in light of council wide risks to expenditure.	<b>Proposed Actions to address Financial Challenges:</b> Ongoing robust monitoring of the financial position to ensure that any budget issues are fed back to the management team and members through the budget monitoring process.
Ongoing requirement to identify savings and the challenges services are faced with in terms of delivering services more efficiently with less resources.	Continually refine/develop systems to accurately calculate forecast outturns and the future financial outlook.
Maintaining or improving the level of service income recovered, for example planning, building standards and car parking.	Actively monitor income recovery as part of routine budget monitoring and ensure Council fees and charges policies are reviewed.
Spend in service areas which are demand led and to some extent outwith service control, for example Winter Maintenance.	Use risk based approach to budget monitoring to focus additional attention to these areas, ensuring any financial implications are reported as soon as possible.
Ongoing requirement to fund unavoidable increases in employee costs, particularly in relation to pay awards, holiday pay entitlements, disturbance payments and changes in rules around pension and national insurance contributions.	Ongoing work with HR to ensure emerging issues are highlighted as soon as possible so that the financial impact can be reported through the budget monitoring and preparation processes.

## Forecast Outturn Position

As at the end of January 2015 the forecast outturn position is a projected underspend of £841k.

Current Forecast Outturn Variance with change from previous month						
Department	Annual Budget £'000	Forecast Outturn £'000	Current Forecast Variance £'000	Previous Forecast Variance £'000	Change £'000	Explanation
Chief Executive's Unit	2,118	2,118	0	0	0	Forecast overspend within Community Services relates to an overspend within Adult Care as a result of increasing demand and holiday pay costs across services, these are partly offset by a forecast underspend in early years for the expansion of pre school provision. Forecast underspend in Customer Services is mainly in relation to School and Public Transport in addition to over recovery of vacancy savings, other staff savings and savings in Pool Cars and external cleaning and catering contracts. Forecast overspend in Development and Infrastructure relates to remaining unplanned expenditure within Coastal Protection, a shortfall in commercial refuse collection income and car park income, increased costs of Glasgow Scientific Services, holiday pay costs and Winter Maintenance costs all partly offset by increased planning fee and private landlord registration income and an over-recovery of vacancy savings. The forecast underspend in other corporate budgets is in relation to the expected outturn for utility costs across all services, this is a result of lower than expected inflationary increases to costs and the review of utility fund balances held in provisions. In addition there is an expected increase in Council Tax income collections of £500k, mainly in relation to higher collection of previous year billing. Partly offsetting this is an expected overspend of £362k in relation to redundancy and severance costs, no provision was made in the 2014-15 budget to cover these costs.
Community Services	138,658	138,905	(247)	(605)	358	
Customer Services	39,386	38,653	733	703	30	
Development and Infrastructure Services	30,970	32,008	(1,038)	(632)	(406)	
Other Corporate Budgets	37,994	37,101	1,393	736	657	
<b>Total</b>	<b>249,126</b>	<b>248,785</b>	<b>841</b>	<b>202</b>	<b>639</b>	

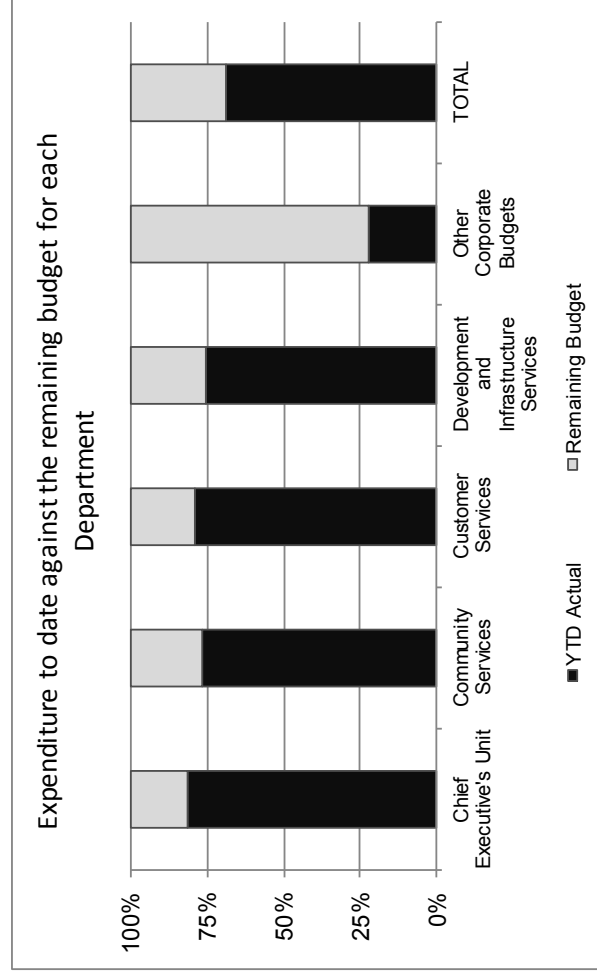


Further information on the departmental forecast outturn variances is included within the attached appendices.

## Year to Date Position

As at the end of January 2015 there is a year to date deficit of £130k. The year to date position is not necessarily an indication of the likely year-end position.

The current year to date variance position for each Department:				
Department	YTD Budget £'000	YTD Actual Spend £'000	YTD Variance £'000	Explanation
Chief Executive's Unit	1,749	1,725	24	Outwith reporting criteria
Community Services	106,303	106,343	(40)	Outwith reporting criteria
Customer Services	32,156	31,279	877	YTD underspend is mainly due to the year to date underspend on the NPDO contract and School and Public Transport. The School and Public Transport underspend is in line with the forecast outturn position.
Development and Infrastructure Services	22,633	23,409	(776)	YTD overspend position is in line with forecast overspend position for the year end.
Other Corporate Budgets	8,344	8,559	(215)	YTD overspend relates mainly to Agency Accounts held by Development and Infrastructure. These accounts are set up to administer projects that are fully funded by way of grants and contributions and no budgets are created for these.
<b>Total Net Expenditure</b>	<b>171,185</b>	<b>171,315</b>	<b>(130)</b>	



Further information on the departmental year to date variances is included within the attached appendices.

## OBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AT 31 JANUARY 2015

	YEAR TO DATE POSITION				CURRENT PROJECTED FINAL OUTTURN			
	YTD Budget £'000	YTD Actual £'000	YTD Variance £'000	Variance %	Annual Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Variance %
<b><u>Departmental Budgets</u></b>								
Chief Executives	1,749	1,725	24	1.37%	2,118	2,118	0	0.00%
Community Services	106,303	106,343	(40)	(0.04%)	138,658	138,905	(247)	(0.18%)
Customer Services	32,156	31,279	877	2.73%	39,386	38,653	733	1.86%
Development and Infrastructure Services	22,633	23,409	(776)	(3.43%)	30,970	32,008	(1,038)	(3.35%)
<b>Total Departmental Budgets</b>	<b>162,841</b>	<b>162,756</b>	<b>85</b>	<b>0.05%</b>	<b>211,132</b>	<b>211,684</b>	<b>(552)</b>	<b>(0.26%)</b>
<b><u>Non-Departmental Budgets</u></b>								
Other Operating Income and Expenditure	2,749	3,064	(315)	(11.46%)	4,216	3,323	893	21.18%
Joint Boards	1,146	1,010	136	11.87%	1,376	1,376	0	0.00%
Non-Controllable Costs	4,449	4,485	(36)	100.00%	32,402	32,402	0	0.00%
<b>Total Non-Departmental Budgets</b>	<b>8,344</b>	<b>8,559</b>	<b>(215)</b>	<b>(2.58%)</b>	<b>37,994</b>	<b>37,101</b>	<b>893</b>	<b>2.35%</b>
<b>TOTAL NET EXPENDITURE</b>	<b>171,185</b>	<b>171,315</b>	<b>(130)</b>	<b>(0.08%)</b>	<b>249,126</b>	<b>248,785</b>	<b>341</b>	<b>0.14%</b>
<b><u>Financed By</u></b>								
Aggregate External Finance	(147,590)	(147,590)	0	0.00%	(206,005)	(206,005)	0	0.00%
Local Tax Requirement	(42,181)	(42,181)	0	0.00%	(40,562)	(41,062)	500	(1.23%)
Contributions to General Fund	0	0	0	0.00%	1,020	1,020	0	0.00%
Deductions from General Fund	0	0	0	0.00%	(15)	(15)	0	0.00%
Revenue Contribution to Capital	0	0	0	0.00%	869	869	0	0.00%
Earmarked Reserves	0	0	0	0.00%	(4,433)	(4,433)	0	0.00%
<b>Total Funding</b>	<b>(189,771)</b>	<b>(189,771)</b>	<b>0</b>	<b>0.00%</b>	<b>(249,126)</b>	<b>(249,626)</b>	<b>500</b>	<b>(0.20%)</b>
<b>Deficit/(Surplus) for Period</b>	<b>(18,586)</b>	<b>(18,456)</b>	<b>(130)</b>		<b>0</b>	<b>(841)</b>	<b>841</b>	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far. Forecast Outturn is the estimate now of what expenditure or income will be for the whole of the financial year. The Variance is the difference between budget and actual or forecast outturn. A positive variance is when actual or forecast expenditure is less than budget or actual or forecast income is more than budget. A negative variance is shown in brackets and is when actual or forecast expenditure is more than budget or forecast income is less than budget. An explanation is given for any variance which exceeds £50,000 or 10%.



## SUBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AT 31 JANUARY 2015

	YEAR TO DATE POSITION			CURRENT PROJECTED FINAL OUTTURN				
	YTD Budget £'000	YTD Actual £'000	YTD Variance £'000	Variance %	Annual Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Variance %
<b>Subjective Category</b>								
Employee Expenses	106,166	107,355	(1,189)	(1.12%)	133,602	133,940	(338)	(0.25%)
Premises Related Expenditure	12,248	11,974	274	2.24%	16,967	15,622	1,345	7.93%
Supplies and Services	15,543	15,407	136	0.87%	24,207	24,246	(39)	(0.16%)
Transport Related Expenditure	10,961	11,208	(247)	(2.25%)	21,126	21,373	(247)	(1.17%)
Third Party Payments	102,005	103,438	(1,433)	(1.40%)	129,428	129,666	(238)	(0.18%)
Capital Financing	0	(1,675)	1,675	0.00%	27,950	27,950	0	0.00%
<b>TOTAL NET EXPENDITURE</b>	<b>246,923</b>	<b>247,707</b>	<b>-784</b>	<b>(0.32%)</b>	<b>353,280</b>	<b>352,796</b>	<b>483</b>	<b>0.14%</b>
Income	265,509	266,163	-654	(0.25%)	353,280	353,637	(358)	(0.10%)
<b>Deficit/(Surplus) for Period</b>	<b>(18,586)</b>	<b>(18,456)</b>	<b>(130)</b>		<b>0</b>	<b>(841)</b>	<b>841</b>	

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

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

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

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

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

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

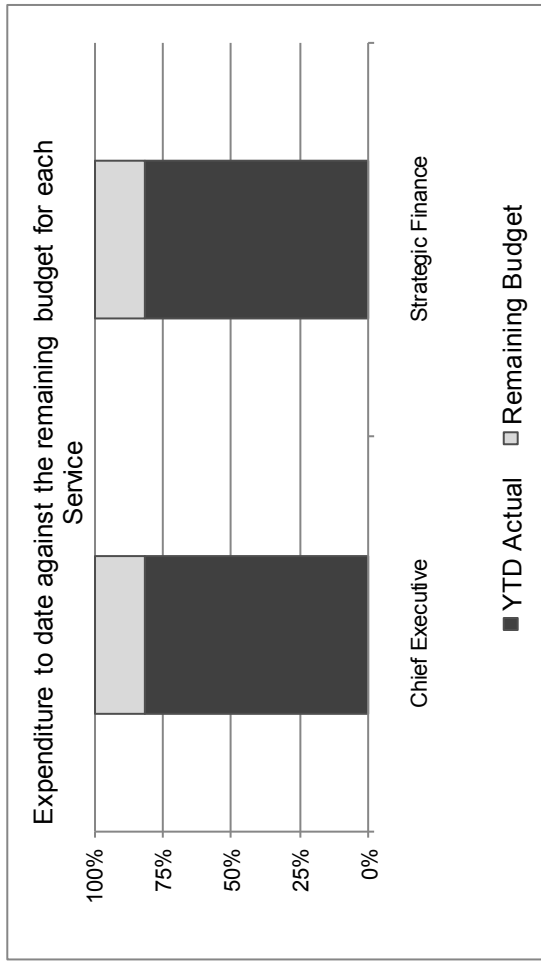
## CHIEF EXECUTIVE'S UNIT HIGHLIGHTS – JANUARY 2015

- The department are currently forecasting spend for 2014-15 to be in line with budget, therefore no forecast variance outturns have been reported in the January monitoring period.
- Net expenditure for the year to date spend is £24k less than the profiled to date budget – an underspend to date of 1.37%

### Forecast Outturn Position

Service	Current Forecast Outturn Variance with change from previous month				
	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Chief Executive	246	246	0	0	0
Strategic Finance	1,871	1,871	0	0	0
<b>Totals</b>	<b>2,118</b>	<b>2,118</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Year to Date Position



### Key Financial Successes:

2013-14 year-end outturn position was an underspend of £97k, a forecast underspend was projected as part of routine budget monitoring. All savings for 2014-15 have been secured and plans are in place to achieve the 2015-16 savings.

### Key Financial Challenges:

Achieving efficiency and other savings in future years. The department consists of support services, the main assets and costs of a support service are people or employees. The continued requirement to meet savings means that the only area where budget can be cut is from employee costs. Services could face losing posts with no reduction in demand for support from client departments.

### Proposed Actions to address Financial Challenges:

Ongoing robust monitoring to ensure financial issues are promptly highlighted to the service management team. Continually refine/develop staffing structures and systems. Strategic Finance are currently reviewing different areas of business to ensure work is prioritised in line with Council priorities and that tasks are carried out in the most efficient way.

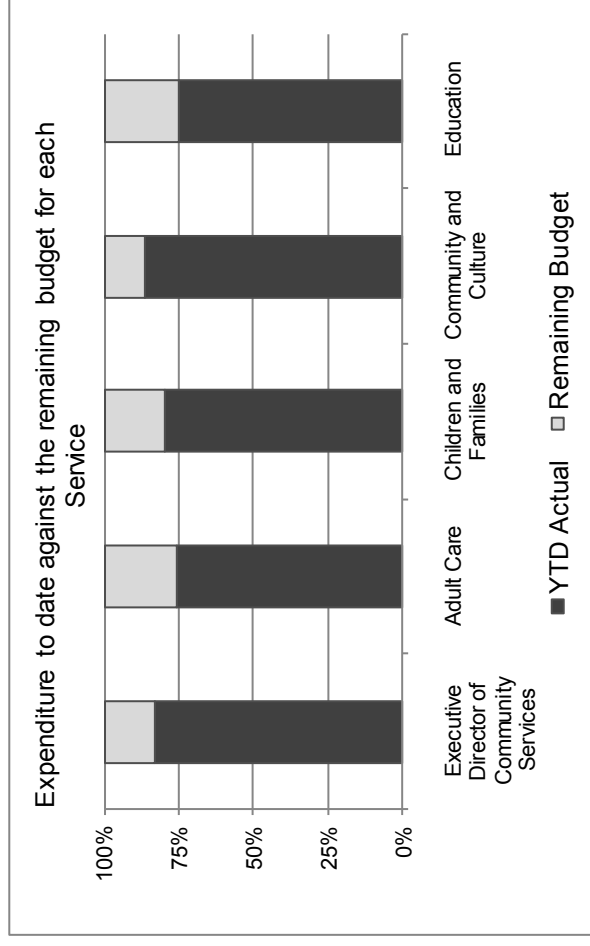
## COMMUNITY SERVICES HIGHLIGHTS – JANUARY 2015

- The department are forecasting an overspend of £247k at the January 2015 monitoring period, there are overspends in Adult Care in relation to demand for services and holiday pay costs, these are partly offset by a forecast underspend in early years.
- Net expenditure for the year to date spend is £40k more than the profiled to date budget – an overspend to date of 0.04%

### Forecast Outturn Position

Service	Current Forecast Outturn Variance with change from previous month				
	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Executive Director of Community Services	618	758	(139)	(139)	(0)
Adult Care	43,521	43,751	(230)	(473)	243
Children and Families	17,118	16,997	122	94	28
Community and Culture	11,515	11,515	0	(87)	87
Education	65,763	65,763	0	0	0
<b>Totals</b>	<b>138,536</b>	<b>138,783</b>	<b>(247)</b>	<b>(605)</b>	<b>358</b>

### Year to Date Position



#### Key Financial Successes:

The 2013-14 budget outturn was only 0.2% of the total £138,391k budget.

#### Key Financial Challenges:

Client growth /Service demand/rising third party costs have an adverse impact on available budgets (Adult Care, Children and Families, Education)  
 Department / Service on-going ability to meet future savings / efficiency requirements  
 Assessing / managing the financial impact of new acts /consultations (Self-Directed Support, Children and Young People Act)

#### Proposed Actions to address Financial Challenges:

Ongoing robust financial monitoring and forecasting and the provision of supporting management information to complement financial summaries.  
 Service prioritisation / redesign  
 Review / participation in consultation process. Identify potential cost pressures

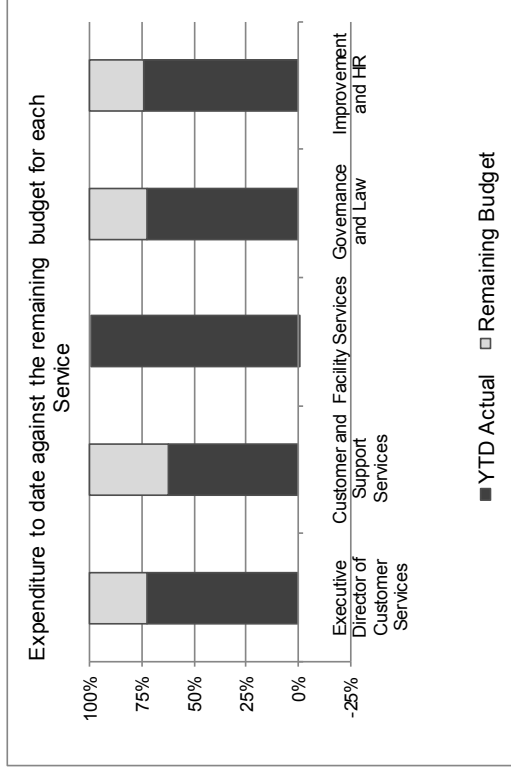
## CUSTOMER SERVICES HIGHLIGHTS – JANUARY 2015

- The department are forecasting an underspend of £733k at the January 2015 monitoring period, this is mainly in relation to School and Public Transport in addition to over recovery of vacancy savings, other staff savings and savings in Pool Cars and external catering and cleaning contracts. The underspend is offset by a small overspend within Elections.
- Net expenditure for the year to date spend is £877k less than the profiled to date budget – an underspend to date of 2.73%.

### Forecast Outturn Position

Service	Current Forecast Outturn Variance with change from previous month				Change £000
	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	
Executive Director of Customer Services	13,598	13,436	162	162	(0)
Customer and Support Services	8,002	8,002	0	0	0
Facility Services	12,274	11,726	548	517	31
Governance and Law	1,898	1,874	24	24	0
Improvement and HR	3,616	3,616	0	0	0
<b>Totals</b>	<b>39,386</b>	<b>38,653</b>	<b>733</b>	<b>703</b>	<b>30</b>

### Year to Date Position



### Key Financial Successes:

Department delivered services within budget during 2013-14 with a favourable year-end outturn position. Savings for 2014-15 have been successfully removed from service budgets with no policy implications.

### Key Financial Challenges:

Implementing Scottish Government plans to provide free school meals to P1 to P3 children from January 2015.

Impact of Welfare reforms.

Securing efficiency savings for 2015-16, this will be more difficult as a result of inflationary cost pressures and the already secured 2014-15 efficiency savings.

Impact of numbers/uptake in demand let service areas like transport, benefits and licensing.

### Proposed Actions to address Financial Challenges:

Notification has been received from the Scottish Government of the additional revenue funding allocation. Strategy being developed to minimise the additional cost to the Council to reduce the funding gap for 2014-15 and to update cost estimates for future years.

Input ongoing to multi agency working group to ensure robust arrangements are put in place.

Ongoing robust financial monitoring and joint working between Strategic Finance and services to identify possible services areas for savings as early as possible.

Continually refine/develop systems to accurately calculate forecast outturns and the impact on the future financial outlook.

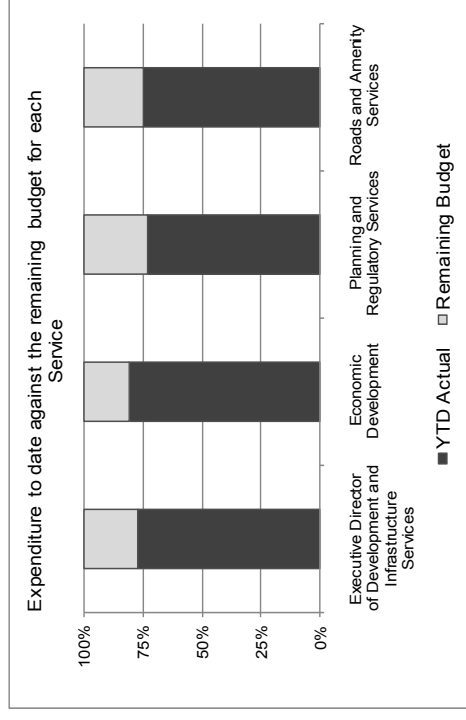
## DEVELOPMENT AND INFRASTRUCTURE SERVICES HIGHLIGHTS – JANUARY 2014

- The department are forecasting an overspend of £1,038k at the January 2015 monitoring period. In Roads and Amenity Services for coastal protection, winter maintenance, refuse collection income and car park income and the increased cost of Glasgow Scientific Services, partly offset by increased planning fee and private landlord registration income.
- Net expenditure for the year to date spend is £776k more than the profiled to date budget – an overspend to date of 3.43%.

### Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Executive Director of Development and Infrastructure Services	1,701	1,815	(114)	(114)	(0)
Economic Development	3,080	3,045	34	34	0
Planning and Regulatory Services	3,231	3,177	54	54	0
Roads and Amenity Services	22,904	23,917	(1,013)	(606)	(407)
<b>Totals</b>	<b>30,916</b>	<b>31,955</b>	<b>(1,038)</b>	<b>(632)</b>	<b>(406)</b>

### Year to Date Position



### Key Financial Successes:

During 2013-14 there was an over-recovery of vacancy savings that assisted to reduce the overall departmental overspend on winter maintenance and storm damage.

### Key Financial Challenges:

Department / Service ongoing ability to meet future savings / efficiency requirements.

Projected shortfall in income within commercial refuse collection, car parking and building standards.

Dangerous buildings, there is no budget for this expenditure and the council have no control over the demand for the service.

Delayed introduction of co-mingled alternative weekly recycling collections within the Waste PPP project will lead to a shortfall in delivery of service review savings.

Renegotiations of shellfish bio-toxin monitoring contract with Food Standards Agency, risk that the income will not meet expenditure.

### Proposed Actions to address Financial Challenges:

Monitoring of trend / expenditure levels / service configuration and the Service Prioritisation process.

Close monitoring of income levels to ensure that any further shortfall in income recovery is reported.

Building Standards, Legal Services and Strategic Finance are working closely to manage debt recovery and to consider other options to minimise corporate risk exposure.

Contractual negotiations with Shanks and the introduction of a co-mingled collection supported by the Special Projects Team.

Ongoing contract negotiations.

## CHIEF EXECUTIVE'S UNIT – OBJECTIVE SUMMARY AS AT 31 JANUARY 2015

Service Outcome	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Central/Management Costs	£191,150	£200,621	(£9,471)	(4.95%)	£246,243	£246,243	£0	0.00%	Outwith reporting criteria
<b>Chief Executive</b>	<b>£191,150</b>	<b>£200,621</b>	<b>(£9,471)</b>	<b>(4.95%)</b>	<b>£246,243</b>	<b>£246,243</b>	<b>£0</b>	<b>0.00%</b>	
SF01 - Council Finances Managed Effectively	£1,349,724	£1,316,071	£33,653	2.49%	£1,605,026	£1,605,026	£0	0.00%	Outwith reporting criteria
SF02 - Internal Audit	£208,068	£208,340	(£272)	(0.13%)	£266,455	£266,455	£0	0.00%	
<b>Strategic Finance</b>	<b>£1,557,792</b>	<b>£1,524,410</b>	<b>£33,382</b>	<b>2.14%</b>	<b>£1,871,481</b>	<b>£1,871,481</b>	<b>£0</b>	<b>0.00%</b>	
<b>Grand Total</b>	<b>£1,748,942</b>	<b>£1,725,031</b>	<b>£23,911</b>	<b>1.37%</b>	<b>£2,117,724</b>	<b>£2,117,724</b>	<b>£0</b>	<b>0.00%</b>	

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

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

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

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

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

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



## CHIEF EXECUTIVE'S UNIT – SUBJECTIVE SUMMARY AS AT 31 JANUARY 2015

Subjective Category	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Employee	£1,678,791	£1,649,461	£29,330	1.75%	£2,134,591	£2,134,591	£0	0.00%	Outwith reporting criteria
Premises	£290	£0	£290	100.00%	£350	£350	£0	0.00%	YTD underspend due to profiling of budget, very small budget value not a significant variance.
Supplies & Services	£37,831	£44,344	(£6,513)	(17.22%)	£44,087	£44,087	£0	0.00%	YTD overspend due to profiling of budget, very small budget value not a significant variance.
Transport	£17,180	£12,352	£4,828	28.10%	£20,909	£20,909	£0	0.00%	YTD underspend in staff travel in Strategic Finance, due to profiling of budget, it is difficult to profile staff travel budgets accurately.
Third Party	£14,850	£18,874	(£4,024)	(27.09%)	£24,957	£24,957	£0	0.00%	YTD overspend due to budget profiling with costs being incurred sooner than expected.
Income	£0	£0	£0	0.00%	(£107,170)	(£107,170)	£0	0.00%	Outwith reporting criteria
<b>Totals</b>	<b>£1,748,942</b>	<b>£1,725,031</b>	<b>£23,911</b>	<b>1.37%</b>	<b>£2,117,724</b>	<b>£2,117,724</b>	<b>£0</b>	<b>0.00%</b>	

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

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

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

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

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

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

**CHIEF EXECUTIVE'S UNIT – RED VARIANCES**

Service Area	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation

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

**THERE ARE CURRENTLY NO FORECAST OUTTURN VARIANCES FOR THE DEPARTMENT, AND THEREFORE NO RED VARIANCES TO REPORT.**



## COMMUNITY SERVICES – OBJECTIVE SUMMARY AS AT 31 JANUARY 2015

Service Outcome	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Central/Management Costs	£576,453	£511,948	£64,505	11.19%	£618,391	£757,726	(£139,335)	(22.53%)	The YTD underspend is mainly due to profiling issues on Central Repairs budgets.
<b>Executive Director of Community Services</b>	<b>£576,453</b>	<b>£511,948</b>	<b>£64,505</b>	<b>11.19%</b>	<b>£618,391</b>	<b>£757,726</b>	<b>(£139,335)</b>	<b>(22.53%)</b>	
AC1 - Community Support	£31,577,345	£32,028,450	(£451,105)	(1.43%)	£42,264,323	£42,493,982	(£229,659)	(0.54%)	The YTD and forecast overspends reflect the extremely high demand for adult care services in the first part of the year due to the growth in the number of service users and the increasing complexity of new packages.
AC2 - Vulnerable Adults	£78,013	£70,997	£7,016	8.99%	£93,641	£93,641	£0	0.00%	
AC3 - Alcohol and Drugs	£321,375	£282,406	£38,969	12.13%	£426,990	£426,990	£0	0.00%	
Central/Management Costs	£571,264	£591,612	(£20,348)	(3.56%)	£736,306	£736,306	£0	0.00%	
<b>Adult Care</b>	<b>£32,547,997</b>	<b>£32,973,465</b>	<b>(£425,468)</b>	<b>(1.31%)</b>	<b>£43,521,259</b>	<b>£43,750,918</b>	<b>(£229,659)</b>	<b>(0.53%)</b>	
CF1 - Looked-after Children	£4,838,620	£5,029,288	(£190,668)	(3.94%)	£5,986,930	£5,986,930	£0	0.00%	The YTD underspend relates mainly to Pre-School Education. This is offset by staffing overspends in Children's Homes and the Area Teams together with an overspend on Residential Placements. The Forecast underspend is within Early Years and is resulting from delayed take-up of the newly introduced 2 year-old provision.
CF2 - Child Protection	£2,681,139	£2,811,372	(£130,233)	(4.86%)	£3,401,312	£3,401,312	£0	0.00%	
CF3 - Children with a Disability and Early Years	£5,205,534	£4,879,185	£326,349	6.27%	£6,744,936	£6,623,193	£121,743	1.80%	
CF4 - Criminal Justice	£286,942	£279,842	£7,100	2.47%	(£8,111)	(£8,111)	£0	0.00%	
Central/Management Costs	£724,888	£714,062	£10,826	1.49%	£1,114,976	£1,114,976	£0	0.00%	
<b>Children and Families</b>	<b>£13,737,124</b>	<b>£13,713,750</b>	<b>£23,374</b>	<b>0.17%</b>	<b>£17,240,043</b>	<b>£17,118,300</b>	<b>£121,743</b>	<b>0.71%</b>	
CC01 - Young people active healthier lives	£44,377	£39,501	£4,875	10.99%	£147,290	£147,290	£0	0.00%	The YTD overspend relates mainly to Sport and Physical Activity with staffing overspends in swimming pools and an increase in pressure on central repairs being the main contributing factors.
CC02 - Sport and Physical Activity	£1,946,697	£2,022,426	(£75,729)	(3.89%)	£2,680,852	£2,680,852	£0	0.00%	
CC03 - Adults access to learning opportunities	£611,690	£612,573	(£883)	(0.14%)	£888,851	£888,851	£0	0.00%	
CC04 - Homelessness	£1,810,126	£1,793,734	£16,392	0.91%	£2,452,177	£2,452,177	£0	0.00%	
CC05 - Youth Services	£411,702	£408,392	£3,310	0.80%	£539,404	£539,404	£0	0.00%	
CC06 - Community Development	£724,409	£723,330	£1,080	0.15%	£908,258	£908,258	£0	0.00%	
CC07 - Affordable Housing	£2,784,602	£2,767,608	£16,994	0.61%	£1,947,028	£1,947,028	£0	0.00%	
CC08 - Improved literacy, health and well-being	£1,336,808	£1,345,082	(£8,274)	(0.62%)	£1,678,505	£1,678,505	£0	0.00%	
Central/Management Costs	£195,141	£249,855	(£54,715)	(28.04%)	£272,726	£272,726	£0	0.00%	
<b>Community and Culture</b>	<b>£9,865,551</b>	<b>£9,962,501</b>	<b>(£96,950)</b>	<b>(0.98%)</b>	<b>£11,515,091</b>	<b>£11,515,091</b>	<b>£0</b>	<b>0.00%</b>	
ED01 - Primary School Education	£18,815,570	£18,524,263	£291,307	1.55%	£25,845,195	£25,845,195	£0	0.00%	The main contributing factor in the YTD underspend position is a net underspend in Primary school staffing arising from normal staff turnover plus particular recruitment difficulties in outlying schools. The delay in receiving some invoices for Schools Residential Accommodation is also contributing significantly to the YTD underspend.
ED02 - Secondary School Education	£20,430,945	£20,403,541	£27,404	0.13%	£26,682,237	£26,682,237	£0	0.00%	
ED03 - Central/Management Team	£3,118,091	£3,207,269	(£89,178)	(2.86%)	£4,482,168	£4,482,168	£0	0.00%	
ED04 - Additional Support Needs	£7,068,712	£6,884,876	£183,836	2.60%	£8,597,625	£8,597,625	£0	0.00%	
ED05 - Opportunities for All	£128,135	£128,795	(£660)	(0.52%)	£138,427	£138,427	£0	0.00%	
ED06 - Leadership and Professional Learning	£14,508	£32,255	(£17,747)	0.00%	£17,364	£17,364	£0	0.00%	
<b>Education</b>	<b>£49,575,961</b>	<b>£49,180,999</b>	<b>£394,962</b>	<b>0.80%</b>	<b>£65,763,016</b>	<b>£65,763,016</b>	<b>£0</b>	<b>0.00%</b>	
<b>Grand Total</b>	<b>£106,303,086</b>	<b>£106,342,662</b>	<b>(£39,576)</b>	<b>(0.04%)</b>	<b>£138,657,800</b>	<b>£138,905,051</b>	<b>(£247,251)</b>	<b>(0.18%)</b>	

## COMMUNITY SERVICES – SUBJECTIVE SUMMARY AS AT 31 JANUARY 2015

Subjective Category	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Employee	£70,110,592	£70,604,850	(£494,258)	(0.70%)	£86,950,044	£87,089,379	(£139,335)	(0.16%)	The YTD overspend relates to a number of different areas including Homecare, Elderly Residential Homes and Pupil Support Teachers. The forecast overspend relates to the impact of new holiday pay arrangements put in place following recent court rulings.
Premises	£4,213,223	£3,954,882	£258,342	6.13%	£6,434,465	£6,434,465	£0	0.00%	YTD variance is mainly due to profiling issues on the central repairs budgets.
Supplies & Services	£4,363,151	£4,335,784	£27,367	0.63%	£9,300,228	£9,300,228	£0	0.00%	Outwith reporting criteria.
Transport	£1,235,256	£1,238,651	(£3,394)	(0.27%)	£1,540,573	£1,540,573	£0	0.00%	Outwith reporting criteria.
Third Party	£42,385,484	£41,896,842	£488,642	1.15%	£55,997,635	£56,105,551	(£107,916)	(0.19%)	The YTD underspend position is the net result of a large number of variances many of which are still profile related. The forecast overspend relates to the extremely high demand for adult care services in the first part of the year due to growth in the number of service users and the increasing complexity of new packages. This is partially offset by a forecast underspend within Pre-School Education as a result of delayed take-up of provision.
Income	(£16,004,622)	(£15,688,347)	(£316,275)	(1.98%)	(£21,565,145)	(£21,565,145)	£0	0.00%	The main contributing factor in the YTD under-recovery of income relates to a timing issue in the receipt of the Music Initiative grant which has now been received.
<b>Totals</b>	<b>£106,303,086</b>	<b>£106,342,662</b>	<b>(£39,576)</b>	<b>(0.04%)</b>	<b>£138,657,800</b>	<b>£138,905,051</b>	<b>(£247,251)</b>	<b>(0.18%)</b>	

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

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

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

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

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

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

## COMMUNITY SERVICES – RED VARIANCES

Service Area	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Home Care	9,865,006	10,094,665	(229,659)	(2.33%)	Demand for homecare has been extremely high in the first part of the year due to growth in the number of service users and the increasing complexity of new packages due to the continued move towards older people being looked after at home for as long as possible rather than in care homes. The homecare service is currently undertaking a review of all of the current cases and undertaking additional scrutiny on news cases in order to address the overspend.
Early Years	1,368,366	1,274,182	121,743	8.90%	The Children and Young People Act extended the provision of pre-school services to 2 year olds from workless families from August 2014. To date, uptake of this new provision has been lower than expected, resulting in a lower than expected cost. The service continues to monitor uptake which is expected to grow as the availability of the service becomes more widely known about.
Directorate	308,594	447,929	(139,335)	(45.15%)	This projected overspend relates to the unexpected cost of the recent ruling about holiday pay entitlement; this reflects the expected full year cost for 2014-15.

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

CUSTOMER SERVICES – OBJECTIVE SUMMARY AS AT 31 JANUARY 2015

Service Outcome	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outcome	Forecast Variance	% Variance	Explanation
Special Projects	£10,147,431	£9,681,238	£466,193	4.59%	£13,079,384	£13,052,392	£26,992	0.21%	YTD underspend in Special Projects team and NPDO, this budget will be required later in the year for the new school projects. The forecast variance in Special Projects relates to agreed deductions to the NPDO payments. The forecast variance within central/management costs relates to the over recovery of vacancy savings, partly reduced by the additional costs for holiday pay.
Central/Management Costs	£223,908	£214,892	£9,016	4.03%	£518,146	£383,341	£134,805	26.02%	
<b>Executive Director of Customer Services</b>	<b>£10,371,339</b>	<b>£9,896,130</b>	<b>£475,209</b>	<b>4.58%</b>	<b>£13,597,531</b>	<b>£13,435,734</b>	<b>£161,797</b>	<b>1.19%</b>	
CS01 - Benefits	(£117,377)	(£49,456)	(£67,919)	57.86%	£1,378,167	£1,378,167	£0	0.00%	The YTD overspend in Benefits relates to the timing of benefit payments being made and income received to offset these. The YTD underspend in ICT relates to network line charges where charges will be incurred later than anticipated in the budget. In both cases the variances relate to the timing of expenditure and income with the budget profile out of sync with the amounts paid or received.
CS02 - NDR Disc Relief	(£51,791)	(£2,169)	£378	0.00%	£100,294	£100,294	£0	0.00%	
CS03 - Creditors	£189,521	£188,282	£1,239	0.65%	£247,636	£247,636	£0	0.00%	
CS04 - Print and Mail Room	£35,036	£37,453	(£2,417)	(6.90%)	£47,509	£47,509	£0	0.00%	
CS05 - Debtors and Local Tax Income	£598,824	£566,891	£31,933	5.33%	£540,368	£540,368	£0	0.00%	
CS06 - Procurement	£490,739	£481,650	£9,089	1.85%	£653,843	£653,843	£0	0.00%	
CS07 - Customer Service and Registrars	£1,068,747	£1,061,580	£7,167	0.67%	£1,431,327	£1,431,327	£0	0.00%	
CS08 - ICT Applications and Infrastructure	£2,607,989	£2,530,848	£77,141	2.96%	£3,286,118	£3,286,118	£0	0.00%	
Central/Management Costs	£250,216	£247,877	£2,339	0.93%	£316,480	£316,480	£0	0.00%	
<b>Customer and Support Services</b>	<b>£5,071,903</b>	<b>£5,012,954</b>	<b>£58,949</b>	<b>1.16%</b>	<b>£8,001,743</b>	<b>£8,001,743</b>	<b>£0</b>	<b>0.00%</b>	
FS01 - School Meals	£3,013,410	£2,985,510	£27,901	0.93%	(£56,624)	(£66,624)	£30,000	(52.98%)	The underspend of £30k in school meals relates to the external catering contract for Kilbowie House. The forecast underspend of £441k in School and Public Transport relates to a reduction on demand on this budget due to procurement savings, the transfer of some routes to in-house provision and lower inflation increases. The forecast underspend of £61k in property services relates to the surplus from the Police Cleaning Contract which is now not going to tender until 2015-16 and an underspend in relation to the Schools Management Estate Plan budget, this budget is transferring to Education. There is a small underspend of £15k in Pool cars. The YTD overspend in School Meals is a result of the ongoing review of the recharge mechanism for the catering service as a result of the removal of the trading account status, this will be addressed in the January budget monitoring period. The YTD underspend in School and Public Transport is in line with forecast variance position.
FS02 - Safer Communities and Facilities	£1,132,553	£1,379,293	(£246,740)	(21.79%)	£2,145,296	£2,084,104	£61,192	2.85%	
FS03 - Sustainability	£110,243	£93,198	£17,045	15.46%	£132,361	£117,361	£15,000	11.33%	
FS04 - School and Public Transport	£7,745,962	£7,336,401	£409,561	5.29%	£9,357,270	£8,915,782	£441,488	4.72%	
Central/Management Costs	£581,130	£502,467	£78,662	13.54%	£695,292	£695,292	£0	0.00%	
<b>Facility Services</b>	<b>£12,583,298</b>	<b>£12,296,669</b>	<b>£286,629</b>	<b>2.28%</b>	<b>£12,273,594</b>	<b>£11,725,914</b>	<b>£547,680</b>	<b>4.46%</b>	
GL1 - Democratic Services	£491,818	£519,545	(£19,726)	(4.01%)	£678,303	£640,303	£38,000	5.60%	The YTD position is outwith reporting criteria. The forecast underspend within Democratic Services relates to savings within the new support staff structure due to posts not in place from the start of the financial year. The forecast overspend within Elections relates to the additional cost of four by-elections.
GL2 - Governance	£98,836	£93,406	£5,430	5.49%	£133,250	£133,250	£0	0.00%	
GL3 - Members Services	£123,386	£123,592	(£206)	(0.17%)	£170,546	£170,546	£0	0.00%	
GL4 - Community Safety	£37,556	£13,918	£23,639	62.94%	£49,652	£49,652	£0	0.00%	
GL5 - Elections	£96,325	£154,883	(£58,557)	(60.79%)	£118,731	£132,731	(£14,000)	(11.79%)	
GL6 - Children's Panel	£27,960	£6,257	£21,703	77.62%	£33,698	£33,698	£0	0.00%	
GL7 - Community Councils	£28,579	£27,483	£1,096	3.83%	£34,810	£34,810	£0	0.00%	
GL8 - Legal Services - Corporate	£233,976	£221,765	£12,211	5.22%	£296,722	£296,722	£0	0.00%	
GL9 - Legal Services - Commercial	£246,777	£237,423	£9,354	3.79%	£318,326	£318,326	£0	0.00%	
GL10 - Licensing	(£170,104)	(£159,407)	(£10,697)	6.29%	(£134,469)	(£134,469)	£0	0.00%	
Central/Management Costs	£158,008	£146,778	£11,230	7.11%	£198,108	£198,108	£0	0.00%	
<b>Governance and Law</b>	<b>£1,373,118</b>	<b>£1,377,642</b>	<b>(£4,524)</b>	<b>(0.33%)</b>	<b>£1,897,677</b>	<b>£1,873,677</b>	<b>£24,000</b>	<b>1.26%</b>	
IHR01 - Discrimination	£0	£0	£0	0.00%	£0	£0	£0	0.00%	The YTD underspend relates to training budgets that were previously earmarked
IHR02 - Emergency Planning	£70,487	£72,716	(£2,229)	(3.16%)	£88,551	£88,551	£0	0.00%	being transferred from the overall departmental budget underspend and the balances
IHR03 - Health and Safety	£311,307	£311,548	(£241)	(0.08%)	£389,747	£389,747	£0	0.00%	removed from reserves. Normally with earmarked reserves services would draw-down
IHR04 - Continuous Improvement	£1,515,082	£1,508,923	£6,159	0.41%	£2,016,615	£2,016,615	£0	0.00%	the budget as and when required, i.e. when the spend takes place. The YTD
IHR05 - Communications	£169,891	£160,442	£9,449	5.56%	£217,939	£217,939	£0	0.00%	underspend represents this budget being profiled before the planned spend has taken
IHR06 - Gaelic Language Plan	£12,429	£12,429	£0	100.00%	£12,429	£12,429	£0	0.00%	place.
IHR07 - Learning and Development	£576,606	£529,958	£46,648	8.09%	£764,032	£764,032	£0	0.00%	
Central/Management Costs	£100,211	£98,936	£1,275	1.27%	£126,241	£126,241	£0	0.00%	
<b>Improvement and HR</b>	<b>£2,756,013</b>	<b>£2,694,952</b>	<b>£61,061</b>	<b>2.22%</b>	<b>£3,615,554</b>	<b>£3,615,554</b>	<b>£0</b>	<b>0.00%</b>	
<b>Grand Total</b>	<b>£32,155,670</b>	<b>£31,278,547</b>	<b>£877,123</b>	<b>2.73%</b>	<b>£39,386,099</b>	<b>£38,652,622</b>	<b>£733,477</b>	<b>1.86%</b>	

## CUSTOMER SERVICES – SUBJECTIVE SUMMARY AS AT 31 JANUARY 2015

Subjective Category	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Employee	£14,999,618	£14,874,755	£124,862	0.83%	£19,562,168	£19,328,618	£233,550	1.19%	The forecast variance relates to the over recovery of vacancy savings across all services in addition to staff savings for the new Governance structure due to posts not in place from the start of the financial year. The YTD variance is linked to the forecast variance.
Premises	£1,729,173	£1,620,881	£108,292	6.26%	£2,662,542	£2,662,542	£0	0.00%	The YTD underspend relates to central repairs spend on properties with the spend being less than the YTD profiled budget and the spend on surplus properties being less than anticipated in the budget profile.
Supplies & Services	£3,969,982	£3,850,841	£119,141	3.00%	£5,366,495	£5,380,495	(£14,000)	(0.26%)	YTD underspend mainly relates to supplies and services budgets across the department where spend has fallen behind the budget profile. The forecast overspend relates to the additional cost for the four by-elections.
Transport	£1,138,678	£946,783	£191,895	16.85%	£7,434,888	£7,419,888	£15,000	0.20%	YTD underspend mainly relates to School and Public Transport, this is reflected in the forecast outturn for third party payments. The forecast underspend is in relation to Pool Cars and is due to reduced fuel costs and pool car usage.
Third Party	£38,697,146	£38,521,420	£175,726	0.45%	£47,671,918	£47,172,991	£498,927	1.05%	Forecast underspend in School and Public Transport relates to a reduction on demand on this budget due to procurement savings, the transfer of some routes to in-house provision and lower inflation increases. There is also a forecast underspend in Special Projects as a result of agreed deductions to the NPDO payments. The YTD underspend position is in line with the forecast outturn position.
Income	(£28,378,926)	(£28,536,133)	£157,207	0.55%	(£43,311,914)	(£43,311,914)	£0	0.00%	The YTD underspend relates to the profiling of a number of income budgets where the income has been received in advance of the budget profile.
<b>Totals</b>	<b>£32,155,670</b>	<b>£31,278,547</b>	<b>£877,123</b>	<b>2.73%</b>	<b>£39,386,099</b>	<b>£38,652,622</b>	<b>£733,477</b>	<b>1.86%</b>	

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

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

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

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

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

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

## CUSTOMER SERVICES – RED VARIANCES

Service Area	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
School and Public Transport	7,277,488	6,836,000	441,488	6.07%	Relates to a reduction on demand on this budget as a result of procurement savings, the transfer of some routes to in-house provision and lower inflation increases. This position has been updated from the October monitoring period as further work has been carried out to confirm the level of commitment on the budget. This will be closely monitored on an ongoing basis.
Vacancy Savings	-98,694	-272,960	174,266	-176.57%	Department has over-achieved vacancy savings target. Projected underspend includes all savings removed to December 2014. It is not expected that the savings will continue at this level in future years.

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



**DEVELOPMENT AND INFRASTRUCTURE SERVICES – OBJECTIVE SUMMARY AS AT 31 JANUARY 2015**

Service Outcome	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Central/Management Costs	£1,344,428	£1,320,744	£23,685	1.76%	£1,700,738	£1,814,883	(£114,145)	(6.71%)	The forecast overspend relates to the unexpected cost of the recent ruling about holiday pay entitlement, this reflects the expected full year cost for 2014-15. This is partly offset by an anticipated over recovery of vacancy savings. YTD is outwith reporting criteria.
<b>Executive Director of Development and Infrastructure Services</b>	<b>£1,344,428</b>	<b>£1,320,744</b>	<b>£23,685</b>	<b>1.76%</b>	<b>£1,700,738</b>	<b>£1,814,883</b>	<b>(£114,145)</b>	<b>(6.71%)</b>	
ET01 - Economic Growth	£860,105	£884,769	(£24,665)	(2.87%)	£1,204,806	£1,229,148	(£24,342)	(2.02%)	The forecast underspend reflects one-off unbudgeted income that had associated costs that were absorbed within 2013-14. This is partly offset by the final retention payment in relation to the improvement contract for Bowmore town centre for which there is no budget provision. YTD variance mainly relates to the funding of CHORD projects and this will be resolved in the year end process.
ET02 - Strategic Transportation & Attractive Communities	£1,541,761	£1,408,907	£132,854	8.62%	£1,448,793	£1,390,045	£58,748	4.05%	
ET03 - Renewables	£16,000	£2,668	£13,332	83.32%	£30,000	£30,000	£0	0.00%	
ET04 - Third Sector	£117,312	£112,273	£5,039	4.30%	£157,302	£157,302	£0	0.00%	
Central/Management Costs	£88,836	£88,848	(£12)	(0.01%)	£238,815	£238,815	£0	0.00%	
<b>Economic Development</b>	<b>£2,624,014</b>	<b>£2,497,466</b>	<b>£126,548</b>	<b>4.82%</b>	<b>£3,079,715</b>	<b>£3,045,309</b>	<b>£34,406</b>	<b>1.12%</b>	
PR01 - Development Management	£352,381	£295,459	£56,922	16.15%	£523,971	£463,971	£60,000	11.45%	The Forecast underspend relates to Planning Fees and Private Landlord Registration anticipated to be greater than budget.
PR02 - Trading Standards	£401,726	£400,979	£747	0.19%	£508,958	£508,958	£0	0.00%	This is offset by forecast overspends due to building warrant fees being less than budgeted and also the anticipated cost of Glasgow Scientific Services being greater than budgeted. YTD variance mainly relates to the anticipated private landlord registration and planning fee income.
PR03 - Environmental Health	£818,017	£842,333	(£24,316)	(2.97%)	£1,105,961	£1,160,991	(£55,000)	(4.97%)	
PR04 - Building Standards	£27,046	£51,127	(£24,081)	(89.04%)	£64,911	£70,911	(£6,000)	(9.24%)	
PR05 - Corepath Plan	£101,222	£113,769	(£12,547)	(12.40%)	£136,926	£136,926	£0	0.00%	
PR06 - Environmental Safety	£103,377	£9,757	£93,620	90.56%	£93,685	£38,685	£55,000	58.71%	
PR07 - Development Policy	£442,907	£440,107	£2,800	0.63%	£550,842	£550,842	£0	0.00%	
Central/Management Costs	£241,499	£242,231	(£732)	(0.30%)	£300,152	£300,152	£0	0.00%	
<b>Planning and Regulatory Services</b>	<b>£2,488,174</b>	<b>£2,395,762</b>	<b>£92,413</b>	<b>3.71%</b>	<b>£3,285,405</b>	<b>£3,231,405</b>	<b>£54,000</b>	<b>1.64%</b>	
RA01 - Roads & Lighting	£6,208,981	£6,836,679	(£627,698)	(10.11%)	£8,482,820	£9,092,022	(£609,202)	(7.18%)	Forecast variance relates Winter Maintenance and the remaining unplanned expenditure within Coastal Protection following the December 2013 storms and unplanned expenditure following the floods in November 2014. In addition a shortfall in car parking and DPE income. DPE was introduced in June 2014 and based on the first months of operation is it unlikely that the income recovered will meet the budgeted levels. This partly offset by a potential underspend on street lighting electricity and planned underspend on carpark maintenance to offset the shortfall in income. Roads & lighting YTD variance is due to roads maintenance profiling, this budget is monitored via monthly engagement meetings with operational service managers. YTD variance within Network and Environment relates to the delayed introduction of DPE and the potential impact on income levels for PCNs and car parking income.
RA02 - Network & Environment	(£810,674)	(£451,979)	(£358,695)	44.25%	(£684,923)	(£463,923)	(£221,000)	32.27%	
RA03 - Fleet	(£2,039,880)	(£1,998,141)	(£41,739)	2.05%	(£1,400,291)	(£1,400,291)	£0	0.00%	
RA04 - Roads Design	£430,736	£419,995	£10,741	2.49%	£468,037	£652,537	(£184,500)	(39.42%)	
RA05 - Streetscene	£3,157,120	£3,121,464	£35,656	1.13%	£4,117,744	£4,117,744	£0	0.00%	
RA06 - Waste Management	£9,065,855	£9,099,483	(£33,628)	(0.37%)	£11,636,538	£11,634,538	£2,000	0.02%	
Central/Management Costs	£164,715	£167,645	(£2,929)	(1.78%)	£284,506	£284,506	£0	0.00%	
<b>Roads and Amenity Services</b>	<b>£16,176,854</b>	<b>£17,195,145</b>	<b>(£1,018,292)</b>	<b>(6.29%)</b>	<b>£22,904,432</b>	<b>£23,917,134</b>	<b>(£1,012,702)</b>	<b>(4.42%)</b>	
<b>Grand Total</b>	<b>£22,633,470</b>	<b>£23,409,116</b>	<b>(£775,646)</b>	<b>(3.43%)</b>	<b>£30,970,290</b>	<b>£32,008,731</b>	<b>(£1,038,441)</b>	<b>(3.35%)</b>	

## DEVELOPMENT AND INFRASTRUCTURE SERVICES – SUBJECTIVE SUMMARY AS AT 31 JANUARY 2015

Subjective Category	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Employee	£18,012,867	£17,475,834	£537,033	2.98%	£22,766,971	£22,837,116	(£70,145)	(0.31%)	The forecast overspend mainly relates to the unexpected cost of the recent ruling about holiday pay entitlement, this is partly offset by an anticipated over recovery of vacancy savings. The YTD variance mainly relates to the Roads Design Team operational staff not being operated at the full establishment, this is matched by reduced fee income. Also contributing is planned underspends to offset overspend in other subjective areas.
Premises	£1,622,555	£1,667,707	(£45,152)	(2.78%)	£2,767,163	£2,647,163	£120,000	4.34%	The forecast underspend relates to the anticipated underspend in street lighting electricity. The YTD is outwith reporting criteria.
Supplies & Services	£6,201,022	£6,266,758	(£65,736)	(1.06%)	£7,470,752	£7,525,752	(£55,000)	(0.74%)	The forecast overspend relates to increased costs for Public Analyst services. YTD variance relates mainly to purchase of play equipment and this is matched by additional income from contributions.
Transport	£8,452,908	£8,861,328	(£408,420)	(4.83%)	£11,826,277	£12,088,277	(£262,000)	(2.22%)	The projected overspend relates to additional expenditure on hire of external plant, this is matched by additional income from clients. The main factor in the YTD variance relates to external plant hire that partly supports the projected outturn variance.
Third Party	£19,697,759	£20,980,682	(£1,282,923)	(6.51%)	£24,280,436	£24,909,278	(£628,842)	(2.59%)	The forecast variance relates mainly to Winter Maintenance and to remaining unplanned expenditure within Coastal Protection following the December 2013 storms and unplanned expenditure following the floods in November 2014. This is partly offset by planned underspend in car park maintenance. The YTD variance is in line with the forecast outturn position with an additional variance relating to CHORD expenditure which is matched by additional income.
Capital Financing	£0	£0	£0	0.00%	£158,891	£158,891	£0	0.00%	Outwith reporting criteria
Income	(£31,353,641)	(£31,843,194)	£489,552	1.56%	(£38,300,200)	(£38,157,746)	(£142,454)	(0.37%)	The forecast variance relates to a shortfall in commercial refuse collection income as businesses are in a position to reduce the service they require or are transferring to the private sector provision. In addition there an expected shortfall in car parking and DPE income, DPE was introduced in June 2014 and based on the first months of operation is it unlikely that the income recovered will meet the budgeted levels. Also there is an anticipated shortfall in income from building warrants. These are partly offset by anticipated increased income in planning fees, private landlord registration and recovery of external hire charges from client departments. The main contributing factors to the YTD variance relates to the additional income in CHORD, Fleet and Parks as mentioned above.
<b>Totals</b>	<b>£22,633,470</b>	<b>£23,409,116</b>	<b>(£775,646)</b>	<b>(3.43%)</b>	<b>£30,970,290</b>	<b>£32,008,731</b>	<b>(£1,038,441)</b>	<b>(3.35%)</b>	

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

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

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

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

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

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



## DEVELOPMENT AND INFRASTRUCTURE SERVICES – RED VARIANCES

Service Area	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Directorate	180,275	294,420	(114,145)	(63.32%)	This projected overspend relates to the unexpected cost of the recent ruling about holiday pay entitlement, this reflects the expected full year cost for 2014-15. This is partly offset by an anticipated over recovery of vacancy savings.
Piers and Harbours	(1,455,769)	(1,514,517)	58,748	(4.04%)	This projected underspend reflects one-off unbudgeted income that had associated costs that were absorbed within 2013-14 financial year.
Development Management	523,971	463,971	60,000	11.45%	The projected underspend reflects the estimated income that exceeds budget and this is due to the increase in the number of overall planning applications and the number of large valued applications. The projection also take into account the 5% increase in fees from 1 November 2014.
Environmental Health	270,940	325,940	(55,000)	(20.30%)	There is a statutory requirement for the Council to appoint and have access to accredited Public Analyst services. This is provided by Glasgow Scientific Services through a service level agreement and the costs for all analytical services is in excess of the budgeted amount. We are unable to reduce these costs considerably at present due to a commitment SOLACE that we will not tender for any services, until the review of Scottish scientific services has reported. There is a pressure of £55,000 for 2014-15. This is offset by a couple of smaller valued underspends.
Network and Environment	(379,900)	(158,900)	(221,000)	58.17%	The under recovery of income relates to car parking income is forecast to be 30% down on the budget income for the year which projects a cost pressure for this and future years should the income forecast remain at the current level. DPE commenced in June following a month of issuing warning notices. The planned introduction of DPE was delayed by over two months and this has contributed approximately £70k to the under recovery of DPE income within 2014-15. There will be some learning from the early months of DPE in terms of how enforcement resource is deployed to maximise the benefit in terms of providing turnover of on street parking places and patronage of off street car parks. However, based on the first four months of operation it is unlikely that the car parking income and DPE income will meet current projected income levels. This under recovery has been partly offset by a planned underspend in car park maintenance.
Coastal Protection	180,599	390,599	(210,000)	(116.28%)	The projected overspend relates to remaining unplanned expenditure within Coastal Protection following the December 2013 and January 2014 storms.
Street Lighting	1,994,158	1,874,158	120,000	6.02%	This anticipated underspend is due to a new energy supply contract being in place where the energy cost rates per unit have been reduced. Further savings have been achieved from the on-going capital programme where low energy lamps have been installed on new installations and upgrades.
Winter Maintenance	1,184,136	1,724,136	(540,000)	(45.60%)	The projected overspend reflect the financial position reflected in the financial ledger at the end of January plus know fixed costs until the year end. The projection make no allowance for any additional variable cost between the end of the January reporting period and the end of the financial year.
Roads Client	9,362,011	9,551,213	(189,202)	(2.02%)	The overspend relates to unexpected flood damage during November 2014 and an under recovery off budget income.

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



**MONITORING OF 1% SAVINGS - 2014-15 & 2015-16**

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**1. EXECUTIVE SUMMARY**

- 1.1 The main purpose of this report is to provide a summary of the progress towards the saving target for 2014-15 and 2015-16.
- 1.2 The budget for 2014-15 and 2015-16 included a requirement to make 1% savings within both 2014-15 and 2015-16. This equates to savings of £1.822m in 2014-15, rising to £3.644m in 2015-16.
- 1.3 Within 2014-15, all savings have been secured and all with no policy implications.
- 1.4 Services have now identified savings for 2015-16. £2.312mm (63.5%) of savings options for 2015-16 are already secured or being implemented. The remaining £1.332m (36.5%) are being developed. £1.032m of the savings options being developed have no policy implications. One saving option has policy implications (saving ref EDUC07).

**MONITORING OF 1% SAVINGS - 2014-15 & 2015-16**

**2. INTRODUCTION**

- 2.1 The budget strategy approved by Council on 28 November 2013 and further agreed by Council on 13 February 2014 agreed a 1% savings target for 2014-15 and 2015-16.
- 2.2 This report provides a summary of the progress towards the saving target for 2014-15 and 2015-16.

**3. DETAIL**

**3.1 Background**

- 3.1.1 The budget strategy approved by Council on 28 November 2013 and further agreed by Council on 13 February 2014 agreed a 1% savings target for 2014-15 and 2015-16 on all budgets apart from PPP/NPDO, landfill tax, loans charges, insurance, historic pensions costs and NDR payments.
- 3.1.2 The 1% target has been allocated to departments and is outlined in the table below:

Department	Forecast Budget	1% Savings Target	
	2014-15 £000	2014-15 £000	2015-16 £000
Chief Executive's Unit	2,153	22	44
Community Services	131,855	1,319	2,638
Customer Services	24,143	241	482
Development and Infrastructure Services	22,448	224	448
Other Operating Income and Expenditure	1,644	16	32
	<b>182,243</b>	<b>1,822</b>	<b>3,644</b>

**3.2 Summary of Savings Identified**

- 3.2.1 The savings have been classified into already secured, being implemented, being developed and still to identify. The overall Council position is summarised within the table below.

<b>Savings</b>	<b>2014-15 £000</b>	<b>2014-15 % of Target</b>	<b>2015-16 £000</b>	<b>2015-16 % of target</b>
<b>1% Target</b>	<b>1,822</b>		<b>3,644</b>	
Already Secured	1,822	100.0%	2,262	62.1%
Being Implemented	0	0.0%	50	1.4%
Being Developed:				
• Policy measures under development	0	0.0%	300	8.2%
• Non-Policy measures under development	0	0.0%	1,032	28.3%
Still to Identify	0	0.0%	0	0.0%
<b>TOTAL</b>	<b>1,822</b>	<b>100.0%</b>	<b>3,644</b>	<b>100.0%</b>

3.2.2 The savings for 2014-15 have all been identified and have been classified into already secured, being implemented and being developed. All savings options are already secured, all with no policy implications.

3.2.3 The majority of the 2014-15 savings identified are recurring into 2015-16, with the exception of a saving with Education, reference EDUC02.

3.2.4 Services have now identified savings for 2015-16. £2.312m (63.5%) of savings options for 2015-16 are already secured or being implemented. The remaining £1.332m (36.5%) are being developed. £1.032m of the savings options being developed have no policy implications. One saving option has policy implications (saving ref EDUC07).

3.2.5 Appendices are attached that provide a summary per department.

### **3.3 Changes to Savings since last P&R Report**

3.3.1 The 2015-16 savings for Chief Executive's Unit have now identified and there is one new saving option highlighted in Appendix 1 – CEU002.

3.3.2 The 2015-16 savings for Community Services have now been identified and there are 21 new savings options highlighted in Appendix 2 – AC03-AC04, CC04-CC08, CF07-CF11, EDUC05- EDUC13.

3.3.3 Savings reference CUST011 is now secured.  
The 2015-16 savings for Customer Services have now been identified and there are 6 new savings highlighted in Appendix 3 - CUST001-CUST002 and CUST0019-CUST0022.

3.3.4 The 2015-16 savings for Development and Infrastructure have now been identified and there are 4 new savings options highlighted in Appendix 4 - DIS-HQ02, ED3, PRS4 and RAMS2.

#### **4. CONCLUSION**

4.1 Within 2014-15 all savings have been secured.

4.2 For 2015-16, £2.312m (63.5%) of the savings target has already been secured or is currently being implemented. £1.332m of the savings are being developed.

#### **5. IMPLICATIONS**

- |     |                    |   |
|-----|--------------------|---|
| 5.1 | Policy –           | There are policy implications for savings options referenced EDUC07.  |
| 5.2 | Financial -        | The Council is making good progress towards its savings target.   |
| 5.3 | Legal -            | None.   |
| 5.4 | HR -               | Individual savings may have human resource implications and these would have been discussed with the Trade Unions.            |
| 5.5 | Equalities -       | Individual savings may have equality implications and equality impact assessments would have been carried out where required. |
| 5.6 | Risk -             | None.   |
| 5.7 | Customer Service - | Individual savings may have customer service implications.  |

**Steve Barrett**  
**Interim Head of Strategic Finance**  
**17 February 2015**

#### **APPENDICES:**

Appendix 1 – Chief Executive’s Unit Summary of Savings Proposals

Appendix 2 – Community Services Summary of Savings Proposals

Appendix 3 – Customer Services Summary of Savings Proposals

Appendix 4 – Development and Infrastructure Summary of Savings Proposals

## CHIEF EXECUTIVE'S UNIT - 1% SAVINGS - OVERALL SUMMARY

Efficiency Savings	2014-15 £	2014-15 % of Target	2015-16 £	2015-16 % of target
<b>1% Target</b>	<b>21,527</b>		<b>43,054</b>	
Already Secured	21,527	100.0%	21,527	50.0%
Being Implemented	0	0.0%	0	0.0%
Being Developed:				
Policy	0	0.0%	0	0.0%
Non-Policy	0	0.0%	21,527	0.0%
Still to Identify	0	0.0%	0	0.0%
<b>TOTAL 1% SAVINGS TARGET</b>	<b>21,527</b>	<b>100.0%</b>	<b>43,054</b>	<b>100.0%</b>

## CHIEF EXECUTIVE'S UNIT - 1% SAVINGS - FURTHER DETAIL

Service	Progress of Saving (already secured, being implemented, being developed)	Savings Ref	Description of Saving	Saving Profile		Recurring or Non-Recurring	HR Implications	Performance and Service Implications	Are there Policy Implications? (yes/no)
				2014-15	2015-16				
Strategic Finance	Already Secured	CEU001	Reduction in staff budgets as a result of excess savings achieved from service review.	21,527	21,527	Recurring	None	None	No
Strategic Finance	Being Developed	CEU002	Reduction to staff budgets across Strategic Finance circa 1.0FTE	0	21,527	Recurring	Voluntary Redundancy of 1 post	None	No
<b>TOTAL</b>				<b>21,527</b>	<b>43,054</b>				

NEW 2015-16



## COMMUNITY SERVICES - 1% SAVINGS - OVERALL SUMMARY

Efficiency Savings	2014-15 £	2014-15 % of Target	2015-16 £	2015-16 % of target
<b>1% Target</b>	<b>1,318,554</b>		<b>2,637,108</b>	
Already Secured	1,318,554	100.0%	1,500,620	56.9%
Being Implemented	0	0.0%	0	0.0%
Being Developed				0.0%
Policy	0	0.0%	300,000	11.4%
Non-Policy	0	0.0%	836,488	31.7%
Still to Identify	0	0.0%	0	0.0%
<b>TOTAL 1% SAVINGS TARGET</b>	<b>1,318,554</b>	<b>100.0%</b>	<b>2,637,108</b>	<b>100.0%</b>

POLICY AND RESOURCES COMMITTEE - 19 MARCH 2015

APPENDIX 2

COMMUNITY SERVICES - 1% SAVINGS - FURTHER DETAIL

Service	Progress of Saving (already secured, being implemented, being developed)	Savings Ref	Description of Saving	Saving Profile		Recurring or Non-Recurring	HR Implications	Performance and Service Implications	Are there Policy Implications? (yes/no)
				2014-15	2015-16				
Adult Care	Already Secured	AC01	The options being considered are: (1) Care Home Placements, Older People: By continuing to implement the existing policy of favouring care at home as against care in residential care, efficiencies will be created as care at home is on average more cost effective than residential care home placements - £366,072 (2) Delayed Discharge: reduction in flexible revenue held locally and deployed by Area Managers for commissioning of services to facilitate discharge or avoid admission to hospital care. Refocus spend on services that evidence clear strategic outcomes with revenue removed from those which don't - £5,204 (3) Day Services, Older People: Review of service at Oasis, Garlochhead in line with existing policy of promoting flexible day service opportunities within the community rather than the traditional dependence of service users attending a building with the associated costs that go with that model of care. - £8,517 (4) Development & Flexibility Budget: reduction in short term, non-recurring pieces of work that do not evidence clear strategic outcomes - £1,174 (5) Jura Progressive Care Centre: efficiency improvements in the delivery of the service to residents at Jura Progressive Care Centre - £16,000 (6) Cowal Integrated Care Team - more efficient use of resources produced through the transfer of work to the Integrated Equipment Service	428,437	428,437	Recurring	As per performance and service implications.	(1) Equivalent to a reduction of 15 average 52 week placements per annum. However, expected that the efficiency will not see any cuts in service and will be achieved as noted with greater emphasis on care at home and those residents who are admitted are for reasons of high dependency and end of life care where the length of stay is shorter and the bed days purchased reduced. (2) The delayed discharge budget is a flexible revenue budget with high turnover and the efficiencies will not impact in terms of cuts in service as the efficiency will be achieved via routine turnover in services and a focus on services that evidence strategic outcomes to the exclusion of services that fail to do so. (3) Review of service provided by Cross reach in Garlochhead. Focus is moving to greater flexibility around day away from attending formal day units which is more person centred and cost effective. The proposal is that the unit itself will be used more flexibly across a range of clients effectively becoming an Adult care service for the Rosneath peninsula which will provide greater financial sustainability for the future and efficiencies against the present budget without any reduction in day services to older people. (4) Budget used in wide variety of issues from supporting individual care packages on a short term basis. Budget will re-focus on those achieving strategic outcomes to the elimination of those that fail to do so. Given the short term nature of the activity and relatively high turnover of service users, it is envisaged that the efficiency will be made without any cuts in service. (5) Cost efficiencies which have been made at Jura Progressive Care Centre which will not impact on the level of service provided. (6) Transfer of some work previously undertaken by the Integrated Care Team to the Homecare service which has allowed for a reduction in the size of the team without affecting the overall level of service provided to clients.	No
Adult Care	Already Secured	AC02	Reduction in the equipment expenditure budget within the Integrated Equipment Service	2,770	2,770	Recurring	None	Reduction in budget achieved by more efficient spend via the PECOS system and council budget being supplemented by resource release funding. Net impact is no reduction in service delivery	No
Community and Culture	Already Secured	CC01	Efficiency and Management savings from CLD services. All operational aspects of the Community Learning and Development services will be scrutinised in detail to achieve efficiencies in the delivery of courses, community capacity building activities, travelling and training. The need and value of all vacant posts will be assessed and reviewed.	24,615	24,615	Recurring	None	Not possible to provide specific details on activity numbers at this time but the review work will be undertaken to ensure very marginal impact on front line service delivery	No
Community and Culture	Already Secured	CC02	Housing and Homelessness. Funding for Nurse Coordinator for Homeless, Gypsy Travellers and Looked After Children. Cessation of financial support to NHS Highland in relation to a Homelessness nurse post which was originally funded through the Rough Sleepers Initiative and which has been renewed on an annual basis for several years through general Homelessness budget. Also, a minor adjustment to staffing establishment as a result of previous year service review	66,911	66,911	Recurring	None	This financial year there have been intervention in 5 new homeless cases; 2 gypsy travellers; 28 looked after children. There is ongoing involvement with a range of clients within the three client groups who have particular health related issues. Provision has been made within health to cover this specialist work and mainstream health services will also be utilised to a greater degree	No
Community and Culture	Already Secured	CC03	Community Learning and Development - Youth Services. Reduction in Youth Services training and operational budget	10,000	10,000	Recurring	none	This saving mainly applies to the staff training element of Youth Services. It has become apparent that many training opportunities can be provided within the Council or through external funding or partnership arrangements. This saving will not impact staff development or service delivery	No

## COMMUNITY SERVICES - 1% SAVINGS - FURTHER DETAIL

Service	Progress of Saving (already secured, being implemented, being developed)	Savings Ref	Description of Saving	Saving Profile		Recurring or Non- Recurring	HR Implications	Performance and Service Implications	Are there Policy Implications? (yes/no)
				2014-15	2015-16				
Children and Families	Already Secured	CF02	Looked after children. Reduction to throughcare budget to meet the expected level of demand.	32,293	32,293	Recurring	none	Minimal impact on current service however future demands on throughcare could see increased demands in the future. Future impact on Throughcare Services arising from the Children and YP Act to be funded by Scottish Govt - negotiations continuing via CoSLA.	No
Children and Families	Already Secured	CF03	Children with a Disability- reduction to respite budget.	25,000	25,000	Recurring	none	The number of children and young people with disability supported in the community has reduced over the last 3 years. Current demand suggests a reduction can be accommodated however this will leave little room for flexibility, should demand (outwith service control) increase	No
Children and Families	Already Secured	CF04	Service wide. in year efficiencies	3,602	3,602	Recurring	none	It is not possible to provide specific details however the review will ensure there is minimal impact on front line service delivery	No
Children and Families	Already Secured	CF05	Reduction in fostering budget to meet the expected level of demand.	50,000	50,000	Recurring	none	Minimum impact on service. No impact on fostering rates, however as a demand led service future increased demands may impact on the budget.	No
Children and Families	Already Secured	CF06	Reduction to Community Support Budget	50,000	50,000	Recurring	None	There will be limited impact as private providers have difficulty recruiting and retaining social care staff to provide this support in the community.	No
Education	Already Secured	EDUC01	HQ and QIO support budgets. Review and removal, where appropriate of 2014/15 budget with a moratorium put in place for centrally-held budgets	133,623	133,623	Recurring	None	Reduced capacity to support Learning and Teaching and development within Service. This will include the removal of QIO consultancy budget (£21k), removal of Professional and Technical publications budget (£3k). A moratorium will be put in place during 14/15 for any discretionary expenditure with approval to be sought via Education Management Team. Education non school budgets will be reviewed and realigned to the agreed Education Management structure. As part of this realignment it is intended to top slice budgets where appropriate to meet the efficiency target	No
Education	Already Secured	EDUC02	Budget reductions would be taken directly from existing unspent balances. Schools are advised that they cannot carry forward a previously agreed carry-forward and monies must be utilised during initial carry-forward year.	316,303	0	Non-recurring	None	Schools will have reduced capacity to support adhoc / discretionary appointments. The proposed option is the top slicing of previous year underspend which is partly generated as a result of planned management (HT) action however is most as a result of vacancy / turnover/ recruitment cycle. Devolved management of resource regulations allow schools flexibility.	No
Education	Already Secured	EDUC04	External Residential Schools - A reduction in the number of pupils with additional support needs placed out with Argyll in Residential Schools.	175,000	175,000	Recurring	None	The availability of funding for placements in residential schools will be reduced but it is anticipated that, overall, there will be minimal impact as vulnerable children and young people will be supported in their local schools instead of placed in residential schools away from their families and friends.	No
Adult Care	Being Developed	AC03	Supported Living - A re-design of the support provided to service users overnight through the expanded use of e-care enabling and monitoring technologies.	0	317,207	Recurring	None	Improve efficiency of the service to reduce sleepovers and encourage use of enabling and monitoring technologies such as Telecare. 76 clients currently receive an overnight service - anticipated they would continue to be supported by a combination of technology (supervision) and the overnight care staff (care) within a different model of care.	No

POLICY AND RESOURCES COMMITTEE - 19 MARCH 2015

APPENDIX 2

COMMUNITY SERVICES - 1% SAVINGS - FURTHER DETAIL

Service	Progress of Saving (already secured, being implemented, being developed)	Savings Ref	Description of Saving	Saving Profile		Recurring or Non- Recurring	HR Implications	Performance and Service Implications	Are there Policy Implications? (yes/no)
				2014-15	2015-16				
Adult Care	Already Secured	AC04	Learning Disability Staffing Review - the Learning Disability Day Service has been subject to an ongoing review of staffing and management since 2012/13 which has created a recurring efficiency of £114k per annum.	0	114,000	Recurring	None	Intention was to use the efficiency within the Learning Disability service in the development of the Self Directed Support agenda. The efficiency has not been required and the revenue continues to be unallocated.	No
Community and Culture	Already Secured	CC04	Community Learning and Development - Three areas of expenditure have been identified to meet the required savings target, a reduction in the budget for the purchase of IT equipment, a slight reduction in the casual adult learning tutor budget and a reduction in the administration hours required as a result of the new Community Lettings electronic system.	0	14,438	Recurring	None	The reduction in the use of casual tutors for targeted literacy and learning activities will reduce the Council's ability to deliver learning opportunities for some adult learners. The reduction in the ability to purchase IT equipment will impact, in the longer term, to the Service's contribution to digital literacy and capability to support members of the public who lack IT skills;	No
Community and Culture	Already Secured	CC05	Culture and Library Operations - A variety of reductions across Libraries, Arts and Archivist have been identified to meet the required savings target. These are mainly in relation to Training, Books, Promotional Materials and Furniture & Fittings.	0	19,983	Recurring	None	These reductions will reduce the CPD opportunities for staff and reduce the overall level of stock available for distribution. Our ability to promote and market the Service will also be reduced. Regarding the reduction in Arts, this will reduce the Council's contribution to the implementation of the Cultural Strategy and the Place Partnership being developed with Creative Scotland.	No
Community and Culture	Already Secured	CC06	Housing Services - Three areas of expenditure have been identified to meet the required savings target, a reduction in the research budget, a reduction in temporary accommodation and a reduction in housing support.	0	37,199	Recurring	None	(1) A reduction in the housing research budget will reduce the service's capacity to gather data for the development of the local housing strategy. This may impact on data collection supporting accreditation for the housing need and demand assessment. However the assessed risk is low as the service has invested in information systems and extensive research on gaps in knowledge. (2) There has been a reduction in the number of households presenting as homeless as a result of the investment in preventative strategies. Consequently a small percentage reduction in the budget for the provision of temporary accommodation is considered to be a prudent proposal. (3) Housing support budgets have been supplemented by additional funding from DWP and the number of households requiring support has remained relatively static.	No

NEW 2015-16

NEW 2015-16

NEW 2015-16

NEW 2015-16

POLICY AND RESOURCES COMMITTEE - 19 MARCH 2015

APPENDIX 2

COMMUNITY SERVICES - 1% SAVINGS - FURTHER DETAIL

Service	Progress of Saving (already secured, being implemented, being developed)	Savings Ref	Description of Saving	Saving Profile		Recurring or Non- Recurring	HR Implications	Performance and Service Implications	Are there Policy Implications? (yes/no)
				2014-15	2015-16				
Community and Culture	Already Secured	CC07	Leisure Services - Three areas of expenditure have been identified to meet the required savings target, a reduction in the Leisure training budget, a reduction in the Chemicals for Pools budget due to new advances in pool plant and a reduction in the budget for the replacement of gym equipment.	0	22,867	Recurring	None	(1) Training is very important within Leisure Services, especially in terms of Health & Safety, as we cannot run classes or manage pools without fully trained staff and there is continuous CPD. We are looking at more shared training being undertaken and finding efficiencies in programming. (2) Leisure has made significant investment in replacement pool plant which operates at increased efficiency and reduced costs. Riverside will close for refurbishment in 2015 and will have new plant which will reduce the need for chemical dosing. (3) There will be a slight impact on the replenishment of gym equipment, replacement will be delayed.	No
Community and Culture	Already Secured	CC08	Youth Services - Three areas of expenditure have been identified to meet the required savings target, a reduction in the Youth training budget, a reduction in the budget used to fund Licence Fees and a reduction in Youth Services routine hospitality.	0	6,210	Recurring	None	(1) A reduction in staff development and training opportunities. Potential impact on quality of service provision and ability to effectively manage change. Some impact on partner agencies and volunteer development. (2) Will be saved from rationalisation of license fees to organisations such as Young Scot, Youth Scotland, Youthlink Scotland, etc. (3) Will impact on provision of hospitality at events involving young people and partners	No
Children and Families	Being Developed	CF07	Child Protection. Partnership Contribution - Reduce the cost of the Child Protection Committee (CPC) through increased contributions from partner agencies and/or Children and Families reduce the funding to partners for posts.	0	50,000	Recurring	Reduction in funding to partners in Health and Education would impact, potentially, on 3 posts	Impact on relationship with partners and potential outcomes for children if children and families reduce financial support	No
Children and Families	Already Secured	CF08	Children with a Disability - Removal of underspend in children and young people's respite budget.	0	12,500	Recurring	None	The number of children and young people with disability supported in the community has reduced over the last 3 years. Current demand suggests a reduction can be accommodated however this will leave little room for flexibility, should demand (outwith service control) increase	No
Children and Families	Already Secured	CF09	Reduction in fostering budget - The current budget position is reported as an underspend of £80k. An element of this will be recurring.	0	50,000	Recurring	None	Minimum impact on service. No impact on fostering rates, however as a demand led service, future increased demands may impact on the budget.	No
Children and Families	Already Secured	CF10	Early Years - Removal of projected underspend in the partner provider element of the pre-school budget.	0	36,172	Recurring	None	The current budget forecast, based on current estimates of pre-school numbers, suggests a potential surplus in this budget which would enable the budget to be reduced with no impact on service provision.	No
Children and Families	Being Developed	CF11	School Hostels - Saving will be achieved through a reconfiguration of the school hostel budgets.	0	12,000	Recurring	None	None, the budgets involved are for non-staff expenditure and will therefore have no direct impact on staffing levels in schools	No
Education	Already Secured	EDUC05	A reduction in the discretionary budget held by schools generated by a pro-rata reduction in the core allocation and/or the allocation per pupil.	0	150,000	Recurring	None	None, the budgets involved are for non-staff expenditure and will therefore have no direct impact on staffing levels in schools	No

POLICY AND RESOURCES COMMITTEE - 19 MARCH 2015

APPENDIX 2

COMMUNITY SERVICES - 1% SAVINGS - FURTHER DETAIL

Service	Progress of Saving (already secured, being implemented, being developed)	Savings Ref	Description of Saving	Saving Profile		Recurring or Non- Recurring	HR Implications	Performance and Service Implications	Are there Policy Implications? (yes/no)
				2014-15	2015-16				
Education	Being Developed	EDUC06	Expansion of joint headships across the school estate with potential for heads to take responsibility for up to three schools, in line with the agreed Council Shared Headship Policy. The introduction of Shared Headship policy in Argyll and Bute in 2011 is leading to improved leadership and management across our small schools and better equipping them to meet the challenging curriculum and current learning and teaching requirements in the 21st century. The appointment of one head teacher responsible for more than one school is reducing duplication of making increasingly effective use of scarce resources and time.	0	200,000	Recurring	Reduction in Head Teachers Offset by increase in number of Principal Teachers	Physical management presence of Headteacher will be spread across two or more schools. This reduction may be offset by allocating some Principal teacher time to other teachers in the schools involved to ensure continuity of management, ensure effective learning & teaching and secure improvement in outcome's for learners.	No
Education	Being Developed	EDUC07	Change of the DMR existing guidance to remove underspend on employee costs from schools and hold them centrally within Education to meet the savings and to cover other unexpected costs. Any balance remaining at the year-end would be carried forwards towards the following year's vacancy savings target or considered for inclusion in the Capital Items Replacement Fund.	0	300,000	Recurring	None	A direct impact of this efficiency will be reduced capacity for Head teachers to hire between within budget lines. This may require an adjustment to the Devolved School Management scheme via LNCT	Yes
Education	Being Developed	EDUC08	Termination of existing contract with NHS for the provision of Speech and Language Services Current contractual arrangements are historical, with no requirement for speech and language therapy provision by Education, this however, is a health service requirement.	0	70,000	Recurring	None	Current partnership agreement between NHS and Argyll & Bute to deliver NHS core activity will result in a change to existing arrangements for delivery of services by Speech & Language Therapists in Council schools.	No
Education	Being Developed	EDUC09	Removal of top up funding for schools to fund Principal Teachers for Enterprise. Responsibility for Enterprise would be retained within existing senior school management remits.	0	40,000	Recurring	None	No direct impact on existing service delivery. Schools take forward Enterprising curricular activities as an integral aspect of Curriculum for Excellence.	No
Education	Being Developed	EDUC10	One existing ASN PT is expected to retire before the end of 2014/15. The proposal is that two posts would be removed from the Education establishment from 2015/16 onwards including redeployment as necessary, realigning existing service delivery to ensure continuity of service delivery across all 4 Council areas.	0	100,000	Recurring	Reduction of 2 posts through turnover	No direct impact: currently Additional Support Needs provision is being reviewed No to allow for improved service delivery, identification and meeting of needs.	No
Education	Being Developed	EDUC11	Realignment of a couple of temporary management/support posts through the integration of Early Years and CLD Youth Services into Education.	0	35,000	Recurring	None	Minor impact realignment of existing functions will bring improved service delivery as an integral aspect of the revised Education Central Services structure.	No

POLICY AND RESOURCES COMMITTEE - 19 MARCH 2015

APPENDIX 2

COMMUNITY SERVICES - 1% SAVINGS - FURTHER DETAIL

Service	Progress of Saving (already secured, being implemented, being developed)	Savings Ref	Description of Saving	Saving Profile		Recurring or Non- Recurring	HR Implications	Performance and Service Implications	Are there Policy Implications? (yes/no)
				2014-15	2015-16				
Education	Already Secured	EDUC12	Cluster Cover - Reduction in the overall level of non-Teacher absence cover provided to school clusters.	0	35,000	Recurring	None	Re-assessment of the current arrangements, for deployment of cluster cover to schools is required to support the implementation of this proposed saving.	No
Education	Being Developed	EDUC13	Operational Efficiencies - To be developed in year through efficiencies in day-to-day operations.	0	12,281	Recurring	None	No direct impact on existing service delivery.	No
<b>TOTAL</b>				<b>1,318,554</b>	<b>2,637,108</b>				

NEW 2015-16

NEW 2015-16





## CUSTOMER SERVICES - 1% SAVINGS - OVERALL SUMMARY

Efficiency Savings	2014-15 £	2014-15 % of Target	2015-16 £	2015-16 % of target
<b>1% Target</b>	<b>241,427</b>		<b>482,854</b>	
Already Secured	241,427	100.0%	433,033	89.7%
Being Implemented	0	0.0%	49,821	10.3%
Being Developed:				
Policy	0	0.0%	0	0.0%
Non-Policy	0	0.0%	0	0.0%
Still to Identify	0	0.0%	0	0.0%
<b>TOTAL 1% SAVINGS TARGET</b>	<b>241,427</b>	<b>100.0%</b>	<b>482,854</b>	<b>100.0%</b>

## CUSTOMER SERVICES - 1% SAVINGS - FURTHER DETAIL

Service	Progress of Saving (already secured, being implemented, being developed)	Savings Ref	Description of Saving	Saving Profile		Recurring or Non-Recurring	HR Implications	Performance and Service Implications	Are there Policy Implications? (yes/no)
				2014-15	2015-16				
Executive Director of Customer Services	Already Secured	CUST001	Vacancy Savings - Increase to Departmental Target	5,212	10,424	Recurring	None	None	No
Customer and Support Services	Already Secured	CUST001	Vacancy Savings - Increase to Departmental Target	6,301	6,301	Recurring	None	None	No
Improvement and HR	Already Secured	CUST001	Vacancy Savings - Increase to Departmental Target	5,500	5,500	Recurring	None	None	No
Customer and Support Services	Already Secured	CUST002	Scottish Water Agency Income - Additional agency income from Scottish Water for collecting water charges as per recently announced order which runs from 1 April 2014 to 31 March 2018. This saving will increase in 2015-16 as a result of the full year impact of the additional income.	36,138	49,022	Recurring	None	None	No
Customer and Support Services	Already Secured	CUST003	Travel Budgets - Reduction to staff travel budgets across the service.	28,000	28,000	Recurring	None	None	No
Customer and Support Services	Already Secured	CUST004	Council Tax Advertising	1,500	1,500	Recurring	None	None	No
Customer and Support Services	Already Secured	CUST019	Council Tax - Sheriff Officer Commission	0	59,055	Recurring	None	None	No
Governance and Law	Already Secured	CUST005	Licensing Income - income achieved for previous years has been in excess of budget.	16,515	16,515	Recurring	None	None	No
Governance and Law	Being Implemented	CUST020	Savings across the service, small uncommitted budgets in Legal Services Management, Anti Social Behaviour Orders and Governance and Law Management	0	16,515	Recurring	None	None	No
Facility Services	Already Secured	CUST006	Property Services Sundries - Budget created in 2012-13 as a result of excess savings from service review.	6,796	6,796	Recurring	None	None	No
Facility Services	Already Secured	CUST007	Income from Investment Properties - increase based on current rental levels	13,770	13,770	Recurring	None	None	No
Facility Services	Already Secured	CUST008	Rural Community Transport Initiative - payment previously paid to a provider that has folded, monies are uncommitted	13,500	13,500	Recurring	None	None	No
Facility Services	Already Secured	CUST009	Pupil Transport - Parent Transport	15,000	15,000	Recurring	None	None	No
Facility Services	Already Secured	CUST010	Cleaning HQ - Reduction to cleaning equipment budget	10,000	10,000	Recurring	None	None	No

## CUSTOMER SERVICES - 1% SAVINGS - FURTHER DETAIL

Service	Progress of Saving (already secured, being implemented, being developed)	Savings Ref	Description of Saving	Saving Profile		Recurring or Non- Recurring	HR Implications	Performance and Service Implications	Are there Policy Implications? (yes/no)
				2014-15	2015-16				
Facility Services	Already Secured	CUST011	Water Charges - savings to be achieved over and above Property Services Service Review saving	20,000	20,000	Recurring	None	None	No
Facility Services	Already Secured	CUST012	Training Budgets across Facility Services	5,000	5,000	Recurring	None	None	No
Facility Services	Already Secured	CUST013	Pool Cars - Fuel Costs	5,000	5,000	Recurring	None	None	No
Facility Services	Already Secured	CUST014	Facility Services - supplies and services and travel and subsistence budgets	25,389	25,389	Recurring	None	None	No
Facility Services	Already Secured	CUST021	School and Public Transport - Inflationary Increase	0	114,455	Recurring	None	None	No
Improvement and HR	Already Secured	CUST015	Overtime Budget - removal of 100% of overtime budget allocation	9,384	9,384	Recurring	None	None	No
Improvement and HR	Already Secured	CUST017	Social Work Training - Photocopier and Coffee machine leases	12,000	12,000	Recurring	None	None	No
Improvement and HR	Already Secured	CUST018	HR - Reduction to Supplies and Services budgets	6,422	6,422	Recurring	None	None	No
Improvement and HR	Being Implemented	CUST022	Learning and Development - Social Work Training Backfill	0	33,306	Recurring	None	None	No
<b>TOTAL</b>				<b>241,427</b>	<b>482,854</b>				

NEW 2015-16

NEW 2015-16



## DEVELOPMENT AND INFRASTRUCTURE - 1% SAVINGS - OVERALL SUMMARY

Efficiency Savings	2014-15 £	2014-15 % of Target	2015-16 £	2015-16 % of target
<b>1% Target</b>	<b>224,480</b>		<b>448,960</b>	
Already Secured	224,480	100.0%	274,635	61.2%
Being Implemented	0	0.0%	0	0.0%
Being Developed:				
Policy	0	0.0%	0	0.0%
Non-Policy	0	0.0%	174,325	38.8%
Still to Identify	0	0.0%	0	0.0%
<b>TOTAL 1% SAVINGS TARGET</b>	<b>224,480</b>	<b>100.0%</b>	<b>448,960</b>	<b>100.0%</b>

## DEVELOPMENT AND INFRASTRUCTURE - 1% SAVINGS - FURTHER DETAIL

Service	Progress of Saving (already secured, being implemented, being developed)	Savings Ref	Description of Saving	Saving Profile		Recurring or Non-Recurring	HR Implications	Performance and Service Implications	Are there Policy Implications? (yes/no)
				2014-15	2015-16				
Directorate	Already Secured	DIS-HQ01	Supplies and Services	18,452	18,452	Recurring	None	Reductions proposed to business support non-staff costs will necessitate sensible cost cutting measures to reduce what should be controllable costs in office equipment and materials, stationery, printing and travel; additionally increased use of e-learning will assist with a planned reduction to the training budget. In summary, prudent reductions to areas of spend which should not impact upon service delivery.	No
Economic Development	Already Secured	ED1	Removal of Assistant Road Safety Officer Post (006787) – Vacant	16,859	16,859	Recurring	No impact as this is currently a vacant post.	This has been a long term vacant post that has been superseded by a number of improvements have been made to service delivery including the development of the road safety learning tool and the innovative cycle training initiative that has recently been shortlisted for an award.	No
Economic Development	Already Secured	ED2	Increase of berthing dues at Port Askaig.	8,942	8,942	Recurring	None	As part of the Scottish Ferries Plan Transport Scotland has engaged with the Islay and Jura communities with a view to rebalancing the services from the mainland to the islands. This will increase sailings to Port Askaig which is a Council asset and will enhance service delivery for residents who live in north Islay and Jura. The service is also looking at ways to increase piers and harbours income across all of our ports and harbours.	No
Planning and Regulatory Services	Already Secured	PRS1	This savings option reduces the level of professional support to Regulatory Services which was allocated to alternative enforcement albeit that the savings are to a post which is current vacant. The impact will be minimal as we have an existing resource within our administration support team, who current undertakes this work as part of their job description, supported by other professional staff and this has worked well in the last year.	11,503	11,503	Recurring	This post is currently vacant and has been used to support our alternative enforcement work.	There will be a slight reduction in our capacity for alternative enforcement in the short-term, until training and development plans are met for the administrative post, although this will be supported by the wider Regulatory Services professional team.	No
Planning and Regulatory Services	Already Secured	PRS2	This savings option reduces the budget for tobacco control from £50454 to £44754. The budget supports the work of trading standards in undertaking age-restricted activity relating to cigarettes and the enforcement work relating to the display of cigarettes which comes into widespread effect for retail premises on the 1st April 2015. Whilst one member of staff is employed through this cost centre, the saving will not impact on their continued employment.	5,700	5,700	Recurring	There will be no impact on staff and the workload relating to tobacco control enforcement is part of the wider trading standards operational team service plan.	The impact to the service will be minimal as our work to date has identified that there is general compliance with the legislative requirements and has supported business to achieve compliance. The level of targeted work has reduced and our strategy will be intelligence driven focussing on business where there is information suggesting that there may be non-compliance. This can be met by the existing trading standards resource and if necessary they can be supported by other professional across Regulatory Services.	No

## DEVELOPMENT AND INFRASTRUCTURE - 1% SAVINGS - FURTHER DETAIL

Service	Progress of Saving (already secured, being implemented, being developed)	Savings Ref	Description of Saving	Saving Profile		Recurring or Non- Recurring	HR Implications	Performance and Service Implications	Are there Policy Implications? (yes/no)
				2014-15	2015-16				
Planning and Regulatory Services	Already Secured	PRS3	Proposed deletion of vacant post within the Development Management structure. The post is a 'Planning Systems Support Assistant' based in Whitegates, Lochgillhead which has been vacant since December 2013. The previous post holder has been promoted within DS to newly created position of Process and Productivity Improvement Manager. Some of the roles and duties of the Systems Support Assistant post have been transferred to the new post as part of a Business Process Review (BPR) that is underway for Development Management. This includes work-streams to deliver efficiencies and best practice within the service.  The post of Systems Support Assistant was originally created in 2009 to roll out and administer the delivery of E-Planning. The majority of outcomes of E-Planning have now been achieved and are bedded into normal working practices now.	14,500	14,500	Recurring	1 vacant post is being removed from structure so there is no loss or change in circumstances to an individual. Other staff within the CVT have already absorbed majority of duties from vacant post with others being transferred to BPR project	Impact on service shall be minimal due to around 70% of the activities of the post being transferred to the new Process and Productivity Improvement Manager or BPR project. Other duties that have not been transferred have been integrated into the wider Central Validation Team (CVT) between June and December 2013 as part of a phased transition. Duties include update of performance data (training of 2 staff still on-going), deleting documents in CIVICA, data management and responding to queries from Planning Officers on systems matters. Whilst the majority of duties from the post have been redistributed the loss of a member of staff within the CVT has marginally reduced resilience during times of unplanned absence or increased workload (unexpected increase in planning applications). A review shall take place in late February to review the resources and demand pressures within the CVT with a view to increase resilience whilst carrying out the duties of the Systems Support Assistant. Further reviews will take place in the medium and long term within the CVT once efficiencies and improvements identified as part of the BPR Process are realised or achieved.	No
Roads and Amenity Services	Already Secured	RAM51	<ul style="list-style-type: none"> <li>Fuel savings due to rescheduled routes</li> <li>Reduced reliance on hired in plant – close down hires more timely</li> <li>Increase in income streams where possible</li> <li>Restructure resulting in a number of vacant posts being removed from the establishment</li> </ul>	148,524	148,524	Recurring	Staffing will be via the removal of vacant posts.	There will be a greater requirement to prioritise roads maintenance revenue works based upon safety priorities and risk assessment with a reduced ability to undertake sustainable asset management as identified through the Roads Asset Management Plan. Reduction in the scale and/or standard of amenity services may impact upon the presentation of community spaces in towns and villages which may impact adversely upon tourism and business interests and the quality of life of communities.	no
Directorate	Already Secured	DIS-HQ02	Deletion of one vacant post where the majority of duties have already been efficiently absorbed into the central team. Total saving £18,452. Post DV800058.	0	18,452	Recurring	No impact as this is currently a vacant post.	Through forward planning the duties have been absorbed into the central team based and therefore the deletion of this administrative post carries minimal detrimental impact upon service delivery.	no
Economic Development	Being Developed	ED3	Increased volume of berthing dues throughout Argyll and Bute achieved through better management processes.	0	25,801	Recurring	None	No impact on service delivery. The service is constantly looking at ways to increase piers and harbours income across all of our ports and harbours including additional marketing opportunities including joint ventures with Gal Mac.	no

NEW 2015-16

NEW 2015-16

## DEVELOPMENT AND INFRASTRUCTURE - 1% SAVINGS - FURTHER DETAIL

Service	Progress of Saving (already secured, being implemented, being developed)	Savings Ref	Description of Saving	Saving Profile		Recurring or Non- Recurring	HR Implications	Performance and Service Implications	Are there Policy Implications? (yes/no)
				2014-15	2015-16				
Planning and Regulatory Services	Already Secured	PRS4	The Scottish Government have laid the Town and Country Planning (Fees for applications and deemed applications)(Scotland)(Amendment) Regulations 2014 on 1 August 2014. The Regulations come into force on 1 November 2014. The Amendment Regulations implement an increase in planning application fees of 5% which in terms of Argyll and Bute Council's 2013/14 Planning fees revenue outturn equates to circa £49,000.  Given this increase in planning fees and the recent and current trends of increasing planning application numbers and income it is considered prudent and sustainable to propose that the 1% saving for Planning and Regulatory Services be addressed fully by an increase in revenue budget fee income.	0	31,703	Recurring	None	Given that it is proposed to increase the revenue budget fee income target to generate the 1% saving there is likely to be limited impact on service delivery. This approach to budget savings will protect existing staff levels, maintain existing high levels of performance and enable the service to meet the current increase in service demands.	no
Roads and Amenity Services	Being Developed	RAMS2	<ul style="list-style-type: none"> <li>Securing more competitive energy contract for street lighting (this is in place and does not affect the ongoing street lighting energy efficiency project reported to ED&amp;I in August 14). This saving is to yield £120k</li> <li>Reduction in overtime worked in roads squads during summer months – option to employ more FTEs working at straight time and some annualised hours working £28k.</li> </ul>	0	148,524	Recurring	Potential to impact on industrial relations.	Each Local Committee Area will be affected on a pro rata basis for energy costs based on the number of lighting units in the area. Overtime costs will be spread across the 4 areas.	No
<b>TOTAL</b>				<b>224,480</b>	<b>448,960</b>				

NEW 2015-16

NEW 2015-16



**MONITORING OF FINANCIAL RISKS – 2014-15 & 2015-16**

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**1 EXECUTIVE SUMMARY**

- 1.1 The main purpose of this report is to provide a summary of the key financial risks facing the Council.
- 1.2 A number of Council wide risks have been identified along with risks for each department and service of the Council. For each departmental risk the financial impact has been quantified and the likelihood assessed based on the standard risk matrix.
- 1.3 There are currently 58 departmental risks totalling £8.178m. Only 10 of the risks are categorised as likely and no risks have been categorised as almost certain.
- 1.4 The financial risks are monitored routinely and actions put in place to continue to mitigate the risks.

**MONITORING OF FINANCIAL RISKS – 2014-15 & 2015-16**

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**2. INTRODUCTION**

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

**3 DETAIL**

**3.1 Introduction**

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

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

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

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

**3.2 Council Wide Risks**

- 3.2.1 The estimated level of council tax income is based on current and forecast Band D equivalents and non-payment rates. This reflects our most recent experience in terms of the council tax base and likely collection rates. A 1% variation in council tax income amounts to approximately £400,000.

- 3.2.2 The finance settlement for 2015-16 was announced on 11 December 2014. There are some small changes to the previous estimates, however, in the main the finance settlement is in line with our expectations.

- 3.2.3 One area of risk to funding would be if the Council were deemed not to have met the conditions attached to the finance settlement and this is assessed as remote. A 1% variation in Scottish Government Funding amounts to around £2m.

- 3.2.4 At the Council budget meeting in February it was agreed that services have to achieve 1% savings in both 2014-15 and 2015-16. The savings should not have a

policy implication and therefore officers are given delegated authority to develop and secure these savings with progress monitored and reported to the Policy and Resources Committee. The Council have a good track record in delivering savings and the progress with the 1% savings target will be monitored closely. A 1% savings target amounts to £1.822m. A 10% shortfall on this savings target would amount to £182,000.

3.2.6 The Council have additional cost implications in respect of holiday pay as a result of a recent ruling by the European Court of Justice. The ruling means that employers must now pay employees the same rate of pay, including any overtime or other additional payments that are linked to their job, whilst they are on holiday. The full year cost is estimated to be around £350,000. The position regarding any backdating of these payments is unclear and there are currently a number of cases or appeals underway and it may be 2016 before there is a final resolution to this matter.

3.2.7 The Council wide risks noted above in addition to other Council wide risks are noted within the table below:

Description	Likelihood	Financial Impact £000
1% variation in Council Tax Income	2	400
Council has not met the conditions attached to the finance settlement. Risk value is equivalent to a 1% variation in Scottish Government funding.	1	2,000
10% shortfall on 1% savings target	2	182
Backdating of Holiday Pay Entitlement	2	1,000
Employee Pay increase by 1% more than budgeted	2	1,334
Employers NI rate increase by 2%	2	2,000
Employers Superannuation auto enrolment into pension scheme.	5	Range of 200 to 2,000
Energy costs increase by 10% greater than anticipated	2	745
Repairs and Maintenance costs increase by 5%	2	120
General Inflation at 2% on all costs not already inflated.	2	1,717

### 3.3 Departmental/Service Risks

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

Department	1 - Remote		2 - Unlikely		3 - Possible		4 - Likely		5 - Almost Certain		Total	
	No.	£000	No.	£000	No.	£000	No.	£000	No.	£000	No.	£000
Community Services	0	0	5	435	14	2,527	7	1,231	0	0	26	4,193
Customer Services	3	170	6	399	8	1,093	1	30	0	0	18	1,692
Development & Infrastructure	2	120	1	10	9	863	2	1,300	0	0	14	2,293
<b>Total</b>	<b>5</b>	<b>290</b>	<b>12</b>	<b>844</b>	<b>31</b>	<b>4,483</b>	<b>10</b>	<b>2,561</b>	<b>0</b>	<b>0</b>	<b>58</b>	<b>8,178</b>

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

SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	LIKELIHOOD	FINANCIAL IMPACT £000
Roads and Amenity Services	Winter Maintenance	Averse weather conditions which require greater than budgeted number of gritting runs.	4	1,200
Adult Care	Increased complexity of Older People, LD and MH packages.	Level of service demand remains at current commitment or increases due to needs becoming more complex.	3	950
Adult Care	Older People - population growth	Growth in elderly population exceeds expectation reflected in Demand Pressure thereby putting increased demand on services.	3	700
Adult Care	External provider charges - Learning Disability, Physical Disability and Mental Health	Increased provider charges in respect of clients with learning disability/mental health needs.	4	400
Adult Care	External provider charges - Older People	Uncertainty over external provider rates in those areas not included in externalisation framework agreed by Council.	4	400

3.3.3 The current top five risks in terms of the likely impact are noted in the table below.

SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	LIKELIHOOD	FINANCIAL IMPACT £000
Roads and Amenity Services	Winter Maintenance	Averse weather conditions which require greater than budgeted number of gritting runs.	4	1,200
Adult Care	External provider charges - Learning Disability, Physical Disability and Mental Health	Increased provider charges in respect of clients with learning disability/mental health needs.	4	400
Adult Care	External provider charges - Older People	Uncertainty over external provider rates in those areas not included in externalisation framework agreed by Council.	4	400
Children and Families	Looked after children - residential placements	Increased level of support, increased placement cost, increased client base	4	200
Roads and Amenity Services	Street Lighting	Age of lighting stock requires greater maintenance as health and safety becomes a consideration.	4	100

### **3.4 Changes to Financial Risks since last P&R Report**

- 3.4.1 The only changes to the financial risks is the removal of a risk in respect of provider charges for older people homecare as the impact is already reflected in another risk within the report.

### **3.5 Monitoring of Financial Risks**

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

## **4 CONCLUSION**

- 4.1 This report summarises the key financial risks facing the Council. Only 10 out of the 58 risks are categorised as likely with no risks categorised as almost certain. The financial risks are monitored routinely and actions put in place to continue to mitigate the risks.

## **5 IMPLICATIONS**

- 5.1 Policy - None.
- 5.2 Financial - The financial value of each risk is included within the appendix.
- 5.3 Legal - None.
- 5.4 HR - None.
- 5.5 Equalities - None.
- 5.6 Risk - Financial risks are detailed within the appendix.
- 5.7 Customer Service - None.

**Steve Barrett**  
**Interim Head of Strategic Finance**  
**17 February 2015**

Appendix 1 – Detail of Department/Service financial risks.



APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS - AS AT 31 JANUARY 2015

DEPARTMENT	SERVICE	SERVICE OUTCOME	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 December 2014		As at 31 January 2015	
						LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Community Services	Adult Care	AC1 - Our community is supported to live more active, healthier and independent lives	External provider charges - Learning Disability, Physical Disability and Mental Health	Increased provider charges in respect of clients with learning disability/mental health needs.	Ensure services are targeted at priority need clients. Review of client assessments and selection of appropriate provider via commissioning of service.	4	400	4	400
Community Services	Adult Care	AC1 - Our community is supported to live more active, healthier and independent lives	External provider charges - Older People	Uncertainty over external provider rates in those areas not included in externalisation framework agreed by Council.	Commissioning team agreeing rates and the role of home care procurement managers in allocating services.	4	400	4	400
Community Services	Adult Care	AC1 - Our community is supported to live more active, healthier and independent lives	Charges for Community Based Care	Clients withdraw from service due to charges or changes to benefits leading to a reduction in income.	Ensure clients benefits are maximised to reduce impact of charges and risk of withdrawal from service. Ensure internal and externally delivered services cease where client withdraws from charging scheme.	3	140	3	140
Community Services	Adult Care	AC1 - Our community is supported to live more active, healthier and independent lives	Growth in Older People population	Growth in elderly population exceeds expectation reflected in Demand Pressure thereby putting increased demand on services.	Restrict service provision within available budget. Ensure services targeted at priority need clients. Continue to shift balance of care where average community care packages cost less than institutional. Growth of elderly population built into financial estimates.	3	700	3	700
Community Services	Adult Care	AC1 - Our community is supported to live more active, healthier and independent lives	Increased complexity of care packages - Older People, Physical Disability, Learning Disability and Mental Health	Level of service demand remains at current commitment or increases due to needs becoming more complex.	Restrict service provision within available budget. Ensure services targeted at priority need clients. Continue to shift balance of care where average community care packages cost less than institutional. Target funding at preventative services to reduce risk of higher dependency.	3	950	3	950
Community Services	Adult Care	AC1 - Our community is supported to live more active, healthier and independent lives	Income from self-funding Older People resident in the Council's care homes	Changes in self funded clients receiving residential care.	Management have no control over financial circumstance of clients receiving care.	3	175	3	175
Community Services	Adult Care	AC1 - Our community is supported to live more active, healthier and independent lives	Provider Charges - Older People Homecare	Increased provider charges in respect of older clients requiring homecare.	Ensure services are targeted at priority need clients. Review of client assessments and selection of appropriate provider via commissioning of service.	4	200		
Community Services	Adult Care	AC1 - Our community is supported to live more active, healthier and independent lives	Sleepover Allowance rates paid to clients in receipt of Direct Payments	Potential increase in the nightly allowance to pay for sleepovers provided by personal assistants funded via Direct Payment in order to meet National Minimum Wage Regulations.	Ensure services are targeted at priority need clients, review of client assessments and greater use of Telecare to support/monitor clients.	4	34	4	34

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS - AS AT 31 JANUARY 2015

DEPARTMENT	SERVICE	SERVICE OUTCOME	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 December 2014		As at 31 January 2015	
						LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Community Services	Adult Care	AC1 - Our community is supported to live more active, healthier and independent lives	Sleepover Allowance rates paid to staff in the Council's Older People's care homes.	Potential increase in the allowance paid to staff working sleepovers in residential units to bring payments into line with the National Minimum Wage Regulations.	Review rotas to ensure that overnight staffing levels are appropriate and meet statutory requirements.	4	42	4	42
Community Services	Children and Families	CF1 - The life chances for looked after children are improved	Looked after children - residential placements	Increased level of support, increased placement cost, increased client base	Commissioning Team; Regular reviews to minimise duration of placement, Maximise existing resources.	4	200	4	200
Community Services	Children and Families	CF1 - The life chances for looked after children are improved	Increased demand for Throughcare support for Looked After Children	Increased level of support, increased placement cost, increased client base	Commissioning Team; Regular reviews; Prompt transition to benefits. Active policy/strategic aim to develop/enhance throughcare offset by corresponding savings within residential placements.	2	80	2	80
Community Services	Children and Families	CF1 - The life chances for looked after children are improved	Increase in demand for foster care places	Increase to fostering client base.	Active Policy/Service Priority to enhance activity.	3	120	3	120
Community Services	Children and Families	CF1 - The life chances for looked after children are improved	Contested Adoption Placements	Increased number of contested adoptions	Activity Policy/Service Priority to enhance activity.	2	15	2	15
Community Services	Children and Families	CF1 - The life chances for looked after children are improved	Increase in Adoption placements	Increased number of adoptions	Activity Policy/Service Priority to enhance activity.	2	50	2	50
Community Services	Children and Families	CF1 - The life chances for looked after children are improved	Sleepover Allowance rates paid to staff in the Council's Children's houses.	Potential increase in the allowance paid to staff working sleepovers in residential units to bring payments into line with the National Minimum Wage Regulations.	Review rotas to ensure that overnight staffing levels are appropriate and meet statutory requirements.	4	85	4	85
Community Services	Children and Families	CF2 - Children, young people and their families at risk are safeguarded	Increase in demand for support for Disabled Children	Increased demand for service.	Disability Transitions Groups	3	60	3	60
Community Services	Children and Families	CF3 - We have contributed to making our communities safe from crime disorder and danger	Criminal Justice Partnership Overspend	Share of potential overspend from Criminal Justice Partnership.	Ongoing review of Criminal Justice budget and partnership activities.	4	70	4	70
Community Services	Community and Culture	CC02 - Raised lifelong participation levels in sport and physical activity to enable us to lead more active healthier lives	Leisure Facilities Usage	Reduced take up of services offered.	Tracking of service user participation using a traffic light system to identify services where usage drops. Services with a low rate of participation would be reviewed.	3	40	3	40
Community Services	Community and Culture	CC04 - Less people will become homeless each year in A&B as a result of our proactive approach to prevention and support	Homelessness Temporary Accommodation Costs	Higher cost of temporary accommodation - increased rental prices and bed and breakfast costs with clients remaining in tenancies for a longer time period until permanent residences are secured.	Bed and breakfast contracts are in place as block purchase of allocation. Work with housing associations and landlords to negotiate rent levels.	3	15	3	15



APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS - AS AT 31 JANUARY 2015

DEPARTMENT	SERVICE	SERVICE OUTCOME	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 December 2014		As at 31 January 2015	
						LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Community Services	Community and Culture	CC04 - Less people will become homeless each year in A&B as a result of our proactive approach to prevention and support	Homelessness Temporary Accommodation Provision	All unintentionally homeless people will be classed as priority need and entitled to permanent accommodation. They must be temporarily accommodated by council until then.	Provision of information and advice services to minimise number of applicants proceeding to full homeless application.	3	12	3	12
Community Services	Community and Culture	CC04 - Less people will become homeless each year in A&B as a result of our proactive approach to prevention and support	Homelessness Temporary Accommodation Income	Introduction of universal benefits has an impact on the level of benefits recovered for temporarily accommodated individuals.	Provision of information and advice services to minimise number of applicants proceeding to full homeless application. Ensure that they are in receipt of full benefit entitlement.	3	75	3	75
Community Services	Community and Culture	CC07 - People successfully access a choice of suitable and affordable housing options in the area that they want to live and can participate in the housing market	Housing Support Costs	Increased cost from external providers of housing support.	Ensure appropriate commissioning of service and targeting of resource to areas of greatest need.	3	20	3	20
Community Services	Education	ED01/ED02 - Primary/secondary school children and are enabled to increase levels of attainment and achievement and realise their potential	Schools - Teacher Cover Levels	Increased absence rate resulting in increased cover requirement.	Absence management protocols.	3	100	3	100
Community Services	Education	ED04 - The education additional support needs of children and young people are met	Schools - ASN Assistants Support Levels	Client base increasing	Priority Need Framework, Active Management of Distribution/ allocations.	2	230	2	230
Community Services	Education	ED04 - The education additional support needs of children and young people are met	ASN - Residential Placements Support Levels	ASN Residential Placements - increased cost due to increase of client base.	Liaison with SW colleagues. Active management of existing client base.	2	60	2	60
Community Services	Education	ED07 - Young children and their families are given assistance to help them achieve the best start in life.	Pre-Five Units - number of providers	Failure of commissioning pre-five units resulting in the Council having to provide the service.	Annual financial appraisal; Support network; Short-term cash injections.	3	50	3	50
Community Services	Education	ED07 - Young children and their families are given assistance to help them achieve the best start in life.	Pre-Five Units - pupil numbers	Increase in pupil numbers.	Maximise current staff base	3	70	3	70
Customer Services	Customer and Support Services	CS01 - Benefits are paid promptly whilst minimising fraud	Housing Benefit Subsidy	Loss of Housing Benefit Subsidy due to exceeding LA error threshold.	Processes in place for handling of claims accurately and efficiently.	2	125	2	125

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS - AS AT 31 JANUARY 2015

DEPARTMENT	SERVICE	SERVICE OUTCOME	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 December 2014		As at 31 January 2015	
						LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Customer Services	Customer and Support Services	CS02 - Businesses are supported in claiming Non-Domestic Rates relief.	Non-Domestic Rates Relief	Risk of demand changing due to legislative changes outwith our control or new charitable businesses. Likely to be powers to make a new discretionary rates relief scheme from April 2015.	Outwith direct management control.	4	30	4	30
Customer Services	Customer and Support Services	CS04 - Income from local taxes and sundry debtors is maximised and properly controlled	Sundry Debt Recovery	Recovery of debt becomes more difficult to pursue in the current economic climate.	Robust monitoring of arrangements with debt collection agency. Joint working with Legal Services to assist services with the recovery of aged debt.	3	110	3	110
Customer Services	Customer and Support Services	CS04 - Income from local taxes and sundry debtors is maximised and properly controlled	Council Tax Debt Collection Recovery	Recovery of debt becomes more difficult to pursue in the current economic climate, Council entering into new contract with debt collection agents for Council Tax.	Robust monitoring of arrangements with debt collection agency and performance against target collection rates.	3	100	3	100
Customer Services	Customer and Support Services	CS05 - Increased value is delivered from procurement, with key contracted services of better quality and effectiveness	Procurement legal challenge	Potential challenge from unsuccessful bidders resulting in claims for damages	Ensure procurement procedures and policies are followed. Explore possibilities for insurance cover in relation to claims.	3	100	3	100
Customer Services	Facility Services	FS01 - Children in Argyll and Bute are healthier by maximising the number of pupils option to choose a nutritionally balanced school meal at lunchtime	Catering Purchases	Increased supplier charges.	Joint strategy with procurement colleagues to reduce potential impact. Control food wastage/portion controls.	2	60	2	60
Customer Services	Facility Services	FS02 - Communities are safer and more successful through improved facilities	Property - Central Repairs	Increased demands on CRA as a result of the decrease in capital funding available and increases in supplier/contractor charges.	Joint strategy with procurement colleagues to reduce potential impact of supplier/contractor charges. Close monitoring of CRA budgets and commitments.	3	200	3	200
Customer Services	Facility Services	FS02 - Communities are safer and more successful through improved facilities	Surplus Properties	Ongoing market difficulties lead to increased numbers of surplus properties, there are residual running costs associated with surplus properties.	Asset Management Strategy	3	250	3	250
Customer Services	Facility Services	FS02 - Communities are safer and more successful through improved facilities	Rental Income from Properties	Due to current economic climate may be reduced ability to recover rental income from leased properties or place suitable tenants in properties as leases come to an end.	Management of leasehold properties by Estates team, any issues with debt recovery being dealt with in line with Council debt recovery policy.	2	20	2	20

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS - AS AT 31 JANUARY 2015

DEPARTMENT	SERVICE	SERVICE OUTCOME	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 December 2014		As at 31 January 2015	
						LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Customer Services	Facility Services	FS03 - We contribute to the sustainability of the local area	Energy Costs	Increase in energy costs and consumption. The Council are required to participate in the CRC Energy Efficiency Scheme from 2014-15 onwards, there is a risk that the required carbon emission reductions are not met and the cost of the allowances could increase.	Energy Management Team actions to reduce energy consumption and efficiency and ensure more accurate billing by energy providers. Regular monitoring of energy budgets to ensure any issues are raised and resolved as soon as possible.	3	200	3	200
Customer Services	Facility Services	FS04 - School and public transport meets the needs of communities	SPT Requisition	Increased contribution required for SPT requisition.	Outwith direct management control.	2	60	2	60
Customer Services	Facility Services	FS04 - School and public transport meets the needs of communities	School and Public Transport - provider charges	Increased provider charges	Joint strategy with procurement colleagues to reduce potential impact.	2	100	2	100
Customer Services	Governance and Law	GL10 - Timely provision of liquor licences and Civic Government licenses to the public	Licensing	Reduced numbers of licensing applications leading to reduced income	Monitoring of trends.	3	30	3	30
Customer Services	Governance and Law	GL5 - Electors enabled to participate in the democratic process	Elections	More than 1 by-election required outwith standard election cycle.	Outwith direct management control.	2	34	2	34
Customer Services	Governance and Law	GL6 - The best interests of children at risk are promoted	Children's Panel	Increased number of referrals.	Liaise with Community Services colleagues to maximise council facilities/resources in the first instance.	1	10	1	10
Customer Services	Governance and Law	GL8 - Provision of high quality, timely legal advice	Legal Services	Failure to minimise Council wide use of external legal advice.	Ensure legal services are gateway to access all legal advice.	1	10	1	10
Customer Services	Governance and Law	GL9 - Provision on high quality, timely and appropriate legal documentation.	Insurance Contract	The Council has to tender the insurance Service contract during 2015-16. It is possible there will be an increased cost of insurance as a result of the tender.	Legal Services will seek to ensure that a number of tender returns are made to increase competitive benefit for the Council.	3	103	3	103
Customer Services	NPDO	NPDO	Contract RPI	Increase in RPI.	Monitoring annual alteration to contract RPI rate and mitigation through financial forecasting and existing budget.	1	150	1	150
Development & Infrastructure	Economic Development	ET02 - Argyll and Bute is better connected, safer and more attractive	Ferry Services - maintenance	Increased maintenance costs of ferries due to age of fleet.	Monitor the cost of maintaining the fleet and if necessary prepare business cases for the procurement of replacement ferries.	3	50	3	50
Development & Infrastructure	Economic Development	ET02 - Argyll and Bute is better connected, safer and more attractive	Ferry Services - income	Changes to ferry services resulting in reduced passenger income.	Ensure that ferry operators are charged for the correct number of passengers	3	40	3	40
Development & Infrastructure	Economic Development	ET02 - Argyll and Bute is better connected, safer and more attractive	Piers and Harbours	Reduced fishing fleet resulting in lower number of fish landings.	Monitor fish landings and ensure that all income is collected.	3	40	3	40
Development & Infrastructure	Economic Development	ET02 - Argyll and Bute is better connected, safer and more attractive	Airfields and Air Services - usage	Reduced number of aircraft using the airports.	Monitor usage and market the facilities.	2	10	2	10

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS - AS AT 31 JANUARY 2015

DEPARTMENT	SERVICE	SERVICE OUTCOME	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As at 31 December 2014		As at 31 January 2015	
						LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Development & Infrastructure	Economic Development	ET02 - Argyll and Bute is better connected, safer and more attractive	Airfields and Air Services - fuel costs	Increased fuel costs on PSO flights being passed onto the Council.	Scrutinise all claims for increased costs to ensure that they are in accordance with the contract.	3	30	3	30
Development & Infrastructure	Planning and Regulatory Services	PR01 - The local economy is improved through the delivery of sustainable development	Planning fees reduced by Scottish Government	Planning revenue budgets negatively affected by Better Regulation Bill. Scottish Government reducing planning fees due to poor performance by the Planning Authority	Maintain high levels of performance as articulated by performance markers detailed in Planning Performance Framework annual report.	1	100	1	100
Development & Infrastructure	Planning and Regulatory Services	PR03 - We secure standards relating to public health and health protection through working with businesses, partner agencies and the public, through risk-based proportionate enforcement	Animal Health	Carrying out livestock seizure to protect welfare of the animals	Monitor activity and seek to recover costs from the disposal of the animals.	1	20	1	20
Development & Infrastructure	Planning and Regulatory Services	PR04 - The health, safety, welfare and convenience of people in and around buildings is protected and improved	Dangerous Buildings interventions	Deal in Building Standards with an increasing level of dangerous building work which has significant financial implications for Council	Monitor activity and seek to recover costs from the owner	3	180	3	180
Development & Infrastructure	Planning and Regulatory Services	PR04 - The health, safety, welfare and convenience of people in and around buildings is protected and improved	Building Warrant fee shortfalls	Due to downturn in economic / building activity, building warrant fee income shortfalls leading to revenue budget pressures.	Continue to monitor Building Standards income and expenditure tightly and investigate further income generation streams. Lobby Scottish Ministers through professional organisations to increase Building Warrant fees to a sustainable level.	3	130	3	130
Development & Infrastructure	Roads and Amenity Services	RA01 - Proportionate, safe and available infrastructure	Winter Maintenance	Adverse weather conditions which require greater than budgeted number of gritting runs.	Monitor weather conditions and apply gritting policy to minimise costs.	4	1,200	4	1,200
Development & Infrastructure	Roads and Amenity Services	RA01 - Proportionate, safe and available infrastructure	Roads Maintenance	Adverse weather conditions result in deterioration of the road network necessitating greater spend on repair of defects.	Manage maintenance budgets to ensure that spend is prioritised to deal with safety defects.	3	230	3	230
Development & Infrastructure	Roads and Amenity Services	RA01 - Proportionate, safe and available infrastructure	Street Lighting	Age of lighting stock requires greater maintenance as health and safety becomes a consideration.	Manage maintenance budgets to ensure that spend is prioritised to deal with safety defects.	4	100	4	100
Development & Infrastructure	Roads and Amenity Services	RA06 - Sustainable disposal of waste	Waste Collection	Reduced income from commercial refuse collection	Review operational service provision	3	136	3	136
Development & Infrastructure	Roads and Amenity Services	RA06 - Sustainable disposal of waste	Waste Disposal	Re-tender for island haulage and potential for increased prices	Competitive tendering process may assist in minimising the impact of increased prices	3	27	3	27
<b>Total</b>						<b>59</b>	<b>8,378</b>	<b>58</b>	<b>8,178</b>

**RESERVES AND BALANCES – UPDATE AS AT 31 JANUARY 2015**

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**1 EXECUTIVE SUMMARY**

- 1.1 The main purpose of this report is to advise Members of the overall level of reserves held by the Council as well as providing detail on the monitoring of the earmarked balances held within the General Fund.
- 1.2 The Council has a total of £48.526m usable reserves as at the end of 31 March 2014. Of this balance, £1.025m relates to Repairs and Renewals Fund, £3.460m relates to Capital Funds and the remainder is held in the General Fund, with £30.372m of the balance earmarked for specific purposes.
- 1.3 The Council has a total of £126.299m unusable reserves that are not backed with resources. They are required purely for accounting purposes.
- 1.4 The General Fund contingency level remains at 1.5% of net expenditure. There is currently an estimated surplus over contingency of £10.380m and this is being directed towards the delivery of the Single Outcome Agreement.

**RESERVES AND BALANCES - UPDATE AS AT 31 JANUARY 2015**

**2. INTRODUCTION**

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

**3. DETAIL**

**3.1 Types of Reserves**

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

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

**3.2 Reserve Balances At 31 March 2014**

3.2.1 The balances on each type of reserve at 31 March 2014 are set out in the table below.

<b>Reserve</b>	<b>£000</b>
<b>Unusable Reserves</b>	
Revaluation Reserve	56,113
Capital Adjustment Account	198,230
Financial Instruments Adjustment Account	-4,889
Pensions Reserve	-118,337
Accumulated Absences Account	-4,818
<b>Total Unusable Reserves</b>	<b>126,299</b>
Usable Reserves.....on next page	

<b>Reserve</b>	<b>£000</b>
<b>Usable Reserves</b>	
Repairs and Renewals Fund	1,025
Capital Fund	703
Usable Capital Receipts Reserve	2,757
General Fund	44,041
<b>Total Usable Reserves</b>	<b>48,526</b>
<b>Total Reserves</b>	<b>174,825</b>

3.2.2 The Revaluation Reserve represents the unrealised gains in the valuation of fixed asset. The Capital Adjustment Account represents the difference between depreciation based on proper accounting practice and statutory charges for financing capital expenditure. The Financial Instruments Adjustment Account represents the difference between gains and losses on borrowing and statutory capital financing charges. The Pensions Reserve represents the difference between pension costs based on proper accounting practice and payments made for pension costs. The Accumulated Absences Account represents the costed difference between holiday pay entitlement and actual holidays taken at 31 March.

3.2.3 The Repairs and Renewals Fund was established to support funding of renewal and replacement of school equipment. Schools can only draw on the Repairs and Renewals Fund to the extent they have previously paid into the Fund and contributions must be contained within schools devolved budgets.

3.2.4 The Capital Fund was established to receive all capital receipts generated by the Council and can be used to support the capital plan or meet the principal repayments on loan charges. The Council decides as part of the budget process each year how it wishes to draw funding from the Capital Fund.

3.2.5 The Usable Capital Receipts Reserve relates to the accumulated unspent capital receipts from sale of council houses prior to transfer of the housing stock. The reserve forms part of the Council's Strategic Housing Fund and can only be used for investment in social housing. The reserve will be used in accordance with the approach to investing in housing agreed by the Council in August 2012.

### 3.3 General Fund

3.3.1 The General Fund balance at 31 March 2014 can be analysed as follows:

	<b>Balance 31/03/14 £000</b>
Balance on General Fund as at 31 March 2013	46,138
Reduction to General Fund balance at end of 2013-14	2,097
Earmarked Balances	30,372
Contingency allowance at 1.5% of net expenditure	3,658
Unallocated balance as at 31 March 2014	10,011

3.3.2 The General Fund includes balances that the Council has agreed to earmark for

specific purposes. Some of these earmarked balances will be spent during the current financial year and some of them will be held over and spent in later years. The table below shows the balance at 31 March 2014, the amount already spent and planned to be spent in the current year, the amount to be spent in future years and any sums no longer required to be earmarked. Appendix 1 provides further details on the breakdown of unspent budget.

<b>Earmarking Category</b>	<b>Balance 31/03/14</b>	<b>Drawn- down to 2014-15 Budget as at 31/12/14</b>	<b>Planned Still to Spend 2014-15</b>	<b>Planned Spend Future Years</b>	<b>Balance no Longer Required</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Strategic Housing Fund	7,484	1,144	0	6,340	0
Revenue Contribution to Capital - Dunoon and Campbeltown Schools	3,000	0	0	3,000	0
Investment in Affordable Housing	9,500	0	0	9,500	0
Severance Costs	27	0	0	27	0
Reserve Committed for 2014-15 Budget	326	326	0	0	0
CHORD	420	0	0	420	0
DMR – Schools	887	887	0	0	0
Existing Legal Commitments	196	0	0	196	0
Unspent Grant	979	507	290	182	0
Unspent Third Party Contribution	255	30	0	225	0
Unspent Budget	7,298	1,609	770	4,528	391
<b>Total</b>	<b>30,372</b>	<b>4,503</b>	<b>1,060</b>	<b>24,418</b>	<b>391</b>

3.3.3 The balances no longer required that can be released back into the unallocated General Fund are noted below:

- NPDO £200,000
- Argyll and Bute Manager Programme £51,083
- Learning and Development £54,800
- Corporate Improvement Board Projects £43,500
- Local Plan Enquiry £42,000

3.3.4 The earmarked balances noted in paragraph 3.3.3, with the exception of the Local Plan Enquiry are all within Customer Services. Due to procurement savings and lower than expected inflation costs within School and Public Transport in addition to insurance savings within NPDO, the department will be able to progress the projects/initiatives from within their current budget for 2014-15 and is therefore able to release the earmarked balances back into the unallocated General Fund.

3.3.5 The sum of £90,000 had been earmarked for the Local Plan Enquiry. It is now expected that the final cost will be £48,000, therefore, the remaining £42,000 can be released back to the General Fund.



- 3.3.6 There is a change to the profiling of the Unspent Budget in respect of Early Intervention (Early Years Change Fund) (Ref 035 on appendix). The profile as agreed in February 2014 was indicative based on the assumption that the service would be spending evenly over 2014-15 and 2015-16. The work has been delayed due to the service review within Children and Families and the new profiling is noted below:  
2014-15 £274,004  
2015-16 £288,681  
2016-17 £168,315
- 3.3.7 There is a change to the profiling of the unspent budget in respect of Care First/Care Pay Consultancy (Ref 036 on appendix). The earmarking relates to the implementation of the foster care payments module on CareFirst which was planned to take place during 2014-15 but has been deferred to 2015-16.
- 3.3.8 There is a change to the profiling of the Unspent Budget in respect of the introduction of the amenity services management system (Ref 003 on appendix). The project is in the early stages and is preparing initial documents for consideration at the IT steering board.
- 3.3.9 There is a change to the profiling of the Unspent Budget in respect of Iona Ferry Slip (Ref 051 on appendix). It is expected that this money will be used in 2015-16, currently retendering is underway.
- 3.3.10 There is a change to the profiling of the Unspent Budget in respect of Autism Strategy (Ref 033 on appendix). The Scottish Government is due to produce the final version of the national training strategy for autism in April. The service has subsequently had to defer training until 2015-16 and subsequently requires to defer funds originally planned to be used in 2014-15 for training purposes.
- 3.3.11 There is a change to the profiling of the Unspent Budget in respect of Youth Employment Opportunities Fund (Ref 042 on appendix). The spend on modern apprenticeships has been lower than expected during 2014-15 due to delays in advertising apprenticeship opportunities, mainly caused by issues relating to pay rates for apprentices; low levels of interest from young people in some of the opportunities which were advertised and the lower than expected costs of posts that were filled due to apprentices being taken on later in the financial year than expected. It is anticipated that additional apprentices will be employed in 2015-16 as the Council moves towards its ambition of offering apprenticeships to 25 young people and subsequently unused funds from 2014-15 are being deferred to meet the expected costs.
- 3.3.12 Based on the financial risks analysis there are no proposals to change the general fund contingency.
- 3.3.13 Looking forward, the following forecasts are estimated for the unallocated general fund balance. Members agreed at Policy and Resources Committee in August to direct the free balance on the general fund exclusively to the theme of economy and jobs and proposals to increase income / reduce costs for the Council.

<b>Unallocated General Fund Forecast</b>	<b>£000</b>
Unallocated balance on General Fund as at 31 March 2014	10,011
Earmarked funds no longer required	391
Supplementary estimates previously approved:	
• Waverley (agreed in 2013-14) - £15k in 2014-15 and £10k in 2015-16	-25
• Rothesay Pavilion – agreed £335k at Council 25 September 2014.	-335
• 6 Year Budget for Lorn Arc programme team office agreed at Council on 22 January 2015	-1,607
Budgeted Surplus 2014-15	1,020
Forecast outturn for 2014-15 as at 31 January 2015	771
Forecast outturn for 2015-16 as agreed at Council on 12 February 2015	154
Free General Fund Balance to be directed towards delivery of Single Outcome Agreement.	10,380

#### **4. CONCLUSION**

- 4.1 The report outlines the overall reserves and balances for the Council covering the purpose and level of each reserve. It also provides detail as to expenditure against earmarked balances held within the General Fund. There is currently an estimated surplus over contingency of £10.380m and this is being directed towards the delivery of the Single Outcome Agreement.

#### **5. IMPLICATIONS**

- 5.1 Policy - Earmarked funds and funds set aside for delivery of Single Outcome Agreement are available to support Council Policy.
- 5.2 Financial - Outlines the balances held with the Council's usable and unusable reserves.
- 5.3 Legal - None.
- 5.4 HR - None.
- 5.5 Equalities - None.
- 5.6 Risk - A contingency of £3.658 equivalent to 1.5% of net expenditure has been set aside as part of the general fund. This has been subject to a risk assessment.
- 5.7 Customer Service - None.

**Steve Barrett**  
**Interim Head of Strategic Finance**  
**17 February 2015**

#### **APPENDICES**

Appendix 1 – Earmarked Reserves breakdown of unspent budget

APPENDIX 1

Earmarked Reserves - Unspent Budget  
As at 31 January 2015

Ref	Department	Service	Description	Balance 31/03/14	Drawdown to 2014/15 Budget as at 31/01/15	Planned Still to Spend in 2014/15	Planned Future Spend Years	Balance No Longer Required	Plans for Use
001	Customer Services	Governance & Law	Oban By-election	60,000	60,000	0	0		Due to the resignation of two elected members there is a requirement to have two separate by-elections in the Oban area, one alongside the European Elections in May and the other in July. The service do not have the capacity within the recurring operational revenue budget to accommodate the cost of the by-elections. The Governance and Law service are projecting a favourable outcome position in 2013-14 which could be earmarked to cover the costs.
002	Development and Infrastructure	Economic Development	Oban Airport meteorological equipment	60,000	35,160	24,840	0		To replace the current equipment that is at the end of its life expectancy and has required expensive maintenance repairs. Provision was included within the 2013-14 budget for these costs but not in 2014-15. The contract for the works was put out to tender but has to be re-tendered which has delayed this project until 2014-15. There is no available budget within the service in 2014-15 to fund this.
003	Development and Infrastructure	Roads and Amenity Services	Amenity Services introduction of management information system	135,500	0	0	135,500		To introduce WDM/TOTAL to provide accurate management information on the operation of Amenity Services. Funding was available in the 2013-14 budget for this project, there is not budget available in 2014-15 to fund this project which was agreed as part of the service review. Because of delays with progressing budget savings options this delayed the implementation of this project. This will be progressed in 2014-15 instead of 2013-14.
019	Customer Services	Customer and Support Services	Scottish Government Funding - Welfare Reform/Discretionary Housing Payments (agreed at Council February 2014)	523,706	130,000	131,853	261,853		DWP LSSR service activity as per Council Paper from February 2014. Scottish Government Grant in relation to Discretionary Housing Payments. This is committed in 2014-15 against DWP LSSF service activity.
022	Customer Services	Facility Services	Holy Loch Community Centre	52,345	52,345	0	0		To be used to fund the demolition costs of the Holy Loch Community Centre in Sandbank near Dunoon. This was approved in February 2014 to be met from underspends in the Facility Services budget for 2013-14, there was a delay in carrying out the works on site due to requirement to secure a bat license.

APPENDIX 1

Earmarked Reserves - Unspent Budget  
As at 31 January 2015

Ref	Department	Service	Description	Balance 31/03/14	Drawdown to 2014/15 Budget as at 31/01/15	Planned Still to Spend in 2014/15	Planned Spend Future Years	Balance No Longer Required	Plans for Use
025	Development and Infrastructure	Economic Development	Inveraray CARS	350,000	0	25,000	325,000		<p>The aims of the scheme focus around the objectives of protecting the quality of the built environment as an asset for sustainable economic growth, enabling the development of growth enhancing activities within Inveraray itself and to act as a catalyst for economic regeneration of the town and its hinterland.</p> <p>The scheme seeks to :</p> <ol style="list-style-type: none"> <li>1. Secure investment in the fabric of the built heritage of Inveraray which is highlighted as our premier conservation area and a main tourist attraction.</li> <li>2. Focus on essential repair of the historic environment focused around 8 priority buildings, shop fronts, a small repairs and public realm investment .</li> <li>3. Deliver training and improve the traditional building skills base amongst local contractors and business operating with the community and linking to the Argyll Construction college and working with the Lead Sheet Association.</li> <li>4. Deliver education and awareness raising initiatives working closely with the local primary school, specifically Argyll College (as part of UH) and local contractors.</li> <li>5. Develop working partnerships with local and national authorities, local traders and residents with regard to improving the appearance of the conservation area.</li> <li>6. Consider opportunities for town centre, access and parking improvements and the opportunities for joint working with the trunk roads authority to develop a heritage led approach relative to road signage.</li> </ol>
026	Development and Infrastructure	Economic Development	Hermitage Park HLF	300,000	0	0	300,000		<p>The aims of the scheme focus around the objectives of protecting the quality of the heritage of Hermitage Park thereby improving the quality of the experience, increase public engagement and the use of the park. The overall objective is to enhance the quality of the area as a place to live and work and in turn improve the overall quality of life in our communities. This will be achieved through the following:</p> <ol style="list-style-type: none"> <li>1 Restoration of the historic fabric including walled memorial garden, pond and gates, old mill remains, Hermitage Well and the Millig Burn paths, bridges and walls.</li> <li>2 Restoration/reinterpretation of historic planting, including open up lines of site to improve safety of visitors.</li> <li>3 Celebration of heritage through interpretation and community involvement – and upgrading of the paths and drainage to increase access to the Park.</li> <li>4 Reconsideration of the recreational elements which include the children's play park, bowling green, tennis courts, putting green and recreational pavilion, shelter and toilets.</li> </ol>
027	Development and Infrastructure	Economic Development	Campbeltown Picture House	150,000	0	0	150,000		<p>First constructed in 1913 and is now the oldest purpose built cinema still operating in Scotland. However, due to age, years of water ingress and an antiquated heating system, the property is now in a perilous state of repair and is an A-Listed property. Although the management board is composed of volunteers, it currently employs 7 staff (2 FT/ 5 PT) and has plans to expand. Total costs of renovations are forecast at £3m as detailed in the Business Case (Jura Consultants, August 2012).</p>

APPENDIX 1

Earmarked Reserves - Unspent Budget  
As at 31 January 2015

Ref	Department	Service	Description	Balance 31/03/14	Drawdown to 2014/15 Budget as at 31/01/15	Planned Still to Spend in 2014/15	Planned Spend Future Years	Balance No Longer Required	Plans for Use
032	Community Services	Adult Care	Residential Care Home Placements (Charging Order Income)	853,000	0	0	853,000		Contingency put in place in February 2013 to offset budget saving options for Adult Care Service. The Council holds a debtor on the balance sheet for the level of charging orders in place, this earmarked balance is a holding account to retain the monies that were generated in creating the debtor. These funds have not yet been recovered, if this earmarked balance was removed there would be an issue for the service if the debt is not recovered.
033	Community Services	Adult Care	Autism Strategy	35,000	10,354	8,000	16,646		Carry forward on monies received late in 2012-13 to fund the development of an autism strategy for both adults and children. Report to Community Services Committee 8th May 2014. noting The Health and Social Care Strategic Partnership are leading work in Argyll and Bute to develop services for clients with an Autism Spectrum Disorder (ASD) Work is underway and funding is being utilised.
034	Community Services	Adult Care	Health and Social Care Integration	120,000	120,000	0	0		To fund a team for two years to progress Health and Social Care Integration. Project is up and running. Funding will be required to cover project team staff costs until implementation. Additional ad-hoc support may be required subject to developments / timescales.
035	Community Services	Children and Families	Early Intervention (Early Years Change Fund)	731,000	274,004	0	456,996		Fund established in 2012/13 to be spent over more than one year. Expenditure plan was prepared in 2014/15.
036	Community Services	Children and Families	Care First /Care Pay Consultancy	16,200	0	0	16,200		Progress the integration of financial and care management information held in the CareFirst system for Children and Families. Monies were planned to be spent during 2013-14, however the timescale has slipped. Consultancy will now be needed in 2015-16.
037	Community Services	Children and Families	Early Years Development Support	29,190	29,190	0	0		Two posts shared by the Council and NHS to support the Integrated Childrens Services Planning and Early Years Collaborative. 2 posts were recruited to in November 2013. Funding is required to fund these posts in 14/15.
038	Community Services	Community and Culture	Events and Festivals	67,000	67,000	0	0		Contribution towards a strategic events and festivals programme. Year 3 of 3 year programme.
039	Community Services	Community and Culture	Welfare Rights Officer	42,000	33,434	0	8,566		Continuation of fixed 2 year Welfare Rights Officer post, to assist in the delivery of additional requirements placed on the service, as a result of Welfare Reform. Fixed 2 year post wef June 2013.
040	Community Services	Education	School Campus Proposals - Dunoon and Campbeltown	648,407	75,000	57,631	515,776		Additional revenue costs associated with development of new schools. Drawn down as Schools project progresses and project costs are incurred.
041	Community Services	Education	Use of Additional Scottish Government Funding to Maintain Teacher numbers - Performance Management Officer	32,138	32,138	0	0		Two year initiative, creation of a post to provide support to the Education Management Team. Year 2 of initiative. Officer in post, contracted until March 2015.

APPENDIX 1

Earmarked Reserves - Unspent Budget  
As at 31 January 2015

Ref	Department	Service	Description	Balance 31/03/14	Drawdown to 2014/15 Budget as at 31/01/15	Planned Still to Spend in 2014/15	Planned Spend Future Years	Balance No Longer Required	Plans for Use
042	Community Services	Education	Youth Employment Opportunities Fund	162,388	10,000	0	152,388		Fund established in 2012/13 to be spent over more than one year. Monies will be spent on activities including Modern Apprenticeships and work experience.
043	Customer Services	Customer and Support Services	Corporate Purchasing Cards	5,000	5,000	0	0		Introduce corporate purchasing cards for catering purchases in schools. Remaining balance is required for next year for 4 months to allow the completion of the creditors scanning backlog.
044	Customer Services	Customer and Support Services	Information Management Strategy	6,212	6,212	0	0		To fund one-off costs within IT in respect of Information Management Strategy. All monies were planned to be spent during 2013-14, however some invoices were withheld for payment due to late delivery and poor quality of some of the deliverables of the project. These issues have been resolved in 2014-15 and the monies will be required to offset the final costs.
045	Customer Services	Executive Director of Customer Services	NPDO	200,000	0	0	0	200,000	Use efficiencies within 2012-13 to pay for the potential costs associated with a refinancing proposal for ABC Schools. Any refinancing proposal has the potential to result in a substantial gain for the Council. The costs associated with re-financing will not be incurred until 2014-15.
046	Customer Services	Facility Services	Asbestos Management	358,369	127,718	51,467	179,185		Asbestos survey to be carried out for all of the Council properties. Reserves were approved to fund a 3 year programme of asbestos works, the original amount earmarked was £513k. The remaining monies will be spent over 2014-15 and 2015-16.
047	Customer Services	Improvement and HR	Argyll and Bute Manager Programme	164,575	0	0	113,492	51,083	Fund the Argyll and Bute Manager training programme. The service have incurred some expenditure but this can be accommodated from within the service favourable outturn position. Proposed to maintain balance in reserves to fund the extension of the Argyll and Bute Manager programme. ALTHOUGH BALANCE IS BEING RELEASED BACK TO THE GENERAL FUND, THERE IS AVAILABLE MONIES WITHIN CUSTOMER SERVICES BUDGET WITHIN 2014-15 TO ENABLE THIS PROJECT/INITIATIVE TO STILL PROGRESS.
048	Customer Services	Improvement and HR	Learning and Development	175,640	0	0	120,840	54,800	Training identified via PRDs, develop further E-Learning modules and the provision of Social Work degree and HNC qualifications. Original earmarked balance was to be spent over a 5 year period. The service have incurred some expenditure in these areas but do not require to draw on the reserves as these costs can be accommodated from the favourable outturn position. The spending plan has been expanded to include the provision of social work HNC qualifications. ALTHOUGH BALANCE IS BEING RELEASED BACK TO THE GENERAL FUND, THERE IS AVAILABLE MONIES WITHIN CUSTOMER SERVICES BUDGET WITHIN 2014-15 TO ENABLE THIS PROJECT/INITIATIVE TO STILL PROGRESS.
049	Customer Services	Improvement and HR	Corporate Improvement Board Projects	43,500	0	0	0	43,500	Plans for use include the re-accréditation of PSIF verifiers, BPR training costs and the costs of developing e-learning modules. Monies originally planned to be spent by 2014-15. Plans for use include the re-accréditation of PSIF verifiers, BPR training costs and the costs of developing e-learning modules. ALTHOUGH BALANCE IS BEING RELEASED BACK TO THE GENERAL FUND, THERE IS AVAILABLE MONIES WITHIN CUSTOMER SERVICES BUDGET WITHIN 2014-15 TO ENABLE THIS PROJECT/INITIATIVE TO STILL PROGRESS.
050	Development and Infrastructure	Economic Development	Lorn Arc	26,000	26,000	0	0		To address any outstanding aspects of the Lorn Arc Business Case

APPENDIX 1

Earmarked Reserves - Unspent Budget  
As at 31 January 2015

Ref	Department	Service	Description	Balance 31/03/14	Drawdown to 2014/15 Budget as at 31/01/15	Planned Still to Spend in 2014/15	Planned Spend Future Years	Balance No Longer Required	Plans for Use
051	Development and Infrastructure	Economic Development	Iona Ferry Slip	255,000	0	0	255,000		To be used on ferry slip on Iona which requires significant work. There has been a delay in initiating project due to the scope of the work changing and the revised project having to be re-tendered.
052	Development and Infrastructure	Planning and Regulatory Services	Local Plan Enquiry	90,000	47,820	180	0	42,000	Local Plan Enquiry scheduled for 2014/15
053	Development and Infrastructure	Roads and Amenity Services	Waste Management	586,258	318,554	267,704	0		Will be used towards Waste Management longer term model. Delay in introduction of commingled collection due to legal issues that remain to be resolved, however monies will be required for waste management longer term model.
054	Development and Infrastructure	Roads and Amenity Services	Car Parking Strategy Initial Shortfall	209,314	72,917	136,397	0		Required for the implementation of DPE. Implementation commenced during 2013-14. £217k of the funding was used and it is expected that the balance of £209k will be used in the first 6 months of 2014-15.
077	HQ Non Dept	n/a	Community Resilience Fund	524,680	0	0	524,680		Fund established in 2012/13 to be spent over more than one year
078	HQ Non Dept	n/a	PVG Retrospective Phase	211,413	50,704	55,003	105,706		Budget earmarked at the end of 2012-13 for a 3 year programme to ensure the council is compliant with the requirement of the PVG scheme, including the migration of existing staff over to the new scheme.
079	HQ Non Dept	n/a	Support Staff for PVG Retrospective Phase	74,192	25,704	11,392	37,096		Additional support in HR to process PVG applications.
<b>TOTAL</b>				<b>7,298,027</b>	<b>1,609,254</b>	<b>769,467</b>	<b>4,527,924</b>	<b>391,383</b>	





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## CAPITAL BUDGET MONITORING REPORT – 31 January 2015

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### 1 EXECUTIVE SUMMARY

1.1 This provides an update on the position of the capital budget as at 31 January 2015. The report provides information on the financial position in respect of the capital plan and also the performance in terms of delivery of capital plan projects.

#### 1.2 Financial Position:

- **Current Year to Date** – actual expenditure to date is £30,281k compared to a budget for the year to date of £27,720k giving rise to an over spend for the year to date of £2,561k (-9.2%).
- **Forecast Outturn for 2014-15** – forecast expenditure for the full financial year is £40,414k compared to an annual budget of £37,881k giving rise to forecast over spend for the year of £2,533k (-6.7%).
- **Total Capital Plan** – the forecast total project costs on the total capital plan is £215,540k compared to a total budget for all projects of £212,201k giving rise to a forecast over spend for the overall capital plan of £3,339k (-1.6%).

#### 1.3 Project Delivery:

- **Asset Sustainability** – Out of 166 projects there are 150 projects (90%) on track, 15 projects (9%) off track and recoverable and 1 project (1%) is off track.
- **Service Development** - Out of 41 projects there are 26 projects (63%) on track, 14 projects (34%) off track but recoverable and 1 project is off track (2%).
- **Strategic Change** – Out of 27 projects there are 17 projects (63%) on track, 7 projects (26%) off track and recoverable and 3 projects (11%) off track.

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**CAPITAL BUDGET MONITORING REPORT – 31 January 2015**

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**2 INTRODUCTION**

2.1 This provides an update on the position of the capital budget as at 31 January 2015. The report provides information on the financial position in respect of the capital plan and also the performance in terms of delivery of capital plan projects.

**1.2 Financial Position:**

- **Current Year to Date** – actual expenditure to date is £30,281k compared to a budget for the year to date of £27,720k giving rise to an over spend for the year to date of £2,561k (-9.2%).
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- **Total Capital Plan** – the forecast total project costs on the total capital plan is £215,540k compared to a total budget for all projects of £212,201k giving rise to a forecast over spend for the overall capital plan of £3,339k (-1.6%).

**1.3 Project Delivery:**

- **Asset Sustainability** – Out of 166 projects there are 150 projects (90%) on track, 15 projects (9%) off track and recoverable and 1 project (1%) is off track.
- **Service Development** - Out of 41 projects there are 26 projects (63%) on track, 14 projects (34%) off track but recoverable and 1 project is off track (2%).
- **Strategic Change** – Out of 27 projects there are 17 projects (63%) on track, 7 projects (26%) off track and recoverable and 3 projects (11%) off track.

**3 RECOMMENDATIONS**

3.1 Note the contents of this financial summary, specifically noting or approving the following:

- Overall Project Cost Changes, noted in Appendix 8
- Project Slippages and Accelerations, noted in Appendix 8
- Changes in Capital Funding/Available Funding, noted in Appendix 4
- Update to 2014-15 Capital Plan to reflect above changes, included in Appendix 11.

## 4 CURRENT YEAR TO DATE FINANCIAL POSITION

### 4.1 Overall Position

Actual expenditure to date is £30,281k compared to a budget for the year to date of £27,720k giving rise to an over spend for the year to date of £2,561k (-9.2%).

### 4.2 Project/Department Position

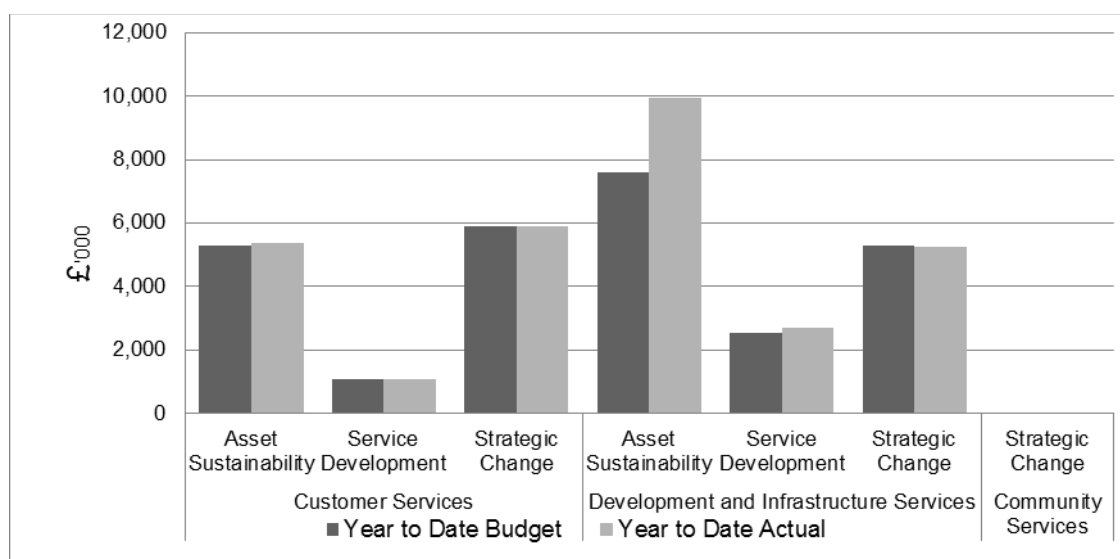
The table below shows the year to date expenditure against the year to date budget by project type and department:

<b>Project Type:</b>	<b>Year to Date Budget £'000</b>	<b>Year to Date Actual £'000</b>	<b>Variance £'000</b>
Asset Sustainability	12,909	15,317	(2,408)
Service Development	3,622	3,810	(188)
Strategic Change	11,189	11,154	765
<b>Total</b>	<b>27,720</b>	<b>30,281</b>	<b>(2,561)</b>
<b>Department:</b>			
Customer Services	12,277	12,382	(105)
Development and Infrastructure Services	15,443	17,899	(2,456)
Community Services	0	0	0
<b>Total</b>	<b>27,720</b>	<b>30,281</b>	<b>(2,561)</b>

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

### 4.3 Chart of YTD Variances

The graph below compares the year to date actual expenditure against the year to date budget for departments by project type (Asset Sustainability, Service Development and Strategic Change):



## 5 FORECAST OUTTURN 2014-15

### 5.1 Overall Position

Forecast expenditure for the full financial year is £40,414k compared to an annual budget of £37,881k giving rise to a forecast over spend for the year of £2,533k (-6.7%).

### 5.2 Project/Department Position

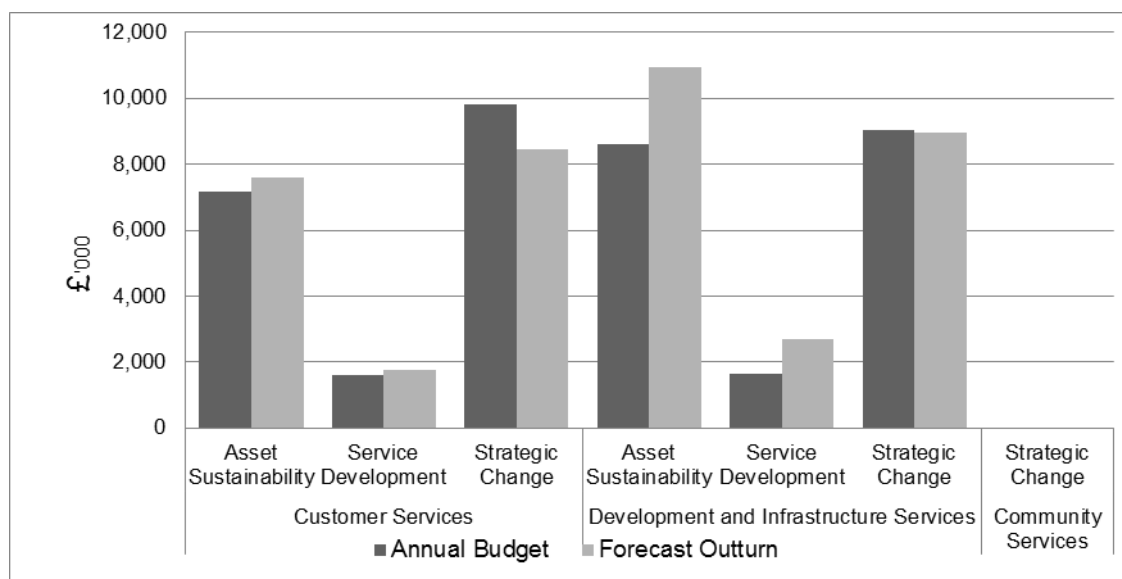
The table shows the forecast expenditure and budget for the year by project type and department:

<b>Project Type:</b>	<b>Annual Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Variance £'000</b>
Asset Sustainability	15,774	18,561	(2,787)
Service Development	3,255	4,451	(1,196)
Strategic Change	18,852	17,402	1,450
<b>Total</b>	<b>37,881</b>	<b>42,362</b>	<b>(2,533)</b>
<b>Department:</b>			
Customer Services	18,584	17,804	780
Development and Infrastructure Services	19,297	22,610	(3,313)
Community Services	0	0	0
<b>Total</b>	<b>39,260</b>	<b>40,414</b>	<b>(2,533)</b>

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

### 5.3 Chart of Forecast Outturn

The graph below shows the forecast outturn position against the full year budget for departments by project type:



## 6 TOTAL PROJECT COSTS

### 6.1 Overall Position

The forecast total project cost on the total capital plan is £215,540k compared to a total budget for all projects of £212,201k giving rise to a forecast over spend for the overall capital plan of £3,339k (-1.6%).

### 6.2 Project/Department Position

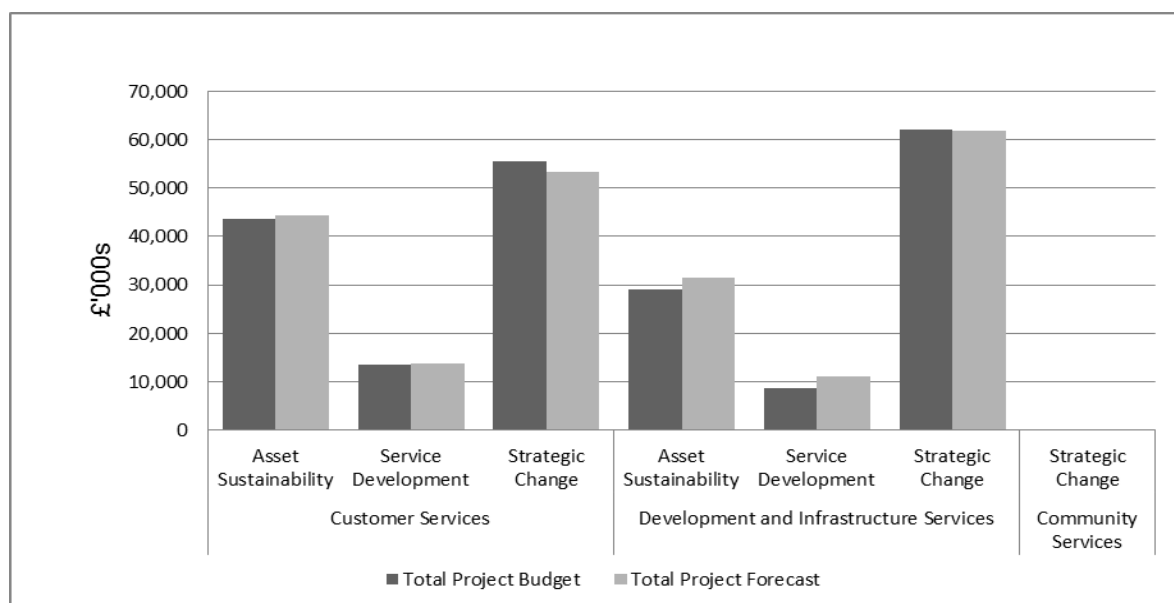
This table shows the forecast total project cost and the budget for total project costs by project type and department:

<b>Project Type:</b>	<b>Capital Plan Budget £'000</b>	<b>Forecast Project Costs £'000</b>	<b>Capital Plan Variance £'000</b>
Asset Sustainability	72,566	75,616	(3,050)
Service Development	22,119	24,810	(2,691)
Strategic Change	117,516	115,114	2,402
<b>Total</b>	<b>212,201</b>	<b>215,540</b>	<b>(3,339)</b>
<b>Department:</b>			
Customer Services	112,658	111,276	1,382
Development and Infrastructure Services	99,543	104,264	(4,721)
Community Services	0	0	0
<b>Total</b>	<b>212,201</b>	<b>215,540</b>	<b>(3,339)</b>

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

### 6.3 Chart of Total Project Costs

The graph below shows the total forecast position against full project budget for Departments by project type:



## 7 CAPITAL FUNDING ESTIMATES

7.1 The total estimates amount of capital funding available to support the capital plan until 2016-17 is as follows:

Year	£'000
2014-15	51,581
2015-16	46,763
2016-17	17,833

7.2 Capital funding has been declining and will continue to decline which will have an increasing impact on the level of capital investment that the Council will be able to afford going forward. This reduction in funding will increase the importance of asset management to ensure that the funding is directed towards the assets required for service delivery.

7.3 The table below shows the updated estimate of available capital funding for the current year if changes are approved, and estimates of income in future years to 2016-17:

Funding	Current Year (2014-15)			2015-16			2016-17		
	Approved Capital Funding £'000	Changes £'000	Updated Capital Funding Available £'000	Estimated Capital Funding £'000	Changes £'000	Updated Capital Funding Available £'000	Estimated Capital Funding £'000	Changes £'000	Updated Capital Funding Available £'000
General Capital Grant	15,464	0	15,464	15,491	0	15,491	11,000	0	11,000
Transfer to Revenue for Private Sector Housing Grant (PSHG)	(1,321)	0	(1,321)	(1,321)	0	(1,321)	(1,000)	0	(1,000)
Ring Fenced Capital Grant	140	0	140	131	0	131	140	0	140
Grants from Other Bodies	1,310	15	1,325	626	0	626	0	0	0
Capital Receipts	1,334	0	1,334	4,390	0	4,390	7,693	(450)	7,243
Revenue Contributions	1,155	5	1,160	286	0	286	0	0	0
Reserve Funding Dunoon & Campbeltown Schools	3,000	0	3,000	0	0	0	0	0	0
Prudential Borrowing	966	595	1,561	30	0	30	0	0	0
Unsupported Borrowing	29,533	(15,950)	13,583	27,130	(16)	27,114	0	3,305	3,305
<b>Capital Funding</b>	<b>51,581</b>	<b>(15,335)</b>	<b>36,246</b>	<b>46,763</b>	<b>(16)</b>	<b>46,747</b>	<b>17,833</b>	<b>2,855</b>	<b>20,688</b>
<b>Opening Capital Expenditure Budget</b>			37,881			45,527			20,273
<b>Recommended Changes to Capital Plan (Financial Impact - Appendix 8)</b>			(1,635)			1,220			415
<b>Revised Capital Expenditure Budget</b>			<b>36,246</b>			<b>46,747</b>			<b>20,688</b>
<b>Capital Expenditure Forecast</b>			40,414			45,527			20,273
<b>Updated Projected (Over)/Underspend</b>			(4,168)			1,220			415

## 8 TOTAL PROJECT PERFORMANCE

### 8.1 Overall Position

There are 234 projects within the Capital Plan, 193 are Complete or On Target, 36 are Off Target and Recoverable and 5 are Off Target and a Problem.

### 8.2 Project Position

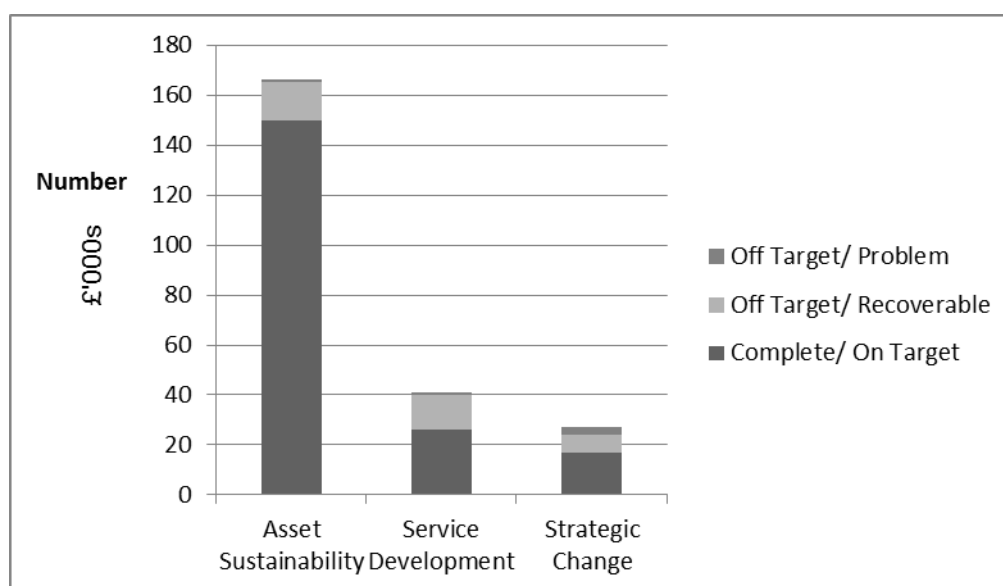
The table below shows the Performance Status of the Projects in the Capital Plan:

<b>Project Type:</b>	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Asset Sustainability	150	15	1	166
Service Development	26	14	1	41
Strategic Change	17	7	3	27
<b>Total</b>	<b>193</b>	<b>36</b>	<b>5</b>	<b>234</b>
<b>Department:</b>				
Customer Services	163	24	1	188
Development and Infrastructure Services	30	12	4	46
<b>Total</b>	<b>193</b>	<b>36</b>	<b>5</b>	<b>234</b>

Appendices 5, 6 and 7 show the Performance Status of the projects in further detail.

### 8.3 Chart of Performance Status

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



## 9 OFF TRACK PROJECTS

9.1 The Off Track Projects are noted in the table below. Reports are included in Appendix 10.

Project Type	Project	What is Off Track?	Explanation	Action
Asset Sustainability	Whitegates	Project Total Expenditure	Significant additional works to prevent leaks and deal with rot.	Review overall spend in appropriate Service division.
Service Development	Cycleways – H&L	Current Year Expenditure	Road Services can only work on packages of construction work as land becomes available.	Estates and Infrastructure Design have been asked to widen the scope of land acquisitions.
Strategic Change	Kintyre Renewables Hub	Current Year Expenditure	Estimated final costs have been refined with a lower contingency now being used therefore lower final estimates.	Overall expenditure and ERDF award will be less than originally planned.
Strategic Change	Helensburgh Depot Rationalisation	Current Year Expenditure and Project Total Expenditure	Contaminated soil was found on the site and required to be treated	Head of Service to advise where additional budget can be sourced from.
Strategic Change	CHORD – Campbeltown	Current Year Expenditure and Project Total Expenditure	Year to date spend and full year spend are behind forecast due to delay in appointing contractor	Project will now complete in May 2015.



## 10 CHANGES TO CAPITAL PLAN

10.1 The table below shows proposed changes to the Capital Plan at summary level. Explanations relating to the specific projects involved can be seen in Appendix 8.

Department	2014-15 £'000	2015-16 £'000	2016-17 £'000	Future Years £'000	Total Capital Plan £'000	Explanation
Asset Sustainability	77	(77)			0	Accelerations
Service Development					0	
<b>Customer &amp; Support Services</b>	<b>77</b>	<b>(77)</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Asset Sustainability	(113)	113			0	Overall cost changes, Slippages & Accelerations
Service Development	(6)	6			0	Slippages
Strategic Change					0	
<b>Facility - Education</b>	<b>(119)</b>	<b>119</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Asset Sustainability	(97)	97			0	Overall cost changes and Slippages
Service Development					0	
Strategic Change					0	
<b>Facility - Non Education</b>	<b>(97)</b>	<b>97</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Asset Sustainability	(33)	33			0	Slippage
Service Development					0	
Strategic Change	(1,421)	1,421			0	Slippages
<b>Facility - Dunoon</b>	<b>(1,454)</b>	<b>1,454</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Asset Sustainability	(65)		65		0	Slippages
Service Development	23	(23)			0	Acceleration
Strategic Change					0	
<b>Roads and Amenity Services</b>	<b>(42)</b>	<b>(23)</b>	<b>65</b>	<b>0</b>	<b>0</b>	
Service Development					0	
Strategic Change		(350)	350		0	Slippage
<b>Economic Development</b>	<b>0</b>	<b>(350)</b>	<b>350</b>	<b>0</b>	<b>0</b>	
<b>TOTAL</b>	<b>(1,635)</b>	<b>1,220</b>	<b>415</b>	<b>0</b>	<b>0</b>	

## 11 APPENDICES

- **Appendix 1** – Year to date finance variance explanations
- **Appendix 2** - Forecast Outturn variance explanations
- **Appendix 3** - Total Project finance variance explanations
- **Appendix 4** - Changes to Capital Funding explanations
- **Appendix 5** - Project Performance - Asset Sustainability
- **Appendix 6** - Project Performance - Service Development
- **Appendix 7** - Project Performance - Strategic Change
- **Appendix 8** - Changes to Capital Plan and Financial Impact
- **Appendix 9** - Financial Summary – Overall
  - Financial Summary – DIS
  - Financial Summary – Customer Services
- **Appendix 10** - Off Track Project Reports
- **Appendix 11** - Updated/Revised Capital Plan - Overall
  - Updated/Revised Capital Plan – Community Services
  - Updated/Revised Capital Plan – Customer Services
  - Updated/Revised Capital Plan – DIS

**Steve Barrett**  
**Head of Strategic Finance**  
17<sup>th</sup> February 2015

### APPENDIX 1 - Year to Date Finance Variance Explanations

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

Project	YTD Budget £'000	YTD Actual £'000	Variance £'000	Explanation
Small Isles Primary School	57	110	(53)	Additional works required that were not anticipated due to discovery of rot in roof structure.
Roads Reconstruction	6,697	7,299	(602)	Funded by income from Forestry and SSE.
Fleet Management	130	1,892	(1,762)	Expenditure as per approved business cases. Fleet funding is recognised as Prudential Borrowing until year end when lease drawdown will also be considered.
CWSS – South Islay Distilleries Path	0	116	(116)	Funded by forecast income.
Other Variances			(28)	Total value of non-material variances less than +/-£50k
<b>Total</b>			<b>(2,561)</b>	

## APPENDIX 2 - Forecast Outturn Variance Explanations

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

Project	Annual Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Explanation
Small Isles Primary School	57	110	(53)	Additional works required that were not anticipated due to discovery of rot in roof structure.
Tiree High School	(55)	5	(60)	Result of overspend in previous year regarding rewiring and other works required to bring the school up to a reasonable standard in addition to the high costs of construction in Tiree. Project Manager will consider where this negative budget can be funded from.
St Joseph's Pre 5 Parenting Facilities	(43)	16	(59)	Overspends in previous years. Project Manager will consider where this negative budget can be funded from.
Rothsay Library	(60)	1	(61)	Additional works required to alarm system and extensive repairs to roof/windows. Project Manager will consider where this negative budget can be funded from.
Health & Safety	138	35	103	Budget increased to address potential issues at Aqualbrium. Propose to slip £90k from 2014/15 to 2015/16 to reflect actual spend.
Whitegates	(76)	14	(90)	Significant additional works to prevent leaks and deal with rot in roof. Project Manager will consider where this negative budget can be funded from.
NPDO Schools Solar PV Panel Installations	944	544	400	Delivery of solar panels taking longer than anticipated and installation timescales altered to suit client department. Propose to slip £400k from 2014/15 to 2015/16.
Helensburgh Office Rationalisation	6,521	5,500	1,021	Site completion anticipated early 2015/16. Propose to slip £1,021k from 2014/15 to 2015/16.
Bridge Strengthening	360	305	55	In House Contractor Workload has meant some of the intended work for 2014/15 will be completed in 2016/17. Propose to slip £55k to 2016/17.
Roads Reconstruction	6,697	7,527	(830)	Funded by extra income from Forestry and SSE.
Fleet Management	150	1,788	(1,638)	Expenditure as per approved business cases. Fleet funding is recognised as Prudential borrowing until year end when lease drawdown will also be considered.
Cycleways – H&L	219	30	189	Road Services can only work on packages of construction work as land becomes available hence the underspend. Will slip budget into future years if no change in circumstances in coming months.
Kintyre Renewables Hub	3,010	2,675	335	Expenditure profile assumes a transfer of funds with Campbeltown Old Quay will take place at the end of 2014-15.
Helensburgh Depot Rationalisation	(95)	145	(240)	Contaminated soil found on site resulted in higher than expected costs. Project Manager and Head of Service to meet to identify where additional budget can be sourced from once the Final Account has been agreed.

SPT	88	200	(112)	Funded by forecast income.
CWSS – South Islay Distilleries Path	(4)	250	(254)	Funded by forecast income.
CWSS – Kilmichael Glassary	1	240	(269)	Funded by forecast income.
Dunoon Esplanade Upgrade	0	250	(250)	Funded by forecast income.
Scotrail Upgrades	0	140	(140)	Funded by forecast income.
Kilchrenan School Footway	0	50	(50)	Funded by forecast income.
Other variances			(530)	Total value of non-material variances less than +/-£50k
<b>Total</b>			<b>(2,533)</b>	

### APPENDIX 3 - Total Project Finance Variances

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

Project	Capital Plan Budget £'000	Forecast Project Costs £'000	Capital Plan Variance £'000	Explanation
Small Isles Primary School	288	343	(55)	Additional work required due to discovery of rot in roof structure.
Tiree High School	899	959	(60)	Result of overspend in previous year regarding rewiring and other works required to bring the school up to a reasonable standard in addition to the high costs of construction in Tiree. Project Manager will consider where this negative budget can be funded from.
St Joseph's Pre 5 Parenting Facilities	75	134	(59)	Overspends in previous years. Project Manager will consider where this negative budget can be funded from.
Campbeltown Schools Redevelopment	7,653	8,030	(377)	Construction costs have risen since the costs of the new school were agreed. The Council's contribution will have to be managed in line with its budget over the next 3 years.
Dunoon Primary School	6,834	3,921	2,913	A decision is expected soon on the funding of Dunoon Primary School and this will clarify the forecast expenditure plans.
Replacement of Oban High School	11,272	11,544	(272)	Construction costs have risen since the costs of the new school were agreed, the council's contribution will have to be managed in line with its budget over the next 3 years.
Rothsay Library	202	263	(61)	Additional works to alarm system and extensive repairs to roof/windows. Project Manager will consider where this negative budget can be funded from.
Whitegates	112	202	(90)	Significant additional works to prevent leaks and deal with rot in roof. Project Manager will consider where this negative budget can be funded from.
Roads Reconstruction	18,672	19,502	(830)	Funded by income.
Fleet Management	3,387	5,025	(1,638)	Expenditure as per approved business cases. Fleet funding is recognised as Prudential borrowing until year end when lease drawdown will also be considered.
Cycleways – H&L	2,536	2,622	(86)	Estates and Infrastructure have been asked to widen the scope of land acquisitions.
Kintyre Renewables Hub	12,115	11,671	444	Expenditure profile assumes a transfer of funds with Campbeltown Old Quay will take place at the end of 2014-15.

Helensburgh Depot Rationalisation	1,050	1,290	(240)	Contaminated soil found on site resulted in higher than expected costs. Project Manager and Head of Service need to meet to identify where additional budget can be sourced from following agreement on final account.
SPT	307	619	(312)	Met by forecast income.
CWSS – South Islay Distilleries Path	110	614	(504)	£364k met by forecast income
CWSS – Kilmichael Glassary	10	549	(539)	£258k met by forecast income
Dunoon Esplanade Upgrade	0	500	(500)	£250k met by forecast income
Scotrail Upgrades	0	280	(280)	£140k met by forecast income
Kilchrenan School Footway	0	100	(100)	£50k met by forecast income
Appin School Link	0	80	(80)	£40k met by forecast income
Other variances			(613)	Total value of non-material variances less than +/-£50k
<b>Total</b>			<b>(3,339)</b>	

## APPENDIX 4 – Changes to Capital Funding

The table below notes the changes in the estimated available capital funding from the budget for 2014-15 approved in June 2014:

Funding Type	2014-15 Change Amount £'000	2015-16 Change Amount £'000	2016-17 Change Amount £'000	Explanation for Change(s)
General Capital Grant	0	0	0	No Change
Transfer to Revenue for Private Sector	0	0	0	No Change
Housing Grant (PSHG)				
Ring Fenced Grant	0	0	0	No Change
Grants from Other Bodies	15	0	0	Salen Gaelic Extension - grant to be recognised as Pre Paid and will be drawn down as expenditure takes place. Work and SPT funding for the Bus Turning Circle on the Rest and be Thankful will take place in 2014-15.
Capital Receipts (Asset Sales)	0	0	(450)	£450k reduction in expected receipt in relation to sale of Castle Toward in 2016-17.
Revenue Contributions	5	0	0	Expenditure against Kilmory Biomass slipping to 2014-15.
Reserve Funding Dunoon & Campbeltown Schools	0	0	0	No Change
Prudential Borrowing	595	0	0	Expenditure against Kilmory Biomass slipping to 2014-15.
Unsupported Borrowing	(15,950)	(16)	3,305	Changes in unsupported borrowing forecasts to reflect changes within the Plan.
<b>Total</b>	<b>(15,335)</b>	<b>(16)</b>	<b>2,855</b>	



**APPENDIX 5 – Asset Sustainability Project Performance**

There are 166 Projects recognised as Asset Sustainability Projects, 150 are Complete or On Target, 15 are Off Target and Recoverable, 1 project is Off Target and a Problem.

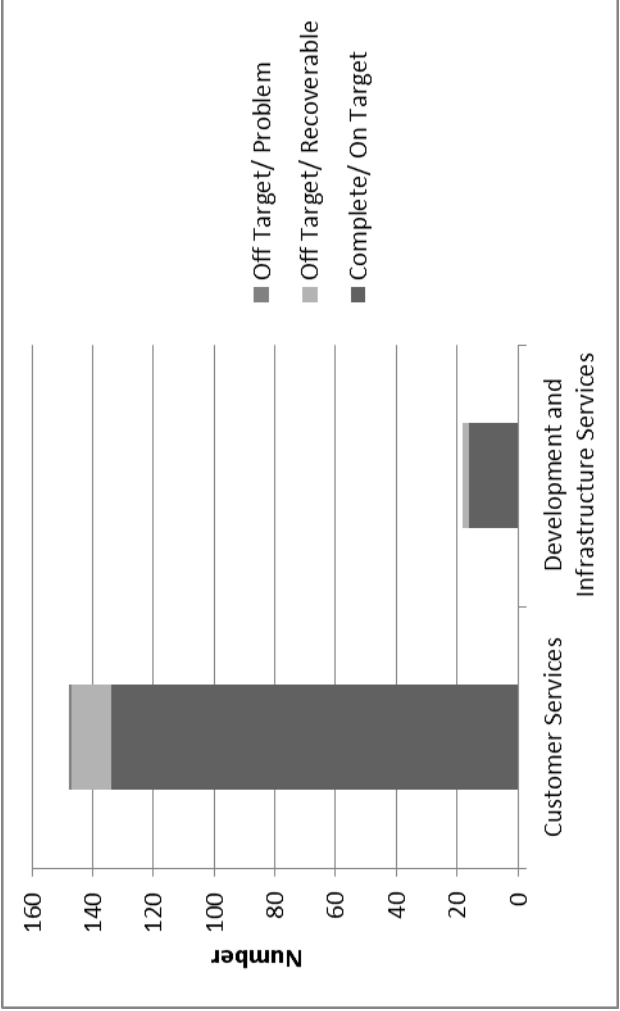
**Department Position:**

The table below shows the Performance Status of the Asset Sustainability Projects.

Asset Sustainability	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Customer Services	134	13	1	148
Development and Infrastructure Services	16	2	0	18
<b>Total</b>	<b>150</b>	<b>15</b>	<b>1</b>	<b>166</b>

**Chart of Asset Sustainability Performance Status**

The graph provides a view of the Performance Status of the Asset Sustainability Projects:



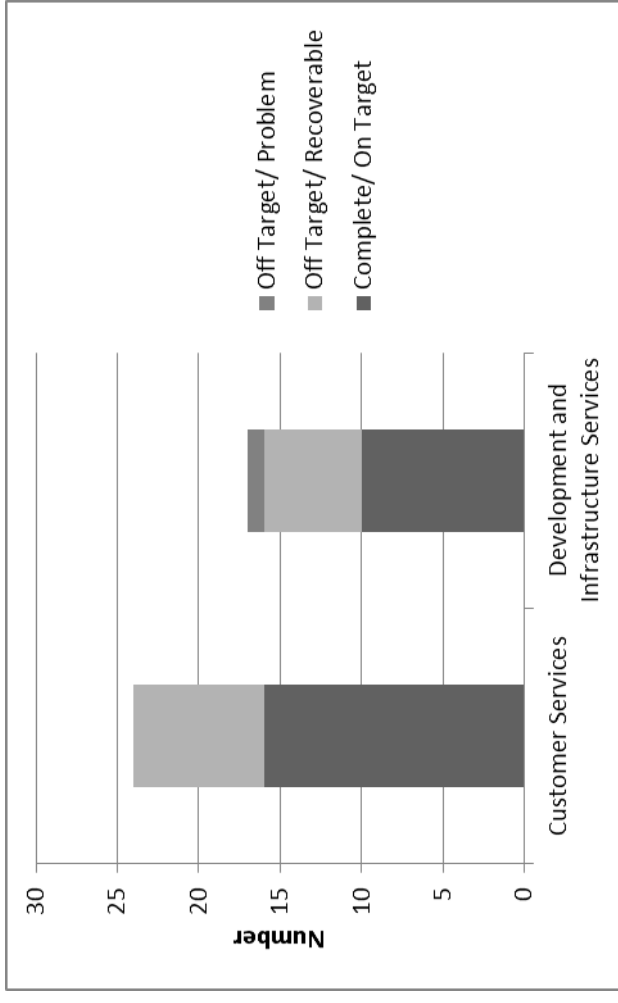
## APPENDIX 6 – Service Development Project Performance

There are 41 Projects recognised as Service Development Projects, 26 are Complete or On Target, 14 are Off Target and Recoverable, 1 project is Off Track and a Problem.

### Chart of Service Development Performance Status

The graph provides a view of the Performance Status of the Service Development Projects:

Service Development	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Customer Services	16	8	0	24
Development and Infrastructure Services	10	6	1	17
<b>Total</b>	<b>26</b>	<b>14</b>	<b>1</b>	<b>41</b>



## APPENDIX 7 – Strategic Change Project Performance

There are 27 Projects recognised as Strategic Change Projects. 17 are Complete or On Target, 7 are Off Target and Recoverable, 3 projects are Off Target and a Problem.

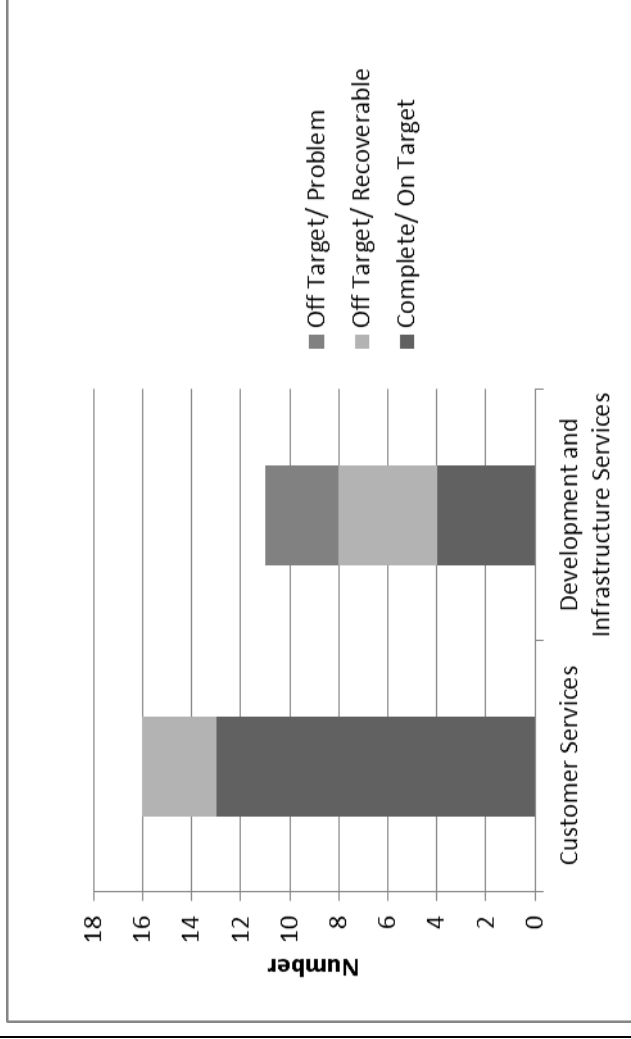
### Department Position:

The table below shows the Performance Status of the Strategic Change Projects.

Strategic Change	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Customer Services	13	3	0	16
Development and Infrastructure Services	4	4	3	11
<b>Total</b>	<b>17</b>	<b>7</b>	<b>3</b>	<b>27</b>

### Chart of Strategic Change Performance Status

The graph provides a view of the Performance Status of the Strategic Change Projects:



**APPENDIX 8 – Changes to Capital Plan and Financial Impact**

**OVERALL COST CHANGES**

Project	2014-15 £'000	2015-16 £'000	2016-17 £'000	Future Years £'000	Total Capital Plan £'000	Recommendation	Explanation
Arrochar Primary School	(2)				(2)	Transfer budget to Kilcreggan Primary School to offset overspend.	Project is complete therefore the remaining budget is no longer required.
Cardross Primary School	(18)				(18)	Transfer budget to Kilcreggan Primary School to offset overspend.	Budget surplus not required for this project.
Kilcreggan Primary School	20				20	Transfer budget from Arrochar Primary School (£2k) and Cardross Primary School (£18k).	Overspend of £45k can be reduced by underspends elsewhere within Education.
Inellan Primary School	(6)				(6)	Transfer budget to Sandbank Primary School to offset overspend.	Budget surplus not required for this project.
North Bute Primary School	(5)				(5)	Transfer budget to Sandbank Primary School to offset overspend.	Budget surplus not required for this project.
Sandbank Primary School	11				11	Transfer budget from Inellan Primary School (£6k) and North Bute Primary School (£5k).	Overspend of £18k can be reduced by underspends elsewhere within Education.
Toward Primary School	(10)				(10)	Transfer budget to Dunoon Primary School to offset overspend.	Project is complete therefore the remaining budget is no longer required.
Dunoon Primary School	10				10	Transfer budget from Toward Primary School.	Overspend of £10k can be eliminated by underspends elsewhere within Education.
Helensburgh Library	(8)				(8)	Transfer budget to Rothesay Library.	Budget surplus not required for this project.
Rothesay Library	8				8	Transfer budget from Helensburgh Library.	Overspend of £61k can be reduced by underspends elsewhere within Service.
Rothesay Swimming Pool	(11)				(11)	Transfer budget to Ramsey Memorial Hall.	Budget surplus not required for this project.
Ramsey Memorial Hall	11				11	Transfer budget from Rothesay Swimming Pool.	Overspend of £43k can be reduced by underspends elsewhere within Service.
<b>Total Cost Changes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		

**SLIPPAGES AND ACCELERATIONS**

Project	2014-15 £'000	2015-16 £'000	2016-17 £'000	Future Years £'000	Total Capital Plan £'000	Recommendation	Explanation
PC Replacement	49	(49)			0	Accelerate £49k from 2015/16 to 2014/15	Forward spend planned.
Corporate GIS Portal Rollout	1	(1)			0	Accelerate £1k from 2015/16 to 2015/15	Forward spend planned.
IT Education	27	(27)			0	Accelerate £27k from 2015/16 to 2014/15	Required to extend pilot.
Dervaig Primary School	(5)	5			0	Slip £5k from 2014/15 to 2015/16	No works planned for 2014/15. Budget will be required in 2015/16 for rewiring.
Glassary Primary School	4	(4)			0	Accelerate £4k from 2015/16 to 2014/15	Required to cover overall costs of fire alarm, heating improvements, and improvements to cladding in 2014/15.
Kilmartin Primary School	(5)	5			0	Slip £5k from 2014/15 to 2015/16	Required to part fund possible rot works to roof timbers in 2015/16 subject to completion of site investigations.
Luing Primary School	(16)	16			0	Slip £16k from 2014/15 to 2015/16	Disabled car parking expenditure reprofiled to 2015/16 due to land acquisition issues.
North Bute Primary School	(25)	25			0	Slip £25k from 2014/15 to 2015/16	To reflect timing of actual expenditure.
Park Primary School	(10)	10			0	Slip £10k from 2014/15 to 2015/16	Fees and retentions payable in 2015/16.
Rhunahorine Primary School	(13)	13			0	Slip £13k from 2014/15 to 2015/16	Retentions, fees and further rot works required in 2015/16.
Skipness Primary School	(5)	5			0	Slip £5k from 2014/15 to 2015/16	Fees and retentions payable in 2015/16.
Ferry Houses – Housing Quality Standard	(30)	30			0	Slip £30k from 2014/15 to 2015/16	To reflect timing of actual expenditure.
Legionella Control Works	(8)	8			0	Slip £8k from 2014/15 to 2015/16	To reflect timing of actual expenditure.

Strachur Primary School – Pre 5 Unit	(6)	6			0	Slip £6k from 2014/15 to 2015/16	Balances and retentions payable in 2015/16.
Aqualibrium	(15)	15			0	Slip £15k from 2014/15 to 2015/16	Spend will slip to 2015/16 to give time for employment and instruction of consultants due to extent of works required.
Helensburgh Library	(2)	2			0	Slip £2k from 2014/15 to 2015/16	To reflect timing of actual expenditure.
Health & Safety	(90)	90			0	Slip £90k from 2014/15 to 2015/16	Due to slippage of Aqualibrium works into 2015/16.
Dunoon Community Education Centre	10	(10)			0	Accelerate £10k from 2015/16 to 2014/15	To reflect timing of actual expenditure.
Burnett Building	(33)	33			0	Slip £33k from 2014/15 to 2015/16	Tenders issued in February with work likely to commence early 2015/16.
NPDO Schools Solar PV Panel Installations	(400)	400			0	Slip £400k from 2014/15 to 2015/16	Delivery of solar panels taking longer than anticipated and installation timescales altered to suit client department.
Helensburgh Office Rationalisation	(1,021)	1,021			0	Slip £1,021k from 2014/15 to 2015/16	Site completion anticipated early 2015/16.
Flood Prevention	(10)		10		0	Slip £10k from 2014/15 to 2016/17	Delays with Scottish Water for the Steel Houses scheme have meant that some costs have moved into 2016/17.
Bridge Strengthening Campbeltown Old Quay	(55)		55		0	Slip £55k from 2014/15 to 2016/17	Due to workload of In House Contractor.
OBC for Dunoon Pier	23	(23)			0	Accelerate £23k from 2015/16 to 2014/15	To reflect timing of actual expenditure.
<b>Total Slippages and Accelerations</b>	<b>(1,635)</b>	<b>1,220</b>	<b>415</b>	<b>0</b>	<b>0</b>		Increase in scope of works requires reprogramming of works.
<b>Net Impact of Changes</b>	<b>(1,635)</b>	<b>1,220</b>	<b>415</b>	<b>0</b>	<b>0</b>		

**ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT - OVERALL COUNCIL  
FINANCIAL SUMMARY - GROSS EXPENDITURE**

**Appendix 9  
31 January 2015**

	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Budget £000s	Actual £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s
<b>Archives - Asset Sustainability</b>	19	19	0	87	77	10	128	118	10
<b>Area Committee Expenditure - Asset Sustainability</b>	0	0	0	44	0	44	69	25	44
<b>Asset Sustainability Projects</b>									
Customer Services	5,285	5,359	(74)	7,037	7,521	(484)	43,380	44,062	(682)
Development & Infrastructure Services	7,605	9,939	(2,334)	8,606	10,963	(2,357)	28,989	31,411	(2,422)
<b>Asset Sustainability Total</b>	<b>12,890</b>	<b>15,298</b>	<b>(2,408)</b>	<b>15,643</b>	<b>18,484</b>	<b>(2,841)</b>	<b>72,369</b>	<b>75,473</b>	<b>(3,104)</b>
<b>Service Development Projects</b>									
Customer Services	1,064	1,095	(31)	1,616	1,761	(145)	13,560	13,748	(188)
Development & Infrastructure Services	2,558	2,715	(157)	1,639	2,690	(1,051)	8,559	11,062	(2,503)
<b>Service Development Total</b>	<b>3,622</b>	<b>3,810</b>	<b>(188)</b>	<b>3,255</b>	<b>4,451</b>	<b>(1,196)</b>	<b>22,119</b>	<b>24,810</b>	<b>(2,691)</b>
<b>Strategic Change Projects</b>									
Campbeltown Schools Redevelopment	10	10	0	214	214	0	7,653	8,030	(377)
Dunoon Primary	20	20	0	50	50	0	6,834	3,921	2,913
Replacement of Oban High	40	40	0	346	346	0	11,272	11,544	(272)
Kilm Primary School	0	0	0	176	176	0	6,500	6,500	0
Carbon Management Business Cases	0	0	0	75	75	0	261	261	0
NPDO Schools Solar PV Panel Installations	0	0	0	944	544	400	944	944	0
Non NPDO Schools Solar PV Panel Installations	425	379	46	488	488	0	488	488	0
Carbon Management Fuel Conversions	0	0	0	38	38	0	145	145	0
Islay HS/Bowmore PS Carbon Management	12	12	0	29	48	(19)	726	745	(19)
Kilmory Biomass Carbon Management	609	609	0	760	760	0	1,033	1,033	0
Oil to Gas Heating Conversions	0	0	0	28	28	0	209	209	0
Campbeltown and Rothesay Rationalisation	0	0	0	8	8	0	35	35	0
Helensburgh Office Rationalisation	4,695	4,694	1	6,521	5,500	1,021	11,489	11,489	0
Mid Argyll Offices Reorganisation	98	145	(47)	98	145	(47)	270	317	(47)
New Helensburgh Swimming Pool	0	0	0	15	15	0	7,652	7,652	0
Tiree Shared Offices	0	0	0	10	10	0	10	10	0
Kintyre Renewables Hub	1,114	1,114	0	3,010	2,675	335	12,115	11,671	444
Port Askaig Pier	0	0	0	0	0	0	13,817	13,817	0
Rothesay Harbour Ferry Improvements	0	0	0	0	0	0	7	7	0
Helensburgh Depot Rationalisation	0	44	(44)	(95)	145	(240)	1,050	1,290	(240)
CHORD - Helensburgh	2,974	2,973	1	3,450	3,450	0	7,330	7,330	0
CHORD - Campbeltown	230	209	21	1,120	1,120	0	4,786	4,786	0
CHORD - Dunoon	583	535	48	686	686	0	8,625	8,625	0
CHORD - Oban	280	280	0	642	642	0	6,560	6,560	0
CHORD - Rothesay	0	0	0	0	0	0	2,400	2,400	0
Helensburgh Pier Flood Defences	9	0	9	20	20	0	2,175	2,175	0
OBC for Dunoon Pier	90	90	0	189	189	0	2,830	2,830	0
Pier Upgrades	0	0	0	30	30	0	300	300	0
<b>Strategic Change Total</b>	<b>11,189</b>	<b>11,154</b>	<b>35</b>	<b>18,852</b>	<b>17,402</b>	<b>1,450</b>	<b>117,516</b>	<b>115,114</b>	<b>2,402</b>
<b>TOTAL</b>	<b>27,720</b>	<b>30,281</b>	<b>(2,561)</b>	<b>37,881</b>	<b>40,414</b>	<b>(2,533)</b>	<b>212,201</b>	<b>215,540</b>	<b>(3,339)</b>

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT

FINANCIAL SUMMARY GROSS EXPENDITURE - DEVELOPMENT AND INFRASTRUCTURE SERVICES

Appendix 9

31 January 2015

	Current Financial Year To Date		Full Year This Financial Year		Total Project Costs	
	Budget £000s	Actual £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s
<b>Asset Sustainability Projects</b>						
Flood Prevention	48	48	0	70	533	533
Bridge Strengthening	226	226	0	360	1,930	1,930
Traffic Management	30	30	0	85	368	368
Roads Reconstruction	6,697	7,299	(602)	6,697	18,672	19,502
Lighting	295	295	0	507	1,703	1,703
Fleet	130	1,892	(1,762)	150	3,387	5,025
Environmental	30	0	30	265	594	548
Roads	49	49	0	285	1,251	1,251
Waste	75	75	0	98	403	403
Recreation and Sport	0	0	0	0	0	0
Crematoria and Burial Grounds	25	25	0	43	148	148
Pier	0	0	0	0	0	0
<b>Asset Sustainability Total</b>	<b>7,605</b>	<b>9,939</b>	<b>(2,334)</b>	<b>8,606</b>	<b>28,989</b>	<b>31,411</b>
<b>Service Development Projects</b>						
A83 South of Muasdale	1	1	0	2	584	584
A849 Pennyghael Bridge Mull	0	0	0	0	131	131
Preliminary design for Regional Transport projects	0	49	(49)	(21)	227	311
Milton Burn	1	1	0	1	2,527	2,527
Campbeltown Old Quay	2,438	2,438	0	1,190	1,424	1,424
Helensburgh Cycleways	17	17	0	219	2,622	2,622
Vehicle Tracking System	41	38	3	41	217	217
Safe Streets, Walking and Cycling	40	4	36	149	289	289
SPTT	20	9	11	88	307	619
CWSSS Jubilee Bridge (£93,200) (Lom)	0	0	0	0	99	99
CWSSS - South Islay Distilleries Path	0	116	(116)	(4)	110	614
CWSSS - Kilmichael Glassary - Bridgend Link	0	9	(9)	1	10	549
CWSSS - Kintyre Schools Route Development	0	0	0	0	0	0
CWSSS - Duncollie - Ganavan	0	0	0	0	0	0
CWSSS - Connel Station Path	0	0	0	(28)	76	104
CWSSS - South Shian Link	0	0	0	0	0	0
CWSSS - Machrihanish Path	0	0	0	0	0	0
CWSSS - Morydrain to Achmabreac	0	0	0	0	0	0
CWSSS - Portnacroish Footway	0	0	0	0	0	0
CWSSS - Cycle Parking 2013-14	0	20	(20)	1	22	21
Dunoon Esplanade Upgrade	0	4	(4)	0	250	500
Scotrail Upgrades	0	3	(3)	0	140	280
Kilchrenan School Footway	0	5	(5)	0	50	100
Appin School Link	0	1	(1)	0	40	80
<b>Service Development Total</b>	<b>2,558</b>	<b>2,715</b>	<b>(157)</b>	<b>1,639</b>	<b>2,690</b>	<b>11,062</b>
<b>Strategic Change Projects</b>						
Kintyre Renewables Hub	1,114	1,114	0	3,010	12,115	11,671
Port Askaig Pier	0	0	0	0	13,817	13,817
Rothesay Harbour Ferry Improvements	0	44	(44)	(95)	7	7
Helensburgh Depot Rationalisation	2,974	2,974	0	3,450	1,050	1,290
CHORD - Helensburgh	230	209	21	1,120	7,330	7,330
CHORD - Campbeltown	583	535	48	686	4,786	4,786
CHORD - Dunoon	280	280	0	642	8,625	8,625
CHORD - Oban	0	0	0	0	6,560	6,560
CHORD - Rothesay	9	0	9	20	2,400	2,400
Helensburgh Pier Flood Defences	90	90	0	189	2,175	2,175
OBC For Dunoon Pier	0	0	0	30	2,830	2,830
Pier Upgrades	0	0	0	0	300	300
<b>Strategic Change Total</b>	<b>5,280</b>	<b>5,245</b>	<b>35</b>	<b>9,052</b>	<b>61,995</b>	<b>61,791</b>
<b>Departmental Total Expenditure</b>	<b>15,443</b>	<b>17,899</b>	<b>(2,456)</b>	<b>19,297</b>	<b>99,543</b>	<b>104,264</b>
						<b>(4,721)</b>



ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT							Appendix 9		
FINANCIAL SUMMARY GROSS EXPENDITURE - CUSTOMER SERVICES							31 January 2015		
	Current Financial Year To Date		Full Year This Financial Year		Total Project Costs		Budget £000s	Forecast £000s	Variance £000s
	Budget £000s	Actual £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s			
<b>Asset Sustainability</b>									
Education	2,834	2,950	(116)	3,070	3,532	(462)	26,986	27,595	(609)
Community and Culture	814	810	4	1,152	1,080	72	3,285	3,310	(25)
Adult Care	327	258	69	596	537	59	3,378	3,319	59
Children and Families	120	133	(13)	185	231	(46)	532	578	(46)
Facility Services	82	100	(18)	508	538	(30)	2,607	2,668	(61)
Customer and Support Services	1,108	1,108	0	1,526	1,603	(77)	6,592	6,592	0
<b>Asset Sustainability Total</b>	<b>5,285</b>	<b>5,359</b>	<b>(74)</b>	<b>7,037</b>	<b>7,521</b>	<b>(484)</b>	<b>43,380</b>	<b>44,062</b>	<b>(682)</b>
<b>Service Development Projects</b>									
Graham Williamson IT Centre	0	0	0	0	0	0	496	496	0
Property Management System	2	2	0	2	2	0	84	84	0
Education Domain Extension	1	1	0	1	1	0	443	443	0
Consolidated Server Replacement	0	0	0	43	43	0	1,052	1,052	0
IT Enablement Process for Change	5	5	0	12	12	0	1,054	1,054	0
Applications Projects	128	128	0	318	318	0	974	974	0
Flexi System HRS Integration	0	0	0	0	0	0	0	0	0
Council Chamber Video Conferencing	4	4	0	4	4	0	116	116	0
Lync 2013	0	0	0	3	3	0	129	129	0
Ardishaig Primary School - Pre 5 Unit	174	157	17	371	361	10	411	401	10
Hermitage Primary Annexe Replacement	46	61	(15)	81	90	(9)	765	779	(14)
Lochnell Primary School - Pre Five Unit	0	25	(25)	(9)	30	(39)	249	249	(39)
Park Primary Extension/Pre Fives Unit	0	0	0	24	24	0	355	355	0
Salen Primary School - Gaelic Pre School	20	17	3	20	20	0	150	150	0
St Joseph's Pre Five Parenting Facilities	0	10	(10)	(43)	16	(59)	75	134	(59)
Strachur Primary School - Pre Five Unit	32	21	11	37	31	6	315	315	0
Taynuilt Primary Additional Classroom	0	1	(1)	(10)	1	(11)	131	142	(11)
Tawallich Primary School - Pre 5 Unit	330	340	(10)	330	340	(10)	430	472	(42)
Early Learning and Childcare	319	319	0	400	400	0	2,668	2,668	0
Video Conferencing Upgrade	0	0	0	5	0	5	60	55	5
Mull & Iona Progressive Care Centre	0	0	0	7	7	0	772	765	7
Campbelltown All Weather Pitch	0	0	0	(47)	0	(47)	917	964	(47)
Riverside Leisure Centre Refurbishment	1	1	0	39	35	4	650	646	4
Dunclutha Childrens Home	2	2	0	30	30	0	750	750	0
Dunoon Family Mediation Centre	0	0	0	(4)	0	(4)	55	59	(4)
Residential Respite Care Facility	0	0	0	2	0	2	496	496	0
<b>Service Development Total</b>	<b>1,064</b>	<b>1,095</b>	<b>(31)</b>	<b>1,616</b>	<b>1,761</b>	<b>(145)</b>	<b>13,560</b>	<b>13,748</b>	<b>(188)</b>
<b>Strategic Change Projects</b>									
Campbelltown Schools Redevelopment	10	10	0	214	214	0	7,653	8,030	(377)
Dunoon Primary	20	20	0	50	50	0	6,884	3,921	2,913
Replacement of Oban High	40	40	0	346	346	0	11,272	11,544	(272)
Kirn Primary School	0	0	0	176	176	0	6,500	6,500	0
Aqualitium - residual payments	0	0	0	0	0	0	0	0	0
Carbon Management Business Cases	0	0	0	75	75	0	261	261	0
NPDO Schools Solar PV Panel Installations	0	0	0	944	544	400	944	944	0
Non NPDO Schools Solar PV Panel Installations	425	379	46	488	488	0	488	488	0
Carbon Management Fuel Conversions	0	0	0	38	0	38	145	145	0
Islay HS/Bowmore PS Carbon Management	12	12	0	29	48	(19)	726	745	(19)
Carbon Management	609	609	0	760	760	0	1,033	1,033	0
Oil to Gas Heating Conversions	0	0	0	28	28	0	209	209	0
Kilmory Biomass Carbon Management	0	0	0	8	8	0	35	35	0
Campbelltown and Rothesay Rationalisation	4,695	4,694	1	6,521	5,500	1,021	11,489	11,489	0
Helensburgh Office Rationalisation	98	145	(47)	98	145	(47)	270	317	(47)
Mid Argyll Offices Reorganisation	0	0	0	15	15	0	7,652	7,652	0
New Helensburgh Swimming Pool	0	0	0	10	10	0	10	10	0
Tree Shared Offices	0	0	0	0	0	0	0	0	0
<b>Strategic Change Total</b>	<b>5,909</b>	<b>5,909</b>	<b>0</b>	<b>9,800</b>	<b>8,445</b>	<b>1,355</b>	<b>55,521</b>	<b>53,323</b>	<b>2,198</b>
<b>Departmental Total</b>	<b>12,258</b>	<b>12,363</b>	<b>(105)</b>	<b>18,453</b>	<b>17,727</b>	<b>726</b>	<b>112,461</b>	<b>111,133</b>	<b>1,328</b>

## OFF TRACK PROJECT

## Appendix 10

<b>Department:</b>	Facility Services
<b>Project Name:</b>	Whitegates – roofing upgrade
<b>First Added to Capital Plan:</b>	2013/14
<b>Project Manager:</b>	Craig Houston
<b>How is this project funded?</b>	<i>Capital</i>
<b>Why is the project classified as off target?</b>	The project expenditure is greater than budget with a total forecast spend of £202k compared to a budget of £112k, resulting in a total project overspend of £90k.
<b>What has caused the issue outlined above?</b>	Extensive work required to replace new gutters and downpipes, treating rotten timber below roof finish.
<b>What action will be taken to rectify this issue?</b>	This project was transferred to Facility Services, however a review of overall spend in the appropriate service division will take place.
<b>What are the implications of the action proposed?</b>	Possible impact on spend on other buildings to be managed.

## OFF TRACK PROJECT

## Appendix 10

<b>Department:</b>	Development and Infrastructure
<b>Project Name:</b>	<i>Helensburgh – Cardross Cycleway</i>
<b>First Added to Capital Plan:</b>	2011-12
<b>Project Manager:</b>	Callum Robertson
<b>How is this project funded?</b>	2012 - Grant Funded SPFT £610k over three years , plus £165k legacy funding from previous project
<b>Why is the project classified as off target?</b>	<p>The project is classed as off target due to the slippage in the spend against budget, on physical construction works. Roads Services can only work on packages of construction work as land becomes available.</p>
<b>What has caused the issue outlined above?</b>	<p>Negotiations with landowners is still a slow and laborious process due to land agent reluctance to accept land value prices and insisting on accommodation works which no longer comply with SEPA guidelines on attenuated drainage schemes. Roads Services have been able to deliver construction works on available land during the last two financial years, as it has become available. Infrastructure Design and Estates continue to negotiate with land agents to resolve these issues and release land to progress the works.</p>
<b>What action will be taken to rectify this issue?</b>	<p>Estates section, in conjunction with Infrastructure Design have been asked to widen the scope of land acquisition to cover the entire route between Helensburgh and Cardross (and beyond to Dumbarton) to secure sufficient land anywhere on the corridor to allow construction to progress. The project team has met with colleagues from West Dunbartonshire Council to maximise the availability of land towards completion of the route.</p>
<b>What are the implications of the action proposed?</b>	<p>The funding package from SPFT will overrun, if insufficient land is made available for construction works to the remaining value to be delivered before the end of the 3 year period (2015) Strategic Transportation colleagues are in contact with SPFT on various projects within Argyll and Bute and budget profiling and adjustments can be made to allow works to progress as soon as land becomes available. SPFT only allocate funding on an annual basis and £200k has been applied for 2015-16 to finance any works for which land can be secured.</p>

## OFF TRACK PROJECT

## Appendix 10

**Department:** Development and Infrastructure

**Project Name:** Kintyre Renewables Hub

**First Added to Capital Plan:** 2010

**Project Manager:** Arthur McCulloch

**How is this project funded?** Capital/ERDF/Piers & Harbours Revenue

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

The forecast total and this year project cost is lower than budget (Amber and Red respectively), together with the Income (Red)

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

As the construction elements are coming toward the end, the estimated final costs have been refined with a lower contingency now being used to reflect the high percentage completion of the works on site. This has had the effect of lowering the final estimates which has had a consequent effect on the ERDF award.

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

No action proposed, however some expenditure will be moved from Campbeltown Old Quay to Kintyre Renewables Hub, and also to Piers & Harbours Revenue to pay for the various works done at the Old Quay on behalf of the Marine Services unit.

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

The overall expenditure and ERDF award will be less than originally planned. These are currently estimated at £11.671m KRH expenditure offset by £3.354m ERDF award. The Piers & Harbours Revenue account is contributing £299k toward the works incorporated for its needs.

## OFF TRACK PROJECT

## Appendix 10

<b>Department:</b>	Development and Infrastructure
<b>Project Name:</b>	Helensburgh Depot Rationalisation
<b>First Added to Capital Plan:</b>	2012 - 13
<b>Project Manager:</b>	Helen Ford
<b>How is this project funded?</b>	Spend to Save
<b>Why is the project classified as off target?</b>	
	The project is classed as off target as the project is over budget by £240k. Budget £1.050m Final Account £1.290m This is based on a final account figure for phase 2 works still to be agreed by R&A Head of Service.
<b>What has caused the issue outlined above?</b>	
	The main reason for the projects overspend is due to contaminated soil found on site which required to be treated; this in turn led to extension of time claims. Building complete and occupied.
<b>What action will be taken to rectify this issue?</b>	
	Head of Service to advise where additional funding to be taken from.
<b>What are the implications of the action proposed?</b>	

## OFF TRACK PROJECT

## Appendix 10

**Department:** Development and Infrastructure

**Project Name:** Campbeltown – Berthing Facility

**First Added to Capital Plan:** 2009

**Project Manager:** Kirsteen Macdonald

**How is this project funded?** Prudential Borrowings

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

The year to date spend is £343k behind forecast and the estimated financial year spend will be £768k less than forecast (£1,120,000). Variance in spend is due to delay in appointing contractor as additional funding was sought to accept preferred tender. The project is due to complete in May 15 therefore all funding for this project will be disbursed in Q1 15/16.

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

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

Spend forecast for 15/16 adjusted accordingly

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

See above

PROPOSED CAPITAL PLAN 2014-15  
SUMMARY

APPENDIX 11

Department	Head of Service	Previous Years				Future Years			Total £000
		£000	2014-15 £000	2015-16 £000	2016-17 £000	£000	£000	£000	
<b>Community Services</b>	Adult Care	2,051	597	285	0	0	0	2,933	
	Children and Families	792	219	799	0	0	0	1,810	
	Community and Culture	2,339	1,155	1,507	0	0	0	5,001	
	Education	22,023	4,943	13,631	6,567	16,431	0	63,595	
	<b>Community Services Total</b>	<b>27,205</b>	<b>6,914</b>	<b>16,222</b>	<b>6,567</b>	<b>16,431</b>	<b>0</b>	<b>73,339</b>	
<b>Customer Services</b>	Customer and Support Services	4,799	1,986	2,773	0	0	0	9,558	
	Facility Services	7,014	8,047	6,529	4,258	0	0	25,848	
	<b>Customer Services Total</b>	<b>11,813</b>	<b>10,033</b>	<b>9,302</b>	<b>4,258</b>	<b>0</b>	<b>0</b>	<b>35,406</b>	
<b>Development and Infrastructure</b>	Economic Development	5,568	6,344	12,883	9,728	1,328	0	35,851	
	Roads and Amenity Services	20,415	12,911	8,340	135	0	0	41,801	
	<b>Development and Infrastructure Total</b>	<b>25,983</b>	<b>19,255</b>	<b>21,223</b>	<b>9,863</b>	<b>1,328</b>	<b>0</b>	<b>77,652</b>	
<b>Area Committees</b>	Area Committee	25	44	0	0	0	0	69	
	<b>Area Committees Total</b>	<b>25</b>	<b>44</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>69</b>	
<b>Overall Total</b>		<b>65,026</b>	<b>36,246</b>	<b>46,747</b>	<b>20,688</b>	<b>17,759</b>	<b>0</b>	<b>186,466</b>	

Head of Service	Category	Project	Previous			Future			Total	
			Years £'000	2014-15 £000's	2015-16 £000s	2016-17 £000s	Years £000s	£000s		
Adult Care	Asset Sustainability	Aids and Adaptations	26	24	25	0	0	0	75	
		Asbestos Removal/Control Works	0	10	10	0	0	0	20	
		Dunclutha Children's Home	31	-6	0	0	0	0	25	
		Eadar Glinn	19	206	20	0	0	0	245	
		Ellis Lodge	47	12	5	0	0	0	64	
		Health and Safety	864	71	50	0	0	0	985	
		Legionella Control Works	0	20	20	0	0	0	40	
		Lochgilphead Resource Centre	49	30	145	0	0	0	224	
		Lorn Resource Centre	0	75	10	0	0	0	85	
		Social Work Office Rothesay	41	34	0	0	0	0	75	
		Struan Lodge Boiler	12	28	0	0	0	0	40	
		Thomson Home Rothesay	111	36	0	0	0	0	147	
		Upgrading Older Peoples Homes	0	25	0	0	0	0	25	
		Woodlands/Greenwood	86	25	0	0	0	0	111	
		<b>Asset Sustainability Total</b>			<b>1,286</b>	<b>590</b>	<b>285</b>	<b>0</b>	<b>0</b>	<b>2,161</b>
			Service Development	Mull & Iona Progressive Care Centre	765	7	0	0	0	772
		<b>Service Development Total</b>			<b>765</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>772</b>
<b>Adult Care Total</b>			<b>2,051</b>	<b>597</b>	<b>285</b>	<b>0</b>	<b>0</b>	<b>2,933</b>		
<b>Overall Total</b>			<b>2,051</b>	<b>597</b>	<b>285</b>	<b>0</b>	<b>0</b>	<b>2,933</b>		



Head of Service	Category	Project	Previous Years				Future		
			Years £'000	2014-15 £000's	2015-16 £000s	2016-17 £000s	Years £000s	Total £000s	
Children and Families	Asset Sustainability	Asbestos Removal/Control Works	0	10	10	0	0	20	
		Dunoon Hostel	128	87	0	0	0	215	
		East King St Children's Home	0	2	0	0	0	2	
		Glencruitten Hostel	94	26	0	0	0	120	
		Health and Safety	5	45	50	0	0	100	
		Legionella Control Works	0	20	20	0	0	40	
		Shellach View	9	1	0	0	0	10	
		<b>Asset Sustainability Total</b>	<b>236</b>	<b>191</b>	<b>80</b>	<b>0</b>	<b>0</b>	<b>507</b>	
		Service Development	Dunlutha Childrens Home	1	30	719	0	0	750
Dunoon Family Mediation Centre	59		-4	0	0	0	55		
Residential Respite Care Facility	496		2	0	0	0	498		
<b>Service Development Total</b>	<b>556</b>	<b>28</b>	<b>719</b>	<b>0</b>	<b>0</b>	<b>1,303</b>			
<b>Children and Families Total</b>	<b>792</b>	<b>219</b>	<b>799</b>	<b>0</b>	<b>0</b>	<b>1,810</b>			
<b>Overall Total</b>	<b>792</b>	<b>219</b>	<b>799</b>	<b>0</b>	<b>0</b>	<b>1,810</b>			

Head of Service	Category	Project	Previous Years £'000	2014-15 £000's	2015-16 £000s	2016-17 £000s	Future Years £000s	Total £000s
Community and Culture	Asset Sustainability	Aqualibrium	0	20	15	0	0	35
		Asbestos Removal/Control Works	0	30	20	0	0	50
		Bute Community Education Centre	6	4	0	0	0	10
		Campbeltown Museum - Burnet Bldg	79	2	0	0	0	81
		Community Centres General - Options Appraisal	0	15	0	0	0	15
		Corran Halls, Oban	220	105	100	0	0	425
		Dunoon Community Education Centre	152	15	10	0	0	177
		Gaelic Centre - Corran Halls (FG)	173	-3	0	0	0	170
		Health & Safety	55	48	147	0	0	250
		Helensburgh Library	0	15	2	0	0	17
		Inveraray CARS	0	21	0	0	0	21
		Kintyre Community Ed Centre	117	-3	0	0	0	114
		Legionella Control Works	0	20	20	0	0	40
		Lochgilphead Community Ed Centre	5	2	245	0	0	252
		Oban Library (Leased Property)	0	0	20	0	0	20
		Ramsay Memorial Hall	79	26	80	0	0	185
		Replacement of Gym Equipment	0	0	100	0	0	100
		Rhu Community Ed Centre	5	119	5	0	0	129
		Rothesay Library	262	-52	0	0	0	210
		Rothesay Swimming Pool	0	120	3	0	0	123
		Sandbank Library HQ	0	22	3	0	0	25
		Tarbert Library	3	45	2	0	0	50
		Victoria Halls, Campbeltown	126	349	50	0	0	525
		Victoria Halls, Helensburgh	41	156	85	0	0	282
		<b>Asset Sustainability Total</b>	<b>1,323</b>	<b>1,076</b>	<b>907</b>	<b>0</b>	<b>0</b>	<b>3,306</b>
	Service Development	Archives - Wee Manse Brae	41	87	0	0	0	128
		Campbeltown All Weather Pitch	964	-47	0	0	0	917
		Riverside Leisure Centre Refurbishment	11	39	600	0	0	650
		<b>Service Development Total</b>	<b>1,016</b>	<b>79</b>	<b>600</b>	<b>0</b>	<b>0</b>	<b>1,695</b>
<b>Community and Culture Total</b>			<b>2,339</b>	<b>1,155</b>	<b>1,507</b>	<b>0</b>	<b>0</b>	<b>5,001</b>
<b>Overall Total</b>			<b>2,339</b>	<b>1,155</b>	<b>1,507</b>	<b>0</b>	<b>0</b>	<b>5,001</b>

Head of Service	Category	Project	Previous Years £'000	2014-15 £000's	2015-16 £000s	2016-17 £000s	Future Years £000s	Total £000s	
Education	Asset Sustainability	Achaleven Primary School	0	0	100	0	0	100	
		Ardchattan Primary School	0	0	10	0	0	10	
		Ardishaig Primary School	164	40	0	0	0	0	204
		Arinagour Primary School	83	0	48	0	0	0	131
		Asbestos Control/Removal Works	0	35	50	0	0	0	85
		Ashfield Primary School	87	-8	0	0	0	0	79
		Barcaldine Primary School	73	-4	0	0	0	0	69
		Bowmore Primary School	341	27	0	0	0	0	368
		Bunessan Primary School	156	95	4	0	0	0	255
		Campbeltown Grammar	3,641	3	25	0	0	0	3,669
		Capital Property Works	542	165	127	0	0	0	834
		Cardross Primary School	352	170	265	0	0	0	787
		Carradale Primary School	19	12	150	0	0	0	181
		Castlehill Primary School	146	10	50	0	0	0	206
		Clachan Primary	2	0	220	0	0	0	222
		Colgrain Primary School	617	121	65	0	0	0	803
		Dalintober Primary School	266	1	0	0	0	0	267
		Dervaig Primary School	0	0	5	0	0	0	5
		Drumsemble Primary School	128	86	0	0	0	0	214
		Dunbeg Primary School	403	31	0	0	0	0	434
		Dunoon Primary School	95	0	25	0	0	0	120
		Ferry Houses - Housing Quality Standard	0	8	68	0	0	0	76
		Free School Meals	0	130	420	0	0	0	550
		Furnace Primary School	104	-37	0	0	0	0	67
		Garelochhead Primary School	311	6	45	0	0	0	362
		Glassary Primary School	38	36	61	0	0	0	135
		Glenbarr Primary School	60	5	0	0	0	0	65
		Hermitage Primary School	145	1	0	0	0	0	146
		Homeless Houses - Housing Quality Standard	0	25	25	0	0	0	50
		Innellan Primary School	79	0	25	0	0	0	104
		Inveraray Primary School	287	155	0	0	0	0	442
		Islay High School	3,877	155	50	0	0	0	4,082
		John Logie Baird Primary School	364	-42	0	0	0	0	322
		Keills Primary School	306	-6	0	0	0	0	300
		Kilchattan Primary School	165	3	0	0	0	0	168
		Kilchrenan Primary School	0	11	14	0	0	0	25
		Kilcreggan Primary School	221	110	0	0	0	0	331
		Kilmartin Primary School	0	15	5	0	0	0	20
		Kilmodan Primary School	24	81	90	0	0	0	195
		Kilninver Primary School	81	12	0	0	0	0	93
		Kirn Primary School	44	22	20	0	0	0	86
		Legionella Control Works	0	57	83	0	0	0	140
		Lismore Primary School	41	6	14	0	0	0	61
		Lochdonhead Primary School	152	-17	0	0	0	0	135
		Lochgillhead Primary School	55	-13	40	0	0	0	82
		Luing Primary School	74	0	16	0	0	0	90
		Luss Primary School	34	30	1	0	0	0	65
Minard Primary	3	48	0	0	0	0	51		
North Bute Primary School	130	211	25	0	0	0	366		
Oban High Gaelic Media Studio (FG)	93	-2	0	0	0	0	91		
Oban High School	629	-13	10	0	0	0	626		

Head of Service	Category	Project	Previous Years £'000	2014-15 £000's	2015-16 £000s	2016-17 £000s	Future Years £000s	Total £000s		
Education	Asset Sustainability	Park Primary School	229	250	20	0	0	499		
		Parklands School	116	-8	0	0	0	108		
		Port Charlotte Primary School	146	36	160	0	0	342		
		Port Ellen Primary School	431	16	20	0	0	467		
		Rhu Primary School	32	-2	0	0	0	30		
		Rhunaorine Primary	14	60	13	0	0	87		
		Rosneath Primary School	258	21	371	0	0	650		
		Sandbank Primary School	478	16	0	0	0	494		
		School Houses - Housing Quality Standard	1	100	345	0	0	446		
		Skipness Primary School	0	10	5	0	0	15		
		Small Isles Primary School	231	57	0	0	0	288		
		St Andrew's Primary School	136	140	50	0	0	326		
		St Joseph's Primary School	161	299	50	0	0	510		
		St Mun's Primary School	-21	72	10	0	0	61		
		Strachur Primary School	154	-1	0	0	0	153		
		Strath of Appin Primary School	355	-15	0	0	0	340		
		Strone Primary School	291	33	0	0	0	324		
		Taynuilt Primary School	110	14	0	0	0	124		
		Tayvallich Primary School	107	-4	0	0	0	103		
		Tighnabraich Primary School	107	3	0	0	0	110		
		Tiree High School	954	-55	0	0	0	899		
		Tiree Primary School	170	50	0	0	0	220		
		Tobermory High School	553	168	0	0	0	721		
		Toward Primary School	71	9	0	0	0	80		
		<b>Asset Sustainability Total</b>			<b>19,609</b>	<b>2,957</b>	<b>3,200</b>	<b>0</b>	<b>0</b>	<b>25,766</b>
Service Development		Ardishaig Primary School - Pre Five Unit	10	371	30	0	0	411		
		Early Learning and Childcare	0	400	1,200	1,068	0	2,668		
		Hermitage Primary Annexe Replacement	684	81	0	0	0	765		
		Lochnell Primary School - Pre Five Unit	219	-9	0	0	0	210		
		Park Primary Extension and Pre Fives Unit	331	24	0	0	0	355		
		Salen Primary School - Gaelic Pre School Extension (FG)	0	20	130	0	0	150		
		St Joseph's Pre 5 Parenting Facilities	118	-43	0	0	0	75		
		Strachur Primary School - Pre Five Unit	278	31	6	0	0	315		
		Taynuilt PS Addnl Classroom	141	-10	0	0	0	131		
		Tayvallich Primary School - Pre Five Unit	96	330	4	0	0	430		
		Video Conferencing Upgrade	55	5	0	0	0	60		
		<b>Service Development Total</b>			<b>1,932</b>	<b>1,200</b>	<b>1,370</b>	<b>1,068</b>	<b>0</b>	<b>5,570</b>
		Strategic Change		Campbeltown Schools Redevelopment	177	214	1,142	100	6,020	7,653
				Dunoon Primary School	233	50	3,581	2,048	922	6,834
				Kilm Primary School	0	176	1,536	3,251	1,537	6,500
Replacement of Oban High School	72	346	2,802	100	7,952	11,272				
<b>Strategic Change Total</b>			<b>482</b>	<b>786</b>	<b>9,061</b>	<b>5,499</b>	<b>16,431</b>	<b>32,259</b>		
<b>Education Total</b>			<b>22,023</b>	<b>4,943</b>	<b>13,631</b>	<b>6,567</b>	<b>16,431</b>	<b>63,595</b>		
<b>Overall Total</b>			<b>22,023</b>	<b>4,943</b>	<b>13,631</b>	<b>6,567</b>	<b>16,431</b>	<b>63,595</b>		

Head of Service	Category	Project	Previous		2014-15			2015-16		2016-17		Future	
			Years	£'000	£000's	£000s	£000s	£000s	Years	£000s	Total	£000s	
Customer and Support Services	Asset Sustainability	Computer Network Security	494	73	69	0	0	0	636				
		Corporate GIS Portal Rollout	104	12	111	0	0	0	227				
		Internet / Online Access	90	125	123	0	0	0	338				
		IT Education	42	87	692	0	0	0	821				
		MS Exchange & Doc Sharing	228	69	25	0	0	0	322				
		PC Replacement	-3	935	785	0	0	0	1,717				
		Server Capacity Growth	0	80	80	0	0	0	160				
		Telecomms Network	645	48	54	0	0	0	747				
		Unified Communications and Video Conferencing	466	174	98	0	0	0	738				
		<b>Asset Sustainability Total</b>		<b>2,066</b>	<b>1,603</b>	<b>2,037</b>	<b>0</b>	<b>0</b>	<b>5,706</b>				
		Customer and Support Services	Service Development	Applications Projects	254	318	402	0	0	974			
				Consolidated Server Replacement	1,009	43	0	0	0	1,052			
Council Chamber Video Conferencing	112			4	0	0	0	116					
Education Domain Extension	442			1	0	0	0	443					
IT Enablement Process for Change	714			12	328	0	0	1,054					
LYNC 2013	126			3	0	0	0	129					
Property Management System	76			2	6	0	0	84					
<b>Service Development Total</b>	<b>2,733</b>			<b>383</b>	<b>736</b>	<b>0</b>	<b>0</b>	<b>3,852</b>					
<b>Customer and Support Services Total</b>	<b>4,799</b>			<b>1,986</b>	<b>2,773</b>	<b>0</b>	<b>0</b>	<b>9,558</b>					
<b>Overall Total</b>	<b>4,799</b>			<b>1,986</b>	<b>2,773</b>	<b>0</b>	<b>0</b>	<b>9,558</b>					

Head of Service	Category	Project	Previous Years £'000	2014-15 £000's	2015-16 £000s	2016-17 £000s	Future Years £000s	Total £000s
Facility Services	Asset Sustainability	Aquilibrium	23	5	0	0	0	28
		Argyll House, Dunoon	13	0	1	0	0	14
		Asbestos Capital Property Works	36	14	0	0	0	50
		Block Allocation to address building fabric upgrades	0	0	588	0	0	588
		Bowmore Area Office	4	14	2	0	0	20
		Burnett Building	0	6	75	0	0	81
		Capital Property Works	239	70	0	0	0	309
		Castle House, Dunoon	26	0	1	0	0	27
		Dalriada House	7	1	0	0	0	8
		Dunoon Office Rationalisation	1	3	219	7	0	230
		Eaglesham House, Rothesay	26	9	0	0	0	35
		Finance Office, Witchburn Rd	10	86	3	0	0	99
		Fire Risk Assessment Works	13	1	0	0	0	14
		Hill Street Dunoon Rewire	2	32	1	0	0	35
		Jura Service Point	0	10	0	0	0	10
		Kilarrow House	1	63	59	1	0	124
		Kilmory Castle	80	69	25	0	0	174
		Kilmory Castle 2012-13	137	6	0	0	0	143
		Lorn House, Oban	0	55	23	0	0	78
		Manse Brae Roads Office	0	15	0	0	0	15
		Oban Municipal Buildings	226	18	0	0	0	244
		Oban Office Rationalisation	0	3	0	0	0	3
		Rothesay Pavilion	20	1	0	0	0	21
		Tobermory Area Office	0	29	1	0	0	30
		Union Street, Rothesay	74	1	0	0	0	75
		Whitegates	188	-76	0	0	0	112
		Whitegates Office, Lochgilphead	0	19	0	0	0	19
		<b>Asset Sustainability Total</b>	<b>1,126</b>	<b>454</b>	<b>998</b>	<b>8</b>	<b>0</b>	<b>2,586</b>
	Strategic Change	Campbeltown & Rothesay Rationalisation	27	8	0	0	0	35
		Carbon Management Business Cases (FPB)	128	75	58	0	0	261
		Carbon Management Fuel Conversions (FPB)	107	38	0	0	0	145
		Helensburgh Office Rationalisation (FPB,REC)	4,179	5,500	1,810	0	0	11,489
		Islay HS/Bowmore PS (FPB)	697	29	0	0	0	726
		Kilmory Biomass Project OBC (FPB,REV)	243	760	30	0	0	1,033
		Mid Argyll Offices Reorganisation	164	98	8	0	0	270
		New Helensburgh Swimming Pool	162	15	3,225	4,250	0	7,652
		Non-NPDO Schools PV Panel Installations	0	488	0	0	0	488
		NPDO Schools Solar PV Panel Installations	0	544	400	0	0	944
		Oil to Gas Heating Conversions (FPB)	181	28	0	0	0	209
		Tiree Shared Offices	0	10	0	0	0	10
		<b>Strategic Change Total</b>	<b>5,888</b>	<b>7,593</b>	<b>5,531</b>	<b>4,250</b>	<b>0</b>	<b>23,262</b>
		<b>Facility Services Total</b>	<b>7,014</b>	<b>8,047</b>	<b>6,529</b>	<b>4,258</b>	<b>0</b>	<b>25,848</b>
		<b>Overall Total</b>	<b>7,014</b>	<b>8,047</b>	<b>6,529</b>	<b>4,258</b>	<b>0</b>	<b>25,848</b>

PROPOSED CAPITAL PLAN 2014-15  
DEVELOPMENT AND INFRASTRUCTURE SERVICES

APPENDIX 11

Head of Service	Category	Project	Previous Years £'000	2014-15 £000's	2015-16 £000s	2016-17 £000s	Future Years £000s	Total £000s
Economic Development	Service Development							
		CWSS - Connel Station Path	132	-28	0	0	0	104
		CWSS - Cycle Parking 2013-14	20	1	0	0	0	21
		CWSS - Kilmichael Glassary - Bridgend Link	9	1	0	0	0	10
		CWSS - South Islay Distilleries Path	118	-4	0	0	0	114
		Safe Streets, Walking and Cycling (CWSS)	0	149	140	0	0	289
		SPT	219	88	0	0	0	307
		<b>Service Development Total</b>	<b>498</b>	<b>207</b>	<b>140</b>	<b>0</b>	<b>0</b>	<b>845</b>
	Strategic Change							
		CHORD - Campbeltown	1,836	1,120	1,830	0	0	4,786
		CHORD - Dunoon	8	686	3,397	4,006	528	8,625
		CHORD - Helensburgh - Public Realm Imprv	2,949	3,450	931	0	0	7,330
		CHORD - Oban	251	642	3,550	2,117	0	6,560
		CHORD - Rothesay	0	0	0	1,600	800	2,400
		Helensburgh Pier Flood Defences	10	20	500	1,645	0	2,175
		OBC for Dunoon Pier	16	189	2,275	350	0	2,830
		Pier Upgrades	0	30	260	10	0	300
		<b>Strategic Change Total</b>	<b>5,070</b>	<b>6,137</b>	<b>12,743</b>	<b>9,728</b>	<b>1,328</b>	<b>35,006</b>
Economic Development Total			<b>5,568</b>	<b>6,344</b>	<b>12,883</b>	<b>9,728</b>	<b>1,328</b>	<b>35,851</b>
Overall Total			<b>5,568</b>	<b>6,344</b>	<b>12,883</b>	<b>9,728</b>	<b>1,328</b>	<b>35,851</b>

PROPOSED CAPITAL PLAN 2014-15  
DEVELOPMENT AND INFRASTRUCTURE SERVICES

APPENDIX 11

Head of Service	Category	Project	Previous Years £'000	2014-15 £000's	2015-16 £000s	2016-17 £000s	Future Years £000s	Total £000s
Roads and Amenity Services	Asset Sustainability	Bridge Strengthening	173	305	987	105	0	1,570
		Cemetery Houses	7	43	0	0	0	50
		Environmental - Unallocated	0	246	100	0	0	346
		Fleet Management	2,641	150	596	0	0	3,387
		Flood Prevention	-4	60	377	30	0	463
		HITRANS	966	285	0	0	0	1,251
		Lighting	39	507	650	0	0	1,196
		Public Convenience Upgrades	0	65	1	0	0	66
		Roads Reconstruction	912	6,697	4,366	0	0	11,975
		Traffic Management	-16	85	214	0	0	283
		Waste Management Sites	36	64	0	0	0	100
		Zero Waste Fund	269	34	0	0	0	303
		<b>Asset Sustainability Total</b>	<b>5,023</b>	<b>8,541</b>	<b>7,291</b>	<b>135</b>	<b>0</b>	<b>20,990</b>
	Service Development	A83 South of Muasdale	72	2	510	0	0	584
		A849 Pennyghael Bridge Mull	126	0	5	0	0	131
		Campbeltown Old Quay	161	1,213	50	0	0	1,424
		Cycleways - H&L (FSPT)	1,992	219	325	0	0	2,536
		Milton Burn	2,526	1	0	0	0	2,527
		Preliminary design for Regional Transport projects (tif)	248	-21	0	0	0	227
		Vehicle Tracking System (FPB)	176	41	0	0	0	217
		<b>Service Development Total</b>	<b>5,301</b>	<b>1,455</b>	<b>890</b>	<b>0</b>	<b>0</b>	<b>7,646</b>
	Strategic Change	Helensburgh Depot Rationalisation (F)	1,145	-95	0	0	0	1,050
		Kintyre Renewables Hub (FGPB)	8,946	3,010	159	0	0	12,115
		<b>Strategic Change Total</b>	<b>10,091</b>	<b>2,915</b>	<b>159</b>	<b>0</b>	<b>0</b>	<b>13,165</b>
Roads and Amenity Services Total			<b>20,415</b>	<b>12,911</b>	<b>8,340</b>	<b>135</b>	<b>0</b>	<b>41,801</b>
Overall Total			<b>20,415</b>	<b>12,911</b>	<b>8,340</b>	<b>135</b>	<b>0</b>	<b>41,801</b>



**TREASURY MANAGEMENT MONITORING REPORT 31 JANUARY 2015**

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**1. EXECUTIVE SUMMARY**

- 1.1 This report is for noting its sets out the Council's treasury management position for the period 1 January 2015 to 31 January 2015 and includes information on:
- Overall Borrowing Position
  - Borrowing Activity
  - Investment Activity
  - Economic Background
  - Interest Rate Forecast
  - Prudential Indicators.
- 1.2 The Council has made two repayments of long term debt of £1.5m to PWLB during the period. Due to a reduced Capital Financing Requirement (CFR) of £256m at 31 March 2014 and a reduction of £19.6m in the forecast capital expenditure the estimated CFR for 31 March 2015 has reduced from £275m to £253m from that predicted in the budget at February 2014.
- 1.3 In respect of investment activity the level of investments have increased by £2.4m from £51.6m at 31 December 2014 to £54m at 31 January 2015. The rate of return achieved was 0.666% which compares favourably with the target of 7 day LIBID which was 0.354%.
- 1.4 As part of a policy of increasing the diversification of investments during the period the Council opened two new accounts in the following institutions:
- Nationwide Building Society
  - Barclays Bank
- 1.5 During the period the Council reduced its investments held in Bank of Scotland by £10m, placing £5m in a 6 month fixed term deposit with the Nationwide Building Society at 0.66% and £5m in a 35 Day Notice account with Barclays Bank at 0.50%. Both have a short term rating of A and a long term rating of A-1.
- 1.6 There was no breaching of limits during the period

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**TREASURY MANAGEMENT MONITORING REPORT 31 JANUARY 2015**


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**2. INTRODUCTION**

- 2.1 This report summarises the monitoring as at 31 January 2015 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	253,166	268,089
Net Capital Expenditure	15,144	34,809	26,707	2,440
Less Loans Fund Principal Repayments	(18,441)	(18,441)	(11,784)	(10,784)
<b>Estimated CFR 31 March</b>	<b>253,166</b>	<b>275,239</b>	<b>268,089</b>	<b>259,745</b>
Less Funded by NPDO	(79,603)	(79,603)	(78,055)	(76,507)
<b>Estimated Net CFR 31 March</b>	<b>173,563</b>	<b>195,636</b>	<b>190,034</b>	<b>183,238</b>
Estimated External Borrowing at 31 March	151,235	161,315	169,315	177,315
<b>Gap</b>	<b>22,328</b>	<b>34,321</b>	<b>20,719</b>	<b>5,923</b>

- 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 January 2015 is £173.563m. 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 £54.1m is currently invested.

	Position at 31/12/2014 £000's	Position at 31/01/2015 £000's
Loans	161,242	160,112
Internal Balances	72,729	67,516
Less Investments & Deposits	(51,605)	(54,065)
<b>Total</b>	<b>182,366</b>	<b>173,563</b>

### Borrowing Activity

- 4.4 The table below summarises the borrowing and repayment transactions in the period 1 January 2014 to 31 January 2015.

	Actual £000's
External Loans Repaid 1st January 2015 to 31st January 2015	1,519
Borrowing undertaken 1st January 2015 to 31st January 2015	0
<b>Net Movement in External Borrowing</b>	<b>(1,519)</b>

- 4.5 No Local Bonds were repaid in the period 1 January 2014 to 31 January 2015
- 4.6 No new Local Bonds was taken out in the period 1 January 2014 to 31 January 2015.
- 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 December 2014	1,358	0.30%
Temp borrowing at 31st January 2015	1,356	0.30%

### Investment Activity

- 4.8 The average rate of return achieved on the Council's investments to 31<sup>st</sup> January 2015 was 0.666% compared to the average LIBID rate for the same period of 0.354% which demonstrates that the Council is achieving a reasonable rate of return on its cash investments. At the 31 January 2015 the Council had £54m of short term investment at an average rate of 0.666%. 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	5,050	0.40%	Short Term A-1, Long Term A
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	965	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	0	0.65%	Short Term A-1+, Long Term AA-
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
Nationwide Building Society	07/07/2015	5,000	0.660%	Short Term A, Long Term A-1
Barclays Bank	35 Day Notice	5,000	0.504%	Short Term A, Long Term A-1
CD - RBS	06/01/2016	5,000	0.880%	Short Term A-2, Long Term A-
MMF - BNP Paribas	Instant Access	0	0.457%	AAA
MMF - Federated	Instant Access	3,000	0.460%	AAA
MMF - Ignis	Instant Access	5,000	0.477%	AAA
<b>Total</b>		<b>54,065</b>		

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 new accounts in the following institutions:

- Nationwide Building Society
- Barclays Bank

- 4.11 On 7<sup>th</sup> and 23<sup>rd</sup> January the £10m fixed term deposits in the Bank of Scotland matured and the Council placed £5m in a fixed term deposit with Nationwide Building Society at a rate of 0.66% and £5m in a 35 Day Notice account with Barclays Bank at 0.50% Both institutions have a short term rating of A and long term rating of A-1
- 4.12 The current market conditions have made investment decisions more difficult as the number of counterparties which meet the Council's parameters has reduced making it harder to achieve reasonable returns while limiting the exposure to any one institution.
- 4.13 No limits were breached during the period.

### **Economic and Interest Rate Forecasts**

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

### **Prudential Indicators**

- 4.15 The prudential indicators for 2014-15 are attached in appendix 3.

## **5. CONCLUSION**

- 5.1 The Council has taken no new long term borrowing and made repayments of £1.5m during the two months to 31 January 2015. The investment returns were 0.666% which is above the target of 0.354%.
- 5.2 During the period the Council further diversified its investments by placing funds with Nationwide Building Society and Barclay Bank.

## **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. |

**Steve Barrett, Interim Head of Strategic Finance**  
**Dick Walsh Council Leader and Policy Lead for Strategic Finance**

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

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

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%