Public Document Pack

Argyll and Bute Council
Comhairle Earra-Ghàidheal Agus Bhòid

Customer Services
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8 February 2018

NOTICE OF MEETING

A meeting of the **POLICY AND RESOURCES COMMITTEE** will be held in the **COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD** on **THURSDAY, 15 FEBRUARY 2018** at **10:30 AM**, which you are requested to attend.

Douglas Hendry
Executive Director of Customer Services

BUSINESS

1. **APOLOGIES FOR ABSENCE**

2. **DECLARATIONS OF INTEREST (IF ANY)**

3. **MINUTES** (Pages 5 - 12)
   Policy and Resources Committee held on 8 December 2017

* 4. **FINANCIAL REPORT MONITORING PACK - DECEMBER 2017**
   Report by Head of Strategic Finance

   (a) Executive Summary - Financial Report Monitoring Pack - December 2017 (Pages 13 - 20)

   (b) Revenue Budget Monitoring - December 2017 (Pages 21 - 50)

   (c) Monitoring of Service Choices Savings Options - December 2017 (Pages 51 - 80)

   (d) Financial Risks Analysis 2017-18 (Pages 81 - 114)

   (e) Capital Budget Monitoring Report - 31 December 2017 (Pages 115 - 146)

   (f) Treasury Management Monitoring Report - 31 December 2017 (Pages 147 - 156)

   (g) Reserves and Balances - Update as at 31 December 2017 (Pages 157 - 168)

* **5. BUDGETING PACK 2018/2019**

1. **Introductory Report and Recommendations for Budget Papers**

2. **Revenue Pack**
   a) Budget Consultation – Findings Report
   b) Service Plans 2018-20
   c) Revenue Budget Overview (Appendix 8 is marked exempt (**E1**))
   d) Report on Fees and Charges
   e) Revenue Budget Monitoring 2017-18 as at 31 December 2017
   f) Report on Financial Risks Analysis
   g) Report on Reserves and Balances

3. **Capital Plan**
   a) Capital Plan Summary
   b) Corporate Asset Management Strategy
   c) Corporate Asset Management Plan
   d) Community Services Asset Management Plan
   e) Customer Services Asset Management Plan
   f) ICT Group Asset Management Plan
   g) Development and Infrastructure Asset Management Plan
   h) Health and Social Care Partnership Asset Management Plan
   i) Live Argyll Asset Management Plan

Please note that the Budget Pack 2018/19 relative to the consideration of the foregoing matters has been published separately under a meeting entitled "Budget Pack", please ensure that you have downloaded this to your iPad before coming to the meeting.

Accessing the Budget Pack from your iPad -
To access this years' Budgeting Pack 2018/19 Members should log into the Modern.Gov App on their iPad and tap "Committees …" on the top left hand side of the screen. From there subscribe to the meeting entitled "Budget Pack" by tapping on it and then tap done. This should now appear on your list of Committees. The budget pack will be stand alone and will be published here separately from the Policy and Resources Committee; and Council agendas. This will enable the same pack to be accessed at all meetings.

* **6. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY** (Pages 169 - 220)

Report by Head of Strategic Finance

* **7. ONE COUNCIL PROPERTY APPROACH** (Pages 221 - 228)

Report by Executive Director – Customer Services

* **8. CORPORATE PLAN 2018 - 2022** (Pages 229 - 240)

Report by Executive Director – Customer Services

9. LOCATION OF SCREEN MACHINE IN INVERARAY (Pages 241 - 248)

Recommendation from Mid Argyll, Kintyre and the Islands Area Committee held on 6 December 2017 and report by Executive Director – Development and Infrastructure Services

REPORTS FOR NOTING

10. POLICY AND RESOURCES COMMITTEE WORK PLAN AS AT FEBRUARY 2018 (Pages 249 - 250)

E1 11. SIX MONTHLY REPORT ON CASH FLOW SUPPORT LOANS - 1 SEPTEMBER 2017 TO 31 DECEMBER 2017 (Pages 251 - 254)

Report by Head of Strategic Finance

Items marked with an “asterisk” are items, on the basis of information available at the time this Agenda is published, on which the Committee may not have delegated powers to act, and which may therefore require to be referred to the Council or another Committee, and that referral may depend on the decision reached at the meeting.

The Committee will be asked to pass a resolution in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the public for items of business with an “E” on the grounds that it is likely to involve the disclosure of exempt information as defined in the appropriate paragraph of Part I of Schedule 7a to the Local Government (Scotland) Act 1973.

The appropriate paragraph is:-

E1 **Paragraph 6** Information relating to the financial or business affairs of any particular person (other than the authority).

Policy and Resources Committee

Councillor John Armour	Councillor Rory Colville
Councillor Robin Currie	Councillor Jim Findlay
Councillor Kieron Green	Councillor Roderick McCuish
Councillor Yvonne McNeilly	Councillor Aileen Morton (Chair)
Councillor Ellen Morton	Councillor Gary Mulvaney (Vice-Chair)
Councillor Douglas Philand	Councillor Alan Reid
Councillor Elaine Robertson	Councillor Len Scoullar
Councillor Sandy Taylor	Councillor Richard Trail

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Agenda Item 3

MINUTES of MEETING of POLICY AND RESOURCES COMMITTEE held in the COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD on FRIDAY, 8 DECEMBER 2017

Present: Councillor Aileen Morton (Chair)

Councillor Rory Colville
Councillor Robin Currie
Councillor Jim Findlay
Councillor Kieron Green
Councillor Roderick McCuish
Councillor Ellen Morton
Councillor Gary Mulvaney
Councillor Douglas Philand
Councillor Alan Reid
Councillor Len Scoullar
Councillor Sandy Taylor
Councillor Richard Trail

Attending: Cleland Sneddon, Chief Executive
Douglas Hendry, Executive Director of Customer Services
Ann Marie Knowles, Acting Executive Director of Community Services
Pippa Milne, Executive Director of Development and Infrastructure Services
Kirsty Flanagan, Head of Strategic Finance
Tricia O'Neill, Central Governance Manager
Fergus Murray, Head of Economic Development and Strategic Transformation
Ishabel Bremner, Economic Growth Manager
Jane Fowler, Head of Improvement and HR
Malcolm McMillan, MACC
Jeff Cole, Capital Ambassadors Ltd
James Paterson, Senior Economic Growth Officer

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Armour, McNeilly and Robertson.

2. NOTICE OF MOTION UNDER STANDING ORDER 14

The Central Governance Manager advised that in terms of Standing Order 14 the following Notice of Motion by Councillor Findlay, seconded by Councillor Taylor had been received for consideration as a matter of urgency at this meeting:-

The Policy and Resources Committee agrees that the decision to close branches of The Royal Bank of Scotland in the communities of Rothesay, Campbeltown and Inveraray will
a. not only see the loss of key services to local business and personal banking customers but also impact the thousands of visitors who come to these communities each year.
b. extend to the rural communities of Bute, Kintyre and Mid Argyll served by these branches
c. leave the town of Inveraray, a town driven by a tourist economy, with many small retail businesses, without a bank.

The Policy and Resources Committee instructs the Chief Executive to write to the Chief Executive of The Royal Bank of Scotland expressing the Council's grave concerns over the impacts of the decision on our communities, fragile businesses and economy, urging the Bank to reverse the most damaging of these decisions.

The Chair ruled that the motion be considered as a matter of urgency by reason of the need to take a decision before the next meeting of the Policy and Resources Committee in February.

The Committee agreed to consider the motion and this is dealt with at item 14 of this minute.

3. DECLARATIONS OF INTEREST

Councillor Sandy Taylor declared a non financial interest in relation to the report on Kilmartin Museum Redevelopment which is dealt with at item 16 of this minute due to him being a Board member. He claimed the benefit of the dispensation contained at section 5.16 of the Standard Commission's Guidance and Dispensation note to enable him to speak and vote.

4. MINUTES

The Minutes of the meeting of the Policy and Resources Committee held on 19 October 2017 were approved as a correct record.

5. FINANCIAL MONITORING REPORTING AS AT 31 OCTOBER 2017

A report providing a summary of the financial monitoring reports as at the end of October 2017 was given consideration. There were six detailed reports summarised including the Revenue Budget Monitoring Report as at 31 October 2017, Monitoring of Service Choices Savings as at 31 October 2017, Monitoring of Financial Risks as at 31 October 2017, Capital Plan Monitoring Report as at 31 October 2017, Treasury Monitoring Report as at 31 October 2017 and Reserves and Balances as at 31 October 2017.

The Head of Strategic Finance clarified that under Reserves and Balances the figure stated at paragraph 2.65 on page 17 of the pack should read £3.839m in relation to the estimated surplus.

Decision

The Policy and Resources Committee –

1. Noted the Revenue Budget Monitoring Report as at 31 October 2017.

2. Noted the progress of the Service Choices Policy Saving Options as at 31 October 2017.

3. Noted the current assessment of the Council's financial risks.

4. Noted the Capital Plan Monitoring Report as at 31 October 2017 and approved the over project cost changes, the project slippages and accelerations noted within Appendix 7 of the Capital Plan Monitoring Report.

5. Noted the Treasury Monitoring Report as at 31 October 2017.

6. Noted the Reserves and Balances Report as at 31 October 2017.

(Reference: Report by Head of Strategic Finance dated 8 November 2017, submitted)

6. REVENUE BUDGET OUTLOOK 2018-19 TO 2020-21 - UPDATE

Consideration was given to a report which provided Members with an update on the budget outlook 2018-19 to 2020-21. The report summarised the figures contained within the August report and provided detail on any assumptions that had been updated.

Decision

The Policy and Resources Committee noted the current estimated budget outlook position 2018-19 to 2020-21.

(Reference: Report by Head of Strategic Finance dated 22 November 2017, submitted)

7. PERFORMANCE REPORT - FQ2 2017-18

The Customer Services departmental performance report, with the scorecards for Customer Services and Strategic Finance, for financial quarter two 2017-18 (July to September) was before the Committee for review.

Decision

The Policy and Resources Committee noted the departmental performance report and scorecards as presented.

(Reference: Report by Executive Director – Customer Services dated November 2017, submitted)

8. DRAFT SERVICE PLANS 2017-20 FOR 2018-19 BUDGET

The Policy and Resources Committee gave consideration to a report which presented them with the Draft Service Plans 2017-20 for Customer Services and Strategic Finance, for the 2018-19 budget.

Decision

The Policy and Resources Committee endorsed the Draft Service Plans 2017-20 for onward submission to the Policy and Resources Committee and Council Meeting in February for the 2018-19 budget allocation.

(Reference: Report by Executive Director – Customer Services dated 28 November 2017, submitted)

9. TARBERT AND LOCHGILPHEAD REGENERATION PROJECT - GLEANER PHASE 1 FULL BUSINESS CASE

The Policy and Resources Committee gave consideration to a recommendation from the Mid Argyll, Kintyre and the Islands Area Committee held on 6 December 2017 in respect of the Tarbert and Lochgilphead Regeneration Fund – Gleaner Phase 1 Full Business Case.

Decision

The Committee agreed to:

1. The maximum grant funding of up to £250,000 should be allocated to the Gleaner Phase 1 from the Tarbert and Lochgilphead Regeneration Fund; and

2. Delegated authority to the Executive Director of Development and Infrastructure Services to confirm the final grant amount. The Executive Director will only have the delegated authority to approve grant where it would not exceed the contribution made by Scottish Canals/Scottish Waterways Trust.

(Reference: Recommendation by Mid Argyll, Kintyre and the Islands Area Committee held on 6 December 2017 and report by Executive Director – Development and Infrastructure Services dated 7 November 2017, submitted)

10. ARGYLL AND BUTE EMPLOYABILITY TEAM - UPDATE ON FINANCIAL POSITION AND SERVICE PROVISION GOING FORWARD

A report which provided Members with an update on the current financial position of the Argyll and Bute Council's Employability Team was given consideration. The report also sought approval to deliver the new Fair Start Scotland contract over a three year period commencing 3 April 2018.

Decision

The Policy and Resources Committee agreed –

1. That the Employability Team deliver the Fair Start Scotland Contract which has an indicative value of £866,150 (net of management fees) over the lifetime of the contract).

2. That the unused earmarking be released back to the general fund, estimated to be approximately £435k (better than anticipated).

3. To thank the Economic Development team for their hard work, determination and achievement in the delivery of the employability provision across Argyll and Bute.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 2 November 2017, submitted)

11. COWAL FIXED LINK FUNDING REQUEST

The Policy and Resources Committee gave consideration to a request for funding from the Cowal Fixed Link Funding Group. The Group had requested £3000 each from the Council, Highlands and Islands Enterprise and Transport Scotland.

Decision

The Policy & Resources Committee noted:

a) The aspirations of the Cowal Fixed Link Working Group in its efforts to connect South Argyll & Bute to the Central Belt by either rail and/or road to avert population decline and consequent economic threat;

b) That this request is expected to have a consequential ask of substantially more than £3k;
c) The ongoing issues with other national transportation infrastructure such as the Dunoon – Gourock ferry and the lack of a permanent solution at the A83 Rest and be Thankful, which both have an impact on Cowal and Dunoon;
d) That the HIE Transport Connectivity Report, considered by Argyll and Bute Council at its meeting on 29th September 2016, identified that fixed links brought risks as well as benefits and listed a wide range of potential fixed link options within Argyll and Bute;
e) That the Faroe Islands are reportedly able to construct tunnels at a cost of £11million per kilometre.

The Policy & Resources Committee therefore:

1. Agreed that the scale of this project makes it a national infrastructure project that should be led by Transport Scotland on behalf of the Scottish Government;
2. Instructed the Executive Director of Development & Infrastructure to write to the Scottish Government asking them to urgently investigate the feasibility of constructing tunnels at the following locations in Argyll and Bute, in order of priority:
   a. At the A83, near the Rest and be Thankful, where the road is most prone to landslides
   b. From Gourock to Dunoon, and on to Bute
   c. Across Loch Fyne;
3. As part of the communication with the Scottish Government, the Executive Director should also ask for Transport Scotland to consult within the Bute and Cowal area on the prioritisation of infrastructure investment;
4. Agreed that while the Council is not in a financial position to become a funder for this project, the Cowal Fixed Link Working Group should be directed to the local Supporting Communities Fund, where funding of up to £2.5K is potentially available to them.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 29 November 2017, submitted)

12. MAJOR CAPITAL REGENERATION PROJECTS - UPDATE REPORT

A report which set out the current position of each of the twelve capital regeneration projects, excluding the nine Lorn Arc Projects, was before the Committee for information.

Decision

The Policy and Resources Committee noted the current progress and agreed allocation of budget resources to date against each of the projects.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 2 November 2017, submitted)

13. POLICY AND RESOURCES COMMITTEE WORK PLAN 2017/18

The Policy and Resources Committee Workplan as at December 2017 was before the Committee for information.

Decision

The Policy and Resources Committee noted the content of the Policy and Resources Committee Workplan as at December 2017.

(Reference: Policy and Resources Committee Workplan as at December 2017, submitted)

14. NOTICE OF MOTION UNDER STANDING ORDER 14

In terms of Standing Order 14 the following Notice of Motion had been received for consideration as a matter of urgency at this meeting.

The Policy and Resources Committee agrees that the decision to close branches of The Royal Bank of Scotland in the communities of Rothesay, Campbeltown and Inveraray will
a. not only see the loss of key services to local business and personal banking customers but also impact the thousands of visitors who come to these communities each year.
b. extend to the rural communities of Bute, Kintyre and Mid Argyll served by these branches
c. leave the town of Inveraray, a town driven by a tourist economy, with many small retail businesses, without a bank.

The Policy and Resources Committee instructs the Chief Executive to write to the Chief Executive of The Royal Bank of Scotland expressing the Council's grave concerns over the impacts of the decision on our communities, fragile businesses and economy, urging the Bank to reverse the most damaging of these decisions.

Moved by Councillor Findlay, seconded by Councillor Taylor.

Decision

The Committee agreed the terms of the Motion.

(Reference: Notice of Motion by Councillors Findlay and Taylor, tabled)

The Committee resolved in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the press and public for the following 2 items of business on the grounds that it was likely to involve the disclosure of exempt information as defined in Paragraphs 6 and 4 respectively of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

15. REVIEW OF THE DSUK BUSINESS CASE

(a) Presentation by Capital Ambassadors Ltd (CapAm)

Capital Ambassadors Limited (CapAm) accompanied by Malcolm McMillan, Machrihanish Airbase Community Company (MACC) gave the Committee a very informative presentation in relation to the Discover Space UK Business Case.

Decision

The Policy and Resources Committee noted the content of the presentation given by Capital Ambassadors Limited (CapAm).

(Reference: Presentation by Capital Ambassadors Limited (CapAm))

(b) **Public Report by Executive Director - Development and Infrastructure Services**

The Committee gave consideration to a report which highlighted the main findings of Capital Ambassadors Ltd (CapAm) which had been given in further detail during the presentation on "CapAm Deliverables for DSUK, October 2017" under the previous item 13a. The report also proposed that the next phase of activity, to be carried out by CapAm would provide information to inform a business case which would intend to determine the direction that DSUK would take in developing a space based business plan.

Councillor Len Scoullar left the meeting at this point.

Decision

The Policy and Resources Committee –

1. Approved the Council's continued involvement with DSUK including an investigation of a possible joint venture with the Benbecula launch site to accommodate the possible development of facilities at Machrihanish.

2. Welcomed the content of the presentation given by Capital Ambassadors Ltd.

3. Strongly endorsed the positive activity being undertaken with the private sector to develop a strong and vibrant business base.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 24 October 2017, submitted)

16. KILMARTIN MUSEUM REDEVELOPMENT - FURTHER ASSESSMENT OF EXTERNAL FINANCIAL REQUEST

A report providing an update on the proposals for the redevelopment of the Kilmartin House Museum and a request for a financial contribution from the Council was given consideration by the Committee.

Decision

The Committee agreed the recommendations as contained within the submitted report by the Executive Director.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 29 November 2017, submitted)

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

STRATEGIC FINANCE **15 FEBRUARY 2018**

EXECUTIVE SUMMARY

FINANCIAL REPORT MONITORING PACK – DECEMBER 2017

1. INTRODUCTION

1.1 This report provides a summary of the financial monitoring reports as at the end of December 2017. There are six detailed reports summarised in this Executive Summary:

- Revenue Budget Monitoring Report as at 31 December 2017
- Monitoring of Service Choices Savings as at 31 December 2017
- Monitoring of Financial Risks as at 31 December 2017
- Capital Plan Monitoring Report as at 31 December 2017
- Treasury Monitoring Report as at 31 December 2017
- Reserves and Balances as at 31 December 2017

The web link to the detailed reports is as follows:
http://www.argyll-bute.gov.uk/financial-monitoring

1.2 The Argyll and Bute Integrated Joint Board (IJB) with responsibility for Social Work and a range of Health services was established and came into effect on 1 April 2016. The IJB will be responsible for financial and strategic oversight of these services. Financial reporting in respect of Integration Services will now be submitted to the IJB via the IJB's Chief Financial Officer and it is expected that the Chief Financial Officer of the IJB will also keep the Council up to date on the financial position. The Scheme of Integration notes at paragraph 8.2.17 that "Any potential deviation from the planned outturn should be reported to Argyll and Bute Integration Joint Board, the Council and NHS Highland at the earliest opportunity".

1.3 The reports contained in the Council's monitoring pack will no longer have the same level of detail on Integration Services. However, the latest budget monitoring for the IJB will be an Appendix to the Monitoring of Financial Risks report.

2. DETAIL

2.1 Revenue Budget Monitoring Report

2.1.1 This report provides a summary of the current revenue budget monitoring position to ensure net expenditure is contained within budget. It provides corporate and departmental information with comparisons on a forecast outturn and a year to date basis.

2.1.2 There is a forecast underspend of £1.000m as at the end of December 2017. The underspend is in respect of the following:

- Underspend within NPDO (utilities and deductions) as a result of enhanced contract management £0.098m.
- Over recovery of vacancy savings within Customer Services and Development and Infrastructure of £0.153m.
- Grant income in Development and Infrastructure relating to expenditure in the previous year £0.097m.
- Underspend in fleet of £0.132m relating to a delay in replacing vehicles over 5 years old.
- Over-recovery of income within regulatory services (fish export certifications, private landlord registration and appraisal of water supplies) amounting to £0.070m.
- Over recovering of income within piers and harbours as a result of RET £0.200m.
- Underspend of £0.245m relating to a provision for superannuation costs that is no longer required.
- Apprenticeship levy estimated to be £0.090m below budget.
- Estimated £0.395m underspend within utilities across the Council.
- Over recovery of Council Tax income amounting to £0.600m.
- Overspend of £0.177m in relation to dangerous buildings.
- Increased demand within ASN support and residential schools placement estimated overspend of £0.213m.
- Under recovery of planning fee income estimated to be £0.240m.
- Estimated winter maintenance overspend of £0.450m. This was the figure calculated as at the end of December, however, due to the snow in January, this overspend is likely to increase and a further estimate will be calculated.

2.1.3 Where the forecast outturn position is recurring in nature, this has already been accounted for as part of the budget outlook position.

2.1.4 There is a year to date surplus of £6.837m against the year to date budgeted expenditure of £155.981m. More forecast is on the forecast outturn position, hence why sometimes the year to date position is not updated. The majority of this variance relates to the timing of income and expenditure and any variances that give rise to a forecast variance have been accounted for.

Live Argyll

2.1.5 The Live Argyll management fee for the 6 month period within 2017-18 was calculated using exactly half of what a full year management fee would have been. However, expenditure and income do not occur evenly throughout the year and therefore Strategic Finance have carried out a line by line analysis to determine the correct allocation required for the 6 month period. This analysis will have no impact on the bottom line in the Council's accounts as budget and actuals will be matched.

2.1.6 The analysis has resulted in an increase required to the management fee of £0.039, this is summarised below:

	£000
Earmarked reserves not utilised prior to transfer to Live Argyll	57
Adjustments in relation to under/overspend of budget as at 30 September	(21)
Apprenticeship Levy budget transferred	3
Total	39

2.1.7 One further change is required in respect of auto enrolment. The Council have a half year budget provision in 2017-18 of £0.205m in respect of the auto enrolment which covers all staff, including Live Argyll and Health and Social Care Partnership staff. The payroll section have now completed an analysis of who was auto enrolled and the half year cost for Live Argyll is £0.009m. The management fee requires to be adjusted to reflect the budget required and this will be transferred from existing budget provision held by the Council.

2.1.8 Council are asked to agree to increase the 2017-18 Live Argyll management fee from £1.728m to £1.776m to reflect these changes.

2.1.9 Further accounting adjustments to the management fee will be required at the year end to ensure that costs are apportioned to the correct organisation to meet statutory accounting requirements. If there is no impact on the Council's bottom line position Council are asked to give delegation to the Head of Strategic Finance to vary the management fee for the accounting adjustments.

Health and Social Care Partnership

2.1.10 Similar to the Live Argyll change in respect of auto enrolment, the half year cost for the Health and Social Care Partnership is £0.044m and Council are asked to approve that the payment to Health and Social Care Partnership in 2017-18 is increased by this amount. This will be transferred from existing budget provision held by the Council.

2.2 Monitoring of Service Choices Savings

2.2.1 This report provides an update on the implementation and delivery of the Service Choices policy savings options agreed by Council in February 2016. The savings options will be reported as being delivered, on track to be delivered, still to be implemented, being developed, potential shortfall or delayed.

2.2.2 Of the 125 savings options, 109 have already been delivered, 13 are on track to be delivered and 3 have a potential shortfall. Overall the delivery of service choices savings has been successful.

2.2.3 There are 3 savings options with potential shortfalls. Two have previously been reported in relation to ASN Efficiencies and Residential Schools. The new potential shortfall relates to music tuition. Summary information is noted below with further information contained within appendices the main Monitoring of Service Choices Savings report.

- ASN Efficiencies - ASN Support is a demand driven service and the needs of our young people will vary periodically due to changes in circumstances, complexity of support package and the number of young people requiring support. The annual review of ASN support has identified a greater need than previously forecast which will potentially reduce the savings achievable in 2017-18 by £0.150m. In addition, it is anticipated that this will continue into next year due to increased demand for the service therefore £0.134m of the saving in 2018-19 will be unable to be met and has been included within the 2018-19 budget forecasts.

- Residential Schools – The service provided is for children and young people with complex support needs and each support package is expensive. The service is demand driven and will vary periodically due to changes in circumstance, complexity of the support package and the number of young people requiring a residential placement. There is a shortfall in the saving of £0.063m in 2017-18, however, it is hoped that the service can contain expenditure within budget in 2018-19.

- Music Instruction Fees - After the 50% rise in fees the saving has not been met in full as take-up of the service has reduced. The full year saving was £0.044m and it is estimated that only £0.009m of the savings will be achieved in 2017-18. An in depth analysis of pupil numbers and patterns is being undertaken at present. Individual conversations with instructors regarding pupil numbers are ongoing with a view to increase the numbers of pupils who pay for tuition.

2.3 Monitoring of Financial Risks

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

2.3.2 There are a number of Council wide risks identified. The potential financial impact for Council wide risks remaining in 2017-18 has been quantified as £2.125m. There is only one risk with a value that has been assessed as possible and this is in respect of an additional funding request from the IJB.

2.3.3 There are currently 33 departmental risks totalling £3.256m. Only 2 of the risks are categorised as likely, with a potential impact of £0.080m, and no risks have been categorised as almost certain. These will continue to be monitored and action taken to mitigate or manage these risks.

2.3.4 The top 3 risks in terms of their likely 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	Adverse weather conditions which require greater than budgeted number of gritting runs.	3	700
Roads and Amenity Services	Roads Maintenance - Bridges, Culverts & Sea Defences	Extreme localised weather may result in loss of bridge, culvert , road or sea defence.	3	300
Roads and Amenity Services	Roads Maintenance - Roads Network	Adverse weather conditions result in deterioration of the road network necessitating greater spend on repair of defects.	3	230

2.3.5 The changes to the departmental risks since the last report to Policy and Resources Committee on 8 December 2017 for the period to the end of October are noted below:

- Homeless Temporary Accommodation – this risk has been removed for 2017-18 as full universal credit will not start until 2018-19.
- Energy Costs - a review has been carried out for 2017-18 and there is a forecast underspend for the year. This risk will be included in the 2018-19 risks.

2.4 Capital Plan Monitoring Report

2.4.1 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.

2.4.2 Actual net expenditure to date is £23.854m compared to a budget for the year to date of £24.836m giving rise to an underspend for the year to date of £0.982m (4%). The forecast outturn for the year is a forecasted underspend of £2.369m.

2.4.3 The £0.982m year to date underspend relates to a number of projects where the year to date spend is behind the year to date profile.

2.4.4 The £2.369m forecast underspend includes the following underspends that are all recommended to be slipped through to 2018-19:
£0.500m in relation to roads reconstruction
£0.315m in relation to street lighting
£0.695m for Islay High and Rosneath Primary School Pitches – business cases will be prepared with spend forecast in 2018-19.

2.4.5 The forecast total net projects costs on the capital plan are £218.892m compared to a total budget for all projects of £218.355m giving rise to a forecast overspend for the overall capital plan of £0.537m. Appendix 3 within the capital plan monitoring report summarises the material variances contributing to the overspend position and Members are asked to give consideration to this overspend as part of the capital plan process for 2018-

19.

2.4.6 In respect of total project performance, there are 201 projects within the capital plan, 171 are complete or on target and 29 are off target and recoverable and 1 is off target and a problem. The one project which is currently off track and a problem is Queens Hall (CHORD Dunoon). Further explanation is contained within Appendix 3a of the capital monitoring report.

2.5 Treasury Monitoring Report

2.5.1 This report provides information on the current levels and recent transactions in relation to the capital financing limit, total borrowing, temporary borrowing and long term borrowing and investments.

2.5.2 The external borrowing of the Council increased by £0.021m during the period, due to the repayment of the short term temporary borrowing of £10m which had previously been taken out for cash flow purposes offset by a new £10m long term loan from the Public Works Loans Board and temporary borrowing of £0.021m.

2.5.3 Borrowing is below the Capital Financing Requirement for the period to 31 December 2017. 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.

2.5.4 The levels of investments were £79.5m at 31 December 2017. The rate of return achieved was 0.541% which compares favourably with the target of 7 day LIBID which was 0.357%.

2.6 Reserves and Balances

2.6.1 This report summarises the overall level of reserves and balances and monitors the spending of the earmarked reserves, providing detailed information on the unspent budget earmarked balances.

2.6.2 The Council has a total of £93.115m unusable reserves that are not backed with resources. They are required purely for accounting purposes.

2.6.3 The Council has a total of £58.449m usable reserves as at the end of 31 March 2017. Of this balance, £0.896m relates to Repairs and Renewals Fund, £4.064m relates to Capital Funds and the remainder is held in the General Fund, with £41.519m of the balance earmarked for specific purposes.

2.6.4 Of the earmarked balance of £41.519:

- £25.233m is invested or committed for major initiatives
- £3.941m has already been drawn down
- £4.481m is still to be drawn down in 2017-18

- £7.429m is planned to spend in future years and
- £0.435m can be released back to the General Fund.

2.6.5 The balance that can be released back to the General Fund relates to employability. In order to meet the Employability Team's ongoing contractual obligations until the end of 2017-18 the Council approved an earmarking of £0.456m in November 2015. Some of the earmarking was drawn down during 2016-17, however, the year-end position for 2017-18 is forecast to be a surplus of £0.114m. This will result in a forecast balance within earmarking of £0.435m which is no longer required and can be released back to the General Fund. This figure will be finalised at the conclusion of 2017-18.

2.6.6 The General Fund contingency is set at 2% of net expenditure for 2017-18. £4m has also been set aside for budget smoothing. Over and above this there is an estimated surplus of £4.594m as shown in the table below.

	£000
Unallocated General Fund Balance as at 31 March 2017	3,299
Budgeted surplus for 2017-18	193
Balance no longer required	0
Revised Unallocated General Fund Balance	**3,492**
2017-18 Pay Award funding agreed Council 28 September 2017	(123)
Acquisition of land agreed Council 28 September 2017 – use of reserves up to £265k was approved, however, only £110k was required	(110)
Dunoon BIDS agreed Council 30 November 2017	(100)
Estimated Release of employability earmarking agreed P&R 8 December 2017	435
Current Forecast Outturn for 2017-18 as at 31 December 2017	1,000
Estimated Unallocated General Fund Balance as at 31 March 2018	**4,594**

3. RECOMMENDATIONS

3.1 It is recommended that the Policy and Resources Committee:

a) Consider the revenue budget monitoring report as at 31 December 2017.

b) Recommend to Council that the 2017-18 Live Argyll management fee is increased from £1.728m to £1.776m in line with the analysis carried out by Strategic Finance.

c) Recommend to Council that providing there is no impact on the Council's bottom line position, delegation is given to the Head of Strategic Finance to vary the management fee to reflect any accounting

adjustments required at the year-end.

d) Recommend to Council that the payment to the Health and Social Care Partnership in 2017-18 is increased by £0.044m to transfer over the budget required for auto enrolment.

e) Note the progress of the service choices policy saving options as at 31 December 2017.

f) Note the current assessment of the Council's financial risks.

g) Consider the capital plan monitoring report as at 31 December 2017 and approve the over project cost changes, the project slippages and accelerations noted within Appendix 7 of the capital plan monitoring report.

h) Note the treasury monitoring report as at 31 December 2017.

i) Consider the reserves and balances report as at 31 December 2017.

4. IMPLICATIONS

4.1	Policy –	None.
4.2	Financial -	Outlines the revenue and capital monitoring for 2017-18 as at 31 December 2017.
4.3	Legal -	None.
4.4	HR -	None.
4.5	Equalities -	None.
4.6	Risk -	Risks are included in financial risks report.
4.7	Customer Service -	None.

Kirsty Flanagan, Head of Strategic Finance
16 January 2018

Policy Lead for Strategic Finance and Capital Regeneration Projects - Councillor Gary Mulvaney

Overall Position:

- There is a forecast underspend of £1,000k as at the end of December 2017. This underspend consists of the following variances: underspend of £98k within NPDO utilities and deductions, over recovery of vacancy savings within Customer Services and DIS £153k, grant income in DIS relating to previous years £97k, £132k due to a delay in replacing fleet vehicles over 5years, £70k within regulatory services income, £200k increased income from RET, underspend of £245k relating to superannuation budget no longer required, £90k from apprenticeship levy, £395k relating to underspend in utilities and an estimated £600k over recovery of Council Tax Income. These variances are offset by an overspend in respect of dangerous buildings of £177k, an estimated overspend of £213k within Community Services which is mainly due to increased demand within ASN support and Residential School placements, an under recovery of planning fees amounting to £240k and an estimated overspend in winter maintenance of £450k.
- The estimated overspend for winter maintenance was calculated at the end of December, however, due to the snow in January, this overspend is likely to increase and a further estimate will be calculated.
- Where the forecast outturn position is recurring in nature, this has already been accounted for as part of the budget outlook position.
- There is a year to date surplus of £6,837k against the year to date budgeted expenditure of £155,981k. More focus is on the forecast outturn position, hence why sometimes the year to date position is not updated. The majority of this variance relates to the timing of income and expenditure and any variances that give rise to a forecast variance have been accounted for.

Key Highlights as at December 2017:

- The estimated forecast underspend has increased from £805k as at the end of November to £1,000k at the end of December.
- An exercise was carried out to look at the utilities position and an estimated underspend of £395k is anticipated within 2017-18. At this stage the budget for 2018-19 looks to be sufficient.
- Development and Infrastructure are currently forecasting an overspend of £88k, however, this includes an estimated overspend of £450k of winter maintenance and therefore the department are hoping to contain the majority of this estimated overspend within current resources. However, as the winter weather has continued into January, the winter maintenance overspend may increase as a result.

Key Financial Successes:

Controllable departmental expenditure for 2016-17 was under budget with an underspend of £1,038k. This was mainly a result of an over recovery of vacancy savings through the management of resources and forward planning of the savings targets for 2017-18 within Customer Services and Development and Infrastructure. In addition to this, NPDO cost were lower than expected due to insurance and utility costs savings arising as a result of annual renegotiation of insurance costs, part of the contract management arrangements which are in place, and lower than expected energy prices. The General Fund increased by £1,072k in 2016-17, which was broadly in line with the forecast position.

Key Financial Challenges:	Proposed Actions to address Financial Challenges:
Maintaining favourable year-end balanced position and achieving savings targets in light of council wide risks to expenditure.	Robust monitoring of the financial position to ensure that any budget issues are fed back into the budget monitoring process.
Identifying further savings and delivering services more efficiently with less resources.	Continually refine/develop systems to accurately calculate forecast outturns and the future budget outlook.
Maintaining or improving the level of service income recovered, for	Actively monitor income recovery and ensure Council fees and

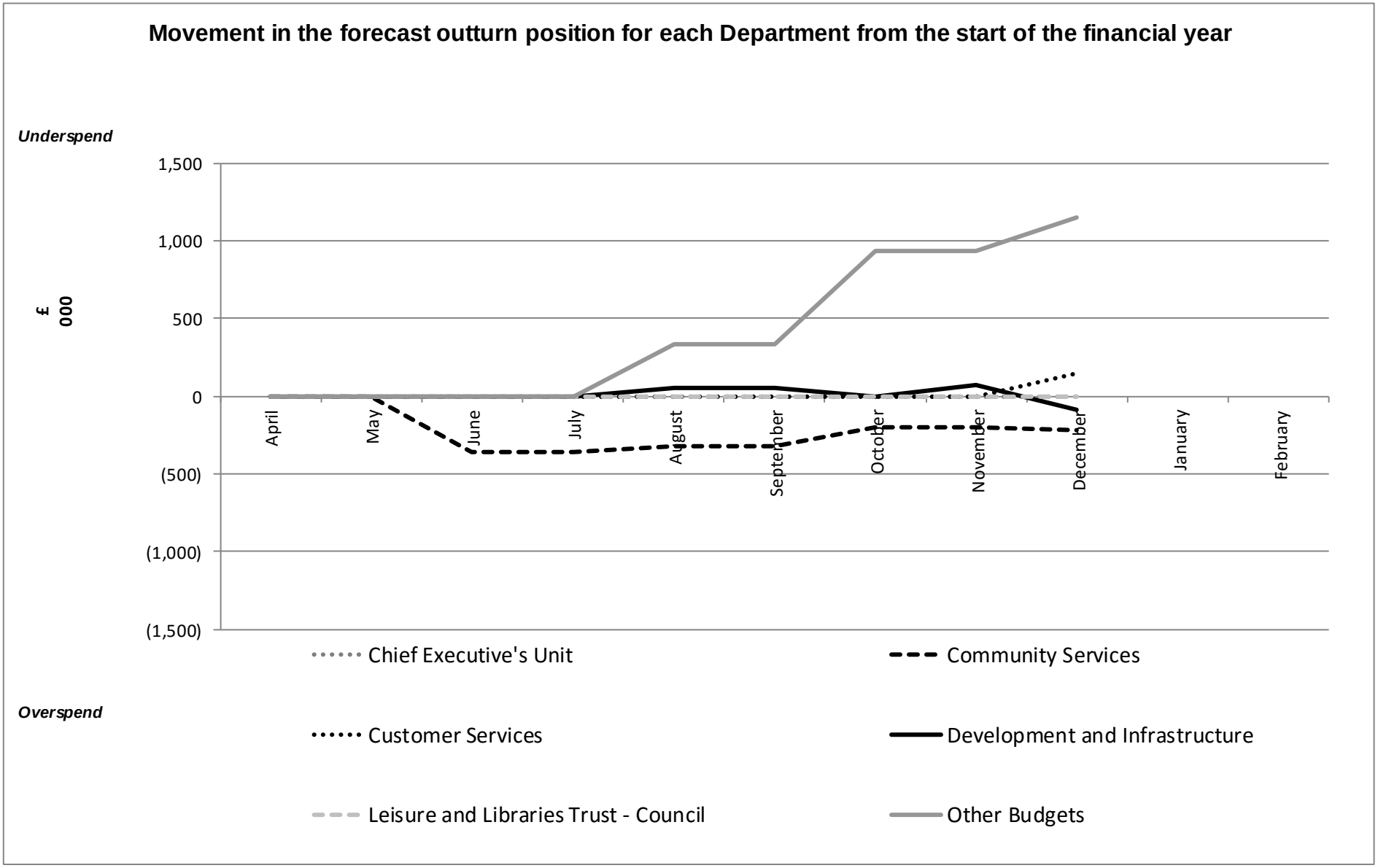
example planning, building standards and car parking.	charges policies are reviewed.
Managing spend in service areas which are demand led and, to some extent, outwith service control, for example Winter Maintenance.	Use risk based approach to budget monitoring to focus additional attention to these areas.
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

There is a forecast underspend of £1,000k as at the end of December 2017. This underspend consists of the following variances: underspend of £98k within NPDO utilities and deductions, over recovery of vacancy savings within Customer Services and DIS £153k, grant income in DIS relating to previous years £97k, £132k due to a delay in replacing fleet vehicles over 5years, £70k within regulatory services income, £200k increased income from RET, underspend of £245k relating to superannuation budget no longer required, £90k from apprenticeship levy, £395k relating to underspend in utilities and an estimated £600k over recovery of Council Tax Income. These variances are offset by an overspend in respect of dangerous buildings of £177k, an estimated overspend of £213k within Community Services which is mainly due to increased demand within ASN support and Residential School placements, an under recovery of planning fees amounting to £240k and an estimated overspend in winter maintenance of £450k.

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	2,488	2,488	0	0	0	Community Services are forecasting an overspend of £213k. This relates to increased demand within ASN support (£150k) and Residential School placements (£63k). The Service are actively monitoring demand levels and looking to mitigate this overspend utilising other resources. Customer Services are forecasting an underspend of £148k. £100k relates to better than expected outturn within NPDO utilities and deductions - this has largely achieved due to effective contract management and £50k has been achieved via vacancy savings. Development and Infrastructure are forecasting an overspend of £88k. The vacancy savings are exceeding the target set at the begining of the year by £103k, £97k of grant income has been received which relates to expenditure in 2016-17, £132k due to a delay in replacing fleet vehicles over 5 years, £70k within regulatory services due to over recovery of fees and there is £200k of increased income from RET. These underspends are offset by a forecast under recovery of income from planning applications of £240k and forecast winter maintenance overspend of £450k. The underspend within Other budgets relates to a superannuation provision created in 2015-16 relating to pensionable pay that is no longer required £245k, a forecast underspend of £90k for apprenticeship levy, an additional £600k over budget in respect of Council Tax collection and an underspend in utilties costs Council wide of £395k, offset by an overspend of £177k in relation to dangerous buildings.
Community Services	74,027	74,240	(213)	(200)	(13)	
Customer Services	40,328	40,180	148	0	148	
Development and Infrastructure Services	33,692	33,780	(88)	70	(158)	
Leisure and Libraries Trust - Council	4,203	4,203	0	0	0	
Other Corporate Budgets	85,802	84,649	1,153	935	218	
Total	**240,540**	**239,540**	**1,000**	**805**	**195**	

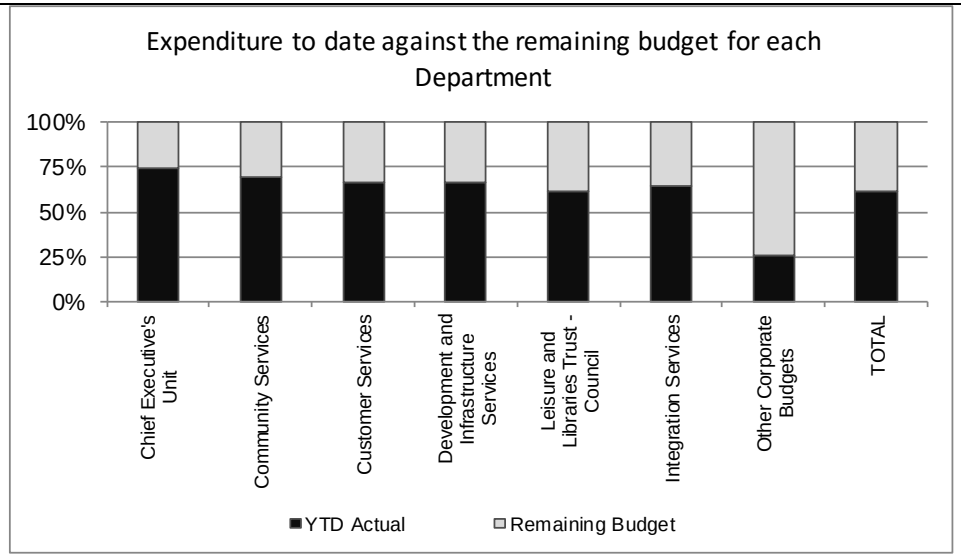

Movement in the forecast outturn position for each Department from the start of the financial year
Underspend
£ 000
1,500
1,000
500
0
(500)
(1,000)
(1,500)
April
May
June
July
August
September
October
November
December
January
February
Chief Executive's Unit
Community Services
Overspend
Customer Services
Development and Infrastructure
Leisure and Libraries Trust - Council
Other Budgets

Year to Date Position

The year to date position as at the end of December 2017 is a surplus of £6,837k and the main variances are noted below.

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	1,895	1,859	36	Small variance.
Community Services	52,669	51,379	1,290	The year to date variance is mainly within Primary and Secondary Education and is due to a reduction in costs relating to school meals which continues to be monitored, budget profiling of Pupil Equity Funds and school carry forwards, and an underspend in relation to school staffing. Under the Scheme of Devolved School Management schools are permitted flexibility at year end, therefore no forecast variance has been processed in relation to this.
Customer Services	28,532	26,851	1,681	There are a number of variances due to profiling/timing of the income and expenditure versus budget - within NPDO, Housing Benefits and ICT.
Development and Infrastructure Services	22,595	22,450	145	Small variance.
Leisure and Libraries Trust - Council	3,978	2,606	1,372	This line has been created temporarily while the financial entries are being refined in respect of the Leisure Trust with the creation of the management fee and a new company within our ledger system.
Integration Services	37,738	36,292	1,446	The year to date underspend mainly reflects delays in receipt/processing of invoices from care providers but is also impacted by a combination of lower than expected demand for services in children's services, slippage resulting from a delay in implementing new overnight staffing schedules in the HSCP's three Children's' Houses, higher than expected income from charges for services, increased income from charging order settlements and the recovery of surplus direct payment funds.
Other Corporate Budgets	8,574	7,707	867	Half of this variance relates to timing of expenditure and income in relation to the Refugees Resettlement scheme as well as an underpsend in relation to utilities that has been reported via the forecast variance.
Total Net Expenditure	**155,981**	**149,144**	**6,837**	



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

OBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AT 31 DECEMBER 2017

	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 %
Departmental Budgets								
Chief Executives	1,895	1,859	36	1.90%	2,488	2,488		0.00%
Community Services	52,669	51,379	1,290	2.45%	74,027	74,240	(213)	(0.29%)
Customer Services	28,532	26,851	1,681	5.89%	40,328	40,180	148	0.37%
Development and Infrastructure Services	22,595	22,450	145	0.64%	33,692	33,780	(88)	(0.26%)
Leisure & Libraries Trust - Council	3,978	2,606	1,372	34.49%	4,203	4,203		0.00%
Total Departmental Budgets	**109,669**	**105,145**	**4,524**	**4.13%**	**154,738**	**154,891**	**(153)**	**(0.10%)**
Non-Departmental Budgets								
Integration Services	37,738	36,292	1,446	3.83%	56,380	56,380		0.00%
Other Operating Income and Expenditure	2,637	2,013	624	23.66%	4,113	3,560	553	13.45%
Joint Boards	1,032	1,032	0	0.00%	1,374	1,374		0.00%
Non-Controllable Costs	4,905	4,662	243	4.95%	23,935	23,935		0.00%
Total Non-Departmental Budgets	**46,312**	**43,999**	**2,313**	**4.99%**	**85,802**	**85,249**	**553**	**0.64%**
TOTAL NET EXPENDITURE	**155,981**	**149,144**	**6,837**	**4.38%**	**240,540**	**240,140**	**400**	**0.17%**
Financed By								
Aggregate External Finance	(114,392)	(114,392)	0	0.00%	(191,318)	(191,318)		0.00%
Local Tax Requirement	(42,929)	(42,929)	0	0.00%	(45,476)	(46,076)	600	(1.32%)
Contributions to General Fund	0	0	0	0.00%	193	193		0.00%
Supplementary Estimates	0	0	0	0.00%	0	0		0.00%
Earmarked Reserves	0	0	0	0.00%	(3,939)	(3,939)		0.00%
Total Funding	**(157,321)**	**(157,321)**	**0**	**0.00%**	**(240,540)**	**(241,140)**	**600**	**(0.25%)**
Deficit/(Surplus) for Period	**(1,340)**	**(8,177)**	**6,837**		**(0)**	**(1,000)**	**1,000**	

SUBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AS AT 31 DECEMBER 2017

	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 %
Subjective Category								
Employee Expenses	99,585	98,677	908	0.91%	139,392	138,865	527	0.38%
Premises Related Expenditure	11,029	10,544	485	4.39%	15,339	15,121	218	1.42%
Supplies and Services	14,221	13,307	914	6.43%	18,104	18,183	(79)	(0.44%)
Transport Related Expenditure	8,452	8,631	(179)	(2.12%)	17,440	17,308	132	0.76%
Third Party Payments	97,432	93,455	3,977	4.08%	136,475	136,897	(423)	(0.31%)
Capital Financing	502	(79)	581	115.71%	18,475	18,475	0	0.00%
TOTAL EXPENDITURE	**231,222**	**224,536**	**6,686**	**2.89%**	**345,225**	**344,849**	**376**	**0.11%**
Income	232,562	232,713	(151)	(0.07%)	345,225	345,849	(624)	(0.18%)
Deficit/(Surplus) for Period	**(1,340)**	**(8,177)**	**6,837**		**0**	**(1,000)**	**1,000**	

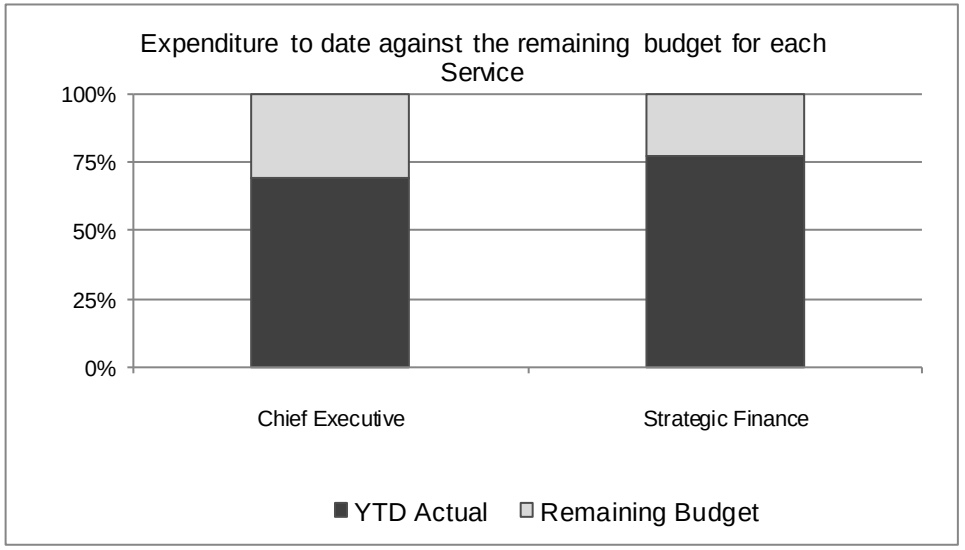
YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.
Forecast Outturn is the estimate now of what expenditure or income will be for the whole of the financial year.
The Variance is the difference between budget and actual or forecast outturn.
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.

- The department is currently forecasting spend to be in line with budget.
- The department has a year to date underspend of £36k (1.9%).

Forecast Outturn Position

Current Forecast Outturn Variance with change from previous month					
Service	**Annual Budget £000**	**Forecast Outturn £000**	**Current Forecast Variance £000**	**Previous Forecast Variance £000**	**Change £000**
Chief Executive	824	824	0	0	0
Strategic Finance	1,664	1,664	0	0	0
Totals	**2,489**	**2,489**	**0**	**0**	**0**

Year to Date Position



Key Financial Successes:
The Service Choice savings option for 2017-18 has been delivered.
The department are forecasting that their spend in 2017-18 will be contained within approved resources.
The 2016-17 year-end outturn position was broadly in line with budget due to effective management and monitoring of the budget position.

Key Financial Challenges:	**Proposed Actions to address Financial Challenges:**
The department delivers support services, the main assets and costs of this support service are the employees. The continued requirement to meet savings means that the only area where budget can be cut is from employee costs. This service faces losing posts with no reduction in demand for support from client departments.	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 – DECEMBER 2017

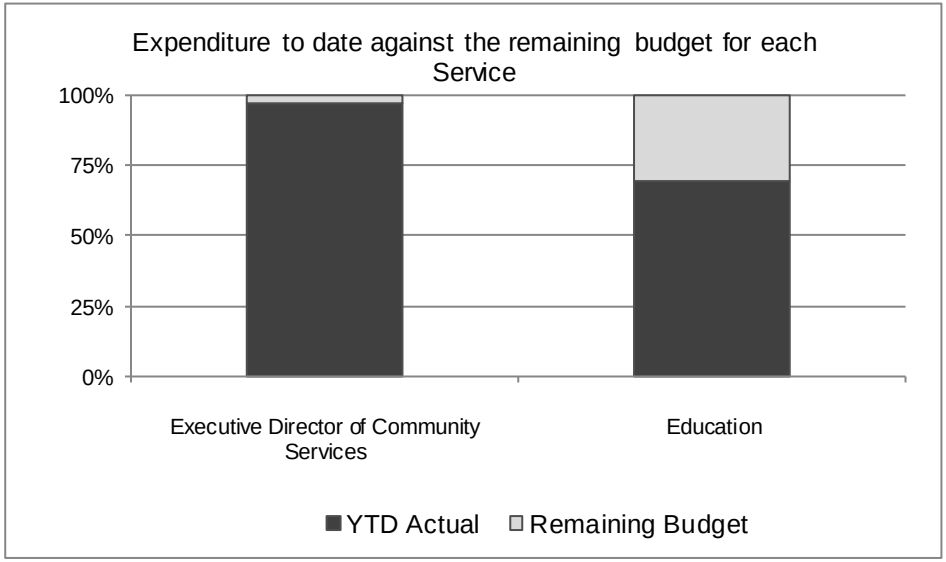
- The department is currently forecasting an overspend of £213k which is mainly due to an increased demand within ASN support and Residential School placements.
- The department has a year to date underspend of £1,290k (2.45%) against budget.

Forecast Outturn Position

Current Forecast Outturn Variance with change from previous month

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Executive Director of Community Services	224	224	0	0	0
Education	73,803	74,016	(213)	(200)	(13)
Totals	**74,027**	**74,240**	**(213)**	**(200)**	**(13)**

Year to Date Position



Key Financial Successes:

The department have delivered all their service choices savings, with the exception of demand led services in relation to ASN support and residential schools placement and the music tuition saving as the take-up of music instruction after the introduction of increased charges has reduced.

The 2016-17 year-end outturn position was an underspend of £16k (0.02% of budget), this was due to the effective management and monitoring of the budget position.

Key Financial Challenges:	Proposed Actions to address Financial Challenges:
Ensuring the Education service can continue to contribute to Council saving programmes whilst adhering to Scottish Government national initiatives (i.e. maintaining Pupil Teacher ratio across the Education	Ongoing robust financial monitoring and forecasting with the provision of supporting management information to ensure deliverable saving options are presented.

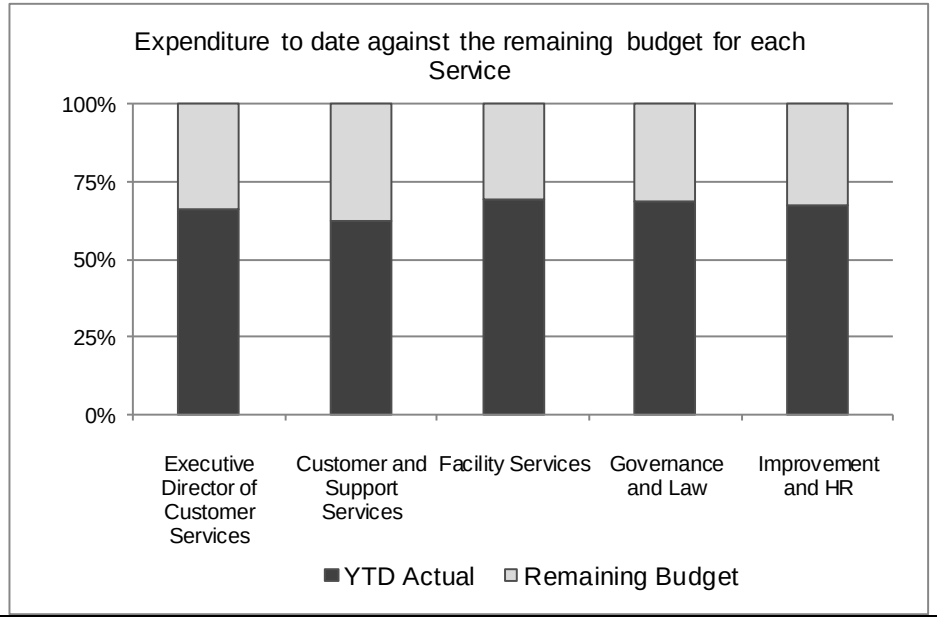
service).	
Evaluating and managing the financial impact of new legislation (i.e. Children and Young People Act, Education (Scotland) Bill).	Full participation in consultation process to assist in the identification of potential cost pressures as early as possible.
Impact of the Education Governance Review, particularly in relation to the Fair Funding consultation, and how this informs potential changes to funding arrangements for the Education Service.	Respond to Fair Funding consultation, engage with SG through COSLA and ensure implications for resources and financial management arrangements are clearly identified.

- The department is currently forecasting an underspend of £148k. .
- The department has a year to date underspend of £1,681k (5.89%) against budget.

Forecast Outturn Position

Current Forecast Outturn Variance with change from previous month					
Service	**Annual Budget £000**	**Forecast Outturn £000**	**Current Forecast Variance £000**	**Previous Forecast Variance £000**	**Change £000**
Executive Director of Customer Services	14,323	14,173	150	0	150
Customer and Support Services	8,718	8,720	-2	0	(2)
Facility Services	11,974	11,974	0	0	0
Governance and Law	2,079	2,079	0	0	0
Improvement and HR	3,233	3,233	0	0	0
Totals	**40,328**	**40,180**	**148**	**0**	**148**

Year to Date Position



Key Financial Successes:

The department are forecasting an underspend of £148k due to exceeding the vacancy savings target and delivering savings on the NPDO contract – these savings have been achieved due to decisions within the department.

All Service Choices savings have been delivered or are on track to be delivered.

Department delivered services within budget during 2016-17 with a year-end outturn underspend of £866k. This was mainly as a result of an over recovery of vacancy savings through the management of resources and forward planning of the savings targets for 2017-18. In addition to this, NPDO cost were lower than expected due to insurance and utility costs savings arising as a result of annual renegotiation of insurance costs, part of the contract management arrangements which are in place, and lower than expected energy prices.

Key Financial Challenges:	**Proposed Actions to address Financial Challenges:**
Impact of Welfare reforms.	Input ongoing to multi agency working group to ensure robust arrangements are put in place.
Delivering on the requirements for savings as part of the Service Choices Programme, both in terms of delivering the savings required from Customer Services but also in supporting other services.	Engagement with Service Choices process for Customer Services but also picking up on any implications of the direction of travel for service delivery for other Council services.

Delivering the proposed Facility Services budget reductions identified in the Transformation programme.	Provide the Transformation Board with robust information upon which decisions can be made and develop any savings proposals as necessary.
Impact of numbers/uptake in demand led service areas like transport, benefits and licensing.	Continually refine/develop systems to accurately calculate forecast outturns and the impact on the future financial outlook.
Support longer term service re-design project for Catering and Cleaning services to ensure efficiencies and financial savings are secured for the Council.	Effective working with consultants and support with implementation of preferred service delivery method.
New legislative/policy requirements not fully funded by Scottish Government which put additional burdens on the Council. For example, additional demands from IJB, requirement to register all property in land register by 2019, new education arrangements knock on impact for all support services.	Analysis of new obligations and whether they incur additional costs not met through increased grant.

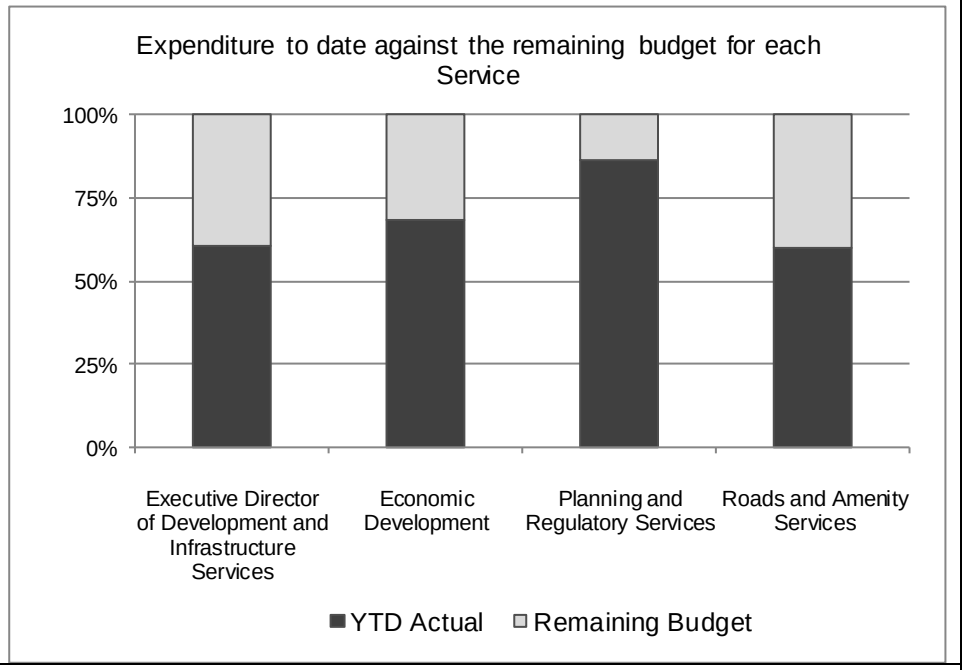
DEVELOPMENT AND INFRASTRUCTURE SERVICES HIGHLIGHTS – DECEMBER 2017

- The department is currently forecasting an overspend of £88k, which includes an estimated overspend of £450k in relation to winter maintenance.
- The department has a year to date overspend of £145k (0.64%) against budget.

Forecast Outturn Position

Current Forecast Outturn Variance with change from previous month					
Service	**Annual Budget £000**	**Forecast Outturn £000**	**Current Forecast Variance £000**	**Previous Forecast Variance £000**	**Change £000**
Executive Director of Development and Infrastructure Services	1,533	1,431	102	102	0
Economic Development	4,350	4,252	98	98	(0)
Planning and Regulatory Services	6,881	7,051	(170)	(130)	(40)
Roads and Amenity Services	20,928	21,046	(118)	0	(118)
Totals	**33,692**	**33,780**	**(88)**	**70**	**(158)**

Year to Date Position



Key Financial Successes:

Although the department are currently forecasting an overspend of £88k this includes an estimated overspend of £450k of winter maintenance and therefore the department are hoping to contain the majority of the winter maintenance overspend within current resources.

All Service Choices savings have been delivered or are on track to be delivered.

In order to meet the Employability Team's ongoing contractual obligations until the end of 2017-18 the Council approved an earmarking of £456k in November 2015. Some of the earmarking was drawn down during 2016-17, however, the year-end position for 2017-18 is forecast to be a surplus of £113k. This will result in a forecast balance within earmarking of £435k which is no longer required and can be released back to the General Fund. This figure will be finalised at the conclusion of 2017-18.

The Department's outturn for 2016-17 was an underspend of £135k and this was due an over-recovery of vacancy savings through the management of resources and forward planning of the savings targets for 2017-18.

Key Financial Challenges:	Proposed Actions to address Financial Challenges:
Department / Service ongoing ability to meet future savings / efficiency requirements.	Monitoring of trend / expenditure levels / service configuration and the Service Choices process.
Potential shortfall in income within building standards, planning, Car Parking, Planning and Decriminalised Parking Enforcement (DPE).	Closely monitoring of income levels, regular performance management reviews and reporting of the financial implications through budget monitoring process.
Dangerous buildings, there is no budget for this expenditure and the council have no control over the demand for the service.	Building Standards, Legal Services and Strategic Finance are working closely to manage debt recovery and to consider other options to minimise corporate risk exposure.
Due to the nature of the various components of Waste Management there are ongoing challenges with: • Island haulage costs • Uncertainty with recycling income/ gate fee costs due to the volatility of the market • Increased landfill costs due to rise in landfill tonnage	To closely monitor all service components of Waste Management and review Waste Strategy in conjunction with our contractual partner Shanks.
Winter Maintenance costs are difficult to estimate as they are very much dependant on the weather.	Closely monitoring of Winter Maintenance and reporting of the financial implications through budget monitoring process. The Council agreed the winter policy, setting out the intervention level and locations to be treated. The numbers of treatments are determined by weather conditions. The current budget provision provides for 58 full equivalent runs. There is a sophisticated weather monitoring system in place consisting of several weather stations, this is supported by a forecasting and metrological service which is collaboratively procured by West of Scotland local authorities.

Appendix 1a

CHIEF EXECUTIVE'S UNIT – OBJECTIVE SUMMARY AS AT 31 DECEMBER 2017

Business Outcome	Service Area	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Central/Management Costs	Central/Management Costs	£208,647	£209,193	(£546)	(0.26%)	£294,090	£294,090	£0	0.00%	Outwith reporting criteria.
BO15 - Argyll and Bute is open for business	Community Planning	£85,063	£72,121	£12,942	15.21%	£123,307	£123,307	£0	0.00%	Small variance within payments to third parties - profile related.
BO33 - Information and support are available for our communities	Community Development and Grants to Third Sector	£323,488	£288,887	£34,601	10.70%	£406,927	£406,927	£0	0.00%	The variance arises due to a mistmatch between profiled budget and when invoice to voluntary organisation was paid.
Chief Executive Total		**£617,198**	**£570,201**	**£46,996**	**7.61%**	**£824,324**	**£824,324**	**£0**	**0.00%**	
BO28 - Our processes and business procedures are efficient, cost effective and compliant	Departmental Support, Corporate Accounting, Treasury & Internal Audit	£1,277,314	£1,288,585	(£11,272)	(0.88%)	£1,664,447	£1,664,447	£0	0.00%	Outwith reporting criteria.
Head of Strategic Finance Total		**£1,277,314**	**£1,288,585**	**(£11,272)**	**(0.88%)**	**£1,664,447**	**£1,664,447**	**£0**	**0.00%**	
Grand Total		**£1,894,511**	**£1,858,787**	**£35,725**	**1.89%**	**£2,488,771**	**£2,488,771**	**£0**	**0.00%**	

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 DECEMBER 2017

Subjective Category	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Employee	£1,659,958	£1,612,724	£47,234	**2.85%**	£2,331,463	£2,331,463	£0	**0.00%**	Outwith reporting criteria.
Premises	£261	£77	£184	**70.34%**	£350	£350	£0	**0.00%**	Small variance.
Supplies & Services	£41,155	£42,985	(£1,830)	**(4.45%)**	£55,373	£55,373	£0	**0.00%**	Small overspend within Finance on Professional and Technical Publications and Computer Software - this will be covered by underspends elsewhere.
Transport	£26,635	£19,875	£6,760	**25.38%**	£30,678	£30,678	£0	**0.00%**	Small underspend due to increased use of lync and the pool cars - this underspend will be used to offset part of the overspend within supplies and services.
Third Party	£206,746	£233,256	(£26,510)	**(12.82%)**	£231,070	£231,070	£0	**0.00%**	This variance arises due to an overspend on consultants who were contracted to provide support in changing the financial ledger for LiveArgyll - this overspend will be met from underspends elsewhere.
Income	(£40,244)	(£50,132)	£9,888	**(24.57%)**	(£160,164)	(£160,164)	£0	**0.00%**	This variances is mainly as a result of a number of third sector grants that have been returned due to being unspent.
Totals	**£1,894,511**	**£1,858,787**	**£35,725**	**1.89%**	**£2,488,771**	**£2,488,771**	**£0**	**0.00%**	

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 RED VARIANCES FOR THE DEPARTMENT.

COMMUNITY SERVICES – OBJECTIVE SUMMARY AS AT 31 DECEMBER 2017

Business Outcome	Service Area	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Central/Management Costs	Central/Management Costs	£219,217	£216,690	£2,527	1.15%	£223,876	£223,876	£0	0.00%	Outwith reporting criteria.
Executive Director of Community Services Total		**£219,217**	**£216,690**	**£2,527**	**1.15%**	**£223,876**	**£223,876**	**£0**	**0.00%**	
BO16 - We wholly embrace our Corporate Parenting responsibilities	Additional Support Needs (ASN)	£6,156,388	£6,112,907	£43,481	0.71%	£8,481,547	£8,694,218	(£212,671)	(2.51%)	The budget within Early Years is fully committed and the YTD variance is due to coding adjustments that are required to be processed.
BO17 - The support needs of children and their families are met	Early Years	£4,093,599	£3,951,787	£141,812	3.46%	£6,284,619	£6,284,619	£0	0.00%	The YTD variance within Primary and Secondary Education is due to a reduction in costs relating to school meals which continues to be monitored, budget profiling of Pupil Equity Funds and school carry forwards, and an underspend in relation to school staffing. Under the Scheme of Devolved School Management schools are permitted flexibility at year end, therefore no forecast variance has been processed in relation to this.
BO19 - All children and young people are supported to realise their potential	Primary & Secondary Education	£38,880,560	£37,608,741	£1,271,819	3.27%	£53,334,106	£53,334,106	£0	0.00%	
BO21 - Our young people participate in post-16 learning, training or work	Youth Services	£476,231	£476,011	£220	0.05%	£702,371	£702,371	£0	0.00%	
BO22 - Adults are supported to realise their potential		£398,354	£360,331	£38,023	9.55%	£587,500	£587,500	£0	0.00%	The YTD variance within BO31 is due to a number of smaller overspends which will be reduced via reprofiling of budgets and is not an indication of the year end outturn position.
BO30 - We engage with our customers, staff and partners	Support for Parents	£17,537	£19,037	(£1,500)	(8.55%)	£20,860	£20,860	£0	0.00%	The variance within BO32 is budget profile related and will be rectified in January.
BO31 - We have a culture of continuous improvement	Edducation Initiatives (GIRFEC, SEEMIS, Languages 1+2, Music) Education Support Team, Quality Improvement Team, Schools Development Team	£2,406,264	£2,610,058	(£203,794)	(8.47%)	£4,374,880	£4,374,880	£0	0.00%	
BO32 - Our workforce is supported to realise its potential	Leadership & Professional Learning	£20,789	£23,445	(£2,656)	(12.78%)	£17,364	£17,364	£0	0.00%	
Head of Education Total		**£52,449,722**	**£51,162,318**	**£1,287,405**	**2.45%**	**£73,803,247**	**£74,015,918**	**(£212,671)**	**(0.29%)**	
Grand Total		**£52,668,939**	**£51,379,007**	**£1,289,932**	**2.45%**	**£74,027,123**	**£74,239,794**	**(£212,671)**	**(0.29%)**	

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 – SUBJECTIVE SUMMARY AS AT 31 DECEMBER 2017

Subjective Category	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Employee	£43,634,114	£43,194,614	£439,500	**1.01%**	£59,748,636	£59,898,636	(£150,000)	**(0.25%)**	The year-to-date underspend relates mainly to school vacancy savings. Under the scheme of devolved school management (DSM) schools are permitted flexibility at the year-end, within agreed limits, therefore no forecast variance is required to be processed. The forecast overspend relates to an increased demand for ASN support.
Premises	£2,132,278	£2,130,439	£1,838	**0.09%**	£3,206,452	£3,206,452	£0	**0.00%**	Outwith reporting criteria.
Supplies & Services	£5,257,688	£4,605,278	£652,410	**12.41%**	£7,562,046	£7,562,046	£0	**0.00%**	The year-to-date underspend partly relates to a reduction in expenditure on school meals. This is being monitored closely to establish whether it is a budget profiling issue. The variance is also due to budget profiling in relation to Pupil Equity Funds and School Carry Forwards which will be updated in January.
Transport	£217,728	£249,801	(£32,073)	**(14.73%)**	£330,737	£330,737	£0	**0.00%**	This variance is budget profile related and will be updated in January.
Third Party	£5,756,490	£5,721,545	£34,945	**0.61%**	£8,222,701	£8,285,372	(£62,671)	**(0.76%)**	Outwith reporting criteria.
Income	(£4,329,359)	(£4,522,671)	£193,312	**4.47%**	(£5,043,450)	(£5,043,450)	£0	**0.00%**	The year to date variance is due to numerous smaller variances across the Service including school meal income and donations received. These will be monitored on an ongoing basis.
Totals	**£52,668,939**	**£51,379,007**	**£1,289,932**	**2.45%**	**£74,027,123**	**£74,239,794**	**(£212,671)**	**(0.29%)**	

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

Business Outcome	Service Area	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
BO16 - We wholly embrace our Corporate Parenting responsibilities.	Additional Support Needs (ASN)	8,481,547	8,694,218	(212,671)	(2.51%)	The Education Service have forecasted an overspend due to increased demand within ASN support (£150k) and Residential School placements (£63k). The Service are actively monitoring demand levels and looking to mitigate this overspend utilising other resources.
Totals		**8,481,547**	**8,694,218**	**(212,671)**	**(2.51%)**	

A red variance is a forecast variance which is greater than +/- £50,000 or 10%.

CUSTOMER SERVICES – OBJECTIVE SUMMARY AS AT 31 DECEMBER 2017

Service	Business Outcome	Service Area	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Executive Director of Customer Services	Central/Management Costs	Central/Management Costs, NPDO, Special Projects & Estates	10,115,814	9,440,281	675,532	6.68%	14,323,324	14,173,324	150,000	1.05%	Underspend year to date of £601k within NPDO mainly due to insurance savings and timing of billing for water within the NPDO contract. These will be used to offset inflation costs not already budgeted for and are forecasting a yearend outturn position of £100k underspent. Vacancy savings that have been over achieved account for the other £50k forecast underspend. Surplus properties property costs and directorate costs year to date are underspent £46k and £19k at this time due to timing of expenditure.
Executive Director of Customer Services Total	**Executive Director of Customer Services Total**		**10,115,814**	**9,440,281**	**675,532**	**6.68%**	**14,323,324**	**14,173,324**	**150,000**	**1.05%**	
Head of Customer and Support Services	Central/Management Costs	Central/Management Costs	249,044	239,847	9,197	3.69%	345,263	345,263	0	0.00%	Outwith reporting criteria
Head of Customer and Support Services	BO04 - Benefits are paid promptly and accurately	Benefits, SWF & Welfare Reform	1,795,399	1,429,323	366,076	20.39%	1,650,179	1,650,179	0	0.00%	BO04 - Benefits Administration £109k mainly additional grant income. Timing of expenditure and income against H61 - Housing Benefits - Private £220k, will net to zero by end of financial year. £29k relates to the timing of payment on Scottish Welfare Fund
Head of Customer and Support Services	BO23 - Economic Growth is supported	NDR Disc Relief, Creditors & Procurement	691,517	619,604	71,913	10.40%	1,172,962	1,172,962	0	0.00%	BO32 - £43k procurement and £16k commissioning vacancy savings for funding trainee procurement officers as agreed by Transformation Board.
Head of Customer and Support Services	BO27 - Infrastructure and assets are fit for purpose	ICT Applications & Infrastructure	2,015,895	1,680,887	335,008	16.62%	3,595,109	3,595,109	0	0.00%	BO27 - £246k IT infrastructure -vacancy savings of £21k, £127k variance to a recharge for Education and Libraries where only £75k of a £202k invoice paid to date. £77k income in excess of budget in relation to the disposal of IT equipment. Forecast additional income £77k offset by additional forecast costs in software development £77k. £42kPrint and Mail Room - postages and franking costs timing of expenditure and reduction in income from printing. £26k IT applications - vacancy savings offset by additional costs of contractors. £10k forecast outturn position
Head of Customer and Support Services	BO28 - Our processes and business procedures are efficient, cost effective and compliant	Local Tax, Debtors, Debt Recovery, Customer Service Centres & Registrars	1,582,043	1,494,987	87,056	5.50%	1,954,807	1,956,807	(2,000)	(0.10%)	B028 - Customer Service Centre Management maintenance/development of computer software timing of spend compared to budget £79k
Head of Customer and Support Services Total	**Head of Customer and Support Services Total**		**6,333,898**	**5,464,648**	**869,250**	**13.72%**	**8,718,320**	**8,720,320**	**(2,000)**	**(0.02%)**	
Head of Facility Services	BO09 - Our assets are safe, efficient and fit for purpose	Shared Offices, Property, Pool Cars, Public Transport and Cleaning.	8,219,736	8,007,062	212,674	2.59%	11,339,954	11,339,954	0	0.00%	BO09 - Property services vacant posts £73k Timing of Transport Operator Payments - Schools £85k with income from Highland £18k
Head of Facility Services	BO18 - Improved lifestyle choices are available	School Meals	119,023	163,825	-44,802	(37.64%)	355,284	355,284	0	0.00%	BO18 - Catering vacant posts £25k and variable bid income timing of processing £64k
Head of Facility Services	Central/Management Costs	Central/Management Costs	190,106	166,902	23,203	12.21%	278,821	278,821	0	0.00%	Central - Property Admin vacancy £14k, £9k timing of expenditure re ordinance survey
Head of Facility Services Total	**Head of Facility Services Total**		**8,528,865**	**8,337,790**	**191,075**	**2.24%**	**11,974,060**	**11,974,060**	**0**	**0.00%**	

Head of Governance and Law	BO10 - Quality of life is improved by managing risk	Civil Contingencies & Anti Social Behaviour	84,760	89,319	-4,558	(5.38%)	127,522	127,522	0	0.00%	Outwith reporting criteria
Head of Governance and Law	BO17 - The support needs of children and their families are met	Childrens Panel	15,902	18,798	-2,896	(18.21%)	33,698	33,698	0	0.00%	BO17 - Children's Panel Safeguarders £1.8k year to date variance Children's Panel Expenses £1k year to date variance
Head of Governance and Law	BO23 - Economic Growth is supported	Licensing	-160,949	-155,468	-5,481	3.41%	(133,000)	(133,000)	0	0.00%	Outwith reporting criteria
Head of Governance and Law	BO28 - Our processes and business procedures are efficient, cost effective and compliant	Democratic Serives, Governance & Legal Services	1,290,906	1,314,768	-23,862	(1.85%)	1,826,353	1,826,353	0	0.00%	Outwith reporting criteria
Head of Governance and Law	Central/Management Costs	Central/Management Costs	149,688	160,661	-10,973	(7.33%)	224,355	224,355	0	0.00%	Outwith reporting criteria
Head of Governance and Law Total	**Head of Governance and Law Total**		**1,380,307**	**1,428,077**	**-47,770**	**(3.46%)**	**2,078,929**	**2,078,929**	**0**	**0.00%**	
Head of Improvement and HR	BO06 - Quality culture, archives, libraries and museums are provided to promote wellbeing	Gaelic Language Plan	18,278	18,278	0	0.00%	26,278	26,278	0	0.00%	Outwith reporting criteria
Head of Improvement and HR	BO28 - Our processes and business procedures are efficient, cost effective and compliant	HR Services	719,225	719,989	-764	(0.11%)	1,071,773	1,071,773	0	0.00%	Outwith reporting criteria
Head of Improvement and HR	BO29 - Health and safety is managed effectively	Health & Safety	197,005	199,230	-2,225	(1.13%)	287,600	287,600	0	0.00%	Outwith reporting criteria
Head of Improvement and HR	BO30 - We engage with our customers, staff and partners	Communications	146,273	145,092	1,181	0.81%	241,927	241,927	0	0.00%	Outwith reporting criteria
Head of Improvement and HR	BO31 - We have a culture of continuous improvement	Service Improvements	501,801	501,607	194	0.04%	744,662	744,662	0	0.00%	Outwith reporting criteria
Head of Improvement and HR	BO32 - Our workforce is supported to realise its potential	Learning & Development	501,033	505,592	-4,559	(0.91%)	732,262	732,262	0	0.00%	Outwith reporting criteria
Head of Improvement and HR	Central/Management Costs	Central/Management Costs	89,686	90,463	-776	(0.87%)	128,691	128,691	0	0.00%	Outwith reporting criteria
Head of Improvement and HR Total	**Head of Improvement and HR Total**		**2,173,301**	**2,180,250**	**-6,948**	**(0.32%)**	**3,233,193**	**3,233,193**	**0**	**0.00%**	
Grand Total	**Grand Total**		**28,532,185**	**26,851,046**	**1,681,140**	**5.89%**	**40,327,825**	**40,179,825**	**148,000**	**0.37%**	

CUSTOMER SERVICES – SUBJECTIVE SUMMARY AS AT 31 DECEMBER 2017

Subjective Category	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Employee	£14,231,084	£14,032,705	£198,380	**1.39%**	£20,303,320	£20,243,320	£60,000	**0.30%**	Forecast overachievement of vacancy savings of £50k. Further £10k underspend on employee costs within IT services which is offset by £10k overspend in third party payments where contractors have been used to fill the gap while pending recruitment.
Premises	£978,876	£884,353	£94,523	**9.66%**	£1,557,203	£1,557,203	£0	**0.00%**	Surplus properties - property costs has an underspend £61k due to timing of expenditure on these properties. Asbestos and other projects costs £21k recharges due at end of financial year and budget phased across year. Remainder made up of smaller variances across the service.
Supplies & Services	£2,529,156	£2,252,845	£276,311	**10.93%**	£4,999,634	£5,078,634	(£79,000)	**(1.58%)**	PFN recharge to Community Services £202k received but only part payment to supplier £75k made resulting in £127k ytd variance. £83k on maintenance and software development and £38k on postages, £24k underspend on catering purchases due to timingd. Balance made up of smaller variances.
Transport	£908,769	£839,303	£69,466	**7.64%**	£6,439,242	£6,439,242	£0	**0.00%**	£19k ytd variance on education transport parents and £13k within tranman fuel. £28k on staff travel.
Third Party	£35,682,971	£34,930,681	£752,290	**2.11%**	£48,047,620	£47,957,620	£90,000	**0.19%**	£598k YTD variance in NPDO due to insurance savings being received earlier than anticipated which will be used to offset higher than budgeted inflation costs. Overspend in benefits afforded £29k which is balanced by income received within the same cost centre. Public transport operations £85k due to timing of expenditure
Income	(£25,798,672)	(£26,088,842)	£290,170	**1.12%**	(£41,019,193)	(£41,096,193)	£77,000	**0.19%**	£77k more income than budgeted for disposal of IT equipment. £88k more grant income against benefits administration. Variance in housing benefits £207k which is balanced by expenditure within the same cost centre. Balance made up of smaller variances
Totals	**£28,532,185**	**£26,851,046**	**£1,681,140**	**5.89%**	**£40,327,825**	**£40,179,825**	**£148,000**	**0.37%**	

CUSTOMER SERVICES – RED VARIANCES

Service Area	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Central/Management Costs, NPDO, Special Projects & Estates	14,323,324	14,173,324	150,000	1.05%	Forecast underspend of £100k within NPDO mainly due to insurance savings and timing of billing for water within the NPDO contract. Vacancy savings that have been over achieved account for the other £50k forecast underspend.
			0		
			0		

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

THERE ARE CURRENTLY NO RED VARIANCES FOR THE DEPARTMENT.

DEVELOPMENT AND INFRASTRUCTURE SERVICES – OBJECTIVE SUMMARY AS AT 31 DECEMBER 2017

Business Outcome	Service Area	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Central/Management Costs	Central/Management Costs	£903,246	£924,739	(£21,493)	(2.38%)	£1,532,606	£1,430,606	£102,000	6.66%	The forecast variance relates to vacancy savings that have surpassed the target set at the start of the year due to consious non filling of posts for future savings. In addition, there has also been some difficulty recruiting to certain skilled posts which inceases the time a post is vacant. The YTD variance is as a result of severance paid to an employee.
Executive Director of Development and Infrastructure Services Total		**£903,246**	**£924,739**	**(£21,493)**	**(2.38%)**	**£1,532,606**	**£1,430,606**	**£102,000**	**6.66%**	
BO06 - Quality culture, archives, libraries and museums are provided to promote wellbeing	Events and Festivals	£181,523	£169,777	£11,746	6.47%	£220,966	£220,966	£0	0.00%	BO06 - The YTD underspend relates to unspent budget for Rothesay Pavillion which is currently being refurbished. This unspent budget will be carried forward at year end to cover future committments. BO15 - Both the YTD and forecast variance is mainly due to the timing difference of grant income being received and when the expenditure is incurred which will be offset against the relevant grant.
BO15 - Argyll and Bute is open for business	Airports & Strategic Transportation	£1,444,881	£1,301,922	£142,959	9.89%	£1,982,716	£1,885,113	£97,603	4.92%	
BO22 - Adults are supported to realise their potential	Business Gateway	£294,175	£289,819	£4,356	1.48%	£319,172	£319,172	£0	0.00%	
BO23 - Economic growth is supported	Projects,TIF & European Team	£1,019,533	£987,771	£31,762	3.12%	£1,438,015	£1,438,015	£0	0.00%	
BO27 - Infrastructure and assets are fit for purpose	Economic Development Intelligence	£70,061	£69,895	£165	0.24%	£108,013	£108,013	£0	0.00%	
Central/Management Costs	Central/Management Costs	£184,356	£162,020	£22,336	12.12%	£280,868	£280,868	£0	0.00%	
Economic Development Total		**£3,194,527**	**£2,981,204**	**£213,323**	**6.68%**	**£4,349,749**	**£4,252,146**	**£97,603**	**2.24%**	

BO01 - The health of our people is protected through effective partnership working	Private Water Supplies	£57,828	£59,476	(£1,647)	(2.85%)	£482	£482	£0	0.00%	BO12 - There is a YTD and forecast variance within Environmental Health relating to additional income for Fish Exports and Private Water Supplies. BO13 - There is a YTD shortfall in Building Standards income which is anticipated to be recovered by year end. There is an increase in Private Landlord Registration Income plus an underspend in the Tobacco Sales enforcement budget. A forecast variance in respect of Private Landlord Regristration for £30k has been processed. BO23 - Planning fee income behind profile (£312k YTD) which is being closely monitored on a monthly basis. A forecast variance of £240k has been processed taking into account likely applications to the year end. The profile is based on the pattern over the last 4 years but July & August 2017 have been significantly lower than previous years. BO26 - There is a lag between expenditure and the HEEPS grant being received.
BO03 - Prevention and support reduces homelessness	Homelessness and Housing Support Services	£1,427,117	£1,401,001	£26,116	1.83%	£2,085,776	£2,085,776	£0	0.00%	
BO05 - Information and support are available for everyone	Trading Standards	£407,573	£408,419	(£846)	(0.21%)	£541,514	£541,514	£0	0.00%	
BO12 - High standards of Public health and health protection are promoted	Environmental Health	£828,577	£690,453	£138,124	16.67%	£1,165,471	£1,125,471	£40,000	3.43%	
BO13 - Our built environment is safe and improved	Building Standards & Environmental Safety	£36,725	(£41,620)	£78,345	213.33%	£94,303	£64,303	£30,000	31.81%	
BO15 - Argyll and Bute is open for business	Development Policy	£282,150	£292,893	(£10,743)	(3.81%)	£417,227	£417,227	£0	0.00%	
BO23 - Economic growth is supported	Development Management	£143,439	£455,136	(£311,697)	(217.30%)	£266,498	£506,498	(£240,000)	(90.06%)	
BO25 - Access to and enjoyment of the natural and built environments is improved	Corepath Plan	£39,367	£37,902	£1,465	3.72%	£55,181	£55,181	£0	0.00%	
BO26 - People have a choice of suitable housing options	Housing	£1,104,054	£1,331,505	(£227,451)	(20.60%)	£835,416	£835,416	£0	0.00%	
BO27 - Infrastructure and assets are fit for purpose	Marine & Coastal	£63,443	£64,528	(£1,085)	(1.71%)	£89,874	£89,874	£0	0.00%	
BO31 - We have a culture of continuous improvement	Strategic Housing Fund	£1,039,596	£1,056,858	(£17,262)	(1.66%)	£1,039,596	£1,039,596	£0	0.00%	
Central/Management Costs	Central/Management Costs	£178,223	£172,271	£5,952	3.34%	£290,089	£290,089	£0	0.00%	
Planning and Regulatory Services Total		**£5,608,092**	**£5,928,821**	**(£320,730)**	**(5.72%)**	**£6,881,428**	**£7,051,428**	**(£170,000)**	**(2.47%)**	

BO14 - Our transport infrastructure is safe and fit for purpose	Road & Lighting, Roads Design, Network & Environment & Marine Services	£3,434,106	£3,809,274	(£375,168)	(10.92%)	£6,672,058	£6,922,058	(£250,000)	(3.75%)	BO14 - The main contributing factor to the YTD variance is the Roads & Lighting Operational Holding Account which relates to budget profiling due to its unpredictable nature caused by many factors e.g. weather, reactive v planned works, timing of capital works and timing of contractors invoices. It is also projected that there will be a £200k over recovery of income from Piers and Harbours as a result of RET. BO14 - a forecast variance of £450k has been entered for Winter Maintenance which is based on spend to date plus a mid-range average over the previous 3 years. BO24 - there is a forecast variance of £132k which relates to the retained budget for vehicles caused by delays in replacing vehicles over 5 years old. BO25 - The YTD underspend relates to the purchase order for new machinery across amenities being delayed, spend should start to be incurred during January and February. Over-recovery of crematorium income not reported at this stage, proposal to use to fund crematorium alterations. BO27 - The YTD variance relates to budget profiling and no forecast variance is anticipated in this area. The variance in Central Management costs is caused by the recharge from depots covering some uncontrollable costs which are excluded from the departmental budget monitoring.
BO15 - Argyll and Bute is open for business	Marine Management	£115,608	£121,640	(£6,032)	(5.22%)	£162,949	£162,949	£0	0.00%	
BO24 - Waste is disposed of sustainably	Waste Management	£7,505,801	£7,402,382	£103,419	1.38%	£11,647,156	£11,514,779	£132,377	1.14%	
BO25 - Access to and enjoyment of the natural and built environments is improved	Amenity Services	£2,537,511	£2,364,162	£173,350	6.83%	£3,809,291	£3,809,291	£0	0.00%	
BO27 - Infrastructure and assets are fit for purpose	Fleet	(£1,426,953)	(£1,494,299)	£67,346	(4.72%)	(£1,917,456)	(£1,917,456)	£0	0.00%	
Central/Management Costs	Central/Management Costs	£722,877	£411,741	£311,136	43.04%	£554,404	£554,404	£0	0.00%	
Roads and Amenity Services Total		**£12,888,950**	**£12,614,899**	**£274,051**	**2.13%**	**£20,928,403**	**£21,046,026**	**(£117,623)**	**(0.56%)**	
Grand Total		**£22,594,815**	**£22,449,664**	**£145,151**	**0.64%**	**£33,692,186**	**£33,780,206**	**(£88,020)**	**(0.26%)**	

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 – SUBJECTIVE SUMMARY AS AT 31 DECEMBER 2017

Subjective Category	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Employee	£17,751,195	£16,644,363	£1,106,832	**6.24%**	£25,424,790	£25,142,493	£282,297	**1.11%**	The YTD variance relates to Roads Operational holding account £569k, Infrastructure Design £162k and an accrual made at the end of 2016-17 in respect of a backdated claim for standby payments. There is also an underspend in the amenity service which will be used to fund the purchase of equipment to avoid a cost pressure in 2018/19. The forecast variance relates to a departmental forecast variance of £102k for vacancy savings plus vacancy savings in the Infrastructure Design Team which will be offset by reduction in income as noted below.
Premises	£2,024,427	£1,764,948	£259,479	**12.82%**	£3,109,029	£3,109,029	£0	**0.00%**	Reduction in Street Lighting electricity costs which will be offset by additional cost of prudential borrowing for LED project plus underspends in depot costs.
Supplies & Services	£4,110,537	£4,009,801	£100,735	**2.45%**	£5,476,357	£5,476,357	£0	**0.00%**	The YTD variance relates to an overspend in Play equipment of £137k which is offset by additional income from community groups; £28k DPE, £142k Roads Operational holding account which will be offset by reduced income and £64k Amenity Services in Oban which will be recovered aspart of an insurance claim. There is also a lag in the invoices from the Regional Chemist causing a YTD underspend of £88k.
Transport	£6,708,985	£6,668,970	£40,015	**0.60%**	£9,618,932	£9,486,555	£132,377	**1.38%**	The forecast variance of £132k which relates to the retained budget for vehicles caused by delays in replacing vehicles over 5 years old.
Third Party	£19,897,593	£19,837,569	£60,024	**0.30%**	£29,255,271	£29,705,271	(£450,000)	**(1.54%)**	There is a lag between expenditure and the HEEPS grant being received giving a YTD adverse variance of £172k. This is partially offset by underspends across Roads & Amenity Services which are expected to be spent by Year End. A forecast variance of £450k has been entered for Winter Maintenance which is based on spend to date plus a mid-range average over the previous 3 years.
Capital Financing	(£27,897,921)	(£26,475,987)	(£1,421,934)	**(5.10%)**	£0	£0	£0	**0.00%**	
Income	(£27,897,921)	(£26,475,987)	(£1,421,934)	**(5.10%)**	(£39,192,192)	(£39,139,498)	(£52,694)	**(0.13%)**	There is a YTD adverse variance in Planning income of £331k which is partially reflected in an adverse forecast variance of £240k. It is anticipated that planning applications will pick up in the next few months. The forecast outturn variance also includes £200k over recovery of income from Piers and Harbours as a result of RET. Budget profiling of the Operational Holding Account is difficult due to its unpredictable nature caused by many factors e.g. weather, reactive v planned works, timing of capital works and timing of contractors invoices. The underspends in expenditure budgets above are offset by a reduction in income.
Totals	**£22,594,815**	**£22,449,664**	**£145,151**	**0.64%**	**£33,692,186**	**£33,780,206**	**(£88,020)**	**(0.26%)**	

Appendix 4c

DEVELOPMENT AND INFRASTRUCTURE SERVICES – RED VARIANCES

Service Area	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Vacancy Savings	(259,166)	(362,058)	102,892	(39.70%)	Vacancy savings have surpassed the target set at the start of the year due to consious non filling of posts for future savings. In addition, there has also been some difficulty recruiting to certain skilled posts which inceases the time a post is vacant.
Planning Fee Income	(1,151,000)	(911,001)	(239,999)	20.85%	Planning fee income is behind profile (£255k YTD) which will be closely monitored over the coming months. A forecast variance of £240k has been processed at this time. The profile is based on the pattern over the last 4 years but July & August 2017 have been significantly lower than previous years.
Rothesay THI	0	(97,603)	97,603		Income received in 2017-18 which relates to expenditure incurred in previous years.
Winter Maintenance	1,636,828	2,086,828	(450,000)	(27.49%)	Projection based on YTD spend plus mid-range estimate of average spend over past 3 years.
Piers & Harbours	(2,630,314)	(2,830,314)	200,000	(7.60%)	Projection based on YTD income as a result of RET.
Waste Vehicle Retained Budget	142,004	9,627	132,377	93.22%	Relates to the retained budget for vehicles caused by delays in replacing vehicles over 5 years old.

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

Agenda Item 4c

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

STRATEGIC FINANCE **15 FEBRUARY 2018**

MONITORING OF SERVICE CHOICES SAVINGS OPTIONS – DECEMBER 2017

1. EXECUTIVE SUMMARY

1.1 The purpose of this report is to provide Members with an update on the implementation and delivery of the Service Choices policy savings options agreed by Council in February 2016.

1.2 The savings options will be reported as being delivered, on track to be delivered, still to be implemented, being developed, potential shortfall or delayed.

1.3 Of the 125 savings options, 109 have already been delivered, 13 are on track to be delivered and 3 have a potential shortfall. Overall the delivery of service choices savings has been successful.

1.4 For the savings options where there is a potential shortfall or the saving is delayed, the department has provided further information, as contained in Appendices 2a to 2c.

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

STRATEGIC FINANCE **15 FEBRUARY 2018**

MONITORING OF SERVICE CHOICES SAVINGS OPTIONS – DECEMBER 2017

2. INTRODUCTION

2.1 The purpose of this report is to provide Members with an update on the implementation and delivery of the Service Choices policy savings options agreed by Council in February 2016 and subsequently revised as part of the approved budget for 2017-18.

2.2 The savings options will be reported as being delivered, on track to be delivered, still to be implemented, being developed, potential shortfall or delayed.

3. DETAIL

3.1 Background

3.1.1 Members agreed to a one year budget for 2017-18 at the Council meeting in February 2017. Incorporated within the budget were the agreed, as at February 2016, Service Choice savings options for 2017-18. The savings for 2017-18 represent year 2 of the 3 year Service Choices savings implementation plan.

3.1.2 The service choices policy savings options agreed have been summarised in the table below. They have been updated to reflect the revised savings achievable from the creation of a leisure trust and the catering and cleaning service redesign:

Department	**No of Options**	**2016-17 £000**	**2017-18 £000**	**2018-19 £000**
Chief Executive's Unit	1	140.0	259.0	259.0
Community Services	53	2,597.5	3,685.0	3,970.0
Customer Services	28	857.0	1,557.6	2,502.6
Development and Infrastructure	43	1,592.5	2,208.0	2,279.0
Total	**125**	**5,187.0**	**7,709.6**	**9,010.6**

3.2 Monitoring Delivery of the Saving Options

3.2.1 The savings for 2017-18 have been removed from departmental budgets, however, it is important to monitor whether the saving has actually been delivered to ensure that costs are not continuing resulting in an overspend by the end of the year. It is also important to ensure that any preparatory work required to deliver savings in future years is on track.

3.2.2 Savings have been categorised as follows:

Category	**Explanation**
Delivered	Savings already delivered in full.
On track to be Delivered	Saving is in line with profile however the full saving cannot be guaranteed until later in the year.
Still to be implemented	Planned date of implementation is in the future. Should the implementation date move backwards then this would be classified as delayed.
Being Developed	Further redesign required before option can be implemented.
Potential Shortfall	There is a risk that the original saving will not be achieved in full. Departments are asked to provide further information for any savings within this category.
Delayed	The full saving will not be achieved in line with the original estimated timescale. Departments are asked to provide further information for any savings within this category.

3.2.3 The table below outlines the progress as at the end of December 2017. Further detail at department and service level is included within Appendix 1.

Category	No of Options	2016-17 £000	2017-18 £000	2018-19 £000
Delivered	109	4,203.0	5,977.6	6,782.6
On Track to be Delivered	13	691.0	1,334.0	1,830.0
Still to be Implemented	0	0.0	0	0
Being Developed	0	0.0	0.0	0.0
Potential Shortfall	3	293.0	398.0	398.0
Delayed	0	0.0	0.0	0.0
Total	**125**	**5,187.0**	**7,709.6**	**9,010.6**

3.3 Potential Shortfall

3.3.1 There are 3 savings options with potential shortfalls. Two have previously been reported in relation to ASN Efficiencies and Residential Schools. The new potential shortfall relates to music tuition. Summary information is noted below with further information contained in Appendices 2a to 2c.

- ASN Efficiencies - ASN Support is a demand driven service and the needs of our young people will vary periodically due to changes in circumstances, complexity of support package and the number of young people requiring support. The annual review of ASN support has identified a greater need than previously forecast which will potentially reduce the savings achievable in 2017-18 by £0.150m. In addition, it is anticipated that this will continue into next year due to increased demand for the service therefore £0.134m of the saving in 2018-19 will be unable to be met and has been included within the 2018-19 budget forecasts.

- Residential Schools – The service provided is for children and young people with complex support needs and each support package is expensive. The service is demand driven and will vary periodically due to changes in circumstance, complexity of the support package and the number of young people requiring a residential placement. There is a shortfall in the saving of £0.063m in 2017-18, however, it is hoped that the service can contain expenditure within budget in 2018-19.

- Music Instruction Fees - After the 50% rise in fees the saving has not been met in full as take-up of the service has reduced. The full year saving was £0.044m and it is estimated that only £0.009m of the savings will be achieved in 2017-18. An in depth analysis of pupil numbers and patterns is being undertaken at present. Individual conversations with instructors regarding pupil numbers are ongoing with a view to increase the numbers of pupils who pay for tuition.

4. CONCLUSION

4.1 This report outlines the progress of the service choices policy saving options as at the end of December 2017.

4.2 Of the 125 savings options, 109 have already been delivered, 13 are on track to be delivered and 3 have a potential shortfall. Overall the delivery of service choices savings has been successful.

5. IMPLICATIONS

5.1	Policy	Individual options have policy implications – all have been approved by Members.
5.2	Financial	Summarises the delivery of the service choices savings options.
5.3	Legal	None.
5.4	HR	Individual options have HR implications – all have been approved by Members.
5.5	Equalities	EQIAs have already been carried out on the options prior to Member approval.
5.6	Risk	The monitoring process outlined within this report will minimise the risk that the service choices savings options are not delivered.
5.7	Customer Services	None.

Kirsty Flanagan
Head of Strategic Finance
16 January 2018

Policy Lead for Strategic Finance and Capital Regeneration Projects – Councillor Gary Mulvaney

APPENDICES:
Appendix 1a – Chief Executives Unit Service Choices Savings Monitoring
Appendix 1b – Community Services Service Choices Savings Monitoring
Appendix 1c – Customer Services Service Choices Savings Monitoring
Appendix 1d – Development and Infrastructure Service Choices Savings Monitoring
Appendix 2a – Potential Shortfall in Saving – EDUC01i Deliver ASN efficiencies
Appendix 2b – Potential Shortfall in Saving – EDUC12b Residential Schools
Appendix 2c – Potential Shortfall in Saving – EDUC02c Music Tuition

CHIEF EXECUTIVE'S UNIT - SERVICE CHOICES SAVINGS MONITORING 2017-18
SUMMARY

APPENDIX 1a

Category	No. of Options	2016-17 £000	2016-17 FTE	2017-18 £000	2017-18 FTE	2018-19 £000	2018-19 FTE
Delivered	1	140.0	5.0	259.0	7.0	259.0	7.0
On Track to be Delivered	0	0.0	0.0	0.0	0.0	0.0	0.0
Still to be Implemented	0	0.0	0.0	0.0	0.0	0.0	0.0
Being Developed	0	0.0	0.0	0.0	0.0	0.0	0.0
Potential Shortfall	0	0.0	0.0	0.0	0.0	0.0	0.0
Delayed	0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**1**	**140.0**	**5.0**	**259.0**	**7.0**	**259.0**	**7.0**

CHIEF EXECUTIVES UNIT - SERVICE CHOICES SAVINGS MONITORING 2017-18
POLICY OPTIONS

APPENDIX 1a

					ACCEPT						
Service	**Service Package**	**Ref**	**Description of Option**	**Conditions of Acceptance**	**2016-17 £000**	**2016-17 FTE**	**2017-18 £000**	**2017-18 FTE**	**2018-19 £000**	**2018-19 FTE**	**SMT Status of Implementation**
Strategic Finance	Strategic Finance	SF01A	Review of staffing structure within Strategic Finance.		140.0	5.0	259.0	7.0	259.0	7.0	Delivered
					140.0	**5.0**	**259.0**	**7.0**	**259.0**	**7.0**	

COMMUNITY SERVICES - SERVICE CHOICES SAVINGS MONITORING 2017-18
SUMMARY

Appendix 1b

Category	No. of Options	2016-17 £000	2016-17 FTE	2017-18 £000	2017-18 FTE	2018-19 £000	2018-19 FTE
Delivered	50	2,304.5	34.3	3,287.0	159.7	3,572.0	159.7
On Track to be Delivered	0	0.0	0.0	0.0	0.0	0.0	0.0
Still to be Implemented	0	0.0	0.0	0.0	0.0	0.0	0.0
Being Developed	0	0.0	0.0	0.0	0.0	0.0	0.0
Potential Shortfall	3	293.0	1.6	398.0	1.6	398.0	1.6
Delayed	0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**53**	**2,597.5**	**35.9**	**3,685.0**	**161.3**	**3,970.0**	**161.3**

COMMUNITY SERVICES - SERVICE CHOICES SAVINGS MONITORING 2017-18
DETAILED POLICY OPTIONS

Appendix 1b

					ACCEPT						
Service	**Service Package**	**Ref**	**Description of Option**	**Conditions of Acceptance**	**2016-17 £000**	**2016-17 FTE**	**2017-18 £000**	**2017-18 FTE**	**2018-19 £000**	**2018-19 FTE**	**SMT Status of Implementation**
Community and Culture	Adult Learning and Literacies	CC02b	Reduce spend on Adult Learning and Literacies resources and tutors in areas based on area needs assessment.		29.0	0.0	29.0	0.0	29.0	0.0	Delivered
Community and Culture	Community Centres and Community Development	CC03a	Reduce cost of combined community development and community planning teams.		59.0	1.7	71.0	1.7	71.0	1.7	Delivered
Community and Culture	Community Centres and Community Development	CC03b	Provide reduced amount of third sector grant funding.	Accept full saving in first year and then a further 10% in 2017-18 and a further 10% in 2018-19	14.0	0.0	28.0	0.0	42.0	0.0	Delivered
Community and Culture	Community Centres and Community Development	CC03c	Introduce consistent management arrangements for our four main community centres.		45.0	0.0	45.0	0.0	45.0	0.0	Delivered
Community and Culture	Council Community Halls	CC05/1, CC05a, CC10a, CC11a and CC11a/1	Creation of a Charitable Leisure Trust, bringing together council owned community halls, libraries, swimming pools and fitness facilities.		0.0	0.0	270.0	125.4	541.0	125.4	Delivered
Community and Culture	Culture, Museums and Festivals	CC06a	Provide reduced level of funding support for events and festivals.		37.0	0.0	37.0	0.0	37.0	0.0	Delivered
Community and Culture	Culture, Museums and Festivals	CC06b	Offer Campbeltown Museum for community ownership. **An alternative recurring saving has been identified by the service as this saving is no longer deliverable.**		0.0	0.0	37.0	0.0	37.0	0.0	Delivered
Community and Culture	Culture, Museums and Festivals	CC06c	Provide reduced level of funding for arts development.		10.0	0.0	10.0	0.0	10.0	0.0	Delivered
Community and Culture	Housing Strategy and Services	CC08a	Provide reduced level of funding to energy and mediation advice services where other opportunities are available and where there is less demand for service.		13.0	0.0	41.0	0.0	41.0	0.0	Delivered

COMMUNITY SERVICES - SERVICE CHOICES SAVINGS MONITORING 2017-18
DETAILED POLICY OPTIONS

Appendix 1b

					ACCEPT						
Service	**Service Package**	**Ref**	**Description of Option**	**Conditions of Acceptance**	**2016-17 £000**	**2016-17 FTE**	**2017-18 £000**	**2017-18 FTE**	**2018-19 £000**	**2018-19 FTE**	**SMT Status of Implementation**
Community and Culture	Housing Strategy and Services	CC08b	Align the funding for rent deposit scheme and service user involvement to current demand.		14.0	0.0	14.0	0.0	14.0	0.0	Delivered
Community and Culture	Housing Strategy and Services	CC08c	Reduce budget for housing IT, strategy development and staff training following major work done in 2014/15.		51.0	0.0	51.0	0.0	51.0	0.0	Delivered
Community and Culture	Housing Strategy and Services	CC08d	Reduce staffing costs re promotion of housing information/capacity for partnership work.		37.0	1.0	45.0	1.0	45.0	1.0	Delivered
Community and Culture	Housing Strategy and Services	CC08e	Save Council funds by transferring strategic staff costs to Strategic Housing Fund.		137.0	0.0	137.0	0.0	137.0	0.0	Delivered
Community and Culture	Libraries	CC10b	Reduce Library Management costs.		33.0	1.0	39.8	1.0	39.8	1.0	Delivered
Community and Culture	Libraries	CC10c	Saving of £50,000 on mobile library service.		50.0	1.5	50.0	1.5	50.0	1.5	Delivered
Community and Culture	Tenancy Support Services and Welfare Rights	CC12a	Provide reduced level of funding for domestic abuse outreach support.		0.0	0.0	40.0	0.0	40.0	0.0	Delivered
Community and Culture	Tenancy Support Services and Welfare Rights	CC12b	Provide reduced level of funding for tenancy support contracts.		191.0	0.0	191.0	0.0	191.0	0.0	Delivered
Education	Additional Support Needs (SEN Asst; Pupil Support Teachers; Various Therapy Support; etc)	EDUC01a	Align the disability access budget (for adaptations in education centres) with current demand following previous underspend.		20.0	0.0	20.0	0.0	20.0	0.0	Delivered

COMMUNITY SERVICES - SERVICE CHOICES SAVINGS MONITORING 2017-18
DETAILED POLICY OPTIONS

Appendix 1b

					ACCEPT						
Service	**Service Package**	**Ref**	**Description of Option**	**Conditions of Acceptance**	**2016-17 £000**	**2016-17 FTE**	**2017-18 £000**	**2017-18 FTE**	**2018-19 £000**	**2018-19 FTE**	**SMT Status of Implementation**
Education	Additional Support Needs (SEN Asst; Pupil Support Teachers; Various Therapy Support; etc)	EDUC01b	Review the Service Level Agreement for home and hospital tuition in line with previous demand.		2.5	0.0	3.0	0.0	3.0	0.0	Delivered
Education	Additional Support Needs (SEN Asst; Pupil Support Teachers; Various Therapy Support; etc)	EDUC01c	Reduce the Education Quality Improvement Team materials budget.		15.0	0.0	15.0	0.0	15.0	0.0	Delivered
Education	Additional Support Needs (SEN Asst; Pupil Support Teachers; Various Therapy Support; etc)	EDUC01d	Align the specifialist equipment budget with demand following previous underspend.		7.0	0.0	7.0	0.0	7.0	0.0	Delivered
Education	Additional Support Needs (SEN Asst; Pupil Support Teachers; Various Therapy Support; etc)	EDUC01e	Re-prioritise repairs and maintenance budget for Education HQ.		7.0	0.0	7.0	0.0	7.0	0.0	Delivered

COMMUNITY SERVICES - SERVICE CHOICES SAVINGS MONITORING 2017-18
DETAILED POLICY OPTIONS

Appendix 1b

					ACCEPT						
Service	**Service Package**	**Ref**	**Description of Option**	**Conditions of Acceptance**	**2016-17 £000**	**2016-17 FTE**	**2017-18 £000**	**2017-18 FTE**	**2018-19 £000**	**2018-19 FTE**	**SMT Status of Implementation**
Education	Additional Support Needs (SEN Asst; Pupil Support Teachers; Various Therapy Support; etc)	EDUC01h	Manage cover for ASN Assistants from within current devolved budget at individual schools.		80.0	0.0	80.0	0.0	80.0	0.0	Delivered
Education	Additional Support Needs (SEN Asst; Pupil Support Teachers; Various Therapy Support; etc)	EDUC01i	Deliver ASN Efficiences and match resources to greatest assessed need.		175.0	1.6	280.0	1.6	280.0	1.6	Potential Shortfall
Education	Music Instruction and Creative Arts	EDUC02b	Provide reduced level of creative arts programmes in schools.		5.0	0.2	5.0	0.2	5.0	0.2	Delivered
Education	Music Instruction and Creative Arts	EDUC02c	Increase fees for non-statutory music tuition by 50%.	Reflect an overall 50% increase to fees to include inflation - saving option reduced to 44% to accommodate this	44.0	0.0	44.0	0.0	44.0	0.0	Potential Shortfall
Education	Music Instruction and Creative Arts	EDUC02d	Instrumental instructor provision reduced by 20%.		61.8	2.6	99.0	2.6	99.0	2.6	Delivered

COMMUNITY SERVICES - SERVICE CHOICES SAVINGS MONITORING 2017-18
DETAILED POLICY OPTIONS

Appendix 1b

					ACCEPT						
Service	**Service Package**	**Ref**	**Description of Option**	**Conditions of Acceptance**	**2016-17 £000**	**2016-17 FTE**	**2017-18 £000**	**2017-18 FTE**	**2018-19 £000**	**2018-19 FTE**	**SMT Status of Implementation**
Education	Early Years Service	EDUC03a	Continue to provide statutory duties only for children under 5.	Only Accept part of this saving	48.1	0.9	48.1	0.9	48.1	0.9	Delivered
Education	Early Years Service	EDUC03b	Budget levels reduced for pre-5 resources.	Only Accept part of this saving	284.9	0.4	382.7	0.4	382.7	0.4	Delivered
Education	Early Years Service	EDUC03c	Remove the 3% inflationary uplift on payments to Early Learning and Child Care commissioned Providers (in line with current indicators).	Only provide for a 1% inflationary uplift	27.5	0.0	54.7	0.0	54.7	0.0	Delivered
Education	Early Years Service	EDUC03d	Reduction in Early Years third sector grants and services.	Only Accept part of this saving	27.4	0.0	27.4	0.0	27.4	0.0	Delivered
Education	Early Years Service	EDUC03e	Part saving in Early Years Change Fund.	Only Accept 10% of this saving from 2016-17	9.0	0.0	9.0	0.0	9.0	0.0	Delivered
Education	Education Support HQ and Repairs/Janitorial Services	EDUC05a	Reduce central administrative support.		65.0	4.0	78.0	4.0	78.0	4.0	Delivered
Education	Education Support HQ and Repairs/Janitorial Services	EDUC05c	Provide reduced level of funding for PE facilities matched to priorities.		60.0	0.0	60.0	0.0	60.0	0.0	Delivered
Education	Education Support HQ and Repairs/Janitorial Services	EDUC05d	Janitorial cover availability reduced.		13.0	0.0	16.0	0.0	16.0	0.0	Delivered

COMMUNITY SERVICES - SERVICE CHOICES SAVINGS MONITORING 2017-18
DETAILED POLICY OPTIONS

Appendix 1b

					ACCEPT						
Service	**Service Package**	**Ref**	**Description of Option**	**Conditions of Acceptance**	**2016-17 £000**	**2016-17 FTE**	**2017-18 £000**	**2017-18 FTE**	**2018-19 £000**	**2018-19 FTE**	**SMT Status of Implementation**
Education	Education Support HQ and Repairs/Janitorial Services	EDUC05e	Eduction central repairs budget reduced and prioritised.		128.0	0.0	159.0	0.0	159.0	0.0	Delivered
Education	Education Support HQ and Repairs/Janitorial Services	EDUC05h	Remove attendance officer posts and use current processes and systems in place to manage attendance.		55.0	4.0	68.0	4.0	68.0	4.0	Delivered
Education	Education Support HQ and Repairs/Janitorial Services	EDUC05j	Align clothing grant budget to current demand following preivous underspend.		39.0	0.0	39.0	0.0	39.0	0.0	Delivered
Education	Primary Schools - All Other Costs	EDUC07b	Reduce clerical assistants in primary schools by 20% prioritising support provided.	Only Accept a 5% reduction	33.9	3.3	54.3	3.3	54.3	3.3	Delivered
Education	Primary Schools - All Other Costs	EDUC07c	Pupil support assistants to be matched to greatest assessed need.	Only Accept a 10% reduction	18.5	1.5	31.0	1.5	31.0	1.5	Delivered
Education	Primary Schools - All Other Costs	EDUC07e	Continue primary school supply teacher cover at reduced level 20%.		59.0	0.0	98.0	0.0	98.0	0.0	Delivered
Education	Primary Schools - All Other Costs	EDUC07f	Remove management development and training budget in primary schools.		49.0	0.0	49.0	0.0	49.0	0.0	Delivered
Education	Primary Schools - All Other Costs	EDUC07g	Prioritise primary school grounds maintenance work to manage 20% resource reduction.		7.0	0.0	12.0	0.0	12.0	0.0	Delivered
Education	Primary Schools - All Other Costs	EDUC07h	Reduced devolved budgets for individual schools as they are supplementary to central education budget, prioritising expenditure.		51.0	0.0	85.0	0.0	85.0	0.0	Delivered
Education	Primary Schools - All Other Costs	EDUC07i	Provide foreign language training through Scottish Government Languages 1+2 budget.		22	0.0	36.0	0.0	36.0	0.0	Delivered

COMMUNITY SERVICES - SERVICE CHOICES SAVINGS MONITORING 2017-18
DETAILED POLICY OPTIONS

Appendix 1b

					ACCEPT						
Service	**Service Package**	**Ref**	**Description of Option**	**Conditions of Acceptance**	**2016-17 £000**	**2016-17 FTE**	**2017-18 £000**	**2017-18 FTE**	**2018-19 £000**	**2018-19 FTE**	**SMT Status of Implementation**
Education	Secondary Schools - All Other Costs	EDUC08b	Reduce clerical assistants in primary schools by 20% prioritising support provided.	Only Accept a 5% reduction	16.9	1.6	27.0	1.6	27.0	1.6	Delivered
Education	Secondary Schools - All Other Costs	EDUC08d	Provide secondary school supply teacher cover at reduced level 20%.		45.0	0.0	75.0	0.0	75.0	0.0	Delivered
Education	Secondary Schools - All Other Costs	EDUC08e	Remove management development and training budget in secondary schools.		37.0	0.0	37.0	0.0	37.0	0.0	Delivered
Education	Secondary Schools - All Other Costs	EDUC08f	School librarians in secondary schools no longer provided.		191.0	10.0	319.0	10.0	319.0	10.0	Delivered
Education	Secondary Schools - All Other Costs	EDUC08h	Prioritise grounds maintenance work in secondary schools to manage 20% resource reduction.		5.0	0.0	8.0	0.0	8.0	0.0	Delivered
Education	Secondary Schools - All Other Costs	EDUC08i	Reduced devolved budgets for individual schools as they are supplementary to central education budget, prioritising expenditure.		63.0	0.0	105.0	0.0	105.0	0.0	Delivered
Education	Psychological Services	EDUC12a	Provide statutory Educational Psychology services following 7% budget reduction.		31.0	0.6	37.0	0.6	37.0	0.6	Delivered
Education	Psychological Services	EDUC12b	Align residential schools budget to current demand following reduced demand.		74.0	0.0	74.0	0.0	74.0	0.0	Potential Shortfall
					2,597.5	**35.9**	**3,685.0**	**161.3**	**3,970.0**	**161.3**	

CUSTOMER SERVICES - SERVICE CHOICES SAVINGS MONITORING 2017-18
SUMMARY

Appendix 1c

Category	No. of Options	2016-17 £000	2016-17 FTE	2017-18 £000	2017-18 FTE	2018-19 £000	2018-19 FTE
Delivered	17	623.0	6.9	781.6	8.4	1,230.6	19.6
On Track to be Delivered	11	234.0	7.5	776.0	20.3	1,272.0	23.3
Still to be Implemented	0	0.0	0.0	0.0	0.0	0.0	0.0
Being Developed	0	0.0	0.0	0.0	0.0	0.0	0.0
Potential Shortfall	0	0.0	0.0	0.0	0.0	0.0	0.0
Delayed	0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**28**	**857.0**	**14.4**	**1,557.6**	**28.7**	**2,502.6**	**42.9**

CUSTOMER SERVICES - SERVICE CHOICES SAVINGS MONITORING 2017-18
POLICY OPTIONS

Appendix 1c

					ACCEPT						
Service	**Service Package**	**Ref**	**Description of Option**	**Conditions of Acceptance**	**2016-17 £000**	**2016-17 FTE**	**2017-18 £000**	**2017-18 FTE**	**2018-19 £000**	**2018-19 FTE**	**SMT Status of Implementation**
Customer and Support Services	Creditors	CSS03a, CSS03b and CSS03c	Increase email and electronic transactions to save more on postage, printing and stationery.		12.5	0.0	12.5	0.0	12.5	0.0	Delivered
Customer and Support Services	Customer Service Centres (CSC) and Registration	CSS01a, CSS01b, CSS01c, CSS01d & CSS01j	Change in opening hours for Customer Service Points and promote alternatives to over the counter payments.		64.0	3.5	116.0	5.5	207.0	7.5	On Track to be Delivered
Customer and Support Services	Customer Service Centres (CSC) and Registration	CSS01e	Tiree Service Point service provided through voluntary contract in line with Jura and Colonsay.		9.0	0.5	19.0	0.5	19.0	0.5	Delivered
Customer and Support Services	Customer Service Centres (CSC) and Registration	CSS01f & CSS01l	Increase use of emails at Customer Service Points to save money on postage, printing and stationery.		9.5	0.0	9.5	0.0	9.5	0.0	Delivered
Customer and Support Services	Customer Service Centres (CSC) and Registration	CSS01k	Remove small repairs budget at Jura and Colonsay service points where requirements have been minimal.		4.0	0.0	4.0	0.0	4.0	0.0	Delivered
Customer and Support Services	Customer Service Centres (CSC) and Registration	CSS01m	Change Rothesay Service Point opening hours in line with current volume to 17.5 hours per week.		0.0	0.0	19.6	0.5	19.6	0.5	Delivered
Customer and Support Services	Information Technology	CSS04b	More economical replacements for broadband circuits in offices and schools to match capacity and usage.		189.0	0.0	139.0	0.0	139.0	0.0	Delivered
Customer and Support Services	Revenues and Benefits	CSS02c and CSS02d	Increase use of email to avoid use of pre-paid envelopes and reduce costs.		23.0	0.0	23.0	0.0	23.0	0.0	Delivered
Customer and Support Services	Revenues and Benefits	CSS02g	Develop in-house services for council tax e-billing/landlords portals in place of external contract.		0.0	0.0	0.0	0.0	50.0	0.0	On Track to be Delivered
Customer and Support Services	Revenues and Benefits	CSS02h	Apply landlord penalties where applicable to help council tax collection.		34.0	0.0	34.0	0.0	34.0	0.0	Delivered
Customer and Support Services	Revenues and Benefits	CSS02i	Retrieve cost of administering the double charge Council Tax from the income raised.		80.0	0.0	80.0	0.0	80.0	0.0	Delivered
Customer and Support Services	Revenues and Benefits	CSS02j	Align benefit advisor posts to match reduced caseload.		0.0	0.0	24.0	1.0	48.0	2.0	On Track to be Delivered
Facility Services	Catering	FS01A-C	Long term redesign of catering service.		0.0	0.0	0.0	0.0	200.0	tbc	On Track to be Delivered. Catering and Cleaning Business Case outlines total savings of £777k expected by 2020/21 with £331k deliverable by 2018-19.

CUSTOMER SERVICES - SERVICE CHOICES SAVINGS MONITORING 2017-18
POLICY OPTIONS

Appendix 1c

					ACCEPT						
Service	**Service Package**	**Ref**	**Description of Option**	**Conditions of Acceptance**	**2016-17 £000**	**2016-17 FTE**	**2017-18 £000**	**2017-18 FTE**	**2018-19 £000**	**2018-19 FTE**	**SMT Status of Implementation**
Facility Services	Catering	FS01D	Build up and develop catering service for events and functions.		0.0	0.0	0.0	0.0	40.0	0.0	On Track to be Delivered. Catering and Cleaning Business Case outlines total savings of £777k expected by 2020/21 with £331k deliverable by 2018-19.
Facility Services	Cleaning	FS02A-B	Long term redesign of cleaning service.		0.0	0.0	0.0	0.0	91.0	tbc	On Track to be Delivered. Catering and Cleaning Business Case outlines total savings of £777k expected by 2020/21 with £331k deliverable by 2018-19.
Facility Services	Property	FS03F	Generate water utility savings with no significant impact on current service.		9.0	0.0	100.0	0.0	100.0	0.0	On Track to be Delivered
Facility Services	Property	FS03G	Generate energy utility savings with no significant impact on current service.		3.0	0.0	25.0	0.0	25.0	0.0	On Track to be Delivered
Facility Services	Property	FS03H	Increase heating efficiency through use of biomass boilers.		0.0	0.0	12.0	0.0	12.0	0.0	Delivered
Facility Services	Property	FS03I	Use opportunities for external providers to reduce costs of Estate service.		41.0	1.4	50.0	1.4	50.0	1.4	Delivered
Facility Services	Property	FS03J	Prioritise use of central repairs budget for schools, libraries and social work services to manage 14.5% reduction.		123.0	3.0	164.0	3.0	164.0	3.0	On Track to be Delivered
Facility Services	Property	FS03K	Prioritise maintenance for shared offices with 8.4% central budget reduction.		35.0	1.0	46.0	1.0	46.0	1.0	On Track to be Delivered
Facility Services	Property	FS03L	Prioritise use of shared office central repairs budget with 21.6% reduced resource.		0.0	0.0	118.0	0.0	118.0	0.0	Delivered

CUSTOMER SERVICES - SERVICE CHOICES SAVINGS MONITORING 2017-18
POLICY OPTIONS

Appendix 1c

					ACCEPT						
Service	**Service Package**	**Ref**	**Description of Option**	**Conditions of Acceptance**	**2016-17 £000**	**2016-17 FTE**	**2017-18 £000**	**2017-18 FTE**	**2018-19 £000**	**2018-19 FTE**	**SMT Status of Implementation**
Facility Services	School and Public Transport	FS04B	Explore external partnership working to improve use of fleet/transport resources between council teams.		0.0	0.0	16.0	1.0	16.0	1.0	Delivered. This saving has been delivered from other resources within the Service for this year due to a delay in commissioning the review of Fleet. Full report due in August 17. The Fleet Review report was presented and arising from its findings, this Service Choices Saving was resurrected. It is one of the policy options that is scheduled to be considered during the 2018/19 budget process.
Facility Services	School and Public Transport	FS04F	Prioritise/reduce bus shelters and stops built or replaced in 2016-17 only.		16.0	0.0	0.0	0.0	0.0	0.0	Delivered
Governance and Law	Governance	GL01a1	Reduced committee/governance/elected member support including increases self-service resource for members.		0.0	0.0	301.0	9.8	301.0	9.8	On Track to be Delivered
Improvement and HR	Health and Safety	IHR03a	Redesign staff personal safety training including online development.		32.0	1.0	38.0	1.0	38.0	1.0	Delivered
Improvement and HR	Health and Safety	IHR03b	Redesign health and safety service including increased online support and prioritising high risk service areas.		68.0	1.5	81.0	1.5	81.0	1.5	Delivered
Improvement and HR	Improvement and OD and Human Resources	IHR01A	Combine HR and Improvement/Organisational Development teams to create a single one-stop shop service.		105.0	2.5	126.0	2.5	575.0	13.7	Delivered
					857.0	**14.4**	**1,557.6**	**28.7**	**2,502.6**	**42.9**	

DEVELOPMENT AND INFRASTRUCTURE - SERVICE CHOICES SAVINGS MONITORING 2017-18 **Appendix 1d**

SUMMARY

Category	No. of Options	2016-17 £000	2016-17 FTE	2017-18 £000	2017-18 FTE	2018-19 £000	2018-19 FTE
Delivered	41	1,135.5	20.7	1,650.0	24.7	1,721.0	25.7
On Track to be Delivered	2	457.0	7.0	558.0	7.0	558.0	7.0
Still to be Implemented	0	0.0	0.0	0.0	0.0	0.0	0.0
Being Developed	0	0.0	0.0	0.0	0.0	0.0	0.0
Potential Shortfall	0	0.0	0.0	0.0	0.0	0.0	0.0
Delayed	0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**43**	**1,592.5**	**27.7**	**2,208.0**	**31.7**	**2,279.0**	**32.7**

DEVELOPMENT AND INFRASTRUCTURE - SERVICE CHOICES SAVINGS MONITORING 2017-18
POLICY OPTIONS

Appendix 1d

					ACCEPT						
Service	**Service Package**	**Ref**	**Description of Option**	**Conditions of Acceptance**	**2016-17 £000**	**2016-17 FTE**	**2017-18 £000**	**2017-18 FTE**	**2018-19 £000**	**2018-19 FTE**	**SMT Status of Implementation**
Roads and Amenity Services	Marine	ED02a	Phased reduction of subsidy payments to freight operators in Campbeltown to align with standard rates by 2018-19.		31.0	0.0	34.0	0.0	37.0	0.0	Delivered
Roads and Amenity Services	Marine	ED02b	Increase piers and harbours berthing charges.		25.0	0.0	39.0	0.0	58.0	0.0	Delivered
Planning and Regulatory Services	Development Management	PRS02b	Introduce charges for pre-application advice for major and locally significant planning applications, in line with other local authorities.		0.0	0.0	10.0	0.0	10.0	0.0	On Track to be Delivered
Planning and Regulatory Services	Development Management	PRS02c	Reduce planning development management team with increase in time to register planning applications.		0.0	0.0	30.0	1.0	30.0	1.0	Delivered
Planning and Regulatory Services	Development Management	PRS02d	Remodel planning enforcement team with increase in response time to planning breach complaints.		42.0	1.0	42.0	1.0	42.0	1.0	Delivered
Planning and Regulatory Services	Development Policy	PRS03b	Provide in-house solution for aerial photography currently sourced externally.		0.0	0.0	5.0	0.0	5.0	0.0	Delivered
Planning and Regulatory Services	Development Policy	PRS03c	Introduce charges for developers/property owners for statutory street numbering in line with other local authorities.		10.0	0.0	10.0	0.0	10.0	0.0	Delivered
Planning and Regulatory Services	Development Policy	PRS03d	Develop in-house solutions to allow removal of software/licences used for local development plan consultation.		24.0	0.0	24.0	0.0	24.0	0.0	Delivered
Planning and Regulatory Services	Development Policy	PRS03e	Increase use of online consultation for Local Development plan.		5.0	0.0	5.0	0.0	5.0	0.0	Delivered

DEVELOPMENT AND INFRASTRUCTURE - SERVICE CHOICES SAVINGS MONITORING 2017-18
POLICY OPTIONS

Appendix 1d

					ACCEPT						
Service	**Service Package**	**Ref**	**Description of Option**	**Conditions of Acceptance**	**2016-17 £000**	**2016-17 FTE**	**2017-18 £000**	**2017-18 FTE**	**2018-19 £000**	**2018-19 FTE**	**SMT Status of Implementation**
Planning and Regulatory Services	Development Policy	PRS03f	Provide core duties/statutory access rights of way and up to date Core Path Plan.		5.0	0.0	5.0	0.0	5.0	0.0	Delivered
Planning and Regulatory Services	Development Policy	PRS03g	Remove footpath survey software and Local Access Forum budget and use alternative ways of surveying and supporting the Forum		3.8	0.0	4.0	0.0	4.0	0.0	Delivered
Planning and Regulatory Services	Development Policy	PRS03h	Use in-house legal advice if required to resolve access disputes to allow removal of specialist legal expenses budget.		8.0	0.0	8.0	0.0	8.0	0.0	Delivered
Planning and Regulatory Services	Development Policy	PRS03i	Introduce charges for Phase 1 habitat surveys.		3.0	0.0	3.0	0.0	3.0	0.0	Delivered
Planning and Regulatory Services	Development Policy	PRS03j	Efficiency savings and business support costs reduced through staff reductions.		20.0	1.0	20.0	1.0	20.0	1.0	Delivered

DEVELOPMENT AND INFRASTRUCTURE - SERVICE CHOICES SAVINGS MONITORING 2017-18
POLICY OPTIONS

Appendix 1d

					ACCEPT						
Service	**Service Package**	**Ref**	**Description of Option**	**Conditions of Acceptance**	**2016-17 £000**	**2016-17 FTE**	**2017-18 £000**	**2017-18 FTE**	**2018-19 £000**	**2018-19 FTE**	**SMT Status of Implementation**
Planning and Regulatory Services	Development Policy	PRS03K	Remodel Access Team to focus on statutory duties.		35.0	1.0	35.0	1.0	70.0	2.0	Delivered
Planning and Regulatory Services	Development Policy	PRS03L	Review Development Policy Team.		0.0	0.0	50.0	1.0	50.0	1.0	Delivered
Planning and Regulatory Services	Regulatory Services	PRS04a	Remove vacant Regulatory Services alternative enforcement post.		17.0	0.6	17.0	0.6	17.0	0.6	Delivered
Planning and Regulatory Services	Regulatory Services	PRS04c	Increase charges to businesses for inspection and certification of food export certificates in line with other local authorities.		12.0	0.0	12.0	0.0	12.0	0.0	Delivered
Planning and Regulatory Services	Regulatory Services	PRS04e	Achieve central administration cost savings through improved processes and systems.		13.0	1.0	16.0	1.0	16.0	1.0	Delivered
Planning and Regulatory Services	Regulatory Services	PRS04f	Review advice services across Argyll and Bute while maintaining a reduced allocation of funding to advice agencies.	Only Accept 25% reduction and commence a review of Advice Services.	10.3	0.0	13.8	0.0	13.8	0.0	Delivered

DEVELOPMENT AND INFRASTRUCTURE - SERVICE CHOICES SAVINGS MONITORING 2017-18
POLICY OPTIONS

Appendix 1d

					ACCEPT						
Service	**Service Package**	**Ref**	**Description of Option**	**Conditions of Acceptance**	**2016-17 £000**	**2016-17 FTE**	**2017-18 £000**	**2017-18 FTE**	**2018-19 £000**	**2018-19 FTE**	**SMT Status of Implementation**
Planning and Regulatory Services	Regulatory Services	PRS04h	Increase income from private landlord registration scheme through targeted enforcement work on unregistered private landlords		8.0	0.0	8.0	0.0	8.0	0.0	Delivered
Roads and Amenity Services	Amenity Services	RAMS01a	Increase burial charges by 20% while costs still remain below average in 9 comparative council areas.		78.7	0.0	78.7	0.0	78.7	0.0	Delivered
Roads and Amenity Services	Amenity Services	RAMS01b	Increase cremation charges by 20%.	Reflect an overall 20% increase to fees to include inflation - saving option reduced to 14% to accommodate this	42.0	0.0	42.0	0.0	42.0	0.0	Delivered
Roads and Amenity Services	Amenity Services	RAMS01e	Remove subsidies to Tobermory Harbour Association on a phased basis		0.0	0.0	4.0	0.0	8.0	0.0	Delivered
Roads and Amenity Services	Amenity Services	RAMS01g	Rose and shrub beds to be returned to grass.		58.0	3.4	70.2	3.4	70.2	3.4	Delivered
Roads and Amenity Services	Amenity Services	RAMS01h	Hedges maintained in winter only with one cut per year.		15.0	0.9	17.6	0.9	17.6	0.9	Delivered
Roads and Amenity Services	Amenity Services	RAMS01i	Grass cutting carried out once in October/November with other areas returned to meadow/natural growth.		18.0	1.0	20.5	1.0	20.5	1.0	Delivered
Roads and Amenity Services	Amenity Services	RAMS01j	Recovery of costs for services to Cowal Games included temporary toilets, event support, litter collection, staffing etc.	Phased recovery - £10k each year over the next 3 years	10.0	0.0	20.0	0.0	30.0	0.0	Delivered

DEVELOPMENT AND INFRASTRUCTURE - SERVICE CHOICES SAVINGS MONITORING 2017-18
POLICY OPTIONS

Appendix 1d

					ACCEPT						
Service	**Service Package**	**Ref**	**Description of Option**	**Conditions of Acceptance**	**2016-17 £000**	**2016-17 FTE**	**2017-18 £000**	**2017-18 FTE**	**2018-19 £000**	**2018-19 FTE**	**SMT Status of Implementation**
Roads and Amenity Services	Amenity Services	RAMS01l	Reduce street sweeping frequency by 50%.	Only Accept half of the saving	33.0	2.3	39.5	2.3	39.5	2.3	Delivered
Roads and Amenity Services	Amenity Services	RAMS01m	Prioritise dangerous/urgent maintenance within Roads and Amenity property to manage 25% reduced resource.		64.0	0.0	64.0	0.0	64.0	0.0	Delivered
Roads and Amenity Services	Amenity Services	RAMS01n	Prioritise dangerous/urgent maintenance within depots to manage 25% reduced resource.		26.0	0.0	26.0	0.0	26.0	0.0	Delivered
Roads and Amenity Services	Infrastructure Design	RAMS02c	Achieve central administration cost savings by improving processes and systems and reducing training budgets.		53.0	1.0	64.0	1.0	64.0	1.0	Delivered
Roads and Amenity Services	Roads	RAMS02d	Reduce central administrative support from 2017.		0.0	0.0	60.0	2.0	60.0	2.0	Delivered
Roads and Amenity Services	Roads	RAMS03a	Increased car parking charges from 80p to £1. Introduce to Mull car parks and introduce year round charging at other car parks.		150.0	0.0	150.0	0.0	150.0	0.0	Delivered

DEVELOPMENT AND INFRASTRUCTURE - SERVICE CHOICES SAVINGS MONITORING 2017-18
POLICY OPTIONS

Appendix 1d

					ACCEPT						
Service	**Service Package**	**Ref**	**Description of Option**	**Conditions of Acceptance**	**2016-17 £000**	**2016-17 FTE**	**2017-18 £000**	**2017-18 FTE**	**2018-19 £000**	**2018-19 FTE**	**SMT Status of Implementation**
Roads and Amenity Services	Roads	RAMS03b	Remove school crossing patrollers.	Accept saving in relation to lunchtime patrols and where there is an electronic crossing in place for children.	73.0	5.0	88.0	5.0	88.0	5.0	Delivered
Roads and Amenity Services	Roads	RAMS03d	Reduce roads operations costs by removing a vacancy post and reducing budget for vehicles and plant.		0.0	0.0	140.0	0.0	140.0	0.0	Delivered
Roads and Amenity Services	Street Lighting	RAMS04a	Removal of funding of Christmas lights.	Accept saving in the longer term but fund from Council Reserves for a period of 3 years	100.0	0.0	100.0	0.0	100.0	0.0	Delivered
Roads and Amenity Services	Street Lighting	RAMS04b	Increase street lighting planned repairs on an area basis, reduce reactive repairs.		41.0	0.5	49.0	0.5	49.0	0.5	Delivered
Roads and Amenity Services	Street Lighting	RAMS04c	Use new lighting units which would reduce maintenance and energy costs.		25.0	0.0	150.0	0.0	150.0	0.0	Delivered
Roads and Amenity Services	Street Lighting	RAMS04d	Recover costs for event banners and other non-core council activities.		15.0	0.0	15.0	0.0	15.0	0.0	Delivered
Roads and Amenity Services	Waste Management	RAMS05a5	Rubbish collection - three-weekly collection with new shift pattern to make better use of fewer vehicles, retaining fortnightly recycling collections using double shift patterns.		457.0	7.0	548.0	7.0	548.0	7.0	On Track to be Delivered
Roads and Amenity Services	Waste Management	RAMS05b	Three-weekly general waste, bi-weekly co-mingled uplift by internal resource for Islay in line with other local areas.		16.7	0.0	16.7	0.0	16.7	0.0	Delivered
Roads and Amenity Services	Waste Management	RAMS05e	Remove vacant post in Waste Management Service.		45.0	2.0	54.0	2.0	54.0	2.0	Delivered
					1,592.5	**27.7**	**2,208.0**	**31.7**	**2,279.0**	**32.7**	

APPENDIX 2a

SERVICE CHOICES SAVING MARKED AS HAVING A POTENTIAL SHORTFALL

<table>
<tr><td>Department:</td><td>Community Services</td></tr>
<tr><td>Service:</td><td>Education</td></tr>
<tr><td>Service Package:</td><td>Additional Support Needs (SEN Asst; Pupil Support Teachers; Various Therapy Support; etc.)</td></tr>
<tr><td>Savings Reference:</td><td>EDUC01i</td></tr>
<tr><td>Description of Option:</td><td>Deliver ASN Efficiencies and match resources to greatest assessed need.</td></tr>
<tr><td>Saving:</td><td>
<table>
<tr><th>Saving</th><th>2016-17
£000</th><th>2017-18
£000</th><th>2018-19
£000</th></tr>
<tr><td>Saving approved</td><td>175</td><td>280</td><td>280</td></tr>
<tr><td>Saving Achievable</td><td>83</td><td>130</td><td>146</td></tr>
<tr><td>Shortfall</td><td>92</td><td>150</td><td>134</td></tr>
</table>
</td></tr>
<tr><td>Reason Why there is a Potential Shortfall in the Saving:</td><td>ASN Support is a demand driven service and the needs of our young people will vary periodically due to changes in circumstances, complexity of support package and the number of young people requiring support. The annual review of ASN support has identified a greater need than previously forecast which will potentially reduce the savings achievable in 2017-18 by £0.150m. In addition, it is anticipated that this will continue into next year due to increased demand for the service therefore £0.134m of the saving in 2018-19 will be unable to be met.</td></tr>
<tr><td>What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:</td><td>The Service will monitor the variability of demand regularly and update this position during the year as individual support packages are reviewed.</td></tr>
</table>

APPENDIX 2b

SERVICE CHOICES SAVING MARKED AS HAVING A POTENTIAL SHORTFALL

Department:	Community Services
Service:	Education
Service Package:	Psychological Services
Savings Reference:	EDUC12b
Description of Option:	Align residential schools budget to current demand following reduced demand.
Saving:	

Saving	**2016-17 £000**	**2017-18 £000**	**2018-19 £000**
Saving approved	74	74	74
Saving Achievable	31	11	0
Shortfall	**43**	**63**	**74**

Reason there is a Potential Shortfall in the Saving:	The residential schools' budget is used to respond to the changing needs of our most vulnerable children and young people, often to ensure their safety as well as providing appropriate educational experiences. For residential placements, costs are split with Social Work on a 38% / 62% basis. This means that where there is a breakdown in the care placement of young people, including those in foster or adoptive care, and a residential option is required, Education Services pay the required 38% even where there has been no difficulty within the education placement. In most cases, young people are experiencing challenges at home and in school. As a result of the specialist nature of the placements, the costs for one young person are often significant. For example, the annual education cost for a young person in secure accommodation is almost £100,000. For children in complex education, care and health needs, placements can begin at the primary stage and it is then almost always the case that the child remains in this placement until they reach 18 years of age. The overall number of young people placed in specialist educational establishments outwith Argyll and Bute has remained very low over the last 5 years. The variation in expenditure is as a result of the level of need and the nature of the placements required to meet these needs. In addition, we have children with significant needs who have moved to live in Argyll and Bute from other areas of Scotland and England who have required specialist placement. It is almost impossible to predict with any accuracy what the need will be on a year to year basis, however, it is highly unlikely that the required saving will be achieved over the next two years. Reductions in supports for schools, for example support assistants, area principal teachers and educational psychologists, have also had

	an impact on the level of intervention that is available to provide early intervention for vulnerable children and young people.
What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:	Social work and education staff work together to ensure that the needs of children and young people are met in the right way at the right time to allow them to live and attend school within their local community. Within education, training and support is provided for school staff to ensure needs are met on an ongoing basis where ever possible. The Alternatives to Care workers are focused on early intervention to try to reduce the likelihood of young people requiring a care placement away from their local community.

APPENDIX 2c

SERVICE CHOICES SAVING MARKED AS HAVING A POTENTIAL SHORTFALL

Department:	Community Services
Service:	Education
Service Package:	Music Instruction and Creative Arts
Savings Reference:	EDUC02c
Description of Option:	Increase fees for non-statutory music tuition by 50%
Saving:	

Saving	**2016-17 £000**	**2017-18 £000**	**2018-19 £000**
Saving approved	44	44	44
Saving Achievable	29	9	9
Shortfall	**15**	**35**	**35**

Reason there is a Potential Shortfall in the Saving:	In 2015/16, the year prior to this savings target, the income target was exceeded by £3,000. After the 50% rise in fees the saving has not been met as take up of the service has reduced.
What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:	An in depth analysis of pupil numbers and patterns is being undertaken at present. Individual conversations with instructors regarding pupil numbers are ongoing with a view to increase the numbers of pupils who pay for tuition. Savings have been made in travel.

Agenda Item 4d

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

STRATEGIC FINANCE **15 FEBRUARY 2018**

FINANCIAL RISKS ANALYSIS 2017-18

1 EXECUTIVE SUMMARY

1.1 The main purpose of this report is to provide a summary of the key financial risks facing the Council.

1.2 A number of Council wide risks, both revenue and capital have been identified along with risks for each department and service of the Council. For each departmental risk the financial impact has been quantified and the likelihood assessed based on the standard risk matrix.

1.3 There are currently 33 departmental risks totalling £3.256m. Only 2 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.

ARGYLL AND BUTE COUNCIL	**POLICY AND RESOURCE COMMITTEE**
STRATEGIC FINANCE	**15 FEBRUARY 2018**

FINANCIAL RISKS ANALYSIS 2017-18

2. INTRODUCTION

2.1 This report outlines the process and approach developed in carrying out a financial risks analysis and provides a note of the current assessment of financial risks for 2017-18.

3 DETAIL

3.1 Introduction

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

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

3.1.3 For each risk, the financial impact has been quantified and the likelihood assessed based on the standard risk matrix as follows:
1 – Remote
2 – Unlikely
3 – Possible
4 – Likely
5 – Almost Certain

3.1.4 The Argyll and Bute Integrated Joint Board (IJB) with responsibility for Social Work and a range of Health services was established and came into effect on 1 April 2016. The IJB will be responsible for financial and strategic oversight of these services. It will be the responsibility of the IJB to consider the individual financial risks associated with Integration Services and they are therefore not contained within this report. A Council wide risk has been included in respect of the IJB being unable to deliver the social care service within the budget allocated.

3.1.5 Following the EU referendum result there are potential uncertainties and risks arising from BREXIT. It is too early in the BREXIT process to quantify the potential impact on the Council, however, this will be closely monitored and reported as the BREXIT process progresses.

3.2 Council Wide Risks

Revenue

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 £0.454m. As at the end of December 2017, there is an estimated over recovery of Council Tax income of £0.600m, therefore this risk is unlikely to materialise.

3.2.2 As part of the budget for 2016-17 the Council agreed to implement 125 Service Choice Savings options with a saving by 2018-19 of £9.723m (this figure has subsequently reduced slightly due to the delay/reduction of the Leisure Trust and Catering and Cleaning saving options). Of this, £2.552m relates to the saving target for 2017-18. Whilst the Council have a good track record in delivering savings, a 10% shortfall on this savings target would amount to £0.255m. As at the end of December 2017 109 risks have been delivered, 13 are on track to be delivered and 3 have a potential shortfall which can be met from underspends elsewhere within the Council for 2017-18.

3.2.3 The budget approved to be transferred over to the Integrated Joint Board for the provision of Social Care Services in 2017-18 amounts to £56.362m. It is the responsibility of the Chief Officer and Chief Financial Officer to manage the overall financial resources of the IJB. Where relevant they will identify the cause of any forecast overspends and prepare a budget recovery plan which will be submitted to the IJB, the Council and NHS Highland. Where recovery plans are unsuccessful and an overspend occurs at the financial year end, and there are insufficient reserves to meet the overspend, then the partners will be required to make additional payments to the IJB. Whilst any additional payments by the Council and NHS Highland will be deducted from future years funding/payments, there is still a financial risk that the Council may have to pay out additional monies. There was an overspend in Social Work services in 2016-17, however, overall the Health and Social Care Partnership were underspent and therefore no additional payments were required. The latest budget monitoring report for the IJB as at the end of December 2017 is attached as appendix 2 to this report. The forecast overspend for 2017-18 is currently reported as £2.915m and the share of this apportioned to Argyll and Bute Council is £1.915m.

3.2.4 Auto enrolment will require the Council to automatically enrol all staff into the pension scheme by October 2017 (although staff may wish to opt out) and this will create an additional cost to the Council in respect of employer superannuation contributions. The budget for 2017-18 has been based on the assumption that 60% of the staff auto enrolled will remain in the scheme. There was a risk that all staff could choose to remain in the scheme and this was quantified at £0.136m, however, payroll section have now completed an analysis of who was auto enrolled and the provision in 2017-18 is sufficient.

3.2.5 The Council wide risks noted above, in addition to other Council wide risks, are

noted within the table below. The financial impact noted in the previous report has now been compared to the potential financial that could still materialise before now and the year end.

Description	Likelihood	Previous Financial Impact £000	Potential Financial Impact as a 31 December 2017 £000
1% variation in Council Tax Income	2	454	0
10% shortfall on Savings Options	2	255	0
IJB refer to Council for additional funding to deliver social work services	3	1,914	1,915
Employers Superannuation enrolment into pension scheme	3	136	0
Employers NI rate increase by 1%	2	608	0
Energy costs increase by 10% greater than anticipated	2	440	0
Repairs and Maintenance costs increase, due to unforeseen emergencies, by 10%	2	210	210
1% variation of General Inflation Risk	2	750	0
Total		**4,767**	**2,125**

Capital

3.2.6 The finance settlement announcement on 15 December 2016 provided details of the Local Government funding for 2017-18 and we are therefore certain what our funding is in respect of General Capital Grant and the specific capital grants which have been distributed.

3.2.7 The capital plan for the period 2016-2020 includes an estimate of £8.105m in respect of capital receipts. This was based on an assessment provided by the Special Projects in June 2017. The actual capital receipts across the capital programme are now going to be less than budget due to the conclusion of one large sale for less than originally anticipated. The shortfall of £2.750m will be considered as part of the Council's budget process for 2018-19.

3.2.8 In respect of TIF, the Scottish Futures Trust (SFT) acknowledge that the information presented by the council regarding current and potential scale and makeup of the office and retail market along with the current external market conditions was unlikely to generate the required increase in NDR. Officers are reviewing the financial model and the council and SFT are exploring potential alternative financial model to augment TIF. £0.927m has been expended to date and additional approved expenditure will be minimised until a viable alternative model has been agreed upon.

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	1	50	2	100	1	50	0	0	4	**200**
Customer Services	3	170	3	205	8	699	1	30	0	0	15	**1,104**
Development & Infrastructure	2	120	1	10	11	1,822	0	0	0	0	14	**1,952**
Total	**5**	**290**	**5**	**265**	**21**	**2,621**	**2**	**80**	**0**	**0**	**33**	**3,256**

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	Adverse weather conditions which require greater than budgeted number of gritting runs.	3	700
Roads and Amenity Services	Roads Maintenance - Bridges, Culverts & Sea Defences	Extreme localised weather may result in loss of bridge, culvert , road or sea defence.	3	300
Roads and Amenity Services	Roads Maintenance - Roads Network	Adverse weather conditions result in deterioration of the road network necessitating greater spend on repair of defects.	3	230
Facility Services	Property - Central Repairs	Increased demands on CRA as a result of the decrease in capital funding available and increases in supplier/contractor charges.	3	200
Planning and Regulatory Services	Dangerous Buildings interventions	Deal in Building Standards with an increasing level of dangerous building work which has significant financial implications for Council	3	180

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
Education	Legislative Requirements - Education (Scotland) Act	Education (Scotland) Act 2000 was enacted March 2016. This places additional requirements on Councils in terms of Gaelic Education.	4	50
Customer and Support Services	Non-Domestic Rates Relief	Risk of demand changing due to legislative changes outwith our control or new charitable businesses.	4	30
Roads and Amenity Services	Winter Maintenance	Adverse weather conditions which require greater than budgeted number of gritting runs.	3	700
Roads and Amenity Services	Roads Maintenance - Bridges, Culverts & Sea Defences	Extreme localised weather may result in loss of bridge, culvert , road or sea defence.	3	300
Roads and Amenity Services	Roads Maintenance - Roads Network	Adverse weather conditions result in deterioration of the road network necessitating greater spend on repair of defects.	3	230

3.4 Changes to Financial Risks since last Report

3.4.1 The changes to the departmental risks since the last report to Policy and Resources Committee on 8 December 2017 for the period to the end of October are noted below:

- Homeless Temporary Accommodation – this risk has been removed for 2017-18 as full universal credit will not start until 2018-19.
- Energy Costs - a review has been carried out for 2017-18 and there is a forecast underspend for the year. This risk will be included in the 2018-19 risks.

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 2 out of the 33 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.

Policy Lead for Strategic Finance and Capital Regeneration Projects - Councillor Gary Mulvaney

Kirsty Flanagan
Head of Strategic Finance
16 January 2018

APPENDICES
Appendix 1 – Detail of Department/Service financial risks.
Appendix 2 – IJB Budget Monitoring Report as at 31 December 2017.

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS - AS AT 31 DECEMBER 2017

					As at 31 October 2017		As at 31 December 2017	
DEPARTMENT	**SERVICE**	**TITLE OF RISK**	**DESCRIPTION OF RISK**	**MITIGATIONS ACTIONS IN PLACE**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**
Development & Infrastructure	Planning and Regulatory Services	Homelessness Temporary Accommodation Income	Introduction of Universal Credit has an impact on the level and method of benefits recovered for temporarily accommodated individuals.	Provision of Housing Options information and advice service to minimise number of applicants proceeding to full homeless application.	3	25	0	0
Community Services	Education	Pre-Five Units - number of providers	Failure in commissioning pre-five partner provider units together with reducing budgetary support for partners resulting in an increased pressure on the Council of providing the service.	Annual financial appraisal; Support network; Short-term cash injections.	3	50	3	50
Community Services	Education	Central Repairs	Service Choices savings result in budget only available for statutory and emergency repairs.	Regular liaison with Property Services re prioritisation and commitment of in-year spend.	3	50	3	50
Community Services	Education	Legislative Requirements - Education (Scotland) Act	Education (Scotland) Act 2000 was enacted March 2016. This places additional requirements on Councils in terms of Gaelic Education.	Monitoring developments of the implementation of the Act and statutory guidance produced. This will include responding to any consultations.	4	50	4	50
Community Services	Education	Legislative Requirements - Children and Young People (Scotland) Act	Children and Young People (Scotland) Act places a duty on the Council to consult and plan on delivery of early learning and childcare with service users. This may result in demands for changes in the way the service is delivered to adopt a more flexible tailored approach.	Ongoing monitoring of additional funding provided to implement the Act and the financial capacity to implement any changes in the approach to service delivery.	2	50	2	50
Customer Services	Customer and Support Services	Housing Benefit Subsidy	Loss of Housing Benefit Subsidy due to exceeding LA error threshold.	Processes in place for handling of claims accurately and efficiently.	2	125	2	125
Customer Services	Customer and Support Services	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	85	3	85

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS - AS AT 31 DECEMBER 2017

					As at 31 October 2017		As at 31 December 2017	
DEPARTMENT	**SERVICE**	**TITLE OF RISK**	**DESCRIPTION OF RISK**	**MITIGATIONS ACTIONS IN PLACE**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**
Customer Services	Customer and Support Services	Council Tax Debt Collection Recovery	Recovery of debt becomes more difficult to pursue in the current economic climate, Council entered 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	Non-Domestic Rates Relief	Risk of demand changing due to legislative changes outwith our control or new charitable businesses.	Outwith direct management control.	4	30	4	30
Customer Services	Special Projects	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	50	3	50

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS - AS AT 31 DECEMBER 2017

					As at 31 October 2017		As at 31 December 2017	
DEPARTMENT	**SERVICE**	**TITLE OF RISK**	**DESCRIPTION OF RISK**	**MITIGATIONS ACTIONS IN PLACE**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**
Customer Services	Facility Services	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 and instructing only essential repairs.	3	200	3	200
Customer Services	Facility Services	Energy Costs	Increase in energy costs and consumption. The Council are required to participate in the CRC Energy Efficiency Scheme, 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	0	0
Customer Services	Facility Services	Catering Costs - Provision of Meals to Early Years Children	The Children and Young People (Scotland) Act places duties on Councils to provide meals in an Early Years setting to entitled children where sessions span over lunch time. The total quantum of funding of £1.2m may not be sufficient to fund the additional costs depending on uptake and the additional costs to support the meal provision in partner provider settings.	Joint strategy with Education colleagues to implement requirements and closely monitor financial implications. Responding to consultations by COSLA on the distribution and allocation of additional funding.	3	100	3	100
Customer Services	Facility Services	School and Public Transport - provider charges	Increased provider charges	Joint strategy with procurement colleagues to reduce potential impact.	3	100	3	100
Customer Services	Facility Services	Catering Purchases	Increased supplier charges.	Joint strategy with procurement colleagues to reduce potential impact. Control food wastage/portion controls.	2	60	2	60

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS - AS AT 31 DECEMBER 2017

					As at 31 October 2017		As at 31 December 2017	
DEPARTMENT	**SERVICE**	**TITLE OF RISK**	**DESCRIPTION OF RISK**	**MITIGATIONS ACTIONS IN PLACE**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**
Customer Services	Special Projects	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
Customer Services	Governance and Law	Elections	More than 1 by-election required outwith standard election cycle.	Outwith direct management control.	3	34	3	34
Customer Services	Governance and Law	Licensing	Reduced numbers of licensing applications leading to reduced income.	Monitoring of trends.	3	30	3	30
Customer Services	Governance and Law	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	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	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	Roads and Amenity Services	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	Roads and Amenity Services	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	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	Economic Development	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 DECEMBER 2017

					As at 31 October 2017		As at 31 December 2017	
DEPARTMENT	**SERVICE**	**TITLE OF RISK**	**DESCRIPTION OF RISK**	**MITIGATIONS ACTIONS IN PLACE**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**
Development & Infrastructure	Planning and Regulatory Services	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	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	Planning fee shortfalls	Due to downturn in economic / building activity, in particular renewable energy development and other major developments could lead to planning fee income shortfalls leading to revenue budget pressures.	Continue to monitor Development Management income and expenditure tightly and investigate further income generation streams. Lobby Scottish Ministers through professional organisations to increase Planning fees to a sustainable level. Support the current (Dec 2016) Scottish Government consultation to raise fee caps on Major Applications	3	100	3	100
Development & Infrastructure	Planning and Regulatory Services	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	75	3	75
Development & Infrastructure	Planning and Regulatory Services	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	Roads and Amenity Services	Roads Maintenance - Roads Network	Adverse weather conditions result in deterioration of the road network necessitating greater spend on repair of defects.	Manage maintenance budgets to ensure that spend is prioritised to deal with safety defects.	3	230	3	230
Development & Infrastructure	Roads and Amenity Services	Street Lighting	Age of lighting stock requires greater maintenance as health and safety becomes a consideration.	Manage maintenance budgets to ensure that spend is prioritised to deal with safety defects.	3	100	3	100
Development & Infrastructure	Roads and Amenity Services	Roads Maintenance - Bridges, Culverts & Sea Defences	Extreme localised weather may result in loss of bridge, culvert , road or sea defence.	Routine inspections to deal with potential weak areas - based on a stitch in time repair regime.	3	300	3	300
Development & Infrastructure	Roads and Amenity Services	Winter Maintenance	Adverse weather conditions which require greater than budgeted number of gritting runs.	Monitor weather conditions and apply gritting policy to minimise costs.	3	700	3	700

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS - AS AT 31 DECEMBER 2017

					As at 31 October 2017		As at 31 December 2017	
DEPARTMENT	**SERVICE**	**TITLE OF RISK**	**DESCRIPTION OF RISK**	**MITIGATIONS ACTIONS IN PLACE**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**
Development & Infrastructure	Roads and Amenity Services	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
Total					**35**	**3,481**	**35**	**3,256**

Argyll & Bute Health & Social Care Partnership

Integration Joint Board

Agenda item: 5.3(i)

Date of Meeting: **31 January 2018**

Title of Report: **Budget Monitoring – December 2017**

Presented by: **Caroline Whyte, Chief Financial Officer**

The Integration Joint Board is asked to:

- **Note** the overall Integrated Budget Monitoring report for the December 2017 period, including:
  - Integrated Budget Monitoring Summary
  - Quality and Finance Plan Progress
  - Financial Risks
  - Reserves
- **Note** that as at the December period there is a projected year-end overspend of £2.9m primarily in relation to the outstanding budget gap at the start of the year, the expected deliverability of the Quality and Finance Plan, the cost of medical locums and continuing overspends from demand for social care services.
- **Note** the financial progress with the delivery of the Quality and Finance Plan and the overall forecast shortfall in delivery of savings.
- **Note** the progress with the implementation of the financial recovery plan and the trajectory of improvement required to deliver financial balance for the 2017-18 financial year. It is unlikely that financial balance will be achieved and efforts continue to be focussed on reducing the overspend as far as possible to limit the impact on funding partners and the budget gap in future years.

1. EXECUTIVE SUMMARY

1.1 The main summary points from the report are noted below:

- The IJB started 2017-18 with an outstanding budget gap of £2m with the intention of managing this through a reduction in the SLA for acute health services negotiated with NHS Greater Glasgow and Clyde and with the remaining balance being delivered through in-year efficiency savings. This position has deteriorated. This is due to ongoing overspends for locums and agency staff, continuation of overspends in social care services and the expectation that not all of the service changes in the Quality and Finance Plan will be delivered.
- This report provides information on the financial position of the Integrated Budget as at the end of December 2017. The projected year-end outturn position is an overspend of £2.9m. A financial recovery plan has been in place

since September and was subsequently updated in November to include further actions to address the financial position. The financial recovery plan is not delivering the planned improvement to the financial position and some benefits of implementation are being offset by increases in demand for services and further delays to the achievement of recurring savings in the Quality and Finance Plan. It is unlikely at this stage in the financial year that financial balance can be achieved and therefore efforts are focussed on reducing the projected overspend as far as possible to limit the impact on the budget in future years.

- Not all savings in the Quality and Finance Plan will be achieved as planned during 2017-18, the IJB are aware some areas are high risk and there may be a significant lead-in time to deliver some of the more complex service changes. There is an agreed project management process in place and the Quality and Finance Plan Programme Board has been established to focus efforts on ensuring the service changes are delivered as any delays or non-delivery of savings will result in short term actions to deliver financial balance.
- In addition to the projected overspend position there are significant financial risks in terms of service delivery for 2017-18 and there are mitigating actions in place to reduce or minimise these, these risks should continue to be closely monitored together with the delivery of the Quality and Finance Plan.

2. INTRODUCTION

2.1 This report sets out the financial position for Integrated Services as at the end of December 2017. Budget information from both Council and Health partners has been consolidated into an Integrated Budget report for the Integration Joint Board.

3. DETAIL OF REPORT

3.1 INTEGRATED BUDGET MONITORING SUMMARY

3.1.1 This main overall financial statement is included as Appendix 1. This contains an objective (service area) financial summary integrating both Health and Council services, with a reconciliation of the overall split of the budget allocation.

3.1.2 There is an overall increase in funding of £3.163m compared to the approved budget. There is an increase in available funding from £258.885m to £262.048m, the in-year changes in funding are noted in Appendix 1. This relates to an increase in Health Funding, mainly relating to additional non-recurring funding allocations from the Scottish Government and a small net increase to Council funding which relates to the drawdown of budget from reserves.

Year to Date Position – YTD Overspend - £0.194m

3.1.3 The main areas to note from this are:

- The overall Year to Date variance is a net overspend of £0.194m. This consists of an underspend of £1.446m in Council delivered services and an overspend of £1.640m in Health delivered services.
- Within Health provided services the overspend is mainly in relation to the budget profile of savings for 2017-18 which have not yet been

implemented and additional costs in relation to locums, the year to date position is in line with the forecast outturn position.

- Within Council provided services the year to date overspend is mainly in relation to delays in receipt and processing of supplier payments. This year to date underspend position is not an indication of the likely year-end outturn position, as the year to date position for the Council is reported on a cash and not accruals basis.

3.1.4 Council and Health partners use different financial systems and treatments for the monthly profiling of budgets and recording of actual costs which results in financial information relating to the year to date position for the integrated budget not being a reliable indicator of the year-end position.

Forecast Outturn Position – Projected Overspend - £2.915m

3.1.5 The year-end forecast outturn position for the December period is a projected overspend of £2.915m. The main areas are noted below:

ADULT CARE – Projected Overspend £5.2m (October £5.0m)

- Anticipated shortfall of £3.5m in the delivery of Adult Care savings as part of the Quality and Finance Plan
- Budget overspends in relation to locum cover for vacancies and sickness absence, the overspend in medical locums to December is £1.3m.
- Budget overspends across localities in relation to GP prescribing totalling £0.7m.
- Projected overspends for demand for social work services including care home placements, supported living services and integrated equipment store. The projected overspend in adult social care services is £1m, these are generally areas which were overspent at the 2016-17 year-end and are areas of focus for the Quality and Finance Plan for 2017-18 onwards. Significant work is required to contain the expenditure within budget before any deliverable savings can be released.

CHIEF OFFICER – Projected Overspend £1.0m (October £1.1m)

- £1.7m of this overspend is reflective of the outstanding budget gap for social care services at the start of 2017-18, the balance will be held as a projected overspend until such a time as savings are identified to offset this.
- This has been partly offset by the expected over-recovery of vacancy savings, funding set aside to fund cost pressures for war pensions and continuing care which have not as yet been required and slippage on investment plan funding which was paused as part of the financial recovery plan.

CHILDREN AND FAMILIES – Projected Underspend £0.2m (October £0.3m)

- Projected underspends in relation to fostering, kinship and supporting young people leaving care reflecting the level of demand on these budgets.
- Underspend in criminal justice services due to staff vacancies and interim management arrangements.

- These underspends in the social care budget have been mostly offset by new demand for children's residential placements and the unavoidable use of agency social work staff. The demand for children's social care services can be volatile and a small change in demand can have a significant impact on costs.
- The remaining underspend is in relation to vacancy savings in Health delivered services.

GG&C COMMISSIONED SERVICES – Projected Underspend £0.2m

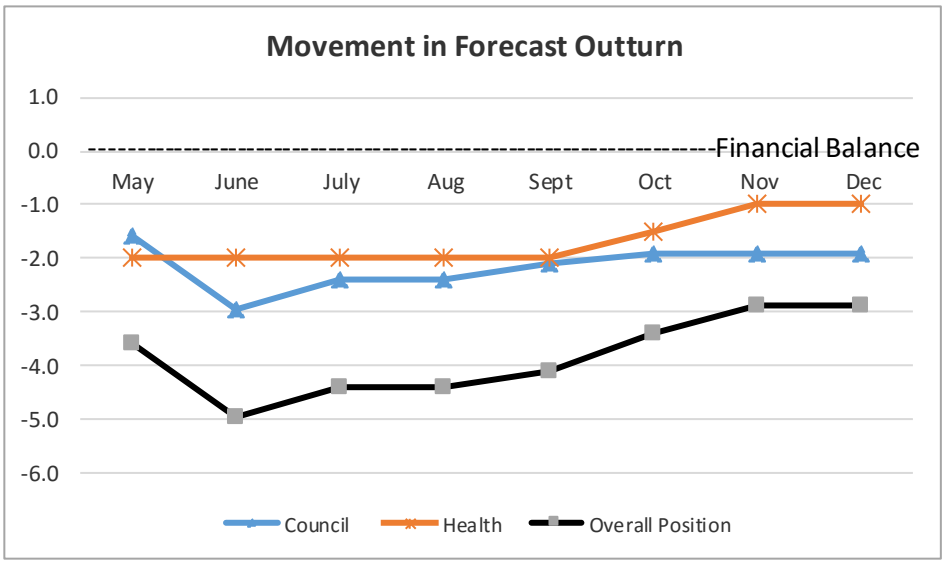
- The HSCP has been clear with NHS GG&C around commissioning intentions for acute health services and the plan to reduce delayed discharges and unscheduled care activity. Part of the financial plan at the start of the year was to reduce the SLA value with NHS GG&C, although at that time the potential savings were not able to be quantified. The SLA value for 2017-18 remains under negotiation but there is an intention to withhold the historic payment for delayed discharges and move to a current activity payment basis, this would see a potential reduction of £0.5m to the payment to NHS GG&C. This benefit is now included in the projected year-end position, although this reduction has not yet been agreed with NHS GG&C.
- There are a number of service areas which are charged on a variable activity basis where demand for services has increased, this growth in demand is partly offsetting any potential reduction in the SLA value.

BUDGET RESERVES – Projected Underspend £1.8m (October £1.5m)

- Represents the uncommitted element of budget reserves which can be utilised to offset the overall projected outturn position. The level of budget reserves has significantly reduced as many of the balances were removed as part of the Quality and Finance Plan for 2017-18, this estimate is based on an assessment of the likely outturn informed by financial performance in previous years. This includes funding set aside as part of the community investment plan, mental health funding, primary care transformation funding and winter pressures. It is possible that some of these allocations will require to be re-provided in 2018-19.

3.1.6 The forecast outturn position is reliant on a number of assumptions around the current and expected level of service demand and costs, this is subject to change and is reported through routine monthly monitoring, clearly the closer to the financial year-end the more accurate the projected position becomes. The position at the end of the October period was a forecast overspend of £3.4m, this has reduced to £2.9m as at December.

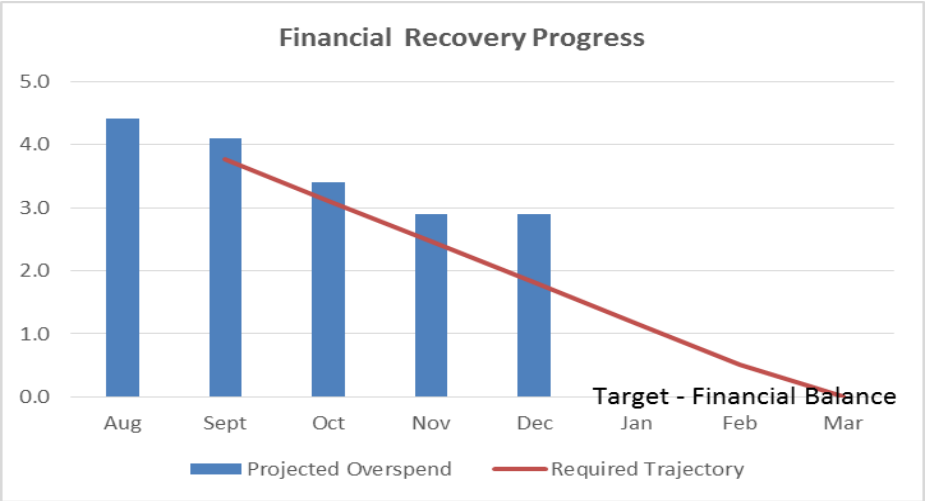
3.1.7 The chart below shows the movement in the forecast outturn position during the 2017-18 financial year:



3.1.8 A financial recovery plan has been in place since August 2017 and was subsequently updated in October to include additional actions to increase the momentum of cost reduction to deliver financial balance. The overall financial position has improved since August however the scale of the improvement would indicate that the financial recovery plan is not going to deliver the improvement required to deliver financial balance at the financial year-end.

3.1.9 The financial recovery plan is impacting on front line service delivery across all services, is leading to gaps in service delivery due to recruitment delays and is generating some resistance from staff and teams. The financial benefit of this is not being fully recognised in the financial forecasts as the recovery plan is not delivering the full £0.7m a month improvement required whilst at the same time accommodating an increase in demand for services (for example children's residential placements and older people's residential care home placements) and also the impact of additional delays in delivering savings on the Quality and Finance Plan.

3.1.10 Progress against the required trajectory of financial improvement is illustrated in the chart below:



3.1.11 It is clear from the above that the financial position is not moving towards financial balance at the pace and momentum required to have confidence that this can be delivered by the year-end. Efforts remain focused on reducing the overspend position as far as possible and the financial recovery plan will continue to be in place until the financial year-end.

3.1.12 Any overspend in the 2017-18 financial year would require to be added to the budget gap for 2018-19 as the IJB would require to borrow funding from the Health Board and/or Council and repay this. Based on current projections this would require a further £2.9m of savings to be delivered in 2018-19 together with the in-year budget gap due to funding and pressures. In addition there will be project funding estimated at £0.5m which may require to be re-provided in 2018-19, ordinarily where there was an expected budget underspend this would be facilitated through the earmarking of reserves.

3.2 QUALITY AND FINANCE PLAN PROGRESS

3.2.1 Progress with the individual budget reductions outlined in the Quality and Finance Plan is detailed in Appendix 2. This notes the financial savings delivered to the December 2017 period and any estimated year-end shortfall.

3.2.2 Savings are declared where these are achieved on a recurring basis, there are a number of non-recurring savings or underspends which are partly offsetting delays in delivering recurring savings. These underspends are not declared as savings in-year and all declared savings are those which have been delivered on a recurring basis.

3.2.3 To the December period £3.6m of savings have been delivered on a recurring basis, a number of these are savings which had been carried forward from 2016-17 or are efficiency savings. This leaves total savings of £5.1m to be delivered in 2017-18, this is in addition to the £2m of unidentified savings.

3.2.4 The update on progress includes an estimate of the recurring shortfall in the delivery of savings for each individual service change, in terms of the overall position at this stage an estimate of £4.0m has been included in the forecast outturn position as the indicative level of savings forecast not to be delivered in 2017-18. The main areas where there are expected to be shortfalls or delays in savings delivered are:

- Rural Cowal Out of Hours Service (£0.3m)
- Re-design of community pathways and community hospital services to shift the balance of care as a result of reduced length of stay, reduced delayed discharges and reduced emergency admissions – Campbeltown, Mid Argyll, Cowal, Bute, Islay (£1.4m)
- Lorn and the Islands Hospital (£0.3m)
- Struan Lodge Service Re-design (£0.2m)
- Corporate and Support Staff Efficiencies (£0.2m)
- Catering and Cleaning and other Ancillary Services (£0.4m)
- Prescribing (£0.2m)

3.2.5 For 2017-18 we have a consistent project management approach in place for the monitoring of the Quality and Finance Plan, to enable progress on the delivery of the plan to be monitored both in operational and financial terms. SMT will ensure there are clear lines of responsibility for projects, that there is

clear oversight of the progress of all projects, risks and timelines are clearly identified and monitored and any deviations from plans or risks of non-delivery are identified at the earliest opportunity.

3.2.6 The Quality and Finance Plan Programme Board has now been established and includes representation from officers, IJB members and staff side. Part of their role is to monitor, challenge and support the delivery of the Quality and Finance Plan. The Board provide assurance to the IJB that appropriate challenge, support and rigour is applied to the implementation and development of the Quality and Finance Plan.

3.2.7 There is a reported forecast overspend of £2.9m as at the December 2017 period, this is partly in relation to the expected shortfall in the delivery of the Quality and Finance Plan. With the current estimate being that £4.0m of the agreed savings will not be deliverable in 2017-18 it is clear that there needs to be a focus on accelerating the pace of change to releasing recurring savings, if these were on track to be delivered as planned there would be no reported overspend position.

3.3 FINANCIAL RISKS

3.3.1 An assessment of financial risks together with the likelihood and impact and the potential financial consequences for the Integrated Budget is included as Appendix 3. This only includes financial related risks and highlights areas where there are potential cost or demand pressures facing service delivery.

3.3.2 There are 7 financial risks with a potential financial impact of £2.6m noted at the December 2017 period. These are assessed in terms of likelihood and a summary of the risks is noted in the table below:

Likelihood	Number	Potential Financial Impact £000
Almost Certain	0	0
Likely	0	0
Possible	7	2,600
Unlikely	0	0
Remote	0	0
TOTAL	**7**	**2,600**

3.3.3 The potential financial impact represents the estimated full year impact on the budget, this value will reduce as we progress through the financial year. Where financial risks do not materialise or are mitigated entirely the risk will be removed, where risks materialise the impact will be reported through the forecast outturn position.

3.3.4 At December the number and likelihood of risks has reduced from earlier in the financial year and the risk exposure is less significant, however this may be partly due to some previous risks having materialised and now being reported

through the forecast outturn position. There remains significant exposure to risks in relation to demand and in some service areas, for example children's services, a small increase in demand can result in a significant increase in cost.

3.4 RESERVES

3.4.1 The overall position for reserves is noted below:

	£'000
Opening Reserve Balance at 1 April 2017	479
Earmarked Balances	(451)
Unallocated Reserves at 1 April 2017	28

3.4.2 As the current forecast outturn position for 2017-18 is a projected overspend it is not anticipated that there will be additional reserves at the 2017-18 year-end. Likewise as there are only £0.028m of unallocated reserves there are minimal reserves available to offset any potential year-end overspend.

3.4.3 There are balances totalling £0.451m earmarked from IJB reserves, progress with utilising these reserves in line with their agreed purpose is included in Appendix 4.

3.4.4 In addition to the IJB reserve balance there are inherited reserve balances from Council delivered services. These balances for 2017-18 total £0.1m. These historic balances are mainly in relation to unspent grant monies carried forward or funds the Council earmarked specifically from the general fund for service development. The funds are committed for specific projects previously approved by the Council, this includes funding for:

- Sensory Impairment
- Autism Strategy
- Early Intervention (Early Years Change Fund)
- Criminal Justice Transformation
- Violence Against Women Training

4. CONTRIBUTION TO STRATEGIC PRIORITIES

4.1 The Integration Joint Board has a responsibility to set a budget which is aligned to the delivery of the Strategic Plan and to ensure the financial decisions are in line with priorities and promote quality service delivery, monitoring this budget through the financial year is key to ensuing a balanced budget position.

5. GOVERNANCE IMPLICATIONS

5.1 Financial Impact

5.1.1 As at the December 2017 monitoring period significant financial risks have been identified and services are forecasting a year-end overspend of £2.9m. The financial position has improved during the year, however indications are that the financial recovery plan is not providing sufficient momentum or assurance that the financial position can be brought back into line. Efforts remain focussed on containing and reducing the financial overspend as far as possible to limit the impact on future years.

5.2 Staff Governance

The Quality and Finance Plan includes service changes which will impact on staff roles, the IJB will comply with the appropriate staff governance standards.

5.3 Clinical Governance

None

6. EQUALITY & DIVERSITY IMPLICATIONS

Actions in the financial recovery plan may result in delays or increased waiting times for services.

7. RISK ASSESSMENT

7.1 Financial risks are monitored as part of the budget monitoring process. Operational and clinical risks will be taken into account as part of the implementation of the financial recovery plan.

8. PUBLIC & USER INVOLVEMENT & ENGAGEMENT

8.1 Where required as part of the delivery of the Quality and Finance Plan local stakeholder and community engagement will be carried out as appropriate in line with the re-design of service provision. The financial recovery plan requires to be implemented very quickly to ensure the financial position can be addressed, as part of this there will be engagement with individual affected service users.

9. CONCLUSIONS

9.1 This report summarises the financial position of the Integrated Budget as at December 2017. The forecast year-end outturn position is a projected overspend of £2.9m. The starting point for the year was an outstanding budget gap of £2m, therefore there has been an overall deterioration to the position. There has been improvement since the financial recovery plan was implemented, at that time there was a forecast overspend of £4.4m.

9.2 Progress with financial recovery is being impacted by demand for new services, continued service delivery pressures and delays with the delivery of recurring savings in the Quality and Finance Plan. It is unlikely at this late stage in the financial year that financial balance will be achieved at the year-end, efforts will continue to contain the overspend as far as possible to limit the impact on funding partners and on the the budget gap for the IJB in future years.

APPENDICES:

Appendix 1 – Integrated Budget Monitoring Summary – December 2017
Appendix 2 – Quality and Finance Plan Progress – December 2017
Appendix 3 – Financial Risks – December 2017
Appendix 4 – Earmarked Reserves – December 2017

INTEGRATED BUDGET MONITORING SUMMARY - DECEMBER 2017

	Year to Date Position				Forecast Outturn			Previous Period (Oct)	
	YTD Actual £000	YTD Budget £000	YTD Variance £000	Variance %	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	Forecast Variance £000	Movement in month £000
Service Delegated Budgets:									
Adult Care	99,309	96,254	(3,055)	-3.2%	130,669	135,859	(5,190)	(5,026)	(164)
Alcohol and Drugs Partnership	697	766	69	9.0%	1,129	1,029	100	70	30
Chief Officer	(11,133)	(11,074)	59	-0.5%	(5,175)	(4,222)	(953)	(1,119)	166
Children and Families	13,586	14,618	1,032	7.1%	19,885	19,695	190	309	(119)
Community and Dental Services	2,725	3,041	316	10.4%	4,055	3,655	400	400	0
Estates	3,887	3,713	(174)	-4.7%	5,109	5,322	(213)	(229)	16
Lead Nurse	983	992	9	0.9%	1,319	1,325	(6)	14	(20)
Public Health	855	969	114	11.8%	1,321	1,169	152	126	26
Strategic Planning and Performance	2,700	2,756	56	2.0%	3,677	3,586	91	(24)	115
	113,609	112,035	(1,574)	-1.4%	161,989	167,418	(5,429)	(5,479)	50
Centrally Held Budgets:									
Budget Reserves	0	1,250	1,250	100.0%	1,503	(297)	1,800	1,500	300
Depreciation	1,878	1,878	0	0.0%	2,504	2,504	0	0	0
General Medical Services	11,915	11,874	(41)	-0.3%	15,862	15,922	(60)	(57)	(3)
Greater Glasgow & Clyde Commissioned Services	44,895	44,662	(233)	-0.5%	59,690	59,453	237	340	(103)
Income - Commissioning and Central	(977)	(927)	50	-5.4%	(1,237)	(1,281)	44	30	14
Management and Corporate Services	1,741	1,889	148	7.8%	4,734	4,515	219	52	167
NCL Primary Care Services	6,231	6,231	0	0.0%	8,508	8,508	0	0	0
Other Commissioned Services	2,426	2,632	206	7.8%	3,508	3,234	274	200	74
Resource Release	3,740	3,740	0	0.0%	4,987	4,987	0	0	0
	71,849	73,229	1,380	1.9%	100,059	97,545	2,514	2,065	449
Grand Total	**185,458**	**185,264**	**(194)**	**-0.1%**	**262,048**	**264,963**	**(2,915)**	**(3,414)**	**499**

Reconciliaton to Council and Health Partner Budget Allocations:

	Year to Date Position				Forecast Outturn			Previous Period	
	YTD Actual £000	YTD Budget £000	YTD Variance £000	Variance %	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	Forecast Variance £000	Movement in month £000
Argyll and Bute Council	36,292	37,738	1,446	3.8%	56,380	58,295	(1,915)	(1,914)	(1)
NHS Highland	149,166	147,526	(1,640)	-1.1%	205,668	206,668	(1,000)	(1,500)	500
Grand Total	**185,458**	**185,264**	**(194)**	**-0.1%**	**262,048**	**264,963**	**(2,915)**	**(3,414)**	**499**

INTEGRATION JOINT BOARD

APPENDIX 1

FUNDING RECONCILIATION - DECEMBER 2017

Partner	£000	£000	£000
Argyll and Bute Council:			
Opening Funding Approved		56,360	
Annual Budget at December 2017		56,380	
Movement		**20**	
Details:			
Non-recurring drawdown of budget from Reserves			45
Violence Against Women Funding Transfer			3
Integration Services Contribution to HR and First Aid Training			(28)
			20
NHS Highland:			
Opening Funding Approved:			
Core NHS Funding	197,945		
Additional SG Funding	4,580		
Opening Funding Approved		202,525	
Annual Budget at December 2017		205,668	
Movement		**3,143**	
Details:			
Other SG funding increases/decreases			3,063
Transfer from SW to fund ICAT Team			80
			3,143

INTEGRATION JOINT BOARD **APPENDIX 2**

QUALITY AND FINANCE PLAN PROGRESS - DECEMBER 2017

Ref	Description	Detail	Key Date	Previously approved 2016-17 saving?	2017-18 Budget Reduction £000	Achieved to December 2017	Remaining	Estimated Shortfall	2018-19 Budget Reduction £000
CHILDREN'S SERVICES:									
CF01	Redesign of Internal and External Residential Care Service	Minimise the use of external placements, increase the capacity of our residential units by adding satellite flats and developing a core and cluster model. Develop social landlord scheme to support 16+ young people moving from foster care or residential care. Further review and where possible bring back all 16+ year olds to local area.	Apr-17	No	300	300	0	0	400
CF02	Redesign staffing structure across Children and Families service to cope with duty under CYP Act and government initiatives within NHS.	Scoping of children and Families staffing requirements as case load increases due to the requirements of the Children and Young People (Scotland) Act the service will be looking after children for longer. For the next 8 years there will be a steady increase only levelling out in 2026. Incrementally the service will require 5 additional social workers. Health visiting pathway requires additional Health Visitors, additional services for children in distress are required. Requirement to scope and cost a new staffing structure through consultation with staff and those who use the service, we will develop a programme board and look at front line staff and management structure to further develop integrated teams. Reviewing workloads and supporting third tier sector to undertake social care tasks.	Sep-17	No	100	26	74	59	200
CF03	School Hostels - Explore the opportunities to maximise hostel income.	May be opportunities to actively market accommodation over holiday periods and use annexe accommodation to attract locums at a reduced cost. Although we have an income budget that we currently do not achieve we would hope to over recover income.	Mar-18	No	0	0	0	0	10
LORN AND THE ISLANDS HOSPITAL:									
AC01	Lorn and the Islands Hospital Future Planning to improve the local services and engage specialist services appropriately to deliver best possible care.	LIH group established with representation from public, community, third and independent sector working jointly to design services that will minimise or avoid all delayed discharges, offer excellent quality local care complemented by specialist care out of area as required. Prevention of admissions to be achieved by shfiting the overall balance of care and staff to ensure anticipatory care planning in place. Working wth the LIH group to explore clinical options and offer continued, consistent appropriate hospital care. Data collection and scrutiny to inform the service design. Recruitment and retention strategies to support the service.	Dec-18	Yes, partly.	347	30	317	255	647
AC02	Further improvement and investment in the scope of OLI Community Wards to offer quality services and support on discharge and timely assessment and reablement.	Community staff further upskilled through training and understanding of scope of services. Resource to ensure that 'virtual wards' feel and give a service which is perceived as real and more effective than location based services.	Estimated April 18	No	included above	included above	included above	included above	included above
CARE HOMES:									
AC03	Putting environment, independent living and service user choice at the heart of care support by reviewing the current buildings and care service employed by Ardfenaig and Eader Glynn to deliver an improved environment, better choice and control.	Identify all options with partners to better provide support when care at home is no longer possible. Seek engagement to review all options with full regard for choices and control of people who use these services.	Anticipate Jan 19	No	0	0	0	0	53
AC04	Identified demand for greater choice of support care on Tiree, currently and for future planning. .	Island demand to be quantififed, and provision reviewed in line with current and emerging demands.	Jan-19	No	0	0	0	0	46

Ref	Description	Detail	Key Date	Previously approved 2016-17 saving?	2017-18 Budget Reduction £000	Achieved to December 2017	Remaining	Estimated Shortfall	2018-19 Budget Reduction £000
LEARNING DISABILITY:									
AC05	Redesign of Learning Disability services including day services and support at home for adults across Argyll and Bute, the priority needs to be given to service user need and demand in each local area.	Utilise learning from Helensburgh redesign, and engage with stakeholders. Full account of service user views and the current and emerging needs, encouraging independence and shifting the balance of care.	Phased from Aug17	Yes, partly.	175	67	108	25	525
COMMUNITY MODEL OF CARE:									
AC06	Repatriate top 15 high cost young adult care placements from outwith Argyll and Bute. This includes service users who are in residential care and some who are receving specialist supported living services outwith the area.	Identify then review top 15 adults outwith the area currently and undertake review with a view to bringing their care package back to Argyll and Bute. Need to link with housing providers and social care providers to identify capacity and cost to bring adults back to shared tenancy arrangements.	Quarterly rolling reviews from April 17	No.	73	0	73	0	194
AC07	Supported living is categorised into four categories. Critical (P1) and substantial (P2) needs will be met and others will be signposted to self-help and community resources.	Review existing supported living care packages to ensure that cases meet the priority of need framework. Promote use of SDS. Introduce Area Resource Groups to scrutinise adult care supported living and delayed discharge packages.	Quarterly rolling reviews from April 17	No.	0	0	0	0	460
AC08	Review the delivery of services for older people to consider alternative ways of delivering services for older people.	Ensure all new packages adhere to Value for Money principles. Consider alternative ways to deliver support/meet the assessed outcomes of service users.	Ongoing from 16-17	Yes, partly.	200	200	0	0	200
AC09	Redesign the provision of sleepovers provided by the HSCP.	Shift to new model of care using telecare/overnight response teams. Work with care providers to redesign unavoidable sleepover provision and look for opportunities to share provision across multiple service users.	Ongoing from 16-17	Yes	200	0	200	0	200
AC11	Investment in 'Neighbourhood Team' approach to delivery of care at home for the community across Mid Argyll, Kintyre and Islay. Putting service users at the heart of service design.	More responsive and person centred approach to delivery, better meeting needs. A best practice model, which is truly person centred, maintains independence and recognises dignity alongside independence, and improved outcomes.	Oct-17	No	0	0	0	0	0
AC12	Investment in 'Neighbourhood Team' approach to delivery of care at home for the community across Oban Lorn and the Islands. Putting service users at the heart of service design.	More responsive and person centred approach to delivery, better meeting needs. A best practice model, which is truly person centred, maintains independence and recognises dignity alongside independence, and improved outcomes.	Oct-17	No	0	0	0	0	0
AC14	Modernise community hospital care in Campbeltown establishing a cross agency 'Planning for the Future' group, to actively review range of bed space uses and options. Aim to achieve community based, and community focussed hospital model linking seamlessly with enhanced community services.	Review group to identify and engage with stakeholders on best use of bed spaces to maintain a quality and responsive service 24/7 which supports patients appropriately and timeously. Improving community focus and hospital criteria aims to reduce or negate delayed discharges, improve prevention and anticipatory care planning. Potential for greater joined up working with other hospitals, and effective use of data assumed.	Apr-18	Yes, partly.	232	0	232	232	232

Ref	Description	Detail	Key Date	Previously approved 2016-17 saving?	2017-18 Budget Reduction £000	Achieved to December 2017	Remaining	Estimated Shortfall	2018-19 Budget Reduction £000
AC15	Improvements to community focussed care in Mid Argyll, with focus on improving the model of delivery and service in MACHICC. Improved responsive community services able to repsond 24/7 supporting patients in their own homes. Shifting the balance of care and ensuring effective and efficient use of hospital services.	Improvements and expansion of community based services in Mid Argyll to achieve reduced or nill delayed discharges, greater prevention and anticpatory care planning to enable people to live in their own homes, or return to their own homes as quickly aspossible.	Apr-18	Yes, partly.	170	20	150	150	170
AC16	Continue with the review and redesign in-patient ward in Cowal Community Hospital currently reviewing the acute observation beds, short term assessment beds, delayed discharges, prevention of admissions and A&E breeches. The review will include considering enhanced community care to prevent admissions.	Continue the current review and consider how we deliver community services in Cowal to provide 24/7 response to support patients at home.	Sep-17	Yes, partly.	537	35	502	502	537
AC17	Continue with the review and redesign GP in-patient ward in Victoria Hospital currently reviewing the acute observation beds, short term assessment beds, delayed discharges, prevention of admissions and A&E breeches. The review will include considering enhanced community care to prevent admissions.	Redesign of community services in Bute to provide 24/7 response to support patients at home. Community and staff engagement.	Sep-17	Yes.	250	0	250	250	250
AC18	Improve and expand community based care on Islay through investment in preventative measures to address dealyed discharge and reduce admissions. Shifting the balance will include making better use of Islay Hospital and Gortanvogie Care home to meet community care demands.	Review use and need of community services on Islay to better support people to live at home with quality services. Enhancing community based care including using technology where appropriate, and consider use of alternative booking systems. Support from and engagment with both communities and staff to help shift balance.	Commencement Oct 17 - duration likely 9 - 12 months.	Yes, partly.	330	100	230	230	330
AC19	Review of AHP Out-patient service delivery	Consider increasing protocol driven review of follow-up and domicilarry visits. Use of technology like VC and Flo. Review whether AHPs could offer review instead of trips to GG&C to see consultants. Extension of roles like Orthopaedic triage and 'First Contact' input into GPs.		No	0	0	0	0	0
AC20	Seek to ensure care at home services offer flexibility and choice and are person centred and fit for purpose. Current in-house services are restricted and review would enable options to be explored with external providers to improve West Argyll service.	Neighbourhood teams with external providers give flexibility and should be considered within options following period of market testing. Would require input from procurement and commissioning staff to expand and improve the current care at home service.	Apr-18	Yes, partly.	0	0	0	0	160
AC25	In older people day resource centres improve and address issues of high levels of management structure to integrate and consolidate services within realistic opening hours based on client demand.	Review the management at HSCP operated day services. Consider a reduction in opening hours of adult day services. Evidence indicates shorter opening hours would be appropriate and acceptable in day services. Moreover, there is a high management resource which is capable of rationalisation. Engagement and consultation with service users and with staff to align needs and demands.	Oct-17	No	50	0	50	0	208

Ref	Description	Detail	Key Date	Previously approved 2016-17 saving?	2017-18 Budget Reduction £000	Achieved to December 2017	Remaining	Estimated Shortfall	2018-19 Budget Reduction £000
MENTAL HEALTH SERVICES:									
AC21	Improve community based support and services for dementia to achieve shift in balance of care and respond to need and demand in person centred service.	Implement full review and scoped options for community models which meet user demand, support carers and person centred otucomes. Appraise neighbourhood model and scope options which shift balance of care.	Dec-18	No	250	200	50	50	250
AC22	Deliver improved mental health consultant support and create dedicated consultants to each locality Community Mental Health Team, and a dedicated consultant for inpatients. Better sharing of on call services, additional locality clinics and support for crisis response and places of safety.	CMHT services and patients would benefit from the redesign to support an improved model. Locality consultation and with CMHT's to support change, and achieve better outcomes.	Oct-17	No	0	0	0	0	0
AC23	Steps to ensure and maintain patient and community safety will be taken by redesignating and maintaining a secure locked environment for those with the most fragile mental health requiring extra care. This is based on the needs of service users, and experience from current Intensive Patient Care Unit.	Actions required pertain to legislation relevant to service delviery, which will be strictly followed. Work with staff to make changes to overall establishment and working practices and to agreee robust admission criteria. Some work with GG&C should needs arise for additional services.	May-17	No	100	100	0	0	200
AC24	Further enhancement to community based care to ensure those with mental health issues have the same opportunities and choices. To include consideration of a step up / step down model for Lochgilphead and area service users.	Adopt community focussed approach, and use technology when possible, to review use of Ross Crescent to make this appropriate for a modernised mental health service. Ensuring patient choice and views are at the centre of service provision, with independence encouraged and supported.	Dec-17	No	45	0	45	0	45
CORPORATE SERVICES:									
CORP1	Front line health and social care staff working together in same locations, and move corporate and support staff.	Co-locate staff into unused space in our hospitals, close the corporate support HQ building in Lochgilphead, move to other sites in Lochgilphead including council offices. Savings expected to be achieved from a range of departmental budgets including; finance, planning, IT, HR, pharmacy management, medical management, lead nurse and estates.	Apr-17	No	335	76	259	205	335
CORP2	Integrate health and social work administration, implement digital technology and centralise appointment systems.	Follow on from co-location CORP 1, a targeted piece of work would commence in 2017-18 to extend the review of social work administration and medical record keeping. The implementation of electronic solutions to improve efficiency and a move to electronic medical records would be required.	Sep-17	No	120	23	97	69	325
CORP3	Management /Professional Leadership Review	Review the overall management structure.	Apr-18	No	tbc	tbc	tbc	tbc	tbc
CORP4	Rationalisation of Estates/Property-linked to CORP's 1 and 2.	Review of current property portfolio and opportunities to rationalise this. Review the current leases in place and find alternative accommodation to reduce costs.	Sep-17	No	75	0	75	75	75
CORP5	Implement Lync/Skype for Business	Implement Skype for Business (Microsoft Lync) communications platform, this will reduce telephone and travel costs and improve communication and collaboration. Business case is due to be finalised It is required to maximise benefits in Corp 1 and Corp 2.	Apr-18	Yes	0	0	0	0	0
CORP6	Catering and Cleaning and other Ancillary Services	Reduction in buildings occupied and opportunities to work with our partner organisations, take opportunities to reduce costs for catering and domestic services. Significant opportunities to share services and reduce costs.	Sep-17	No	505	80	425	393	505

Ref	Description	Detail	Key Date	Previously approved 2016-17 saving?	2017-18 Budget Reduction £000	Achieved to December 2017	Remaining	Estimated Shortfall	2018-19 Budget Reduction £000
CORP7	Vehicle Fleet Services	Explore opportunities for the centralisation of shared fleet service (as in part of NHS Grampian), look to share vehicles with partners, and a review of the provision of services.	Sep-17	No	0	0	0	0	0
CORP8	The agreement with NHS Greater Glasgow & Clyde (NHSGG&C) provides hospital services outside Argyll and Bute.	Invest in community services and IT to reduce delayed discharges and patients length of stay in NHS GG&C hospitals, and commission NHSGG&C to reduce return appointments and follow up rates. Activity targets to be agreed based on national target for Scotland to free up 400,000 occupied bed days.	Apr-17	No	tbc	tbc	tbc	0	tbc
CORP9	Capital projects - Dunoon GP practices new build, Bute Health and care campus, Care Home redesign, and new model of care relocation of Salen Surgery to Craignure & elements of CORP 4	Formal capital design projects at large and small scale, latter to be costed by March 2017 for inclusion in capital programmes for next 2 years. Large scale projects require formal processes and resource.	TBC	No	0	0	0	0	0
CORP10	Alcohol and Drugs Partnership	The ADP will look to review and reduce costs being incurred in delivering alcohol brief interventions, supporting the voluntary sector and the ABAT statutory service sector. The reduction in 17-18 equates to 8% of the total budget for ADP.	Apr-17	No	100	100	0	0	150
TOTAL					**4,494**	**1,357**	**3,137**	**2,495**	**6,707**

2016-17 QUALITY AND FINANCIAL PLAN

PREVIOUSLY APPROVED SAVINGS - STILL TO BE DELIVERED:

1	Prescribing		100	100	0	0	100
5	Redesign of the Out of Hours Service for Cowal		300	55	245	245	300
13	Closure West House	*updated to reflect actual shortfall in 2016-17 - increased by £170k	270	50	220	220	270
14	Closure AROS		150	42	108	108	150
15	Kintyre Medical Group	*updated to reflect actual shortfall in 2016-17 - increased by £50k	75	0	75	75	75
21	Review Day Hospital Services for Older People with Dementia	*updated to reflect actual shortfall in 2016-17 - increased by £25k	25	25	0	0	25
27	Kintyre Patient Transport		25	0	25	25	25
29	Mid Argyll Operational Teams Redesign	*updated to reflect actual shortfall in 2016-17 - increased by £20k	20	0	20	20	20
45	Ardlui		10	10	0	0	10
51	Supporting Young People Leaving Care		17	17	0	0	17
52	Consultation Support Forum		5	5	0	0	5
55	Struan Lodge	*updated to reflect actual shortfall in 2016-17 - increased by £175k (full year saving of £350k planned from 2018-19)	175	0	175	175	175
56	Thomson Court	*updated to reflect actual shortfall in 2016-17 - increased by £10k (full year saving of £20k planned from 2018-19)	10	0	10	0	10
59	Bowman Court Progressive Care Centre		80	80	0	0	80
61	Internal Mental Health Support Team		60	0	60	0	60
62	Assessment and Care Management		12	0	12	12	12
63	Assessment and Care Management		30	0	30	30	30
66	Supported Living Services	*updated to reflect actual shortfall in 2016-17 - increased by £100k	100	0	100	50	100
			1,464	**384**	**1,080**	**960**	**1,464**

2016-17 SAVINGS - FULL YEAR IMPACT:

55	Struan Lodge	0	0	0	0	175
56	Thomson Court	0	0	0	0	10
58	Tigh a Rhuda	22	22	0	0	22
		22	**22**	**0**	**0**	**207**

Ref	Description	Detail	Key Date	Previously approved 2016-17 saving?	2017-18 Budget Reduction £000	Achieved to December 2017	Remaining	Estimated Shortfall	2018-19 Budget Reduction £000
2016-17 APPROVED SAVINGS - ADDITIONAL SAVINGS DELIVERABLE:									
1	Prescribing				700	300	400	200	1,400
3	Further Savings from closure of Argyll and Bute Hospital				282	250	32	32	282
27	Kintyre Patient Transport.				25	0	25	25	75
5	Redesign of the Out of Hours Service for Cowal				29	0	29	29	29
10	NHS GG&C contract / services				100	0	100	100	100
					1,136	**550**	**586**	**386**	**1,886**
NEW:									
EFFICIENCY SAVINGS:									
1	Commissioned Services				500	500	0	0	500
3	Budget Reserves				350	350	0	0	200
4	Equipment Depreciation				50	46	4	0	50
5	Increased patients' services income				50	50	0	0	50
6	Community Dental Services				20	20	0	0	20
7	Review of Podiatry Services Budgets				20	0	20	0	20
8	Helensburgh & Lomond Locality - local initatives, recurring underspends				20	20	0	0	20
9	Medical Physics Department - review of supplies budget to make best use of resources based on in year underspend.				45	23	22	22	45
10	Energy Costs for Health Buildings (excluding A&B Hospital & Aros)				50	10	40	0	50
11	Oban, Lorn & Isles Locality - patients' travel				40	40	0	0	40
12	Review of Radiography Services Budgets				50	17	33	0	50
13	Mental Health Bridging Funding				0	0	0	0	400
14	HEI Budget - reduction on basis that requirement will reduce in line with beds				0	0	0	0	50
15	Mid Argyll Social Work Office				10	0	10	0	10
16	Admin - travel reduction				3	3	0	0	3
17	Planning				51	51	0	0	51
18	Review MAKI management structure to ensure best use of resources.				130	0	130	130	250
19	Children and Families - Respite				10	10	0	0	10
20	Children and Families - Carers Payments				10	10	0	0	10
21	Children and Families - Children Affected by a Disability				10	10	0	0	10
22	Adult Services Fees and Charges				50	50	0	0	50
23	Children and Families - Child Trust ISAs				10	10	0	0	10
24	Adult Services Charging Order Long Term Debt Adjustment				25	25	0	0	25
25	Social Work Utility Costs				33	33	0	0	33
26	Mull Medical Group - reduction in use of GP locums				50	0	50	50	50
					1,587	**1,278**	**309**	**202**	**2,007**
GRAND TOTAL					**8,703**	**3,591**	**5,112**	**4,043**	**12,271**

* highlighted figures have been updated for actual remaining balance following 2016-17 year-end

INTEGRATION JOINT BOARD **APPENDIX 3**

FINANCIAL RISKS - DECEMBER 2017

Ref	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS/ACTIONS IN PLACE	LIKELIHOOD SCORE	LIKELIHOOD OVERALL LIKELIHOOD	POTENTIAL FINANCIAL IMPACT £000
1	Prescribing	Costs increase through national pricing agreements, new drugs are introduced, volumes dispensed increase.	Closer working with prescribers to ensure formulary compliance and Best Value.	3	Possible	500
2	Commissioned Services	The volume of high cost care packages increases.	Closer scrutiny of applications for care packages.	3	Possible	250
3	Adult Care - Older People Service Demand	Demand for services for older people (ie over 65s) exceeds the demand pressure already factored into the budget.	Ongoing monitoring and reporting of service demand and provision costs to IJB management team.	3	Possible	600
4	Medical Locums	Need for use of locums increases in A&B Hospital, Lorn & Islands hospital and Mull GP services, and risk of new requirement in other areas.	Pursue new models of service provision with NHS Glasgow and Greater Clyde and the local teams.	3	Possible	200
5	Children and Families - Looked After Children Residential Placements	Increased demand for services, level of support or increased placement cost. High cost service where small movement in demand can significantly increase costs.	Regular client reviews to minimise duration of placements and maximise existing resources where possible.	3	Possible	250
6	Adult Care - Sustainabilty of Commissioned Service Providers	Risk of financial and operational sustainablity of care at home and care home commissioned providers, leading to additional financial support or costs of re-provision of services locally.	Commissioning team contract monitoring process and the ongoing dialogue with commissioned providers. Support with workforce and recruitment issues across Argyll and Bute, open to innovative ways to provide support and support tests of change as part of the National Care Home Contract work.	3	Possible	300
7	NHS Greater Glasgow & Clyde SLA	Charges from GG&C increase due to growth in activity levels, risk that with SLA negotiations GG&C pass on activity changes in-year and that no agreement can be reached on a reduced SLA value in light of reduced delayed discharge and unplanned admissions activity.	Management of contract and negotiations, monitoring of any cases passed onto the IJB on a cost basis, information flows in place with GG&C. Ensuring patient flow and capacity in the community supports shift in the balance of care and reduces activity in GG&C. Holding the agreement of the SLA unless in line with the commissioning intentions set out at the start of the year.	3	Possible	500

INTEGRATION JOINT BOARD **APPENDIX 4**

EARMARKED RESERVES MONITORING -OCTOBER 2017

Description	Opening Balance £	Forecast Spend 2017-18 £	Forecast Spend Future Years £	Lead Officer	Progress Update
Technology Enabled Care	208,000	208,000	0	Stephen Whiston	Project is progressing. 17/18 budget is £405k which includes £208k c/f.
Mull GP transformation	65,000	65,000	0	Annie MacLeod	Project is progressing for completion in 17/18.
Mastermind Project	25,000	25,000	0	Nicola Gillespie	Project is progressing, awaiting recruitment.
Everyone's Business	41,000	10,000	31,000	Gillian Davies	Project is progressing, awaiting recruitment. There could be delay in spend.
Primary Care Transformation Fund - Developing GP Clusters	18,000	18,000	0	Joyce Robinson	Project is progressing. Payments to support Cluster Groups
Primary Care Transformation Fund - Buurtzorg Model in Appin	50,000	5,000	45,000	Pamela McLeod	Delayed due to recruitment. Project Manager Post advertised.
Primary Care Transformation Fund - Urgent Care Resource Hub - Bute	44,000	44,000	0	Joyce Robinson/Liz Higgins	Project is progressing. Prescribing Link Worker advertised and associated costs. Plans being developed to spend any uncommitted balance.
TOTAL	**451,000**	**375,000**	**76,000**		

Agenda Item 4e

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

STRATEGIC FINANCE **15 February 2018**

CAPITAL BUDGET MONITORING REPORT – 31 December 2017

1 EXECUTIVE SUMMARY

1.1 This provides an update on the position of the capital budget as at 31 December 2017. 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 net expenditure to date is £23,854k compared to a budget for the year to date of £24,836k giving rise to an underspend for the year to date of £982k (4%).
- **Forecast Outturn for 2017-18** – forecast net expenditure for the full financial year is £48,569k compared to an annual budget of £50,938k giving rise to a forecast underspend for the year of £2,369k (4.7%).
- **Total Capital Plan** – the forecast total net project costs on the total capital plan are £218,892k compared to a total budget for all projects of £218,355k giving rise to a forecast overspend for the overall capital plan of £537k (0.25%).

1.3 Appendix 3 summarises the material variances contributing to the overspend position. Members are asked to give consideration to this overspend as part of the capital plan process for 2018-19.

1.4 **Project Delivery:**

- **Asset Sustainability** – Out of 132 projects there are 121 projects (92%) on track and 11 projects (8%) off track but recoverable.
- **Service Development** - Out of 34 projects there are 26 projects (76%) on track and 8 projects (24%) off track but recoverable.
- **Strategic Change** – Out of 35 projects there are 24 projects (69%) on track, 10 projects (31%) off track but recoverable and 1 project Off Track

1.5 The Council has received £3,046k of capital receipts up to 31 December 2017 against a budget of £6,340k (48%).

1.6 The actual capital receipts across the capital programme are now going to be less than budget due to the conclusion of one large sale for less than originally anticipated. The shortfall of £2.750m will be considered as part of the Council's budget process for 2018-19.

2 INTRODUCTION

2.1 This provides an update on the position of the capital budget as at 31 December 2017. 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.

2.2 **Financial Position:**

- **Current Year to Date –** actual net expenditure to date is £23,854k compared to a budget for the year to date of £24,836k giving rise to an underspend for the year to date of £982k (4%).
- **Forecast Outturn for 2017-18** – forecast net expenditure for the full financial year is £48,569k compared to an annual budget of £50,938k giving rise to a forecast underspend for the year of £2,369k (4.7%).
- **Total Capital Plan** – the forecast total net project costs on the total capital plan are £218,892k compared to a total budget for all projects of £218,355k giving rise to a forecast overspend for the overall capital plan of £537k (0.25%)

2.3 Appendix 3 summarises the material variances contributing to the overspend position. Members are asked to give consideration to this overspend as part of the capital plan process for 2018-19.

2.4 **Project Delivery:**

- **Asset Sustainability** – Out of 132 projects there are 121 projects (92%) on track and 11 projects (8%) off track but recoverable.
- **Service Development** - Out of 34 projects there are 26 projects (76%) on track and 8 projects (24%) off track but recoverable.
- **Strategic Change** – Out of 35 projects there are 24 projects (69%) on track, 10 projects (31%) off track but recoverable and 1 project Off Track.

2.5 The Council has received £3,046k of capital receipts up to 31 December 2017 against a budget of £6,340k (48%).

2.6 The actual capital receipts across the capital programme are now going to be less than budget due to the conclusion of one large sale for less than originally anticipated. The shortfall of £2.750m will be considered as part of the Council's budget process for 2018-19.

3 RECOMMENDATIONS

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

- Overall Project Cost Changes, noted in Appendix 7
- Project Slippages and Accelerations, noted in Appendix 7
- Update to 2017-18 Capital Plan to reflect above changes, included in

Appendix 10.

4 CURRENT YEAR TO DATE FINANCIAL POSITION

4.1 Overall Position

Actual net expenditure to date is £23,854k compared to a budget for the year to date of £24,836k giving rise to an underspend for the year to date of £982k (4%).

4.2 Project/Department Position

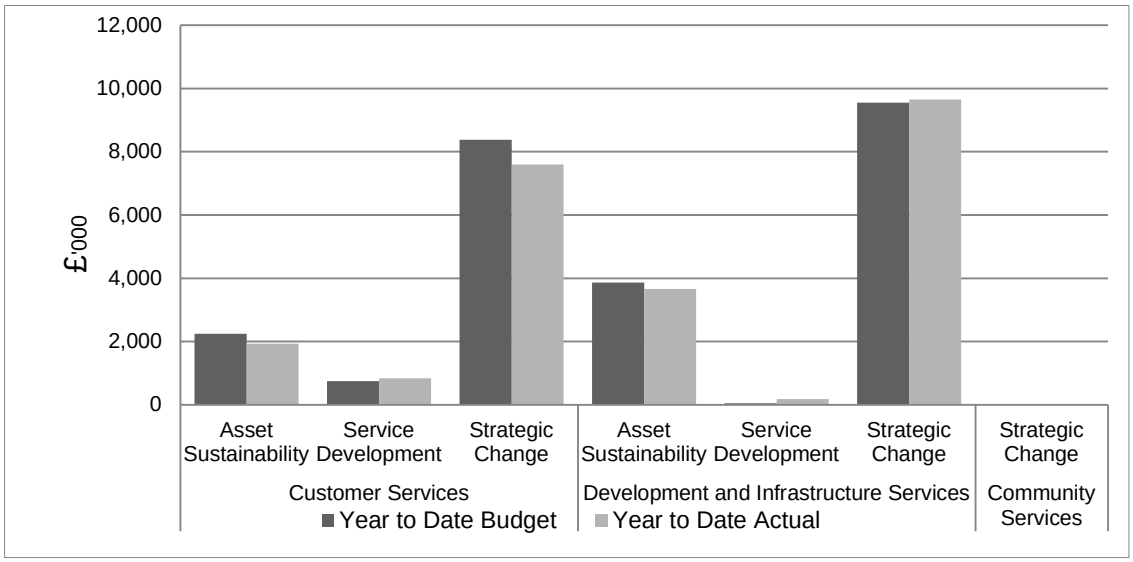
The table below shows the year to date net expenditure against the year to date budget by project type and department:

Project Type:	**Year to Date Budget £'000**	**Year to Date Actual £'000**	**Variance £'000**
Asset Sustainability	6,108	5,592	516
Service Development	795	1,012	(217)
Strategic Change	17,933	17,250	683
Total	**24,836**	**23,854**	**982**
Department:			
Customer Services	11,367	10,360	1,007
Development and Infrastructure Services	13,469	13,494	(25)
Community Services	0	0	0
Total	**24,836**	**23,854**	**982**

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

4.3 Chart of YTD Variances

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



5 FORECAST OUTTURN 2017-18

5.1 Overall Position

Forecast net expenditure for the full financial year is £48,569k compared to an annual budget of £50,938k giving rise to a forecast underspend for the year of £2,369k (4.7%).

5.2 Project/Department Position

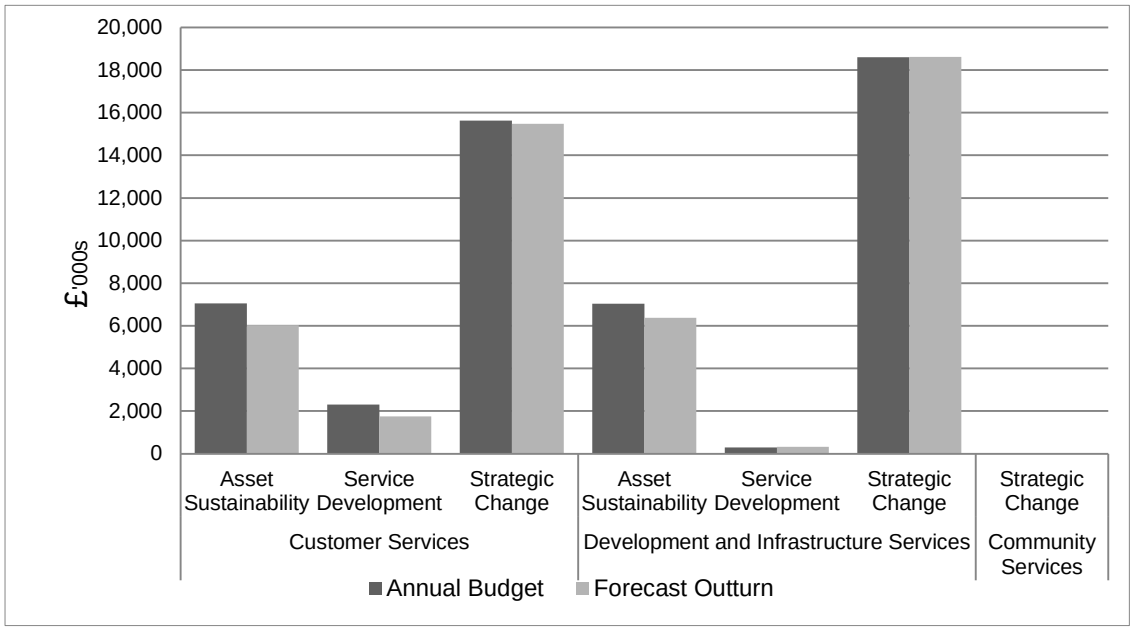
The table shows the forecast expenditure and budget for the year by project type and department:

Project Type:	**Annual Budget £'000**	**Forecast Outturn £'000**	**Forecast Variance £'000**
Asset Sustainability	14,098	12,401	1,697
Service Development	2,614	2,086	528
Strategic Change	34,226	34,082	144
Total	**50,938**	**48,569**	**2,369**
Department:			
Customer Services	24,997	23,255	1,742
Development and Infrastructure Services	25,941	25,314	627
Community Services	0	0	0
Total	**50,938**	**48,569**	**2,369**

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

5.3 Chart of Forecast Outturn

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



6 TOTAL PROJECT COSTS

6.1 Overall Position

The forecast total net project cost on the total capital plan is £218,892k compared to a total budget for all projects of £218,355k giving rise to a forecast overspend for the overall capital plan of £537 (0.25%).

6.2 Appendix 3 summarises the material variances contributing to the overspend position. Members are asked to give consideration to this overspend as part of the capital plan process for 2018-19.

6.3 Project/Department Position

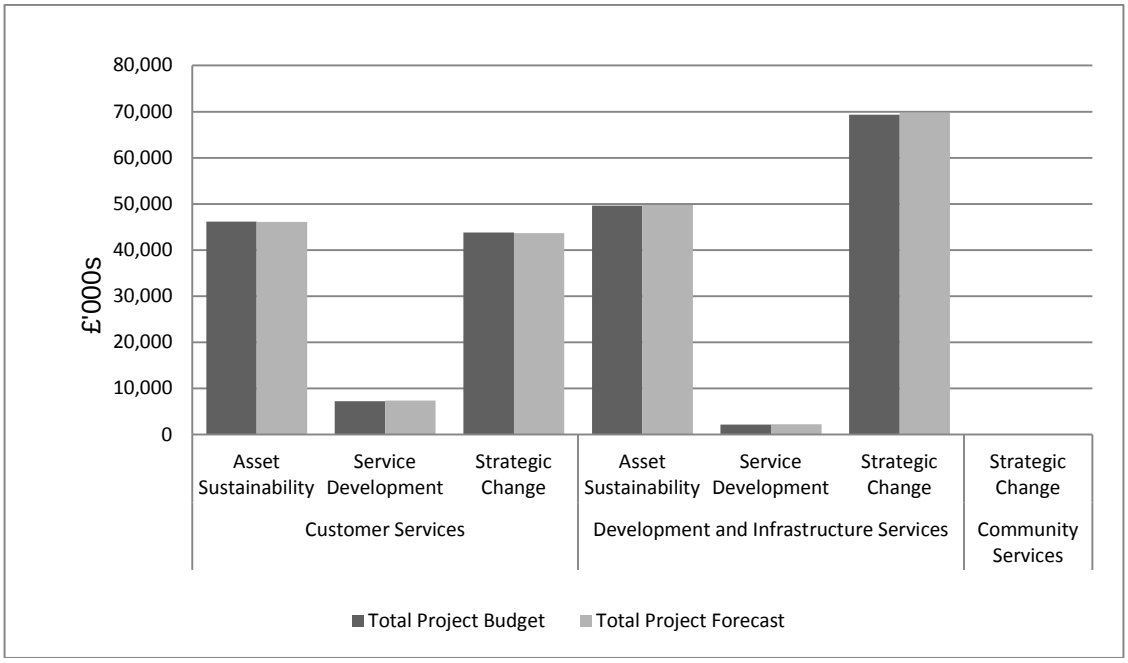
This table shows the net forecast total project cost and the budget for total project costs by project type and department:

Project Type:	**Capital Plan Budget £'000**	**Forecast Project Costs £'000**	**Capital Plan Variance £'000**
Asset Sustainability	95,764	95,907	(143)
Service Development	9,408	9,561	(153)
Strategic Change	113,183	113,424	(241)
Total	**218,355**	**218,892**	**(537)**
Department:			
Customer Services	97,187	97,125	62
Development and Infrastructure Services	121,168	121,767	(599)
Community Services	0	0	0
Total	**218,355**	**218,892**	**(537)**

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

6.4 Chart of Total Project Costs

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



7 TOTAL PROJECT PERFORMANCE

7.1 Overall Position

There are 201 projects within the Capital Plan, 171 are Complete or On Target and 29 are Off Target and Recoverable, one is Off Target.

7.2 Project Position

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

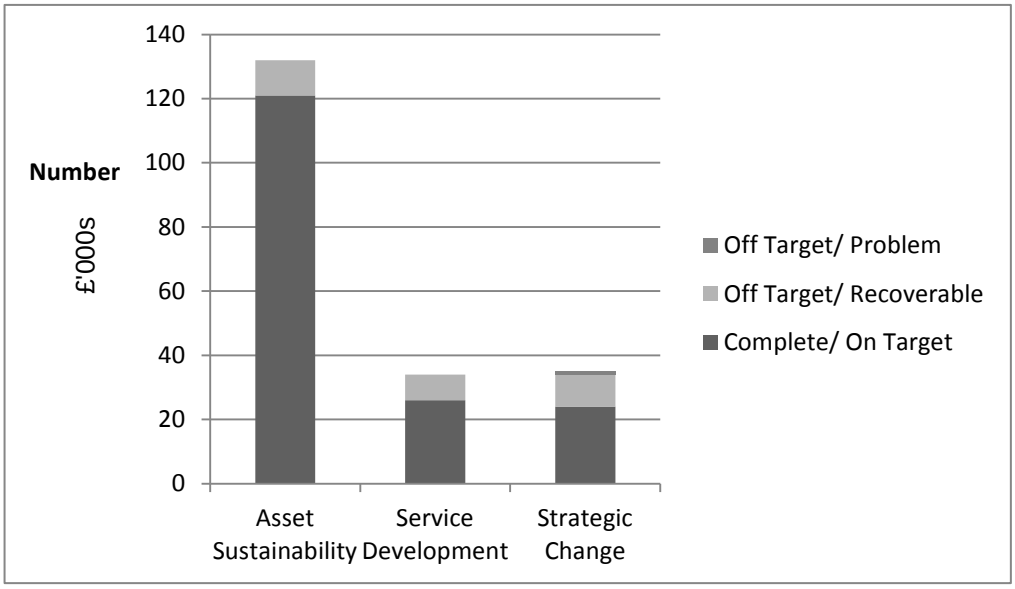
Project Type:	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Asset Sustainability	121	11	0	132
Service Development	26	8	0	34
Strategic Change	24	10	1	35
Total	**171**	**29**	**1**	**201**

Department:				
Customer Services	138	18	0	156
Development and Infrastructure Services	33	11	1	45
Total	**171**	**29**	**1**	**201**

Appendices 4, 5 and 6 show the Performance Status of the projects in further detail. Appendix 9 provides further information in relation to Strategic Change Projects.

7.3 **Chart of Performance Status**

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



8 OFF TRACK PROJECTS

8.1 There is one project which is currently off track and a problem, Queen's Hall (Dunoon Chord). Further explanation and recommendations can be found in Appendix 3a.

9 CHANGES TO CAPITAL PLAN

9.1 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 7.

Department	2017-18	2018-19	2019-20	Future Years	Total Capital Plan	Explanation
	£'000	£'000	£'000	£'000	£'000	
Asset Sustainability					0	
Service Development					0	
Customer & Support Services	**0**	**0**	**0**	**0**	**0**	
Asset Sustainability					0	
Service Development	-695	695			0	Slippage
Strategic Change					0	
Facility - Education	**-695**	**695**	**0**	**0**	**0**	
Asset Sustainability					0	
Service Development					0	
Strategic Change					0	
Facility – Community Services	**0**	**0**	**0**	**0**	**0**	
Asset Sustainability					0	
Service Development					0	
Strategic Change					0	
Facility – Shared Offices	**0**	**0**	**0**	**0**	**0**	
Asset Sustainability	-815	815			0	Slippage
Service Development					0	
Strategic Change					0	
Roads and Amenity Services	**-815**	**815**	**0**	**0**	**0**	
Service Development					0	
Strategic Change		400			400	Variance
Economic Development	**0**	**400**	**0**	**0**	**400**	
TOTAL	**-1,510**	**1,910**	**0**	**0**	**400**	

10 STRATEGIC CHANGE PROJECTS

10.1 Appendix 9 gives detailed information in respect of the Strategic Change Projects within the Capital Plan. The appendix gives details of the forecast cost of the project against the approved budget, the start and anticipated completion date of the project and an assessment of the risks of the project and if these are not green gives an explanation of the problem.

11 CAPITAL RECEIPTS

11.1 The Council has received £3,046k of capital receipts up to 31 December 2017 against a budget of £6,340k (48%).

11.2 The actual capital receipts across the capital programme are now going to be less than budget due to the conclusion of one large sale for less than originally anticipated. The shortfall of £2.750m will be considered as part of the Council's budget process for 2018-19.

12 APPENDICES

- **Appendix 1** - Year to date finance variance explanations
- **Appendix 2** - Forecast Outturn variance explanations
- **Appendix 3** - Total Project finance variance explanations
- **Appendix 4** - Project Performance - Asset Sustainability
- **Appendix 5** - Project Performance - Service Development
- **Appendix 6** - Project Performance - Strategic Change
- **Appendix 7** - Changes to Capital Plan and Financial Impact
- **Appendix 8** - Financial Summary – Overall
  Financial Summary – DIS
  Financial Summary – Customer Services

- **Appendix 9** - Cumulative spend, completion dates and risks relating to significant capital projects.

- **Appendix 10** - Updated/Revised Capital Plan - Overall
  - Updated/Revised Capital Plan – Community Services
  - Updated/Revised Capital Plan – Customer Services
  - Updated/Revised Capital Plan – DIS

Kirsty Flanagan
Head of Strategic Finance

15th January 2018

Councillor Gary Mulvaney, Depute Council Leader – Policy Lead Strategic Finance and Capital Regeneration Projects

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	(Over)/ Under Variance £'000	Explanation
Bridge Strengthening	384	295	89	Actual spend behind profiling
Fleet	35	190	(155)	Actual spend ahead of profiling
Footpath Improvements	388	240	148	Actual spend behind profiling
Recreation and Sport	331	214	117	Actual spend behind profiling
Safe Streets, Walking and Cycling	0	77	(77)	Actual spend ahead of profiling
SPfT	0	69	(69)	Actual spend ahead of profiling
CHORD - Oban	3,419	3,068	351	Actual spend behind profiling
CHORD - Rothesay	44	231	(187)	Actual spend ahead of profiling
Helensburgh Waterfront Development	17	269	(252)	Actual spend ahead of profiling
TIF – Lorn/Kirk Road	118	170	(52)	Actual spend ahead of profiling
TIF – Oban Airport Business Park	155	4	151	Actual spend behind profiling
Kintyre Renewables Hub (Income)	0	50	(50)	Repayment of ERDF Grant following audit of project spend.
Education	1,297	1,187	110	Actual spend behind profiling
Facility Services	166	115	51	Actual spend behind profiling
Customer and Support Services	494	412	82	Actual spend behind profiling
Clyde Cottage – 600 hour provision	273	375	(102)	Actual spend ahead of profiling
Sandbank Gaelic Pre-five unit	361	496	(135)	Actual spend ahead of profiling
Early Learning and Childcare	247	159	88	Actual spend behind profiling
Dunoon Primary	2,076	1,775	301	Actual spend behind profiling
Kirn Primary School	5,789	5,377	412	Actual spend behind profiling
Variances Less than £50k			161	Total value of non-material variances less than +/-£50k
Total			**982**	

APPENDIX 2 – Forecast Outturn Variance Explanations

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

Project	Annual Budget £'000	Forecast Outturn £'000	(Over)/Under Forecast Variance £'000	Explanation
Roads Reconstruction	3,500	3,000	500	Capital resurfacing works are well progressed, around 95% complete, awaiting final measures. £500k moved to 18-19 which includes allowance for Breadalbane Street retaining wall solution.
Lighting	385	70	315	Forecast for 17-18 has been reduced to £70k, with £315k moved to 18-19. The reason for this is staff resource issues which are being addressed.
Fleet	35	190	(155)	Variance will be offset by vehicle sales during the year.
Islay High and Rosneath Primary School Pitches	700	5	695	Business cases have been prepared with spend in 2018-19.
Dunclutha Childrens Home	245	323	(78)	Funding of the overspend is being reviewed by the project manager.
NPDO Schools Solar Panel Installations	221	150	71	Site works complete - all projects. Final accounts to be agreed and retentions to be paid. Savings against global budget are currently being evaluated. Some forecasted savings initially reflected as project delivered within budget.
Other Variances			1,021	Total value of non-material variances less than +/-£50k
Total			**2,369**	

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
Fleet	6,217	6,372	(155)	Variance will be offset by vehicle sales during the year.
CHORD Dunoon	11,521	11,921	400	See Off Track Project Report, appendix 3a.
Dunclutha Childrens Home	1,222	1,300	(78)	Funding of the overspend is being reviewed by the project manager.
NPDO Schools Solar PV Panel Installations	944	873	71	Site works complete - all projects. Final accounts to be agreed and retentions to be paid. Savings against global budget are currently being evaluated. Some forecasted savings initially reflected as project delivered within budget.
Other Variances			25	Total value of non-material variances less than +/-£50k
Total			**61**	

OFF TRACK PROJECT		**Appendix 3a**
Department:	Development and Infrastructure Services	
Project Name:	CHORD – Dunoon - Waterfront	
First Added to Capital Plan:	2008	
Project Manager:	John Gordon	
How is this project funded?	A&BC	

Why is the project classified as off target?

Anticipated Final Cost of the project is £11,963,012, against an Approved budget of £11,596,000 (Capital Plan Allowance of £11,521,000 + Budget Allocation of £75,000 for the purchase of Soft Play Equipment).

Forecast Overspend = £367,012 with potential for increase to around £400,000

What has caused the issue outlined above?

1. There has been a significant increase in the Capital Costs of the Public Works Contract since the costs were last reported to members in December 2017. These are primarily associated with the value of 'Architects Instructions (**AIs**)' issued in response to the Contractor's 'Request for Information' or as a consequence of the formal Change Control The Value of AI's as at Cost Report Nos 8 (Sept-17) was £171,138.22 as compared to Cost Report Nos 11 (Dec-17), which was £410,012.83 (an increase of £238,874.61).
2. The costs associated with the procurement of a number of elements of Furniture, Fittings & Equipment (**FF&E**) for the building were not included in the budget for the Capital Works Contract and a separate provision was made in the capital plan allowance with a further £75,000 held in earmarked reserve for soft play equipment. The current estimate of these costs is £319,622, although these costs have still to be market tested.

What action will be taken to rectify this issue?

Following the SMT meeting on 22 January the CHORD Programme Manager has been instructed to:

- Undertake a review of the FF&E schedule to ensure that the specification and quantities are proportionate and reasonable for this type of building. Whilst the building must be capable of operating safely and efficiently, the project must be mindful of the budget pressures that it and the Council is under.
- In conjunction with the Procurement Team market test the costs of the FF&E schedule. To this end Procurement have gone through the FF&E Schedule that Live Argyll have provided and highlighted where there are existing frameworks in place, where they still need

additional information from Live Argyll to enable them to confirm whether requirement is covered by an existing framework, or where there isn't an existing framework and we will probably need to go down the Quick Quote route (yellow). Live Argyll are now in the process of reviewing the schedule to: provide the detail requested; and/or ensuring that the schedule covers all essential FF&E items. It should be noted that at this moment there is no guarantee that because an item is identified on this schedule it will ultimately be procured, as decisions will need to be taken as to what is absolutely essential to enable the building to operate safely and efficiently.

- In terms of the Capital Cost of the Contract the only changes to the current specification/scope, which are to be considered from this point forward, are those which are safety critical. No other requests for change will be considered unless it can be demonstrated that they are capital cost and programme neutral i.e. there would need to be a confirmed allocation of budget/funding to cover not only the capital costs of any materials and works associated with the requested change, but also the costs associated with the programme implications e.g. a 1-week extension of the programme equates to £26,844. It should be noted that in terms of the project programme there is limited scope for any further extensions, Live Argyll have their first planned event in the refurbished building on the weekend of 28/29-July which, allowing for a 6-week fit out for the FF&E, requires that the main construction works are completed and the building handed back by 15-June 2018.
- The CHORD Programme Manager will, in conjunction with Procurement and Legal services, explore all opportunities to seek recovery where it can be demonstrated that any delays and/or additional costs are as a consequence of failings by parties external to the Council.

What are the implications of the action proposed?

As the project is likely to seek additional underwriting of its costs from the Council's available Capital Reserves, this will have an impact upon the remaining reserves available to meet other priorities/contingencies. This position will be considered by council at its budget meeting of 22 February.

APPENDIX 4 – Asset Sustainability Project Performance

There are 132 Projects recognised as Asset Sustainability Projects, 121 are Complete or On Target and 11 are Off Target and Recoverable.

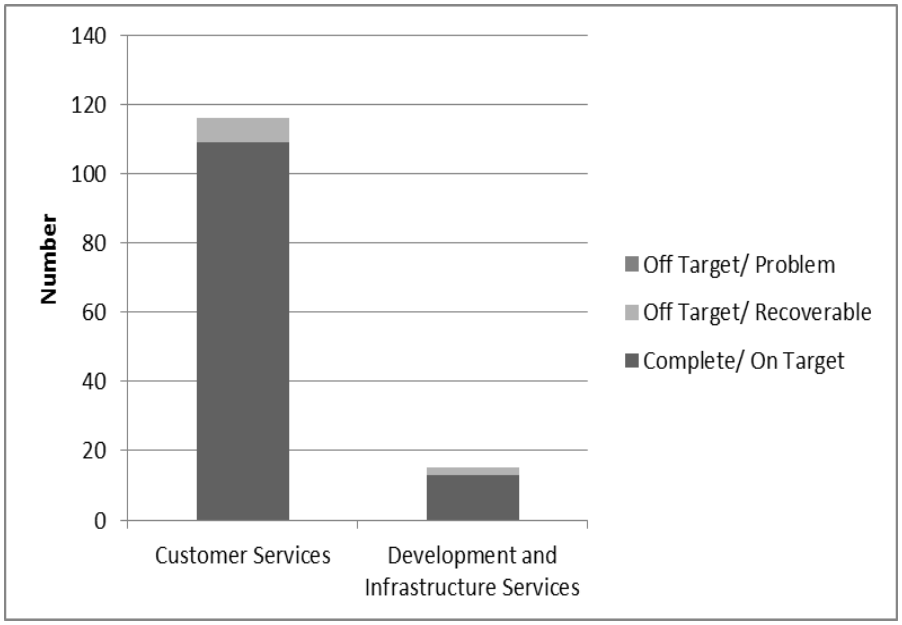
Department Position:

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	108	9	0	117
Development and Infrastructure Services	13	2	0	15
Total	**121**	**11**	**0**	**132**

Chart of Asset Sustainability Performance Status

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



APPENDIX 5 – Service Development Project Performance

There are 34 Projects recognised as Service Development Projects, 26 are Complete or On Target and 8 are Off Target and Recoverable.

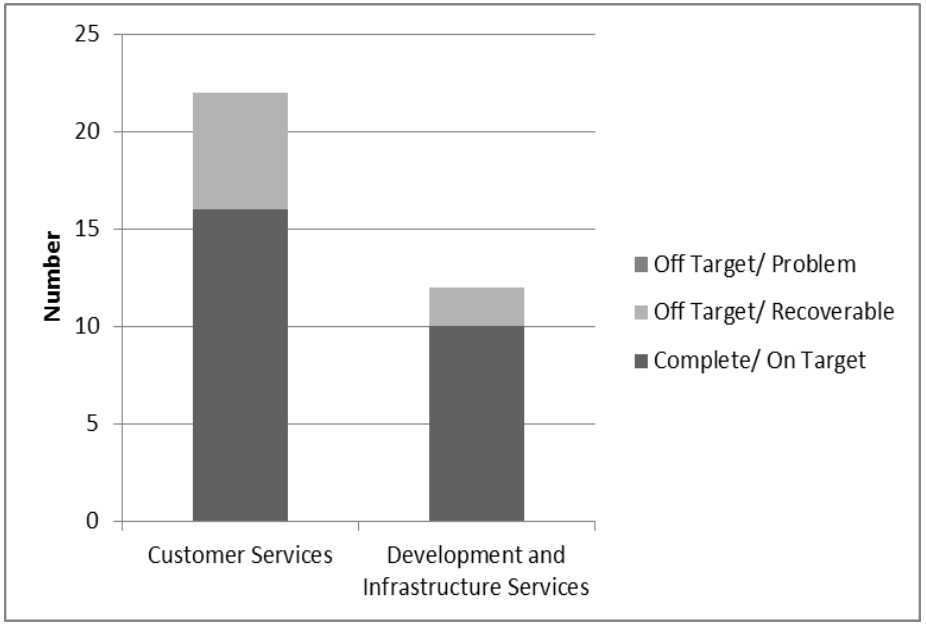
Department Position:

The table below shows the Performance Status of the Service Development Projects.

Service Development	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Customer Services	16	6	0	22
Development and Infrastructure Services	10	2	0	12
Total	**26**	**8**	**0**	**34**

Chart of Service Development Performance Status

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

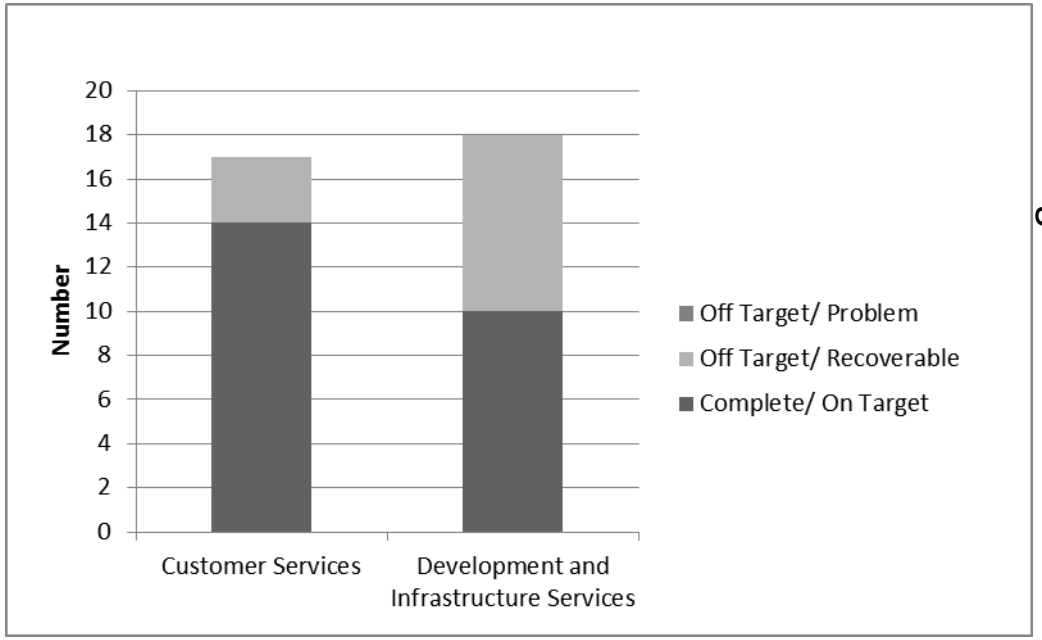


APPENDIX 6 – Strategic Change Project Performance

There are 35 Projects recognised as Strategic Change Projects. 24 are Complete or On Target and 11 are Off Target and Recoverable and one is off target.

Chart of Strategic Change Performance Status

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



APPENDIX 7 – Changes to Capital Plan and Financial Impact

OVERALL COST CHANGES

Project	2017-18 £'000	2018-19 £'000	2019-20 £'000	Future Years £'000	Total Capital Plan £'000	Recommendation	Explanation
CHORD Dunoon		1,373			400	Increase overall budget for project by £400k	8 week delay on project, worst case scenario
Total Cost Changes	**0**	**1,373**	**0**	**0**	**400**		

SLIPPAGES AND ACCELERATIONS							
Project	**2017-18 £'000**	**2018-19 £'000**	**2019-20 £'000**	**Future Years £'000**	**Total Capital Plan £'000**	**Recommendation**	**Explanation**
Roads Reconstruction	(500)	500				Slip £500k from 2017/18 to 2018/19	Capital resurfacing works are well progressed, around 95% complete, awaiting final measures. £500k moved to 18-19 which includes allowance for Breadalbane Street retaining wall solution.
Lighting	(315)	315				Slip £315k from 2017/18 to 2018/19	Forecast for 17-18 has been reduced to £70k, with £315k moved to 18-19. The reason for this is staff resource issues which are being addressed.
Islay High and Rosneath PS Pitches	(695)	695				Slip £695k from 2017/18 to 2018/19	Landscape Architect appointed to carry out options appraisal at Rosneath and to assist Islay Parent Group with Sports Scotland submission. Education to advise on requirements - works expected to be carried out over summer 2018 - forecast reprofiled to align with anticipated programme.
Total Slippages and Accelerations	**(1,510)**	**1,510**					
Net Impact of Changes	**0**	**0**					

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT - OVERALL COUNCIL **Appendix 8**

FINANCIAL SUMMARY - NET EXPENDITURE **31 December 2017**

	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Budget £000s	Actual £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s
EXPENDITURE									
Area Committee Expenditure - Asset Sustainability	**0**	**0**	**0**	**44**	**0**	**44**	**69**	**25**	**44**
Asset Sustainability Projects									
Customer Services	2,246	1,931	315	7,012	6,032	980	46,171	46,215	(44)
Development & Infrastructure Services	3,862	3,703	159	7,064	6,433	631	50,681	50,886	(205)
Asset Sustainability Total	**6,108**	**5,634**	**474**	**14,076**	**12,465**	**1,611**	**96,852**	**97,101**	**(249)**
Service Development Projects									
Customer Services	1,599	1,728	(129)	3,168	2,611	557	8,402	8,542	(140)
Development & Infrastructure Services	51	174	(123)	1,125	1,074	51	6,994	6,943	51
Service Development Total	**1,650**	**1,902**	**(252)**	**4,293**	**3,685**	**608**	**15,396**	**15,485**	**(89)**
Strategic Change Projects									
Campbeltown Schools Redevelopment	34	9	25	435	435	0	1,825	1,825	0
Dunoon Primary	2,076	1,775	301	4,789	4,789	0	9,259	9,259	0
Replacement of Oban High	110	114	(4)	1,163	1,163	0	3,205	3,205	0
Kirn Primary School	5,789	5,377	412	5,894	5,894	0	10,409	10,409	0
Carbon Management - Non Education	1	1	0	37	37	0	50	50	0
Carbon Management Business Cases	15	0	15	60	60	0	261	261	0
NPDO Schools Solar PV Panel Installations	38	38	0	221	150	71	944	873	71
Non NPDO Schools Solar PV Panel Installations	1	1	0	89	40	49	488	439	49
Carbon Management Fuel Conversions	0	0	0	38	0	38	145	107	38
Carbon Management Capital Property Works 2016/17	0	0	0	20	20	0	39	39	0
Carbon Management - Group Heating Conversion Project	385	353	32	464	464	0	2,016	2,016	0
Kilmory Biomass Carbon Management	0	0	0	43	43	0	999	999	0
Oil to Gas Heating Conversions	0	0	0	27	27	0	209	209	0
Campbeltown Office Rationalisation	0	0	0	1	1	0	596	596	0
Helensburgh Office Rationalisation	65	65	0	474	474	0	11,838	11,838	0
Tiree Shared Offices	0	0	0	10	10	0	10	10	0
Asset Management Fund	0	0	0	2,000	2,000	0	2,000	2,000	0
Kintyre Renewables Hub	0	0	0	733	316	417	12,115	11,698	417
Campbeltown Flood Scheme	58	48	10	76	76	0	80	80	0
Street Lighting LED Replacement	868	895	(27)	2,700	2,700	0	3,900	3,900	0
Pier Upgrades	0	0	0	290	290	0	300	300	0
CHORD - Helensburgh	68	86	(18)	865	865	0	7,230	7,229	1
CHORD - Campbeltown	0	0	0	1,326	1,326	0	4,786	4,786	0
CHORD - Dunoon	4,761	4,759	2	7,650	7,650	0	11,521	11,921	(400)
CHORD - Oban	3,419	3,068	351	3,991	3,991	0	7,957	7,957	0
CHORD - Rothesay	44	231	(187)	5,779	5,779	0	12,545	12,545	0
Helensburgh Waterfront Development	17	269	(252)	530	530	0	18,387	18,387	0
TIF - Lorn/Kirk Road	118	170	(52)	128	128	0	238	238	0
TIF - North Pier Extension	29	29	0	375	375	0	560	560	0
TIF - Oban Airport Business Park	155	4	151	164	164	0	590	590	0
OBC for Dunoon Pier	0	10	(10)	(4)	10	(14)	2,830	2,844	(14)
Dunoon CARS	0	0	0	500	500	0	500	500	0
Rothesay THI	0	0	0	200	200	0	200	200	0
Hermitage Park	0	0	0	0	0	0	53	211	(158)
Glengorm Wind Turbine	19	10	9	44	44	0	437	437	0
Strategic Change Total	**18,070**	**17,312**	**758**	**41,112**	**40,551**	**561**	**128,522**	**128,518**	**4**
Total Expenditure	**25,828**	**24,848**	**980**	**59,525**	**56,701**	**2,824**	**240,839**	**241,129**	**(290)**
INCOME									
Asset Sustainability									
Customer Services	0	(3)	3	0	(3)	3	(91)	(119)	28
Development & Infrastructure Services	0	(39)	39	(22)	(61)	39	(1,066)	(1,100)	34
Asset Sustainability Total	**0**	**(42)**	**42**	**(22)**	**(64)**	**42**	**(1,157)**	**(1,219)**	**62**
Service Development Projects									
Customer Services	(855)	(892)	37	(855)	(855)	0	(1,171)	(1,187)	16
Development & Infrastructure Services	0	2	(2)	(824)	(744)	(80)	(4,817)	(4,737)	(80)
Service Development Total	**-855**	**-890**	**35**	**-1,679**	**-1,599**	**(80)**	**-5,988**	**-5,924**	**(64)**
Strategic Change Projects									
Helensburgh Office Rationalisation	0	0	0	0	0	0	(349)	(349)	0
Dunoon Primary	(137)	(137)	0	(137)	(137)	0	(137)	(137)	0
Kintyre Renewables Hub	0	50	(50)	(299)	118	(417)	(3,798)	(3,381)	(417)
CHORD - Helensburgh	0	0	0	0	0	0	(570)	(569)	(1)
Helensburgh Waterfront Development	0	0	0	0	0	0	(695)	(695)	0
CHORD - Campbeltown	0	0	0	0	0	0	(120)	(135)	15
CHORD - Rothesay	0	0	0	(5,450)	(5,450)	0	(8,025)	(8,025)	0
CHORD - Oban	0	25	(25)	(1,000)	(1,000)	0	(1,645)	(1,645)	0
Hermitage Park	0	0	0	0	0	0	0	(158)	158
Strategic Change Total	**(137)**	**(62)**	**(75)**	**(6,886)**	**(6,469)**	**(417)**	**(15,339)**	**(15,094)**	**(245)**
Total Income	**(992)**	**(994)**	**2**	**(8,587)**	**(8,132)**	**(455)**	**(22,484)**	**(22,237)**	**(247)**
Net Total	**24,836**	**23,854**	**982**	**50,938**	**48,569**	**2,369**	**218,355**	**218,892**	**(537)**

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT **Appendix 8**

FINANCIAL SUMMARY NET EXPENDITURE - DEVELOPMENT AND INFRASTRUCTURE SERVICES **31 December 2017**

	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Budget £000s	Actual £000s	(Over)/Under Variance £000s	Budget £000s	Year End Actual £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s
EXPENDITURE									
Asset Sustainability Projects									
Flood Prevention	2	2	0	20	20	0	533	533	0
Bridge Strengthening	384	295	89	561	540	21	2,688	2,688	0
Castle Lodge Building Works	117	117	0	96	106	(10)	130	140	(10)
Traffic Management	37	49	(12)	67	67	0	368	368	0
Roads Reconstruction	2,482	2,502	(20)	3,500	3,000	500	27,700	27,700	0
Lighting	20	20	0	385	70	315	1,703	1,703	0
Furnace Coastal Protection	0	3	(3)	22	22	0	144	144	0
Fleet	35	190	(155)	35	190	(155)	6,217	6,372	(155)
Footpath Improvements	388	240	148	500	500	0	500	500	0
Environmental	20	25	(5)	453	453	0	811	811	0
Roads	0	0	0	0	0	0	0	0	0
Waste	46	46	0	152	152	0	200	200	0
Recreation and Sport	331	214	117	782	782	0	920	920	0
Crematoria and Burial Grounds	0	0	0	18	18	0	50	50	0
Pier	0	0	0	0	0	0	0	0	0
Block Allocation	0	0	0	513	513	0	8,317	8,317	0
EV Quick Chargers	0	0	0	(40)	0	(40)	400	440	(40)
Asset Sustainability Total	**3,862**	**3,703**	**159**	**7,064**	**6,433**	**631**	**50,681**	**50,886**	**(205)**
Service Development Projects									
A849 Pennyghael Bridge Mull	0	0	0	4	4	0	131	131	0
Preliminary design for Regional Transport projects	0	8	(8)	20	20	0	221	221	0
Campbeltown Old Quay	40	0	40	48	48	0	1,424	1,424	0
Helensburgh Cycleways	11	20	(9)	201	150	51	2,622	2,588	34
Safe Streets, Walking and Cycling	0	77	(77)	127	127	0	521	504	17
SPfT	0	69	(69)	475	475	0	1,412	1,412	0
Fionnphort Village Hall Link	0	0	0	0	0	0	13	13	0
Kilmartin House	0	0	0	0	0	0	400	400	0
NVA	0	0	0	250	250	0	250	250	0
Service Development Total	**51**	**174**	**(123)**	**1,125**	**1,074**	**51**	**6,994**	**6,943**	**51**
Strategic Change Projects									
Kintyre Renewables Hub	0	0	0	733	316	417	12,115	11,698	417
Campbeltown Flood Scheme	58	48	10	76	76	0	80	80	0
Street Lighting LED Replacement	868	895	(27)	2,700	2,700	0	3,900	3,900	0
Pier Upgrades	0	0	0	290	290	0	300	300	0
CHORD - Helensburgh	68	86	(18)	865	865	0	7,230	7,229	1
CHORD - Campbeltown	0	0	0	1,326	1,326	0	4,786	4,786	0
CHORD - Dunoon	4,761	4,759	2	7,650	7,650	0	11,521	11,921	(400)
CHORD - Oban	3,419	3,068	351	3,991	3,991	0	7,957	7,957	0
CHORD - Rothesay	44	231	(187)	5,779	5,779	0	12,545	12,545	0
Helensburgh Waterfront Development	17	269	(252)	530	530	0	18,387	18,387	0
TIF - Lorn/Kirk Road	118	170	(52)	128	128	0	238	238	0
TIF - North Pier Extension	29	29	0	375	375	0	560	560	0
TIF - Oban Airport Business Park	155	4	151	164	164	0	590	590	0
OBC For Dunoon Pier	0	10	(10)	(4)	10	(14)	2,830	2,844	(14)
Dunoon CARS	0	0	0	500	500	0	500	500	0
Rothesay THI				200	200	0	200	200	0
Hermitage Park	0	0	0	0	0	0	53	211	(158)
Glengorm Wind Turbine	19	10	9	44	44	0	437	437	0
Strategic Change Total	**9,556**	**9,579**	**(23)**	**25,347**	**24,944**	**403**	**84,229**	**84,383**	**(154)**
Total Expenditure	**13,469**	**13,456**	**13**	**33,536**	**32,451**	**1,085**	**141,904**	**142,212**	**(308)**
INCOME									
Asset Sustainability									
Roads Reconstruction	0	0	0	0	0	0	(116)	(116)	0
Furnace Coastal Protection	0	0	0	(22)	(22)	0	(144)	(144)	0
Flood Prevention	0	0	0	0	0	0	(9)	(9)	0
Environmental Projects	0	0	0	0	0	0	(9)	(4)	(5)
Fleet	0	(39)	39	0	(39)	39	(348)	(387)	39
EV Quick Chargers	0	0	0	0	0	0	(440)	(440)	0
Asset Sustainability Total	0	(39)	39	(22)	(61)	39	(1,066)	(1,100)	34
Service Development Projects									
Helensburgh Cycleways	0	0	0	(230)	(150)	(80)	(2,774)	(2,694)	(80)
Safe Streets, Walking and Cycling	0	0	0	(119)	(119)	0	(224)	(224)	0
SPfT	0	2	(2)	(475)	(475)	0	(1,705)	(1,705)	0
Fionnphort Village Hall Link	0	0	0	0	0	0	(13)	(13)	0
CWSS - Footway Letter Daill	0	0	0	0	0	0	(101)	(101)	0
Service Development Total	**0**	**2**	**(2)**	**(824)**	**(744)**	**(80)**	**(4,817)**	**(4,737)**	**(80)**
Strategic Change Projects									
Kintyre Renewables Hub	0	50	(50)	(299)	118	(417)	(3,798)	(3,381)	(417)
CHORD - Helensburgh	0	0	0	0	0	0	(570)	(569)	(1)
Helensburgh Waterfront Development	0	0	0	0	0	0	(695)	(695)	0
CHORD - Campbeltown	0	0	0	0	0	0	(120)	(135)	15
CHORD - Rothesay	0	0	0	(5,450)	(5,450)	0	(8,025)	(8,025)	0
CHORD - Oban	0	25	(25)	(1,000)	(1,000)	0	(1,645)	(1,645)	0
Hermitage Park	0	0	0	0	0	0	0	(158)	158
Strategic Change Total	**0**	**75**	**(75)**	**(6,749)**	**(6,332)**	**(417)**	**(14,853)**	**(14,608)**	**(245)**
Total Income	**0**	**38**	**(38)**	**(7,595)**	**(7,137)**	**(458)**	**(20,736)**	**(20,445)**	**(291)**
Net Departmental Total	**13,469**	**13,494**	**(25)**	**25,941**	**25,314**	**627**	**121,168**	**121,767**	**(599)**

REPORT **Appendix 8**

FINANCIAL SUMMARY NET EXPENDITURE - CUSTOMER SERVICES **31 December 2017**

	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Budget £000s	Actual £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s
EXPENDITURE									
Area Committees - Asset Sustainability	**0**	**0**	**0**	**44**	**0**	**44**	**69**	**25**	**44**
Asset Sustainability									
Education	1,297	1,187	110	3,037	2,728	309	27,606	27,638	(32)
Community and Culture	122	86	36	1,129	621	508	3,212	3,213	(1)
Adult Care	159	123	36	534	519	15	2,237	2,237	0
Children and Families	8	8	0	136	136	0	595	599	(4)
Facility Services	166	115	51	1,553	1,398	155	4,620	4,627	(7)
Customer and Support Services	494	412	82	623	630	(7)	7,901	7,901	0
Asset Sustainability Total	**2,246**	**1,931**	**315**	**7,012**	**6,032**	**980**	**46,171**	**46,215**	**(44)**
Service Development Projects									
Graham Williamson IT Centre	0	0	0	0	0	0	0	0	0
Property Management System	5	6	(1)	5	5	0	88	88	0
Applications Projects	61	50	11	212	212	0	1,173	1,173	0
Bowmore Primary School - Pre 5 Unit	13	13	0	23	23	0	28	28	0
Bunessan Primary School - Pre 5 Unit	0	0	0	0	0	0	10	10	0
Clyde Cottage - 600 hour provision	273	375	(102)	400	400	0	413	413	0
Craignish Primary School - Pre 5 Extension	203	194	9	203	218	(15)	417	417	0
Iona Primary School - Pre 5 Unit	115	115	0	145	145	0	474	474	0
Islay High and Rosneath Primary School Pitches	2	0	2	700	5	695	700	700	0
Lochgoilhead Primary School - Pre 5 Unit	0	1	(1)	42	42	0	388	388	0
Park Primary Extension/Pre Fives Unit	0	0	0	5	5	0	346	346	0
Tarbert High School - Biomass enabling work	0	0	0	35	35	0	35	35	0
Sandbank Gaelic Pre Five Unit	361	496	(135)	361	361	0	361	378	(17)
Early Learning and Childcare	247	159	88	605	605	0	1,478	1,478	0
Archives - Wee Manse Brae	0	0	0	87	87	0	128	128	0
Dunoon Boxing Club	0	0	0	100	100	0	100	100	0
Riverside Leisure Centre Refurbishment	42	42	0	0	45	(45)	1,041	1,086	(45)
Dunclutha Childrens Home	277	277	0	245	323	(78)	1,222	1,300	(78)
Service Development Total	**1,599**	**1,728**	**(129)**	**3,168**	**2,611**	**557**	**8,402**	**8,542**	**(140)**
Strategic Change Projects									
Campbeltown Schools Redevelopment	34	9	25	435	435	0	1,825	1,825	0
Dunoon Primary	2,076	1,775	301	4,789	4,789	0	9,259	9,259	0
Replacement of Oban High	110	114	(4)	1,163	1,163	0	3,205	3,205	0
Kirn Primary School	5,789	5,377	412	5,894	5,894	0	10,409	10,409	0
Carbon Management - Non Education	1	1	0	37	37	0	50	50	0
Carbon Management Business Cases	15	0	15	60	60	0	261	261	0
NPDO Schools Solar PV Panel Installations	38	38	0	221	150	71	944	873	71
Non NPDO Schools Solar PV Panel Installations	1	1	0	89	40	49	488	439	49
Carbon Management Fuel Conversions	0	0	0	38	0	38	145	107	38
Carbon Management Capital Property Works 2016/17	0	0	0	20	20	0	39	39	0
Carbon Management - Group Heating Conversion Project	385	353	32	464	464	0	2,016	2,016	0
Kilmory Biomass Carbon Management	0	0	0	43	43	0	999	999	0
Oil to Gas Heating Conversions	0	0	0	27	27	0	209	209	0
Campbeltown Office Rationalisation	0	0	0	1	1	0	596	596	0
Helensburgh Office Rationalisation	65	65	0	474	474	0	11,838	11,838	0
Tiree Shared Offices	0	0	0	10	10	0	10	10	0
Asset Management Fund	0	0	0	2,000	2,000	0	2,000	2,000	0
Strategic Change Total	**8,514**	**7,733**	**781**	**15,765**	**15,607**	**158**	**44,293**	**44,135**	**158**
Total Expenditure	**12,359**	**11,392**	**967**	**25,989**	**24,250**	**1,739**	**98,935**	**98,917**	**18**
INCOME									
Asset Sustainability									
Facility Services	0	0	0	0	0	0	(71)	(61)	(10)
Education	0	0	0	0	0	0	0	0	0
Community and Culture	0	(3)	3	0	(3)	3	(20)	(58)	38
Asset Sustainability Total	0	(3)	3	0	(3)	3	(91)	(119)	28
Service Development Projects									
Sandbank Gaelic Pre Five Unit	(361)	(398)	37	(361)	(361)	0	(361)	(377)	16
Early Learning and Childcare	(494)	(494)	0	(494)	(494)	0	(494)	(494)	0
Campbeltown All Weather Pitch	0	0	0	0	0	0	(316)	(316)	0
Service Development Total	**(855)**	**(892)**	**37**	**(855)**	**(855)**	**0**	**(1,171)**	**(1,187)**	**16**
Strategic Change									
Helensburgh Office Rationalisation	0	0	0	0	0	0	(349)	(349)	0
Dunoon Primary School	(137)	(137)	0	(137)	(137)	0	(137)	(137)	0
Strategic Change Total	**(137)**	**(137)**	**0**	**(137)**	**(137)**	**0**	**(486)**	**(486)**	**0**
Total Income	**(992)**	**(1,032)**	**40**	**(992)**	**(995)**	**3**	**(1,748)**	**(1,792)**	**44**
Net Departmental Total	**11,367**	**10,360**	**1,007**	**24,997**	**23,255**	**1,742**	**97,187**	**97,125**	**62**

Strategic Change Projects - Cumulative Spend, Start/Finish Dates and Project Risks

APPENDIX 9

	Capital Expenditure					Dates		Risks	
Strategic Change Projects	**Prior Years Spend £'000**	**Current Year Forecast £'000**	**Future Years Forecast £'000**	**Total Project Forecast £'000**	**Total Project Budget £'000**	**Project Start Date**	**Estimated Completion Date**	**Project Risks Identified**	**Explanation if not Green**
Campbeltown Schools Redevelopment	1,390	435	0	1,825	1,825	16/02/2012	30/11/2018	Green	
Dunoon Primary	688	4,789	3,782	9,259	9,259	18/12/2014	30/04/2019	Green	
Replacement of Oban High	2,042	1,163	0	3,205	3,205	24/04/2014	31/01/2019	Green	
Kirn Primary School	4,384	5,894	131	10,409	10,409	24/04/2014	31/10/2017	Green	
Carbon Management - Non Education	13	37	0	50	50	01/04/2015	31/03/2017	Green	
Carbon Management Business Cases	201	60	0	261	261	01/02/2014	31/03/2022	Green	
NPDO Schools Solar PV Panel Installations	723	150	0	873	944	26/06/2014	TBC	Green	
Non NPDO Schools Solar PV Panel Installations	399	40	0	439	488	20/03/2014	31/03/2017	Green	
Carbon Management Fuel Conversions	107	0	0	107	145	01/02/2014	31/03/2017	Amber	Overall project delivered under budget.
Carbon Management Capital Property Works 2016/17	19	20	0	39	39	01/02/2016	31/03/2017	Green	
Carbon Management - Group Heating Conversion Project	1,538	464	14	2,016	2,016	01/02/2016	31/08/2018	Amber	Site works complete. Interim payments and final accounts to be agreed.
Kilmory Biomass Carbon Management	956	43	0	999	999	20/09/2012	19/10/2016	Green	
Oil to Gas Heating Conversions	182	27	0	209	209	01/02/2012	31/03/2017	Green	
Campbeltown Office Rationalisation	595	1	0	596	596	01/02/2015	31/03/2017	Green	
Helensburgh Office Rationalisation	11,364	474	0	11,838	11,838	25/04/2013	03/07/2016	Amber	Temporary Certificate of Occupation has been extended to 29th March 2018. Details of loss and expense claim received March 2017 and being considered.
Tiree Shared Offices	0	10	0	10	10	01/02/2013	TBC	Green	
Asset Management Fund	0	2,000	0	2,000	2,000	2017/18	TBC	Green	
Kintyre Renewables Hub	11,382	316	0	11,698	11,698	01/05/2009	30/04/2017	Amber	Project projected to come in under budget. Until final grant/audit position is clear, any apparently (at this time) surplus budget should not be reallocated.
Campbeltown Flood Scheme	4	76	0	80	80	01/08/2016	31/03/2023	Amber	Council has yet to allocate its (20%) share of funding for this project. The final figure of the 20% could approach £2m over next 6 years.
Street Lighting LED Replacement	1,012	2,700	188	3,900	3,900	01/08/2016	16/12/2016	Green	
Pier Upgrades	0	290	10	300	300	01/12/2016	31/03/2017	Green	
CHORD - Helensburgh	6,364	865	0	7,229	7,229	29/09/2011	30/04/2015	Green	
CHORD - Campbeltown	3,460	1,326	0	4,786	4,801	25/06/2014	10/11/2015	Green	
CHORD - Dunoon	2,248	7,650	2,023	11,921	11,521	03/02/2012	09/03/2018	Red	The period forecasts are based on review and analysis of the contractors forecast cash flow and cost report. Project off track, see appendix 3a.
CHORD - Oban	3,740	3,991	226	7,957	8,282	27/10/2016	31/07/2017	Amber	Discovery of asbestos and prolonged pre contract negotiations have resulted in delays.
CHORD - Rothesay	1,886	5,779	4,880	12,545	20,741	01/04/2015	01/12/2018	Amber	The main contractor is now on site and large certificates will be raised on a monthly basis.
Helensburgh Waterfront Development	244	530	17,613	18,387	18,387	01/04/2017	30/09/2020	Amber	Full Year Forecast FY17/18: £134K, however this is subject to confirmation of Contract Values and Cashflow profiles which cannot be provided until P6 at the earliest.
TIF - Lorn/Kirk Road	110	128	0	238	238	22/01/2015	TBC	Green	
TIF - North Pier Extension	185	375	0	560	560	06/12/2017	06/12/2018	Green	
TIF - Oban Airport Business Park	426	164	0	590	590	22/01/2015	31/12/2017	Green	
OBC for Dunoon Pier	2,834	10	0	2,844	2,830	03/02/2012	26/02/2016	Green	
Dunoon CARS	0	500	0	500	500	01/04/2017	31/03/2022	Green	
Rothesay THI	0	200	0	200	200	2017/18	TBC	Green	
Hermitage Park	211	0	0	211	53	2016/17	TBC	Green	
Glengorm Wind Turbine	393	44	0	437	437	28/04/2016	30/11/2016	Green	
Strategic Change Total	**59,100**	**40,551**	**28,867**	**128,518**	**136,640**				

Project Risk Classifications:

Green - Risks can be managed and are viewed as stable or reducing.

Amber - Risks are increasing but are still manageable.

Red - Risks are increasing or have increased to such an extent they may affect delivery of the project.

CAPITAL PLAN 2017-18 **APPENDIX 10**
SUMMARY

Department	Head of Service	Previous Years £000's	2017-18 £000's	2018-19 £000's	2019-20 £000's	Future Years £'000s	Total £000's
Health and Social Care Partnership	Adult Care	1,693	524	20	0	0	2,237
	Children and Families	1,106	377	334	0	0	1,817
Health and Social Care Partnership Total		**2,799**	**901**	**354**	**0**	**0**	**4,054**
Community Services	Community and Culture	0	121	0	0	0	121
	Education	31,335	17,739	5,603	1,727	0	56,404
Community Services Total		**31,335**	**17,860**	**5,603**	**1,727**	**0**	**56,525**
Customer Services	Customer and Support Services	6,796	840	564	962	0	9,162
	Facility Services	17,720	5,044	745	725	0	24,234
Customer Services Total		**24,516**	**5,884**	**1,309**	**1,687**	**0**	**33,396**
Development and Infrastructure	Economic Development	22,046	22,400	6,958	4,142	14,884	70,430
	Roads and Amenity Services	51,634	11,347	3,045	5,448	0	71,474
Development and Infrastructure Total		**73,680**	**33,747**	**10,003**	**9,590**	**14,884**	**141,904**
Live Argyll	Live Argyll	3,105	1,207	98	0	0	4,410
Live Argyll Total		**3,105**	**1,207**	**98**	**0**	**0**	**4,410**
Grand Total		**135,435**	**59,599**	**17,367**	**13,004**	**14,884**	**240,289**

CAPITAL PLAN 2017-18
Health and Social Care Partnership

APPENDIX 10

Head of Service	Category	Project	Previous Years £000's	2017-18 £000's	2018-19 £000's	2019-20 £000's	Future Years £'000s	Total £000s
Adult Care	Asset Sustainability	Aids and Adaptations	100	25	0	0	0	125
		Ardfenaig	0	20	0	0	0	20
		Eadar Glinn	246	70	0	0	0	316
		Health and Safety	1,033	72	0	0	0	1,105
		Legionella Control Works	15	5	0	0	0	20
		Lochgilphead Resource Centre	69	145	10	0	0	224
		Lorn Resource Centre	76	9	0	0	0	85
		Struan Lodge Boiler	25	15	0	0	0	40
		Thomson Home Rothesay	129	163	10	0	0	302
	Asset Sustainability Total		**1,693**	**524**	**20**	**0**	**0**	**2,237**
Adult Care Total			**1,693**	**524**	**20**	**0**	**0**	**2,237**
Children and Families	Asset Sustainability	Capital Property Works	0	0	305	0	0	305
		Glencruitten Hostel	108	79	4	0	0	191
		Health and Safety	23	20	0	0	0	43
		Shellach View	23	33	0	0	0	56
	Asset Sustainability Total		**154**	**132**	**309**	**0**	**0**	**595**
	Service Development	Dunclutha Childrens Home	952	245	25	0	0	1,222
	Service Development Total		**952**	**245**	**25**	**0**	**0**	**1,222**
Children and Families Total			**1,106**	**377**	**334**	**0**	**0**	**1,817**
Overall Total			**2,799**	**901**	**354**	**0**	**0**	**4,054**

CAPITAL PLAN 2017-18
Community Services

APPENDIX 10

Head of Service	Category	Project	Previous Years £000's	2017-18 £000's	2018-19 £000's	2019-20 £000's	Future Years £'000s	Total £000s
Community and Culture	Asset Sustainability	Inveraray CARS	0	21	0	0	0	21
	Asset Sustainability Total		**0**	**21**	**0**	**0**	**0**	**21**
	Service Development	Dunoon Boxing Club	0	100	0	0	0	100
	Service Development Total		**0**	**100**	**0**	**0**	**0**	**100**
Community and Culture Total			**0**	**121**	**0**	**0**	**0**	**121**

CAPITAL PLAN 2017-18
Community Services

APPENDIX 10

Head of Service	Category	Project	Previous Years £000's	2017-18 £000's	2018-19 £000's	2019-20 £000's	Future Years £'000s	Total £000s
Education	Asset Sustainability	Achaleven Primary School	83	29	60	0	0	172
		Ardchattan Primary School	0	2	0	0	0	2
		Ardrishaig Primary School	206	67	6	0	0	279
		Arinagour Primary School	83	44	4	0	0	131
		Arrochar Primary School	0	0	30	0	0	30
		Asbestos Control/Removal Works	78	7	0	0	0	85
		Block Allocation	0	0	0	1,667	0	1,667
		Bunessan Primary School	292	60	0	0	0	352
		Campbeltown Grammar	3,657	9	0	0	0	3,666
		Capital Property Works	834	0	0	0	0	834
		Cardross Primary School	788	23	0	0	0	811
		Carradale Primary School	64	100	150	0	0	314
		Castlehill Primary School	482	25	150	0	0	657
		Clachan Primary	176	46	0	0	0	222
		Colgrain Primary School	802	168	50	0	0	1,020
		Craignish Primary School	153	27	0	0	0	180
		Dalintober Primary School	267	30	100	0	0	397
		Dalmally Primary School	77	16	100	0	0	193
		Dervaig Primary School	0	74	6	0	0	80
		Drumlemble Primary School	232	149	10	0	0	391
		Dunbeg Primary School	430	254	0	0	0	684
		Dunoon Primary School	105	1	0	0	0	106
		Ferry Houses - Housing Quality Standard	48	20	0	0	0	68
		Furnace Primary School	119	15	10	0	0	144
		Garelochhead Primary School	313	49	50	0	0	412
		Glenbarr Primary School	73	165	0	0	0	238
		Hermitage Primary School	174	45	0	0	0	219
		Homeless Houses - Housing Quality Standard	12	38	0	0	0	50
		Internal Refurbishment Budget	0	200	0	0	0	200
		Islay High School	4,089	156	20	0	0	4,265

CAPITAL PLAN 2017-18
Community Services

APPENDIX 10

Head of Service	Category	Project	Previous Years £000's	2017-18 £000's	2018-19 £000's	2019-20 £000's	Future Years £'000s	Total £000s
Education	Asset Sustainability	John Logie Baird Primary School	517	268	75	0	0	860
		Kilchattan Primary School	171	101	25	0	0	297
		Kilchrenan Primary School	28	7	0	0	0	35
		Kilcreggan Primary School	494	69	50	0	0	613
		Kilmartin Primary School	17	103	0	0	0	120
		Kilmodan Primary School	198	38	0	0	0	236
		Kirn Primary School	54	10	0	0	0	64
		Legionella Control Works	78	32	0	0	0	110
		Lismore Primary School	61	20	0	0	0	81
		Lochgoilhead Primary School	177	21	50	0	0	248
		Oban High School	653	0	0	0	0	653
		Park Primary School	0	0	0	0	0	0
		Parklands School	161	7	0	0	0	168
		Port Charlotte Primary School	280	7	0	0	0	287
		Property Works - Contingency	229	59	0	0	0	288
		Rhunahaorine Primary	132	37	32	0	0	201
		Rosneath Primary School	631	52	2	0	0	685
		School Houses - Housing Quality Standard	325	153	0	0	0	478
		Southend Primary School	25	5	0	0	0	30
		St Joseph's Primary School	496	0	50	0	0	546
		St Mun's Primary School	237	33	150	0	0	420
		Tarbert High School	19	1	0	0	0	20
		Tiree High School	975	0	0	0	0	975
		Tiree Primary School	225	0	250	0	0	475
		Tobermory High School	867	0	120	60	0	1,047
		Toward Primary School	83	52	0	0	0	135
		Ulva Primary School	0	90	25	0	0	115
	Asset Sustainability Total		**20,770**	**2,984**	**1,575**	**1,727**	**0**	**27,056**

CAPITAL PLAN 2017-18
Community Services

APPENDIX 10

Head of Service	Category	Project	Previous Years £000's	2017-18 £000's	2018-19 £000's	2019-20 £000's	Future Years £'000s	Total £000s
Education	Service Development	Bowmore Primary School - Pre Five Unit	5	23	0	0	0	28
		Bunessan Primary School - Pre Five Unit	10	0	0	0	0	10
		Clyde Cottage - 600 hours provision	0	387	26	0	0	413
		Craignish Primary School - Pre Five Extension (600 hours funding)	189	203	25	0	0	417
		Early Learning and Childcare	848	580	50	0	0	1,478
		Iona Primary School - Pre Five Unit (600 hours funding)	322	138	14	0	0	474
		Islay High & Rosneath PS Pitches	0	700	0	0	0	700
		Lochgoilhead Primary School - Pre Five Unit (600 hours funding)	346	42	0	0	0	388
		Park Primary Extension and Pre Fives Unit	341	5	0	0	0	346
		Sandbank Gaelic Pre Five Unit	0	361	0	0	0	361
		Tarbert High School - Biomass enabling work	0	35	0	0	0	35
	Service Development Total		**2,061**	**2,474**	**115**	**0**	**0**	**4,650**
	Strategic Change	Campbeltown Schools Redevelopment	1,390	435	0	0	0	1,825
		Dunoon Primary School	688	4,789	3,782	0	0	9,259
		Kirn Primary School	4,384	5,894	131	0	0	10,409
		Replacement of Oban High School	2,042	1,163	0	0	0	3,205
	Strategic Change Total		**8,504**	**12,281**	**3,913**	**0**	**0**	**24,698**
Education Total			**31,335**	**17,739**	**5,603**	**1,727**	**0**	**56,404**
Overall Total			**31,335**	**17,860**	**5,603**	**1,727**	**0**	**56,525**

CAPITAL PLAN 2017-18
Customer Services

APPENDIX 10

Head of Service	Category	Project	Previous Years £000's	2017-18 £000's	2018-19 £000's	2019-20 £000's	Future Years £'000s	Total £000s
Customer and Support Services	Asset Sustainability	Block Allocation	0	0	550	945	0	1,495
		Computer Network Security	642	5	0	0	0	647
		Corporate GIS Portal Rollout	125	1	14	17	0	157
		MS Exchange & Doc Sharing	364	35	0	0	0	399
		PC Replacement	2,740	360	0	0	0	3,100
		Server Sustainability	233	50	0	0	0	283
		Telecomms Network	907	172	0	0	0	1,079
		Unified Communications and Video Conferencing	741	0	0	0	0	741
	Asset Sustainability Total		**5,752**	**623**	**564**	**962**	**0**	**7,901**
	Service Development	Applications Projects	961	212	0	0	0	1,173
		Property Management System	83	5	0	0	0	88
	Service Development Total		**1,044**	**217**	**0**	**0**	**0**	**1,261**
Customer and Support Services Total			**6,796**	**840**	**564**	**962**	**0**	**9,162**

CAPITAL PLAN 2017-18
Customer Services

APPENDIX 10

Head of Service	Category	Project	Previous Years £000's	2017-18 £000's	2018-19 £000's	2019-20 £000's	Future Years £'000s	Total £000s
Facility Services	Asset Sustainability	Aqualibrium	28	0	0	0	0	28
		Argyll House, Dunoon	48	202	6	0	0	256
		Asbestos Capital Property Works	72	17	0	0	0	89
		Block Allocation	0	163	305	525	0	993
		Bowmore Area Office	36	1	0	0	0	37
		Burnett Building	74	2	0	0	0	76
		Capital Property Works 16/17	68	14	0	0	0	82
		Castle House, Dunoon	45	10	1	0	0	56
		Dunoon Office Rationalisation	3	220	7	0	0	230
		Eaglesham House, Rothesay	63	8	0	0	0	71
		Fire Risk Assessment Works 16/17	0	50	0	0	0	50
		High Street, Rothesay	14	0	0	0	0	14
		Hill Street Dunoon Rewire	2	32	1	0	0	35
		Joint Valuation Board	0	39	0	0	0	39
		Jura Service Point	20	0	0	0	0	20
		Kilarrow House	120	7	0	0	0	127
		Kilmory Castle	241	150	5	0	0	396
		Kilmory Castle 2012-13	142	1	0	0	0	143
		Legionella Capital Works 16/17	8	31	0	0	0	39
		Legionella Control Works	0	400	400	200	0	1,000
		Lorn House, Oban	96	7	0	0	0	103
		Manse Brae District Office	0	63	2	0	0	65
		Manse Brae Roads Office	34	36	2	0	0	72
		Mill Park Depot	72	-1	0	0	0	71
		Oban Municipal Buildings	234	10	0	0	0	244
		Oban Office Rationalisation	0	3	0	0	0	3
		Old Quay Head Offices, Campbeltown	28	6	0	0	0	34
		Tobermory Area Office	38	69	2	0	0	109
		Union Street, Rothesay	76	2	0	0	0	78
		Whitegates Office, Lochgilphead	30	6	0	0	0	36
		Willowview Oban	19	5	0	0	0	24
	Asset Sustainability Total		**1,611**	**1,553**	**731**	**725**	**0**	**4,620**
	Strategic Change	Asset Management Fund	0	2,000	0	0	0	2,000
		Campbeltown Office Rationalisation	595	1	0	0	0	596
		Carbon Management - Group Heating Conversion Project (Prudential Borrowing)	1,538	464	14	0	0	2,016
		Carbon Management Business Cases (FPB)	201	60	0	0	0	261
		Carbon Management Capital Property Works 16/17	19	20	0	0	0	39
		Carbon Management Fuel Conversions (FPB)	107	38	0	0	0	145
		Helensburgh Office Rationalisation (FPB,REC)	11,364	474	0	0	0	11,838
		Kilmory Biomass Project OBC (FPB,REV)	956	43	0	0	0	999
		Non-NPDO Schools PV Panel Installations	399	89	0	0	0	488
		NPDO Schools Solar PV Panel Installations	723	221	0	0	0	944
		Oil to Gas Heating Conversions (FPB)	182	27	0	0	0	209
		Tiree Shared Offices	0	10	0	0	0	10
	Strategic Change Total		**16,084**	**3,447**	**14**	**0**	**0**	**19,545**
	Area Committee	Area Committee	25	44	0	0	0	69
	Area Committee Total		**25**	**44**	**0**	**0**	**0**	**69**
Facility Services Total			**17,720**	**5,044**	**745**	**725**	**0**	**24,234**
Overall Total			**24,516**	**5,884**	**1,309**	**1,687**	**0**	**33,396**

CAPITAL PLAN 2017-18 **APPENDIX 10**
Live Argyll

Head of Service	Category	Project	Previous Years £000's	2017-18 £000's	2018-19 £000's	2019-20 £000's	Future Years £'000s	Total £000s
Live Argyll	Asset Sustainability	Aqualibrium	168	202	0	0	0	370
		Bute Community Education Centre	9	141	10	0	0	160
		Campbeltown Museum - Burnet Bldg	79	27	0	0	0	106
		Capital Property Works	97	13	0	0	0	110
		Community Centres General - Options Appraisal	9	6	0	0	0	15
		Corran Halls, Oban	526	4	0	0	0	530
		Dunoon Community Education Centre	159	33	50	0	0	242
		Lochgilphead Community Ed Centre	31	188	12	0	0	231
		Moat Centre	0	94	6	0	0	100
		Oban Library (Leased Property)	0	60	0	0	0	60
		Rothesay Swimming Pool	118	213	14	0	0	345
		Victoria Halls, Campbeltown	589	47	4	0	0	640
		Victoria Halls, Helensburgh	225	55	2	0	0	282
	Asset Sustainability Total		**2,010**	**1,083**	**98**	**0**	**0**	**3,191**
	Service Development	Archives - Wee Manse Brae	41	87	0	0	0	128
		Riverside Leisure Centre Refurbishment	1,041	0	0	0	0	1,041
	Service Development Total		**1,082**	**87**	**0**	**0**	**0**	**1,169**
	Strategic Change	Carbon Management	13	37	0	0	0	50
	Strategic Change Total		**13**	**37**	**0**	**0**	**0**	**50**
Live Argyll Total			**3,105**	**1,207**	**98**	**0**	**0**	**4,410**
Overall Total			**3,105**	**1,207**	**98**	**0**	**0**	**4,410**

Agenda Item 4f

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

STRATEGIC FINANCE **15 February 2018**

TREASURY MANAGEMENT MONITORING REPORT 31 DECEMBER 2017

1. EXECUTIVE SUMMARY

1.1 This report sets out the Council's treasury management position for the period 1 November 2017 to 31 December 2017 and includes information on:

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

1.2 Borrowing is below the Capital Financing Requirement for the period to 31 December 2017, however, there are substantial internal balances, of which £79.5m is currently invested.

1.3 The net movement in external borrowing in the period was an increase of £0.021m.

1.4 The levels of investments were £79.5m at 31 December 2017. The rate of return achieved was 0.541% which compares favourably with the target of 7 day LIBID which was 0.357%.

1.5 As part of the preparation for the introduction of the Markets in Financial Instruments Directive II on 3 January 2018 the Council has exercised its option to opt up to Professional Status to allow the treasury management function to continue to access Money Market Funds and other financial instruments.

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

STRATEGIC FINANCE **15 February 2018**

TREASURY MANAGEMENT MONITORING REPORT 31 DECEMBER 2017

2. INTRODUCTION

2.1 This report sets out the Council's treasury management position for the period 1 November 2017 to 31 December 2017 and includes information on:

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

3. DETAIL

Overall Borrowing Position

3.1 The table below details the estimated capital financing requirement (CFR) and compares this with the estimated level of external debt at 31 March 2018. The CFR represents the underlying need for the Council to borrow to fund its fixed assets and accumulated capital expenditure.

	Forecast 2017/18 £000's	Budget 2017/18 £000's	Forecast 2018/19 £000's	Forecast 2019/20 £000's
CFR at 1 April	253,910	257,324	301,557	302,248
Net Capital Expenditure	58,054	57,710	10,891	(1,922)
Less Loans Fund Principal Repayments	(8,399)	(8,399)	(8,083)	(6,964)
Less: NPDO Repayment	(2,008)	(2,008)	(2,117)	(2,268)
Estimated CFR 31 March	**301,557**	**304,627**	**302,248**	**291,094**
Less Funded by NPDO	(124,059)	(124,059)	(122,051)	(119,934)
Estimated Net CFR 31 March	**177,498**	**180,568**	**180,197**	**171,160**
Estimated External Borrowing at 31 March	158,609	153,490	153,109	146,609
Gap	**18,889**	**27,078**	**27,088**	**24,551**

3.2 Borrowing is below the CFR for the period to 31 March 2018. This reflects the approach taken to minimise surplus cash on deposit in order to avoid overdue exposure to investment / credit worthiness risks.

3.3 The Council's estimated net capital financing requirement at the 31 December 2017 is £177.5m. 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 £79.5m is currently invested.

	Position at 31/10/2017 £000's	Position at 31/12/2017 £000's
Loans	172,375	172,396
Internal Balances	87,536	84,628
Less Investments & Deposits	(78,949)	(79,526)
Total	**180,962**	**177,498**

Borrowing Activity

3.4

	Actual £000's
External Loans Repaid 1st November to 31 December 2017	(10,000)
Borrowing undertaken 1st November to 31 December 2017	10,021
Net Movement in External Borrowing	**21**

3.5 The external borrowing of the Council increased by £0.021m during the period, due to the repayment of the short term temporary borrowing of £10m which had previously been taken out for cash flow purposes offset by a new £10m long term loan from the Public Works Loans Board and temporary borrowing of £0.021m.

3.6 The table below summarises the movement in level and rate of temporary borrowing at the start and end of the period.

	£000s	%Rate
Temp Borrowing at 31 October 2017	10,550	0.19%
Temp Borrowing at 31 December 2017	571	0.05%

Investment Activity

3.7 The average rate of return achieved on the Council's investments to 31 December 2017 was 0.541% compared to the average LIBID rate for the same period of 0.357% which demonstrates that the Council is achieving a reasonable rate of return on its cash investments. At 31 December 2017 the Council had £79.5m of short term investments at an average rate of 0.541%.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 S&P
Clydesdale Bank Instant	Instant Access	3,775	0.50%	Short Term A-2, Long Term BBB+
BOS Corp	Instant Access	2,500	0.40%	Short Term A-1, Long Term A
Goldman Sachs	95 Day	5,000	0.78%	Short Term A-1, Long Term A+
Helaba Landesbank	05/01/2018	2,500	0.68%	Short Term A-1, Long Term A
Qatar National Bank	29/03/2018	5,000	0.86%	Short Term A-1, long Term A
Qatar National Bank	03/04/2018	2,500	0.83%	Short Term A-1, long Term A
Goldman Sachs	95 Day	2,500	0.88%	Short Term A-1, Long Term A+
RBS CD	13/04/2018	5,000	0.65%	Short Term A-2, Long Term BBB+
RBS CD	25/05/2018	2,501	0.63%	Short Term A-2, Long Term BBB+
Commonwealth Bank of Australia	21/06/2018	5,000	0.52%	Short Term A-1+, Long Term AA-
Commonwealth Bank of Australia	07/08/2018	2,500	0.52%	Short Term A-1+, Long Term AA-
Santander	05/03/2018	5,000	0.45%	Short Term A-1, Long Term A
Helaba Landesbank	12/09/2018	5,000	0.54%	Short Term A-1, Long Term A
Toronto Dominion	23/10/2018	5,000	0.70%	Short Term A-1+1, Long Term AA-
Bank of Scotland	29/05/2018	5,000	0.65%	Short Term A-1, Long Term A
Sumitomo Mitsui Banking Corporation	28/02/2018	5,000	0.52%	Short Term A-1, Long Term A
Bank of Scotland	18/12/2018	2,500	0.85%	Short Term A-1, Long Term A
MMF - BNP Paribas	Call	5,750	0.40%	AAA
MMF- Federated	Call	0	0.00%	AAA
MMF - Insight	Call	0	0.00%	AAA
MMF - Standard Life (formerly Ignis)	Call	0	0.00%	AAA
MMF - Invesco AIM	Call	0	0.00%	AAA
MMF - Legal and General	Call	0	0.00%	AAA
ENH MMF - Federated Cash Plus (T+1)	T+1	7,500	0.00%	AAA
ENH MMF - Standard Life Short Duration (T+3)	T+3	0	0.00%	AAA
Total		**79,526**		

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

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

3.10 As part of the preparation for the introduction of the Markets in Financial Instruments Directive II on 3 January 2018 the Council has exercised its option to opt up to Professional Status to allow the treasury management function to continue to access Money Market Funds and other financial instruments.

Economic and Interest Rate Forecasts

3.11 The latest economic background is shown in appendix 1 with the interest rate forecast in appendix 2.

Prudential Indicators

3.12 The prudential indicators for 2017-18 are attached in appendix 3.

4. CONCLUSION

4.1 The Council's borrowing has increased by £0.021m during the period. It is below the Capital Financing Requirement for the period to 31 December 2017. There are substantial internal balances, of which £79.5m is currently invested. The investment returns were 0.541% which is above the target of 0.357%.

5. IMPLICATIONS

5.1	Policy –	None.
5.2	Financial -	None
5.3	Legal -	None.
5.4	HR -	None.
5.5	Equalities -	None.
5.6	Risk -	None.
5.7	Customer Service -	None.

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Gary Mulvaney, Policy Lead for Strategic Finance

For further information please contact Peter Cupples, Finance Manager – Corporate Support 01546-604183.

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

Appendix 1

Economic Background

UK. After the UK economy surprised on the upside with strong growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y) which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 75% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, this sector only accounts for around 11% of GDP so expansion in this sector will have a much more muted effect on the average total GDP growth figure for the UK economy as a whole.

The Monetary Policy Committee (MPC) meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise. The Bank of England Inflation Reports during 2017 have clearly flagged up that they expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. Inflation actually came in at 2.9% in August, (this data was released on 12 September), and so the Bank revised its forecast for the peak to over 3% at the 14 September MPC meeting. This marginal revision can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment falling to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that the UK labour force faces competition from overseas labour e.g. in outsourcing work to developing economies, and this therefore depresses the negotiating power of UK labour. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a decrease in such globalisation pressures in the UK, and so would be inflationary over the next few years.

It therefore looks very likely that the MPC will increase Bank Rate to 0.5% in November or, if not, in February 2018. The big question after that will be whether this will be a one off increase or the start of a slow, but regular, increase in Bank Rate. As at the start of October, short sterling rates are indicating that financial markets do not expect a second increase until May 2018 with a third increase in November 2019. However, some forecasters are flagging up that they expect growth to improve significantly in 2017 and into 2018, as the fall in

inflation will bring to an end the negative impact on consumer spending power while a strong export performance will compensate for weak services sector growth. If this scenario were to materialise, then the MPC would have added reason to embark on a series of slow but gradual increases in Bank Rate during 2018. While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two years will pan out.

EU. Economic growth in the EU, (the UK's biggest trading partner), has been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and now looks to have gathered ongoing substantial strength and momentum thanks to this stimulus. GDP growth was 0.5% in quarter 1 (2.0% y/y) and 0.6% in quarter (2.3% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in August inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019.

USA. Growth in the American economy has been volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1%, resulting in an overall annualised figure of 2.1% for the first half year. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.4%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with three increases since December 2016; and there could be one more rate rise in 2017 which would then lift the central rate to 1.25 – 1.50%. There could then be another four more increases in 2018. At its June meeting, the Fed strongly hinted that it would soon begin to unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

Chinese economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

Japan is struggling to stimulate consistent significant growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

Appendix 2

Interest Rate Forecast:

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

Link Asset Services Interest Rate View	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB rate	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB rate	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB rate	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

Link Asset Services undertook its last review of interest rate forecasts on 7 November after the quarterly Bank of England Inflation Report and MPC meeting. As expected, the MPC policy raised Bank Rate by 0.25% to 0.50%. The MPC also gave forward guidance that they expected to raise Bank Rate by 0.25% only twice more in the next two years to reach 1.0% by 2020. This was very much in line with previous guidance that Bank Rate would only go up very gradually and to a limited extent.

The overall balance of risks to economic recovery in the UK is probably currently to the downside due to the uncertainties around Brexit; however, given those uncertainties, there is a wide diversity of possible outcomes for the strength of economic growth and inflation, and the corresponding speed with which Bank Rate could go up.

APPENDIX 3 : PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2017/18	2017/18	2018/19	2019/20
(1). EXTRACT FROM BUDGET				
Capital Expenditure	**Forecast Outturn £'000**	**Original Estimate £'000**	**Forecast Outturn £'000**	**Forecast Outturn £'000**
Non - HRA	58,054	57,710	7,784	(1,922)
TOTAL	58,054	57,710	7,784	(1,922)
Ratio of financing costs to net revenue stream				
Non - HRA	7.21%	7.21%	7.03%	6.61%
Net borrowing requirment				
brought forward 1 April *	253,910	257,324	301,557	302,248
carried forward 31 March *	301,557	304,627	302,248	291,094
in year borrowing requirement	47,647	47,303	691	(11,154)
In year Capital Financing Requirement				
Non - HRA	47,647	47,303	691	(11,154)
TOTAL	47,647	47,303	691	(11,154)
Capital Financing Requirement as at 31 March				
Non - HRA	301,557	304,627	302,248	291,094
TOTAL	301,557	304,627	302,248	291,094
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p
Increase in Council Tax (band D) per annum	128.26	15.72	16.34	(4.03)

PRUDENTIAL INDICATOR	2017/18	2018/19	2019/20
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	**£'M**	**£'M**	**£'M**
Authorised limit for external debt -			
borrowing	208	208	199
other long term liabilities	133	133	133
TOTAL	341	341	332
Operational boundary for external debt -			
borrowing	203	203	194
other long term liabilities	130	130	130
TOTAL	333	333	324
Upper limit for fixed interest rate exposure			
Principal re fixed rate borrowing	190%	190%	190%
Upper limit for variable rate exposure			
Principal re variable rate borrowing	60%	60%	60%
Upper limit for total principal sums invested for over 364 days (per maturity date)	£20m	£20m	£20m

Maturity structure of new fixed rate borrowing during 2017/18	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%

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Agenda Item 4g

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

STRATEGIC FINANCE **15 FEBRUARY 2018**

RESERVES AND BALANCES – UPDATE AS AT 31 DECEMBER 2017

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 £93.115m unusable reserves that are not backed with resources. They are required purely for accounting purposes.

1.3 The Council has a total of £58.449m usable reserves as at the end of 31 March 2017. Of this balance, £0.896m relates to the Repairs and Renewals Fund, £4.064m relates to Capital Funds and the remainder is held in the General Fund, with £41.519m of the balance earmarked for specific purposes.

1.4 Of the earmarked balance of £41.519:

- £25.233m is invested or committed for major initiatives
- £3.941m has already been drawn down
- £4.481m is still to be drawn down in 2017-18
- £7.429m is planned to spend in future years and
- £0.435m can be released back to the General Fund.

Appendix 1 provides further information on the unspent budget earmarkings.

1.5 The General Fund contingency is set at 2% of net expenditure for 2017-18. £4m has also been set aside for budget smoothing. Over and above this there is an estimated surplus of £4.594m.

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

STRATEGIC FINANCE **15 FEBRUARY 2018**

RESERVES AND BALANCES - UPDATE AS AT 31 DECEMBER 2017

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 2017

3.2.1 The balances on each type of reserve at 31 March 2017 are set out in the table below (updated after the Accounts were audited).

Reserve	**£000**
Unusable Reserves	
Revaluation Reserve	56,033
Capital Adjustment Account	195,007
Financial Instruments Adjustment Account	(3,836)
Pensions Reserve	(149,777)
Accumulated Absences Account	(4,312)
Total Unusable Reserves	**93,115**
Usable Reserves……..on next page	

Reserve	£000
Usable Reserves	
Repairs and Renewals Fund	896
Capital Fund	1,282
Usable Capital Receipts Reserve	2,782
General Fund	53,489
Total Usable Reserves	**58,449**
Total Reserves	**151,564**

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

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

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

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

3.3 General Fund

3.3.1 The General Fund balance at 31 March 2017 can be analysed as follows:

	Balance 31/03/17 £000
Balance on General Fund as at 31 March 2016	52,417
Increase to General Fund balance at end of 2016-17	1,072
Earmarked Balances	(41,519)
Contingency allowance at 2% of net expenditure	(4,671)
Budget smoothing 2019-20	(4,000)
Unallocated balance as at 31 March 2017	**3,299**

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 2017, the amounts that are currently invested or set aside for major initiatives, the amount already spent and planned to be spent in the current year, the amount to be spent in future years and any sums no longer required to be earmarked. Appendix 1 provides further details on the breakdown of unspent budget. Officers have reviewed and updated the spending profiles.

Earmarking Category	**Balance 31/03/17** £000	**Invested or committed for major initiatives** £000	**Drawn-down to 2017-18 Budget as at 31/12/17** £000	**Still to be drawn-down in 2017-18** £000	**Planned Spend Future Years** £000	**Balance no Longer Required** £000
Strategic Housing Fund	6,175	4,990	1,185	0	0	0
Investment in Affordable Housing	5,000	5,000	0	0	0	0
NPDO	2,805	2,805	0	0	0	0
Helensburgh Waterfront	5,579	5,579	0	0	0	0
ALIRI	4,453	4,367	86	0	0	0
Asset Management Investment	2,492	2,492	0	0	0	0
Severance	2,322	0	0	0	2,322	0
Scottish Government Initiatives	674	0	320	259	95	0
Transformation	83	0	0	0	83	0
CHORD	240	0	0	0	240	0
DMR – Schools	1,034	0	611	423	0	0
Energy Efficiency Fund	137	0	0	0	137	0
Existing Legal Commitments	919	0	0	0	919	0
Unspent Grant	666	0	213	83	370	0
Unspent Third Party Contributions	292	0	88	18	186	0
Other Previous Council Decisions	929	0	110	-113	497	435
Unspent Budget	7,719	0	1,328	3,811	2,580	0
Total	**41,519**	**25,233**	**3,941**	**4,481**	**7,429**	**435**

3.3.3 There is one balance no longer required that can be released back to the General Fund and this relates to employability. In order to meet the Employability Team's ongoing contractual obligations until the end of 2017-18

the Council approved an earmarking of £456,000 in November 2015. Some of the earmarking was drawn down during 2016-17, however, the year-end position for 2017-18 is forecast to be a surplus of £113,626. This will result in a forecast balance within earmarking of £435,164 which is no longer required and can be released back to the General Fund. This figure will be finalised at the conclusion of 2017-18.

3.3.4 Looking forward, the estimated unallocated General Fund balance at the end of 2017-18 is noted in the table below.

	£000
Unallocated General Fund Balance as at 31 March 2017	3,299
Budgeted surplus for 2017-18	193
Balance no longer required	0
Revised Unallocated General Fund Balance	**3,492**
2017-18 Pay Award funding agreed Council 28 September 2017	(123)
Acquisition of land agreed Council 28 September 2017 – use of reserves up to £265k was approved, however, only £110k was required	(110)
Dunoon BIDS agreed Council 30 November 2017	(100)
Estimated Release of employability earmarking agreed P&R 8 December 2017	435
Current Forecast Outturn for 2017-18 as at 31 December 2017	1,000
Estimated Unallocated General Fund Balance as at 31 March 2018	**4,594**

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. As at the end of December 2017 the estimated unallocated General Fund balance is £4.594m.

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 £4.671m equivalent to 2% of net expenditure has been set aside as part of the general fund. This has been subject to a risk assessment.
5.7	Customer Service -	None.

Kirsty Flanagan
Head of Strategic Finance
16 January 2018

Policy Lead for Strategic Finance and Capital Regeneration Projects - Councillor Gary Mulvaney

APPENDICES
Appendix 1 – Earmarked Reserves breakdown of unspent budget

APPENDIX 1

Earmarked Reserves - Unspent Budget
As at 31 December 2017

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	Remaining Balance	Still to be drawdown in 17/18	No fixed drawdown plan	Planned to spend in Future years	Plans for Use/Justification for Amounts to be Earmarked	Amount Planned to be Spent in 2017/18	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent from 2019/20 onwards
001	Chief Executive Unit	Strategic Finance	CIPFA student fees, VAT training and equipment	33,500			33,500	20,167	0	13,333	To fund the professional training costs for two staff undertaking the CIPFA professional accountancy qualification, VAT training for staff in Strategic Finance aswell as key staff in procurement and creditors and fund the replacement/upgrade of IT equipment necessary to ensure the efficient delivery of service.	20,167	6,667	6,666
002	Community Services	Formerly Community and Culture	Queen's Hall Soft Play	75,000			75,000	0	0	75,000	To fund the provision of a soft play area required as part of the CHORD redevelopment of the Queen's Hall.	0	75,000	0
003	Community Services	Community and Culture	Consultancy	40,000	40,000		0	0	0	0	Specialist consultancy required for the implementation of the Leisure and Libraries Trust.	40,000	0	0
004	Customer Services	Customer Services	Estates - NDR Revaluation Appeals	150,000			150,000	150,000	0	0	To meet the cost of appealing NDR revaluations which will be imposed from 1st April 2017.	150,000	0	0
005	Customer Services	Customer Services	New Schools Project - Additional Monitoring	250,000			250,000	80,000	0	170,000	As a result of the Edinburgh Schools Inquiry, the Cole report has been issued addressing issues in relation to the monitoring of construction projects. Earmarking will provide resource to enable the Council to review monitoring arrangements across a number of projects to ensure compliance.	80,000	85,000	85,000
006	Customer Services	Customer and Support Services	Replacement of IR5 system	30,000	18,000		12,000	12,000	0	0	Replacement of unreliable and insecure IR5 system for room/resource bookings with modern system.	30,000	0	0
007	Customer Services	Facility Services	Management of Asbestos	270,000			270,000	90,000	0	180,000	Providing asbestos management on an ongoing basis by employing 2.5 FTE to ensure compliance with all regulatory requirements.	90,000	90,000	90,000
008	Customer Services	Customer and Support Services	WSUS Servers	50,000	14,204		35,796	35,796	0	0	To fund the introduction of local Windows Services Update Servers (WSUS) to assist the Council with ensuring that essential updates are installed across the desktop and laptop estate much more quickly, thereby increasing IT security and with less adverse impact on bandwidth and user performance.	50,000	0	0
009	Customer Services	Improvement and HR	Training Centre Improvements	16,700			16,700	16,700	0	0	To fund the improvement of the Council's training facilities, including the purchase of new IT equipment which would increase the Council's training offering, allowing access to online, remote and multiple location webinar based learning.	16,700	0	0
010	Development & Infrastructure Services	Development & Infrastructure Services	Hermitage Park Pavilion	100,000			100,000	100,000	0	0	Funding to meet the unexpected additional cost associated with the construction of a new pavilion at Hermitage Park in Helensburgh.	100,000	0	0
011	Development & Infrastructure Services	Economic Development	Inveraray Avenue Screen	100,000			100,000	0	0	100,000	Essential maintenance work to be required out on the Arches in Inveraray.	0	100,000	0
012	Other	Other	Underwriting development of Rothesay Pavilion	1,000,000			1,000,000	1,000,000	0	0	Funding to meet additional costs identified as necessary for the refurbishment of Rothesay Pavilion.	1,000,000	0	0
013	Other	Other	New schools additional costs	750,000			750,000	750,000	0	0	Funding to meet additional costs identified as necessary to complete the refurbishment of Dunoon Primary School.	750,000	0	0

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	Remaining Balance	Still to be drawdown in 17/18	No fixed drawdown plan	Planned to spend in Future years	Plans for Use/Justification for Amounts to be Earmarked	Amount Planned to be Spent in 2017/18	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent from 2019/20 onwards
037	Chief Executive Unit	Strategic Finance	AAT Training programme, Audit plan resource and a Converting to Digital records project	42,000			42,000	8,000	0	34,000	AAT Programme - This is part of the Strategic Finance medium to long term plan to "Grow your own" to plan for sucession and ensure the quality of service provided. Audit plan resource - Completion of the Audit plan is Strategically important, on a Corporate level, due to the reliance the external auditors place on the internal audit function. Due to long term sickness, the Audit team requires funding to delay the release of a member of staff who has been accepted for voluntary redundancy. This will ensure the Audit plan is successfully completed. Converting to Digital Records project - This project has been created to covert all the Income Maximisation finance files (Homecare/Adult care etc) to digital. This will be done by employing a temporary admin assistant. Once complete the efficiencies of information flow and access will generate savings within the finance team.	8,000	26,000	8,000
038	Integration Services	Adult Care	Autism Strategy	9,930	1,862		8,068	8,068	0	0	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 remainder of funding will be utilised in 2017-18 on planned training.	9,930	0	0
039	Integration Services	Children and Families	Early Intervention (Early Years Change Fund)	40,435	40,435		0	0	0	0	Fund established in 2012/13 to be spent over more than one year. Expenditure plan has been prepared.	40,435	0	0
040	Community Services	Education	Developing Scotland's Young Workforce	10,250	10,250		0	0	0	0	Developing an Argyll & Bute foundational apprenticeship scheme, developing support for vulnerable young people to access training, developing key group knowledge of the local labour market in relation to post-school opportunities and delivering a prevocational programme for unemployed young people.	10,250	0	0
041	Community Services	Education	Youth Employment Opportunities Fund	65,118	30,000		35,118	0	0	35,118	Fund established in 2012/13 to be spent over more than one year. Monies will mainly be used for Modern Apprenticeship scheme.	30,000	35,118	0
042	Community Services	Education	School Campus Proposals - Dunoon and Campbeltown	159,982	119,987		39,995	0	0	39,995	Additional revenue costs associated with development of new schools. Draw down as Schools project progresses and project costs are incurred.	119,987	39,995	0
043	Community Services	Community and Culture	Written in the Landscape Project	20,000			20,000	10,000	0	10,000	Written in the Landscape Project 2016-2018: A Project to Catalogue Argyll's Family and Estate Archives. The project will run until December 2018 and two Project Archivists will be employed to undertake the principal task of cataloguing and conservation. Funding for the project has come from a Heritage Lottery Fund (HLF) grant of £100,000 and the Council is required to commit a £30,000 contribution as match funding to the HLF grant for the duration of the project (£10K for each of the next three financial years).	10,000	10,000	0
044	Customer Services	Improvement and HR	Resourcelink Review	79,284	27,401		51,883	51,883	0	0	Fund the Resourcelink Project, which is improving efficiency and functionality in the Council's HR and payroll database. The RL5 Project is underway and I deliver improved and remote clocking, health and safety records, learning and development records and functionality that supports the delivery of savings in HROD through automation and the removal of paper processes.	79,284	0	0
045	Customer Services	Improvement and HR	Argyll and Bute Manager Programme	31,183	20,789		10,394	0	0	10,394	Fund the Argyll and Bute Manager training programme which has been extended. Over 200 managers have been trained and the funding is being used to roll this out across all managers, with a further 3 cohorts having been enrolled in 2016/17 for training to take place in 2017/18. Once full coverage has been achieved the training will become part of business as usual for Learning and Development.	20,789	10,394	0
046	Customer Services	Improvement and HR	Learning and Development	91,638	42,421		49,217	18,671	0	30,546	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.	61,092	30,546	0

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	Remaining Balance	Still to be drawdown in 17/18	No fixed drawdown plan	Planned to spend in Future years	Plans for Use/Justification for Amounts to be Earmarked	Amount Planned to be Spent in 2017/18	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent from 2019/20 onwards
047	Customer Services	Improvement and HR	Growing our Own and Modern Apprentices	203,819	32,138		171,681	-10,029	0	181,710	Develop a comprehensive programme to support and attract young people into jobs and careers in the council. Includes funding for a temporary Growing Our Own development officer, who has been in post since September 2016 to co-ordinate the programme.	22,109	181,710	0
048	Customer Services	Improvement and HR	Leadership Development	32,282			32,282	21,522	0	10,760	Support a programme of enhanced leadership development for both senior and team leaders, building on the skills that they already have and ensuring that they are prepared and able to meet the challenges of transformation that that council is facing.	21,522	10,760	0
049	Customer Services	Improvement and HR	Service Choices HR Team	55,380	22,756		32,624	32,624	0	0	Fund a Service Choices team in HR to manage the HR process of redundancy, redeployment, retirement, contractual change and service re-design. This was agreed by Policy and Resources Committee on 20 August 2015. The Service Choices Programme is in its final year of implementation and the team are continuing to deal with redeployment, revised contracts and redundancy related to Year 3 implementation. The team will also pick up any employee related changes emerging from transformation or other service change.	55,380	0	0
050	Customer Services	Customer and Support Services	Pathfinder North - Scottish Wide Area Network Implementation	100,000			100,000	100,000	0	0	One-off costs to cover additional costs associated with the delay in the implementation of the new Scottish Wide Area Network (SWAN) connections under the new contract with Capita. Implementation was due to complete 21 September 2016 but is now expected to complete April 2018.	100,000	0	0
051	Customer Services	Customer and Support Services	Discretionary Housing Payments	19,918			19,918	19,918	0	0	Additional funding from the Scottish Government for the 2014-15 allocation for Discretionary Housing Payments, agreed that this underspend can be carried forward to supplement monies available for DHPs in 2015-16 as it is expected that the allocation will reduce and this will allow for current priority levels to be maintained. This was reviewed by Policy and Resources Committee meeting on 16 March 2017 and recommended that the remaining balance be carried forward into 2017-18 to allow current priorities to be maintained.	19,918	0	0
052	Customer Services	Customer and Support Services	Scottish Government Funding - Welfare Reform/Discretionary Housing Payments (agreed at Council February 2014)	52,809	34,214		18,595	18,595	0	0	The Council was allocated additional funding of £550k from the Scottish Government late in 2013-14 to provide additional Discretionary Housing Payments. The Council agreed to carry forward the balance of funding to support a range of welfare reform interventions. An updated spending plan for the funding was agreed by the Policy and Resources Committee in March 2017.	52,809	0	0
053	Customer Services	Facility Services	Campbeltown Office Rationalisation	4,500			4,500	4,500	0	0	The Campbeltown Office Rationalisation has seen around 100 staff displaced from Witchburn Road to Kintyre House. The balance of the funding is to fund the move for the Assessors equipment and materials from Witchburn Road.	4,500	0	0
054	Customer Services	Facility Services	Asbestos Management	88,844	72,144		16,700	16,700	0	0	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 during 2016-17.	88,844	0	0
055	Customer Services	Governance & Law	WWI Commemoration Event	25,000	25,000		0	0	0	0	It was previously agreed at Council on 24 September 2015 to earmark monies to partly fund the WWI commemoration event, to be accommodated from within the Customer Services outturn position.	25,000	0	0
056	Customer Services	Governance & Law	Local Government Elections	273,429	222,384		51,045	51,045	0	0	The Scottish Local Government Elections will take place on Thursday 4th May 2017, the Council has a statutory duty to meet the costs of the election.	273,429	0	0
057	Customer Services	Customer and Support Services	Digital Transformation	172,000	30,945		141,055	141,055	0	0	To fund the development of 11 digital transformation options and to support the work of the Transformation Board. Options were approved by the Administration on 3rd December for a series of spend to save activities. This option was agreed by Council in February 2017.	172,000	0	0

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	Remaining Balance	Still to be drawdown in 17/18	No fixed drawdown plan	Planned to spend in Future years	Plans for Use/Justification for Amounts to be Earmarked	Amount Planned to be Spent in 2017/18	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent from 2019/20 onwards
058	Customer Services	Customer and Support Services	Customer Contact Centre Replacement	32,316			32,316	32,316	0	0	Policy and Resources Committee Decision of 19 March 2015. Revenue budget approved to fund the additional one-off revenue requirements to replace the Customer Contact systems. The balance is required to meet one off service choices saving in 2017-18 on system maintenance costs.	32,316	0	0
059	Development & Infrastructure Services	Executive Director of Development & Infrastructure Services	Transformational Change	94,001	94,001		0	0	0	0	This project seeks to accelerate the delivery of transformational changes in service delivery and operational efficiency. The fund will cover the costs of project management support. The potential savings achieved through changes to service delivery and operational efficiencies will exceed the costs incurred and deliver long term benefits to the Council and its customers.	94,001	0	0
060	Development & Infrastructure Services	Roads and Amenity Services	Street Lighting Survey	132,000	30,844		101,156	4,156	0	97,000	In order to ensure that the inventory is sufficiently robust to inform both an energy model and a lighting business case it is necessary to carry out an asset survey which will provide a high degree of inventory accuracy. As part of this process a robust protocol will be established that ensures that the inventory is monitored and kept up to date.	35,000	85,000	12,000
061	Development & Infrastructure Services	Roads and Amenity Services	Amenity Services introduction of management information system	115,500	34,483		81,017	0	0	81,017	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, which was agreed as part of the service review. Because of delays with progressing budget savings options this delayed the implementation of this project. Work is progressing with a pilot phase. ELM is currently live with two teams in the Helensburgh and Lomond area, with colleagues in IT in the process of testing the results	34,483	81,017	0
062	Development & Infrastructure Services	Roads and Amenity Services	Waste Management	130,000			130,000	0	0	130,000	Will be used towards long term waste management model, including but not limited to scoping work for the creating of a waste transfer station at Blackhill.	0	130,000	0
063	Development & Infrastructure Services	Roads and Amenity Services	3G pitches	750,000			750,000	353,000	0	397,000	Maintenance of 3G Pitches across Argyll & Bute. Subject to a report to April Council	353,000	397,000	0
064	Development & Infrastructure Services	Economic Development	Scottish Submarine Museum	40,000			40,000	40,000	0	0	Commonwealth Submarine Pavilion; proposal to create a new Naval Submarine Museum in Helensburgh as a visitor attraction and celebrate the town's links with HM Faslane Naval Base. This was agreed as part of the 2014/15 Budget as a demand pressure by Council on 13 February 2014. The balance of the fund will be spent in 2017-18.	40,000	0	0
065	Development & Infrastructure Services	Economic Development	Hermitage Park HLF	245,000	100,000		145,000	145,000	0	0	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 : 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, 2 Restoration/reinterpretation of historic planting, including open up lines of site to improve safety of visitors, 3 Celebration of heritage through interpretation and community involvement – and upgrading of the paths and drainage to increase access to the Park, 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.	245,000	0	0
066	Development & Infrastructure Services	Economic Development	Rothesay Pavilion Essential repairs	306,400			306,400	306,400	0	0	Essential repairs to deal with potential health and safety risks and to avoid further deterioration. Budget provision was approved by the Policy and Resources Committee on 21 August 2014.	306,400	0	0

Ref	Department	Service	Description	Opening Balance	Budget Drawdown	Released back to General Fund	Remaining Balance	Still to be drawdown in 17/18	No fixed drawdown plan	Planned to spend in Future years	Plans for Use/Justification for Amounts to be Earmarked	Amount Planned to be Spent in 2017/18	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent from 2019/20 onwards
067	Development & Infrastructure Services	Economic Development	Oban TIF (Tax Incremental Financing)	1,218,487	229,387		989,100	102,613	0	886,487	Revenue budget approved to fund the Lorn Arc Incremental Financing (TIF) programme management. This balance will fund the programme office until 2019-20, any unspent amounts have been approved to be automatically carried forward at the year-end as agreed by Council on 22 January 2015.	332,000	886,487	0
068	Development & Infrastructure Services	Economic Development	Amberg-Sulzbach	10,000	3,557		6,443	6,443	0	0	One off funding to be set aside for the celebration of the 50th anniversary of the twinning arrangement between Argyll and Bute and Amberg-Salzbach	10,000	0	0
069	Development & Infrastructure Services	Planning and Regulatory Services	Advice Services	30,540	30,540		0	0	0	0	To provide certainty to existing providers while a review of advice services within Argyll and Bute is completed. Budget provision was approved by Council on 12 February 2015.	30,540	0	0
070	Development & Infrastructure Services	Planning and Regulatory Services	Development Policy	19,910			19,910	10,000	0	9,910	To be used for the Marine Related Infrastructure Requirements Study which was mentioned in the Oban Strategic Development Framework and the Main Issue report (FQ4 2017/18). Remainder will be used for publicity and printing for the proposed LDP & associated documents.	10,000	9,910	0
071	Development & Infrastructure Services	Roads and Amenity Services	Waste Management	64,361			64,361	64,361	0	0	Will be used towards Waste Management longer term model. Delay in introduction of comingled collection due to legal issues that remain to be resolved, however monies will be required for waste management longer term model.	64,361	0	0
072	HQ Non Dept	n/a	Community Resilience Fund	88,327			88,327	0	88,327	0	Fund established in 2012/13 to be spent over more than one year. Fund reduced at the Council meeting on 11 February 2016	0	Contingency balance - no spending plan	88,327
				7,719,843	**1,327,742**	**0**	**6,392,101**	**3,811,504**	**88,327**	**2,492,270**		**5,139,246**	**2,290,604**	**289,993**

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ARGYLL AND BUTE COUNCIL **COUNCIL**

STRATEGIC FINANCE **12 FEBRUARY 2018**

TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY

1. EXECUTIVE SUMMARY

1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities. A requirement of the Code is for an annual Treasury Management Strategy Statement and Investment Strategy to be approved by Council for the forthcoming financial year. This report seeks Members approval of the proposed Treasury Management Strategy Statement and Annual Investment Strategy. The report also sets out the policy for the repayment of loans fund advances for 2018-19.

1.2 The draft Treasury Management Strategy Statement and Annual Investment Strategy will be presented to the:

- Policy and Resources Committee on 15 February 2018
- Council on 22 February 2018
- Audit and Scrutiny Committee on 20 March 2018
- If required, Council on 26 April, following recommendations from the Audit and Scrutiny Committee that need approval from Council.

1.3 The Council uses Link Asset Services (previously known as Capita) as its external treasury management advisors. The Council recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

1.4 Section 2 of the attached document outlines the Council's Capital Prudential and Treasury Indicators and Members are asked to approve the indicators.

1.5 Section 2.5 notes that in 2016 new regulations were enacted by the Scottish Parliament, the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016, under which the Council is required to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year. The policy on repayment of loans fund advances in respect of capital expenditure by the Council is to ensure that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.

1.6 A variety of options are provided to Councils so long as a prudent provision is made each year. The Council is recommended to approve Option 1 and Option 4 from the options for the repayment of loans fund advances. Detail and implications on each option are outlined within the table below.

Option	Description	Implications
Option 1 – Statutory Method	Loans fund advances will be repaid in equal instalments of principal by the annuity method. The Council is permitted to use this option for a transitional period only, of five years until 31st March 2021, at which time it must change its policy to use alternative approaches based on depreciation, asset life periods or a funding/income profile	This is the current method for repaying advances and is the most predictable for setting budgets.
Option 2 – Depreciation Method	annual repayment of loans fund advances will follow standard depreciation accounting procedures	The repayments are matched to the depreciation charges which means that if the asset was impaired the Council would need to repay an equivalent amount of the outstanding debt, rather than continuing with the scheduled repayments.
Option 3 – Asset life method	Loans fund advances will be repaid with reference to the life of an asset using either the equal instalment or annuity method	Similar to the depreciation method if the asset life was shortened then the payments would need to be accelerated
Option 4 – Funding/Income profile method	loans fund advances will be repaid by reference to an associated income stream	Under this methodology the repayment of debt is matched to the income stream from the asset which is suited to spend to save scheme and assets which generate income which is being used to repay the debt outstanding.

1.7 Section 3 of the document outlines the current actual external debt against the capital financing requirement highlighting any over or under borrowing. There is information on the interest rates projections and the borrowing strategy.

1.8 Section 4 of the document outlines the annual investment strategy. The Council's investment priorities will be security first, liquidity second and then return. It explains MiFID II that became effective on 3 January 2018 and explains the creditworthiness policy and the use of Link Asset Services in this respect as well as the Country and Sector limits.

1.9 There are a number of appendices in Section 5. Some of this information has been provided by our Treasury advisors, Link Asset Services.

2. RECOMMENDATIONS

2.1 It is recommended that the Council:

a) Approve the proposed Treasury Management Strategy Statement and Annual Investment Strategy and the indicators contained within.

b) Approve the use of Option 1 (statutory method) for the repayment of loan fund advances in respect of existing capital expenditure and new advances up to 31 March 2021 at an interest rate of 4.423%, with the exception of spend to save schemes where Option 4 (funding/income profile method) will be used.

c) Approve the ability to continue to use countries with a sovereign rating of AA- and above, as recommended by Link Asset Services.

3. IMPLICATIONS

3.1 Policy – Sets the policy for borrowing and investment decisions.

3.2 Financial - There are no direct financial implications arising from the recommendations in this report. An effective Treasury Management Strategy does however forms a significant part of the Council's financial arrangements and its financial well-being.

3.3 Legal - None.

3.4 HR - None.

3.5 Equalities - None.

3.6 Risk - This report does not require any specific risk issues to be addressed, however members will be aware that the management of risk is an integral part of the Council's treasury management activities.

3.7 Customer Service - None.

Kirsty Flanagan
Head of Strategic Finance
2 February 2018

Policy Lead for Strategic Finance and Capital Regeneration Projects: Councillor Gary Mulvaney

For further information please contact Peter Cupples. Finance Manager Corporate Support 01546-604183.

APPENDICES

Appendix 1 – Treasury Management Strategy Statement and Annual Investment Strategy 2018-19

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Treasury Management Strategy Statement

and Annual Investment Strategy 2018-2019

INDEX

1 INTRODUCTION

1.1 Background

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

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

CIPFA defines treasury management as:

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

1.2 Reporting requirements

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

An annual Treasury Management Strategy Statement (this report) – this is the first and most important report which is submitted to full Council before the start of the financial year. It covers:

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

A mid-year Treasury Management Review Report – this will update Members with the progress of the capital position, amending prudential indicators as necesssary and whether any policies require revision. Monitoring reports are submitted to each Policy and Resources Committee.

An Annual Treasury Report – this provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Capital Strategy

In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019-20, all local authorities will be required to prepare an additional report, a Capital Strategy report, which is intended to provide the following:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability.

The aim of this report is to ensure that all elected Members on the full council fully understand the overall strategy, governance procedures and risk appetite entailed by this Strategy.

The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow all Members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

1.3 Treasury Management Strategy for 2018/19

The strategy for 2018/19 covers two main areas:

Capital issues

- the capital plans and the prudential indicators.

Treasury management issues

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

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

1.4 Training

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny (Audit and Scutiny Committee).
The training needs of treasury management officers are periodically reviewed.

1.5 Treasury management advisors

The Council uses Link Asset Services (perviously known as Capita) as its external treasury management advisors.

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

The Council also recognises their responsibility for treasury management decisions and will ensure that undue reliance is not placed upon our external service providers.

2 CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2018/19 – 2020/21

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

2.1 Capital Expenditure and Financing

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of the 2018/19 budget setting.

The table below summarises the capital expenditure plans as outlined within the proposed capital plan 2018-20.

Capital Expenditure £'000	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Community Services	0	17,860	5,403	1,927	0
Argyll and Bute HSCP	0	901	354	0	0
Customer Services	13,613	5,884	1,309	1,687	0
Development and Infrastructure Services	12,248	33,747	10,122	9,590	14,884
Live Argyll	0	1,207	98	0	0
Unallocated Capital	1,200	0	0	0	13,000
Total	**27,061**	**59,599**	**17,286**	**13,204**	**27,884**

The table below summarises the above capital expenditure plans and how capital or revenue resources are financing them. Any shortfall of resources results in a funding borrowing need. (The financing need excludes other long-term liabilities, such as PFI and leasing arrangements, which already include borrowing instruments.)

Capital Expenditure £'000	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Total Capital Expenditure	27,061	59,599	17,286	13,204	27,884
Financed by:					
Capital Receipts	1,830	6,182	3,100	250	0
Capital Grants	11,375	13,938	12,024	14,564	18,000
Capital Reserves					
Revenue	229	12,329	2,721	6,274	0
Net Financing need for the year	**13,627**	**27,150**	**-559**	**-7,884**	**9,884**

2.2 The Council's Overall Borrowing Need (the Capital Financing Requirement)

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

The CFR does not increase indefinitely, as prudent annual repayments from revenue need to be made, called the Loan Fund Principal Repayment, which reflect the useful life of capital assets financed by borrowing. This charge reduces the CFR each year. From 1 April 2016, authorities may choose whether to use scheduled debt amortisation, (loans pool charges), or another suitable method of calculation in order to repay borrowing.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £74m of such schemes within the CFR.

The CFR projections are noted in the table below.

£'000	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Capital Financing Requirement					
Opening CFR	253,896	253,483	318,341	307,709	289,725
Closing CFR	253,483	318,341	307,709	289,725	289,383
Movement in CFR	**-413**	**64,858**	**-10,632**	**-17,984**	**-342**
Movement in CFR represented by					
Net financing need for the year (above)	13,627	77,150	-559	-7,884	9,884
Less scheduled debt Amortisation	14,040	12,292	10,073	10,100	10,226
Movement in CFR	**-413**	**64,858**	**-10,632**	**-17,984**	**-342**

2.3 Core funds and expected investment balances

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

Year End Resources £'000	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Expected Investments	**63,722**	**60,000**	**50,000**	**40,000**	**30,000**

2.4 Limits to Borrowing Indicators

Operational Boundary: The operational boundary is the expected maximum borrowing position of the Council during the year, taking into account the timing of various funding streams and the recharge of principal repayments from the revenue account. Periods where the actual position varies from the boundary are acceptable subject to the authorised limit not being breached.

Operational Boundry £'m	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Debt	179	203	194	173	172
Other long term liabilities	80	130	128	126	124
Total	**259**	**333**	**322**	**299**	**296**

Authorised Limit: The authorised limit represents a limit beyond which external debt is prohibited. This limit is set by Council. It reflects the level of external debt which, while not desirable, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit (Affordable Capital Expenditure Limit) determined under section 35 (1) of the Local Government in Scotland Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

Authorised Limit £'m	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Debt	184	208	199	178	177
Other long term liabilities	83	133	131	129	127
Total	**267**	**341**	**330**	**307**	**304**

2.5 Statutory repayment of loans fund advances

The Council is required to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year. The repayment of loans fund advances ensures that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.

A variety of options are provided to Councils so long as a prudent provision is made each year. The Council is recommended to approve the following policy on the repayment of loans fund advances:

For loans fund advances made before 1 April 2016, the policy will be to maintain the practice of previous years and apply the **Statutory Method**, with all loans fund advances being repaid in equal instalments of principal/ by the annuity method.

For loans fund advances made after 1 April 2016, the policy for the repayment of loans advances will be either the:

1. **Statutory method** – loans fund advances will be repaid in equal instalments of principal by the annuity method (up to 31 March 2021).

The Council is permitted to use this option for a transitional period only, of five years until 31 March 2021, at which time it must change its policy to use alternative approaches based on depreciation, asset life periods or a funding/income profile; or

2. **Funding / Income profile method** – loans fund advances will be repaid by reference to an associated income stream (after 31 March 2021).

The annuity rate applied to the loans fund repayments was based on historic interest rates and is currently 4.423%. However, under regulation 14 (2) of SSI 2016 No 123, the Council has reviewed and re-assessed the historic annuity rate to ensure that it is a prudent application. The result of this review suggests that a revised annuity rate of 4.423% is still applicable.

2.6 Affordability prudential indicators

These prudential indicators assess the affordability of the capital investment plans and provide an indication of the impact of capital investment plans on the Council's overall finances. The cost impact of borrowing decisions are reflected in the Council's loan charges.

a. Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long-term liabilities net of investment income) against the net revenue stream. The estimates of the financing costs include current commitments and those arising from the capital programme.

%	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Ratio	7.66%	7.93%	6.79%	6.36%	6.36%

b. Incremental impact of capital investment decisions on council tax

This indicator identifies the revenue costs associated with proposed changes to the capital programme recommended in the budget compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are only published annually at this time.

£	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Council tax - band D	27.13	54.09	-1.12	-15.69	19.68

2.7 Treasury Indicator for Debt

The purpose of this indicator is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if this is set to be too restrictive it will impair the opportunities to reduce costs/ improve performance. The indicator is "Maturity structure of borrowing". These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.

The Council is asked to approve the following treasury indicator and limits.

Maturity structure of fixed interest rate borrowing 2018/19		
	Lower	**Upper**
Under 12 months	0%	30%
12 months to 2 years	0%	30%
2 years to 5 years	0%	30%
5 years to 10 years	0%	40%
10 years to 20 years	0%	80%
20 years to 30 years	0%	80%
30 years to 40 years	0%	80%
40 years to 50 years	0%	80%
Maturity structure of variable interest rate borrowing 2018/19		
	Lower	**Upper**
Under 12 months	0%	30%
12 months to 2 years	0%	30%
2 years to 5 years	0%	30%
5 years to 10 years	0%	30%
10 years to 20 years	0%	30%
20 years to 30 years	0%	30%
30 years to 40 years	0%	30%
40 years to 50 years	0%	30%

The interest rate exposure in respect of the Council's external debt will be monitored on an ongoing basis by keeping the proportion of variable interest rate debt at an appropriate level given the total amount of external debt and the interest rate environment within which the Council is operating. When interest rates are increasing the Council will look to move to fixed rate borrowing and if interest rates are likely to fall then the level of variable rate borrowing will be increased to minimise future interest payments.

3 TREASURY MANAGEMENT STRATEGY

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

3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2017, with forward projections, are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (CFR), highlighting any over or under borrowing.

£'000	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
External Debt					
Debt as 1st April	170,502	179,823	192,223	183,223	168,223
Change in Debt (In Year)	9,321	12,400	-9,000	-15,000	2,000
Other long-term liabilities (OLTL) at 1st April	74,059	72,182	120,247	118,239	116,122
Change in OLTL (In Year)	-1,877	48,065	-2,008	-2,117	-2,268
Actual gross debt at 31st March	**252,005**	**312,470**	**301,462**	**284,345**	**284,077**
The Capital Financing Requirement	**253,483**	**318,341**	**307,709**	**289,725**	**289,383**
Under / (Over) borrowing	**1,478**	**5,871**	**6,247**	**5,380**	**5,306**

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not taken for revenue purposes.

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

3.2 Prospects for interest rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Link Asset Services view on its prospects for interest rates.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB Rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB View	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB View	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

Link Asset Services have also provided commentary in relation to interest rates and this is included within Appendix 2.

3.3 Investment and borrowing rates

Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.

Borrowing interest rates increased sharply after the result of the general election in June and also after the September Monetary Policy Committee (MPC) meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Apart from that, there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when we may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

3.4 Borrowing strategy

Over the past few years, the Council has benefits from lower borrowing costs due to low interest rates, in particular utilisation of short term temporary borrowing and internal borrowing (use of existing cash).

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

Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 treasury operations. Any decisions will be reported to the appropriate committee at the next available opportunity. In normal circumstances the main sensistivies of the forecast are likely to be the two scenarios noted below. The Head of Strategic Finance, in conjunction with the treasury advisors, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of scenarios.

- If it was felt that there was a significant risk of a sharp FALL in long and short term rates then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- If it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast then the portfolio position will be re-appraised. Most likely, fixed rate funding would be taken whilst interest rates are lower than they would be projected to be in the next few years.

3.5 Policy on borrowing in advance of need

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

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

3.6 Debt rescheduling

At this time, and due to the early repayment penalities imposed by PWLB, there are limited opportunities for debt rescheduling. However, this position will be kept under regular review.

The reasons for any rescheduling to take place will include:

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

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

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

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy

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

In accordance with guidance from the Scottish Government and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector and the Council will enage with its advisors to maintain a monitor on the market.

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

Investment instruments identified for use in the financial year are listed in Appendix 4 and Appendix 5. Counterparty limits will be as set through the Council's treasury management practices – schedules.

4.2 Investment Counter-Parties MiFID II

The Markets in Financial Instruments Directive (MiFID) is the EU legislation that regulates firms who provide services to clients linked to "financial instruments" (shared, bonds, units in collective investment schemes and derivative), and the venues where those instruments are traded. The new MiFID II became effective on 3 January 2018.

Under the new regime, Local Authorities were automatically deemed "retail" clients by default. Argyll and Bute exercised their option to "opt-up" to "professional" client status and had to meet qualitative and quantitative test criteria for individual organisations.

Opting up has meant that the Council is still able to access a full range of investment products and services (some organisations only work with professional clients).

4.3 Creditworthiness policy

The Council recognises the vital importance of credit-worthiness checks on the counterparies is uses for investments.

This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparies are supplemented with further credit overlays to provide a colour coded system based on recommended durational bands for use of the counter-party.

The Link Asset Services' creditworthiness service uses a wider array of information than just primary ratings, from all three agencies and using a risk weighted scoring system, does not give undue consideration to just one agency's rating.

The Link Asset Service creditworthiness services is used on an advisory basis, with the decision on creditworthiness ultimately resting with the Treasury Team.

Further information on credit worthiness policy and assessment is provided within Appendix 6.

4.4 Country and sector limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 7. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4.5 Investment strategy

Bank Rate is forecast to stay flat at 0.50% until quarter 4 2018 and not to rise above 1.25% by quarter 1 2021. Bank Rate forecasts for financial year ends (March) are:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

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

2017/18	0.40%
2018/19	0.60%
2019/20	0.90%
2020/21	1.25%
2021/22	1.50%
2022/23	1.75%
2023/24	2.00%
Later years	2.75%

The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

4.6 Investment treasury indicator and limit

These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

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

Maximum principal sums invested > 364 & 365 days			
£m	**2018/19**	**2019/20**	**2020/21**
Principal sums invested > 364 & 365 days	20	20	20

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days).

4.7 Investment risk benchmarking

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day LIBID uncompounded.

4.8 End of year Investment Report

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

4.9 Policy on the Use of External Service Providers

The Council uses Link Asset Services as its external management advisors. The Council recognises that responsibility for treasury management decisions remains with the Authority at all times and will ensure that undue reliance is not placed opon external service providers.

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

5 APPENDICES

Appendix 1 – Treasury Management Policy Statement

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

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

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

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

Appendix 2 – Interest Rate Forecasts and Commentary Provided by Link Asset Services (at 16.01.18)

Link Asset Services Interest Rate View	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
3 Month LIBID	0.40%	0.40%	0.40%	0.60%	0.60%	0.60%	0.70%	0.90%	0.90%	1.00%	1.20%	1.20%	1.20%
6 Month LIBID	0.50%	0.50%	0.60%	0.80%	0.80%	0.80%	0.90%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%
12 Month LIBID	0.80%	0.80%	0.90%	1.00%	1.00%	1.10%	1.10%	1.30%	1.30%	1.40%	1.50%	1.50%	1.60%
5yr PWLB Rate	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB Rate	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB Rate	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%
Bank Rate													
Link Asset Services	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
Capital Economics	0.50%	0.75%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	2.00%	2.00%	2.25%	2.25%	-
5yr PWLB Rate													
Link Asset Services	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
Capital Economics	1.70%	1.90%	2.10%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.65%	2.65%	2.90%	-
10yr PWLB Rate													
Link Asset Services	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
Capital Economics	2.20%	2.40%	2.60%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	3.05%	3.05%	3.30%	-
25yr PWLB Rate													
Link Asset Services	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
Capital Economics	2.60%	2.90%	3.10%	3.30%	3.30%	3.30%	3.35%	3.35%	3.35%	3.60%	3.60%	3.80%	-
50yr PWLB Rate													
Link Asset Services	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed. has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed. has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- The Bank of England takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- Germany is still without an effective government after the inconclusive result of the general election in October. In addition, Italy is to hold a general election on 4 March and the anti EU populist Five Star party is currently in the lead in the polls, although it is unlikely to get a working majority on its own. Both situations could pose major challenges to the overall leadership and direction of the EU as a whole and of the individual respective countries. Hungary will hold a general election in April 2018.
- The result of the October 2017 Austrian general election has now resulted in a strongly anti-immigrant coalition government. In addition, the Czech ANO party became the largest party in the October 2017 general election on a platform of being strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

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

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

Appendix 3 – Economic Background Provided by Link Asset Services (at 16.01.18)

GLOBAL OUTLOOK. World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, **inflation prospects are generally muted** and it is particularly notable that **wage inflation** has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this? The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the **fourth industrial revolution.**

KEY RISKS - central bank monetary policy measures
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and may soon start in the UK, on reversing those measures i.e. by raising central rates and reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery by taking too rapid and too strong action, or, alternatively, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the **low level of productivity growth**, which may be the main driver for increases in wages; and **decreasing consumer disposable income,** which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether **an inflation target for central banks of 2%**, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a **lower inflation target of 1%** to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply 'look through' tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.
- However, other economists would argue for a **shift *UP* in the inflation target to 3%** in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should **target financial market stability**. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.
- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that **other non-financial asset prices**, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

UK. After the UK surprised on the upside with strong economic growth in 2016, **growth in 2017 has been disappointingly weak**; quarter 1 came in at only +0.2% (+2.0% y/y) and quarter 2 was +0.3% (+1.7% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the **manufacturing sector** which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the **Monetary Policy Committee, (MPC), meeting of 14 September 2017** managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting MPC. (Inflation actually came in at 3.0% in September and is expected to rise slightly in the coming months.) This marginal revision in the Bank's forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that **the amount of spare capacity in the economy was significantly diminishing** towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a *decrease* in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

It therefore looks likely that the MPC will increase Bank Rate to 0.5% in November but, if not, in February 2018. The big question after that will be whether this will be a one off increase, followed by a long delay before the next increase, or the start of a slow, but regular, series of increases in Bank Rate during 2018 and onwards. Towards the end of October, short sterling rates are indicating that financial markets do not expect a second increase until November 2018 with a third increase in August 2019 i.e. a slow pace of increases. However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would have added reason to embark on an ongoing series of slow but gradual increases in Bank Rate during 2018 and onwards.

It is also worth noting the **contradiction within the Bank of England** between action in 2016 and in 2017 **by two of its committees**. After the shock result of the EU referendum, the **Monetary Policy Committee (MPC)** voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was *because* the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the **Financial Policy Committee (FPC)** of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of

debt with much higher exposure being biased towards younger people, especially the 25 - 34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that **many consumers may have over extended their borrowing** and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate once they start. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

EU. Economic growth in the EU, (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.5% in quarter 1 (2.0% y/y) and 0.6% in quarter 2 (2.3% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in September inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has started forward guidance on its intentions to start slowing down the amount of monthly QE purchases of debt but has not yet set a timeframe for this or the pace.

USA. Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1%, resulting in an overall annualised figure of 2.1% for the first half year. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.2%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and three increases since December 2016; and there could be one more rate rise in 2017, which would then lift the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

JAPAN has been struggling to stimulate consistent significant growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

Brexit timetable and process

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50

- March 2019: initial two-year negotiation period on the terms of exit. In her Florence speech in September 2017, the Prime Minister proposed a two year transitional period after March 2019.
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy will leave the single market and tariff free trade at different times during the two year transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.

Appendix 4 - Treasury Management Practice (TMP1) Permitted Investments

Commentary provided by Link Asset Services.

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

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

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

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

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

- **Interest rate risk**: this is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. This authority has set limits for its fixed and variable rate exposure in its Treasury Indicators in this report. All types of investment instrument have interest rate risk except for the following forms of instrument which are at variable rate of interest (and the linkage for variations is also shown): - (Capita Asset Services note – please specify any such instruments should you use them)

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

Controls on treasury risks

- **Credit and counter-party risk:** this authority has set minimum credit criteria to determine which counterparties and countries are of sufficiently high creditworthiness to be considered for investment purposes. See paragraphs 4.3 and 4.4.

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

- **Market risk:** this authority purchases Certificates of Deposit (CD's), as they offer a higher rate of return than depositing in the DMADF. They are usually held until maturity but in exceptional circumstances, they can be quickly sold at the current market value, (which may vary from the purchase cost), if the need arises for extra cash at short notice. Their value does not usually vary much during their short life.

- **Interest rate risk**: this authority manages this risk by having a view of the future course of interest rates and then formulating a treasury management strategy accordingly which aims to maximise investment earnings consistent with control of risk or alternatively, seeks to minimise expenditure on interest costs on borrowing. See paragraph 4.5.

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

Unlimited investments

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

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

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

- **High credit worthiness banks and building societies.** See paragraph 4.3 for an explanation of this authority's definition of high credit worthiness. While an unlimited amount of the investment portfolio may be put into banks and building societies with high credit worthiness, the authority will ensure diversification of its portfolio ensuring that no more than £10m of the total portfolio can be placed with any one institution or group at any one time.

Objectives of each type of investment instrument

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

Deposits

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

- **Debt Management Agency Deposit Facility.** This offers the lowest risk form of investment available to local authorities as it is effectively an investment placed with the Government. It is also easy to use as it is a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts. As it is low risk it also earns low rates of interest. However, it is very useful for authorities whose overriding priority is the avoidance of risk. The longest period for a term deposit with the DMADF is 6 months.

- **Term deposits with high credit worthiness banks and building societies.** See paragraph 4.2 for an explanation of this authority's definition of high credit worthiness. This is the most widely used form of investing used by local authorities. It offers a much higher rate of return than the DMADF (dependent on term). The authority will ensure diversification of its portfolio of deposits ensuring that no more than £10m of the total portfolio can be placed with any one institution or group. In addition, longer term deposits offer an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing therefore, offers a lot of flexibility and higher earnings than the DMADF. Where it is restricted is that once a longer term investment is made, that cash is locked in until the maturity date.

- **Call accounts with high credit worthiness banks and building societies.** The objectives are as for 1b. but there is instant access to recalling cash deposited. This generally means accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit. Some use of call accounts is highly desirable to ensure that the authority has ready access to cash when needed to pay bills.

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

- **Collateralised deposits.** These are deposits placed with a bank which offers collateral backing based on specific assets. Examples seen in the past have included local authority LOBOs, where such deposits are effectively lending to a local authority as that is the ultimate security.

DEPOSITS WITH COUNTERPARTIES CURRENTLY IN RECEIPT OF GOVERNMENT SUPPORT / OWNERSHIP

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

- **Term deposits with high credit worthiness banks which are fully or semi nationalised.** As for 1b. but Government full, (or substantial partial), ownership, implies that the Government stands behind this bank and will be deeply committed to providing whatever support that may be required to ensure the continuity of that bank. This authority considers that this indicates a low and acceptable level of residual risk.
- **Fixed term deposits with variable rate and variable maturities (structured deposits).** This line encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide councils with greater flexibility to adopt new instruments as and when they are brought to the market. However, this does mean that members ought to be informed as to what instruments are presently covered under this generic title so that they are aware of the current situation, and that they are informed and approve of intended changes in an appropriate manner.

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

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

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

- **Ultra short dated bond funds.** These funds are similar to MMFs, can still be AAA rated but have variable net asset values (VNAV) as opposed to a traditional MMF

which has a Constant Net Asset Value (CNAV). They aim to achieve a higher yield and to do this either take more credit risk or invest out for longer periods of time, which means they are more volatile. These funds can have WAM's and Weighted Average Life (WAL's) of 90 – 365 days or even longer. Their primary objective is yield and capital preservation is second. They therefore are a higher risk than MMFs and correspondingly have the potential to earn higher returns than MMFs.

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

- **Bond funds.** These can invest in both government and corporate bonds. This therefore entails a higher level of risk exposure than gilt funds and the aim is to achieve a higher rate of return than normally available from gilt funds by trading in non-government bonds.

SECURITIES ISSUED OR GUARANTEED BY GOVERNMENTS

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

- **Treasury bills.** These are short term bills (up to 12 months, although none have ever been issued for this maturity) issued by the Government and so are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales could incur a net cost during the period of ownership.

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

- **Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail.** This is similar to a gilt due to the explicit Government guarantee.

- **Sovereign bond issues (other than the UK govt) denominated in Sterling**. As for gilts but issued by other nations. Use limited to issues of nations with at least the same sovereign rating as for the UK.

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

SECURITIES ISSUED BY CORPORATE ORGANISATIONS

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

a. **Certificates of deposit (CDs).** These are shorter term securities issued by deposit taking institutions (mainly financial institutions). They are negotiable instruments, so can be sold ahead of maturity and also purchased after they have been issued. However, that liquidity can come at a price, where the yield could be marginally less than placing a deposit with the same bank as the issuing bank.

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

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

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

OTHER

Property fund. This is a collective investment fund specialising in property. Rather than owning a single property with all the risk exposure that means to one property in one location rising or falling in value, maintenance costs, tenants actually paying their rent / lease etc, a collective fund offers the advantage of diversified investment over a wide portfolio of different properties. This can be attractive for authorities who want exposure to the potential for the property sector to rise in value. However, timing is critical to entering or leaving this sector at the optimum times of the property cycle of rising and falling values. Typically, the minimum investment time horizon for considering such funds is at least 3-5 years.

Table 1: permitted investments in house – Common Good

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

1.1 Deposits

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

Note 1. As collateralised deposits are backed by e.g. AAA rated local authority LOBOs, this investment instrument is effectively a AAA rated investment

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

	* Minimum Credit Criteria / colour banding	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
UK part nationalised banks	Blue	term	no		1 Year
Banks part nationalised by high credit rated (sovereign rating) countries – non UK	UK Sovereign Rating	term	no		1 Year
Fixed term deposits with variable rate and variable maturities: - Structured deposits	Green	term	yes		1 Year

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

	* Minimum Fund Rating	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
1. Government Liquidity Funds	AAA	instant	No see note 1	100	1 Year
2a. Money Market Funds CNAV	AAA	instant	No see note 1	100	1 Year
2b. Money Market Funds LVNAV	AAA	T+1 to T+5	No see note 1	100	1 Year
2c. Money Market Funds VNAV	AAA	T+1 to T+5	No see note 1	100	1 Year
3. Ultra short dated bond funds with a credit score of 1.25	AAA	T+1 to T+5	yes	100	1 Year
4. Ultra short dated bond funds with a credit score of 1.5	AAA	T+1 to T+5	yes	100	1 Year
5. Bond Funds	AAA	T+2 or longer	yes	100	1 Year
6. Gilt Funds	AAA	T+2 or longer	yes	100	1 Year

Note 1. The objective of MMFs is to maintain the net asset value but they hold assets which can vary in value. However, the credit rating agencies require the fluctuation in unit values held by investors to vary by almost zero.

1.4 Securities issued or guaranteed by governments

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Treasury Bills	UK sovereign rating	Sale T+1	yes	100	1 Year
UK Government Gilts	UK sovereign rating	Sale T+1	yes	100	1 Year
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail	UK sovereign rating	Sale T+3	yes	100	1 Year
Sovereign bond issues (other than the UK govt)	AAA	Sale T+1	yes	80	1 Year
Bonds issued by multilateral development banks	AAA	Sale T+1	yes	80	1 Year

1.5 Securities issued by corporate organisations

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Certificates of deposit issued by banks and building societies	Green	Sale T+0	yes	50	2 Years
Commercial paper other	Green	Sale T+0	yes	20	2 Years
Floating rate notes	Green	Sale T+0	yes	20	2 Years
Corporate Bonds other	Green	Sale T+3	yes	20	2 Years

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

1.6 Other

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

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

2.1 Deposits

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

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

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
UK part nationalised banks	Blue	Term or instant	no	100	1 Year
Banks part nationalised by high credit rated (sovereign rating) countries – non UK**	UK sovereign rating	Term or instant	no	100	1 Year

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

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

	* Minimum Fund Rating	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
1. Government Liquidity Funds	AAA	instant	No see note 1	**100**	**1 Year**
2a. Money Market Funds CNAV	AAA	instant	No see note 1	**100**	**1 Year**
2b. Money Market Funds LVNAV	AAA	T+1 to T+5	No see note 1	**100**	**1 Year**
2c. Money Market Funds VNAV	AAA	T+1 to T+5	No see note 1	**100**	**1 Year**
3. Ultra short dated bond funds with a credit score of 1.25	AAA	T+1 to T+5	yes	**100**	**1 Year**
4. Ultra short dated bond funds with a credit score of 1.5	AAA	T+1 to T+5	yes	**100**	**1 Year**
5. Bond Funds	AAA	T+1 to T+5	yes	**100**	**1 Year**
6. Gilt Funds	AAA	T+1 to T+5	yes	**100**	**1 Year**

Note 1. The objective of these funds is to maintain the net asset value but they hold assets which can vary in value. However, the credit rating agencies require the fluctuation in unit values held by investors to vary by almost zero.

2.4 Securities issued or guaranteed by governments

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Treasury Bills	UK sovereign rating	Sale T+1	yes	100	1 Year
UK Government Gilts	UK sovereign rating	Sale T+1	yes	100	1 Year
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail	UK sovereign rating	Sale T+3	yes	100	1 Year
Sovereign bond issues (other than the UK govt)	AAA	Sale T+1	yes	80	1 Year
Bonds issued by multilateral development banks	AAA	Sale T+1	yes	80	1 Year

2.5 Securities issued by corporate organisations

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Certificates of deposit issued by banks and building	Green	Sale T+1	yes	**50**	
Commercial paper other	Green	Sale T+1	yes	50	
Corporate Bonds other	Green	Sale T+3	yes	20	
Floating Rate Notes	Green	Sale T+1	yes	20	

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

Appendix 5 – Treasury Management Practice (TMP2) Credit and Counterparty Risk Management

The following table is for use by the Treasury Team and is a list of current counterparties. However, the use of counterparties depends on credit ratings and the Council may stop using certain counterparties and may stop using certain counterparties and/or decide to use alternative counterparties within its permitted investments. If for unavoidable short term operation reasons, limits are breached this will be communicated to management immediately.

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

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
Cash type instruments				
a. Deposits with the Debt Management Account Facility (UK Government) (**Very low risk)**	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.	£unlimited, maximum 6 months.	£unlimited, maximum 6 months.
b. Deposits with other local authorities or public bodies **(Very low risk)**	These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply. Deposits with other non-local authority	Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment. Non- local authority deposits will follow the approved credit rating criteria.	£unlimited, maximum 1 year.	£unlimited, maximum 1 year.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
	bodies will be restricted to the overall credit rating criteria.			
c. Money Market Funds (MMFs) **(Low to very low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMFs has a "AAA" rated status from either Fitch, Moody's or Standard and Poor's.	£10m per fund	100%
d. Ultra short dated bond funds **(low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the have a "AAA" rated status from either Fitch, Moody's or Standard and Poor's.	£10m	100%
e. Call account deposit accounts with financial institutions (banks and building societies) **(Low risk depending on credit rating)**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor'sDay to day investment dealing with this criteria will be further strengthened by use of additional market intelligence.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.
f. Term deposits with financial institutions (banks and building societies) **(Low to medium risk depending on period & credit rating)**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with this criteria will be further strengthened by use of additional market intelligence.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
g. Government Gilts and Treasury Bills **(Very low risk)**	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates (no loss if these are held to maturity.	Little counterparty mitigating controls are required, as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures.	£10m maximum 1 year.	100% maximum 1 year.
h. Certificates of deposits with financial institutions **(Low risk)**	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than categories (a), (b) and (c) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates (no loss if these are held to maturity). Liquidity risk will normally be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	£10m per counterparty maximum 1 year.	20% maximum 1 year.
i. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) **(Low to medium risk depending on**	These tend to be medium to low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement of the counterparty (penalties may apply).	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
period & credit rating)				
j. Corporate bonds **(Medium to high risk depending on period & credit rating)**	These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. . Corporate bonds will be restricted to those meeting the base criteria. Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	£5m and maximum 1 year.	£20% and maximum 1 year.
Other types of investments				
a. Investment properties	These are non-service properties which are being held pending disposal or for a longer term rental income stream. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids).	In larger investment portfolios some small allocation of property based investment may counterbalance/compliment the wider cash portfolio. Property holding will be re-valued regularly and reported annually with gross and net rental streams.	£10m	20%.
b. Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.	£10m and maximum 5 years.	10% and maximum 5 years.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
c. Shareholdings in a local authority company	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	50%	20%
d. Non-local authority shareholdings	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be liquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	5%	100%
e. Loans to third parties as part of the Council's Empty Homes Strategy	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Head of Strategic Finance approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£1.5m and a maximum of 10 years.	N/A
f. Loans to third parties as part of the Council's SHF Front Funding Facility	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Head of Strategic Finance approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£5m and a maximum of 3 years.	N/A

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
g. Loans to third parties as part of the Council's Long Term Loan Funding to RSL's	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Head of Strategic Finance approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£5m and a maximum of 30 years.	N/A
h. Hub Co sub debt	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be highly illiquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	£10m	N/A

Appendix 6 – Creditworthiness policy

Service and Information provided by Link Asset Services

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

Credit watches and credit outlooks from credit rating agencies

Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings

Sovereign ratings to select counterparties from only the most creditworthy countries.

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

All credit ratings are monitored from a weekly list which can be updated daily by Link Asset Services. The Council is alerted to the changes to ratings of all three agencies through the use of Link Asset Services credit worthiness service.

If a downgrade rsults in the counterparty/investment scheme no longer meeting the Council's minimum criteria, immediate consideration will be given to whether funds should be withdrawn from this counterparty and the timescale for doing this.

In addition to the use of the credit ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a daily basis via Link Asset Service's Passport website that the Council can access. Extreme market movements may result in a downgrade of an institution or removal from the Councils lending list.

Based on the Link Asset Services approach, the Council will therefore use counterparties within the following durational bands:

Yellow	5 years*
Dark pink	5 years for Ultra short dated bond funds with a credit score of 1.25
Light pink	5 years for Ultra short dated bond funds with a credit score of 1.5
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	Not to be used

*The yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt.

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

No more than £10m can be invested with any single counterparty. The Council will place overnight and call deposits with the Council's bankers irrespective of credit rating. The limit on placing deposits with the Council's bankers is currently £2m.

The Council can invest an unlimited amount of money I the Debt Management Agency Deposit Facility (operated by the Debt Management Office which is part of HM Treasury). The longest period for a term deposit with the DMADF is 6 months.

Appendix 7 – Approved Countries for Investments (at 16.01.18)

This list is based on those countries which have sovereign ratings of AA- or higher (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Capita Asset Services credit worthiness service.

AAA

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

AA+

- Finland
- Hong Kong
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Qatar

Appendix 8 – Treasury Management Scheme of Delegation

The Council

- Overall responsibility for Treasury Management Strategy.
- Adoption of Treasury Policy Statements.
- Receive an Annual Report and other reports on the Treasury Management Operation and on the exercise of delegated treasury management powers.

The Policy and Resources Committee

- Responsibility for the overall investment of money under the control of the Council.
- Keeping under review the level of borrowing.
- Approval of Annual Strategy Statement.
- Receiving and reviewing reports on treasury management policies, practices and activities.
- Approval of Treasury Policy Statements.
- Implementation and monitoring of Treasury Management Policies and Practices.

The Audit and Scrutiny Committee

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

Appendix 9 – The Treasury Management Role of the Section 95 Officer

The Head of Strategic Finance:

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

The nominated Elected Member (Policy Lead for Strategic Finance and Capital):

- Acting as spokesperson for treasury management.
- Taking a lead for elected Members in overseeing the operation of the treasury function.
- Review the treasury management policy, strategy and reports.
- Support and challenge the development of treasury management.

Agenda Item 7

ARGYLL AND BUTE COUNCIL

TRANSFORMATION BOARD

POLICY AND RESOURCES COMMITTEE

15 FEBRUARY 2018

ONE COUNCIL PROPERTY APPROACH

1.0 EXECUTIVE SUMMARY

- The Council Estate comprises over 1,700 buildings and parcels of land.
- The combined nominal or book value of our Estate is over £600m. This is not a value that can be realised in full.
- The Council is landlord to over 160 businesses and generates over £650k in commercial rent per annum.
- The Council has generated over £5.5m from surplus property since 2016.
- The Estate includes airports, supermarkets, windturbine sites, ferry terminals, schools, landfill sites, farmland, car parks, offices, cemeteries, offices and farms.

1.2 This paper sets out proposals for a change in approach to the management of the Council's land and buildings from a static or reactive position (where properties are considered to be held or owned by individual services) to a proactive property development service. This would mean that that all heritable property owned by the Council would be held corporately and not by individual "holding" departments, as has been the case to date, to enable the Council to take a more consistent and strategic corporate view across all heritable property it owns.

ARGYLL AND BUTE COUNCIL	POLICY AND RESOURCES COMMITTEE
TRANSFORMATION BOARD	15 FEBRUARY 2018

ONE COUNCIL PROPERTY APPROACH

2.0 INTRODUCTION

2.1 This paper sets out proposals for a change in approach to the management of the Council's land and buildings from a static or reactive position (where properties are considered to be held or owned by individual services) to a proactive property development service. This would mean that that all heritable property owned by the Council would be held corporately and not by individual "holding" departments, as has been the case to date, to enable the Council to take a more consistent and strategic corporate view across all heritable property it owns.

3.0 RECOMMENDATIONS

3.1 Members are asked to recommend to the Council at their budget meeting on 22nd February that

3.1.1 The "One Council" approach be adopted

3.1.2 Provision of £130k be made in financial years 2018/19 and 2019/20 to resource the taking forward of the new approach, as per paragraph 4.7.4.3

3.1.3 The Executive Director Customer Services bring forward further reports to the Policy and Resources Committee as required in relation to (a) any procedural or process issues which arise from implementing this proposal and (b) progress implementing change and delivering benefits therefrom

4.0 DETAIL

4.1 Transformation Board

The Transformation Board was established by the SMT to provide clear focus and governance for taking forward all elements of the Council's Transformational activities. It supports the Council in delivering the transformational approach required of local authorities by the Accounts Commission to deal with the forecast significant reductions in budget allocations. The Scottish Government and the Commission have expressed a clear direction of travel for Councils to move away from the historical "salami slicing" method of achieving savings to a more strategic change in character and form. This undoubtedly presents

challenges within an annual budgeting cycle and requires an effective collegiate approach across the senior management of the authority. The Board operates on Prince 2 principles to ensure accountability and transparency in the management of public finances and there is a clear audit trail of all activities to meet the expectations of external audit.

4.1.1 The proposals set out in this paper have been considered by both the Transformation Board and the Council's Strategic Management Team. Their view is that the approach recommended would require initial funding over a two year period to make the necessary changes to existing arrangements but that by year three increased income would be available for use by the Council arising from both (a) one off capital receipts from sales and (b) increased rental income from leased out properties.

4.2 **Objectives**

To better enable the effective and efficient utilisation of all the Council's heritable property; its current and future use and occupation; the rationalisation of land and buildings; respond to property enquiries in a consistent and informed manner; budget appropriately for property issues; the acquisition and disposal of property; the development of commercial opportunities for property development.

4.3 **Rationale for the Proposal**

The One Council approach would be a step change in the way that the Council views its property portfolio. At the moment land and buildings owned by the Council are "held" by individual services who may or may not appreciate the number and type of assets that the Council "hold" and the nature and extent of their use, type and occupation.

4.4 The current approach to heritable assets has led to individual services accruing many properties that are held by them but are not necessarily used for operational purposes or do not relate to their core service.

For example:
Housing – the Council's Strategic Housing function now sits under Planning, Housing and Regulatory Services. Strategic Housing have around 90 properties such as retail units, garages, grazing fields and vacant land. Many of these assets may no longer contribute to day to day operational activities of Housing.

Economic Development, Roads and Education – these services hold dozens of property assets that are not occupied by the service for operational purposes and have limited direct relation to the service.

At present holding departments must also assume responsibility for maintenance, insurance and decisions relating to the assets held on their account which means, in theory, officers in each service require a level

of property management experience / knowledge. There are very few services that currently budget for non-operational property matters and inconsistent approaches between departments can arise. For example, individual services may instruct differently in response to fallen trees or a request to position a hot take away van on their land.

4.5 This proposal would mean that individual services were seen as service providers rather than property holders bringing a better focus to the idea of "services not buildings". This would enable the central services who have a direct role in the asset management of assets to take a more proactive role in looking at the effective use of the Council's properties through property rationalisation, asset transfer to third sector, the reduction of the cost base associated with the Council's land and buildings through to the development of commercial opportunities for better capital and revenue returns.

4.6 **Benefits and Returns**

4.6.1 The projected return from the sale of heritable property in the years 2017/18 and 2018/19 is estimated at £4.1m and £3.9m, respectively. In addition the Council receives an annual revenue return on rental property of approximately £650,000.

4.6.2 Capital receipts are generally returned to the corporate centre, although there have been exceptions. Examples include Capital receipts being allocated to a holding service (e.g. Education) or to an area. The One Council approach would mean that all new capital receipts from the sale or lease of Council properties would be dealt with on a corporate basis at the centre providing members and senior management with transparency on the Council's properties, their commercial performance and commercial return.

4.6.3 The Estates and Property Development Team (EPDT) are actively engaged in looking at commercial opportunities in a number of areas with the principal objective of maximising commercial returns preferably on an ongoing revenue basis rather than a one off capital return. Some of the areas being considered are:

- Potential commercial development of land at Duck Bay, Loch Lomond;
- Potential serviced sites in Campbeltown;
- Development of car parks in Oban(where there is a known commercial interest) for potential hotel development (on an undercroft basis) to retain car parking and multi storey car parking; and
- Develop new business land opportunities in Dunoon, Helensburgh and Oban

4.7 **Resources**

4.7.1 The "One Council" Property approach would facilitate a more engaged and proactive approach in the more effective utilisation of land and buildings for operational use and commercial return. This would be particularly beneficial to the various assets that departments currently hold but do not form part of their 'operational' activities or relate to their day to day service provision.

4.7.2 Services would still engage in the current service planning and asset management processes. It would also require services to more actively engage in reviewing their use and occupation of current land and buildings and identifying their future needs and requirements.

4.7.3 The EPDT has moved from Facility Services to the Customer Services Directorate where it sits within the Special Project Team. In the last 12 months there has been work ongoing to take the team from a traditional transactional estates function to one which undertakes transactional work in a more effective way while developing capacity to proactively develop the Council's land and buildings for commercial return. The "One Council" Property approach would synergise that development work but would mean a requirement for additional resources to enable that role and the commercial potential to be realised.

4.7.4 To facilitate this approach would require an additional resource or re-allocation of existing resource to ensure that the EPDT can proactively;

1. Identify and pursue opportunities for property development;
2. Better manage the current property portfolio to ensure capital and revenue returns are maximised;
3. Ensure that the Council's property information is accurate and relevant to ensure effective management.

   This resource would require to consist of at least two property professionals, at least one of whom is proficient in commercial property development, and at least one technical officer to provide support. Such a resource would mean an additional cost of approx. £130K.per annum.

   As advised in paragraph 4.1.1 the new resource would be expected to demonstrate delivery of a commercial benefit to the Council that would offset the cost within 2/3 years of its constitution.

4. Existing property related Budget / Resource would also require to be re-allocated for property maintenance or contingency once assets are held centrally to ensure Council fulfils its obligations. Current arrangements for maintenance budgets are contained within the Central Repair Account (CRA) and individual budget allocations spread among services. The current position is that there is little or no budget for planned maintenance. Such budgets have been

depleted over a number of years and maintenance spend is largely on a reactive basis. The re-allocation of these resources would be designed to begin to address this issue.

5. If this proposal were to be accepted then there would be a requirement to review current budget allocations and arrangements to rationalise all related budgets. It is expected that the EPDT would have a role in the oversight of such any such budget along with Facility Services.

4.7.5 This budget could be ring-fenced from the surplus property account and then part or whole of any return re-invested in that budget when assets are sold or new income is generated through new leases or rent reviews, if members were so minded.

5.0 CONCLUSION

5.1 In summary the "One Council" Property approach could:

- Help focus on "services not buildings";
- Stimulate commercial opportunities through review of all assets – disposals, development or rental;
- Stimulate asset transfers to third sector to generate or save resource;
- Provide consistent and informed property management services;
- Focus on property development on all land – leaving services free to focus on operational activities;
- Provide members and senior management with transparency on the Council's properties, their commercial performance and commercial return;
- Ensure that windfall returns for properties are not lost in general expenditure, but are clearly identified, captured and held at the centre available to members to provide more flexibility in budgeting in future.

6.0 IMPLICATIONS

6.1	Policy	Change in approach to managing Council land and buildings.
6.2	Financial	Upfront costs of £130k PA in 18/19 and 19/20; proposal to be self-funding by 20/12
6.3	Legal	None at this stage
6.4	HR	None at this stage
6.5	Equalities	None at this stage
6.6	Risk	Projects fail to deliver projected benefits
6.7	Customer Service	None at this stage

Douglas Hendry
Executive Director – Customer Services
Chair of Transformation Board
February 2018

For further information please contact David Logan/Ross McLaughlin(01546 604322/01436 658914)

Councillor Rory Colville – Policy Lead for Corporate Services

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Agenda Item 8

ARGYLL AND BUTE COUNCIL	**Policy and Resources Committee**
Customer Services	**15 February 2018**

Corporate Plan 2018-22

1.0 EXECUTIVE SUMMARY

The purpose of this report is to present to members the new Corporate Plan 2018-2022. The Corporate Plan has been developed to set out clearly the Council's vision, shared with our Community Planning Partners, our outcomes, directly linked to the Argyll and Bute Outcome Improvement Plan, our values and the priorities agreed in 2017.

The Plan sets the context for the service plans and the Council budget.

It is recommended that members agree the Corporate Plan and forward to the Council for final approval.

ARGYLL AND BUTE COUNCIL	**Policy and Resources Committee**
Customer Services	**15 February 2018**

Corporate Plan 2018-22

2.0 INTRODUCTION

2.1 The purpose of this report is to present to members the new corporate plan 2018-2022 for approval. The Plan sets out the strategic context for the service plans and the Council budget.

3.0 RECOMMENDATIONS

3.1 It is recommended that members agree the Corporate Plan and forward to the Council for approval.

4.0 DETAIL

4.1 The Corporate Plan has been developed to set out clearly the Council's vision

Argyll and Bute's Economic Success is Built on a Growing Population

4.2 This vision is shared with our Community Planning Partners and determines our 6 strategic outcomes, which are also shared with our Community Planning Partners and which form the basis of the Argyll and Bute Outcome Improvement Plans.

- Our economy is diverse and thriving
- We have an infrastructure that supports sustainable growth
- Education skills and training maximise opportunities for all
- Children and young people have the best possible start
- People live active, healthier and independent lives
- People will live in safer and stronger communities

4.3 The Plan sets out the Council's agreed Mission, which commits us to

Making Argyll and Bute a place people choose to Live, Learn, Work and

Do Business

We will make this happen by delivering on our 6 strategic outcomes.

4.4 The Corporate Plan incorporates the priorities that the Council agreed in autumn 2017:

- The education we provide meets the needs of all our young people and their families
- We make the most of our assets to build the local economy
- We support individual and community wellbeing
- We strengthen and empower our communities
- We ensure there are homes for all, we tackle poverty and build opportunity
- We have greener and cleaner communities
- We are an employer of choice
- We manage our finances prudently

The Plan also highlights our new values, developed by the Council's Culture Steering Group and informed by our Employee Survey.

- Caring
- Committed
- Creative
- Collaborative

The Plan sets out the strategic framework for the 3 year service plans and revenue budgets. It also sets the context for the Performance Improvement Framework, which ensures that the Council delivers best value.

4.5 The plan is a simple document, which can be used to communicate the Council's priorities to communities and to our employees.

5.0 CONCLUSION

5.1 The Corporate Plan sets out the Council's strategic priorities and is an important document in meeting the Council's duty to deliver best value.

6.0 IMPLICATIONS

6.1	Policy	The Corporate Plan is an essential element of the Performance and Improvement Framework
6.2	Financial	The Council's Corporate Plan sets out the strategic context for outcome based budgeting

6.3	Legal	The Corporate Plan is an important element in ensuring the Council delivers its duty of Best Value as set out in the Local Government (Scotland) Act 2003
6.4	HR	The Corporate Plan sets the strategic context for the People Strategy and the Strategic Workforce Plan
6.5	Equalities	The Corporate Plan sets out a strategic commitment to meeting the Council's equalities duties.
6.6	Risk	If there is no corporate plan, there is a risk to complying with the duty of best value.
6.7	Customer Service	None

Executive Director of Customer Services

Policy Lead Rory Colville
24 January 2018

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

APPENDICES
Appendix 1 – Corporate Plan 2018-22

OUR MISSION, OUR VALUES, OUR PRIORITIES
– OUR CORPORATE PLAN 2018-2022

Argyll Bute COUNCIL

Prosperity
Ambition
Economy
Education
Growth
Young people
Communities
Vision
Priorities
Values

Corporate Plan

Caring
Committed
Creative
Collaborative

CORPORATE PLAN (2018–2022)

Welcome

The landscape in which we deliver our services is changing. We must transform how we work so that we can deliver the services our communities need and the prosperity the future of Argyll and Bute depends upon.

We have considerable challenges to meet – declining funding for our services, economic dependence on the public sector, and an aging population.

Argyll and Bute however is recognised as one of Scotland's most promising regions, and we are ambitious for our future and for the future of our young people in Argyll and Bute.

Prosperity is here to be achieved and this Corporate Plan sets out clearly how we will deliver on that shared ambition with our partners.

Our values underpin all that we do and we are proud to have a workforce that is Caring, Committed, Collaborative and Creative. These values give us a sound basis to achieve the transformation that will ensure we meet the challenges of the future and deliver the quality services that our communities and citizens deserve.

Councillor Aileen Morton
Leader of Argyll and Bute Council

Cleland Sneddon
Chief Executive

1.0 Our Vision

Argyll and Bute is an area of Scotland with outstanding places, people and potential for a prosperous future for everyone. Our Council, along with our Community Planning Partners, is committed to ensuring that

Argyll and Bute's Economic Success is built on a Growing Population

2.0 Our Mission

We will deliver our 6 outcomes and make Argyll and Bute a place people choose to Live, Learn, Work and Do Business

- Our Economy is diverse and thriving
- We have an infrastructure that supports sustainable growth
- Education skills and training maximise opportunities for all
- Children and young people have the best possible start
- People live active, healthier and independent lives
- People will live in safer and stronger communities

2.1 Our Priorities

Over the next five years, our agreed priorities are to ensure that:

- The education we provide meets the needs of all our young people and their families
- We make the most of our assets to build the local economy
- We support individual and community wellbeing
- We strengthen and empower our communities
- We ensure there are homes for all, we tackle poverty and build opportunity
- We have greener and cleaner communities
- We are an employer of choice
- We manage our finances prudently

2.2 Our Approach

The next five years will be a period of transformation for Argyll and Bute Council so we will:

- Continuously strive to find more efficient ways to deliver services
- Explore and create commercial opportunities
- Work with communities and partners to deliver services in new ways where possible and encourage community responsibility
- Create more opportunities for volunteering
- Commission services instead of delivering them where appropriate

3.0 Getting it Right

Our people have a vital role in the delivery of our corporate plan and we recognise that we have to create the right environment to enable them to deliver and continue to improve our front line services. Our People Strategy and Corporate Workforce plan outline in more detail how we will do this. Our support services assist front line services to make sure that we get it right for our communities and citizens, so will support the delivery of our priorities by:

- Ensuring our structure and systems make our council high performing
- Developing our positive organisational culture and remaining an employer of choice
- Managing our resources robustly and sharing buildings and facilities where appropriate
- Ensuring our workforce have the skills knowledge and behaviours to support our vision now and in the future
- Engaging, consulting and working with our customers, communities and partners
- Providing excellent customer service and communication
- Ensuring equality of opportunity for all and contributing to a sustainable future.

4.0 Measuring our Success

Our Performance and Improvement Framework (PIF) is focused not just on measuring what we do but on measuring the difference we make in terms of our outcomes. Right through from our Strategic Outcomes, through our Business Outcomes to our individual objectives, we all have a focus on the difference we make.

Our PIF sets out the framework through which our performance against key objectives is regularly reviewed by senior managers and elected members. At a strategic level performance is scrutinised through our Strategic Committees and more locally at our Area committees. The Audit and Scrutiny Committee, which meets four times a year has a key role in reviewing and scrutinising how we are meeting our strategic objectives.

Our Performance is reported through scorecards which are reviewed at team and service level as well as Council and Departmental level. These are reviewed at Council meetings and are available on the Council's website, www.argyll-bute.gov.uk/council-and-goverance/performance

Our values: Caring, Committed, Creative and Collaborative
Ar prionnsapalan: Cùramach, Dealasach, Cruthachail agus Com-pàirteach

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ARGYLL & BUTE COUNCIL

CUSTOMER SERVICES

POLICY AND RESOURCES COMMITTEE
15 FEBRUARY 2018

EXTRACT OF MID ARGYLL, KINTYRE AND THE ISLANDS AREA COMMITTEE HELD ON 6 DECEMBER 2017

13. SITING OPTIONS FOR SCREEN MACHINE IN INVERARAY

A report providing the Committee with information in regards to the siting of the Screen Machine in Inveraray, was considered.

Motion

That the Area Committee:-

1. agrees that the Screen Machine be located at either the hardstanding area near Inveraray Shinty Pitch or at Inveraray Castle Car Park on the basis that utilising these sites does not cause any loss of amenity within either the free or pay and display car parks operated by Argyll and Bute Council;
2. Notes that occupation of a pay and display car park would require approval of the full Council, and
3. Notes that Inveraray Community Council have agreed to supply the toilet facilities and to pay for public liability insurance.

Moved by Councillor Currie, seconded by Councillor Redman.

Amendment

The Area Committee agrees to support the siting of the Screen Machine at Fisher Row, noting that there would be a loss of revenue in terms of car parking and refers this to the next meeting of Policy and Resources Committee for approval.
Moved by Councillor Philand, seconded by Councillor Taylor.

On a show of hands vote, the Amendment received 4 votes and the Motion received 2 votes and the Area Committee resolved accordingly.

(Ref: Report by Traffic & Development Manager dated November 2017, submitted).

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ARGYLL AND BUTE COUNCIL	**Mid Argyll, Kintyre and Islay Area Committee**
Development & Infrastructure Services	**Wednesday 6th December 2017**

Location of Screen Machine in Inveraray

1.0 EXECUTIVE SUMMARY

1.1 The purpose of the report is to provide Members with sufficient detail to allow a decision to be made in regards to the siting of the Screen Machine in Inveraray.

2.0 RECOMMENDATIONS

2.1 It is recommended that the committee:

- Agree that the Screen Machine be located at either the hardstanding area near Inveraray Shinty Pitch or at Inveraray Castle Car Park on the basis that utilising these sites does not cause any loss of amenity within either the free or pay & display car parks operated by Argyll and Bute Council.

- Notes that occupation of a pay and display car park would require approval of the full Council.

ARGYLL AND BUTE COUNCIL	**Mid Argyll, Kintyre and Islay Area Committee**
Development & Infrastructure Services	**Wednesday 6th December 2017**

Location of Screen Machine in Inveraray

3.0 INTRODUCTION

3.1 Members requested a report be brought to the Committee providing detail on the potential sites for the Screen Machine in Inveraray.

4.0 RECOMMENDATIONS

4.1 It is recommended that the committee

- Agree that the Screen Machine be located at either the hardstanding area near Inveraray Shinty Pitch or at Inveraray Castle Car Park on the basis that utilising these sites does not cause any loss of amenity within either the free or pay & display car parks operated by Argyll and Bute Council.

- Notes that occupation of a pay and display car park would require approval of the full Council.

5.0 DETAIL

5.1 The pay & display car parks in Inveraray are currently seasonal, the car parks are charged from 1 April to 31 October. There is a Draft TRO changing the charging structure to all year, this has been referred to a Reporter for consideration. If the Area Committee opt to site the Screen Machine within an off-street car park there are two options for approval:

i. The Screen Machine pays for the occupation of the bays, the Chair and Vice Chair of the Area Committee can approve;
ii. The Screen Machine wish to occupy the site free of charge, the decision to suspend bays and charges would be taken by the full Council.

5.2 There are a number of Council car parks within Inveraray, these are:

a. The Avenue (free section near the Cooperative Supermarket);
b. The Avenue Pay & Display Car Park
c. McKenzie's Land (opposite Semple's Garage);
d. Front Street Car Park

- Nearest the front green
- Middle section adjacent to the shops
- Pier section (Fisher Row)

e. Inveraray Jail Car Park (Crown Point)
f. Village Hall
g. Coach & Lorry Park

5.3 Regional Screen Scotland have not been able to provide a full vehicle specification to date, however, we have carried out checks on access to the various sites using Auto Track software using a similar vehicle from the database. From this we estimate that the car parks listed have the following issues in regards to accommodating the Screen Machine:

a. The free section of the Avenue has insufficient width and length to accommodate the Screen Machine (on the east side). The access routes to the section adjacent to the Co-operative Supermarket lack sufficient width to allow the Screen Machine to enter this area;
b. The bays in the Pay & Display section of the Avenue are too narrow and short to accommodate the cinema;
c. It may be very difficult in siting the cinema at this location without either reversing from the A83 trunk road or onto the A83 trunk road. This may introduce road safety concerns.
d. Front Street Car Park:
    - Nearest the front green - the geometry of the access is very difficult to navigate. This site is close to the toilets, however, and has adjacent footways. This site does not interfere with the public road network but is a pay & display area, permission to waive charges from the full Council would be required;
    - Middle section – It is not possible to site the cinema in this location without encroaching on the public road. This would require traffic management measures to separate vehicles from pedestrians. It may be difficult due to the available width to maintain access for HGVs. The Screen Machine may have to either reverse from the A83 or onto the A83 trunk road to access location. Permission to waive charges from the full Council would be required;
    - Pier Section (Fisher Row) - It is not possible to site the cinema in this location without encroaching on to the public road. This would require traffic management measures to separate vehicles from pedestrians. Permission to waive charges from the full Council would be required.
e. It is not possible to site the Screen Machine at the Inveraray Jail Car Park without requiring reversing movements either to or from the A83 trunk road. At this location this would increase the likelihood of road safety issues arising. The car park is free of charge but may generate complaints from residents and businesses in regards to loss of parking.
f. Village Hall car park is not of sufficient width to allow the Screen machine to deploy as a cinema.
g. The Coach & Lorry Park is accessed from the A819, however, there is currently no traffic order in place and the land is owned by both Argyll and Bute Council and Argyll Estates. The site can be accessed by pedestrians either through the Edinburgh Woollen Mill or through the

Avenue via Chalmers Court. The park has sufficient length and width to accommodate the Screen Machine. In the interest of road safety it would be recommended that a pedestrian route be identified from the access points to the Screen Machine. Argyll Estates have confirmed that they have no issue in regards to the Screen Machine making use of this park.

5.4 Argyll Estates have advised that they would welcome the Screen Machine to make use of either the hard standing area near the Shinty Pitch or to locate within the car park in Inveraray Castle grounds.

5.5 Regional Screen Scotland have advised that they do not pay for parking at any other location.

5.6 When deployed as a cinema, the Screen Machine is 18.5m long. Positioning the vehicle in a car park would remove 8 bays from use, the cost of which would equate to £72 per day.

5.7 The Screen Machine typically stays in on location for 3-4 days.

5.8 Regional Screen Scotland's preferred position was at the Pier Section of the Front Street Car Park as the public convenience is located adjacent to this site.

5.9 The distances from the public convenience to the Shinty Pitch or Inveraray Castle car park are approximately 500m and 900m respectively.

5.10 The alternative provision for public convenience at these locations would be to provide portable toilets. The latest costings available for the hire of portable toilets are approximately £50/week and £50 delivery/collection.

5.11 Following the Inveraray Community Council meeting, held on the 15 November 2017, the CC have advised that they are willing to pay for portable toilets, public liability insurance and refuse bins if the Screen Machine is sited at either the Inveraray Shinty Pitch area or at Inveraray Castle Car Park.

6.0 CONCLUSION

6.1 In consideration of the identified sites it is recommended that the Screen Machine be located at either the hardstanding area near Inveraray Shinty Pitch or at Inveraray Castle Car Park. Utilising these sites does not cause any loss of amenity within either the free or pay & display car parks operated by Argyll and Bute Council. It also removes the need to obtain permission from the full Council each time the Screen Machine wishes to visit Inveraray.

7.0 IMPLICATIONS

7.1	Policy:	Parking Policy 2014
7.2	Financial:	None.
7.3	Legal	None.

7.4	HR	None
7.5	Equalities	None
7.6	Risk	None
7.7	Customer Service	None

Executive Director of Development & Infrastructure: Pippa Milne
Policy Lead Councillor Roddy McCuish

November 2017

For further information contact: Stuart Watson, Traffic & Development Manager on 01546 604 889

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Policy and Resources Committee Work Plan 2018-19

February 2018 - This is an outline plan to facilitate forward planning of reports to the P&R Committee.					
15 February 2018	**Report Title**	**Dept/Section**	**How Often?**	**Date Due**	**Comments**
	Financial Monitoring Pack Summary – December 2017	Strategic Finance	Every Meeting		
	Budgeting Pack 2018/19	Strategic Finance	Annual		
	Treasury Management Strategy Statement and Annual Investment Strategy	Strategic Finance	Annual		
	One Council Property Approach	Customer Services			
	Corporate Plan 2018-2022	Customer Services			
	Location of Screen Machine in Inveraray	Development and Infrastructure			Recommendation from MAKI Area Committee – December 2017
	Six Monthly Report on Cash Flow Support Loans – 1 September 2017 – 31 December 2017	Strategic Finance			
17 May 2018	**Report Title**	**Dept/Section**	**How Often?**	**Date Due**	**Comments**
	Financial Monitoring Pack Summary – will include links to: • Financial Monitoring Pack Summary • Revenue Budget Monitoring • Monitoring of Service Choices Savings • Monitoring of Financial Risks • Capital Plan Monitoring • Treasury Monitoring • Reserves and Balances	Strategic Finance	Every Meeting		
	Performance Report FQ3 October to December 2017	Customer Services/Strategic Finance	Quarterly		

Policy and Resources Committee Work Plan 2018-19

Future Items – date to be determined					
	SOA Delivery Plan Review	Community Services			
	IHR Policies: • Attendance Management Policy • Secondment Policy	Improvement and HR	As required		• To come in 2017/18 • To come in 2017/18
	Argyll, Lomond and the Isles Regeneration Initiative	Development and Infrastructure			

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