Argyll and Bute Council
Comhairle Earra-Ghàidheal Agus Bhòid

Customer Services
Executive Director: Douglas Hendry

Kilmory, Lochgilphead, PA31 8RT
Tel: 01546 602127 Fax: 01546 604435
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15 February 2018

NOTICE OF MEETING

A meeting of the **ARGYLL AND BUTE COUNCIL** will be held in the **COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD** on **THURSDAY, 22 FEBRUARY 2018** at **11:30 AM**, or at the conclusion of the Special Meeting of Argyll and Bute Council at 11.00am, whichever is the later, which you are requested to attend.

Douglas Hendry
Executive Director of Customer Services

BUSINESS

1. **APOLOGIES FOR ABSENCE**

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

3. **MINUTES**

   (a) Argyll and Bute Council held on 30 November 2017 (Pages 5 - 12)

   (b) Special Argyll and Bute Council held on 25 January 2018 (Pages 13 - 16)

4. **MINUTES OF COMMITTEES**

   (a) Environment, Development and Infrastructure Committee held on 7 December 2017 (Pages 17 - 20)

   (b) Policy and Resources Committee held on 8 December 2017 (Pages 21 - 28)

* (c) Community Services Committee held on 14 December 2017 (Pages 29 - 38)

* (d) Policy and Resources Committee held on 15 February 2018 (to follow)

The above minutes are submitted to the Council for approval of any recommendations on the items which the Committee does not have delegated powers. These items are marked with an *.

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 39 - 90)

   Report by Head of Strategic Finance

7. **CORPORATE PLAN 2018-2022** (Pages 91 - 102)

   Report by Executive Director of Customer Services

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).

Argyll and Bute Council

Contact: Sandra Campbell Tel: 01546 604401

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MINUTES of MEETING of ARGYLL AND BUTE COUNCIL held in the COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD on THURSDAY, 30 NOVEMBER 2017

Present: Councillor Len Scoullar (Chair)

Councillor Jim Anderson	Councillor David Kinniburgh
Councillor John Armour	Councillor Jim Lynch
Councillor Gordon Blair	Councillor Donald MacMillan
Councillor Rory Colville	Councillor Sir Jamie McGrigor
Councillor Robin Currie	Councillor Yvonne McNeilly
Councillor Mary-Jean Devon	Councillor Aileen Morton
Councillor Lorna Douglas	Councillor Iain Paterson
Councillor Jim Findlay	Councillor Alastair Redman
Councillor George Freeman	Councillor Alan Reid
Councillor Audrey Forrest	Councillor Elaine Robertson
Councillor Bobby Good	Councillor Sandy Taylor
Councillor Kieron Green	Councillor Richard Trail
Councillor Graham Archibald Hardie	Councillor Andrew Vennard
Councillor Anne Horn	

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
Charles Reppke, Head of Governance and Law
Kirsty Flanagan, Head of Strategic Finance
Christina West, Chief Officer, Health and Social Care
Martin Caldwell, Chair of Audit and Scrutiny Committee

1. APOLOGIES FOR ABSENCE

Apologies for absence were intimated from Councillors Kelly, McCuish, McKenzie, Moffat, Morgan, E Morton, Mulvaney, Philand.

2. DECLARATIONS OF INTEREST

Councillors Anderson and Good each declared a non-financial interest in relation to the report on the Dunoon BID which is dealt with at item 18 of this minute because of their association with the Board.

3. COSLA REVIEW

The Council heard an informative presentation by President of COSLA, Councillor Alison Evison and the Chief Executive, Sally Loudon on the work of the COSLA Review and of their vision for the future.

Decision:

The Council noted the information contained within the presentation.

4. DIRECTOR OF PUBLIC HEALTH ANNUAL REPORT 2017

The Council heard an informative presentation by the Director of Public Health, Professor Hugo van Woerden and Alison McGrory, Health Improvement Officer together with a report outlining the ethos and role of Realistic Medicine in delivering higher quality health and social care.

Decision:

The Council noted the content of the presentation and report.

(Ref: Report and Presentation by Director of Public Health dated 6 November 2017, submitted.)

5. MINUTES

(a) **Argyll and Bute Council held on 28 September 2017**

The Minutes of the Meeting of Argyll and Bute Council held on 28 September 2017 were approved as a correct record.

(b) **Special Argyll and Bute Council held on 26 October 2017**

The Minutes of the Special Meeting of Argyll and Bute Council held on 26 October 2017 were approved as a correct record.

6. MINUTES OF COMMITTEES

(a) **Policy and Resources Committee held on 19 October 2017**

The Minutes of the Meeting of the Policy and Resources Committee held on 19 October 2017 were noted.

Arising under item 9 (Microsoft Licensing Costs) the Council:-

1. Noted that the Council’s corporate body no longer operates an Enterprise Agreement with Microsoft with effect from 1 June 2017; and that savings of £208k are anticipated for 2017-18, £222k in 2018-19 and £264k in 2019-20 as a result.

2. Noted that these savings would be required in future years in order to fund upgrades to the latest versions of software from 2020 onwards.

3. Approved the retention of the savings in 2017-18, 2018-19 and 2019-20 as earmarked reserves to be used to fund the expected additional costs of Microsoft software in 2020-21 to 2022-23 as this would smooth the annual budgetary requirement.

4. Noted that the ICT Service would keep the plan for Microsoft software licensing under annual review.

7. AUDIT COMMITTEE ANNUAL REPORT 2016-2017

The Provost advised that Sheila Hill, Vice-Chair of the former Audit Committee had now retired from this position, he expressed his thanks on behalf of the Council for her support and input in Member development and wished her well on her retirement.

The Council gave consideration to a report prepared by the Chair of the Audit Committee which provided an overview of the Audit Committee’s activity during the financial year 2016-17 and which gave members assurance that the Committee continued to focus its efforts on effectively discharging its duties in accordance with published guidance.

Decision:

The Council:-

Acknowledges the activity of the Audit Committee during 2016/17, with thanks to the Chair and Committee members.

Noted the retiral of Sheila Hill, the committee’s Vice Chair and records its thanks to her for her services to the Council.

(Ref: Report by the Chair of the Audit Committee dated 30 November 2017, submitted.)

8. LEADER'S REPORT

The Council gave consideration to a report providing an update on the activities of the Leader of Argyll and Bute Council from 16 September to 16 November 2017, together with an update from the Policy Lead for Economic Development.

Decision:

1. The Council noted the terms of the report.

2. Noted that the full Leaders report pack was available in the Leader’s Office which included COSLA papers and briefings as referenced in the report.

3. Noted that any COSLA items heard in public session could be provided to Members electronically and any items taken in private session could be reviewed in the Leader’s Office.

(Ref: Report by Leader of the Council, dated 16 November 2017, submitted.)

9. POLICY LEADS REPORT

The Council gave consideration to a report providing an update on key areas of activity for each Policy Lead Councillor.

Decision:

The Council agreed to note and endorse the terms of the report.

(Ref: Report by Policy Leads, dated 20 November 2017, submitted.)

10. COUNCIL ANNUAL REPORT 2016-17

The Council gave consideration to the Council Draft Annual Report 2016/17 following a recommendation by the Policy and Resources Committee at their meeting on 19 October 2017.

Decision:

The Council agreed to endorse the Council Draft Annual Report 2016/17.

(Ref: Extract of Minute of the Policy and Resources Committee held on 19 October 2017, submitted.)

11. AUDITED ACCOUNTS 2016-17 AND AUDIT SCOTLAND ANNUAL AUDIT REPORT 2016-17

The Council gave consideration to a report which advised that the external auditors, Audit Scotland had completed their audit of the Council's Annual Accounts for 2016-17 together with its Charitable Trusts. The audited accounts and its Charitable Trusts, incorporating the audited certificates were also submitted which contained no qualifications. Members also gave consideration to Audit Scotland's 2016-17 Annual Audit Report.

Decision:

The Council:-

1. noted that the unqualified certificates have been issued for both the Council's Accounts and Charitable Trusts and these have been included within the Accounts on the Council's website; and
2. noted the content of Audit Scotland's Annual Audit Report for 2016-17.

(Ref: Report by Head of Strategic Finance dated 30 October 2017, submitted.)

12. CHARLES AND BARBARA TYRE TRUST - APPOINTMENT OF GOVERNORS

The Council gave consideration to a report seeking agreement for the appointment of two Governors to the Board of the Charles and Barbara Tyre Trust and an update on the legalities of having to make appointments to the Trust.

Decision:

The Council agreed to make no appointments to the Trust.

(Ref: Report by Executive Director of Customer Services, dated 3 November 2017, submitted.)

13. DRAFT PROGRAMME OF MEETINGS 2018-19

The Council gave consideration to a draft programme of meetings for the year 2018-19, based on the current committee cycle.

Decision:

The Council agreed the draft Programme of Meetings for the year 2018-19.

(Ref: Report by Executive Director of Customer Services, dated 9 October 2017, submitted.)

14. COMMUNITY COUNCIL REVIEW - CONSULTATION

The Council gave consideration to a report setting out the feedback received from the first phase of consultation on the amended Scheme for Establishment of Community Councils which also featured a process for applying sanctions per the Council decision of 18 May 2017. The feedback received was considered with commentary provided from Governance and Law as to which matters ought to be included in a draft amended scheme.

Motion

1. To note the feedback received during phase one of the consultation and resolve to agree with the recommendations outlined in Appendix 2 and on the basis that these are minor amendments, instruct the Executive Director of Customer Services to give public notice of the amendments to the initial proposals, inviting further representations to be submitted within a 6 week period which will take account of the holiday period.

2. Agree that where there are no proposed amendments to the final draft scheme by the end of the period of notice, the Council will delegate authority to the Executive Director of Customer Services to give notice of the new Scheme with an implementation date of 26 April 2018 which will coincide with the election date outlined in the consultation timetable.

Moved by Councillor Currie, seconded by Councillor Colville.

Amendment

To adopt the approach set out in 3.1 (b) and 3.2 of the report but to retain the provisions within the existing scheme to require community council’s to promote participation by young people.

Moved by Councillor Taylor, seconded by Councillor Blair.

Decision:

On a show of hands vote, the Amendment received 11 votes and the Motion received 17 votes, and the Council resolved accordingly.

(Ref: Report by Executive Director of Customer Services, dated 30 October 2017, submitted.)

15. 2018 REVIEW OF UK PARLIAMENT CONSTITUENCIES- BOUNDARY COMMISSION FOR SCOTLAND PROPOSALS

The Council gave consideration to a report providing information on the Boundary Commission for Scotland consultation on its revised proposals relating to the 2018 Review of UK Parliament constituencies. Under the proposals the Argyll and Bute constituency will spread north to incorporate 2 wards within Highland Council including areas such as Fort William, Caol, Kilchoan and Ardnamurchan. The new constituency will be called Argyll, Bute and Lochaber and will have 77,661 electors.

Decision:

The Council:

1. Noted that the revised proposals from the Boundary Commission for Scotland are for the Argyll, Bute and Lochaber county constituency to have:
   a) the 3rd largest area in Scotland at 9,916km2 – more than twice that of the next largest constituency;
   b) an electorate of 77,661 – only 846 less than the maximum set down in statute of 78,507;
2. Expressed disappointment that previous local submissions about the boundaries of the proposed constituency have not been heeded;
3. Agreed to respond to the Boundary Commission expressing our desire to work with them and other stakeholders to identify options for forming a constituency that recognises the challenges involved in representing a range of urban, rural, peninsular and island communities.

Councillor Freeman having moved an amendment which failed to find a seconder required his dissent from the foregoing decision to be recorded in the minute.

(Ref: Report by Executive Director of Customer Services, dated 30 October 2017, submitted.)

16. PROCUREMENT STRATEGY 2018-19 AND SUSTAINABLE POLICY 2018-19

The Council gave consideration to a report seeking approval for the Procurement Strategy 2018/19 and Sustainable Procurement Policy 2018/19 and detailed the output of the consultation undertaken for both.

Decision:

The Council agreed to:-

1. note the outcome of the consultation contained within the Stakeholder Consultation Report 2017; and
2. approve the Procurement Strategy 2018/19 and Sustainable Procurement Policy 2018/19.

(Ref: Report by Executive Director of Customer Services, dated 30 November 2017, submitted.)

17. BROADCASTING COUNCIL MEETINGS - COSTS

The Council gave consideration to a report providing an outline of the costs to deliver the live broadcasting of meetings held in the chamber, and expanding this functionality to all venues used by area committees, using the UK's leading Council Chamber broadcast service from Public-I.

Motion

That Council agrees that further consideration of this matter should be picked up as part of the budget process for 2018/19.

Moved by Councillor A Morton, seconded by Councillor Green.

Amendment

The Council notes the detail of the report provided by the Executive Director of Customer Services in relation to the Broadcasting of Council Meetings, and agrees to

A. Undertake a trial period of one year of webcasting of Council meetings
   i. Limited to full meetings of the Council only, and subject to a maximum of 50 hours webcast hosting and 40 hours of Governance & Law staff resource time, and that
   ii. The aggregate cost of the indicated 1 Year Contract and installation of £15,900 and staff time, be met from Council reserves

B. That the views of the public be sought in the 2019-2020 public budget consultation process.

Moved by Councillor Taylor, seconded by Councillor Trail.

The Provost adjourned the meeting at 1.15pm and re-convened at 1.30pm.

Decision:

On a show of hands, vote the Amendment received 11 votes and the Motion received 16 votes, and the Council resolved accordingly.

(Ref: Report by Executive Director of Customer Services, dated 30 November 2017, submitted.)

18. DUNOON BID PA23 LTD T/A DUNOON PRESENTS - APPROVAL OF BUSINESS PLAN AND RE-BALLOT FOR 2ND TERM

The Council considered a report to endorse the re-ballot and approve the business plan which incorporates a financial contribution of £100,700 from the Council for the Dunoon Business Improvement District (PA23 BID Ltd t/a Dunoon Presents) 2017 Term Two.

Decision

1 That the Council agrees not to veto the ballot request, to approve the Dunoon BID Business Plan and to instruct the Returning Officer to conduct a renewal ballot over 42 days in 2018 from Thursday 18 January to Thursday 1 March (the ballot day).

2 Authorise the Executive Director of Development and Infrastructure to cast the votes on behalf of the Council in favour of continuing the BID.

3 That, subject to a successful ballot, over the five year duration of the Business Plan, the Council through delegated authority to the Executive Director of Development and Infrastructure will;

4 Provide a financial contribution of £20,140 per annum for the next 5 financial years.

5 That, £6,500 (excluding VAT) per annum with charges increased annually by CPI based on the increase over the last 12 months from the base in July 2017 will be taken from the direct contribution via an invoice to PA23 BID Ltd t/a Dunoon Presents. The first increase will apply on 1 March 2018, and annually thereafter for the next 5 years of additional financial support to finance the cost of administering the annual levy collection; and

6 That £13,640 per annum for the next five years in terms of the Council's contribution (based on property holdings) to the annual levy of £140,000 from part of the £20,140 per annum contribution.

(Ref: Report by Executive Director of Development and Infrastructure Services dated 30 November 2017, submitted)

19. YEAR 2 EVALUATION OF THE ARGYLL AND BUTE REFUGEE RESETTLEMENT PROGRAMME

The Council gave consideration to a report providing the outcome of the self-evaluation exercise seeking the views of the families who have resettled on the island of Bute on the support they receive as they integrate into the community. The report provided comprehensive analysis in respect of housing, education, welfare and employability, health and integration into the community.

Decision:

The Council noted the continued good work of the Refugee Resettlement Group and the local community in resettling Syrian refugees on the Isle of Bute.

(Ref: Report by Business Improvement Manager, Community Services, dated 30 October 2017, submitted.)

MINUTES of MEETING of ARGYLL AND BUTE COUNCIL held in the COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD on THURSDAY, 25 JANUARY 2018

Present: Councillor Len Scoullar (Chair)

Councillor Jim Anderson	Councillor Roderick McCuish
Councillor John Armour	Councillor Sir Jamie McGrigor
Councillor Gordon Blair	Councillor Yvonne McNeilly
Councillor Rory Colville	Councillor Jean Moffat
Councillor Robin Currie	Councillor Aileen Morton
Councillor Lorna Douglas	Councillor Barbara Morgan
Councillor Jim Findlay	Councillor Ellen Morton
Councillor Audrey Forrest	Councillor Gary Mulvaney
Councillor Bobby Good	Councillor Douglas Philand
Councillor Kieron Green	Councillor Alastair Redman
Councillor Anne Horn	Councillor Alan Reid
Councillor Donald Kelly	Councillor Elaine Robertson
Councillor David Kinniburgh	Councillor Sandy Taylor
Councillor Jim Lynch	Councillor Richard Trail
Councillor Donald MacMillan	Councillor Andrew Vennard

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
Charles Reppke, Head of Governance and Law
Kirsty Flanagan, Head of Strategic Finance

The Provost addressed the Council with regard to the very tragic event in Tarbert last Thursday. He asked Colleagues to join him in sending thoughts and prayers to everyone who has been affected, in particular the families of the two missing fishermen.

The emergency services and many others have shown great dedication and commitment both in the initial rescue attempts and in the arduous and painful search that followed, all in very difficult physical and emotional circumstances. They deserve our heartfelt thanks and gratitude.

In this time of great sadness, the people of Tarbert have shown immense courage and community spirit, rallying round to support the families and each other. I can only hope and pray that this loving strength helps to provide some peace and comfort on the difficult road ahead.

1. APOLOGIES FOR ABSENCE

Apologies for absence were intimated from Councillors Devon, Hardie, McKenzie, Paterson, Alison Palmer, Education representative and Margaret Anderson and Willie Hamilton, Church representatives.

2. DECLARATIONS OF INTEREST

There were no declarations of interest intimated.

3. EMPOWERING SCHOOLS - A CONSULTATION ON THE PROVISIONS OF THE NEW EDUCATION (SCOTLAND) BILL

The Council considered the Consultation response on the Provisions of the Education (Scotland) Bill which was published on 7 November 2017 with a closing date of 31 January 2018.

Decision

The Council agreed and approved the submission of the Empowering Schools – A Consultation on the Provisions of the Education (Scotland) Bill consultation response to the Scottish Government by 30 January 2018.

(Ref: Report by the Acting Executive Director of Community Services dated 18 December 2017, submitted)

4. EDUCATION MANAGEMENT STRUCTURE

The Council considered a report which advised that the Acting Executive Director of Community Services was due to retire in April 2018 and therefore the report considered the capacity of the senior management structure of the Education Service to support a broad range of new legislative duties on education authorities.

Decision

1. Agreed the establishment of two Heads of Education posts (increased from the current single Head of Education post) to provide the necessary strategic management capacity to support a broad range of new legislative duties on education authorities, the expansion of new statutory service areas and to take forward service improvements in line with the service improvement plan.

2. Agreed that the additional costs associated with the increase in the Head of Education posts be funded from the deletion of the Executive Director of Community Services post.

3. Noted that the Chief Executive will review the strategic management structure of the Council over the period 2018-19 having regard to changes in council functions and structure and will bring forward a further report outlining a revised management structure.

4. Agreed to establish an Appointment Panel comprising of 7 Members including Councillors A Morton, Mulvaney, McNeilly, Green and Currie as the substantive members with Councillors E Morton and Colville being the substitutes from the Administration and Councillors Trail and Taylor as the substantive members with Councillor Douglas as the substitute to appoint to the posts of Head of Education.

(Ref: Report by the Chief Executive dated 10 January 2018, submitted)

5. APPOINTMENT TO THE WEST OF SCOTLAND LOAN FUND BOARD AND BUSINESS LOANS SCOTLAND BOARD

The Council considered a report which sought to appoint an elected member to represent Argyll and Bute Council on the West of Scotland Loan Fund (WSLF) Board and the Business Scotland (BLS) Board.

Decision

The Council agreed to appoint Councillor Alan Reid to sit on both the WSLF Board and the BLS Board.

(Ref: Report by the Executive Director of Development and Infrastructure Services dated 25 January 2018, submitted)

6. ARGYLL AND BUTE EMPLOYABILITY TEAM - EMPLOYABILITY FUND BID 2018/19

The Council considered a report which sought approval for officers to submit a competitive bid to Skills Development Scotland for the delivery of the Employability Fund contract for the financial year 2018/19.

Decision

1. Approved the Employability Team's competitive bid to deliver the Employability Fund during 2018/19 can go forward to be assessed by Skills Development Scotland.

2. Noted that if overall referral numbers increase to a level that is beyond the capability of the current team it may be necessary to recruit additional staff to manage the workload adhering to the Council's existing recruitment procedures and processes. This will only be done if sufficient income is being generated through the delivery of the Employability Fund and other current contracts.

3. Noted that financial performance of the contract will be reported on a quarterly basis to the Council's Strategic Management Team (SMT) and by exception to Members.

(Ref: Report by Executive Director of Development and Infrastructure Services dated 11 January 2018, submitted)

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MINUTES of MEETING of ENVIRONMENT, DEVELOPMENT AND INFRASTRUCTURE COMMITTEE held in the COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD on THURSDAY, 7 DECEMBER 2017

Present: Councillor Roderick McCuish (Chair)

Councillor John Armour
Councillor Gordon Blair
Councillor David Kinniburgh
Councillor Sir Jamie McGrigor
Councillor Aileen Morton
Councillor Ellen Morton
Councillor Gary Mulvaney
Councillor Alastair Redman
Councillor Alan Reid

Councillor Robin Currie

Attending: Pippa Milne, Executive Director – Development and Infrastructure Services
Jim Smith, Head of Roads and Amenity Services
Patricia O'Neill, Central Governance Manager
Iain MacInnes, Digital Liaison Officer

1. APOLOGIES FOR ABSENCE

Apologies for absence were intimated by Councillors Donald Kelly and Jim Lynch.

2. DECLARATIONS OF INTEREST

There were no declarations of interest intimated.

3. MINUTES

The Minutes of the meeting of the Environment, Development and Infrastructure Committee held on 7 September 2017 were approved as a correct record.

4. DEVELOPMENT AND INFRASTRUCTURE SERVICES PERFORMANCE REPORT FQ2 2017-18

A report presenting the Development and Infrastructure Services departmental performance report with associated scorecard for performance in Financial Quarter 2 2017-18 (July to September 2017) was given consideration.

Decision

The Committee noted the content of the Development and Infrastructure Services performance report and associated scorecards for financial quarter 2.

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

Councillor John Armour joined the meeting during consideration of the following item of business.

5. SERVICE ANNUAL PERFORMANCE REVIEWS 2016-17

The Committee gave consideration to a report which presented them with the Service Annual Performance Reviews from Roads and Amenity Services; and Economic Development and Strategic Transportation Services for the year 2016-17.

Decision

The Environment, Development and Infrastructure Committee endorsed the Service Annual Performance Reviews as presented for the year 2016-17.

(Reference: Report by Executive Director – Customer Services dated 31 August 2017, submitted)

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

The Committee gave consideration to the draft Service Plans 2017-20 for Economic Development and Strategic Transportation and Roads and Amenity Services for the 2018-19 budget.

Decision

The Environment, Development and Infrastructure Committee endorsed the draft Service Plans for onward submission to the Policy and Resources Committee in February 2018 for the 2018-19 budget allocation.

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

7. ANNUAL STATUS AND OPTIONS REPORT

The Committee gave consideration to a report presenting the Annual Status and Options Report which provided an analytical assessment of the condition of the Council's road network and associated infrastructure as well as setting out projected conditions based on varying levels of investment.

Decision

The Environment, Development and Infrastructure Committee –

1. Endorsed the Annual Status and Options Report and the positive analytical feedback it provided with regard to the improvement to the Council's Road Condition Index as a result of the ongoing investment in roads reconstruction works.

2. Noted that the Annual Status and Options Report informs key elements of the Development and Infrastructure Asset Management Plan that in turn informs the budget setting process.

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

8. UPDATE ON IMPLEMENTATION OF THE PAVEMENT CAFE LICENCE POLICY

A report which provided an update on the implementation of the Pavement Café Licence Policy and which recommended a way forward for 2017-18 was given consideration.

Decision

The Environment Development and Infrastructure Committee –

1. Approved the replacement of the existing Pavement Café Licence Policy with Pavement Café Guidelines.

2. Noted that the need to obtain an alcohol license is still required where applicable for outdoor seating areas.

3. Agreed to amend the guidelines as detailed at paragraph 4.13 of the submitted report.

4. Approved enforcement of the Pavement Café Guidelines on a reactive basis where there is risk to safety.

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

Councillor Gary Mulvaney left the meeting at this point.

9. DIGITAL INFRASTRUCTURE UPDATE ON EXTERNAL PROGRAMMES

A report which provided an update on the work that was being undertaken on a number of programmes which aim to improve the digital infrastructure across Argyll and Bute was given consideration by the Committee.

Decision

The Environment, Development and Infrastructure Committee –

1. Noted the content of the submitted report.

2. Noted the concerns on the lack of installation of works following planning approval by some of the mobile network operators.

3. Approved that the Digital Liaison Officer continue to promote awareness of superfast broadband with the available resources and to begin a community targeted campaign to increase take up.

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

10. ENVIRONMENT, DEVELOPMENT AND INFRASTRUCTURE COMMITTEE WORK PLAN 2017/18

The Environment, Development and Infrastructure Committee Workplan as at December 2017 was before the Committee for information.

Decision

The Committee noted the content of the Environment, Development and Infrastructure Committee Workplan as at December 2017.

(Reference: Environment, Development and Infrastructure Committee Workplan dated December 2017, submitted)

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 Gary Mulvaney
Councillor Robin Currie	Councillor Douglas Philand
Councillor Jim Findlay	Councillor Alan Reid
Councillor Kieron Green	Councillor Len Scoullar
Councillor Roderick McCuish	Councillor Sandy Taylor
Councillor Ellen Morton	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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MINUTES of MEETING of COMMUNITY SERVICES COMMITTEE held in the COUNCIL CHAMBERS, KILMORY, LOCHGILPHEAD on THURSDAY, 14 DECEMBER 2017

Present: Councillor Yvonne McNeilly (Chair)

Councillor Jim Anderson	Councillor Anne Horn
Councillor Rory Colville	Councillor Alan Reid
Councillor Robin Currie	Councillor Elaine Robertson
Councillor Lorna Douglas	Councillor Richard Trail
Councillor Kieron Green	William Hamilton, Teacher Rep

Attending:
Ann Marie Knowles, Acting Executive Director – Community Services
Pippa Milne, Executive Director – Development and Infrastructure Services
Anne Paterson, Acting Head of Education
Jane Fowler, Head of Improvement and HR
Malcolm MacFadyen, Head of Facility Services
Shona Barton, Area Committee Manager
Louise Connor, Education Manager
Douglas Whyte, Housing Strategy Manager
Alison MacDonald, Education Officer
Gerry Geoghegan, Education Officer
Louise Maclean, Language Plan Officer, Bòrd na Gàidhlig
Chief Superintendent Hazel Hendren, Local Police Commander (Argyll and West Dunbartonshire Division), Police Scotland
Stephen Whiston, Head of Strategic Planning & Performance, Argyll and Bute Health and Social Care Partnership
Tom Sinton, Depute Commander, Scottish Fire and Rescue
Stuart MacDonald, Local Liaison Officer, Scottish Fire and Rescue

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Mary-Jean Devon, Audrey Forrest, Graham Archibald Hardie and Barbara Morgan.

An apology for absence was also received from Margaret Anderson, Church representative.

2. DECLARATIONS OF INTEREST

Councillor Richard Trail declared a non-financial interest in item 14 (ACHA Stock Restructuring Proposals) as he has previously represented the Council on the ACHA Board. As this is no longer the case he advised that he would not leave the meeting during discussion of this item.

The Acting Executive Director – Community Services referred to the decision by the Council to delegate to the Community Services Committee the appointment of two Teacher representatives to the Committee. She advised that the ballot process has been delayed and she was seeking approval of the Committee to appoint the previous Teacher representatives pro tem and to note that a report would come back to the Committee in March 2018 on the outcome of the ballot.

Decision

The Committee agreed to appoint Pro Tem Alison Palmer and William Hamilton as Teacher representatives on the Community Services Committee and noted that a further report would come to the Committee in March 2018 on the outcome of the ballot.

3. MINUTE

The Minute of the Community Services Committee meeting held on 14 September 2017 was approved as a correct record.

4. DRAFT GAELIC LANGUAGE PLAN PROGRESS REPORT (Pages 11 - 12)

A presentation on the Gaelic language was made by Bòrd na Gàidhlig's Language Plan Officer, Louise Maclean Her presentation highlighted the key benefits to business of using Gaelic; the social value of Gaelic; statistical information on the number of Argyll and Bute Gaelic speakers; Statutory Guidance on Gaelic Education; and the production of Gaelic Language Plans. She also responded to a number of questions arising from her presentation.

A report updating the Committee on progress with producing the new Argyll and Bute Council Gaelic Language Plan for 2018 – 2022 was also considered.

Decision

The Committee agreed to:-

1. note progress being made in producing the new Argyll and Bute Council Gaelic Language Plan 2018 – 2022; and

2. approve the Plan for going forward to public consultation with various different community and stakeholder groups, then returning to Community Services Committee in March 2018, and thereafter to full Council before submission to Bòrd na Gàidhlig for final approval.

(Reference: Report by Executive Director – Customer Services dated December 2017 and Argyll and Bute Draft Gaelic Language Plan 2018 – 2022, submitted and Economic Measures to be included at Objectives 11 and 13 of the Draft Plan, tabled)

The Chair ruled, and the Committee agreed to vary the order of business and consider the report by Police Scotland next to allow Chief Superintendent Hendren to leave early to attend other meetings later in the day.

5. ARGYLL AND BUTE LOCAL POLICING PLAN 2014 - 2017 - QUARTERLY REPORT Q2 2017/18

A report by Police Scotland which provided the second quarter update in relation to the Argyll and Bute Local Policing Plan for 2017/18 was before the Committee for consideration.

Chief Superintendent Hazel Hendren gave an overview of statistics in respect of priorities going forward in 2017/18 and responded to a number of questions from the Committee.

Decision

The Committee reviewed and noted the contents of the report and responses to questions asked.

(Reference: Report by Local Police Commander for Argyll and West Dunbartonshire Division, Police Scotland dated 23 October 2017, submitted)

Councillor Alan Reid joined the meeting during consideration of the foregoing item.

6. PERFORMANCE REPORT FQ2 2017/18

A report presenting the Community Service Performance Scorecards for FQ2 2017/18 was before Members for consideration.

Decision

The Committee reviewed and noted the departmental performance for the quarter.

(Reference: Report by Acting Executive Director – Community Services, submitted)

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

A report presenting the Education Service Draft Service Plan 2017-20 for the 2018-19 budget was considered.

Decision

The Committee reviewed and endorsed the Education Service Draft Service Plan for onward submission to the Policy and Resources Committee in February for the 2018-19 budget allocation.

(Reference: Report by Executive Director – Customer Services dated 28 November 2017, Business Outcomes and Education Draft Service Plan 2017-20 for 2018-19 budget, submitted)

8. INSPECTION OF THE EDUCATION FUNCTIONS OF ARGYLL AND BUTE COUNCIL (INEA)

A report advising the Committee of the outcome of the further inspection of the Education functions of Argyll and Bute Council and confirming progress made by the Authority in addressing the main points for action contained within the initial inspection report of 21 March 2017 was considered.

Following an extensive discussion and in answer to a number of questions, the Chair confirmed that she is well aware of the role played by the Central Education Team particularly in relation to the improvements highlighted in the follow up report and will take cognisance of all the information received when going through the budgetary process.

Decision

The Committee:-

1. Welcomed the publication on 7th December 2017 of the Education Scotland Follow-up Report on Argyll and Bute's Education Service;

2. Endorsed the positive improvements outlined in the report, including:-

    - Sound progress in quality of leadership, relationships and communication
    - Development of a clear vision for education
    - Positive destinations achieved by almost all school leavers
    - Considerable improvement in secondary attainment across a range of key measures
    - Above national average attendance rates and below national average exclusion rates
    - Significant improvement in engagement between schools and central officers

3. Acknowledged the commitment and effort of Education service staff at all levels and in all areas who, working together with pupils, parents and wider school communities, are delivering a vision of ambition, excellence and equality for young people in Argyll and Bute as well as securing significant improvements through the inspection process; and

4. Agreed that further progress reports should come to future meetings of the Community Services Committee

(Reference: Report by Acting Executive Director – Community Services dated 7 December 2017 and Education Scotland Further Strategic Inspection of the Education Functions of Local Authorities – Argyll and Bute Council dated December 2017, submitted)

9. PRELIMINARY CONSULTATION REQUIREMENTS FOR ARDCHATTAN AND ASHFIELD PRIMARY SCHOOLS

On 24 April 2014 the Council approved the mothballing of Ardchattan Primary School and agreed that if there were no registered pupils by the close of the registration period for session 2016/17 the Council would consult formally on the future of school provision at Ardchattan. On 10 March 2016 the Community Services Committee approved the mothballing of Ashfield Primary School and agreed that if there were no registered pupils by the commencement of session 2017/18 the school be considered for formal closure through the statutory process. Neither Ardchattan Primary School nor Ashfield Primary School have had any pupils enrolled at either school since elected Members approved their mothballing. A report providing the Committee with an overview of the legislation in relation to the proposed closure of a rural school and an indication of the process and timescales to be followed was before the Committee for consideration.

Decision

The Committee:-

1. noted the background to the proposal to consult on the closure of Ardchattan and Ashfield Primary Schools;

2. noted the legislation in respect of the proposed closure of a rural school; and

3. agreed that the Education Service will undertake the required preliminary consultation for both Ardchattan and Ashfield Primary Schools for Members consideration at the meeting of the Community Services Committee scheduled for 15 March 2018.

(Reference: Report by Acting Executive Director – Community Services dated 14 November 2017, submitted)

10. ADDITIONAL SUPPORT NEEDS REVIEW UPDATE

A report updating the Committee on the implementation of the review and the impact of the new allocations process on a demand led service was considered. The report also provided a comparison between the demand for Additional Support Needs (ASN) support in Argyll and Bute and the national picture.

Decision

The Committee:-

1. considered the continued improvements to the ASN service through the implementation of the ASN review;

2. noted the projected overspend to the ASN service in 2017/18 of £150k as demand for the service continues to increase and ASN support is required to meet these needs; and

3. noted that it is expected that this demand led pressure will continue to 2018/19 and the Council's budget outlook has been updated to reflect this.

(Reference: Report by Acting Executive Director – Community Services dated 6 November 2017, submitted)

11. THE EXPANSION OF FUNDED EARLY LEARNING AND CHILDCARE IN SCOTLAND - ARGYLL AND BUTE EARLY LEARNING AND CHILDCARE DRAFT DELIVERY PLAN, FUNDING AND EARLY YEARS GRADUATE

A report providing an update for Members on progress being made by the Education Service in preparing for the proposed expansion of Early Learning and Childcare (ELC) and the implementation of 1140 hours of funding ELC in Argyll and Bute per year by 2020 was considered.

Decision

The Committee agreed to:-

1. note the contents of the Argyll and Bute ELC Draft Delivery Plan submitted to the Scottish Government on 29 September 2017;

2. note the contents of the Argyll and Bute Financial Template submitted to the Scottish Government on 29 September 2017 and note the potential financial risks for Council if full funding from the Scottish Government is not available to Argyll and Bute Council to enable delivery of the Plan;

3. note the Additional Graduate Plan submitted to the Scottish Government on 29 September 2017 and its dependence on appropriate funding from the Scottish Government for full implementation; and

4. request that the Acting Executive Director, Community Services bring forward progress updates in relation to the Expansion of Early Learning and Childcare to future meetings of the Community Services Committee.

(Reference: Report by Acting Executive Director – Community Services dated 21 August 2017, Argyll and Bute Early Years Strategy – 1140 Hours 2017-2020 (Draft Delivery Plan), Argyll and Bute Financial Template and Argyll and Bute Graduate Plan, submitted)

12. EDUCATION PERFORMANCE DATA ANALYSIS 2017

A report providing an overview of key performance data and outcomes for all pupils across each of the ten secondary schools for session 2016-17 incorporating both SQA and Insight data from an authority perspective was considered.

Motion

To agree the recommendations a – g detailed in report.

Moved by Councillor Richard Trail, seconded by Councillor Anne Horn

Amendment

To agree all the recommendations detailed in the report.

Moved by Councillor Yvonne McNeilly, seconded by Councillor Kieron Green

The Amendment was carried by 7 votes to 3 and the Committee resolved accordingly.

Decision

The Committee agreed to:-

1. note the outcome of the initial SQA examination results for pupils in academic year 2016/17 complemented by 3-year trend data;

2. note the further detailed statistical analysis included from Insight in September 2017 that overviews authority data and allows further comparison with national data;

3. note that following the release of the examination results the Education Service undertook a programme of strategic performance review meetings between schools, HTs, the Executive Director (Acting), Head of Service (Acting) and Education Service staff in individual schools in relation to the SQA examination outcomes as detailed at section 4.4 of this report;

4. note the strategic programme of performance review between schools and education development and improvement staff as detailed at section 4.7 of this report;

5. continue to support the work of the Education Service in supporting schools to secure continuous improvement in outcomes for Argyll and Bute Learners;

6. request a further report at the June Community Services Committee to consider the national position arising from information released by Insight in February 2018;

7. continue to be involved with current training events on understanding the use of Insight, recognising the increasing use of Insight data in school presentations to elected members; and

8. note that a summary discussion note will be presented to the Policy Lead, as appropriate, ensuring that performance reporting reflects the requirements of the National Improvement Framework.

(Reference: Report by Acting Executive Director – Community Services, submitted)

13. SCHOOL HOLIDAY DATES SESSION 2019/2020

A report presenting the school holiday date pattern for 2019/2020 was considered.

Decision

The Committee agreed the school holiday date pattern for session 2019/20 as detailed at Appendix 1 of this report.

(Reference: Report by Acting Executive Director – Community Services dated 3 November 2017 at School Holiday Dates for 2019-2020, submitted)

William Hamilton left the meeting at this point.

14. DEMOLITION OF WITCHBURN ROAD OFFICES

As part of the Campbeltown Office Rationalisation project, Council staff moved from the former offices at Witchburn Road to Kintyre House at the end of 2016. The Valuation Joint Board also used space within the property for storage but they have recently moved from the premises. A report advising on the planned demolition of the premises and seeking approval that the costs involved with this be met from the Strategic Housing Fund was before the Committee for consideration.

Decision

The Committee agreed that the cost of the demolition should be met from the Strategic Housing Fund on the basis that clearance of the site would enable future housing development. This is on the understanding that a report will be brought back to the June 2018 meeting of the Committee outlining options for the development of the site.

(Reference: Joint report by Executive Director – Customer Services and Acting Executive Director – Community Services dated 30 November 2017, submitted)

* **15. ACHA STOCK RESTRUCTURING PROPOSALS**

A report advising of a proposal put forward by Argyll Community Housing Association (ACHA) to reduce the housing stock transferred to them by Argyll and Bute Council in 2006 was considered.

Decision

The Committee agreed to recommend that the Council:-

1. agree ACHA's proposals to remove 89 units from the affordable rented stock by means of sale or demolition by a formal amendment to the Transfer Agreement;

2. support ACHA's request to the Scottish Government to exclude any disposals undertaken as part of these proposals from the tripartite Disposal Clawback Agreement;

3. advise ACHA that the proposed demolitions will require to be the subject of separate approvals from the Council as the Planning and Building Control Authority. ACHA also to be reminded that they will remain responsible for the maintenance of the areas of land detailed in this report; and

4. advise ACHA that any future proposals to dispose of any of the land freed up by the demolitions will be subject to approval from Argyll and Bute Council.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 30 October 2017 and letter from ACHA dated 30 August 2017, submitted)

16. ARGYLL AND BUTE HEALTH & SOCIAL CARE PARTNERSHIP - NATIONAL HEALTH AND WELLBEING OUTCOMES PERFORMANCE REPORTING FRAMEWORK AND EXCEPTION REPORTING ARRANGEMENTS

Consideration was given to a report presenting Argyll and Bute Health & Social Care Partnership's (HSCP) performance against National Health and Wellbeing Outcomes 1, 2, 3 and 4 for FQ1 2017/18. The Head of Strategic Planning & Performance also responded to a number of questions from the Committee.

Decision

The Committee:-

1. considered the HSCP performance report in line with the current national reporting requirement; and

2. noted the content of the Integration Joint Board performance scorecard for FQ1 2017/18.

(Reference: Report by Head of Strategic Planning & Performance, HSCP dated 14 December 2017, submitted)

17. SCOTTISH FIRE AND RESCUE - ARGYLL AND BUTE PERFORMANCE REPORT 1 APRIL - 30 SEPTEMBER 2017

A report which highlighted the Scottish Fire and Rescue Service's (SFRS) second quarter review of local performance within Argyll and Bute for 2017-2018 was considered.

Jim Sinton, Depute Commander presented the detail of this report and he and Stuart MacDonald, Local Liaison Officer, responded to a number of questions from the Committee

Decision

The Committee reviewed and noted the contents of the report and responses to questions asked.

(Reference: Q2 2017/18 Report by Local Senior Officer, Scottish Fire and Rescue, submitted)

18. COMMUNITY SERVICES COMMITTEE WORK PLAN 2017/18

Consideration was given to the work plan to facilitate forward planning of reports to the Community Services Committee.

Decision

The Committee agreed the contents of the work plan for 2017/18.

(Reference: Community Services Committee Work Plan 2017/18, submitted)

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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	**Council**
Customer Services	**22 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:

1. Note that the Policy and Resources Committee has agreed the Corporate Plan
2. Agree the Corporate Plan for adoption

ARGYLL AND BUTE COUNCIL	**Council**
Customer Services	**22 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 Note that the Policy and Resources Committee has agreed the Corporate Plan

3.2 Agree the Corporate Plan for adoption

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

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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