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Argyll and Bute Council
Comhairle Earra-Ghàidheal Agus Bhòid

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7 February 2019

NOTICE OF MEETING

A meeting of the **POLICY AND RESOURCES COMMITTEE** will be held in the **COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD** on **THURSDAY, 14 FEBRUARY 2019** at **10:00 AM**, which you are requested to attend.

Douglas Hendry
Executive Director of Customer Services

BUSINESS

1. **APOLOGIES FOR ABSENCE**

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

3. **MINUTES** (Pages 5 - 14)
   Policy and Resources Committee held on 13 December 2018

* 4. **FINANCIAL REPORT MONITORING PACK - 31 DECEMBER 2018** (Pages 15 - 156)
   Report by Head of Strategic Finance

* 5. **BUDGETING PACK 2019-2020**

Please note that the Budget Pack 2019/2020 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 2019/20 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 157 - 212)

Report by Head of Strategic Finance

* 7. **EQUALITY AND DIVERSITY POLICY** (Pages 213 - 224)

Report by Executive Director – Customer Services

* 8. **EQUALITIES OUTCOMES (2019 - 2023)** (Pages 225 - 250)

Report by Executive Director – Customer Services

* 9. **WEEKLY AND MONTHLY PARKING PERMITS** (Pages 251 - 256)

Report by Executive Director – Development and Infrastructure Services

* 10. **ROYAL NATIONAL MOD AND FUNDING SUPPORT** (Pages 257 - 262)

Report by Executive Director – Development and Infrastructure Services

REPORTS FOR NOTING

11. **POLICY AND RESOURCES COMMITTEE WORK PLAN AS AT FEBRUARY 2019** (Pages 263 - 264)

EXEMPT ITEMS FOR DECISION

12. **ARGYLL AIR SERVICES PSO TENDER**

(a) Executive Summary (Pages 265 - 266)

E1 (b) Report by Executive Director - Development and Infrastructure Services (Pages 267 - 274)

13. **KINTYRE RECYCLING LIMITED**

(a) Executive Summary (Pages 275 - 276)

E1 (b) Report by Executive Director - Development and Infrastructure Services (Pages 277 - 304)

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

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

The appropriate paragraphs are:-

E1 **Paragraph 8** The amount of any expenditure proposed to be incurred by the authority under any particular contract for the acquisition of property or the supply of goods or services.

Paragraph 9 Any terms proposed or to be proposed by or to the authority in the course of negotiations for a contract for the acquisition or disposal of property or the supply of goods or services.

Policy and Resources Committee

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

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Agenda Item 3

MINUTES of MEETING of POLICY AND RESOURCES COMMITTEE held in the COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD on THURSDAY, 13 DECEMBER 2018

Present: Councillor Aileen Morton (Chair)

Councillor Robin Currie
Councillor Kieron Green
Councillor Roderick McCuish
Councillor Gary Mulvaney
Councillor Alan Reid
Councillor Elaine Robertson
Councillor Sandy Taylor
Councillor Richard Trail
Councillor Lorna Douglas
Councillor Audrey Forrest

Also Present: Councillor Jim Anderson
Councillor Jim Lynch
Councillor Jim Findlay
Councillor George Freeman

Attending: Cleland Sneddon, Chief Executive
Douglas Hendry, Executive Director of Customer Services
Pippa Milne, Executive Director of Development and Infrastructure Services
Kirsty Flanagan, Head of Strategic Finance
Fergus Murray, Head of Economic Development and Strategic Transportation
Patricia O'Neill, Central Governance Manager

The Chair intimated that a request had been received from Councillor Jim Finlay, who was not a member of the Committee, to speak to item 12 of the agenda (Strategic Events and Festivals Grant 2019/10). She advised that the request was not compliant with Standing Order 22.1, however he would be entitled to take part in the discussions generally. She advised that as she would be declaring an interest in this item, Councillor Mulvaney would be taking the Chair, and that he had advised that he would be willing to let Councillor Finlay speak on the item.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Rory Colville, Yvonne McNeilly, Ellen Morton, Douglas Philand and Len Scoullar.

2. DECLARATIONS OF INTEREST

Councillor Aileen Morton declared a non-financial interest in item 12 of the agenda (Strategic Events and Festivals Grant 2019/20) due to her being a member of the Helensburgh Winter Festival Committee.

Councillor Kieron Green declared a non-financial interest in item 12 of the agenda (Strategic Events and Festivals Grant 2019/20) due to him being a member of the Royal Highland Games Committee.

Councillor Lorna Douglas declared a non-financial interest in item 12 of the agenda (Strategic Events and Festivals Grant 2019/20) due to her being a member of the Helensburgh Winter Festival Committee.

Councillor Gary Mulvaney advised in relation to item 12 (Strategic Events and Festivals Grant 2019/20), that he was previously a member and Chair of the Helensburgh Winter Festival Committee. He had ceased to be a member and Chair

of the Committee 2 years previously and therefore would not be declaring an interest and would be taking part in the discussion of the item.

3. MINUTES

The Minutes of the meeting of the Policy and Resources Committee held on 18 October 2018 were approved as a correct record.

4. FINANCIAL MONITORING PACK - OCTOBER 2018

A report which provided a summary of the financial monitoring reports as at the end of October 2018 were given consideration by the Committee. There were six detailed reports summarised in the executive summary including; the Revenue Budget Monitoring Report as at 31 October 2018, Monitoring of Service Package Policy Options as at 31 October 2018, Monitoring of Financial Risks as at 31 October 2018, Capital Plan Monitoring Report as at 31 October 2018, Treasury Monitoring Report as at 31 October 2018 and Reserves and Balances as at 31 October 2018.

Decision

The Policy and Resources Committee –

1. Noted the Revenue Budget Monitoring Report as at 31 October 2018.

2. Noted the comments in respect of the Health and Social Care Partnership Position.

3. Noted the progress of the Service Package Policy Saving Options as at 31 October 2018.

4. Noted the current assessment of the Council's Financial Risks.

5. Noted the Capital Plan Monitoring Report as at 31 October 2018 and approved the proposed changes to the Capital Plan as detailed at Appendix 7 to the submitted report.

6. Noted the Treasury Monitoring Report as at 31 October 2018.

7. Noted the Reserves and Balances report as at 31 October 2018.

(Reference: Report by Head of Strategic Finance dated 30 November 2018, submitted)

5. BUDGET OUTLOOK 2019-20 TO 2021-22

Consideration was given to a report which updated the Committee on the budget outlook 2019-20 to 2021-22 that had been last reported to the Committee on 18 October 2018. The report summarised the position based on previous assumptions that hadn't changed and provided information on any assumptions that had changed.

The Head of Strategic Finance provided the Committee with a verbal update on the budget outlook following the budget announcement from the Scottish Government the previous day and highlighted that the funding allocation for local government

could substantially increase Argyll and Bute Council's previous estimated funding gap for 2019/20 to around £9million.

Decision

The Policy and Resources Committee noted the current estimated budget outlook position for the period 2019-20 to 2021-22; including the verbal update given by the Head of Strategic Finance.

(Reference: Report by Head of Strategic Finance dated 30 November 2018, submitted)

6. BUDGET 2019-20 - SAVINGS OPTIONS

The Committee gave consideration to a report which provided them with information on savings options identified for 2019-20 and beyond via the work of the Transformation Board during 2018-19.

Motion

Members are asked to:

a) recommend that Council, as part of the 2019-20 budget process, endorse the management/operational savings identified.
b) note the policy options that have been identified with further information on the options to be brought forward to Council as part of the 2019-20 budget papers.
c) endorse that the Transformation Board continue to pursue the longer term options as noted in paragraph 3.8.

Moved Councillor Richard Trail, seconded Councillor Audrey Forrest.

Amendment

Members are asked to:

a) recommend that Council, as part of the 2019-20 budget process, endorse the management/operational savings identified.
b) note the policy options that have been identified with further information on the options to be brought forward to Council as part of the 2019-20 budget papers.
c) note that many of these savings proposals are undesirable but that the Scottish Government Budget announcement on Wednesday 12 December means that even more savings will need to be identified as Local Authority budgets have yet again been cut.
d) endorse that the Transformation Board continue to pursue the longer term options as noted in paragraph 3.8.

Moved Councillor Aileen Morton, seconded Councillor Gary Mulvaney.

Decision

Following a show of hands vote the amendment was carried by 7 votes to 4 and the Committee resolved accordingly.

(Reference: Report by Head of Strategic Finance dated 30 November 2018, submitted)

7. DRAFT SERVICE PLANS 2019-22 FOR 2019/20 BUDGET ALLOCATION

The Committee considered a report which presented them with the Draft Service Plans 2019-22 for the 2019/20 budget allocation.

Decision

The Policy and Resources Committee –

1. Approved the Draft Service Plans 2019-22 for the 2019/20 budget allocation which would be proposed at the Policy and Resources Committee meeting on 14 February 2019 for final approval by Council on 21 February 2018.

2. Noted that further work would be carried out to standardise service plans across all services on an ongoing basis.

(Reference: Report by Executive Director – Customer Services dated 13 November 2018, submitted)

8. CUSTOMER SERVICES AND STRATEGIC FINANCE PERFORMANCE REPORTS - FQ2

The Committee gave consideration to a report that presented them with the Customer Services and Strategic Finance departmental performance reports and associated scorecards for financial quarter 2 2018/19.

Decision

The Policy and Resources Committee noted the departmental performance reports and associated scorecards for Customer Services and Strategic Finance for financial quarter 2 2018/19.

(Reference: Report by Executive Director – Customer Services and Head of Strategic Finance dated December 2018, submitted)

9. REQUESTS FOR ADDITIONAL FINANCIAL SUPPORT FOR COMMUNITY COUNCILS

The Committee gave consideration to a report which invited them to consider individual requests from community councils for additional financial support to support community councillors on island and more rural community councils who often require to personally meets the costs of travel associated with their voluntary roles.

Decision

The Policy and Resources Committee –

1. Agreed that officers look at the current terms of the discretionary grant in effort to address the concerns raised.

2. Noted that any financial increase to some community councils would impact negatively on the discretionary funds paid out to other community councils.

(Reference: Report by Executive Director – Customer Services dated 27 November 2018, submitted)

Councillor McCuish left the meeting at this point.

10. COMMUNITY EMPOWERMENT (SCOTLAND) ACT 2015 - IMPLEMENTATION UPDATE

The Committee gave consideration to a report that provided an overview of the progress made against each element of the Community Empowerment (Scotland) Act 2015, which was now considered as business as usual and was embedded within the day to day operations of the Council and its Partners.

Decision

The Policy and Resources Committee agreed that –

1. The Community Empowerment Working Group had fulfilled its role and could now be disbanded.

2. The required annual reports in respect of Asset Transfer Requests and Participation Requests will continue to be tabled at the Policy and Resources Committee.

3. Such other reports as may be required will come forward to the appropriate Committee as and when required in the future.

(Reference: Report by Executive Director – Customer Services dated 16 November 2018, submitted)

*** 11. PROPOSED REVISION TO CHARGES FOR PRE-APPLICATION PLANNING ADVICE**

Consideration was given to a report that sought approval for the implementation of a revision to non-statutory charges which were currently levied for the provision of pre-application planning advice.

Decision

The Policy and Resources Committee agreed to recommend to Council that the Council's scale of non-statutory charges be revised to include new charges for pre-application initiation and follow up meetings as detailed in paragraph 4.7 of the submitted report.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 13 November 2018, submitted)

Councillor McCuish re-joined the meeting.

Having declared an interest in the following item of business Councillors Lorna Douglas, Kieron Green and Aileen Morton left the meeting and took no part in the consideration of the item.

Councillor Gary Mulvaney, in his role as Vice-Chair, took the Chair in the absence of Councillor Aileen Morton.

12. STRATEGIC EVENTS AND FESTIVALS GRANT 2019/20

The Committee gave consideration to a report that provided details in respect of the bids submitted for grant funding for strategic events and festivals in 2019/20, the assessment process and the decision in respect of the bids being put forward to receive grant funding.

Decision

The Policy and Resources Committee –

1. Noted the information provided within the report including the assessments process undertaken.

2. Endorsed the recommendation to award grant funding to the strategic events and festivals taking place in 2019/20 as detailed in tables 2 and 3 of the submitted report.

3. Agreed that officers conduct a lessons learnt exercise, the results of which to be brought back to Committee for review prior to any future assessment process being undertaken.

(Reference: Report by Executive Director – Development and Infrastructure Services dated November 2018, submitted)

Councillors Lorna Douglas, Kieron Green and Aileen Morton re-joined the meeting.

Councillor Aileen Morton resumed her role as Chair.

13. REVIEW OF ADVICE SERVICES: PROGRESS REPORT

Consideration was given to a report which provided the Committee with an update on the position with the implementation of the new arrangement for advice services relating to debt, welfare rights and homelessness advice.

Decision

The Policy and Resources Committee –

1. Noted the progress to date.

2. Agreed with the proposal to extend the existing contracts with the current providers on a monthly rolling basis, subject to their agreement, as a contingency for the mobilisation period.

3. Requested that a further report be brought to a future Policy and Resources Committee.

(Reference: Report by Executive Director – Development and Infrastructure dated December 2018, submitted)

* **14. CONSERVATION AREA REGENERATION SCHEME (CARS) - FUNDING OPPORTUNITY**

The Committee gave consideration to a report which requested them to give consideration to making financial commitments against two proposed heritage-led regeneration projects for Lochgilphead and Helensburgh.

Decision

The Policy and Resources Committee agreed to refer the consideration of a financial commitment to the Council as part of the budget process in respect of –

1. Making a financial commitment of £386,220 towards a Lochgilphead Conservation Area Regeneration Scheme.

2. Making a financial commitment of £500,000 towards a Helensburgh Conservation Area Regeneration Scheme.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 20 November 2018, submitted)

15. LORN ARC - UPDATE REPORT DECEMBER 2018

The Committee gave consideration to a report which provided them with an update on progress in relation to the Lorn Arc Tax Incremental Financing, the latest budget position as at the end of October 2018 and proposals to restrict future activities given the current status of ongoing projects and the lack of a positive business case to advance projects through a growth accelerator model.

Decision

The Policy and Resources Committee –

1. Noted the updates on the Lorn Arc Programme provided in the paper.

2. Agreed that in light of the updates provided on the individual projects (paragraphs 4.5 through to 4.16) that further consideration is given to the future of the Lorn Arc Programme with a report back to a future meeting of this Committee.

3. Agreed that future reporting in the Lorn Arc will be limited to projects with potential for Tax Incremental Financing and the financial monitoring of the overall programme.

4. Noted that the halfway house Roundabout remains as a potential project and that it will only be able to proceed if –
   - A robust business case shows that the additional NDR generated from the associated development would fund the necessary council borrowing.
   - The commercial developers of those NDR generating development sites provide appropriate legal agreements that contain sufficient certainty that those developments will go ahead within an appropriate timeframe.

(Reference: Report by Executive Director – Development and Infrastructure Services dated November 2018, submitted)

16. POLICY AND RESOURCES COMMITTEE WORKPLAN - DECEMBER 2018

The Policy and Resources Committee Work Plan as at December 2018 was before the Committee for noting.

Decision

The Policy and Resources Committee noted the Work Plan as at December 2018.

(Reference: Policy and Resources Committee Work Plan as at December 2018, submitted)

The Chair advised that in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, appendix 2 relating to the following item of business would require her to exclude the press and public should any Member wish to discuss the content of that appendix on the grounds that it was likely to involve the disclosure of exempt information as defined in Paragraph 6 of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

17. REQUEST FOR AMENDMENT TO CASH FLOW LOAN BY MULL & IONA COMMUNITY TRUST

Consideration was given to a report which set out a request received from Mull and Iona Community Trust for a cash flow support loan in relation to a storage and business unit facility at Ardmore on the outskirts of Tobermory, Mull. The request related to an amendment to a previous cash flow support loan sought by the Mull and Iona Community Trust for the same project but which covered a different time period.

Decision

The Policy and Resources Committee approved the request for a cash flow loan of £100,000 over the amended time period and that it be processed through the existing delegated controls.

(Reference: Report by Executive Director – Development and Infrastructure Services dated December 2018, submitted)

The Council 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 8 and 9 respectively of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

18. CHORD - DUNOON - QUEEN'S HALL - PROJECT UPDATE

Consideration was given to a reporting providing the Committee with an update on the commercial aspects of the Queen’s Hall refurbishment and public realm improvements project.

Decision

The Policy and Resources Committee –

1. Noted the update provided in the submitted report.

2. Agreed that the project would be funded and consideration would be given to this as part of the 2019-20 budget setting process.

(Reference: Report by Executive Director – Customer Services dated 29 November 2018, submitted)

19. PROVISION OF AIR SERVICES BETWEEN OBAN AND THE ISLANDS OF COLL, COLONSAY AND TIREE

Consideration was given to a report that briefed the Committee on the procurement that has been undertaken for the provision of air service between Oban and the Islands of Coll, Colonsay and Tiree due to the current contract expiring on 15 May 2019.

Decision

The Policy and Resources Committee –

1. Noted the outcome of the tender procurement exercise.

2. Endorsed the approach set out in paragraph 4.6 of the submitted report.

3. Requested that the Council consider the unbudgeted additional cost of continuing to operate the current contract until August 2019 as part of the budget in February 2019.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 4 December 2018, submitted)

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

STRATEGIC FINANCE **14 FEBRUARY 2019**

EXECUTIVE SUMMARY

FINANCIAL REPORT MONITORING PACK – 31 DECEMBER 2018

1. INTRODUCTION

1.1 This report provides a summary of the financial monitoring reports as at the end of December 2018. There are six detailed reports summarised in this Executive Summary:

- Revenue Budget Monitoring Report as at 31 December 2018
- Monitoring of Service Package Policy Options as at 31 December 2018
- Monitoring of Financial Risks as at 31 December 2018
- Capital Plan Monitoring Report as at 31 December 2018
- Treasury Monitoring Report as at 31 December 2018
- Reserves and Balances as at 31 December 2018.

2. DETAIL

2.1 Revenue Budget Monitoring Report

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

2.1.2 As a result of the accounting treatment recommended by Audit Scotland for the Health and Social Care Partnership (HSCP) overspend, the Council's forecast outturn position will now include any forecast overspend for Social Work (managed by the HSCP). As per the Scheme of Integration, the Integrated Joint Board (IJB) may retain any underspend and, therefore, only a forecast overspend position will be reported. In the event that the health services managed by NHS Highland are forecasting an underspend, the forecast overspend for Social Work services will be reduced by this amount.

2.1.3 There is a forecast overspend of £2.041m as at the end of December 2018. The overspend is in respect of the following:

- Overspend of £0.371m in relation to anticipated pay award for 2018/19 based on the most recent offer made
- Overspend of £2.998m in Social Work due to unidentified IJB savings allocated to Social Work, shortfall in delivering the planned savings as well as the net impact of service demand
- Overspend of £0.350m in relation to Education ASN due to a significant increase in demand

- Overspend of £0.083m in relation to a shortfall in savings for the Catering and Cleaning project.
- Overspend of £0.080m in relation to additional staff costs within pupil transport
- Overspend of £0.047m relating to airports PSA contract
- Reduction in income of £0.050m in relation to public conveniences
- Underspend on fleet retained budget of £0.669m due to a decision to delay replacing vehicles.
- Underspend on apprenticeship levy budget of £0.090m
- Underspend on superannuation auto enrolment budget no longer required of £0.281m
- Underspend on utilities across the Council £0.124m.
- Underspend within Customer Services directorate of £0.200m
- Underspend within Education in relation to vacancies £0.100m
- Underspend of £0.021m in relation to the Valuation Joint Board payment being less than budget
- Underspend of £0.122m in relation to Hub Schools
- Income received in excess of budget across various areas £0.260m
- Variety of smaller variances £0.020m

2.1.4 The forecast position will continue to be monitored closely particularly in respect of winter maintenance over the remainder of the financial year.

2.1.5 There is a year to date underspend of £4.177m. More focus is on the forecast outturn position, hence why sometimes the year to date position is not updated. The year to date variances mainly relate to the timing of income and expenditure. There is a year to date underspend within Third Party Payments in Customers Services in relation to Hub Schools £0.778m, NPDO £0.608m and Housing Benefit Private £0.635m – this is all in relation to delays on invoicing and mismatch with the actuals and profile. Within Social Work there is an underspend of £1.667m and this in relation to a delay in the receipting/payment of supplier invoices – this is being followed up.

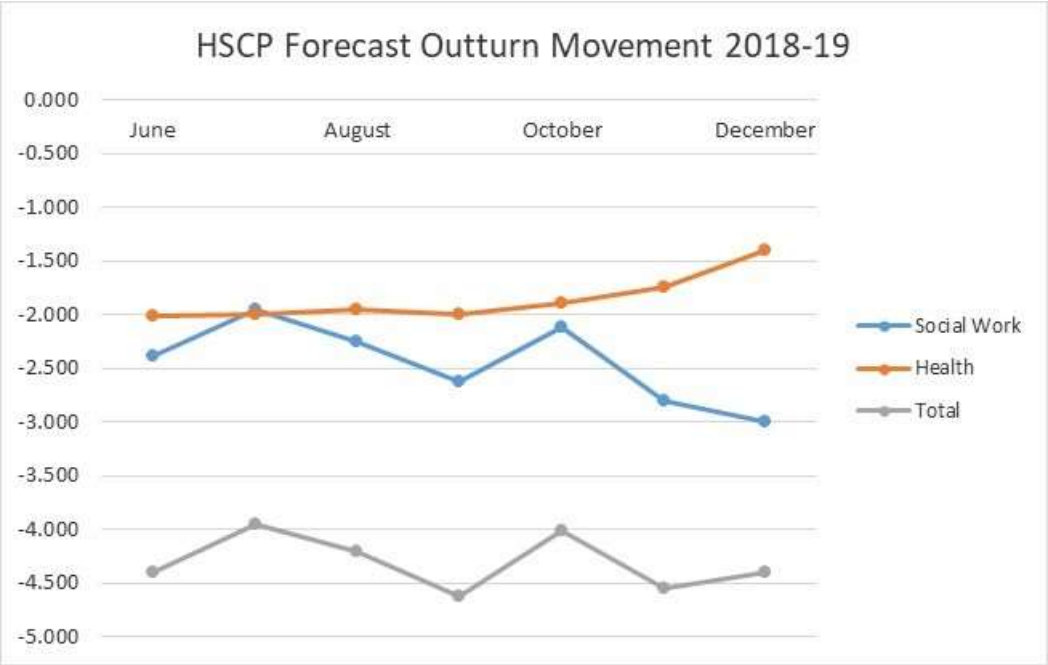
Health and Social Care Partnership – Financial Update

2.1.6 I provided an update to the Committee in October and December on the Health and Social Care Partnership's Financial position and the paragraphs that follow provide a further update.

2.1.7 The forecast outturn position for 2018-19 is a forecast overspend of £4.398m (£2.998m Social Work and £1.400m Health). This is a deterioration from the overspend of £4.006m reported as at the end of October 2018.

2.1.8 The Board at its meeting on 26 September instructed officers to put in place measures to minimise discretionary spend and in year overspends. Whilst this was communicated to staff, from the deterioration noted above it has been largely ineffective and has not given the outcome anticipated.

2.1.9 The chart below shows the forecast outturn movement during 2018-19 for the HSCP. You will see that whilst there has been variations across the month, the overall overspend is currently forecasting a similar level of overspend to that reported 6 months ago in June. This is extremely disappointing and demonstrates that there has either been increased demand and/or a lack of control over expenditure. There has been an improvement in the Health position, mainly as a result of the decision to reject the Greater Glasgow and Clyde SLA increase, however, within Social Work there has been a deterioration of the position due to demand which has hidden the results of review work in young adult services which has reduced care package sizes and costs.



2.1.10 A Quality and Finance plan was approved by the Board on 28 March 2018 and almost £11m of savings were agreed for 2018-19, there is a shortfall in delivery of these savings of £7.183m which is the main reason for the forecast overspend.

2.1.11 As a result of the deteriorating Social Work position and also the financial situation that NHS Highland are in, I had a conversation with the Chief Officer early January to discuss putting in place a moratorium on all non-essential spend. This conversation was in my capacity as the Interim Chief Financial Officer of the IJB as well as the Council's Section 95 Officer.

These additional measures will be in place indefinitely, i.e. this is not something that will be put in place until the end of this financial year, but having greater grip and control is proven to lead to a change in culture in respect of finances and this is necessary in order to bring the expenditure under control in the future.

2.1.12 The Chief Officer has communicated clearly to her Senior Leadership Team

that we need to take greater grip and control of the financial position and the Senior Leadership Team meeting on 14 January was focused on this - the diagrams included within Appendix 3 provide information on what was discussed. Weekly meetings are already in place for vacancy management. Other measures that will be taken include:

- daily review/authorisation of all non-essential and non-clinical expenditure;
- further enhanced workforce authorisation and controls;
- centralisation of all care home placement and care at home decision making;
- engagement with Greater Glasgow and Clyde to move forward the SLA negotiations;
- reduced authorisation limits and central approval on expenditure procured through the PECOS system; and
- greater grip on the outstanding Social Work invoices which will help to validate and refine the outturn position.

2.1.13 These additional measures will be in place indefinitely, i.e. this is not something that will be put in place until the end of this financial year, but having greater grip and control is proven to lead to a change in culture in respect of finances and this is necessary in order to bring the expenditure under control in the future.

2.1.14 It is unlikely at this stage that the Health and Social Care Partnership will achieve financial balance by the end of the financial year and it will therefore need to look to its partner bodies for additional funding.

2.1.15 One further issue is in respect of the pay-back of the 2017-18 overspend. The Council agreed that the 2017-18 overspend of £1.155m be repaid over three years. Repayments were agreed to be £0.100m in 2018-19, £0.300m in 2019-20 and £0.755m in 2020-21. The agreement was also due to be reviewed at the end of 2018-19. Due to the estimated overspend in 2018-19, the HSCP have not been able to repay the 2018-19. At the Integrated Joint Board meeting on 30 January 2019, the Board instructed officers to engage with the Council to request that the repayment arrangements be deferred for one year which would result in a repayment of £0.100m in 2019-20, £0.300m in 2020-21 and £0.755m in 2021-22. This will require Council approval and this recommendation is included within the budget pack. Repayments will be transferred to the unallocated General Fund balance, rather than reduce the Council in year budget gap.

2.2 Monitoring of Service Package Policy Options

2.2.1 This report provides an update on the implementation and delivery of the Service Package Policy Options agreed by Council in February 2018. The savings options will be reported as being delivered, on track to be delivered, still to be implemented, being developed, potential shortfall or delayed.

2.2.2 Of the 28 savings options, 13 have already been delivered, 6 are on track to be delivered as per their timescale, 4 have still to be implemented, 2 have a

potential shortfall and 3 are delayed until 2019-20.

Category	No of Options	2018-19 £000	2019-20 £000	2020-21 £000
Delivered	13	736.5	1,067.2	1,262.2
On Track to be Delivered	6	475.5	807.5	1,228.5
Still to be Implemented	4	71.0	247.1	466.1
Being Developed	0	0.0	0.0	0.0
Potential Shortfall	2	65.0	109.0	134.0
Delayed	3	-60.0	208.0	634.0
Total	**28**	**1,288.0**	**2,438.8**	**3,724.8**

2.2.3 There are three savings categorised has having a potential shortfall and 3 saving options that are currently delayed as summarised below.

Potential Shortfall – TB09 Public Conveniences – Delay with installation of reliable turnstiles as no provider tendered for this work. This is an issue that has been challenging other public bodies. A reliable and robust turnstile option is being progressed which will provide income levels required. Opportunities still exist to take forward franchising options.

Potential Shortfall – TB10 Ferry service management and cost recovery – The ASP termination contract dates for the 3 OLI services are 30 September 2018 and for the Islay and Jura services 28 February 2019. Despite the slight slippage, positive progress has been made with the MCA now having signed off documents for the existing internal operated ferries and discussions are underway regarding TUPE for the single ferry currently operated by ASP.

Delayed – TB12a Provision of enhanced funeral and burial services – Work has been carried out regarding debt recovery and a new process established with Funeral Undertakers which helps in this regard. Other initiatives are being progressed and the potential to generate additional income is considered to be on track for 2019/20. However, some of the initiatives such as progressing a pet cemetery have so far not been progressed to a full business case.

Delayed – TB14 Waste Services Initiatives that were set out for future years in TB14 are at different stages of completeness and align with the developing Waste Strategy. As part of this ongoing project there will be a focus for officers to undertake an exercise focussing on B&Bs/holiday lets who may currently be operating with just domestic bin provision.

Delayed – TB15 Review existing air service contracts and pursue more commercial opportunities – This saving will not be delivered until 2019-20 as the existing PSO contract has been extended for 1 year. Other reports

relating to this have been submitted to P&R Committee in December and February.

2.3 Monitoring of Financial Risks

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

2.3.2 There are 7 Council wide revenue risks identified for 2018-19 amounting to £5.336m. The risk in relation to the pay award (£0.371m) has been categorised as almost certain and the cost has now been built into the forecast outturn position. The risk in relation to the IJB referring to the Council for additional funding has been moved to likely. The reason it is not categorised as almost certain is that every effort is being made to reduce the overspend and therefore the value is uncertain.

2.3.3 There are currently 43 departmental risks totalling £4.860m. Only 2 of the 43 departmental risks are categorised as likely with no risks categorised as almost certain. These will continue to be monitored and action taken to mitigate or manage these risks.

2.3.4 The top 3 risks in terms of their likely financial impact are noted in the table below.

DEPARTMENT	SERVICE	TITLE OF RISK	MITIGATIONS ACTIONS IN PLACE	LIKELIHOOD	FINANCIAL IMPACT £000
Development & Infrastructure	Roads and Amenity Services	Winter Maintenance	Monitor weather conditions and apply gritting policy to minimise costs.	3	700
Customer Services	Facility Services	Property - Central Repairs	Joint strategy with procurement colleagues to reduce potential impact of supplier/contractor charges. Close monitoring of central repairs budgets and commitments and instructing only essential repairs.	3	500
Education	Education	ASN Support	Continue to review the ASN allocations and monitor vacancies elsewhere within the Service where unspent budget could be used to contribute towards these costs.	4	350

2.3.5 The have been two changes to the departmental risks since the financial risks report as at the end of October 2018 reported to Policy and Resources Committee on 13 December 2018. The risk of overspend within Education Central Repairs has been realised therefore it has moved up to likely and the financial impact has increased by £0.050m. The Education Service are trying to mitigate this overspend where possible. A risk of £0.284m has also been added within Piers and Harbours in relation to the additional charges invoiced to Calmac but not yet paid. Legal Services are currently pursuing the outstanding debt therefore the likelihood of this risk materialising is currently recognised as being unlikely.

2.4 Capital Plan Monitoring Report

2.4.1 Capital Plan Monitoring Report – this report provides a summary of the current capital plan monitoring position. Information is provided in terms of monitoring year to date budget, current full year budget, future years total budget and funding and non-financial in terms of project performance.

2.4.2 Actual net expenditure to date is £20.789m compared to a budget for the year to date of £20.168m giving rise to an overspend for the year to date of £0.621m (3.1%). The most significant items contributing to this overspend are in respect of the TIF Project and CHORD Dunoon project which Development and Infrastructure have submitted a report to this committee on.

2.4.3 The forecast outturn for 2018-19 is a forecast net expenditure of £33.994m compared to an annual budget of £35.755m giving rise to a forecast underspend for the year of £1.761m (4.9%). There is one project that significantly contributes to this variance which is CHORD – Rothesay where the original cash flows have been revised and there is a timing difference between the receipt of income and expenditure against the project. NVA and Kintyre Renewables Hub also contribute to the underspend.

2.4.4 The forecast total net projects costs on the capital plan are £297.767m compared to a total budget for all projects of £294.357m giving rise to a forecast overspend for the overall capital plan of £0.410m (0.14%). The two significant variances are in respect of the Queens Hall, Dunoon and the Waterfront Project, Helensburgh and these overspends need to be considered as part of the 2019-20 budget setting process.

2.4.5 In respect of total project performance, there are 192 projects within the capital plan, 174 are on track and 14 are off target and recoverable and 4 projects off track.

2.5 Treasury Monitoring Report

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

2.5.2 The external borrowing of the Council increased by £0.019m during the period, due to the repayment of temporary borrowing.

2.5.3 Borrowing is below the Capital Financing Requirement for the period to 31 December 2018. This reflects the approach taken to minimise surplus cash on deposit in order to avoid overdue exposure to investment/credit worthiness risks. However, if it becomes clear that longer term interest rates are likely to increase significantly the position will be reviewed to ensure the Council locks in funding at low interest rates.

2.5.4 The levels of investments were £84.6m at 31 December 2018. The rate of

return achieved was 0.925% which compares favourably with the target of 7 day LIBID which was 0.582%.

2.6 Reserves and Balances

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

2.6.2 The Council has a total of £240.962m unusable reserves that are not backed with resources. They are required purely for accounting purposes.

2.6.3 The Council has a total of £56.183m usable reserves as at the end of 31 March 2018. Of this balance, £1.515m relates to the Repairs and Renewals Fund, £4.326m relates to Capital Funds and the remainder is held in the General Fund, with £43.717m of the balance earmarked for specific purposes.

2.6.4 Of the earmarked balance of £43.717m:

- 29.201m is invested or committed for major initiatives/capital projects
- £4.486m has already been drawn down as at the end of October
- £1.669m is still to be drawn down in 2018-19
- £7.124m is planned to be spent in future years
- £1.237m can be released back to the General Fund.

2.6.5 There are three earmarked balances where a proportion can be released back to the General Fund.

- Investment in Affordable Housing £0.900m: this earmarked balance provides cash backed reserves for the loans to registered social landlords. As at 31 December 2018, the balance on the remaining loans is £4.1m, therefore £0.900m can be released back to the General Fund.
- CHORD £0.237m: this balance was remaining a number of years ago and there is no planned or commitment expenditure.
- Unspent Budget TIF Project Team £0.100m: money was allocated to fund the project team in respect of the TIF project. Officers are currently considering current TIF arrangements, however, it is anticipated that a minimum of £0.100m can be returned to the General Fund balance.

2.6.6 The General Fund contingency is set at 2% of net expenditure for 2018-19 and amounts to £4.726m. At the beginning of the financial year there was £1.899m of unallocated General Fund Balance (over and above contingency). After taking into consideration the forecast outturn for 2018-19 and the earmarking that can be released back to the unallocated General Fund, the unallocated General Fund balance is expected to be £1.095m at the end of the financial year.

	£000
Unallocated balance as at 31 March 2018	1,899
Released back to unallocated General Fund	1,237
Current Forecast Outturn for 2018-19 as at 31 December 2018	(2,041)
Estimated Unallocated balance as at 31 March 2019	**1,095**

3. RECOMMENDATIONS

3.1 It is recommended that the Policy and Resources Committee:

a) Consider the revenue budget monitoring report as at 31 December 2018.

b) Note the comments in respect of the Health and Social Care Partnership position. Note that a recommendation is included within the budget pack to agree to defer the pay-back of the 2017-18 Social Work overspend by the HSCP by 1 year, resulting in repayments of £0.100m in 2019-20, £0.300m in 2020-21 and £0.755m in 2021-22.

c) Note the progress of the service package policy saving options as at 31 December 2018.

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

e) Consider the capital plan monitoring report as at 31 December 2018 and approve the proposed changes to the capital plan as detailed in Appendix 7 to the report.

f) Note the treasury monitoring report as at 31 December 2018.

g) Consider the reserves and balances report as at 31 December 2018.

4. IMPLICATIONS

4.1	Policy –	None.
4.2	Financial -	Outlines the revenue and capital monitoring for 2018-19 as at 31 December 2018.
4.3	Legal -	None.
4.4	HR -	None.
4.5	Equalities -	None.
4.6	Risk -	Risks are included in financial risks report.
4.7	Customer Service -	None.

Kirsty Flanagan, Head of Strategic Finance
15 January 2019

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

Overall Position:

- There is a forecast overspend for 2018-19 of £2.041m as at the end of December 2018. The main overspend is in relation to Social Work, where there is an overspend of £2.998m due to unidentified IJB savings allocated to Social Work as well as the net impact of service demand. There are also overspends of; £0.350m in relation to Education ASN due to a significant increase in demand, £0.083m in relation to a shortfall in savings for the Catering and Cleaning project, £0.080m in relation to additional staff costs within pupil transport, £0.047m relating to the airports PSA contract and £0.050m in public conveniences due to a reduction in income. These overspends are offset by an underspend across the Council within fleet due to a delay in replacing the vehicles of £0.614m, over recovery of income within D&I in relation to building warrants, planning fees, crematorium and private landlord registration, an underspend of £0.111m in relation to CHORD project manager costs which are being funded from capital, an underspend of £0.281m within superannuation as the budget provision for auto enrolment is no longer required, an underspend in the apprenticeship levy of £0.090m, an underspend on utilities across the Council of £0.124m, vacancy savings within Education of £0.100m and an underspend within Customer Services Directorate in relation to NPDO insurance and Hub Project.
- There is a year to date underspend of £4.177m. More focus is on the forecast outturn position, hence why sometimes the year to date position is not updated. The year to date variances mainly relate to the timing of income and expenditure. There is a year to date underspend within Third Party Payments in Customers Services in relation to Hub Schools £0.778m, NPDO £0.608m and Housing Benefit £0.635m – this is all in relation to delays on invoicing and mismatch with the actuals and profile. Within Social Work there is an underspend of £1.667m and this in relation to a delay in the receipting/payment of supplier invoices – this is being followed up.

Key Highlights as at December 2018:

The forecast overspend has increased since the November monitoring period by £0.344m, from £1.697m to £2.041m

- Within Customer Services there is a further forecast underspend of £0.122m relating to HUB North Scotland contractual deduction and delays.
- There has been further overspends forecast within Social Work of £0.199m since November. This is largely due to higher than expected demand on services and slippage in the delivery of savings.
- There is a further overspend within D&I in relation to an under recovery of public convenience income due to turnstiles not being in operation. There were also overspends within EQI assessments and Street Lighting consultant costs but these were offset by an underspend in vacancy savings.
- An underspend of £0.124m has also been reported for the cost of utilities across the Council.
- A £0.371m overspend in relation to the proposed pay award has been processed based on the current offer.

Key Financial Successes:

The performance against budget for the financial year 2017-18 was an overall underspend of £2.598m (1.04%). There were some one-off factors contributing to this underspend, however, good budget control and financial management have ensured that the Council did not overspend.

Key Financial Challenges:	**Proposed Actions to address Financial Challenges:**
Achieving a favourable year-end balanced position and achieving savings targets in light of council wide risks to expenditure.	Robust monitoring of the financial position to ensure that any budget issues are fed back into the budget monitoring process.

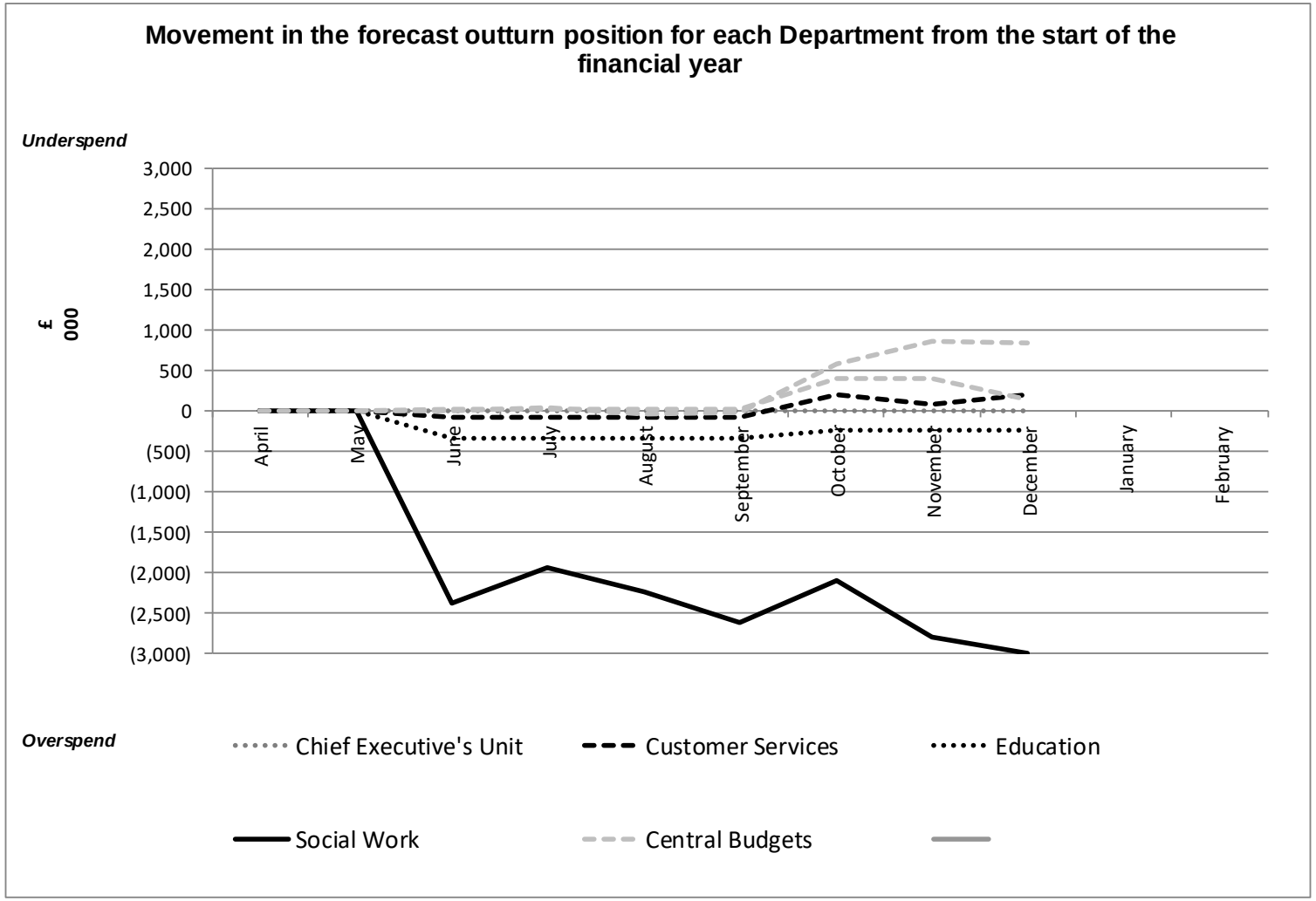
Monitoring the expenditure within Social Work and more widely the IJB position as any overspend will transfer back to partner bodies, in the first instance.	Work more closely with the CFO of the IJB to ensure that early indication of financial outturn is known and corrective action is agreed as appropriate to reduce the risk to the Council. Review of Scheme of Integration, particularly risk sharing arrangements to reduce any risk to the Council.
Identifying further savings and delivering services more efficiently with less resources.	Continually refine/develop systems to accurately calculate forecast outturns and the future budget outlook.
Maintaining or improving the level of service income recovered, for example planning, building standards and car parking.	Actively monitor income recovery and ensure Council fees and charges policies are reviewed.
Managing spend in service areas which are demand led and, to some extent, outwith service control, for example Winter Maintenance.	Use risk based approach to budget monitoring to focus additional attention to these areas.
Ongoing requirement to fund unavoidable increases in areas like employee costs, utility costs etc.	Ensure emerging issues are highlighted as soon as possible so that the financial impact can be reported through the budget monitoring and preparation processes.

Forecast Outturn Position

There is a forecast overspend for 2018-19 of £2.041m as at the end of December 2018 and the main variances are noted below.

Current Forecast Outturn Variance with change from previous month

Department	Annual Budget £'000	Forecast Outturn £'000	Current Forecast Variance £'000	Previous Forecast Variance £000	Change £000	Explanation
Chief Executive's Unit	2,500	2,500	0	0	0	No forecast outturn variance.
Customer Services	45,482	45,277	205	83	122	Forecast underspends are due to £0.045m underspend in fleet retained budget due to a delay by the central fleet team in replacing fleet, £0.322m in directorate for NPDO schools insurances savings and HUB DBFM savings. These underspends are offset by an anticipated shortfall in savings re the Catering and Cleaning Innovation project of £0.083m and £80k increased employee costs in relation to public transportation service.
Development and Infrastructure Services	34,538	33,690	848	868	(20)	The forecast variance mainly relates to an underspend in the fleet budget due to a delay in replacing vehicles, an over-recovery of vacancy savings, an estimated greater level of income than budget in relation to building warrants, planning fees, proviatre landlord registration and crematorium. This is offset by an overspend in PSO contract for Air Services, an overspend in Street Lighting consultant costs, the under recovery of car parking income and additional Building Standards Fee Income and Private Landlord Registration income.
Education	77,356	77,597	(241)	(241)	0	The overspend relates to a significant increase in demand within ASN support, offset by an underspend in pupil support vacancies and also vacancies within the Directorate. The ASN pressure will continue to be monitored closely going forward with every effort being made to mitigate this spend.
Social Work	56,231	59,229	(2,998)	(2,799)	(199)	The overspend is mainly due to an unidentified savings figure of £1.330m included in the budget as well as the net impact of service demand and estimated slippage on the delivery of agreed savings.
Central Budgets	25,473	25,328	145	392	(247)	The underspend relates budget provision for Superannuation Auto Enrolment that is no longer required (£281k), a forecast underspend on the apprenticeship levy (£90k), an underspend in utility costs Council wide (£124k) and a reduction in the requisition for the Valuation Joint Board (£21k). These underspend have been offset by a forecast overspend in relation to the pay award being greater than budget. The estimated overspend in relation to the pay award is based on the current offer on the table to SJC workers. It is assumed that Scottish Government funding will cover the teachers increase.
Total	**241,580**	**243,621**	**(2,041)**	**(1,697)**	**(344)**	



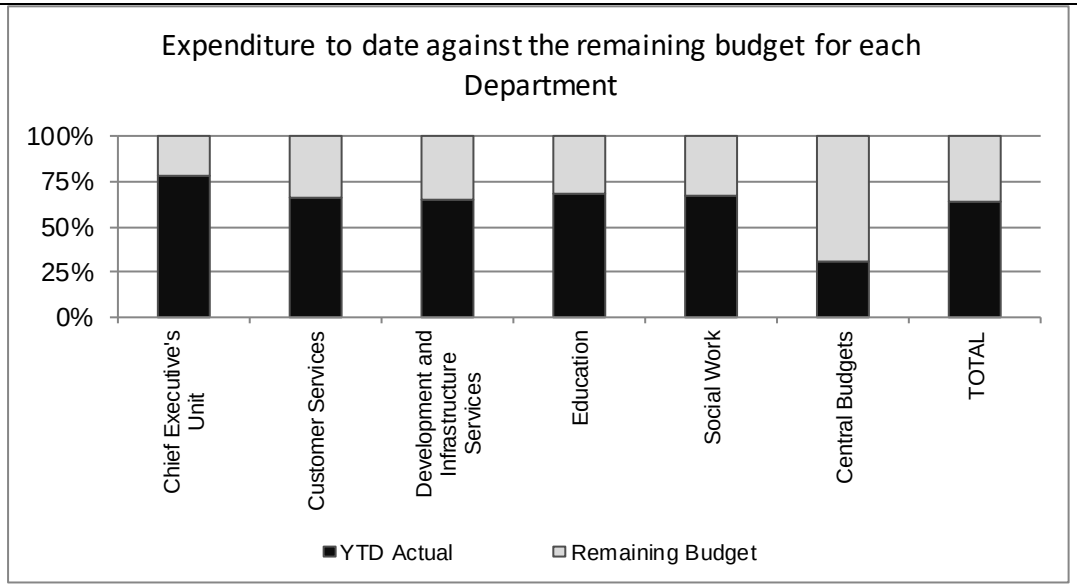
Further information on the departmental forecast variances is included later on in the report.

Year to Date Position

The year to date position as at the end of December 2018 is an estimated underspend of £4.177m and the main variances are noted below.

The current year to date variance position for each Department:

Department	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000	Explanation
Chief Executive's Unit	1,960	1,788	(172)	Small variances, mainly profile related.
Customer Services	30,137	32,851	2,714	The main variance is within Third Party Payments in relation to Hub Schools £0.778m and NPDO £0.608m where there is a delay in the invoices and also with Housing Benefit Private £0.635m.
Development and Infrastructure Services	22,509	22,878	369	There are a number of profiling variances that contribute to this overall year to date position. Any year to date position that gives rise to a forecast outturn position has been reported.
Education	53,082	53,266	184	The year to date overspend is mainly profiled related.
Social Work	37,691	39,358	1,667	The YTD variance reflects lower than budgeted activity in care home placements for older people and delays in the receipt and/or payment of supplier invoices across the service.
Central Budgets	7,789	7,204	(585)	Small variance, mainly profile related.
Total Net Expenditure	**153,168**	**157,345**	**4,177**	



Further information on the departmental year to date variances is included later on in the report.

OBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AT 31 DECEMBER 2018

	YEAR TO DATE POSITION				CURRENT PROJECTED FINAL OUTTURN			
	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000	Variance %	Annual Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Variance %
Departmental Budgets								
Chief Executive's Unit	1,960	1,788	(172)	(9.6%)	2,500	2,500	0	0.0%
Customer Services	30,137	32,851	2,714	8.3%	45,482	45,277	205	0.5%
Development and Infrastructure Services	22,509	22,878	369	1.6%	34,538	33,690	848	2.5%
Education	53,082	53,266	184	0.4%	77,356	77,597	(241)	(0.3%)
Social Work	37,691	39,358	1,667	4.2%	56,231	59,229	(2,998)	(5.3%)
Total Departmental Budgets	**145,379**	**150,141**	**4,762**	**3.2%**	**216,107**	**218,293**	**(2,186)**	**(1.0%)**
Central Budgets								
Other Operating Income and Expenditure	2,081	1,946	(135)	(6.9%)	3,756	3,632	124	3.3%
Joint Boards	964	1,030	66	6.4%	1,374	1,353	21	1.5%
Non-Controllable Costs	4,744	4,228	(516)	(12.2%)	20,343	20,343	0	0.0%
Total Central Budgets	**7,789**	**7,204**	**(585)**	**(8.1%)**	**25,473**	**25,328**	**145**	**0.6%**
TOTAL NET EXPENDITURE	**153,168**	**157,345**	**4,177**	**2.7%**	**241,580**	**243,621**	**(2,041)**	**(0.8%)**
Financed By								
Aggregate External Finance	(107,667)	(107,667)	0	0.0%	(191,827)	(191,827)	0	0.0%
Local Tax Requirement	(46,634)	(46,634)	0	0.0%	(47,674)	(47,674)	0	0.0%
Contributions to General Fund	0	0	0	0.0%	2,408	2,408	0	0.0%
Supplementary Estimates	0	0	0	0.0%	0	0	0	0.0%
Earmarked Reserves	0	0	0	0.0%	(4,487)	(4,487)	0	0.0%
Total Funding	**(154,301)**	**(154,301)**	**0**	**0.0%**	**(241,580)**	**(241,580)**	**0**	**0.0%**
Deficit/(Surplus) for Period	**(1,133)**	**3,044**	**4,177**		**0**	**2,041**	**(2,041)**	

SUBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AS AT 31 DECEMBER 2018

	YEAR TO DATE POSITION				CURRENT PROJECTED FINAL OUTTURN			
	YTD Actual £'000	YTD Budget £'000	YTD Variance £'000	Variance %	Annual Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Variance %
Subjective Category								
Employee Expenses	97,557	97,804	248	0.3%	141,225	141,106	119	0.1%
Premises Related Expenditure	10,698	10,572	(125)	(1.2%)	14,837	14,813	24	0.2%
Supplies and Services	16,071	14,397	(1,674)	(11.6%)	18,275	21,627	(3,351)	(18.3%)
Transport Related Expenditure	8,529	8,309	(220)	(2.7%)	17,587	16,913	674	3.8%
Third Party Payments	105,337	107,156	1,819	1.7%	145,286	146,034	(748)	(0.5%)
Capital Financing	(193)	0	193	#DIV/0!	15,770	15,770	0	0.0%
TOTAL EXPENDITURE	**237,999**	**238,238**	**241**	**0.1%**	**352,980**	**356,263**	**(3,282)**	**(0.9%)**
Income	(239,131)	(235,195)	3,936	(1.7%)	(352,980)	(354,221)	1,241	(0.4%)
Deficit/(Surplus) for Period	**(1,132)**	**3,043**	**4,177**		**0**	**2,042**	**(2,041)**	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.
Forecast Outturn is the estimate now of what expenditure or income will be for the whole of the financial year.
The Variance is the difference between budget and actual or forecast outturn.
A positive variance is when actual or forecast expenditure is less than budget or actual or forecast income is more than budget.
A negative variance is shown in brackets and is when actual or forecast expenditure is more than budget or actual or forecast income is less than budget.

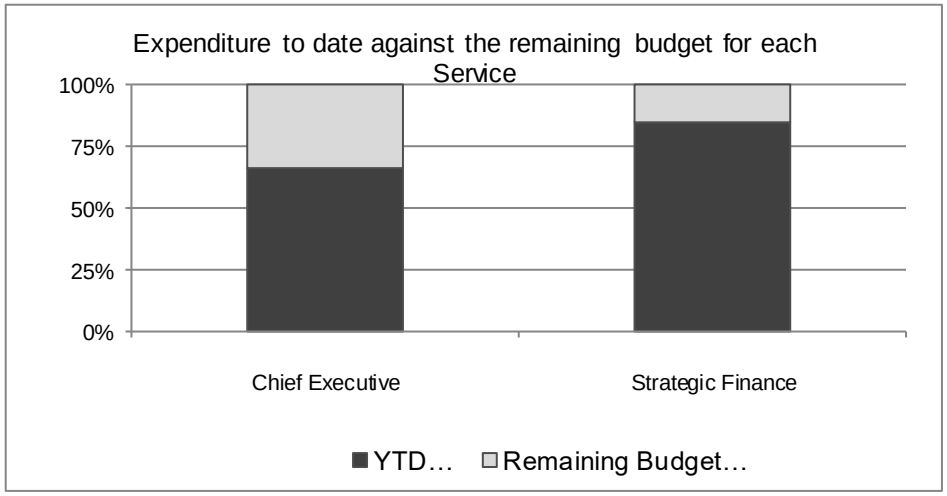
CHIEF EXECUTIVE'S UNIT HIGHLIGHTS – AS AT 31 DECEMBER 2018

- The department is currently forecasting spend to be in line with budget.
- The department has a year to date overspend of £0.173m (9.7%) which is mainly profile related.

Forecast Outturn Position

Current Forecast Outturn Variance with change from previous month					
Service	**Annual Budget £000**	**Forecast Outturn £000**	**Current Forecast Variance £000**	**Previous Forecast Variance £000**	**Change £000**
Chief Executive	846	846	0	0	0
Strategic Finance	1,653	1,653	0	0	0
Totals	**2,499**	**2,499**	**0**	**0**	**0**

Year to Date Position



Key Financial Successes:

The department are currently forecasting that spend will be in line with budget for 2018-19.

All Service Choices savings options have been delivered. The department outturn position at the end of 2017-18 was an underspend of £0.070m due to effective management and monitoring of the budget.

Key Financial Challenges:	**Proposed Actions to address Financial Challenges:**
To continue to deliver high quality support service function during a time of continued budget cuts, particularly as the majority of the costs within Chief Executive's Unit are employee costs.	To ensure that the team are operating as efficiently and effectively as possible to enable continued support to departments with reduced resources.

CHIEF EXECUTIVE'S UNIT – OBJECTIVE SUMMARY AS AT 31 DECEMBER 2018

Business Outcome	Service Area	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Central/Management Costs	Central/Management Costs	206	207	1	0.5%	296	296	0	0.0%	Outwith reporting criteria.
BO15 - Argyll and Bute is open for business	Community Planning	71	77	6	7.8%	135	135	0	0.0%	Outwith reporting criteria.
BO33 - Information and support are available for our communities	Community Development and Grants to Third Sector	284	303	20	6.6%	415	415	0	0.0%	Outwith reporting criteria.
Chief Executive Total		**561**	**587**	**27**	**4.6%**	**846**	**846**	**0**	**0.0%**	
BO05 - Information and Support are available for everyone	Money Skills Argyll	185	0	(185)	#DIV/0!	0	0	0	0.0%	Due to a timing difference between expenditure and income.
BO28 - Our processes and business procedures are efficient, cost effective and compliant	Departmental Support, Corporate Accounting, Treasury & Internal Audit	1,215	1,199	(15)	(1.3%)	1,653	1,653	0	0.0%	Outwith reporting criteria.
Strategic Finance Total		**1,400**	**1,199**	**(200)**	**#DIV/0!**	**1,653**	**1,653**	**0**	**0**	
GRAND TOTAL		**1,961**	**1,786**	**(173)**	**(9.7%)**	**2,499**	**2,499**	**0**	**0.0%**	

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

CHIEF EXECUTIVE'S UNIT – SUBJECTIVE SUMMARY AS AT 31 DECEMBER 2018

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	1,614	1,594	(20)	**(1.3%)**	2,345	2,345	0	**0.0%**	Outwith reporting criteria.
Premises	0	0	0	**0.0%**	0	0	0	**0.0%**	Outwith reporting criteria.
Supplies and Services	59	40	(18)	**(45.0%)**	56	56	0	**0.0%**	A small variance that is profile related.
Transport	20	23	4	**17.4%**	31	31	0	**0.0%**	Outwith reporting criteria.
Third Party	394	173	(221)	**(127.8%)**	236	236	0	**0.0%**	Due to Money Skills Argyll expenditure which is offset by income variance below, in addition to a timing difference between expenditure and income.
Income	(126)	(44)	81	**(184.1%)**	(170)	(170)	0	**0.0%**	Due to Money Skills Argyll income which is offset by expenditure variance above, in addition to a timing difference between expenditure and income.
Totals	**1,961**	**1,786**	**(174)**	**(9.7%)**	**2,498**	**2,498**	**0**	**0.0%**	

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

CHIEF EXECUTIVE'S UNIT – RED VARIANCES AS AT 31 DECEMBER 2018

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	

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

CUSTOMER SERVICES – AS AT 31 DECEMBER 2018

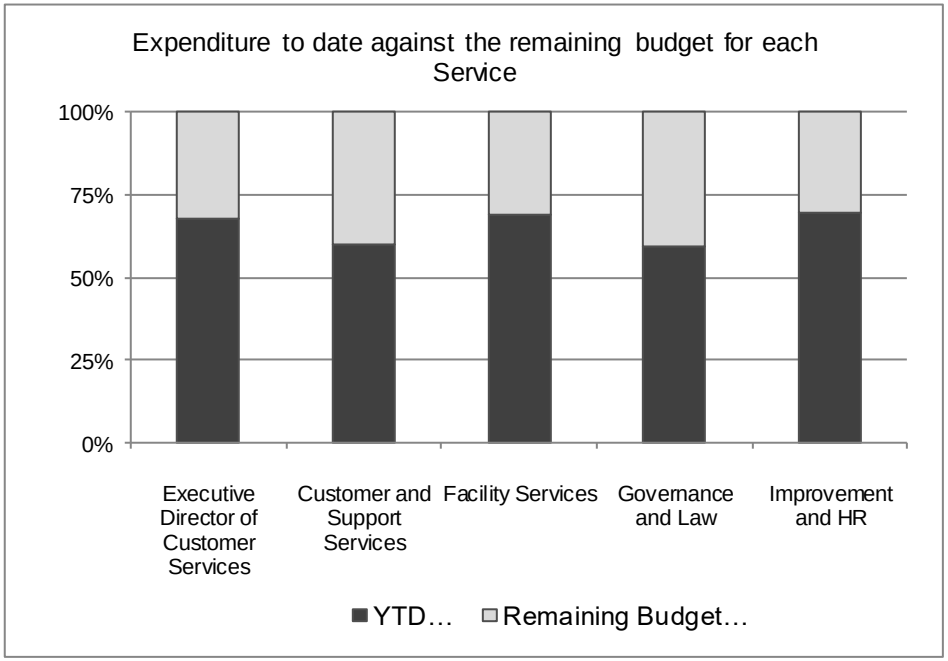
- The department is currently forecasting an underspend of £0.204m (0.4%). Forecast underspends are due to a £0.077m underspend in fleet retained budget due to a delay by the central fleet team in replacing fleet, Hub North Scotland deductions and delays of £0.122m and £0.200m in directorate to reflect smaller underspends across the Service. This is offset by an anticipated shortfall in savings in the Catering and Cleaning Innovation project of £0.048m, £0.035m due to lower than recommended charge rate for milk, £0.080m for additional staff costs within pupil transport and a £0.032m overspend in pool cars.
- The department has a year to date underspend of £2.715m (8.3%). The main variance is in relation to NPDO - £0.613m, Hub Schools – 0.778m, Housing Benefits - £0.738, Public Transport £0.113m and ICT £0.117m due to invoicing delays.

Forecast Outturn Position

Current Forecast Outturn Variance with change from previous month

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Executive Director of Customer Services	19,471	19,149	322	200	122
Customer and Support Services	8,699	8,699	0	0	0
Facility Services	12,486	12,608	(123)	(123)	0
Governance and Law	1,914	1,909	5	5	0
Improvement and HR	2,912	2,912	0	0	0
Totals	**45,482**	**45,277**	**204**	**82**	**122**

Year to Date Position



Key Financial Successes:

The 2017-18 year-end outturn position was an underspend of £1.306m. This was mainly as a result of over-recovery of vacancy savings, lower than expected insurance and utility cost savings arising as a result of the annual renegotiation of insurance costs which forms part of the contract management arrangements which are in place for the NPDO, lower than planned expenditure on the Catering Innovation Project which was delayed and lower than expected expenditure on school transport due to reduced contract and fuel costs.

A number of the service choices savings have also been secured to date.	
Key Financial Challenges:	**Proposed Actions to address Financial Challenges:**
Impact of Welfare reforms.	Input ongoing to multi agency working group to ensure robust arrangements are put in place.
Delivering the proposed Facility Services budget reductions identified in the Transformation programme.	Provide the Transformation Board with robust information upon which decisions can be made and develop any savings proposals as necessary.
Impact of numbers/uptake in demand led service areas like transport, benefits and licensing.	Continually refine/develop systems to accurately calculate forecast outturns and the impact on the future financial outlook.
Support longer term service re-design project for Catering and Cleaning services to ensure efficiencies and financial savings are secured for the Council. Success dependant on buy-in from Argyll & Bute Health and Social Care Partnership.	Effective working with consultants and support with implementation of preferred service delivery method.
New legislative/policy requirements not fully funded by Scottish Government which put additional burdens on the Council. For example, additional demands from IJB, requirement to register all property in land register by 2019 and unknown impact of new education arrangements on all support services.	Analysis of new obligations and whether they incur additional costs not met through increased grant.

CUSTOMER SERVICES – OBJECTIVE SUMMARY AS AT 31 DECEMBER 2018

Business Outcome	Service Area	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Central/Management Costs	Central/Management Costs, NPDO, Special Projects & Estates	13,153	14,688	1,535	10.5%	19,471	19,149	322	1.7%	Year to date variance within NPDO and Hub DBFM schools is mainly due to invoicing being behind profile, For the NPDO this is in relation to utility invoicing as no water or LPG invoices have been received year to date. For Hub DBFM this is in relation to the Monthly Service payment which is 2 months behind profile. Profile will be updated accordingly. While the majority of the variances are due to delayed invoicing which should be received by year end, with regards to the NPDO there have also been insurance savings of £200k and Hub DBFM have incurred contractual deductions to date of £93k and delays in handover to date of £29k.these variances are reflected in a forecast underspend of £322k.
Executive Director of Customer Services Total		**13,153**	**14,688**	**1,535**	**10.5%**	**19,471**	**19,149**	**322**	**1.7%**	
Central/Management Costs	Central/Management Costs	154	148	(6)	(4.1%)	207	207	0	0.0%	Outwith reporting criteria
BO04 - Benefits are paid promptly and accurately	Benefits, SWF & Welfare Reform	1,257	2,045	788	38.5%	1,598	1,598	0	0.0%	Underspend in Benefits Administration. £67k of which is additional grant money received. £738k - Housing Benefits private - profiling error budget will be reprofiled.
BO05 - Information and Support are available for everyone	Customer Service Centres & Registrars	903	907	5	0.6%	1,385	1,385	0	0.0%	Outwith reporting criteria
BO23 - Economic Growth is supported	NDR Disc Relief, Creditors & Procurement	717	723	6	0.8%	1,275	1,275	0	0.0%	Outwith reporting criteria
BO27 - Infrastructure and assets are fit for purpose	ICT Applications & Infrastructure	1,663	1,861	198	10.6%	3,648	3,648	0	0.0%	ICT Infrastructure - The YTD underspend of £117k relates to a £202k annual recharge to Libraries and Education but the actual invoice has not been paid yet - due March 19. Also some profiling. ICT Applications 26k underspend in staff costs to be used to fund handover to new employee. £26k underspend in Print and Mail Room due to removal of franking machines, plus smaller budget profiling variances across the Service.

BO28 - Our processes and business procedures are efficient, cost effective and compliant	Local Tax, Debtors, Debt Recovery, Customer Service Centres & Registrars	550	536	(14)	(2.6%)	586	586	0	0.0%	Outwith reporting criteria
Customer and Support Services Total		**5,244**	**6,220**	**977**	**15.7%**	**8,699**	**8,699**	**0**	**0.0%**	
BO09 - Our assets are safe, efficient and fit for purpose	Shared Offices, Property, Pool Cars, Public Transport and Cleaning.	8,326	8,514	187	2.2%	11,990	12,029	(40)	(0.3%)	Property design £137k underspend Ytd - employee costs and spend/income budget profile. Public Transport £113k underspend YTD - mainly school operator payments & extra income from Highland council. Offset by an over spend of £123K in Public Transport in House due to £114k in employee cost due to extra hours/ASN. The forecast underspend relates to the retained fleet budget due to a delay in replacing fleet within the central fleet management team also £80k forecast against Public Transport in House due to increasing employee costs. Shared office accommodation £23k - central repairs timing
BO18 - Improved lifestyle choices are available	School Meals	87	179	92	51.4%	213	296	(83)	(39.0%)	YTD £120k underspend in Sundries due to profiling/timing of spend. £83k forecast overspend anticipated due to shortfall in savings re Catering and Cleaning Innovation project - distribution hub £48k construction costs and payback and drinks provision £35k lower than recommended charge rate for milk creating shortfall.
Central/Management Costs	Central/Management Costs	164	189	25	13.2%	283	283	0	0.0%	Property services admin support employee costs ytd underspend £21k
Facility Services Total		**8,577**	**8,882**	**304**	**3.4%**	**12,486**	**12,608**	**(123)**	**(1.0%)**	
BO10 - Quality of life is improved by managing risk	Civil Contingencies & Anti Social Behaviour	80	77	(3)	(3.9%)	123	123	0	0.0%	Outwith reporting criteria
BO17 - The support needs of children and their families are met	Childrens Panel	10	10	0	0.0%	34	34	0	0.0%	Outwith reporting criteria
BO23 - Economic Growth is supported	Licensing	(168)	(189)	(21)	11.1%	(123)	(123)	0	0.0%	Main factor is 11.7k Legal Fees for a licensing case, it is possible this may be covered in year by meeting income budgets in licencing. Remainder is smaller variances across licensing and licensing standards.
BO28 - Our processes and business procedures are efficient, cost effective and compliant	Democratic Serives, Governance & Legal Services	1,081	1,072	(9)	(0.8%)	1,680	1,680	0	0.0%	Outwith reporting criteria
Central/Management Costs	Central/Management Costs	136	133	(4)	(3.0%)	200	195	5	2.5%	Outwith reporting criteria
Governance and Law Total		**1,139**	**1,103**	**(37)**	**(3.4%)**	**1,914**	**1,909**	**5**	**0.3%**	

BO06 - Quality culture, archives, libraries and museums are provided to promote wellbeing	Gaelic Language Plan	7	7	0	0.0%	12	12	0	0.0%	Outwith reporting criteria
BO28 - Our processes and business procedures are efficient, cost effective and compliant	HR Services	491	475	(17)	(3.6%)	693	693	0	0.0%	Outwith reporting criteria
BO29 - Health and safety is managed effectively	Health & Safety	202	197	(4)	(2.0%)	295	295	0	0.0%	Outwith reporting criteria
BO30 - We engage with our customers, staff and partners	Communications	164	165	1	0.6%	260	260	0	0.0%	Outwith reporting criteria
BO31 - We have a culture of continuous improvement	Service Improvements	563	560	(3)	(0.5%)	797	797	0	0.0%	Outwith reporting criteria
BO32 - Our workforce is supported to realise its potential	Learning & Development	398	370	(28)	(7.6%)	586	586	0	0.0%	Outwith reporting criteria
Central/Management Costs	Central/Management Costs	198	185	(13)	(7.0%)	269	269	0	0.0%	Outwith reporting criteria
Improvement and HR Total		**2,023**	**1,959**	**(64)**	**(3.3%)**	**2,912**	**2,912**	**0**	**0.0%**	
GRAND TOTAL		**30,136**	**32,852**	**2,715**	**8.3%**	**45,482**	**45,277**	**204**	**0.4%**	

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

CUSTOMER SERVICES – SUBJECTIVE SUMMARY AS AT 31 DECEMBER 2018

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	14,054	13,988	(67)	**(0.5%)**	20,329	20,409	(80)	**(0.4%)**	YTD overspend due to additional staffing with payroll team £24k, costs of first aid trainer and investigating officers which have still to be recharged to departments £25k and £12k over spend due to profiling within staff training.
Premises	1,397	1,442	45	**3.1%**	2,363	2,363	0	**0.0%**	Outwith reporting criteria
Supplies and Services	2,123	2,469	346	**14.0%**	4,793	4,676	117	**2.4%**	Forecast underspend of £21k in Directorate, £117k ICT due to invoice not received for Pathfinder North, £73k reprographics due to removal of franking machine Kilmory Year to date position due to profiling of invoices and recharges for IT. £107k under spend within catering due to profiling of invoices.
Transport	555	574	19	**3.3%**	5,998	5,953	46	**0.8%**	Outwith reporting criteria
Third Party	41,240	43,364	2,124	**4.9%**	56,809	56,687	122	**0.2%**	Underspend in payment to other bodies Hub Schools £778k and NPDO £608k due to delays in invoicing, Housing Benefit Private £635K and public transport £100k differences are due to profiling errors.
Capital Financing	0	0	0	**0.0%**	0	0	0	**0.0%**	Outwith reporting criteria
Income	(29,232)	(28,986)	246	**(0.9%)**	(44,811)	(44,811)	0	**0.0%**	YTD variance of £100k in housing benefit - Private due to profiling which will be updated accordingly. Benefits administration - £67k additional grant income. £12k YTD underspend due to additional income for shared office accomodation due to new contracts and within public transport there is a YTD underspend of £33k due to additional income from Highland Council.
Totals	**30,137**	**32,851**	**2,713**	**8.3%**	**45,481**	**45,277**	**205**	**0.5%**	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.
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An explanation is given for any variance which exceeds £50,000 or 10%.

CUSTOMER SERVICES – RED VARIANCES AS AT 31 DECEMBER 2018

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
School Meals	213	296	(83)	(39.0%)	£83k forecast overspend anticipated due to shortfall in savings re Catering and Cleaning Innovation project - distribution hub £48k construction costs and payback and drinks provision £35k lower than recommended charge rate for milk creating shortfall.
Central/Management Costs, NPDO, Special Projects & Estates	19,471	19,149	322	1.7%	Forecast saving within Direcorate.
Pupil Transport Overspend	735	815	(80)	(10.9%)	Additional staff costs within pupil transport.
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	
			0	0.0%	

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

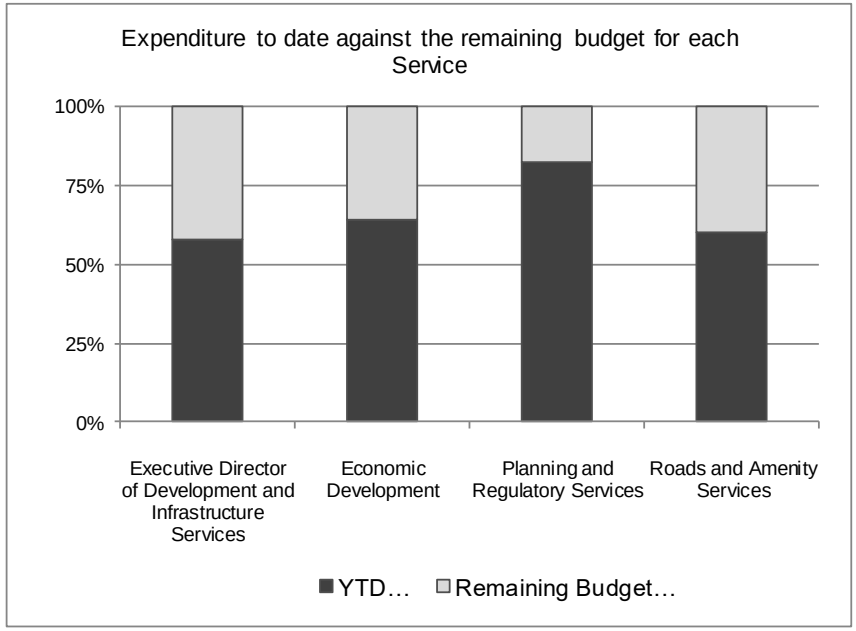
DEVELOPMENT AND INFRASTRUCTURE HIGHLIGHTS – AS AT 31 DECEMBER 2018

- The department is currently forecasting an underspend of £0.848m (2.5%). The forecast variance mainly relates to an underspend in the fleet budget due to a delay in replacing vehicles, CHORD project manager salaries funded by capital therefore resulting in an underspend in revenue, additional Building Standards Fee Income and Road Permit income which are all partially offset by an overspend in PSO contract for Air Services and a reduction in income at public conveniences due to turnstiles not being in operation.
- The department has a year to date underspend of £0.370m (1.6%) against budget.

Forecast Outturn Position

Current Forecast Outturn Variance with change from previous month					
Service	**Annual Budget £000**	**Forecast Outturn £000**	**Current Forecast Variance £000**	**Previous Forecast Variance £000**	**Change £000**
Executive Director of Development and Infrastructure Services	420	376	44	0	44
Economic Development	4,732	4,663	69	69	0
Planning and Regulatory Services	7,156	6,996	160	160	0
Roads and Amenity Services	22,231	21,656	575	639	(64)
Totals	**34,539**	**33,691**	**848**	**868**	**(20)**

Year to Date Position



Key Financial Successes:

The Department's outturn for 2017-18 was an overspend of £0.087m and this was due a variety of factors including a severe winter period which was partially offset by an over recovery on vacancy savings.

Key Financial Challenges:	Proposed Actions to address Financial Challenges:
Department / Service ongoing ability to meet future savings / efficiency requirements.	Monitoring of trend / expenditure levels / service configuration and the Service Packages Policy Options savings process.

Potential shortfall in income within Car Parking and Decriminalised Parking Enforcement (DPE).	Closely monitoring of income levels, regular performance management reviews and reporting of the financial implications through budget monitoring process.
Dangerous buildings, there is no budget for this expenditure and the council have no control over the demand for the service.	Building Standards, Legal Services and Strategic Finance are working closely to manage debt recovery and to consider other options to minimise corporate risk exposure.
Due to the nature of the various components of Waste Management there are ongoing challenges with: • Island haulage costs • Uncertainty with recycling income/ gate fee costs due to the volatility of the market • Challenges in the legislative changes around the disposal of Biodegradable Municipal Waste	To closely monitor all service components of Waste Management and review Waste Strategy in conjunction with our contractual partner Renewi (previously Shanks).
Winter Maintenance costs are difficult to estimate as they are very much dependant on the weather. It should be noted that winter treatments have started earlier than usual in the financial year and if this trend continues an adverse forecast variance is likely.	Close monitoring of Winter Maintenance and reporting of the financial implications through budget monitoring process. The Council agreed the winter policy, setting out the intervention level and locations to be treated. The numbers of treatments are determined by weather conditions. The current budget provision provides for 58 full equivalent runs. There is a sophisticated weather monitoring system in place consisting of several weather stations, this is supported by a forecasting and metrological service which is collaboratively procured by West of Scotland local authorities.

DEVELOPMENT AND INFRASTRUCTURE – OBJECTIVE SUMMARY AS AT 31 DECEMBER 2018

Business Outcome	Service Area	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Central/Management Costs	Central/Management Costs	244	245	1	0.4%	420	376	44	10.5%	The forecast variance relates to vacancy savings.
Executive Director of Development and Infrastructure Total		**244**	**245**	**1**	**0.4%**	**420**	**376**	**44**	**10.5%**	
BO06 - Quality culture, archives, libraries and museums are provided to promote wellbeing	Events and Festivals	170	166	(3)	(1.8%)	226	226	0	0.0%	Outwith reporting criteria
BO15 - Argyll and Bute is open for business	Airports & Strategic Transportation	1,299	1,418	119	8.4%	2,328	2,259	69	3.0%	The YTD variance relates to the payment to Scottish Fire & Rescue re retained firefighters for cover at island airports still to be agreed and payment now outstanding for over 1 year pending resolution. The forecast variance is due to the PSO contract being extended for 1 year but the budget was reduced as a result of the Policy Options savings. Some of the shortfall has been offset from vacancy savings in Transportation Policy. There will also be an underspend within the CHORD cost centres as the salaries are recharged to the capital projects each month.
BO22 - Adults are supported to realise their potential	Business Gateway	267	239	(28)	(11.7%)	326	326	0	0.0%	External trainer costs are higher than budget but this will be offset by income still to be received..
BO23 - Economic growth is supported	Projects,TIF & European Team	1,050	1,061	11	1.0%	1,414	1,414	0	0.0%	Outwith reporting criteria
BO27 - Infrastructure and assets are fit for purpose	Economic Development Intelligence	100	99	(1)	(1.0%)	151	151	0	0.0%	Outwith reporting criteria
Central/Management Costs	Central/Management Costs	146	161	15	9.3%	287	287	0	0.0%	Outwith reporting criteria
Economic Development Total		**3,032**	**3,144**	**113**	**3.6%**	**4,732**	**4,663**	**69**	**1.5%**	

BO01 - The health of our people is protected through effective partnership working	Private Water Supplies	46	57	11	19.3%	4	4	0	0.0%	The year to date variance is caused by a timing difference between expenditure and grant income.
BO03 - Prevention and support reduces homelessness	Homelessness and Housing Support Services	1,470	1,491	21	1.4%	2,235	2,235	0	0.0%	Outwith reporting criteria
BO05 - Information and support are available for everyone	Trading Standards	356	353	(2)	(0.6%)	504	504	0	0.0%	Outwith reporting criteria
BO12 - High standards of Public health and health protection are promoted	Environmental Health	525	619	94	15.2%	1,026	1,011	15	1.5%	YTD reflects additional income from Water Supply Appraisals and fish export certificates. The forecast variance relates to Appraisal of water supplies.
BO13 - Our built environment is safe and improved	Building Standards & Environmental Safety	(221)	(17)	204	(1200.0%)	43	(82)	125	290.7%	Building Standards and Private Landlord Registration income both ahead of profile and a forecast variance has been entered to reflect this.
BO15 - Argyll and Bute is open for business	Development Policy	354	412	58	14.1%	610	610	0	0.0%	Employee underspends to be used for Apprentice/Trainee later in year.
BO23 - Economic growth is supported	Development Management	(15)	69	84	121.7%	218	198	20	9.2%	Planning income ahead of profile and this is closely monitored on a monthly basis. A small forecast variance has been entered.
BO25 - Access to and enjoyment of the natural and built environments is improved	Corepath Plan	0	0	0	0.0%	0	0	0	0.0%	Outwith reporting criteria
BO26 - People have a choice of suitable housing options	Housing	1,786	1,777	(9)	(0.5%)	738	738	0	0.0%	Outwith reporting criteria
BO27 - Infrastructure and assets are fit for purpose	Marine & Coastal	0	0	0	0.0%	0	0	0	0.0%	Outwith reporting criteria
BO31 - We have a culture of continuous improvement	Strategic Housing Fund	1,305	1,308	3	0.2%	1,308	1,308	0	0.0%	Outwith reporting criteria
Central/Management Costs	Central/Management Costs	307	298	(9)	(3.0%)	470	470	0	0.0%	Outwith reporting criteria
Planning and Regulatory Total		**5,913**	**6,367**	**455**	**7.2%**	**7,156**	**6,996**	**160**	**2.2%**	

BO14 - Our transport infrastructure is safe and fit for purpose	Road & Lighting, Roads Design, Network & Environment & Marine Services	2,725	2,871	146	5.1%	6,091	5,772	319	5.2%	BO14 - The main contributing factor to the YTD variance is the Roads & Lighting Operational Holding Account which relates to budget profiling due to its unpredictable nature caused by many factors e.g. weather, reactive v planned works, timing of capital works and timing of contractors invoices. There is a lag between expenditure and income being recorded from capital works. It is also worth noting that Winter treatments have started earlier than normal and that this may lead to an overspend in winter maintenance later in the year. The forecast variance relates to the underspend on the fleet retained budget as a result of a delay in replacing vehicles.
BO15 - Argyll and Bute is open for business	Marine Management	0	0	0	0.0%	0	0	0	0.0%	Outwith reporting criteria
BO24 - Waste is disposed of sustainably	Waste Management	7,440	7,709	269	3.5%	11,888	11,741	147	1.2%	The YTD variance relates to a timing difference caused by the payments for landfill tax and waste PPP recyclates. The forecast variance relates to the underspend on the fleet retained budget.
BO25 - Access to and enjoyment of the natural and built environments is improved	Amenity Services	2,618	2,293	(326)	(14.2%)	3,555	3,494	61	1.7%	Income due back from insurance as a result of fire at Millpark Oban. Central repairs and supplies and services ahead of profile. External hires continue to cause concern and will be monitored closely. The forecast variance relates to the underspend on the fleet retained budget and an under recovery of income from Public Conveniences..
BO27 - Infrastructure and assets are fit for purpose	Fleet	60	(91)	(152)	167.0%	(75)	(131)	56	(74.7%)	The forecast variance relates to the underspend on the fleet retained budget.
Central/Management Costs	Central/Management Costs	475	339	(136)	(40.1%)	772	780	(8)	(1.0%)	The variance in Central Management costs is caused partly by the recharge from depots covering some uncontrollable costs which are excluded from the departmental budget monitoring. No variance is anticipated at year end.
Roads and Amenity Total		**13,318**	**13,121**	**(199)**	**(1.5%)**	**22,231**	**21,656**	**575**	**2.6%**	
GRAND TOTAL		**22,507**	**22,877**	**370**	**1.6%**	**34,539**	**33,691**	**848**	**2.5%**	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.
Forecast Outturn is the estimate now of what expenditure or income will be for the whole of the financial year.
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An explanation is given for any variance which exceeds £50,000 or 10%.

DEVELOPMENT AND INFRASTRUCTURE – SUBJECTIVE SUMMARY AS AT 31 DECEMBER 2018

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	16,563	16,881	318	**1.9%**	24,693	24,618	75	**0.3%**	YTD variance within Roads due to vacancies that will be used to cover savings targets plus the use of Consultants; There is an accrual in relation to standby payments which has still to be settled. The remainder is a number of smaller variances which are largely offset by a reduction in income. The forecast variance relates to a vacancy in Transportation Policy which is being used to partially offset the overspend on the PSO contract for Airports plus vacancy savings.
Premises	1,790	1,873	83	**4.4%**	3,065	3,065	0	**0.0%**	YTD underspend due to profile of Street Lighting Electricity budget and Depot Apportionment budget which are partially offset with central repair costs being ahead of profile. Any savings on street lighting electricity will be used to fund prudential borrowing for the LED replacement project.
Supplies and Services	6,519	4,997	(1,522)	**(30.5%)**	6,413	6,413	0	**0.0%**	Supplies and services are ahead of profile due to quarry and materials purchases within the Roads and Lighting holding account as a result of additional capital work. This will be offset by additional income in the coming months. Additional expenditure incurred as a result of fire at Millpark depot, Oban will be recovered from insurance. Within Amenity Services the full year budget has been committed and minimal spend expected over next 3 months.
Transport	7,064	7,094	30	**0.4%**	10,447	9,833	614	**5.9%**	The forecast variance of £614k relates to underspends on the fleet retained budget.
Third Party	23,998	22,351	(1,647)	**(7.4%)**	31,278	31,455	(177)	**(0.6%)**	The YTD budget relates to payments to third party contractors being higher than budget due to the increase in capital works being carried out on the roads. This will be offset by additional income. Additional expenditure with Lighting on Consultants which is offset with vacancies within Roads. The Forecast variance relates to Argyll Air Services PSO contract (£93k over) has been extended for 1 year but policy options savings have been removed from budget and overspend in Flood Prevention of £40k.

Capital Financing	(82)	0	82	**#DIV/0!**	670	670	0	**0.0%**	YTD variance within Piers and Harbours for income received to pay financing costs - this will be offset at year end when actual charges are costed.
Income	(33,343)	(30,318)	3,023	**(10.0%)**	(42,028)	(42,364)	335	**(0.8%)**	The major reason for this variance is the increase in income to the operational holding account as a result of the increase in capital works being carried out on the road network which offsets the increased expenditure above. Income from Planning fees and Building Standards ahead of profile. Road bond income received in advance of work being carried out. Additional income received for Roads Permits Forecast variances processed for additional Planning and Building Fee Income, Road Permit Income, Private Landlord Registration and Appraisal of Water Supplies.
Totals	**22,509**	**22,878**	**367**	**1.6%**	**34,538**	**33,690**	**847**	**2.5%**	

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

DEVELOPMENT AND INFRASTRUCTURE – RED VARIANCES AS AT 31 DECEMBER 2018

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Airports - PSO Contract	629	722	(93)	(14.8%)	PSO contract has been extended for 1 year pending an Air Services review but the budget has been reduced as a result of the Policy Option savings applied from 1st April 2018
Fleet retained Budget	644	30	614	95.3%	Delay in replacing vehicles will result in an underspend in the fleet retained budget
Road Permit Income	(17)	(87)	70	(411.8%)	Additional Road Permit Income received for RCC Inspections
Building Standards Income	(923)	(1,023)	100	(10.8%)	Additional Building Warrant Income
Public Conveniences	(300)	(250)	(50)	16.7%	Reduction in Income due to turnstiles in PC's not working
Cardross Crematorium	(418)	(468)	50	(12.0%)	Additional income due to increase in cremation numbers
CHORD Salaries funded by Capital	153	42	111	72.6%	Capital funded projects cover cost of Project Manager salaries

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

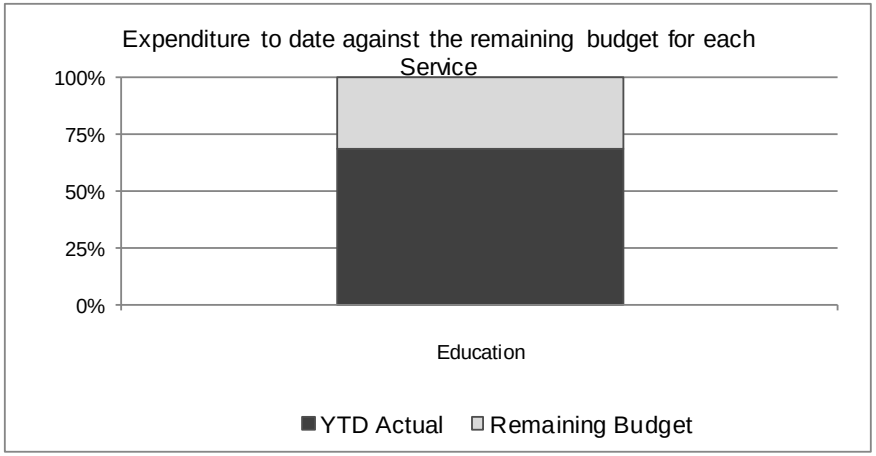
EDUCATION HIGHLIGHTS – AS AT 31 DECEMBER 2018

- The department is currently forecasting an overspend of £0.241m (0.3%) in relation to a significant increase in demand within ASN support, offset by an underspend in pupil support vacancies and also vacancies within the Directorate. The ASN pressure will continue to be monitored closely going forward with every effort being made to mitigate this spend.
- The department has a year to date underspend of £0.185m (0.4%) against budget. The year to date underspend is mainly profiled related and the timing of payments made to partner providers. This is offset by an overspend in Education Licences.

Forecast Outturn Position

Current Forecast Outturn Variance with change from previous month					
Service	**Annual Budget £000**	**Forecast Outturn £000**	**Current Forecast Variance £000**	**Previous Forecast Variance £000**	**Change £000**
Education	77,354	77,595	(241)	(241)	0
Totals	**77,354**	**77,595**	**(241)**	**(241)**	**0**

Year to Date Position



Key Financial Successes:

The department have delivered all their service choices savings, with the exception of demand led services in relation to ASN support and residential schools placement and the Psychological Services associated with these.

The 2017-18 year-end outturn position for Education, excluding earmarkings to be carried forward and the Bad Debt Provision Adjustment in relation to Housing moving to DIS, was an overspend of £0.199m which was exactly the figure projected as a forecast variance in the months prior to year end. This accuracy was due to the effective management and monitoring of the budget position.

Key Financial Challenges:	Proposed Actions to address Financial Challenges:
Ensuring the Education service can continue to contribute to Council saving programmes whilst adhering to Scottish Government national initiatives (i.e. maintaining Pupil Teacher ratio across the Education service).	Ongoing robust financial monitoring and forecasting with the provision of supporting management information to ensure deliverable saving options are presented.
Evaluating and managing the financial impact of new legislation (i.e. Children and Young People Act, Education (Scotland) Bill).	Full participation in consultation process to assist in the identification of potential cost pressures as early as possible.
Impact of the Education Governance Review, particularly in relation to the Fair Funding consultation, and how this informs potential changes to funding arrangements for the Education Service.	Respond to Fair Funding consultation, engage with SG through COSLA and ensure implications for resources and financial management arrangements are clearly identified.
Continued increased demand on the Service for ASN Support.	Continue to review the ASN allocations and monitor vacancies elsewhere within the Service where unspent budget could be used to contribute towards these unavoidable costs.
Delivery plan of 1140 hours expansion in ELC due to a change in the timing of the distribution of funding. While the level of funding remains at what was expected, the period in which the funding will be received has been altered.	Spend will be re-profiled in accordance with the timing of funding allocations and hence the phasing in element of the delivery plan will need to be adapted accordingly.

EDUCATION – OBJECTIVE SUMMARY AS AT 31 DECEMBER 2018

Service Area	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Central/Management Costs	244	277	33	11.9%	404	354	50	12.4%	Year to date underspend and forecast variance as a result of vacant posts inherited from Community Services Directorate.
Additional Support Needs (ASN)	6,380	6,297	(83)	(1.3%)	8,874	9,174	(300)	(3.4%)	Forecast overspend of £350k for ASN assistants due to significant increase in demand. This is being monitored closely, with every effort being made to mitigate the overspend. The overspend is offset slightly by a forecast underspend of £50k in respect of Pupil Support Teacher vacancies.
Early Years	3,790	3,983	194	4.9%	6,887	6,887	0	0.0%	Year to date underspend relates mainly to outstanding budget adjustments required in pre-five units and the timing of payments made to partner providers. The budget adjustments within pre-five units will be processed in January by the AFAs and the budget profile for partner provider payments will also be refined in the January period.
Primary & Secondary Education	39,107	39,431	323	0.8%	55,506	55,506	0	0.0%	Year to date underspend relates mainly to school budgets via a combination of vacancy savings and the profiling of non-employee budgets. Under the Scheme of Devolved School Management (DSM) schools are permitted flexibility at the year-end therefore no forecast variance is required to be processed.
Youth Services	390	382	(9)	(2.4%)	650	650	0	0.0%	Outwith Reporting Criteria.
Adult Learning	361	377	16	4.2%	616	616	0	0.0%	Outwith Reporting Criteria.
Support for Parents	21	13	(9)	(69.2%)	55	55	0	0.0%	Year to date overspend relates mainly to budget profiling and will be refined in the next reporting period.
Education Initiatives (GIRFEC, SEEMIS, Languages 1+2, Music) Education Support Team, Quality Improvement Team, Schools Development Team	2,763	2,482	(281)	(11.3%)	4,345	4,336	9	0.2%	Year to date overspend relates mainly to a number of Education Licences required (i.e. PPL, PRS, Copyright) as well as costs relating to school repairs and maintenance. Budget requires to be identified to fund this expenditure and this will be monitored closely throughout the year. Also contributing is the Teacher Cover reallocation process which is carried out retrospectively, a month in arrears. The forecast underspend reported is due to delays in replacing fleet vehicles which will now be done in line with the fleet management strategy.
Leadership & Professional Learning	24	25	1	4.0%	17	17	0	0.0%	Outwith Reporting Criteria.
	53,080	**53,267**	**185**	**0.4%**	**77,354**	**77,595**	**(241)**	**(0.3%)**	
	53,080	**53,267**	**185**	**0.4%**	**77,354**	**77,595**	**(241)**	**(0.3%)**	

EDUCATION – SUBJECTIVE SUMMARY AS AT 31 DECEMBER 2018

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	44,608	44,969	361	**0.8%**	63,279	63,529	(250)	**(0.4%)**	Year to date underspend relates mainly to school vacancy savings. Under the Scheme of Devolved School Management (DSM) schools are permitted flexibility at the year-end therefore no forecast variance is required to be processed. The forecast overspend reported relates to an increased demand for ASN support partially offset by a projected underspend for Pupil Support Teacher vacancies and inherited vacant posts from Community Services Directorate.
Premises	2,291	2,177	(112)	**(5.1%)**	3,069	3,069	0	**0.0%**	Year to date overspend relates mainly to school repairs and maintenance costs. Budget requires to be identified to fund this expenditure and the level will be monitored closely throughout the year.
Supplies and Services	5,618	5,279	(339)	**(6.4%)**	8,414	8,414	0	**0.0%**	Year to date overspend relates mainly to School cost centres and is largely budget profile related. This overspend is not a true reflection of the expected year end position.
Transport	245	199	(46)	**(23.1%)**	318	310	9	**2.8%**	Year to date overspend relates mainly to School cost centres and is largely budget profile related. The forecast underspend reported is due to delays in replacing fleet vehicles which will now be done in line with the fleet management strategy.
Third Party	5,756	5,875	120	**2.0%**	8,316	8,316	0	**0.0%**	Year to date underspend is largely budget profile related and will be refined within the next reporting period.
Capital Financing	0	0	0	**0.0%**	0	0	0	**0.0%**	Outwith Reporting Criteria.
Income	(5,435)	(5,234)	202	**(3.9%)**	(6,040)	(6,040)	0	**0.0%**	Year to date underspend relates mainly to school cost centres and is largely budget profile related.
Totals	**53,083**	**53,265**	**186**	**0.4%**	**77,356**	**77,598**	**(241)**	**(0.3%)**	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.
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EDUCATION – RED VARIANCES AS AT 31 DECEMBER 2018

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Central/Management Costs	404	354	50	12.4%	Forecast underspend as a result of vacant posts inherited from Community Services Directorate.
Additional Support Needs (ASN)	8,876	9,176	(300)	(3.4%)	Forecast overspend of £350k for ASN assistants due to significant increase in demand. This is being monitored closely, with every effort being made to mitigate the overspend. The overspend is offset slightly by a forecast underspend of £50k in respect of Pupil Support Teacher vacancies.

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

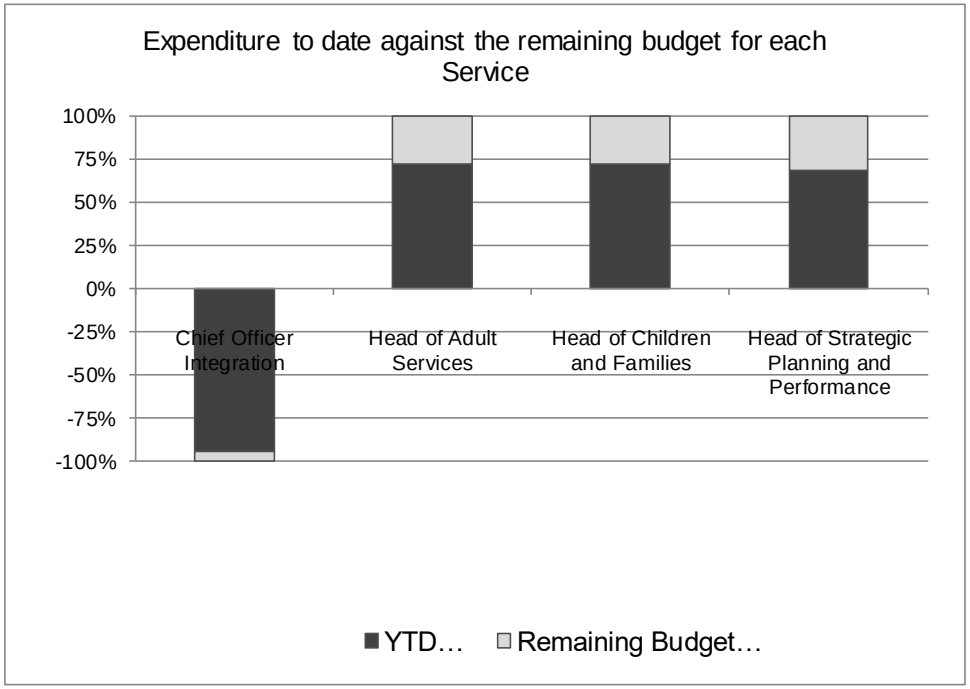
SOCIAL WORK – AS AT 31 DECEMBER 2018

- The department is currently forecasting an overspend of £2.998m (5.3%) which is mainly due to an unidentified savings figure of £1.330m included in the budget as well as the net impact of service demand and estimated slippage on the delivery of agreed savings.
- The department has a year to date underspend of £1.667m (4.20%) against budget.

Forecast Outturn Position

Current Forecast Outturn Variance with change from previous month					
Service	**Annual Budget £000**	**Forecast Outturn £000**	**Current Forecast Variance £000**	**Previous Forecast Variance £000**	**Change £000**
Chief Officer Integration	(11,817)	(10,994)	(824)	(786)	(38)
Head of Adult Services	54,226	55,726	(1,500)	(1,420)	(80)
Head of Children and Families	13,439	14,118	(679)	(597)	(82)
Head of Strategic Planning and Performance	383	379	5	4	1
Totals	**56,231**	**59,229**	**(2,998)**	**(2,799)**	**(199)**

Year to Date Position



Key Financial Successes:
Identified approximately £0.500m towards a total of £1.6m in unidentified savings towards the end of 2017/18. Whilst the service were still overspent, the overspend was reduced.

Key Financial Challenges:	**Proposed Actions to address Financial Challenges:**
Address the £2.345m unidentified savings figure included in the 2018/19 budget.	Completion of a budget challenge exercise to identify underspends which can be used to reduce unidentified savings figure and ongoing work between management, operational and finance staff to identify opportunities for additional deliverable savings.

Successful delivery of £3.659m of identified savings by the end of 2018/19.	Implementation of a robust performance management mechanism to track the delivery of the savings options.
Development and delivery of future service redesigns which will be necessary to contain service expenditure within the allocated resource.	Support from finance to assist strategic managers to look beyond the short term to identify and plan the changes which will be needed to address the expected ongoing budget challenge over the next 3 to 5 years.

SOCIAL WORK – OBJECTIVE SUMMARY AS AT 31 DECEMBER 2018

Service	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Chief Officer Integration	(11,161)	(11,194)	(33)	0.3%	(11,817)	(10,994)	(824)	7.0%	The YTD variance is outwith reporting criteria. The forecast variance is a combination of the unidentified savings total and estimated slippage on identified efficiency savings partially offset by estimated additional vacancy savings, slippage on the Community Services Investment Fund expenditure and the recognition that additional funding provided for superannuation costs related to auto-enrolment are unlikely to be required.
Head of Adult Services	38,909	40,453	1,544	3.8%	54,226	55,726	(1,500)	(2.8%)	The YTD underspend reflects a combination of lower than expected service demand, staffing vacancies, budget profiling and timing issues in relation to the receipt, processing and payment of supplier invoices affecting assessment and care management, dementia day services, home care and care home placements for older people and supported living and community based services for people with learning disability and mental health issues. The forecast overspend mainly reflects higher than expected demand and slippage in the delivery of savings against residential placements and supported living services for people with learning disabilities.

Head of Children and Families	9,680	9,838	158	1.6%	13,439	14,118	(679)	(5.1%)	The YTD underspend arises due to a number of under and over spends across the service. The main underspends relate to a combination of lower than expected demand and service costs and the timing of payments for the Child Protection Committee, Contact and Welfare, Service Strategy and Regulation, School Hostel and Fostering budgets partially offset by an overspend on the External Residential Placements budget which arises due to a combination of service demand and slippage on the delivery of savings. The forecast overspend is mainly related to demand pressures and estimated slippage on efficiency savings against external residential placements, the costs associated with engaging agency staff in the Area Teams and slippage on the delivery of savings against Children and Families Management. These overspends are partially offset by forecast underspends against Fostering and Criminal Justice which arise due to vacant posts and lower than expected service activity as well as slippage due to delays in the introduction of new overnight staffing arrangements in the Children Houses and School Hostels.
Head of Strategic Planning and Performance	263	261	(2)	(0.8%)	383	379	5	1.3%	Outwith reporting criteria.
GRAND TOTAL	**37,691**	**39,358**	**1,667**	**4.2%**	**56,231**	**59,229**	**(2,998)**	**(5.3%)**	

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

SOCIAL WORK – SUBJECTIVE SUMMARY AS AT 31 DECEMBER 2018

Subjective Category	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Employee	18,425	18,799	374	**2.0%**	27,465	27,089	376	**1.4%**	The YTD underspend arises due to a number of underspends across the service. The most significant relate to Criminal Justice, older people assessment and care management, central provision for increased superannuation costs arising from auto-enrolment, the education hostels and addiction services. The forecast underspend relates mainly to the latest estimated outturn for vacancy savings, surplus funding provided to meet the expected cost of auto-enrolment in the pension scheme and vacancies in the progressive care centres.
Premises	699	648	(52)	**(8.0%)**	1,014	1,114	(100)	**(9.9%)**	The YTD variance reflects the current overspend on central repairs costs. The forecast overspend arises due to a number of over and under spends across the service. The main over spends relate to central repairs, utilities, rents and leases, furniture and fittings and property adaptations.
Supplies & Services	1,238	1,195	(43)	**(3.6%)**	(2,150)	1,321	(3,470)	**161.4%**	The YTD variance is outwith reporting criteria. The forecast overspend relates mainly to unidentified savings and slippage on the delivery of identified savings, small tools and equipment, adaptations and legal fees. Work is ongoing with the service to identify additional savings/underspends which could be used to cover the latest unidentified savings figure of £1.330m (reduced form £2.345m in June). Additionally, Finance staff are working closely with management to track the progress of the delivery of identified efficiency savings and update the estimated impact on the forecast outturn.
Transport	578	562	(15)	**(2.7%)**	820	815	5	**0.6%**	Outwith reporting criteria.

Third Party	32,870	33,904	1,034	**3.1%**	46,682	47,396	(715)	**(1.5%)**	The YTD underspend arises due to a number of over and underspends across the service. The main underspends relate to care home placements and home care for older people and supported living services for people with learning disabilities which arise due to a combination of lower than expected demand for services and delays in the receipt/processing/payment of supplier invoices. The forecast overspend reflects a number of over and underspends across the service. The most significant variances relate to overspends on residential care for people with learning disabilities, physical disability supported living and residential care for children and young people offset against underspends against respite and care home placements for older people and slippage on the Community Investment Fund.
Income	(16,120)	(15,749)	372	**(2.4%)**	(17,600)	(18,506)	906	**(5.2%)**	The YTD underspend arises due to a number of under and over spends across the service. The most significant underspends arise due to higher than expected income from charges to services users in the older people care homes and for community based services, higher than expected new charging order debt and surplus direct payment funds recovered from clients. The forecast under spend includes a number of areas where income generation has been better than expected. The most significant relate to non-residential care charging, fees and charges in the Council's older people's care homes and from new secured debt linked to interim funding arrangements for older people who own their own homes entering long term residential and nursing care and from charges to external bodies/grants.
Totals	**37,690**	**39,359**	**1,670**	**4.2%**	**56,231**	**59,229**	**(2,998)**	**(5.3%)**	

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

SOCIAL WORK – RED VARIANCES AS AT 31 DECEMBER 2018

Service Area	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Chief Officer	(11,816,739)	(10,994,407)	(822,332)	7.0%	Overspend arises due to unidentified savings figure and central repairs account partially offset by estimated slippage on the Community Services Investment Fund, an underspend on additional funding for pension costs linked to auto-enrolment and a forecast over-recovery on vacancy savings. Work is ongoing to identify additional savings / underspends to cover off the unidentified savings figure of £1.330m (down from £2.345m in June).
Looked After Children	6,753,770	7,456,056	(702,286)	(10.4%)	Overspend arises mainly due to the high cost of meeting demand for expensive external care home placements and estimated slippage on efficiency savings designed to reduce this cost. This is currently partially offset by forecast underspends on the foster care and supporting young people leaving care budgets.
Child Protection	3,284,517	3,278,956	5,561	0.2%	Underspend arises due to lower than expected demand/costs in contact and Welfare services and for the Child Protection Committee partially offset by an overspend on agency staff in the Children and Families area teams.
Criminal Justice	97,339	(19,299)	116,638	119.8%	Underspend arises mainly due to vacant posts and estimated lower than budgeted spend on external services. The overall forecast is negative as the forecast spend is currently less than the specific grant payment for the year.
Children and Families Central Management Costs	2,445,588	2,497,588	(52,000)	(2.1%)	Overspend arises due to slippage on the delivery of savings partially offset by savings accrusing form the delay in implementing new overnight staffing arrangments in the children houses and hostels, travel costs and from an accrual from 2017/18 which is no longer required.
Older People	34,917,428	34,354,574	562,854	1.6%	Underspend arises mainly due to lower than budgeted demand for care home placements partially offset by an overspend on the internal care homes.
Physical Disability	1,936,278	2,684,199	(747,921)	(38.6%)	Overspend arises mainly due to higher than budgeted demand as well as slippage on the delivery of efficiency savings for supported living services, higher demand for residential care placements and the purchase of equipment by the Integrated Equipment Store.
Learning Disability	14,176,053	15,570,713	(1,394,660)	(9.8%)	Overspend arises due to a combination of higher than budgeted demand for supported living and care home services and estimated slippage on savings developed to reduce both of these commitments partially offset by underspends in assessment and care management and respite.
Mental Health	2,700,963	2,585,794	115,169	4.3%	Underspend reflects current known demand for supported living services and staffing underspends on the addiction and area community support teams.

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

ARGYLL AND BUTE COUNCIL	**POLICY AND RESOURCES COMMITTEE**
STRATEGIC FINANCE	**14 FEBRUARY 2019**

MONITORING OF SERVICE PACKAGE POLICY OPTIONS – DECEMBER 2018

1. EXECUTIVE SUMMARY

1.1 The purpose of this report is to provide Members with an update on the implementation and delivery of the Service Package Policy Options agreed by Council in February 2018.

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

1.3 Of the 28 savings options, 13 have already been delivered, 6 are on track to be delivered as per their timescale, 4 have still to be implemented, 2 have a potential shortfall and 3 are delayed until 2019-20.

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

STRATEGIC FINANCE **14 FEBRUARY 2019**

MONITORING OF SERVICE PACKAGE POLICY OPTIONS – DECEMBER 2018

2. INTRODUCTION

2.1 The purpose of this report is to provide Members with an update on the implementation and delivery of the Service Package Policy Options agreed by Council in February 2018.

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

3. DETAIL

3.1 New policy savings options were identified for the three year period 2018-19 to 2020-21 and these were reported to Council on 26 October 2017 and were subject to the Council's budget consultation exercise. Council agreed to policy savings of £1.288m in 2018-19 rising to £3.725m by 2020-21.

3.2 The savings for 2018-19 have been removed from departmental budgets, however, it is important to monitor whether the saving has actually been delivered to ensure that costs are not continuing resulting in an overspend by the end of the year. It is also important to ensure that any preparatory work required to deliver savings in future years is on track.

3.3 Savings have been categorised as follows:

Category	Explanation
Delivered	Savings already delivered in full.
On track to be Delivered	Saving is in line with profile however the full saving cannot be guaranteed until later in the year.
Still to be implemented	Planned date of implementation is in the future. Should the implementation date move backwards then this would be classified as delayed.
Being Developed	Further redesign required before option can be implemented.

Potential Shortfall	There is a risk that the original saving will not be achieved in full. Departments are asked to provide further information for any savings within this category.
Delayed	The full saving will not be achieved in line with the original estimated timescale. Departments are asked to provide further information for any savings within this category.

3.4 The table below outlines the progress as at 31 December 2018. Further detail is included within Appendix 1.

Category	**No of Options**	**2018-19 £000**	**2019-20 £000**	**2020-21 £000**
Delivered	13	736.5	1,067.2	1,262.2
On Track to be Delivered	6	475.5	807.5	1,228.5
Still to be Implemented	4	71.0	247.1	466.1
Being Developed	0	0.0	0.0	0.0
Potential Shortfall	2	65.0	109.0	134.0
Delayed	3	-60.0	208.0	634.0
Total	**28**	**1,288.0**	**2,438.8**	**3,724.8**

3.5 There are three savings categorised has having a potential shortfall and three saving options that are currently delayed as summarised below. Further information is contacted within Appendices 2a to 2e.

- Potential Shortfall – TB09 Public Conveniences – Delay with installation of reliable turnstiles. This is an issue that has been challenging other public bodies. A reliable and robust turnstile option is being progressed which will provide income levels required. Opportunities still exist to take forward franchising options.

- Potential Shortfall – TB10 Ferry service management and cost recovery – The ASP termination contract dates for the 3 OLI services are 30 September 2018 and for the Islay and Jura services 28 February 2019. Despite the slight slippage, positive progress has been made with the MCA now having signed off documents for the existing internal operated ferries and discussions are underway regarding TUPE for the single ferry currently operated by ASP.

- Delayed – TB12a Provision of enhanced funeral and burial services – Progressing a funeral directors business was put on hold as part of last year's budget process. Developments within the industry are being monitored and should opportunities arise due to changes in how other local authorities operate within Scotland, a funeral directors business could be considered further.

- Delayed – TB14 Waste Services; increase commercial income and reduce costs of collection/disposal – The Council's environment wardens and waste staff have carried out an exercise focussing on increasing commercial income. This helped to secure a number of new commercial agreements and also adjust some commercial agreements to the benefit of the council. Other initiatives that were set out for future years in TB14 are still to be considered. As part of this ongoing project there will be a focus for the environment wardens to undertake an exercise focussing on B&Bs/holiday lets who may currently be operating with just domestic bin provision.

- Delayed – TB15 Review existing air service contracts and pursue more commercial opportunities – This saving will not be delivered until 2019-20 as the existing PSO contract has been extended for 1 year. Other reports relating to this have been submitted to P&R Committee in December and February.

4. CONCLUSION

4.1 This report outlines the progress of the Service Package Policy Options as at 31 December 2018.

4.2 Of the 28 savings options, 13 have already been delivered, 6 are on track to be delivered as per their timescale, 4 have still to be implemented, 2 have a potential shortfall and 3 are delayed until 2019-20.

5. IMPLICATIONS

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

Kirsty Flanagan
Head of Strategic Finance
11 January 2019

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

APPENDICES:

Appendix 1 – Monitoring of Service Package Policy Options Agreed February 2018
Appendix 2a – Potential Shortfall – TB09 Public Conveniences
Appendix 2b – Potential Shortfall – TB10 Ferries
Appendix 2c – Delay – TB12a Funeral and Burial Services
Appendix 2d – Delay – TB14 Waste Services
Appendix 2e – Delay – TB15 Airports

MONITORING OF SERVICE PACKAGE POLICY OPTIONS AGREED FEBRUARY 2018 **Appendix 1**
SUMMARY

POSITION AS AT 31 DECEMBER 2018

Category	No. of Options	2018-19 £000	2018-19 FTE	2019-20 £000	2019-20 FTE	2020-21 £000	2020-21 FTE
Delivered	13	736.5	6.6	1,067.2	8.6	1,262.2	8.6
On Track to be Delivered	6	475.5	3.0	807.5	1.0	1,228.5	3.0
Still to be Implemented	4	71.0	1.0	247.1	4.0	466.1	8.0
Being Developed	0	0.0	0.0	0.0	0.0	0.0	0.0
Potential Shortfall	2	65.0	-1.0	109.0	-1.0	134.0	-1.0
Delayed	3	-60.0	-2.0	208.0	-2.0	634.0	-1.0
TOTAL	**28**	**1,288.0**	**7.6**	**2,438.8**	**10.6**	**3,724.8**	**17.6**

MONITORING OF SERVICE PACKAGE POLICY OPTIONS AGREED FEBRUARY 2018 **Appendix 1**
DETAIL

POSITION AS AT 31 DECEMBER 2018

Ref	Service area	Saving	2018-19	2018-19	2019-20	2019-20	2020-21	2020-21	Status of Implementation	Additional Comment (if required)
			£000	FTE	£000	FTE	£000	FTE		
TB01-1	Development and Infrastructure (roads and amenity, planning, economic development)	Review central support to D&I Services	112.5	4.0	150.0	4.0	150.0	4.0	Delivered	All staff have now left the council.
TB03-1	Environmental Health and Animal Health	Raise environmental/animal health fees to match other councils	140.0	0.0	140.0	0.0	140.0	0.0	On Track to be Delivered	We will continue to monitor the income closely over the coming months
TB04-2	Regulatory Services	Trading Standards re-design	27.5	0.6	80.1	1.6	80.1	1.6	Delivered	
TB04-4	Regulatory Services	Advice Services remodelling	0.0	0.0	57.1	1.0	105.1	2.0	Still to be Implemented	Policy and Resouces Committee in August agreed a new model for the delivery of Advice Services.
TB06-1	Planning/Other Planning Services	Introduce charges for non-statutory pre-application services for all scales of development.	55.0	0.0	60.0	0.0	65.0	0.0	Delivered	We will continue to monitor the income closely over the coming months
TB06-2	Planning/Other Planning Services	Planning applications displayed online and not in post offices	5.0	0.0	5.0	0.0	5.0	0.0	Delivered	
TB06-4	Planning/Other Planning Services	Reduce planning team leadership posts	0.0	0.0	52.0	1.0	52.0	1.0	Still to be Implemented	This saving will be delivered through the production and delivery of a Development Management service re-design to be carried out over the next 6 month period.
TB06-5	Planning/Other Planning Services	Planning technician team reduction	35.0	1.0	88.0	2.0	88.0	2.0	Delivered	
TB06-9	Planning/Other Planning Services	3% increase in charges for street names/numbering	13.0	0.0	21.6	0.0	31.6	0.0	Delivered	
TB07	Depots	Create one main depot in key areas to reduce costs	16.5	0.0	115.5	0.0	172.5	0.0	On Track to be Delivered	
TB08	Parking	Increase parking charges and introduce additional parking charges, to places currently not charging, to keep traffic moving, manage demand for parking, and contribute to maintenance of roads infrastructure.	180.0	-1.0	345.0	-3.0	527.0	-3.0	On Track to be Delivered	Parking proposals now in place in both Oban and Arrochar. Initial consultation has been carried out at Duck Bay. It is anticipated that there may be some objections received to the Duck Bay proposal that may impact on implementation affecting savings in future years.
TB09	Public Conveniences	Progress sustainable models including turnstiles and franchising; establish simpler asset transfer process	10.0	0.0	24.0	0.0	24.0	0.0	Potential Shortfall	Delay with installation of turnstiles and franchise options still to be taken forward. Committee paper being prepared in relation to progress.
TB10	Ferries	Ferry service management and cost recovery	55.0	-1.0	85.0	-1.0	110.0	-1.0	Potential Shortfall	ASP termination contract dates now:- 3 OLI services - 30th September 2018 / Islay to Jura service - 28th February 2019.

MONITORING OF SERVICE PACKAGE POLICY OPTIONS AGREED FEBRUARY 2018
DETAIL

Appendix 1

POSITION AS AT 31 DECEMBER 2018

Ref	Service area	Saving	2018-19 £000	2018-19 FTE	2019-20 £000	2019-20 FTE	2020-21 £000	2020-21 FTE	Status of Implementation	Additional Comment (if required)
TB11	Piers and Harbours	Commercial approach to piers and harbours charging	284.0	0.0	404.0	0.0	524.0	0.0	Delivered	Ongoing dialogue with CMAL regarding introduction of additional charges. Calmac have been invoiced for the revised additional charges.
TB12a	Amenity Services	Provision of enhanced funeral and burial services	-10.0	-1.0	35.0	-1.0	50.0	-1.0	Delayed	Progressing a funeral directors business was put on hold as part of last year's budget process. Developments within the industry are being monitored and should opportunities arise due to changes in how other local authorities operate within Scotland, a funeral directors business could be considered further.
TB12b	Amenity Services	Review charges for stadiums to enable improvement work	10.0	0.0	20.0	0.0	30.0	0.0	Delivered	There is still a shortfall in delivering the additional £10K target, however income has risen and there is a need to market our venues.
TB13b	Roads and Infrastructure	Roads & Amenity Services charging (non-statutory services)	10.0	0.0	50.0	0.0	150.0	0.0	On Track to be Delivered	We will continue to monitor the income closely over the coming months
TB13c & TI	Roads and Infrastructure	Combine Roads and Amenity teams into one team and review the services provided.	82.0	2.0	82.0	2.0	164.0	4.0	On Track to be Delivered	Restructuring is on-going.
TB14	Waste	Waste services - increase commercial income; reduce costs of collection and disposal	-130.0	0.0	13.0	0.0	286.0	1.0	Delayed	The ongoing Waste Strategy will be a delivery mechanism for a number of these savings which were forecast for 2019/20, 2020/21 and beyond.
TB15	Airports	Review existing air service contracts and pursue more commercial opportunities	80.0	-1.0	160.0	-1.0	298.0	-1.0	Delayed	This saving will not be delivered until 2019-20 as the existing PSO contract has been extended for 1 year, but the saving has been partially offset from savings elsewhere within the department.
TB16-10	Economic Development - Economic Growth	Redesign Economic Development Service to focus on higher impact activities	0.0	0.0	57.0	1.0	218.0	4.0	Still to be Implemented	
TB16-12	Economic Development - Economic Growth	Remove direct funding for Visit Scotland following their shift in delivery model	91.0	0.0	91.0	0.0	91.0	0.0	Delivered	
TB16-14	Economic Development - projects and regeneration	Remove renewable energy budget	30.0	0.0	30.0	0.0	30.0	0.0	Delivered	
TB16-19	Economic Development - economic growth	Stop membership of CPMR (Conference of Peripheral Maritime Regions)	10.0	0.0	10.0	0.0	10.0	0.0	Delivered	
TB17	Property Services	Identify opportunities for office rationalisation and raising income	27.5	0.0	71.5	0.0	121.5	0.0	Delivered	
TB19	Transport	Transport redesign and cost reduction	71.0	1.0	81.0	1.0	91.0	1.0	Still to be Implemented	

MONITORING OF SERVICE PACKAGE POLICY OPTIONS AGREED FEBRUARY 2018
DETAIL

Appendix 1

POSITION AS AT 31 DECEMBER 2018

Ref	Service area	Saving	2018-19	2018-19	2019-20	2019-20	2020-21	2020-21	Status of Implementation	Additional Comment (if required)
			£000	FTE	£000	FTE	£000	FTE		
TB21-1	Design and Project Management Teams	Cross-departmental review and restructure of design and project management teams	36.0	1.0	36.0	1.0	36.0	1.0	Delivered	
TB23	Education - other	Adjust janitorial staffing deployment following roll reductions in 8 schools	47.0	2.0	75.0	2.0	75.0	2.0	On Track to be Delivered	
TOTAL			**1,288.0**	**7.6**	**2,438.8**	**10.6**	**3,724.8**	**17.6**		

APPENDIX 2a

SERVICE PACKAGE SAVING MARKED AS HAVING A POTENTIAL SHORTFALL

<table>
<tr><td>Department:</td><td>Development and Infrastructure</td></tr>
<tr><td>Service:</td><td>Roads and Amenity Services</td></tr>
<tr><td>Service Package:</td><td>Public Conveniences</td></tr>
<tr><td>Savings Reference:</td><td>TB09</td></tr>
<tr><td>Description of Option:</td><td>Progress sustainable models including turnstiles and franchising; establish simpler asset transfer process</td></tr>
<tr><td>Saving:</td><td>
<table>
<tr><th>Saving</th><th>2018-19
£000</th><th>2019-20
£000</th><th>2020-21
£000</th></tr>
<tr><td>Saving approved</td><td>10</td><td>24</td><td>24</td></tr>
<tr><td>Saving Achievable</td><td>0</td><td>24</td><td>24</td></tr>
<tr><td>Shortfall</td><td>10</td><td>0</td><td>0</td></tr>
</table>
</td></tr>
<tr><td>Reason Why there is a Potential Shortfall in the Saving:</td><td>Delay with installation of reliable turnstiles as no provider tendered for this work. This is an issue that has been challenging other public bodies. A reliable and robust turnstile option is being progressed which will provide income levels required. Opportunities still exist to take forward franchising options.</td></tr>
<tr><td>What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:</td><td>Committee paper being prepared for EDI Committee in relation to progress. Additional locations will be looked at for installing turnstiles and also where it will be appropriate to install honesty boxes.</td></tr>
</table>

APPENDIX 2b

SERVICE PACKAGE SAVING MARKED AS HAVING A POTENTIAL SHORTFALL

<table>
<tr><td>Department:</td><td>Development and Infrastructure</td></tr>
<tr><td>Service:</td><td>Roads and Amenity Services</td></tr>
<tr><td>Service Package:</td><td>Ferries</td></tr>
<tr><td>Savings Reference:</td><td>TB10</td></tr>
<tr><td>Description of Option:</td><td>Ferry service management and cost recovery</td></tr>
<tr><td>Saving:</td><td>
<table>
<tr><th>Saving</th><th>2018-19
£000</th><th>2019-20
£000</th><th>2020-21
£000</th></tr>
<tr><td>Saving approved</td><td>55</td><td>85</td><td>110</td></tr>
<tr><td>Saving Achievable</td><td>27</td><td>85</td><td>110</td></tr>
<tr><td>Shortfall</td><td>28</td><td>0</td><td>0</td></tr>
</table>
</td></tr>
<tr><td>Reason Why there is a Potential Shortfall in the Saving:</td><td>The ASP termination contract dates for the 3 OLI services are 30 September 2018 and for the Islay and Jura services 28 February 2019. Despite the slight slippage, positive progress has been made with the MCA now having signed off documents for the existing internal operated ferries and discussions are underway regarding TUPE for the single ferry currently operated by ASP.</td></tr>
<tr><td>What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:</td><td>Savings have already been identified by working more effectively and efficiently – particularly during the vessel dry-docking process; it’s likely that savings will increase in future to compensate for this latest delay in transferring responsibilities for ship management from ASP.</td></tr>
</table>

APPENDIX 2c

SERVICE PACKAGE SAVING MARKED AS DELAYED

<table>
<tr><td>Department:</td><td>Development and Infrastructure</td></tr>
<tr><td>Service:</td><td>Roads and Amenity Services</td></tr>
<tr><td>Service Package:</td><td>Funeral & Burials Service</td></tr>
<tr><td>Savings Reference:</td><td>TB12a</td></tr>
<tr><td>Description of Option:</td><td>Provision of enhanced funeral and burial services</td></tr>
<tr><td>Saving:</td><td>
<table>
<tr><th>Saving</th><th>2018-19 £000</th><th>2019-20 £000</th><th>2020-21 £000</th></tr>
<tr><td>Saving approved</td><td>-10</td><td>35</td><td>50</td></tr>
<tr><td>Saving Achievable</td><td>0</td><td>35</td><td>50</td></tr>
<tr><td>Shortfall</td><td>-10</td><td>0</td><td>0</td></tr>
</table>
</td></tr>
<tr><td>Reason Why there is a Potential Shortfall in the Saving:</td><td>Provision of enhanced funeral and burial services – Work has been carried out regarding debt recovery and a new process established with Funeral Undertakers which helps in this regard. Other initiatives are being progressed and the potential to generate additional income is considered to be on track for 2019/20. However, some of the initiatives such as progressing a pet cemetery have so far not been progressed to a full business case.</td></tr>
<tr><td>What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:</td><td>Other initiatives are still open for further consideration and recent increases, particularly in the number of cremations, coming from out with Argyll and Bute will help to secure the budget income from 2019-20 onwards. This will be monitored any projected variances reported further.</td></tr>
</table>

APPENDIX 2d

SERVICE PACKAGE SAVING MARKED AS DELAYED

<table>
<tr><td>Department:</td><td>Development and Infrastructure</td></tr>
<tr><td>Service:</td><td>Roads and Amenity Services</td></tr>
<tr><td>Service Package:</td><td>Waste</td></tr>
<tr><td>Savings Reference:</td><td>TB14</td></tr>
<tr><td>Description of Option:</td><td>Waste Services - increase commercial income; reduce costs of collection and disposal</td></tr>
<tr><td>Saving:</td><td>
<table>
<tr><th>Saving</th><th>2018-19 £000</th><th>2019-20 £000</th><th>2020-21 £000</th></tr>
<tr><td>Saving approved</td><td>-130</td><td>13</td><td>286</td></tr>
<tr><td>Saving Achievable</td><td>0</td><td>13</td><td>286</td></tr>
<tr><td>Shortfall</td><td>-130</td><td>0</td><td>0</td></tr>
</table>
</td></tr>
<tr><td>Reason Why there is a Potential Shortfall in the Saving:</td><td>Initiatives that were set out for future years in TB14 are at different stages of completeness and align with the developing Waste Strategy. As part of this ongoing project there will be a focus for officers to undertake an exercise focussing on B&Bs/holiday lets who may currently be operating with just domestic bin provision.</td></tr>
<tr><td>What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:</td><td>The ongoing Waste Strategy will be a delivery mechanism for a number of these savings which were forecast for 2019/20, 2020/21 and beyond.</td></tr>
</table>

APPENDIX 2e

SERVICE PACKAGE SAVING MARKED AS DELAYED

<table>
<tr><td>Department:</td><td>Development and Infrastructure</td></tr>
<tr><td>Service:</td><td>Roads and Amenity Services</td></tr>
<tr><td>Service Package:</td><td>Airports</td></tr>
<tr><td>Savings Reference:</td><td>TB15</td></tr>
<tr><td>Description of Option:</td><td>Review existing air service contracts and pursue more commercial opportunities</td></tr>
<tr><td>Saving:</td><td>
<table>
<tr><th>Saving</th><th>2018-19 £000</th><th>2019-20 £000</th><th>2020-21 £000</th></tr>
<tr><td>Saving approved</td><td>80</td><td>160</td><td>298</td></tr>
<tr><td>Saving Achievable</td><td>45</td><td>160</td><td>298</td></tr>
<tr><td>Shortfall</td><td>35</td><td>0</td><td>0</td></tr>
</table>
</td></tr>
<tr><td>Reason Why there is a Potential Shortfall in the Saving:</td><td>This saving will not be delivered until 2019-20 as the existing PSO contract has been extended for 1 year, but the saving has been partially offset from savings elsewhere in the department.</td></tr>
<tr><td>What steps are being taken to get saving back on track and what alternative savings are offered to reduce the shortfall:</td><td>A vacant LGE8 post is not being filled and additional income is being diverted to partially offset the shortfall.</td></tr>
</table>

ARGYLL AND BUTE COUNCIL	**POLICY AND RESOURCES COMMITTEE**
STRATEGIC FINANCE	**14 FEBRUARY 2019**

FINANCIAL RISKS ANALYSIS 2018-19

1 EXECUTIVE SUMMARY

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

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

1.3 There are 7 Council wide revenue risks identified for 2018-19 amounting to £5.336m. The risk in relation to the pay award has been categorised as almost certain and the cost has now been built into the forecast outturn position. The risk in relation to the IJB referring to the Council for additional funding has been moved to likely. The reason it is not categorised as almost certain is that every effort is being made to reduce the overspend and therefore the value is uncertain.

1.4 There are currently 43 departmental risks totalling £4.860m. Only 2 of the 43 departmental risks are categorised as likely with no risks categorised as almost certain.

1.5 The financial risks are monitored routinely and actions put in place to continue to mitigate the risks.

ARGYLL AND BUTE COUNCIL **POLICY AND RESOURCE COMMITTEE**

STRATEGIC FINANCE **14 FEBRUARY 2019**

FINANCIAL RISKS ANALYSIS 2018-19

2. INTRODUCTION

2.1 This report outlines the process and approach developed in carrying out a financial risks analysis and provides a note of the current assessment of financial risks for 2018-19.

3 DETAIL

3.1 Introduction

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

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

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

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

3.2 Council Wide Risks

Revenue

3.2.1 The estimated level of council tax income is based on current and forecast Band D equivalents and non-payment rates. This reflects our most recent experience in terms of the council tax base and likely collection rates. A 1% variation in council tax income amounts to approximately £0.477m.

3.2.2 As part of the budget for 2018-19 the Council agreed to implement 28 Service Package policy option with a saving of £1.288m in 2018-19. The Council has a good track record of delivering savings, however, a 10% shortfall in savings would amount to £0.128m.

3.2.3 In respect of the Health and Social Care Partnership, it is the responsibility of the Chief Officer and Chief Financial Officer to manage the HSCP financial position. If an overspend is forecast, a budget recovery plan will be prepared submitted to the IJB, the Council and NHS Highland. Where recovery plans are unsuccessful and an overspend occurs at the financial year end, and there are insufficient reserves to meet the overspend, then the partners will be required to make additional payments to the HSCP. Whilst any additional payments by the Council and NHS Highland will be deducted from future years funding, there is still a financial risk that the Council may have to pay out additional monies. The overspend on the HSCP as at 31 December 2018 is £4.398m and £2.998m relates to Social Work services. A copy of the monitoring report as at the end of December is attached as Appendix 2. It was noted at the Integrated Joint Board meeting on 28 November 2018 that it will be extremely challenging for the HSCP to achieve a year-end break even position within 2018-19.

3.2.4 The pay award for 2018-19 has still to be agreed and it is almost certain that the pay award will be greater than the provision within the budget. The budget is based on the public sector pay commitment: 3% for those earning less than £36,500, 2% for those above this level capped at £1,600. The current pay offer for SJC employees is 3% in 2018-19, followed by 3% in 2019-20 and 2020-21. The additional cost in 2018-19 if the 3.5% pay award is agreed is estimated at £0.371m and this has now been built into the estimated outturn position. There is a separate offer for teachers based on a 3% increase, consolidating the main scale and a further 2% increase for promoted posts. To date the Scottish Government have committed to fund the teachers increase.

3.2.5 The Council wide risks noted above, in addition to other Council wide risks, are noted within the table below. The financial impact noted in the previous report has now been compared to the potential financial that could still materialise before now and the year end.

Description	**Likelihood**	**Assessed Financial Impact £000**
1% variation in Council Tax Income	2	477
10% shortfall on Savings Options	2	128
IJB refer to Council for additional funding to deliver social work services	4	2,998
Pay award over and above budget	5	371
Energy costs increase by 10% greater than anticipated	2	412

Repairs and Maintenance costs increase, due to unforeseen emergencies, by 10%	2	200
1% variation of General Inflation Risk	2	750
Total		**5,336**

Capital

3.2.6 The finance settlement announcement on 14 December 2017 provided details of the Local Government funding for 2018-19 and we are therefore certain what our funding is in respect of General Capital Grant and the specific capital grants which have been distributed.

3.2.7 The capital plan includes an estimate of £3.1m of capital receipts in 2018-19. The estimated level of receipts will be kept under review as market conditions will change, as will values following due diligence undertaken by prospective purchasers on the condition of assets. A 10% shortfall in capital receipts would amount to £0.310m.

3.2.8 In respect of TIF, the Scottish Futures Trust (SFT) acknowledge that the information presented by the council regarding current and potential scale and makeup of the office and retail market along with the current external market conditions was unlikely to generate the required increase in NDR. Officers are reviewing the financial model and the council and SFT are exploring potential alternative financial model to augment TIF. £2.438m has been expended to date which is offset by £0.989m of income and additional approved expenditure will be minimised until a viable alternative model has been agreed upon.

3.3 Departmental/Service Risks

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

Department	1 - Remote		2 - Unlikely		3 - Possible		4 - Likely		5 - Almost Certain		Total	
	No.	£000	No.	£000	No.	£000	No.	£000	No.	£000	No.	£000
Education	0	0	1	100	3	110	2	450	0	0	6	**660**
Customer Services	2	20	7	570	12	1,429	0	0	0	0	21	**2,019**
Development & Infrastructure	2	120	2	294	12	1,767	0	0	0	0	16	**2,181**
Total	**4**	**140**	**10**	**964**	**27**	**3,306**	**2**	**450**	**0**	**0**	**43**	**4,860**

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

DEPARTMENT	SERVICE	TITLE OF RISK	MITIGATIONS ACTIONS IN PLACE	LIKELIHOOD	FINANCIAL IMPACT £000
Development & Infrastructure	Roads and Amenity Services	Winter Maintenance	Monitor weather conditions and apply gritting policy to minimise costs.	3	700
Customer Services	Facility Services	Property - Central Repairs	Joint strategy with procurement colleagues to reduce potential impact of supplier/contractor charges. Close monitoring of central repairs budgets and commitments and instructing only essential repairs.	3	500
Education	Education	ASN Support	Continue to review the ASN allocations and monitor vacancies elsewhere within the Service where unspent budget could be used to contribute towards these costs.	4	350

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

SERVICE	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	LIKELIHOOD	FINANCIAL IMPACT £000
Education	Demand for ASN support continues to increase which is something that cannot be controlled by the Service.	Continue to review the ASN allocations and monitor vacancies elsewhere within the Service where unspent budget could be used to contribute towards these costs.	4	350
Education	Previously agreed savings result in budget only available for statutory and emergency repairs.	Regular liaison with Property Services re prioritisation and commitment of in-year spend.	4	100
Roads and Amenity Services	Adverse weather conditions which require greater than budgeted number of gritting runs.	Monitor weather conditions and apply gritting policy to minimise costs.	3	700

3.4 Changes to Financial Risks since 31 October 2018

3.4.1 The have been two changes to the departmental risks since the financial risks report as at the end of October 2018 reported to Policy and Resources Committee on 13 December 2018. The risk of overspend within Education Central Repairs has been realised therefore it has moved up to likely and the financial impact has increased by £0.050m. The Education Service are trying to mitigate this overspend where possible. A risk of £0.284m has also been added within Piers and Harbours in relation to the additional charges invoiced to Calmac but not yet paid. Legal Services are currently pursuing the outstanding debt therefore the likelihood of this risk materialising is currently recognised as being unlikely.

3.5 Monitoring of Financial Risks

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

4 CONCLUSION

4.1 This report summarises the key financial risks facing the Council. There are a number of Council wide risks, with the risk in relation to the pay award categorised

as almost certain. There are also 43 departmental risks identified; only 2 of the 43 departmental risks are categorised as likely with no risks categorised as almost certain. The financial risks are monitored routinely and actions put in place to continue to mitigate the risks.

5 IMPLICATIONS

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

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

Kirsty Flanagan
Head of Strategic Finance
11 January 2019

APPENDICES
Appendix 1 – Detail of Department/Service financial risks.
Appendix 2 – IJB Budget Monitoring Report as at 31 December 2018

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2018

					As at 31 October 2018		As at 31 December 2018	
DEPARTMENT	**SERVICE**	**TITLE OF RISK**	**DESCRIPTION OF RISK**	**MITIGATIONS ACTIONS IN PLACE**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**
Education	Education	Pre-Five Units - number of providers	Failure in commissioning pre-five partner provider units together with reducing budgetary support for partners resulting in an increased pressure on the Council of providing the service.	Annual financial appraisal; Support network; Short-term cash injections.	3	50	3	50
Education	Education	Central Repairs	Previously agreed savings result in budget only available for statutory and emergency repairs.	Regular liaison with Property Services re prioritisation and commitment of in-year spend.	3	50	4	100
Education	Education	Legislative Requirements - Education (Scotland) Act	Education (Scotland) Act 2000 was enacted March 2016. This places additional requirements on Councils in terms of Gaelic Education.	Monitoring developments of the implementation of the Act and statutory guidance produced. This will include responding to any consultations.	3	50	3	50
Education	Education	Legislative Requirements - Children and Young People (Scotland) Act - ELC 1,140 hours	The Council has a requirement to deliver 1,140 hours of early learning and childcare by 2020. Scottish Government have committed to funding this, however, the profile of funding is different to what was returned in our finance template which may impact the delivery plan.	The timeline of the delivery plan has been revised in line with the confirmed funding. The risk has been reduced to £0.100m as funding has now been confirmed for 2018-19, however, a risk remains that actual spend is higher than estimated.	2	100	2	100
Education	Education	Regional Collaborative	The implementation of regional collaboratives would result in additional work associated with the delivery of the Regional Improvement Plan.	Planning to incorporate within work pattern for schools and officers. The full impact of the contribution to Regional Collaboratives and the time allocation required by each authority is yet unknown.	3	10	3	10

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2018

					As at 31 October 2018		As at 31 December 2018	
DEPARTMENT	**SERVICE**	**TITLE OF RISK**	**DESCRIPTION OF RISK**	**MITIGATIONS ACTIONS IN PLACE**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**
Education	Education	ASN Support	Demand for ASN support continues to increase which is something that cannot be controlled by the Service.	Continue to review the ASN allocations and monitor vacancies elsewhere within the Service where unspent budget could be used to contribute towards these costs.	4	350	4	350
Customer Services	Customer and Support Services	Housing Benefit Subsidy	Loss of Housing Benefit Subsidy due to exceeding LA error threshold.	Processes in place for handling of claims accurately and efficiently.	3	125	3	125
Customer Services	Customer and Support Services	Sundry Debt Recovery	Recovery of debt becomes more difficult to pursue in the current economic climate.	Robust monitoring of arrangements with debt collection agency. Joint working with Legal Services to assist services with the recovery of aged debt.	3	85	3	85
Customer Services	Customer and Support Services	Council Tax Debt Collection Recovery	Recovery of debt becomes more difficult to pursue in the current economic climate.	Robust monitoring of arrangements with debt collection agency and performance against target collection rates.	3	100	3	100
Customer Services	Customer and Support Services	Non-Domestic Rates Relief	Risk of demand changing due to legislative changes outwith our control or new charitable businesses.	Outwith direct management control.	3	30	3	30
Customer Services	Customer and Support Services	Microsoft Effective Licensing Positon (ELP)	Audit findings of Measurement of effective use against registered entitlement. Entitlement has been measured against effective use and currently suggests underlicensed position	Negotiations with Ernst and Young and challenge of finding following audit of Microsoft Licences. Extrapolation of scanned network data being investigated, perpetual licencing and remote desktop service also being challenged. Prior to submission to Microsoft.	2	40	2	40
Customer Services	Facility Services	Property - Central Repairs	Increased demands on central as a result of the decrease in capital funding available and increases in supplier/contractor charges.	Joint strategy with procurement colleagues to reduce potential impact of supplier/contractor charges. Close monitoring of central repairs budgets and commitments and instructing only essential repairs.	3	500	3	500
Customer Services	Facility Services	Energy Costs	Increase in energy costs and consumption. The Council are required to participate in the CRC (Carbon Reduction Commitment) Energy Efficiency Scheme, there is a risk that the required carbon emission reductions are not met and the cost of the allowances could increase.	Energy Management Team actions to reduce energy consumption and efficiency and ensure more accurate billing by energy providers. Regular monitoring of energy budgets to ensure any issues are raised and resolved as soon as possible.	3	200	3	200

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2018

					As at 31 October 2018		As at 31 December 2018	
DEPARTMENT	**SERVICE**	**TITLE OF RISK**	**DESCRIPTION OF RISK**	**MITIGATIONS ACTIONS IN PLACE**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**
Customer Services	Facility Services	Catering Costs - Provision of Meals to Early Years Children	The Children and Young People (Scotland) Act places duties on Councils to provide meals in an Early Years setting to entitled children where sessions span over lunch time. The total quantum of funding of £1.2m may not be sufficient to fund the additional costs depending on uptake and the additional costs to support the meal provision in partner provider settings.	Joint strategy with Education colleagues to implement requirements and closely monitor financial implications. Responding to consultations by COSLA on the distribution and allocation of additional funding.	3	100	3	100
Customer Services	Facility Services	School and Public Transport - provider charges	Increased provider charges	Joint strategy with procurement colleagues to reduce potential impact.	3	150	3	150
Customer Services	Facility Services	Catering Purchases	Increased supplier charges.	Joint strategy with procurement colleagues to reduce potential impact. Control food wastage/portion controls.	2	60	2	60
Customer Services	Governance and Law	Elections	More than 1 by-election required outwith standard election cycle.	Outwith direct management control.	3	34	3	34
Customer Services	Governance and Law	Licensing	Reduced numbers of licensing applications leading to reduced income.	Monitoring of trends.	3	30	3	30
Customer Services	Governance and Law	Children's Panel	Increased number of referrals.	Liaise with Community Services colleagues to maximise council facilities/resources in the first instance.	1	10	1	10
Customer Services	Governance and Law	Legal Services	Failure to minimise Council wide use of external legal advice.	Ensure legal services are gateway to access all legal advice.	1	10	1	10

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2018

					As at 31 October 2018		As at 31 December 2018	
DEPARTMENT	**SERVICE**	**TITLE OF RISK**	**DESCRIPTION OF RISK**	**MITIGATIONS ACTIONS IN PLACE**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**
Customer Services	Hub Schools	Contract RPI	Increase in RPI.	Monitoring annual alteration to contract RPI rate and mitigation through financial forecasting and review of existing budget.	2	150	2	150
Customer Services	NPDO	Contract RPI	Increase in RPI.	Monitoring annual alteration to contract RPI rate and mitigation through financial forecasting and existing budget.	2	150	2	150
Customer Services	Special Projects	Surplus Properties	Ongoing market difficulties lead to increased numbers of surplus properties, there are residual running costs associated with surplus properties.	Asset Management Strategy and more pro-active work to market the Councils property portfolio.	3	50	3	50
Customer Services	Special Projects	Rental Income from Properties	Due to current economic climate there may be reduced ability to recover rental income from leased properties or place suitable tenants in properties as leases come to an end.	Management of leasehold properties by Estates team, any issues with debt recovery being dealt with in line with Council debt recovery policy.	2	20	2	20
Customer Services	Special Projects	Leisure Trust - Management Fee	Increase in RPI - inflation on Employee Costs.	Monitoring annual alteration to contract RPI rate and mitigation through financial forecasting and review of existing budget.	2	50	2	50
Customer Services	Special Projects	LiveArgyll - Company 2.	LiveArgyll overspend or under recover anticipated income outwith Management Fee which is fixed for first 3 years.	Ongoing monitoring net spend against profile. Strategic Finance liaise with SPT and Live Argyll to ensure accurate and timely reporting with action taken to mitigate when identified.	2	100	2	100
Customer Services	Special Projects	Leisure Service Level Agreements	Increase in RPI - requests for additional funding.	Monitoring annual alteration to contract RPI rate and mitigation through financial forecasting and review of existing budget.	3	25	3	25
Development & Infrastructure	Economic Development	Airfields and Air Services - fuel costs	Increased fuel costs on PSO flights being passed onto the Council.	Scrutinise all claims for increased costs to ensure that they are in accordance with the contract.	3	30	3	30
Development & Infrastructure	Economic Development	Airfields and Air Services - usage	Reduced number of aircraft using the airports.	Monitor usage and market the facilities.	2	10	2	10
Development & Infrastructure	Planning and Regulatory Services	Homelessness Temporary Accommodation Income	Introduction of Universal Credit has an impact on the level and method of benefits recovered for temporarily accommodated individuals.	Provision of Housing Options information and advice service to minimise number of applicants proceeding to full homeless application.	3	25	3	25

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2018

					As at 31 October 2018		As at 31 December 2018	
DEPARTMENT	**SERVICE**	**TITLE OF RISK**	**DESCRIPTION OF RISK**	**MITIGATIONS ACTIONS IN PLACE**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**
Development & Infrastructure	Planning and Regulatory Services	Dangerous Buildings interventions	Deal in Building Standards with an increasing level of dangerous building work which has significant financial implications for Council	Monitor activity and seek to recover costs from the owner.	3	100	3	100
Development & Infrastructure	Planning and Regulatory Services	Planning fees reduced by Scottish Government	Planning revenue budgets negatively affected by Better Regulation Bill. Scottish Government reducing planning fees due to poor performance by the Planning Authority.	Maintain high levels of performance as articulated by performance markers detailed in Planning Performance Framework annual report.	1	100	1	100
Development & Infrastructure	Planning and Regulatory Services	Planning fee shortfalls	Due to downturn in economic / building activity, in particular renewable energy development and other major developments could lead to planning fee income shortfalls leading to revenue budget pressures.	Continue to monitor Development Management income and expenditure tightly and investigate further income generation streams. Lobby Scottish Ministers through professional organisations to increase planning fees to a sustainable level.	3	100	3	100
Development & Infrastructure	Planning and Regulatory Services	Building Warrant fee shortfalls	Due to downturn in economic / building activity, building warrant fee income shortfalls leading to revenue budget pressures.	Continue to monitor Building Standards income and expenditure tightly and investigate further income generation streams.	3	75	3	75
Development & Infrastructure	Planning and Regulatory Services	Animal Health	Carrying out livestock seizure to protect welfare of the animals	Monitor activity and seek to recover costs from the disposal of the animals.	1	20	1	20
Development & Infrastructure	Roads and Amenity Services	Ferry Services - income	Changes to ferry services resulting in reduced passenger income.	Ensure that ferry operators are charged for the correct number of passengers	3	40	3	40
Development & Infrastructure	Roads and Amenity Services	Piers and Harbours	Reduced fishing fleet resulting in lower number of fish landings.	Monitor fish landings and ensure that all income is collected.	3	40	3	40
Development & Infrastructure	Roads and Amenity Services	Piers and Harbours	Calmac have been invoiced for the introduction of additional charges but there is a risk these may not be paid.	Legal Service pursuing the outstanding debt.			2	284
Development & Infrastructure	Roads and Amenity Services	Roads Maintenance - Roads Network	Adverse weather conditions result in deterioration of the road network necessitating greater spend on repair of defects.	Manage maintenance budgets to ensure that spend is prioritised to deal with safety defects.	3	230	3	230
Development & Infrastructure	Roads and Amenity Services	Street Lighting	Age of lighting stock requires greater maintenance as health and safety becomes a consideration.	Manage maintenance budgets to ensure that spend is prioritised to deal with safety defects.	3	100	3	100

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS AS AT 31 DECEMBER 2018

					As at 31 October 2018		As at 31 December 2018	
DEPARTMENT	**SERVICE**	**TITLE OF RISK**	**DESCRIPTION OF RISK**	**MITIGATIONS ACTIONS IN PLACE**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**	**LIKELIHOOD**	**FINANCIAL IMPACT £000**
Development & Infrastructure	Roads and Amenity Services	Roads Maintenance - Bridges, Culverts & Sea Defences	Extreme localised weather may result in loss of bridge, culvert , road or sea defence.	Routine inspections to deal with potential weak areas - based on a stitch in time repair regime.	3	300	3	300
Development & Infrastructure	Roads and Amenity Services	Winter Maintenance	Adverse weather conditions which require greater than budgeted number of gritting runs.	Monitor weather conditions and apply gritting policy to minimise costs.	3	700	3	700
Development & Infrastructure	Roads and Amenity Services	Waste Disposal	Re-tender for island haulage and potential for increased prices	Competitive tendering process may assist in minimising the impact of increased prices	3	27	3	27
Total					**42**	**4,526**	**43**	**4,860**

A&B HSCP Transforming Together
Argyll & Bute Health & Social Care Partnership

Integration Joint Board **Agenda item:**

Date of Meeting: **30 January 2019**

Title of Report: **Budget Monitoring as at 31 December 2018**

Presented by: **Kirsty Flanagan, Interim Chief Financial Officer**

The Integration Joint Board is asked to:

- Note the forecast outturn position for 2018-19 is a forecast overspend of £4.398m.
- Note that as part of the recovery plan, actions are being taken to gain more grip and control of the financial situation.
- Consider any further actions to take based on the budget monitoring information.
- Note that it is unlikely at the stage that the Health and Social Care Partnership will achieve financial balance by the end of the financial year.

1. EXECUTIVE SUMMARY

1.1 This report provides a summary of the financial position of the Health and Social Care Partnership as at 31 December 2018.

1.2 There is a year to date underspend of £0.549m as at 31 December 2018. This consists of an overspend of £1.118m within Health delivered services offset by a year to date underspend of £1.667m within Social Work.

1.3 The forecast outturn position for 2018-19 is a forecast overspend of £4.398m. This is a deterioration from the overspend of £4.006m reported as at the end of October 2018. There is a separate report on the agenda providing information on the progress with the quality and finance plan and you will see from this report that there is a shortfall in savings for 2018-19 of £7.177m. This is the main reason for the forecast overspend.

1.4 As part of the recovery plan, action has already been taken and continues to be taken to gain more grip and control of the financial situation, however, it is unlikely at this stage that the Health and Social Care Partnership will achieve financial balance by the end of the financial year and it will therefore need to look to its partner bodies for additional funding.

2. INTRODUCTION

2.1 This report provides a summary of the financial position of the Health and Social Care Partnership as at 31 December 2018. Information is provided on both the year to date position and the forecast outturn position and is summarised at a service/activity level.

3. DETAIL OF REPORT

3.1 Year to Date Reporting within Partner Organisations

3.1.1 In terms of the year to date position, it should be noted that on an overall Health and Social Care Partnership basis, it can be difficult to fully interpret how the year to date figures link to the forecast outturn position.

3.1.2 Health undertake high level monthly accrual accounting which means that expenditure and income adjustments are made at the end of each month to align expenditure and income to the correct month. As a result you should see a correlation in their year to date position and their forecast outturn position.

3.1.3 The Council don't undertake monthly accrual accounting but they do profile their budgets across the months when they expect the expenditure and income to happen, however, there may be a mis-match between year to date actuals and year to date budgets due to timing differences as to when invoices are actually paid. The Council put more focus into the forecast outturn position.

3.1.4 Monitoring information is provided and is split across Health and Social Work which allows the differences in monthly accounting treatment to be more visible. It would be the intention to move to align the accounting treatment, however, we have to accept that the Health and Social Care Partnership finances are recorded across two different organisations with differing financial reporting procedures.

3.2 Year to Date Position as at 31 December 2018

3.2.1 There is a year to date underspend of £0.549m as at 31 December 2018. This consists of an overspend of £1.118m within Health delivered services offset by a year to date underspend of £1.667m within Social Work. Further information is provided within Appendix 1.

3.2.2 Within Health delivered services the overspend is mainly linked to savings not being achieved in addition to increased costs for oncology drugs, pharmacy costs, patient referrals, and agency/locum staff. The overspends have been offset to an extent by vacancy savings and also budget reserves which includes one-off in year allocations.

3.2.3 Within Social Work the variances are mainly as a result of profiling issues and there are delays on receipt and payment of supplier invoices particularly

within older person's services. This is being followed up by the Finance Team.

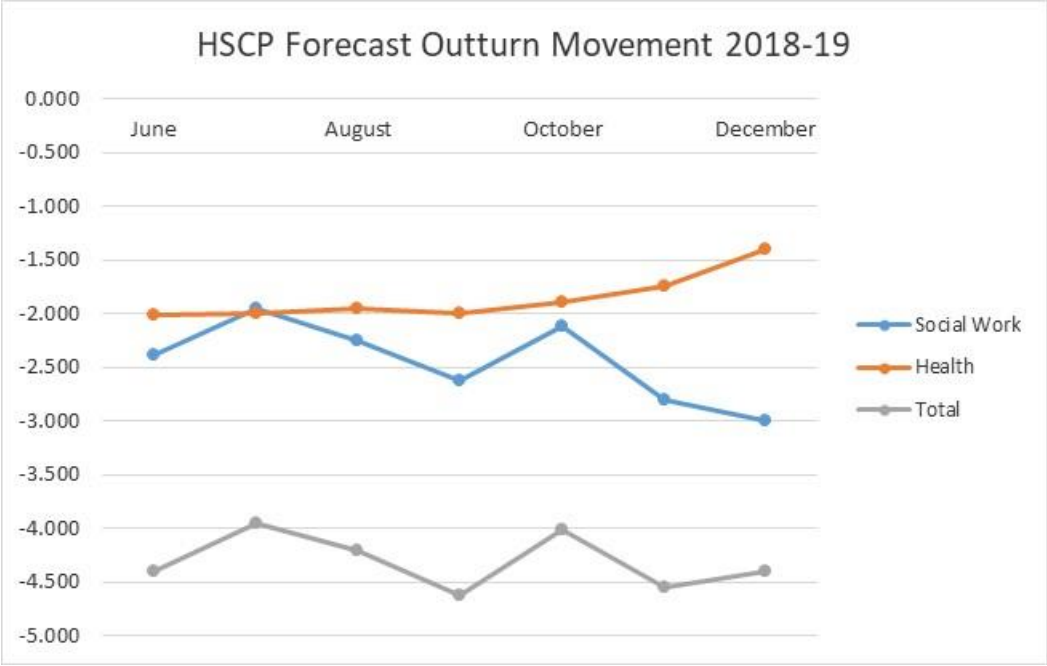
3.3 Forecast Outturn Position as at 31 December 2018

3.3.1 The forecast outturn position for 2018-19 is a forecast overspend of £4.498m. This is a deterioration from the overspend of £4.006m reported as at the end of October 2018. There is a separate report on the agenda providing information on the progress with the quality and finance plan and you will see from this report that there is a shortfall in savings for 2018-19 of £7.177m. This is the main reason for the forecast overspend. Further information is provided within Appendix 2.

3.3.2 Within Health delivered service the forecast overspend is linked to the year to date overspend due to the accrual accounting. The overspend is mainly linked to savings not being achieved in addition to increased costs for oncology drugs, pharmacy costs, patient referrals, and agency/locum staff. The overspends have been offset to an extent by vacancy savings and also budget reserves which includes one-off in year allocations. The most significant risk affecting the forecast outturn position for Health is the SLA for Greater Glasgow and Clyde. At the last IJB a decision was made to reject the increase and the forecast outturn reflects this position. If this position is not accepted by Greater Glasgow and Clyde then there is a risk that the outturn will increase.

3.3.3 Within Social Work there has been higher demand than budgeted for supporting living and care home services within learning and physical disability and children's external placements as well as planned savings options within these services not being delivered in full. There are underspends within older people care home placements, investment fund, foster care services and supporting young people leaving care that help to reduce the overspend.

3.3.4 The chart below shows the forecast outturn movement during 2018-19. You will see that whilst there has been variations across the month, the overall Health and Social Care Partnership overspend is currently forecasting a similar level of overspend to that reported 6 months ago in June. This is extremely disappointing and demonstrates that there has either been increased demand and/or a lack of control over expenditure. There has been an improvement in the Health position, mainly as a result of the decision to reject the Greater Glasgow and Clyde SLA increase, however, within Social Work there has been a deterioration of the position due to demand which has hidden the results of review work in young adult services which has reduced care package sizes and costs.



3.3.5 The Board at its meeting on 26 September instructed officers to put in place measures to minimise discretionary spend and in year overspends. Whilst this was communicated to staff, from the figures noted above it has been largely ineffective and has not given the outcome anticipated.

3.3.6 It is unlikely at this stage that the Health and Social Care Partnership will achieve financial balance by the end of the financial year and it will therefore need to look to its partner bodies for additional funding. At this stage, it is unclear as to when any "loan" from the partner bodies will have to be repaid, but it will be extremely challenging if this has to be paid back in 2019-20 as a result of the progress on the Quality and Financial plan and every effort should be made to negotiate an extended period of pay back with the partner bodies.

3.4 Measures to Improve the Financial Position

3.4.1 As a result of the deteriorating Social Work position and also the financial situation that NHS Highland are in, I had a conversation with the Chief Officer the first week in January to discuss putting in place a moratorium on all non-essential spend.

3.4.2 Staff meetings took place with Brian Steven (an officer appointed by the Scottish Government to deal with the NHS Highland financial situation) on 10 and 11 January 2019. He discussed various opportunities/methods to assist with turning around the financial position which included grip and control measures, general housekeeping, cross cutting reviews and transformational change.

3.4.3 The Chief Officer has communicated clearly to her Senior Leadership Team that we need to take greater grip and control of the financial position and the Senior Leadership Team meeting on 14 January was focused on this - the diagrams included within Appendix 3 provide information on what was

discussed. Weekly meetings are already in place for vacancy management. Other measures that will be taken include:

- daily review/authorisation of all non-essential and non-clinical expenditure;
- further enhanced workforce authorisation and controls;
- centralisation of all care home placement and care at home decision making;
- engagement with Greater Glasgow and Clyde to move forward the SLA negotiations;
- reduced authorisation limits and central approval on expenditure procured through the PECOS system; and
- greater grip on the outstanding Social Work invoices which will help to validate and refine the outturn position.

3.4.4 These additional measures will be in place indefinitely, i.e. this is not something that will be put in place until the end of this financial year, but having greater grip and control is proven to lead to a change in culture in respect of finances and this is necessary in order to bring the expenditure under control in the future.

4. RELEVANT DATA AND INDICATORS

4.1 Information is derived from the financial systems of NHS Highland and Argyll and Bute Council.

5. CONTRIBUTION TO STRATEGIC PRIORITIES

5.1 The Integrated Joint Board has a responsibility to set a budget which is aligned to the delivery of the Strategic Plan and to ensure the financial decisions are in line with priorities and promote quality service delivery. This needs to be considered when options are developed to balance the budget.

6. GOVERNANCE IMPLICATIONS

6.1 Financial Impact – The forecast outturn position for 2018-19 is a forecast overspend of £4.398m. This is a deterioration from the overspend of £4.006m reported as at the end of October 2018. This is a significant financial risk to the IJB, and Council and Health Board partners.

6.2 Staff Governance – None directly from this report but there is a strong link between HR and delivering financial balance.

6.3 Clinical Governance - None

7. EQUALITY AND DIVERSITY IMPLICATIONS

7.1 None directly from this report but any proposals to address the estimated budget gap will need to consider equalities.

8. RISK ASSESSMENT

8.1 The forecast outturn position takes into consideration financial risks. Further information will be provided on the financial risks within the next budget monitoring report. Operational and clinical risks will be taken into account as part of the implementation of the financial recovery plan.

9. PUBLIC AND USER INVOLVEMENT AND ENGAGEMENT

9.1 None directly from this report but any proposals to address the estimated budget gap will need to take into consideration local stakeholder and community engagement.

10. CONCLUSIONS

10.1 This report provides a summary of the financial position of the Health and Social Care Partnership as at 31 December 2018. The forecast outturn position for 2018-19 is a forecast overspend of £4.398m. This is a deterioration from the overspend of £4.006m reported as at the end of October 2018.

10.2 As part of the recovery plan, action has already been taken and continues to be taken to gain more grip and control of the financial situation, however, it is unlikely at this stage that the Health and Social Care Partnership will come back into financial balance by the end of the financial year and it will therefore need to look to its partner bodies for additional funding.

11. DIRECTIONS

	Directions to:	tick
Directions required to Council, NHS Board or both.	No Directions required	√
	Argyll & Bute Council	
	NHS Highland Health Board	
	Argyll & Bute Council and NHS Highland Health Board	

APPENDICES:

Appendix 1 – Year to Date Position as at 31 December 2018
Appendix 2 – Forecast Outturn for 2018-19 as at 31 December 2018
Appendix 3 – Grip and Control slides discussed at Senior Leadership Team on 14 December 2018

ARGYLL AND BUTE HEALTH AND SOCIAL CARE PARTNERSHIP **APPENDIX 1**

REVENUE BUDGET MONITORING SUMMARY - AS AT 30 DECEMBER 2018
YEAR TO DATE POSITION
Reporting Criteria: +/- £50k or +/- 10%

For information:
The Council don't do monthly based accrual accounting, whereas Health do.
On the Council side, there may be a mistmatch between year to date actual and budgets, due to timing differences as to when invoices are paid.
Health do monthly based accrual accounting, therefore, you should see a correlation in their year to date position and the year end outturn position.

Service	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Explanation
COUNCIL SERVICES:					
Chief Officer	(11,161)	(11,194)	(33)	0.30%	Outwith reporting criteria.
Service Development	263	261	(2)	(0.76%)	Outwith reporting criteria.
Looked After Children	5,308	5,140	(168)	(3.17%)	The YTD variance arises due to higher than budgeted demand for external residential placements for children and young people.
Child Protection	2,211	2,319	108	4.89%	The YTD variance arises mainly due to budget profiling issues.
Children with a Disability	544	541	(3)	(0.55%)	Outwith reporting criteria.
Criminal Justice	29	89	60	206.90%	The YTD variance reflects various over and underspends across the service. The main underspend arises from staffing vacancies.
Children and Families Central Management Co	1,589	1,750	161	10.13%	The YTD variance arises mainly due to an underspend on staffing due to vacant posts, premises costs due to the profiling of rent payments and slippage arising from the delay in the introduction of new overnight working arrangements in the children's homes and hostels.
Older People	24,088	25,539	1,451	6.02%	The YTD underspend arises due to a combination of lower than budgeted demand for care home and home care services and delayed receipt/processing of supplier invoices and the over-recovery of income in fees and charges as well as profiling of internal transfer income.
Physical Disability	1,885	1,471	(414)	(21.96%)	The YTD overspend reflects higher than budgeted demand for supported living services and slippage on the delivery of associated savings.
Learning Disability	10,752	10,937	185	1.72%	The YTD underspend arises due to a combination of staffing and supplies underspends in the resource centres, higher than budgeted receipts from client charges and delayed receipt/processing/payment of supplier invoices.
Mental Health	1,831	2,116	285	15.57%	The YTD underspend arises mainly due to budget profiling issues in Addiction and Choose Life services where the YTD budget and YTD actual are out of sync and staffing underspends in addiction services.
Adult Services Central Management Costs	353	390	37	10.48%	Outwith reporting criteria.
COUNCIL SERVICES TOTAL	**37,692**	**39,359**	**1,667**	**4.24%**	

ARGYLL AND BUTE HEALTH AND SOCIAL CARE PARTNERSHIP **APPENDIX 1**

REVENUE BUDGET MONITORING SUMMARY - AS AT 30 DECEMBER 2018
YEAR TO DATE POSITION
Reporting Criteria: +/- £50k or +/- 10%

For information:
The Council don't do monthly based accrual accounting, whereas Health do.
On the Council side, there may be a mistmatch between year to date actual and budgets, due to timing differences as to when invoices are paid.
Health do monthly based accrual accounting, therefore, you should see a correlation in their year to date position and the year end outturn position.

Service	YTD Actual £000	YTD Budget £000	YTD Variance £000	% Variance	Explanation
HEALTH SERVICES:					
Adult Services - West	39,795	37,852	(1,942)	(4.88%)	Savings not being achieved and several budget overspends, including; Psychiatric medical services - locums, LIH Day Bed Unit - oncology drugs, Mull Medical Group - locums, LIH wards - agency nurses, LIH Laboratory - agency staffing & non pay costs, Lochgilphead Medical Practice - prescribing and locums, Kintyre Medical Group - locums & non pay costs
Adult Services - East	21,794	21,318	(476)	(2.19%)	Savings not being achieved and budget overspends on GP prescribing; Millig Practice, Helensburgh, McLachlan Practice, Helensburgh
Children & Families Services	4,660	4,994	334	7.16%	Mainly due to vacancies
Commissioned Services - NHS GG&C	47,032	46,016	(1,016)	(2.16%)	Savings not being achieved and increased charges for; oncology drugs and pharmacy homecare
Commissioned Services - Other	3,103	2,741	(362)	(11.68%)	Increased referrals to Huntercombe and the Priory and a high cost patient admission to the Walton Centre, Liverpool
General Medical Services	12,465	12,437	(29)	(0.23%)	Outwith reporting criteria.
Community and Salaried Dental Services	2,664	2,924	260	9.77%	Mainly due to vacancies
Other Primary Care Services	6,627	6,627	0	0.00%	Outwith reporting criteria.
Public Health	1,330	1,477	147	11.06%	Slippage on in year allocations
Management and Corporate Services	3,131	3,507	376	12.01%	Mainly due to vacancies
Health Board Provided Services	1,563	1,563	0	0.00%	Outwith reporting criteria.
Depreciation	1,835	1,891	57	3.09%	Capital underinvestment
Estates	4,061	3,794	(266)	(6.56%)	Savings not being achieved and Argyll & Bute Hospital - rates
Budget Reserves	0	1,800	1,800	0.00%	Slippage and uncommitted budget reserves
HEALTH SERVICES TOTAL	**150,060**	**148,942**	**(1,118)**	**(0.75%)**	
GRAND TOTAL	**187,752**	**188,301**	**549**	**0.29%**	

ARGYLL AND BUTE HEALTH AND SOCIAL CARE PARTNERSHIP **APPENDIX 2**

REVENUE BUDGET MONITORING SUMMARY - AS AT 30 DECEMBER 2018
FORECAST OUTTURN POSITION
Reporting Criteria: +/- £50k or +/- 10%

Service	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
COUNCIL SERVICES:					
Chief Officer	(11,817)	(10,994)	(823)	6.97%	Overspend arises due to unidentified savings figure and central repairs account partially offset by estimated slippage on the Community Services Investment Fund, an underspend on additional funding for pension costs linked to auto-enrolment and a forecast over-recovery on vacancy savings. Work is ongoing to identify additional savings / underspends to cover off the unidentified savings figure of £1.330m (down from £2.345m in June).
Service Development	383	379	4	1.04%	Outwith reporting criteria.
Looked After Children	6,754	7,456	(702)	(10.39%)	Overspend arises mainly due to the high cost of meeting demand for expensive external care home placements and estimated slippage on efficiency savings designed to reduce this cost. This is currently partially offset by forecast underspends on the foster care and supporting young people leaving care budgets.
Child Protection	3,285	3,279	6	0.18%	Outwith reporting criteria.
Children with a Disability	858	905	(47)	(5.48%)	Outwith reporting criteria.
Criminal Justice	97	(19)	116	119.59%	Underspend arises mainly due to vacant posts and estimated lower than budgeted spend on external services. The overall forecast is negative as the forecast spend is currently less than the specific grant payment for the year.
Children and Families Central Management Co	2,446	2,498	(52)	(2.13%)	Overspend arises due to slippage on the delivery of savings partially offset by savings accrusing form the delay in implementing new overnight staffing arrangments in the children houses and hostels, travel costs and from an accrual from 2017/18 which is no longer required.
Older People	34,917	34,354	563	1.61%	Underspend arises mainly due to lower than budgeted demand for care home placements partially offset by an overspend on the internal care homes.
Physical Disability	1,936	2,684	(748)	(38.64%)	Overspend arises mainly due to higher than budgeted demand as well as slippage on the delivery of efficiency savings for supported living services, higher demand for residential care placements and the purchase of equipment by the Integrated Equipment Store.

ARGYLL AND BUTE HEALTH AND SOCIAL CARE PARTNERSHIP **APPENDIX 2**

REVENUE BUDGET MONITORING SUMMARY - AS AT 30 DECEMBER 2018

FORECAST OUTTURN POSITION

Reporting Criteria: +/- £50k or +/- 10%

Service	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
Learning Disability	14,176	15,570	(1,394)	(9.83%)	Overspend arises due to a combination of higher than budgeted demand for supported living and care home services and estimated slippage on savings developed to reduce both of these commitments partially offset by underspends in assessment and care management and respite.
Mental Health	2,701	2,586	115	4.26%	Underspend reflects current known demand for supported living services and staffing underspends on the addiction and area community support teams.
Adult Services Central Management Costs	495	531	(36)	(7.27%)	Outwith reporting criteria.
COUNCIL SERVICES TOTAL	**56,231**	**59,229**	**(2,998)**	**(5.33%)**	

ARGYLL AND BUTE HEALTH AND SOCIAL CARE PARTNERSHIP **APPENDIX 2**

REVENUE BUDGET MONITORING SUMMARY - AS AT 30 DECEMBER 2018

FORECAST OUTTURN POSITION

Reporting Criteria: +/- £50k or +/- 10%

Service	Annual Budget £000	Forecast Outturn £000	Forecast Variance £000	% Variance	Explanation
HEALTH SERVICES:					
Adult Services - West	50,442	52,999	(2,557)	(5.07%)	Savings not being achieved and several budget overspends, including; Psychiatric medical services - locums, LIH Day Bed Unit - oncology drugs, Mull Medical Group - locums, LIH wards - agency nurses, LIH Laboratory - agency staffing & non pay costs, Lochgilphead Medical Practice - prescribing and locums, Kintyre Medical Group - locums & non pay costs
Adult Services - East	28,453	29,006	(553)	(1.94%)	Savings not being achieved and budget overspends on GP prescribing; Millig Practice, Helensburgh, McLachlan Practice, Helensburgh
Children & Families Services	6,647	6,207	440	6.62%	Mainly due to vacancies
Commissioned Services - NHS GG&C	61,350	62,600	(1,250)	(2.04%)	Savings not being achieved and increased charges for; oncology drugs and pharmacy homecare
Commissioned Services - Other	3,654	4,073	(420)	(11.48%)	Increased referrals to Huntercombe and the Priory and a high cost patient admission to the Walton Centre, Liverpool
General Medical Services	16,583	16,633	(50)	(0.30%)	Outwith reporting criteria.
Community and Salaried Dental Services	3,923	3,578	345	8.79%	Mainly due to vacancies
Other Primary Care Services	8,844	8,844	0	0.00%	Outwith reporting criteria.
Public Health	2,002	1,803	199	9.95%	Slippage on in year allocations
Management and Corporate Services	4,964	4,665	299	6.02%	Mainly due to vacancies
Health Board Provided Services	2,085	2,085	(0)	(0.02%)	Outwith reporting criteria.
Depreciation	2,523	2,443	80	3.15%	Capital underinvestment
Estates	5,097	5,429	(332)	(6.51%)	Savings not being achieved and Argyll & Bute Hospital - rates
Budget Reserves	2,778	378	2,400	86.39%	Slippage and uncommitted budget reserves
HEALTH SERVICES TOTAL	**199,343**	**200,743**	**(1,400)**	**(0.70%)**	
GRAND TOTAL	**255,574**	**259,972**	**(4,398)**	**(1.72%)**	

Proposed Grip and Control-Regime

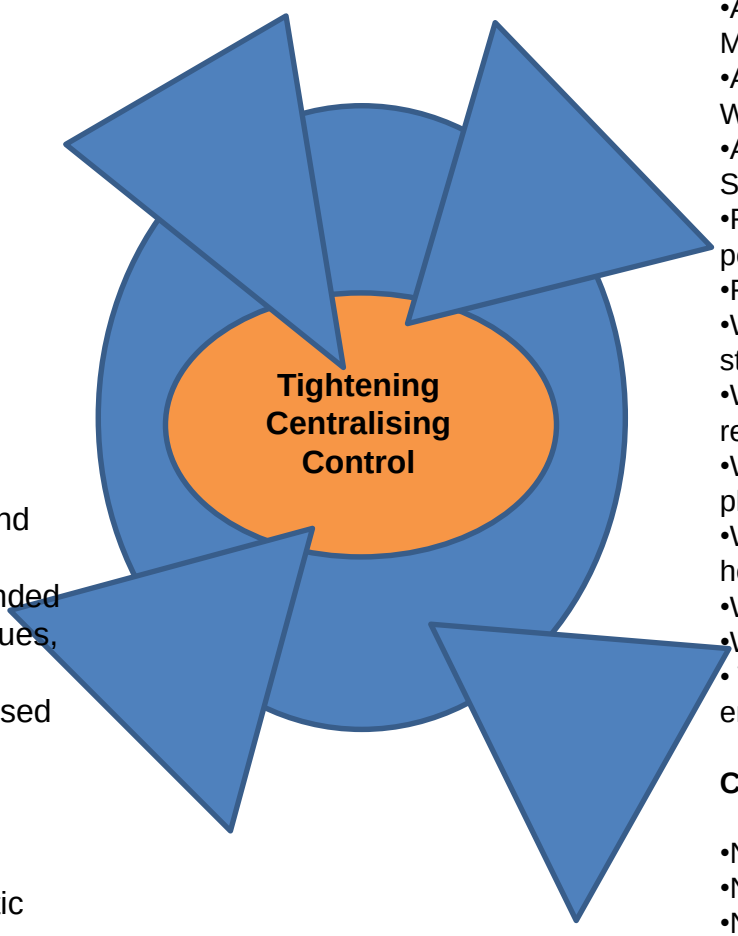
A&B HSCP Transforming Together
Argyll & Bute Health & Social Care Partnership

Integrated Performance Regime

•Monthly
•Strict focus on Business
•Formal i.e. Minutes taken
•Actions chased up
•No Mission Creep
•Clear Roles & Responsibilities

Finance / Procurement

•Authorisation for non-exempted goods to be 100% via central team
•Daily review of all non-essential and non-clinical requisitions
•All non-urgent expenditure suspended incl. Training, Hiring of off site venues, etc
•Ban on all consultancy not authorised by CO/CFO
•100% of all orders through Procurement System
•No PO = no order authorised
•Orders out with system = automatic escalation



Workforce Controls
•Ban all non clinical or social work agency
•All Medical staffing agency – prospective MD sign off
•All Nursing staffing agency – Chief Social Worker sign off
•All Social Work staffing agency – Chief Social Worker sign off
•Review of all unfunded posts and vacant posts
•Review of Consultant non-Clinical PAs
•Weekly Division / Exec review of temp staffing
•Weekly Exec review of all recruitment requests (new replacements)
•Weekly Exec review of sickness absence plans
•Weekly review of all overtime and excess hours against activity
•Weekly review of all unfilled posts
•Weekly review of all back to work interviews
• Weekly review of all pre-employment/check pipeline

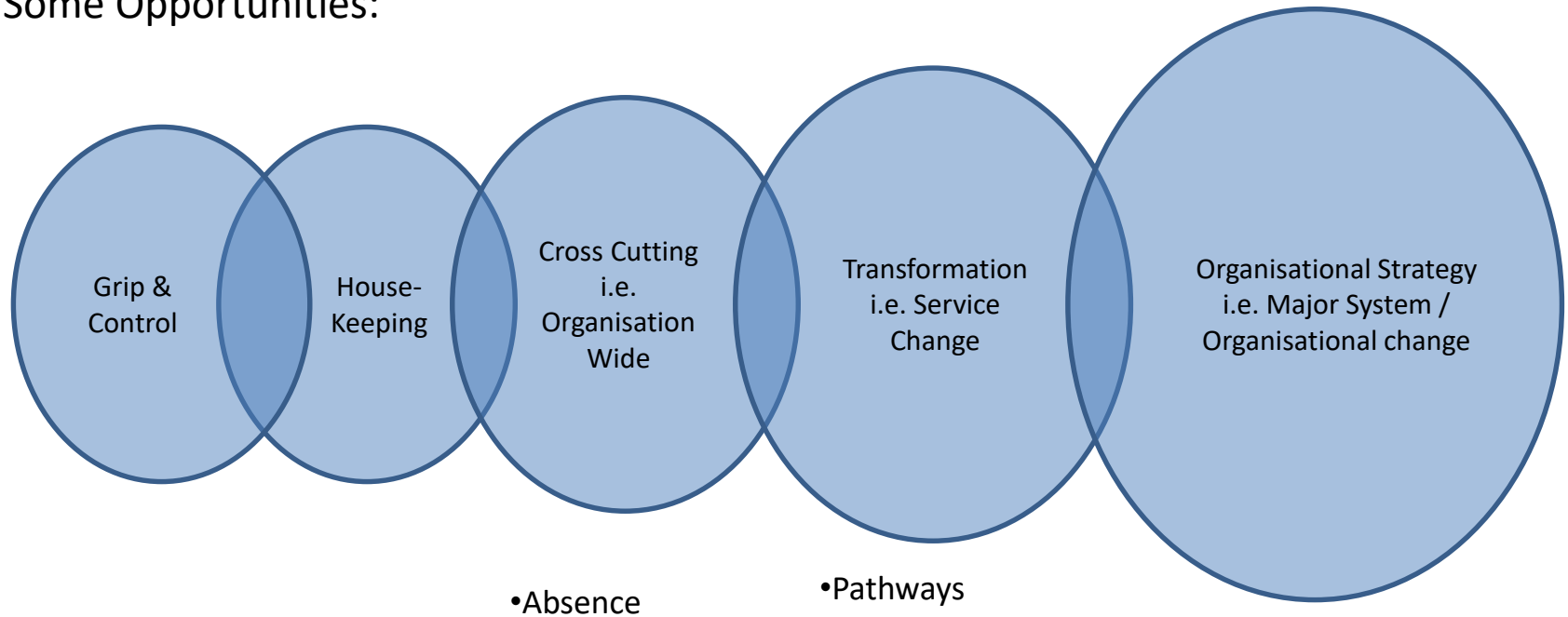
Control Environment

•No Netting of O/Spends with U/Spends
•No reinvestment of CRES achieved
•No virement
•Suspension of delegated authority
•SFI Sanctions Applied
•Funding allocated on spend not in block

A&B HSCP Transforming Together

Argyll & Bute Health & Social Care Partnership

Some Opportunities:



- Pay
- Non Pay

- All Routine

- Absence
- Agency
- Procurement
- Make or Buy
- Etc

- Pathways
- Service Models
- Gain Share (Inter Agency Working)
- Use of AI e.g. Babylon

- Mental Health Model
- Community Hospitals

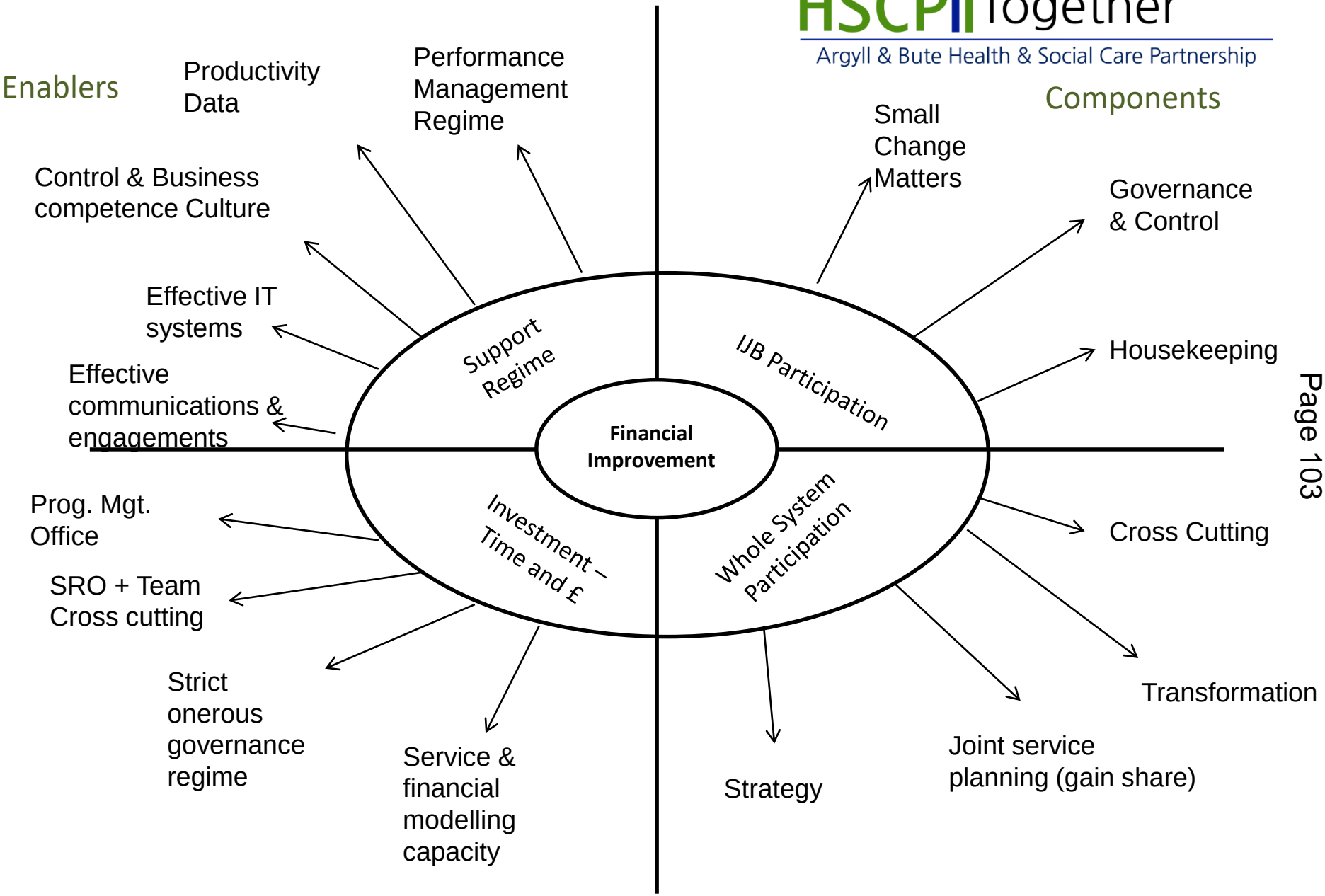
TIMESCALE

DEGREE OF COMPLEXITY

In Context

A&B HSCP | Transforming Together

Argyll & Bute Health & Social Care Partnership



ARGYLL AND BUTE COUNCIL	**POLICY & RESOURCES COMMITTEE**
STRATEGIC FINANCE	**14 FEBRUARY 2019**

CAPITAL BUDGET MONITORING REPORT – 31 DECEMBER 2018

1 EXECUTIVE SUMMARY

1.1 This provides an update on the position of the capital budget as at 31 December 2018. The report provides information on the financial position in respect of the capital plan and also the performance in terms of delivery of capital plan projects.

1.2 **Financial Position:**

- **Current Year to Date –** actual net expenditure to date is £20,789k compared to a budget for the year to date of £20,168 giving rise to an overspend for the year to date of £621k (3.1%).
- **Forecast Outturn for 2018-19** – forecast net expenditure for the full financial year is £33,994k compared to an annual budget of £35,755k giving rise to a forecast underspend for the year of £1,761k (4.9%).
- **Total Capital Plan** – the forecast total net project costs on the total capital plan are £294,767k compared to a total budget for all projects of £294,357k giving rise to a forecast overspend for the overall capital plan of £410k (0.14%).

1.3 **Project Delivery:**

- **Asset Sustainability** – Out of 132 projects there are 125 projects (95%) on track and 7 projects (5%) off track but recoverable.
- **Service Development** - Out of 26 projects there are 22 projects (85%) on track and 4 projects (15%) off track but recoverable.
- **Strategic Change** – Out of 34 projects there are 27 projects (79%) on track, 3 projects (9%) off track but recoverable, and 4 projects (12%) off track.

1.4 The Council has received £3,016k of capital receipts up to 31 December 2018 against a budget of £3,100k (97%).

2 INTRODUCTION

2.1 This provides an update on the position of the capital budget as at 31 December 2018. The report provides information on the financial position in respect of the capital plan and also the performance in terms of delivery of capital plan projects.

2.2 **Financial Position:**

- **Current Year to Date –** actual net expenditure to date is £20,789k compared to a budget for the year to date of £20,168 giving rise to an overspend for the year to date of £621k (3.1%).
- **Forecast Outturn for 2018-19** – forecast net expenditure for the full financial year is £33,994k compared to an annual budget of £35,755k giving rise to a forecast underspend for the year of £1,761k (4.9%).
- **Total Capital Plan** – the forecast total net project costs on the total capital plan are £294,767k compared to a total budget for all projects of £294,357k giving rise to a forecast overspend for the overall capital plan of £410k (0.14%).

2.3 **Project Delivery:**

- **Asset Sustainability** – Out of 132 projects there are 125 projects (95%) on track and 7 projects (5%) off track but recoverable.
- **Service Development** - Out of 26 projects there are 22 projects (85%) on track and 4 projects (15%) off track but recoverable.
- **Strategic Change** – Out of 34 projects there are 27 projects (79%) on track, 3 projects (9%) off track but recoverable, and 4 projects (12%) off track.

2.4 The Council has received £3,016k of capital receipts up to 31 December 2018 against a budget of £3,100k (97%).

3 RECOMMENDATIONS

3.1 Note the contents of this financial summary and approve the proposed changes to the capital plan detailed in Appendix 7.

4 CURRENT YEAR TO DATE FINANCIAL POSITION

4.1 Overall Position

Actual net expenditure to date is £20,789k compared to a budget for the year to date of £20,168k giving rise to an overpend for the year to date of £621k (3.1%).

4.2 Project/Department Position

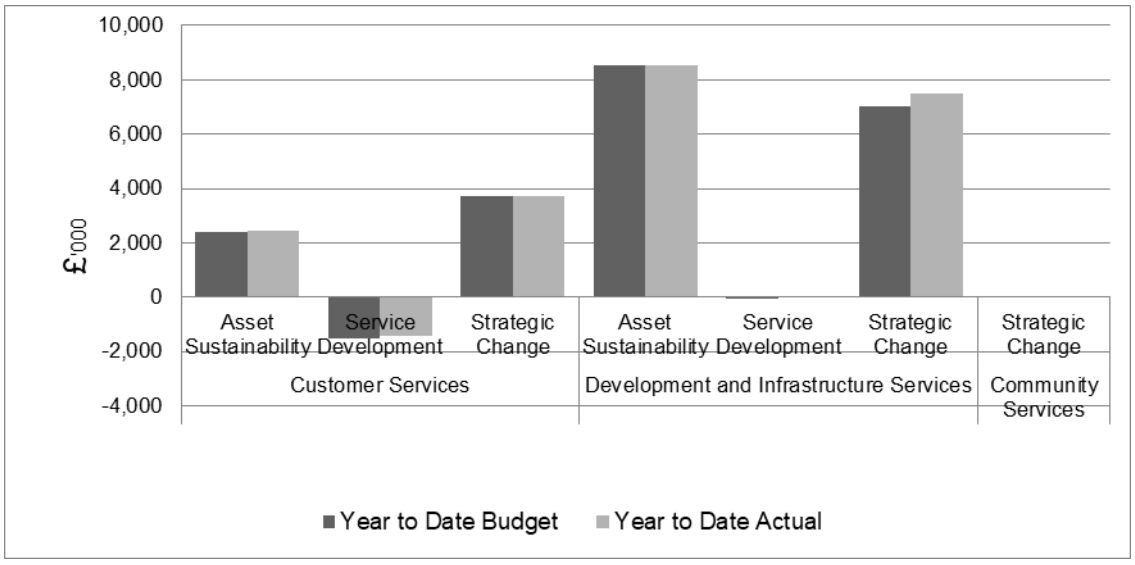
The table below shows the year to date net expenditure against the year to date budget by project type and department:

Project Type:	**Year to Date Budget £'000**	**Year to Date Actual £'000**	**Variance £'000**
Asset Sustainability	10,936	10,968	(32)
Service Development	(1,551)	(1,409)	(142)
Strategic Change	10,783	11,230	(447)
Total	**20,168**	**20,789**	**(621)**
Department:			
Customer Services	4,601	4,754	(153)
Development and Infrastructure Services	15,567	16,035	(468)
Community Services	0	0	0
Total	**20,168**	**20,789**	**(621)**

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

4.3 Chart of YTD Variances

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



5 FORECAST OUTTURN 2018-19

5.1 Overall Position

Forecast net expenditure for the full financial year is £33,994k compared to an annual budget of £35,755k giving rise to a forecast underspend for the year of £1,761 (4.9%).

5.2 Project/Department Position

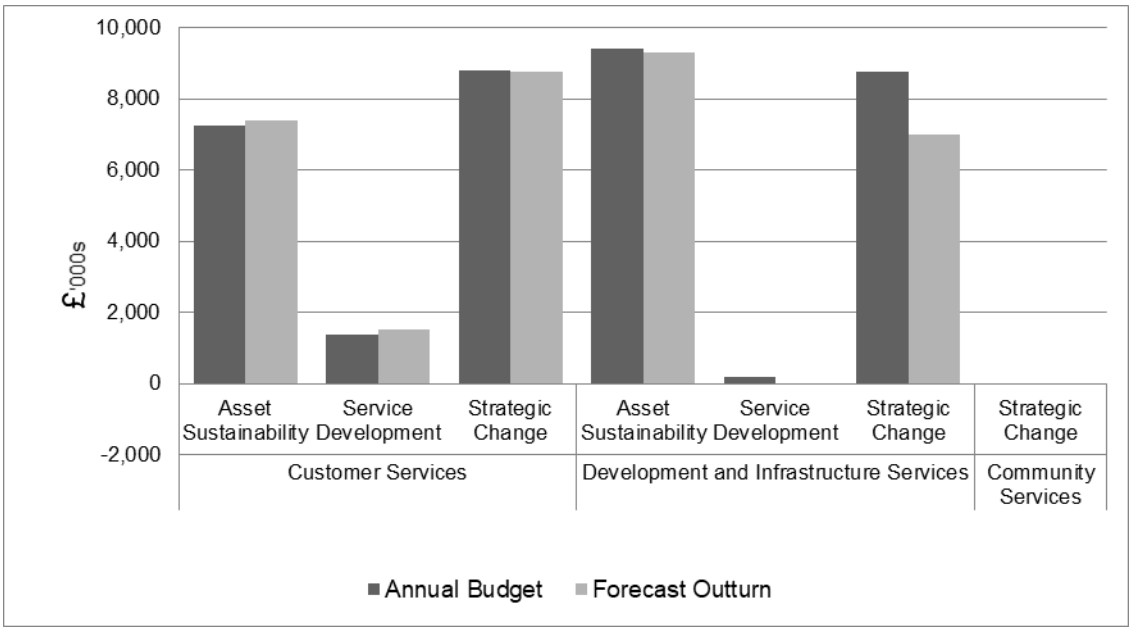
The table shows the forecast expenditure and budget for the year by project type and department:

Project Type:	**Annual Budget £'000**	**Forecast Outturn £'000**	**Forecast Variance £'000**
Asset Sustainability	16,634	16,696	(62)
Service Development	1,557	1,529	28
Strategic Change	17,564	15,769	1,795
Total	**35,755**	**33,994**	**1,761**
Department:			
Customer Services	17,424	17,676	(252)
Development and Infrastructure Services	18,331	16,318	2,013
Community Services	0	0	0
Total	**35,755**	**33,994**	**1,761**

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

5.3 Chart of Forecast Outturn

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



6 TOTAL PROJECT COSTS

6.1 Overall Position

The forecast total net project cost on the total capital plan is £294,767k compared to a total budget for all projects of £294,357 giving rise to a forecast overspend for the overall capital plan of £410k (0.14%).

6.2 Appendix 3 summarises the material variances contributing to the overspend position. Members are asked to give consideration to this overspend as part of the capital plan process for 2019-20.

6.3 Project/Department Position

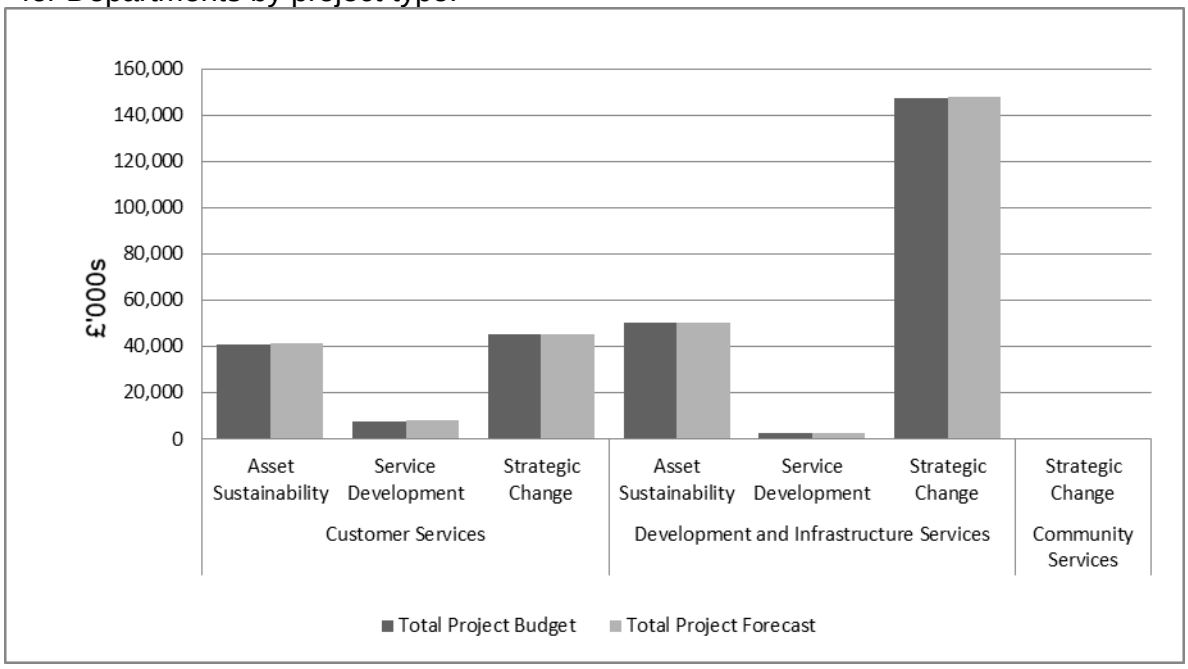
This table shows the net forecast total project cost and the budget for total project costs by project type and department:

Project Type:	**Capital Plan Budget £'000**	**Forecast Project Costs £'000**	**Capital Plan Variance £'000**
Asset Sustainability	91,388	91,462	(74)
Service Development	10,471	10,443	28
Strategic Change	192,498	192,862	(364)
Total	**294,357**	**294,767**	**(410)**
Department:			
Customer Services	94,052	94,311	(259)
Development and Infrastructure Services	200,305	200,456	(151)
Community Services	0	0	0
Total	**294,357**	**294,767**	**(410)**

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

6.4 Chart of Total Project Costs

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



7 TOTAL PROJECT PERFORMANCE

7.1 Overall Position

There are 192 projects within the Capital Plan, 174 are Complete or On Target, 14 are Off Target and Recoverable, and 4 are Off Track.

7.2 Project Position

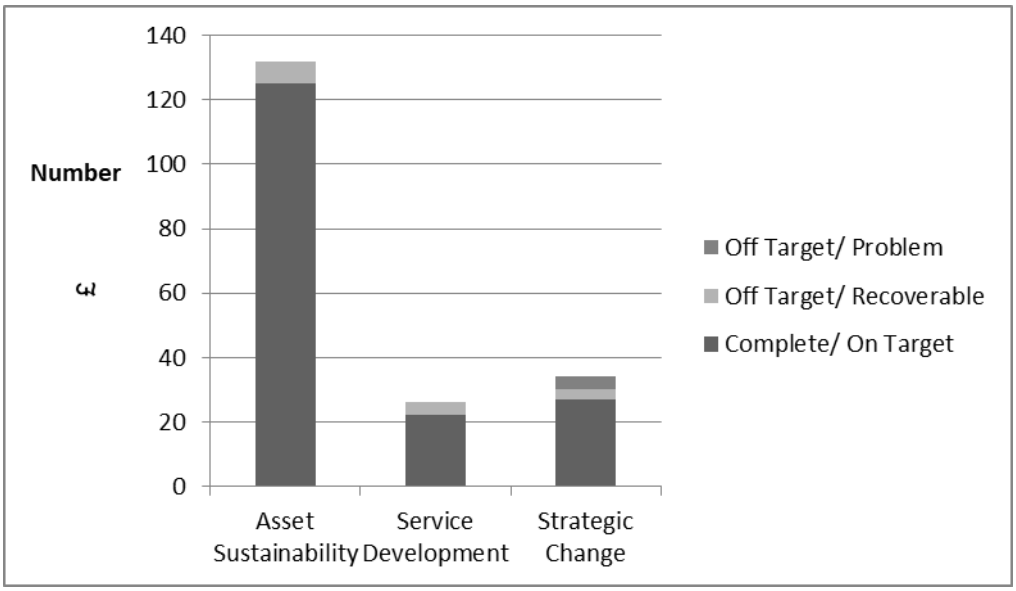
The table below shows the Performance Status of the Projects in the Capital Plan:

Project Type:	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Asset Sustainability	125	7	0	132
Service Development	22	4	0	26
Strategic Change	27	3	4	34
Total	**174**	**14**	**4**	**192**
Department:				
Customer Services	145	4	0	149
Development and Infrastructure Services	29	10	4	43
Total	**174**	**14**	**4**	**192**

Appendices 4, 5 and 6 show the Performance Status of the projects in further detail. Appendix 10 provides further information in relation to Strategic Change Projects.

7.3 Chart of Performance Status

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



8 OFF TRACK PROJECTS

8.1 The Off Track projects are noted in the table below and variance reports are included in Appendix 8.

Project Type	Project	What is Off Track?	Explanation
Strategic Change	Kintyre Renewables Hub	Current Year Expenditure & Project Total Expenditure	Project physically complete but costs were lower than anticipated.
Strategic Change	CHORD – Dunoon	Current Year Expenditure & Project Total Expenditure	Anticipated overspend of project. Report to be presented to December Policy and Resources Committee by the Service.
Strategic Change	CHORD Rothesay	Current Year Expenditure	Original cash flow forecasts unrepresentative of Works Programme and have now been updated by new project manager. Propose to slip to future years.
Strategic Change	Helensburgh Waterfront Development	Current Year Expenditure & Project Total Expenditure	Spend out with the original forecast anticipated costs and unable to secure additional funding from SportScotland.

9 STRATEGIC CHANGE PROJECTS

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

10 CHANGES TO CAPITAL PLAN

10.1 There are no proposed changes to the capital plan for the December reporting period.

The capital plan can be found in Appendix 10.

11 CAPITAL RECEIPTS

11.1 The Council has received £3,016k of capital receipts up to 31 December 2018 against a budget of £3,100k (97%).

12 APPENDICES

- **Appendix 1 –** Year to date finance variance explanations
- **Appendix 2** - Forecast Outturn variance explanations
- **Appendix 3** - Total Project finance variance explanations
- **Appendix 4** - Project Performance - Asset Sustainability
- **Appendix 5** - Project Performance - Service Development
- **Appendix 6** - Project Performance - Strategic Change
- **Appendix 7** - Financial Summary – Overall
  - Financial Summary – DIS
  - Financial Summary – Customer Services
- **Appendix 8** - Off track project variance reports
- **Appendix 9** - Cumulative spend, completion dates and risks relating to significant capital projects.
- **Appendix 10** - Updated/Revised Capital Plan - Overall
  - Updated/Revised Capital Plan – Community Services
  - Updated/Revised Capital Plan – Customer Services
  - Updated/Revised Capital Plan – DIS

Kirsty Flanagan
Head of Strategic Finance

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

APPENDIX 1 – Year to Date Finance Variance Explanations

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

Project	YTD Budget £'000	YTD Actual £'000	(Over)/ Under Variance £'000	Explanation
Riverside Leisure Centre Refurbishment	8	119	(111)	Anticipated final costs indicate a requirement for additional budget. Potential virements from other Live Argyll projects dependant on tender returns.
CHORD – Dunoon	2,508	2,714	(206)	Increased costs and additional work have resulted in overspend. Report was submitted to December P&R and funding of overspend to be considered as part of 2019-20 budget setting process.
TIF – Lorn Rd/Kirk Rd	(19)	562	(581)	Variance due to timing difference between expenditure and Housing Investment Fund Grant being received.
Variances Less than £50k			277	Total value of non-material variances less than +/-£50k
Total			**(621)**	

APPENDIX 2 – Forecast Outturn Variance Explanations

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

Project	Annual Budget £'000	Forecast Outturn £'000	(Over)/Under Forecast Variance £'000	Explanation
Riverside Leisure Centre refurbishment	8	119	(111)	Anticipated final costs indicate a requirement for additional budget. Potential virements from other Live Argyll projects dependant on tender returns.
EV Quick Chargers		(77)	77	Grant Income relating to previous years expenditure not accrued at year end.
Kintyre Renewables Hub	433	10	423	Project physically completed and in use. Minor contractual matters to be closed out with contractor and £10k set aside for this. Discussion to be held about the allocation of this funding.
NVA	250	0	250	NVA have now closed down and the planned project will not be going ahead. A decision has to be made regarding the application of this funding which is Council money and not due to be repaid to anyone.
CHORD – Dunoon	2,508	2,772	(264)	Increased costs and additional work have resulted in overspend. Report was submitted to December P&R and funding of overspend to be considered as part of 2019-20 budget setting process.
CHORD - Oban	975	900	75	The Phase II Contractor has been placed in Administration. A&BC currently 'holds' money in Delay Damages and Retentions, and it has been agreed with the Administrator that these monies can be retained by A&BC to complete the Phase 2 works, subject to A&BC releasing the Performance Bond. This should result in a surplus of £75k which can be released back to central funds at Financial Year End.
CHORD – Rothesay	6,787	5,250	1,537	Original cash flow forecasts unrepresentative of Works Programme which has now been reassessed by the new project manager. 2018/19 variance due to timing difference between receipt of income and expenditure against project.
Other Variances			(226)	Total value of non-material variances less than +/-£50k
Total			**1,761**	

APPENDIX 3 – Total Project Finance Variances

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

Project	Capital Plan Budget £'000	Forecast Project Costs £'000	Capital Plan Variance £'000	Explanation
Riverside Leisure Centre Refurbishment	1,121	1,232	(111)	Anticipated final costs indicate a requirement for additional budget. Potential virements from other Live Argyll projects dependant on tender returns.
Kintyre Renewables Hub	11,816	11,393	423	Project physically completed and in use. Minor contractual matters to be closed out with contractor and £10k set aside for this. Discussion to be held about the allocation of this funding.
NVA	250	0	250	NVA have now closed down and the planned project will not be going ahead. A decision has to be made regarding the application of this funding which is Council money and not due to be repaid to anyone.
CHORD – Dunoon	12,012	12,522	(510)	Increased costs and additional work have resulted in overspend. Report was submitted to December P&R and funding of overspend to be considered as part of 2019-20 budget setting process.
CHORD - Oban	7,957	7,882	75	The Phase II Contractor has been placed in Administration. A&BC currently 'holds' money in Delay Damages and Retentions, and it has been agreed with the Administrator that these monies can be retained by A&BC to complete the Phase 2 works, subject to A&BC releasing the Performance Bond. This should result in a surplus of £75k which can be released back to central funds at Financial Year End.
CHORD – Rothesay	3,464	3,341	123	Original cash flow forecasts unrepresentative of Works Programme which has now been reassessed by the new project manager.
Helensburgh Waterfront Development	18,997	19,511	(514)	Contract sum increase and inability to secure additional funding support from SportScotland. Variance report included in Appendix 8.
Other Variances			(146)	Total value of non-material variances less than +/-£50k
Total			**(410)**	

APPENDIX 4 – Asset Sustainability Project Performance

There are 132 Projects recognised as Asset Sustainability Projects, 125 are Complete or On Target and 7 are Off Target and Recoverable.

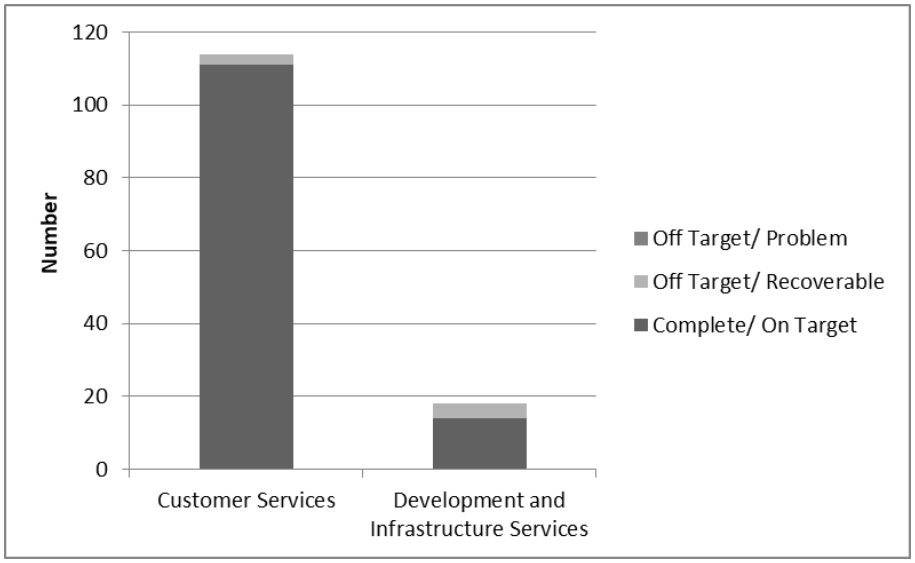
Department Position:

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

Asset Sustainability	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Customer Services	111	3	0	114
Development and Infrastructure Services	14	4	0	18
Total	**125**	**7**	**0**	**132**

Chart of Asset Sustainability Performance Status

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



APPENDIX 5 – Service Development Project Performance

There are 26 Projects recognised as Service Development Projects, 22 are Complete or On Target and 4 are Off Target and Recoverable.

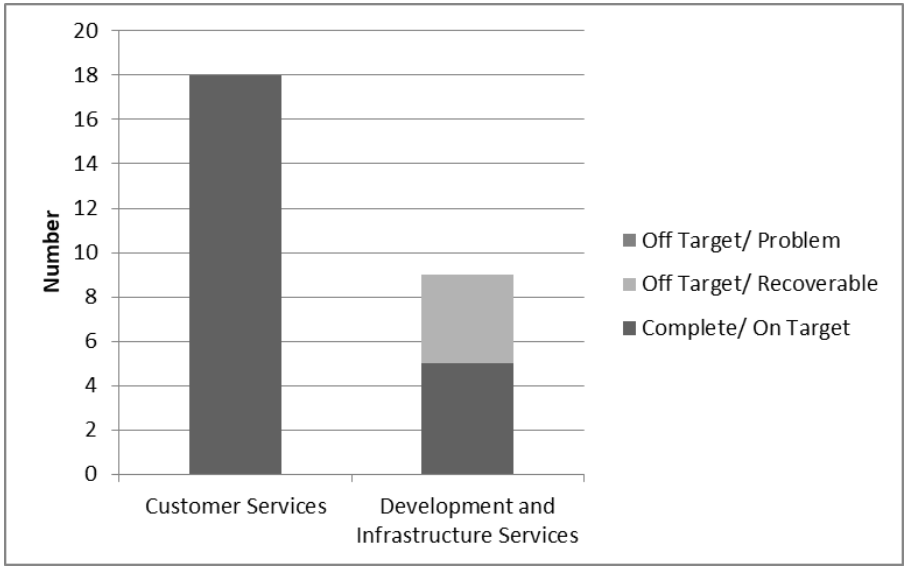
Department Position:

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

Service Development	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Customer Services	18	0	0	18
Development and Infrastructure Services	4	4	0	8
Total	**22**	**4**	**0**	**26**

Chart of Service Development Performance Status

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



APPENDIX 6 – Strategic Change Project Performance

There are 34 Projects recognised as Strategic Change Projects. 27 are Complete or On Target, 3 are Off Target and Recoverable and 4 are Off Track.

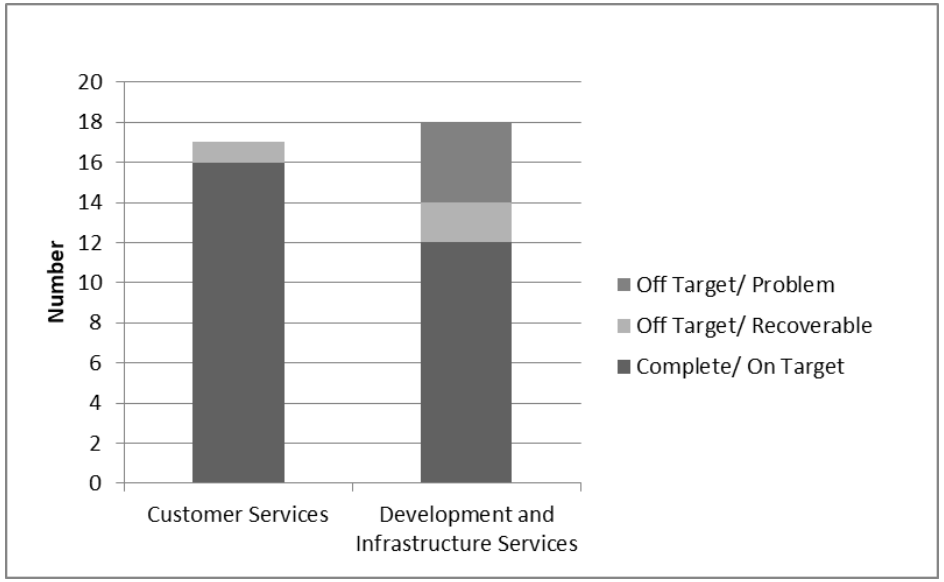
Department Position:

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

Strategic Change	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Customer Services	16	1	0	17
Development and Infrastructure Services	11	2	4	17
Total	**27**	**3**	**4**	**34**

Chart of Strategic Change Performance Status

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



ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT - OVERALL COUNCIL **Appendix 7**

FINANCIAL SUMMARY - NET EXPENDITURE **31 December 2018**

	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Budget £000s	Actual £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s
EXPENDITURE									
Area Committee Expenditure - Asset Sustainability	**44**	**0**	**44**	**44**	**0**	**44**	**69**	**25**	**44**
Asset Sustainability Projects									
Customer Services	2,348	2,428	(80)	7,196	7,381	(185)	41,095	41,287	(192)
Development & Infrastructure Services	9,605	9,603	2	12,034	12,034	0	58,371	58,371	0
Asset Sustainability Total	**11,953**	**12,031**	**(78)**	**19,230**	**19,415**	**(185)**	**99,466**	**99,658**	**(192)**
Service Development Projects									
Customer Services	573	690	(117)	3,481	3,630	(149)	10,787	10,936	(149)
Development & Infrastructure Services	345	370	(25)	977	818	159	7,433	7,274	159
Service Development Total	**918**	**1,060**	**(142)**	**4,458**	**4,448**	**10**	**18,220**	**18,210**	**10**
Strategic Change Projects									
Campbeltown Schools Redevelopment	11	11	0	327	327	0	1,970	1,970	0
Dunoon Primary	3,486	3,486	0	4,582	4,582	0	10,699	10,699	0
Replacement of Oban High	192	192	0	548	548	0	3,350	3,350	0
Kirn Primary School	7	7	0	315	315	0	10,179	10,179	0
Carbon Management - Non Education	0	0	0	36	36	0	50	50	0
Carbon Management Business Cases	0	0	0	60	60	0	261	261	0
NPDO Schools Solar PV Panel Installations	0	0	0	183	183	0	944	944	0
Non NPDO Schools Solar PV Panel Installations	0	0	0	88	88	0	488	488	0
Carbon Management Fuel Conversions	0	0	0	38	0	38	145	107	38
Carbon Management Capital Property Works 2016/17	0	0	0	20	20	0	39	39	0
Carbon Management - Group Heating Conversion Project	18	18	0	125	125	0	2,016	2,016	0
Kilmory Biomass Carbon Management	0	0	0	43	43	0	999	999	0
Oil to Gas Heating Conversions	0	0	0	27	27	0	209	209	0
Campbeltown Office Rationalisation	0	0	0	1	1	0	596	596	0
Helensburgh Office Rationalisation	22	22	0	400	400	0	11,838	11,838	0
Rothesay Office Rationalisation	0	0	0	10	10	0	10	10	0
Asset Management Fund	0	0	0	2,000	2,000	0	2,000	2,000	0
Kintyre Renewables Hub	0	0	0	732	10	722	12,115	11,393	722
Campbeltown Flood Scheme	69	61	8	150	150	0	603	603	0
Street Lighting LED Replacement	149	151	(2)	650	650	0	3,900	3,900	0
Harbour Investment Programme	971	971	0	2,336	2,336	0	78,164	78,164	0
CHORD - Helensburgh	16	16	0	764	764	0	7,230	7,229	1
CHORD - Campbeltown	0	0	0	1,326	1,326	0	4,786	4,786	0
CHORD - Dunoon	2,508	2,714	(206)	2,508	2,772	(264)	12,012	12,522	(510)
CHORD - Oban	254	253	1	975	900	75	7,957	7,882	75
CHORD - Rothesay	3,276	3,315	(39)	5,341	5,250	91	12,545	13,868	(1,323)
Helensburgh Waterfront Development	498	479	19	676	676	0	18,387	19,511	(1,124)
TIF - Lorn/Kirk Road	10	1,043	(1,033)	10	1,043	(1,033)	746	1,779	(1,033)
TIF - North Pier Extension	0	0	0	346	346	0	560	560	0
TIF - Oban Airport Business Park	0	0	0	50	50	0	590	590	0
OBC for Dunoon Pier	0	0	0	(14)	0	(14)	2,830	2,844	(14)
Dunoon CARS	0	0	0	0	0	0	500	500	0
Rothesay THI	0	0	0	0	0	0	200	200	0
Glengorm Wind Turbine	7	7	0	29	29	0	437	437	0
Strategic Change Total	**11,494**	**12,746**	**(1,252)**	**24,682**	**25,067**	**(385)**	**209,355**	**212,523**	**(3,168)**
Total Expenditure	**24,409**	**25,837**	**(1,428)**	**48,414**	**48,930**	**(516)**	**327,110**	**330,416**	**(3,306)**
INCOME									
Asset Sustainability									
Customer Services	0	0	0	0	0	0	(118)	(118)	0
Development & Infrastructure Services	(1,061)	(1,063)	2	(2,640)	(2,719)	79	(8,029)	(8,103)	74
Asset Sustainability Total	**(1,061)**	**(1,063)**	**2**	**(2,640)**	**(2,719)**	**79**	**(8,147)**	**(8,221)**	**74**
Service Development Projects									
Customer Services	(2,100)	(2,100)	0	(2,100)	(2,100)	0	(3,088)	(3,088)	0
Development & Infrastructure Services	(369)	(369)	0	(801)	(819)	18	(4,661)	(4,679)	18
Service Development Total	**-2,469**	**-2,469**	**0**	**-2,901**	**-2,919**	**18**	**-7,749**	**-7,767**	**18**
Strategic Change Projects									
Helensburgh Office Rationalisation	0	0	0	0	0	0	(349)	(349)	0
Dunoon Primary	0	0	0	0	0	0	(137)	(137)	0
Kintyre Renewables Hub	0	0	0	(299)	0	(299)	(3,748)	(3,449)	(299)
CHORD - Helensburgh	0	0	0	0	0	0	(570)	(569)	(1)
Helensburgh Waterfront Development	0	0	0	0	0	0	(695)	(1,305)	610
CHORD - Campbeltown	0	0	0	0	0	0	(120)	(135)	15
CHORD - Rothesay	(682)	(1,035)	353	(6,790)	(8,236)	1,446	(9,081)	(10,527)	1,446
CHORD - Oban	0	0	0	0	0	0	(1,620)	(1,620)	0
Glengorm Wind Turbine									
TIF	(29)	(481)	452	(29)	(1,062)	1,033	(537)	(1,570)	1,033
Strategic Change Total	**(711)**	**(1,516)**	**805**	**(7,118)**	**(9,298)**	**2,180**	**(16,857)**	**(19,661)**	**2,804**
Total Income	**(4,241)**	**(5,048)**	**807**	**(12,659)**	**(14,936)**	**2,277**	**(32,753)**	**(35,649)**	**2,896**
Net Total	**20,168**	**20,789**	**(621)**	**35,755**	**33,994**	**1,761**	**294,357**	**294,767**	**(410)**

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT **Appendix 7**

FINANCIAL SUMMARY NET EXPENDITURE - DEVELOPMENT AND INFRASTRUCTURE SERVICES **31 December 2018**

	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Budget £000s	Actual £000s	(Over)/Under Variance £000s	Budget £000s	Year End Forecast £000s	(Over)/Under Variance £000s	Budget £000s	Forecast £000s	(Over)/Under Variance £000s
EXPENDITURE									
Asset Sustainability Projects									
Flood Prevention	11	11	0	171	171	0	533	533	0
Bridge Strengthening	48	46	2	150	150	0	3,092	3,092	0
Traffic Management	0	0	0	0	0	0	366	366	0
Roads Reconstruction	8,661	8,660	1	9,780	9,780	0	44,411	44,411	0
Lighting	0	0	0	100	100	0	1,703	1,703	0
Furnace Coastal Protection	0	0	0	19	19	0	144	144	0
Fleet	712	712	0	908	908	0	4,818	4,818	0
Horizontal Balers	8	8	0	8	8	0	8	8	0
Footpath Improvements	130	130	0	569	569	0	1,000	1,000	0
Environmental	22	25	(3)	166	166	0	985	985	0
Waste	0	0	0	106	106	0	200	200	0
Recreation and Sport	6	4	2	40	40	0	461	461	0
Crematoria and Burial Grounds	4	4	0	14	14	0	50	50	0
Castle Lodge, Dunoon - Building Works	3	3	0	3	3	0	160	160	0
EV Quick Chargers	0	0	0	0	0	0	440	440	0
Asset Sustainability Total	**9,605**	**9,603**	**2**	**12,034**	**12,034**	**0**	**58,371**	**58,371**	**0**
Service Development Projects									
A849 Pennyghael Bridge Mull	0	0	0	0	0	0	127	127	0
Preliminary design for Regional Transport projects	2	2	0	18	18	0	221	221	0
Campbeltown Old Quay	3	2	1	48	48	0	1,424	1,424	0
Helensburgh Cycleways	25	26	(1)	329	329	0	2,622	2,622	0
Safe Streets, Walking and Cycling	298	323	(25)	298	323	(25)	977	1,002	(25)
SPfT	17	17	0	34	100	(66)	1,412	1,478	(66)
Kilmartin House	0	0	0	0	0	0	400	400	0
NVA	0	0	0	250	0	250	250	0	250
Service Development Total	**345**	**370**	**(25)**	**977**	**818**	**159**	**7,433**	**7,274**	**159**
Strategic Change Projects									
Kintyre Renewables Hub	0	0	0	732	10	722	12,115	11,393	722
Campbeltown Flood Scheme	69	61	8	150	150	0	603	603	0
Street Lighting LED Replacement	149	151	(2)	650	650	0	3,900	3,900	0
Harbour Investment Programme	971	971	0	2,336	2,336	0	78,164	78,164	0
CHORD - Helensburgh	16	16	0	764	764	0	7,230	7,229	1
CHORD - Campbeltown	0	0	0	1,326	1,326	0	4,786	4,786	0
CHORD - Dunoon	2,508	2,714	(206)	2,508	2,772	(264)	12,012	12,522	(510)
CHORD - Oban	254	253	1	975	900	75	7,957	7,882	75
CHORD - Rothesay	3,276	3,315	(39)	5,341	5,250	91	12,545	13,868	(1,323)
Helensburgh Waterfront Development	498	479	19	676	676	0	18,387	19,511	(1,124)
TIF - Lorn/Kirk Road	10	1,043	(1,033)	10	1,043	(1,033)	746	1,779	(1,033)
TIF - North Pier Extension	0	0	0	346	346	0	560	560	0
TIF - Oban Airport Business Park	0	0	0	50	50	0	590	590	0
OBC For Dunoon Pier	0	0	0	(14)	0	(14)	2,830	2,844	(14)
Dunoon CARS	0	0	0	0	0	0	500	500	0
Rothesay THI	0	0	0	0	0	0	200	200	0
Glengorm Wind Turbine	7	7	0	29	29	0	437	437	0
Strategic Change Total	**7,758**	**9,010**	**(1,252)**	**15,879**	**16,302**	**(423)**	**163,562**	**166,768**	**(3,206)**
Total Expenditure	**17,708**	**18,983**	**(1,275)**	**28,890**	**29,154**	**(264)**	**229,366**	**232,413**	**(3,047)**
INCOME									
Asset Sustainability									
Roads Reconstruction	-272	-271	(1)	-1,732	-1,731	(1)	(2,223)	(2,222)	(1)
Furnace Coastal Protection	0	0	0	0	0	0	(122)	(122)	0
Fleet Management - Prudential Borrowing	(712)	(712)	0	(908)	(908)	0	(4,818)	(4,818)	0
Flood Prevention	0	0	0	0	0	0	(9)	(9)	0
Environmental Projects	0	0	0	0	0	0	(9)	(4)	(5)
EV Quick Chargers	(77)	(77)	0	0	(77)	77	(440)	(517)	77
Fleet	0	(3)	3	0	(3)	3	(408)	(411)	3
Asset Sustainability Total	(1,061)	(1,063)	2	(2,640)	(2,719)	79	(8,029)	(8,103)	74
Service Development Projects									
Helensburgh Cycleways	0	0	0	(350)	(350)	0	(2,774)	(2,774)	0
Safe Streets, Walking and Cycling	(369)	(369)	0	(369)	(369)	0	(474)	(474)	0
SPfT	0	0	0	(82)	(100)	18	(1,312)	(1,330)	18
CWSS - Footway Letter Daill	0	0	0	0	0	0	(101)	(101)	0
Service Development Total	**(369)**	**(369)**	**0**	**(801)**	**(819)**	**18**	**(4,661)**	**(4,679)**	**18**
Strategic Change Projects									
Kintyre Renewables Hub	0	0	0	(299)	0	(299)	(3,748)	(3,449)	(299)
CHORD - Helensburgh	0	0	0	0	0	0	(570)	(569)	(1)
Helensburgh Waterfront Development	0	0	0	0	0	0	(695)	(1,305)	610
CHORD - Campbeltown	0	0	0	0	0	0	(120)	(135)	15
CHORD - Rothesay	(682)	(1,035)	353	(6,790)	(8,236)	1,446	(9,081)	(10,527)	1,446
CHORD - Oban	0	0	0	0	0	0	(1,620)	(1,620)	0
01 TIF - Lorn/Kirk Road	(29)	(481)	452	(29)	(1,062)	1,033	(537)	(1,570)	1,033
Strategic Change Total	**(711)**	**(1,516)**	**805**	**(7,118)**	**(9,298)**	**2,180**	**(16,371)**	**(19,175)**	**2,804**
Total Income	**(2,141)**	**(2,948)**	**807**	**(10,559)**	**(12,836)**	**2,277**	**(29,061)**	**(31,957)**	**2,896**
Net Departmental Total	**15,567**	**16,035**	**(468)**	**18,331**	**16,318**	**2,013**	**200,305**	**200,456**	**(151)**

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING **Appendix 7**

FINANCIAL SUMMARY NET EXPENDITURE - CUSTOMER SERVICES **31 December 2018**

	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Budget £000s	Actual £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s
EXPENDITURE									
Area Committees - Asset Sustainability	**44**	**0**	**44**	**44**	**0**	**44**	**69**	**25**	**44**
Asset Sustainability									
Education	1,047	1,099	(52)	2,605	2,746	(141)	21,773	21,918	(145)
Community and Culture	368	385	(17)	920	938	(18)	3,699	3,717	(18)
Adult Care	28	24	4	361	361	0	2,112	2,112	0
Children and Families	52	52	0	430	430	0	595	598	(3)
Facility Services	204	221	(17)	1,582	1,608	(26)	4,160	4,186	(26)
Customer and Support Services	649	647	2	1,298	1,298	0	8,756	8,756	0
Asset Sustainability Total	**2,348**	**2,428**	**(80)**	**7,196**	**7,381**	**(185)**	**41,095**	**41,287**	**(192)**
Service Development Projects									
Property Management System	0	0	0	0	0	0	89	89	0
Applications Projects	(7)	(4)	(3)	33	33	0	1,263	1,263	0
Bowmore Primary School - Pre 5 Unit	0	1	(1)	(2)	4	(6)	28	34	(6)
Clyde Cottage - 600 hour provision	0	0	0	40	40	0	505	505	0
Craignish Primary School - Pre 5 Extension	0	0	0	35	35	0	417	417	0
Iona Primary School - Pre 5 Unit	0	0	0	40	40	0	474	474	0
Islay High and Rosneath Primary School Pitches	2	2	0	675	675	0	700	700	0
Lochgoilhead Primary School - Pre 5 Unit	1	0	1	23	23	0	388	388	0
Park Primary Extension/Pre Fives Unit	0	0	0	5	5	0	346	346	0
Tarbert High School - Biomass enabling work	0	0	0	20	20	0	20	20	0
Sandbank Gaelic Pre Five Unit	0	0	0	(14)	18	(32)	464	496	(32)
Bunessan Primary School - Gaelic Medium Improvements	20	23	(3)	28	28	0	30	30	0
Early Learning and Childcare	329	506	(177)	329	506	(177)	1,386	1,563	(177)
Early Years 1140 Hours	215	38	177	2,100	1,923	177	2,100	1,923	177
Archives - Wee Manse Brae	0	0	0	0	0	0	56	56	0
Dunoon Boxing Club	0	0	0	100	100	0	100	100	0
Riverside Leisure Centre Refurbishment	8	119	(111)	8	119	(111)	1,121	1,232	(111)
Dunclutha Childrens Home	5	5	0	61	61	0	1,300	1,300	0
Service Development Total	**573**	**690**	**(117)**	**3,481**	**3,630**	**(149)**	**10,787**	**10,936**	**(149)**
Strategic Change Projects									
Campbeltown Schools Redevelopment	11	11	0	327	327	0	1,970	1,970	0
Dunoon Primary	3,486	3,486	0	4,582	4,582	0	10,699	10,699	0
Replacement of Oban High	192	192	0	548	548	0	3,350	3,350	0
Kirn Primary School	7	7	0	315	315	0	10,179	10,179	0
Carbon Management - Non Education	0	0	0	36	36	0	50	50	0
Carbon Management Business Cases	0	0	0	60	60	0	261	261	0
NPDO Schools Solar PV Panel Installations	0	0	0	183	183	0	944	944	0
Non NPDO Schools Solar PV Panel Installations	0	0	0	88	88	0	488	488	0
Carbon Management Fuel Conversions	0	0	0	38	0	38	145	107	38
Carbon Management Capital Property Works 2016/17	0	0	0	20	20	0	39	39	0
Carbon Management - Group Heating Conversion Project	18	18	0	125	125	0	2,016	2,016	0
Kilmory Biomass Carbon Management	0	0	0	43	43	0	999	999	0
Oil to Gas Heating Conversions	0	0	0	27	27	0	209	209	0
Campbeltown Office Rationalisation	0	0	0	1	1	0	596	596	0
Helensburgh Office Rationalisation	22	22	0	400	400	0	11,838	11,838	0
Rothesay Office Rationalisation	0	0	0	10	10	0	10	10	0
Asset Management Fund	0	0	0	2,000	2,000	0	2,000	2,000	0
Strategic Change Total	**3,736**	**3,736**	**0**	**8,803**	**8,765**	**38**	**45,793**	**45,755**	**38**
Total Expenditure	**6,701**	**6,854**	**(153)**	**19,524**	**19,776**	**(252)**	**97,744**	**98,003**	**(259)**
INCOME									
Asset Sustainability									
Facility Services	0	0	0	0	0	0	(60)	(60)	0
Community and Culture	0	0	0	0	0	0	(58)	(58)	0
Asset Sustainability Total	0	0	0	0	0	0	(118)	(118)	0
Service Development Projects									
Sandbank Gaelic Pre Five Unit	0	0	0	0	0	0	(464)	(464)	0
Bunessan Primary School - Gaelic Medium Improvements	0	0	0	0	0	0	(30)	(30)	0
Early Learning and Childcare	0	0	0	0	0	0	(494)	(494)	0
Early Years 1140 Hours	(2,100)	(2,100)	0	(2,100)	(2,100)	0	(2,100)	(2,100)	0
Service Development Total	**(2,100)**	**(2,100)**	**0**	**(2,100)**	**(2,100)**	**0**	**(3,088)**	**(3,088)**	**0**
Strategic Change									
Helensburgh Office Rationalisation	0	0	0	0	0	0	(349)	(349)	0
Dunoon Primary School	0	0	0	0	0	0	(137)	(137)	0
Strategic Change Total	**0**	**0**	**0**	**0**	**0**	**0**	**(486)**	**(486)**	**0**
Total Income	**(2,100)**	**(2,100)**	**0**	**(2,100)**	**(2,100)**	**0**	**(3,692)**	**(3,692)**	**0**
Net Departmental Total	**4,601**	**4,754**	**(153)**	**17,424**	**17,676**	**(252)**	**94,052**	**94,311**	**(259)**

OFF TRACK PROJECT

Appendix 8

Department:	Development and Infrastructure
Project Name:	Kintyre Renewables Hub
First Added to Capital Plan:	2010
Project Manager:	Arthur McCulloch
How is this project funded?	Capital/ERDF/Piers & Harbours Revenue

Why is the project classified as off target?

The forecast total and this year's project cost is lower than budget, together with the Income.

What has caused the issue outlined above?

As the construction elements came towards their conclusion, the estimated final costs have been refined. This has had the effect of lowering the final estimates which should have resulted in a reduced level of ERDF award. However the ERDF income has been at a higher percentage level than originally expected and this has had the effect of reducing the Council's overall contribution to the project.

What action will be taken to rectify this issue?

No action proposed.

What are the implications of the action proposed?

Both the overall expenditure and ERDF award will be less than originally planned, however the grant is at a higher percentage level than expected earlier in the year. Hence, there is a net financial benefit to the Council.

OFF TRACK PROJECT

Appendix 8

Department:	Development and Infrastructure Services, EDST, Capital Regeneration Team
Project Name:	CHORD – Dunoon Waterfront
First Added to Capital Plan:	2008
Project Manager:	John Gordon
How is this project funded?	Prudential Borrowing

Why is the project classified as off target?

The Project achieved Practical Completion on 4 July 2018 and the Queen's Hall building was handed back to A&BC as of that date, with the 12 months Defects Rectification Period commencing forthwith. The Full Year Forecast for FY18/19 is £2,741k against a Budget of £2,136k. Forecast for FY19/20 has been reduced to £277k from £281k. The Anticipated Final Account for the Project is £12,521,783 against and Approved Budget of £12,011,751, resulting in a variance of £510,032.

What has caused the issue outlined above?

The causes of the cost increases will be set out in detail in a Report to the Policy & Resources Committee on 13 December 2018, but can be summarised as follows: Costs of procuring Furniture, Fittings and Equipment (FF&E) which were not previously accounted for in the project costs/budget; Agreed Extensions of Time for the Principal Contractor; Additional Works; Costs of Works Package significantly higher than provisional sum allowances; and items previously missed from the Bill of Quantities issued at Tender Stage.

What action will be taken to rectify this issue?

Report to P&R Committee will recommend that the project is funded and that consideration will be given to this as part of the 2019-20 Budget Setting process.

What are the implications of the action proposed?

Additional capital funding required for the project.

OFF TRACK PROJECT

Appendix 8

Department:	Development and Infrastructure Services
Project Name:	Rothesay Pavilion
First Added to Capital Plan:	March 2015?
Project Manager:	Jonathan M Miles
How is this project funded?	1. A&BC: £5,310,074; 2. HLF: £4,187,500 3. HES: £750,000; 4. RCGF: £625,000; 5. HIE: £750,000. 6. CCF: £600,000 RPC: £400,000.

Why is the project classified as off target?

Following a review by the new project manager the original calendarised forecast expenditure does not accurately reflect the Main Contractors Cash Flow projections. Provisional Sums were divided evenly between the periods and not reflective of actuals. Equally the RPC staff and non-staff cash flow does not reflect reality.

What has caused the issue outlined above?

Previous period, cumulative, full year and project spend forecasts for18/19, 19/20 did not accurately reflect the Main Contractor Works Programme. Provisional sums allocated evenly across the programme periods in lieu of reflecting actual works schedule. E.g. provisional sum allocation Sept 18 £115k actual expenditure £5k due to not being representative of actual timeline for works. Accuracy of RPC cash flow.

What action will be taken to rectify this issue?

Main Contractors Cash Flow and provisional sum expenditure aligned to works programme including a re-profiling of period forecasts within financial year 2018/19 and moving funds from the current financial year into 2019/20.

What are the implications of the action proposed?

Improved accuracy of expenditure on a period by period basis. Draw down of allocated funds re profiled into financial year 2019/20.

OFF TRACK PROJECT **Appendix 8**

Department:	Development and Infrastructure Services
Project Name:	Helensburgh Waterfront Development
First Added to Capital Plan:	March 2016?
Project Manager:	Andrew Collins, Regeneration Project Manager

How is this project funded?

Budget Sources		
1. A&BC	£12,692,000	
2. MOD Libor Grant	£5,000,000	
3. S75 Funds	£195,000	
5. Property Acquisition	£110,000	
6. Potential Return from Future Retail Development	£1,000,000	
Sub-total		**£18,997,000**

1. Prudential Borrowing
5. From Unallocated Reserves in FY18/19
6. Future receipts from commercial development of land. It is likely that this will either take the form of a capital receipt following the sale of the land, or more likely an annual rental income over 25years to 30 years, and which would be used to finance the cost of prudential borrowing of £1million.

Why is the project classified as off target?

1. In year profile of forecast spend has been revised
2. The Anticipated Final Cost (AFC) is in excess of currently approved budget.

What has caused the issue outlined above?

1. Revised In Year Expenditure Profile

The programme of the key workstreams necessary to develop the project through Royal Incorporation of British Architects (RIBA) Stage 3 (Developed Design) Stage 4 (Technical Design) such that the project is in a position to go out to Tender for the Main Works Contract in March 2019 has been under constant review, and has been revised to take account of feedback received during the Pre-Application Consultation Process and the Planning Permission and Building Warrant Applications as well as the detailed development of the works required to develop the Full Business Case and Procurement Documentation. Our cashflow projections, as provided in the Capital Monitoring Report at the start of FY18/19, have therefore had to be revised as the impact of the design and programme revisions have been further developed and quantified. The project has developed a more detailed programme through to the potential award of the main works contract in June/July 2019 and the cashflow projections have been revised accordingly.

2. Anticipated Final Cost (AFC) exceeding Approved Budget

The following table sets out the AFC for the project based on the current design, programme and construction assumptions:

Item	Jun-16 H&LAC	Jun-18 H&LAC	Oct-18 P&R	Nov-18
1. Demolition of existing swimming pool and build cost of new leisure	£7,857,188	£8,353,959	£8,335,989	£8,592,189
2. Flood defences	£2,156,300	£2,102,775	£2,102,775	£2,102,775
3. Car park/public realm	£2,124,407	£3,090,966	£3,090,966	£3,437,966
4. Prelims / Contingencies / Inflation / Risks	£4,153,186	£3,298,957	£3,298,957	£3,465,636
5. Professional Fees/Project Management/Surveys/Statutory approvals	£1,400,000	£1,599,761	£1,622,579	£1,610,132
6. Splash Pool	£240,000	£0	£0	£0
7. Option 5 (Raising carpark to 4.7m AOD)	£250,000	£250,000	£250,000	£250,000
8. HWD Project Manager and LA Project Manager Cost			£418,800	£418,800
9. Project Risk Register			£716,250	£716,250
10. Land Purchase (1 West Clyde St)			£110,000	£110,000
Total	£18,181,080	£18,678,448	£19,946,316	£20,703,748

The main variation in costs as reported to the various Committees are as follows:

Item 1 – this includes the £256,200 cost of providing a moveable floor in the training pool.
Item 2 – this includes: £199,000 cost of public realm improvements to the north of the site at its boundary with West Clyde Street; and £148,000 cost of incorporating the start/finish of the John Muir Way to the northeast of the site, which were previously noted as below the line costs.
Item 4 – this includes £166,679.06 additional Prelims/Contingencies/Risk/Inflation to be added for the additional items previously noted below the line and an

Item 5 – this includes: agreed variation to Darnton 3B Contract in respect of having to develop some elements through Stage 2 to Stage 3; slight reduction in the cost of applying for the Marine Licence.

Item 8 – the costs associated with the HWD Project Manager position and Live Argyll Project Manager position were below the line costs up until the August 2018 Capital Monitoring Report return to Strategic Finance.

Item 9 – the value of the itemised and costed Project Risk Register was a below the line cost up until the August 2018 Capital Monitoring Report return to Strategic Finance. Item 4, as reported in June 2018 to H&LAC includes £688,297 Contractor Risk & Contingency Allowance.

Item 10 – purchase of ex 'Mariner's' site at 1 West Clyde Street was funded from additional budget provided from Council unallocated reserves, and reported as a below the line cost up until the August 2018 Capital Monitoring Report return to Strategic Finance. Nett impact in terms of Costs Vs Budget is actually £0 due to additional funds being provided.

What action will be taken to rectify this issue?

1. Re-profiling of funds from future years forecasts to address the variance in FY18/19
2. Report to H&LAC meeting on 20-Dec-18 recommending approach to P&R for additional funding of £513,680 to cover additional capital cost of Item 2 and Item 4 in the above table, which were previously out with the scope of the Phase 1 redevelopment. Subsequent to the launch of the procurement exercise for the main works contract, and the receipt of the tender submissions, consideration will be given to a Value Engineering Exercise; applications for 3rd Party Funding support; and/or request for additional funding from A&BC as part of future years budget setting process.

What are the implications of the action proposed?

1. Early drawdown for allocated funds from future years
2. Additional funding being required (internal or external sources) and/or a reduction in scope or rephrasing of the project elements.

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

APPENDIX 9

	Capital Expenditure					Dates		Risks	
Strategic Change Projects	**Prior Years Spend £'000**	**Current Year Forecast £'000**	**Future Years Forecast £'000**	**Total Project Forecast £'000**	**Total Project Budget £'000**	**Project Start Date**	**Estimated Completion Date**	**Project Risks Identified**	**Explanation if not Green**
Campbeltown Schools Redevelopment	1,623	327	20	1,970	1,970	16/02/2012	30/11/2018	Green	
Dunoon Primary	3,038	4,582	2,942	10,562	10,562	18/12/2014	30/04/2019	Green	
Replacement of Oban High	2,282	548	520	3,350	3,350	24/04/2014	31/01/2019	Green	
Kirn Primary School	9,864	315	0	10,179	10,179	24/04/2014	31/10/2017	Green	
Carbon Management - Non Education	14	36	0	50	50	01/04/2015	31/03/2019	Green	
Carbon Management Business Cases	201	60	0	261	261	01/02/2014	31/03/2022	Green	
NPDO Schools Solar PV Panel Installations	761	183	0	944	944	26/06/2014	31/08/2018	Green	
Non NPDO Schools Solar PV Panel Installations	400	88	0	488	488	20/03/2014	31/03/2017	Green	
Carbon Management Fuel Conversions	107	0	0	107	145	01/02/2014	31/03/2017	Green	
Carbon Management Capital Property Works 2016/17	19	20	0	39	39	01/02/2016	31/03/2017	Green	
Carbon Management - Group Heating Conversion Project	1,891	125	0	2,016	2,016	01/02/2016	31/08/2018	Green	
Kilmory Biomass Carbon Management	956	43	0	999	999	20/09/2012	19/10/2016	Green	
Oil to Gas Heating Conversions	182	27	0	209	209	01/02/2012	31/03/2017	Green	
Campbeltown Office Rationalisation	595	1	0	596	596	01/02/2015	31/03/2017	Green	
Helensburgh Office Rationalisation	11,089	400	0	11,489	11,489	25/04/2013	03/07/2016	Amber	CPC Issued 3rd July. Final costs still to be established - Final expenditure now anticipated this year.
Tiree Shared Offices	0	0	0	0	0	01/02/2013	TBC	Green	
Rothesay Office Rationalisation	0	10	0	10	10	01/09/2018	31/03/2019	Green	
Asset Management Fund	0	2,000	0	2,000	2,000	2018/19	2018/19	Green	
Kintyre Renewables Hub	7,934	10	0	7,944	8,367	01/05/2009	30/04/2017	Red	See off track variance report in Appendix 8.
Campbeltown Flood Scheme	84	150	369	603	603	01/08/2016	31/03/2023	Amber	Scottish Governement funding now shown will allow project to move forward to more detailed investigation stage during 2019.
Street Lighting LED Replacement	2,501	650	749	3,900	3,900	01/08/2016	16/12/2016	Green	
Harbour Investment Programme	319	2,336	75,509	78,164	78,164	01/04/2017	31/03/2028	Green	
CHORD - Helensburgh	5,895	764	0	6,659	6,660	29/09/2011	30/04/2015	Green	
CHORD - Campbeltown	3,340	1,326	0	4,666	4,666	25/06/2014	10/11/2015	Green	
CHORD - Dunoon	9,504	2,772	246	12,522	12,012	03/02/2012	09/03/2018	Red	See off track variance report in Appendix 8.
CHORD - Oban	5,362	900	0	6,262	6,337	27/10/2016	31/07/2017	Green	
CHORD - Rothesay	726	-2,986	5,601	3,341	3,464	01/04/2015	05/09/2017	Red	See off track variance report in Appendix 8.
Helensburgh Waterfront Development	738	676	16,792	18,206	17,692	01/04/2017	30/09/2020	Red	See off track variance report in Appendix 8.
TIF - Lorn/Kirk Road	228	-19	0	209	209	22/01/2015	31/03/2019	Amber	Variance due to timing difference between expenditure and Housing Investment Fund Grant being received.
TIF - North Pier Extension	214	346	0	560	560	06/12/2017	06/12/2018	Green	
TIF - Oban Airport Business Park	445	50	95	590	590	22/01/2015	31/12/2017	Green	
OBC for Dunoon Pier	2,844	0	0	2,844	2,830	03/02/2012	26/02/2016	Green	
Dunoon CARS	0	0	500	500	500	01/04/2017	31/03/2022	Green	
Rothesay THI	0	0	200	200	200	2017/18	31/03/2019	Green	
Glengorm Wind Turbine	408	29	0	437	437	28/04/2016	30/11/2016	Green	
Strategic Change Total	**73,564**	**15,769**	**103,543**	**192,876**	**192,498**				

CAPITAL PLAN 2018-19
SUMMARY

APPENDIX 10

Department	Head of Service	Previous Years £000s	2018-19 £000s	2019-20 £000's	2020-21 £000s	Future Years £000s	Total £000s
Health and Social Care Partnership	Adult Care	1,743	361	8	0	0	2,112
	Children and Families	165	430	0	0	0	595
Health and Social Care Partnership Total		**1,908**	**791**	**8**	**0**	**0**	**2,707**
Community Services	Community and Culture	0	121	0	0	0	121
	Education	37,636	11,656	5,097	440	0	54,829
Community Services Total		**37,636**	**11,777**	**5,097**	**440**	**0**	**54,950**
Customer Services	Customer and Support Services	7,815	1,331	962	0	0	10,108
	Facility Services	17,862	4,621	1,290	1	0	23,774
Customer Services Total		**25,677**	**5,952**	**2,252**	**1**	**0**	**33,882**
Development and Infrastructure	Economic Development	39,056	12,922	7,382	14,847	234	74,441
	Roads and Amenity Services	50,217	15,968	16,161	9,184	63,395	154,925
Development and Infrastructure Total		**89,273**	**28,890**	**23,543**	**24,031**	**63,629**	**229,366**
Live Argyll	Live Argyll	3,346	943	616	0	0	4,905
Live Argyll Total		**3,346**	**943**	**616**	**0**	**0**	**4,905**
Grand Total		**157,840**	**48,353**	**31,516**	**24,472**	**63,629**	**325,810**

CAPITAL PLAN 2018-19
Health and Social Care Partnership

APPENDIX 10

Category	Head of Service	Project	Previous Years £000's	2018-19 £000's	2019-20 £000's	2020-21 £000's	Future Years £000s	Total £000s
Asset Sustainability	Adult Care	Ardfenaig	0	20	0	0	0	20
		Eadar Glinn	246	67	3	0	0	316
		Health and Safety	1,045	60	0	0	0	1,105
		Legionella Control Works	15	5	0	0	0	20
		Lochgilphead Resource Centre	163	61	0	0	0	224
		Lorn Resource Centre	76	9	0	0	0	85
		Struan Lodge Boiler	25	15	0	0	0	40
		Thomson Home Rothesay	173	124	5	0	0	302
	Adult Care Total		1,743	361	8	0	0	2,112
	Children and Families	Capital Property Works	0	305	0	0	0	305
		Glencruitten Hostel	119	72	0	0	0	191
		Health and Safety	23	20	0	0	0	43
		Shellach View	23	33	0	0	0	56
	Children and Families Total		165	430	0	0	0	595
Asset Sustainability Total			**1,908**	**791**	**8**	**0**	**0**	**2,707**
Overall Total			**1,908**	**791**	**8**	**0**	**0**	**2,707**

CAPITAL PLAN 2018-19
Community and Culture

APPENDIX 10

Category	Head of Service	Project	Previous Years £000's	2018-19 £000's	2019-20 £000's	2020-21 £000's	Future Years £000s	Total £000s
Asset Sustainability	Community and Culture	Inveraray CARS	0	21	0	0	0	21
	Community and Culture Total		0	21	0	0	0	21
Asset Sustainability Total			**0**	**21**	**0**	**0**	**0**	**21**
Service Development	Community and Culture	Dunoon Boxing Club	0	100	0	0	0	100
	Community and Culture Total		0	100	0	0	0	100
Service Development Total			**0**	**100**	**0**	**0**	**0**	**100**
Overall Total			**0**	**121**	**0**	**0**	**0**	**121**

Category	Head of Service	Project	Previous Years £000's	2018-19 £000's	2019-20 £000's	2020-21 £000's	Future Years £000s	Total £000s
Asset Sustainability	Education	Achaleven Primary School	99	70	3	0	0	172
		Ardchattan Primary School	0	2	0	0	0	2
		Ardrishaig Primary School	269	-3	50	0	0	316
		Arinagour Primary School	85	40	2	0	0	127
		Arrochar Primary School	0	30	60	0	0	90
		Asbestos Control/Removal Works	78	7	0	0	0	85
		Block Allocation	0	0	0	0	0	0
		Bunessan Primary School	296	38	0	0	0	334
		Campbeltown Nursery	0	30	0	0	0	30
		Capital Property Works	835	-1	75	0	0	909
		Cardross Primary School	788	15	0	0	0	803
		Carradale Primary School	107	3	4	0	0	114
		Castlehill Primary School	499	161	154	0	0	814
		Clachan Primary	178	44	0	0	0	222
		Colgrain Primary School	958	48	2	0	0	1,008
		Dalintober Primary School	280	97	3	0	0	380
		Dalmally Primary School	78	162	103	0	0	343
		Dervaig Primary School	69	0	0	0	0	69
		Drumlemble Primary School	402	-6	0	0	0	396
		Dunbeg Primary School	450	22	362	0	0	834
		Easdale Primary School	0	10	25	0	0	35
		Education Properties Water quality	0	0	0	0	0	0
		Ferry Houses - Housing Quality Standard	72	0	0	0	0	72
		Free School Meals	534	16	0	0	0	550
		Furnace Primary School	140	44	0	0	0	184
		Garelochhead Primary School	313	46	113	0	0	472
		Glenbarr Primary School	225	13	0	0	0	238
		Hermitage Primary School	188	1	0	0	0	189
		Homeless Houses - Housing Quality Standard	12	36	2	0	0	50
		Internal Refurbishment Budget	97	103	0	0	0	200
		Islay High School	4,101	139	65	0	0	4,305
		John Logie Baird Primary School	764	93	103	0	0	960
		Keills Primary School	0	35	0	0	0	35
		Kilchattan Primary School	241	29	2	0	0	272
		Kilchrenan Primary School	29	6	0	0	0	35
		Kilcreggan Primary School	494	115	4	0	0	613
		Kilmartin Primary School	17	99	4	0	0	120
		Kilmodan Primary School	233	1	0	0	0	234
		Legionella Control Works	220	0	0	0	0	220
		Lismore Primary School	61	19	1	0	0	81
		Lochgoilhead Primary School	177	68	53	0	0	298
		Lochnell Primary School	0	50	0	0	0	50
		Parklands School	161	7	310	0	0	478
		Port Ellen Primary School	0	50	0	0	0	50
		Property Works - Contingency	250	38	0	0	0	288

CAPITAL PLAN 2018-19
Education

APPENDIX 10

Category	Head of Service	Project	Previous Years £000's	2018-19 £000's	2019-20 £000's	2020-21 £000's	Future Years £000s	Total £000s
Asset Sustainability	Education	Rhunahaorine Primary	181	-28	0	0	0	153
		Rosneath Primary School	658	24	1	0	0	683
		School Houses - Housing Quality Standard	409	67	2	0	0	478
		Small Isles Primary School	0	0	0	0	0	0
		Southend Primary School	26	4	0	0	0	30
		St Joseph's Primary School	496	73	2	0	0	571
		St Mun's Primary School	299	244	306	0	0	849
		Tarbert High School	19	1	0	0	0	20
		Tayvallich Primary School	0	0	0	0	0	0
		Tiree High School	0	0	0	0	0	0
		Tiree Primary School	225	242	8	0	0	475
		Tobermory High School	867	131	169	0	0	1,167
		Toward Primary School	83	56	41	0	0	180
		Ulva Primary School	74	14	2	0	0	90
	Education Total		17,137	2,605	2,031	0	0	21,773
Asset Sustainability Total			**17,137**	**2,605**	**2,031**	**0**	**0**	**21,773**
Service Development	Education	Bowmore Primary School - Pre Five Unit	30	-2	0	0	0	28
		Bunessan Primary School - Gaelic Medium Improvements	2	28	0	0	0	30
		Clyde Cottage - 600 hours provision	465	40	0	0	0	505
		Craignish Primary School - Pre Five Extension (600 hours funding)	382	35	0	0	0	417
		Early Learning and Childcare	1,057	329	0	0	0	1,386
		Early Years 1140 Hours	0	2,100	0	0	0	2,100
		Iona Primary School - Pre Five Unit (600 hours funding)	434	40	0	0	0	474
		Islay High & Rosneath PS Pitches	1	675	24	0	0	700
		Lochgoilhead Primary School - Pre Five Unit (600 hours funding)	365	23	0	0	0	388
		Park Primary Extension and Pre Fives Unit	341	5	0	0	0	346
		Sandbank Gaelic Pre Five Unit	478	-14	0	0	0	464
		Tarbert High School - Biomass enabling work	0	20	0	0	0	20
	Education Total		3,555	3,279	24	0	0	6,858
Service Development Total			**3,555**	**3,279**	**24**	**0**	**0**	**6,858**
Strategic Change	Education	Campbeltown Schools Redevelopment	1,623	327	20	440	0	2,410
		Dunoon Primary School	3,175	4,582	2,502	0	0	10,259
		Kirn Primary School	9,864	315	0	0	0	10,179
		Replacement of Oban High School	2,282	548	520	0	0	3,350
	Education Total		16,944	5,772	3,042	440	0	26,198
Strategic Change Total			**16,944**	**5,772**	**3,042**	**440**	**0**	**26,198**
Overall Total			**37,636**	**11,656**	**5,097**	**440**	**0**	**54,829**

CAPITAL PLAN 2018-19
Customer and Support Services

APPENDIX 10

Category	Head of Service	Project	Previous Years £000's	2018-19 £000's	2019-20 £000's	2020-21 £000's	Future Years £000s	Total £000s
Asset Sustainability	Customer and Support Services	Block Allocation	0	0	911	0	0	911
		Computer Network Security	642	46	0	0	0	688
		Corporate GIS Portal Rollout	133	7	17	0	0	157
		MS Exchange & Doc Sharing	381	35	0	0	0	416
		PC Replacement	3,197	516	0	0	0	3,713
		Server Sustainability	310	516	0	0	0	826
		Telecomms Network	1,121	178	0	0	0	1,299
		Unified Communications and Video Conferencing	746	0	0	0	0	746
	Customer and Support Services Total		6,530	1,298	928	0	0	8,756
Asset Sustainability Total			**6,530**	**1,298**	**928**	**0**	**0**	**8,756**
Service Development	Customer and Support Services	Applications Projects	1,196	33	34	0	0	1,263
		Property Management System	89	0	0	0	0	89
	Customer and Support Services Total		1,285	33	34	0	0	1,352
Service Development Total			**1,285**	**33**	**34**	**0**	**0**	**1,352**
Overall Total			**7,815**	**1,331**	**962**	**0**	**0**	**10,108**

CAPITAL PLAN 2018-19
Facility Services

APPENDIX 10

Category	Head of Service	Project	Previous Years £000's	2018-19 £000's	2019-20 £000's	2020-21 £000's	Future Years £000s	Total £000s
Asset Sustainability	Facility Services	Argyll House, Dunoon	77	470	6	0	0	553
		Asbestos Capital Property Works	72	42	0	0	0	114
		Block Allocation	0	168	525	0	0	693
		Burnett Building	74	20	0	0	0	94
		Capital Property Works	70	10	0	0	0	80
		Castle House, Dunoon	46	10	0	0	0	56
		Dunoon Office Rationalisation	3	7	220	0	0	230
		Fire Risk Assessment Works 16/17	0	75	0	0	0	75
		Hill Street Dunoon Rewire	2	0	32	1	0	35
		Joint Valuation Board	0	39	0	0	0	39
		Kilmory Castle	280	111	5	0	0	396
		Legionella Capital Works 16/17	8	0	0	0	0	8
		Legionella Control Works	0	390	500	0	0	890
		Lorn House, Oban	96	25	0	0	0	121
		Manse Brae District Office	32	91	2	0	0	125
		Manse Brae Roads Office	35	2	0	0	0	37
		Mill Park Depot	84	-11	0	0	0	73
		Oban Municipal Buildings	250	20	0	0	0	270
		Old Quay Offices, Campbeltown	32	15	0	0	0	47
		Tobermory Area Office	96	73	0	0	0	169
		Whitegates Office, Lochgilphead	30	25	0	0	0	55
	Facility Services Total		1,287	1,582	1,290	1	0	4,160
Asset Sustainability Total			**1,287**	**1,582**	**1,290**	**1**	**0**	**4,160**
Strategic Change	Facility Services	Asset Management Fund	0	2,000	0	0	0	2,000
		Campbeltown Office Rationalisation	595	1	0	0	0	596
		Carbon Management - Group Heating Conversion Project (Prudential Borrowing)	1,891	125	0	0	0	2,016
		Carbon Management Business Cases (FPB)	201	60	0	0	0	261
		Carbon Management Capital Property Works 16/17	19	20	0	0	0	39
		Carbon Management Fuel Conversions (FPB)	107	38	0	0	0	145
		Helensburgh Office Rationalisation (FPB,REC)	11,438	400	0	0	0	11,838
		Kilmory Biomass Project OBC (FPB,REV)	956	43	0	0	0	999
		Non-NPDO Schools PV Panel Installations	400	88	0	0	0	488
		NPDO Schools Solar PV Panel Installations	761	183	0	0	0	944
		Oil to Gas Heating Conversions (FPB)	182	27	0	0	0	209
		Rothesay Office Rationalisation	0	10	0	0	0	10
		Tiree Shared Offices	0	0	0	0	0	0
	Facility Services Total		16,550	2,995	0	0	0	19,545
Strategic Change Total			**16,550**	**2,995**	**0**	**0**	**0**	**19,545**
Area Committee	Facility Services	Area Committee	25	44	0	0	0	69
	Facility Services Total		25	44	0	0	0	69
Area Committee Total			**25**	**44**	**0**	**0**	**0**	**69**
Overall Total			**17,862**	**4,621**	**1,290**	**1**	**0**	**23,774**

CAPITAL PLAN 2018-19
Economic Development

APPENDIX 10

Category	Head of Service	Project	Previous Years £000's	2018-19 £000's	2019-20 £000's	2020-21 £000's	Future Years £000s	Total £000s
Service Development	Economic Development	Cycleways - H&L (FSPT)	2,293	329	0	0	0	2,622
		Kilmartin House	0	0	200	200	0	400
		NVA	0	250	0	0	0	250
		Safe Streets, Walking and Cycling (CWSS)	571	298	108	0	0	977
		SPT - bus infrastructure	1,378	34	0	0	0	1,412
	Economic Development Total		4,242	911	308	200	0	5,661
Service Development Total			**4,242**	**911**	**308**	**200**	**0**	**5,661**
Strategic Change	Economic Development	01 TIF - Lorn/Kirk Road	736	10	0	0	0	746
		05 TIF - North Pier Extension	214	346	0	0	0	560
		09 TIF - Oban Airport Business Park	445	50	95	0	0	590
		CHORD - Campbeltown	3,460	1,326	0	0	0	4,786
		CHORD - Dunoon	9,504	2,508	0	0	0	12,012
		CHORD - Helensburgh -Public Realm Imprv	6,466	764	0	0	0	7,230
		CHORD - Oban	6,982	975	0	0	0	7,957
		CHORD - Rothesay	3,017	5,341	4,187	0	0	12,545
		Dunoon CARS	0	0	166	167	167	500
		Glengorm Wind Turbine	408	29	0	0	0	437
		Helensburgh Waterfront Development	738	676	2,560	14,413	0	18,387
		OBC for Dunoon Pier	2,844	-14	0	0	0	2,830
		Rothesay THI	0	0	66	67	67	200
	Economic Development Total		34,814	12,011	7,074	14,647	234	68,780
Strategic Change Total			**34,814**	**12,011**	**7,074**	**14,647**	**234**	**68,780**
Overall Total			**39,056**	**12,922**	**7,382**	**14,847**	**234**	**74,441**

CAPITAL PLAN 2018-19
Roads and Amenity Services

APPENDIX 10

Category	Head of Service	Project	Previous Years £000's	2018-19 £000's	2019-20 £000's	2020-21 £000's	Future Years £000s	Total £000s
Asset Sustainability	Roads and Amenity Services	Astro Pitch Repairs	316	30	0	0	0	346
		Block Allocation	0	0	0	0	0	0
		Bridge Strengthening	2,284	150	388	270	0	3,092
		Castle Lodge, Dunoon - Building Works	157	3	0	0	0	160
		Cemetery Houses	36	14	0	0	0	50
		Environmental Projects	405	100	414	0	0	919
		EV Quick Chargers	440	0	0	0	0	440
		Fleet Management	0	908	2,310	1,600	0	4,818
		Flood Prevention	324	171	38	0	0	533
		Footway Improvements	181	569	250	0	0	1,000
		Furnace Coastal Protection	125	19	0	0	0	144
		Glengorm - Capping	94	106	0	0	0	200
		Horizontal Balers	0	8	0	0	0	8
		Lighting	1,396	100	207	0	0	1,703
		Public Convenience Upgrades	0	66	0	0	0	66
		Roads Reconstruction	27,995	9,780	6,636	0	0	44,411
		Tarbert All Weather Sports Pitch	105	10	0	0	0	115
		Traffic Management	366	0	0	0	0	366
	Roads and Amenity Services Total		34,224	12,034	10,243	1,870	0	58,371
Asset Sustainability Total			**34,224**	**12,034**	**10,243**	**1,870**	**0**	**58,371**
Service Development	Roads and Amenity Services	A849 Pennyghael Bridge Mull	127	0	0	0	0	127
		Campbeltown Old Quay	1,376	48	0	0	0	1,424
		Preliminary design for Regional Transport projects (tif)	203	18	0	0	0	221
	Roads and Amenity Services Total		1,706	66	0	0	0	1,772
Service Development Total			**1,706**	**66**	**0**	**0**	**0**	**1,772**
Strategic Change	Roads and Amenity Services	Campbeltown Flood Scheme	84	150	369	0	0	603
		Harbour Investment Programme	319	2,336	4,800	7,314	63,395	78,164
		Kintyre Renewables Hub (FGPB)	11,383	732	0	0	0	12,115
		Street Lighting LED Replacement	2,501	650	749	0	0	3,900
	Roads and Amenity Services Total		14,287	3,868	5,918	7,314	63,395	94,782
Strategic Change Total			**14,287**	**3,868**	**5,918**	**7,314**	**63,395**	**94,782**
Overall Total			**50,217**	**15,968**	**16,161**	**9,184**	**63,395**	**154,925**

CAPITAL PLAN 2018-19
Live Argyll

APPENDIX 10

Category	Head of Service	Project	Previous Years £000's	2018-19 £000's	2019-20 £000's	2020-21 £000's	Future Years £000s	Total £000s
Asset Sustainability	Live Argyll	Aqualibrium	179	180	6	0	0	365
		Bute Community Education Centre (Rewire)	43	0	0	0	0	43
		Campbeltown Community Centre - Fire Alarm and Door Upgrade	0	60	0	0	0	60
		Campbeltown Museum - Burnet Bldg	81	24	1	0	0	106
		Capital Property Works	108	2	0	0	0	110
		Community Centres General - Options Appraisal	16	-1	0	0	0	15
		Corran Halls, Oban	529	1	0	0	0	530
		Dunoon Community Education Centre	192	50	0	0	0	242
		Helensburgh Swimming Pool - Roofing	0	10	0	0	0	10
		Lochgilphead Community Ed Centre	33	0	0	0	0	33
		Moat Centre (Roofing)	13	196	14	0	0	223
		Mossfield Grandstand - Upgrade	0	35	0	0	0	35
		Oban Library (Leased Property)	6	122	2	0	0	130
		Riverside Leisure Centre - Cladding Upgrade	0	30	0	0	0	30
		Rothesay Swimming Pool	138	47	589	0	0	774
		Victoria Hall, Campbeltown	594	44	2	0	0	640
		Victoria Halls, Helensburgh	231	99	2	0	0	332
	Live Argyll Total		2,163	899	616	0	0	3,678
Asset Sustainability Total			**2,163**	**899**	**616**	**0**	**0**	**3,678**
Service Development	Live Argyll	Archives - Wee Manse Brae	56	0	0	0	0	56
		Riverside Leisure Centre Refurbishment	1,113	8	0	0	0	1,121
	Live Argyll Total		1,169	8	0	0	0	1,177
Service Development Total			**1,169**	**8**	**0**	**0**	**0**	**1,177**
Strategic Change	Live Argyll	Carbon Management	14	36	0	0	0	50
	Live Argyll Total		14	36	0	0	0	50
Strategic Change Total			**14**	**36**	**0**	**0**	**0**	**50**
Overall Total			**3,346**	**943**	**616**	**0**	**0**	**4,905**

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

STRATEGIC FINANCE **14 FEBRUARY 2019**

TREASURY MANAGEMENT MONITORING REPORT – DECEMBER 2018

1. EXECUTIVE SUMMARY

1.1 This report sets out the Council's treasury management position for the period 1 November 2018 to 31 December 2018 and includes information on:

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

1.2 Borrowing is below the Capital Financing Requirement for the period to 31st December 2018, however, there are substantial internal balances, of which £84.6m is currently invested.

1.3 The net movement in external borrowing in the period was an increase of £0.019m.

1.4 The levels of investments were £84.6m at 31 December 2018. The rate of return achieved was 0.925% which compares favourably with the target of 7 day LIBID which was 0.582%.

1.5 The Councils Treasury Management Practices state that the limit with the Clydesdale Bank, the Council's bankers, is £5m. During December, due to the Christmas close down period, this limit was breached as income continued to be lodged into the bank account while Council offices were closed. This position was rectified as soon as Council offices reopened in January.

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

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

STRATEGIC FINANCE **14 FEBRUARY 2019**

TREASURY MANAGEMENT MONITORING REPORT – DECEMBER 2018

2. INTRODUCTION

2.1 This report sets out the Council's treasury management position for the period 1 November 2018 to 31 December 2018 and includes information on:

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

3. DETAIL

Overall Borrowing Position

3.1 The table below details the estimated capital financing requirement (CFR) and compares this with the estimated level of external debt at 31 March 2019. The CFR represents the underlying need for the Council to borrow to fund its fixed assets and accumulated capital expenditure.

	Forecast 2018/19 £000's	**Budget 2018/19 £000's**	**Forecast 2019/20 £000's**	**Forecast 2020/21 £000's**
CFR at 1 April	306,433	306,433	297,755	289,406
Net Capital Expenditure	3,165	9,798	3,798	12,259
Less Loans Fund Principal Repayments	(7,436)	(7,956)	(7,740)	(8,058)
Less: NPDO Repayment	(4,407)	(4,407)	(4,407)	(4,407)
Estimated CFR 31 March	**297,755**	**303,868**	**289,406**	**289,200**
Less Funded by NPDO	(124,224)	(124,224)	(119,817)	(115,410)
Estimated Net CFR 31 March	**173,531**	**179,644**	**169,589**	**173,790**
Estimated External Borrowing at 31 March	173,109	173,109	166,817	163,045
Gap	**422**	**6,535**	**2,772**	**10,745**

3.2 Borrowing is below the CFR for the period to 31 March 2019. Additional borrowing was taken in March 2018 to take advantage of the low PWLB rates prevailing at that time. This has resulted in the under borrowed position being less than in previous years.

3.3 The Council's estimated net capital financing requirement at the 31st December 2018 is £174.582m. The table below shows how this has been financed. Whilst borrowing is less than the CFR there are substantial internal balances (mainly the General Fund) of which £90.1m is currently invested.

	Position at 31/10/18 £000's	**Position at 31/12/18 £000's**
Loans	175,989	176,006
Internal Balances	88,773	83,174
Less Investments & Deposits	(90,180)	(84,598)
Total	**174,582**	**174,582**

Borrowing Activity

3.4

	Actual £000's
External Loans Repaid 1st October 2018 to 31st December2018	(9)
Borrowing undertaken 1st Ocrober 2018 to 31st December 2018	28
Net Movement in External Borrowing	**19**

3.5 The external borrowing of the Council increased by £0.019m during the period, due to new temporary borrowing of £0.028m and repayment of temporary borrowing of £0.09m.

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

	£000s	**% Rate**
Temp borrowing at 31st October 2018	561	0.35%
Temp borrowing at 31st December 2018	579	0.35%

Investment Activity

3.7 The average rate of return achieved on the Council's investments to 31 December 2018 was 0.925% compared to the average LIBID rate for the same period of 0.582% which demonstrates that the Council is achieving a reasonable rate of return on its cash investments. At 31 December 2018 the Council had £84.6m of short term investments at an average rate of 0.925%.The table below details the counterparties that the investments were placed with, the maturity date, the interest rate and the credit rating applicable for each of the counterparties.

Counterparty	Maturity	Amount £000s	Interest Rate	Rating S&P	Rating Fitch
Clydesdale Bank Instant	Instant Access	5,598	0.65%	Short Term A-2, Long Term BBB+	
Helaba Landesbank	04/01/2019	2,500	0.75%	Short Term A-1, long Term A	
RBS (CD)	23/04/2018	5,000	1.04%	Short Term A-2, Long Term A-	
DBS	24/04/2019	5,000	0.98%	Short Term A-1+, Long Term AA-	
Bank of Scotland	29/05/2019	5,000	1.00%	Short Term A-1, Long Term A+	
NATWEST (CD)	14/06/2019	5,000	0.93%	Short Term A-2, Long Term A-	
ANZ	19/06/2019	2,500	0.92%	Short Term A-1+, Long Term AA-	
CBA	15/07/2019	5,000	0.94%	Short Term A-1+ , Long Term AA-	
Santander	15/02/2019	5,000	1.00%	Short Term A-1, Long Term A	
Santander	04/03/2019	5,000	1.00%	Short Term A-1, Long Term A	
Helaba Landesbank	12/03/2019	5,000	0.90%	Short Term A-1, long Term A	
Qatar National Bank	02/01/2019	5,000	1.13%	Short Term A-1, Long Term A	
Qatar National Bank	03/01/2019	2,500	1.10%	Short Term A-1, Long Term A	
Qatar National Bank	15/01/2019	2,500	1.14%	Short Term A-1, Long Term A	
Bank of Scotland	16/01/2019	2,500	0.90%	Short Term A-1, Long Term A+	
ANZ	17/01/2019	2,500	0.90%	Short Term A-1+, Long Term AA-	
First Abu Dhabi Bank	23/04/2019	5,000	0.94%	Short Term A-1+, Long Term AA-	
Bayerishche Landesbank	23/04/2019	5,000	0.89%	NR	Short Term F1, Long Term A-
ANZ	13/05/2019	5,000	1.00%	Short Term A-1+, Long Term AA-	

3.8 All investments and deposits are in accordance with the Council's approved list of counterparties and within the limits and parameters defined in the Treasury Management Practices. The counterparty list is constructed based on

assessments by leading credit reference agencies adjusted for additional market information available in respect of counterparties.

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

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

Economic and Interest Rate Forecasts

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

Prudential Indicators

3.12 The prudential indicators for 2018-19 are attached in appendix 3.

4. CONCLUSION

4.1 The Council's borrowing increased by £0.019m, it is below the Capital Financing Requirement for the period to 31 December 2018. There are substantial internal balances, of which £84.6m is currently invested. The investment returns were 0.925% which is above the target of 0.582%.

5. IMPLICATIONS

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

Kirsty Flanagan
Head of Strategic Finance
21 January 2019

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

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

Appendix 1

Economic Background

This section has been provided by Link Asset Services and therefore includes their views and opinions of future trends and events.

UK. After weak **economic growth** of only 0.1% in quarter one, growth picked up to 0.4% in quarter 2 and to 0.6% in quarter 3. However, uncertainties over Brexit look likely to cause growth to have weakened again in quarter four. After the Monetary Policy Committee raised Bank Rate from 0.5% to 0.75% in August, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit clear. In the event of a disorderly exit, the MPC have said that rates could go up or down, though it is probably much more likely to be down so as to support growth. Nevertheless, the MPC does have concerns over the trend in **wage inflation** which peaked at a new post financial crisis high of 3.3%, (excluding bonuses), in the three months to December. The main issue causing this is a lack of suitably skilled people due to the continuing increase in total employment and unemployment being near to 43 year lows. Correspondingly, the total level of vacancies has risen to new highs.

As for **CPI inflation** itself, this has been on a falling trend, reaching 2.3% in November. However, in the November Bank of England Inflation Report, the latest forecast for inflation over the two year time horizon was raised to being marginally above the MPC's target of 2%, indicating a slight build up in inflationary pressures.

The rise in wage inflation and fall in CPI inflation is good news for consumers as their spending power is improving in this scenario as the difference between to two figures in now around 1%, i.e. a real terms increase. Given the UK economy is very much services sector driven, an increase in **household spending power** is likely to feed through into providing some support to the overall rate of economic growth in the coming months.

In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in 2019, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a (temporary) boost in consumption in 2018 which generated an upturn in the strong rate of growth; this rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2 and 3.5% in quarter 3. The strong growth in employment numbers has fed through to an upturn in wage inflation which hit 3.1% in November, However, CPI inflation overall fell to 2.2% in November and looks to be on a falling trend to drop below the Fed's target of 2% during 2019. The Fed increased rates another 0.25% in December to between 2.25% and 2.50%, this being the fifth increase in 2018 and the ninth in this cycle.

However, they did also reduce their forecast for further increases from three to two. This latest increase compounded investor fears that the Fed is over doing the rate and level of increases in rates and that it is going to cause a US recession as a result. There is also much evidence in previous monetary policy cycles of the Fed's series of increases doing exactly that. Consequently, we have seen stock markets around the world plunging under the weight of fears around the Fed's actions, the trade war between the US and China, an expectation that world growth will slow, Brexit etc.

EUROZONE. Growth fell in quarter 3 to 0.2% from 0.4% in quarter 2 but this is likely to be a one off blip caused primarily by a one off fall in car production. The ECB forecast growth in 2018 to be 1.9% falling to 1.7% in 2020. The ECB ended its programme of quantitative easing purchases of debt in December, which now means that the central banks in the US, UK and EU have all now ended the phase of post financial crisis expansion of liquidity supporting world financial markets.

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

Appendix 2

Interest Rate Forecast:

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

Link Asset Services Interest Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

After the August increase in Bank Rate to 0.75%, the first above 0.5% since the financial crash, the MPC has since then put any further action on hold, probably until such time as the fog of Brexit clears and there is some degree of certainty of what the UK will be heading into. It is particularly unlikely that the MPC would increase Bank Rate in February 2019 ahead of the deadline in March for Brexit, if no agreement on Brexit has been reached by then. ***The above forecast, and other comments in this report, are based on a central assumption that there is an agreement on a reasonable form of Brexit.*** In that case, then we think that the MPC could return to increasing Bank Rate in May 2019 but then hold fire again until February 2020. However, this is obviously based on making huge assumptions which could be confounded. In the event of a disorderly Brexit, then cuts in Bank Rate could well be the next move.

The balance of risks to the UK

The overall balance of risks to economic growth in the UK is probably neutral.

- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

APPENDIX 3 : PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2018/19	2018/19	2019/20	2020-21
(1). EXTRACT FROM BUDGET				
Capital Expenditure	**Forecast Outturn £'000**	**Original Estimate £'000**	**Forecast Outturn £'000**	**Forecast Outturn £'000**
Non - HRA	27,826	57,710	7,784	(1,922)
TOTAL	27,826	57,710	7,784	(1,922)
Ratio of financing costs to net revenue stream				
Non - HRA	7.21%	7.21%	7.03%	6.61%
Net borrowing requirment				
brought forward 1 April *	318,341	257,324	336,094	336,912
carried forward 31 March *	336,094	304,627	336,912	324,766
in year borrowing requirement	17,753	47,303	818	(12,146)
In year Capital Financing Requirement				
Non - HRA	17,753	47,303	818	(12,146)
TOTAL	17,753	47,303	818	(12,146)
Capital Financing Requirement as at 31 March				
Non - HRA	336,094	304,627	336,912	324,766
TOTAL	336,094	304,627	336,912	324,766
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p
Increase in Council Tax (band D) per annum	128.26	15.72	16.34	(4.03)

PRUDENTIAL INDICATOR	2018/19	20219/20	2020/21
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	**£'M**	**£'M**	**£'M**
Authorised limit for external debt -			
borrowing	208	208	199
other long term liabilities	133	133	133
TOTAL	341	341	332
Operational boundary for external debt -			
borrowing	203	203	194
other long term liabilities	130	130	130
TOTAL	333	333	324
Upper limit for fixed interest rate exposure			
Principal re fixed rate borrowing	190%	190%	190%
Upper limit for variable rate exposure			
Principal re variable rate borrowing	60%	60%	60%
Upper limit for total principal sums invested for over 364 days (per maturity date)	£20m	£20m	£20m

Maturity structure of new fixed rate borrowing during 2017/18	upper limit	lower limit
under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	40%	0%
10 years and above	80%	0%

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

STRATEGIC FINANCE **14 FEBRUARY 2019**

RESERVES AND BALANCES – UPDATE AS AT 31 DECEMBER 2018

1 EXECUTIVE SUMMARY

1.1 The main purpose of this report is to advise Members of the overall level of reserves held by the Council as well as providing detail on the monitoring of the earmarked balances held within the General Fund.

1.2 The Council has a total of £240.962m unusable reserves that are not backed with resources. They are required purely for accounting purposes.

1.3 The Council has a total of £56.183m usable reserves as at the end of 31 March 2018. Of this balance, £1.515m relates to the Repairs and Renewals Fund, £4.326m relates to Capital Funds and the remainder is held in the General Fund, with £43.717m of the balance earmarked for specific purposes.

1.4 Of the earmarked balance of £43.717m:

- £29.201m is invested or committed for major initiatives/capital projects
- £4.486m has already been drawn down as at the end of October
- £1.669m is still to be drawn down in 2018-19
- £7.124m is planned to be spent in future years
- £1.237m can be released back to the General Fund.

Appendix 1 provides further information on the unspent budget earmarkings.

1.5 The General Fund contingency is set at 2% of net expenditure for 2018-19 and amounts to £4.726m. At the beginning of the financial year there was £1.899m of unallocated General Fund Balance (over and above contingency). After taking into consideration the forecast outturn for 2018-19 and the earmarking that can be released back to the unallocated General Fund, the unallocated General Fund balance is expected to be £1.095m at the end of the financial year.

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

STRATEGIC FINANCE **14 FEBRUARY 2019**

RESERVES AND BALANCES - UPDATE AS AT 31 DECEMBER 2018

2. INTRODUCTION

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

3. DETAIL

3.1 Types of Reserves

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

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

3.2 Reserve Balances At 31 March 2018

3.2.1 The balances on each type of reserve at 31 March 2018 are set out in the table below, updated as per the Audited Accounts for 2017-18.

Reserve	**£000**
Unusable Reserves	
Revaluation Reserve	108,820
Capital Adjustment Account	196,126
Financial Instruments Adjustment Account	(3,506)
Pensions Reserve	(56,442)
Accumulated Absences Account	(4,036)
Total Unusable Reserves	**240,962**
Usable Reserves…….on next page	

Reserve	£000
Usable Reserves	
Repairs and Renewals Fund	1,515
Capital Fund and Usable Capital Receipts Reserve	4,326
General Fund	50,342
Total Usable Reserves	**56,183**
Total Reserves	**297,145**

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

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

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

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

3.3 General Fund

3.3.1 The General Fund balance at 31 March 2018 can be analysed as follows:

	Balance 31/03/18 £000
Balance on General Fund as at 31 March 2017	53,489
Decrease to General Fund balance at end of 2017-18	(3,147)
Earmarked Balances	(43,717)
Contingency allowance at 2% of net expenditure	(4,726)
Unallocated balance as at 31 March 2018	**1,899**

3.3.2 The General Fund includes balances that the Council has agreed to earmark for specific purposes. Some of these earmarked balances will be spent during the current financial year and some of them will be held over and spent in later years.

The table below shows the balance at 31 March 2018, the amounts that are currently invested or set aside for major initiatives, the amount already spent and planned to be spent in the current year, the amount to be spent in future years and any sums no longer required to be earmarked. Appendix 1 provides further details on the breakdown of unspent budget. Officers have reviewed and updated the spending profiles.

Earmarking Category	**Balance 31/03/18** £000	**Invested or committed for major initiatives /capital projects** £000	**Drawn-down to 2018-19 Budget as at 31/12/18** £000	**Still to be drawn-down in 2018-19** £000	**Planned Spend Future Years** £000	**Balance no Longer Required** £000
Strategic Housing Fund	5,898	4,524	1,374	0	0	0
Investment in Affordable Housing	5,000	4,100	0	0	0	900
Capital Projects	5,579	5,579	0	0	0	0
Lochgilphead and Tarbert Regeneration	2,995	2,985	10	0	0	0
Inward Investment Fund	960	960	0	0	0	0
Rural Resettlement Fund	328	199	129	0	0	0
Asset Management Investment	2,507	2,507				
Piers and Harbours Investment Fund	107	107	0	0	0	0
Severance	1,238	0	0	0	1,238	0
Scottish Government Initiatives	566	0	201	46	319	0
Transformation	83	0	15	0	68	0
CHORD	333	0	0	0	96	237
DMR – Schools	752	0	687	0	65	0
Energy Efficiency Fund	137	0	0	0	137	0
Existing Legal Commitments	920	0	88	0	832	0
Unspent Grant	1,295	0	888	89	318	0
Unspent Third Party Contributions	170	0	36	0	134	0
Other Previous Council Decisions	9,350	8,240	311	286	513	0
Unspent Budget	5,499	0	747	1,248	3,404	100
Total	**43,717**	**29,201**	**4,486**	**1,669**	**7,124**	**1,237**

3.3.3 There are three earmarked balances where a proportion can be released back to the General Fund.

- Investment in Affordable Housing £0.900m: this earmarked balance provides cash backed reserves for the loans to registered social landlords. As at 31 December 2018, the balance on the remaining loans is £4.1m, therefore £0.900m can be released back to the General Fund.
- CHORD £0.237m: this balance was remaining a number of years ago and there is no planned or commitment expenditure.
- Unspent Budget TIF Project Team £0.100m: money was allocated to fund the project team in respect of the TIF project. Officers are currently

considering current TIF arrangements, however, it is anticipated that a minimum of £0.100m can be returned to the General Fund balance.

3.3.4 The General Fund contingency is set at 2% of net expenditure for 2018-19 and amounts to £4.726m. At the beginning of the financial year there was £1.899m of unallocated General Fund Balance (over and above contingency). After taking into consideration the forecast outturn for 2018-19 and the earmarking that can be released back to the unallocated General Fund, the unallocated General Fund balance is expected to be £1.095m at the end of the financial year.

	£000
Unallocated balance as at 31 March 2018	1,899
Released back to unallocated General Fund	1,237
Current Forecast Outturn for 2018-19 as at 31 December 2018	(2,041)
Estimated Unallocated balance as at 31 March 2019	**1,095**

4. CONCLUSION

4.1 The report outlines the overall reserves and balances for the Council covering the purpose and level of each reserve. It also provides detail as to expenditure against earmarked balances held within the General Fund.

4.2 As at 31 December 2018 the estimated unallocated General Fund, after taking into consideration the forecast outturn for 2018-19 is a surplus of £1.095m.

5. IMPLICATIONS

5.1	Policy -	Earmarked funds and funds set aside for delivery of Single Outcome Agreement are available to support Council Policy.
5.2	Financial -	Outlines the balances held with the Council's usable and unusable reserves.
5.3	Legal -	None.
5.4	HR -	None.
5.5	Equalities -	None.
5.6	Risk -	A contingency of £4.726m (equivalent to 2% of net expenditure) has been set aside as part of the general fund. This has been subject to a risk assessment.
5.7	Customer Service -	None.

Kirsty Flanagan
Head of Strategic Finance
11 January 2018

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

APPENDICES
Appendix 1 – Earmarked Reserves breakdown of unspent budget

APPENDIX 1

Earmarked Reserves - Unspent Budget
As at 31 December 2018

Ref	Department	Service	Description	Opening Balance £000	Budget Drawdown £000	Released back to General Fund £000	Remaining Balance £000	Still to be drawndown in 18/19 £000	Planned to spend in future years £000	Plans for Use	Amount Planned to be Spent in 2018/19 £000	Amount Planned to be Spent in 2019/20 £000	Amount Planned to be Spent from 2020/21 onwards £000
001	Chief Executive Unit	Strategic Finance	CIPFA and AAT student fees, equipment and the conversion of paper client records to the CIVICA Electronic Document Management System	54,919	7,662		47,257	32,591	14,666	CIPFA Training - To fund the professional training costs for three staff undertaking the CIPFA professional accountancy qualification. AAT Programme - This is part of the Strategic Finance medium to long term plan to "Grow your own" to plan for sucession and ensure the quality of service provided. Converting to Digital Records project - This project has been created to covert all the Income Maximisation finance files (Homecare/Adult care etc) to digital. This will be done by employing a temporary admin assistant. Once complete the efficiencies of information flow and access will generate savings within the finance team.	40,253	14,666	0
002	Community Services	Education	Youth Employment Opportunities Fund	30,270	7,913		22,357	87	22,270	Fund established in 2012/13 to be spent over more than one year. Monies will mainly be used for Modern Apprenticeship scheme.	8,000	22,270	0
003	Community Services	Education	School Campus Proposals - Dunoon and Campbeltown	43,122	43,122		0	0	0	Additional revenue costs associated with development of new schools. Draw down as Schools project progresses and project costs are incurred.	43,122	0	0
004	Community Services	Formerly Community and Culture	Queen's Hall Soft Play	75,000	67,682		7,318	7,318	0	To fund the provision of a soft play area required as part of the CHORD redevelopment of the Queen's Hall.	75,000	0	0
005	Customer Services	Customer and Support Services	WSUS Servers	9,448			9,448	9,448	0	To fund the introduction of local Windows Services Update Servers (WSUS) to assist the Council with ensuring that essential updates are installed across the desktop and laptop estate much more quickly, thereby increasing IT security and with less adverse impact on bandwidth and user performance.	9,448	0	0
006	Customer Services	Customer and Support Services	Discretionary Housing Payments	38,939			38,939	38,939	0	Residual funding from the Scottish Government allocation for Discretionary Housing Payments (DHPs) in 2014-15 not previously utilised on DHPs in 2017-18 as planned. This underspend should be carried forward to supplement monies available for DHPs in 2018-19, to offset the reduction in the	38,939	0	0
007	Customer Services	Customer and Support Services	Scottish Government Funding - Welfare Reform/Discretionary Housing Payments (agreed at Council February 2014)	18,595			18,595	18,595	0	The Council was allocated additional funding of £550k from the Scottish Government late in 2013-14 to provide additional Discretionary Housing Payments. The Council agreed to carry forward the balance of funding to support a range of welfare reform interventions. An updated spending plan for the funding was agreed by the Policy and Resources Committee in March 2017.	18,595	0	0
008	Customer Services	Customer and Support Services	Digital Transformation	119,870	59,969		59,901	59,901	0	To fund the development of 11 digital transformation options and to support the work of the Transformation Board. Options were approved by the Administration on 3rd December for a series of spend to save activities.	119,870	0	0
009	Customer Services	Customer Services	Estates - NDR Revaluation Appeals	115,000			115,000	115,000	0	To meet the cost of appealing NDR revaluations which will be imposed from 1st April 2017.	115,000	0	0
010	Customer Services	Customer Services	New Schools Project - Additional Monitoring	170,000			170,000	85,000	85,000	As a result of the Edinburgh Schools Inquiry, the Cole report has been issued addressing issues in relation to the monitoring of construction projects. Earmarking will provide resource to enable the Council to review monitoring arrangements across a number of projects to ensure compliance.	85,000	85,000	0
011	Customer Services	Facility Services	Management of Asbestos	236,961	52,362		184,599	94,599	90,000	Providing asbestos management on an ongoing basis by employing 2.5 FTE to ensure compliance with all regulatory requirements.	146,961	90,000	0
012	Customer Services	Improvement and HR	Training Centre Improvements	16,700	16,700		0	0	0	To fund the improvement of the Council's training facilities, including the purchase of new IT equipment which would increase the Council's training offering, allowing access to online, remote and multiple location webinar based learning.	16,700	0	0

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013	Customer Services	Improvement and HR	Resourcelink Review	40,827	32,265		8,562	8,562	0	Fund the Resourcelink Project, which is improving efficiency and functionality in the Council's HR and payroll database. The RL5 Project is underway and l deliver improved and remote clocking, health and safety records, learning and development records and functionality that supports the delivery of savings in HROD through automation and the removal of paper processes.	40,827	0	0
014	Customer Services	Improvement and HR	Argyll and Bute Manager Programme	6,354			6,354	6,354	0	Fund the Argyll and Bute Manager training programme which has been extended. Over 200 managers have been trained and the funding is being used to roll this out across all managers, with a further 3 cohorts having been enrolled in 2016/17 for training to take place in 2017/18. Once full coverage has been achieved the training will become part of business as usual for Learning and Development.	6,354	0	0
015	Customer Services	Improvement and HR	Learning and Development	44,147			44,147	35,167	8,980	Training identified via PRDs, develop further E-Learning modules and the provision of Social Work degree and HNC qualifications. Original earmarked balance was to be spent over a 5 year period.	35,167	8,980	0
016	Customer Services	Improvement and HR	Growing our Own and Modern Apprentices	157,867	38,087		119,780	10,529	109,251	Develop a comprehensive programme to support and attract young people into jobs and careers in the council. Includes funding for a tempoary Growing Our Own development officer, who has been in post since September 2016 to co-ordinate the programme.	48,616	109,251	0
017	Customer Services	Improvement and HR	Leadership Development	32,282	32,282		0	0	0	Support a programme of enhanced leadership development for both senior and team leaders, building on the skills that they already have and ensuring that they are prepared and able to meet the challenges of transformation that that council is facing.	32,282	0	0
018	Customer Services	Improvement and HR	Service Choices HR Team	32,624	25,947		6,677	6,677	0	Fund a Service Choices team in HR to manage the HR process of redundancy, redeployment, retirement, contractual change and service re-design. This was agreed by Policy and Resources Committee on 20 August 2015. The Service Choices Programme is in its final year of implementation and the team are continuing to deal with redeployment, revised contracts and redundancy related to Year 3 implementation. The team will also pick up any employee related changes emerging from transformation or other service change.	32,624	0	0
019	Development & Infrastructure Services	Development & Infrastructure Services	Hermitage Park Pavilion	100,000	100,000		0	0	0	Funding to meet the unexpected additional cost associated with the construction of a new pavilion at Hermitage Park in Helensburgh. The contract has been let into and the works are currently being undertaken on the Pavilion with the final invoice expected in February 2019. All earmarked reserves will be drawn down this financial year.	100,000	0	0
020	Development & Infrastructure Services	Economic Development	Inveraray Avenue Screen Inveraray Arches Re-tender	150,000			150,000	0	150,000	Essential maintenance work to be required out on the Arches in Inveraray. The contract has now been let for this project with a pre contract meeting scheduled for 28th November and local members informed. Works are due to commence in January 2019 to minimise scaffolding customs with a completion date of July 2019.	0	150,000	0

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Earmarked Reserves - Unspent Budget
As at 31 December 2018

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021	Development & Infrastructure Services	Economic Development	Scottish Submarine Museum	40,000			40,000	40,000	0	Commonwealth Submarine Pavilion; proposal to create a new Naval Submarine Museum in Helensburgh as a visitor attraction and celebrate the town's links with HM Faslane Naval Base. This was agreed as part of the 2014/15 Budget as a demand pressure by Council on 13 February 2014. We have recently received information in terms of charity status, hours of operation and visitor numbers from the grantee and we are reviewing this in order to make the final grant payment which is anticipated before the end of the calendar year.	40,000	0	0
022	Development & Infrastructure Services	Economic Development	Hermitage Park HLF	45,000	45,000		0	0	0	The aims of the scheme focus around the objectives of protecting the quality of the heritage of Hermitage Park thereby improving the quality of the experience, increase public engagement and the use of the park. The overall objective is to enhance the quality of the area as a place to live and work and in turn improve the overall quality of life in our communities This will be achieved through the following : 1 Restoration of the historic fabric including walled memorial garden, pond and gates, old mill remains, Hermitage Well and the Millig Burn paths, bridges and walls, 2 Restoration/reinterpretation of historic planting, including open up lines of site to improve safety of visitors, 3 Celebration of heritage through interpretation and community involvement – and upgrading of the paths and drainage to increase access to the Park, 4 Reconsideration of the recreational elements which include the children's play park, bowling green, tennis courts, putting green and recreational pavilion, shelter and toilets.	45,000	0	0
023	Development & Infrastructure Services	Economic Development	Rothesay Pavilion Essential repairs	306,400			306,400	306,400	0	Essential repairs to deal with potential health and safety risks and to avoid further deterioration. Budget provision was approved by the Policy and Resources Committee on 21 August 2014.	306,400	0	0
024	Development & Infrastructure Services	Economic Development	Oban TIF (Tax Incremental Financing)	1,005,171	55,659	100,000	849,512	0	849,512	Revenue budget approved to fund the Lorn Arc Incremental Financing (TIF) programme management. This balance will fund the programme office until 2019-20, any unspent amounts have been approved to be automatically carried forward at the year-end as agreed by Council on 22 January 2015.	55,659	849,512	0
025	Development & Infrastructure Services	Planning and Regulatory Services	Development Policy	19,910			19,910	19,910	0	To be used for the Marine Related Infrastructure Requirements Study which was mentioned in the Oban Strategic Development Framework and the Main Issue report (FQ4 2017/18). Remainder will be used for publicity and printing for the proposed LDP & associated documents.	19,910	0	0

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Earmarked Reserves - Unspent Budget
As at 31 December 2018

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026	Development & Infrastructure Services	Roads and Amenity Services	Street Lighting Survey	144,156	32,018		112,138	0	112,138	Currently funding the LMS WDM Post within the WDM team at Manse Brae. Due to the imminent set up of the HUB as well as personnel moves this post will require to be retained for 2018/2019 and 2019/2020. The post is critical to ensuring continuity of service and is envisaged will support transformation within the HUB. This post will also support any move towards web hosted services and apps being introduced by WDM. The rest of the earmarked reserves will be utilised to introduce an apprentice electrician over a 4 year period.	32,018	53,159	58,979
027	Development & Infrastructure Services	Roads and Amenity Services	Amenity Services introduction of management information system	81,017	36,065		44,952	0	44,952	To introduce WDM/TOTAL to provide accurate management information on the operation of Amenity Services. Funding was available in the 2013-14 budget for this project, which was agreed as part of the service review. Because of delays with progressing budget savings options this delayed the implementation of this project. Work is progressing with a pilot phase. **ELM is currently live within the Helensburgh and Lomond area and Bute and Cowal areas. Currently being introduced in the mid argyll area.**	36,065	44,952	0
028	Development & Infrastructure Services	Roads and Amenity Services	Waste Management	194,361			194,361	0	194,361	Will be used towards long term waste management model, including but not limited to scoping work for the creating of a waste transfer station at Blackhill. **Currently in discussion with Inverclyde and West Dunbartonshire Council about a shared transfer station. Proposed location - West Dunbartonshire area. Meetings are continuing and an update will be provided during November.**	0	194,361	0
029	Development & Infrastructure Services	Roads and Amenity Services	3G pitches	448,679			448,679	50,000	398,679	Maintenance of 3G Pitches across Argyll & Bute.	50,000	398,679	0
030	HQ Non Dept	n/a	Community Resilience Fund	82,256	440		81,816	0	82,256	Fund established in 2012/13 to be spent over more than one year. Fund reduced at the Council meeting on 11 February 2016	Contingency balance - no spending plan for earmarked balance.	0	82,256
031	Integration Services	Adult Care	Autism Strategy	8,068	0	0	8,068	8,068	0	Carry forward on monies received late in 2012-13 to fund the development of an autism strategy for both adults and children. Report to Community Services Committee 8th May 2014 noting The Health and Social Care Strategic Partnership are leading work in Argyll and Bute to develop services for clients with an Autism Spectrum Disorder (ASD). Work is underway and remainder of funding will be utilised in 2017-18 on planned training.	8,068	0	0
032	Other	Other	Underwriting development of Rothesay Pavilion	1,000,000			1,000,000	0	1,000,000	Funding to meet additional costs identified as necessary for the refurbishment of Rothesay Pavilion.	0	1,000,000	0
033	Customer Services	Facility Services	Car Parking at Kilmory including Equality Act 2010 Requirements	137,845			137,845	130,953	6,892	The parking capacity at Kilmory is proving to be insufficient, part	130,953	6,892	0
034	Customer Services	Improvement and HR	Living Wage Consolidation Team	94,108			94,108	42,905	51,203	This proposal relates to the first of a two stage project to review	42,905	51,203	0
035	Customer Services	Improvement and HR	Transformation and Budget Reconstruction	49,774			49,774	17,920	31,854	This proposal seeks earmarked funding for temporary additiona	17,920	31,854	0
036	Customer Services	Improvement and HR	Business Development Training	77,250	13,927		63,323	24,698	38,625	This proposal is to invest in leadership development in support a	38,625	38,625	0

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037	Development & Infrastructure Services	Roads and Amenity Services	Continuation of Transformation Project Managers	60,000	56,275		3,725	3,725	0	It is proposed to extend two existing transformation manager posts in roads to allow the rate of transformation that has been delivered through Roads and Amenity Services to be maintained. The work will focus on activities to improve service delivery by improving customer service and through a proactive approach to reducing complaints and service requests.	60,000	0	0
038	Development & Infrastructure Services	Planning, Housing and Regulatory Services	Housing Case Management System	24,000	24,000		0	0	0	It is proposed to earmark funds to meet the cost of the procurement of two additional modules for the CIVICA Housing Case Management System. Adding the Empty Homes and Home Energy Efficiency Programme modules will provide consistency of data collection across the Housing Service, an evidence base of actions taken, improve reporting on outcomes and provide performance monitoring functionality.	24,000	0	0
039	Development & Infrastructure Services	Roads and Amenity Services	Cardross Crematorium Essential DDA Works	103,000			103,000	0	103,000	There is currently an existing earmarked reserve of £94K to assist with the cost of upgrading the crematorium to meet health and safety and DDA requirements. These works were originally planned to be completed in conjunction with the installation of the new cremator. Unfortunately it was not possible to complete the design and procurement of these works in conjunction with the closures planned for the replacement of the cremator. In order to manage within the existing budget it would now be necessary to reduce the level of service at the crematorium for a number of weeks causing disruption to services and a loss of income. **Discussions are ongoing with property services to finalise the programme of works, thereafter roads and amenity services will discuss the Cremation Federation and Funeral Directors on a proposal to progress with cremations, however not permitting services.** This proposal requests an additional £103K earmarking of funds to cover the completion of the works largely out of opening hours.	0	103,000	0
040	Development & Infrastructure Services	Roads and Amenity Services	Dalinlongart Forestry Plan	11,000			11,000	0	11,000	In 2015 a Long Term Forest Plan for the forest was approved by the Forestry Commission to fell the remaining mature timber within the property. As part of the long term plan, the Council is obligated to restock this ground. It is proposed that the remaining income received for timber income from Tilhill Forestry Limited and annual rental income received from Northern Energy for be earmarked to fund the future work required to ensure that the Council fulfills its obligaton to restock the site.	0	0	11,000
041	Development & Infrastructure Services	Economic Development	Oban Strategic Development Framework	75,000			75,000	75,000	0	As part of the Oban Strategic Development Framework, it is proposed to undertake a survey of road network useage and parking arrangements in Oban town centre.	75,000	0	0
				5,499,920	**747,375**	**100,000**	**4,652,545**	**1,248,346**	**3,404,639**		**1,995,281**	**3,252,404**	**152,235**

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

STRATEGIC FINANCE **14 FEBRUARY 2019**

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 2019-20.

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

- Policy and Resources Committee on 14 February 2019
- Council on 21 February 2019
- Audit and Scrutiny Committee on 19 March 2019
- If required, Council on 18 April 2019, 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 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 Policy & Resources Committee refer to Council to:

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 4.095%, 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 Fairer Scotland Duty - 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
6 February 2019

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

APPENDICES

Appendix 1 – Treasury Management Strategy Statement and Annual Investment Strategy 2019-20

Treasury Management Strategy Statement

and Annual Investment Strategy 2019-2020

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, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any loans to third parties, commercial investment initiatives or other non-financial investments will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure),and are separate from the day to day treasury management activities.

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."

Revised reporting is required for the 2019/20 reporting cycle due to revisions of the the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity if that is going to be undertaken. The capital strategy is currently under development and will be reported separately.

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);

- A policy for the statutory repayment of debt, (how residual capital expenditure is charged to revenue over time);
- The treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- A permitted 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

The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report, a capital strategy report, which will 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 capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

1.3 Treasury Management Strategy for 2019/20

The strategy for 2019/20 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators.
- The loans fund repayment policy.

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, Treasury Solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

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

2 CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2019/20 – 2021/22

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 2019/20 budget setting.

The table below summarises the capital expenditure plans as outlined within the proposed capital plan 2019-22.

Capital Expenditure £'000	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Education	67,858	11,777	8,097	3,360	2,920
Argyll and Bute HSCP	659	841	58	561	561
Customer Services	1,344	5,952	2,252	1,573	1,572
Development and Infrastructure Services	22,210	28,584	25,013	31,284	17,799
Live Argyll	240	943	616	561	561
Total	**92,311**	**48,097**	**36,036**	**37,339**	**23,413**

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	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Total Capital Expenditure	92,311	48,097	36,036	37,339	23,413
Financed by:					
Capital Receipts	5,580	3,548	1,203	1,203	2,202
Capital Grants	17,243	12,023	14,192	11,229	11,229
Capital Reserves	0	0	0	0	0
Revenue	4,135	22,471	10,744	5,000	0
Net Financing need for the year	**65,353**	**10,055**	**9,897**	**19,907**	**9,982**

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.

Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

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 £128.6m of such schemes within the CFR.

The CFR projections are noted in the following table.

£'000	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Capital Financing Requirement					
Opening CFR	253,483	306,433	304,389	301,781	309,082
Closing CFR	306,433	304,389	301,781	309,082	306,056
Movement in CFR	**52,950**	**(2,044)**	**(2,608)**	**7,301**	**(3,026)**
Movement in CFR represented by					
Net financing need for the year (above)	65,353	10,055	9,897	19,907	9,982
Less scheduled debt Amortisation	12,403	12,099	12,505	12,606	13,008
Movement in CFR	**52,950**	**(2,044)**	**(2,608)**	**7,301**	**(3,026)**

A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The capital expenditure figures shown in 2.1 and the details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Council's remaining activity.

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	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Expected Investments	**64,915**	**60,000**	**50,000**	**40,000**	**30,000**

2.4 Limits to Borrowing Indicators

The operational boundary: This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational Boundary £'m	2017/18 Actual	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Debt	203	194	200	210	214
Other long term liabilities	130	128	124	119	114
Total	**333**	**322**	**324**	**329**	**328**

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

a) 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.

b) The Council is asked to approve the following authorised limit:

Authorised Limit £'m	2017/18 Actual	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Debt	208	199	205	215	219
Other long term liabilities	133	131	127	122	117
Total	**341**	**330**	**332**	**337**	**336**

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 4.095%. 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 4.095% is still applicable.

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 2018 and for the position as at 31 January 2019 are shown below for both borrowing and investments.

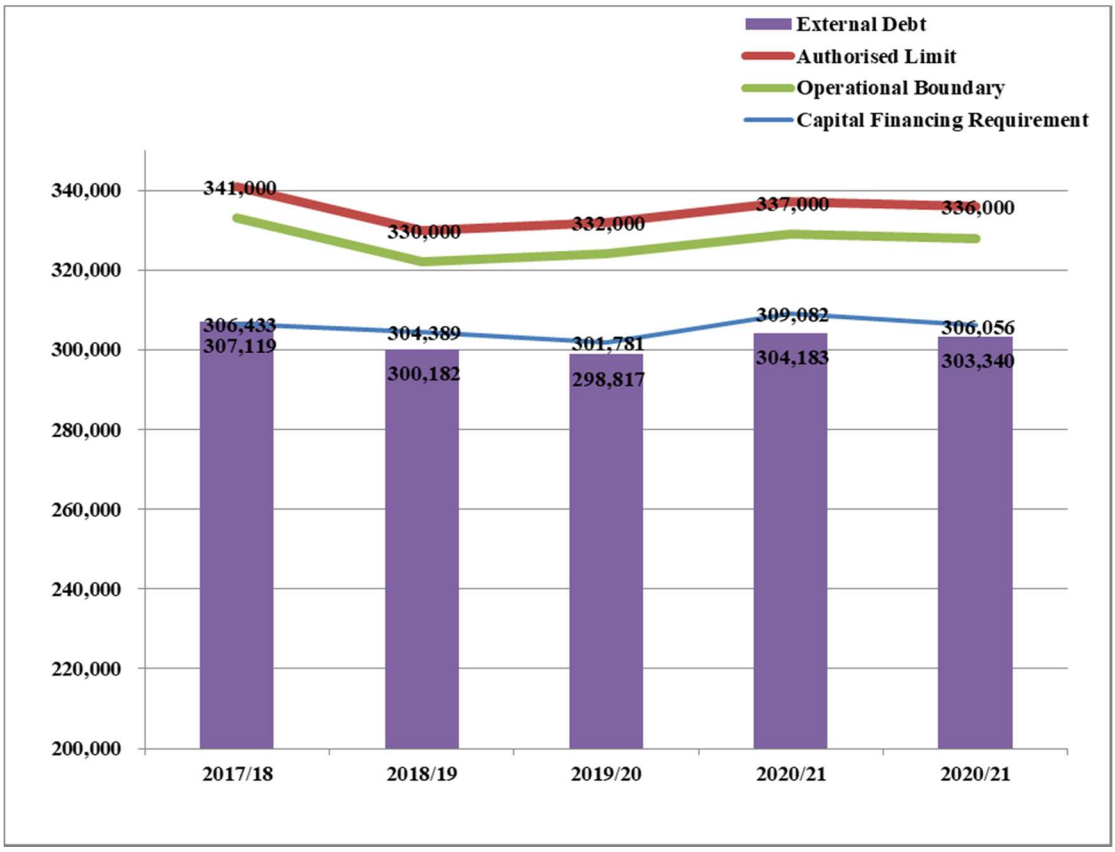
TREASURY PORTFOLIO				
	Actual	Actual	Current	Current
	31.3.18	**31.3.18**	**31.01.19**	**31.01.19**
Treasury investments	£000	%	£000	%
Banks	38,414	59%	58,193	67%
Building Societies - unrated	0	0%	0	0%
Building Societies - rated	0	0%	5,000	6%
Local Authorities	5,000	8%	0	0%
DMADF (H.M.Treasury)	0	0%	0	0%
Money Market Funds	14,000	22%	14,000	16%
Certificates of Deposit	7,501	12%	10,000	11%
Property Investments	0	0%	0	0%
Total managed in house	**64,915**	**100%**	**87,193**	**100%**
Bond Funds	0	0%	0	0%
Property Funds	0	0%	0	0%
Total Managed Externally	**0**	**0%**	**0**	**0%**
Total Treasury Investments	**64,915**	**100%**	**87,193**	**100%**
Treasury external borrowing				
Local Authorities	0	0%	0	0%
PWLB	127,286	71%	124,843	71%
LOBOs	39,255	22%	39,255	22%
Market	11,000	6%	11,000	6%
Special	337	0%	296	0%
Temporary Borrowing	577	0%	579	0%
Local Bonds	33	0%	33	0%
Total External Borrowing	**178,488**	**100%**	**176,006**	**100%**
Net Treasury Investments / (Borrowing)	**(113,573)**		**(88,813)**	

A more detailed analysis of the above table showing actual investments placed with individual counterparties can be found in Appendix 2.

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

£'000	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
External Debt					
Debt as 1st April	170,503	178,488	175,958	179,142	189,282
Change in Debt (In Year)	7,985	(2,530)	3,184	10,140	4,207
Other long-term liabilities (OLTL) at 1st April	74,059	128,631	124,224	119,675	114,901
Change in OLTL (In Year)	54,572	(4,407)	(4,549)	(4,774)	(5,050)
Actual gross debt at 31st March	**307,119**	**300,182**	**298,817**	**304,183**	**303,340**
The Capital Financing Requirement	**306,433**	**304,389**	**301,781**	**309,082**	**306,056**
Under / (Over) borrowing	**(686)**	**4,207**	**2,964**	**4,899**	**2,716**

The following graph shows the the CFR compared to the expected net debt in each of the years and the under / (over) borrowed position, also shown is the Council's authorised limit for debt and it's operational boundary (see paragraph 2.4 above):



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 2019/20 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 or speculative 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.

Link Asset Services Interest Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	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 3.

3.3 Investment and borrowing rates

Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.

Borrowing interest rates have been volatile so far in 2018/19 and while they were on a rising trend during the first half of the year, they have backtracked since then until early January. 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 authorities 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, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

3.4 Borrowing strategy

Over the past few years, the Council has benefited 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 that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 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 a pragmatic approach to changing circumstances.

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

- if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are 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 implements the requirements of the Local Government Investments (Scotland) Regulations 2010, (and accompanying Finance Circular 5/2010), and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017, ("the CIPFA TM Code").

The above regulations and guidance place a high priority on the management of risk. **The Council's investment priorities will be security first, liquidity second and then return.** This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
3. 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.
4. This authority has defined the list of types of investment instruments that are permitted investments authorised for use in Appendix 5. Appendix 6 expands on the risks involved in each type of investment and the mitigating controls.
5. Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table in Appendix 7.
6. Transaction limits are set for each type of investment in Appendix 5.
7. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.5).
8. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
9. All investments will be denominated in **sterling**.
10. As a result of the change in accounting standards for 2018/19 under **IFRS 9,** this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (This area is currently under review by LASAAC and the Scottish Government. Members will be updated when there is further news.)

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.4). Regular monitoring of investment performance will be carried out during the year.

4.2 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 the following further overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

Further explanation of the approach for creditworthiness used by Link Asset Services is found in Appendix 7.

UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

4.3 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 8. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4.4 Investment strategy

In-house funds: Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations

Bank Rate is forecast to stay flat at 0.75% until quarter 4 2018/19 and not to rise above 1.50% by quarter 1 2021/22. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.25%
- 2020/21 1.50%
- 2021/22 2.00%

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:

	Now
2018/19	0.60%
2019/20	0.90%
2020/21	1.25%
2021/22	1.50%
2021/22	1.75%
2022/23	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.

4.5 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 for longer than 365 days			
£m	**2019/20**	**2020/21**	**2021/22**
Principal sums invested for longer than 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).

4.6 Investment risk benchmarking

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

4.7 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.

5 APPENDICES

Appendix 1 – Capital Prudential and Treasury Indicators 2019/20 – 2021/22

1. Affordability Prudential Indicators

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

Ratio of financing costs to net revenue stream

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

%	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Ratio	7.43%	6.18%	5.83%	5.84%	5.89%

2. Maturity structure of borrowing

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 2019/20		
	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 2019/19		
	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.

Appendix 2 – Detailed Current Portfolio Position

TREASURY PORTFOLIO					
		Actual	Actual	Current	Current
		31.3.18	**31.3.18**	**31.01.19**	**31.01.19**
Treasury investments		**£000**	**%**	**£000**	**%**
Banks	Clydesdale Bank	914	1%	693	1%
	Bank of Scotland	2,500	4%	5,000	6%
	Goldman Sachs	7,500	12%	0	0%
	Helaba - Landesbank Hessan-Thuringen	7,500	12%	5,000	6%
	Toronto Dominion Bank	5,000	8%	0	0%
	Qatar National Bank	7,500	12%	10,000	11%
	Commonwealth Bank of Australia	7,500	12%	5,000	6%
	Santander	0	0%	10,000	11%
	ANZ Banking Group/London	0	0%	7,500	9%
	Bayerische Landesbank	0	0%	5,000	6%
	DBS Bank	0	0%	5,000	6%
	First Abu Dahbi Bank	0	0%	5,000	6%
		38,414	59%	58,193	67%
Building Societies - rated	Nationwide Building Society	0	0%	5,000	6%
Local Authorities	Glasgow City Council	5,000	8%	0	0%
Money Market Funds	Aberdeen Liquidity Sterling Fund Class L1	5,500	8%	5,500	6%
	BNP Paribas Inticast Fund	5,500	8%	3,000	3%
	Federated	1,250	2%	0	0%
	CCLA	0	0%	5,000	6%
	Insight Liquidity Fund (Class 3)	1,750	3%	500	1%
		14,000	22%	14,000	16%
Certificates of Deposit	Royal Bank of Scotland	7,500	12%	5,000	6%
	National Westminster Bank Plc	0	0%	5,000	6%
		7,500	12%	10,000	11%
Total Treasury Investments		**64,914**	**100%**	**87,193**	**100%**

		Actual 31.3.18	Actual 31.3.18	Current 31.01.19	Current 31.01.19
Treasury external borrowing					
PWLB		127,286	71%	124,843	71%
LOBOs	Commerzbank Finance & Covered Bonds S.A.	13,000	7%	13,000	7%
	FMS Wertmanagement	5,255	3%	5,255	3%
	Bayerische Landesbank	21,000	12%	21,000	12%
		39,255	22%	39,255	22%
Market	Barclays (formerly LOBO)	10,000	6%	10,000	6%
	Prudential assurance co	1,000	1%	1,000	1%
		11,000	6%	11,000	6%
Special	Prudential assurance co	17	0%	15	0%
	Salix Finance Ltd	320	0%	281	0%
		337	0%	296	0%
Temporary Borrowing		577	0%	579	0%
Local Bonds		33	0%	33	0%
Total External Borrowing		**178,488**	**100%**	**176,006**	**100%**
Net Treasury Investments / (Borrowing)		**(113,574)**		**(88,813)**	

Appendix 3 – Interest Rate Forecasts and Commentary Provided by Link Asset Services (at 08.01.19)

Link Asset Services Interest Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%
Bank Rate													
Link Asset Services	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
Capital Economics	0.75%	1.00%	1.25%	1.50%	1.70%	1.75%	2.00%	2.00%	-	-	-	-	-
5yr PWLB Rate													
Link Asset Services	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
Capital Economics	2.03%	2.15%	2.40%	2.65%	2.70%	2.75%	2.80%	2.85%	-	-	-	-	-
10yr PWLB Rate													
Link Asset Services	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
Capital Economics	2.43%	2.55%	2.80%	3.05%	3.05%	3.05%	3.05%	3.05%	-	-	-	-	-
25yr PWLB Rate													
Link Asset Services	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
Capital Economics	2.96%	3.08%	3.33%	3.58%	3.53%	3.48%	3.43%	3.38%	-	-	-	-	-
50yr PWLB Rate													
Link Asset Services	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%
Capital Economics	2.78%	2.90%	3.15%	3.40%	3.40%	3.40%	3.40%	3.40%	-	-	-	-	-

The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth became increasingly strong during 2018 until slowing significantly during the last quarter. At their November quarterly Inflation Report meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. On a major assumption that Parliament and the EU agree a Brexit deal in the first quarter of 2019, then the next increase in Bank Rate is forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.25 – 2.50% in December 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We therefore saw US 10 year bond Treasury yields rise above 3.2% during October 2018 and also investors causing a sharp fall in equity prices as they sold out of holding riskier assets. However, by early January 2019, US 10 year bond yields had fallen back considerably on fears that the Fed was being too aggressive in raising interest rates and was going to cause a recession. Equity prices have been very volatile on alternating good and bad news during this period.

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, emerging market developments and sharp changes in investor sentiment. 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.

Appendix 4 – Economic Background Provided by Link Asset Services (at 08.01.19)

GLOBAL OUTLOOK. World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China and the eurozone, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation. The US Fed has therefore increased rates nine times and the Bank of England twice. However, the ECB is unlikely to start raising rates until late in 2019 at the earliest.

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. A new period is well advanced in the US, and started more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a 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 also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This meant that both asset categories were exposed to the risk of a sharp downward correction and we have indeed, seen a sharp fall in equity values in the last quarter of 2018. 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, conversely, 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.** At the time of writing, (early January 2019), financial markets are very concerned that the Fed is being too aggressive with its policy for raising interest rates and was likely to cause a recession in the US economy.

The world economy also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt, (currently about $50bn per month). In addition, the European Central Bank ended its QE purchases in December 2018.

UK. The flow of positive economic statistics since the end of the first quarter of 2018 has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in

GDP was followed by a return to 0.4% in quarter 2 and by a strong performance in quarter 3 of +0.6%. However, growth in quarter 4 is expected to weaken significantly.

At their November quarterly Inflation Report meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years time, but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also *raise* Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could potentially provide fiscal stimulus to support economic growth, though at the cost of increasing the budget deficit above currently projected levels.

It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring 2019. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019, (on the assumption that a Brexit deal is agreed by both the UK and the EU). The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

Inflation. The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.3% in November. In the November Bank of England quarterly Inflation Report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate. This inflation forecast is likely to be amended upwards due to the Bank's report being produced prior to the Chancellor's announcement of a significant fiscal stimulus in the Budget; this is likely to add 0.3% to GDP growth at a time when there is little spare capacity left in the economy, particularly of labour.

As for the **labour market** figures in October**,** unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.3%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 1.0%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy is fuelling a, (temporary), boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. The strong growth in employment numbers and the reduction in the unemployment rate to 3.9%, near to a recent 49 year low, has fed through to an upturn in wage inflation which hit 3.2 % in November, However, CPI inflation overall fell to 2.2% in November and looks to be on a falling trend to drop below the Fed's target of 2% during 2019. The Fed has continued on its series of increases in interest rates with another 0.25% increase in December to between 2.25% and 2.50%, this being the fifth increase in 2018 and the ninth in this cycle. However, they did also reduce their forecast for further increases from three to two. This latest increase compounded investor fears that the Fed is over doing the rate and level of increases in rates and that it is going to cause a US recession as a result. There is also much evidence in previous monetary policy cycles, of the Fed's series of increases doing exactly that. Consequently, we have seen stock markets around the world plunging under the weight of fears around the Fed's actions, the trade war between the US and China, an expectation that world growth will slow, Brexit etc.

The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation if an agreement is not reached soon between the US and China.

Eurozone. Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this was probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank ended all further purchases in December 2018. The ECB is forecasting inflation to be a little below its 2% top limit through the next three years so it may find it difficult to warrant a start on raising rates by the end of 2019 if the growth rate of the EU economy is on a weakening trend.

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. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

Japan - has been struggling to stimulate consistent significant GDP 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. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

Emerging countries. Argentina and Turkey are currently experiencing major headwinds and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 3.2 are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall. If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

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

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England monetary policy** takes action too quickly, or too far, 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.
- A resurgence of the **eurozone sovereign debt crisis**, possibly in **Italy**, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. The EU rejected the initial proposed Italian budget and demanded cuts in government spending which the Italian government initially refused. However, a fudge was subsequently agreed, but only by *delaying* the planned increases in expenditure to a later year. This can has therefore only been kicked down the road to a later time. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold it. Unsurprisingly, investors are becoming increasingly concerned by the words and actions of the Italian government and consequently, Italian bond yields have risen – at a time when the government faces having to refinance large amounts of debt maturing in 2019.
- Weak capitalisation of some **European banks**. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios

and raises the question of whether they will need to raise fresh capital to plug the gap.

- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD is reviewing whether it can continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018, (a new party leader has now been elected). However, this makes little practical difference as she is still expected to aim to continue for now as the Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.
- **Other minority eurozone governments.** Spain, Portugal, Ireland, the Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with. The Belgian coalition collapsed in December 2018 but a minority caretaker government has been appointed until the May EU wide general elections.
- **Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU while **Italy,** in 2018, also elected a strongly anti-immigration government. Elections to the EU parliament are due in May/June 2019.
- Further increases in interest rates in the US could spark a **sudden flight of investment funds** from more risky assets e.g. shares, into bonds yielding a much improved yield. Throughout the last quarter of 2018, we saw sharp falls in equity markets interspersed with occasional partial rallies. Emerging countries which have borrowed heavily in dollar denominated debt, could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks,** especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if both sides were to agree a compromise that removed all threats of economic and political disruption.
- **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 QE, 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.

- 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,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Appendix 5 - Treasury Management Practice (TMP1) Permitted Investments

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

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 4.2 and 4.3.

- **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 4.4.

- **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 4.2 for an explanation of this authority's definition of high credit worthiness. While an unlimited amount of the investment portfolio may be put into banks and building societies with high credit worthiness, the authority will ensure diversification of its portfolio ensuring that no more than £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 term deposits above. 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 term deposits in the previous section, 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	Instant to T+5	No see note 1	100	1 Year
2c. Money Market Funds VNAV	AAA	instant 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	instant to T+5	No see note 1	**100**	**1 Year**
2c. Money Market Funds VNAV	AAA	instant 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	1 year
Commercial paper other	Green	Sale T+1	yes	50	1 year
Corporate Bonds other	Green	Sale T+3	yes	20	1 year
Floating Rate Notes	Green	Sale T+1	yes	20	1 year

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.

2.6 Other

	* Minimum Credit Criteria / fund rating	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Property funds	--	T+4	yes	20	5 Years

Appendix 6 – 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	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
	agreement of the counterparty, and penalties can apply. Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.			
c. Money Market Funds (MMFs) – CNAV/LVNAV/VNAV**(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	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c)	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured	As shown in the counterparty	As shown in the counterparty

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
societies) **(Low to medium risk depending on period & credit rating)**	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.	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.	section criteria above.	section criteria above.
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	These tend to be medium to low risk investments, but will exhibit higher risks than categories (a), (b) and (c)	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured	As shown in the counterparty	As shown in the counterparty

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
(escalating rates, de-escalating rates etc.) **(Low to medium risk depending on period & credit rating)**	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).	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.	section criteria above.	section criteria above.
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%.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
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.
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

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
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
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
i. Investment in a project run by a Local Authority or Local Authority Joint Committee	These are investments which may exhibit market risks and will only be considered for medium to longer term investments	Each investment requires approval by the Head of Strategic finance up to £250,000, and, above this level, member approval. Each application will be supported by the service rationale behind the investment and the likelihood of loss.	£10m	N/A

Appendix 7 – 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

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

*The 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 £5m.

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 8 – Approved Countries for Investments (at 08.01.19)

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 9 – 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 10 – 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.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non-treasury investments will be carried out and managed, to include the following: -
    - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
    - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*
    - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that*

appropriate professional due diligence is carried out to support decision making;

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*
- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

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.

ARGYLL AND BUTE COUNCIL **Policy and Resources Committee**

Customer Services (Improvement and HR) **14 February 2019**

EQUALITY AND DIVERSITY POLICY

1.0 EXECUTIVE SUMMARY

This report presents a revised and updated version of the council's Equality and Diversity Policy.

There are no financial implications arising from this policy.

The recommendation of this report is that the Policy and Resources Committee endorses the revised and updated Equality and Diversity Policy, and recommends it to the Council for approval.

ARGYLL AND BUTE COUNCIL **Policy and Resources Committee**

Customer Services (Improvement and HR) **14 February 2019**

EQUALITY AND DIVERSITY POLICY

2.0 INTRODUCTION

2.1 This report relates to the council's Equality and Diversity Policy. The current policy, which was written in 2012, has been reviewed and revised. A draft of the updated policy is appended to this report.

3.0 RECOMMENDATIONS

3.1 That the Policy and Resources Committee endorses the revised and updated Equality and Diversity Policy, and recommends it to the Council for approval.

4.0 DETAIL

4.1 The council's current Equality and Diversity Policy was approved in 2012.

4.2 The Equality and Diversity Policy from 2012 has now been reviewed. The appended document has been drafted with a view to its being endorsed by the Policy and Resources Committee, and forward to Council for approval.

4.3 The purpose of the Equality and Diversity Policy is to make sure that the organisation, employees and elected Members do not unlawfully discriminate against the Equality Act 2010 protected characteristics of: disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race (including colour, nationality, and ethnic or national origin); religion or belief; sex; sexual orientation. It also ensures that we oppose and avoid all forms of unlawful discrimination, and ensures equality, fairness and respect for all in the council's employment.

4.4 The draft policy is shorter than the previous version. However, there are no gaps in policy content. Much of what has been removed was extraneous information. This included an introduction containing background information about the

organisation that is now out of date, and lengthier descriptions about people's roles and responsibilities.

4.5 The draft policy has been based around an ACAS exemplar, which has been tailored to the specific needs of Argyll and Bute Council. Tailoring has included making sure that, as well as referring to employees, the policy refers to elected Members.

4.6 As part of the revision process, the draft policy has been considered by the Council's Equality Forum (6 November 2018) and the Trades Union Liaison Meeting (29 November 2018). In addition, comments were sought from HROD, with particular regard to sections referring to employees, and from Governance and Law, with regard to the sections of the policy relating to Elected Members. Wording was amended to reflect suggestions made by Governance and Law. Both HROD and Governance and Law were helpful in assisting with checking and updating the list of documents relevant to the policy. No changes were suggested by either the Equality Forum or the Trades Unions.

5.0 CONCLUSION

5.1 This report has presented a revised Equality and Diversity Policy. This is intended to replace the current policy, which was written in 2012.

5.2 The Policy and Resources Committee is asked to endorse the revised and updated Equality and Diversity Policy, and recommend it to the Council for approval.

6.0 IMPLICATIONS

6.1 Policy: This report relates to the review and revision of the Council's Equality and Diversity Policy.

6.2 Financial: None arising from this report.

6.3 Legal: The revised policy is designed to help make sure that we meet our duties under the relevant equalities legislation.

6.4 HR: The policy provides a framework in which HR activities are delivered, ensuring that they meet with our Equalities duties.

6.5 Fairer Scotland Duty:

6.5.1 Equalities - protected characteristics: The policy helps us to comply with our equalities duties.

6.5.2 Socio-economic Duty: None arising directly from this report.

6.5.3 Islands: None arising directly from this report.

6.6. Risk: Compliance with this policy will ensure that the risk of us not meeting our equalities duties is reduced.

6.7 Customer Service: None arising directly from this report.

Douglas Hendry

Executive Director of Customer Services

Rory Colville

Policy Lead for Corporate Services

Report prepared: 13 December 2018

For further information contact:

Chris Carr (chris.carr@argyll-bute.gov.uk)

Performance and Improvement Officer

APPENDICES

Appendix 1: Argyll and Bute: Equality and Diversity Policy (Draft)

Appendix 2: EqSEIA for Equality and Diversity Policy

Appendix 1: Argyll and Bute Council: Equality and Diversity Policy

Argyll and Bute Council—in providing goods, services and facilities—is committed to preventing unlawful discrimination of customers or the public.

Argyll and Bute Council is committed to encouraging equality and diversity among our workforce, and eliminating unlawful discrimination.

Argyll and Bute council aims for our workforce to be truly representative of all sections of society and our customers, and for each employee to feel respected and able to give their best.

The policy's purpose is to:

- make sure that we do not unlawfully discriminate against the Equality Act 2010 protected characteristics of: disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race (including colour, nationality, and ethnic or national origin); religion or belief; sex; sexual orientation
- oppose and avoid **all** forms of unlawful discrimination. This includes in pay and benefits, terms and conditions of employment, dealing with grievances and discipline, dismissal, redundancy, leave for parents, requests for flexible working, and selection for employment, promotion, training or other developmental opportunities
- ensure equality, fairness and respect for all in our employment, whether temporary, part-time or full-time.

Argyll and Bute Council commits to:

- encouraging equality and diversity in the workplace as they are good practice and make business sense
- creating a working environment free of bullying, harassment, victimisation and unlawful discrimination, promoting dignity and respect for all, and where individual differences and the contributions of all staff are recognised and valued
- taking seriously complaints of bullying, harassment, victimisation and unlawful discrimination by employees, customers, suppliers, visitors, the public and any others in the course of the organisation's work activities.
- making opportunities for training, development and progress available to all staff, who will be helped and encouraged to develop to their full potential, so their talents and resources can be fully utilised to maximise the efficiency of the organisation
- making decisions about staff based on merit (apart from in any necessary and limited exemptions and exceptions allowed under the Equality Act)
- reviewing employment practices and procedures when necessary to ensure fairness, and also update them and the policy to take account of changes in the law
- monitoring the make-up of the workforce regarding information such as age, sex, ethnic background, sexual orientation, religion or belief, and disability in encouraging equality and diversity, and in meeting the aims and commitments set out in the equality policy

These commitments include training Elected Members, managers and all other employees about their rights and responsibilities under the Equality and Diversity Policy. Responsibilities include Elected Members and staff conducting themselves in a way that helps Argyll and Bute Council to provide equal opportunities in employment, and to prevent bullying, harassment, victimisation and unlawful discrimination.

All staff should understand that they, as well as the Council, can be held liable for acts of bullying, harassment, victimisation and unlawful discrimination, in the course of their employment, against fellow employees, customers, suppliers and the public.

Bullying, harassment, victimisation and unlawful discrimination by employees will be dealt with as misconduct under the Council's grievance and/or disciplinary procedures, and any appropriate action will be taken. Particularly serious complaints could amount to gross misconduct and lead to dismissal without notice.

Sexual harassment may amount to both an employment rights matter and a criminal matter, such as in sexual assault allegations. In addition, harassment under the Protection from Harassment Act 1997 – which is not limited to circumstances where harassment relates to a protected characteristic – is a criminal offence.

Elected Members are expected to comply with the requirements of the Councillors' Code of Conduct, which has a specific provision that states bullying or harassment is completely unacceptable. Any breach will be deal with by the Standards Commission. Where a hearing held by the Standards Commission finds that a councillor has breached the Code of Conduct, the hearing will impose one of the sanctions set out in Appendix A of that document.

Equalities monitoring will include assessing how the Equality and Diversity Policy works in practice, considering and taking action to address any issues.

The policy will be reviewed every four years.

The Equality and Diversity Policy is fully supported by senior management and Council, and has been the subject of consultation with trade unions.

Details of the following, related, policies and procedures, can be found on The Hub or internet:

- Manager's Guide to Recruitment and Selection: http://intranet.argyll-bute.gov.uk/content/talentlink-vacancy-management-system
- Dignity at Work Policy: Eliminating Workplace Bullying and Harassment Policy and Procedure: http://intranet.argyll-bute.gov.uk/my-hr/equality-and-diversity
- Disciplinary Procedures and Code of Practice: http://intranet.argyll-bute.gov.uk/my-hr/discipline
- Grievance Procedure: http://intranet.argyll-bute.gov.uk/my-hr/grievance
- Employee Code of Conduct: http://intranet.argyll-bute.gov.uk/my-hr/employee-code-conduct
- Code of Conduct for Councillors: https://beta.gov.scot/publications/code-conduct-councillors-9781787810778/
- Guidance on the Councillors' Code of Conduct: http://intranet/sites/default/files/180709_ccfcouncillorsguidance_july2018final.pdf

- Advice Note for Councillors on Bullying and Harassment: http://www.standardscommissionscotland.org.uk/uploads/files/1531127677180709AdviceNoteBullyingandHarassment.pdf
- Equality and Socio-Economic Impact Assessment - http://intranet.argyll-bute.gov.uk/equality-and-socio-economic-impact-assessment-eqseia
- Complaints – https://www.argyll-bute.gov.uk/do-it-online/comments-and-complaints
- Phased Return to Work and Other Reasonable Adjustments: Manager's Guide - http://intranet.argyll-bute.gov.uk/content/phased-return-work-and-other-reasonable-adjustments-managers-guide

Policy approved by: Argyll and Bute Council
Date: March 2019
Policy due for review: By March 2023

Appendix 2: EqSEIA

Argyll and Bute Council: Equality and Socio-Economic Impact Assessment

Section 1: About the proposal

Title of Proposal
Argyll and Bute: Equality and Diversity Policy

Intended outcome of proposal
Provide a policy statement that helps the organisation, elected Members and employees to meet equalities duties as set out in the Equality Act (2010).

Description of proposal
Policy designed to ensure that Argyll and Bute Council: does not unlawfully discriminate against people with protected characteristics as set out in the Equality Act 2010; opposes and avoids unlawful discrimination; ensures equality, fairness and respect for all in the council's employ.

Business Outcome(s) / Corporate Outcome(s) to which the proposal contributes
All.

Lead officer details:	
Name of lead officer	**Chris Carr**
Job title	**Performance and Improvement Officer**
Department	**Customer Services**
Appropriate officer details:	
Name of appropriate officer	**Jane Fowler**
Job title	**Head of Improvement and HR**
Department	**Customer Services**
Sign off of EqSEIA	Jane Fowler
Date of sign off	19 December 2018

Who will deliver the proposal?
All employees and elected Members.

Section 2: Evidence used in the course of carrying out EqSEIA

Consultation / engagement

This policy has been reviewed by:
• HROD • Governance and Law • Equality Forum (meeting of 6 November 2018) • Trades Union Liaison Meeting (29 November 2018)

Data
No data has been consulted in the preparation of the policy document.

Other information
Other policies and relevant documents have been consulted to ensure that they are up to date and comply with the policy.

Gaps in evidence
N/A

Section 3: Impact of proposal

Impact on service users:

	Negative	No impact	Positive	Don't know
Protected characteristics:			✓	
Age			✓	
Disability			✓	
Ethnicity			✓	
Sex			✓	
Gender reassignment			✓	
Marriage and Civil Partnership			✓	
Pregnancy and Maternity			✓	
Religion			✓	
Sexual Orientation			✓	
Fairer Scotland Duty:				
Mainland rural population		✓		
Island populations		✓		
Low income		✓		
Low wealth		✓		
Material deprivation		✓		
Area deprivation		✓		
Socio-economic background		✓		
Communities of place?		✓		
Communities of interest?		✓		

Impact on service deliverers (including employees, volunteers etc):

	Negative	No impact	Positive	Don't know
Protected characteristics:				
Age			✓	
Disability			✓	
Ethnicity			✓	
Sex			✓	
Gender reassignment			✓	
Marriage and Civil Partnership			✓	
Pregnancy and Maternity			✓	
Religion			✓	
Sexual Orientation			✓	
Fairer Scotland Duty:				
Mainland rural population		✓		
Island populations		✓		
Low income		✓		
Low wealth		✓		
Material deprivation		✓		
Area deprivation		✓		
Socio-economic background		✓		
Communities of place?		✓		
Communities of interest?		✓		

If any 'don't know's have been identified, at what point will impacts on these groups become identifiable?
N/A

How has 'due regard' been given to any negative impacts that have been identified?
N/A

Section 4: Interdependencies

Is this proposal likely to have any knock-on effects for any other activities carried out by or on behalf of the council?	Yes

Details of knock-on effects identified
The Equality and Diversity Policy is a crosscutting policy which should be considered when carrying out any activity. The policy therefore needs to be communicated across the organisation.

Section 5: Monitoring and review

How will you monitor and evaluate the equality impacts of your proposal?

An assessment of how the Equality and Diversity Policy works in practice will be incorporated into the monitoring of equalities activities more widely. This will include taken action to address any issues that are identified.

In addition to any changes that are made in light of monitoring activity, the policy will be reviewed every four years.

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

CUSTOMER SERVICES **14 FEBRUARY 2019**

EQUALITIES OUTCOMES (2019-2023)

1.0 EXECUTIVE SUMMARY

This report proposes a suite of Equalities Outcomes to cover the period 2019-2023.

The Council, the Education Authority, and the Argyll and Bute Licensing Board, as 'listed authorities', are required to publish sets of equality outcomes at least every four years.

The current set of equality outcomes was adopted in 2013, reviewed in 2014, and extended in 2017, with the view to the outcomes being reviewed ahead of the preparation of the 2019 Equalities Mainstreaming Report, which is due for publication by the end of April 2019.

The report describes the work that has been undertaken to develop the proposed outcomes, which are as follows:

Workforce:

- We support our workforce, encouraging participation across all age groups
- We promote diversity across occupational groups

Engagement:

- We have improved engagement with protected groups

Services:

- People with protected characteristics have improved experiences of services
- We take the views of people from protected groups into account when we change our services.

Education:

- We do not tolerate bullying and harassment of people from protected groups
- The gap in educational attainment between people with and without

protected characteristics is reduced.

There are no financial implications arising from this report.

The recommendation of this report is that the Policy and Resources Committee endorse the draft Equality Outcomes and recommends them to the Council for approval.

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

CUSTOMER SERVICES **14 FEBRUARY 2019**

EQUALITIES OUTCOMES (2019-2023)

2.0 INTRODUCTION

2.1 This report presents draft Equality Outcomes for the period 2019-2023. It sets out the reasons for developing new outcomes as well as the work carried out to develop them.

2.2 The proposed outcomes are:

Workforce:

- We support our workforce, encouraging participation across all age groups
- We promote diversity across occupational groups

Engagement:

- We have improved engagement with protected groups

Services:

- People with protected characteristics have improved experiences of services
- We take the views of people from protected groups into account when we change our services.

Education:

- We do not tolerate bullying and harassment of people from protected groups
- The gap in educational attainment between people with and without protected characteristics is reduced.

3.0 RECOMMENDATIONS

3.1 That the Policy and Resources Committee note that the Equality legislation recognises the Council, the Education Authority, and the Argyll and Bute Licensing Board as separate 'listed authorities', each of which is required to publish sets of, and report on progress towards achieving, equality outcomes.

3.2 That the Policy and Resources Committee endorse the draft Equality Outcomes and recommends them to the Council for approval.

4.0 DETAIL

4.1 The Council, the Education Authority, and the Argyll and Bute Licensing Board, as 'listed authorities', are required to publish sets of equality outcomes at least every four years. Additionally, progress in achieving the outcomes must be reported in a 'mainstreaming report' every two years.

4.2 The current set of equality outcomes was adopted in 2013, reviewed in 2014, and extended in 2017, with the view to the outcomes being reviewed ahead of the preparation of the 2019 Equalities Mainstreaming Report, which is due for publication by the end of April 2019.

4.3 While the council, the education authority, and the licensing board are separate authorities, it is acceptable for the council, education authority, and the licensing board to report on progress towards achieving their outcomes in a single report. This is the approach that Argyll and Bute Council, along with other local authorities in Scotland, takes. As a result, the equality outcomes have been developed for use by all three bodies.

4.4 This paper outlines the work that has been carried out to develop the equalities outcomes that are being proposed for the period 2019-2023.

4.5 The following activities have taken place as the proposed outcomes have been developed.

a. Discussion at the Equality Forum (15 August 2018): it was suggested that we should explore the possibility of having a set of outcomes that are common across community planning partners.

b. The council's HROD Performance and Improvement Team looked at the equality outcomes currently in use by: NHS Highland; the Argyll and Bute Health and Social Care Partnership; Police Scotland; Scottish Fire and Rescue; Argyll and Bute Council. We concluded that, while there are some areas of overlapping interest and activity, we cannot duplicate the equalities outcomes used by partner organisations as some outcomes are tailored to specific areas of activity that are not shared by all partners. While outcomes from both Police Scotland and the Health and Social Care Partnership influenced the first draft of our proposed outcomes, the wording was changed to reflect the council's 'style'.

c. A meeting of selected members of the Equality Forum took place on 4 November 2018 to further discuss the sharing of equality outcomes. The conclusion was that, while desirable, this would be problematic in part for the reasons outlined above. Additionally, organisations do not share common reporting schedules, which means that we could bring outcomes into full alignment only after a period of several years. In the shorter term, we should, however, make sure that all partners are aware of each other's activities with regards to their equalities agendas.

d. In October, officers from HROD Performance and Information contacted Heads of Service with a first draft of new equality outcomes for their comments, along with suggestions for actions and / or success measures that might underpin these. We received comments from around half of the people we contacted.

e. Further discussion at the Equality Forum (5 November 2018) led to further refinement of our proposed outcomes.

f. The draft equalities outcomes were reported to SMT (12 November 2018), along with a request to carry out a public consultation. This led to further refinement of the proposed outcomes.

g. Discussions have taken place with the Licensing Board with regard to the equality outcomes it wishes to use.

4.6 Guidance on how to construct equalities outcomes suggests that individual outcomes need not relate to every protected characteristic. However, where they do not, the authority must publish its / their reasons for not doing so.

4.7 The equalities outcomes consulted on were as follows:

- We support our workforce, encouraging participation across all age groups
- We have reduced gender-based segregation within occupational groups
- We have improved engagement with protected groups
- People with protected characteristics have improved experiences of services
- We take the views of people from protected groups into account when we change our services.

In addition, two outcomes specifically relating to Education were consulted on:

- Bullying of young people with one or more protected characteristic is reduced
- The gap in educational attainment between people with protected characteristics is reduced.

4.8 According to the legislation, in preparing equality outcomes, listed authorities must: take reasonable steps to involve persons who share a relevant protected characteristic and any person who appears to the authority to

represent the interests of those persons; consider relevant evidence relating to persons who share a relevant protected characteristic.

4.9 The consultation was coordinated by staff from HR and Organisational Development.

4.10 Community Development Officers provided HROD with a list of local groups that were subsequently contacted to invite responses to the consultation. In addition, the Community Development Officers highlighted the consultation while they were delivering out equality training for community groups during November and December.

4.11 Having mapped the interests of the groups for which Community Development provided details against the nine protected characteristics, it became apparent that there is a bias towards the protected characteristics of age and disability. Therefore, in an attempt to reach groups and individuals who come from other protected groups, as well as the rest of the population, the consultation was promoted externally through the council's social media channels and internally via a newsflash. Respondents were encouraged to forward information about the consultation to anyone who might have been interested. Elected members were also invited to respond to the consultation. Particular effort was made to try to reach young people and looked after children.

4.12 Details about the consultation were posted on the council's website. An online survey was used as the primary means of data collection. However, a downloadable Word document was also provided. Respondents were also given the option to email comments without using the survey.

4.12 The consultation was live on the council's website from 22 November 2018 to 13 December 2018.

4.13 The consultation document and the analysis of the consultation results are appended to this report.

4.14 Fifty-five people responded to the consultation. The majority of responses came from individuals. More information is provided in Appendix Two.

4.15 There was broad agreement with all the outcomes. However, in light of results of the consultation, the suggested wording of two outcomes were changed as follows:

- In light of the strength of feeling around this issue, *Bullying of young people with one or more protected characteristics is reduced*, and the widely held view that bullying in any form is unacceptable, the wording has been changed to: **We do not tolerate bullying and harassment of people from protected groups.**
- To be clearer about what this outcome is trying to achieve, the wording of *The gap in educational attainment between people with protected characteristics is reduced* has been changed to: **The gap in educational attainment between people with and without protected characteristics is reduced.**

4.16 We propose that the full set of equalities outcomes that should be taken forward for the period 2019-2023 are as follows:

Workforce:

- We support our workforce, encouraging participation across all age groups
- We promote diversity across occupational groups

Engagement:

- We have improved engagement with protected groups

Services:

- People with protected characteristics have improved experiences of services
- We take the views of people from protected groups into account when we change our services.

Education:

- We do not tolerate bullying and harassment of people from protected groups.
- The gap in educational attainment between people with and without protected characteristics is reduced.

4.17 The new outcomes will be reviewed by 2023 at the latest.

5.0 CONCLUSION

5.1 This paper has outlined the work undertaken to develop a suite of equalities outcomes to cover the period 2019-2023.

5.2 These equalities outcomes will cover three listed authorities: the Council, the Education Authority, and the Argyll and Bute Licensing Board.

5.3 The Policy and Resources Committee is asked to endorse the draft Equality Outcomes and recommends them to the Council for approval..

6.0 IMPLICATIONS

6.1 Policy: This report recommends the adoption of a new suite of equalities outcomes to cover the period 2019-2023.

6.2 Financial: None arising directly from this report.

6.3 Legal: Public listed authorities are required to publish sets of equality outcomes at least every four years.

6.4 HR: Two of the proposed equality outcomes relate explicitly to the workforce of the council.

6.5 Fairer Scotland Duty:

6.5.1 Equalities - protected characteristics

6.5.2 Socio-economic Duty: None arising directly from this report.

6.5.3 Islands: None arising directly from this report.

6.6. Risk: None arising directly from this report.

6.7 Customer Service: Proposed outcomes are designed to ensure that the views of people with protected characteristics are borne in mind when changing services, and to ensure that they have enhanced experiences of service delivery.

Douglas Hendry

Executive Director of Customer Services

Rory Colville

Policy Lead for Corporate Services

Report prepared 18 December 2018

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Performance and Improvement Officer

APPENDICES

Appendix 1: Consultation questions

Appendix 2: Analysis of consultation results

Appendix 1: Consultation questions

Equality Outcomes Consultation

In 2010, the Equality Act (2010) became law. The Act says that the council, the education authority, and the licensing board, when carrying out their functions, must work to:

- Eliminate discrimination, harassment and victimisation
- Advance equality of opportunity between people who share a protected characteristic and those who do not
- Foster good relations between people who share a protected characteristic and those who do not.

To help us do this, we must publish a set of equalities outcomes. We must report on the progress we have made towards achieving these outcomes every two years, and the outcomes, themselves, must be reviewed every four years.

The outcomes we are proposing for the period 2019 to 2023 seek to deliver on the above objectives by focussing on our workforce, how we engage with the wider population, how we provide our services, and deliver education. They are:

Workforce:

- **We support our workforce, encouraging participation across all age groups**
- **We promote diversity across occupational groups**

Engagement:

- **We have improved engagement with protected groups**

Services:

- **People with protected characteristics have improved experiences of services**
- **We take the views of people from protected groups into account when we change our services.**

Education:

- **Bullying of young people with one or more protected characteristics is reduced**
- **The gap in educational attainment between people with protected characteristics is reduced.**

We would like to invite you to comment on these outcomes. Please consider each outcome in turn, and tell us whether you agree or disagree with it, and give us reasons for your answers.

Outcome 1: We support our workforce, encouraging participation across all age groups

We believe that all employees, including those from all the protected characteristics, should be encouraged, and have equal opportunity, to participate fully within the workforce. This principle is set out in the council's Equality and Diversity Policy.

However, we recognise that the Council has particular issues and risks relating to the age of our workforce. This is why this outcome emphasises age.

The age profile of the Council's workforce is significantly different from that of Argyll and Bute's population, with a low number of young people employed, and therefore it is an important focus of our attention. We actively encourage young people to join our workforce, to provide long-term opportunities for them in our area and to create our workforce for the future.

Q1: Do you agree with the proposed outcome 1?

Yes	☐
No	☐
Don't know	☐

Q2: Would you like to make any comments to explain your answer?

Outcome 2: We promote diversity across occupational groups

The Council has a highly segregated workforce in some types of job. For example, people working in home care are 99% female. By contrast, employees in Roads and Amenities and IT are predominantly male. We aim to widen opportunity for people in job roles that they may not have considered otherwise and create opportunity for all.

Q3: Do you agree with the proposed outcome 2?

Yes	☐
No	☐
Don't know	☐

Q4: Would you like to make any comments to explain your answer?

Outcome 3: We have improved engagement with protected groups

We aim to make sure the voices and opinions of people from protected groups are heard when we engage with our service users. This is particularly important when people from particular protected groups may have different experiences or needs and whose voices may not be heard so clearly.

Q5: Do you agree with the proposed outcome 3?

Yes	☐
No	☐
Don't know	☐

Q6: Would you like to make any comments to explain your answer?

Outcome 4: People with protected characteristics have improved experiences of services

We aim to make sure that, as far as possible, our services meet the needs and aspirations of people from protected groups and that we work to improve their experience of our services.

Q7: Do you agree with the proposed outcome 4?

Yes	☐
No	☐
Don't know	☐

Q8: Would you like to make any comments to explain your answer?

Outcome 5: We take the views of people from protected groups into account when we change our services.

We aim to make sure that the needs and opinions of people from protected groups are taken into account when we make changes to the way we deliver our services. This helps us to make sure that people with one or more protected characteristics have equal opportunity to access the services we provide as those who do not share a protected characteristic.

Q9: Do you agree with the proposed outcome 5?

Yes	☐
No	☐
Don't know	☐

Q10: Would you like to make any comments to explain your answer?

Outcome 6: Bullying of young people with one or more protected characteristics is reduced

As part of wider work to tackle bullying in schools, we will take action to reduce bullying on the basis of one or more of the protected characteristics.

Q11: Do you agree with the proposed outcome 6?

Yes	☐
No	☐
Don't know	☐

Q12: Would you like to make any comments to explain your answer?

Outcome 7: The gap in educational attainment between people with protected characteristics is reduced.

We work to provide a high standard of education to all pupils, and we want to reduce gaps in attainment between people with, and without, protected characteristics. This will help us to advance equality of opportunity for young people who share one or more of the protected characteristics.

Q13: Do you agree with the proposed outcome 7?

Yes	
No	
Don't know	

Q14: Would you like to make any comments to explain your answer?

Q15: Have you responded:

On behalf of an organisation?		Go to question 16
As an individual?		Go to question 17

Q16: You have said that you are answering on behalf of an organisation. Please tell us which one.

Q17: You have said that you are answering as an individual. The following questions are optional, but answering them will help us to understand your responses better.

Q17a: What is your sex?

Male	
Female	

Q17b: Have you ever identified as a transgender person or trans person?

Yes	
No	

Q17c: How old are you?

0-15	
16-24	
25-44	
45-64	
65-74	
75+	

Q17d: What religion, religious denomination or body do you belong to?

None	
Church of Scotland	
Roman Catholic	
Other Christian	
Muslim	
Sikh	
Jewish	
Hindu	
Pagan	
Other religion (Please write in)	

Q17e: What is your ethnic group?

White

- White Scottish ☐
- Other British ☐
- Irish ☐
- Gypsy/Traveller ☐
- Polish ☐
- Other white ethnic group ☐

Mixed or multiple ethnic group ☐

Asian, Asian Scottish or Asian British

- Pakistani, Pakistani Scottish or Pakistani British ☐
- Indian, Indian Scottish or Indian British ☐
- Chinese, Chinese Scottish or Chinese British ☐
- Other ☐

African

- African, African Scottish or African British ☐
- Other ☐

Caribbean or Black

- Caribbean, Caribbean Scottish or Caribbean British ☐
- Black, Black Scottish or Black British ☐
- Other ☐

Other ethnic group

- Arab, Arab Scottish or Arab British ☐
- Other ☐

Q17f: Do you have a physical or mental health condition or illness lasting or expected to last 12 months or more?

- Yes ☐
- No ☐
- Don’t know ☐

Q17g: Which of the following options best describes how you think of yourself?

Heterosexual/Straight	
Gay/Lesbian	
Bisexual	
Other	

Thank you for answering our questions.

Appendix two: Analysis of consultation results

Argyll and Bute Council carried out a public consultation on the draft Equalities Outcomes (2019-2023). The consultation ran between November 22 and December 13, 2018.

The outcomes consulted on were as follows:

Workforce:

- We support our workforce, encouraging participation across all age groups
- We have reduced gender-based segregation within occupational groups

Engagement:

- We have improved engagement with protected groups

Services:

- People with protected characteristics have improved experiences of services
- We take the views of people from protected groups into account when we change our services.

Education:

- Bullying of young people with one or more protected characteristic is reduced
- The gap in educational attainment between people with protected characteristics is reduced.

The draft outcomes were developed to help us meet our obligations under the Public Sector Equality Duty, which focusses on people with protected characteristics. The wording of the outcomes was influenced by guidance from the Equalities and Human Rights Commission.

When developing the outcomes the following questions were considered.

Does the outcome do one or more of the following?

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations

Will the outcomes help to?

- Increase transparency by establishing a clear link between evidence and the actions we are taking to advance equality
- Ensure that we are addressing the right issues
- Make better, fairer decisions, which are understood by those affected by them

- Be more accountable to those we serve / employ
- Show we are bringing tangible benefits for communities and the people who work for us

Does the equality outcome:

- Help us to meet our strategic business priorities.

55 responses to the consultation were received.

Six respondents said that they were replying on behalf of organisations. However, when asked what the organisations were, four respondents identified themselves has having come from within the council. Only one respondent identified themselves as belonging to an external organisation.

44 responses were submitted by individuals. Five respondents did not provide this information.

Of the individual respondents, over 80% submitted information about themselves.

- Three-quarters of respondents were female.
- No trans people responded
- Nine out of every ten respondents were of working age (taken to be 16 to 65 years of age)
- Two-thirds said they had no religion; the remaining third identified as Christian, predominantly Church of Scotland.
- All but one respondent identified as White Scottish or White other British.
- One-third said they had a physical or mental health issue that had lasted / was expected to last over twelve months
- Nine out of ten respondents identified as heterosexual / straight. The remaining individuals all identified as having an 'other' sexual orientation. (No respondents identified as gay, lesbian or bisexual.)

There was therefore limited representation of people with protected characteristics among respondents.

Respondents were given the option to reply to the consultation by:

- Completing an online survey
- Downloading a Word document that contained all the survey questions
- Emailing equality@argyll-bute.gov.uk.

All respondents used the online survey, which was set up in Survey Monkey.

General reaction to the draft plan

There was broad agreement with the proposed outcomes. See table 1.

	Agree	Disagree	Don't	Total

			know	
Outcome 1: We support our workforce, encouraging participation across all age groups	45 *81.8%*	6 *10.9%*	4 *7.3%*	55 *100%*
Outcome 2: We promote diversity across occupational groups	49 *90.7%*	3 *5.6%*	2 *3.7%*	54 *100%*
Outcome 3: We have improved engagement with protected groups	47 *90.4%*	3 *5.8%*	2 *3.8%*	52 *100%*
Outcome 4: People with protected characteristics have improved experiences of services	45 *84.9%*	4 *7.5%*	4 *7.5%*	53 *100%*
Outcome 5: We take the views of people from protected groups into account when we change our services.	44 *84.6%*	4 *7.7%*	4 *7.7%*	52 *100%*
Outcome 6: Bullying of young people with one or more protected characteristics is reduced	40 *76.9%*	8 *15.4%*	4 *7.7%*	52 *100%*
Outcome 7: The gap in educational attainment between people with protected characteristics is reduced.	45 *88.2%*	2 *3.9%*	4 *7.8%*	51 *100%*

More detailed information relating to each outcome is given below.

The HSCP has its own set of equalities outcomes. However, some responses included comments that relate to areas of work carried out by the HSCP. The results of this consultation will be shared with the HSCP so that these views will be taken into account when the HSCP comes to review its own outcomes.

A recurrent theme was that any improvements made for people with one or more protected characteristic(s) should not be at the expense of other groups that might be seen to be disadvantaged in some way or of the wider population.

Workforce:

Outcome 1: We support our workforce, encouraging participation across all age groups

Agree	45
Disagree	6
Don’t know	4

18 free text comments were made.

While there was broad agreement with the proposed outcome, even among respondents who agreed, concerns were expressed and caveats made.

One respondent raised the issue of intersectionality, suggesting that thought needed to be given to individuals who had more than one protected characteristic.

A couple of respondents expressed the view that the council needs to be sensitive with regard to how older members of staff are highlighted in workforce reviews; older staff should be seen to be valued, but this does not always appear to be the case. Questions were also raised with regard to the best ways to transfer knowledge and experience between older and younger cohorts.

Several respondents commented about increases in the state pension age. Where the state pension age has increased, and will increase in the future, this may prevent people from retiring and freeing up jobs for younger cohorts. Questions were therefore raised about the practicality of achieving this outcome.

Respondents both agreeing and disagreeing with the outcome expressed the view that opportunities should be made available regardless of age. One respondent, who agreed with the outcome, said, 'While we need to create opportunity for young people…we should never discriminate against age'. Another respondent, who disagreed, said: 'Any opportunities should be available regardless of age. I do not agree with this positive discrimination whereby young people are given additional opportunities…'

By contrast, two others respondent who disagreed with the outcome wanted to see more young people being given opportunities in the council. Therefore, their objection appeared to be that this outcome was not more fully focussed on younger groups:

- 'We need to retain young people in the area and maintain an age balance within the population'
- '…A&B Council should employ more young people particularly focusing on our care experienced young people…'

Outcome 2: We promote diversity across occupational groups

Agree	49
Disagree	3
Don't know	2

13 free text comments were made.

One enthusiastic respondent commented: 'This is great!' Others said: 'I would love to see female road workers and male care workers. It would change a lot of thinking within the workforce,' and, 'It would be great to see more male staff in our residential houses to create more of a gender balance.'

However, while there was broad agreement with the proposed outcome, even among respondents who agreed, some concerns were expressed and caveats made.

A couple of respondents suggested that gender stereotyping could be challenged in some areas more effectively than others. For example, one respondent suggested: ‘Certainly more females could be encouraged to go into IT. Not sure about home care and Roads and Amenities…’

Implicit in a number of comments was a concern that this could lead to positive discrimination in some areas. While there was acceptance that gender stereotypes should be challenged, this should be not at the expense of a person’s qualifications or ability to do the job.

A couple of respondents raised the issue of what recipients of care might prefer, suggesting that their views need to be taken into account when recruiting and training staff.

One respondent highlighted the importance of making flexible working available in all areas: ‘to allow all genders to have a fulfilling career and family life balance’.

Engagement:

Outcome 3: We have improved engagement with protected groups

Agree	47
Disagree	3
Don’t know	2

15 free text comments were made.

While there was broad agreement with the proposed outcome, even among respondents who agreed, concerns were expressed and caveats made.

Two respondents suggested that the engagement should go beyond people with protected characteristics, themselves. One suggested that: ‘…even if those protected people are over 18, those around them who have cared about them as minors, should have a legal input in the interests of the vulnerable person.’ Another respondent wanted to know how this (currently?) works in practice, reporting that neither they, nor their child, who needs additional support, have ever been asked for their views.

Another respondent stressed the need to engage with our ‘looked after’ children, hinting that this should take place before ‘we even take into consideration those who are from protected groups.’

Two respondents highlighted the need for resources to be made available for this outcome to be achieved, ‘or else engagement becomes tokenistic and merely about consultation, rather than including “collaboration” or “involvement” as options for engagement’.

Some respondents, who approved of the outcome, appeared cynical with regard to how effective engagement was at present, suggesting that they recognised this was an area in which improvements could be made.

Services:

Outcome 4: People with protected characteristics have improved experiences of services

Agree	45
Disagree	4
Don't know	4

14 free text comments were made.

While there was broad agreement with the proposed outcome, even among some respondents who agreed, concerns were expressed and caveats made.

One respondent questioned how people with protected characteristics could become involved with the co-delivery of services.

One respondent highlighted transgender care leavers as a particular group that could benefit from improved service experiences.

A couple of respondents suggested that all service users should have the same, positive, experiences of services. One respondent, while agreeing with the outcome, said: 'All people should be treated equally. Any handicap or difficulty should be met to ensure that they are treated equally. These costs need to be allowed for and nobody should be treated differently or given priority once a level outcome can be achieved.'

One respondent hinted that education of staff and a change in culture is required to ensure that this outcome is delivered.

One respondent, who disagreed with the outcome, suggested the following: 'All individuals, with our without a protected characteristic, should have improved experiences of services. The only exception to this would be where there is specific evidence to show that individual(s) with one or more protected characteristic receive a poorer service than all individuals without a protected characteristic…'

Another respondent queried how this can be delivered where private organisations work in partnership with the council.

Outcome 5: We take the views of people from protected groups into account when we change our services

Agree	44
Disagree	4
Don't know	4

10 free text comments were made.

While there was broad agreement with the proposed outcome, even among respondents who agreed, concerns were expressed and caveats made.

Principal caveats related to:

- Making sure that the interests of people from protected characteristics do not come at the expense of the opinions of the wider population
- The need to make sure that all changes are costed to ensure that they are sustainable and can remain in place when budgets are squeezed further.

In a similar vein, one respondent suggested that this outcome could encourage lip service to be paid to protected groups. There is a danger that we listen, but then do not incorporate their views into any change to the service.

Education:

Outcome 6: Bullying of young people with one or more protected characteristics is reduced

Agree	40
Disagree	8
Don’t know	4

19 free text comments were made.

This was the outcome which provoked the highest level of disagreement.

While there was broad agreement with the outcome, it was clear from the comments made that respondents consider bullying in all forms to be unacceptable, not just bullying of people with protected characteristics. Moreover, given that bullying is unacceptable, the outcome should be more aspirational, aiming for the eradication of bullying, not just its reduction.

A couple of respondents mentioned the issue of workplace bullying, suggesting that this is an issue that needs to be tackled more widely. This included one comment about workplace bullying in schools.

One respondent suggested that highlighting the bullying of people with protected characteristics might exacerbate the problem as it would draw attention to them and to the issue.

Outcome 7: The gap in educational attainment between people with protected characteristics is reduced

Agree	45
Disagree	2
Don’t know	4

17 free text comments were made.

While there was broad agreement with the proposed outcome, even among respondents who agreed, concerns were expressed and caveats made.

A couple of respondents suggested that pupils should be encouraged to develop skills in areas beyond the purely academic, making mention of practical skills, or achievements in music and art.

Concern was raised by a number of respondents about the need to support pupils beyond those with protected characteristics. One respondent suggested that efforts should be made to close the gap in educational attainment between LAC and non-LAC. Another commented on the need to assist less affluent pupils irrespective of whether or not they share protected characteristics, and made a link to the Fairer Scotland Duty.

Another respondent questioned whether equivalent support would be in place when people with protected characteristics move into employment.

Recommendations:

On the basis of the responses to the consultation, the following recommendations have been made.

Workforce:

- **We support our workforce, encouraging participation across all age groups**

  Keep the outcome as is.

- **We promote diversity across occupational groups**

  Keep the outcome as is

Engagement:

- **We have improved engagement with protected groups**

  Keep the outcome as is

Services:

- **People with protected characteristics have improved experiences of services**

Keep the outcome as is

- **We take the views of people from protected groups into account when we change our services.**

  Keep the outcome as is

Education:

- **Bullying of young people with one or more protected characteristics is reduced**

  In light of the strength of feeling around this issue, and the widely held view that bullying in any form is unacceptable, the wording be changed to **We do not tolerate bullying and harassment of people from protected groups.**

- **The gap in educational attainment between people with protected characteristics is reduced.**

  To be clearer about what this outcome is trying to achieve, change the wording to: **The gap in educational attainment between people with and without protected characteristics is reduced.**

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

DEVELOPMENT AND INFRASTRUCTURE SERVICES | **14 FEBRUARY 2019**

WEEKLY AND MONTHLY PARKING PERMITS

1.0 EXECUTIVE SUMMARY

1.1 The Council currently charges for off street car parks where the demand for parking is greatest. The charging from car parks helps to ensure there is a turnover of parking spaces available, provides a management regime which is positive in terms of traffic management and also creates a financial surplus which is used as an income stream contributing to the Council budget.

1.2 Off street charging car parks are traditional parking machines where daily tickets can be purchased for cash. Parking permits are available to purchase for periods of 3 months, 6 months, 9 months and 12 months. To provide an enhanced service, the Council has been considering the introduction of weekly and monthly parking permits as well as providing the ability to purchase car parking by phone. An app has already been introduced called Paysmarti which enables people to pay using their mobile phone across a number of car parks.

1.3 It is suggested that the new scheme for weekly and monthly tickets together with the introduction of purchasing parking by Direct Debit is piloted in the Oban, Lorn and the Isles area for a 12 month period. If successful, the scheme will be rolled out across the whole of Argyll and Bute. The pilot is suggested to enable any implementation issues to be tested in one location prior to a wider roll out.

It is recommended that Members

- Approve the introduction of weekly and monthly parking permits to be piloted in the Oban, Lorn and the Isles area for a 12 month period.
- Endorse the proposed fees for the new charges which will be subject to approval by Council as part of its consideration of the budget.

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

DEVELOPMENT AND INFRASTRUCTURE SERVICES | **14 FEBRUARY 2019**

WEEKLY AND MONTHLY PARKING PERMITS

2.0 INTRODUCTION

2.1 This report provides an overview of changes to parking permits and parking payment methods for consideration. The report also proposes to introduce a greater level of choice by introducing weekly and monthly permits.

3.0 RECOMMENDATIONS

3.1 It is recommended that Members

- Approve the introduction of weekly and monthly parking permits to be piloted in the Oban, Lorn and the Isles area for a 12 month period.
- Endorse the proposed fees for the new charges which will be subject to approval by Council as part of its consideration of the budget.

4.0 DETAIL

4.1 This report is proposing to offer a greater choice to individuals wishing to use Council car parks. This greater choice will be offered via the introduction of weekly and monthly parking permits for off street car parks. It is proposed that the weekly and monthly parking permits will be initially introduced in the Oban, Lorn and the Isles area on a trial basis. This will allow the demand for these shorter duration parking permits to be monitored together with any implications for parking income. The pilot scheme would restrict the use of these shorter duration tickets to specified car parks within the Oban, Lorn and the Isles area. Parking permit arrangments in all other areas will remain unchanged until the effectiveness of the pilot has been reviewed.

Current Parking Permit Charges

4.2 Our fees and charges currently allow for paid for parking to be purchased via parking machines (some mobile phone payment) on an hourly basis. Permits are also available from council offices for off street car parks, for 12, 9, 6 and 3 months as detailed in the table below.

Monthly Permit (2018/19 prices)

Permit Type	One off Cost (£s)	Equivalent Cost per Month based on one off payment
12 months	£475	£39.60
9 months	£360	£40
6 months	£250	£41.67
3 months	£135	£45
1 month	£60	£60

Oban Lorn and the Isles Pilot Proposal

4.3 This reports proposes introducing additional options to purchase a permit for one month or one week. The permits represent a significant discount compared to daily charges, designed to make them affordable for those who require to park regularly in the town.

4.4 The introduction of a direct debit payment option provides an additional convenience and the opportunity to spread the cost. Direct debits could be set up for a one off payment of the annual charge or as a monthly charge. Either type of direct debit would be set up to run continuously unless the customer cancels the direct debit arrangement, which they can do at any time. The monthly direct debit costs are more expensive than initial one off purchase to reflect the administrative burden resulting from the need to undertake a manual reconciliation of the financial systems and the software used by the wardens'. However, this provides customers with a range of options and choices for car park charges. This will be reviewed as part of the pilot.

Monthly Permit 2019/2020

Permit Type	One off Cost (£s)	Equivalent Cost per Month based on one off payment	Cost of Full payment by Direct Debit	Cost of monthly direct debit	Cost for full year via monthly direct debit
12 months	£489	£40.75	£489	£50	£600
9 months	£371	£41.22	n/a		
6 months	£258	£43.00	n/a		
3 months	£139	£46.33	n/a		
1 month	£60	£60	n/a	n/a	n/a

Note: The prices in this table have been increased to reflect the proposed inflationary increase for 2019/20, subject to its approval by Council.

4.5 Weekly permits would be available to purchase in advance and these are detailed along with the current costs if purchased through the parking machines in the table below.

Weekly ticket 2019/20 prices

Car Park	Tariff	Total £/week	Comments
Ganavan, Lochavullin and Longsdale Car Parks	2 hours free, Mon-Sat 9.00 to 18.00,Sunday charged 13.00 to 18.00	£49.50	£45.00 = Current charge if paid via the parking machine to park for a week, returning to the car park daily.
OLI & H&L standard charges	Mon-Sat 9.00 to 18.00, Sun 13.00 to 18.00	£64.90	£59.00 = Current charge if paid via the parking machine to park for a week **returning** to the car park daily.
B&C standard charges	Mon-Sat 9.00 to 18.00	£59.40	£54.00 = Current charge if paid via the parking machine to park for a week **returning** to the car park daily.
If full week is at maximum charge	Mon-Sun 9,00 to 18.00	£69.30	£63.00 = Current charge if paid via the parking machine to park for a week returning to the car park daily.
Proposed weekly ticket	Could be used in any car park within the Admin Area	£30.00	The intended use of this ticket is for customers who require to utilise our car parks for periods of up to a week but it is not intended to replace the permits we offer. This will cater for those using an area as a base, e.g. visiting the islands (cycling perhaps), yachting or tourism in and around a location.

Note: The prices in this table have been increased to reflect the proposed inflationary increase for 2019/20, subject to its approval by Council.

4.6 At the end of the 12 month trial period, the implications of this proposal will be reported back to Members.

5.0 CONCLUSION

5.1 This report proposes that weekly and monthly parking permits are made available for off street car parks. The fees associated with these new parking charges are set out within the body of the report and will be included as part of the Council's Fees and Charges 19/20 through the budget setting process.

6.0 IMPLICATIONS

6.1 Policy – this report introduces a new policy in terms of a greater choice for members of the public when purchasing parking tickets.

6.2 Financial – any financial implications of this policy will be monitored over the first 12 months following introduction.

6.3 Legal – none known

6.4 HR – none known

6.5 Equalities / Fairer Scotland Duty – none known

6.6 Risk – potential to under recover car parking income due to offering weekly and monthly tickets at a reduced rate from that of the current daily charge.

6.7 Customer Service – none known

Executive Director of Development and Infrastructure Pippa Milne
Policy Lead Councillor Roddy McCuish
January 2019

For further information contact: Stuart Watson, Traffic and Development Manager
Tel: 01546 604889

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Agenda Item 10

ARGYLL AND BUTE COUNCIL	POLICY AND RESOURCES COMMITTEE
DEVELOPMENT & INFRASTRUCURE SERVICES	14TH FEBRUARY 2019

ROYAL NATIONAL MOD AND FUNDING SUPPORT

1.0 EXECUTIVE SUMMARY

1.1 As part of the review of the strategic events and festival grant funding process it was agreed that the Council funding to the Royal National Mod (RNM) be set aside from the events and festivals budget and to be considered separately following a meeting with the RNM. This meeting has now been held and this report provides members with an update on the discussions that were held.

1.2 At the meeting the RNM indicated that they would be delighted for Argyll and Bute to host the Mod in Oban 2023. To secure this funding support would require to be agreed by the council in the form of a grant to the RNM of £120,000.00.

1.3 It is recommended that members:

1. Consider hosting the Mod in Oban in 2023 and consider agreeing to enter into a new agreement with the RNM to provide the £120,000.00 financial support to the RNM broken down over a 5 year period with the final payment in June 2023.

2. Agree to the council working with Live Argyll to secure the use of the Corran Halls for the duration of the RNM in 2023 at no cost to the RNM.

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ARGYLL AND BUTE COUNCIL	**POLICY AND RESOURCES COMMITTEE**
DEVELOPMENT & INFRASTRUCURE SERVICES	**14TH FEBRUARY 2018**

ROYAL NATIONAL MOD AND FUNDING SUPPORT

2.0 INTRODUCTION

2.1 The Council recognises the cultural and educational significance of supporting the development of the Gaelic language and the provision of local and national Mods. The Royal National Mod (RNM) holds a very special place in the history of Argyll and Scottish culture. The value of holding a national Mod in Argyll has long been recognised by Argyll and Bute Council through its previous support. This support reflects the significance of the RNM event in providing opportunities to celebrate, support and develop our national culture as well as demonstrating the area's ability to host national events, the boost it gives to the local tourism industry by providing 'authentic experiences' for visitors that underpins the industry's wider growth ambitions.

3.0 RECOMMENDATIONS

3.1 It is recommended that members:

1. Consider hosting the Mod in Oban in 2023 and consider agreeing to enter into a new agreement with the RNM to provide the £120,000.00 financial support to the RNM broken down over a 5 year period with the final payment in June 2023.

2. Agree to the council working with Live Argyll to secure the use of the Corran Halls for the duration of the RNM at no cost to the RNM

4.0 DETAIL

4.1 In 2013 the Council agreed to enter into a Service level agreement (SLA) with the Royal National Mod (RNM). The agreement provided funding support for the RNM and commenced on 30 September 2013 terminating on 31 March 2019. The agreement provided annual payments to the Mod, the final payment covering 2018/19 was made in June 2018 and was for £40,346.57.

4.2 The current SLA was agreed on the basis that the RNM came to Argyll and Bute every three years as part of a systematic national circuit. The RNM was held in Oban in 2015 and in Dunoon in October 2018. The annual payment to the RNM

was based on an uplift of 2.5% per annum as an allowance for inflation, providing funds are available and the objectives had been met in the previous years. Over the period of the SLA (August 2013 - March 2019) a total grant of £227,790.39 was made to RNM. The SLA is supported by a post event analysis to ensure the anticipated benefits were realised – this included an understanding of the impact of the events on the local business economy. It is very clear from previous analysis reports and the recent analysis report for the 2018 Dunoon RNM that the RNM brings in significant economic benefit to the local economy as a consequence of increased visitor numbers from outwith the area as well as across the area including spend in the area from those taking part in the event.

4.3 The key economic impact findings from the 2018 Dunoon RNM evaluation report are summarized below:

- **Overall attendance**: **7,456**. This includes an estimated 1,393 young people (also derived from organiser attendance figures) who participated in the junior events.
- Attendees to the Mòd were commonly from within a few hours of Dunoon with 51% and 16% from Argyll & Bute and Dunoon, respectively. In addition to being a typically local audience, attendees commonly visited with children (47%).
- Overall levels of **satisfaction** were high – recording **8.71** (out of 10)
- **Economic impact** (including **direct and indirect expenditure**): **£2,015,620**).
- **Economic impact** (**direct expenditure** only): **£1,508,698**) – eg Choirs paying hotels only (no further multiplier into wider economy counted)
- **Return on Investment**: **13:1**
- **Additionality factor**: **79%** of attendees stated that they would have remained at home had the Mòd not taken place. This additionality is significant in a shoulder month of the tourist season.
- **FTE** Job measurement –it is interesting to note that the event had an impact equivalent to the creation of approximately **29 FTE** jobs. The FTE figure is based on the value of each job being equivalent to approximately £69,000. (The figure of 29 is based upon the T1 Economic Impact measurement rather than the direct impact).
- **Economic impact "leakage" from Argyll & Bute area into Inverclyde** is identified in the report (ie participants staying in Greenock; Gourock etc and travelling to/from the Mòd on a daily basis).

4.4 There are strong reasons for the Council supporting a future RNM in Argyll and Bute. These are as follows:

- To ensure the sustainability of the Gaelic language through support for the showpiece event.
- To promote high level media coverage of the only significant national cultural event held in Argyll and Bute.

- To ensure that the event can be held in Argyll and Bute and thus generate significant economic benefit to the towns where it is held.
- To support the wide range of cultural activities which take place during Mod week.
- To promote the provision of high quality competitions in Gaelic music, drama and arts.
- To promote the development of the Gaelic language through the wide range of school choirs participating in the National Mod events.
- To maintain a long-standing Scottish tradition.

4.5 The SLA will expire in March. In light of the absence of any further agreements being in place with the RNM for Argyll and Bute to host any future RNMs as part of the systematic national circuit, it was agreed that a meeting take place with the RNM association. Glasgow are due to host the Mod in 2019, Inverness in 2020, Paisley in 2021 and Perth 2022. Please see link below

https://www.highland.gov.uk/news/article/10525/the_royal_national_m%C3%B2d_announces_2021_and_2022_plans.

4.6 Following discussions with the Association in regard to the possibility of Argyll and Bute hosting a future Mod, the earliest opportunity for this being 2023, the RNM have advised that they would be delighted if Oban could host the RNM in 2023.

4.7 If the council is minded to host the event in Oban in 2023 funding support will require to be provided to the RNM. This would be for £120,000. A new agreement will require to be drawn up to secure the agreement between both parties in regard to the hosting in 2023 and also to secure the provision of the funding support.

4.8 In the previous SLA an in kind payment was included as follows:

- Free use of venues, including halls and schools for the duration of the Mod up to a maximum of £10,000.
- Staff overtime up to a maximum of £10,000was also included per event held.

The RNM Association has advised that the use of the Corran Halls, which is a high quality venue, for the Oban RNM in 2023 would be critical to the success of the event. Without this being provided at no cost to the RNM it would be unlikely that the RNM would be able to cover the cost of this venue and associated staff support costs from within their own budget. The council will require to work with Live Argyll to secure this.

5.0 CONCLUSION

5.1 Over the last six years the Council has hosted two very successful RNMs, the first being in Oban in 2015 and then in Dunoon in 2018. Both events proved highly successful and each provided a successful economic stimulus within the area and also greatly contributed to supporting our Gaelic language and culture.

5.2 There are no other central/corporate routes/mechanism available for the council to support the RNM in Oban in 2023. It is therefore recommended that the budget of £120,000.00 be agreed, it is currently recommended that this be spread over 5 annual payments however members may wish to consider a different breakdown. A new agreement will require to be drawn up and agreed with the RNM to secure the RNM in Oban in 2023 and the associated grant.

6.0 IMPLICATIONS

6.1 Policy	The provision of support to the RNM fits with the Councils Gaelic Plan and specifically the Council recognises the cultural and educational significance of supporting the development of the Gaelic language and the provision of local and national Mods.
6.2 Financial	The budget will require to be agreed for the £120,000.00 of financial support to the RNM in order to secure the RNM in Oban 2023. It is currently suggested that the grant is split over 5 financial years 2019/20 – 2023/24
6.3 Legal	An new Agreement will require to be drafted
6.4 HR	Resource will be required to manage this process however this is currently managed from existing staff
6.5 Equalities/Fairer Scotland Duty	None
6.6 Risk	See 5.2 above
6.7 Customer Service	None

Pippa Milne, Executive Director of Development and Infrastructure
Policy Lead – Cllr Aileen Morton
For further information contact:
Audrey Martin, Transformation Projects and Regeneration Manager, Tel: 01546 604180

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Policy and Resources Committee Work Plan 2019-20

February 2019 - This is an outline plan to facilitate forward planning of reports to the P&R Committee.					
February 2019	**Report Title**	**Dept/Section**	**How Often?**	**Date Due**	**Comments**
	Financial Monitoring Pack	Strategic Finance	Every Meeting		
	Budgeting Pack 2019/20	Strategic Finance			
	Treasury Management Strategy Statement and Annual Investment Strategy	Strategic Finance			
	Equality and Diversity Policy	Customer Services			
	Equalities Outcomes 2019-2023	Customer Services			
	Weekly and Monthly Parking Permits	Development and Infrastructure			
	Royal National MOD and Funding Support	Development and Infrastructure			
	Kintyre Recycling Ltd	Development and Infrastructure			
	Argyll Air Services PSO Tender	Development and Infrastructure			
Future Items – date to be determined					
	IHR Policies: • Attendance Management Policy • Secondment Policy	Improvement and HR	As required		• To come in FQ4 2018/19 • To come in 2019
	Review of Advice Services	Development and Infrastructure			P&R 13 December 2018 requested report be brought to future Committee
	Alternative Options for Distribution	Governance and			P&R 13 December report to

	of Discretionary Funding to Community Councils	Law			future Committee

Agenda Item 12a

ARGYLL AND BUTE COUNCIL	**POLICY AND RESOURCES COMMITTEE**
Development and Infrastructure Services	**14th February 2019**

Argyll Air Services PSO Tender

1.0 EXECUTIVE SUMMARY

1.1 The current contract for the provision of Air Services between Oban and the Islands of Coll, Colonsay and Tiree is operated by Hebridean Air Services Ltd (HASL) on behalf of the Council at a cost of £720,756 per annum. This contract will expire on 15 May 2019 and flights cannot currently be booked beyond this date.

1.2 Following a non-compliant single tender submission for the next Argyll Air Services Public Service Obligation (PSO) contract, the procurement had to be abandoned. Given the delay in securing a new operator there is now a risk of a break in service from one contract finishing to the next starting.

1.3 Approval is sought from the Policy & Resources Committee to retender the Argyll Air Services PSO contract applying the minimum timescale possible, within the rules under the European Commission (EC) which apply to PSO air services. The timetable for the retender of the PSO contract has been programmed with invitation to tender now planned for the end of Feb 2019 and contract award proposed 28th June 2019.

1.4 The Council have been advised by Transport Scotland that permission by the European Commission (EC) will not be granted to extend the current contract temporarily as there is no legal authority to do so. If the Council is found to have breached state aid rules the operator would have to repay any subsidy with interest.
Strategic Transportation have made the operator aware of the above EC implication and the operator has advised that they would require an indemnity ensuring that they are not liable for this penalty.

1.5 It is not possible to provide the indemnity sought as to do so would fail to give effect to any direction by the EC and would itself constitute state aid. Given that the operator will not take on the legal risk of breaching EC regulations and would seek to transfer this risk to the Council it is considered impossible for the Council to extend the current PSO contract.

1.6 Approval is sought from the Committee to retender the Argyll Air Services PSO contract applying the minimum timescale possible, within the rules under the EC which apply to PSO air services.

1.7 The Committee is asked to note that it is not legally possible to extend the existing air services contract.

1.8 The Committee is asked to note that a further update will be provided as soon as practicable after the conclusion of the procurement exercise.

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of Schedule 7A of the Local Government(Scotland) Act 1973

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

DEVELOPMENT AND INFRASTRUCTURE SERVICES | **14 FEBRUARY 2019**

KINTYRE RECYCLING LIMITED

1.0 EXECUTIVE SUMMARY

1.1 Kintyre Recycling Limited (KRL) are contracted to the council to collect and recycle recyclable materials from premises in the Kintyre area. KRL have served a contract variation notice on the council seeking additional contract payments.

1.2 The market for recyclable materials can be volatile but as a general rule the value achieved from recycled materials has reduced in recent times due to a number of factors. These factors include a reduction in prices on the global market.

1.3 At the Council meeting on 29th November, it was agreed that:

Decision

The Council:

1. *Noted the update provided.*
2. *Agreed that subject to the submission of evidence that an overspend has been incurred the Council will fund any shortfall in KRL's financial year 2018/19, after the draw-down of the HIE grant, up to a maximum of £32k. This funding if required would come from the unallocated General Fund Reserve. The provision of any funding being subject to the approval of the Executive Director of Development and Infrastructure, in consultation with the Head of Strategic Finance.*
3. *Agreed that a further report as part of the budget process is brought back to members which will clearly demonstrate the financial implications of the delivery of the collection of recycling material presently undertaken by KRL.*

1.4 Following the previous Council meeting on the 29th of November HIE have made available funding to KRL in addition to the funding allocated by the council. KRL have had an initial options appraisal completed. Further work is required to identify alternative operating models.

1.5 Through this report it is proposed that further time be given to allow additional discussions with KRL and their advisors regarding more sustainable delivery models.

It is recommended Members:

- Endorse the proposals at paragraph 4.6 of this report and that additional funding to a maximum of £23,330 is offered to Kintyre Recycling Limited up until the end of August 2019.
- Agree to a consultation with the community regarding the introduction of blue bin recycling collections in Kintyre
- Recommend to the Council that provision is made for an increased payment of £23,330 for Kintyre Recycling Limited.

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of Schedule 7A of the Local Government(Scotland) Act 1973

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