

EXECUTIVE SUMMARY AND INTRODUCTORY REPORT - FINANCIAL REPORT MONITORING PACK – OCTOBER 2014

1. INTRODUCTION

- 1.1 This report introduces the full package of papers included in the financial reports monitoring pack. There are seven reports included within the financial report monitoring pack as follows:
- Revenue Budget Monitoring Report as at 31 October 2014
 - Monitoring of 1% Savings for 2014-15 and 2015-16
 - Update to 2015-16 Budget as at 31 October 2014
 - Monitoring of Financial Risks
 - Reserves and Balances
 - Capital Plan Monitoring Report as at 31 October 2014
 - Treasury Monitoring Report as at 31 October 2014
- 1.2 Revenue Budget Monitoring Report – this report provides a summary of the current revenue budget monitoring position to ensure net expenditure is contained within budget. It provides corporate and departmental information with comparisons on a forecast outturn and a year to date basis. The projected year end outturn at 31 October 2014 is an overspend of £0.914m. This is mainly due to overspends in adult care, refuse collection and coastal protection works, shortfall in car parking income, unrecoverable costs for dangerous buildings and inability to realise service review saving within music instructors offset by savings with school and public transport.
- 1.3 Monitoring of 1% Savings for 2014-15 and 2015-16 – this report provides a summary of the progress towards the savings target for 2014-15 and 2015-16. The budget savings required for 2014-15 based on 1% savings are £1.822m and savings of £1.802m (98.9%) have already been secured and £0.020m (1.1%) are being implemented all with no policy implications.
- 1.4 Update to 2015-16 Budget – this report provides an update on any of the changes to the budget assumptions used when preparing the 2015-16 budget and an assessment of the impact. The main change to the budget update is the reduction in grant funding of £2.557m due to updating the finance settlement indicators rather than the flat cash approach. There are further funding adjustments of £0.963m relating to Children and Young Persons (Scotland) Act and also the transfer of the A83. There are adjustments to the base budget of £1.228m, employee cost changes which give a net increase of £0.405m, reduction of £0.181m within inflation an additional £0.820m cost and demand pressures and a reduction to fees and charges income of £0.055m. The overall impact is a projected surplus for 2015-16 of £0.200m.

- 1.5 Monitoring of Financial Risks - this report outlines the process and approach developed in carrying out a financial risks analysis and provides an update on the current assessment of financial risks. Whilst a total of 54 financial risk areas have been identified only 6 are classed as likely with a potential impact of £2.330m. These will continue to be monitored throughout the year and action taken to mitigate or manage these risks.
- 1.6 Reserves and Balances – this report summarises the overall level of reserves and balances and monitors the spending of the earmarked reserves. The Council has usable reserves of £48.526m. Most of these are earmarked for specific purposes. With a General Fund contingency of 1.5% the estimated free General Fund balance by 31 March 2016 is estimated at £10.641m. Members agreed at Policy and Resources Committee in August to direct the free balance on the general fund exclusively to the theme of economy and jobs and proposals to increase income / reduce costs for the Council.
- 1.7 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. The year to date capital plan position is an overspend of £1.900m and also an overspend of £3.013m forecast for the full year. There are 5 projects classed as off track.
- 1.8 Treasury Monitoring – this report provides information on the current levels and recent transactions in relation to the capital financing limit, total borrowing, temporary borrowing and long term borrowing and investments. There have been no significant new borrowings or repayments in the period to August. Borrowing is estimated to be around £19.1m below the capital financing requirement by 31 March 2015. Investments at 31 August were £53.5m with a return for the last quarter of 0.725% compared to the average 7 day rate of 0.356%.

2. RECOMMENDATIONS

- 2.1 Members to note the revenue budget monitoring report as at 31 October 2014.
- 2.2 Members to note the progress towards the 1% savings target for 2014-15 and 2015-16.
- 2.3 Members to note the updates to the 2015-16 budget as at 31 October 2014.
- 2.4 Members to note the current assessment of the Council's financial risks.
- 2.5 Members to note the overall level of reserves and balances and note the monitoring of the earmarked reserves. Members to approve the change in profiles as noted in paragraphs 3.3.5 and 3.3.6 in the reserves and

balances report.

2.6 Members to note the capital plan monitoring report as at 31 October 2014.

2.7 Members to note the treasury monitoring report as at 31 October 2014.

3. IMPLICATIONS

3.1 Policy – None.

3.2 Financial - Outlines the revenue and capital monitoring for 2014-15 as at 31 October 2014.
Summarises the changes to the assumptions for 2015-16 and the estimated impact.
Good progress is being made in respect of the 1% savings target.

3.3 Legal - None.

3.4 HR - Individual savings may have human resource implications and these would have been discussed with the Trade Unions.

3.5 Equalities - Individual savings may have equality implications and equality impact assessments would have been carried out where required.

3.6 Risk - Details of financial risks are included within the report.

3.7 Customer Service - None.

Bruce West
Head of Strategic Finance
5 December 2014

Overall Position:

- The current forecast outturn position is a projected overspend of £914k, this position has not changed since the September budget monitoring report.
- There is a year to date surplus of £6,047k with the profiled Year to Date budget being in excess of the Year to Date expenditure.

Key Highlights for October 2014:

- In the October period the projected year-end outturn position is an overspend of £914k, this position will be monitored and any changes reported through monthly budget monitoring.
- The year to date variance has decreased from a year to date surplus of £2,341k in September to a £6,047k surplus in October, further information on year to date variances is included in the departmental financial summaries.

Key Financial Successes:

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

Key Financial Challenges:

Maintaining favourable year-end balanced position in light of council wide risks to expenditure.

Ongoing requirement to identify savings and the challenges services are faced with in terms of delivering services more efficiently with less resources.

Maintaining or improving the level of service income recovered, for example planning, building standards and car parking.

Spend in service areas which are demand led and to some extent outwith service control, for example Winter Maintenance.

Ongoing requirement to fund unavoidable increases in employee costs, particularly in relation to pay awards, holiday pay entitlements, disturbance payments and changes in rules around pension and national insurance contributions.

Proposed Actions to address Financial Challenges:

Ongoing robust monitoring of the financial position to ensure that any budget issues are fed back to the management team and members through the budget monitoring process.

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

Actively monitor income recovery as part of routine budget monitoring and ensure Council fees and charges policies are reviewed.

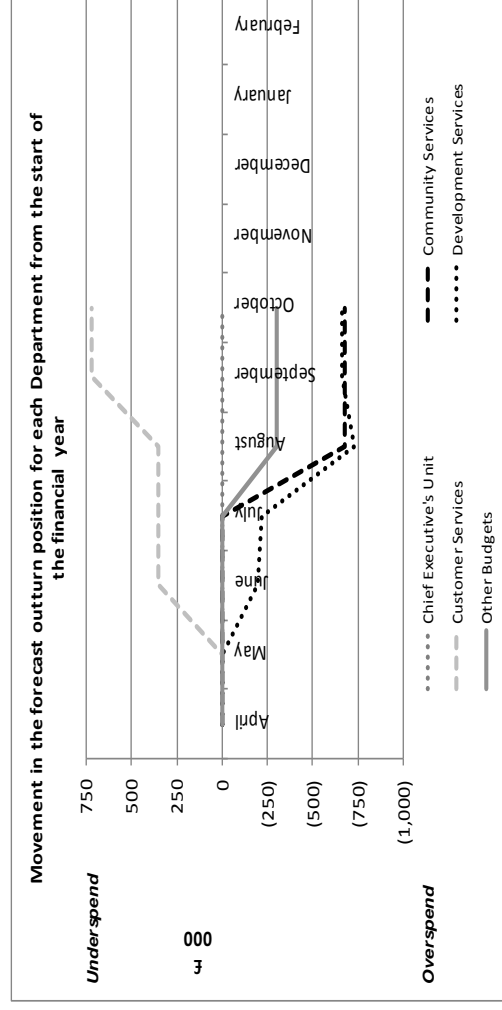
Use risk based approach to budget monitoring to focus additional attention to these areas, ensuring any financial implications are reported as soon as possible.

Ongoing work with HR to ensure emerging issues are highlighted as soon as possible so that the financial impact can be reported through the budget monitoring and preparation processes.

Forecast Outturn Position

As at the end of October 2014 the forecast outturn position is a projected overspend of £914k.

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	2,087	2,087	0	0	0	Forecast overspend within Community Services relates to an overspend within Adult Care as a result of increasing demand and also an overspend within Music Instructors as a result of not achieving the previously agreed saving. Forecast underspend in Customer Services is mainly in relation to School and Public Transport in addition to over recovery of vacancy savings, other staff savings and savings in Pool Cars and Police Cleaning Contract. Forecast overspend in Development and Infrastructure relates to remaining unplanned expenditure within Coastal Protection, a shortfall in commercial refuse collection income and car park income, a reduction in building warrants income, increased costs of Glasgow Scientific Services offset by increased planning fee and private landlord registration income. The forecast overspend in other corporate budgets relates to the expected cost of the recent ruling about holiday pay entitlement, the estimated annual cost of this is £300k - this forecast overspend is shown against other corporate budgets but there will be an expectation that departments will absorb this cost pressure from within existing budgets where possible.
Community Services	137,348	138,022	(674)	(674)	0	
Customer Services	39,159	38,435	724	724	0	
Development and Infrastructure Services	30,691	31,355	(664)	(664)	0	
Other Corporate Budgets	37,974	38,274	(300)	(300)	0	
Total	247,259	248,173	(914)	(914)	0	

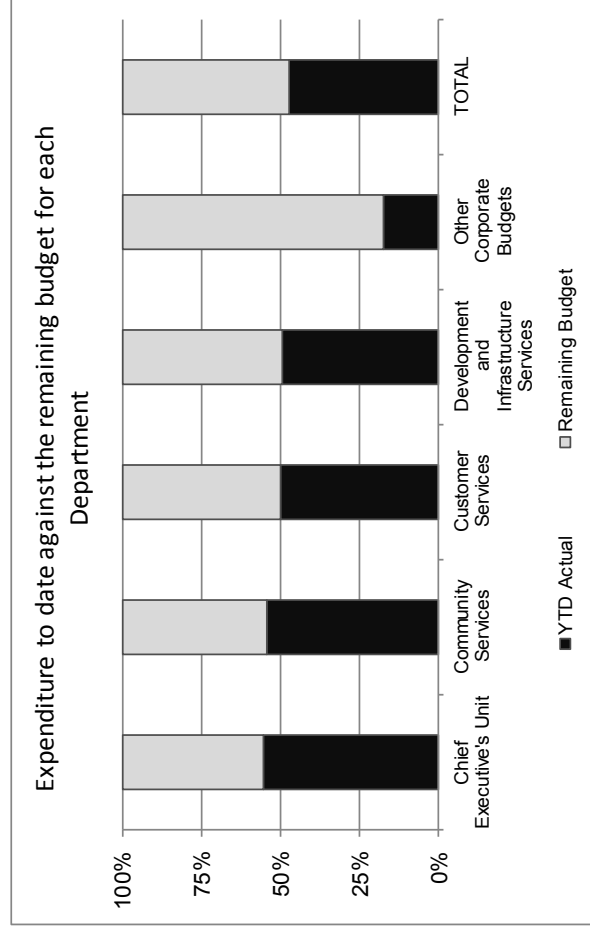


Further information on the departmental forecast outturn variances is included within the attached appendices.

Year to Date Position

As at the end of October 2014 there is a year to date surplus of £6,047k. The year to date position is not necessarily an indication of the likely year-end position.

The current year to date variance position for each Department:				
Department	YTD Budget £'000	YTD Actual Spend £'000	YTD Variance £'000	Explanation
Chief Executive's Unit	1,195	1,165	30	Outwith reporting criteria
Community Services	78,659	74,543	4,116	YTD underspend is mainly due to the profiling of budgets in Education, mainly for recharges from Customer Services for school catering costs, these will be addressed over the coming month as the allocation basis is reviewed and re-aligned.
Customer Services	20,982	19,573	1,409	YTD underspend for School and Public Transport in line with the reported forecast underspend, other YTD underspends are profile related with budgeted income or expenditure being out of sync with actual balances.
Development and Infrastructure Services	15,077	15,136	(59)	YTD overspend position is in line with forecast overspend position for the year end.
Other Corporate Budgets	7,224	6,673	551	YTD underspend relates mainly to Agency Accounts held by Development and Infrastructure. These accounts are set up to administer projects that are fully funded by way of grants and contributions and no budgets are created for these.
Total Net Expenditure	123,137	117,090	6,047	



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

OBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AT 31 OCTOBER 2014

	YEAR TO DATE POSITION				CURRENT PROJECTED FINAL OUTTURN			
	YTD Budget £'000	YTD Actual £'000	YTD Variance £'000	Variance %	Annual Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Variance %
Departmental Budgets								
Chief Executives	1,195	1,165	30	2.51%	2,087	2,087	0	0.00%
Community Services	78,659	74,543	4,116	5.23%	137,348	138,022	(674)	(0.49%)
Customer Services	20,982	19,573	1,409	6.72%	39,159	38,435	724	1.85%
Development and Infrastructure Services	15,077	15,136	(59)	(0.39%)	30,691	31,355	(664)	(2.16%)
Total Departmental Budgets	115,913	110,417	5,496	4.74%	209,285	209,899	(614)	(0.29%)
Non-Departmental Budgets								
Other Operating Income and Expenditure	1,973	1,753	220	11.15%	4,196	4,496	(300)	(7.15%)
Joint Boards	802	690	112	13.97%	1,376	1,376	0	0.00%
Non-Controllable Costs	4,449	4,230	219	100.00%	32,402	32,402	0	0.00%
Total Non-Departmental Budgets	7,224	6,673	551	7.63%	37,974	38,274	(300)	(0.79%)
TOTAL NET EXPENDITURE	123,137	117,090	6,047	4.91%	247,259	248,173	(914)	(0.37%)
Financed By								
Aggregate External Finance	(105,918)	(105,918)	0	0.00%	(204,935)	(204,935)	0	0.00%
Local Tax Requirement	(29,853)	(29,853)	0	0.00%	(40,700)	(40,700)	0	0.00%
Contributions to General Fund	0	0	0	0.00%	1,020	1,020	0	0.00%
Deductions from General Fund	0	0	0	0.00%	(15)	(15)	0	0.00%
Revenue Contribution to Capital	0	0	0	0.00%	869	869	0	0.00%
Earmarked Reserves	0	0	0	0.00%	(3,498)	(3,498)	0	0.00%
Total Funding	(135,771)	(135,771)	0	0.00%	(247,259)	(247,259)	0	0.00%
Deficit/(Surplus) for Period	(12,634)	(18,681)	6,047		0	914	(914)	

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%.

SUBJECTIVE SUMMARY – OVERALL COUNCIL POSITION AT 31 OCTOBER 2014

Subjective Category	YEAR TO DATE POSITION			CURRENT PROJECTED FINAL OUTTURN				
	YTD Budget £'000	YTD Actual £'000	YTD Variance £'000	Variance %	Annual Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Variance %
Employee Expenses	73,157	73,622	-465	(0.64%)	132,811	133,053	(242)	(0.18%)
Premises Related Expenditure	9,417	9,038	379	4.02%	16,941	16,941	0	0.00%
Supplies and Services	14,417	10,357	4,060	28.16%	23,229	23,298	(69)	(0.30%)
Transport Related Expenditure	7,596	7,754	-158	(2.08%)	21,124	21,409	(285)	(1.35%)
Third Party Payments	71,215	70,958	257	0.36%	129,035	129,177	(142)	(0.11%)
Capital Financing	0	-1,666	1,666	0.00%	27,950	27,950	0	0.00%
TOTAL NET EXPENDITURE	175,802	170,063	5,739	3.26%	351,090	351,828	(738)	(0.21%)
Income	188,436	188,744	-308	(0.16%)	351,090	350,914	176	0.05%
Deficit/(Surplus) for Period	-12,634	-18,681	6,047		0	914	(914)	

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

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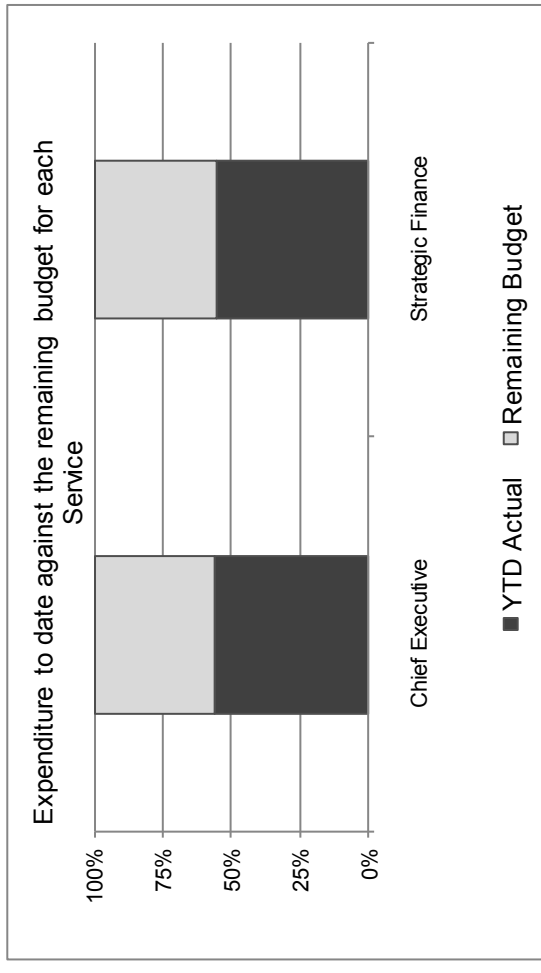
CHIEF EXECUTIVE'S UNIT HIGHLIGHTS – OCTOBER 2014

- The department are currently forecasting spend for 2014-15 to be in line with budget, therefore no forecast variance outturns have been reported in the September monitoring period.
- Net expenditure for the year to date spend is £30k less than the profiled to date budget – an underspend to date of 2.52%

Forecast Outturn Position

Service	Current Forecast Outturn Variance with change from previous month				
	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Chief Executive	214	214	0	0	0
Strategic Finance	1,871	1,871	0	0	0
Totals	2,086	2,086	0	0	0

Year to Date Position



Key Financial Successes:

2013-14 year-end outturn position was an underspend of £97k, a forecast underspend was projected as part of routine budget monitoring. All efficiency savings for 2014-15 have been secured.

Key Financial Challenges:

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

Proposed Actions to address Financial Challenges:

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

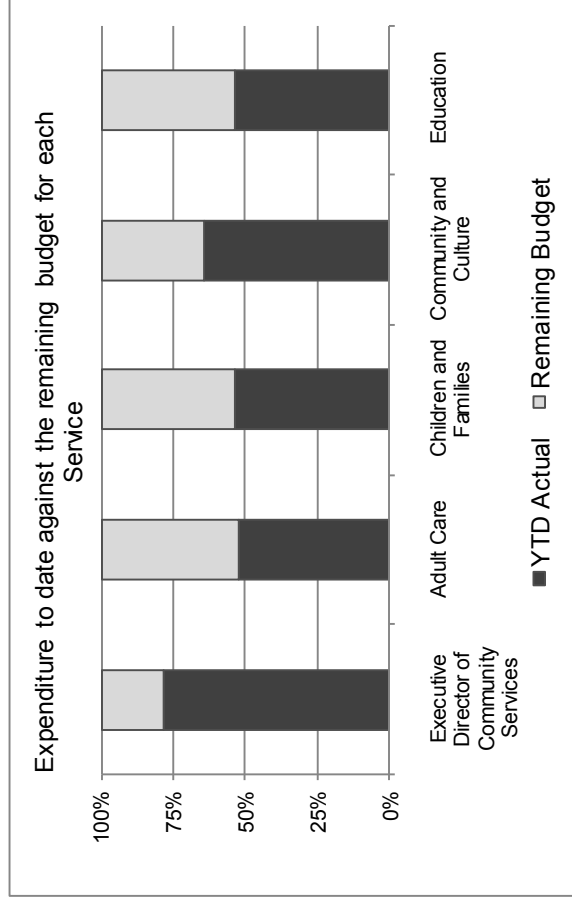
COMMUNITY SERVICES HIGHLIGHTS – OCTOBER 2014

- The department are forecasting an overspend of £674k at the October 2014 monitoring period, this is in Adult Care in relation to demand for services and also within Music Instructors as a result of not achieving the previously agreed service review saving. See Appendix 5 for further detail regarding music instructors.
- Net expenditure for the year to date spend is £4,117k less than the profiled to date budget – an underspend to date of 5.23%

Forecast Outturn Position

Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Executive Director of Community Services	477	477	0	0	0
Adult Care	43,424	43,986	-562	-562	0
Children and Families	16,875	16,875	0	0	0
Community and Culture	11,179	11,179	0	0	0
Education	65,393	65,505	-112	-112	0
Totals	137,348	138,022	-674	-674	0

Year to Date Position



Key Financial Successes:

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

Key Financial Challenges:

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

Proposed Actions to address Financial Challenges:

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

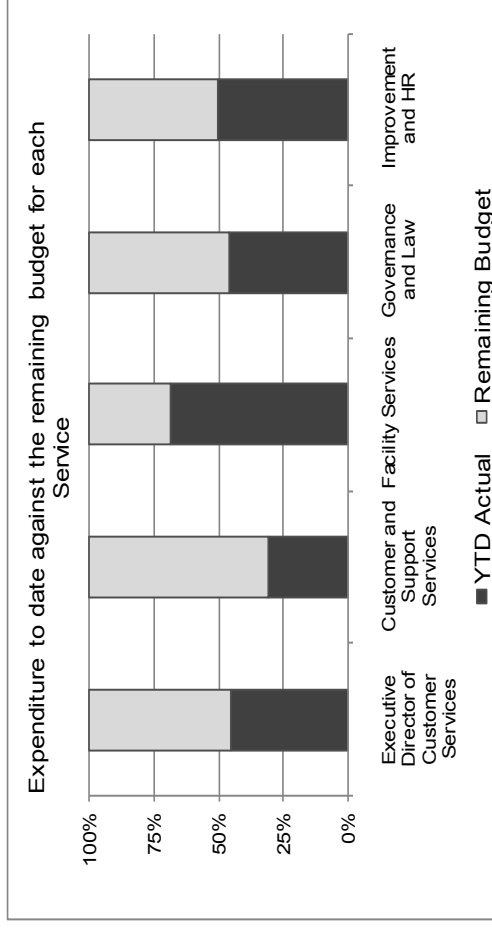
CUSTOMER SERVICES HIGHLIGHTS – OCTOBER 2014

- The department are forecasting an underspend of £723k at the October 2014 monitoring period, this is mainly in relation to School and Public Transport in addition to over recovery of vacancy savings, other staff savings and savings in Pool Cars and Police Cleaning Contract. The underspend is offset by a small overspend within Elections.
- Net expenditure for the year to date spend is £1,409k less than the profiled to date budget – an underspend to date of 6.71%.

Forecast Outturn Position

Service	Current Forecast Outturn Variance with change from previous month				
	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Executive Director of Customer Services	13,536	13,407	128	128	0
Customer and Support Services	8,042	8,042	0	0	0
Facility Services	12,048	11,477	571	571	0
Governance and Law	1,917	1,893	24	24	0
Improvement and HR	3,615	3,615	0	0	0
Totals	39,159	38,435	723	723	0

Year to Date Position



Key Financial Successes:

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

Key Financial Challenges:

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

Impact of Welfare reforms.

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

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

Proposed Actions to address Financial Challenges:

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

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

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

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

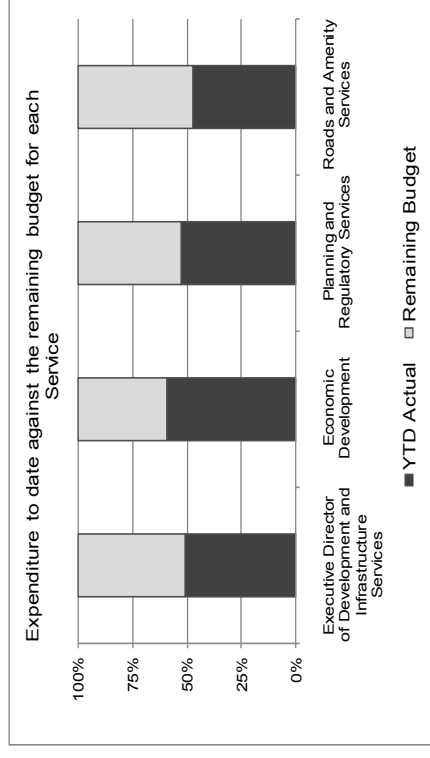
DEVELOPMENT AND INFRASTRUCTURE SERVICES HIGHLIGHTS – OCTOBER 2014

- The department are forecasting an overspend of £663k at the October 2014 monitoring period. In Roads and Amenity Services for coastal protection, refuse collection income and car park income. In Planning and Regulatory Services due to reduction in building warrants and increased cost of Glasgow Scientific Services offset by increased planning fee and private landlord registration income.
- Net expenditure for the year to date spend is £59k more than the profiled to date budget – an overspend to date of 0.39%.

Forecast Outturn Position

Current Forecast Outturn Variance with change from previous month					
Service	Annual Budget £000	Forecast Outturn £000	Current Forecast Variance £000	Previous Forecast Variance £000	Change £000
Executive Director of Development and Infrastructure Services	1,803	1,803	0	0	0
Economic Development	2,895	2,836	59	59	0
Planning and Regulatory Services	3,283	3,295	-12	-12	0
Roads and Amenity Services	22,724	23,434	-710	-710	0
Totals	30,704	31,368	-663	-663	0

Year to Date Position



Key Financial Successes:

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

Key Financial Challenges:

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

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

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

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

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

Proposed Actions to address Financial Challenges:

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

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

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

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

Ongoing contract negotiations.

CHIEF EXECUTIVE'S UNIT – OBJECTIVE SUMMARY AS AT 31 OCTOBER 2014

Service Outcome	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Central/Management Costs	£116,540	£121,179	(£4,639)	(3.98%)	£214,371	£214,371	£0	0.00%	Outwith reporting criteria
Chief Executive	£116,540	£121,179	(£4,639)	(3.98%)	£214,371	£214,371	£0	0.00%	
SF01 - Council Finances Managed Effectively	£955,311	£901,505	£53,806	5.63%	£1,649,728	£1,649,728	£0	0.00%	Outwith reporting criteria
SF02 - Internal Audit	£123,549	£142,554	(£19,005)	(15.38%)	£221,753	£221,753	£0	0.00%	
Strategic Finance	£1,078,860	£1,044,059	£34,801	3.23%	£1,871,481	£1,871,481	£0	0.00%	
Grand Total	£1,195,400	£1,165,237	£30,163	2.52%	£2,085,852	£2,085,852	£0	0.00%	

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

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

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

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

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

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

CHIEF EXECUTIVE'S UNIT – SUBJECTIVE SUMMARY AS AT 31 OCTOBER 2014

Subjective Category	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Employee	£1,136,247	£1,121,086	£15,161	1.33%	£2,102,719	£2,102,719	£0	0.00%	Outwith reporting criteria
Premises	£203	£0	£203	100.00%	£350	£350	£0	0.00%	YTD underspend due to profiling of budget, very small budget value not a significant variance.
Supplies & Services	£29,453	£32,960	(£3,507)	(11.91%)	£44,087	£44,087	£0	0.00%	YTD overspend due to profiling of budget, very small budget value not a significant variance.
Transport	£11,828	£7,791	£4,037	34.13%	£20,909	£20,909	£0	0.00%	YTD underspend in staff travel in Strategic Finance, due to profiling of budget, it is difficult to profile staff travel budgets accurately.
Third Party	£17,669	£3,400	£14,269	80.76%	£24,957	£24,957	£0	0.00%	YTD underspend mainly relates to consultants budget in Internal Audit, these costs will be incurred later in the year.
Income	£0	£0	£0	0.00%	(£107,170)	(£107,170)	£0	0.00%	Outwith reporting criteria
Totals	£1,195,400	£1,165,237	£30,163	2.52%	£2,085,852	£2,085,852	£0	0.00%	

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

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

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

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

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

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

CHIEF EXECUTIVE'S UNIT – RED VARIANCES

Service Area	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation

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

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

COMMUNITY SERVICES – OBJECTIVE SUMMARY AS AT 31 OCTOBER 2014

Service Outcome	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Central/Management Costs	£417,020	£374,615	£42,405	10.17%	£476,975	£476,975	£0	0.00%	The YTD underspend is mainly due to profiling issues on Central Repairs budgets.
Executive Director of Community Services	£417,020	£374,615	£42,405	10.17%	£476,975	£476,975	£0	0.00%	
AC1 - Community Support	£21,837,104	£22,087,808	(£250,704)	(1.15%)	£42,170,224	£42,732,166	(£561,942)	(1.33%)	The YTD and forecast overspend reflect the extremely high demand for adult care services in the first part of the year due to the growth in the number of service users and the increasing complexity of new packages.
AC2 - Vulnerable Adults	£44,951	£50,963	(£6,012)	(13.37%)	£93,641	£93,641	£0	0.00%	
AC3 - Alcohol and Drugs	£218,627	£217,402	£1,225	0.56%	£426,990	£426,990	£0	0.00%	
Central/Management Costs	£374,439	£402,138	(£27,700)	(7.40%)	£733,056	£733,056	£0	0.00%	
Adult Care	£22,475,121	£22,758,311	(£283,190)	(1.26%)	£43,423,911	£43,985,853	(£561,942)	(1.29%)	
CF1 - Looked-after Children	£3,388,405	£3,523,003	(£134,597)	(3.97%)	£5,904,175	£5,904,175	£0	0.00%	The YTD overspend is mainly due to delays in obtaining partner authorisation for re-imbursment of costs incurred under the Criminal Justice Partnership. This has now been given and recharges have been processed in November. There is also a ytd overspend in Residential due to increased demand. These are being partially offset by profile-related underspends within Early Years.
CF2 - Child Protection	£1,773,377	£1,892,496	(£119,119)	(6.72%)	£3,375,101	£3,375,101	£0	0.00%	
CF3 - Children with a Disability and Early Years	£3,258,183	£2,872,993	£385,191	11.82%	£6,502,656	£6,502,656	£0	0.00%	
CF4 - Criminal Justice	£68,269	£281,924	(£213,654)	(312.96%)	(£6,521)	(£6,521)	£0	0.00%	
Central/Management Costs	£476,054	£502,414	(£26,360)	(5.54%)	£1,099,547	£1,099,547	£0	0.00%	
Children and Families	£8,964,290	£9,072,829	(£108,540)	(1.21%)	£16,874,958	£16,874,958	£0	0.00%	
CC01 - Young people active healthier lives	£62,564	£62,279	£285	0.46%	£147,290	£147,290	£0	0.00%	Outwith reporting criteria
CC02 - Sport and Physical Activity	£1,305,159	£1,380,248	(£75,088)	(5.75%)	£2,680,852	£2,680,852	£0	0.00%	
CC03 - Adults access to learning opportunities	£398,046	£419,463	(£21,416)	(5.38%)	£889,054	£889,054	£0	0.00%	
CC04 - Homelessness	£1,214,884	£1,185,165	£29,719	2.45%	£2,427,819	£2,427,819	£0	0.00%	
CC05 - Youth Services	£265,900	£268,325	(£2,425)	(0.91%)	£548,239	£548,239	£0	0.00%	
CC06 - Community Development	£497,241	£489,751	£7,490	1.51%	£915,578	£915,578	£0	0.00%	
CC07 - Affordable Housing	£2,298,467	£2,295,293	£3,174	0.14%	£1,615,045	£1,615,045	£0	0.00%	
CC08 - Improved literacy, health and well-being	£983,815	£936,934	£46,881	4.77%	£1,682,687	£1,682,687	£0	0.00%	
Central/Management Costs	£129,550	£150,354	(£20,805)	(16.06%)	£272,726	£272,726	£0	0.00%	
Community and Culture	£7,155,626	£7,187,811	(£32,184)	(0.45%)	£11,179,290	£11,179,290	£0	0.00%	
ED01 - Primary School Education	£15,922,746	£13,185,836	£2,736,910	17.19%	£25,752,200	£25,752,200	£0	0.00%	The major part of the YTD underspend (£3.8m) is due delays in charging and budget profiling for school meal Services. The remainder is largely due to profiling issues on Central Repairs budgets and school carry-forwards balances. The forecast overspend relates to the music service being unable to deliver a previously agreed service review saving. The service is currently undertaking a further review to identify options for containing expenditure within the allocated budget. See Appendix 5 for further detail regarding music instructors.
ED02 - Secondary School Education	£16,404,115	£14,772,010	£1,632,105	9.95%	£26,786,379	£26,786,379	£0	0.00%	
ED03 - Central/Management Team	£2,386,224	£2,169,143	£217,082	9.10%	£4,213,025	£4,213,025	(£112,000)	(2.73%)	
ED04 - Additional Support Needs	£4,845,756	£4,910,498	(£64,742)	(1.34%)	£8,597,625	£8,597,625	£0	0.00%	
ED05 - Opportunities for All	£97,518	£107,474	(£9,956)	(10.21%)	£138,427	£138,427	£0	0.00%	
ED06 - Leadership and Professional Learning	(£9,025)	£4,284	(£13,309)	0.00%	£17,364	£17,364	£0	0.00%	
Education	£39,647,334	£35,149,245	£4,498,089	11.35%	£65,393,020	£65,505,020	(£112,000)	(0.17%)	
Grand Total	£78,659,391	£74,542,811	£4,116,580	5.23%	£137,348,153	£138,022,095	(£673,942)	(0.49%)	

COMMUNITY SERVICES – SUBJECTIVE SUMMARY AS AT 31 OCTOBER 2014

Subjective Category	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Employee	£48,543,200	£48,706,527	(£163,327)	(0.34%)	£86,146,987	£86,258,987	(£112,000)	(0.13%)	The YTD overspend relates to a number of different areas including Homecare and Pupil Support Teachers. The forecast overspend relates to the music service being unable to deliver a previously agreed service review savings. The service is currently undertaking a further review to identify options for containing expenditure within the allocated budget.
Premises	£2,770,289	£2,495,305	£274,984	9.93%	£6,447,951	£6,447,951	£0	0.00%	YTD variance is mainly due to profiling issues on the central repairs budgets.
Supplies & Services	£6,915,704	£2,935,653	£3,980,051	57.55%	£9,011,519	£9,011,519	£0	0.00%	The large YTD underspend is mainly due to delays in charging and profiling of budgets for school meals pending a recalculation of the charges by Customer Services.
Transport	£809,108	£823,634	(£14,526)	(1.80%)	£1,534,147	£1,534,147	£0	0.00%	Outwith reporting criteria.
Third Party	£29,663,913	£29,367,313	£296,600	1.00%	£55,449,784	£56,011,726	(£561,942)	(1.01%)	The YTD underspend is mainly due to some outstanding budget profiling and re-allocation issues on areas such as Pre-primary Partner Providers, Elderly Attrition Residential and Care Home Placements. The forecast overspend relates to extremely high demand for adult care services in the first part of the year due to growth in the number of service users and the increasing complexity of new packages.
Income	(£10,042,824)	(£9,785,621)	(£257,203)	(2.56%)	(£21,242,234)	(£21,242,234)	£0	0.00%	The YTD under-recovery of income is mainly due to delays in obtaining partner authorisation for re-imbursment of costs incurred under the Criminal Justice Partnership but the actual income is secured.
Totals	£78,659,391	£74,542,811	£4,116,580	5.23%	£137,348,153	£138,022,095	(£673,942)	(0.49%)	

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

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

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

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

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

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

COMMUNITY SERVICES – RED VARIANCES

Service Area	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Home Care	9,865,006	10,426,948	(561,942)	(5.70%)	Demand for homecare has been extremely high in the first part of the year due to growth in the number of service users and the increasing complexity of new packages due to the continued move towards older people being looked after at home for as long as possible rather than in care homes. The homecare service is currently undertaking a review of all of the current cases and undertaking additional scrutiny on news cases in order to address the overspend.
Music Instructors	319,620	431,620	(112,000)	(35.04%)	The music service has been unable to deliver a previously agreed service review saving and is currently undertaking a further review to identify options for containing expenditure within the allocated budget.

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

CUSTOMER SERVICES – OBJECTIVE SUMMARY AS AT 31 OCTOBER 2014

Service Outcome	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Special Projects	£6,465,289	£5,960,110	£505,179	7.81%	£13,079,384	£13,052,392	£26,992	0.21%	YTD underspend in Special Projects team, this budget will be required later in the year for the new school projects. The forecast variance in Special Projects relates to agreed deductions to the NPDO payments. The forecast variance within central/management costs relates to the over recovery of vacancy savings.
Central/Management Costs	£153,744	£158,161	(£4,417)	(2.87%)	£456,238	£354,811	£101,427	22.23%	
Executive Director of Customer Services	£6,619,033	£6,118,271	£500,762	7.57%	£13,535,623	£13,407,204	£128,419	0.95%	
CS01 - Benefits	(£719,112)	(£773,884)	£54,772	(7.62%)	£1,375,167	£1,375,167	£0	0.00%	The YTD underspend in Benefits relates to the budget for discretionary housing payments and the YTD underspend in ICT relates to income recovered from ACHA and equipment disposal. In both cases the variances relate to the timing of expenditure and income with the budget profile out of sync with the amounts paid or received, the budget profiling will be refined.
CS02 - NDR Disc Relief	(£51,791)	(£52,169)	£378	0.00%	£100,294	£100,294	£0	0.00%	
CS03 - Creditors	£124,374	£131,029	(£6,654)	(5.35%)	£238,595	£238,595	£0	0.00%	
CS04 - Print and Mail Room	£21,741	£16,466	£5,275	24.26%	£46,463	£46,463	£0	0.00%	
CS05 - Debtors and Local Tax Income	£398,496	£387,052	£11,444	2.87%	£575,166	£575,166	£0	0.00%	
CS06 - Procurement	£327,284	£321,962	£5,322	1.63%	£680,174	£680,174	£0	0.00%	
CS07 - Customer Service and Registrars	£682,365	£709,622	(£27,257)	(3.99%)	£1,397,921	£1,397,921	£0	0.00%	
CS08 - ICT Applications and Infrastructure	£1,668,474	£1,573,283	£95,191	5.71%	£3,311,956	£3,311,956	£0	0.00%	
Central/Management Costs	£172,586	£167,029	£5,557	3.22%	£316,625	£316,625	£0	0.00%	
Customer and Support Services	£2,624,418	£2,480,391	£144,027	5.49%	£8,042,362	£8,042,362	£0	0.00%	
FS01 - School Meals	£2,014,118	£1,815,013	£199,105	9.89%	(£332,891)	(£332,891)	£0	0.00%	Forecast underspend in School and Public Transport relates to a reduction on demand on this budget due to procurement savings, the transfer of some routes to in-house provision and lower inflation increases. The forecast underspend of £30,745 relates to the surplus from the Police Cleaning Contract which is now not going to tender until 2015-16. There is a small underspend of £15k in Pool cars. The YTD underspend in School Meals is a result of the ongoing review of the recharge mechanism for the catering service as a result of the removal of the trading account status. The overall YTD underspend is partly due to the forecast underspend position and also some refinements that require to be made to the budget profiling.
FS02 - Safer Communities and Facilities	£1,107,379	£1,095,928	£11,451	1.03%	£2,019,355	£1,988,610	£30,745	1.52%	
FS03 - Sustainability	£77,087	£64,181	£12,906	16.74%	£132,361	£117,361	£15,000	11.33%	
FS04 - School and Public Transport	£5,363,057	£4,921,228	£441,829	8.24%	£9,534,250	£9,008,951	£525,299	5.51%	
Central/Management Costs	£433,530	£383,776	£49,754	11.48%	£695,292	£695,292	£0	0.00%	
Facility Services	£8,995,171	£8,280,126	£715,045	7.95%	£12,048,367	£11,477,323	£571,044	4.74%	
GL1 - Democratic Services	£321,444	£337,934	(£16,390)	(5.10%)	£678,303	£640,303	£38,000	5.60%	The YTD position is outwith reporting criteria. The forecast underspend within Democratic Services relates to savings within the new support staff structure due to posts not in place from the start of the financial year. The forecast overspend within Elections relates to the additional cost of four by elections.
GL2 - Governance	£60,016	£58,974	£1,042	1.74%	£128,584	£128,584	£0	0.00%	
GL3 - Member's Services	£75,485	£80,933	(£5,448)	(7.22%)	£170,546	£170,546	£0	0.00%	
GL4 - Community Safety	£26,525	£30,411	(£3,887)	(14.65%)	£51,404	£51,404	£0	0.00%	
GL5 - Elections	£64,880	£85,360	(£20,480)	(31.57%)	£118,731	£132,731	(£14,000)	(11.79%)	
GL6 - Children's Panel	£19,380	(£3,389)	£22,769	117.49%	£33,698	£33,698	£0	0.00%	
GL7 - Community Councils	£19,240	£15,996	£3,244	16.86%	£34,810	£34,810	£0	0.00%	
GL8 - Legal Services - Corporate	£164,554	£160,865	£3,689	2.24%	£304,949	£304,949	£0	0.00%	
GL9 - Legal Services - Commercial	£170,818	£165,279	£5,540	3.24%	£329,250	£329,250	£0	0.00%	
GL10 - Licensing	(£159,163)	(£155,164)	(£3,999)	2.51%	(£131,397)	(£131,397)	£0	0.00%	
Central/Management Costs	£108,243	£100,988	£7,255	6.70%	£198,108	£198,108	£0	0.00%	
Governance and Law	£871,422	£878,088	(£6,666)	(0.76%)	£1,916,986	£1,892,986	£24,000	1.25%	
IHR01 - Discrimination	£0	£0	£0	0.00%	£0	£0	£0	0.00%	The YTD underspend relates to balances that were previously earmarked being transferred from the overall departmental budget underspend and the balances removed from reserves. Normally with earmarked reserves services would draw-down the budget as and when required, i.e. when the spend takes place. The YTD underspend represents this budget being profiled before the planned spend has taken place, the profiling of this will be refined.
IHR02 - Emergency Planning	£48,060	£47,685	£375	0.78%	£88,551	£88,551	£0	0.00%	
IHR03 - Health and Safety	£216,379	£217,279	(£900)	(0.42%)	£389,747	£389,747	£0	0.00%	
IHR04 - Continuous Improvement	£1,045,433	£1,019,393	£26,040	2.49%	£2,045,790	£2,045,790	£0	0.00%	
IHR05 - Communications	£116,705	£109,989	£6,715	5.75%	£219,069	£219,069	£0	0.00%	
IHR06 - Gaelic Language Plan	£2,721	£2,799	(£78)	100.00%	£2,721	£2,721	£0	0.00%	
IHR07 - Learning and Development	£373,704	£352,406	£21,298	5.70%	£743,303	£743,303	£0	0.00%	
Central/Management Costs	£68,972	£66,957	£2,015	2.92%	£126,241	£126,241	£0	0.00%	
Improvement and HR	£1,871,973	£1,816,508	£55,466	2.96%	£3,615,422	£3,615,422	£0	0.00%	
Grand Total	£20,982,017	£19,573,383	£1,408,634	6.71%	£39,158,760	£38,435,297	£723,463	1.85%	

CUSTOMER SERVICES – SUBJECTIVE SUMMARY AS AT 31 OCTOBER 2014

Subjective Category	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Employee	£10,206,590	£10,126,075	£80,515	0.79%	£19,594,758	£19,424,586	£170,172	0.87%	The forecast variance relates to the over recovery of vacancy savings across all services in addition to staff savings for the new Governance structure due to posts not in place from the start of the financial year. The YTD variance is linked to the forecast variance.
Premises	£1,158,644	£1,171,085	(£12,440)	(1.07%)	£2,589,660	£2,589,660	£0	0.00%	Outwith reporting criteria.
Supplies & Services	£2,594,816	£2,353,005	£241,811	9.32%	£4,978,175	£4,992,175	(£14,000)	(0.28%)	YTD underspend mainly relates to School Meals where the budget for catering purchases requires to be re-aligned as part of the review into the recharge mechanism for the catering service. The forecast overspend relates to the additional cost for the four by-elections.
Transport	£799,627	£633,727	£165,901	20.75%	£7,436,049	£7,421,049	£15,000	0.20%	YTD underspend mainly relates to School and Public Transport, this is reflected in the forecast outturn for third party payments. The forecast underspend is in relation to Pool Cars and is due to reduced fuel costs and pool car usage.
Third Party	£26,729,327	£25,812,544	£916,784	3.43%	£47,854,233	£47,301,942	£552,291	1.15%	Forecast underspend in School and Public Transport relates to a reduction on demand on this budget due to procurement savings, the transfer of some routes to in-house provision and lower inflation increases. There is also a forecast underspend in Special Projects as a result of agreed deductions to the NPDO payments. The YTD underspend partly relates to the forecast underspend for School and Public Transport and the underspend to date on this budget, in addition to this the remainder of the variance relates to the profiling of the budget for discretionary housing payments and NPDO.
Income	(£20,506,988)	(£20,523,052)	£16,064	0.08%	(£43,294,116)	(£43,294,116)	£0	0.00%	Outwith reporting criteria.
Totals	£20,982,017	£19,573,383	£1,408,634	6.71%	£39,158,760	£38,435,297	£723,463	1.85%	

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%.

CUSTOMER SERVICES – RED VARIANCES

Service Area	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
School and Public Transport	7,277,488	6,752,189	525,299	7.22%	Relates to a reduction on demand on this budget as a result of procurement savings, the transfer of some routes to in-house provision and lower inflation increases. Work is ongoing to establish the commitment against this budget for 2014-15, the current forecast variance relates to the inflationary increase applied to the budget. The forecast outturn position will be updated when the commitment information is available.

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

DEVELOPMENT AND INFRASTRUCTURE SERVICES – OBJECTIVE SUMMARY AS AT 31 OCTOBER 2014

Service Outcome	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Central/Management Costs	£935,039	£923,946	£11,093	1.19%	£1,802,916	£1,802,916	£0	0.00%	Outwith reporting criteria
Executive Director of Development and Infrastructure Services	£935,039	£923,946	£11,093	1.19%	£1,802,916	£1,802,916	£0	0.00%	
ET01 - Economic Growth	£622,640	£626,807	(£4,167)	(0.67%)	£1,204,806	£1,204,806	£0	0.00%	The forecasted underspend reflects one-off unbudgeted income that had associated costs that were absorbed within 2013/14. The YTD is outwith reporting criteria
ET02 - Strategic Transportation & Attractive Communities	£929,237	£962,210	(£32,973)	(3.55%)	£1,263,633	£1,204,885	£58,748	4.65%	
ET03 - Renewables	£2,000	£1,961	£39	1.95%	£30,000	£30,000	£0	0.00%	
ET04 - Third Sector	£86,172	£76,550	£9,622	11.17%	£157,302	£157,302	£0	0.00%	
Central/Management Costs	£52,808	£58,404	(£5,596)	(10.60%)	£238,815	£238,815	£0	0.00%	
Economic Development	£1,692,857	£1,725,932	(£33,075)	(1.95%)	£2,894,555	£2,835,807	£58,748	2.03%	
PR01 - Development Management	£230,399	£230,721	(£322)	(0.14%)	£525,682	£465,682	£60,000	11.41%	The forecasted overspend is due to building warrant fees being less than budgeted and also the anticipated cost of Glasgow Scientific Services being greater than budgeted. These are offset by both Planning Fees and Private Landlord Registration anticipated to be greater than budget. YTD is outwith reporting criteria.
PR02 - Trading Standards	£273,306	£274,933	(£1,627)	(0.60%)	£513,060	£513,060	£0	0.00%	
PR03 - Environmental Health	£552,768	£571,127	(£18,359)	(3.32%)	£1,111,951	£1,166,951	(£55,000)	(4.95%)	
PR04 - Building Standards	£16,173	£38,406	(£22,233)	(137.47%)	£64,911	£137,149	(£72,238)	(111.29%)	
PR05 - Corepath Plan	£67,496	£61,979	£5,517	8.17%	£136,926	£136,926	£0	0.00%	
PR06 - Environmental Safety	£146,430	£69,831	£76,599	52.31%	£93,685	£38,685	£55,000	58.71%	
PR07 - Development Policy	£286,978	£281,910	£5,068	1.77%	£524,222	£524,222	£0	0.00%	
Central/Management Costs	£179,144	£188,497	(£9,353)	(5.22%)	£300,152	£300,152	£0	0.00%	
Planning and Regulatory Services	£1,752,693	£1,717,403	£35,290	2.01%	£3,270,588	£3,282,826	(£12,238)	(0.37%)	
RA01 - Roads & Lighting	£4,369,328	£4,106,938	£262,391	6.01%	£8,670,700	£8,670,700	£0	0.00%	Forecast variance relates to remaining unplanned expenditure within Coastal Protection following the December 2013 storms and a shortfall in commercial refuse collection income as businesses are in a position to reduce the service they require or are transferring to the private sector provision, in addition to shortfall in car parking and DPE income, DPE was introduced in June 2014 and based on the first months of operation is it unlikely that the income recovered will meet the budgeted levels. Roads & lighting YTD variance is due to roads maintenance profiling, this budget is monitored via monthly engagement meetings with operational service managers. YTD variance within Network and Environment relates to the delayed introduction of DPE and the potential impact on income levels for PCNs and car parking income.
RA02 - Network & Environment	(£708,144)	(£381,348)	(£326,796)	46.15%	(£757,840)	(£293,840)	(£464,000)	61.23%	
RA03 - Fleet	(£1,313,946)	(£1,308,345)	(£5,601)	0.43%	(£1,381,734)	(£1,381,734)	£0	0.00%	
RA04 - Roads Design	£253,425	£232,168	£21,257	8.39%	£468,037	£578,037	(£110,000)	(23.50%)	
RA05 - Streetscene	£2,342,057	£2,310,453	£31,603	1.35%	£4,145,018	£4,145,018	£0	0.00%	
RA06 - Waste Management	£5,696,953	£5,746,959	(£50,006)	(0.88%)	£11,474,591	£11,610,591	(£136,000)	(1.19%)	
Central/Management Costs	£57,401	£62,249	(£4,848)	(8.45%)	£104,965	£104,965	£0	0.00%	
Roads and Amenity Services	£10,697,074	£10,769,075	(£72,001)	(0.67%)	£22,723,738	£23,433,738	(£710,000)	(3.12%)	
Grand Total	£15,077,663	£15,136,357	(£58,694)	(0.39%)	£30,691,797	£31,355,287	(£663,490)	(2.16%)	

DEVELOPMENT AND INFRASTRUCTURE SERVICES – SUBJECTIVE SUMMARY AS AT 31 OCTOBER 2014

Subjective Category	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Employee	£12,339,182	£12,076,347	£262,835	2.13%	£22,778,746	£22,778,746	£0	0.00%	The YTD variance mainly relates to the Roads operational staff not being operated at the full establishment, this is offset by the backdating of standby/call out payments.
Premises	£805,006	£681,921	£123,085	15.29%	£2,747,791	£2,747,791	£0	0.00%	The main factors in the YTD variance relates to the depot allocation not being processed.
Supplies & Services	£4,196,916	£4,487,331	(£290,415)	(6.92%)	£7,242,652	£7,297,652	(£55,000)	(0.76%)	Forecast variance relates to increased costs for Public Analyst services. YTD relates mainly to purchase of play equipment and this is matched by additional income from contributions.
Transport	£5,893,887	£6,187,853	(£293,967)	(4.99%)	£11,829,476	£12,129,476	(£300,000)	(2.54%)	The projected overspend relates to additional expenditure on hire of external plant, this is matched by additional income from clients. The main factor in the YTD variance relates to external plant hire that supports the projected outturn variance.
Third Party	£13,957,340	£14,403,579	(£446,238)	(3.20%)	£24,253,103	£24,385,340	(£132,238)	(0.55%)	The forecast variance relates mainly to remaining unplanned expenditure within Coastal Protection following the December 2013 storms. The YTD variance relates to CHORD and is matched by additional income.
Capital Financing	£0	£0	£0	0.00%	£158,891	£158,891	£0	0.00%	Outwith reporting criteria
Income	(£22,114,668)	(£22,700,674)	£586,006	2.65%	(£38,318,861)	(£38,142,609)	(£176,252)	(0.46%)	The forecast variance relates to a shortfall in commercial refuse collection income as businesses are in a position to reduce the service they require or are transferring to the private sector provision. In addition there an expected shortfall in car parking and DPE income, DPE was introduced in June 2014 and based on the first months of operation is it unlikely that the income recovered will meet the budgeted levels. Also there is the anticipated shortfall in income from building warrants. These are partly offset by anticipated increased income in planning fees, private landlord registration and recovery of external hire charges from client departments. The main contributing factors to the YTD variance relates to the additional income in CHORD, Fleet and Parks as mentioned above.
Totals	£15,077,663	£15,136,357	(£58,694)	(0.39%)	£30,691,797	£31,355,287	(£663,490)	(2.16%)	

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

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

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

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

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

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

DEVELOPMENT AND INFRASTRUCTURE SERVICES – RED VARIANCES

Service Area	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Piers and Harbours	-1,498,854	-1,557,602	58,748	(3.92%)	This underspend reflects one-off unbudgeted income that had associated costs that were absorbed within 2013/14 financial year.
Development Management	525,761	465,761	60,000	11.41%	The projected underspend reflects the estimated income that exceeds budget and this is due to the increase in the number of overall planning applications and the number of large valued applications. The projection also take into account the 5% increase in fees from 1 November 2014.
Environmental Health	270,940	325,940	(55,000)	(20.30%)	There is a statutory requirement for the Council to appoint and have access to accredited Public Analyst services. This is provided by Glasgow Scientific Services through a service level agreement and the costs for all analytical services is in excess of the budgeted amount. We are unable to reduce these costs considerably at present due to a commitment SOLACE that we will not tender for any services, until the review of Scottish scientific services has reported. There is a pressure of £55,000 for 2014/15. This is offset by a couple of smaller valued underspends.
Building Standards	64,930	137,168	(72,238)	(111.26%)	The projected overspend is due to building warrant fee income generation being less than was budgeted and previously raised accounts for dangerous buildings which have been written off by Legal services as they will not be recovered.
Network and Environment	(1,487,717)	(1,023,717)	(464,000)	31.19%	Car parking income is forecast to be 30% down on the budget income for the year which projects a cost pressure for this and future years should the income forecast remain at the current level. DPE commenced in June following a month of issuing warning notices. The planned introduction of DPE was delayed by over two months and this has contributed approximately £70k to the under recovery of DPE income within 2014-15. There will be some learning from the early months of DPE in terms of how enforcement resource is deployed to maximise the benefit in terms of providing turnover of on street parking places and patronage of off street car parks. However, based on the first four months of operation it is unlikely that the car parking income and DPE income will meet current projected income levels.
Coastal Protection	180,599	290,599	(110,000)	(60.91%)	The projected overspend relates to remaining unplanned expenditure within Coastal Protection following the December 2013 and January 2014 storms.
Waste Collection	1,993,899	2,129,899	(136,000)	(6.82%)	The projected overspend relates to a shortfall in commercial refuse collection income as businesses are in a position to reduce the service they require or are transferring to the private sector provision.

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

REVIEW OF INSTRUMENTAL MUSIC TUITION

1. EXECUTIVE SUMMARY

1.1 A review of the instrumental music service by Education Services proposed an investigation of a social enterprise model to deliver the service and achieve a budget saving of £0.112m. This saving was first applied to the education budget in 2012/13. The investigation concluded that this model was unable to deliver the savings target and the target for 2014/15 is not currently being met by the service. The saving was absorbed in the two previous years by the department however that is not achievable in 2014/15. The Head of Education has initiated a further evaluation/ review of the Instrumental Music Tuition Service to address this ongoing shortfall in budget and to address further issues in relation to the equity of service provision across Argyll and Bute, to the application of the agreed charging policy and the effective delivery of music tuition across each of the geographical areas of Argyll and Bute Council.

1.2 Recommendations

It is recommended that the Policy and Resources Committee:

- a) Note the planned saving of £0.112m in 2014/15 is not currently being met by Education Services due to the inability to progress the proposed social enterprise model.
- b) Note the Head of Education has initiated a further review of the instrumental music service to address the ongoing budget saving and to address issues of equity of provision across Argyll and Bute.
- c) Note the Head of Education will present a report with options and recommendations to the Community Services Committee at its meeting in March 2015.

REVIEW OF INSTRUMENTAL MUSIC TUITION

2. INTRODUCTION

- 2.1 A review of the instrumental music service by Education Services, proposed an investigation of a social enterprise model to deliver the service and achieve a budget saving of £0.112m. The investigation concluded that this model was unable to deliver the savings target and the target for 2014/15 is not currently being met by the service. The Head of Education has initiated a further evaluation/ review of the Instrumental Music Tuition Service to address this ongoing shortfall in budget and to address further issues in relation to the equity of service provision across Argyll and Bute, to the application of the agreed charging policy and the effective delivery of music tuition across each of the geographical areas of Argyll and Bute Council.

3. RECOMMENDATIONS

- 3.1 It is recommended that the Policy and Resources Committee:
- 3.1.1 Note the planned saving of £0.112m in 2014/15 is not currently being met by Education Services due to the inability to progress the proposed social enterprise model.
- 3.1.2 Note the Head of Education has initiated a further review of the instrumental music service to address the ongoing budget saving and to address issues of equity of provision across Argyll and Bute.
- 3.1.3 Note the Head of Education will present a report with options and recommendations to the Community Services Committee at its meeting in March 2015.

4. DETAIL

- 4.1 An initial review of the music tuition service delivery and associated budget was undertaken in 2012/2013 following the decision by Council to apply a saving of £0.112m to this area of the education budget. The review proposed securing the saving through investigating the establishment of a social enterprise company to deliver the service and utilising Youth Music Initiative (YMI) grant funding from Creative Scotland matched by existing council funding. The investigation of the social enterprise option proved this model was unable to deliver the savings target and a change to the way the YMI grant could be applied provided further restrictions on the flexible use of the grant.
- 4.2 The review highlighted further issues in relation to the equity of service provision across Argyll and Bute, to the application of the agreed charging policy and the effective delivery of music tuition across each of the geographical areas of Argyll and Bute Council.

APPENDIX 5

- 4.3 The savings target for 2014/15 is not currently being met due to the inability to progress the social enterprise model and the Head of Education has initiated a further evaluation/ review of the Instrumental Music Tuition Service. This will include examining various options including the opportunities for alternative service delivery and improving equity, performance efficiency and effectiveness. The aim of this review is to ensure that a service is in place which effectively and efficiently meets the needs of all learners in a time of severe financial constraint, whilst ensuring provision of the highest quality.
- 4.4 It is proposed that the review is concluded and that options and recommendations are prepared for consideration at the Community Services Committee meeting in March 2015. Contingent on agreements on the options and recommendations, any alterations to the service would have a target implementation date of August 2015 to coincide with the start of the new academic term.

5. CONCLUSION

- 5.1 A further review of instrumental music tuition in Argyll and Bute is proposed by the Head of Education services to address the budget saving and inequality of provision issues in relation to this service. The options and recommendations arising from the review will be presented to the Community Services Committee in March 2015.

6. IMPLICATIONS

- | | | |
|-----|--------------------|---|
| 6.1 | Policy – | The council has traditionally provided an instrumental music tuition service and has a linked charging scheme. |
| 6.2 | Financial - | Education Services are not currently realising the planned £0.112m saving in respect of this area of its budget in 2014/15. |
| 6.3 | Legal - | The instrumental music tuition is a non-statutory element of the education services. |
| 6.4 | HR - | None at present. |
| 6.5 | Equalities - | The previous review of the service has highlighted historic inequalities in the delivery of instrumental music tuition across Argyll and Bute that require to be addressed in the proposed further review |
| 6.6 | Risk - | There are potential financial, reputational and equalities risks that will need to be considered in conducting the proposed review. |
| 6.7 | Customer Service - | The instrumental music tuition service, although a non-statutory element of the service, is an area that attracts significant support and alterations to the service may be contentious for some participants and parents. There is a well established link with traditional music forms and opposition to proposals may be high profile. |

APPENDIX 5

Councillor Aileen Morton, (Policy Lead - Education, Lifelong Learning and Strategic IT Services)
Argyll and Bute Council

Cleland Sneddon, (Executive Director of Community Services)

27 November 2014

For further information contact: Cleland Sneddon, Tel 01546 604256
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MONITORING OF 1% SAVINGS - 2014-15 & 2015-16

1. EXECUTIVE SUMMARY

- 1.1 The main purpose of this report is to provide a summary of the progress towards the saving target for 2014-15 and 2015-16.
- 1.2 The budget for 2014-15 and 2015-16 included a requirement to make 1% savings within both 2014-15 and 2015-16. This equates to savings of £1.822m in 2014-15, rising to £3.644m in 2015-16.
- 1.3 Within 2014-15, savings of £1.802m (98.9%) have already been secured and £0.020m (1.1%) are being implemented all with no policy implications.

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

2. INTRODUCTION

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

3. DETAIL

3.1 Background

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

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

3.2 Summary of Savings Identified

- 3.2.1 The efficiency savings for 2014-15 have been classified into already secured, being implemented, being developed and still to identify. At this stage it is only the recurring 2014-15 savings that have been identified for 2015-16. The overall Council position is summarised within the table below.

Savings	2014-15 £000	2014-15 % of Target	2015-16 £000	2015-16 % of target
1% Target	1,822		3,644	
Already Secured	1,802	98.9%	1,502	41.3%
Being Implemented	20	1.1%	20	0.5%
Being Developed:				
• Policy measures under development	0	0.0%	0	0.0%
• Non-Policy measures under development	0	0.0%	0	0.0%
Still to Identify	0	0.0%	2,122	58.2%
TOTAL	1,822	100.0%	3,644	100.0%

3.2.2 The savings for 2014-15 have all been identified and have been classified into already secured, being implemented and being developed. £1.802m of savings are already secured and £0.020m being implemented, all with no policy implications. The saving currently being implemented is noted below:

- CUST011 – Water Charges £20,000

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

3.2.4 Appendices are attached that provide a summary per department.

3.3 Changes to Savings since last P&R Report

3.3.1 There are no changes to the efficiency savings reports within the Chief Executive's Unit, Community Services or Customer Services.

3.3.2 The changes to the savings with Development and Infrastructure Services are summarised as follows:

- Saving reference DIS-HQ01 is now secured.
- Saving reference ED2 is now secured.

4. CONCLUSION

4.1 Within 2014-15 all savings have been identified with £1.802m already secured and £0.020m currently being implemented.

5. IMPLICATIONS

- 5.1 Policy – None.
- 5.2 Financial - The Council Is making good progress towards its savings target.
- 5.3 Legal - None.
- 5.4 HR - Individual savings may have human resource implications and these would have been discussed with the Trade Unions.
- 5.5 Equalities - Individual savings may have equality implications and equality

5.6	Risk -	impact assessments would have been carried out where required.
5.7	Customer Service -	None. Individual savings may have customer service implications.

Bruce West
Head of Strategic Finance
5 December 2014

APPENDICES:

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

Appendix 2 – Community Services Summary of Savings Proposals

Appendix 3 – Customer Services Summary of Savings Proposals

Appendix 4 – Development and Infrastructure Summary of Savings Proposals

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

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

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

Service	Progress of Saving (already secured, being implemented, being developed)	Savings Ref	Description of Saving	Saving Profile		Recurring or Non-Recurring	HR Implications	Performance and Service Implications	Are there Policy Implications? (yes/no)
				2014-15	2015-16				
Strategic Finance	Already Secured	CEU001	Reduction in staff budgets as a result of excess savings achieved from service review.	21,527	21,527	Recurring	None	None	No
Strategic Finance	Still to Identify			21,527	21,527				
TOTAL				21,527	43,054				

COMMUNITY SERVICES - 1% SAVINGS - OVERALL SUMMARY

Efficiency Savings	2014-15 £	2014-15 % of Target	2015-16 £	2015-16 % of target
1% Target	1,318,554		2,637,108	
Already Secured	1,318,554	100.0%	1,002,251	38.0%
Being Implemented	0	0.0%	0	0.0%
Being Developed				0.0%
Policy	0	0.0%	0	0.0%
Non-Policy	0	0.0%	0	0.0%
Still to Identify	0	0.0%	1,634,857	62.0%
TOTAL 1% EFFICIENCY SAVINGS TARGET	1,318,554	100.0%	2,637,108	100.0%

COMMUNITY SERVICES - 1% SAVINGS - FURTHER DETAIL

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

COMMUNITY SERVICES - 1% SAVINGS - FURTHER DETAIL

Service	Progress of Saving (already secured, being implemented, being developed)	Savings Ref	Description of Saving	Saving Profile		Recurring or Non- Recurring	HR Implications	Performance and Service Implications	Are there Policy Implications? (yes/no)
				2014-15	2015-16				
Community and Culture	Already Secured	CC03	Community Learning and Development – Youth Services. Reduction in Youth Services training and operational budget	10,000	10,000	Recurring	none	This saving mainly applies to the staff training element of Youth Services. It has become apparent that many training opportunities can be provided within the Council or through external funding or partnership arrangements. This saving will not impact staff development or service delivery	No
Children and Families	Already Secured	CF02	Looked after children. Reduction to throughcare budget to meet the expected level of demand.	32,293	32,293	Recurring	none	Minimal impact on current service however future demands on throughcare could see increased demands in the future	No
Children and Families	Already Secured	CF03	Children with a Disability- reduction to respite budget.	25,000	25,000	Recurring	none	The number of children and young people with disability supported in the community has reduced over the last 3 years. Current demand suggests a reduction can be accommodated however this will leave no room for flexibility, should demand (outwith service control) increase	No
Children and Families	Already Secured	CF04	Service wide. In year efficiencies	3,602	3,602	Recurring	none	It is not possible to provide specific details however the review will ensure there is minimal impact on front line service delivery	No
Children and Families	Already Secured	CF05	Reduction in fostering budget to meet the expected level of demand.	50,000	50,000	Recurring	none	Minimum impact on service. No impact on fostering rates, however future increased demands may impact on the budget.	No
Children and Families	Already Secured	CF06	Reduction to Community Support Budget	50,000	50,000	Recurring	None	There will be limited impact as private providers have difficulty recruiting and retaining social care staff to provide this support in the community.	No
Education	Already Secured	EDUC01	HQ and QIO support budgets. Review and removal, where appropriate of 2014/15 budget with a moratorium put in place for centrally-held budgets	133,623	133,623	Recurring	None	Reduced capacity to support Learning and Teaching and development within Service. This will include the removal of QIO consultancy budget (£21k), removal of Professional and Technical publications budget (£3k). A moratorium will be put in place during 14/15 for any discretionary expenditure with approval to be sought via Education Management Team. Education non school budgets will be reviewed and realigned to the agreed Education Management structure. As part of this realignment it is intended to top slice budgets where appropriate to meet the efficiency target	No
Education	Already Secured	EDUC02	Budget reductions would be taken directly from existing unspent balances. Schools are advised that they cannot carry forward a previously agreed carry-forward and monies must be utilised during initial carry-forward year.	316,303	0	Non-recurring	None	Schools will have reduced capacity to support adhoc / discretionary appointments. The proposed option is the top slicing of previous year underspend which is partly generated as a result of planned management (HT) action however is most as a result of vacancy / turnover/ recruitment cycle. Devolved management of resource regulations allow schools flexibility.	No
Education	Already Secured	EDUC04	External Residential Schools - A reduction in the number of pupils with additional support needs placed out with Argyll in Residential Schools.	175,000	175,000	Recurring	None	The availability of funding for placements in residential schools will be reduced but it is anticipated that, overall, there will be minimal impact as vulnerable children and young people will be supported in their local schools instead of placed in residential schools away from their families and friends.	No
TOTAL	Still to identify			1,318,554	1,634,857				
					2,637,108				

CUSTOMER SERVICES - 1% SAVINGS - OVERALL SUMMARY

Efficiency Savings	2014-15 £	2014-15 % of Target	2015-16 £	2015-16 % of target
1% Target	241,427		482,854	
Already Secured	221,427	91.7%	221,427	45.9%
Being Implemented	20,000	8.3%	20,000	4.1%
Being Developed:				
Policy	0	0.0%	0	0.0%
Non-Policy	0	0.0%	0	0.0%
Still to Identify	0	0.0%	241,427	50.0%
TOTAL 1% EFFICIENCY SAVINGS TARGET	241,427	100.0%	482,854	100.0%

CUSTOMER SERVICES - 1% SAVINGS - FURTHER DETAIL

Service	Progress of Saving (already secured, being implemented, being developed)	Savings Ref	Description of Saving	Saving Profile		Recurring or Non-Recurring	HR Implications	Performance and Service Implications	Are there Policy Implications? (yes/no)
				2014-15	2015-16				
Executive Director of Customer Services	Already Secured	CUST001	Vacancy Savings - Increase to Departmental Target	5,212	5,212	Recurring	None	None	No
Customer and Support Services	Already Secured	CUST001	Vacancy Savings - Increase to Departmental Target	6,301	6,301	Recurring	None	None	No
Improvement and HR	Already Secured	CUST001	Vacancy Savings - Increase to Departmental Target	5,500	5,500	Recurring	None	None	No
Customer and Support Services	Already Secured	CUST002	Scottish Water Agency Income - Additional agency income from Scottish Water for collecting water charges as per recently announced order which runs from 1 April 2014 to 31 March 2018. This saving will increase in 2015-16 as a result of the full year impact of the additional income.	36,138	36,138	Recurring	None	None	No
Customer and Support Services	Already Secured	CUST003	Travel Budgets - Reduction to staff travel budgets across the service.	28,000	28,000	Recurring	None	None	No
Customer and Support Services	Already Secured	CUST004	Council Tax Advertising	1,500	1,500	Recurring	None	None	No
Governance and Law	Already Secured	CUST005	Licensing Income - income achieved for previous years has been in excess of budget. Property Services Sundries - Budget created in 2012-13 as a result of excess savings from service review.	16,515	16,515	Recurring	None	None	No
Facility Services	Already Secured	CUST006	Income from Investment Properties - increase based on current rental levels	6,796	6,796	Recurring	None	None	No
Facility Services	Already Secured	CUST007		13,770	13,770	Recurring	None	None	No
Facility Services	Already Secured	CUST008	Rural Community Transport initiative - payment previously paid to a provider that has folded, monies are uncommitted	13,500	13,500	Recurring	None	None	No
Facility Services	Already Secured	CUST009	Pupil Transport - Parent Transport	15,000	15,000	Recurring	None	None	No
Facility Services	Already Secured	CUST010	Cleaning HQ - Reduction to cleaning equipment budget	10,000	10,000	Recurring	None	None	No
Facility Services	Being Implemented	CUST011	Water Charges - savings to be achieved over and above Property Services Service Review saving	20,000	20,000	Recurring	None	None	No
Facility Services	Already Secured	CUST012	Training Budgets across Facility Services	5,000	5,000	Recurring	None	None	No
Facility Services	Already Secured	CUST013	Pool Cars - Fuel Costs	5,000	5,000	Recurring	None	None	No

CUSTOMER SERVICES - 1% SAVINGS - FURTHER DETAIL

Service	Progress of Saving (already secured, being implemented, being developed)	Savings Ref	Description of Saving	Saving Profile		Recurring or Non- Recurring	HR Implications	Performance and Service Implications	Are there Policy Implications? (yes/no)
				2014-15	2015-16				
Facility Services	Already Secured	CUST014	Facility Services - supplies and services and travel and subsistence budgets	25,389	25,389	Recurring	None	None	No
Improvement and HR	Already Secured	CUST015	Overtime Budget - removal of 100% of overtime budget allocation	9,384	9,384	Recurring	None	None	No
Improvement and HR	Already Secured	CUST017	Social Work Training - Photocopier and Coffee machine leases	12,000	12,000	Recurring	None	None	No
Improvement and HR	Already Secured	CUST018	HR - Reduction to Supplies and Services budgets	6,422	6,422	Recurring	None	None	No
TOTAL				241,427	241,427				
					482,854				

DEVELOPMENT AND INFRASTRUCTURE - 1% SAVINGS - OVERALL SUMMARY

Efficiency Savings	2014-15 £	2014-15 % of Target	2015-16 £	2015-16 % of target
1% Target	224,480		448,960	
Already Secured	224,480	100.0%	224,480	50.0%
Being Implemented	0	0.0%	0	0.0%
Being Developed:				
Policy	0	0.0%	0	0.0%
Non-Policy	0	0.0%	0	0.0%
Still to Identify	0	0.0%	224,480	50.0%
TOTAL 1% EFFICIENCY SAVINGS TARGET	224,480	100.0%	448,960	100.0%

DEVELOPMENT AND INFRASTRUCTURE - 1% SAVINGS - FURTHER DETAIL

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

DEVELOPMENT AND INFRASTRUCTURE - 1% SAVINGS - FURTHER DETAIL

Service	Progress of Saving (already secured, being implemented, being developed)	Savings Ref	Description of Saving	Saving Profile		Recurring or Non-Recurring	HR Implications	Performance and Service Implications	Are there Policy Implications? (yes/no)
				2014-15	2015-16				
Planning and Regulatory Services	Already Secured	PRS3	Proposed deletion of vacant post within the Development Management structure. The post is a 'Planning Systems Support Assistant' based in Whitegates, Lochgillhead which has been vacant since December 2013. The previous post holder has been promoted within DJS to newly created position of Process and Productivity Improvement Manager. Some of the roles and duties of the Systems Support Assistant post have been transferred to the new post as part of a Business Process Review (BPR) that is underway for Development Management. This includes work-streams to deliver efficiencies and best practice within the service. The post of Systems Support Assistant was originally created in 2009 to roll out and administer the delivery of E-Planning. The majority of outcomes of E-Planning have now been achieved and are bedded into normal working practices now.	14,500	14,500	Recurring	1 vacant post is being removed from structure so there is no loss or change in circumstances to an individual. Other staff within the CVT have already absorbed majority of duties from vacant post with others being transferred to BPR project	Impact on service shall be minimal due to around 70% of the activities of the post being transferred to the new Process and Productivity Improvement Manager or BPR project. Other duties that have not been transferred have been integrated into the wider Central Validation Team (CVT) between June and December 2013 as part of a phased transition. Duties include update of performance data (training of 2 staff still on-going), deleting documents in CIVICA, data management and responding to queries from Planning Officers on systems matters. Whilst the majority of duties from the post have been redistributed the loss of a member of staff within the CVT has marginally reduced resilience during times of unplanned absence or increased workload (unexpected increase in planning applications). A review shall take place in late February to review the resources and demand pressures within the CVT with a view to increase resilience whilst carrying out the duties of the Systems Support Assistant. Further reviews will take place in the medium and long term within the CVT once efficiencies and improvements identified as part of the BPR Process are realised or achieved.	No
Roads and Amenity Services	Already Secured	RAMS1	<ul style="list-style-type: none"> Fuel savings due to rescheduled routes Reduced reliance on hired in plant – close down hires more timely Increase in income streams where possible Restructure resulting in a number of vacant posts being removed from the establishment 	148,524	148,524	Recurring	Staffing will be via the removal of vacant posts.	There will be a greater requirement to prioritise roads maintenance revenue works based upon safety priorities and risk assessment with a reduced ability to undertake sustainable asset management as identified through the Roads Asset Management Plan. Reduction in the scale and/or standard of amenity services may impact upon the presentation of community spaces in towns and villages which may impact adversely upon tourism and business interests and the quality of life of communities.	no
TOTAL	Still to Identify			224,480	224,480				

UPDATE TO 2015-16 BUDGET

1. EXECUTIVE SUMMARY

- 1.1 The main purpose of this report is to provide Members with an update on any changes to the budget assumptions used when preparing the 2015-16 budget and an assessment of the impact.
- 1.2 The most significant change to the assumptions is in relation to the local government funding. The Council have been advised that the indicators for 2015-16 will now be updated and this results in an estimated £2.557m less in local government funding.
- 1.3 There are a number of changes to the base budget, some of which are matched by an increase or decrease to the funding. The base adjustments that affect the overall position are in respect of a payment to Atlantis Leisure, the reduction in the Education Management restructure savings, an increase in the estimate for pre-school hours (600 hours) and a reduction to the Joint Valuation Board payment.
- 1.4 There are two additional pressures within employee costs in relation to Holiday Pay (£0.300m) and Disturbance Payments (£0.100m). After reviewing and updating the budget to reflect the latest pupil census and also current staffing establishment, there is a reduction to the employee base of £0.398m offset by an increased cost of pay increments of £0.403m.
- 1.5 Inflation on landfill tax has been reduced from 10% to 3.25% in line with written confirmation from the Scottish Government. Inflation on the Waste PPP contract was insufficient and this has been increased to 2.7%. All other inflationary increases have been updated based on the revised base budget. In total there is a reduction of £0.010m.
- 1.6 There are a number of new cost and demand pressures included which total £0.820m. Kintyre Recycling and Fyne Futures £0.066m, Car Parking Income and DPE £0.390m, Public Analyst Services £0.060m, Shortfall in Commercial Refuse Income £0.114, Scottish Welfare Fund Administration £0.049m, Leisure Repairs and Maintenance £0.100m, IT Maintenance Costs £0.041m.
- 1.7 The fees and charges inflationary increase has been updated to reflect the revised base budget and this results in a reduction of £0.055m to the previously anticipated inflationary increase.
- 1.8 The 2015-16 budget estimated in February 2014 gave rise to a surplus of £4.121m. After reflecting the changes as at the end of October, the position still remains in surplus at £0.200m.

UPDATE TO 2015-16 BUDGET

2. INTRODUCTION

2.1 The Council set a two year budget in February 2014 which set the budget for 2014-15 and 2015-16. In-year budget monitoring is carried out for the 2014-15 budget and reported within the routine budget monitoring report but it is now necessary to monitor the 2015-16 budget prior to the council tax being set in February 2015.

2.2 This report provides an update on any changes to the budget assumptions used when preparing the 2015-16 budget and an assessment of the impact.

3. DETAIL**3.1 Funding****3.1.1 Finance Settlement**

3.1.1.1 The local government funding for 2015-16 is outwith the current financial settlement. As 2015-16 is a new year it is normal for the various indicators used in allocating the overall local government finance settlement to individual Council's to be updated. However, at the COSLA Leaders meeting in September 2013 it was proposed that the funding for 2015-16 be on a flat cash basis with the additional funding in relation to the Children and Young Person's Bill.

3.1.1.2 The Council have now been advised that the indicators will be updated for the 2015-16 settlement and this results in an estimated £2.557m less in local government funding from the flat cash basis used previously.

3.1.1.3 The revenue funding in respect of the delivery of free school meals to children in primary 1 to 3 was confirmed by the Scottish Government by letter on 17 July 2014. The funding for 2015-16 for Argyll and Bute is £863,000.

3.1.1.4 When the budget was agreed in February 2014, an estimate of funding in respect of the increase in pre-school hours from 475 hours to 600 hours as a result of the Children and Young People (Scotland) Act was included for 2015-16. The funding estimated was £1.351m. The Scottish Government have now advised that the funding for Argyll and Bute will be £1,265,505.

3.1.1.5 The Scottish Government have also advised of an additional allocation of £465,957 in respect of early year places for 2 year olds from workless households.

3.1.1.6 The trunking of 51km of the A83 between Kennacraig and Campbeltown took place early August 2014 and the responsibility for the management and maintenance of this stretch of road transferred from Argyll and Bute Council to Transport Scotland. As a result, the funding will be reduced, the reduction for 2015-16 amounts to £281,000. There is a corresponding base budget reduction.

3.1.2 Council Tax

3.1.2.1 A review of the Council tax funding was undertaken in November 2013 and the Council tax base and the growth was amended for the budget agreed in February 2014. There are no further changes to the assumptions at this stage.

3.1.3 Total Funding

3.1.3.1 The changes to the funding are summarised within the table below.

	£000
Funding February 2014	245,598
Updating of indicators	-2,557
Free School Meals	863
Change to funding for Pre-School hours	-85
Early Years – 2 year olds from workless households	466
A83 Trunking – reduction in funding	-281
Updated funding August 2014	244,004

3.2 Base Budget

3.2.1 The base budget for 2015-16 amounts to £231.900m.

3.2.2 There are a number of changes to the base budget as noted in the following paragraphs.

3.2.3 Base adjustment in relation to a saving for Atlantis Leisure which was not agreed during 2013. This base budget change should have been adjusted within 2014-15 but was omitted and thus will need to be absorbed within 2014-15.

3.2.4 Base adjustment in respect of the Education Management restructure savings reduction. The anticipated saving was £190,000, however, the saving for the revised structure agreed by Council at its meeting on 23 January 2014 was only £53,316.

3.2.5 Base adjustment in respect of Valuation Joint Board – the requisition advised for 2015-16 is £26,579 less than already budgeted within 2015-16.

3.2.6 As noted in paragraph 3.1.1.3, the Scottish Government has announced the revenue funding for the delivery of free school meals to children in primary 1

to 3. The base budget requires to be increased in line with the funding increase.

- 3.2.7 The increase in pre-school hours from 475 hours to 600 hours was previously estimated at a cost of £1.200m. A more accurate figure has now been calculated based on the current uptake of the increased hours and the revised cost is £1.272m, an increase of £71,709.
- 3.2.8 As noted in paragraph 3.1.1.5, the Scottish Government has announced the revenue funding in respect of early year places for 2 year olds from workless households. The base budget requires to be increased in line with the funding increase.
- 3.2.9 As noted in paragraph 3.1.1.6 the responsibility for the 51km of A83 between Kennacraig and Campbeltown has transferred from Argyll and Bute Council to Transport Scotland. The base budget requires to be reduced in line with the funding reduction.
- 3.2.10 The changes to the base budget are summarised in the table below.

	£000
Base Budget February 2014	231,900
Atlantis Leisure	12
Education Management Restructure	137
Valuation Joint Board	-27
Free School Meals (matched by additional funding)	863
Pre-School Hours – change to base estimate	72
Early Years – 2 year olds from workless households (covered by additional funding)	452
A83 Trunking Kennacraig to Campbetlown (matched by a reduction to funding)	-281
Updated Base Budget August 2014	233,128

3.3 Budget Challenge on Base Budget

- 3.3.1 A budget challenge process was carried out as part of the 2014-15 budget process and this identified savings of £0.414m, of which £0.240m were removed from the budget and £0.174m were reinvested.
- 3.3.2 A further budget challenge has been carried out over the last few months, specifically looking at more volatile budgets and those where budget re-alignment is required. It was not expected that this budget challenge would generate further savings but would provide re-assurance that the budget was matched to current levels of expenditure.
- 3.3.3 One area that was subject to much scrutiny was Adult Care, this was necessary before the budget is transferred over to the Health and Social Care Partnership. A number of budgets were re-aligned as a result of this scrutiny.

3.3.4 A reconciliation between the 2013-14 actuals and the 2015-16 base budget has been carried out. In order to give a "like for like" comparison, the 2013-14 actuals need to be adjusted for budget decisions agreed in February 2014, earmarked reserves spent during 2013-14 and earmarked grants and contributions carried forward at the end of 2013-14.

	£000	£000	Explanation of Figures
Deficit at end of 2013-14		2,097	As per Audited Accounts
Funding 2013-14		247,462	Revenue Support Grant and Council Tax
Expenditure 2013-14		249,559	
Agreed Budgets Adjustments 2014-15:			
Revenue Budget Challenge	-240		Agreed in February 2014
Employee Cost Increases	1,501		Agreed in February 2014
Non-Pay Inflation	1,908		Agreed in February 2014
Cost and Demand Pressures	3,469		Agreed in February 2014
Fees and Charges	-360		Agreed in February 2014
1% Efficiency Savings	-1,822		
		4,456	
Earmarked Reserves Used During 2013-14		-9,314	Earmarked Reserves used during 2013-14 require to be deducted as they relate to one-off expenditure.
Earmarked Grants and Contributions at end of 2013-14		1,160	Grants and Contributions earmarked at the end of 2013-14 require to be added on in order to net off the income and expenditure in relation to the grants and contributions.
Adjusted Expenditure 2013-14		245,861	Expenditure Adjusted in order to compare "like for like" to 2015-16 Base Budget
Base Budget		236,356	Base Budget for 2015-16
Reduction from 2013-14 to 2015-16		9,505	Overall Reduction between expenditure in 2013-14 and Base Budget 2015-16

3.3.5 There is an overall reduction between the adjusted 2013-14 actuals and the 2015-16 base budget of £9.505m. A summary of the main variances are noted within the table below.

Variance	£m
Reduction in Loan Charges due to Debt Fall Out	6,657
Removal of Revenue Contribution to Capital	869
Severance costs in 2013-14 with no budget in 2015-16	862
Budget Contribution from Reserves within 2013-14 (planned to spend more than funding)	1,051
Other Small Reductions	66
Total	9,505

3.4 Employee Costs

3.4.1 Strategic Finance have now undertaken an exercise to populate salary templates with the employee establishment and this has been confirmed

with budget holders during October and November.

3.4.2 After reviewing and updating the budget to reflect the latest pupil census and also current staffing establishment, the overall effect is a saving on the departmental base budget of £0.398m.

3.4.3 The main contributing factors to this overall reduction are:

- In Education there has been a decrease in teaching posts in schools through a combination of a drop in secondary school rolls, the removal of conservation from posts, turnover which has seen posts budgeted for a lower scale points and the closure of Ardchattan Primary School.
- Partly offsetting this is an increase in Superannuation costs over and above the impact of the pay award inflationary increase, this increase is likely to be in relation to pension auto enrolment. Since the staging date in May 2013 a total of 1,037 employees have been auto-enrolled into the pension scheme and of these only 121 have opted out of the scheme, therefore to date 88% of employees auto-enrolled have remained in the scheme. It is likely that there will continue to be increases in Superannuation contributions until 2017 when all employees will be auto-enrolled into the scheme.

3.4.4 The updated cost of assumptions in relation to the pay costs is noted in the table below:

Employee Assumption	Original Estimate February 2014 £000	Updated Cost £000	Increase/ -Decrease
Pay Award	2,112	2,057	-55
Increments	528	919	391
Increase in NI & SA as a result of net increase in pay awards and increments	473	540	67
Pensionable Pay	554	554	0
Total			403

3.4.5 The assumption in respect of the increase in pensionable pay as a result of changes to the Local Government Pension Scheme (Scotland) from 1 April 2015 has not changed at this stage, however, this is an area that will be reviewed in light of the increases in superannuation costs.

3.4.6 The Council have additional cost implications in respect of holiday pay as a result of a recent ruling by the European Court of Justice. The ruling means that employers must now pay employees the same rate of pay, including any overtime or other additional payments that are linked to their job, whilst they are on holiday. The full year cost is estimated to approximately £300,000 and this is being implemented from October 2014.

3.4.7 The Council also have additional cost implications in respect of Disturbance Payments. Staff had not been claiming the disturbance payments as set out in the Single Status Agreements. The full year cost is approximately £100,000 and this has been included within the revised employee cost estimates.

3.4.8 The changes to employee costs are summarised in the table below.

	£000
Employee Costs February 2014	5,168
Adjustment to employee base as a result of staffing changes	-398
Updated Cost of Assumptions	403
Holiday Pay	300
Disturbance Payments	100
Updated Employee Costs October 2014	5,573

3.5 Non-Pay Inflation

3.5.1 The position remains that only unavoidable/inescapable inflation has been included for 2015-16. A recent review of inflation has been carried out and the following updated assumptions are noted:

- Written confirmation has now been received from the Scottish Government in respect of landfill tax. The charge per tonne will be increased from £80 per tonne to £82.60 per tonne with effect from 1 April 2015, and increase of 3.25%. This had previously been estimated at 10%.
- The inflation in respect of the Waste PPP contract was insufficient and this has been increased to 2.7% which results in an increase of £0.044m.
- All other inflationary increases have been updated based on the revised base budget and this has resulted in a reduction of £0.054m.

3.5.2 Utilities, school and public transport and NPDO inflation assumptions are still being reviewed in order to determine a more up to date inflation cost. The outcome of this will be reported to the next P&R Committee.

3.5.3 The changes to non-pay inflation are summarised within the table below.

	£000
Non-Pay Inflation increase February 2014	3,856
Landfill tax – now 3.25% increase instead of 10%	-171
Waste PPP Contract	44
Reduction due to updating base budget	-54
Updated Non-Pay Inflation increase October 2014	3,675

3.6 Cost and Demand Pressures

3.6.1 The cost and demand pressures have been reviewed during October 2014 and the following changes are noted, with further detail included in Appendix 1:

- Cost Pressure: Increased payments as per agreements with Kintyre Recycling Ltd and Fyne Futures - £66,000.
- Cost Pressure: Under recovery of car parking income and Decriminalised Parking Enforcement income (DPE) – this is based on current estimations following introduction of DPE - £390,000.
- Cost Pressure: Cost for Public Analyst Services via Glasgow Scientific Services is in excess of budget - £60,000.
- Cost Pressure: Shortfall in commercial refuse income - £114,000.
- Cost Pressure: Scottish Welfare Fund Administration - £49,000.
- Demand Pressure: Central Repairs and Maintenance on Leisure estate - £100,000.
- Demand Pressure: Increase in IT Maintenance costs to support growth in IT servers and disk space - £41,000

3.6.2 The changes to the cost and demand pressures are summarised in the table below:

	£000
Cost and Demand Pressures February 2014	5,160
Kintyre Recycling and Fyne Futures	66
Car Parking Income and DPE	390
Public Analyst Services	60
Shortfall in Commercial Refuse Income	114
Scottish Welfare Fund Administration	49
Leisure Repairs and Maintenance	100
IT Maintenance Costs	41
Updated Cost and Demand Pressures October 2014	5,980

3.7 Fees and Charges

3.7.1 The increase to fees and charges was set at 3% for 2015-16. At this stage there is no recommended change to this assumption.

3.7.2 Although there has been no change to the 3% inflationary assumption, the fees and charges inflationary increase has been updated to reflect the revised base budget and this results in a reduction of £0.055m to the previously anticipated inflationary increase.

3.7.3 It should be noted that the Scottish Government have advised that the Town and Country Planning Amendment Regulations 2014 come into force on 1 November 2014 which results in a 5% increase on planning fees. The increased income has not been reflected in the budget outlook as the service are using this increase towards their 1% savings target.

3.7.4 The changes to inflation are summarised in the table below:

	£000
Inflation February 2014	-723
Reduction due to updating base budget	55
Updated Cost and Demand Pressures October 2014	- 668

3.8 1% Savings Target

3.8.1 The Council agreed to set a 1% savings target for both 2014-15 and 2015-16. There is a separate report on progress towards achieving the savings target and at this stage there is no recommended change to the target.

3.9 Updated 2015-16 Budget

3.9.1 The updated budget outlook for 2015-16 is noted in the table below.

Financial Position	2015-16 (Feb 2014) £000	2015-16 Changes £000	2015-16 Updated Estimate (August 2014) £000
Adjusted Base Budget	231,900	1,228	233,128
Revenue Budget Challenge	-240	0	-240
Employee Cost Increases	5,168	405	5,573
Non-Pay Inflation	3,856	-181	3,675
Cost and Demand Pressures	5,160	820	5,980
Fees and Charges	-723	55	-668
1% Savings Target	-3,644	0	-3,644
Total	241,477	2,327	243,804
Funding	245,598	-1,594	244,004
Funding Surplus / -Gap	4,121	-3,921	200

4. CONCLUSION

4.1 This report sets out the updated outlook for 2015-16 in relation to the Council revenue budget. As a result of the funding indicators being updated for 2015-16 the funding is significantly less, however, overall the updated outlook for 2015-16 remains in surplus at £0.200m.

5. IMPLICATIONS

5.1 Policy – None.

5.2 Financial - The report provides an update on the changes to the 2015-16 budget.

5.3	Legal -	None.
5.4	HR -	None.
5.5	Equalities -	None.
5.6	Risk -	None.
5.7	Customer Service -	None.

Bruce West
Head of Strategic Finance
5 December 2014

APPENDIX:
Appendix 1 – Additional Cost and Demand Pressures as at 31 October 2014

APPENDIX 1

ADDITIONAL COST PRESSURES - AS AT 31 OCTOBER 2014

Ref	Service	Detail	Risk	Cost Pressure 2015-16 £000
	Roads and Amenity Services	<p>Increased payments as per Agreements with Kintyre Recycling Ltd and Fyne Futures for continued kerbside recycling (with increased participation) provision ,bring sites (for plastic, cans and textiles) collections and new commercial recycling service on Councils behalf in Kintyre and on Bute respectively. Additional payments mainly due to increased participation and recycling volumes (plastics in particular) plus introduction of new formalised commercial recycling service allowing the Council to comply with the Waste (Scotland) Regulations 2012. Similar payments expected to continue in future years .</p>	<p>Risk of not increasing service and payment could leave Council in breach of Waste (Scotland) Regulations plus the groups would not be able to operate as is.Council taking on such collections would likely result in increase costs plus significant job losses with the community groups.</p>	66
	Roads and Amenity Services	<p>Car parking income is forecast to be 30% down on the budget income for the year which projects a cost pressure for this and future years should the income forecast remain at the current level. DPE commenced in June following a month of issuing warning notices. There will be some learning from the early months of DPE in terms of how enforcement resource is deployed to maximise the benefit in terms of providing turnover of on street parking places and patronage of off street car parks. However, based on the first four months of operation it is unlikely that the car parking income and DPE income will meet current projected income levels.</p>	<p>Shortfall on budget income therefore impact on the overall funding of service delivery</p>	390

APPENDIX 1

ADDITIONAL COST PRESSURES - AS AT 31 OCTOBER 2014

Ref	Service	Detail	Risk	Cost Pressure 2015-16 £000
	Planning and Regulatory Services	<p>There is a statutory requirement for the Council to appoint and have access to accredited Public Analyst services. This is provided by Glasgow Scientific Services through a service level agreement and the costs for all analytical services is in excess of the budgeted amount. We are unable to reduce these costs considerably at present due to a commitment SOLACE that we will not tender for any services, until the review of Scottish scientific services has reported. There is a cost pressure of £60,000 to the budget.</p>	<p>The risks are: 1. That we are unable to undertake the statutory and environmental monitoring programme for environmental health 2. That we continue to offset these costs within the service, with the resultant reduction in service capacity and resource levels, which create a significant risk of not meeting our statutory workplans and the Councils statutory duties</p>	60
	Roads and Amenity Services	<p>There is a shortfall in commercial refuse collection income as businesses are in a position to reduce the service they require or are transferring to the private sector provision and also due to the economic position there are fewer business in existence requiring uplift. There is currently a reported under-recovery of income within the revenue budget monitoring reports and the department are currently trying to identify areas to bring the overall department overspend into balance.</p>	Shortfall on budget income therefore impact on the overall funding of service delivery	114

APPENDIX 1

ADDITIONAL COST PRESSURES - AS AT 31 OCTOBER 2014

Ref	Service	Detail	Risk	Cost Pressure 2015-16 £000
	Customer and Support Services	<p>Scottish Welfare Fund Administration. Funding allocated from the Scottish Government for 2013-14 onwards of £55k towards the administration costs of allocating the community care and crisis grants. This funding is only sufficient to fund 2 of the 4 full time posts required to assess the applications. The shortfall for 2014-15 is being accommodated from previous year unspent balances in earmarked reserves, there will be no such funding available in 2015-16. The cost of administering the grants (£104k) is high compared to the total funding allocated of £373k, the service will look in the future to explore opportunities to make the application process and assessment more efficient.</p>	<p>Inability to process Community Care and Crisis Grant applications on time, these claims are submitted by vulnerable people. If these applications are not processed timeously the individuals could require additional support from other council intervention and support services, for example social work or housing.</p>	49

APPENDIX 1

ADDITIONAL DEMAND PRESSURES - AS AT 31 OCTOBER 2014

Ref	Service	Detail	Risk	Demand Pressure 2015-16 £000
	Community and Culture	<p>Central Repairs /Maintenance. Property Services have highlighted a requirement to undertake statutory, emergency and planned maintenance and repair works on a range of buildings across the Leisure estate in order to maintain the buildings in a safe operational state. In previous years, although the Leisure central repairs budget has not been adequate to meet the costs of these works, the service has been able to offset the overspend from savings within the revenue budget. This is no longer possible due to limitations placed on the revenue budget as a result of the ongoing requirement to deliver annual efficiency savings.</p>	<p>If this pressure is not agreed then deterioration of infrastructure will escalate and establishments will further fall into a state of disrepair potentially resulting in more expensive remedial works and the closure / partial closure of some facilities where they are not safe for use by the general public.</p>	100
	Customer & Support Services	<p>Increase in IT Maintenance Costs. Increase in maintenance required to support growth in IT servers and disk space. In addition to maintenance of recently deployed contracted software: test facility for Lync and server technology is required from 2015-16 onwards; maintenance of email scanning, patching and event log archiving software will result in increased cost pressure of £40k from 2017-18 onwards.</p>	<p>Without maintenance on this specialist software the availability and security of the IT infrastructure could be compromised.</p>	41

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

1 EXECUTIVE SUMMARY

- 1.1 The main purpose of this report is to provide a summary of the key financial risks facing the Council.
- 1.2 A number of Council wide risks have been identified along with risks for each department and service of the Council. For each departmental risk the financial impact has been quantified and the likelihood assessed based on the standard risk matrix.
- 1.3 There are currently 54 departmental risks totalling £7.973m. Only 6 of the risks are categorised as likely and no risks have been categorised as almost certain.
- 1.4 The financial risks are monitored routinely and actions put in place to continue to mitigate the risks.

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

2. INTRODUCTION

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

3 DETAIL

3.1 Introduction

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

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

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

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

3.2 Council Wide Risks

- 3.2.1 The estimated level of council tax income was reviewed at the end of November 2013 and is based on current and forecast Band D equivalents and non-payment rates. This reflects our most recent experience in terms of the council tax base and likely collection rates. A 1% variation in council tax income amounts to approximately £400,000.

- 3.2.2 The financial settlement for 2014-15 is part of the current financial settlement and a further update was announced on 13 March 2014 and is line with our expectations and does not change the assumptions that the budget for 2014-15 was based on.

- 3.2.3 The local government funding for 2015-16 is outwith the current financial settlement. As 2015-16 is a new year it is normal for the various indicators used in allocating the overall local government finance settlement to individual Council's to be updated. However, at the COSLA Leaders meeting in September 2013 it was proposed that the funding for 2015-16 be on a flat cash basis in addition to the

funding in relation to the Children and Young Person's Bill. The Council have now been advised that the indicators will be updated for the 2015-16 settlement and this results in an estimated £2.557m less in local government funding from the flat cash basis used previously.

- 3.2.4 One area of risk to funding would be if the Council were deemed not to have met the conditions attached to the finance settlement and this is assessed as remote. A 1% variation in Scottish Government Funding amounts to around £2m.
- 3.2.5 At the Council budget meeting in February it was agreed that services have to achieve 1% efficiency savings in both 2014-15 and 2015-16. The savings should not have a policy implication and therefore officers are given delegated authority to develop and secure these savings with progress monitored and reported to the Policy and Resources Committee. The Council have a good track record in delivering savings and the progress with the 1% savings target will be monitored closely. A 1% savings target amounts to £1.822m. A 10% shortfall on this savings target would amount to £182,000.
- 3.2.6 The Council have additional cost implications in respect of holiday pay as a result of a recent ruling by the European Court of Justice. The ruling means that employers must now pay employees the same rate of pay, including any overtime or other additional payments that are linked to their job, whilst they are on holiday. The full year cost is estimated to be around £300,000. The position regarding any backdating of these payments is unclear and there are currently a number of cases or appeals underway and it may be 2016 before there is a final resolution to this matter.
- 3.2.7 It is emerging that there is likely to be an increase of 2.3% in employer's contributions for the Teacher's Pension Scheme from September 2015. The effect of this increase would be a part year cost of around £445,000 in 2015-16 rising to £775,000 in 2016-17.
- 3.2.8 The Council wide risks noted above in addition to other Council wide risks are noted within the table below:

Description	Likelihood	Financial Impact £000
1% variation in Council Tax Income	2	400
Council has not met the conditions attach to the finance settlement. Risk value is equivalent to a 1% variation in Scottish Government funding.	1	2,000
10% shortfall on 1% efficiency savings target	2	182
Backdating of Holiday Pay Entitlement	2	1,000
Increase to Teacher's Pension	4	445 rising to

		775
Employee Pay increase by 1% more than budgeted	2	1,000
Employers NI rate increase by 2%	2	2,000
Employers Superannuation auto enrolment into pension scheme.	5	Range of 200 to 2,000
Energy costs increase by 10% greater than anticipated	3	672
Repairs and Maintenance costs increase by 5%	2	120
General Inflation at 2% on all costs not already inflated.	3	1,926

3.3 Departmental/Service Risks

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

Department	1 - Remote		2 - Unlikely		3 - Possible		4 - Likely		5 - Almost Certain		Total	
	No.	£000	No.	£000	No.	£000	No.	£000	No.	£000	No.	£000
Community Services	0	0	5	435	14	2,527	3	1,000	0	0	22	3,962
Customer Services	3	170	6	399	8	1,090	1	30	0	0	18	1,689
Development & Infrastructure	2	120	1	10	9	892	2	1,300	0	0	14	2,322
Total	5	290	12	844	31	4,509	6	2,330	0	0	54	7,973

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

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

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

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

3.4 Changes to Financial Risks since last P&R Report

3.4.1 The changes to the financial risks are summarised as follows:

- Added a risk within Roads and Amenity Services in respect of Waste Disposal and the retender of island haulage and the potential for increased prices.
- Removed a risk within Customer and Support Services in relation to Scottish Welfare Fund claims – a cost pressure request has been included to replace this risk.

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, timescale is noted in the table below.

18 December 2014	October
5 February 2014	December
19 March 2015	January

4 **CONCLUSION**

- 4.1 This report summarises the key financial risks facing the Council. Only 6 out of the 54 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.

Bruce West
Head of Strategic Finance
5 December 2014

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS - AS AT 31 OCTOBER 2014

DEPARTMENT	SERVICE	SERVICE OUTCOME	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As At 31 August 2014		As At 31 October 2014	
						LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Community Services	Adult Care	AC1 - Our community is supported to live more active, healthier and independent lives	Provider Charges - LD & MH	Increased provider charges in respect of clients with learning disability/mental health needs.	Ensure services are targeted at priority need clients. Review of client assessments and selection of appropriate provider via commissioning of service.	4	400	4	400
Community Services	Adult Care	AC1 - Our community is supported to live more active, healthier and independent lives	Older People - external provider rates	Uncertainty over external provider rates in those areas not included in externalisation framework agreed by Council.	Commissioning team agreeing rates and the role of home care procurement managers in allocating services.	4	400	4	400
Community Services	Adult Care	AC1 - Our community is supported to live more active, healthier and independent lives	Charges for Community Care	Clients withdraw from service due to charges or changes to benefits leading to a reduction in income.	Ensure clients benefits are maximised to reduce impact of charges and risk of withdrawal from service. Ensure internal and externally delivered services cease where client withdraws from charging scheme.	3	140	3	140
Community Services	Adult Care	AC1 - Our community is supported to live more active, healthier and independent lives	Older People - population growth	Growth in elderly population exceeds expectation reflected in Demand Pressure thereby putting increased demand on services.	Restrict service provision within available budget. Ensure services targeted at priority need clients. Continue to shift balance of care where average community care packages cost less than institutional. Growth of elderly population built into financial estimates.	3	700	3	700
Community Services	Adult Care	AC1 - Our community is supported to live more active, healthier and independent lives	Increased complexity of Older People, LD and MH packages.	Level of service demand remains at current commitment or increases due to needs becoming more complex.	Restrict service provision within available budget. Ensure services targeted at priority need clients. Continue to shift balance of care where average community care packages cost less than institutional. Target funding at preventative services to reduce risk of higher dependency.	3	950	3	950
Community Services	Adult Care	AC1 - Our community is supported to live more active, healthier and independent lives	Residential Care - self funding clients	Changes in self funded clients receiving residential care.	Management have no control over financial circumstance of clients receiving care.	3	175	3	175
Community Services	Children and Families	CF1 - The life chances for looked after children and improved	Looked after children - residential placements	Increased level of support, increased placement cost, increased client base	Commissioning Team; Regular reviews to minimise duration of placement, Maximise existing resources	4	200	4	200
Community Services	Children and Families	CF1 - The life chances for looked after children and improved	Looked after children - throughcare	Increased level of support, increased placement cost, increased client base	Commissioning Team; Regular reviews; Prompt transition to benefits. Active policy/strategic aim to develop/enhance throughcare offset by corresponding savings within residential placements.	2	80	2	80

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS - AS AT 31 OCTOBER 2014

DEPARTMENT	SERVICE	SERVICE OUTCOME	TITLE OF RISK	DESCRIPTION OF RISK	As At 31 August 2014		As At 31 October 2014		
					LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000	
Community Services	Children and Families	CF3 - Young children and their families are given assistance to help them achieve the best start in life.	Pre-Five Units - number of providers	Failure of commissioning pre-five units resulting in the Council having to provide the service.	Annual financial appraisal. Support network; Short-term cash injections;	3	50	3	50
Community Services	Children and Families	CF3 - Young children and their families are given assistance to help them achieve the best start in life.	Pre-Five Units - pupil numbers	Increase in pupil numbers.	Maximise current staff base	3	70	3	70
Community Services	Children and Families	CF1 - The life chances for looked after children and improved	Fostering	Increase to fostering client base.	Active Policy/Service Priority to enhance activity	3	120	3	120
Community Services	Children and Families	CF1 - The life chances for looked after children and improved	Adoption	Increased number of contested adoptions	Activity Policy/Service Priority to enhance activity	2	15	2	15
Community Services	Children and Families	CF1 - The life chances for looked after children and improved	Adoption	Increased number of adoptions	Activity Policy/Service Priority to enhance activity	2	50	2	50
Community Services	Children and Families	CF3 - Young children and their families are given assistance to help them achieve the best start in life.	Children with a Disability	Increased demand for service.	Disability Transitions Groups	3	60	3	60
Community Services	Community and Culture	CC07 - People successfully access a choice of suitable and affordable housing options in the area that they want to live and can participate in the housing market	Housing Support	Increased cost from external providers of housing support.	Ensure appropriate commissioning of service and targeting of resource to areas of greatest need.	3	20	3	20
Community Services	Community and Culture	CC04 - Fewer people will become homeless each year in A&B as a result of our proactive approach to prevention and support	Temporary Accommodation - cost	Higher cost of temporary accommodation - increased rental prices and bed and breakfast costs with clients remaining in tenancies for a longer time period until permanent residences are secured.	Bed and breakfast contracts are in place as block purchase of allocation. Work with housing associations and landlords to negotiate rent levels.	3	15	3	15
Community Services	Community and Culture	CC04 - Fewer people will become homeless each year in A&B as a result of our proactive approach to prevention and support	Temporary Accommodation - priority need	All unintentionally homeless people will be classed as priority need and entitled to permanent accommodation. They must be temporarily accommodated by council until then.	Provision of information and advice services to minimise number of applicants proceeding to full homeless application.	3	12	3	12

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS - AS AT 31 OCTOBER 2014

DEPARTMENT	SERVICE	SERVICE OUTCOME	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As At 31 August 2014		As At 31 October 2014	
						LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Community Services	Community and Culture	CC04 - Fewer people will become homeless each year in A&B as a result of our proactive approach to prevention and support	Temporary Accommodation - benefits recovered	Introduction of universal benefits has an impact on the level of benefits recovered for temporarily accommodated individuals.	Provision of information and advice services to minimise number of applicants proceeding to full homeless application. Ensure that they are in receipt of full benefit entitlement.	3	75	3	75
Community Services	Community and Culture	CC02 - Raised lifelong participation levels in sport and physical activity to enable us to lead more active healthier lives	Leisure Facilities	Reduced take up of services offered.	Tracking of service user participation using a traffic light system to identify services where usage drops. Services with a low rate of participation would be reviewed.	3	40	3	40
Community Services	Education	ED04 - The education additional support needs of children and young people are met.	Schools - ASN Assistants	Client base increasing	Priority Need Framework, Active Management of Distribution/ allocations.	2	230	2	230
Community Services	Education	ED04 - The education additional support needs of children and young people are met.	ASN - Residential Placements	ASN Residential Placements - increased cost due to increase of client base.	Liaison with SW colleagues. Active management of existing client base.	2	60	2	60
Community Services	Education	ED01/ED02 - Primary/secondary school children and are enabled to increase levels of attainment and achievement and realise their potential	Schools - Teacher Cover	Increased absence rate resulting in increased cover requirement.	Absence management protocols.	3	100	3	100
Customer Services	Customer and Support Services	CS05 - Income from local taxes and sundry debtors is maximised and properly controlled	Sundry Debt Recovery	Recovery of debt becomes more difficult to pursue in the current economic climate.	Robust monitoring of arrangements with debt collection agency. Joint working with Legal Services to assist services with the recovery of aged debt.	3	110	3	110
Customer Services	Customer and Support Services	CS05 - Income from local taxes and sundry debtors is maximised and properly controlled	Council Tax Debt Collection Recovery	Recovery of debt becomes more difficult to pursue in the current economic climate, Council entering into new contract with debt collection agents for Council Tax.	Robust monitoring of arrangements with debt collection agency and performance against target collection rates.	3	100	3	100
Customer Services	Customer and Support Services	CS02 - Businesses are supported in claiming Non-Domestic Rates relief.	Non-Domestic Rates Relief	Risk of demand changing due to legislative changes outwith our control or new charitable businesses. Likely to be powers to make a new discretionary rates relief scheme from April 2015.	Outwith direct management control.	4	30	4	30
Customer Services	Customer and Support Services	CS01- Benefits are paid promptly whilst minimising fraud	Scottish Welfare Fund Claims	Insufficient funds provided by the Scottish Government for the administration of SWF claims.	Ensure most efficient processes in place for the handling and processing of claims.	4	60		
Customer Services	Customer and Support Services	CS01- Benefits are paid promptly whilst minimising fraud	Housing Benefit Subsidy	Loss of Housing Benefit Subsidy due to exceeding LA error threshold.	Processes in place for handling of claims accurately and efficiently.	2	125	2	125

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS - AS AT 31 OCTOBER 2014

DEPARTMENT	SERVICE	SERVICE OUTCOME	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As At 31 August 2014		As At 31 October 2014	
						LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Customer Services	Customer and Support Services	CS06 - Increased value is delivered from procurement, with key contracted services of better quality and effectiveness	Procurement legal challenge	Potential challenge from unsuccessful bidders resulting in claims for damages	Ensure procurement procedures and policies are followed. Explore possibilities for insurance cover in relation to claims.	3	100	3	100
Customer Services	Facility Services	FS02 - Communities are safer and more successful through improved facilities	Property - Central Repairs	Increased demands on CRA as a result of the decrease in capital funding available and increases in supplier/contractor charges.	Joint strategy with procurement colleagues to reduce potential impact of supplier/contractor charges. Close monitoring of CRA budgets and commitments.	3	200	3	200
Customer Services	Facility Services	FS01 - Children in Argyll and Bute are healthier by maximising the number of pupils option to choose a nutritionally balanced school meal at lunchtime	Catering Purchases	Increased supplier charges.	Joint strategy with procurement colleagues to reduce potential impact. Control food wastage/portion controls.	2	60	2	60
Customer Services	Facility Services	FS04 - School and public transport meets the needs of communities	SPT Requisition	Increased contribution required for SPT requisition.	Outwith direct management control.	2	60	2	60
Customer Services	Facility Services	FS02 - Communities are safer and more successful through improved facilities	Surplus Properties	Ongoing market difficulties lead to increased numbers of surplus properties, there are residual running costs associated with surplus properties.	Asset Management Strategy	3	250	3	250
Customer Services	Facility Services	FS04 - School and public transport meets the needs of communities	School and Public Transport - provider charges	Increased provider charges	Joint strategy with procurement colleagues to reduce potential impact.	2	100	2	100
Customer Services	Facility Services	FS01 - Children in Argyll and Bute are healthier by maximising the number of pupils option to choose a nutritionally balanced school meal at lunchtime	Provision of Free School Meals to P1 to P3 school children	The Children and Young People (Scotland) Act 2014 requires the Council to provide free school meals to all P1 to P3 pupils from January 2015. There will be significant revenue and capital costs associated with this. The costs have been estimated and the Scottish Government have allocated additional revenue funding for 2014-15 and 2015-16 but the Council are still awaiting notification on the capital funding allocation.	Implementation group continually review financial impact of the additional meal provision and update financial assumptions as new information becomes available. Engaging with the Scottish Government through COSLA to provide information on the financial implications to the Council and raising concerns with them.	3	100	3	100

APPENDIX 1

DEPARTMENT/SERVICE FINANCIAL RISKS - AS AT 31 OCTOBER 2014

DEPARTMENT/SERVICE FINANCIAL RISKS - AS AT 31 OCTOBER 2014						As At 31 August 2014		As At 31 October 2014	
DEPARTMENT	SERVICE	SERVICE OUTCOME	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Customer Services	Facility Services	FS03 - We contribute to the sustainability of the local area	Energy Costs	Increase in energy costs and consumption. The Council are required to participate in the CRC Energy Efficiency Scheme from 2014-15 onwards, there is a risk that the required carbon emission reductions are not met and the cost of the allowances could increase. There is now little scope for energy cost or consumption fluctuations to be accommodated from within existing budgets.	Energy Management Team actions to reduce energy consumption and efficiency and ensure more accurate billing by energy providers. Regular monitoring of energy budgets to ensure any issues are raised and resolved as soon as possible.	3	200	3	200
Customer Services	Facility Services	FS02 - Communities are safer and more successful through improved facilities	Rental Income from Properties	Due to current economic climate may be reduced ability to recover rental income from leased properties or place suitable tenants in properties as leases come to an end.	Management of leasehold properties by Estates team, any issues with debt recovery being dealt with in line with Council debt recovery policy.	2	20	2	20
Customer Services	Governance and Law	GL10 - Timely provision of liquor licences and Civic Government licenses to the public	Licensing	Reduced numbers of licensing applications leading to reduced income	Monitoring of trends.	3	30	3	30
Customer Services	Governance and Law	GL8 - Provision of high quality, timely legal advice	Legal Services	Failure to minimise Council wide use of external legal advice.	Ensure legal services are gateway to access all legal advice.	1	10	1	10
Customer Services	Governance and Law	GL5 - Electors enabled to participate in the democratic process	Elections	More than 1 by-election required outwith standard election cycle.	Outwith direct management control.	2	34	2	34
Customer Services	Governance and Law	GL6 - The best interests of children at risk are promoted	Children's Panel	Increased number of referrals.	Liaise with Community Services colleagues to maximise council facilities/resources in the first instance.	1	10	1	10
Customer Services	NPDO	NPDO	Contract RPI	Increase in RPI.	Monitoring annual alteration to contract RPI rate and mitigation through financial forecasting and existing budget.	1	150	1	150
Development & Infrastructure	Economic Development	ED02 - Argyll and Bute is better connected, safer and more attractive	Ferry Services - maintenance	Increased maintenance costs of ferries due to age of fleet.	Monitor the cost of maintaining the fleet and if necessary prepare business cases for the procurement of replacement ferries.	3	50	3	50
Development & Infrastructure	Economic Development	ED02 - Argyll and Bute is better connected, safer and more attractive	Ferry Services - income	Changes to ferry services resulting in reduced passenger income.	Ensure that ferry operators are charged for the correct number of passengers	3	40	3	40
Development & Infrastructure	Economic Development	ED02 - Argyll and Bute is better connected, safer and more attractive	Piers and Harbours	Reduced fishing fleet resulting in lower number of fish landings.	Monitor fish landings and ensure that all income is collected.	3	40	3	40
Development & Infrastructure	Economic Development	ED02 - Argyll and Bute is better connected, safer and more attractive	Airfields and Air Services - usage	Reduced number of aircraft using the airports.	Monitor usage and market the facilities.	2	10	2	10

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DEPARTMENT/SERVICE FINANCIAL RISKS - AS AT 31 OCTOBER 2014

DEPARTMENT	SERVICE	SERVICE OUTCOME	TITLE OF RISK	DESCRIPTION OF RISK	MITIGATIONS ACTIONS IN PLACE	As At 31 August 2014		As At 31 October 2014	
						LIKELIHOOD	FINANCIAL IMPACT £000	LIKELIHOOD	FINANCIAL IMPACT £000
Development & Infrastructure	Economic Development	ED02 - Argyll and Bute is better connected, safer and more attractive	Airfields and Air Services - fuel costs	Increased fuel costs on PSO flights being passed onto the Council.	Scrutinise all claims for increased costs to ensure that they are in accordance with the contract.	3	30	3	30
Development & Infrastructure	Planning and Regulatory Services	PR04 - The health, safety, welfare and convenience of people in and around buildings is protected and improved.	Dangerous Buildings interventions	Deal in Building Standards with an increasing level of dangerous building work which has significant financial implications for Council	Monitor activity and seek to recover costs from the owner	3	180	3	180
Development & Infrastructure	Planning and Regulatory Services	PR04 - The health, safety, welfare and convenience of people in and around buildings is protected and improved.	Building Warrant fee shortfalls	Due to downturn in economic / building activity, building warrant fee income shortfalls leading to revenue budget pressures.	Continue to monitor Building Standards income and expenditure tightly and investigate further income generation streams. Lobby Scottish Ministers through professional organisations to increase Building Warrant fees to a sustainable level.	3	130	3	130
Development & Infrastructure	Planning and Regulatory Services	PR01 - The local economy is improved through the delivery of sustainable development.	Planning fees reduced by Scottish Government	Planning revenue budgets negatively affected by Better Regulation Bill. Scottish Government reducing planning fees due to poor performance by the Planning Authority	Maintain high levels of performance as articulated by performance markers detailed in Planning Performance Framework annual report.	1	100	1	100
Development & Infrastructure	Planning and Regulatory Services	PR03 - We secure standards relating to public health and health protection through working with businesses, partner agencies and the public, through risk-based proportionate enforcement	Animal Health	Carrying out livestock seizure to protect welfare of the animals	Monitor activity and seek to recover costs from the disposal of the animals.	1	20	1	20
Development & Infrastructure	Roads and Amenity Services	RA01 - Proportionate, safe and available infrastructure	Winter Maintenance	Adverse weather conditions which require greater than budgeted number of gritting runs.	Monitor weather conditions and apply gritting policy to minimise costs.	4	1,200	4	1,200
Development & Infrastructure	Roads and Amenity Services	RA01 - Proportionate, safe and available infrastructure	Roads Maintenance	Adverse weather conditions result in deterioration of the road network necessitating greater spend on repair of defects.	Manage maintenance budgets to ensure that spend is prioritised to deal with safety defects.	3	230	3	230
Development & Infrastructure	Roads and Amenity Services	RA01 - Proportionate, safe and available infrastructure	Street Lighting	Age of lighting stock requires greater maintenance as health and safety becomes a consideration.	Manage maintenance budgets to ensure that spend is prioritised to deal with safety defects.	4	100	4	100
Development & Infrastructure	Roads and Amenity Services	RA06 - Sustainable disposal of waste	Waste Collection	Reduced income from commercial refuse collection	Review operational service provision	3	165	3	165
Development & Infrastructure	Roads and Amenity Services	RA06 - Sustainable disposal of waste	Waste Disposal	Re-tender for island haulage and potential for increased prices	Competitive tendering process may assist in minimising the impact of increased prices			3	27
Total						54	8,006	54	7,973

RESERVES AND BALANCES – UPDATE AS AT 31 OCTOBER 2014

1 EXECUTIVE SUMMARY

- 1.1 The main purpose of this report is to advise Members of the overall level of reserves held by the Council as well as providing detail on the monitoring of the earmarked balances held within the General Fund.
- 1.2 The Council has a total of £48.526m usable reserves as at the end of 31 March 2014. Of this balance, £1.025m relates to Repairs and Renewals Fund, £3.460m relates to Capital Funds and the remainder is held in the General Fund, with £30.372m of the balance earmarked for specific purposes.
- 1.3 The Council has a total of £126.299m unusable reserves that are not backed with resources. They are required purely for accounting purposes.
- 1.4 The General Fund contingency level remains at 1.5% of net expenditure. The estimated surplus over contingency at 31 March 2016 is £10.641m, this is the current estimate of the position and this figure is subject to change. Members agreed at Policy and Resources Committee in August to direct the free balance on the general fund exclusively to the theme of economy and jobs and proposals to increase income / reduce costs for the Council.

RESERVES AND BALANCES - UPDATE AS AT 31 OCTOBER 2014

2. INTRODUCTION

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

3. DETAIL

3.1 Types of Reserves

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

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

3.2 Reserve Balances At 31 March 2014

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

Reserve	£000
Unusable Reserves	
Revaluation Reserve	56,113
Capital Adjustment Account	198,230
Financial Instruments Adjustment Account	-4,889
Pensions Reserve	-118,337
Accumulated Absences Account	-4,818
Total Unusable Reserves	126,299
Usable Reserves	
Repairs and Renewals Fund	1,025
Capital Fund	703
Usable Capital Receipts Reserve	2,757
General Fund	44,041

Total Usable Reserves	48,526
Total Reserves	174,825

- 3.2.2 The Revaluation Reserve represents the unrealised gains in the valuation of fixed asset. The Capital Adjustment Account represents the difference between depreciation based on proper accounting practice and statutory charges for financing capital expenditure. The Financial Instruments Adjustment Account represents the difference between gains and losses on borrowing and statutory capital financing charges. The Pensions Reserve represents the difference between pension costs based on proper accounting practice and payments made for pension costs. The Accumulated Absences Account represents the costed difference between holiday pay entitlement and actual holidays taken at 31 March.
- 3.2.3 The Repairs and Renewals Fund was established to support funding of renewal and replacement of school equipment. Schools can only draw on the Repairs and Renewals Fund to the extent they have previously paid into the Fund and contributions must be contained within schools devolved budgets.
- 3.2.4 The Capital Fund was established to receive all capital receipts generated by the Council and can be used to support the capital plan or meet the principal repayments on loan charges. The Council decides as part of the budget process each year how it wishes to draw funding from the Capital Fund.
- 3.2.5 The Usable Capital Receipts Reserve relates to the accumulated unspent capital receipts from sale of council houses prior to transfer of the housing stock. The reserve forms part of the Council's Strategic Housing Fund and can only be used for investment in social housing. The reserve will be used in accordance with the approach to investing in housing agreed by the Council in August 2012.

3.3 General Fund

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

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

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

Earmarking Category	Balance 31/03/14 £000	Drawn- down to 2014-15 Budget as at 31/10/14	Planned Still to Spend 2014-15 £000	Planned Spend Future Years £000	Balance no Longer Required £000
Strategic Housing Fund	7,484	412	0	7,072	0
Revenue Contribution to Capital - Dunoon and Campbeltown Schools	3,000	0	0	3,000	0
Investment in Affordable Housing	9,500	0	0	9,500	0
Severance Costs	27	0	0	27	0
Reserve Committed for 2014-15 Budget	326	326	0	0	0
CHORD	420	0	0	420	0
DMR – Schools	887	887	0	0	0
Existing Legal Commitments	196	0	0	196	0
Unspent Grant	979	252	545	182	0
Unspent Third Party Contribution	255	15	5	235	0
Unspent Budget	7,298	1,093	1,800	4,056	349
Total	30,372	2,985	2,350	24,688	349

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

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

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

3.3.5 There is a change to the profiling of the Unspent Budget in respect of Early Intervention (Early Years Change Fund) (Ref 035 on appendix). The profile as agreed in February 2014 was indicative based on the assumption that the service would be spending evenly over 2014-15 and 2015-16. The work has been delayed due to the service review within Children and Families and the new profiling is noted below:

2014-15 £274,004

2015-16 £288,681

2016-17 £168,315

3.3.6 There is a change to the profiling of the unspent budget in respect of Care First/Care Pay Consultancy (Ref 036 on appendix). The earmarking relates to the implementation of the foster care payments module on CareFirst which was

planned to take place during 2014-15 but has been deferred to 2015-16.

- 3.3.7 Based on the financial risks analysis there are no proposals to change the general fund contingency.
- 3.3.8 Looking forward, the following forecasts are estimated for the unallocated general fund balance.

Unallocated General Fund Forecast	£000
Unallocated balance on General Fund as at 31 March 2014	10,011
Earmarked funds no longer required	349
Supplementary estimates previously approved (Agreed in 2013-14 for Waverley, £20k in 2013-14, £15k in 2014-15 and £10k in 2015-16)	-25
Budgeted Surplus 2014-15	1,020
Forecast outturn for 2014-15 as at 31 October 2014	-914
Forecast outturn for 2015-16 as at 31 October 2014	200
Estimated Unallocated balance on General Fund as at 31 March 2016	10,641

Members agreed at Policy and Resources Committee in August to direct the free balance on the general fund exclusively to the theme of economy and jobs and proposals to increase income / reduce costs for the Council.

4. CONCLUSION

- 4.1 The report outlines the overall reserves and balances for the Council covering the purpose and level of each reserve. It also provides detail as to expenditure against earmarked balances held within the General Fund. There is currently an estimated surplus over contingency of £10.641m and the Council should consider how best to utilise these funds.

5. IMPLICATIONS

- 5.1 Policy – None.
- 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 - There is currently an estimated surplus over contingency of £10.641m.
- 5.7 Customer Service - None.

Bruce West
Head of Strategic Finance
5 December 2014

APPENDICES

Appendix 1 – Earmarked Reserves breakdown of unspent budget

APPENDIX 1

Earmarked Reserves - Unspent Budget
As at 31 October 2014

Ref	Department	Service	Description	Balance 31/03/14	Drawdown to 2014/15 Budget as at 31/10/14	Planned Still to Spend in 2014/15	Planned Future Spend Years	Balance No Longer Required	Plans for Use
001	Customer Services	Governance & Law	Oban By-election	60,000	60,000	0	0		Due to the resignation of two elected members there is a requirement to have two separate by-elections in the Oban area, one alongside the European Elections in May and the other in July. The service do not have the capacity within the recurring operational revenue budget to accommodate the cost of the by-elections. The Governance and Law service are projecting a favourable outcome position in 2013-14 which could be earmarked to cover the costs.
002	Development and Infrastructure	Economic Development	Oban Airport meteorological equipment	60,000	0	60,000	0		To replace the current equipment that is at the end of its life expectancy and has required expensive maintenance repairs. Provision was included within the 2013-14 budget for these costs but not in 2014-15. The contract for the works was put out to tender but has to be re-tendered which has delayed this project until 2014-15. There is no available budget within the service in 2014-15 to fund this.
003	Development and Infrastructure	Roads and Amenity Services	Amenity Services introduction of management information system	135,500	0	135,500	0		To introduce WDM/TOTAL to provide accurate management information on the operation of Amenity Services. Funding was available in the 2013-14 budget for this project, there is not budget available in 2014-15 to fund this project which was agreed as part of the service review. Because of delays with progressing budget savings options this delayed the implementation of this project. This will be progressed in 2014-15 instead of 2013-14.
019	Customer Services	Customer and Support Services	Scottish Government Funding - Welfare Reform/Discretionary Housing Payments (agreed at Council February 2014)	523,706	130,000	131,853	261,853		DWP LSSR service activity as per Council Paper from February 2014. Scottish Government Grant in relation to Discretionary Housing Payments. This is committed in 2014-15 against DWP LSSF service activity.
022	Customer Services	Facility Services	Holy Loch Community Centre	52,345	52,345	0	0		To be used to fund the demolition costs of the Holy Loch Community Centre in Sandbank near Dunoon. This was approved in February 2014 to be met from underspends in the Facility Services budget for 2013-14, there was a delay in carrying out the works on site due to requirement to secure a bat license.

APPENDIX 1

Earmarked Reserves - Unspent Budget
As at 31 October 2014

Ref	Department	Service	Description	Balance 31/03/14	Drawdown to 2014/15 Budget as at 31/10/14	Planned Spend to 2014/15	Planned Spend Future Years	Balance No Longer Required	Plans for Use
025	Development and Infrastructure	Economic Development	Inveraray CARS	350,000	0	25,000	325,000		<p>The aims of the scheme focus around the objectives of protecting the quality of the built environment as an asset for sustainable economic growth, enabling the development of growth enhancing activities within Inveraray itself and to act as a catalyst for economic regeneration of the town and its hinterland.</p> <p>The scheme seeks to :</p> <ol style="list-style-type: none"> 1. Secure investment in the fabric of the built heritage of Inveraray which is highlighted as our premier conservation area and a main tourist attraction. 2. Focus on essential repair of the historic environment focused around 8 priority buildings, shop fronts, a small repairs and public realm investment. 3. Deliver training and improve the traditional building skills base amongst local contractors and business operating with the community and linking to the Argyll Construction college and working with the Lead Sheet Association. 4. Deliver education and awareness raising initiatives working closely with the local primary school. 5. Develop working partnerships with local and national authorities, local traders and residents with regard to improving the appearance of the conservation area. 6. Consider opportunities for joint the opportunities for joint working with the trunk roads authority to develop a heritage led approach relative to road signage.
026	Development and Infrastructure	Economic Development	Hermitage Park HLF	300,000	0	0	300,000		<p>The aims of the scheme focus around the objectives of protecting the quality of the heritage of Hermitage Park thereby improving the quality of the experience, increase public engagement and the use of the park. The overall objective is to enhance the quality of the area as a place to live and work and in turn improve the overall quality of life in our communities This will be achieved through the following :</p> <ol style="list-style-type: none"> 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. <p>First constructed in 1913 and is now the oldest purpose built cinema still operating in Scotland. However, due to age, years of water ingress and an antiquated heating system, the property is now in a parlous state of repair and is an A-Listed property. Although the management board is composed of volunteers, it currently employs 7 staff (2 FT/ 5 PT) and has plans to expand. Total costs of renovations are forecast at £3m as detailed in the Business Case (Jura Consultants, August 2012).</p>
027	Development and Infrastructure	Economic Development	Campbeltown Picture House	150,000	0	0	150,000		

APPENDIX 1

Earmarked Reserves - Unspent Budget
As at 31 October 2014

Ref	Department	Service	Description	Balance 31/03/14	Drawdown to 2014/15 Budget as at 31/10/14	Planned Still to Spend in 2014/15	Planned Spend Future Years	Balance No Longer Required	Plans for Use
032	Community Services	Adult Care	Residential Care Home Placements (Charging Order Income)	853,000	0	0	853,000		Contingency put in place in February 2013 to offset budget saving options for Adult Care Service. The Council holds a debtor on the balance sheet for the level of charging orders in place, this earmarked balance is a holding account to retain the monies that were generated in creating the debtor. These funds have not yet been recovered, if this earmarked balance was removed there would be an issue for the service if the debt is not recovered.
033	Community Services	Adult Care	Autism Strategy	35,000	10,354	24,646	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 funding is being utilised.
034	Community Services	Adult Care	Health and Social Care Integration	120,000	120,000	0	0		To fund a team for two years to progress Health and Social Care Integration. Project is up and running. Funding will be required to cover project team staff costs till implementation. Additional ad-hoc support may be required subject to developments / timescales.
035	Community Services	Children and Families	Early Intervention (Early Years Change Fund)	731,000	99,850	174,154	456,996		Fund established in 2012/13 to be spent over more than one year. Expenditure plan being prepared for 2014/15.
036	Community Services	Children and Families	Care First / Care Pay Consultancy	16,200	0	0	16,200		Progress the integration of financial and care management information held in the CareFirst system for Children and Families. Monies were planned to be spent during 2013-13, however the timescale has slipped. Consultancy will now be needed in 2014/15.
037	Community Services	Children and Families	Early Years Development Support	29,190	29,190	0	0		Two posts shared by the Council and NHS to support the Integrated Childrens Services Planning and Early Years Collaborative. 2 posts were recruited to in November 2013. Funding is required to fund these posts in 14/15.
038	Community Services	Community and Culture	Events and Festivals	67,000	67,000	0	0		Contribution towards a strategic events and festivals programme. Year 3 of 3 year programme.
039	Community Services	Community and Culture	Welfare Rights Officer	42,000	33,434	66	8,500		Continuation of fixed 2 year Welfare Rights Officer post, to assist in the delivery of additional requirements placed on the service, as a result of Welfare Reform. Fixed 2 year post wef June 2013.
040	Community Services	Education	School Campus Proposals - Dunoon and Campbeltown	648,407	75,000	57,631	515,776		Additional revenue costs associated with development of new schools. Drawn down as Schools project progresses and project costs are incurred.
041	Community Services	Education	Use of Additional Scottish Government Funding to Maintain Teacher numbers - Performance Management Officer	32,138	32,138	0	0		Two year initiative, creation of a post to provide support to the Education Management Team. Year 2 of initiative. Officer in post, contracted till March 2015.

APPENDIX 1

Earmarked Reserves - Unspent Budget
As at 31 October 2014

Ref	Department	Service	Description	Balance 31/03/14	Drawdown to 2014/15 Budget as at 31/10/14	Planned Still to Spend in 2014/15	Planned Spend Future Years	Balance No Longer Required	Plans for Use
042	Community Services	Education	Youth Employment Opportunities Fund	162,388	10,000	65,000	87,388		Fund established in 2012/13 to be spent over more than one year. Monies will be spent on activities including Modern Apprenticeships and work experience.
043	Customer Services	Customer and Support Services	Corporate Purchasing Cards	5,000	5,000	0	0		Introduce corporate purchasing cards for catering purchases in schools. Remaining balance is required for next year for 4 months to allow the completion of the creditors scanning backlog.
044	Customer Services	Customer and Support Services	Information Management Strategy	6,212	2,400	3,812	0		To fund one-off costs within IT in respect of Information Management Strategy. All monies were planned to be spent during 2013-14, however some invoices were withheld for payment due to late delivery and poor quality of some of the deliverables of the project. These issues have been resolved in 2014-15 and the monies will be required to offset the final costs.
045	Customer Services	Executive Director of Customer Services	NPDO	200,000	0	0	0	200,000	Use efficiencies within 2012-13 to pay for the potential costs associated with a refinancing proposal for ABC Schools. Any refinancing proposal has the potential to result in a substantial gain for the Council. The costs associated with re-financing will not be incurred until 2014-15.
046	Customer Services	Facility Services	Asbestos Management	358,369	96,667	82,518	179,185		Asbestos survey to be carried out for all of the Council properties. Reserves were approved to fund a 3 year programme of asbestos works, the original amount earmarked was £513k. The remaining monies will be spent over 2014-15 and 2015-16.
047	Customer Services	Improvement and HR	Argyll and Bute Manager Programme	164,575	0	0	113,492	51,083	Fund the Argyll and Bute Manager training programme. The service have incurred some expenditure but this can be accommodated from within the service favourable outturn position. Proposed to maintain balance in reserves to fund the extension of the Argyll and Bute Manager programme. ALTHOUGH BALANCE IS BEING RELEASED BACK TO THE GENERAL FUND, THERE IS AVAILABLE MONIES WITHIN CUSTOMER SERVICES BUDGET WITHIN 2014-15 TO ENABLE THIS PROJECT/INITIATIVE TO STILL PROGRESS.
048	Customer Services	Improvement and HR	Learning and Development	175,640	0	0	120,840	54,800	Training identified via PRDs, develop further E-Learning modules and the provision of Social Work degree and HNC qualifications. Original earmarked balance was to be spent over a 5 year period. The service have incurred some expenditure in these areas but do not require to draw on the reserves as these costs can be accommodated from the favourable outturn position. The spending plan has been expanded to include the provision of social work HNC qualifications. ALTHOUGH BALANCE IS BEING RELEASED BACK TO THE GENERAL FUND, THERE IS AVAILABLE MONIES WITHIN CUSTOMER SERVICES BUDGET WITHIN 2014-15 TO ENABLE THIS PROJECT/INITIATIVE TO STILL PROGRESS.
049	Customer Services	Improvement and HR	Corporate Improvement Board Projects	43,500	0	0	0	43,500	Plans for use include the re-accreditation of PSIF verifiers, BPR training costs and the costs of developing e-learning modules. Monies originally planned to be spent by 2014-15. Plans for use include the re-accreditation of PSIF verifiers, BPR training costs and the costs of developing e-learning modules. ALTHOUGH BALANCE IS BEING RELEASED BACK TO THE GENERAL FUND, THERE IS AVAILABLE MONIES WITHIN CUSTOMER SERVICES BUDGET WITHIN 2014-15 TO ENABLE THIS PROJECT/INITIATIVE TO STILL PROGRESS.
050	Development and Infrastructure	Economic Development	Lorn Arc	26,000	26,000	0	0		To address any outstanding aspects of the Lorn Arc Business Case

APPENDIX 1

Earmarked Reserves - Unspent Budget
As at 31 October 2014

Ref	Department	Service	Description	Balance 31/03/14	Drawdown to 2014/15 Budget as at 31/10/14	Planned Spend to 2014/15	Planned Spend Future Years	Balance No Longer Required	Plans for Use
051	Development and Infrastructure	Economic Development	Iona Ferry Slip	255,000	0	255,000	0		To be used on ferry slip on Iona which requires significant work. Monies were planned to be spent during 2013-14, however there has been a delay in initiating project due to the scope of the work changing and the revised project having to be re-tendered.
052	Development and Infrastructure	Planning and Regulatory Services	Local Plan Enquiry	90,000	21,200	68,800	0		Local Plan Enquiry scheduled for 2014/15
053	Development and Infrastructure	Roads and Amenity Services	Waste Management	586,258	164,102	422,156	0		Will be used towards Waste Management longer term model. Delay in introduction of comingled collection due to legal issues that remain to be resolved, however monies will be required for waste management longer term model.
054	Development and Infrastructure	Roads and Amenity Services	Car Parking Strategy Initial Shortfall	209,314	0	209,314	0		Required for the implementation of DPE. Implementation commenced during 2013-14. £217k of the funding was used and it is expected that the balance of £209k will be used in the first 6 months of 2014-15.
077	HQ Non Dept	n/a	Community Resilience Fund	524,680	0	0	524,680		Fund established in 2012/13 to be spent over more than one year
078	HQ Non Dept	n/a	PVG Retrospective Phase	211,413	43,532	62,175	105,706		Budget earmarked at the end of 2012-13 for a 3 year programme to ensure the council is compliant with the requirement of the PVG scheme, including the migration of existing staff over to the new scheme.
079	HQ Non Dept	n/a	Support Staff for PVG Retrospective Phase	74,192	15,182	21,914	37,096		Additional support in HR to process PVG applications.
TOTAL				7,298,027	1,093,394	1,799,539	4,055,712	349,383	

CAPITAL BUDGET MONITORING REPORT – 31 October 2014

1 EXECUTIVE SUMMARY

1.1 This provides an update on the position of the capital budget as at 31 October 2014. The report provides information on the financial position in respect of the capital plan and also the performance in terms of delivery of capital plan projects.

1.2 Financial Position:

- **Current Year to Date** – actual expenditure to date is £22,984k compared to a budget for the year to date of £21,084k giving rise to an over spend for the year to date of £1,900k (-9%).
- **Forecast Outturn for 2014-15** – forecast expenditure for the full financial year is £43,434k compared to an annual budget of £40,421k giving rise to forecast over spend for the year of £3,013k (-7.5%).
- **Total Capital Plan** – the forecast total project costs on the total capital plan is £230,486k compared to a total budget for all projects of £225,951k giving rise to a forecast over spend for the overall capital plan of £4,535k (-2%).

1.3 Project Delivery:

- **Asset Sustainability** – Out of 166 projects there are 159 projects (96%) on track, 6 projects (4%) off track and recoverable and 1 project (1%) off track.
- **Service Development** - Out of 40 projects there are 24 projects (60%) on track, 15 projects (38%) off track but recoverable and 1 project off track (3%).
- **Strategic Change** – Out of 27 projects there are 19 projects (70%) on track, 5 projects (19%) off track and recoverable and 3 projects (11%) off track.

CAPITAL BUDGET MONITORING REPORT – 31 October 2014

2 INTRODUCTION

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3 RECOMMENDATIONS

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

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

4 CURRENT YEAR TO DATE FINANCIAL POSITION

4.1 Overall Position

Actual expenditure to date is £22,984k compared to a budget for the year to date of £21,084k giving rise to an over spend for the year to date of £1,900k (-9%).

4.2 Project/Department Position

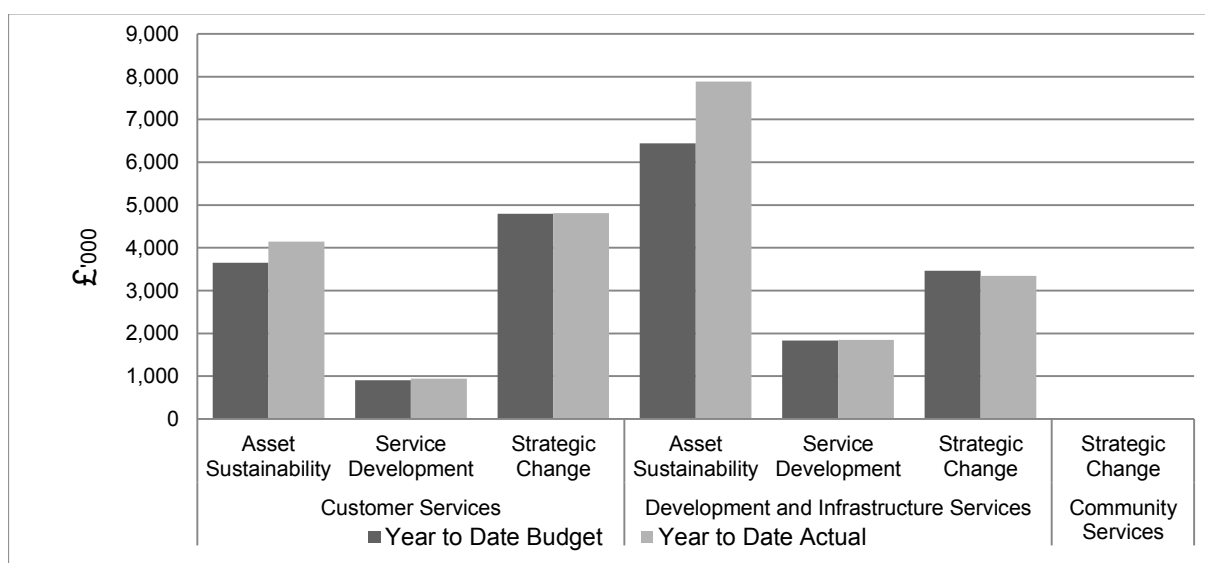
The table below shows the year to date expenditure against the year to date budget by project type and department:

Project Type:	Year to Date Budget £'000	Year to Date Actual £'000	Variance £'000
Asset Sustainability	10,089	12,036	(1,947)
Service Development	2,735	2,794	(59)
Strategic Change	8,260	8,154	106
Total	21,084	22,984	(1,900)
Department:			
Customer Services	9,346	9,903	(557)
Development and Infrastructure Services	11,738	13,081	(1,343)
Community Services	0	0	0
Total	21,084	22,984	(1,900)

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

4.3 Chart of YTD Variances

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



5 FORECAST OUTTURN 2014-15

5.1 Overall Position

Forecast expenditure for the full financial year is £43,434k compared to an annual budget of £40,421k giving rise to a forecast over spend for the year of £3,013k (-7.5%).

5.2 Project/Department Position

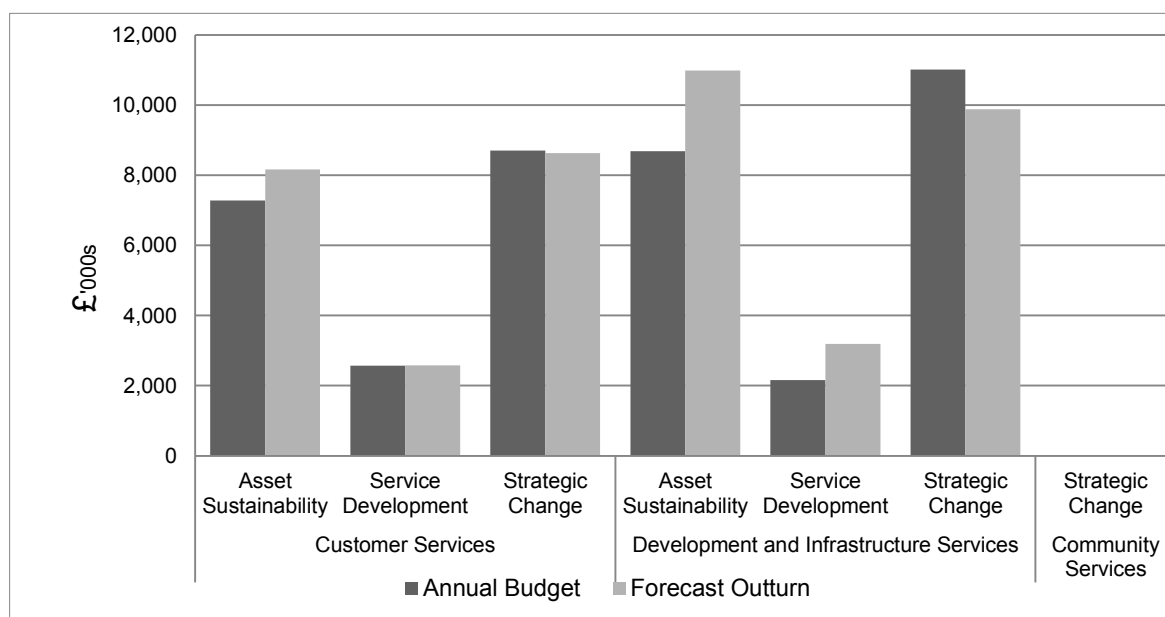
The table shows the forecast expenditure and budget for the year by project type and department:

Project Type:	Annual Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Asset Sustainability	15,973	19,151	(3,178)
Service Development	4,729	5,769	(1,040)
Strategic Change	19,719	18,514	1,205
Total	40,421	43,434	(3,013)
Department:			
Customer Services	18,556	19,376	(820)
Development and Infrastructure Services	21,865	24,058	(2,193)
Community Services	0	0	0
Total	40,421	43,434	(3,013)

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

5.3 Chart of Forecast Outturn

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



6 TOTAL PROJECT COSTS

6.1 Overall Position

The forecast total project cost on the total capital plan is £230,486k compared to a total budget for all projects of £225,951k giving rise to a forecast over spend for the overall capital plan of £4,535k (-2.%).

6.2 Project/Department Position

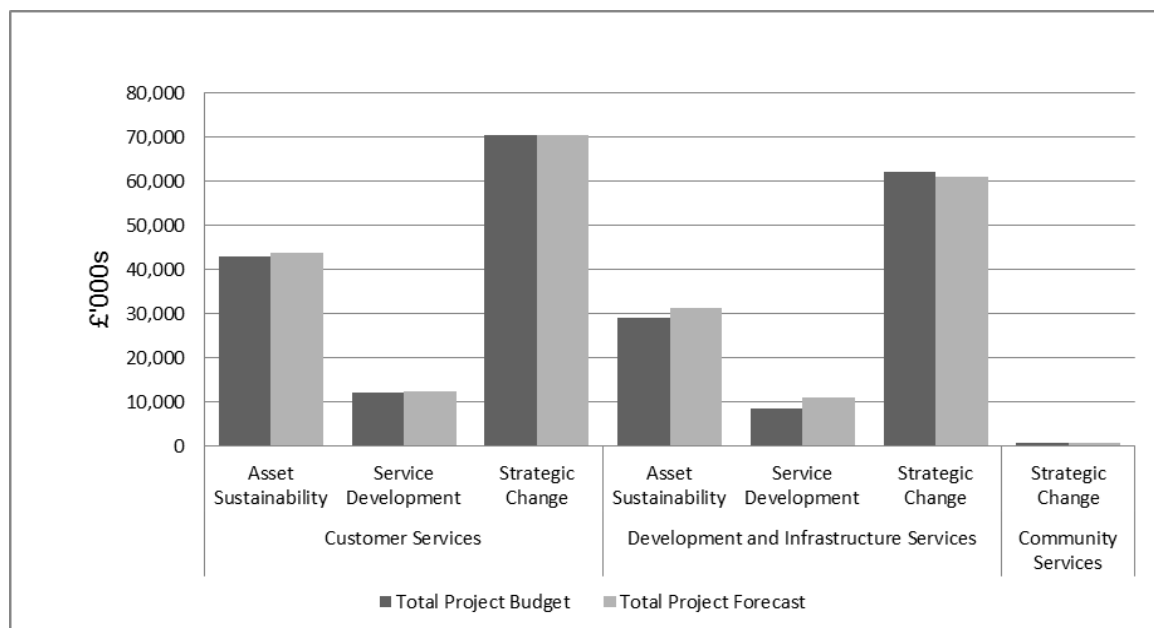
This table shows the forecast total project cost and the budget for total project costs by project type and department:

Project Type:	Capital Plan Budget £'000	Forecast Project Costs £'000	Capital Plan Variance £'000
Asset Sustainability	72,015	75,071	(3,056)
Service Development	20,682	23,366	(2,684)
Strategic Change	133,254	132,049	1,205
Total	225,951	230,486	(4,535)
Department:			
Customer Services	125,529	126,396	(867)
Development and Infrastructure Services	99,543	103,211	(3,668)
Community Services	879	879	0
Total	225,951	230,486	(4,535)

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

6.3 Chart of Total Project Costs

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



7 CAPITAL FUNDING ESTIMATES

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

Year	£'000
2014-15	50,185
2015-16	44,218
2016-17	17,833

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

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

Funding	Current Year (2014-15)			2015-16			2016-17		
	Approved Capital Funding £'000	Changes £'000	Updated Capital Funding Available £'000	Estimated Capital Funding £'000	Changes £'000	Updated Capital Funding Available £'000	Estimated Capital Funding £'000	Changes £'000	Updated Capital Funding Available £'000
General Capital Grant	14,068	0	14,068	12,937	0	12,937	11,000	0	11,000
Transfer to Revenue for Private Sector Housing Grant (PSHG)	(1,321)	0	(1,321)	(1,321)	0	(1,321)	(1,000)	0	(1,000)
Ring Fenced Capital Grant	140	0	140	140	0	140	140	0	140
Grants from Other Bodies	1,310	15	1,325	626	0	626	0	0	0
Capital Receipts	1,334	0	1,334	4,390	0	4,390	7,693	0	7,693
Revenue Contributions	1,155	5	1,160	286	0	286	0	0	0
Reserve Funding Dunoon & Campbeltown Schools	3,000	0	3,000	0	0	0	0	0	0
Prudential Borrowing	966	595	1,561	30	0	30	0	0	0
Unsupported Borrowing	29,533	(12,068)	17,465	27,130	(1,396)	25,734	0	(3,480)	(3,480)
Capital Funding	50,185	(11,453)	38,732	44,218	(1,396)	42,822	17,833	(3,480)	14,353
Opening Capital Expenditure Budget			40,421			41,133			14,353
Recommended Changes to Capital Plan (Financial Impact - Appendix 8)			(1,689)			1,689			0
Revised Capital Expenditure Budget			38,732			42,822			14,353
Capital Expenditure Forecast			43,434			41,133			14,353
Updated Projected (Over)/Underspend			(4,702)			1,689			0

8 TOTAL PROJECT PERFORMANCE

8.1 Overall Position

There are 233 projects within the Capital Plan, 202 are Complete or On Target, 26 are Off Target and Recoverable and 5 are Off Target and a Problem.

8.2 Project Position

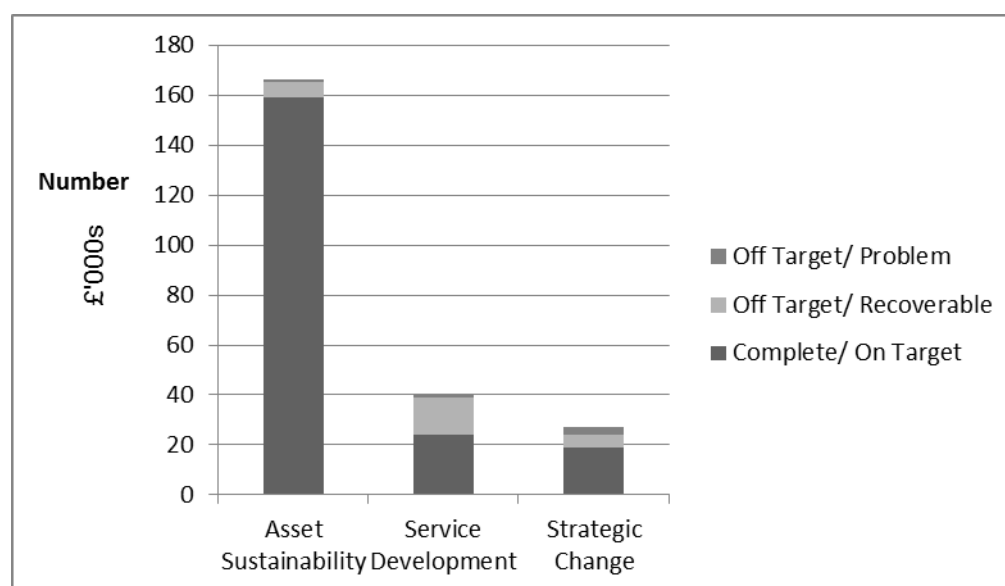
The table below shows the Performance Status of the Projects in the Capital Plan:

Project Type:	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Asset Sustainability	159	6	1	166
Service Development	24	15	1	40
Strategic Change	19	5	3	27
Total	202	26	5	233
Department:				
Customer Services	169	17	1	187
Development and Infrastructure Services	33	9	4	46
Total	202	26	5	233

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

8.3 Chart of Performance Status

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



9 OFF TRACK PROJECTS

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

Project Type	Project	What is Off Track?	Explanation	Action
Asset Sustainability	Whitegates	Project Total Expenditure	Significant additional works to prevent leaks and deal with rot.	Review overall spend in Service division.
Service Development	Cycleways – H&L	Current Year Expenditure	Road Services can only work on packages of construction work as land becomes available.	Estates and Infrastructure Design have been asked to widen the scope of land acquisitions.
Strategic Change	Helensburgh Depot Rationalisation	Current Year Expenditure and Project Total Expenditure	Contaminated soil was found on the site and required to be treated	Project Manager and Head of Service need to meet to consider where additional budget can be sourced from.
Strategic Change	CHORD – Campbeltown	Current Year Expenditure and Project Total Expenditure	Project cost has increased by circa £400k following return of tender.	Request for additional funding to be put to Council in November 2014.
Strategic Change	OBC for Dunoon Pier	Current Year Expenditure, Project Total Expenditure and Project Timescale	Expenditure incorrectly paid through revenue and increased scope of works due to revised design.	Expenditure will be moved to capital and cash flow/programme will be updated to reflect delays.

10 CHANGES TO CAPITAL PLAN

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

Department	2014-15 £'000	2015-16 £'000	2016-17 £'000	Future Years £'000	Total Capital Plan £'000	Explanation
Asset Sustainability					0	
Service Development					0	
Customer & Support Services	0	0	0	0	0	
Asset Sustainability	120	(120)			0	Accelerations
Service Development	(127)	127			0	Slippage
Strategic Change					0	
Facility - Education	(7)	7	0	0	0	
Asset Sustainability	28	(18)			10	Acceleration (£15k), Slippage (£27k) and overall cost change (£10k).
Service Development					0	
Strategic Change	(10)				(10)	Overall cost change
Facility - Non Education	18	(18)	0	0	0	
Asset Sustainability					0	
Service Development					0	
Strategic Change					0	
Facility - Dunoon	0	0	0	0	0	
Asset Sustainability					0	
Service Development					0	
Strategic Change					0	
Roads and Amenity Services	0	0	0	0	0	
Service Development					0	
Strategic Change	(1,700)	1,700			0	
Economic Development	(1,700)	1,700	0	0	0	
TOTAL	(1,689)	1,689	0	0	0	

11 APPENDICES

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

Bruce West
Head of Strategic Finance
18th November 2014

APPENDIX 1 - Year to Date Finance Variance Explanations

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

Project	YTD Budget £'000	YTD Actual £'000	Variance £'000	Explanation
Bowmore Primary School	0	60	(60)	Additional costs incurred in last 2 years during rewiring, re-roofing, works to the hall and related fees/on costs.
Small Isles Primary School	22	110	(88)	Additional works required that were not anticipated due to discovery of rot in roof structure.
Tobermory High School	120	181	(61)	Overspend as a result of the high costs of rewiring, plumbing, and upgrades to the toilets and common areas.
Fleet Management	100	1,529	(1,429)	Expenditure as per approved business cases. Fleet funding is recognised as Prudential Borrowing until year end when lease drawdown will also be considered.
OBC for Dunoon Pier	150	0	150	Spend to date of approximately £77k incorrectly coded and proposed slippage should reduce this variance in future months.
Other Variances			(412)	Total value of non-material variances less than +/-£50k
Total			(1,900)	

APPENDIX 2 - Forecast Outturn Variance Explanations

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

Project	Annual Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Explanation
Bowmore Primary School	(13)	60	(73)	Additional costs incurred in last 2 years during rewiring, re-roofing, works to the hall and related fees/on costs. Project Manager will consider where this negative budget can be funded from.
Garelochhead Primary School	(49)	5	(54)	Extra work in previous years in relation to health and safety and extent of upgraded toilets. Project Manager will consider where this negative budget can be funded from.
Islay High School	105	167	(62)	Considerable additional work required in earlier phases of the project. Proposed acceleration of £50k from 15/16 to 14/15.
Small Isles Primary School	22	110	(88)	Additional works required that were not anticipated due to discovery of rot in roof structure.
St Andrews Primary	190	140	50	Costs came in substantially below budget. Required for other educational projects.
Strath of Appin Primary School	(40)	20	(60)	Overspends in previous years regarding rewiring and improvements to internal services. Project Manager will consider where this negative budget can be funded from.
Tiree High School	(55)	5	(60)	Result of overspend in previous year regarding rewiring and other works required to bring the school up to a reasonable standard in addition to the high costs of construction in Tiree. Project Manager will consider where this negative budget can be funded from.
Tobermory High School	128	181	(53)	Overspend as a result of the high costs of rewiring, plumbing, and upgrades to the toilets and common areas.
Salen Primary School – Gaelic Pre School Extension	147	5	142	Design review has taken place. Propose to slip £127k into 15/16 to reflect when actual spend will take place.
St Joseph's Pre 5 Parenting Facilities	(43)	12	(55)	Overspends in previous years. Project Manager will consider where this negative budget can be funded from.
Corran Halls, Oban	132	73	59	Working around events in halls. Propose to slip £27k from 2014/15 to 2015/16.
Rothsay Library	(60)	1	(61)	Additional works required to alarm system and extensive repairs to roof/windows. Project Manager will consider where this negative budget can be funded from.
Whitegates	(76)	12	(88)	Significant additional works to prevent leaks and deal with rot in roof.
Roads Reconstruction	6,697	7,527	(830)	Covered by extra income from Forestry and SSE.
Fleet Management	150	1,616	(1,466)	Expenditure as per approved business cases. Fleet funding is recognised as Prudential borrowing until year end when lease drawdown will also be considered.

Cycleways – H&L	219	30	189	Road Services can only work on packages of construction work as land becomes available hence the underspend. Will slip budget into future years if no change in circumstances in coming months.
Helensburgh Depot Rationalisation	(95)	97	(192)	Contaminated soil found on site resulted in higher than expected costs. Project Manager and Head of Service to meet to identify where additional budget can be sourced from.
SPT	88	200	(112)	Met by forecast income.
CWSS – South Islay Distilleries Path	(4)	250	(254)	Met by forecast income.
CWSS – Kilmichael Glassary	1	240	(269)	In process of securing third party land. Met by forecast income.
Dunoon Esplanade Upgrade	0	250	(250)	Met by forecast income.
Scotrail Upgrades	0	140	(140)	Met by forecast income.
Kilchrenan School Footway	0	50	(50)	Met by forecast income.
CHORD – Campbeltown	1,263	1,672	(409)	Tender price higher than budget allocation by £400k. Additional funding will be requested at meeting on 25 th November.
OBC for Dunoon Pier	1,903	190	1,713	Propose to slip £1,700k to 15/16 due to increase scope of works requiring revised design/programme and consultation with Historic Scotland.
Other variances			(540)	Total value of non-material variances less than +/-£50k
Total			(3,013)	

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
Bowmore Primary School	328	401	(73)	Additional costs incurred in last 2 years during rewiring, re-roofing, works to the hall and related fees/on costs. Project Manager will consider where this negative budget can be funded from.
Small Isles Primary School	253	343	(90)	Additional work required due to discovery of rot in roof structure.
St Andrews Primary School	376	326	50	Cost of works came under budget. Required for other education projects.
Strath of Appin Primary School	315	375	(60)	Overspends in previous years regarding rewiring and improvements to internal services. Project Manager will consider where this negative budget can be funded from.
Tiree High School	899	959	(60)	Result of overspend in previous year regarding rewiring and other works required to bring the school up to a reasonable standard in addition to the high costs of construction in Tiree. Project Manager will consider where this negative budget can be funded from.
Tobermory High School	681	734	(53)	Overspend as a result of the high costs of rewiring, plumbing, and upgrades to the toilets and common areas.
St Joseph's Pre 5 Parenting Facilities	75	130	(55)	Overspends in previous years. Project Manager will consider where this negative budget can be funded from.
Tayvallich Primary School – Pre Five Unit	430	481	(51)	Miscellaneous works required. Project Manager to consider where this can be funded from.
Rothesay Library	202	263	(61)	Additional works to alarm system and extensive repairs to roof/windows.
Whitegates	112	200	(88)	Significant additional works to prevent leaks and deal with rot in roof.
Roads Reconstruction	18,672	19,502	(830)	£800k met by income.
Fleet Management	3,387	4,853	(1,466)	Expenditure as per approved business cases. Fleet funding is recognised as Prudential borrowing until year end when lease drawdown will also be considered.
Cycleways – H&L	2,536	2,622	(86)	Estates and Infrastructure have been asked to widen the scope of land acquisitions.
Helensburgh Depot Rationalisation	1,050	1,242	(192)	Contaminated soil found on site resulted in higher than expected costs. Project Manager and Head of Service need to meet to identify where additional budget can be sourced from following agreement on final account.

SPT	307	619	(312)	Met by forecast income.
CWSS – South Islay Distilleries Path	110	614	(504)	£364k met by forecast income
CWSS – Kilmichael Glassary	10	549	(539)	£248k met by forecast income
Dunoon Esplanade Upgrade	0	500	(500)	£250k met by forecast income
Scotrail Upgrades	0	280	(280)	£140k met by forecast income
Kilchrenan School Footway	0	100	(100)	£50k met by forecast income
Appin School Link	0	80	(80)	£40k met by forecast income
CHORD – Campbelltown	4,786	5,195	(409)	Tender price higher than budget allocation by £400k. Additional funding will be requested at meeting on 25 th November.
Other variances			1,304	Total value of non-material variances less than +/-£50k
Total			(4,535)	

APPENDIX 4 – Changes to Capital Funding

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

Funding Type	2014-15 Change Amount £'000	2015-16 Change Amount £'000	2016-17 Change Amount £'000	Explanation for Change(s)
General Capital Grant	0	0	0	No Change
Transfer to Revenue for Private Sector Housing Grant (PSHG)	0	0	0	No Change
Ring Fenced Grant	0	0	0	No Change
Grants from Other Bodies	15	0	0	Salen Gaelic Extension - grant to be recognised as Pre Paid and will be drawn down as expenditure takes place. Work and SPT funding for the Bus Turning Circle on the Rest and be Thankful will take place in 2014-15.
Capital Receipts (Asset Sales)	0	0	0	No Change
Revenue Contributions	5	0	0	Expenditure against Kilmory Biomass slipping to 2014-15.
Reserve Funding Dunoon & Campbelltown Schools	0	0	0	No Change
Prudential Borrowing	595	0	0	Expenditure against Kilmory Biomass slipping to 2014-15.
Unsupported Borrowing	(10,238)	(377)	(3,758)	Changes in unsupported borrowing forecasts to reflect changes within the Plan.
Total	(9,623)	(377)	(3,758)	

APPENDIX 5 – Asset Sustainability Project Performance

There are 166 Projects recognised as Asset Sustainability Projects, 159 are Complete or On Target, 6 are Off Target and Recoverable, 1 project is Off Target and a Problem.

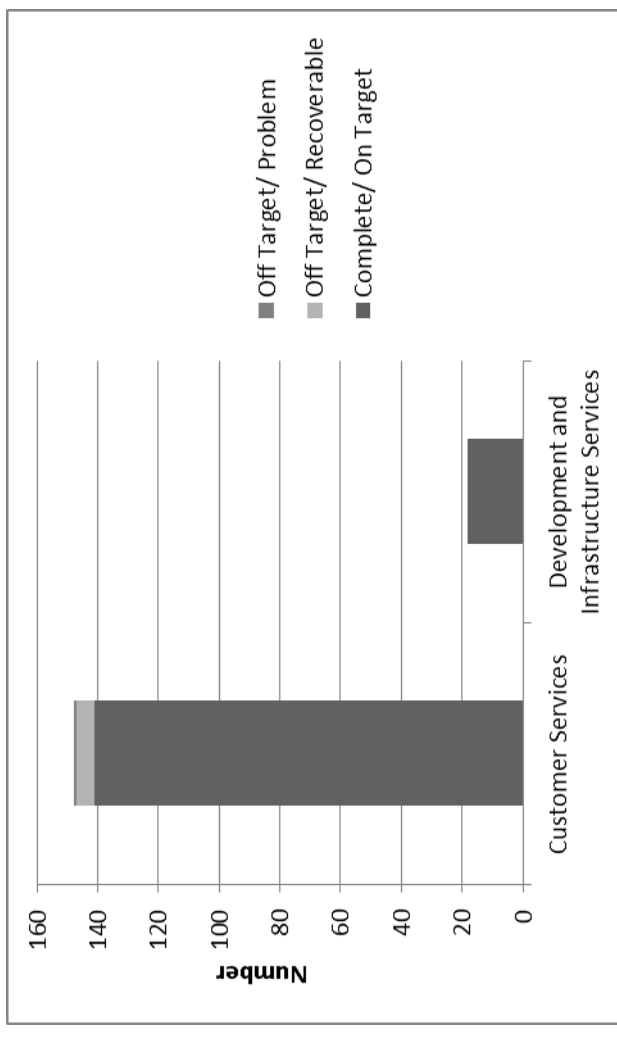
Department Position:

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

Asset Sustainability	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Customer Services	141	6	1	148
Development and Infrastructure Services	18	0	0	18
Total	159	6	1	166

Chart of Asset Sustainability Performance Status

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



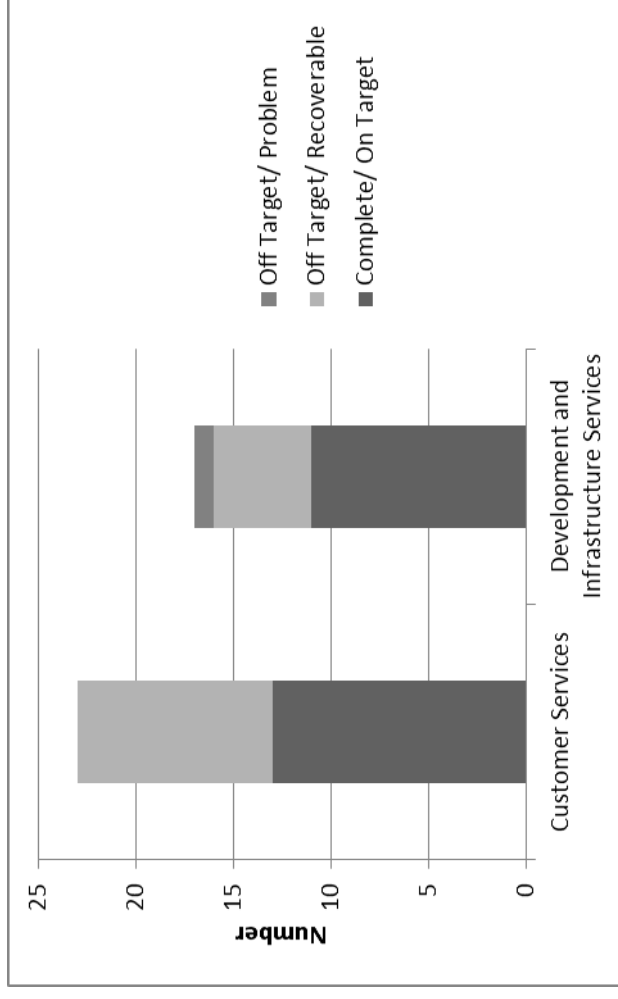
APPENDIX 6 – Service Development Project Performance

There are 40 Projects recognised as Service Development Projects, 24 are Complete or On Target, 15 are Off Target and Recoverable, 1 project is Off Track and a Problem.

Chart of Service Development Performance Status

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

Service Development	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Customer Services	13	10	0	23
Development and Infrastructure Services	11	5	1	17
Total	24	15	1	40



APPENDIX 7 – Strategic Change Project Performance

There are 27 Projects recognised as Strategic Change Projects. 19 are Complete or On Target, 5 are Off Target and Recoverable, 3 projects are Off Target and a Problem.

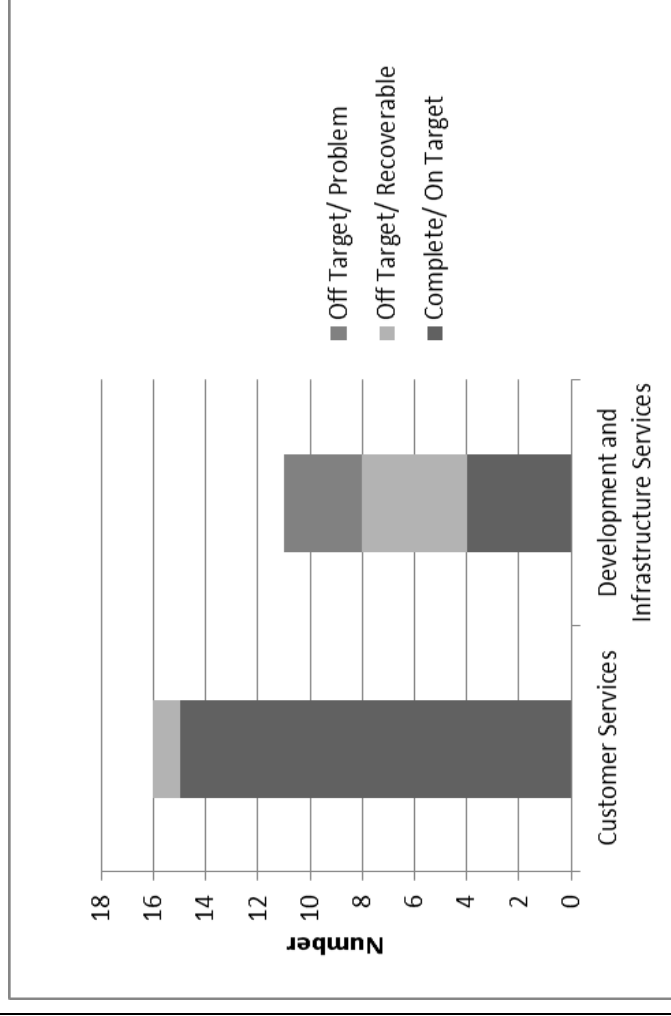
Department Position:

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

Strategic Change	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Customer Services	15	1	0	16
Development and Infrastructure Services	4	4	3	11
Total	19	5	3	27

Chart of Strategic Change Performance Status

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



APPENDIX 8 – Changes to Capital Plan and Financial Impact

OVERALL COST CHANGES

Project	2014-15 £'000	2015-16 £'000	2016-17 £'000	Future Years £'000	Total Capital Plan £'000	Recommendation	Explanation
Aqualibrium	(10)				(10)	Move budget to cover work required to the Victoria Hall, Campbeltown.	£10k was left in the Aqualibrium budget for any potential payments to contractors. There have been no further requests for payment in the last 5 years.
Town Hall, Campbeltown		(30)			(30)	Move budget to cover work required to the Victoria Hall, Campbeltown.	This budget is no longer required following the transfer of the Town Hall to a community group.
Victoria Hall, Campbeltown	40				40	Increase budget by £40k.	Additional budget required for rewiring, replacement of ceiling and extractor plant.
Total Cost Changes	0	0	0	0	0		

SLIPPAGES AND ACCELERATIONS

Project	2014-15 £'000	2015-16 £'000	2016-17 £'000	Future Years £'000	Total Capital Plan £'000	Recommendation	Explanation
Colgrain Primary School	20	(20)			0	Accelerate £20k from 2015/16 to 2015/15	Additional work required in the earlier phases of the project.
Islay High School	50	(50)			0	Accelerate £50k from 2015/16 to 2015/15	Considerable additional work required in earlier phases of the project.
Port Charlotte Primary School	30	(30)			0	Accelerate £30k from 2015/16 to 2015/15	Movement of budget to reflect actual spend.
Port Ellen Primary School	20	(20)			0	Accelerate £20k from 2015/16 to 2015/15	Movement of budget to reflect actual spend.
Salen Primary School – Gaelic Pre School Extension	(127)	127			0	Slip £127k from 2014/15 to 2015/16	Design review has now taken place and revised scheme implemented. Proposed slippage to reflect actual spend.
Corran Halls, Oban	(27)	27			0	Slip £27k from 2014/15 to 2015/16	Work has to be done around events taking place in the hall therefore spend delayed in part until 2015/16.

Victoria Halls, Helensburgh	15	(15)				0	Accelerate £15k from 2015/16 to 2015/15		Movement of budget to reflect actual spend.
OBC for Dunoon Pier	(1,700)	1,700				0	Slip £1,700k from 2014/15 to 2015/16		Slippage due to increase scope of works requiring revised design/programme and consultation with Historic Scotland.
Total Slippages and Accelerations	(1,719)	1,719	0	0	0	0			
Net Impact of Changes	(1,689)	1,689	0	0	0	0			

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT - OVERALL COUNCIL

Appendix 9

31 October 2014

FINANCIAL SUMMARY - GROSS EXPENDITURE

	Current Financial Year To Date		Full Year This Financial Year		Total Project Costs		
	Budget £000s	Actual £000s	Budget £000s	Forecast £000s	Budget £000s	Forecast £000s	
			Variance £000s	Variance £000s	Variance £000s	Variance £000s	
Archives - Asset Sustainability	19	19	0	77	128	118	10
Area Committee Expenditure - Asset Sustainability	0	0	0	0	69	25	44
Asset Sustainability Projects							
Customer Services	3,630	4,130	(500)	8,088	42,829	43,643	(814)
Development & Infrastructure Services	6,440	7,887	(1,447)	10,986	28,989	31,285	(2,296)
Asset Sustainability Total	10,070	12,017	(1,947)	19,074	71,818	74,928	(3,110)
Service Development Projects							
Customer Services	904	946	(42)	2,582	12,117	12,298	(181)
Development & Infrastructure Services	1,831	1,848	(17)	3,187	8,565	11,068	(2,503)
Service Development Total	2,735	2,794	(59)	5,769	20,682	23,366	(2,684)
Strategic Change Projects							
Campbeltown Schools Redevelopment	9	9	0	37	7,653	7,653	0
Dunoon Primary	4	18	(14)	50	6,834	6,848	(14)
Replacement of Oban High	40	39	1	274	11,272	11,272	0
Kilmory Primary School	0	0	0	176	6,500	6,500	0
NPDO Capital Requirement - residual payments	0	0	0	0	6,030	5,930	100
Aquilibrium - residual payments	0	0	0	0	9,779	9,769	10
Carbon Management Business Cases	340	340	0	563	749	749	0
Carbon Management Fuel Conversions	0	0	0	38	145	145	0
Islay HS/Bowmore PS Carbon Management	12	12	0	29	726	745	(19)
Kilmory Biomass Carbon Management	609	609	0	760	1,033	1,033	0
Oil to Gas Heating Conversions	0	0	0	28	209	209	0
Campbeltown and Rothesay Rationalisation	0	0	0	8	35	35	0
Helensburgh Office Rationalisation	3,681	3,680	1	6,521	11,489	11,489	0
Mid Argyll Offices Reorganisation	98	101	(3)	101	270	273	(3)
New Helensburgh Swimming Pool	0	0	0	15	7,652	7,652	0
Tiree Shared Offices	0	0	0	10	10	10	0
Kintyre Renewables Hub	428	428	0	3,010	12,115	12,115	0
Port Askaig Pier	0	0	0	1	13,818	13,818	0
Rothesay Harbour Ferry Improvements	0	0	0	(7)	0	7	(7)
Helensburgh Depot Rationalisation	0	42	(42)	97	1,050	1,242	(192)
CHORD - Helensburgh	2,162	2,162	0	3,450	7,330	7,330	0
CHORD - Campbeltown	227	200	27	1,672	4,786	5,195	(409)
CHORD - Dunoon	240	254	(14)	715	8,625	8,599	26
CHORD - Oban	260	260	0	700	6,560	6,560	0
CHORD - Rothesay	0	0	0	0	2,400	2,400	0
Helensburgh Pier Flood Defences	0	0	0	20	2,175	2,175	0
OBC for Dunoon Pier	150	0	150	190	2,830	1,117	1,713
Pier Upgrades	0	0	0	30	300	300	0
Hermitage Development	0	0	0	0	879	879	0
Strategic Change Total	8,260	8,154	106	19,719	133,254	132,049	1,205
TOTAL	21,084	22,984	(1,900)	43,434	225,951	230,486	(4,535)

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT

FINANCIAL SUMMARY GROSS EXPENDITURE - DEVELOPMENT AND INFRASTRUCTURE SERVICES

31 October 2014

Appendix 9

	Current Financial Year To Date		Full Year This Financial Year		Total Project Costs	
	Budget £000s	Actual £000s	Budget £000s	Forecast £000s	Budget £000s	Forecast £000s
Asset Sustainability Projects						
Flood Prevention	35	35	99	99	533	533
Bridge Strengthening	227	227	400	400	1,930	1,930
Traffic Management	30	30	100	100	368	368
Roads Reconstruction	5,784	5,784	6,697	7,527	18,672	19,502
Lighting	145	165	507	507	1,703	1,703
Fleet	100	1,529	150	1,616	3,387	4,853
Environmental	0	0	311	312	594	595
Roads	49	49	285	285	1,251	1,251
Waste	45	43	98	98	403	403
Recreation and Sport	0	0	0	0	0	0
Crematoria and Burial Grounds	25	25	43	42	148	147
Pier	0	0	0	0	0	0
Asset Sustainability Total	6,440	7,887	8,690	10,986	28,989	31,285
Service Development Projects						
A83 South of Muasdale	1	1	518	518	590	590
A849 Pennyghael Bridge Mull	0	0	4	4	131	131
Preliminary design for Regional Transport projects	0	8	(21)	63	227	311
Milton Burn	1	1	1	1	2,527	2,527
Campbeltown Old Quay	1,774	1,774	1,190	1,190	1,424	1,424
Helensburgh Cycleways	17	17	219	30	2,536	2,622
Vehicle Tracking System	18	37	41	41	217	217
Safe Streets, Walking and Cycling	10	4	149	140	289	280
SPTT	10	6	88	200	307	619
CWSS Jubilee Bridge (£93 200) (Lorn)	0	0	0	0	99	99
CWSS - South Islay Distilleries Path	0	0	(4)	250	110	614
CWSS - Kilmichael Glassary - Bridgend Link	0	0	1	270	10	549
CWSS - Kintyre Schools Route Development	0	0	0	0	0	0
CWSS - Duncollie - Ganavan	0	0	0	0	0	0
CWSS - Connel Station Path	0	0	(28)	0	76	104
CWSS - South Shian Link	0	0	0	0	0	0
CWSS - Machrihanish Path	0	0	0	0	0	0
CWSS - Morydrain to Achmabreac	0	0	0	0	0	0
CWSS - Fortnacraigh Footway	0	0	0	0	0	0
CWSS - Cycle Parking 2013-14	0	0	1	0	22	21
Dunoon Esplanade Upgrade	0	0	0	250	0	500
Scotrail Upgrades	0	0	0	140	0	280
Kilchrenan School Footway	0	0	0	50	0	100
Appin School Link	0	0	0	40	0	80
Service Development Total	1,831	1,848	2,159	3,187	8,565	11,068
Strategic Change Projects						
Kintyre Renewables Hub	428	428	3,010	3,010	12,115	12,115
Port Askaig Pier	0	0	(7)	1	13,818	13,818
Rothesay Harbour Ferry Improvements	0	0	(95)	97	0	7
Helensburgh Depot Rationalisation	0	42	(42)	3,450	1,050	1,242
CHORD - Helensburgh	2,162	2,162	27	1,672	7,330	7,330
CHORD - Campbeltown	240	254	(14)	741	4,786	5,195
CHORD - Dunoon	260	260	0	700	8,625	8,599
CHORD - Oban	0	0	0	0	6,560	6,560
CHORD - Rothesay	0	0	0	20	2,400	2,400
Helensburgh Pier Flood Defences	150	0	150	190	2,175	2,175
OBC For Dunoon Pier	0	0	0	30	2,830	1,117
Pier Upgrades	0	0	0	0	300	300
Strategic Change Total	3,467	3,346	121	9,885	61,989	60,858
Departmental Total Expenditure	11,738	13,081	(1,343)	24,058	99,543	103,211
						(3,668)

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT
FINANCIAL SUMMARY GROSS EXPENDITURE - CUSTOMER SERVICES

Appendix 9
31 October 2014

	Current Financial Year To Date		Full Year This Financial Year		Total Project Costs	
	Budget £000s	Actual £000s	Budget £000s	Forecast £000s	Budget £000s	Forecast £000s
Asset Sustainability						
Education	2,151	2,465	2,794	3,609	26,436	27,145
Community and Culture	397	453	1,124	1,142	3,275	3,277
Adult Care	150	173	601	570	3,378	3,347
Children and Families	70	128	185	231	532	578
Facility Services	68	109	553	641	2,695	2,695
Customer and Support Services	794	802	1,895	1,895	6,601	6,601
Asset Sustainability Total	3,630	4,130	7,152	8,088	42,823	43,643
		(500)		(936)		(814)
Service Development Projects						
Graham Williamson IT Centre	0	0	3	0	499	496
Property Management System	0	2	14	14	90	90
Education Domain Extension	0	1	(9)	(9)	433	442
Consolidated Server Replacement	33	0	43	43	1,052	1,052
IT Enablement Process for Change	30	5	156	145	1,054	1,043
Applications Projects	0	69	450	450	937	937
Flexi System HRS Integration	0	0	37	37	37	37
Council Chamber Video Conferencing	0	4	(1)	4	111	116
Ardraishaig Primary School - Pre 5 Unit	100	84	387	387	411	411
Hermitage Primary Annexe Replacement	42	61	81	100	765	784
Lochnell Primary School - Pre Five Unit	0	25	(9)	30	210	249
Park Primary Extension/Pre Fives Unit	0	1	24	28	355	359
Salen Primary School - Gaelic Pre School	50	17	147	5	150	135
St Joseph's Pre Five Parenting Facilities	0	10	(43)	12	75	130
Strachur Primary School - Pre Five Unit	15	21	37	21	315	299
Taynuilt Primary Additional Classroom	330	339	(10)	1	430	481
Taynuilt Primary School - Pre 5 Unit	304	304	846	846	1,360	1,360
Early Learning and Childcare	0	0	5	0	60	55
Video Conferencing Upgrade	0	0	7	0	772	765
Mull & Iona Progressive Care Centre	0	0	(47)	0	917	964
Campbelltown All Weather Pitch	0	0	64	60	650	646
Riverside Leisure Centre Refurbishment	0	2	60	60	750	750
Dunluitha Childrens Home	0	0	(4)	0	55	59
Dunoon Family Mediation Centre	0	0	2	0	498	496
Residential Respite Care Facility	0	0	2	0	2	2
Service Development Total	904	946	2,570	2,582	12,117	12,298
		(42)		(12)		(181)
Strategic Change Projects						
Campbelltown Schools Redevelopment	9	9	37	37	7,653	7,653
Dunoon Primary	4	18	36	50	6,834	6,848
Replacement of Oban High	40	39	274	274	11,272	11,272
Kim Primary School	0	0	176	176	6,500	6,500
NPDO Capital Requirement - residual payments	0	0	100	0	6,030	5,930
Aqualibrium - residual payments	0	0	10	0	9,779	9,769
Carbon Management Business Cases	340	340	563	563	749	749
Carbon Management Fuel Conversions	0	0	38	38	145	145
Islay HS/Bowmore PS Carbon Management	12	12	29	48	726	745
Kilmory Biomass Carbon Management	609	609	760	760	1,033	1,033
Oil to Gas Heating Conversions	0	0	28	28	209	209
Campbelltown and Rothesay Rationalisation	0	0	8	8	35	35
Helensburgh Office Rationalisation	3,681	3,680	6,521	6,521	11,489	11,489
Mid Argyll Offices Reorganisation	98	101	98	101	270	273
New Helensburgh Swimming Pool	0	0	15	15	7,652	7,652
Tiree Shared Offices	0	0	10	10	10	10
Strategic Change Total	4,793	4,808	8,703	8,629	70,386	70,312
	9,327	9,884	18,425	19,299	125,332	126,253
		(557)		(874)		(921)

OFF TRACK PROJECT

Appendix 10

Department: Facility Services

Project Name: Whitegates – roofing upgrade

First Added to Capital Plan: 2013/14

Project Manager: Craig Houston

How is this project funded? *Capital*

Why is the project classified as off target?

The project expenditure is greater than budget

What has caused the issue outlined above?

Extensive work required to replace new gutters and downpipes, treating rotten timber below roof finish.

What action will be taken to rectify this issue?

Review overall spend in service division.

What are the implications of the action proposed?

Possible impact on spend on other buildings to be managed.

OFF TRACK PROJECT

Appendix 10

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

OFF TRACK PROJECT

Appendix 10

Department:	Development and Infrastructure
Project Name:	Helensburgh Depot Rationalisation
First Added to Capital Plan:	2012-13
Project Manager:	Helen Ford
How is this project funded?	Spend to Save Project
Why is the project classified as off target?	The project is classed as off target as total project is forecast to be overspent by £192k. Budget £1,050k, Forecast £1,242k
What has caused the issue outlined above?	<p>The main reason for the projected overspend is due to contaminated soil found on site and required to be treated. This in turn led to extension of time claims.</p> <p>The Council's QS consultants and the Contractor have to date failed to agree the Final Account, variance of circa £38k. Expenditure to date £1,187,000. Forecast expenditure allowance of £1,242,000 is based on both parties splitting the variance amount, however Council's QS pushing contractor to settle on their Final Account figure. Worst case scenario project £205k over budget/best case £167k over budget.</p> <p>Building complete and occupied.</p>
What action will be taken to rectify this issue?	Contingency fund will be used to minimise cost overspend.
What are the implications of the action proposed?	Project Manager and Head of Service will meet to identify where additional budget can be sourced from following agreement on Final Account.

OFF TRACK PROJECT

Appendix 10

Department: Development and Infrastructure

Project Name: Campbeltown Berthing Facility

First Added to Capital Plan: 2009/10

Project Manager: Helen Ford

How is this project funded? Prudential Borrowings

Why is the project classified as off target?

The project is classed as off target as the project cost has increased by circa 400k following tender return i.e. £1,263 to £1,672.

What has caused the issue outlined above?

Tender price above budget allowance.

What action will be taken to rectify this issue?

Increased budget allocation from the overall Campbeltown CHORD budget supported by MAKI Special AC in November, will go to Council in November for approval.

What are the implications of the action proposed?

Funds available in overall Campbeltown CHORD allocation to absorb increase, however to mitigate increase HIE have been approached for a contribution (£120k), response encouraging, decision due end of November 14.

OFF TRACK PROJECT

Appendix 10

Department: Development and Infrastructure

Project Name: Dunoon Wooden Pier

First Added to Capital Plan: 2009/10

Project Manager: Helen Ford

How is this project funded? Prudential Borrowings

Why is the project classified as off target?

The project is classed as off target as the in-year project forecast is £150k behind budget also the in-year forecast spend will not be met now £190k, previously £1.9m.

What has caused the issue outlined above?

Slippage in year project forecast to date of £150k is partly due to in year expenditure of approximately £60k having gone through revenue. Details of invoices to be passed to Finance for checking, balance due to issues outlined below.

Slippage in in year forecast spend due to increase scope of works following site investigations requiring revised design involving discussions with Historic Scotland..

What action will be taken to rectify this issue?

It is not possible to rectify situation, cashflow/programme will be updated to reflect delays.

What are the implications of the action proposed?

Works will now be undertaken in financial year 15/16, cashflow has been revised.

Department	Head of Service	Previous Years					Future Years		Total
		£000	2014-15 £000	2015-16 £000	2016-17 £000	£000	£000		
Community Services	Adult Care	2,051	602	280	0	0	0	2,933	
	Children and Families	792	249	769	0	0	0	1,810	
	Community and Culture	2,339	1,256	1,385	0	0	0	4,980	
	Education	29,173	5,205	12,736	315	21,558	0	68,987	
Community Services Total		34,355	7,312	15,170	315	21,558	0	78,710	
Customer Services	Customer and Support Services	5,189	2,588	2,171	0	0	0	9,948	
	Facility Services	7,014	8,623	5,030	4,258	0	0	24,925	
Customer Services Total		12,203	11,211	7,201	4,258	0	0	34,873	
Development and Infrastructure	Economic Development	5,568	6,614	12,686	9,710	1,273	0	35,851	
	Roads and Amenity Services	34,237	13,551	7,765	70	0	0	55,623	
Development and Infrastructure Total		39,805	20,165	20,451	9,780	1,273	0	91,474	
Area Committees	Area Committee	25	44	0	0	0	0	69	
Area Committees Total		25	44	0	0	0	0	69	
Overall Total		86,388	38,732	42,822	14,353	22,831	0	205,126	

Head of Service	Category	Project	Previous Years					Future Years	Total
			£'000	£000's	£000s	£000s	£000s		
Adult Care	Asset Sustainability	Aids and Adaptations	26	24	25	0	0	75	
		Asbestos Removal/Control Works	0	10	10	0	0	20	
		Dunclutha Children's Home	31	-6	0	0	0	25	
		Eadar Glinn	19	206	20	0	0	245	
		Ellis Lodge	47	32	0	0	0	79	
		Health and Safety	864	53	50	0	0	967	
		Legionella Control Works	0	20	20	0	0	40	
		Lochgilphead Resource Centre	49	11	145	0	0	205	
		Lorn Resource Centre	0	105	10	0	0	115	
		Social Work Office Rothesay	41	34	0	0	0	75	
		Struan Lodge Boiler	12	28	0	0	0	40	
		Thomson Home Rothesay	111	36	0	0	0	147	
		Upgrading Older Peoples Homes	0	25	0	0	0	25	
		Woodlands/Greenwood	86	17	0	0	0	103	
		Asset Sustainability Total		1,286	595	280	0	0	2,161
		Service Development	Mull & Iona Progressive Care Centre	765	7	0	0	0	772
		Service Development Total		765	7	0	0	0	772
Adult Care Total		2,051	602	280	0	0	2,933		
Overall Total		2,051	602	280	0	0	2,933		

Head of Service	Category	Project	Previous Years					Total £000s	
			£'000	2014-15 £000's	2015-16 £000s	2016-17 £000s	Future Years £000s		
Children and Families	Asset Sustainability	Asbestos Removal/Control Works	0	10	10	0	0	20	
		Dunoon Hostel	128	87	0	0	0	215	
		East King St Children's Home	0	2	0	0	0	2	
		Glencruiffen Hostel	94	26	0	0	0	120	
		Health and Safety	5	45	50	0	0	100	
		Legionella Control Works	0	20	20	0	0	40	
		Shellach View	9	1	0	0	0	10	
		Asset Sustainability Total	236	191	80	0	0	507	
		Service Development	Dunclutha Childrens Home	1	60	689	0	0	750
			Dunoon Family Mediation Centre	59	-4	0	0	0	55
Residential Respite Care Facility	496		2	0	0	0	498		
Service Development Total	556	58	689	0	0	1,303			
Children and Families Total	792	249	769	0	0	1,810			
Overall Total	792	249	769	0	0	1,810			

Head of Service	Category	Project	Previous Years £'000	2014-15 £000's	2015-16 £000s	2016-17 £000s	Future Years £000s	Total £000s
Community and Culture	Asset Sustainability	Aqualibrium	0	35	0	0	0	35
		Asbestos Removal/Control Works	0	30	20	0	0	50
		Bute Community Education Centre	6	4	0	0	0	10
		Campbeltown Museum - Burnet Bldg	79	2	0	0	0	81
		Community Centres General - Options Appraisal	0	15	0	0	0	15
		Corran Halls, Oban	220	105	100	0	0	425
		Dunoon Community Education Centre	152	5	20	0	0	177
		Gaelic Centre - Corran Halls (FG)	173	-3	0	0	0	170
		Health & Safety	55	138	57	0	0	250
		Helensburgh Library	0	25	0	0	0	25
		Kintyre Community Ed Centre	117	-3	0	0	0	114
		Legionella Control Works	0	20	20	0	0	40
		Lochgilphead Community Ed Centre	5	2	245	0	0	252
		Oban Library (Leased Property)	0	0	20	0	0	20
		Ramsay Memorial Hall	79	15	80	0	0	174
		Replacement of Gym Equipment	0	0	100	0	0	100
		Rhu Community Ed Centre	5	119	5	0	0	129
		Rothesay Library	262	-60	0	0	0	202
		Rothesay Swimming Pool	0	131	3	0	0	134
		Sandbank Library HQ	0	22	3	0	0	25
		Tarbert Library	3	45	2	0	0	50
		Victoria Halls, Campbeltown	126	349	50	0	0	525
		Victoria Halls, Helensburgh	41	156	85	0	0	282
		Asset Sustainability Total	1,323	1,152	810	0	0	3,285
	Service Development	Archives - Wee Manse Brae	41	87	0	0	0	128
		Campbeltown All Weather Pitch	964	-47	0	0	0	917
		Riverside Leisure Centre Refurbishment	11	64	575	0	0	650
		Service Development Total	1,016	104	575	0	0	1,695
Community and Culture Total			2,339	1,256	1,385	0	0	4,980
Overall Total			2,339	1,256	1,385	0	0	4,980

Head of Service	Category	Project	Previous Years £'000	2014-15 £000's	2015-16 £000s	2016-17 £000s	Future Years £000s	Total £000s
Education	Asset Sustainability	Achaleven Primary School	0	0	100	0	0	100
		Ardchattan Primary School	0	10	25	0	0	35
		Ardishaig Primary School	164	-10	0	0	0	154
		Ardnagour Primary School	83	-2	50	0	0	131
		Arrochar Primary School	1,152	2	0	0	0	1,154
		Asbestos Control/Removal Works	0	35	50	0	0	85
		Ashfield Primary School	87	-8	0	0	0	79
		Barcaldine Primary School	73	-4	0	0	0	69
		Bowmore Primary School	341	-13	0	0	0	328
		Bunessan Primary School	156	95	4	0	0	255
		Campbeltown Grammar	3,641	28	25	0	0	3,694
		Capital Property Works	542	122	170	0	0	834
		Cardross Primary School	352	268	225	0	0	845
		Carradale Primary School	19	12	150	0	0	181
		Castlehill Primary School	146	45	50	0	0	241
		Clachan Primary	2	0	220	0	0	222
		Colgrain Primary School	617	106	80	0	0	803
		Dalintober Primary School	266	-6	0	0	0	260
		Dalmally Primary School	68	-8	0	0	0	60
		Dervaig Primary School	0	5	0	0	0	5
		Drumlembie Primary School	128	86	0	0	0	214
		Dunbeg Primary School	403	31	0	0	0	434
		Dunoon Primary School	95	-10	25	0	0	110
		Ferry Houses - Housing Quality Standard	0	38	38	0	0	76
		Furnace Primary School	104	-37	0	0	0	67
		Garelochhead Primary School	311	-49	100	0	0	362
		Glassary Primary School	38	32	65	0	0	135
		Glenbarr Primary School	60	-5	0	0	0	55
		Hermitage Primary School	145	1	0	0	0	146
		Homeless Houses - Housing Quality Standard	0	25	25	0	0	50
		Innelan Primary School	79	6	25	0	0	110
		Inveraray Primary School	287	155	50	0	0	442
		Islay High School	3,877	155	50	0	0	4,082
		John Logie Baird Primary School	364	-42	0	0	0	322
		Keills Primary School	306	-6	0	0	0	300
		Kilchattan Primary School	165	3	0	0	0	168
		Kilchrenan Primary School	0	10	15	0	0	25
		Kilcreggan Primary School	221	90	0	0	0	311
		Kilmartin Primary School	0	20	0	0	0	20
		Kilmordan Primary School	24	121	90	0	0	235
Kilniver Primary School	81	12	0	0	0	93		
Kirn Primary School	44	22	20	0	0	86		
Legionella Control Works	0	65	75	0	0	140		
Lismore Primary School	41	0	20	0	0	61		
Lochdonhead Primary School	152	-17	0	0	0	135		
Lochgilhead Primary School	55	-33	60	0	0	82		
Luing Primary School	74	16	0	0	0	90		
Luss Primary School	34	30	1	0	0	65		
Minard Primary	3	48	0	0	0	51		
North Bute Primary School	130	241	0	0	0	371		
Oban High Gaelic Media Studio (FG)	93	-2	0	0	0	91		
Oban High School	629	-28	25	0	0	626		

Head of Service	Category	Project	Previous Years £'000	2014-15 £000's	2015-16 £000s	2016-17 £000s	Future Years £000s	Total £000s				
Education	Asset Sustainability	Park Primary School	229	260	10	0	0	499				
		Parklands School	116	-8	0	0	0	108				
		Port Charlotte Primary School	146	26	170	0	0	342				
		Port Ellen Primary School	431	16	20	0	0	467				
		Rhu Primary School	32	-2	0	0	0	30				
		Rhunaorine Primary	14	73	0	0	0	87				
		Rosneath Primary School	258	15	377	0	0	650				
		Sandbank Primary School	478	5	0	0	0	483				
		School Houses - Housing Quality Standard	1	222	223	0	0	446				
		Skipness Primary School	0	15	0	0	0	15				
		Small Isles Primary School	231	22	0	0	0	253				
		St Andrew's Primary School	136	190	50	0	0	376				
		St Joseph's Primary School	161	299	50	0	0	510				
		St Mun's Primary School	72	-21	10	0	0	61				
		Strachur Primary School	154	-1	0	0	0	153				
		Strath of Appin Primary School	355	-40	0	0	0	315				
		Strome Primary School	291	33	0	0	0	324				
		Taynuilt Primary School	110	14	0	0	0	124				
		Tayvallich Primary School	107	-4	0	0	0	103				
		Tighnabruach Primary School	107	3	0	0	0	110				
		Three High School	954	-55	0	0	0	899				
		Tiree Primary School	170	50	0	0	0	220				
		Tobermory High School	553	128	0	0	0	681				
		Toward Primary School	71	19	0	0	0	90				
		Asset Sustainability Total			20,829	2,914	2,693	0	0	26,436		
		Service Development	Strategic Change	Ardriashaig Primary School - Pre Five Unit	10	387	14	0	0	411		
				Early Learning and Childcare	0	846	514	0	0	1,360		
				Hermitage Primary Annexe Replacement	684	81	0	0	0	765		
				Lochnell Primary School - Pre Five Unit	219	-9	0	0	0	210		
				Park Primary Extension and Pre Fives Unit	331	24	0	0	0	355		
				Salen Primary School - Gaelic Pre School Extension (FG)	0	20	130	0	0	150		
				St Joseph's Pre 5 Parenting Facilities	118	-43	0	0	0	75		
				Strachur Primary School - Pre Five Unit	278	37	0	0	0	315		
				Taynuilt PS Addnl Classroom	141	-10	0	0	0	131		
				Tayvallich Primary School - Pre Five Unit	96	330	4	0	0	430		
				Video Conferencing Upgrade	55	5	0	0	0	60		
				Service Development Total		1,932	1,668	662	0	0	4,262	
				Strategic Change	Campbeltown Schools Redevelopment	Campbeltown Schools Redevelopment	177	37	829	100	6,510	7,653
						Dunoon Primary School	233	36	6,550	15	0	6,834
						Kilm Primary School	0	176	543	100	5,681	6,500
Strategic Change	Replacement of Oban High School	Replacement of Oban High School	72	274	1,459	100	9,367	11,272				
		Total NPDO Capital Requirement	5,930	100	0	0	0	6,030				
Strategic Change Total		6,412	623	9,381	315	21,558	38,289					
Education Total		29,173	5,205	12,736	315	21,558	68,987					
Overall Total		29,173	5,205	12,736	315	21,558	68,987					

Head of Service	Category	Project	Previous Years £'000	2014-15 £000's	2015-16 £000s	2016-17 £000s	Future Years £000s	Total £000s		
Customer and Support Services	Asset Sustainability	Computer Network Security	494	70	72	0	0	636		
		Corporate GIS Portal Rollout	104	20	112	0	0	236		
		Internet / Online Access	90	125	123	0	0	338		
		IT Education	42	389	390	0	0	821		
		MS Exchange & Doc Sharing	228	69	25	0	0	322		
		PC Replacement	17	866	854	0	0	1,737		
		Server Capacity Growth	0	80	80	0	0	160		
		Telecomms Network	645	48	54	0	0	747		
		Unified Communications and Video Conferencing	466	228	44	0	0	738		
		Asset Sustainability Total		2,086	1,895	1,754	0	0	5,735	
		Customer and Support Services Total	Service Development	Applications Projects	254	450	233	0	0	937
				Consolidated Server Replacement	1,009	43	0	0	0	1,052
				Council Chamber Video Conferencing	112	-1	0	0	0	111
				Education Domain Extension	442	-9	0	0	0	433
Flexi System HRS Integration	0			37	0	0	0	37		
GWITC - Prudential Borrowing	496			3	0	0	0	499		
IT Enablement Process for Change	714			156	184	0	0	1,054		
Property Management System	76			14	0	0	0	90		
Service Development Total				3,103	693	417	0	0	4,213	
Customer and Support Services Total				5,189	2,588	2,171	0	0	9,948	
Overall Total		5,189	2,588	2,171	0	0	9,948			

Head of Service Facility Services	Category	Project	Previous Years					Total £000s
			2014-15 £000's	2015-16 £000s	2016-17 £000s	Future Years £000s	2015-16 £000s	
	Asset Sustainability	Aqualibrium	23	5	0	0	0	28
		Argyll House, Dunoon	13	10	1	0	0	24
		Asbestos Capital Property Works	36	14	0	0	0	50
		Block Allocation to address building fabric upgrades		0	588	0	0	588
		Bowmore Area Office	4	14	2	0	0	20
		Burnett Building	0	39	1	0	0	40
		Capital Property Works	239	58	0	0	0	297
		Castle House, Dunoon	26	23	1	0	0	50
		Dalriada House	7	1	0	0	0	8
		Dunoon Office Rationalisation	1	3	219	7	0	230
		Eaglesham House, Rothesay	26	9	0	0	0	35
		Finance Office, Witchburn Rd	10	86	3	0	0	99
		Fire Risk Assessment Works	13	1	0	0	0	14
		Hill Street Dunoon Rewire	2	32	1	0	0	35
		Jura Service Point	0	10	0	0	0	10
		Kilarrow House	1	87	35	1	0	124
		Kilmory Castle	80	69	25	0	0	174
		Kilmory Castle 2012-13	137	6	0	0	0	143
		Lorn House, Oban	0	76	2	0	0	78
		Manse Brae Roads Office	0	15	0	0	0	15
		Municipal Buildings, Oban	0	0	41	0	0	41
		Oban Municipal Buildings	226	18	0	0	0	244
		Oban Office Rationalisation	0	3	0	0	0	3
		Rothesay Pavilion	20	1	0	0	0	21
		Tobermory Area Office	0	29	1	0	0	30
		Union Street, Rothesay	74	1	0	0	0	75
		Whitegates	188	-76	0	0	0	112
		Whitegates Office, Lochgilphead	0	19	0	0	0	19
		Asset Sustainability Total	1,126	553	920	8	0	2,607
	Strategic Change	Campbeltown & Rothesay Rationalisation	27	8	0	0	0	35
		Carbon Management Business Cases (FPB)	128	563	58	0	0	749
		Carbon Management Fuel Conversions (FPB)	107	38	0	0	0	145
		Helensburgh Office Rationalisation (FPB,REC)	4,179	6,521	789	0	0	11,489
		Islay HS/Bowmore PS (FPB)	697	29	0	0	0	726
		Kilmory Biomass Project OBC (FPB,REV)	243	760	30	0	0	1,033
		Mid Argyll Offices Reorganisation	164	98	8	0	0	270
		New Helensburgh Swimming Pool	162	15	3,225	4,250	0	7,652
		Oil to Gas Heating Conversions (FPB)	181	28	0	0	0	209
		Three Shared Offices	0	10	0	0	0	10
		Strategic Change Total	5,888	8,070	4,110	4,250	0	22,318
		Facility Services Total	7,014	8,623	5,030	4,258	0	24,925
		Overall Total	7,014	8,623	5,030	4,258	0	24,925

PROPOSED CAPITAL PLAN 2014-15
DEVELOPMENT AND INFRASTRUCTURE SERVICES

APPENDIX 11

Head of Service	Category	Project	Previous Years £'000	2014-15 £000's	2015-16 £000s	2016-17 £000s	Future Years £000s	Total £000s	
Economic Development	Service Development	CWSS - Connel Station Path	132	-28	0	0	0	104	
		CWSS - Cycle Parking 2013-14	20	1	0	0	0	21	
		CWSS - Kilmichael Glassary - Bridgend Link	9	1	0	0	0	10	
		CWSS - South Islay Distilleries Path	118	-4	0	0	0	114	
		Safe Streets, Walking and Cycling (CWSS)	0	149	140	0	0	289	
		SPT	219	88	0	0	0	307	
		Service Development Total	498	207	140	0	0	0	845
		Strategic Change	1,836	1,263	1,687	0	0	0	4,786
		CHORD - Dunoon	8	741	3,397	4,006	473	0	8,625
		CHORD - Helensburgh -Public Realm Imprv	2,949	3,450	931	0	0	0	7,330
CHORD - Oban	251	700	3,160	2,449	0	0	6,560		
CHORD - Rothesay	0	0	0	1,600	800	0	2,400		
Helensburgh Pier Flood Defences	10	20	500	1,645	0	0	2,175		
OBC for Dunoon Pier	16	203	2,611	0	0	0	2,830		
Pier Upgrades	0	30	260	10	0	0	300		
Strategic Change Total	5,070	6,407	12,546	9,710	1,273	0	35,006		
Economic Development Total	5,568	6,614	12,686	9,710	1,273	0	35,851		
Overall Total	5,568	6,614	12,686	9,710	1,273	0	35,851		

Head of Service	Category	Project	Previous Years £'000	2014-15 £000's	2015-16 £000s	2016-17 £000s	Future Years £000s	Total £000s
Roads and Amenity Services	Asset Sustainability	Barone Cemetery Internal Road Environmental - Construction	0	23	0	0	0	23
		Bridge Strengthening	133	400	947	50	0	1,530
		Cemetery Houses	7	43	0	0	0	50
		Environmental - Cil Andreas Pitch Improvements	48	7	0	0	0	55
		Environmental - Rose Garden	34	16	0	0	0	50
		Environmental - Unallocated	0	200	100	0	0	300
		Fleet Management	2,641	150	596	0	0	3,387
		Flood Prevention	-33	99	348	20	0	434
		HITRANS	966	285	0	0	0	1,251
		Lighting	39	507	650	0	0	1,196
		Public Convenience Upgrades	0	65	1	0	0	66
		Roads Reconstruction	912	6,697	4,366	0	0	11,975
		Traffic Management	-31	100	199	0	0	268
		Waste Management Sites	36	64	0	0	0	100
		Zero Waste Fund	269	34	0	0	0	303
		Asset Sustainability Total	5,021	8,690	7,207	70	0	20,988
	Service Development	A83 South of Muasdale	72	518	0	0	0	590
		A849 Pennyghael Bridge Mull	126	4	1	0	0	131
		Campbeltown Old Quay	161	1,190	73	0	0	1,424
		Cycleways - H&L (FSPT)	1,992	219	325	0	0	2,536
		Milton Burn	2,526	1	0	0	0	2,527
		Preliminary design for Regional Transport projects (tif)	248	-21	0	0	0	227
		Vehicle Tracking System (FPB)	176	41	0	0	0	217
		Service Development Total	5,301	1,952	399	0	0	7,652
	Strategic Change	Helensburgh Depot Rationalisation (F)	1,145	-95	0	0	0	1,050
		Kintyre Renewables Hub (FGPB)	8,946	3,010	159	0	0	12,115
		Port Askaig Pier	13,817	1	0	0	0	13,818
		Rothesay Harbour Ferry Improvements	7	-7	0	0	0	0
		Strategic Change Total	23,915	2,909	159	0	0	26,983
Roads and Amenity Services Total			34,237	13,551	7,765	70	0	55,623
Overall Total			34,237	13,551	7,765	70	0	55,623

TREASURY MANAGEMENT MONITORING REPORT 31 OCTOBER 2014

1. EXECUTIVE SUMMARY

- 1.1 This report is for noting its sets out the Council's treasury management position for the period 1 September 2014 to 31 October 2014 and includes information on:
- Overall Borrowing Position
 - Borrowing Activity
 - Investment Activity
 - Economic Background
 - Interest Rate Forecast
 - Prudential Indicators.
- 1.2 The Council has not undertaken or made any repayments of long term debt in the period. Due to a reduced Capital Financing Requirement (CFR) of £256m at 31 March 2014 and a reduction of £12.8m in the forecast capital expenditure the estimated CFR for 31 March 2015 has reduced from £275m to £260m from that predicted in the budget at February 2014.
- 1.3 In respect of investment activity the level of investments have decreased by £8.1m from £61.6m at 31 August 2014 to £53.5m at 31 October 2014. The rate of return achieved was 0.725% which compares favourably with the target of 7 day LIBID which was 0.356%.
- 1.4 As part of a policy of increasing the diversification of investments during the period the Council opened four Money Market Funds:
- BNP Paribas
 - Federated
 - Ignis
 - Blackrock
- 1.5 During the period the Council reduced its investments held in Handelsbanken by £10m, placed £5m with DZ bank for a year at 0.92% and placed £5m with Deutsche Bank on a 65 Day deposit at a rate of SONIA+20bps which was 0.6330% at 31st October. DZ Bank has a short term rating of A-1+ and a long terms rating of AA-. Deutsche Bank has a short term rating of A-1 and a long term rating of A.

TREASURY MANAGEMENT MONITORING REPORT 31 OCTOBER 2014

2. INTRODUCTION

- 2.1 This report summarises the monitoring as at 31 August 2014 of the Council's:
- Overall Borrowing Position
 - Borrowing Activity
 - Investment Activity
 - Economic Background
 - Interest Rate Forecast
 - Prudential Indicators.

3. RECOMMENDATIONS

- 3.1 The treasury management monitoring report is noted.

4. DETAIL**Overall Borrowing Position**

- 4.1 The table below details the estimated capital financing requirement (CFR) and compares this with the estimated level of external debt at the 31 March 2014. The CFR represents the underlying need for the Council to borrow to fund its fixed assets and accumulated capital expenditure.

	Forecast 2014/15 £000's	Budget 2014/15 £000's	Forecast 2015/16 £000's	Forecast 2016/17 £000's
CFR at 1 April	256,463	258,871	260,048	274,028
Net Capital Expenditure	22,026	34,809	25,764	(3,480)
Less Loans Fund Principal Repayments	(18,441)	(18,441)	(11,784)	(10,784)
Estimated CFR 31 March	260,048	275,239	274,028	259,764
Less Funded by NPDO	(79,603)	(79,603)	(78,055)	(76,507)
Estimated Net CFR 31 March	180,445	195,636	195,973	183,257
Estimated External Borrowing at 31 March	161,235	161,315	169,315	177,315
Gap	19,210	34,321	26,658	5,942

- 4.2 Borrowing is currently estimated to be below the CFR for the period to 31 March 2014. This reflects the approach taken to minimise surplus cash on deposit in order to avoid overdue exposure to investment / credit worthiness risks. However if it becomes clear that longer term interest rates are likely to increase significantly the position will be reviewed to ensure the Council locks in funding

at low interest rates.

- 4.3 The Council's estimated net capital financing requirement at the 31 October 2014 is £180.445m. The table below shows how this has been financed. Whilst borrowing is less than the CFR there are substantial internal balances (mainly the General Fund) of which £53.5m is currently invested.

	Position at 31/08/2014 £000's	Position at 31/10/2014 £000's
Loans	161,235	161,236
Internal Balances	83,276	72,729
Less Investments & Deposits	(61,615)	(53,520)
Total	182,896	180,445

Borrowing Activity

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

	Actual £000's
External Loans Repaid 1st September 2014 to 31st October 2014	2
Borrowing undertaken 1st September 2014 to 31st October 2014	4
Net Movement in External Borrowing	2

- 4.5 Two locals were repaid in the period 1 September 2014 to 31 October 2014.
- 4.6 One new local bond was taken out in the period 1 September 2014 to 31 October 2014.
- 4.7 The table below summarises the movement in level and rate of temporary borrowing at the start and end of the period. Owing to the levels of internal balances and surplus cash temporary borrowing has been minimal.

	£000s	% Rate
Temp borrowing at 31st August 2014	1,363	0.30%
Temp borrowing at 31st October 2014	1,365	0.30%

Investment Activity

- 4.8 The average rate of return achieved on the Council's investments to 31st October 2014 was 0.725% compared to the average LIBID rate for the same period of 0.356% which demonstrates that the Council is achieving a reasonable rate of return on its cash investments. At the 31 October 2014 the Council had £53.5m of short term investment at an average rate of 0.757%. The table below details the counterparties that the investments were placed with, the maturity date, the interest rate and the credit rating applicable for each of the counterparties.

Counterparty	Maturity	Amount £000s	Interest Rate	Rating
Bank of Scotland	Instant Access	50	0.40%	Short Term A-1, Long Term A
Bank of Scotland	16/12/2014	5,000	0.98%	
Bank of Scotland	07/01/2015	5,000	0.95%	
Bank of Scotland	23/01/2015	5,000	0.95%	
Bank of Scotland	31/10/2015	5,000	1.00%	
Royal Bank of Scotland	Instant Access	50	0.25%	Short Term A-2, Long Term A-
Clydesdale Bank	Instant Access	1,870	0.50%	Short Term A-2, Long Term BBB+
Goldman Sachs	05/02/2015	5,000	0.745%	Short Term A-1, Long Term A
Handelsbanken	35 Day Notice	10,000	0.65%	Short Term A-1+, Long Term AA-
Santander	Instant Access	50	0.40%	Short Term A-1, Long Term A
DZ Bank	14/09/2015	5,000	0.92%	Short Term A-1+, Long Term AA-
Deutsche Bank	65 Day Notice	5,000	0.633%	Short Term A-1, Long Term A
MMF - BNP Paribas	Instant Access	1,500	0.457%	AAA
MMF - Federated	Instant Access	0	0.445%	AAA
MMF - Ignis	Instant Access	5,000	0.486%	AAA
Total		53,520		

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

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

- BNP Paribas
- Federated
- Ignis
- Blackrock

- 4.11 On 15th September the Council placed £5m with DZ bank for a period of 1 year at a rate of 0.92%. DZ bank has a short term rating of A-1+ and long term rating of AA-.
- 4.12 On 22nd October the Council placed £5m with Deutsche bank in a 65 Day Notice Account at a rate of SONAI+20bps. Deutsche bank has a short term rating of A-2 and long term rating of A.
- 4.13 The current market conditions have made investment decisions more difficult as the number of counterparties which meet the Council's parameters has reduced making it harder to achieve reasonable returns while limiting the exposure to any one institution.
- 4.14 In response to the low investment returns available in the market and the reduced likelihood of increases in base rate it has been decided to place fixed deposits with the part nationalised and highly rated banks for periods up to 12 months to increase returns without significantly increasing the risks associated with the investments.

Economic and Interest Rate Forecasts

- 4.15 The economic background at 30 September 2014 is shown in appendix 1 with the interest rate forecast in appendix 2.

Prudential Indicators

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

5. CONCLUSION

- 5.1 The Council has taken no new long term borrowing or made any repayments during the two months to 31 October 2014. The investment returns were 0.725% which is above the target of 0.356%.
- 5.2 During the period the Council further diversified its investments by opening four Money Market Funds and placing funds with both DZ and Deutsche Bank's.

6. IMPLICATIONS

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

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Appendix 1 – Economic Background

Appendix 2 – Interest Rate Forecast

Appendix 3 – Prudential Indicators

Appendix 1

Economic background:

- During the quarter ended 30th September 2014:
 - Indicators pointed to another robust quarter of GDP growth;
 - Further healthy increases in household spending;
 - A slowdown in jobs growth;
 - CPI inflation eased further below the 2% target;
 - Dovish signals from the MPC;
 - Low tax receipts put the fiscal tightening slightly off track;
 - Further loosening of monetary policy in the Eurozone.
- September saw the ONS incorporate new data and introduce significant changes to the methodology for calculating GDP. Following healthy quarterly growth of 0.9% in Q2, the ONS has now stated that GDP was 2.7%, rather than just 0.2%, above its pre-crisis peak in that quarter. Even so, the UK's recovery remains weak by international and historical standards.
- Early indicators point to robust GDP growth in the third quarter. Based on past relationships, the CIPS/Markit business activity surveys suggest that quarterly GDP growth could be 1% or so in Q3. Admittedly, this indicator has tended to overstate the pace of growth over the past year or so. But other indicators also suggest the recovery was strong in Q3. July's industrial production figures were particularly encouraging. Indeed, even if production only held steady in August and September, it would still be 0.5% higher in Q3 overall than in Q2. What's more, the index of services in July was 3.4% higher than a year ago. However, not all indicators are positive. Note that the trade deficit widened further from £2.5bn in June to £3.3bn in July, the highest since September last year, suggesting that the recovery is still struggling to rebalance towards exports.
- Meanwhile, the recovery in consumer spending looks to have gathered pace in this quarter despite the continued squeeze on real wages and looming interest rate hikes. Retail sales volumes rose by an annual 2.5% and 3.9% in July and August respectively. And the continued strength of consumer confidence in September and weak inflation suggest that September's retail sales figures will round off a strong quarter. Note that on a quarterly basis, even if sales held steady in September, volumes would still be 0.4% higher in Q3 than in Q2.
- What's more, non-high street spending has been robust too. Annual growth in new car registrations averaged around 8% in July and August.

And the Bank of England's Agents' measure of consumer services turnover in those months remained very close to the previous quarter's 14-year high.

- Growth in household spending has been supported by further improvements in the labour market. While jobs growth of 74,000 in the three months to July was the smallest in over a year, surveys suggest that employment is likely to have picked up again in August and September. Despite this fairly weak employment growth, a decline in the size of the total workforce was enough to bring the headline unemployment rate down to 6.2% in the three months to July. What's more, the timelier claimant count measure of unemployment fell by a monthly 37,200 in August, pointing to further falls in the broader ILO measure of unemployment. However, pay growth has remained subdued, with annual growth in headline (three month average) earnings including bonuses easing to 0.6% in July, well below CPI inflation of 1.6% in that month.
- And with inflation easing to 1.5% in August, it is not surprising that the two hawks that emerged at August's MPC meeting have failed to convince other members to join them in voting for rate hikes. Indeed, the minutes of September's MPC meeting struck a fairly dovish tone, citing risks to the UK's recovery from renewed malaise in the Eurozone and placing more emphasis on the current weakness of CPI inflation and pipeline price pressures.
- Meanwhile, August's public finance figures suggest that fiscal tightening remains off track. August's figures were the first to comply with the new ESA 2010 accounting rules, and fiscal trends still look weak on the new methodology. Borrowing in the first five months of this fiscal year was £2.6bn or 6% higher than last year. Admittedly, poor borrowing figures in August are almost entirely due to weak growth in income tax receipts, which should improve as wages pick up. However, the Treasury has quite a bit of lost ground to catch up. The OBR's forecast from March suggested that borrowing would be 12% lower this year than in 2013/14.
- Meanwhile, the risk of an overheating housing market seems to have faded for now, with house price growth moderating over the quarter. According to Nationwide's index, on a quarterly basis house prices rose around 15% in Q3 compared to 26% in Q2. This seems to have been primarily driven by a slowdown in demand rather than changes to policy since the disruption from the Mortgage Market Review now appears to have faded. Buyers have been discouraged by house prices which remain very high compared to earnings and may be concerned about future interest rate rises. As a result, mortgage approvals registered monthly falls in both July and August, and with the RICS housing market survey

showing new buyer demand easing rapidly, a strong revival in the final month of Q3 seems unlikely.

- Internationally, despite some weak data, the US recovery remains strong. US non-farm payrolls increased by a fairly modest 142,000 in August, the smallest gain this year. However, this is likely to be a blip rather than a sign that the jobs recovery is coming off the rails. Indeed, other indicators suggest that labour market conditions have continued to strengthen. Similarly, August's 0.1% monthly drop in industrial production is a result of temporary factors, with upbeat survey evidence indicating that industry remains healthy. Meanwhile, as expected, the US Fed tapered its monthly asset purchases by an additional \$10bn in September's policy meeting, and purchases are due to be stopped completely at the next meeting in October. The Fed lowered its GDP forecast for 2015 from 3.0-3.2% to 2.6-3.0% but it still expects the unemployment rate to average about 5.5% in the final quarter of next year with core inflation still slightly below the 2% target at that time too.
- By contrast, activity indicators for the Eurozone suggest that the recovery may have slowed in the quarter. On the basis of past form, the Economic Sentiment Indicator (ESI) points to a drop in annual GDP growth to 0.5% in Q3 from 0.7% in Q2. Moreover, headline inflation remained dangerously weak. HICP inflation fell from 0.4% in August to 0.3% in September, leaving inflation at its weakest rate since October 2009 (when it was negative) and well below the ECB's target of "below, but close to, 2%". Furthermore, given the mounting evidence that the region's feeble recovery is losing pace, spare capacity looks set to exert further downward pressure on core inflation over the coming months. Accordingly, the ECB has loosened monetary policy further by cutting the main refinancing rate from 0.15% to 0.05% and the deposit rate from -0.1% to -0.2%. The President also stated that the ECB would revive its previous covered bond purchase programme and claimed that quantitative easing remained a possibility.
- In the UK, equities continued to underperform. The FTSE 100 ended Q3 nearly 2% below its level at the end of Q2. And UK equities continued to underperform those in the US despite improving prospects for the UK's economy relative to the US next year. This may reflect the fact that equity analysts have continued to revise down their expectations for earnings on UK equities. Meanwhile, 10-year gilt yields have edged down from 2.67% at the end of Q2 to 2.31% at the end of Q3 despite further positive news on the pace of the UK's economy. And finally, sterling has continued to appreciate against the euro, rising from €1.25 at the end of Q2 to €1.28 at the end of Q3. But rising interest rate expectations in the US relative to the UK have pushed cable down, with the pound falling from \$1.71 to \$1.62 over the same period.

Appendix 2

Interest Rate Forecast:

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

- Financial markets have pushed back their first increase in Bank Rate from November 2014 to February 2015
- During this quarter, we have moved our first increase in Bank Rate from Q3 2015 to Q1 2015. However, we feel there are downside risks to this central forecast i.e. the first rise could be delayed further if inflation comes in lower than the Bank of England's forecast, growth in labour productivity disappoints and wage inflation fails to rise as fast as the Bank's August Inflation Report new lowered forecast for 2014 of 1.25% (half their previous forecast!).
- Recent safe-haven flows into gilts have depressed gilt yields and PWLB rates. We have previously warned that geopolitical events make forecasting PWLB rates highly unpredictable in the shorter term with any degree of confidence and reliability. We have made a major assumption that these fears will subside i.e. that these safe-haven flows will unwind and rates will rise back again over the next few quarters.

Over the last year, we have had many twists and turns in forward guidance since Mark Carney, was appointed as the Governor of the Bank of England. With the August Inflation Report, and further comments from Carney, we have yet another twist which has caught the markets out again. Indeed, some commentators have now upgraded Carney from being the 'unreliable boyfriend' blowing hot one day and cold the next, to being the 'fearful fiancée' i.e. he has popped the question but can't bring himself to name the day! However, to be fair to Carney, he HAS emphasised consistently that the MPC's decisions will be driven by data and the further twist that we now have is that the latest data (available at the time of the August Inflation Report), for June showed that wage inflation was running at close to zero. Indeed, the Report slashed its forecast for wage inflation in 2014 by half to only 1.25% - a figure which is significantly under their forecast for CPI inflation running at around 1.7 – 1.9% for much of 2014 and 2015 (although Capital Economics think the Bank has over estimated inflation and that it is likely to fall to about 1% around the end of this year). This subdued wage inflation is even more remarkable considering how quickly unemployment is falling and employment is strongly rising, (these two do not necessarily go together!), and so has given rise to comments in the Report that there is considerable hidden slack in the economy in terms of people having jobs, but only part time and wanting to work longer hours, and self employed people struggling to establish financially viable businesses. Throw in also that increases in labour productivity are still weak and you can see the MPC's logic that until this hidden slack is used up,

and wage inflation exceeds inflation, they will be cautious about increasing Bank Rate in order to ensure we get sustainable economic growth.

The long standing unanimity in MPC voting patterns broke down in the August meeting when a 7-2 split vote occurred as two members wanted to start the increase in Bank Rate to 0.75%. This reflects a view by some MPC members that an earlier increase in Bank Rate is more beneficial in the medium term than delaying an increase until statistics make an increase imperative.

We have also slightly lowered some forecasts through to June 2017 to reflect our lowered expectations for inflation and the speed of increase in labour productivity and wage inflation.

We are also concerned that the Eurozone situation appears to be deteriorating further, so this may weaken UK growth as the EZ is our largest export market. EZ GDP figures for Q2 showed growth flat lining after a mere +0.2% in Q1. Germany actually had negative growth of -0.2% in Q2, France 0.0%, and Italy fell into a technical recession (two quarters of negative growth). The tit for tat sanctions between the EU and Russia cast a shadow over future growth prospects so there is a real risk the EZ could be heading towards a triple dip recession since 2008.

However, there is also an increasing risk of the Japanisation of the EZ economy, that is it could fall into a deflationary spiral, as inflation continued falling in September to only +0.3%, the lowest rate since October 2009. This will increase pressure even further on the ECB to pull out all the stops and perhaps embark on quantitative easing (QE), something it has been very reluctant to do. It is a moot point as to whether the ECB will do too little too late. However, several EZ countries are already in the grip of deflation and face little hope of escaping in the near future. Admittedly, Spain, Portugal and Greece are improving on the growth side as reforms bring positive benefits. But again, the downside is that their total government debt is still increasing faster than economic growth; Spain's debt has now reached 98.4% of GDP yet its borrowing rates have plummeted! Greece's debt is now at an unsustainably high level but it is highly unlikely that creditors will agree to yet another hair-cut to reduce that level.

A further area of increased concern is Japan. The Q2 GDP figure came in at -1.7% (-6.8% on an annual basis) as fears that the increase in sales tax from 5% to 8% in April would depress sales after April were confirmed as being well founded as consumers rushed to spend before the tax increase came in. The government and the Bank of Japan are forecasting that GDP will grow sharply in Q3 but the last time sales tax was increased in 1997, the economy fell into a prolonged recession.

As for China, Government action in 2014 to stimulate the economy appeared to be putting the target of 7.5% growth within achievable reach but recent data has raised fresh concerns. There are also major concerns as to the creditworthiness of much bank lending to corporates and local government during the post 2008 credit expansion period and whether the bursting of a bubble in housing prices is drawing nearer.

There are also increasing concerns that the reluctance of western economies to raise interest rates significantly for several years, plus the huge QE measures which remain in place, (and may be added to by the ECB in the near future), has created potentially unstable flows of liquidity searching for yield and consequently an increase in investor risk exposures in order to get higher returns. This is a return of the same environment which led to the 2008 financial crisis.

APPENDIX 3 : PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2014/15	2014/15	2015/16	2016/17
(1). EXTRACT FROM BUDGET AND RENT SETTING REPORT				
	Original Estimate	Forecast Outturn	Forecast Outturn	Forecast Outturn
	£'000	£'000	£'000	£'000
Capital Expenditure				
Non - HRA	50,185	38,732	42,822	14,353
TOTAL	50,185	38,732	42,822	14,353
Ratio of financing costs to net revenue stream				
Non - HRA	10.98%	10.98%	8.24%	7.96%
Net borrowing requirement				
brought forward 1 April *	258,871	258,871	260,048	274,028
carried forward 31 March *	275,239	260,048	274,028	259,764
in year borrowing requirement	16,368	1,177	13,980	(14,264)
In year Capital Financing Requirement				
Non - HRA	16,368	1,177	13,980	(14,264)
TOTAL	16,368	1,177	13,980	(14,264)
Capital Financing Requirement as at 31 March				
Non - HRA	275,239	260,048	274,028	259,764
TOTAL	275,239	260,048	274,028	259,764
Incremental impact of capital investment decisions				
Increase in Council Tax (band D) per annum	£ p 69.61	£ p 48.19	£ p 56.38	£ p (7.61)

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

Maturity structure of new fixed rate borrowing during 2014/15	upper limit	lower limit
under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	40%	0%
10 years and above	80%	0%